MADE BY ORIGIN

origin

ENERGY BY ORIGIN

In 2014, Origin's annual production totalled 142 PJe...

SWITCHED ON BY SAM

...enough energy to power around 1 billion[1] light bulbs.

ANNUAL REPORT 2014

Strategy Performance Growth

CONTENTS

COVER

(1) Assumed heat rate (amount of energy converted from fuel into electricity) of a combined cycle gas power plant of 8 GJ/MWh. 142 PJe divided by 8 GJ/MWh equates to 18 TWh/annum. Assuming that a 14 W compact fluorescent light bulb is used for 3 hours every day, this equates to 15.33 kWh/light bulb/annum. 18 TWh/annum divided by 15.33 kWh/light bulb/annum equates to 1.11 billion light bulbs.

MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

Fellow shareholder,

During the 2014 financial year Origin took significant steps to improve the performance of its operational business while at the same time securing opportunities to drive the Company's future growth.

FINANCIAL HIGHLIGHTS

In the financial year, our Statutory Profit increased by 40 per cent to $530 million, while Underlying Profit (1) decreased by 6 per cent to $713 million, reflecting a lower contribution from the Energy Markets business, which was partially offset by higher contributions from all other business units.

Group Operating Cash Flow After Tax was up 79 per cent from $1.14 billion to $2.04 billion, primarily due to a positive change in working capital from an improved billing and collections performance in Energy Markets, and a reduction in taxes paid.

Basic earnings per share (EPS) based on Statutory Profit increased by 39 per cent to 48.1 cents per share (cps), and Underlying EPS decreased by 7 per cent to 64.8 cps.

In line with our dividend policy, the Board has determined to pay an unfranked final dividend of 25 cps, taking the total dividend for the 2014 financial year to 50 cps.

As a result of utilisation of available tax losses and the impact from development projects, including Australia Pacific LNG, Origin does not expect to have sufficient franking credits to frank the final dividend.

The dividend will be paid on 26 September 2014 to shareholders of record on 28 August 2014. The Dividend Reinvestment Plan (DRP) will apply to this dividend.

THE YEAR IN REVIEW

As foreshadowed at the beginning of the year, our Energy Markets business has faced challenging market conditions. We saw a reduction in volumes which stemmed primarily from a decrease in electricity sales to our domestic Mass Market customers, reflecting a reduction in average consumption and an historically mild year. Despite this, we saw some improvement in margins in the second half of the year.

Energy Markets also strengthened its gas portfolio by entering into a gas purchase agreement with Esso Australia and BHP Billiton during the year. This part of our business remains well positioned to capture the benefits of rising gas prices through oil price-linked gas sales agreements with Queensland LNG projects, as well as the increasing penetration of Mass Market gas customers.

The Australia Pacific LNG project remains on track to deliver first LNG in mid-2015, achieving key milestones in the period. At the year end, the Upstream component of the project was 76 per cent complete and the Downstream component was 75 per cent complete. We are well placed to fund our commitments through to completion of this project, with $5.1 billion of existing liquidity comprising undrawn debt facilities and cash at 30 June 2014.(2)

The performance of our Exploration & Production business reflected record production and higher average commodity prices.

During the period, we announced the acquisition of a 40 per cent interest in the Poseidon exploration permits in Western Australia's prospective Browse Basin. We believe that acquiring these resources, when compared with greenfield exploration, substantially reduces the risk of securing opportunities to drive Origin's long term growth.

Given the Company's strong cash flow during the past financial year and good progress on Australia Pacific LNG, we intend to refinance the debt facilities used for this acquisition through the issue of a new Euro hybrid security as an alternative to ordinary equity.

Origin's position in the market as the leading Australian integrated energy company reflects our strategy to develop our business and deliver value to shareholders.

UNDERLYING BUSINESS PERFORMANCE

Underlying EBITDA decreased 2 per cent to $2.14 billion, reflecting a reduced contribution from Energy Markets of $280 million, partially offset by higher contributions from Exploration & Production, LNG and Contact Energy.

Energy Markets Underlying EBITDA decreased 21 per cent to $1.05 billion, reflecting reduced volumes and higher operating costs.

While we saw a reduction in volumes within the Energy Markets business, our operational performance improved as demonstrated by the uplift in cash flows, stabilisation of customer numbers, enhanced customer experience and reduced rates of churn.

Our customer accounts marginally declined by 0.05 per cent or 3,000 accounts. The net position includes a reduction of 41,000 electricity customer accounts and an increase of 38,000 natural gas accounts, building on our strong gas position. Origin also maintained a churn rate that is 6 per cent lower than the market rate.

We saw an improvement in customer satisfaction and an increased number of customers taking up new product offerings and payment options. The cash cost of serving our customers reduced, reflecting the completion of the Retail Transformation Program. Our focus on improving the performance of our existing businesses is starting to deliver results as reflected in the improvement in margins in the second half.

Exploration & Production Underlying EBITDA increased by 23 per cent to $487 million.

The strong performance of our Exploration & Production business reflects the high level of availability from our main operating assets at Otway, Bass and Kupe basins. Investments made in prior periods to position the business have successfully delivered higher production volumes.

LNG Underlying EBITDA increased by 38 per cent to $83 million, primarily reflecting higher domestic gas sales and production.

Origin's contribution to Australia Pacific LNG increased from $561 million to $2.8 billion during the year. The Australia Pacific LNG project remains on track to deliver first LNG in mid-2015.

Contact Energy Underlying EBITDA increased by 9 per cent to NZ$587 million, primarily due to an increased proportion of energy produced from hydro generation displacing more expensive thermal generation, and the receipt of NZ$43 million of compensation relating to delays in the start-up of the Te Mihi Power Station.

Underlying EBITDA in Australian dollars increased by 23 per cent to $533 million, reflecting the impact of a strengthening NZ dollar.

CREATING GROWTH OPPORTUNITIES FOR THE MEDIUM TO LONGER TERM

Consistent with our focus to be a regionally significant player in natural gas and LNG, and create growth opportunities for the medium term, Origin expanded its gas exploration acreage opportunities within Australia.

We completed a farm-in agreement in the Cooper basin during the year. In July 2014, we were awarded new exploration acreage in the Bonaparte Basin. In August 2014, we completed the acquisition of interests in the Poseidon gas field and a farm-in agreement in the Beetaloo Basin.

Further afield, our strategic intent is to continue a modest level of investment in renewable energy opportunities in Chile and Indonesia.

FUTURE PRIORITIES AND OUTLOOK

Origin's position in the market as the leading Australian integrated energy company reflects our strategy to develop our business and deliver value to shareholders. Today, we employ more than 6,700 (3) people, operate one of the largest generation portfolios and service the energy needs of more than 4.3 million customers. We continue to focus on becoming a regional leader in energy markets and, in addition, we have made good progress on delivering the Australia Pacific LNG project, further underpinning our strategic goal of taking a regionally strategic position in natural gas and LNG production.

(1) Refer to Glossary on page 130.
(2) Excluding Contact Energy and bank guarantees.
(3) Excluding Contact Energy.

Furthermore, we believe the 2015 and 2016 financial years will be a transitional period for Origin with the commencement of LNG production by Australia Pacific LNG in mid-2015 after a seven-year development phase. Increasing LNG production will result in expanding gas margins and an improving supply/demand balance in electricity markets. Origin's energy markets businesses are maturing and operating in a consolidated, lower growth and more competitive environment. Investment in generation and retail systems is complete.

During the next few years, Origin's key priorities are to:

- Improve returns in the energy markets businesses;
- Deliver growth in the natural gas and LNG businesses;
- Grow capabilities and increase investment in renewables; and
- Increase distributions to shareholders, manage capital allocation and funding.

In the next two years, Origin expects:

- An increased contribution from the Energy Markets business in Australia, particularly reflecting improved margins in natural gas in the 2015 financial year, and improved contributions from electricity in the 2016 financial year as competitive conditions in the wholesale market moderate;
- An improved contribution from Contact Energy will reflect the benefits of its investment in geothermal generation and retail transformation. The 2015 financial year will include a full year of Te Mihi generation with a full year of associated depreciation and interest costs;
- A reduced contribution from the Exploration & Production business in 2015 as some assets will have extended shut-downs (BassGas and Otway) to invest in sustaining production capacity for 2016 and beyond;
- Prior period investments in Origin's existing businesses will result in an increase in depreciation and amortisation; and
- First LNG from Australia Pacific LNG's Train 1 to commence in mid calendar year 2015 and from Train 2 in late calendar year 2015. It is not expected that LNG sales from Australia Pacific LNG will contribute to earnings in fiscal 2015, with production from both trains at planned capacity occurring before the end of the 2016 financial year, with first full year contribution from both trains expected in the 2017 financial year.

It is an exciting time for Origin as we enter this next phase of our development.

SHAREHOLDER DISTRIBUTIONS

With average annual distributable cash flow from two LNG trains of around US$1 billion,[1] this step change in earnings and cash flow will allow Origin to increase distributions to shareholders, maintain an investment grade credit rating and reinvest in growing businesses at returns exceeding cost of capital.

Dividends are expected to increase in line with Origin's targeted payout ratio of at least 60 per cent of Underlying EPS as Australia Pacific LNG contributes to earnings and cash flow.

SUSTAINABLE DEVELOPMENT

Our industry remains at the forefront of economic, social and political debate, especially as it relates to energy policy. Each and every day our challenge is to deliver reliable, affordable and cleaner energy to millions of Australasian households. In so doing, we often face complex choices around how to manage our business, deliver for our customers and address the most pressing concerns of our stakeholders. In Australia, we are currently witnessing a substantial change in energy policy settings occurring at both the State and Federal level. As the leading Australian integrated energy company, we continue to advocate that policy should be centred on the imperatives of reliability, cost and environmental sustainability.

Throughout the year our focus has remained on safety. Pleasingly, during the period we recorded a much improved safety result, evidenced by the 23 per cent reduction in the total recordable injury frequency rate from 6.5[2] to 5.0. This measure demonstrates progress towards our ultimate aspiration of conducting our operations in a way that causes no harm to people.

During the 2014 financial year, we appointed Maxine Brenner to our Board as an Independent Non-executive Director and member of the Audit and Risk committees. In addition to bringing strong skills and experience, Ms Brenner's appointment increases the representation of women on Origin's board to 33 per cent, closer to our stated intention of 40 per cent by 2020.

We are committed to workplace diversity and providing equality of opportunity and a rewarding workplace for all employees. Increasing gender diversity, especially in senior roles, remains an ongoing priority for your Company.

We would like to thank our people who have worked tirelessly throughout the year to improve the performance of the existing businesses, and we will continue to focus on delivering value to our shareholders.

In addition, we would like to recognise and thank our other key stakeholders – our customers, the communities in which we operate, our business partners and particularly you, our shareholders for your continuing support.

Gordon Cairns
Chairman

Grant King
Managing Director

(1) Distributable cash flow after Australia Pacific LNG revenues, operational expenditure, ongoing capital expenditure, project finance interest and repayments, and taxation, as expected in the 2017 financial year. Based on current market conditions.

(2) TRIFR for the rolling 12 months to 30 June 2013 has been revised from the previously reported 6.7 to 6.5 due to retrospective data updates.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

In accordance with the *Corporations Act 2001* (Cth), the Directors of Origin Energy Limited (Company) report on the Company and the consolidated entity Origin Energy Group (Origin), being the Company and its controlled entities for the year ended 30 June 2014.

The Operating and Financial Review and Remuneration Report form part of this Directors' Report.

1. PRINCIPAL ACTIVITIES

During the year, the principal activity of Origin was the operation of energy businesses including:

— exploration and production of oil and gas;
— electricity generation; and
— wholesale and retail sale of electricity and gas.

There were no significant changes in the nature of these activities during the year.

2. REVIEW OF OPERATIONS

A review of the operations and results of operations of Origin during the year, and the business strategies and prospects for future financial years, is set out in the Operating and Financial Review, which is attached.

3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the year:

Australia Pacific LNG

Australia Pacific LNG continues to make good progress on the delivery of the CSG to LNG project and is 76 per cent complete on the Upstream and 75 per cent on the Downstream parts of the project. As at 30 June 2014, $21.0 billion had been spent. The Australia Pacific LNG project remains on track for first LNG in mid-2015 and estimated project costs to complete are in line with budget.

During the year, the first Train at the Condabri Central gas processing plant was commissioned, the 530 kilometre main gas transmission pipeline was completed and the last module for the first LNG Train 1 was delivered to site on Curtis Island.

Funding

Origin completed a number of funding initiatives to extend its debt maturity profile and improve its liquidity position.

In August 2013, Origin entered into a new $7.4 billion bank loan facility to refinance all existing bank debt. The Company's standard banking terms, which dated back to 2004, have been replaced with new terms which reflect the current scope, size and maturity of the business, providing financing flexibility for the long term and further extending the Company's debt maturity profile. The interest cost associated with this facility is in line with Origin's existing bank debt, which it replaced. The facility was upsized by $1.2 billion to $8.6 billion due to oversubscriptions from strong demand.

In October 2013, Origin issued €800 million ($1.2 billion) of eight year medium term notes. The notes will mature in October 2021 and have a coupon of 3.5 per cent. In addition, Origin issued US$800 million ($850 million) five year senior unsecured notes. The notes have a coupon of 3.5 per cent and will mature in October 2018. The proceeds of both notes were swapped into Australian dollars and used to repay and cancel $2 billion of the new bank facility.

Developments

Eraring Energy acquisition – On 1 August 2013, Origin acquired the assets of Eraring Energy via a share acquisition and entered into an eight year coal supply agreement with Centennial Coal from the 2015 financial year, following the cancellation of the Cobbora Coal contract.

Retail Transformation Program – During the second quarter, Origin successfully migrated the remaining customers from the NSW acquisition onto Origin's new SAP system.

Cooper Basin farm-in agreements – During the year, Origin completed two farm-in agreements with Senex Energy and Planet Gas to acquire exploration interests in two unconventional gas blocks in South Australia's prospective Cooper Basin.

Beetaloo Basin farm-in – During the year, Origin announced a conditional farm-in with Falcon Oil & Gas Australia and Sasol Petroleum Australia Limited to acquire exploration interests in three unconventional gas blocks in the Northern Territory's Beetaloo Basin, that are prospective for shale gas and associated liquids.

Te Mihi Power Station – On 5 May 2014, Contact Energy commissioned the 166 MW geothermal Te Mihi Power Station.

Natural gas agreements – During the year, Origin signed a gas supply agreement with Esso and BHP Billiton, securing up to 432 PJ of natural gas from Longford over the nine years to 2022. Origin also entered gas sale agreements with QCLNG for up to 30 PJ in 2014 and 2015; and with GLNG for at least 100 PJ and up to 194 PJ over five years from 2016.

The events described above and those disclosed in the Financial Statements represent the significant changes in the state of affairs of Origin for the year ended 30 June 2014.

4. EVENTS SUBSEQUENT TO BALANCE DATE

Other than the items described below, no matters or circumstances have arisen since 30 June 2014, which have significantly affected, or may significantly affect:

— the Company's operations in future financial years;
— results of those operations in future financial years; or
— the Company's state of affairs in future financial years.

Acquisition of 40 per cent interest in WA-315-P and WA-398-P

On 12 August 2014, Origin completed the acquisition of a 40 per cent interest in two offshore exploration permits WA-315-P and WA-398-P, the Poseidon permits, in Western Australia's Browse Basin from Karoon Gas for US$600 million. ConocoPhillips (40 per cent) and PetroChina (20 per cent) are the other two participants in the joint arrangement, with ConocoPhillips also being the Operator. There are further contingent payments due to Karoon Gas of US$75 million on a final investment decision (FID) and US$75 million on first production with an additional amount of up to US$50 million due if 2P reserves meet certain thresholds by FID. In addition, a completion adjustment mechanism will be used to allocate expenditure between Karoon and Origin in accordance with the commercially agreed terms.

The acquisition was funded through a drawdown of existing committed undrawn debt facilities. Origin intends to refinance this drawdown through the issue of a new hybrid security as an alternative to an equity raising. It is expected that a transaction will be completed in the first half of the 2015 financial year, subject to prevailing market conditions.

5. DIVIDENDS

(a) Dividends paid during the year by the Company were as follows:

	$million
25 cents per ordinary share, unfranked, for the year ended 30 June 2013, paid 27 September 2013	275
25 cents per ordinary share, unfranked, for the half year ended 31 December 2013, paid 4 April 2014	275

(b) In respect of the current financial year, the Directors have determined a final dividend as follows:

	$million
25 cents per ordinary share, unfranked, for the year ended 30 June 2014, payable 26 September 2014	276

The Dividend Reinvestment Plan (DRP) will apply to this final dividend at no discount.

6. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Kevin McCann (Chairman until retirement on 23 October 2013)
Gordon Cairns (Chairman, from 23 October 2013)
Grant King (Managing Director)
John Akehurst
Bruce Beeren
Maxine Brenner (appointed 15 November 2013)
Bruce Morgan
Karen Moses
Ralph Norris
Helen Nugent

7. INFORMATION ON DIRECTORS AND COMPANY SECRETARIES

Information relating to current Directors' qualifications, experience and special responsibilities is set out on pages 54 and 55. The qualifications and experience of the Company Secretaries is set out below.

Andrew Clarke
Group General Counsel and Company Secretary

Andrew Clarke joined Origin Energy in May 2009 and is responsible for the company secretarial and legal functions. He was a partner of a national law firm for 15 years and was Managing Director of a global investment bank for more than two years prior to joining Origin. Andrew has a Bachelor of Laws (Hons) and a Bachelor of Economics from Sydney University, and is a member of the Australian Institute of Company Directors (AICD).

Helen Hardy
Company Secretary

Helen Hardy joined Origin Energy in March 2010. She was previously General Manager, Company Secretariat of a large ASX listed company, and has advised on governance, financial reporting and corporate law at a Big 4 accounting firm and a national law firm. Helen is a Chartered Accountant and Chartered Secretary. She holds a Bachelor of Laws and a Bachelor of Commerce from the University of Melbourne, and is admitted to practice in New South Wales and Victoria.

8. DIRECTORS' MEETINGS

The number of Directors' meetings, including Board Committee meetings, and the number of meetings attended by each Director during the financial year are shown in the table below:

	Scheduled Board Meetings		Unscheduled Board Meetings		Meetings of Board Committees									
					Audit		Remuneration		HSE		Nomination		Risk	
Directors	H	A	H	A	H	A	H	A	H	A	H	A	H	A
K McCann [(1)]	4	4	2	2	2	2	2	2	1	0	2	2	1	0
G Cairns	11	11	3	3	3	3	6	6	4	4	3	3	4	4
G King	10	10	3	3	–	–	–	–	4	4	–	–	4	4
J Akehurst	11	10	3	3	–	–	–	–	4	3	3	2	4	3
B Beeren	11	11	3	3	–	–	6	6	–	–	2	2	4	4
M Brenner [(2)]	7	7	1	1	3	3	–	–	–	–	–	–	3	3
K Moses	10	10	3	3	–	–	–	–	–	–	–	–	4	4
B Morgan	11	11	3	3	5	5	–	–	4	4	3	3	4	4
R Norris	11	11	3	3	5	5	3	3	–	–	2	2	4	4
H Nugent	11	11	3	3	5	5	6	6	–	–	3	3	4	4

(1) Up to the date of retirement on 23 October 2013.
(2) From the date of appointment to the Board on 15 November 2013.
H Number of meetings held during the time that the Director held office or was a member of the Committee during the year.
A Number of meetings attended.

The Board held three workshops during the year to consider operational and strategic matters of relevance to the Origin Group. The Board also visited Company operations in Queensland and met with operational management during the year.

9. DIRECTORS' INTERESTS IN SHARES, OPTIONS AND RIGHTS

The relevant interests of each Director in the shares, Subordinated Notes and Rights or Options over such instruments issued by the companies within the consolidated entity and other related bodies corporate at the date of this report are as follows:

Director	Ordinary shares held directly and indirectly	Subordinated Notes held directly and indirectly	Options over ordinary shares	Performance Share Rights over ordinary shares	Ordinary shares in Contact Energy
G King	1,009,059	2,000	2,861,054[(1)]	833,950[(2)]	33,886
J Akehurst	71,200	7,475	–	–	–
B Beeren	1,381,680	500	–	–	35,901
M Brenner	–	–	–	–	–
G Cairns	104,480	–	–	–	–
B Morgan	20,000	1,000	–	–	–
K Moses	233,374	1,000	1,202,418[(3)]	351,647[(2)]	21,038
R Norris	20,000	–	–	–	–
H Nugent	38,834	300	–	–	–

Exercise price for share options and performance share rights:
(1) 297,000: $15.47, 371,212: $14.91, 728,506: $13.01, 1,293,104: $11.78, 171,232: $13.97.
(2) Nil.
(3) 115,000: $15.47, 145,202: $14.91, 271,493: $13.01, 525,518: $11.78, 145,205: $13.97.

Options and Rights granted by Origin Energy

Non-executive Directors do not receive Options or Rights as part of their remuneration.

The following Options and Rights were granted to the Executive Directors and the five most highly remunerated officers (other than Directors) of the Company during the year ended 30 June 2014:

	Options	PSRs
Grant King	171,232	51,795
Karen Moses	145,205	43,922
David Baldwin	210,046	63,536
Dennis Barnes	39,955	12,086
Frank Calabria	67,124	20,304
Andrew Clarke	83,905	25,380
Paul Zealand	64,201	19,420

Each of these awards was made in accordance with the Company's equity incentive plans as part of the relevant executive's remuneration. Further details on Options and Rights granted during the financial year and unissued shares under Options and Rights, are included in Appendix 3 of the Remuneration Report.

No Options or Rights were granted since the end of the financial year.

Options and Rights granted by Contact Energy

The number of Options and Rights granted by Contact Energy to participants under its own long-term incentive plan during the financial year, and on issue at the end of the financial year is summarised below:

Options

Grant date	Expiry date	Exercise price per Option	Balance at 30 June 2014
1 October 2009	30 November 2014	NZ$5.67	1,396,256
1 October 2010	30 November 2015	NZ$5.63	3,475,442
1 October 2011	30 November 2016	NZ$5.4019	2,419,936
1 October 2012	30 November 2017	NZ$5.2186	4,074,454
1 October 2013	30 November 2018	NZ$5.3254	3,385,967

No Contact Energy Options have been granted since the end of the financial year.

Rights

Grant date	Expiry date	Exercise price per Right	Balance at 30 June 2014
1 October 2009	30 November 2014	NZ$0.00	249,662
1 October 2010	30 November 2015	NZ$0.00	783,047
1 October 2011	30 November 2016	NZ$0.00	523,256
1 October 2012	30 November 2017	NZ$0.00	556,222
1 October 2013	30 November 2018	NZ$0.00	612,729

No Contact Energy Rights have been granted since the end of the financial year.

Origin Energy Shares issued on the exercise of Options and Rights

Options

No Options granted under the equity incentive plans were exercised during or since the year ended 30 June 2014, so no ordinary shares in Origin were issued as a result.

Rights

152,062 ordinary shares of Origin were issued during the year ended 30 June 2014 on the vesting and exercise of Rights granted under the equity incentive plans. No amount is payable on the vesting of those Rights and, accordingly, no amounts remain unpaid in respect of any of those shares.

Since 30 June 2014, 1,154 ordinary shares were issued on the vesting of Rights granted under the equity incentive plans. No amount is payable on the vesting of those Rights and, accordingly, no amounts remain unpaid in respect of any of those shares.

Contact Energy Shares issued on the exercise of Options and Rights

6,941 Contact Energy ordinary shares were issued by Contact Energy on vesting of 6,941 Contact Energy Rights. No amount was payable on the issue of those shares and accordingly no amounts remain unpaid on any of those shares.

10. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are subject to environmental regulation under Commonwealth, State and Territory legislation. For the year ended 30 June 2014, the Company's Australian operations recorded a number of environmental incidents. These include both incidents arising from Origin's own activities as well as those where Origin was the operator of a joint venture. Regulators were notified of reportable environmental incidents, all of which had environmental impacts of a minor and/or temporary nature. On five occasions, the Company was issued a fine according to the law, all of which totalled $7,400. Appropriate remedial actions have been taken or are being undertaken in response to each notice or reportable environmental incident.

11. INDEMNITIES AND INSURANCE FOR DIRECTORS AND OFFICERS

Under its Constitution, the Company may indemnify current and past Directors and Officers for losses or liabilities incurred by them as a Director or Officer of the Company or its related bodies corporate to the extent allowed under law. The Constitution also permits the Company to purchase and maintain a Directors' and Officers' insurance policy. No indemnity has been granted to an auditor of the Company in their capacity as auditor of the Company.

The Company has entered into agreements with current Directors and certain former Directors whereby it will indemnify those Directors from all losses or liabilities in accordance with the terms of, and subject to the limits set by, the Constitution.

The agreements stipulate that the Company will meet the full amount of any such liability, including costs and expenses to the extent allowed under law. The Company is not aware of any liability having arisen, and no claim has been made against the Company during or since the year ended 30 June 2014 under these agreements.

During the year, the Company paid insurance premiums in respect of Directors' and Officers' liability, and legal expense insurance contracts for the year ended 30 June 2014.

The insurance contracts insure against certain liability (subject to exclusions) of persons who are or have been Directors or Officers of the Company and its controlled entities. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

12. AUDITOR INDEPENDENCE

There is no former partner or director of KPMG, the Company's auditors, who is or was at any time during the year ended 30 June 2014 an officer of the Origin Energy Group. The auditor's independence declaration for the financial year (made under section 307C of the Corporations Act) is attached to and forms part of this report.

13. NON-AUDIT SERVICES

The amounts paid or payable to KPMG for non-audit services provided during the year are as follows (shown to nearest thousand dollar):

1. Accounting advice	$34,000
2. Taxation services	$48,000
3. Equity and debt transactional services	$337,000
4. Advisory Services – Contract Compliance	$246,000
5. Advisory Services – IT	$39,000
6. Other Assurance Services	$15,000
7. Other services	$52,000

Amounts paid to KPMG are included in Note 21 to the full financial statements.

Based on written advice received from the Audit Committee Chairman pursuant to a resolution passed by the Audit Committee, the Board has formed the view that the provision of those non-audit services by KPMG is compatible with, and did not compromise, the general standards of independence for auditors imposed by the Corporations Act. The Board's reasons for concluding that the non-audit services provided by KPMG did not compromise its independence are:

— all the non-audit services provided were subjected to the Company's corporate governance procedures and, on each occasion, were below the pre-approved limits imposed by the Audit Committee;
— all the non-audit services provided did not, and do not, undermine the general principles relating to auditor independence as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards; and
— there were no known conflict of interest situations nor any other circumstance arising out of a relationship between Origin (including its Directors and Officers) and KPMG which may impact on auditor independence.

14. PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought on behalf of the Company, nor have any applications been made in respect of the Company under section 237 of the Corporations Act.

15. ROUNDING OF AMOUNTS

The Company is a company of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that class order, amounts in the financial report and Directors' Report have been rounded off to the nearest million dollars unless otherwise stated.

16. REMUNERATION

The Remuneration Report is attached and forms part of this Directors' Report.

OPERATING AND FINANCIAL REVIEW
FOR THE YEAR ENDED 30 JUNE 2014

IMPORTANT INFORMATION

This Operating and Financial Review (OFR) contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events and future financial prospects. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. Forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements, and the outcomes are not all within the control of Origin. Statements about past performance are not necessarily indicative of future performance.

Neither the Company nor any of its subsidiaries, affiliates and associated companies (or any of their respective officers, employees or agents) (the "Relevant Persons") makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statement. The forward looking statements in this OFR reflect views held only at the date of this report and except as required by applicable law or the ASX Listing Rules, the Relevant Persons disclaim any obligation or undertaking to publicly update any forward looking statements, or discussion of future financial prospects, whether as a result of new information or future events.

This OFR, Remuneration Report and Directors' Report refer to Origin's financial results, including Origin's Statutory Profit and Underlying Profit. Origin's Statutory Profit contains a number of items that when excluded provide a different perspective on the financial and operational performance of the business. Income Statement amounts, presented on an underlying basis such as Underlying Profit, are non-IFRS financial measures, and exclude the impact of these items consistent with the manner in which the Managing Director reviews the financial and operating performance of the business. Each underlying measure disclosed has been adjusted to remove the impact of these items on a consistent basis. A reconciliation and description of the items that contribute to the difference between Statutory Profit and Underlying Profit is provided in Section 3.1 of this OFR.

Certain other non-IFRS financial measures are also included in this OFR. These non-IFRS financial measures are used internally by management to assess the performance of Origin's business and make decisions on allocation of resources. Further information regarding the non-IFRS financial measures is included in the Glossary on page 130 of this OFR. Non-IFRS measures have not been subject to audit or review.

Certain comparative amounts from the prior year have been re-presented to conform to the current year's presentation and/or to reflect the adoption of new accounting standards (specifically AASB 11 *Joint Arrangements*).

This OFR includes disclosures of Origin and Australia Pacific LNG's reserves and resources as at 30 June 2014. These reserves and resources were announced on 31 July 2014 in Origin's Annual Reserves Report for the year ended 30 June 2014 (Annual Reserves Report). Origin confirms that it is not aware of any new information or data that materially affects the information included in the Annual Reserves Report and that all the material assumptions and technical parameters underpinning the estimates in the Annual Reserves Report continue to apply and have not materially changed.

Petroleum reserves and contingent resources are typically prepared by deterministic methods with support from probabilistic methods. Petroleum reserves and contingent resources are aggregated by arithmetic summation by category and, as a result, proved reserves (1P reserves) may be a conservative estimate due to the portfolio effects of the arithmetic summation. Proved plus probable plus possible (3P reserves) may be an optimistic estimate due to the same aforementioned reasons.

Some of Australia Pacific LNG CSG reserves and resources are subject to reversionary rights to transfer back to Tri-Star a 45 per cent interest in Australia Pacific LNG's share of those CSG interests that were acquired from Tri-Star in 2002 if certain conditions are met. Origin has assessed the potential impact of reversionary rights associated with such interests based on economic tests consistent with these reserves and resources and based on that assessment does not consider that reversion will impact the reserves and resources quoted in the Annual Reserves Report.

1. FINANCIAL AND OPERATING HIGHLIGHTS

Year ended 30 June	2014 $million	2013 $million	Change %
Statutory Results (1):			
External revenue	14,518	14,747	(2)
Statutory Profit	530	378	40
Statutory earnings per share	48.1¢	34.6¢	39
Items excluded from Underlying Profit	(183)	(382)	(52)
Underlying Results (1):			
Underlying Profit	713	760	(6)
Underlying earnings per share	64.8¢	69.5¢	(7)
Underlying EBITDA	2,139	2,181	(2)
Final dividend per share – unfranked	25.0¢	25.0¢	–
Ordinary shares on issue at year end (million shares)	1,104	1,098	1
Operating cash flow	2,227	1,642	36
Group OCAT	2,041	1,142	79
Group OCAT Ratio	11.5%	6.4%	80
Capital expenditure	1,012	1,172	(14)
Origin's cash contribution to Australia Pacific LNG (2)	2,821	561	403
Total Recordable Injury Frequency Rate	5.0	6.5(3)	(23)
Total Production excluding Australia Pacific LNG (PJe)	96	82	17

(1) Refer to Glossary on page 130 for definitions of terms set out in the table.
(2) Via both loan repayments by Origin to Australia Pacific LNG and the issue of mandatorily redeemable cumulative preference shares by Australia Pacific LNG to Origin.
(3) TRIFR for the rolling 12 months to 30 June 2013 has been revised from the previously reported 6.7 to 6.5 due to retrospective data updates.

- Statutory Profit of $530 million was up 40 per cent or $152 million, comprising $47 million lower Underlying Profit more than offset by the $199 million reduction in items excluded from Underlying Profit.
- Items excluded from Underlying Profit decreased 52 per cent or $199 million [1].
- The decrease in Underlying Profit of 6 per cent or $47 million to $713 million was driven by a lower contribution from Energy Markets with lower volumes, partially offset by positive contributions from all other segments.
- Group OCAT of $2,041 million up 79 per cent or $899 million primarily due to a positive change in working capital including improved Energy Markets billing and collections performance, and a reduction in taxes paid.
- Capital expenditure in the existing business decreased by 14 per cent to $1,012 million with major projects completed including the Retail Transformation Program and Te Mihi Power Station, and Mortlake Power Station and Otway Gas project in the prior year.
- Origin's cash contribution to Australia Pacific LNG increased from $561 million to $2,821 million and project progress on Upstream is 76 per cent complete and on Downstream is 75 per cent complete at 30 June 2014 and on track for first LNG in mid-2015.
- Improved safety performance reflected in the 23 per cent reduction in Total Recordable Injury Frequency Rate from 6.5 to 5.0.
- Final dividend of 25.0 cents unfranked.

2. ORIGIN'S BUSINESS STRATEGY

Origin currently supplies energy to wholesale and retail energy markets primarily in Australia and New Zealand and, looking forward, to the Asia Pacific region as Australia Pacific LNG produces first LNG in mid-2015.

In supplying these markets, Origin's strategy is to invest in the contestable segments of energy production, power generation and energy retailing. This strategy is designed to provide opportunities to grow the value of the Company by connecting energy production to customers, while allowing for the more effective management of the risks that arise across an increasingly competitive energy supply chain. Origin pursues this strategy through its Energy Markets and Exploration & Production businesses and a 37.5 per cent interest in Australia Pacific LNG in Australia and through its 53.1 per cent interest in Contact Energy in New Zealand.

Both natural gas and renewable energy are expected to be the strongest growing fuels globally in the medium to longer term.

Origin intends to grow its interests in natural gas resources in Australia and New Zealand with paths to monetise resources both domestically and internationally through LNG exports, particularly to the Asia Pacific region where demand for energy is expected to increase significantly. Origin also intends to continue growing its capabilities and investing in renewable energy development opportunities including wind, geothermal, solar and hydro resources.

Origin believes the successful pursuit of this strategy will lead to Origin:

- being the regional leader in energy markets in Australia and New Zealand;
- having a regionally significant position in natural gas and LNG production; and
- having a growing position in renewable energy in the Asia Pacific region.

2.1 Regional leader in energy markets

Origin holds a significant position in energy markets across both Australia and New Zealand through its Energy Markets business in Australia and its 53.1 per cent interest in Contact Energy in New Zealand.

Australia

Origin, through its Energy Markets business segment, has leading integrated operations in the energy supply, power generation and retail sectors of the Australian energy supply chain, comprising:

- a large and diverse gas portfolio which, together with flexible gas transport arrangements and coal supply arrangements, support a strong domestic generation and retail business;
- a large generation portfolio of approximately 6,010 MW providing flexibility and diversity across fuel, generation type and geography; and
- the leading energy retailing position in Australia by customer accounts with approximately 29 per cent [2] share of natural gas and electricity retail customer accounts in Australia's eastern and southern states, servicing over 4.3 million electricity, gas and LPG customers with a diverse portfolio of energy products and solutions including green energy products.

Origin's fuel portfolio supplies gas to its retail gas customers and gas-fired power stations, and coal to operate the Eraring Power Station. Origin's fleet of gas-fired and coal-fired power stations provides a hedge to the retail electricity business and, in particular, helps to manage risks associated with wholesale electricity prices during extreme price events.

Origin will continue to build on this integrated strategy to capture value across the energy supply chain, enhance the range of growth opportunities and manage risks. In particular, Origin's portfolio of competitively-priced gas contracts, a significant amount being set at previously low domestic prices, enable value to be captured as wholesale gas prices rise.

With the largest retail customer base in Australia, Origin's leading retail position provides an effective channel to market for Origin's fuel and generation portfolio as well as economies of scale on investment in business systems that allow Origin to effectively service the needs of customers. By leveraging this scale advantage, Origin is well placed to respond to competition in the energy markets and maintain its leading market position.

New Zealand

Origin holds a 53.1 per cent interest in Contact Energy, one of New Zealand's leading integrated generation and energy retailing companies.

Contact Energy supplies electricity, gas and LPG to approximately 568,000 commercial and residential customers and has around a 22 per cent share of the retail electricity market.[3] Contact Energy owns and operates a generation portfolio of 2,359 MW across New Zealand, the majority of which is renewables, and supplies approximately 24 per cent of New Zealand's electricity needs.[4] Contact Energy focuses on developing, owning and operating lower cost baseload and flexible generation capacity, an increasing proportion of which is delivered from geothermal and hydro generation, which contributes to an increasingly competitive cost of energy.

Origin's energy markets businesses in Australia and New Zealand make Origin the leading integrated energy markets business in the region.

2.2 Regionally significant position in natural gas and LNG production

Origin has an upstream Exploration & Production business in Australia and New Zealand, with exploration and production interests principally located in eastern and southern Australia, the Browse and Perth basins in Western Australia, the Bonaparte and Beetaloo basins in the Northern Territory and in New Zealand.

Origin holds a 37.5 per cent shareholding in Australia Pacific LNG which owns extensive CSG reserves, predominantly in the Surat and Bowen basins in Queensland. Australia Pacific LNG has the largest 2P CSG reserves position [5] in Australia of 14,091 PJe [6] and is developing a large-scale CSG-to-LNG project that has a nameplate capacity of nine million tonnes of LNG each year for export to supply the growing demand in Asia under long term supply contracts.

(1) Refer to Appendix 2 on page 32 for a reconciliation of items excluded from Underlying Profit in the current and prior year.
(2) Based on Origin natural gas and electricity customer accounts as at 30 June 2014 and estimated market customer accounts as at 30 June 2013.
(3) By electricity customer accounts at 30 June 2014.
(4) Based on New Zealand's total annual electricity generation for the year ended 30 June 2014.
(5) EnergyQuest, May 2014.
(6) At 30 June 2014. For further information refer to Origin's Annual Reserves Report for the year ended 30 June 2014, announced on 31 July 2014. Also refer to the Important Information on reserves and resources disclosures on page 9.

Origin is the upstream operator of the Australia Pacific LNG project, responsible for the development of the CSG resources and the processing and transportation of gas to the LNG facility on Curtis Island and is on track to deliver first LNG in mid-2015.

As the upstream operator of the Australia Pacific LNG project, together with Origin's own existing gas operations, Origin has significant capabilities in natural gas production and has a substantial reserves position in the Asia Pacific region with 6,473 PJe of 2P reserves.(1)

As part of Origin's strategy to be a regionally significant player in natural gas and LNG, the Company entered into several transactions during the year to strengthen its portfolio of potential gas resource developments within Australia to supply both domestic and export markets.

Origin's existing upstream business in Exploration & Production, its shareholding in Australia Pacific LNG and a significant set of exploration and development opportunities make Origin a regionally significant player in natural gas and LNG.

2.3 Growing position in renewable energy in the Asia Pacific region

Origin currently holds a significant renewable position, through its wind farm at Cullerin Range in Australia and geothermal and hydro generation owned by Contact Energy in New Zealand, including the recently commissioned Te Mihi geothermal power station and through wind power purchase agreements. Contact Energy has a number of development opportunities in New Zealand including consents for up to 250 MW of geothermal generation at Tauhara. Origin also has a number of wind development opportunities, most notably Stockyard Hill in Victoria, and geothermal and hydro development opportunities in Chile and Indonesia. The timing of any development will be contingent on market conditions and the prevailing regulatory environment.

Origin will continue to build on its existing renewable portfolio and seek new opportunities such as in solar technologies where market structures provide attractive and sustainable value for renewable resources.

3. REVIEW OF FINANCIAL PERFORMANCE

3.1 Underlying financial performance (2)

Year ended 30 June	2014 $million	2013 $million	Change %
External revenue	14,518	14,747	(2)
Underlying EBITDA	2,139	2,181	(2)
Underlying depreciation and amortisation	(732)	(695)	5
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(54)	(48)	13
Underlying EBIT	1,353	1,438	(6)
Underlying net financing costs	(192)	(255)	(25)
Underlying Profit before income tax and non-controlling interests	1,161	1,183	(2)
Underlying income tax expense	(342)	(339)	1
Non-controlling interests' share of Underlying Profit	(106)	(84)	26
Underlying Profit	713	760	(6)
Items excluded from Underlying Profit	(183)	(382)	(52)
Statutory Profit	(530)	378	40
Underlying earnings per share	64.8¢	69.5¢	(7)

A detailed analysis of the underlying performance of the business by operating segment is provided in Section 6.

External revenue

External revenue decreased by 2 per cent or $229 million to $14,518 million, primarily driven by a reduction in electricity and natural gas sales in Energy Markets and offset by higher production volumes and higher commodity prices in Exploration & Production.

Underlying EBITDA

Underlying EBITDA decreased 2 per cent or $42 million to $2,139 million reflecting a reduced contribution from Energy Markets of $280 million with lower sales volumes and higher operating costs, partially offset by higher contributions from all other segments.

Year ended 30 June	2014 $million	2013 $million	Change %
Energy Markets	1,053	1,333	(21)
Exploration & Production	487	395	23
LNG	83	60	38
Contact Energy	533	435	23
Corporate	(17)	(42)	(60)
Underlying EBITDA	**2,139**	**2,181**	**(2)**

Underlying depreciation and amortisation

Underlying depreciation and amortisation increased by 5 per cent or $37 million to $732 million. This was primarily due to higher production from the Otway and Kupe basins.

(1) At 30 June 2014. Including hydrocarbon liquids. Includes Origin's 37.5 per cent share of Australia Pacific LNG.
(2) Refer to Glossary on page 130 for definitions of terms in the table.

Underlying net financing costs

Underlying net financing costs decreased by 25 per cent or $63 million to $192 million, due to improved operating cash flow reducing the debt balance attributable to Underlying funding requirements and lower average interest rates (-$30 million) and higher capitalised interest (-$33 million) predominantly associated with the potential Ironbark development partly offset by the completion of the Mortlake Power Station in the prior year.

Underlying income tax expense

Underlying tax expense for the current year increased by 1 per cent to $342 million. The Underlying effective tax rate [(1)] was 29 per cent (29 per cent, 30 June 2013).

Underlying Profit

Underlying Profit decreased by 6 per cent or $47 million to $713 million. Underlying Profit is derived from Statutory Profit and excludes the impact of certain items (described below) that do not align with the manner in which the Managing Director reviews the financial and operating performance of the business.

Reconciliation Year ended 30 June 2014 $million	EBITDA	D&A	Share of ITDA	EBIT	Net financing costs	Tax	Non-controlling Interests	NPAT
Statutory equivalent measure	**1,943**	**(732)**	**(33)**	**1,178**	**(431)**	**(109)**	**(108)**	**530**
Decrease in fair value of financial instruments	(278)	–	–	(278)	–	84	(2)	(196)
Asset disposals, dilutions and impairments	233	–	5	238	–	(77)	(4)	157
LNG related items	(47)	–	16	(31)	(239)	78	–	(192)
Other	(104)	–	–	(104)	–	148	4	48
Less total excluded items	**(196)**	–	**21**	**(175)**	**(239)**	**233**	**(2)**	**(183)**
Underlying measure	**2,139**	**(732)**	**(54)**	**1,353**	**(192)**	**(342)**	**(106)**	**713**
Underlying Basic EPS (cps)								**64.8**

Fair value measurement of financial instruments (-$196 million)

Includes movements in electricity and other commodities (-$156 million) and cross currency derivatives (-$40 million).

Asset disposals, dilutions and impairment of assets (+$157 million)

A $157 million benefit, primarily comprising:

- +$267 million post-tax and non-controlling interests benefit on the cancellation of the Cobbora Coal Supply Agreement and settlement of the GenTrader arrangements.
- +$15 million profit on disposal of TAWN and Contact Energy assets.
- -$51 million impairment of the PNG EDL Hydro joint venture. The impairment of the Purari hydro generation project has been recorded given current uncertainty regarding the PNG political and regulatory environment. Origin will continue to assess the project, which offers a high quality hydro resource, considering future changes in the political and regulatory environment.
- -$25 million impairment of Carbon Conscious intangible assets following the repeal of the carbon tax and decline in market value of emissions units.
- -$24 million impairment of contracted power stations due to expected termination of energy supply agreements with BP's Bulwer Island refinery, Worsley due to power station energy agreements ceasing in March 2016; and
- -$23 million impairment for oil and gas assets including onshore New Zealand and Australia Pacific LNG acreage at Denison North.

LNG related items (-$192 million)

LNG related items primarily comprised net financing costs of -$168 million post-tax incurred by Origin and -$14 million post-tax foreign currency loss predominantly in relation to foreign currency denominated funding associated with the development of Australia Pacific LNG. The financing costs would otherwise be capitalised if the development project was held by Origin rather than via an equity accounted investment.

Other items (+$48 million)

- +$103 million tax benefit relating to the amendment to the tax treatment of unbilled income.
- -$59 million for Origin and Contact Energy's retail transformations and NSW Energy assets transition costs (includes Eraring Energy).
- +$15 million tax benefit from the translation of foreign denominated long term tax balances; and
- -$11 million transaction costs associated with potential corporate acquisitions and strategic transactions.

3.2 Final dividend – 25.0 cps unfranked

A final unfranked dividend of 25.0 cents per share will be paid on 26 September 2014 to shareholders of record on 28 August 2014, taking annual dividends to 50.0 cents per share. Origin shares will trade ex-dividend from 26 August 2014.

As a result of utilisation of available tax losses and the impact of development projects, including Australia Pacific LNG, Origin does not expect to have sufficient franking credits to frank the final dividend. The conduit foreign income component of the final dividend is nil.

The Dividend Reinvestment Plan (DRP) will apply to this dividend. No discount will be applied in the calculation of the DRP price. The DRP price of shares will be calculated as the arithmetic average of the daily volume weighted average market price during a period of ten trading days commencing on the third trading day immediately following the Record Date. The last election date for the DRP is 29 August 2014. Shares issued under the DRP will rank equally with other fully paid ordinary shares of the Company.

(1) Refer to Glossary on page 130.

4. REVIEW OF CASH FLOWS

4.1 Statement of cash flows

Year ended 30 June	2014 $million	2013 $million	Change $million	Change %
Cash and cash equivalents at the start of the period	308	358	(50)	(14)
Cash flows from operating activities	2,227	1,642	585	36
Cash flows used in investing activities	(3,314)	(1,515)	(1,799)	119
Cash flows (used in)/from financing activities	1,002	(188)	1,190	N/A
Net increase in cash and equivalents	(85)	(61)	(24)	39
Effect of foreign exchange rates on cash	5	11	(6)	(55)
Cash and cash equivalents at the end of the period	**228**	**308**	**(80)**	**(26)**

Cash flows from operating activities of $2,227 million were up $585 million on the prior year. This was driven by improvements in working capital requirements and lower income tax paid, partly offset by proceeds received under the Oil Sale Agreements [(1)] in the prior year. Section 4.2 includes further commentary of Origin's Operating Cash Flow after Tax (OCAT) measure.

Cash flows used in investing activities (primarily capital and investment expenditure) was $3,314 million, an increase of $1,799 million, with a $2,260 million increase in the cash contribution to Australia Pacific LNG, partly offset by the receipt of $300 million from the NSW State Government as part of the terms for cancellation of the Cobbora Coal Supply Agreement and a reduction in non-Australia Pacific LNG capital expenditure of $193 million. Section 4.3 provides more details on Origin's investing activities during the year.

Cash flows from financing activities include net cash flows relating to Origin's funding activities, including the payment of interest and dividends. Cash flows from financing activities increased $1,190 million primarily reflecting increased borrowings to fund Origin's contribution to Australia Pacific LNG. Section 4.4 provides more details on Origin's funding initiatives during the current year.

4.2 Operating Cash Flow After Tax (OCAT)

Year ended 30 June	2014 $million	2013 $million	Change $million	Change %
Underlying EBITDA	2,139	2,181	(42)	(2)
Change in working capital	163	(298)	461	N/A
Stay-in-business capital expenditure	(309)	(267)	(42)	16
Share of Australia Pacific LNG OCAT less EBITDA	(55)	(34)	(21)	62
Exploration expense	54	18	36	200
NSW acquisition-related liabilities	(54)	(185)	131	71
Other	120	2	118	N/A
Tax paid	(17)	(275)	258	(94)
Group OCAT [(1)] (including share of Australia Pacific LNG)	**2,041**	**1,142**	**899**	**79**
Net interest paid	(442)	(436)	(6)	1
Oil Sale Agreements	–	482	(482)	N/A
Free cash flow [(1)]	**1,599**	**1,188**	**411**	**35**
Productive Capital [(1)]	**16,577**	**15,783**	**794**	**5**
Group OCAT Ratio (%) [(1)]	**11.5**	**6.4**	**5**	**80**

One of Origin's internal measures of performance is the Group OCAT Ratio which is an indicator of the cash returns the Company is generating from Productive Capital.

The key difference between Group OCAT and statutory cash flows from operating activities is that Group OCAT excludes cash items excluded from Underlying Profit and proceeds from the Oil Sale Agreements in the prior year, and includes stay-in-business capital expenditure and Origin's share of Australia Pacific LNG's OCAT.

Group OCAT increased by 79 per cent or $899 million to $2,041 million. The $42 million decrease in Underlying EBITDA was offset by:

- $461 million decrease in working capital requirements primarily due to a decrease in Energy Markets working capital requirements with lower debtors from the significantly improved billing and collections performance and lower sales; a benefit from the timing of carbon scheme settlement payments and lower green certificate payments; partly offset by lower network and wholesale energy payables;
- $131 million lower use of the provisions for the transitional services agreements (TSAs) as NSW retail customers were migrated to Origin's new SAP system a year ahead of schedule and onerous hedge contracts (refer section 6.1.1);
- Stay-in-business capital expenditure was $42 million higher due to IT-related and generation asset expenditure; and
- $258 million less tax paid due to timing differences arising on the payment of tax instalments.

Net interest paid of $442 million was up $6 million due to higher debt levels associated with Australia Pacific LNG funding offset by lower average interest rates.

Free cash flow available for distributions to shareholders and funding growth increased by 35 per cent, or by $411 million, to $1,599 million. The prior year benefited from the receipt of $482 million from the Oil Sale Agreements which was not repeated in the current year.

Productive Capital in the business, calculated on a 12-month weighted average basis, increased by 5 per cent or $794 million to $16,577 million due to favourable foreign exchange translation of Contact Energy's Productive Capital, the Mortlake Power Station being commissioned during the prior year and capital expenditure in the Otway Basin.

(1) Refer to Glossary on page 130.

With the increase in Group OCAT and increase in Productive Capital, the Group OCAT Ratio for the year ended 30 June 2014 was 11.5 per cent, up from 6.4 per cent for the year ended 30 June 2013.

4.3 Capital expenditure and Origin's cash contributions to Australia Pacific LNG (1)

In the year, Origin invested $3,833 million, comprising $1,012 million of capital expenditure on the existing businesses and $2,821 million of cash contributions to Australia Pacific LNG. This compares with $1,733 million invested in the prior year, comprising $1,172 million of capital expenditure and $561 million of cash contributions to Australia Pacific LNG.

Capital expenditure (including capitalised interest)

Total capital expenditure on the existing businesses for the current year was $1,012 million, down 14 per cent from $1,172 million.

Stay-in-business capital expenditure was $309 million, up 16 per cent from $267 million.

Growth capital expenditure was $699 million, including $98 million of capitalised interest, compared with $905 million. This included expenditure of $20 million or more in the following areas:

Energy Markets – $96 million in total, including:

- Retail systems – $66 million;

Exploration & Production – $365 million in total, including:

- Cooper Basin – $103 million;
- Ironbark – $68 million:
- Otway Project – $36 million;
- Canterbury Basin (NZ) – $35 million;
- Halladale/Black Watch – $34 million;
- Vietnam exploration – $32 million;

Contact Energy – $183 million in total, including:

- Te Mihi Power Station – $67 million;
- Retail transformation $61 million;
- Wairakei Steam Field – $27 million; and

Corporate – $55 million in total, including IT and international development.

Origin acquired Eraring Energy Pty Ltd on 1 August 2013 for a net cash payment of $4 million, reflecting a cash purchase consideration of $50 million (2) less settlement adjustments of $21 million and acquired cash balance of $25 million.

Cancellation of the Cobbora Coal Supply Contract

Origin received $300 million from the NSW State Government as part of the terms for cancellation of the Cobbora Coal Supply Agreement.

Origin's cash contributions to Australia Pacific LNG

During the current year, Origin contributed $2,821 million to Australia Pacific LNG via both loan repayments to Australia Pacific LNG ($1,847 million) and the issue of mandatorily redeemable cumulative preference shares (MRCPS) by Australia Pacific LNG to Origin ($974 million) to fund its activities, compared to the repayment of $561 million in the prior year, an increase of $2,260 million.

4.4 Funding and capital management

Funding initiatives

Origin completed a number of funding initiatives during the year to extend its debt maturity profile and improve its liquidity position.

In August 2013, Origin entered into a new $7.4 billion bank loan facility to refinance all existing bank debt. The Company's standard banking terms, which dated back to 2004, have been replaced with new terms which reflect the current scope, size and maturity of the business, providing financing flexibility for the long term and further extending the Company's debt maturity profile. The interest cost associated with this facility is in line with Origin's existing bank debt which it replaced. The facility was upsized by $1.2 billion to $8.6 billion due to oversubscriptions from strong demand.

In October 2013, Origin issued €800 million ($1.2 billion) of eight year medium term notes. The notes will mature in October 2021 and have a coupon of 3.5 per cent. In addition, Origin issued US$800 million ($850 million) five year senior unsecured notes. The notes have a coupon of 3.5 per cent and will mature in October 2018. The proceeds of both notes were swapped into Australian dollars and used to repay and cancel $2 billion of the new bank facility.

As at 30 June 2014, Origin has $5.1 billion of existing liquidity comprising committed undrawn debt facilities and cash (excluding Contact Energy and bank guarantees). This liquidity position, together with free cash flow from the existing businesses, will be used to support Origin's remaining funding contribution to Australia Pacific LNG and other business initiatives.

Australia Pacific LNG signed project finance agreements for the US$8.5 billion project finance facility during the second quarter of the 2012 calendar year and commenced drawing on the facility in the fourth quarter of the 2012 calendar year. At 30 June 2014, US$7,768 million of the facility had been drawn.

The US$600 million acquisition of a 40 per cent interest in the Poseidon exploration joint venture was funded on 12 August 2014 through a drawdown of existing committed undrawn debt facilities.

Origin either holds debt denominated in, or hedges debt to Australian dollars, US dollars and NZ dollars to match the currency denomination of cash flow receipts and the functional currency of its various businesses.

Share capital

During the current year, Origin issued an additional 5.68 million shares, raising a total of $79 million. This included 5.53 million shares under the DRP which raised $79 million, and 0.15 million shares issued as a result of the exercise of long-term employee incentives.

The total number of shares on issue was 1,104 million at 30 June 2014.

The weighted average number of shares used to calculate basic EPS at 30 June 2014 increased by 7 million to 1,101 million from 1,094 million at 30 June 2013.

Net Debt and equity

Net Debt

Net Debt for the consolidated entity increased by 34 per cent or $2,326 million to $9,134 million from $6,808 million at 30 June 2013. The increase in net debt is primarily due to Origin's cash contribution to Australia Pacific LNG ($2,821 million), capital expenditure including capitalised interest ($1,012 million), net cash dividend payment ($555 million) and the fair value and foreign currency translation movements of debt ($300 million), partially offset by cash flows from operating activities ($2,227 million).

Equity

Shareholders' Equity (3) increased by 2 per cent (+$335 million) from $14,794 million at 30 June 2013 to $15,129 million at 30 June 2014. The increase is predominantly due to Statutory Profit of $530 million, reserve movements including foreign currency and hedging (+$97 million), movement in share capital (+$79 million), and an increase in non-controling interests' share of equity movements (+$174 million), partially offset by dividends paid by the parent entity (-$550 million).

(1) The capital expenditure above is based on cash flow amounts rather than accrual accounting amounts, and includes growth and stay-in-business capital expenditure, capitalised interest, acquisitions and Origin's cash contributions to Australia Pacific LNG (via both loan repayments to Australia Pacific LNG and the issue of mandatorily redeemable cumulative preference shares (MRCPS) by Australia Pacific LNG to Origin).

(2) The cash purchase consideration of $50 million paid on completion reflects a total purchase price of $659 million net of the balance of prepaid capacity charges and funds prepaid on deposit with the NSW Government of $609 million in relation to the existing GenTrader arrangements.

(3) Refer to Glossary on page 130.

Gearing Ratio [(1)]

The following table provides the calculation of the Gearing Ratio based on the reported Net Debt and the reported Shareholders' Equity:

As at	30 June 2014	30 June 2013
Net Debt as reported ($million)	9,134	6,808
Shareholders' Equity as reported ($million)	15,129	14,794
Net Debt to (Net Debt + Shareholders' Equity) (%)	**38**	**32**

4.5 Interest rates

Origin's Underlying average interest rate incurred on debt for the current year was 5.6 per cent compared with 6.1 per cent for the prior year. The lower Underlying average interest rate was primarily due to a reduction in the Australian dollar floating interest rate. Underlying net financing costs used to calculate the Underlying average interest rate include interest on Origin's Australian dollar, US dollar and New Zealand dollar debt obligations, Contact Energy's New Zealand dollar denominated debt, as well as commitment fees incurred on undrawn committed debt facilities associated with Origin's underlying business.

Net interest incurred on drawn debt and commitment fees paid on undrawn committed debt facilities, which act to support Origin's future funding commitments to Australia Pacific LNG, are excluded from Underlying net financing costs (refer to Section 3.1) and from the interest rate quoted above. This amounted to $168 million post-tax, and would otherwise be capitalised except for Origin's investment in Australia Pacific LNG being equity accounted.

As at 30 June 2014, Origin held cash and cash equivalents of $228 million compared with $308 million at 30 June 2013. This cash was invested at an average rate of 2.9 per cent.

Approximately 80 per cent of Origin's consolidated debt obligations are fixed to 30 June 2015 at an average rate of 5.8 per cent including margin.

5. PROSPECTS AND OUTLOOK FOR FUTURE FINANCIAL YEARS

5.1 Prospects

The 2015/2016 financial years are transitional years for Origin with the commencement of LNG production in Queensland and Australia Pacific LNG in mid-2015 after a seven year development period.

The LNG project will deliver a step change in Origin's earnings and cash flow from the 2016 financial year when the project begins to deliver LNG under its existing long term contracts.

The first full year of earnings and cash flows from two LNG trains at Australia Pacific LNG is expected in the 2017 financial year, with distributable cash flow [(2)] of around US$1 billion (Origin 37.5 per cent share) on average per year.

Over the same period, Origin's energy markets businesses are maturing and operating in a consolidated, lower growth and more competitive environment. Investment in new generation and retail systems is complete. In view of these developments, Origin's priorities are changing.

Origin's key priorities are to:

- Improve returns in the energy markets businesses;
- Deliver growth in the natural gas and LNG businesses;
- Grow capabilities and increase investment in renewables; and
- Capital management and funding.

Improving returns in the energy markets businesses

Origin is focused on improving returns in the existing energy markets businesses in Australia and New Zealand by:

- Deregulation of retail markets;
- Improving margin management;
- Improving customer experience;
- Reducing operating costs;
- Delivering the benefit from the Company's strong position in gas and renewables; and
- Lowering capital investment.

The removal of remaining retail price regulation is expected to enable the industry to more effectively compete on prices that appropriately reflect the costs and risks of energy retailing. As part of the NSW electricity deregulation package which took effect on 1 July 2014, a transitional price path was agreed for customers remaining on regulated tariffs as at 30 June 2014, which extends to 30 June 2015 for eligible small business customers and 30 June 2016 for eligible residential customers.

The current trend of declining average consumption of Mass Market customers in electricity markets both in Australia and overseas is expected to persist in the near term driven by increased energy efficiency, and uptake of solar energy and consumer reaction to increased electricity prices.

Despite the moderating of intense discounting in NSW seen in the 2013 financial year, the Victorian electricity market continues to be intensely competitive. Origin will seek to manage margins in these competitive conditions but the effects of discounts offered in the 2014 financial year will continue to constrain margins into the 2015 financial year.

Origin's energy markets businesses will continue to focus on improving customer experience and customer retention in the 2015 financial year and beyond. Origin has made significant changes to its marketing and sales processes to simplify and improve the customer contracting process. In the 2014 financial year, Origin also extended call centre hours, introduced a series of customer service hubs and removed exit fees from all residential plans.

With the completion of the retail transformations, all Origin customers are now on the SAP platform in Australia and all Contact Energy customers are on the SAP platform in New Zealand. Following the early termination of the NSW Government TSA, Origin is well placed to drive operational efficiencies within its energy markets businesses. The release of the TSA provision in the 2014 financial year will not be repeated in the 2015 financial year.

(1) Refer to Glossary on page 130.
(2) Distributable amount is cash flow after Australia Pacific LNG revenues, operational expenditure, ongoing capital expenditure, project finance interest and repayments, and taxation. Based on current market conditions.

Contact Energy continues to target greater operational efficiencies and managing cash flow to improve returns to shareholders. It will take time to fully realise the benefits of the new systems and processes from retail transformation and provide a positive contribution to profits above the increase in interest and depreciation costs.

Origin's gas margins continue to expand, evidencing the benefit of the Company's gas supply portfolio. Origin is capturing the benefit of rising gas prices through increasing penetration of Mass Market gas customers, particularly in NSW, and realising significant value through gas sales agreements signed with other LNG projects in Queensland at oil-linked prices. The timing of additional contributions from these gas sales agreements will depend on the date at which LNG projects in Queensland, other than Australia Pacific LNG commence production. Origin's wholesale electricity and gas portfolios are well placed to benefit from the transition of these markets as LNG production facilities come on line.

Energy Markets is pursuing a revitalised solar strategy addressing residential, business and utility scale solar markets. Looking further ahead, Energy Markets is positioned to leverage emerging technologies including electric vehicles and storage. In New Zealand, the completion of Te Mihi geothermal power station will increase Contact's proportion of low cost fuel in its generation mix, resulting in improved margins.

Investment in growth to retain market share, new generation and retail systems is complete in the Energy Markets segment and in Contact Energy. As a result, the capital invested in the energy markets businesses will be constrained in future periods.

In Australia, the carbon pricing mechanism that was established as part of the *Clean Energy Act 2011* (Cth) was repealed on 17 July 2014. The repeal is effective from 1 July 2014 so that no liability exists for the 2015 financial year. With final settlement under the scheme expected to occur in the 2015 financial year, there will be a cash settlement of around $300 million.

Delivering growth in the natural gas and LNG businesses

Origin's diverse portfolio of gas resources means it is well positioned to benefit from an expected transformation in gas markets in Asia.

Origin is focused on growing its gas and LNG businesses by:

- delivering first LNG production at Australia Pacific LNG's project by mid-2015;
- infield and near field exploration and development of existing Upstream assets; and
- increasing exploration and development focus on Australia and New Zealand rather than overseas.

LNG

Australia Pacific LNG continues to make good progress on the delivery of the CSG to LNG project and is 76 per cent complete on the Upstream and 75 per cent on the Downstream parts of the project. As at 30 June 2014, $21.0 billion had been spent. The Australia Pacific LNG project remains on track for first LNG in mid-2015 and estimated project costs to complete are in line with budget.

Planning is underway for transitioning from the project phase to investing in sustaining production and ongoing operations. With the current good progress in the drilling and completions, and gathering parts of the project, resources will continue to be used and costs incurred in advance of first LNG in mid-2015 to sustain production in the longer term. This includes sustain phase capital expenditure incurred in non-operated areas, which is expected to be reflected in the 2015 financial year non-operated capital expenditure.

Exploration & Production

Exploration & Production is expected to continue to benefit from the improved reliability of its existing assets in the 2015 financial year. However, production levels are expected to be lower than the current year due to a number of planned shutdowns.

The focus in the short to medium term will be on infield and near field development from existing Upstream assets such as Yolla 5 and 6 wells in the Bass Basin, Halladale/Black Watch in the Otway Basin and other near field exploration activities including Speculant. In the Otway Basin, preparations for drilling Geographe 3 are progressing.

Origin is progressing existing gas opportunities in Australia and New Zealand to provide ongoing growth following the completion of the Australia Pacific LNG project. This includes preparing existing gas opportunities such as Ironbark to be ready for final investment decisions to be taken in the near term.

In the medium to longer term, Origin has a portfolio of exploration activities to increase its gas resource position, including the recent farm-ins into the Cooper and Beetaloo basin joint ventures, the acquisition of a 40 per cent interest in the Poseidon exploration permits in the Browse Basin and the new acreage in the Bonaparte Basin. Origin will also seek to access additional gas opportunities in Australia and New Zealand and has discontinued current exploration efforts in Botswana and Kenya. (1)

Growing capabilities and increasing investment in renewables

Origin controls a significant portfolio of renewable generation including geothermal and hydro in New Zealand through its 53.1 per cent stake in Contact Energy and wind assets in Australia. Origin is focused on leveraging this renewable base, growing its capabilities and increasing its investment in renewable energy, with a focus on market-driven solar, geothermal and hydro opportunities.

Further afield, Origin continues to advance a modest level of investment in renewable energy opportunities in Chile and Indonesia.

Capital management and funding

Over the next two years, Origin is focused on:

- increasing distributions to shareholders;
- maintaining liquidity and an investment grade credit rating; and
- reinvesting cash in growing businesses.

As prior project investments are completed, Origin's growth capital expenditure in the existing businesses excluding Australia Pacific LNG has reduced to $699 million in the current year and is likely to be slightly higher in the 2015 financial year. (2)

As the Australia Pacific LNG project progresses to completion, estimates of Origin's remaining contribution to Australia Pacific LNG in advance of first LNG in mid-2015 will be determined by the month of the first LNG shipment, ramp gas sales, and the amount of investment in sustaining production that occurs prior to project finance completion requirements being met.

In the past 12 months, Origin has undertaken a number of funding initiatives to extend its debt maturity profile and improve its liquidity position, including the $8.6 billion bank loan facility.

As at 30 June 2014, Origin has $5.1 billion of existing liquidity comprising committed undrawn debt facilities and cash (excluding Contact Energy and bank guarantees). Origin is well placed to fund its remaining contribution to Australia Pacific LNG through to project completion.

The US$600 million acquisition of a 40 per cent interest in the Poseidon exploration permits was funded on 12 August 2014 through a drawdown of existing committed undrawn debt facilities in place to fund Origin's commitments to Australia Pacific LNG. Origin intends to refinance this drawdown of debt capital through the issue of a new Euro hybrid security as an alternative to ordinary equity. It is expected that a transaction will be completed in the first half of the 2015 financial year, provided appropriate market conditions prevail.

(1) Described in the Quarterly Production Report for the quarter ended 30 June 2014. Released to ASX on 31 July 2014.
(2) Excluding acquisition expenditure on the recently acquired exploration interests in the Browse Basin.

5.2 Outlook

During the next two years, Origin expects:

- an increased contribution from the Energy Markets business in Australia, particularly reflecting improved margins in natural gas in the 2015 financial year, and improved contributions from electricity in the 2016 financial year as competitive conditions in the wholesale market moderate;
- an improved contribution from Contact Energy will reflect the benefits of its investment in geothermal generation and retail transformation. The 2015 financial year will include a full year of Te Mihi generation with a full year of associated depreciation and interest costs;
- a reduced contribution from the Exploration & Production business in 2015 as some assets will have extended shut-downs (BassGas and Otway) to invest in sustaining production capacity for 2016 and beyond;
- prior period investments in Origin's existing businesses will result in an increase in depreciation and amortisation; and
- first LNG from Australia Pacific LNG's Train 1 to commence in mid calendar year 2015 and from Train 2 in late calendar year 2015. It is not expected that LNG sales from Australia Pacific LNG will contribute to earnings in fiscal 2015, with production from both trains at planned capacity occurring before the end of the 2016 financial year, with first full year contribution from both trains expected in the 2017 financial year.

With average annual distributable cash flow from two LNG trains of around US$1 billion,[1] this step change in earnings and cash flow will allow Origin to increase distributions to shareholders, maintain an investment grade credit rating and reinvest in growing businesses at returns exceeding cost of capital. Dividends are expected to increase in line with Origin's targeted payout ratio of at least 60 per cent of Underlying EPS as Australia Pacific LNG contributes to earnings and cash flow.

6. REVIEW OF SEGMENT OPERATIONS

6.1 Energy Markets

Origin's Energy Markets business is an integrated provider of energy solutions to retail and wholesale markets in Australia and in the Pacific. Energy Markets has a diverse portfolio of gas and coal supply contracts, operates one of Australia's largest, most flexible and diverse generation portfolios with 6,010 MW of generation capacity, and, as Australia's leading electricity, gas and LPG retailer, continues to increase its product and service offerings to customers.

Year ended 30 June	2014 $million	2013 $million	Change %
Total Segment Revenue [2]	11,607	12,146	(4)
Underlying EBITDA	1,053	1,333	(21)
Segment Result	787	1,038	(24)
Operating cash flow	1,035	812	27
Growth capital expenditure	96	155	(38)

- Energy Markets Underlying EBITDA down 21 per cent or $280 million to $1,053 million due mainly to lower volumes and higher operating costs.
- Energy Markets Operating Cash Flow up 27 per cent or $223 million to $1,035 million due to significantly improved billing and collections performance following completion of the Retail Transformation Program.
- Electricity and Natural Gas net customer accounts remained stable amidst vigorous retail competition, reflecting successful retention programs and a significantly improved customer experience.
- Completion of the Retail Transformation Program and completion of the NSW integration a year ahead of schedule, delivering material reductions in late bills, shorter billing cycles and cost rationalisation benefits.
- Successful acquisition and integration of the Eraring and Shoalhaven power stations into the generation portfolio.
- Growth capital expenditure down 38 per cent to $96 million due to major projects completing.
- Gas portfolio strengthened through a new gas purchase agreement with Esso and BHP Billiton and positioned to capture benefits of rising gas prices through oil-price-linked gas sale agreements with QCLNG and GLNG.

Segment Result for Energy Markets was down 24 per cent or $251 million to $787 million driven by the decrease in Underlying EBITDA and includes a depreciation expense of $266 million (down 7 per cent from the prior year).

(1) Distributable cash flow after Australia Pacific LNG revenues, operational expenditure, ongoing capital expenditure, project finance interest and repayments, and taxation. Based on current market conditions.
(2) Refer to Glossary on page 130.

6.1.1 Segment financial performance

Summary Financial and Operational Performance

Year ended 30 June 2014	Natural Gas	Electricity	Non-commodity	LPG
Revenue $million [1,2]	1,365 (-2%)	7,994 (-6%)	79 (-49%)	695 (1%)
Cost of goods sold ($million)	(1,090) (-3%)	(6,657) (-5%)	(48) (-56%)	(527) (5%)
Gross Profit ($million)	274 (2%)	1,337 (-12%)	32 (-35%)	168 (-11%)
Total operating costs ($million)	(759) (10%)			
Underlying EBITDA ($million)	1,053 (-21%)			
Underlying EBIT ($million)	787 (-24%)			
Underlying EBIT Margin (%)	7.8% (June 2013: 9.6%)			
Volumes sold [3]	108 PJ (-15%)	38 TWh (-9%)	N/A	386 kT (-12%)
Period-end customer accounts ('000)	1,036 (4%)	2,876 (-1%)	N/A	383 (1%)
Average customer accounts ('000) [4]	1,022 (7%)	2,898 (-1%)	N/A	381 (1%)
Gross Profit per customer (average accounts, $)	268 (-4%)	461 (-11%)	N/A	441 (-11%)
Underlying EBITDA per customer (average accounts, $)	258 (-20%)			110 (-27%)
Underlying EBIT per customer (average accounts, $)	198 (-23%)			33 (-55%)

The main drivers of the 21 per cent reduction in Energy Markets Underlying EBITDA was lower electricity sales volumes and higher operating costs.

Natural Gas Gross Profit increased by $6 million. The increase includes expansion of Gross Margins as East Coast gas prices rise relative to Origin's competitively priced gas portfolio and increased customer accounts (+$48 million) more than offsetting lower Mass Market volumes from the extremely warm winter weather (-$13 million) and a one-off prior year revenue true-up and other movements (-$29 million). See Section 6.1.2.

Electricity Gross Profit decreased by 12 per cent or $183 million, driven by a reduction in volumes (-$144 million) and competitive margin impacts (-$39 million). The decrease in volumes was driven by energy efficiency trends and continued solar photovoltaic (PV) penetration (-$52 million), the extremely warm winter temperatures (-$27 million), and customer losses compared to the prior year and other movements (-$65 million). See Section 6.1.3.

In Non-commodity, Gross Profit decreased by 35 per cent or $17 million primarily due to lower demand for rooftop solar PV systems following further reductions in state and federal government residential subsidies. In LPG, Gross Profit decreased by 11 per cent or $20 million with lower domestic sales volumes and adverse movements in the cost of goods sold reflecting higher gas prices and lower margin.

Origin's customer position was essentially stable with a small net reduction of 3,000 (-0.05 per cent) Electricity and Natural Gas customer accounts in the current year compared to a net decrease of 16,000 in the prior year, reflecting improved customer acquisition and retention activity amidst intense competition, particularly in the Victorian market. Customer experience remains a priority for the retail business following completion of the Retail Transformation Program. See Section 6.1.4.

While Total Operating Costs were up $67 million, this included a $106 million non-cash adverse impact compared to the prior year from the early release of the NSW Transitional Services Arrangement (TSA) provision and a $4 million positive movement in LPG operating costs. The NSW TSA provision was recorded on Origin's acquisition of the NSW Integral Energy and Country Energy customers reflecting the higher charges to be paid to the NSW Government over the term of the TSA. The non-cash unwind of the TSA provision in the current year was $30 million ($136 million in the prior year).

The early migration of Country Energy and Integral Energy customers to Origin's new SAP system a year ahead of schedule has realised an estimated cash saving of approximately $100 million via reduced payments to the NSW Government. Excluding the non-cash impact of the TSA provision, operating costs reduced by $34 million due to operational benefits from the completion of the Retail Transformation Program and NSW integration with materially improved billing and collections performance and conclusion of the customer migration to SAP. See Section 6.1.5.

As a result of the factors above, Energy Markets' Underlying EBIT margin declined from 9.6 per cent at 30 June 2013 to 7.8 per cent in the current year.

(1) Energy Markets Total Segment Revenue includes pool revenue from the sale of electricity when Origin's internal generation portfolio is dispatched, including power purchase agreements. These pool revenues, along with associated fuel costs, are netted of in Electricity cost of goods sold.
(2) Energy Markets Total Segment Revenue includes revenue from the sale of gas swaps to major customers at no margin. These revenues are netted off with the associated cost in Natural Gas cost of goods sold.
(3) Does not include internal sales for Origin's generation portfolio (year ended 30 June 2014: 54.6 PJ; year ended 30 June 2013: 46.1 PJ). Units explained in Glossary on page 130.
(4) Average customer accounts is calculated as the average of the month-end customer numbers for each month of the year.

6.1.2 Natural Gas

Year ended 30 June	2014	$/GJ	2013	$/GJ	Change %	Change $/GJ
Volumes Sold (PJ)	**162.8**		**173.3**		**(6)**	
Mass Market	37.1		39.4		(6)	
C&I	71.1		87.8		(19)	
Total external volumes	**108.2**		**127.2**		**(15)**	
Internal Sales to Generation	54.6		46.1		18	
Revenue ($million)	**1,365**	**12.6**	**1,396**	**10.9**	**(2)**	**1.7**
Mass Market	854	23.0	854	21.1	0	1.9
C&I	510	7.2	542	6.2	(6)	1.0
Cost of goods sold ($million)	**(1,090)**	**(10.1)**	**(1,128)**	**(8.8)**	**(3)**	**(1.3)**
Network Costs	(582)	(5.4)	(563)	(4.4)	3	(1.0)
Energy Procurement Costs	(508)	(4.7)	(565)	(4.4)	(10)	(0.3)
Gross Profit ($million)	**274**	**2.5**	**268**	**2.1**	**2**	**0.4**
Gross Margin (%)	20.1		19.2		5	
Period-end customer accounts ('000)	**1,036**		**998**		**4**	
Average customer accounts ('000)	**1,022**		**959**		**7**	
Gross profit per customer (average accounts, $)	**268**		**279**		**(4)**	

Natural Gas sales volumes were down 15 per cent or 19 PJ to 108.2 PJ with the growth in customer accounts (+38,000) offset by warm winter weather and the one-off prior year revenue true-up and other movements. In addition, Origin used 54.6 PJ primarily for internal generation.

Commercial & Industrial gas sales reduced by 16.7 PJ or 19 per cent due to the expiry of existing contracts where current market prices were below replacement costs.

Gross Profit per gigajoule increased 19 per cent from $2.10/GJ to $2.50/GJ reflecting the benefit of Origin's competitively priced gas supply position relative to market price movements.

Gross Profit per customer was down 4 per cent with lower usage per customer from warm winter weather and the one-off prior year revenue true-up and other movements.

Mass Market Natural Gas volumes sold

Year ended 30 June (PJ)	2014	2013	Change PJ	Change %
NSW	6.3	5.2	1.1	21
Victoria	23.0	26.0	(3.0)	(12)
Queensland	2.5	2.1	0.4	19
South Australia	5.3	6.1	(0.8)	(13)
Mass Market	**37.1**	**39.4**	**(2.3)**	**(6)**

Origin signed a gas supply agreement with Esso and BHP Billiton, securing up to 432 PJ of natural gas from Longford over nine years to 2022. Origin has also continued to position itself to capture the benefits of rising east coast gas prices through oil price-linked gas sale agreements with QCLNG for up to 30 PJ in the 2014 and 2015 calendar years and GLNG for at least 100 PJ and up to 194 PJ over five years from 2016.

6.1.3 Electricity

Year ended 30 June	2014	$/MWh	2013	$/MWh	Change %	Change $/MWh
Volumes Sold (TWh)	**38.3**		**42.3**		**(9)**	
Mass Market	18.0		20.1		(10)	
C&I	20.3		22.2		(9)	
Revenue ($million)	**7,994**	**208.6**	**8,546**	**201.7**	**(6)**	**6.9**
Mass Market (inc. Other income)	5,148	286.0	5,399	268.3	(5)	17.7
C&I	2,770	136.3	3,053	137.3	(9)	(1.0)
Externally contracted Generation	77		94		(18)	
Cost of goods sold ($million)	**(6,657)**	**(173.7)**	**(7,025)**	**(165.8)**	**(5)**	**(7.9)**
Network Costs	(3,629)	(94.7)	(3,751)	(88.5)	(3)	(6.2)
Wholesale Energy Costs	(2,787)	(72.7)	(2,997)	(70.7)	(7)	(2.0)
Generation Operating Costs	(241)	(6.3)	(277)	(6.5)	(13)	0.2
Energy Procurement Costs	(3,028)	(79.0)	(3,274)	(77.3)	(8)	(1.7)
Gross Profit ($million)	**1,337**	**34.9**	**1,520**	**35.9**	**(12)**	**(1.0)**
Gross Margin (%)	16.7		17.8		(6)	
Period-end customer accounts ('000)	**2,876**		**2,917**		**(1)**	
Average customer accounts ('000)	**2,898**		**2,920**		**(1)**	
Gross profit per customer (average accounts, $)	**461**		**521**		**(11)**	

Electricity sales volumes declined by 4.0 TWh to 38.3 TWh. Mass Market Electricity sales volumes were down by 2.1 TWh or 10 per cent including the decline in energy usage per household from energy efficiency and the continued impact of solar PV penetration (-0.9 TWh), the impact of warm winter weather (-0.4 TWh), customer losses from the prior year and other movements (-0.8 TWh). C&I volumes declined 1.9 TWh or 9 per cent due to intense market competition.

Gross Profit per megawatt hour was down by 3 per cent or $1/MWh to $34.90/MWh (-$39 million) as increases in cost of goods sold were not fully recovered following continued high levels of market competition.

Gross Profit per customer was down 11 per cent to $461/customer primarily due to reduced consumption per customer as a result of the warm winter weather, solar PV penetration, energy efficiency and other factors including intense market competition.

Mass Market Electricity volumes sold

Year ended 30 June (TWh)	2014	2013	Change TWh	Change %
NSW	8.9	9.8	(0.9)	(9)
Victoria	3.3	3.9	(0.6)	(15)
Queensland	5.0	5.5	(0.5)	(9)
South Australia	0.8	0.9	(0.1)	(11)
Mass Market	**18.0**	**20.1**	**(2.1)**	**(10)**

6.1.3.1 *Internal generation portfolio*

Performance of the generation portfolio, including contracted plant is summarised below:

Full Year ended 30 June 2014	Nameplate Plant Capacity MW	Type (1)	Equivalent Reliability Factor %	Capacity Factor %	Electricity Output GWh	Pool Revenue $million	Pool Revenue $/MWh
Eraring (2)	2,880	Black coal	96.9	45	11,386	606	53
Uranquinty	640	OCGT	99.7	4	223	17	76
Darling Downs	630	CCGT	91.1	59	3,256	187	57
Mortlake	550	OCGT	95.4	35	1,666	98	59
Mt Stuart	414	OCGT	99.6	0	8	4	500
Quarantine	216	OCGT	99.6	14	256	26	102
Ladbroke Grove	80	OCGT	96.5	33	228	17	75
Roma	74	OCGT	99.4	10	64	6	94
Shoalhaven	240	Pump/Hydro	95.5	0	4	2	500
Cullerin Range	30	Wind	94.7(3)	39	104	5	48
Internal Generation	**5,754**		**96.7**		**17,195**	**968**	**56**
Externally Contracted (50% share)							
Osborne (4)	180	Cogen.	98.2	91			
Worsley	120	Cogen.	98.0	88			
Bulwer Island	32	Cogen.	98.2	65			
Total	**6,010**						

Energy Markets' generation portfolio continues to achieve high levels of availability and reliability, with an overall equivalent reliability factor(5) (ERF) of 96.7 per cent. Eraring Power Station achieved an ERF of 96.9 per cent, which is a 2 per cent improvement on the prior year. The ERF for Darling Downs Power Station was down 5.1 per cent at 91.1 per cent for the year due to scheduled outages.

During the year, Origin generated 17.2 TWh of electricity from its internal generation portfolio, including 5.7 TWh from its Natural Gas fuelled generation plant. This represented 45 per cent of Origin's 38 TWh of Electricity volumes sold, up 8 per cent from the prior year as Origin continues to take advantage of competitively priced gas available in the market. Origin used 55 PJ of Natural Gas volumes for its internal generation. Origin also contracted 1.5 TWh from wind power purchase agreements.

On 1 August 2013, Origin acquired the assets of Eraring Energy via a share acquisition and entered into an eight year coal supply agreement with Centennial Coal from the 2015 financial year, following the cancellation of the Cobbora Coal contract. These transactions assist in consolidating Origin's generation and fuel position. Integration of the Eraring and Shoalhaven power station assets has been successful with all major milestones achieved to date.

6.1.4 Natural Gas, Electricity and LPG customer accounts

Closing Electricity and Natural Gas customer accounts were down marginally by 3,000 accounts or 0.05 per cent. This reflects a stabilisation of Origin's net customer account position and the continued investment in acquisition and retention activity and the customer experience. This net position includes a reduction of 41,000 Electricity customer accounts and an increase of 38,000 Natural Gas accounts, building on Origin's strong gas position.

During the year, Origin made significant changes to its marketing and sales processes to simplify and improve the customer contracting process. In response to customer feedback, Origin announced a number of changes including the removal of exit fees from all residential plans, extended call centre hours from 7am – 9pm Monday to Friday, opened a series of customer service hubs and launched a dedicated web page to listen to customer feedback.

(1) OCGT = Open cycle gas turbine; CCGT = Closed cycle gas turbine.
(2) Availability for Eraring = Equivalent Availability Factor (which takes into account de-ratings).
(3) Availability Factor.
(4) For Osborne, Origin holds a 50 per cent share and contracts 100 per cent of the output.
(5) Refer to Glossary on page 130.

Customer account movement

	30 June 2014			30 June 2013 [1]			
Customer accounts ('000)	Electricity	Natural Gas	Total	Electricity	Natural Gas	Total	Change
NSW	1,335	216	1,551	1,352	195	1,547	4
Victoria	604	471	1,075	619	457	1,076	(1)
Queensland	770	147	917	782	144	926	(9)
South Australia	167	202	369	164	202	366	3
Total	**2,876**	**1,036**	**3,912**	**2,917**	**998**	**3,915**	**(3)**

Electricity customer account losses primarily occurred in NSW (-17,000) and Victoria (-15,000) with moderating competitive activity in NSW and continued high levels of competition in Victoria. Natural Gas wins primarily occurred in NSW (+21,000) and Victoria (+14,000). With an increased Natural Gas customer base, Origin is well positioned to benefit from an expansion in gas margins as east coast gas prices increase.

As at 30 June 2014, Origin held 1,197,000 dual fuel (Electricity and Natural Gas) customer accounts, an increase of 130,000 accounts.

As at 30 June 2014, Origin had 383,000 LPG customer accounts, up 5,000 accounts relative to the prior year.

6.1.5 Operating costs

Total operating costs for all products increased by $67 million or 10 per cent to $759 million.

Origin includes within its cost to serve all costs associated with servicing and maintaining customers, all customer acquisition and retention costs, and all costs associated with delivering new product lines within the Non-commodity business. Maintenance costs include billing, credit and collections.

The transition of customers onto the new SAP system is complete following the successful migration of the remaining customers from the NSW acquisition in the second quarter of the 2014 financial year. The new system provides improved customer visibility, enabling more focused value based retention with differentiated service offerings in place for high value SME and Mass Market customers. This has also reduced the reliance on higher cost external sales channels for customer acquisition with 78 per cent of sales now delivered through Origin's internal channels. Cost per win/retain reduced by 20 per cent or $15 to $63 per win/retain in the current year.[2]

The new system has continued to deliver operational improvements with 99.8 per cent of bills issued on time as at 30 June 2014. Ombudsmen complaints have reduced to 6.6 (per 1000 customers) down from 9.0 in the prior year, customer satisfaction has increased to 70 per cent from 65 per cent in the prior year. Origin maintains a churn differential lower than the market of 6 per cent and bad debt expense as a percentage of billings has reduced to 1.0 per cent. The operational improvements have also allowed the call centre processes to be streamlined, leading to a 22 per cent reduction in the number of staff required to service customers over the last 12 months.

Year ended 30 June	2014	2013	Change	Change %
Cost to serve ($ per average customer account [3])	**(169)**	**(180)**	**11**	**(6)**
Cost to maintain ($ per average customer account [3])	(144)	(150)	6	(4)
Cost to acquire/retain ($ per average customer account [3])	(25)	(30)	5	(17)
Electricity, Natural Gas & Non-commodity operating cost (excl. TSA provision unwind) ($million)	**(663)**	**(697)**	**34**	**(5)**
Maintenance costs ($million)	(565)	(581)	16	(3)
Acquisition & Retention costs ($million)	(97)	(116)	19	(16)
TSA provision unwind ($million)	30	136	(106)	(78)
Total Electricity, Natural Gas & Non-commodity operating cost ($million)	**(632)**	**(561)**	**(71)**	**13**
LPG Operating Costs ($million)	(127)	(131)	4	3
Total Operating Costs ($million)	**(759)**	**(692)**	**(67)**	**10**

While cost to serve increased by $71 million, the cash cost of serving our customers has reduced by $34 million ($9 per customer) to $663 million, which excludes the impact of the release of the NSW TSA provision ($106 million).

As a consequence of the early conclusion of the NSW TSA, Origin is estimated to have saved approximately $100 million in TSA payments to the NSW Government. The provision has now been fully released. The release of the TSA provision for the year ended 30 June 2014 was $30 million ($136 million for the prior year).

The cash cost to serve reduction of $34 million comprised a reduction in acquisition and retention costs (-$19 million) and a reduction in cost to maintain (-$16 million).

(1) Customer numbers restated with completion of systems transition, removing 50,179 customer accounts from legacy systems that were overstated.
(2) Cost per acquisition/retention = Acquisition and Retention Costs divided by the sum of customer wins (FY2014: 538,000; prior year: 637,000) and retains (FY2014: 1,008,000; prior year: 841,000).
(3) Average customer accounts used to calculate $ per average customer account: 30 June 2014: 3,920,000; 30 June 2013: 3,879,000.

6.2 Contact Energy

This segment reports the results of Origin's controlled entity Contact Energy, which is one of the largest energy retailers and power generators in New Zealand. Origin held a 53.1 per cent interest in Contact Energy at 30 June 2014. The segment also includes Origin's interest and tax relating to borrowings for the investment in Contact Energy.

Financial Performance

Year ended 30 June	2014 $million	2013 $million	Change %
Total Segment Revenue	2,170	2,019	7
External Revenue	2,155	2,019	7
Underlying EBITDA	533	435	23
Segment Result	96	73	32
Operating cash flow	416	373	12
Growth capital expenditure	183	255	(28)

- Contact Energy's Underlying EBITDA increased by 9 per cent or NZ$46 million to NZ$587 million primarily due to an increased proportion of energy produced from hydro generation displacing more expensive thermal generation and the receipt of NZ$43 million of compensation relating to the delay in start-up of the Te Mihi Power Station. In Australian dollars, Underlying EBITDA increased by 23 per cent or $98 million to $533 million [(1)] including the impact of the strengthening of the NZ dollar.
- Operating Cash Flow decreased by NZ$26 million to NZ$453 million with improvements in Underlying EBITDA offset by higher working capital with higher gas storage inventory and higher debtors. In Australian dollars, Operating cash flow increased $43 million to $416 million due to the strengthening of the NZ dollar.
- Growth capital expenditure decreased by 28 per cent to A$183 million due to reduced spending on the Te Mihi geothermal power station, commissioned in May 2014.
- The Retail Transformation Program reached its 'go live' in April 2014. The new system provides opportunities to lower Contact Energy's cost to serve whilst enhancing the customer experience.

Segment Result includes depreciation and amortisation expense of $172 million, net financing costs of $83 million, income tax expense of $80 million and non-controlling interests of $102 million.

6.2.1 Financial and Operational Performance

The commentary below relates to Contact Energy's financial and operating performance in New Zealand dollars.

Year ended 30 June	2014	2013	Change %
Total revenue (NZ$million)	2,446	2,526	(3)
Underlying EBITDA (NZ$million)	587	541	9
Total generation volume (GWh)	9,255	9,879	(6)
Retail electricity sales (GWh)	8,378	8,277	1
Gas sales (retail and wholesale) (PJ)	4.5	4.7	(4)
LPG sales (kT)	68,438	68,061	1
Electricity customers ('000)	438	439	0
Gas customers ('000)	63	62	2
LPG customers (including franchisees) ('000)	67	65	3
Total customers ('000)	568	566	0
Netback (NZ$/MWh)	92	95	(3)

Contact Energy's Underlying EBITDA increased NZ$46 million or 9 per cent to NZ$587 million with the Integrated Energy segment (including retail and generation activities) up NZ$49 million to NZ$551 million, and Other activities (including LPG and metering services) down NZ$3 million to NZ$36 million, following the sale of the gas meters business in July 2013.

During the year, Contact Energy's retail electricity sales volumes were up 1 per cent to 8,378 GWh. The continuation of intense retail competition and warmer temperatures reduced mass market electricity sales volumes by 215 GWh, however lost mass market volume was more than offset by new commercial and industrial sales volumes.

Gas sales volumes were down 4 per cent to 4.5 PJe.

Netback [(2)] decreased by NZ$3/MWh to NZ$92/MWh with high levels of market competition impacting recovery of cost of goods sold, particularly in the larger commercial and industrial customer market.

Cost of energy

Contact Energy's cost of energy improved by NZ$8/MWh to NZ$35/MWh with increased renewables generation displacing more expensive gas generation. This was supported by the reduction in gas take-or-pay constraints and the completion of the additional HVDC inter-island transmission link and associated upgrades in November 2013, which improved the flow of South Island generation to the North Island. The amount of gas used in generation was down by 9.4 PJ (27 per cent) with excess gas injected into storage. The cost of energy includes the receipt of NZ$43 million of compensation as a result of the delayed start-up of the Te Mihi Power Station.

(1) In consolidating Contact Energy's results, Origin used a monthly average exchange rate. For this year, it is NZ$1.10 to the Australian dollar, compared with NZ$1.25 to the Australian dollar in the prior year.
(2) Refer to Glossary on page 130.

Customers

Contact Energy held total customers in line with the prior year despite continued intense competition in the mass market and commercial and industrial markets.

6.2.2 Retail Transformation Program

Contact Energy's Retail Transformation Program achieved its 'go live' in April 2014. This completes the implementation of SAP finance, procurement, asset management and retail systems. The stabilisation process has run better than expected. Mass market segmentation, revised pricing models and improved digital capability will all provide Contact Energy with opportunities to leverage the new system to reduce cost to serve and enhance customer experience.

6.2.3 Te Mihi geothermal power station

Te Mihi geothermal power station was fully commissioned in May 2014 and provides Contact Energy with 166 MW of renewable baseload generation which utilises the increased resource consent for the iconic Wairakei geothermal field. The design, build and operation of the Te Mihi geothermal power station also strengthened the geothermal expertise within the Company.

6.3 Exploration & Production

Origin has exploration and production interests principally located in eastern and southern Australia, the Browse and Perth basins in Western Australia, the Bonaparte and Beetaloo basins in the Northern Territory and in New Zealand. These activities are reported within the Exploration & Production segment. Australia Pacific LNG's activities are reported separately and discussed in Section 6.4.

Year ended 30 June	2014 $million	2013 $million	Change %
Total Segment Revenue	1,003	740	36
External Revenue [1]	756	582	30
Underlying EBITDA	487	395	23
Segment Result	210	162	30
Operating cash flow	529	233	127
Exploration expense	(54)	(18)	200
Growth capital expenditure	365	426	(14)

- Underlying EBITDA up 23 per cent or $92 million to $487 million reflecting production increases and a higher average commodity price.
- Operating Cash Flow increased 127 per cent to $529 million due to the Underlying EBITDA increase, lower working capital requirements and lower stay-in-business capital expenditure.
- Origin's 2P reserves increased by 7 PJe after production to 1,189 PJe,[2] excluding Origin's share of Australia Pacific LNG reserves.
- Exploration expenditure increased to $64 million (including $10 million[3] expensed on relinquished Botswana acreage) with the write-off of the Canterbury Basin Caravel-1 exploration well costs and Kenya exploration acreage costs.
- Growth capital expenditure decreased by 14 per cent to $365 million following completion of prior year expenditure at Otway and BassGas.
- Expanded portfolio of future gas exploration opportunities with farm-ins into the Beetaloo and Cooper basins and acquisition of interests in the Poseidon exploration permits in the offshore Browse Basin.

Segment Result includes a depreciation expense of $277 million (up 19 per cent).

Segment Financial Performance

Production, Sales and Revenue

Year ended 30 June	2014	2013	Change %
Total Production (PJe)	96	82	17
Total Sales (PJe)	103	88	17
Commodity Sales Revenue ($million)	948	701	35
Proved plus Probable (2P) reserves ex-Australia Pacific LNG (PJe)	1,189	1,182	1

Origin's share of total production increased 14 PJe or 17 per cent to 96 PJe with higher plant availability.

Sales volumes of 103 PJe were also higher reflecting increased production and higher third party purchases. Of the total sales, 43 PJe was sold internally to Origin, an increase of 32 per cent on the prior year.

Segment revenue increased $263 million or 36 per cent to $1,003 million. Commodity Revenue increased $247 million or 35 per cent to $948 million in the current year, reflecting production increases, higher sales of third party volumes and a higher average commodity price.

(1) The Exploration & Production segment sells gas and LPG to the Energy Markets and Contact Energy segments on an arm's length basis. Intersegment sales are eliminated on consolidation.
(2) Refer to the Important Information on reserves and resources disclosures on page 9. Refer to Glossary on page 130 for definition of PJe.
(3) The $10 million net expense relating to Botswana acreage is reflected in share of EBITDA for equity accounted investments.

Costs of goods sold and Stock movement

Year ended 30 June	2014 $million	2013 $million	Change %
Cost of goods sold	(224)	(117)	91
Stock movement	(14)	4	N/A

Cost of goods sold increased 91 per cent to $224 million primarily due to an increase in third party purchases and sales from the Cooper Basin.

Expenses

Total expenses increased 17 per cent to $300 million reflecting increased production and sales volumes and higher exploration expense.

Year ended 30 June	2014 $million	2013 $million	Change %
Royalties, tariffs and freight	(70)	(59)	19
General operating costs	(176)	(180)	(2)
Exploration expense	(54)	(18)	200
Total expenses	**(300)**	**(257)**	**17**

Royalties, tariffs and freight increased by 19 per cent to $70 million in line with the percentage increase in sales volumes.

General operating costs decreased 2 per cent to $176 million following the New Zealand TAWN divestment.

Origin's general operating costs per unit of production decreased by $0.36/GJe, or 16 per cent to $1.84/GJe predominantly due to increased production volumes.

Exploration expense increased to $54 million (prior year: $18 million) primarily due to the write-off of the Canterbury Basin Caravel-1 exploration well costs and Kenya exploration acreage costs.

Underlying depreciation and amortisation charges increased 19 per cent from the prior year to $277 million, primarily due to increased production from the Otway gas field and additional subsea development costs, increased production from BassGas and increased production from the Kupe field.

Further information regarding production, sales volumes and revenues is provided in Origin's June 2014 Quarterly Production Report, available at www.originenergy.com.au.

Reserves

Origin's proved plus probable (2P) reserves increased by 7 PJe (after production) to a total of 1,189 PJe excluding Origin's share of Australia Pacific LNG reserves, compared with 30 June 2013.

Origin undertakes a full assessment of its reserves on an annual basis at the end of the financial year. A full statement of reserves attributable to Origin at 30 June 2014 is included in Origin's Annual Reserves Report released to ASX on 31 July 2014 and available on Origin's website at www.originenergy.com.au.

Operations

Australia

Origin's Australian operations include producing assets in the Bass and Otway basins off the south coast of Victoria, the Cooper Basin in central Australia and the Perth Basin in Western Australia.

Collectively, these assets produced 76 PJe net to Origin during the current year, which was 11 PJe or 17 per cent higher than the prior year.

Full year production from Origin's offshore assets in the Otway and Bass basins was 56 PJe or 28 per cent higher than the prior year. This result is attributable to increased production at Otway due to higher plant availability, increased customer demand and increased well availability, and at BassGas due to increased asset availability and reduced production in the prior year from the extended shutdown for the Yolla Mid Life Enhancement (MLE) project.

Full year production from Origin's onshore assets in the central Australian Cooper Basin and Western Australia's Perth Basin was 20 PJe or 6 per cent lower than the prior year.

As part of Origin's strategy to be a regionally significant player in natural gas and LNG, the Company entered into several transactions to strengthen its portfolio of potential gas resource developments within Australia.

During the year, Origin announced the signing of farm-in agreements with Senex Energy Limited and Planet Gas to acquire exploration interests in two unconventional gas blocks covering more than 1,900 km^2 of South Australia's Cooper Basin, which are prospective for tight gas and associated liquids.

During the year, Origin announced a conditional farm-in with Falcon Oil & Gas Australia and Sasol Petroleum Australia Limited to acquire exploration interests in three unconventional gas blocks in the Northern Territory's Beetaloo Basin that are prospective for shale gas and associated liquids.

Subsequent to year end, Origin announced it had completed an agreement with Karoon Gas to acquire its entire 40 per cent interest in two exploration permits in Western Australia's Browse Basin for US$600 million cash consideration with additional payments of US$75 million payable upon a final investment decision (FID) and US$75 million payable on first production. A further payment of up to US$50 million will be payable on first production if 2P reserves reach certain thresholds at the time of a FID. These permits contain large and prospective offshore gas fields, including the Poseidon discovery.

Subsequent to year end, on 3 July 2014 a new exploration permit NT/P84 was awarded to Origin adjacent to the Company's existing exploration permit WA-454-P located in the Bonaparte Basin, for a six year term.

New Zealand

In New Zealand, Origin participates in production from both offshore (Kupe) and onshore assets in the Taranaki Basin. Origin's share of production from these assets was 19 PJe or 17 per cent higher than the prior year. This result is attributable to increased availability and customer demand at Kupe.

In the Canterbury Basin, the Caravel-1 exploration well was drilled during the year and was plugged and abandoned with gas shows evidenced in a secondary target. Following a review of the well results, the gas encountered was not deemed commercial and the well and permit costs of $41 million were expensed in the year. Exploration in the permit is set to continue following approval by the regulator of a five year extension and forward work program.

The divestment of Origin's interests in the TAWN assets in the Taranaki region, as well as Waihapa Production Station and associated gathering and sales infrastructure, to New Zealand Energy Corp, was completed on 29 October 2013. Origin's sale consideration was CDN$30 million plus a royalty on all future hydrocarbons from those licences.

International exploration

In light of the recent transactions in Australia, the Company's international exploration activities were reviewed. It was decided not to seek a new production sharing contract for the Kenya acreage, and to progress with relinquishment of the Botswana acreage. The $25 million capitalised against Kenya and Botswana was expensed in the year.

6.4 LNG

The LNG segment includes Origin's equity accounted share of the results of Australia Pacific LNG Pty Ltd, and the financing costs, foreign exchange gains and losses and tax associated with Australia Pacific LNG. The LNG segment also contains Origin's activities and transactions arising from its operatorship of the Australia Pacific LNG Upstream activities.

Origin's shareholding in Australia Pacific LNG at 30 June 2014 was 37.5 per cent, consistent with its shareholding as at 30 June 2013.

In Origin's Financial Statements, the financial performance of Australia Pacific LNG is equity accounted. Consequently, revenue and expenses from Australia Pacific LNG do not appear on a line by line basis in the LNG segment result. Origin's share of Australia Pacific LNG's Underlying EBITDA is included in the Underlying EBITDA of the LNG segment. Origin's share of Australia Pacific LNG's Underlying interest, tax, depreciation and amortisation expense is accounted for between Underlying EBITDA and Underlying EBIT in the line item "Share of interest, tax, depreciation and amortisation of equity accounted investees". As a result, Origin's share of Australia Pacific LNG's Underlying net profit after tax is included in the Underlying EBIT and Segment Result lines.

Year ended 30 June	2014 $million	2013 $million	Change %
Total Segment Revenue	–	–	–
Underlying EBITDA [1]	83	60	38
Segment result	12	5	140
Origin share of operating cash flow	11	10	10
Origin cash contribution to Australia Pacific LNG [2]	2,821	561	403

- Underlying EBITDA increased by $23 million to $83 million primarily reflecting higher domestic gas sales and production.
- Project progress on Upstream is 76 per cent complete and Downstream is 75 per cent complete as at 30 June 2014.
- Origin's cash contribution to Australia Pacific LNG in the current year increased by $2,260 million to $2,821 million.
- Australia Pacific LNG 2P reserves (100 per cent) increased by 709 PJe to 14,091 PJe, net of 123 PJe production.

Segment Result for LNG includes depreciation expense of $17 million ($1 million higher than the prior year) and share of ITDA expense of $54 million (up 38 per cent or $15 million on the prior year).

Australia Pacific LNG Financial Performance (100 per cent basis)

Australia Pacific LNG Production, Sales and Revenue

	Year ended 30 June 2014		Year ended 30 June 2013	
Operating performance	Total APLNG PJe	Origin share PJe	Total APLNG PJe	Origin share PJe
Production Volumes	123	46	111	42
Sales Volumes	133	50	119	45

Total Australia Pacific LNG production increased 12 PJe or 11 per cent to 123 PJe with increased production at Spring Gully and Talinga. Condabri and Kenya East commenced gas sales in June 2014.

Further information regarding production, sales volumes and revenues is provided in Origin's June 2014 Quarterly Production Report, available at www.originenergy.com.au.

(1) Some of the costs incurred by Origin as Upstream Operator are recognised as depreciation and are recovered from Australia Pacific LNG at the Underlying EBITDA level. This amounted to $17 million in the current year ($16 million in the prior year).
(2) Via both loan repayments by Origin to Australia Pacific LNG and the issue of mandatorily redeemable cumulative preference shares by Australia Pacific LNG to Origin.

Australia Pacific LNG Underlying financial performance (1)

	30 June 2014		30 June 2013	
Financial performance	100% APLNG $million	Origin share $million	100% APLNG $million	Origin share $million
Operating revenue	461		398	
Operating expenses	(285)		(280)	
Underlying EBITDA	**176**	**66**	**118**	**44**
D&A expense	(129)		(122)	
Net financing (expense)/income	(6)		6	
Income tax (expense)/benefit	(10)		10	
Underlying ITDA	**(145)**	**(54)**	**(106)**	**(39)**
Underlying Result	**31**	**12**	**12**	**5**

Australia Pacific LNG's revenue increased by $63 million to $461 million due to a 12 per cent or 14 PJe increase in sales volumes to 133 PJe and higher average gas prices.

Australia Pacific LNG's underlying operating expenses increased by 2 per cent or $5 million to $285 million, reflecting higher tariffs and tolls and field operating expenditure due to increased activities.

Reserves and resources (2)

Australia Pacific LNG increased 2P reserves from 13,382 PJe at 30 June 2013 to 14,091 PJe at 30 June 2014, with 3P reserves increasing from 16,155 PJe to 17,459 PJe. The corresponding 1P reserves increased from 3,649 PJe to 4,581 PJe.

The overall increase in 2P reserves of 709 PJe is net of 123 PJe of production. At a 2P reserves level, Origin's share of reserves has increased by 266 PJe net of 46 PJe of production.

Origin share of reserves (37.5 per cent share in Australia Pacific LNG)

Reserves (PJe)	Reserves at 30 June 2013	Acquisition/ Divestment	New Booking/ Discoveries	Production	Revisions/ Extensions	Reserves at 30 June 2014
1P	1,369	3	0	(46)	392	1,718(3)
2P	5,018	3	0	(46)	309	5,284(3)
3P	6,058	3	0	(46)	532	6,547(3)
Resources (PJe)	**Resources**					**Resources**
2C	1,367	0	0	0	(362)	1,005(3)

Australia Pacific LNG Project

The Australia Pacific LNG export project was sanctioned in July 2011 for an initial nameplate capacity of 4.5 million tonnes per annum LNG train and infrastructure to support a second LNG train of the same size. The second LNG train was sanctioned in July 2012.

Australia Pacific LNG has committed LNG offtake agreements for approximately 20 years with Sinopec for approximately 7.6 million tonnes per annum and with Kansai Electric for approximately 1 million tonnes per annum.

Project performance and key milestones

At the end of June 2014, the Upstream was 76 per cent complete and the Downstream was 75 per cent complete and, based on overall progress of work completed to date and the project plan to completion, is on track to accomplish the key milestones of first LNG from Train 1 in mid-2015 and first LNG from Train 2 in late-2015.

Drilling and gathering operations are progressing in accordance with plan. As at 30 June 2014, 821 wells have been drilled. Well commissioning is also on track to support the dewatering of the resource areas and the ramp up for LNG production in mid-2015. Well productivity is ramping up in line with expectations. Maximum Well Deliverability at end of June was 1.1 TJ/d and 1.0 TJ/d at Spring Gully and Condabri respectively, which is in line with expectations.

The first train of the Condabri Central Gas Processing Facility was commissioned in June 2014, while Condabri Central Train 2, Reedy Creek Train 1, Condabri South Train 1 and Orana Train 1 reached mechanical completion in June and July 2014. Construction of the remaining 10 gas processing facilities is progressing. Construction of the 530 kilometre main gas transmission pipeline and associated facilities is complete and commissioning is progressing on plan. Introduction of gas into Australia Pacific LNG's Downstream facilities on Curtis Island will be timed to optimise the transition from construction to start up and first LNG.

The Condabri water treatment facility is in commissioning and is expected to be in operation in the second quarter of the 2015 financial year. A key milestone was achieved during April when purified water commenced being supplied to 13 properties along the Fairymeadow Road Irrigation Pipeline. Making the water available for beneficial use has enabled expansion of irrigated areas and installation of associated irrigation infrastructure on a number of farms in the area. The Reedy Creek water treatment facility is nearing mechanical completion and is expected to be in operation in the third quarter of the 2015 financial year.

(1) This table reflects Australia Pacific LNG's financial performance on 100 per cent basis. The difference between Origin's share of Underlying EBITDA in this table and the Underlying EBITDA for LNG is $17 million of depreciation in the current year ($16 million prior year).
(2) Refer to the Important Information on reserves and resources disclosures on page 9.
(3) Includes 6, 9, 13 and 3 PJe for 1P, 2P, 3P and 2C respectively for conventional reserves in Denison Trough.

Investment to sustain LNG production (Sustain Phase) commenced during the year. Following the initial ("Phase 1") wells, Australia Pacific LNG expects to drill approximately 300 wells per year on average in its operated areas, and participate in approximately 300 wells per year on average in non-operated areas. Drilling operations for the Sustain Phase wells is expected to commence in the second quarter of the 2015 Financial Year.

The Downstream Project is progressing with all Outside Battery Limit (OSBL) and Inside Battery Limit (Train 1) modules in place. Train 2 modules are also being delivered, with all modules expected to be set by the end of the 2014 calendar year. Piping and cable installation is progressing, as are preparations for commissioning.

LNG tank construction continued ahead of schedule with welding complete on all inner tank rings. Roof module installation was completed on Tank A and commenced on Tank B. Tank A was hydrostatically tested.

Construction of the LNG jetty and loading platform continued. Formworks and concreting for berthing dolphins continued and are expected to be completed during the first quarter of the 2015 financial year.

Key accomplishments

Upstream – Operated

The following table reports progress against the Upstream operated key goals and milestones Origin outlined in its 2014 interim financial year Operating and Financial Review:

Upstream operated goals	FY2014 Plan	Actual progress to 30 June 2014
First gas and water production from Reedy Creek (western area)	Q3	Accomplished
Main pipelines complete	Q3	Accomplished
Condabri Central Train 1 commissioned	Q4	Accomplished
First gas and water production from Orana (eastern area)	Q4	Accomplished
Talinga pipeline compression station mechanical completion	Q4	Accomplished
Orana Train 1 mechanical completion	Q1-FY15	Accomplished
Reedy Creek Train 1 mechanical completion	Q1-FY15	Accomplished

Upstream – Non-operated

Actual capital expenditure to date in non-operated areas has been higher than anticipated, based on progress to date. Planning is also underway for transitioning from the initial development phase to investment in sustaining production and ongoing operations in non-operated areas. The project remains exposed to any increased costs arising in non-operated areas.

Upstream – QGC-operated

398 development wells were drilled during the current year in ATP 620 & ATP 648 with 103 of these wells drilled in the June Quarter. The Kenya Water Treatment Plant was completed and is operating at commercial load. Significant progress was made in the ATP 648 development with all six field compressor stations in the initial development area on line at 30 June 2014. Following completion of the Ruby-Jo Central Processing plant in the June Quarter, first sales gas from the ATP 648 development occurred, which is now being delivered to domestic customers via Australia Pacific LNG's Ruby spur line (also completed during the June Quarter).

Upstream – GLNG-operated

84 development wells were drilled during the current year in the Fairview field. The wells are continuing to be dewatered and turned down in readiness for the completion of hub compressor stations which are expected to be on-line by the end of 2014.

Downstream

The following table reports progress against the Downstream key goals and milestones Origin outlined in its 2014 interim financial year Operating and Financial Review:

Downstream goals	FY2014 Plan	Actual progress to 30 June 2014
First cryo modules set	Q3	Accomplished
Last Train 2 refrigeration compressor set	Q3	Accomplished
Complete loading platform for LNG jetty	Q4	Expected Q1-FY15 (no consequential impact to the critical path)
All OSBL [(1)] modules set	Q4	Accomplished
LNG Tank A hydrostatic test complete	Q4	Accomplished
Last Train 1 module set	Q4	Accomplished
Last Train 2 module set	Q2-FY15	On track

(1) OSBL: Outside battery limit: LNG tank area, pipe rack area, flare area, LNG jetty.

Key Project goals and milestones for the first half of the 2015 financial year

The following table reports key goals and milestones in the near term.

Upstream operated	HY15 Plan	Downstream	HY15 Plan
Orana Train 2 mechanical completion	Q2	Inlet Air Chiller Package received on Curtis Island	Q1
Reedy Creek Train 2 mechanical completion	Q2	LNG Tank B hydrostatic test complete	Q1
Condabri South Train 2 mechanical completion	Q2	Complete Factory Acceptance Testing (FAT) on Train 2 Integrated Control Safety System (ICSS)	Q2
First water treated at Condabri Water Treatment Facility	Q2	Last Train 2 module set	Q2
First water treated at Reedy Creek Water Treatment Facilities	Q3	Energise Gas Turbine Generators (GTGs)	Q3
Eurombah Creek Train 1 mechanical completion	Q3	Tank A ready for LNG	Q3

Capital expenditure and funding

The table below details Australia Pacific LNG capital expenditure (100 per cent basis) for the current year and cumulative to 30 June 2014.

APLNG Capital Expenditure (100% basis) $million		Year to 30 June 2014	Cumulative from FID 1 to 30 June 2014
Project costs	Operated – Growth	7,637	18,903
	Non-Operated – Growth	870	2,101
		8,507	**21,004**
Capitalised O&M costs	Operated – Growth	345	
		345	
Domestic costs	Operated – Stay-In-Business	305	
	Non-Operated – Growth	628	
		933	
Exploration costs	Operated	67	
	Non-Operated	5	
		72	
Sustain costs	Operated	24	
	Non-Operated	67	
		91	
Total		**9,948**	
Origin cash contribution		**2,821**	**4,549**

Project costs include all operated and non-operated capital costs associated with the LNG project.

Capitalised O&M costs include all operating and maintenance costs associated with the LNG project which have been capitalised and are excluded from the LNG export project cost estimates. The capitalisation of operating and maintenance costs prior to LNG start up will continue to be assessed.

Domestic costs include capital costs from Australia Pacific LNG's domestic operations, upstream non-operated capital costs associated with the supply of gas to third party LNG projects and costs associated with head office, project and system assets.

Exploration costs are attributable to exploration and appraisal activities and permit acquisition costs not related to the gas required for Phase 1 of the LNG project.

Sustain costs are attributable to all capital costs necessary to maintain the required Upstream production volumes after first commercial operations of the LNG facility.

During the current year, Origin contributed $2,821 million to Australia Pacific LNG, via both loan repayments to Australia Pacific LNG and the issue of mandatorily redeemable cumulative preference shares (MRCPS) by Australia Pacific LNG to Origin, to meet its share of Australia Pacific LNG capital expenditure not otherwise met by cash available to Australia Pacific LNG. Origin made cash contributions of $561 million in the prior year. Origin has made total cumulative cash contributions of $4,549 million at 30 June 2014.

The total amount drawn down by Australia Pacific LNG from project finance during the current year was US$2,236 million. Capitalised interest on the project finance facility of US$256 million has been recognised during the current year. At 30 June 2014, US$7,768 million of the project finance facility had been drawn.

6.5 Corporate

This segment reports corporate activities that have not been allocated to other operating segments together with business development activities outside Origin's existing operations. In particular, Origin's existing investments in Chile's and Indonesia's energy sectors include interests in geothermal and hydro development.

With the exception of net financing costs and tax specifically associated with the LNG and Contact Energy segments which are recorded in those segments, all other net financing costs and tax are recorded in the Corporate segment.

Financial Performance

Year ended 30 June	2014 $million	2013 $million	Change %
Underlying EBITDA	(17)	(42)	(60)
Segment Result	(392)	(518)	(24)
Growth capital expenditure	(55)	(69)	(20)

— Lower Underlying EBITDA loss reflects higher cost recoveries from Australia Pacific LNG under the service provider agreement (given the nature of the recovery mechanisms, costs may be incurred in periods different from when recoveries are recorded). This has been partly offset by lower cost recoveries to International Development joint ventures.
— Origin expects lower cost recoveries from Australia Pacific LNG under the service provider agreement in the 2015 financial year compared with the current year.

Segment Result includes Underlying net financing costs of $109 million, Underlying income tax expense of $262 million and non-controlling interest expense of $4 million.

7. RISKS RELATED TO ORIGIN'S FUTURE FINANCIAL PROSPECTS

The scope of Origin's operations means that a range of factors may impact on the achievement of the Company's strategies and future financial prospects. Material business risks are summarised below including the Company's approach to managing these risks. The summary is not an exhaustive list of all risks that affect the business and the items have not been prioritised.

Material Business Risks

Wholesale Electricity Prices and Commodity Prices

— **Volatility in wholesale electricity prices** – A key part of Origin's business involves procuring the supply of electricity from wholesale electricity markets in Australia and New Zealand for on-sale to customers. Wholesale electricity prices are volatile and influenced by many factors such as demand and supply changes that are difficult to predict. Unexpected movements in wholesale prices which are not mitigated through hedging arrangements can result from a range of factors including operating constraints at Origin's owned and operated power stations. This could result in adverse impacts on Origin's financial performance.
— **Commodity prices** – Revenues from Origin's Exploration & Production and Energy Markets businesses include the sale of commodities such as oil and gas and other products whose prices are linked to external market prices of oil and gas, such as LPG and, potentially in the future, LNG. Revenues from Origin's LNG business will be primarily linked to the oil price following start-up of Australia Pacific LNG's CSG-to-LNG project. Additionally, our Energy Markets business is exposed to fluctuations in commodity prices in respect of purchases of coal and gas for electricity generation and LPG for on-sale to customers. Unexpected movements in commodity prices could result in adverse impacts on Origin's financial performance.

Management of Wholesale Electricity Prices and Commodity Price risks

Origin manages exposure to wholesale electricity and commodity price risk through a combination of physical positions (ownership or despatch rights to generation or gas supply) and derivatives contracts. Exposure limits reflect the level of underlying inherent risk which cannot be mitigated through hedging given mismatches between customer demand and available hedges and the expected returns available through managing spot market volatility. Strict limits are set by the Board to manage the overall exposure that Origin is prepared to take, and a commodity risk management system is in place to monitor and report performance against these limits.

Origin constantly monitors gas and electricity supply and demand dynamics and has built a portfolio of physical assets to assist in managing the exposure to movements in supply and demand. As a result of the physical assets, Origin is able to hedge a component of exposure to supply volatility by using owned generation or gas to meet demand. Origin supplies a range of market participants to manage demand risks.

Competition in Key Markets and Energy Demand

Origin operates in competitive markets and changes in these competitive markets can impact the future financial performance of the Company. Origin is involved in supplying energy to customers and is impacted by changes in the ongoing demand for energy.

— **Competition in energy retailing and power generation** – Origin's future financial performance is dependent to an extent on the Company's operations in the competitive Australian and New Zealand Energy retailing markets, where electricity, gas and LPG customers are able to change providers. High levels of competition can result in downward pressure on margins, losses of customer accounts and higher costs of acquiring and maintaining customers, which can adversely impact future financial performance. Additionally, there are many power generators in Australia and New Zealand which compete for generation capacity and sources of fuel, which can impact the cost of energy supply. Further, there is a risk of future development in competing generation technologies displacing Origin's existing generation assets. There is a risk that changes in energy markets, including the competitive demand and supply balance for energy, results in Origin's portfolio becoming uncompetitive against the market.
— **Competition in the upstream gas market in eastern Australia** – The potential discovery of significant new gas resources in eastern Australia could have a significant impact on the supply and demand dynamics of the eastern Australian gas markets, resulting in changes in gas prices and therefore Origin's future revenues and purchase costs. In addition, the LNG facilities currently being built on Curtis Island in Queensland will compete with domestic demand for gas. Changes in the demand and supply of gas in the eastern Australian markets could result in material changes to the price of gas, which in turn could result in adverse impacts on Origin's financial performance.
— **Demand for energy** – the volume of electricity, gas and LPG the Company sells is dependent on the energy usage of our customers. Reductions in energy demand including from prevailing consumer sentiment, technological advancement, mandatory energy efficiency schemes, energy prices, weather and long term climate trends, and other factors, can reduce the Company's revenues and adversely affect the Company's future financial performance.

Management of competition in key markets and energy demand risks

Origin regularly reviews the products offered to customers both by Origin and by other market participants to ensure that offerings remain competitive. Origin is able to respond to changes in the competitive environment by changing the terms on which it is prepared to supply customers and how it manages its wholesale and generation portfolio, to maintain competitiveness. Origin's recently implemented Retail SAP system enables the company to respond to competitor activity more effectively and to interact with customers more effectively.

Project Development and Reserves Risk

- **Delays in project delivery and cost overruns or lower than expected benefits** – Origin undertakes investments in a variety of projects for the construction or expansion of gas, oil, electricity generation, and business systems including core operational systems. There is a risk that major projects, including Australia Pacific LNG's CSG to LNG project, could be subject to events outside of Origin's control such as weather events or natural disasters, resulting in the projects being delayed and cost increase impacts including labour shortages, industrial actions, regulatory requirements and events costing more than intended or not proceeding as planned, which could adversely impact the Company's future financial performance. There is a risk of exposure to cost increases for non-operated joint ventures in which Origin has an interest and is reliant on but are not controlled by the Company.
- **Oil and gas reserves and geothermal resources** – There are numerous uncertainties inherent in exploring for new oil and gas reserves and geothermal resources and in estimating quantities of oil and gas reserves and geothermal resources, including factors that are beyond the control of Origin.

Origin is involved in the exploration for oil and gas reserves and there is no assurance that oil and/or gas or geothermal resources will be discovered through these activities or that any particular undeveloped reserves will proceed to development or will ultimately be recovered. This risk could adversely impact Origin's future financial prospects.

In estimating the quantities of oil and gas reserves, classifications of reserves are only attempts to define the degree of uncertainty involved. There is a risk that actual production from reserves may vary from that predicted and such variances could be material and could have an adverse impact on Origin's revenue and ability to supply fuel to its Generation portfolio as well as customers.

Geothermal resources are particularly dependent on continued production of steam from the geothermal reservoirs. Performance of the reservoirs may be impacted by factors that may alter the physical state of the reservoir and the effectiveness of drilling programs targeted at maintaining and growing geothermal output.

Management of Project Development and Reserves Risks

Origin manages projects in accordance with well established project management processes and continually reviews progress against targets for both time and cost.

Origin employs geological and other standard oil and gas industry procedures to identify and consider areas for potential exploration, considering amongst other factors likelihood of exploration success, costs of exploration and potential benefit of success. Origin monitors oil and gas well performance on a continual basis, and reports production and reserves to the market regularly.

Regulatory, Tax and Litigation Risks

- **Regulatory risk** – Origin operates in a highly regulated environment and is exposed to the risk of changes in regulations or its own failure to meet regulatory requirements, resulting in a loss or constraint to its licence to operate. Origin's business, in particular Energy Markets, includes regulated electricity and gas retailer operations and is subject to a wide range of regulations including, amongst other things, dealing with customers, tariff setting in some States, participation in energy trading markets and competition. During construction and once operational, Origin's assets are governed by a range of regulations including, amongst others, environmental, industrial relations, health and safety, electricity market and competition. Further, Origin is exposed to the risk of changes in climate and renewable policy. Additionally, retail tariffs set by regulators in regulated markets may not reflect Origin's underlying costs, which could cause deterioration in profit margins. Changes to regulatory requirements or a failure to meet regulatory requirements may result in the inability of Origin to operate and its inability to achieve its future financial prospects.
- **Tax liabilities** – Origin is exposed to risks arising from the manner in which the Australian and international tax regimes may be amended, applied, interpreted and enforced. Any actual or alleged failure to comply with, or any change in the interpretation, application or enforcement of, applicable tax laws and regulations could significantly increase Origin's tax liability and expose Origin to legal, regulatory and other actions that could adversely affect Origin's financial performance and prospects. Origin has been, currently is, and from time to time may be, subject to tax reviews and audits. Although Origin considers that prior tax treatment for prior periods does not need to be amended, a material amendment to any tax treatment for prior periods would adversely affect Origin's financial performance and future financial prospects.
- **Litigation and Legal Proceedings** – the nature of Origin's business means that it has been, currently is and from time to time is likely to be involved in litigation, regulatory actions or similar dispute resolution processes arising from a wide range of possible matters. Origin may also be involved in investigations, inquiries or disputes, debt recoveries, native title claims, land tenure and access disputes, environmental claims or occupational health and safety claims. Any of these claims or actions could result in delays, increase costs or otherwise adversely impact Origin's assets and operations, and adversely impact Origin's financial performance and future financial prospects.

Management of Regulatory, Tax and Litigation Risks

Origin has in place compliance systems and processes to identify, understand and capture compliance and regulatory obligations across the business. The risk management system is designed to encourage early escalation of issues. Whistleblower and Serious Concern policies are in place to further enable issues to be escalated. In the event of non-compliance by individuals, the organisation has procedures in place to take appropriate actions. Origin manages litigation and legal risk through internal legal counsel and external legal advice as required.

Operational Risks

- **Key asset outages, process safety and personal safety risks** – Origin is involved in large scale operating activities including oil and gas projects, power generation, LPG facilities and, through Australia Pacific LNG, construction of CSG to LNG processing facilities. There is a risk that our operating equipment and facilities may not operate as intended and suffer outages or significant damage. This includes interruptions to any fuel supply required to operate the assets including gas, water and geothermal fluid. Additionally, the complexity, scale and geography of our operations also give rise to a range of health and safety risks including risk to the safety of our employees and contractors, including through travel as part of our operations. Unintended operating failures or harm to our employees and contractors may adversely impact the Company achieving its financial prospects.

— **Joint venture arrangements** – Origin's joint venture partners may have economic or other business interests or goals that are inconsistent with Origin's and may take actions contrary to the objectives or interests of Origin. There is also the risk that joint venture partners might become bankrupt, default on or fail to fulfil as expected their obligations thereby impacting the performance of the joint venture and adversely affecting Origin or its interests in the joint venture and thereby adversely impacting the Company's financial prospects.
— **Reliance on third party infrastructure and providers** – Any failure of third party infrastructure or providers including, in particular, transmission and pipeline infrastructure, could materially and adversely affect the ability of Origin to conduct business and operations.
— **Customer billing and collections** – Origin supplies a large base of customers in Australia and New Zealand including residential and commercial and industrial customers. If Origin is unable to effectively bill and or collect outstanding debt from customers it could have an adverse impact on Origin's future financial prospects. Potential causes of an inability for Origin to bill and collect debts from its customers include, amongst other factors, the unintended impacts of changes to internal billing and collection systems and economic hardship related to Origin's customer base.
— **Cyber security** – A cyber security incident could lead to a breach of privacy, disruption of critical business processes or theft of commercially sensitive information. Such events could lead to reputational damage and have an adverse impact on Origin's profitability or financial position.
— **Personnel risk** – There is a finite availability of skilled labour with expertise in some of the market sectors in which Origin operates, and certain of its operations may be reliant on small groups of individuals with specialist knowledge. The loss or failure to retain such personnel may impede Origin's ability to undertake its activities as efficiently and effectively as it otherwise would be able to. There is also a risk that Origin may need to pay a higher than expected cost to acquire or retain the necessary labour for its operations. This could result in a material adverse increase or variability in Origin's operating costs and/or add to the risk of development projects not proceeding as planned.

Management of operational risks

The risk management system that Origin has in place operates to identify, manage and mitigate operational risks across the business. The risk management system sets out the minimum operating standards that Origin expects of all operating assets regardless of whether they are wholly owned and operated or are in non-operated joint ventures. Procedures have been developed to identify and investigate significant incidents and near misses and to ensure that learnings are shared across the business.

Origin works closely with joint venture and third party providers to reduce the likelihood of interruption to business and to manage any exposure to cost increases, however, it is not always possible for Origin to influence the operational environment of third party providers (e.g. transmission companies).

Origin administers customer credit procedures to monitor customer billings and debtor balances. These procedures are designed to monitor the accuracy and completeness of customer billings and reduce the incidence of bad debts. This is particularly important in a period of changing internal processes (including billing systems) or market conditions (including competitive intensity). Where such an event occurs, additional resources are employed to manage the impact.

Origin has measures in place which continuously assess and adjust key controls for emerging and changing cyber threats.

Origin's remuneration structure includes a number of features to create a significant retention incentive for key personnel including a short term incentive plan awarded partly in cash and partly as deferred share rights and a long term incentive plan in the form of performance share rights and/or options. The Board retains discretion to grant deferred share rights for retention purposes. Additionally, the Company has established procedures for advertising and recruiting globally for roles in short supply or requiring specific experience.

Environmental and Social Risks

— **Environmental risk** – The complexity, scale and geography of Origin's projects and operations give rise to a range of environmental risks including carbon emissions, water and brine management, and both land and marine biodiversity risks. These risks have the potential to harm the environment, increase operating costs and cause the loss of operating licences.
— **Social risk** – Origin's projects and operations interact with a range of community stakeholders. These interactions give rise to a range of social risks including access to land, customer care, managing community impacts and the public perception of Origin and the industries in which it operates. These risks have the potential to reduce access to resources and markets, to increase operating costs and to cause the loss of operating licences and result in changes in laws and regulations.

Management of Environmental and Social Risks

Origin assesses its environmental and social risks for all projects and operations. These risks are managed using Origin's risk management system. Projects are developed with precautionary engineering and management measures in place to mitigate or manage key environmental and social risks, and operations are managed using policies and procedures to control remaining environmental and social risks. Environmental and social risk management is subject to periodic audits and assurance in projects and operations.

For Australia Pacific LNG, Origin's largest project, detailed and documented approvals exist in respect of environmental and social regulation. These approvals have been issued by regulatory bodies following extensive consultation with community and other stakeholders, and cover a comprehensive range of environmental and social risks. Australia Pacific LNG's and Origin's processes and internal compliance monitoring activities are designed to ensure activities are conducted in accordance with regulatory approvals.

Origin manages the public perception of itself and the industries in which it operates through ongoing stakeholder engagement and advocacy including having regular meetings with community groups, local councils and landholders, by providing relevant knowledge and information to customers and regulators, by participating in community and regional development including investment in local infrastructure, and through investment and participation in social and environmental research programs.

Financial Risks

— **Counterparty credit risk** – Origin is subject to the risk that some counterparties may fail to fulfil their obligations under major hedge and sales contracts, including making payments as they fall due, and such defaults could adversely impact Origin's financial prospects.
— **Fluctuations in foreign exchange rates and interest rates** – Origin is exposed to foreign exchange rate fluctuations in the Australian dollar value of foreign currency denominated assets, revenues, dividends received and expenses including interest expense. Interest rate risk arises in respect of the Company's long term borrowings.
— **Ability to access capital in the financial markets** – Origin is exposed to the availability of capital in financial markets at the time of any financing or refinancing that Origin requires. There is a risk that Origin's credit ratings and financial flexibility may be adversely affected.

Management of Financial Risks

Financial risks are managed within risk limits set within the Company's Commodity Risk Management System and Treasury Risk Management System. Financial exposures are subject to regular review. Risk limits are set at a level that is designed to preserve the financial integrity of the Company under a range of commodity price scenarios. Origin also maintains an extensive insurance program, transferring property related and other financial risks to insurance markets.

Origin manages its liquidity position within limits designed to maintain sufficient liquidity to meet its objectives even in periods of reduced market liquidity.

APPENDIX 1 – ORIGIN'S KEY FINANCIALS

Year ended 30 June	2014 $million	2013 $million	Change %
External revenue	14,518	14,747	(2)
Underlying EBITDA	2,139	2,181	(2)
Underlying depreciation and amortisation	(732)	(695)	5
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(54)	(48)	13
Underlying EBIT	1,353	1,438	(6)
Underlying net financing costs	(192)	(255)	(25)
Underlying Profit before income tax and non-controlling interests	1,161	1,183	(2)
Underlying income tax expense	(342)	(339)	1
Underlying net profit after tax before elimination of non-controlling interests	819	844	(3)
Non-controlling interests' share of Underlying Profit	(106)	(84)	26
Underlying Profit	713	760	(6)
Items excluded from Underlying Profit	(183)	(382)	(52)
Statutory Profit	530	378	40
Free cash flow	1,599	1,188	35
Group OCAT Ratio	11.5%	6.4%	80
Productive capital	16,577	15,783	5
Capital expenditure	1,012	1,172	(14)
Earnings per share – Statutory	48.1¢	34.6¢	39
Earnings per share – Underlying	64.8¢	69.5¢	(7)
Weighted average shares in basic EPS (million shares)	1,101	1,094	1
Free cash flow per share (1)	144.9¢	108.2¢	34
Final dividend per share (unfranked)	25.0¢	25.0¢	–
Total assets	31,139	29,589	5
Net debt	9,134	6,808	34
Adjusted Net Debt (1)	9,138	7,037	30
Shareholders' Equity	15,129	14,794	2
Net asset backing per share	$12.18	$12.10	1
Net debt to net debt plus equity	38%	32%	19
Origin Cash (excluding Contact Energy)	217	240	(10)
Origin Debt (excluding Contact Energy)	8,160	5,960	37
Contact Energy Net Debt	1,191	1,088	9
Total employees (numbers)	6,701	5,658 (2)	18
Total Recordable Injury Frequency Rate (TRIFR)	5.0	6.5 (3)	(23)

APPENDIX 2 – RECONCILIATION OF UNDERLYING PROFIT TO STATUTORY PROFIT

Year ended 30 June	2014				2013				
$million	Gross	Tax	Non-controlling interests	NPAT	Gross	Tax	Non-controlling interests	NPAT	Change
Statutory Profit				**530**				**378**	
Decrease in fair value of financial instruments	(278)	84	(2)	(196)	(342)	102	(3)	(243)	47
Asset disposals, dilutions and impairments	238	(77)	(4)	157	335	15	2	352	(195)
LNG related items	(270)	78	–	(192)	(370)	108	–	(262)	70
Other	(104)	148	4	48	(303)	72	2	(229)	277
Less total excluded items	**(414)**	**233**	**(2)**	**(183)**	**(680)**	**297**	**1**	**(382)**	**199**
Underlying measure				**713**				**760**	

(1) Refer to Glossary on page 130.
(2) Includes 399 employees from Eraring Energy following completion of the acquisition on 1 August 2013.
(3) TRIFR for the rolling 12 months to 30 June 2013 has been revised from the previously reported 6.7 to 6.5 due to retrospective data updates.

REMUNERATION REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. INTRODUCTION

Origin's remuneration structure has served it well over a long period, with the changes to Short Term Incentive (STI) and Long Term Incentive (LTI) arrangements outlined last year helping to ensure ongoing alignment of executive and shareholder interests.

Nonetheless, in line with good corporate governance, the Non-executive Directors (NEDs) each year undertake a review of Origin's remuneration practices to ensure that the current approach remains appropriate. In so doing the NEDs:

- consider feedback from shareholders;
- examine emerging market practice; and
- test remuneration outcomes against company performance.

As a result of this year's review, the NEDs have reached the conclusion that:

Origin's remuneration system continues to serve the Company well.

The Directors support this view for the following reasons:

- Origin's existing remuneration system is focused on delivering shareholder value over the long term (Section 2);
- Remuneration outcomes reflect returns to shareholders (Section 3);
- Appropriate governance has been exercised to ensure a focus on shareholders' interests (Section 4); and
- NEDs are remunerated in a way that supports an independent shareholder focus (Section 5).

The balance of this report is organised around each of these four points.

The report focuses on executives who are Key Management Personnel (KMP). However, it also provides a perspective on all employees of the Group whose remuneration includes awards under the LTI arrangements. At June 2014, this covered approximately 100 executives.

2. ORIGIN'S EXISTING REMUNERATION SYSTEM IS FOCUSED ON DELIVERING SHAREHOLDER VALUE OVER THE LONG TERM

The overriding objective of Origin's remuneration system is to attract and retain valuable staff, while aligning the interests of staff and shareholders. Origin strives to do this by:

- Attracting and retaining high calibre executives from diverse backgrounds through a fair and competitive remuneration structure that appropriately rewards and incentivises superior performance; and
- Aligning the interests of executives and shareholders by providing rewards that support shareholder value creation.

Origin Board's policy is that the remuneration of senior managers, including KMP, consists of three main components (Fixed Remuneration, STI and LTI), and that when full allocations of STI and LTI are made to reward superior performance, the executive's aggregate pay (Fixed Remuneration, STI and LTI) will be in the top quartile of the market.

The key features of each element and the way they align with the creation of shareholder value and attracting and retaining staff are described in sections 2.1 – 2.5.

2.1 Fixed remuneration is benchmarked to the midpoint of the external market to attract quality people who can deliver value for shareholders.

Fixed Remuneration takes into account the size and complexity of a recipient's role, and the skills required to succeed in such a position. It includes cash salary, employer contributions to superannuation and salary sacrifice benefits. As the Group employs staff across a broad spectrum of roles and disciplines, the Hay All Organisations benchmark of over 400 organisations is used as the major benchmark reference for most roles.(1) More specific benchmark analysis is undertaken for KMP roles.(2)

2.2 Short Term Incentive awards are designed to reward superior achievement for shareholders in relation to key operational measures.

STI plays a key role in aligning superior operational outcomes for shareholders with the remuneration outcomes for management.

As foreshadowed in the previous year's remuneration report, and reflecting the increased significance of effective management of short term and day-to-day operations, the weighting toward STI was increased for FY2014 and one-third of the potential STI is now awarded in the form of Deferred Share Rights (DSRs),(3) and the remaining two-thirds in cash.

The award of a portion of STI in this form aligns executive and shareholder interests by providing an equity interest, linked to performance against operational objectives, whose value will increase or decrease directly in line with Origin's share price.

The amount of STI awarded reflects financial and operational outcomes over the course of the financial year. The STI opportunity levels vary according to the Business Unit served by the recipient and according to their role. The amount at risk increases with increasing job size and the capacity to influence the overall performance of the business as shown in Table 1:

Table 1: STI as a percentage of Fixed Remuneration, FY2014

Position	Minimum	Target (60% of opportunity)	Maximum (100% of opportunity)
Managing Director	0%	90%	150%
Executive Director, Finance & Strategy	0%	81%	135%
Other Executive KMP	0%	78%	130%
Other Executive Management Team	0%	60%	100%
Other Executives (4)	0%	39-45%	65-75%

(1) For job families in skill shortage areas (such as geosciences and some professional specialists) the relevant market has been determined by reference to smaller peer groups such as those sourced from commissioned surveys and industry forums such as National Rewards Group.
(2) See Table 17.
(3) A DSR is the right to a fully paid share in the Company at no cost.
(4) Other Executives covers multiple role levels and therefore a range of opportunity levels.

To achieve the Maximum award, the recipient's relevant operational targets must be significantly exceeded. Delivering targeted operational outcomes results in an award of 60 per cent of Maximum STI. If targeted outcomes are not achieved, the award of STI is reduced proportionally below 60 per cent (to zero where threshold outcomes are not achieved).

The Managing Director's STI is determined by reference to Group performance in terms of underlying earnings per share and the OCAT Ratio, the Group's safety record for the year, and a number of personal operational measures. STI for other executives is determined by reference to Group Performance as well as Business Unit and personal operational measures. Examples of Business Unit measures include safety outcomes, milestones (especially in the LNG Business Unit), production (especially in the Upstream Oil & Gas business) or customer numbers or profitability (in the Australian Energy Markets business). All STI recipients have exposure to the Group's earnings per share and Group OCAT Ratio outcomes, and the degree of exposure to Group and Division financial metrics increases with increasing job size.

Table 2 summarises the relative weightings of each of the performance measures that contribute to the STI award:

Table 2: Weighting of performance measures by role type

Position	Business weight splits							
	Underlying EPS	Group OCAT Ratio	Division Financial/ Operational	Origin safety metric	Business Unit safety metric	Total Business Weights	Personal Weights	Total
Managing Director	30%	30%		10%		70%	30%	100%
Executive Director, Finance & Strategy	30%	30%		10%		70%	30%	100%
Other Executive KMP*	12.5%	12.5%	25%		10%	60%	40%	100%
Other Executive EMT	25%	25%		10%		60%	40%	100%
Other Executives	20%	20%		10%		50%	50%	100%

* For CEO Contact Energy, the EPS, OCAT and safety measures all relate to Contact Energy.

Group measures and outcomes are approved by the Board. Business unit goals are set by the Managing Director and reviewed by the Remuneration Committee. Performance of direct reports to the Managing Director is assessed by the Managing Director, reviewed by the Remuneration Committee and approved by the Board. The Managing Director's performance is assessed and approved by the Board. Mr Barnes' performance as Chief Executive Officer of Contact Energy is assessed by the Contact Energy Board. All outcomes are subject to the exercise of discretion by the Board.

With the exception of 'Other Executives', DSRs vest in three tranches. One-third of the DSRs vest at the end of one year from the date of award; one-third at the end of two years; and the remaining one-third at the end of three years.(1) For 'Other Executives', where smaller DSR parcels are allocated, all DSRs vest after a two year deferral. The DSRs vest subject to an ongoing service condition, and are forfeited if the condition is not met, except in exceptional circumstances.(2)

As no dividends are paid on DSRs that have not vested, their value for allocation purposes is the face value(3) less the discounted value of dividends foregone. The number of DSRs awarded is, therefore, the allocation value (one-third of the total STI award) divided by the face value less discounted value of dividends foregone.

2.3 Long Term Incentive awards are designed to align executive remuneration with financial outcomes for shareholders over the longer term.

LTI arrangements provide Executives with a deferred equity interest in Origin, the value of which depends on the extent to which the hurdle – as measured by relative Total Shareholder Return (TSR) – is met and exceeded; and by the extent of share price appreciation in the case of PSRs, or in the case of Options, the amount by which the share price has appreciated over the exercise price.

A grant of LTI is considered for approximately 100 executives, who in the view of the Directors, are involved in long-term strategic decisions that are company transformational and involve long-term strategic decisions.

LTI allocations are made having regard to:

- Benchmark levels of unvested equity relative to market to meet incentivisation and retention objectives and to build potential equity stakes that will appropriately align executive and shareholder interests; and
- The individual performance and potential of each executive.

The actual allocation to be made to an Executive in any year may vary below the target level (including to zero) depending upon the level of unvested equity held relative to benchmark, and is informed by considerations of the individual performance and potential of the Executive. The Board may determine a higher level than target in exceptional circumstances.

Table 3 summarises the LTI allocation levels by role, expressed as a percentage of Fixed Remuneration.

Table 3: LTI allocations as a percentage of Fixed Remuneration, FY2014

Position	% of Fixed Remuneration	
	Minimum Allocation	Target Allocation
Managing Director	0%	120%
Executive Director, Finance & Strategy	0%	85%
Other Executive Key Management Personnel (4)	0%	70%
Other Executive Management Team	0%	40%
Other Executives	0%	10 – 25%

(1) While Deferred STI awards in respect of the current year's performance will be granted in the following financial year, Origin begins recognising an expense from 1 July of the current financial year in relation to these future grants. In the following financial year the accumulated expense recognised will be adjusted for the final determination of fair value at the date of grant and the number of instruments expected to vest. This valuation will be used for recognising the expense over the remaining vesting periods.

(2) Examples of exceptional circumstances include death, disability, redundancy or genuine retirement, as defined in the Equity Incentive Plan Rules.

(3) Face value is the present day market value of an Origin share.

(4) Particular arrangements apply to Mr Barnes who participates in Contact Energy's LTI arrangements. While under secondment to Contact Energy, Mr Barnes participates in Contact Energy's LTI arrangements (refer to Contact Energy's website – contactenergy.co.nz). The maximum opportunity in his case refers to the combined LTI from Origin Energy and Contact Energy.

This year, the Directors examined appropriate benchmarks for LTI allocation and concluded that insufficient allocation was being made to meet benchmark for high achieving executives. For that reason, going forward, allocations for high achieving executives will generally be closer to the target level, dependent on performance.

Table 4 summarises the future potential value of LTI allocations granted as equity in the form of Options and PSRs, subject to varying outcomes.

Table 4: Future potential value of the LTI allocation

	Minimum	Target or Expected	Maximum
Options	Nil (This will be the value if the market hurdle of Total Shareholder Return (TSR) is not met, OR if the hurdle is met but the share price does not exceed the exercise price.)	The target or expected value is determined through the Black-Scholes option pricing model and Monte Carlo simulation techniques.	It is not possible to determine a maximum potential value of an Option. The exercise price payable for an Option is set on allocation as the current market value of an Origin share. This means that the initial value of an Option (face value less exercise price to pay) is zero. The attribution of any value to a vested Option requires an assumption for how much the share price at vesting will exceed the exercise price (less the value of dividends foregone).
PSRs	Nil (This will be the value if the market hurdle of TSR is not met.)	The target or expected value is determined through the Black-Scholes option pricing model and Monte Carlo simulation techniques.	Face value less discounted value of dividends foregone over the four year vesting period.

As noted in the FY2013 Remuneration Report, the FY2014 LTI allocations for Executive KMP and Other Executive Management Team is 75 per cent Options and 25 per cent PSRs (split by fair value). As it is not possible to determine a maximum potential value (assuming full vesting) for the Options component, there is no "maximum value" that can be specified for the overall future potential LTI.

The number of Options and PSRs that are awarded is calculated by taking the dollar value of the awarded LTI allocation (determined with reference to the target value) divided by the target value described in Table 4 to calculate the number of Options and PSRs to award. This approach aligns with remuneration benchmarking because actual outcomes in the market reflect the vesting risk.

Also, as noted in the previous Remuneration Report, the vesting period for PSRs awarded in respect of FY2014 has been extended to four years and is now the same as the vesting period is for Options.

Table 5 summarises the key features of the LTI arrangements.

Table 5: LTI Profile

LTI parameter	FY2014 details
LTI instruments	Allocation of LTI is made in the form of: (a) Performance Share Rights (PSRs) which are the right to a fully paid share in the Company at no cost; and/or (b) Options, which are the right to a fully paid share in the Company upon payment of an exercise price.[1] For Executive KMP and Other Executive Management Team, 75 per cent of LTI allocation is in the form of Options and 25 per cent as PSRs. The grant for Other Executives is either 50 per cent Options and 50 per cent PSRs, or wholly in PSRs.
Allocation Valuation	The number of Options and/or PSRs allocated for each executive is calculated by reference to the target value referred to in Table 4. This value is approximately the same as the accounting "fair value" [2] and is independently determined. The target or expected value takes into account the fact that dividends are not issued on Options or PSRs; the probability that some or all of the Options and/or PSRs might not vest; and in the case of Options, the exercise price that must be paid on vesting; and the probability that even if vesting occurs, the share price at the vesting date might or might not be above the exercise price of the Option.[3] For the Executive Directors, awards, as recommended by the Board, are submitted for approval by shareholders at the AGM held immediately after the year to which they relate.
Relative TSR hurdle and Vesting Scale	After allocation, the PSRs and Options are subject to a performance condition in order to vest, namely TSR relative to the S&P/ASX 100 group of companies as comprised at the date of grant. Relative TSR is used as the performance measure because it is both transparent and robust. It is a forward-looking measure which represents an assessment of the Company's ability to invest and achieve a return on capital relative to other companies. The Board considers that it is appropriate to measure the Company's TSR against a peer group as it encourages success and competitiveness in attracting capital, employees and customers relative to peers. In addition, Options have no value unless the share price rises above the exercise price. Therefore, the use of Options in conjunction with the relative TSR hurdle provides a hurdle combination of both absolute *and* relative share price performance. Relative TSR is measured at the end of the performance period (which from FY2014 is four years for both Options and PSRs). Vesting occurs only when TSR exceeds the 50th percentile of S&P/ASX 100 companies. 50 per cent of the award vests above the 50th percentile, and 100 per cent of the award vests at the 75th percentile, with proportionate vesting on a straight-line basis between the 50th and 75th percentiles. Prior to vesting and allocation of shares, unvested and unexercised Options and/or PSRs carry no voting rights or entitlements to dividends. Options that vest must be exercised together with payment of the exercise price, upon which shares are then allotted. PSRs have a zero exercise price and (since 1 July 2011) shares are allocated automatically on vesting. On a capital reorganisation, the number of unvested awards to which each participant is entitled, or the exercise price (if any) or both, will be adjusted in a manner determined by the Board to minimise or eliminate any material advantage or disadvantage to the participant.[4]
Retesting	For awards granted since FY2012, there is no retesting. Any unvested LTI after the test at the end of the performance period lapses immediately.
Early vesting	In very limited circumstances, testing against the performance condition may be brought forward earlier than the original scheduled test date. Provided that the performance condition is then met, vesting may occur. The limited circumstances are: — on a person/entity acquiring 20 per cent or more of the relevant interest in the Company pursuant to a takeover bid that has become unconditional, or on a person/entity otherwise acquiring 20 per cent or more of the relevant interest in the issued capital of the Company; — on termination of employment due to death or permanent disability; or — in other exceptional circumstances where the Board determines it to be appropriate. Such discretion has not been exercised by the Board to date.
Exercise period, expiry and forfeiture	Options may be exercised only where the performance condition has been met, to the extent set out in the Vesting Scale above. Options that vest must be exercised by the employee together with payment of the exercise price. PSRs are exercised automatically upon vesting. The Equity Incentive Plan Rules provide that unvested or unexercised Options and PSRs lapse on cessation of employment other than in exceptional circumstances (for example death, disability, redundancy or genuine retirement, as defined in the Equity Incentive Plan Rules). In those circumstances, the unvested Options or PSRs may be held "on foot" subject to the specified performance hurdles and other Plan conditions being met. The Rules provide that unvested or unexercised Options lapse up to a maximum of seven years after grant.
Anti Hedging policy	The Company's policy requires that employees cannot trade instruments or other financial products which limit the economic risk of any securities held under any equity-based incentive schemes so long as those holdings are subject to performance hurdles or are otherwise unvested. Non-compliance may result in summary dismissal.

2.4 Malus and Clawback

The Short and Long Term Incentive arrangements include malus and clawback provisions to enable the Company to reduce or clawback awards where appropriate to do so.

Where the Board is not satisfied that an award determination is appropriate and warranted, it has the discretion to apply malus to vary the award downward, including to zero.

Clawback provisions provide the Board with the ability to cancel unvested equity awards or to demand the return of shares or the realised cash value of those shares where the Board determines that the benefit obtained was inappropriate as a result of fraud, dishonesty or breach of employment obligations by either the recipient or any employee of the Group. There have been no circumstances during the current or prior reporting periods requiring the application of clawback provisions.

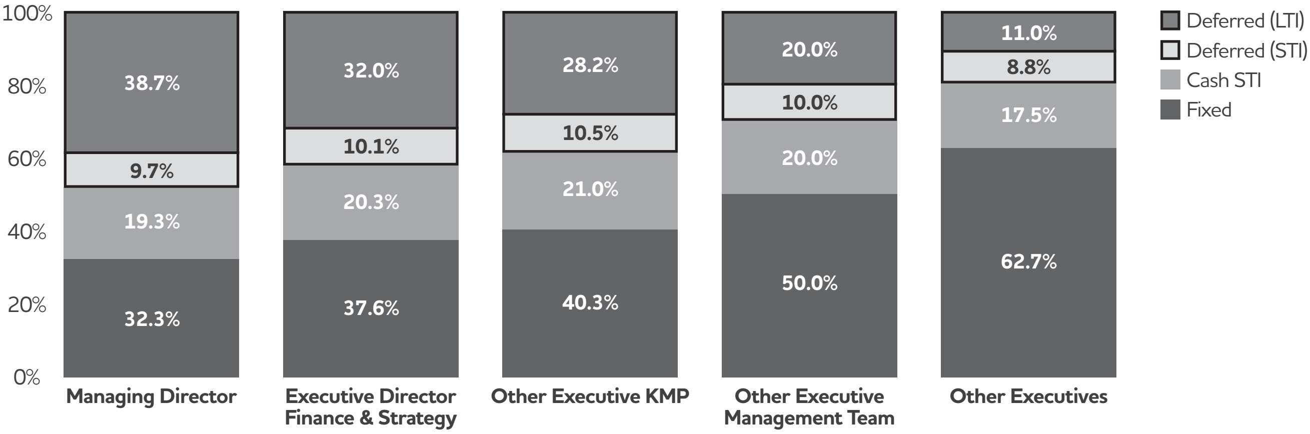
(1) For the FY2013 allocation, the exercise price was determined as the volume weighted average market price for the Company's shares traded on the ASX in the ten trading days immediately prior to 17 September 2013 inclusive.
(2) The difference is due to the timing difference between the offer and granting of the award.
(3) In contrast, the "face value" of an LTI allocation represents the present day value of an LTI award assuming that dividends are paid, and that no vesting risk exists, and (in the case of Options) that there is no exercise price to pay.
(4) If new awards are granted, they will, unless the Board determines otherwise, be subject to the same terms and conditions as the original awards.

2.5 Senior executives receive a greater percentage of their total remuneration in the form of STI and LTI

In summary, Fixed Remuneration, STI (both cash and deferred) and LTI work together to help generate alignment with shareholders.

The relative mix of these components for different roles is summarised in Table 6.

Table 6: Remuneration Mix by Role (At Target)



The heavy-bordered components in Table 6 represent deferred remuneration, comprised of both Deferred STI and LTI. In the case of the Managing Director, at the target levels in Table 1 and Table 3, almost half the remuneration is deferred, and nearly two-thirds of it is at-risk. As job size diminishes, the proportions deferred and at-risk fall (and the proportion of Fixed Remuneration increases) (1).

2.6 To assist with preserving shareholder value, retention plans are selectively used to retain key staff

The Board Remuneration Committee regularly assesses the Group's vulnerability to losing key staff in areas of intense market activity. Typically, they are critical technical operational staff or senior executives who manage core activities or have skills that are being actively solicited in the market.

In such circumstances, the Board Remuneration Committee may consider putting in place deferred payment arrangements to reduce the risk of losing such staff. More specifically, such staff may be offered DSRs or deferred cash payments if they remain in ongoing employment at a nominated date and achieve personal performance targets.

The DSRs are the same equity vehicle as described in section 2.2 for Deferred STI, but the purpose is strictly retention and the time horizon may be longer (up to four years) (2). DSRs were first issued for retention purposes during FY2012.

123,811 DSRs were on issue at 30 June 2014, down from 143,109 at 30 June 2013. These were held by 19 recipients, up from 16 at 30 June 2013.

No deferred cash or retention DSRs were granted to KMP during the period, and none were outstanding at the end of the period.

2.7 The Employee Share Plan focuses all staff on safety

It is well known that operational excellence and safety performance are tightly linked. For this reason, the Board has determined that it is important that all staff have an incentive to focus on safety.

The Board has the ability to make an annual award of up to $1,000 worth of shares to all permanent employees in Australia and New Zealand (other than Executive Directors) with more than one year of service. Such an award is valued by staff, and for this reason the Board has determined that its allocation should be made subject to company-wide targets relating to safety being met during the year.

Shares awarded under the Employee Share Plan must be held for at least three years following the award or until cessation of employment, whichever occurs first.

For FY2014, a target was set for the recording of 45,000 safety observations, with the additional requirement that each be acted upon and 'closed out' in the Company's Health Safety & Environment Management System by the relevant manager or safety advisor. This target was fully met. As a result, the Company will award $1,000 worth of shares to approximately 4,800 eligible employees.

The Company will acquire the requisite shares on market for transfer to employees during September 2014, subject to compliance with applicable regulations.

2.8 Shareholder interests are served by focusing on gender pay equity which aims to make the most of the talents of all staff

Origin's policy is to deliver equal pay for equal work, with a view to attracting and retaining quality staff regardless of gender. Research has shown that organisations that make the most of the talents of women are superior performers over time.(3)

Once a year, a central review of proposed pay arrangements for the coming 12 months is conducted for all divisions of the Company at all levels. If proposed pay arrangements diverge by plus or minus 2 per cent between males and females within a job grade at the Business Unit or Company level, managers are required to revise recommendations until the variation is within 2 per cent. Across all grades in FY2014 the average difference was 1.2 per cent. A fuller description is provided in the Company's Corporate Governance Statement.

While equal work is rewarded with equal pay, females are over-represented in lower-graded jobs and under-represented in higher-graded jobs. The Corporate Governance Statement also describes the Company's initiatives aimed at delivering against Origin's publicly stated goals to reduce the turnover of women in senior roles and increase the percentage of women appointed to such roles.

(1) The changes to FY2014 STI/LTI mix and the introduction of Deferred STI resulted in an increase in the overall level of deferral. For example, for Executive KMP, the increase varies between 3 and 5 percentage points from FY2013 to FY2014.

(2) The expensing for DSRs awarded under the Retention Plan is recognised from the date of grant because this is the commencement of the service period. This differs from expensing of DSRs under Deferred STI arrangements (section 2.2) where the service period commences at the beginning of the STI performance year.

(3) Catalyst (2011) *Why Diversity Matters*; McKinsey (2012) *Is There a Pay-Off For Top-Team Diversity?*; McKinsey, Carter and Wager (2011) *The Bottom Line: Corporate Performance and Women's Representation on Boards 2004–2008*.

3. REMUNERATION OUTCOMES REFLECT RETURNS TO SHAREHOLDERS

3.1 The Company has produced solid outcomes for shareholders over the past decade, broadly reflecting remuneration outcomes for executives

Over the past decade, Origin has produced solid returns for shareholders. As can been seen from the compound average annual growth rate (CAGR) in Table 7, Total Returns to Shareholders have increased by 2.8 times, driven by a CAGR of 8.1 per cent in the share price and 14.3 per cent in the dividend. This reflects the increase in Underlying Profits of 10.1 per cent CAGR.

TSR increased from 7.4 per cent in FY2013 to 20.6 per cent in FY2014, even though underlying profit declined by 6 per cent to $713 million. Statutory profit increased by 40 per cent to $530 million. At the same time, Group OCAT improved 79 per cent and the Group OCAT Ratio by 80 per cent.

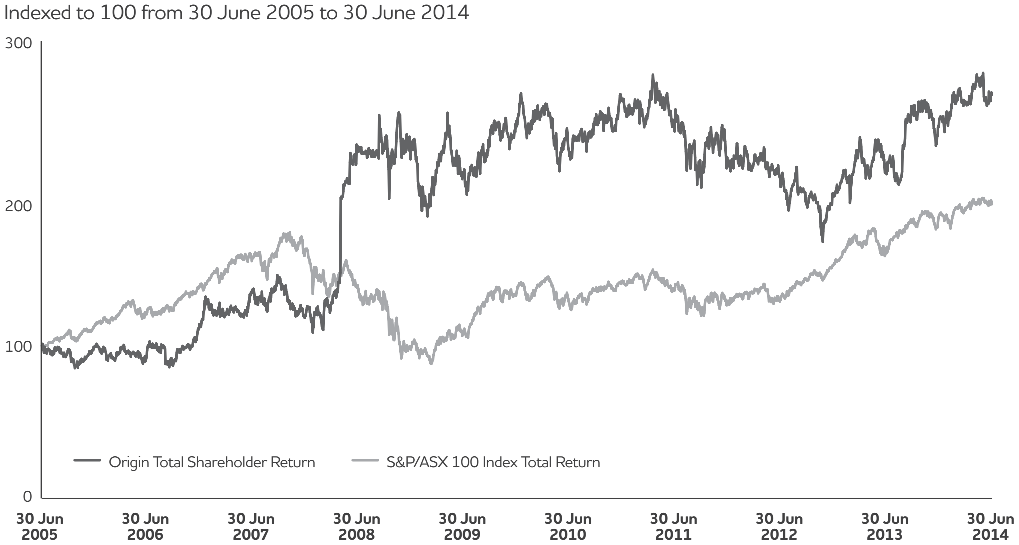
Underlying Profit and OCAT are two of the primary drivers of Origin's performance over the long-term.

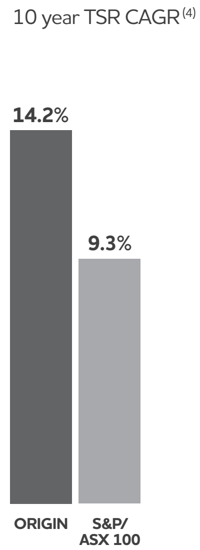
Table 7: Ten Year Performance History

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	CAGR (1)
Earnings And Cash Flow											
Revenue $million	4,870	5,880	6,436	8,275	8,042	8,534	10,344	12,935	14,747	14,518	12.9%
Statutory Profit $million	301	332	457	517	6,941	612	186	980	378	530	
Statutory EPS – basic (2) cents per share	38.4	40.7	53.1	57.4	768.8	67.7	19.6	90.6	34.6	48.1	
Underlying Profit $million	301	338	370	443	530	585	673	893	760	713	10.1%
Underlying EPS – basic (2) cents per share	38.4	41.5	43.0	49.2	58.7	64.8	71.0	82.6	69.5	64.8	6.0%
Group OCAT ($million)	598	768	818	875	797	965	1,585	1,781	1,142	2,041	14.6%
Group OCAT Ratio (%)	12.9	15.0	13.7	12.3	10.4	10.9	13.0	11.5	6.4	11.5	
Total Shareholder Return (TSR)											
Share Price 30 June ($)	7.28	7.04	9.51	15.43	14.23	14.52	15.79	12.20	12.57	14.62	8.1%
Dividends (cents)	15.0	18.0	21.0	50.0(3)	50.0	50.0	50.0	50.0	50.0	50.0	14.3%
TSR Index (Table 8)	100.0	99.0	137.1	227.7	215.7	227.1	255.0	204.2	219.4	264.7	
10 Year TSR (%) (4)										275.9	
Annual TSR (%)	42.0	(1.0)	38.4	66.2	(5.3)	5.3	12.2	(19.9)	7.4	20.6	

Over the past decade, returns for Origin shareholders have also been strong relative to the S&P/ASX 100 as can be seen in Table 8.

Table 8: 10 year TSR versus S&P/ASX 100

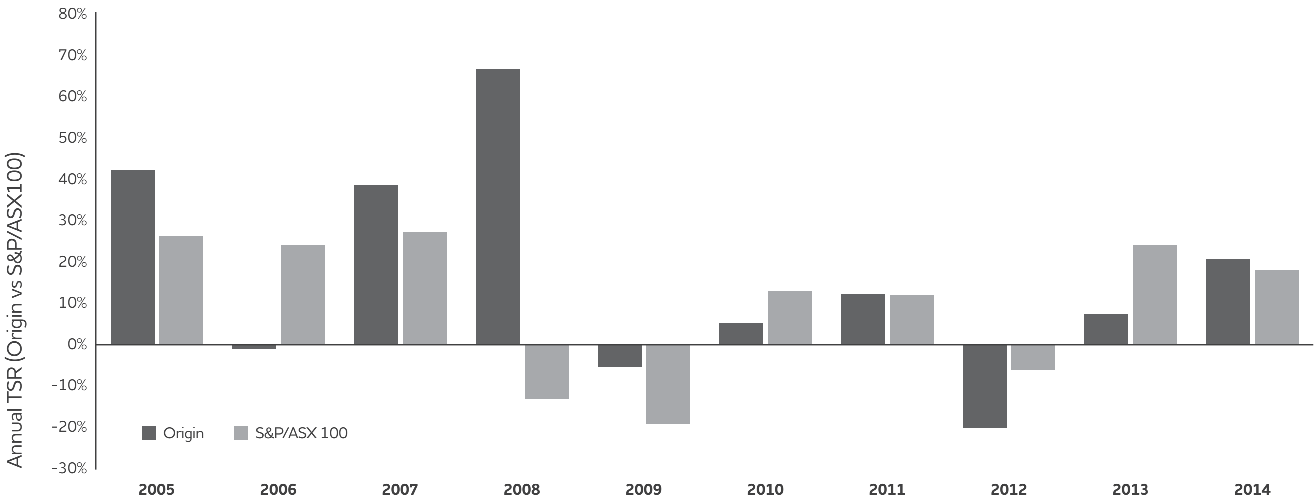




(1) Compound annual growth rate (per cent p.a.) between 30 June 2005 to 30 June 2014.
(2) EPS and Share Price have been restated for the bonus element of the Rights Issues completed in April 2005 and April 2011.
(3) Includes additional dividend paid in November 2008.
(4) The 10-Year TSR percentage includes the full period of FY2005 and represents the period from 30 June 2004 to 30 June 2014.

Following a period of subdued performance between 2009 and 2013, Origin's TSR performance has been strong over the past year.

Table 9: Annual TSR by year: Past 10 years



As can be seen in Table 10, Origin's payout ratio to KMP has been broadly consistent as a proportion of the two primary drivers of OCAT and Underlying Profit. In addition, equity grants – whether in the form of DSRs, Options or PSRs – as a percent of issued capital has stayed relatively constant over time, with this year seeing a decrease from 0.3 per cent to 0.2 per cent.

Table 10: Benefit share

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cash STI payout (KMP) as % of OCAT [(1)]	0.3	0.4	0.4	0.5	0.7	0.5	0.4	0.3	0.2	0.2
Cash STI payout (KMP) as % of Underlying Profit [(2)]	0.7	0.8	0.9	0.9	1.0	0.8	0.8	0.6	0.3	0.6
No. Deferred STI and LTI Rights (KMP) as a % of issued capital [(3)]	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.2

3.2 The STI outcomes for Executives are aligned with the key performance indicators that drive performance over the short and longer term

The STI awarded reflects financial and operational outcomes over the course of a financial year. The financial and safety outcomes for the current and prior year are shown in Table 11.

Table 11: STI performance conditions

	2013	2014
Underlying EPS – basic cents per share	69.5	64.8
Group OCAT Ratio (%)	6.4	11.5
Corporate STI Financial Performance Metric Outcome (%) [(4)]	0.0	64.4
Origin safety metric (TRIFR) [(5)]	6.7	5.0
Origin safety metric outcome (%)	39	100

The relevant outcomes for Executive KMP vary according to their Business Unit as shown in Table 12. In determining these outcomes, the Board has exercised discretion, both upwards and downwards.

As CEO of the publicly listed New Zealand company, Contact Energy, Mr Barnes' STI is exposed to Contact's corporate STI financial metric rather than Origin's metric. The maximum STI opportunities in Table 12 for FY2014 are inclusive of the new Deferred STI element which was implemented for the first time for FY2014.

(1) OCAT before cash bonus payout.
(2) Underlying profit before bonus payout.
(3) Number of Options, PSRs and DSRs granted (or for FY2014 expected to be granted) divided by weighted average shares on issue for the relevant year.
(4) For FY2013 and FY2014 the two performance indicators Underlying EPS and OCAT Ratio combined in equal weights to form the Group STI Financial Performance Metric (see Table 2).
(5) Total Recordable Injury Frequency Rate (TRIFR), a standard industry measure of recordable injuries per million work hours.

Table 12: STI Outcomes

Name		Fixed Remuneration	Maximum STI as % of Fixed Remuneration	STI as % of maximum STI (1)	STI cash payment (2)	STI deferred award (2)
Executive Directors						
G King	2014	2,500,000	150	56	1,400,000	700,000
	2013	2,500,000	120	20	600,000	0
K Moses	2014	1,325,000	135	72	856,667	428,333
	2013	1,325,000	100	50	662,500	0
Other Executive KMP						
D Baldwin	2014	994,000	130	85	730,000	365,000
	2013	920,000	100	76	699,200	0
D Barnes (3)	2014	810,976	130	69	503,334	251,666
	2013	700,000	100	72	504,000	0
F Calabria	2014	1,050,000	130	66	600,000	300,000
	2013	1,050,000	100	28	294,000	0
P Zealand	2014	740,000	130	70	446,667	223,333
	2013	740,000	100	38	281,200	0
Total	2014	7,419,976			4,536,668	2,268,332
	2013	7,235,000			3,040,900	0

3.3 LTI vesting in the current year is zero, reflecting alignment with performance for shareholders

The strong alignment of remuneration outcomes with shareholders' interests is demonstrated by the fact that no LTI granted in previous years vested during FY2014, reflecting Origin's weaker cumulative TSR performance over the specific hurdle vesting periods. Table 13 summarises the value of LTI vested and forfeited during the period.

Table 13: Value of LTI Vested and Forfeited FY2014

	Vested ($)	Forfeited ($)
G King	0	2,093,699
K Moses	0	471,066
D Baldwin	0	370,985
D Barnes	0	79,259
F Calabria	0	259,708
P Zealand	0	111,164
Total	**0**	**3,385,881**

(See Table 24 for further details.)

Reflecting the vesting period for LTI hurdles, in FY2014 PSR and Option grants from 2008, 2009 and 2010 were tested. These tests occurred in September and November 2013 and none resulted in the TSR hurdle being met. As a consequence, no vesting occurred. One test remains for the 2009 grant in late 2014, while two tests remain for the 2010 options, one of which will occur in October 2014. The value of LTI granted to KMP in prior periods that was forfeited during the year totalled almost $3.4 million. These outcomes reflect the TSR profile as shown in Table 9.

In the event that the 2009 or 2010 Options vest, at Origin's current share price, the exercise price for the Options (which ranges from $14.58 to $15.47) may not be met.

Relative TSR performance to 30 June 2014 suggests indicative vesting of nil for grants from 2009 through to 2012 inclusive. Indicative vesting for the 2013 grant was 82 per cent, but any vesting will depend on Origin's TSR performance through to the relevant actual test dates.

3.4 LTI allocations aim to align staff and shareholder interests

By making an LTI allocation to senior executives based on their performance and potential, Origin tries to align the interests of those staff and shareholders. Such alignment is reinforced by the award being made in Options and PSRs, whose vesting over four years is hurdled using the S&P/ASX 100 as a benchmark.

This year, in making an allocation decision, Directors have also taken into account benchmark data to assess the appropriate level of unvested equity for similar roles in comparable companies, while recognising the changes made in FY2013 to Origin's remuneration approach with the introduction of DSRs.

(1) Where the actual STI payment is less than maximum potential, the difference is foregone. The proportion of potential STI forgone is the difference between 100 per cent and the Actual STI as a percentage of maximum. Note that in exceptional circumstances there is Board discretion to award above maximum STI, in which case the notional foregone would then be zero.

(2) FY2014 STI constitutes a non-deferred cash bonus and deferred DSR awarded for performance during the year ended 30 June 2014, determined following the close of FY2014 results and paid/granted in September/October 2014. FY2013 STI constitutes a cash bonus granted for performance during the year ended 30 June 2013, determined following the close of FY2013 results and paid in September 2013.

(3) Fixed Remuneration set by Contact Energy board in NZD and converted to AUD at $1.107 being the average over FY2014 (FY2013: $1.2825 as set in September 2012).

The allocations for this year are outlined in Table 14 below.

Table 14 – Remuneration Outcomes: LTI allocations

Name		LTI Opportunity as a % of Fixed Remuneration	FY2014 LTI Allocation as % of opportunity	FY2014 LTI Allocation [1]
G King	2014	120	80	2,400,000[2]
	2013	150	20	750,000[3]
K Moses	2014	85	90	1,010,000[2]
	2013	120	40	636,000[3]
D Baldwin	2014	70	100	695,000
	2013	100	100	920,000
D Barnes	2014	70	93	544,379
	2013	100	100	700,000
F Calabria	2014	70	90	660,000
	2013	100	28	294,000
P Zealand	2014	70	80	415,000
	2013	100	38	281,200
Total	2014			5,724,379
	2013			3,581,200

The grant of equity relating to the FY2014 allocations for Executive Directors will be subject to shareholder approval.

3.5 Fixed Remuneration increases for FY2015 are zero or modest

Fixed remuneration for Executive KMP excluding the Managing Director will be held at the same level as the general increase for Other Executives based on market comparisons, approximately 3.4 per cent. There is no increase in the fixed remuneration for the Managing Director for FY2015.

4 APPROPRIATE GOVERNANCE HAS BEEN EXERCISED TO ENSURE A FOCUS ON SHAREHOLDERS' INTERESTS

Effective governance is central to Origin's remuneration approach. It is achieved through a clear definition of responsibilities; appropriate composition of the Board Remuneration Committee; and adherence to processes that ensure independent decision-making.

4.1 Governance responsibilities are clearly defined

The full Board has oversight of Origin's remuneration arrangements. It is accountable for Executive and NED's remuneration and the policies and process governing both.

The Board Remuneration Committee, through its Chairman, reports to the full Board and advises on these matters. The Committee is comprised of a minimum of three members who must be Non-executive Directors. The majority of the Committee and its Chairman are independent. There is a standing invitation to all Board members to attend the Committee's meetings.

The main responsibilities of the Board and Remuneration Committee are described in Table 15.

Table 15: Responsibilities of the Board and Remuneration Committee

	Approved by the Board (on recommendation of the Remuneration Committee)	Approved by the Remuneration Committee
Executive Remuneration Structure	— The remuneration strategy, policy and structure and compliance with legal and regulatory requirements — Levels of delegated responsibility to the Remuneration Committee and management for remuneration-related decisions — Individual remuneration for KMP and other members of the Executive Management Team — Allocations made under all equity-based remuneration plans	— Identification of the employee population that receives deferred at-risk remuneration — Remuneration recommendations in relation to non-KMP and non-EMT employees — Specific remuneration related matters as delegated by the Board
Non-executive Director Remuneration	— The Remuneration structure for Non-executive Directors — Remuneration for Non-executive Director fees (subject to the maximum aggregate amount being approved by shareholders)	

(1) The allocation valuation as set out in Table 5, determined with respect to performance in the current period and that may vest (partially or fully) or lapse in a future period.
(2) The grant of equity relating to the FY2014 allocation will be subject to shareholder approval to be obtained at the 2014 AGM.
(3) The grant of equity relating to the FY2013 allocation was obtained at the 2012 AGM.

4.2 The Remuneration Committee is composed of Non-executive Directors with an appropriate level of independence and expertise

During FY2014 the Board Remuneration Committee was comprised of four Non-executive Directors, as shown in Table 16. The table shows that all members have significant experience of the Company's operations.

Table 16: Remuneration Committee, FY2014

Role	Status	Other Origin Committees
H Nugent (Chairman)	Independent, Non-executive Director	Audit; Risk; Nomination
K McCann (until October 2013)	Independent, Non-executive Director and Origin Chairman (until October 2013)	Audit; Health, Safety & Environment; Risk; Nomination
G Cairns	Independent, Non-executive Director; Origin Chairman (since October 2013)	Audit; Health, Safety & Environment; Risk; Nomination; Origin Foundation (Chairman)
B Beeren	Non-executive Director	Risk
R Norris (since December 2013)	Independent, Non-executive Director	Audit; Risk

Dr Nugent, Mr Beeren, Mr Cairns and Sir Ralph Norris all have experience with remuneration governance as members of board remuneration committees at other major companies.

The Committee met six times in FY2014.

4.3 Board and Remuneration Committee processes ensure independence

The Remuneration Committee operates under a Charter published on the Company's website at originenergy.com.au. In particular, the Charter identifies the processes for dealing with conflicts of interest. The Charter and all associated processes are followed assiduously by the Board and Remuneration Committee.

The Committee has established protocols for engaging and dealing with external advisors, including those defined as Remuneration Consultants for the purpose of the *Corporations Act 2001* (Cth). The protocols require engagement by the Committee; instruction by the Chairman of the Committee; delivery of reports direct to the Committee through its Chairman; and a prohibition on communication with Company management except as authorised by the Chairman and limited to the provision or validation of factual and policy data. The advisor must furnish a statement confirming the absence of any undue influence from management.

These protocols were followed in FY2014. While Guerdon Associates did not act as a Remuneration Consultant for the purposes of the *Corporations Act 2001* (Cth), it did provide benchmarking and data to inform the Board's modifications to the process for allocating LTI from FY2015 onward. Guerdon Associates has provided a statement confirming the absence of any influence from management.

Table 17 summarises the sources of remuneration data used in FY2014.

Table 17: Sources of remuneration data, FY2014

Advisor/Consultant FY2014	KMP benchmarking and market data used by Committee to formulate its own recommendations to Board	Remuneration Consultant for the purposes of the Corporations Act	Comments
Guerdon Associates	Yes	No	Benchmarking and market analysis, advisor to Remuneration Committee
The Hay Group	Yes	No	Hay PayNet® database access to remuneration survey data
Ernst & Young	No	No	General benchmarking and survey reports
Mercer Consulting	No	No	Fair valuation of LTI instruments, actuarial assessment of superannuation

5 NON-EXECUTIVE DIRECTORS ARE REMUNERATED IN A WAY THAT SUPPORTS AN INDEPENDENT SHAREHOLDER FOCUS

5.1 The overall objective of Origin's remuneration approach for Non-executive Directors is to ensure that they are remunerated appropriately in ways that are consistent with their independent focus

Appropriate remuneration for Non-executive Directors is achieved by:

- Setting Board and Committee fees taking into account market rates for relevant Australian organisations for the time commitment and responsibilities involved; and
- Delivering those fees in a form that is not contingent on Origin's performance.

As a result, remuneration arrangements for Non-executive Directors are different from those in place for executives. Non-executive Directors' remuneration is not performance-based or dependent on the Company's results. Fees are fixed to allow for independent and objective assessment of executive and Company performance.

No Executive KMP is remunerated for acting as a Director of Origin. In addition to Mr Beeren, the Managing Director, the Executive Director, Finance & Strategy and the Chief Executive Officer, LNG are, however, remunerated for serving as Directors of Contact Energy.

5.2 Non-executive Directors' fees are appropriate in light of market rates, and remain within the aggregate cap approved by shareholders

Board and Committee fees are reviewed annually having regard to the level of fees paid to Non-executive Directors at Australian companies of comparable size and complexity. They reflect the responsibilities and time commitment necessary for the role. Per diem fees may also be paid on occasions where approved special work is undertaken outside of the expected commitments. No per diem fees were paid during FY2014.

Following a review, no changes have been made to Non-executive Director fees for FY2015. Fees have been unchanged since FY2013.

The Origin Chairman receives a single fee that is inclusive of Committee activities, while other Non-executive Directors receive a base Board fee and separate fees for appointment to specific Committees, other than to the Risk or Nomination Committees, which are considered within the base fee. All fees are inclusive of superannuation contributions.

The aggregate cap for Non-executive Directors' remuneration ($2,700,000) was last approved by shareholders at the 2010 Annual General Meeting. The Board does not propose a change to this cap for FY2015. Table 18 shows the structure and level of Non-executive Director fees for the current year and for FY2015:

Table 18: Non-executive Directors' fee structure ($)

Fees	FY2014	FY2015
Board fees		
Chairman (inclusive of all Committee work)	677,000	677,000
Non-executive Director base fee	196,000	196,000
Committee fees (except for Chairman)		
Audit		
Chairman	57,000	57,000
Member	29,000	29,000
Remuneration		
Chairman	47,000	47,000
Member	21,000	21,000
Health, Safety & Environment		
Chairman	42,000	42,000
Member	21,000	21,000
Risk		
Chairman & members	0	0
Nomination		
Chairman & members	0	0

5.3 Non-executive Directors are required to acquire and hold shares in the Company

To more closely align the interests of the Board and shareholders, Non-executive Directors are required to hold a minimum of 20,000 shares in the Company within three years of appointment. At Origin's current share price this equates to approximately $1\frac{1}{2}$ times annual base fees.

Until the closure of the Non-executive Director Share Plan (to new participants and to new acquisitions from existing participants) in August 2013, participating Non-executive Directors could salary sacrifice up to $5,000 in fees per annum toward the acquisition of shares. Shares could be acquired on-market by the Trustee of the Plan to be held for participants. The Trustee of the Plan could transfer to a participating Non-executive Director a share acquired under the Plan after five years or upon retirement from office or in the case of death. No acquisitions were made under the Plan in FY2014.

Details on the Directors' holdings in shares are set out in Table 27.

APPENDICES: KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

Appendix 1: KMP

KMP include Executive Directors and Executives with authority and responsibility for planning, directing and controlling the activities of Origin Energy and its controlled entities (together making Executive KMP) and Non-executive Directors. Origin's Non-executive Directors are required by the *Corporations Act 2001* (Cth) to be included as KMP for the purposes of the disclosures in the Remuneration Report. However, the Non-executive Directors do not consider themselves part of 'management'.

Table 19: Key Management Personnel, FY2014

Non-executive Directors	Notes	
G Cairns	Independent Chairman	Independent Director before 23 October 2013 and Chairman since then
K McCann	Retired Independent Chairman	Chairman until 23 October 2013
J Akehurst	Independent	
B Beeren	Non-executive	Executive Director from March 2000 to January 2005
M Brenner	Independent	Joined the Board 15 November 2013
B Morgan	Independent	
R Norris	Independent	
H Nugent	Independent	
Executive Directors		
G King	Managing Director	
K Moses	Executive Director, Finance & Strategy	
Executives		
D Baldwin	Chief Executive Officer, LNG	
D Barnes	Chief Executive Officer, Contact Energy	
F Calabria	Chief Executive Officer, Energy Markets	
P Zealand	Chief Executive Officer, Upstream	

Except where otherwise noted, the remuneration and other related party disclosures included in the Remuneration Report have been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and in compliance with AASB 124 *Related Party Disclosures*. For the purpose of these disclosures, all the individuals listed above have been determined to be KMP, as defined by AASB 124 *Related Party Disclosures*.

Appendix 2: Contractual arrangements for Executive KMP

The table below sets out the main terms and conditions of the employment contracts of the Managing Director and Executive KMP (excluding Non-executive Directors) as at 30 June 2014.

As noted in Section 2, the contractual terms were determined with reference to the size and complexity of the job roles, benchmarked against the external market, and they reflect the principles of reward for performance and alignment with the interests of shareholders.

Table 20: Contractual details for Executive KMP (1)

Role	Contract Expiry	Notice Period	Termination Payments (subject to termination benefits legislation)
Managing Director	Ongoing (no fixed term)	— 12 months by either party or shorter notice by agreement — Immediate for misconduct, breach of contract or bankruptcy	— Statutory entitlements only for termination with cause — In the event of termination other than for cause, or by the Managing Director giving 12 months notice, an STI can be paid that reflects the extent of achievement against the objectives set for the year having regard to the part of the year that has elapsed prior to termination. In such a case, the STI payment will be made in cash — DSRs, Options and/or PSRs lapse on termination other than in cases of death, disability, bona fide redundancy or genuine retirement
Executive Director, Finance & Strategy and other Executive KMP	Ongoing (no fixed term)	— Up to 3 months by either party — Immediate for misconduct, breach of contract or bankruptcy	— Statutory entitlements only for termination with cause — Payment in lieu of notice at Company discretion — For Company termination "without cause" pro rata earned STI is payable — For Company termination "without cause" payment equivalent to 3 weeks' fixed remuneration per year of service capped at 74 weeks; a minimum may also apply (generally 18-22 weeks)

(1) The table includes arrangements agreed prior to the amendments to the *Corporations Act 2001* (Cth) regarding termination payments which came into effect on 24 November 2009. Entitlements under pre-existing contracts are generally not subject to the new limits on termination payments. The new legislative provisions apply to KMP contract variations after 24 November 2009 and to agreements with KMPs appointed after 24 November 2009.

Details regarding the Managing Director's remuneration arrangements are provided in earlier sections of this Report but are included in the summary below for completeness:

Table 21: Managing Director's remuneration

Element	Details
Fixed Remuneration	The Managing Director's Fixed Remuneration for FY2014 was $2,500,000 and will remain at this level for FY2015.
STI	The Managing Director's maximum STI opportunity level is 150 per cent of Fixed Remuneration (90 per cent at target). 70 per cent of the outcome is determined by the Group Performance Metrics and Safety Metrics, and 30 per cent by individual measures. Financial performance for FY2014 was determined against two equally weighted measures, OCAT Ratio and growth in Underlying EPS (see Section 3).
LTI	The Managing Director's maximum LTI opportunity level for FY2014 was 120 per cent of fixed remuneration. The Managing Director maintains a significant shareholding in the Company, as reflected in Table 27 of this Report (and equivalent tables in prior Reports).

Appendix 3: Statutory remuneration disclosures

Note: In the 2013 Remuneration Report, supplementary disclosures on past pay, present pay and future pay were provided in addition to the statutory remuneration disclosures in the expectation that a December 2012 Exposure Draft amendment to the *Corporations Act 2001* (Cth) would proceed and that it would incorporate recommendations proposed by the Corporations and Market Advisory Committee (CAMAC). The expected regulation did not proceed and at the current time there is no indication of whether, or when, similar or alternative proposals may emerge. In the absence of regulatory guidance the Board has determined that it is not appropriate to continue the 2013 supplementary disclosure approach.

Table 22: Remuneration Table for FY2013 and FY2014

		Short-term benefits				Post-employment benefits
		Base salary/fees	Contact Energy Fees (1)	Cash STI (2)	Non–monetary benefits and Other (3)	Superannuation
Executive Directors						
G King	2014	2,479,704	201,445	1,400,000	52,402	20,296
	2013	2,481,000	174,139	600,000	105,734	19,000
K Moses	2014	1,304,883	131,436	856,667	39,211	17,784
	2013	1,305,846	104,484	662,500	74,197	16,488
Executive KMP						
D Baldwin (6)	2014	964,016	130,985	730,000	22,472	17,784
	2013	891,312	112,890	699,200	19,091	16,488
D Barnes (7)	2014	810,976	–	503,334	6,803	21,000
	2013	749,834	–	504,000	10,350	21,000
F Calabria	2014	1,005,925	–	600,000	27,286	25,608
	2013	1,005,922	–	294,000	32,629	24,312
P Zealand	2014	703,143	–	446,667	31,802	29,124
	2013	706,941	–	281,200	36,895	24,993
Non-executive Directors (current)						
J Akehurst	2014	220,215	–	–	187	17,784
	2013	221,511	–	–	204	16,488
B Beeren	2014	184,883	148,600	–	1,520	17,784
	2013	202,512	128,102	–	1,537	16,488
M Brenner (8)	2014	129,921	–	–	187	11,150
	2013	–	–	–	–	–
G Cairns	2014	524,016	–	–	187	17,784
	2013	221,511	–	–	204	16,488
B Morgan (9)	2014	256,215	–	–	187	17,784
	2013	151,569	–	–	204	10,305
R Norris	2014	218,512	–	–	187	17,784
	2013	209,956	–	–	204	16,488
H Nugent	2014	254,459	–	–	187	17,784
	2013	256,803	–	–	204	16,488
Non-executive Directors (former)						
K McCann (10)	2014	219,726	–	–	187	5,928
	2013	659,179	–	–	1,537	16,488
T Bourne (11)	2014	–	–	–	–	–
	2013	101,160	–	–	204	5,996
Totals (12)	**2014**	**9,276,594**	**612,466**	**4,536,668**	**182,805**	**255,378**
	2013	**9,165,056**	**519,615**	**3,040,900**	**283,194**	**237,510**

(1) G King, D Baldwin, B Beeren and K Moses are the Company's nominees on the board of Contact Energy. Remuneration is converted to Australian dollars using an annual (1 July 2013 – 30 June 2014) average exchange rate of $1.107 (2013 – $1.249).

(2) The non-deferred Cash STI in respect of the relevant reporting period represents two-thirds of the total STI award based on achieving personal goals and satisfying specified performance criteria during that period plus any discretionary amounts awarded for exceptional contributions. FY2014 Cash STI constitutes the non-deferred cash bonus granted for the year ended 30 June 2014, determined following the close of FY2014 results and to be paid in September 2014. FY2013 STI constitutes the cash bonus granted for the year ended 30 June 2013, determined following the close of 2013 results and paid in September 2013.

(3) Non-monetary benefits include insurance premiums and fringe benefits such as car parking.

(4) The Deferred STI in respect of the relevant reporting period represents one-third of the total STI award referred to in Note 2 above. The Deferred STI awards in respect of the current year's performance will be granted as DSRs in the following financial year. Origin begins recognising an expense (based on the allocation value, which is one-third of the total STI awards expected) from 1 July of the current financial year in relation to these future grants. In the following financial year the accumulated expense recognised will be adjusted for the final determination of fair value at the date of grant and the number of instruments expected to vest, and will use this valuation for recognising the expense over the remaining vesting periods. The valuation uses a discounted cash flow methodology that recognises that dividends are not paid on DSRs.

(5) The accounting value of the Options and PSRs awarded is calculated as the fair value at the date of grant using a Black-Scholes methodology with a Monte Carlo simulation model that takes into account market hurdles and that dividends are not paid on Options or PSRs. The value is allocated to each reporting period evenly over the service period to the first test date. The remuneration value disclosed is the portion of the fair value of the Options and PSRs allocated to the relevant reporting period.

(6) The accounting value of Options and Rights includes equity issued by Contact Energy in relation to D Baldwin's employment by Contact Energy prior to April 2011.

(7) During employment with Contact Energy, D Barnes is paid in New Zealand currency. Remuneration is converted to Australian dollars using an annual average exchange rate of $1.107 (1 July 2013 to 30 June 2014) (2013 – $1.249). For Contact Energy, base salary may include holiday pay rate adjustments. Fixed remuneration and all or part of Contact Energy's variable remuneration for the period of employment with Contact Energy is reimbursed by Contact Energy. The accounting value of Deferred STI and of LTI includes equity issued by Contact Energy in relation to D Barnes employment by Contact after 1 April 2011.

(8) M Brenner was appointed as a Non-executive Director on 15 November 2013.

(9) B Morgan was appointed as a Non-executive Director on 16 November 2012.

(10) K McCann retired as Chairman and Non-executive Director on 23 October 2013.

(11) T Bourne retired as a Non-executive Director on 12 November 2012.

(12) All named Executive KMP and Executive Directors are employed and remunerated by the Company and its controlled entities. All Non-executive Directors are remunerated by the Company.

Accounting value of long-term benefits				Totals		
Deferred STI [4]	LTI (Options & Rights) [5]	Movement in accrued leave	Termination Benefits	Total Remuneration	% of Total Remuneration "At Risk"	% of Remuneration that is share based
223,493	2,840,212	62,500	–	7,280,052	61%	42%
–	3,496,148	62,485	–	6,938,506	59%	50%
136,754	1,180,878	33,125	–	3,700,738	59%	36%
–	1,352,448	55,456	–	3,571,419	56%	38%
116,531	972,294	19,041	–	2,973,123	61%	37%
–	1,365,503	14,573	–	3,119,057	66%	44%
80,351	687,642	17,500	–	2,127,606	60%	36%
–	333,510	32,807	–	1,651,501	51%	20%
95,777	794,966	26,250	–	2,575,812	58%	35%
–	933,231	39,371	–	2,329,465	53%	40%
71,299	408,615	9,245	–	1,699,895	55%	28%
–	399,489	11,765	–	1,461,283	47%	27%
–	–	–	–	238,186	–	–
–	–	–	–	238,203	–	–
–	–	–	–	352,787	–	–
–	–	–	–	348,639	–	–
–	–	–	–	141,258	–	–
–	–	–	–	–	–	–
–	–	–	–	541,987	–	–
–	–	–	–	238,203	–	–
–	–	–	–	274,186	–	–
–	–	–	–	162,078	–	–
–	–	–	–	236,483	–	–
–	–	–	–	226,648	–	–
–	–	–	–	272,430	–	–
–	–	–	–	273,495	–	–
–	–	–	–	225,841	–	–
–	–	–	–	677,204	–	–
–	–	–	–	–	–	–
–	–	–	–	107,360	–	–
724,205	**6,884,607**	**167,661**	**–**	**22,640,384**	**–**	**–**
0	**7,880,329**	**216,457**	**–**	**21,343,061**	**–**	**–**

Table 23: Details of equity grants

The table below lists the position of all current grants of equity-based incentive grants made to Directors and to executives. No terms of equity-settled share-based transactions (including Options, PSRs and DSRs granted as compensation to a KMP) have been altered or modified by the issuing entity during the reporting period or the prior period.

Granted	Number Outstanding	Exercise Price	Expiry Date
Options			
28 Sep 2009	978,000	$14.58	28 Dec 2014
06 Nov 2009	412,000	$15.47	6 Feb 2015
10 May 2010	11,600	$14.89	10 Aug 2015
28 Oct 2010	1,889,412	$14.91	31 Dec 2015
15 Oct 2011	153,673	$13.01	30 Jun 2016
15 Oct 2011	3,904,531	$13.01	15 Jan 2017
11 Apr 2012	184,845	$12.91	11 Jul 2017
15 Oct 2012	6,892,788	$11.78	15 Oct 2019
24 Dec 2012	41,381	$11.78	15 Oct 2019
14 Oct 2013	3,862,573	$13.97	14 Oct 2020
Performance Share Rights			
28 Sep 2009	390,556	–	28 Dec 2014
06 Nov 2009	154,370	–	6 Feb 2015
10 May 2010	4,322	–	10 Aug 2015
28 Oct 2010	690,894	–	31 Dec 2015
15 Oct 2011	37,818	–	1 Apr 2016
15 Oct 2011	1,679,940	–	15 Oct 2016
11 Apr 2012	52,565	–	11 Apr 2017
15 Oct 2012	3,419,560	–	15 Oct 2015
24 Dec 2012	11,342	–	15 Oct 2015
14 Oct 2013	2,491,711	–	14 Oct 2016
Deferred Share Rights			
15 Oct 2011	11,292	–	1 Apr 2015
15 Oct 2011	24,370	–	15 Oct 2014
15 Oct 2011	25,524	–	15 Oct 2015
15 Oct 2012	6,302	–	15 Oct 2014
15 Oct 2012	6,302	–	15 Oct 2015
15 Oct 2012	6,302	–	15 Oct 2016
14 Oct 2013	9,540	–	14 Oct 2015
14 Oct 2013	9,540	–	14 Oct 2016
14 Oct 2013	9,540	–	16 Oct 2017
22 Apr 2014	15,099	–	31 Dec 2015

Table 24: Analysis of movements in Options and PSRs

A summary of the movement in FY2014, by value, of Options over ordinary shares and PSRs in the Company (and Options and PSRs in Contact Energy in the case of D Baldwin and D Barnes) held by KMP is provided in the table below. No Non-executive Directors hold Options or PSRs.

		Value of Options and PSRs ($)		
	Type	Granted (1)	Exercised (2)	Forfeited
Executive Directors				
G King	Options	402,395	–	1,796,000
	PSRs	430,934	–	297,699
K Moses	Options	341,232	–	399,610
	PSRs	365,431	396,713	71,456
D Barnes	Options	93,894	–	67,350
	PSRs	100,556	–	11,909
	Contact Options (3,4)	304,116	–	–
	Contact PSRs (3,4)	304,119	–	–
D Baldwin	Options	493,608	–	–
	PSRs	528,619	–	–
	Contact Options (3,4)	–	–	229,223
	Contact PSRs (3,4)	–	–	141,762
F Calabria	Options	157,741	–	220,010
	PSRs	168,929	–	39,698
P Zealand	Options	150,872	–	94,290
	PSRs	161,574	93,669	16,874

(1) The allocated value of Options and PSRs granted in the year is the fair value calculated at grant date using a Black-Scholes algorithm with Monte Carlo simulation to account for hurdles. The fair value has been calculated independently by Mercer Consulting. The value disclosed is the total value of the Options and PSRs. This amount is allocated to remuneration (Table 22) over the vesting period. Refer to Note 25 of the Financial Statements for further detail of the assumptions used in determining grant date fair value of Options and PSRs.

(2) The value of Options and PSRs exercised during the year is calculated as the market price of the Company's shares on the ASX as at the close of trading on the date the Options and PSRs were exercised, after deducting any exercise price. The exercise price for PSRs is nil. There were no Options exercised during the year.

(3) Based on an average exchange rate of $1.107 (1 July 2013 to 30 June 2014).

(4) D Barnes and D Baldwin's Contact securities were issued under the Contact Energy Employee Long-term Incentive Scheme as Chief Executive Officer or Managing Director (respectively) of Contact Energy. Contact Energy relies on NZSX Listing Rule 7.3.9 to allow participation of the CEO/Managing Director in the Long-term Incentive Scheme. D Baldwin receives cash director's fees from Contact Energy in his capacity as a director post 1 April 2011 following the end of his secondment to Contact Energy, but will not be granted any further securities in Contact Energy under its Long-term Incentive Scheme. However, he retains existing securities subject to their corresponding exercise hurdles and vesting requirements. Refer to Contact Energy's website – www.contactenergy.co.nz for further details.

Table 25: Details of Options and PSRs granted in FY2014

Options over ordinary shares and PSRs of the Company (and Options and PSRs in Contact Energy in the case of D Barnes) granted to KMP during the period are listed below. No Non-executive Directors hold Options or PSRs, and no KMPs hold DSRs.

KMP	Type	No. Granted during FY2014	Grant Date	Fair Value[1]	Exercise Price	Vesting Date	Expiry Date
Executive Directors							
G King	Options	171,232	14/10/2013	$2.35	$13.97	16/10/2017	14/10/2020
	PSRs	51,795	14/10/2013	$8.32	Nil	14/10/2016	14/10/2016
K Moses	Options	145,205	14/10/2013	$2.35	$13.97	16/10/2017	14/10/2020
	PSRs	43,922	14/10/2013	$8.32	Nil	14/10/2016	14/10/2016
Other KMP							
D Barnes	Options	39,955	14/10/2013	$2.35	$13.97	16/10/2017	14/10/2020
	PSRs	12,086	14/10/2013	$8.32	Nil	14/10/2016	14/10/2016
	Contact [2] Options	590,626	01/10/2013	$0.51	$4.81	01/10/2016	30/11/2018
	Contact PSRs [2]	106,876	01/10/2013	$2.85	Nil	01/10/2016	30/11/2018
D Baldwin	Options	210,046	14/10/2013	$2.35	$13.97	16/10/2017	14/10/2020
	PSRs	63,536	14/10/2013	$8.32	Nil	14/10/2016	14/10/2016
F Calabria	Options						
	PSRs	67,124	14/10/2013	$2.35	$13.97	16/10/2017	14/10/2020
		20,304	14/10/2013	$8.32	Nil	14/10/2016	14/10/2016
P Zealand	Options	64,201	14/10/2013	$2.35	$13.97	16/10/2017	14/10/2020
	PSRs	19,420	14/10/2013	$8.32	Nil	14/10/2016	14/10/2016

No Options or PSRs have been granted since the end of the reporting period. Options and PSRs were provided at no cost to the recipients. Unvested Options and PSRs expire on the earlier of their expiry date or on cessation of employment. In addition to a continuing employment service condition, the ability to exercise Options and PSRs is conditional on the consolidated entity achieving certain performance hurdles. Subject to achieving the performance hurdles, Options granted in the period will be exercisable four years after the grant date (PSRs three years). Details of the performance hurdles are included in the LTI information in Section 2.3 (and, for Contact Energy, refer to Contact Energy's website – www.contactenergy.co.nz).

(1) Fair values are at the date of grant.

(2) Converted to Australian dollars using an average exchange rate of $1.107 (1 July 2013 to 30 June 2014). For terms refer to refer to Contact Energy's website – www.contactenergy.co.nz.

Table 26: Options and PSRs holdings and transactions

Movement during the reporting period in the number of Options and PSRs over ordinary shares in the Company (and, for D Baldwin and D Barnes, Options and PSRs over ordinary shares in Contact Energy) held directly, indirectly or beneficially by the KMP including their related parties are listed below. No Non-executive Directors hold Options or PSRs, and no KMPs hold DSRs.

	Type	Held at Year Start	Granted during the year	Vested and Exercised	Lapsed	Held at Year End	Vested During Year	Vested & Exercisable at Year End [1]
Executive Directors								
G King	Options	3,089,822	171,232	–	400,000	2,861,054	–	–
	PSRs	809,077	51,795	–	26,922	833,950	–	–
K Moses	Options	1,146,213	145,205	–	89,000	1,202,418	–	–
	PSRs	344,774	43,922	30,587	6,462	351,647	–	–
Other Executive KMP								
D Barnes	Options	113,025	39,955	–	15,000	137,980	–	–
	PSRs	31,802	12,086	–	1,077	42,811	–	–
	Contact Options	1,311,824	590,626	–	–	1,902,450	–	–
	Contact PSRs	227,603	106,876	–	–	334,479	–	–
D Baldwin	Options	671,864	210,046	–	–	881,910	–	–
	PSRs	196,963	63,536	–	–	260,499	–	–
	Contact Options	945,207	–	–	220,652	724,555	–	–
	Contact PSRs	182,900	–	–	31,449	151,451	–	–
F Calabria	Options	790,718	67,124	–	49,000	808,842	–	–
	PSRs	222,034	20,304	–	3,590	238,748	–	–
P Zealand	Options	384,093	64,201	–	21,000	427,294	–	–
	PSRs	113,553	19,420	7,222	1,526	124,225	–	–

(1) There were no vested but unexercisable Options or Rights at the end of the reporting period.

Table 27: Equity holdings and transactions

Movements during the reporting period in the number of ordinary shares of the Company and in Contact Energy held directly, or indirectly or beneficially by KMP, including their related parties.

Shares held in Origin	Held at Year Start	Purchases	Received on exercise of options [1]	Received on exercise of PSRs [1]	Sales	Held at Year End
Non-executive Directors [2]						
J Akehurst	71,200	–	–	–	–	71,200
B Beeren	1,381,680	–	–	–	–	1,381,680
M Brenner [3]	–	–	–	–	–	–
G Cairns	79,280	25,200	–	–	–	104,480
B Morgan	10,000	10,000	–	–	–	20,000
R Norris	20,000	–	–	–	–	20,000
H Nugent	38,834	–	–	–	–	38,834
Non-executive Director (former)						
K McCann [4]	349,012	–	–	–	–	349,012
Executive Directors						
G King	1,109,059	–	–	–	100,000	1,009,059
K Moses	277,787	–	–	30,587	75,000	233,374
Other KMP						
D Barnes	30,148	70[5]	–		10,064	20,154
D Baldwin	10,906	452[5]	–	–	10,000	1,358
F Calabria	105,634	70[5]	–	–	25,000	80,704
P Zealand	194,959	1,260[5]	–	7,222	–	203,441
Shares held in Contact Energy Limited						
Non-executive Directors [2]						
B Beeren	35,901	–	–	–	–	35,901
Executive Directors						
G King	33,886	–	–	–	–	33,886
K Moses	21,038	–	–	–	–	21,038
Other KMP						
D Baldwin	–	1,000	–	–	–	1,000

Table 28: Loans and other transactions with KMP

(a) Loans

There were no loans with KMP during the year.

(b) Other transactions with the consolidated entity or its controlled entities

Transactions entered into during the year with KMP which are within normal employee, customer or supplier relationships on terms and conditions no more favourable than dealings in the same circumstances on an arm's length basis include:

- the receipt of dividends from Origin Energy Limited and Contact Energy Limited;
- participation in the Employee Share Plan and Equity Incentive Plan Terms and conditions of employment;
- reimbursement of expenses;
- purchases of goods and services; and
- interest on Retail Notes.

Certain Directors of Origin Energy Limited are also directors of other companies which supply Origin Energy Limited with goods and services or acquire goods or services from Origin Energy Limited. Those transactions are approved by management within delegated limits of authority and the Directors do not participate in the decisions to enter into such transactions. If the decision to enter into those transactions should require approval of the Board, the Director concerned will not vote upon that decision nor take part in the consideration of it.

Signed in accordance with a resolution of the Directors:

Gordon M Cairns,
Chairman,
Sydney, 21 August 2014

(1) After vesting and after payment of the exercise price (the exercise price for PSRs is nil).
(2) Non-executive Directors purchased shares on-market and were not issued shares under any incentive or equity plans.
(3) M Brenner was appointed to the Board on 15 November 2013.
(4) K McCann retired from the Board on 23 October 2013.
(5) Includes allotment of 70 shares by the Company under the General Employee Share Plan.

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Origin Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Alison Kitchen
Partner

Sydney

21 August 2014

BOARD OF DIRECTORS

Gordon Cairns
Independent Non-executive Chairman

Gordon Cairns joined the Board of the Company on 1 June 2007 and became Chairman in October 2013. He is Chairman of the Risk and Nomination Committees and the Origin Foundation and a member of the Remuneration, Audit and Health, Safety and Environment Committees.

He has extensive Australian and international experience as a senior executive, as Chief Executive Officer of Lion Nathan Ltd, and has held senior management positions in marketing, operations and finance with PepsiCo, Cadbury Ltd and Nestlé.

Gordon is Chairman of Quick Service Restaurant Group and Non-executive Director of World Education Australia. He is also a senior advisor to McKinsey & Company. He was previously Chairman of David Jones Ltd (March 2014-August 2014), Rebel Group (2010-2012), Director of The Centre for Independent Studies and Director of Westpac Banking Corporation (July 2004–December 2013).

Gordon holds a Master of Arts (Honours) from the University of Edinburgh.

John Akehurst
Independent Non-executive Director

John Akehurst joined the Board of the Company in April 2009 and is Chairman of the Health, Safety and Environment Committee and a member of the Nomination and Risk Committees.

His executive career was in the upstream oil and gas and LNG industries, initially with Royal Dutch Shell and then as Chief Executive of Woodside Petroleum Ltd. John is currently a member of the Board of the Reserve Bank of Australia and a Director of CSL Ltd (since August 2003) and Transform Exploration Pty Ltd.

He is Chairman of the National Centre for Asbestos Related Diseases and of the Fortitude Foundation, a former Chairman of Alinta Ltd and Coogee Resources Ltd and a former Director of Oil Search Ltd, Securency Ltd and the University of Western Australia Business School.

John holds a Masters in Engineering Science from Oxford University and is a Fellow of the Institution of Mechanical Engineers.

Maxine Brenner
Independent Non-executive Director

Maxine Brenner joined the Board of the Company in November 2013. She is a member of the Audit and Risk Committees.

Maxine is a Non-executive Director of Orica Ltd (since April 2013) and Qantas Airways Ltd (since August 2013). She is also an Independent Director and Chairman of the Audit and Risk Committee for Growthpoint Properties Australia.

Maxine was formerly a Managing Director of Investment Banking at Investec Bank (Australia) Ltd. Prior to Investec, Maxine was a Lecturer in Law at the University of NSW and a lawyer at Freehills, specialising in corporate law. Her former directorships include Treasury Corporation of NSW, Neverfail Springwater Ltd, Federal Airports Corporation, where she was Deputy Chair, and Bulmer Australia Ltd. In addition, Maxine has served as a member of the Takeovers Panel.

Maxine holds a Bachelor of Arts and a Bachelor of Laws from the University of NSW.

Grant King
Managing Director

Grant King was appointed Managing Director of the Company at the time of its demerger from Boral Ltd in February 2000, and was Managing Director of Boral Energy from 1994. Grant is a member of the Company's Risk and Health, Safety and Environment Committees.

Prior to joining Boral, he was General Manager, AGL Gas Companies. Grant is Chairman of Contact Energy Ltd (since October 2004), a councillor of the Australian Petroleum Production and Exploration Association, a Director of the Business Council of Australia and Chairman of the Business Council of Australia Infrastructure & Sustainability Growth Committee. He is a former Director of Envestra Ltd (1997-2007) and former Chairman of the Energy Supply Association of Australia Ltd. Grant is a Fellow of the AICD.

Grant has a Civil Engineering degree from the University of NSW and a Master of Management from the University of Wollongong.

Bruce Beeren
Non-executive Director

Bruce Beeren joined the Board of the Company as an Executive Director in March 2000. He retired as an executive on 31 January 2005 and continues on the Board as a Non-executive Director. He is a member of the Remuneration and Risk Committees.

With over 35 years' experience in the energy industry, Bruce was Chief Executive Officer of VENCorp, the Victorian gas system operator, and held several senior management positions at AGL, including Chief Financial Officer. He is a Director of Veda Group Ltd (since October 2013), Contact Energy Ltd (since October 2004), Equipsuper Pty Ltd (since August 2002) and The Hunger Project Australia Pty Ltd (since August 2008). He is a former Director of ConnectEast Group (2009-2011), Coal & Allied Industries Ltd (2004-2011), Envestra Ltd (2000-2007) and Veda Advantage Ltd (2004-2007).

Bruce has degrees in Science (from ANU) and Commerce and a Master of Business Administration (both from the University of NSW). He is a Fellow of CPA Australia and the AICD.

Bruce Morgan
Independent Non-executive Director

Bruce Morgan joined the Board of the Company in November 2012 and is Chairman of the Audit Committee and a member of the Health, Safety and Environment, Nomination and Risk Committees.

Bruce served as Chairman of the Board of PricewaterhouseCoopers (PwC) Australia between 2005 and 2012. In 2009, he was elected as a member of the PwC International Board, serving a four year term. He was previously Managing Partner of PwC's Sydney and Brisbane offices. An audit partner of the firm for over 25 years, he was focused on the financial services and energy and mining sectors leading some of the firm's most significant clients in Australia and internationally.

He is Chairman of Sydney Water Corporation (since October 2013), a Non-executive Director of Caltex Australia Ltd (since June 2013) and a Director of the University of NSW Foundation, the European Australian Business Council and of Redkite.

Bruce has a Bachelor of Commerce (Accounting and Finance) from the University of NSW. He is a Fellow of Chartered Accountants Australia and New Zealand and of the AICD.

BOARD OF DIRECTORS

Karen Moses
Executive Director, Finance and Strategy

Karen Moses joined the Board of the Company in March 2009 and is a member of the Risk Committee. She is responsible for the finance, tax and accounting functions, interactions with capital markets and for information technology. In addition, she oversees corporate strategy and transactional activity, and overall risk including health, safety and environment, commodity risk, compliance and insurance. Karen also sits on the Board of Australia Pacific LNG and Contact Energy and oversees Origin's international development opportunities.

Karen has over 30 years' experience in the energy industry spanning oil, gas, electricity and coal commodities and upstream production, supply and downstream marketing operations. This experience has been gained both within Australia and overseas. Karen has worked with Origin (formerly Boral Energy) since 1994 and prior to that Exxon and BP. Karen is a Director of Contact Energy Ltd (since October 2004), SAS Trustee Corporation (since March 2012) and Sydney Dance Company. Karen is a former Director of Energia Andina S.A., Australian Energy Market Operator Ltd (2009-2012), Energy and Water Ombudsman (Victoria) Ltd, Australian Energy Market Operator (Transitional) Ltd and VENCorp (2007-2009).

Karen holds a Bachelor of Economics and a Diploma of Education from the University of Sydney.

Ralph Norris KNZM
Independent Non-executive Director

Ralph Norris joined the Board of the Company in April 2012. He is a member of the Audit, Remuneration and Risk Committees.

Ralph retired as Managing Director and Chief Executive Officer of the Commonwealth Bank of Australia in November 2011 following a 40 year career in business and the banking sector in Australia and New Zealand. During his career, he had a number of senior executive roles including Chief Executive Officer of ASB Bank and Air New Zealand Ltd. He is a Director of Fletcher Building Ltd (since April 2014), Fonterra Ltd (since May 2012), New Zealand Treasury, FSF Funds Management Ltd, the Advisory Board of Tax Management Ltd and Families Inc and a former Director of the Business Council of Australia, the International Monetary Conference, Chairman of Sovereign Insurance Ltd, the New Zealand Bankers' Association, New Zealand Business Roundtable and the Australian Bankers' Association.

He is a member of the New Zealand Olympic Advisory Committee, the Juvenile Diabetes Research Foundation Advisory Board and the Auckland University Council.

Ralph was awarded an honorary doctorate by the University of NSW in 2013. He was made a Knight Companion of the New Zealand Order of Merit in 2009 and a Distinguished Companion of the New Zealand Order of Merit for services to business in 2006. He is a Fellow of the New Zealand Institute of Management and a Fellow of the New Zealand Computer Society.

Helen Nugent AO
Independent Non-executive Director

Helen Nugent joined the Board of Origin in March 2003. She is Chairman of the Remuneration Committee and a member of the Audit, Risk and Nomination Committees. She was Chairman of the Audit Committee until early 2013.

Helen has significant experience in the financial services and resources sector. She is Chairman of Funds SA, the $24 billion investment fund of the South Australian Government and Veda Group Ltd (since September 2013). She was a Non-executive Director of Macquarie Group Ltd (August 2007–July 2014) and Macquarie Bank Ltd (June 1999–July 2014), Chairman of Swiss Re Life and Health (Australia) (2001-2010) and Director of Strategy at Westpac Banking Corporation. As a partner with McKinsey & Company she specialised in the banking and mining sectors, including working over an extended period with a leading global resources company.

She is committed to giving back to society, which she does in education and the arts. In education, she is President of Cranbrook School and Chancellor of Bond University. In the arts, she is Chairman of the National Portrait Gallery.

Helen has a Bachelor of Arts (Hons), a Doctorate of Philosophy in Indian history and an Honorary Doctorate in Business from the University of Queensland. She also holds a Master of Business Administration (with Distinction) from the Harvard Business School. She is a Fellow of the AICD.

EXECUTIVE MANAGEMENT TEAM

David Baldwin
Chief Executive Officer LNG

David Baldwin joined Origin in May 2006 and is responsible for the LNG segment including Origin's interests in Australia Pacific LNG as operator of the Upstream and Pipeline components of the joint venture. Prior to being appointed to his current role in December 2012, he was Chief Development Officer. Until April 2011, David was Managing Director of Contact Energy in New Zealand, in which Origin has a 53.1 per cent interest. He continues to serve on the Board of Contact Energy. Before joining Origin, David held senior roles with MidAmerican Energy Holdings Company in Asia and the United States, and with Shell in New Zealand and the Netherlands. David holds a Master of Business Administration from Victoria University and a Bachelor of Engineering (Chemical) from Canterbury University.

Frank Calabria
Chief Executive Officer Energy Markets

Frank Calabria joined Origin as Chief Financial Officer in November 2001 and was appointed Chief Executive Officer Energy Markets in March 2009. In this role, Frank is responsible for the integrated operations within Australia including power generation and natural gas, electricity and LPG trading and retailing.

Prior to joining Origin, Frank held roles with Pioneer International Ltd, Hanson plc and Hutchison Telecommunications. Frank is a Director of the Energy Supply Association of Australia. He has a Bachelor of Economics from Macquarie University and a Master of Business Administration (Executive) from the Australian Graduate School of Management. Frank is also a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Financial Services Institute of Australasia.

Carl McCamish
Executive General Manager People and Culture

Carl McCamish joined Origin in March 2008 and is responsible for the Company's human resources strategy. Carl was previously Executive General Manager Corporate Development and subsequently Executive General Manager Corporate Affairs. Before joining Origin, Carl was head of strategic development at the private equity firm, Terra Firma. He was previously Senior Energy Advisor in the United Kingdom Prime Minister's Strategy Unit and was deputy head of the 2006 UK Energy Review. Before that he worked at McKinsey & Company management consultants. Carl has a Bachelor of Arts and Laws from the University of Melbourne and a Masters in Industrial Relations and Labour Economics from Oxford University where he was a Rhodes Scholar.

Dennis Barnes
Chief Executive Officer Contact Energy

Dennis Barnes was appointed Chief Executive Officer in April 2011. Prior to joining Contact Energy, he was General Manager Energy Risk Management at Origin, based in Sydney. Dennis started with Origin in 1998 and over that time has led sales, systems development, gas trading and generation operations departments. Dennis has guided Origin's significant and expanding operations in wholesale markets. Before that, Dennis worked in a number of positions operating in international energy markets, including managerial roles at Scottish and English electricity companies.

Andrew Clarke
Group General Counsel and Company Secretary

Andrew Clarke joined Origin in May 2009 and is responsible for the company secretarial and legal functions. He was a partner of a national law firm for 15 years and was Managing Director of a global investment bank for more than two years prior to joining Origin. Andrew has a Bachelor of Laws (Hons) and a Bachelor of Economics from Sydney University and is a member of the AICD.

Paul Zealand
Chief Executive Officer Upstream

Paul Zealand joined Origin in 2005 and manages the Company's portfolio of oil and gas assets in Australia, New Zealand and internationally. He is also responsible for Origin's exploration activities focused on the long-term growth and development of the Upstream business. Prior to joining Origin, Paul was Country Chairman and General Manager of Shell in New Zealand, and has more than 35 years' global oil and gas experience. Paul holds a Master of Business Administration (with distinction) and a Bachelor of Science (Mechanical – Honours), is a Vice President of the Queensland Resources Council, a Fellow of Engineers Australia and a member of the AICD.

Phil Craig
Executive General Manager Corporate Affairs

Phil Craig joined Origin in May 2001 and was appointed Executive General Manager Corporate Affairs in March 2012. In this role, Phil has responsibility for Origin's brand and reputation, government and media relations, policy development and sustainability, and the Origin Foundation. Previously, Phil held roles leading Origin's Retail business, and in marketing, strategy and project management. Prior to Origin, Phil worked in the banking, telecommunications and consulting sectors. He has a Bachelor of Commerce from the University of Melbourne and a Master of Business Administration with Distinction from Warwick Business School (UK).

CORPORATE GOVERNANCE STATEMENT

Origin Energy's Board and management are committed to the creation of shareholder value and meeting the expectations of stakeholders to practice sound corporate governance.

We aspire to the highest standards of integrity, personal safety and environmental performance. To achieve this, every employee and contractor is required to act in accordance with Origin's governance and business conduct standards across its operations in Australia and internationally.

COMPLIANCE WITH ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS (ASX PRINCIPLES)

This statement has been approved by the Board and summarises the Company's governance practices which were in place throughout the financial year ended 30 June 2014. The Company is pleased to report that, during the financial year and to the date of this Report, it complied with all of the ASX Principles.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board's roles and responsibilities are formalised in a Board Charter, which is available on the Company's website. The Charter sets out those functions that are delegated to management and those that are reserved for the Board.

Before a Director is appointed, the Company will undertake appropriate evaluations. Where a candidate is standing for election or re-election as Director, the notice of meeting will set out information on the candidate including biographical details, qualifications and experience, independence status, outside interests and the recommendation of the rest of the Board on the resolution.

At the time of joining the Company, directors and senior executives are provided with letters of appointment, together with key Company documents and information setting out their term of office, duties, rights and responsibilities, and entitlements on termination.

The performance of all key executives, including the Managing Director, is reviewed annually against:

(a) a set of personal financial and non-financial goals;

(b) Company goals; and

(c) adherence to the Company's Compass, which reflects the role that Origin's Purpose, Principles, Values and Commitments play in everyday decision making.

The Remuneration Committee considers the performance of the Managing Director and all members of the Executive Management Team (EMT) when awarding performance-related remuneration through short-term and long-term incentives for the year completed and when assessing fixed remuneration for future periods. Further information on the outcomes of the FY2014 assessment of executive remuneration is set out in the Remuneration Report.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board is structured to facilitate the effective discharge of its duties and to add value through its deliberations.

In FY2014 the Board had 11 scheduled meetings, including a two-day strategic planning meeting. The Board also had three separate scheduled workshops to consider matters of particular relevance and met on three other occasions to deal with urgent matters. Directors also conducted visits of Company operations and met with operational management during the year.

From time to time, the Board delegates its authority to non-standing committees of Directors to deal with transactional or other urgent matters. In the 12 months to 30 June 2014, three such additional Board Committee meetings were held.

At each scheduled Board meeting, Directors receive reports from executive management, risk, financial and operational reports, a health, safety and environment report and reports on major projects or initiatives in which the Company is involved. In addition, the Directors receive reports from Board committees and, as appropriate, presentations on opportunities and challenges for the Company.

Non-executive Directors also meet without the Executive Directors and management to address such matters as succession planning, key strategic issues, and Board operation and effectiveness.

All Directors have access to Company employees, advisors and records. In carrying out their duties and responsibilities, Directors have access to advice and counsel from the Chairman, the Company Secretary and the Group General Counsel, and are able to seek independent professional advice at the Company's expense, after consultation with the Chairman.

New Directors undergo an induction program which includes meetings with members of management and visits to key operations to familiarise them with the Company's business and administration. Directors also receive continuing education through ongoing briefings and workshops on industry, regulatory or other relevant topics.

The Board's size and composition is determined by the Directors, within limits set by the Company's Constitution, which requires a Board of between five and 12 Directors. As at 30 June 2014, the Board comprised nine Directors, including two Executive Directors and seven Non-executive Directors, six of whom are considered independent by the Board. Of the nine Directors, three are women. Directors' profiles, duration of office and details of their skills, experience and special expertise are set out on pages 54 and 55.

The Board seeks to have an appropriate mix of skills, experience, expertise and diversity to enable it to discharge its responsibilities and add value to the Company. The Board values diversity in all respects, including gender and differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem solving skills.

Together, the Directors contribute the following key skills and experience:

Skills and Experience	Board representation (out of 9 Directors)
Diversity Diversity in gender, background, geographic origin, experience (industry and public, private and non-profit sectors).	9
Executive and strategic leadership Senior executive and directorship experience.	9
Financial and risk management Senior executive experience in financial accounting and reporting, corporate finance, risk and internal controls.	9
Governance and Board Prior experience as a Board member or membership of governance bodies.	9
HSE and sustainability Experience related to health, safety, environment, social responsibility and sustainability.	9
Industry (oil and gas, exploration) Experience in the oil and gas industry, or upstream or integrated exploration and production company.	6
International Experience working in an organisation with global operations, or understanding of different cultural, political, regulatory and business requirements.	9
Regulatory and Public policy Legal background or experience in regulatory and public policy.	9
Remuneration Remuneration Committee membership or experience in relation to remuneration, including incentive programs.	9
Retail and marketing Experience in retail or marketing industry.	7

The Company's Independence of Directors Policy requires that the Board is comprised of a majority of independent Directors. In defining the characteristics of an independent Director, the Board uses the ASX Principles, together with its own consideration of the Company's operations and businesses and appropriate materiality thresholds. Further details of the matters considered by the Board in assessing independence are contained in the Independence of Directors Policy which is available on the Company's website.

The Board reviews each Director's independence annually. At its review for the FY2014 reporting period, the Board formed the view that Mr Gordon Cairns, Chairman, and Directors Mr John Akehurst, Ms Maxine Brenner, Mr Bruce Morgan, Mr Ralph Norris and Dr Helen Nugent were independent.

The Board selects and appoints the Chairman from the independent Directors. The Chairman, Mr Cairns is independent and his role and responsibilities are separate from those of the Managing Director.

Five committees assist the Board in executing its duties relating to audit, remuneration, health, safety and environment, nomination and risk.

Each Committee has its own Charter which sets out its role, responsibilities, composition, structure, membership requirements and operation. These are available on the Company's website. Each Committee's Chairman reports to the Board on the Committee's deliberations at the following Board meeting where the Committee meeting minutes are also tabled. Additional and specific reporting requirements to the Board by each Committee are addressed in the respective Committee Charters.

Additional information about the Audit Committee, Risk Committee and Remuneration Committee is provided in response to Principles 4, 7 and 8 respectively.

A list of the members of each Board Committee as at 30 June 2014 is set out below and their attendance at Committee meetings during FY2014 is set out in the Directors' Report.

Current Board Committee membership

	Audit	Remuneration	Health, Safety & Environment	Nomination	Risk
Non-executive Directors					
John Akehurst			Chairman	Member	Member
Bruce Beeren		Member			Member
Maxine Brenner	Member				Member
Gordon Cairns	Member	Member	Member	Chairman	Chairman
Bruce Morgan	Chairman		Member	Member	Member
Ralph Norris	Member	Member			Member
Helen Nugent	Member	Chairman		Member	Member
Executive Directors					
Grant King			Member		Member
Karen Moses					Member

The Nomination Committee, which met three times during FY2014, provides support and advice to the Board by:

- assessing the range of skills and experience required on the Board and of Directors as part of the Company's continued consideration of Board renewal and succession planning;
- reviewing the performance of Directors and the Board;
- establishing processes to identify suitable Directors, including the use of professional intermediaries;
- recommending Directors' appointments and re-elections; and
- considering the appropriate induction and continuing education provided for Directors.

When identifying potential candidates, the Nomination Committee considers the current and future needs of the Company and desired attributes and skill sets for a new Director. Where a candidate is recommended by the Nomination Committee, the Board will assess that candidate against a range of criteria including background, experience, professional qualifications and the potential for the candidate's skills to augment the existing Board and his/her availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a Director, that Director will stand for election by shareholders at the following Annual General Meeting.

Each year the performance of the Directors retiring by rotation and seeking re-election under the Constitution is reviewed by the Nomination Committee (other than the relevant Director), the results of which form the basis of the Board's recommendation to shareholders. The review considers a Director's expertise, skill and experience, along with his/her understanding of the Company's business, preparation for meetings, relationships with other Directors and management, awareness of ethical and governance issues, and overall contribution.

Ms Brenner joined the Board in November 2013 and will be standing for election at the Annual General Meeting in accordance with the ASX Listing Rules. The Board (with Ms Brenner absent) has reviewed the performance of Ms Brenner in the 10 months since her appointment and concluded that she should be proposed for election.

Mr Beeren, who is due for re-election at the Annual General Meeting in October 2014, has informed the Company that he does not intend to stand for re-election.

Each year, the Directors review the performance of the whole Board and Board Committees. This year, a full review was undertaken covering the Board's activities and work program, time commitments, meeting efficiency and Board contribution to Company strategy, monitoring, compliance and governance. The results of the review were discussed by the whole Board, and initiatives to improve or enhance Board performance and effectiveness were considered and recommended.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

All Directors and employees are expected to comply with the law and act with a high level of integrity. The Company has a Code of Conduct and a number of policies governing conduct in pursuit of Company objectives in dealing with shareholders, employees, customers, communities, business partners, suppliers, contractors and other stakeholders. The Code of Conduct is based on the Company's Statement of Purpose, Principles, Values and Commitments (Origin Compass), which serves as a guide to Origin's decision making, behaviours and actions for its employees.

A summary of the Code of Conduct and the Origin Compass is available on the Company's website.

The Company encourages individuals to report known or suspected instances of inappropriate conduct, including breaches of the Code of Conduct and other policies and directives. There are policies in place to protect employees and contractors from any reprisal, discrimination or being personally disadvantaged as a result of their reporting a concern.

The Company has established a policy which governs dealings in its securities. This precludes any Origin personnel from dealing in the Company's securities from 1 July to the second trading day after the announcement of Origin's results for the financial year ended 30 June; and from 1 January to the second trading day after the announcement of Origin's results for the half financial year ended 31 December. In addition, all Origin personnel are prohibited from trading in the Company's securities at any time if they possess information which is not generally available to the market and which could reasonably be expected to have a material effect on the price or value of the Company's securities.

Origin personnel may not engage in short-term dealings in the Company's securities and margin loans should not be entered into if they could cause a dealing that is in breach of the policy or the general insider trading provisions of the Corporations Act. Executives are prohibited from entering into hedging transactions which operate to limit the economic risk of any of their unvested equity-based incentives. The Dealing in Securities Policy is available on the Company's website.

The Code of Conduct, Dealing in Securities Policy and other relevant policies are supported by appropriate training programs and regular updates.

Diversity

The Board and the EMT are committed to workplace diversity and providing equality of opportunity and a rewarding workplace for all employees. The Company's Diversity and Inclusion Policy guides behaviours and actions, and aims to create an environment in which all individuals are supported and respected. Increasing gender diversity, especially in senior roles, is an ongoing policy priority.

Accordingly, the Company committed in FY2014 to:

1. continue to deliver equal average pay for men and women at each job grade;
2. increase the number of women in senior roles, with a target to improve the rate of appointment of women to senior roles by 15 per cent; and
3. improve the retention of women in senior roles, with a target to improve the turnover rate among women in senior roles by 15 per cent.

Progress against these targets is reported internally on a quarterly basis to the Diversity Council, which currently consists of the EMT and is chaired by the Managing Director. Performance against the targets in FY2014 was as follows:

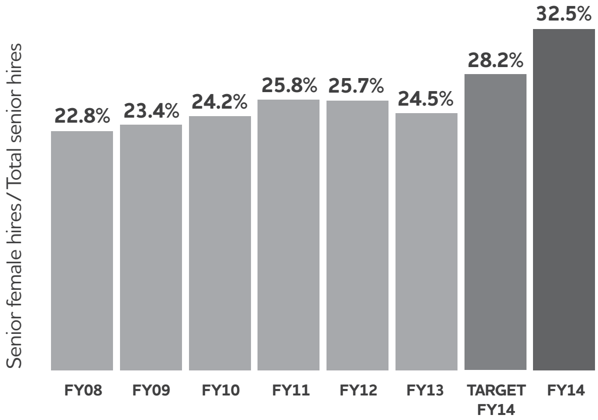
1. Target to deliver equal average pay for men and women at each job grade

Average pay for men and women at each job grade fluctuates through the year with turnover, recruitment and promotions, but once a year the Company undertakes a comprehensive review of all aspects of remuneration and then takes steps to equalise any disparity that may have emerged. In FY2014 average female pay was higher at some grades than average male pay and lower at others. The average difference between male and female pay at each job grade was within the Company's targeted <2 per cent. Job grades are defined using standard Hay Pay Scales.

2. Target to improve the rate of appointment of women to senior roles by 15 per cent vs the prior year

This target was not only achieved, but substantially surpassed in the year. In fact, the percentage of women recruited into senior roles (32.5 per cent) was by far the highest ever, as shown in the graph below. Key policies and actions put in place to drive this result included: every interview panel for a senior role must be made up of both men and women; where possible [1] every shortlist must have at least one woman; and progress vs target for each Business Unit is reported to and reviewed by the Diversity Council each quarter.

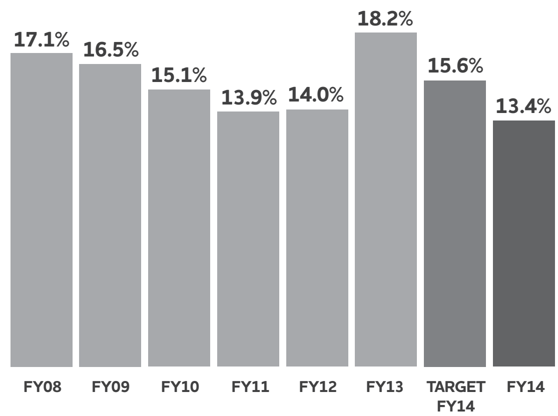
Appointments to senior roles, female



3. Target to improve the turnover rate among senior women by 15 per cent vs the prior year

This target was also met. The rate of senior female turnover has now returned to historically low levels after a peak in FY2013 that coincided with the Company's large-scale downsizing program that year. See the graph below.

Senior female turnover



(1) Advertisements for some senior roles, mainly engineering and technical, received no female applicants.

CORPORATE GOVERNANCE STATEMENT

Definition of seniority

For the purpose of setting targets, the Company defines seniority by reference to standard Hay Pay Scale job grades rather than by reference to reporting relationship to the CEO. This is done for two reasons:

- to make genuine comparisons of seniority. Executives leading four support functions currently report to the CEO. A large number of people in areas such as legal, company secretary, human resources and communications are therefore only two or three steps below the CEO, whereas many roles with significant line management responsibility, large teams or bottom line accountability are not; and
- to make analysis comparable over time. Any restructure that changes EMT roles also changes the reporting relationship of hundreds of people at lower levels, making it distorting to accurately compare progress on gender pay equality at those levels before and after the restructure.

The cohort the Company defines as "senior roles" includes all people in Hay Pay Scale job grades that pay approximately $150,000 per year or more in total remuneration.(1) As at 30 June 2014, there were 1,777 people in senior roles, of which 27.2 per cent were women.

Gender breakdown by reporting relationship to the CEO

While the Company does not use reporting relationship to the CEO to define its gender diversity targets, the gender profile of these cohorts is of interest to some external stakeholders and is presented in the table below.

Selected cohorts by gender, 30 June 2014

Cohort (2)	# people in cohort	Percentage Female
Board	9	33%
CEO-1 (EMT)	9	11%
CEO-2	52	29%
CEO-3	151	39%
Senior roles (see discussion above)	1,777	27.2%

The Company will pursue the same targets for FY2015.

The Board is responsible for overseeing the Company's strategies on gender diversity, including monitoring of the Company's achievements against any gender targets set by the Board. The Board has set itself a target of being at least 40 per cent female by 2020.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board has an Audit Committee which comprises five Non-executive Directors, all of whom are independent. The Chairman of the Board cannot chair the Audit Committee. The Chairman of the Audit Committee, Mr Bruce Morgan, is an independent Director with significant financial expertise. All members of the Committee are financially literate and the Committee possesses sufficient financial expertise and knowledge of the industry in which the Company operates.

The Audit Committee oversees the structure and management systems that are designed to protect the integrity of the Company's financial reporting. The Audit Committee reviews the Company's half and full year financial reports and makes recommendations to the Board on adopting financial statements. The Committee provides additional assurance to the Board with regard to the quality and reliability of financial information. The Committee has the authority to seek information from any employee or external party.

The internal and external auditors have direct access to the Audit Committee Chairman and, following each scheduled meeting, meet separately with the Committee without Executive Directors or management present.

The Committee reviews the independence of the external auditor, including the nature and level of non-audit services provided, and reports its findings to the Board every six months.

The names of the members of the Audit Committee are set out in the table under Principle 2 and their attendance at meetings of the Committee is set out in the Directors' Report.

The external auditor attends the Company's Annual General Meeting and is available to answer questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company has adopted policies and procedures to ensure compliance with its continuous disclosure obligations, and to ensure accountability of senior management for that compliance.

The Company is committed to providing timely, full and accurate disclosure and to keeping the market informed with quarterly releases detailing exploration, development and production, and half and full year reports to shareholders including through interactive web portals.

All material matters are disclosed to the ASX immediately (and subsequently to the media, where relevant), as required by the ASX Listing Rules. All material investor presentations are released to the ASX and are posted on the Company's website. Other reports or media statements that are not material enough to be an ASX announcement are also included on the Company's website. Shareholders can subscribe to a free email notification service and receive notice of any announcements released by the Company.

The Continuous Disclosure Policy and the Communications with Shareholders Policy are available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Company respects the rights of its shareholders and has adopted policies to facilitate the effective exercise of those rights through participation at general meetings and providing information about the Company and its operations.

The Company is committed to providing a high standard of communication to shareholders and other stakeholders so that they have all available information reasonably required to make informed assessments of the Company's value and prospects.

The Company provides shareholders with a choice of receiving a half year report, an annual Shareholder Review, a full Annual Report or no report at all. Shareholders may also elect to receive their reports electronically or in print published form. Shareholder meetings and results announcements are webcast and published on the Company's website.

The Company's website also contains a list of upcoming events, all recent announcements, presentations, past and current reports to shareholders, notices of meeting and archived webcasts of general meetings and results announcements. The Company also keeps an internal record of briefings given to investors and analysts, including those present and the main issues discussed.

The Company has a dedicated investor relations function to facilitate effective two-way communication with investors. This is in conjunction with a wider stakeholder engagement program involving interactions with governments, regulators, consumers, industrial relations interest groups, environmental groups, local community and other stakeholders.

In addition, shareholders may elect to receive an annual Sustainability Report. Sustainability reporting is guided by the Global Reporting Initiatives and disclosures of material economic, environmental and social aspects of the Company's business activities. The concise report is supplemented by a full online digital report providing performance against Origin's Material Aspects as well as taking guidance from international frameworks such as the Global Reporting Initiative's G4 Guidelines.

(1) The number can only be approximate because exact remuneration varies by individual by year according to their assessed performance under the Short-Term Incentive Scheme.
(2) Definitions for CEO-1, CEO-2 and CEO-3 are as per Workplace Gender Equality Agency guidelines. That is, they do not include clerical and administrative staff or other staff that do not themselves manage other people. With all staff included, CEO-3 at Origin was 51 per cent female out of a total cohort of 277 as at June 30 2014.

The Communications with Shareholders Policy is available on the Company's website.

In addition to shareholders, the Company's projects and operations necessitate interaction with a range of stakeholders including local communities, business partners, government, industry, media, suppliers and NGOs. The Company has a program to support these stakeholder interactions and facilitate constructive relationships. These include:

- dedicated community advisors to help facilitate and implement the Company's engagement with local communities and regular dialogue with the communities in which we operate;
- regular interaction with policy makers within the jurisdictions of its operations, particularly to help develop sound and stable policy to ensure business certainty;
- engagement with policy makers, media and NGOs to promote mutual understanding; and
- contribution to the formulation of energy policy through public submission to various enquiries (public submissions the Company has made in these areas are available on the Company's website).

Customers are a central part of Origin's engagement, innovation and value creation. The Company continues to develop ways of interacting that help to meet customers' energy needs and service demands. In particular this year, a program has been developed to reflect that innovation. The program is centred around putting the customer first by developing improved service delivery, responding more readily to customer feedback and creating easier ways to pay. As part of the Company's customer engagement strategy, Service Hubs were introduced to provide customers with an opportunity to discuss their accounts and the Company's product and services face-to-face. This year also saw a significant reduction in overall customer complaint levels, including Ombudsmen volumes.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board has an overarching policy governing the Company's approach to risk oversight and management and internal control systems.

The Company has established a Risk Committee to oversee its policies and procedures in relation to risk management and internal control systems. The Risk Committee comprises the full Board and is chaired by the Chairman of the Board.

The Company's risk policies are designed to identify, assess, address and monitor strategic, operational (including risks to health, safety and the environment), legal, reputational, commodity, environmental, social and financial risks to achieve business objectives. Certain specific risks are covered by insurance and the Board has also approved policies for hedging of interest rates, foreign exchange rates and commodities.

Management is responsible for the design and implementation of the risk management and internal control systems to manage the Company's business risks. Management reports to the Risk Committee on how those risks are being managed effectively. The highest potential exposure risks are reported to the Risk Committee and the Board, along with associated controls and risk mitigation plans. The Risk Committee also reviews the Company's risk management framework annually to satisfy itself that it continues to be sound. Management has reported to the Risk Committee and the Board that, as at 30 June 2014, its material business risks are being managed effectively.

In addition to reports from the Risk Committee, the Board receives monthly reports on key risk areas such as health and safety, project development, commodity exposures and exchange rates. General Company-wide reviews of major risks are undertaken on a regular basis for corporate, operational and development activities.

Beyond the financial results, the Company is witnessing changes in community attitudes and environmental challenges in its sector, which require improved disclosure to help investors assess both short term and long term risks and prospects.

Origin assesses the environmental and social risks associated with all projects and operations. Projects are developed with precautionary engineering and management measures in place to mitigate or manage key environmental and social risks, and operations are managed using policies and procedures to control remaining environmental and social risks. Environmental and social risk management is subject to periodic audits and assurance.

Given the importance and scale of the Company's investment in the Australia Pacific LNG project, it receives particular attention by the Board. The Board, and its relevant Committees, have a number of mechanisms through which they maintain appropriate oversight of Australia Pacific LNG project related risks. These include a comprehensive assurance program, ongoing management briefings and detailed monthly reports, participation in CSG workshops, and evaluating progress in the field by undertaking visits to both the gasfields in the Surat and Bowen basins and the LNG facility under development at Curtis Island.

Detailed and documented approvals exist in respect of environmental and social regulations associated with Australia Pacific LNG. These approvals have been issued by regulatory bodies following extensive consultation with community and other stakeholders. Australia Pacific LNG's and Origin's processes and internal compliance monitoring activities are designed to ensure activities are conducted in accordance with regulatory approvals.

The Company makes commitments that extend beyond the law. Australia Pacific LNG, in partnership with the CSIRO, established a research partnership called Gas Industry Social & Environmental Research Alliance (GISERA). Among other socio-economic and environmental impacts, GISERA conducts research to better understand the impacts of CSG development and make public its results.

It is also imperative that Origin maintains a respectful relationship with the landholder and their communities for decades to come. In addition to the mandatory requirements, the Company has its own best practice guidelines, which include consideration of the landholders' requirements, as well as environmental, native title and cultural heritage aspects.

Effective and responsible management of water resources is also important for Origin's business. The management of water resources is governed by external federal and state laws and regulations. The GISERA research referenced above also refers to impacts on groundwater of CSG development. The Company has formal water management plans, and strategies and monitoring programs to guide how we use, re-use or dispose of water.

As one of Australia's largest power generators, Origin closely measures, manages and reports on the emissions associated with its generation operations. A large proportion of these are governed by laws and regulations. In addition, the Company voluntarily reports its emissions, and management of this extends to the active development of a low carbon power generation portfolio including natural gas and wind.

The Company measures its stakeholder (including shareholder) perceptions through the implementation of an independent benchmark using RepTrak® methodology. Origin's reputation performance and reputation risk management activities are reported to the Board on a semi-annual basis. The RepTrak® results were incorporated into the corporate affairs and brand strategies throughout the year.

In addition to stakeholder measurement through RepTrak®, Origin engages a range of suppliers to provide real-time mainstream and social media monitoring to evaluate the external operating environment and ensure emerging risks, issues and shifting public and policy debates are identified and addressed accordingly. In addition, quarterly quantitative and qualitative mainstream media analysis is undertaken to better understand external trends, sentiment and key public influencers. This insight influences and informs Origin's external affairs, public policy, and sustainability approaches as well as stakeholder engagement strategies.

When presenting financial statements for Board approval, the Managing Director and Executive Director, Finance and Strategy provide a formal statement in accordance with Section 295A of the Corporations Act. They also provide the Board with an assurance that the statement is founded upon a sound system of risk management and internal control that is operating effectively in all material respects.

The Company also has an internal audit function which utilises both internal and external resources to provide independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The internal audit function has direct access to the Audit Committee Chairman and management, and has the right to seek information.

The names of the members of the Risk Committee are set out in the table under Principle 2 and their attendance at meetings of the Committee is set out in the Directors' Report.

The Risk Management Policy and information on Origin Energy's policies on risk oversight and management of material business risks is available on the Company's website. The Risk Committee Charter is also available on the Company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Remuneration Report sets out details of the Company's policies and practices for remunerating Directors, Key Management Personnel and employees.

The Board has a Remuneration Committee which comprises four Non-executive Directors, of whom three are independent. The Chairman, Dr Helen Nugent, is an independent Director. The names of the members of the Remuneration Committee are set out under Principle 2 and their attendance at meetings of the Committee is as set out in the Directors' Report.

Further information about the Remuneration Committee's activities is provided in the Remuneration Report.

The remuneration of Non-executive Directors is structured separately from that of the Executive Directors and senior executives. Information on remuneration for Non-executive Directors is in the Remuneration Report.

All information referred to in this Corporate Governance Statement as being on the Company's website may be found at the web address: www.originenergy.com.au under the section "Investors" – "Governance".

FINANCIAL STATEMENTS
CONTENTS

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

	Note	2014 $million	2013 $million
Revenue		14,518	14,747
Other income	3(A)	433	446
Expenses	3(B)	(13,749)	(14,233)
Share of results of equity accounted investees	8(B)	(24)	(1)
Interest income	3(C)	22	12
Interest expense	3(C)	(453)	(468)
Profit before income tax		**747**	**503**
Income tax expense	4	(109)	(42)
Profit for the period		**638**	**461**
Profit for the period attributable to:			
Members of the parent entity		530	378
Non-controlling interests		108	83
Profit for the period		**638**	**461**
Earnings per share			
Basic earnings per share	32	48.1 cents	34.6 cents
Diluted earnings per share	32	47.8 cents	34.4 cents

The income statement should be read in conjunction with the accompanying notes set out on pages 69 to 114.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE

	2014 $million	2013 $million
Profit for the period	**638**	**461**
Other comprehensive income		
Items that will not be reclassified to the income statement		
Actuarial gain on defined benefit superannuation plan	5	2
Items that may be reclassified to the income statement		
Foreign currency translation differences for foreign operations	311	333
Available for sale financial assets		
Valuation gain taken to equity	3	1
Cash flow hedges		
(Gains)/losses transferred to income statement	(2)	40
Transferred to carrying amount of assets	(1)	2
Valuation (loss)/gain taken to equity	(82)	35
Net loss on hedge of net investment in foreign operations	(17)	(72)
Total items that may be reclassified to the income statement	212	339
Total other comprehensive income for the period, net of tax	**217**	**341**
Total comprehensive income for the period	**855**	**802**
Total comprehensive income attributable to:		
Items that will not be reclassified to the income statement		
Members of the parent entity	5	2
Non-controlling interests	–	–
	5	2
Items that may be reclassified to the income statement		
Members of the parent entity	594	613
Non-controlling interests	256	187
	850	800
Total comprehensive income for the period	**855**	**802**

The statement of comprehensive income should be read in conjunction with the accompanying notes set out on pages 69 to 114.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE

	Note	2014 $million	2013 $million
Current assets			
Cash and cash equivalents		228	308
Trade and other receivables	6	2,507	2,711
Inventories		287	231
Other financial assets, including derivatives	7	445	420
Income tax receivable		–	174
Assets classified as held for sale		2	35
Other assets		127	89
Total current assets		**3,596**	**3,968**
Non-current assets			
Trade and other receivables	6	6	41
Inventories		106	78
Other financial assets, including derivatives	7	1,997	781
Investments accounted for using the equity method	8(B)	6,325	6,400
Property, plant and equipment	9	11,742	11,297
Exploration and evaluation assets	10	1,120	864
Intangible assets	11	6,203	6,117
Other assets		44	43
Total non-current assets		**27,543**	**25,621**
Total assets		**31,139**	**29,589**
Current liabilities			
Trade and other payables	13	2,202	2,122
Interest-bearing liabilities	14	337	741
Other financial liabilities, including derivatives	15	777	2,324
Provision for income tax		41	21
Employee benefits		248	186
Provisions	16	104	67
Liabilities classified as held for sale		–	17
Total current liabilities		**3,709**	**5,478**
Non-current liabilities			
Trade and other payables	13	397	336
Interest-bearing liabilities	14	9,025	6,375
Other financial liabilities, including derivatives	15	1,399	934
Deferred tax liabilities	12	883	1,136
Employee benefits		31	30
Provisions	16	566	506
Total non-current liabilities		**12,301**	**9,317**
Total liabilities		**16,010**	**14,795**
Net assets		**15,129**	**14,794**
Equity			
Share capital	17	4,520	4,441
Reserves		170	73
Retained earnings		8,754	8,769
Total parent entity interest		**13,444**	**13,283**
Non-controlling interests		1,685	1,511
Total equity		**15,129**	**14,794**

The statement of financial position should be read in conjunction with the accompanying notes set out on pages 69 to 114.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE

$million	Share capital	Share-based payments reserve	Foreign currency translation reserve	Hedging reserve	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2013	**4,441**	**106**	**(10)**	**(19)**	**(4)**	**8,769**	**1,511**	**14,794**
Other comprehensive income (refer note 18)	–	–	142	(81)	3	5	148	217
Profit	–	–	–	–	–	530	108	638
Total comprehensive income/(expense) for the period	**–**	**–**	**142**	**(81)**	**3**	**535**	**256**	**855**
Dividends paid (refer note 5)	–	–	–	–	–	(550)	(84)	(634)
Movement in share capital (refer note 17)	79	–	–	–	–	–	–	79
Movement in share-based payments reserve	–	33	–	–	–	–	2	35
Total transactions with owners recorded directly in equity	**79**	**33**	**–**	**–**	**–**	**(550)**	**(82)**	**(520)**
Balance as at 30 June 2014	**4,520**	**139**	**132**	**(100)**	**(1)**	**8,754**	**1,685**	**15,129**
Balance as at 1 July 2012	**4,345**	**82**	**(171)**	**(92)**	**(5)**	**8,935**	**1,364**	**14,458**
Other comprehensive income (refer note 18)	–	–	161	73	1	2	104	341
Profit	–	–	–	–	–	378	83	461
Total comprehensive income/(expense) for the period	**–**	**–**	**161**	**73**	**1**	**380**	**187**	**802**
Dividends paid (refer note 5)	–	–	–	–	–	(546)	(64)	(610)
Movement in share capital (refer note 17)	96	–	–	–	–	–	23	119
Movement in share-based payments reserve	–	24	–	–	–	–	1	25
Total transactions with owners recorded directly in equity	**96**	**24**	**–**	**–**	**–**	**(546)**	**(40)**	**(466)**
Balance as at 30 June 2013	**4,441**	**106**	**(10)**	**(19)**	**(4)**	**8,769**	**1,511**	**14,794**

The statement of changes in equity should be read in conjunction with the accompanying notes set out on pages 69 to 114.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE

	Note	2014 $million	2013 $million
Cash flows from operating activities			
Cash receipts from customers		16,438	16,200
Cash paid to suppliers		(14,194)	(14,292)
Cash generated from operations		2,244	1,908
Dividends/distributions received from equity accounted investees		–	9
Income taxes paid		(17)	(275)
Net cash from operating activities	**19(C)**	**2,227**	**1,642**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(510)	(821)
Acquisition of exploration and development assets		(135)	(34)
Acquisition of other assets		(224)	(186)
Acquisition of businesses, net of cash acquired	20	(4)	–
Payment received on settling pre-existing arrangements with acquired Eraring Energy entity		300	–
Investment in joint ventures		(41)	(66)
Interest received		14	12
Interest received from equity accounted investees		7	–
Net proceeds from sale of non-current assets		100	141
Repayment of loans to equity accounted investees		(1,847)	(561)
Loans to equity accounted investees		(974)	–
Net cash used in investing activities		**(3,314)**	**(1,515)**
Cash flows from financing activities			
Proceeds from borrowings		11,017	10,655
Repayment of borrowings		(8,997)	(9,901)
Interest paid		(463)	(448)
Proceeds from issue of share capital – senior executive options	17	–	9
Dividends paid by the parent entity		(471)	(459)
Dividends paid to non-controlling interests		(84)	(44)
Net cash from/(used in) financing activities		**1,002**	**(188)**
Net decrease in cash and cash equivalents		**(85)**	**(61)**
Cash and cash equivalents at the beginning of the period		**308**	**358**
Effect of exchange rate changes on cash		5	11
Cash and cash equivalents at the end of the period	**19(A)**	**228**	**308**

The statement of cash flows should be read in conjunction with the accompanying notes set out on pages 69 to 114.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Origin Energy Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Level 45, Australia Square, 264-278 George Street, Sydney NSW 2000. The financial statements of the Company for the year ended 30 June 2014 comprise the Company, its controlled entities and the consolidated entity's interest in joint operations and joint ventures (together referred to as the consolidated entity). The consolidated entity is a for-profit entity and is primarily involved in the operation of energy businesses including the exploration and production of oil and gas; electricity generation; wholesale and retail sale of electricity and gas; CSG domestic operations and the Australia Pacific LNG coal seam gas to LNG export project; and renewable energy development opportunities in Australia and overseas.

(A) Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Cth). The financial statements of the consolidated entity comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 21 August 2014.

(B) Basis of preparation

The financial statements are presented in Australian dollars, which is the functional currency of the Company and the majority of the controlled entities in the consolidated entity. Unless otherwise stated all reference to '$' refers to Australian dollars.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. The entity has not elected to early adopt any accounting standards and amendments.

The financial statements are prepared on the historical cost basis except for derivative financial instruments and environmental scheme certificates that are carried at their fair value; and trade and other receivables that are initially recognised at fair value, and subsequently measured at amortised cost less accumulated impairment losses.

Certain comparative amounts have been reclassified to conform to the current year's presentation and the adoption of AASB 11 *Joint Arrangements* as discussed below.

(C) Principles of consolidation

The financial statements of the consolidated entity include the consolidation of Origin Energy Limited and controlled entities. Controlled entities are entities controlled by the parent entity.

Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the controlled entity.

Joint arrangements

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Under AASB 11 *Joint Arrangements*, the consolidated entity classifies its interests in joint arrangements as either joint operations or joint ventures depending on the consolidated entity's rights to the assets and obligations for the liabilities of the arrangements.

Joint operations

A joint operation is a joint arrangement in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated entity's interests in the joint operation are brought to account on a line-by-line basis in the income statement and statement of financial position.

Joint ventures

In the financial statements, investments in incorporated joint ventures, including partnerships, are accounted for using equity accounting principles.

The consolidated entity reviewed its joint arrangements on adoption of the change to AASB 11 and reclassified the investment in Bulwer Island Energy Partnership (BIEP) from a joint venture to joint operation. The consolidated entity now recognises its share of assets, liabilities, revenue and expenses and comparative information has been re-presented in conformity with the requirements of AASB 11.

Due to a change in operations effective from July 2013, the consolidated entity reclassified the investment in CUBE Pty Ltd from a joint venture to a joint operation. Consequently, the entity is no longer equity accounted. The consolidated entity now recognises its share of assets, liabilities, revenue and expenses and opening balance information has been re-presented in conformity with the requirements of AASB 11.

Although the entity is legally separate from the parties, the consolidated entity has classified CUBE Pty Ltd as a joint operation on the basis that the partners have rights to substantially all of the output.

(D) Trade and other receivables

Trade and other receivables (including unbilled revenue) are initially recognised at fair value. Unbilled revenue represents estimated gas and electricity services supplied to customers but unbilled at the end of the reporting period.

Subsequent to initial recognition, the recoverable amount of trade and other receivables (including unbilled revenue) are measured at amortised cost less accumulated impairment losses.

Impairment of receivables and unbilled revenue is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing for individually non-significant receivables and unbilled revenue is performed by placing them into portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit and loss.

(E) Impairment

The carrying amounts of assets, other than inventories, derivatives, environmental scheme certificates and deferred tax assets, are reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated, as discussed below for all assets except exploration and evaluation assets which is discussed in note 1(H).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(F) Calculation of recoverable amount

The recoverable amount of assets, other than trade and other receivables (refer 1(D) above), is the greater of their fair value less costs of disposal, and value in use. Fair value less costs of disposal is determined as the present value of the estimated future cash flows expected to arise from the continued use of the assets, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested bi-annually for impairment. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Software and other intangible assets

Software and other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense on a straight-line basis over the estimated useful lives of the assets.

The average amortisation rate for software and other intangibles was 11 per cent (2013: 11 per cent).

(H) Exploration and evaluation assets

Exploration and evaluation assets are accounted for in accordance with the area of interest method. The application of this method is based on a partial capitalisation model closely aligned to the 'successful efforts' approach. All exploration and evaluation costs, including directly attributable overheads, general permit activity, geological and geophysical costs are expensed as incurred except the cost of drilling exploration wells and the cost of acquiring new interests. The costs of drilling exploration wells are initially capitalised pending the determination of the success of the well. Costs are expensed where the well does not result in a successful discovery.

Exploration and evaluation assets are partially or fully capitalised where the rights of the area of interest are current and either: (i) the expenditure is expected to be recouped through successful development and exploitation of the area of interest (or alternatively, by its sale) or (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing, or where both conditions are met.

Upon approval for the commercial development of a project, the accumulated expenditure is transferred to development assets.

Exploration and evaluation assets are reviewed at each reporting date to determine if there is any indication of impairment. To the extent that capitalised expenditure is no longer expected to be recovered, an impairment loss is recorded in the income statement.

The ultimate recoupment of the carrying value of the consolidated entity's exploration and evaluation assets is dependent on successful and commercial exploitation, or sale of the respective areas of interest.

(I) Development assets

The costs of oil and gas assets in the development phase are separately accounted for once technical feasibility and commercial viability of an area of interest are demonstrable and include costs transferred from exploration and evaluation assets and all development drilling and other sub-surface expenditure. When production commences, the accumulated costs are transferred to producing areas of interest, except for land and buildings and surface plant and equipment associated with development assets, which are recorded in the other land and buildings and other plant and equipment categories respectively.

(J) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment charges. Cost is the fair value of consideration given to acquire the asset at the time of its acquisition or construction and includes the direct cost of bringing the asset to the location and condition necessary for operation and the estimated future cost of closure and rehabilitation of the facility.

Depreciation and amortisation

With the exception of producing areas of interest sub-surface assets and land, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The carrying values of producing areas of interest and sub-surface assets are amortised on a units of production basis using the proved and probable reserves to which they relate, together with the estimated future development expenditure required to develop those reserves. Land is not depreciated.

The range of depreciation rates for the current and comparative period for each class of asset are:

Generation property, plant and equipment	1% – 33%
Other land and buildings	1% – 18%
Other plant and equipment	1% – 50%
Producing areas of interest	2% – 25%

(K) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowings on an effective interest basis. Interest expense is recognised in the income statement.

(L) Employee superannuation funds

At 30 June 2014, there were in existence a number of superannuation plans in which the consolidated entity participates for the benefit of its employees in Australia and overseas. The major plans are managed through Equipsuper. The principal types of benefit provided for under the plans are lump sums payable on retirement, termination, death or total disability.

Contributions to the plans by both employees and entities in the consolidated entity are predominantly based on percentages of the salaries or wages of employees. Entities in the consolidated entity contribute to the plans in accordance with the governing Trust Deeds subject to certain rights to vary. The consolidated entity makes contributions to defined contribution superannuation funds. All contributions made by the consolidated entity are recognised as a labour-related expense within expenses in the income statement as incurred.

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in certain circumstances. The defined benefit section of the plan is closed to new members. All new members receive accumulation-only benefits.

(M) Wages, salaries, annual leave, other employee benefits and long-term service benefits

Liabilities for employee benefits for wages, salaries, annual leave and other employee benefits that are expected and due to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to the reporting date calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

The consolidated entity's net obligation in respect of long-term service benefits, other than superannuation plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating the terms of the consolidated entity's obligations.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) Provisions

A provision is recognised in the statement of financial position when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risk free rate, being the rates on Commonwealth Government bonds most closely matching the expected future payments. The unwinding of the discount on the provision is recognised in the income statement within interest expense.

Restoration, rehabilitation and dismantling provisions

Provisions for the estimated costs relating to current environmental restoration, rehabilitation and dismantling are recognised as liabilities. Where the obligation arises as a result of the construction or installation of an asset or assets, an amount equal to the initial liability is capitalised as a component of the asset. At each reporting date, the restoration liability is remeasured in line with changes in discount rates, and timing or amount of the costs to be incurred. Any changes in the liability in future periods are added or deducted from the related asset, other than the unwinding of the discount which is recognised as an interest expense in the income statement as it occurs. The costs are determined on the basis of current legal requirements and current technology. Changes in estimates are factored in on a prospective basis.

(O) Revenue recognition

Revenue comprises amounts earned (net of returns, discounts and allowances) from the provision of products or services to parties outside the consolidated entity, including estimated amounts for customers' unread and unbilled meters and is measured at the fair value of consideration received or receivable. Sales revenue is recognised in accordance with the contractual arrangements where applicable and only once the significant risks and rewards of ownership of the goods passes from the consolidated entity to the customer, or when services have been rendered to the customer and collectability is reasonably assured and revenue can be measured reliably. In practice, the revenue recognition approach is applied to the consolidated entity's operating segments as follows:

— Revenue from the sale of oil and gas in the Exploration & Production operating segment is recognised when title to the commodities passes to the customer.
— Revenue from electricity and gas supplied by the Energy Markets and Contact Energy operating segments is recognised once the electricity and gas have been delivered.

(P) Net financing costs

Net financing costs comprise interest payable on borrowings, unwinding of discounts and interest income on funds invested. Borrowing costs are expensed as incurred. Interest income is recognised in the income statement as it accrues.

Financing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(Q) Income tax

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

Current tax is the expected tax receivable/payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in controlled entities and equity accounted investees to the extent that they will not probably reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively 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.

The consolidated entity's Exploration & Production operations in New Zealand have an accounting functional currency other than the New Zealand dollar (NZD). New Zealand tax legislation dictates that these operations have a NZD currency for the purposes of submitting their tax returns. The consolidated entity is required to translate the NZD tax bases using the spot rate at the reporting date when performing the tax effect accounting calculation, with the foreign exchange movement recorded in the income statement through income tax expense.

The company and its wholly-owned Australian resident entities, which met the membership requirements, formed a tax-consolidated group with effect from 1 July 2003. The head entity within the tax-consolidated group is Origin Energy Limited.

Tax funding arrangement amounts are recognised as inter-entity amounts, giving rise to a contribution by or distribution to equity participants to the extent they differ from the amounts assumed by the head entity from subsidiaries.

Current tax expense/income, deferred tax liabilities, and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group.

The company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Petroleum Resource Rent Tax (PRRT)

Petroleum Resource Rent Tax (PRRT) is considered, for accounting purposes, to be a tax based on income under AASB 112 *Income Taxes*. Accordingly, any current and deferred PRRT expense is measured and disclosed on the same basis as income tax.

(R) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates in effect at the reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income, and presented in the foreign currency translation reserve within equity.

(S) Environmental scheme certificates

The environmental certificate assets and surrender obligations are initially recorded at cost. Subsequent to initial recognition, they are recorded at fair value (being the market price for certificates at the reporting date) where there is an active market in which the entity participates in buying and selling activities. If there is no active market, the certificates continue to be recorded at cost.

(T) Financial instruments

(i) Financial assets and liabilities

The consolidated entity classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired or executed. The consolidated entity classifies its financial liabilities into the following categories: at fair value through profit or loss and other financial liabilities.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(T) Financial instruments (CONTINUED)

(i) Financial assets and liabilities (CONTINUED)

Management determines the classification of its financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities at fair value through profit or loss

This category has two sub-categories: financial assets or liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivative instruments (assets and liabilities) are also categorised as held for trading unless they are designated as hedges for accounting purposes. The consolidated entity holds a number of derivative instruments for economic hedging purposes under the Board approved risk management policies, which are prohibited from being designated as hedges under Australian Accounting Standards. These derivative assets and liabilities are therefore required to be categorised as held for trading.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables in the statement of financial position (note 6).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of, or otherwise realise, the asset within 12 months of the reporting date.

Other financial liabilities

Other financial liabilities are non-derivatives that are either designated into this category or not designated as fair value through profit or loss. They are included in current liabilities, except where the obligation matures greater than 12 months after the reporting date.

(ii) Recognition

Regular purchases and sales of investments are recognised on trade-date, the date on which the entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The consolidated entity defers day one gains or losses arising on all applicable instruments in the statement of financial position on inception and recognises them in the income statement over the life of the instrument based on the profile of the present value at inception.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(iii) Derivative financial instruments and hedging activities

The consolidated entity uses a range of derivative financial instruments to hedge the risk exposures arising from its operational, financing and investment activities.

Derivatives are initially recognised at fair value on the date they are entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedge);
- hedges of a particular cash flow risk associated with a recognised asset, liability or highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

The consolidated entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 7 and note 15. Movements of the hedging reserve in shareholders' equity are shown in the statement of changes in equity and note 18. The fair value of hedging derivatives is classified as either current or non-current based on the timing of the underlying cash flows of the instrument. Cash flows due within 12 months of the reporting date are classified as current and cash flows due after 12 months of the reporting date are classified as non-current.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the cross currency interest rate swaps hedging fixed rate foreign currency borrowings is recognised in the income statement within "expenses". Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate and foreign exchange rate risk are recognised in the income statement within "expenses".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "expenses".

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within "interest expense". The gain or loss relating to the effective portion of commodity derivatives hedging floating price forecast purchases is recognised in note 3(B) within "raw materials and consumables used, and changes in finished goods and work in progress". The gain or loss relating to the effective portion of commodity derivatives hedging floating price forecast sales is recognised in the income statement within "revenue". The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within "revenue". The gain or loss relating to the effective portion of forward foreign exchange contracts hedging purchases of non-financial assets

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(T) Financial instruments (CONTINUED)

(iii) Derivative financial instruments and hedging activities (CONTINUED)

(such as capital equipment) is recognised in the initial carrying value of the non-financial asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment and hedge of net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges that are deemed effective, are recognised in other comprehensive income and presented in the foreign currency translation reserve within equity. They are released to the income statement upon disposal.

The consolidated entity applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the parent entity's functional currency, regardless of whether the net investment is held directly or through an immediate parent entity.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting, despite being valid economic hedges of the relevant risk(s). Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within "expenses" and disclosed in the "decrease in fair value of financial instruments" (note 3(B)).

(U) Assets and liabilities classified as held for sale

Assets and liabilities that are expected to be recovered or settled primarily through sale rather than through continuing use, are classified as held for sale and recognised as current assets or current liabilities. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the consolidated entity's accounting policy for that asset or liability. Thereafter the assets or liabilities are measured at the lower of their carrying amount and fair value less cost of disposal.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement at the end of each reporting period are recognised in the income statement.

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

(V) Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. These key accounting estimates and judgements are below.

Estimates of reserve quantities

Reserves are estimates of the amount of product that can be economically and legally extracted from the consolidated entity's properties. In order to estimate economically recoverable reserves, assumptions are required about a range of geological, technical, legal and economic factors, including quantities, grades, production techniques, reversion rights, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of reserve fields to be determined by analysing geological data such as drilling samples. Because the economic assumptions used to estimate economically recoverable reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the entity's consolidated financial results and financial position in a number of ways, including the following:

— asset carrying values (notes 9, 10 and 11) may be affected due to changes in estimated future cash flows, or changes to depreciation, depletion or amortisation charges;
— depreciation, depletion and amortisation charged in the income statement (note 3(B)) may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change;
— restoration, rehabilitation and dismantling provisions (note 16) may change where changes in estimated reserves affect expectations about the timing or the cost of the activities; and
— the carrying value of deferred tax assets and tax liabilities (note 12) may change due to changes in the estimates of the likely recovery of the tax benefits.

Impairment of assets

In accordance with AASB 136 *Impairment of assets*, the recoverable amount of assets is the greater of its value in use and its fair value less costs of disposal (refer note 1(F)). These calculations are based on financial forecasts covering periods which reflect the long term nature of the assets. The forecasts include assumptions related to the growth in revenue, operating expenditure and capital expenditure. The growth assumptions are largely determined by contractual parameters, market parameters such as electricity pool prices, commodity prices and the projected Australian Consumer Price Index or equivalent. Expenditure growth for all assets is largely indexed to the projected Australian Consumer Price Index. Assumptions used for oil and gas properties also include reserves levels and future production profiles.

The estimated future cash flows are discounted to their present value using a pre-tax discount rate appropriate for that asset or CGU.

These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying amount of the assets may be further impaired or the impairment charge reduced with the impact recorded in the income statement.

Restoration, rehabilitation and dismantling provisions

The consolidated entity estimates the future removal costs of off-shore oil and gas platforms, production facilities, water treatment facilities, wells, pipelines, LPG tanks and generation plants at the time of installation or construction of the assets. In most instances, removal of the assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of restoration and rehabilitation activities required, the methodology for estimating cost, future removal technologies in determining the removal cost, and the risk free rate to determine the present value of these cash flows. Refer to note 16 for the carrying value of these provisions.

Exploration and evaluation assets

The consolidated entity's accounting policy for exploration and evaluation assets is set out in note 1(H). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. Refer to note 10 for the carrying value of exploration and evaluation assets.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(V) Accounting estimates and judgements (CONTINUED)

Fair value of financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Refer to note 24 for further details.

Unbilled revenue

Unbilled revenue for gas and electricity meters is estimated at the end of the reporting period. This involves an estimate of consumption for each meter based on the customer's past consumption history or an estimate of unbilled days at an average billed rate over the billing cycle. Refer to note 6 for the carrying value of unbilled revenue.

Trade and other receivables

The collectability of trade receivables is reviewed on an ongoing basis. The allowance for doubtful debts (impairment) is increased when debts are deemed to be no longer collectable. Judgement has been applied in determining the level of doubtful debts provisioning, taking into account the historic analysis of collection trends and the prevailing economic conditions and the impact of non-recurring events such as the Retail Transformation Program. The allowance for doubtful debts (impairment) is disclosed in note 6.

Taxation

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available.

Assumptions are made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recorded in the statement of financial position and the amount of tax losses and timing differences not yet recognised. In these circumstances, the carrying amount of deferred tax assets and liabilities may change, impacting the profit or loss of the consolidated entity. Refer to note 12 for the carrying value of tax assets and liabilities.

Petroleum Resource Rent Tax (PRRT)

The Petroleum Resource Rent Tax (PRRT) applies to all Australian onshore oil and gas projects, including coal seam gas projects. In addition to the taxation estimates and judgements above, the PRRT legislation involves judgement around the taxing point of projects, the transfer price used for determining PRRT income, and the measurement of the Starting Base on transition of existing permits, production licences and retention leases into the PRRT regime. In assessing the recoverability of deferred tax assets, estimates are required in respect of future augmentation (escalation) of expenditure, the sequence in which current and future deductible amounts are expected to be utilised, and the probable cash flows used in determining the recoverability of deferred tax assets.

(W) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2014, and have not been applied in preparing these financial statements. The consolidated entity has reviewed these standards and interpretations, and with the exception of AASB 9 *Financial Instruments*, determined none of these standards and interpretations materially impact the consolidated entity. AASB 9 *Financial Instruments* proposes a revised framework for the classification and measurement of financial instruments. The consolidated entity is currently assessing the impact of this standard.

NOTES TO THE FINANCIAL STATEMENTS

2. SEGMENTS

(A) Operating segments

The operating segments have been presented on a basis consistent with the information that is provided internally to the Managing Director who is the chief operating decision maker for the consolidated entity. The segments are:

Energy Markets – Australian energy retailing, associated products and services; power generation in Australia; and LPG operations in Australia, the Pacific, Papua New Guinea and Vietnam.

Exploration & Production – Gas and oil exploration and production in Australia, New Zealand and International areas of interest.

LNG – The consolidated entity's 37.5 per cent investment in Australia Pacific LNG including current domestic operations, the Australia Pacific LNG coal seam gas to LNG export project as well as the consolidated entity's LNG Upstream Operator activities.

Contact Energy – The consolidated entity's investment in its 53.1 per cent owned New Zealand controlled entity. Contact Energy Limited is involved in energy retailing, associated products and services, and power generation in New Zealand.

Corporate – Corporate activities that are not allocated to other operating segments and business development activities outside of the consolidated entity's existing operations.

The Managing Director receives financial information on the segment result of each operating segment so as to assess the performance of each segment, including the items excluded from segment result and underlying consolidated profit by segment, and a reconciliation of the statutory consolidated profit to the underlying consolidated profit.

Segment result represents underlying earnings before interest and tax (EBIT) for the Energy Markets and Exploration & Production segments. Net financing costs and tax expense/(benefit) are allocated to the LNG, Contact Energy and Corporate segments in measuring segment result.

Segment results:
for the year ended 30 June

	Energy Markets		Exploration & Production		LNG [1]		Contact Energy		Corporate		Consolidated	
$million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue												
Total segment revenue	11,607	12,146	1,003	740	–	–	2,170	2,019	–	–	14,780	14,905
Intersegment sales elimination [2]	–	–	(247)	(158)	–	–	(15)	–	–	–	(262)	(158)
Total revenues from external customers	**11,607**	**12,146**	**756**	**582**	**–**	**–**	**2,155**	**2,019**	**–**	**–**	**14,518**	**14,747**
Underlying Earnings before interest, tax, depreciation and amortisation (EBITDA) [3]	**1,053**	**1,333**	**487**	**395**	**83**	**60**	**533**	**435**	**(17)**	**(42)**	**2,139**	**2,181**
Depreciation and amortisation expense	(266)	(287)	(277)	(233)	(17)	(16)	(172)	(156)	–	(3)	(732)	(695)
Share of interest, tax, depreciation and amortisation of equity accounted investees	–	(8)	–	–	(54)	(39)	–	–	–	(1)	(54)	(48)
Underlying Earnings before interest and tax (EBIT)	**787**	**1,038**	**210**	**162**	**12**	**5**	**361**	**279**	**(17)**	**(46)**	**1,353**	**1,438**
Net financing costs					–	–	(83)	(65)	(109)	(190)	(192)	(255)
Income tax expense					–	–	(80)	(60)	(262)	(279)	(342)	(339)
Non-controlling interests							(102)	(81)	(4)	(3)	(106)	(84)
Segment result and underlying consolidated profit	**787**	**1,038**	**210**	**162**	**12**	**5**	**96**	**73**	**(392)**	**(518)**	**713**	**760**
Items excluded from segment result and underlying consolidated profit for the period (refer note 2(B)):												
(Decrease)/increase in fair value of financial instruments	(164)	(329)	(52)	2	(52)	(24)	6	10	(16)	(1)	(278)	(342)
Asset disposals, dilutions and impairments	295	(10)	(6)	–	(12)	358	12	(13)	(51)	–	238	335
LNG related items	–	–	–	–	(270)	(370)	–	–	–	–	(270)	(370)
Other	(80)	(254)	–	(1)	–	(3)	(10)	(11)	(14)	(34)	(104)	(303)
Tax and non-controlling interests on items excluded from segment result					93	115	(4)	13	142	170	231	298
Impact of items excluded from segment result and underlying consolidated profit net of tax	**51**	**(593)**	**(58)**	**1**	**(241)**	**76**	**4**	**(1)**	**61**	**135**	**(183)**	**(382)**
Statutory profit attributable to members of the parent entity											**530**	**378**

(1) The LNG segment includes the consolidated entity's LNG Upstream Operator activities. Costs incurred and recoveries received in relation to the consolidated entity's role as LNG Upstream Operator are recharged to Australia Pacific LNG in accordance with the Shareholder Agreement. Costs incurred and related recoveries are allocated to the LNG and Corporate segments consistent with the segment which incurred the underlying expenses. Given the nature of the recovery mechanism costs may be incurred in periods different to when recoveries are received from Australia Pacific LNG.

(2) Intersegment pricing is determined on an arm's length basis. Intersegment sales are eliminated on consolidation. The Exploration & Production segment sells gas and LPG to the Energy Markets segment and LPG to Contact Energy. Contact Energy sells electricity to the Exploration & Production segment.

(3) Underlying EBITDA includes the consolidated entity's share of underlying EBITDA of equity accounted investees of $54 million (2013: $57 million). Refer to note 8(B) for further details.

2. SEGMENTS (CONTINUED)

(A) Operating segments (CONTINUED)

Other segment information:
as at 30 June

$million	Energy Markets 2014	Energy Markets 2013	Exploration & Production 2014	Exploration & Production 2013	LNG 2014	LNG 2013	Contact Energy 2014	Contact Energy 2013	Corporate 2014	Corporate 2013	Consolidated 2014	Consolidated 2013
Assets												
Segment assets	12,481	12,895	4,139	3,964	118	119	6,066	5,460	151	114	22,955	22,552
Investments accounted for using the equity method (refer note 8(B))	–	44	–	11	6,154	6,174	–	–	171	171	6,325	6,400
Cash and funding related derivatives and current and deferred tax assets					974	–	12	68	873	569	1,859	637
Total assets	**12,481**	**12,939**	**4,139**	**3,975**	**7,246**	**6,293**	**6,078**	**5,528**	**1,195**	**854**	**31,139**	**29,589**
Liabilities												
Segment liabilities	(2,632)	(2,506)	(1,267)	(1,027)	(283)	(123)	(335)	(332)	(383)	(296)	(4,900)	(4,284)
Other financial liabilities, interest-bearing liabilities and funding related derivatives and tax liabilities					(5,059)	(3,849)	(2,310)	(2,266)	(3,741)	(4,396)	(11,110)	(10,511)
Total liabilities	**(2,632)**	**(2,506)**	**(1,267)**	**(1,027)**	**(5,342)**	**(3,972)**	**(2,645)**	**(2,598)**	**(4,124)**	**(4,692)**	**(16,010)**	**(14,795)**
Acquisitions of non-current assets (includes capital expenditure) (1)	549	195	522	514	–	–	244	263	87	60	1,402	1,032

(1) Cash contributions to Australia Pacific LNG are not treated as acquisitions as they represent repayment of loans from Australia Pacific LNG ($1,847 million) and loans to Australia Pacific LNG ($974 million) rather than an increase in Origin's investment in Australia Pacific LNG.

(B) Reconciliation of underlying consolidated profit to statutory profit

for the year ended 30 June

$million	2014 Gross	2014 Tax	2014 Non-controlling interests	2014 Net	2013 Gross	2013 Tax	2013 Non-controlling interests	2013 Net
Profit attributable to members of the parent entity				530				378
Items excluded from segment result and underlying consolidated profit attributable to members of the parent entity:								
Decrease in fair value of financial instruments	(278)	84	(2)	(196)	(342)	102	(3)	(243)
Asset disposals, dilutions and impairments	238	(77)	(4)	157	335	15	2	352
LNG related items	(270)	78	–	(192)	(370)	108	–	(262)
Other	(104)	148	4	48	(303)	72	2	(229)
Total items excluded from segment result and underlying consolidated profit	**(414)**	**233**	**(2)**	**(183)**	**(680)**	**297**	**1**	**(382)**
Underlying consolidated profit attributable to members of the parent entity				**713**				**760**

Refer to note 2(C) for further detail of these items.

2. SEGMENTS (CONTINUED)

(C) Explanatory notes to the reconciliation of underlying consolidated profit to statutory profit

Increase/(decrease) in fair value of financial instruments

Change in fair value of financial instruments primarily relates to instruments that are effective economic hedges but do not qualify for hedge accounting.

Asset disposals, dilutions and impairments

	2014		2013	
$million	**Gross**	**Tax**	**Gross**	**Tax**
Gain on disposal of TAWN, Contact assets and other assets	26	(7)	47	2
Net gain on settlement of GenTrader arrangements (refer to note 20)	357	(90)	–	–
Net gain on dilution of the consolidated entity's interest in Australia Pacific LNG	–	–	358	–
Asset disposals and dilutions	**383**	**(97)**	**405**	**2**
Investments accounted for using the equity method (refer to note 8)	(63)	–	–	–
Property, plant and equipment (refer to note 9)	(22)	6	(65)	12
Intangible assets (refer to note 11)	(48)	10	–	–
Inventory	–	–	(5)	1
Non-current trade and other receivables	(12)	4	–	–
Impairments [1]	**(145)**	**20**	**(70)**	**13**
Total asset disposals, dilutions and impairments	**238**	**(77)**	**335**	**15**

(1) Included in Investments accounted for using the equity method is $12 million recognised by Australia Pacific LNG relating to its Denison North assets (refer note 8(C)). This amount is recorded in "share of results of equity accounted investees" rather than "impairment of assets" in note 3.

LNG related items

	2014		2013	
$million	**Gross**	**Tax**	**Gross**	**Tax**
Net financing costs not able to be capitalised [1]	(239)	71	(201)	60
Share of unwinding of discounted receivables within Australia Pacific LNG (refer to note 8(C))	5	–	15	–
Share of tax benefit/(expense) on translation of foreign denominated long term tax balances	3	–	(20)	–
Foreign currency loss [2]	(21)	7	(164)	48
Australia Pacific LNG pre-production costs not able to be capitalised	(18)	–	–	–
	(270)	**78**	**(370)**	**108**

(1) $239 million (2013: $201 million): net financing costs incurred by the consolidated entity in funding the Australia Pacific LNG project. This interest would be capitalised if the development project was completed by the consolidated entity, rather than by an equity accounted investment entity.

(2) $21 million foreign currency loss (2013: $164 million loss) incurred by the consolidated entity and Australia Pacific LNG predominantly in relation to the funding of Australia Pacific LNG.

Other

	2014		2013	
$million	**Gross**	**Tax**	**Gross**	**Tax**
Retail business transformations and NSW Energy assets transition costs [1]	(90)	27	(241)	72
Corporate transaction costs	(14)	3	(26)	8
Tax benefit/(expense) on translation of foreign denominated long term tax balances	–	15	–	(3)
Tax benefit on unbilled income [2]	–	103	–	–
Derecognition of deferred tax benefit in respect of the Petroleum Resource Rent Tax (PRRT) legislation [3]	–	–	–	(16)
Restructure costs [4]	–	–	(36)	11
	(104)	**148**	**(303)**	**72**

(1) Retail business transformation and NSW Energy assets transition costs of $90 million relate to the Retail Transformation Programs ($37 million) and transition costs ($53 million) incurred in integrating the acquired NSW Government Energy Retail and Eraring generation businesses.

(2) During the year the consolidated entity and the Australian Taxation Office agreed to a revised approach for assessing unbilled revenue whereby the income tax treatment is now consistent with the accrual method used for accounting. As a result, a previously recorded deferred tax liability has been reversed resulting in an income tax benefit of $103 million recorded as an item excluded from underlying profit.

(3) An expense of $16 million was recognised in the prior year from the derecognition of the deferred tax benefit recorded on the inception of the extended PRRT legislation which took effect on 1 July 2012. The change in the prior year arose from the consolidated entity refining its inception date PRRT projects as is required under the PRRT legislation and considering the available future deductible amounts.

(4) As part of the restructuring initiative the consolidated entity incurred costs of $36 million for restructuring and redundancy-related costs during the prior year.

2. SEGMENTS (CONTINUED)

(D) Geographical information

	2014 $million	2013 $million
For the year ended 30 June		
Revenue		
Australia	12,023	12,419
New Zealand	2,351	2,200
Other [1]	144	128
Total revenue from external customers	**14,518**	**14,747**
As at 30 June		
Non-current assets		
Australia	19,047	18,878
New Zealand	6,269	5,740
Other [1]	230	222
Total segment non-current assets	**25,546**	**24,840**

(1) The other geographic segment includes operations in the Pacific, South East Asia, Papua New Guinea, Chile, Indonesia and Africa.

In presenting geographical information revenue is based on the geographical location of customers. Non-current assets, which exclude financial instruments and deferred tax assets, are based on the geographical location of the assets.

3. PROFIT

	Note	2014 $million	2013 $million
(A) Other income			
Net gain on sale of other assets		26	44
Net gain on settlement of GenTrader arrangements	2(C)	357	–
Net gain on dilution of the consolidated entity's interest in equity accounted investees	2(C)	–	358
Other income		50	44
Total other income		**433**	**446**
(B) Expenses			
Raw materials and consumables used, and changes in finished goods and work in progress		(10,811)	(11,211)
Labour related expenses [1]		(833)	(794)
Exploration expense		(54)	(18)
Depreciation and amortisation expense		(732)	(695)
Impairment of assets	2(B)	(133)	(70)
Decrease in fair value of financial instruments	2(B)	(278)	(342)
Net foreign exchange loss		(18)	(169)
Other expenses		(890)	(934)
Expenses		**(13,749)**	**(14,233)**
(C) Net financing costs			
Interest income			
Other parties		15	12
Interest income related to Australia Pacific LNG funding (refer note 8(D))		7	–
		22	**12**
Interest expense			
Other parties		(187)	(244)
Impact of discounting on long term provisions		(20)	(23)
Interest expense related to Australia Pacific LNG funding		(246)	(201)
		(453)	**(468)**
Net financing costs		**(431)**	**(456)**
Net financing costs excluding interest expense related to Australia Pacific LNG funding [2]		**(192)**	**(255)**
Financing costs capitalised [3]		**98**	**65**

(1) Labour related expenses includes contributions to defined contribution superannuation funds of $59 million (2013: $56 million).
(2) Disclosure is provided to enable reconciliation to net financing costs included in the segment analysis in note 2(A).
(3) Capitalised interest is calculated at an average rate based on the general borrowings of the consolidated entity (2014: 6.19 per cent; 2013: 6.42 per cent).

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX EXPENSE

	2014 $million	2013 $million
Income tax		
Current tax expense	210	57
Deferred tax benefit	(107)	(30)
Under/(over) provided in prior years	6	(1)
Petroleum resource rent tax deferred tax expense	–	16
Total income tax expense in the income statement	**109**	**42**
Reconciliation between tax expense and pre-tax net profit		
Profit before income tax	747	503
Income tax using the domestic corporation tax rate of 30 per cent (2013: 30 per cent)		
Prima facie income tax expense on pre-tax accounting profit:		
— at Australian tax rate of 30 per cent	224	151
— adjustment for difference between Australian and overseas tax rates	(8)	(4)
Income tax expense on pre-tax accounting profit at standard rates	**216**	**147**
Increase/(decrease) in income tax expense due to:		
Reversal of deferred unbilled receivables	(103)	–
Net gain on settlement of Gentrader arrangements	(17)	–
Impairment expense not recoverable	18	–
Share of results of equity accounted investees	8	(7)
Gain on dilution of equity accounted investees	–	(107)
Recognition of change in net tax loss position	(11)	(21)
Tax (benefit)/expense on translation of foreign denominated tax balances	(17)	9
Other	9	6
	(113)	(120)
Under/(over) provided in prior years – current and deferred	6	(1)
Income tax expense on pre-tax net profit	**109**	**26**
Petroleum resource rent tax deferred tax expense	–	16
Total income tax expense	**109**	**42**
Deferred tax movements recognised directly in other comprehensive income (including foreign currency translation)		
Financial instruments at fair value	(35)	33
Property, plant and equipment	63	54
Provisions	(1)	(3)
Other items	1	(7)
	28	**77**

	2014			2013		
$million	Gross	Tax	Net	Gross	Tax	Net
Income tax expense recognised in other comprehensive income						
Available for sale assets:						
Valuation gain/(loss) taken to equity	5	(2)	3	1	–	1
Cash flow hedges:						
(Gains)/losses transferred to income statement	(2)	–	(2)	57	(17)	40
Transferred to carrying amount of assets	(1)	–	(1)	3	(1)	2
Valuation (loss)/gain taken to equity	(117)	35	(82)	51	(16)	35
Net loss on hedge of net investment in foreign operations	(17)	–	(17)	(72)	–	(72)
Foreign currency translation differences for foreign operations	311	–	311	333	–	333
Actuarial gain on defined benefit superannuation plan	7	(2)	5	3	(1)	2
Other comprehensive income for the period	**186**	**31**	**217**	**376**	**(35)**	**341**

5. DIVIDENDS

	2014 $million	2013 $million
(A) Dividends paid		
Final dividend of 25 cents per share, unfranked, paid 27 September 2013 (2013: Final dividend of 25 cents per share, fully franked at 30 per cent, paid 27 September 2012)	275	273
Interim dividend of 25 cents per share (unfranked), paid 4 April 2014 (2013: Interim dividend of 25 cents per share, fully franked at 30 per cent, paid 4 April 2013)	275	273
	550	**546**
(B) Dividend franking account		
Franking credits available to shareholders of Origin Energy Limited for subsequent financial years are:		
Australian franking credits available at 30 per cent	6	–
New Zealand franking credits available at 28 per cent (in NZD)	193	158

The ability to utilise the franking credits is dependent upon the ability to declare dividends.

6. TRADE AND OTHER RECEIVABLES

	2014 $million	2013 $million
Current		
Trade receivables net of allowance for impairment	956	1,101
Unbilled revenue net of allowance for impairment	1,307	1,389
Other debtors	244	221
	2,507	**2,711**
Non-current		
Trade receivables	6	17
Other debtors (1)	–	24
	6	**41**

(1) An impairment loss of $12 million in respect of the early termination of a finance lease receivable was recognised at 30 June 2014.

The consolidated entity's policy requires trade debtors to pay in accordance with agreed payment terms. Depending on the customer segment, the settlement terms are generally 14 to 30 days from the date of the invoice. All credit and recovery risk associated with trade debtors has been provided for in the statement of financial position. The average age of trade receivables is 22 days (2013: 22 days).

The movement in the allowance for impairment in respect of trade receivables and unbilled revenue during the year is as follows:

Balance as at 1 July	130	66
Impairment losses recognised	117	193
Amounts written off	(130)	(129)
Balance as at 30 June	**117**	**130**

The ageing of the consolidated entity's current trade receivables and unbilled revenue at the reporting date is detailed below:

	2014		2013	
$million	Total	Allowance for impairment	Total	Allowance for impairment
Unbilled revenue	1,326	(19)	1,402	(13)
Not yet due	648	(7)	745	(6)
Past due 1-30 days	155	(5)	186	(7)
Past due 31-60 days	65	(6)	73	(8)
Past due 61-90 days	41	(6)	80	(10)
Past due 91 days	145	(74)	134	(86)
	2,380	**(117)**	**2,620**	**(130)**

NOTES TO THE FINANCIAL STATEMENTS

7. OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES

	Note	2014 $million	2013 $million
Current			
Derivative financial instruments	24	244	127
Environmental scheme certificates	24	134	237
Available-for-sale financial assets	24	67	55
Other financial assets		–	1
		445	**420**
Non-current			
Derivative financial instruments	24	881	592
Environmental scheme certificates	24	115	176
Available-for-sale financial assets	24	27	13
Loan to Australia Pacific LNG joint venture entity	24	974	–
		1,997	**781**

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(A) Investments summary

	Reporting date	Ownership interest (%) 2014	Ownership interest (%) 2013
Joint venture entities			
Australia Pacific LNG Pty Ltd (1)	30 Jun	37.5	37.5
Energia Andina S.A. (2)	31 Dec	40.0	40.0
Energia Austral SpA (2)	31 Dec	34.0	29.0
Gas Industry Superannuation Pty Ltd	30 Jun	50.0	50.0
KUBU Energy Resources (Pty) Limited	30 Jun	50.0	50.0
OTP Geothermal Pte Ltd	31 Dec	50.0	50.0
PNG Energy Developments Limited (3)	31 Dec	50.0	50.0
Rockgas Timaru Ltd	31 Mar	50.0	50.0
Transform Solar Pty Ltd	30 Jun	50.0	50.0
Venn Energy Trading Pte Limited	31 Mar	50.0	–

(1) The consolidated entity's interest in Australia Pacific LNG was 42.5 per cent up to 11 July 2012, and 37.5 per cent from 12 July 2012. Australia Pacific LNG is a separate vehicle and provides the consolidated entity rights to a share of the net assets of the entity. Operating, management and funding decisions require the unanimous support of the Foundation shareholders, which includes the consolidated entity. Accordingly, joint control was deemed to exist and the consolidated entity has classified the investment in Australia Pacific LNG as a joint venture.

(2) The consolidated entity determined joint control existed for these arrangements as key decisions require super majority (four Directors) approval, with the consolidated entity entitled to appoint two of the five Directors.

(3) The consolidated entity's $51 million investment in PNG EDL was impaired during the period, refer to note 2(C).

Due to a change in operations effective from 1 July 2013, the consolidated entity's 50 per cent interest in CUBE Pty Ltd became a joint operation. Consequently, the entity is no longer equity accounted. The consolidated entity has recognised its share of assets, liabilities, revenues and expenses of the joint operation from this date.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(B) Results of equity accounted investees

$million	2014 Share of EBITDA	2014 Share of interest, tax, depreciation and amortisation (ITDA)	2014 Share of net profit/(loss)	2014 Equity accounted investment carrying amount	2013 Share of EBITDA	2013 Share of interest, tax, depreciation and amortisation (ITDA)	2013 Share of net profit/(loss)	2013 Equity accounted investment carrying amount
Australia Pacific LNG joint venture (1)	21	(33)	(12)	6,154	37	(42)	(5)	6,174
Other joint venture entities (1)	(12)	–	(12)	171	13	(9)	4	226
Total	**9**	**(33)**	**(24)**	**6,325**	**50**	**(51)**	**(1)**	**6,400**
Consolidated entity's share of items recorded in Australia Pacific LNG treated as items excluded from underlying consolidated profit (2)	45	(21)	24		7	3	10	
Total excluding the consolidated entity's share of items recorded in Australia Pacific LNG treated as items excluded from underlying consolidated profit (3)	**54**	**(54)**	**–**		**57**	**(48)**	**9**	

(1) Australia Pacific LNG's summary financial information is separately disclosed in note 8(C). Results of "other" joint venture entities are immaterial.
(2) The consolidated entity's share of items recorded in Australia Pacific LNG treated as items excluded from underlying consolidated profit is detailed in note 8(C).
(3) Disclosure is provided to enable the reconciliation to share of interest, tax, depreciation and amortisation of equity accounted investees included in the segment analysis in note 2(A).

(C) Investment in Australia Pacific LNG Pty Ltd

The consolidated entity's interest in the results of Australia Pacific LNG are included in the operating segment "LNG" (refer note 2), along with the consolidated entity's LNG Upstream Operator activities.

A summary of Australia Pacific LNG's financial performance for the periods ended 30 June 2014 and 30 June 2013, and its financial position as at 30 June 2014 and 30 June 2013 follows:

$million	2014 Total APLNG	2014 Origin interest	2013 Total APLNG	2013 Origin interest
Operating revenue	461		398	
Operating expenses	(285)		(280)	
EBITDA	**176**	**66**	**118**	**44**
Depreciation and amortisation expense	(129)		(122)	
Interest income	7		16	
Interest expense	(13)		(10)	
Income tax (expense)/benefit	(10)		10	
Underlying Result for the period	**31**	**12**	**12**	**5**
Items excluded from segment result:				
Net unwinding of discounted receivables from shareholders	13	5	41	15
Net foreign exchange loss	(5)	(2)	(14)	(5)
Tax expense/(benefit) on translation of foreign denominated tax balances	9	3	(52)	(20)
Denison North asset impairment	(33)	(12)	–	–
Pre-production costs not able to be capitalised	(47)	(18)	–	–
Total items excluded from segment result	**(63)**	**(24)**	**(25)**	**(10)**
Net loss for the period	**(32)**	**(12)**	**(13)**	**(5)**
Other comprehensive (loss)/income	(32)	(12)	127	48
Total comprehensive (loss)/income	**(64)**	**(24)**	**114**	**43**

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(C) Investment in Australia Pacific LNG Pty Ltd (CONTINUED)

	2014 $million	2013 $million
Summary statement of financial position of Australia Pacific LNG		
Cash and cash equivalents	228	355
Receivables from shareholders	–	4,913
Other current assets	546	630
Current assets	**774**	**5,898**
Property, plant and equipment	27,148	17,452
Exploration, evaluation and development assets	1,358	879
Other non-current assets	64	18
Non-current assets	**28,570**	**18,349**
Total assets	**29,344**	**24,247**
Other current liabilities	1,532	1,573
Current liabilities	**1,532**	**1,573**
Bank loans – secured	8,042	5,765
Payable to shareholders	2,597	–
Other non-current liabilities	817	489
Non-current liabilities	**11,456**	**6,254**
Total liabilities	**12,988**	**7,827**
Net assets	**16,356**	**16,420**
Consolidated entity's interest of 37.5 per cent	6,134	6,157
Consolidated entity's own costs	25	17
Impact of MRCPS elimination (refer note 8(D))	(5)	–
	6,154	**6,174**

(D) Transactions between the consolidated entity and equity accounted investees

Australia Pacific LNG Pty Ltd Joint Venture

The consolidated entity provides services to Australia Pacific LNG in accordance with contractual arrangements including the provision of corporate related services, Upstream operating services including activities related to the development and operation of Australia Pacific LNG's natural gas assets, and coal seam gas (CSG) marketing related services. The consolidated entity incurs costs in providing these services and charges Australia Pacific LNG in accordance with the terms of the contractual arrangements.

The consolidated entity has entered agreements with Australia Pacific LNG whereby the consolidated entity purchases gas from Australia Pacific LNG (2014: $127 million; 2013: $139 million) and the consolidated entity sells gas to Australia Pacific LNG (2014: $59 million; 2013: $74 million). At 30 June 2014, the consolidated entity's outstanding payable balance for purchases from Australia Pacific LNG is $15 million (2013: $9 million) and outstanding receivable balance for sales to Australia Pacific LNG is $10 million (2013: $4 million).

The consolidated entity has invested in Mandatorily Redeemable Cumulative Preference Shares (MRCPS) issued by Australia Pacific LNG. The MRCPS is the mechanism by which the remaining funding for the CSG to LNG project will be provided by the shareholders of Australia Pacific LNG in proportion to their ordinary equity interests in Australia Pacific LNG. The MRCPS are issued progressively on a partly paid basis, and are paid up through contributions to Australia Pacific LNG in satisfaction of its cash requirements. The MRCPS has a fixed rate dividend obligation based on the relevant observable market interest rates and estimated credit margin at the date of issue. The dividend is paid twice per annum. The mandatory redemption date for all MRCPS is 31 December 2022. The MRCPS is required to be recognised as a financial liability by Australia Pacific LNG and a financial asset by the consolidated entity due to the mandatory redemption feature. The financial asset (loan) was $974 million as at 30 June 2014 (2013: $nil). The consolidated entity is required to recognise the MRCPS dividend as interest revenue in the consolidated entity's income statement, and the proportion attributable to its own interest (37.5 per cent) is eliminated.

9. PROPERTY, PLANT AND EQUIPMENT

	2014 $million	2013 $million
Generation property, plant and equipment		
At cost	10,011	8,831
Less: Accumulated depreciation	1,810	1,487
	8,201	**7,344**
Other land and buildings		
At cost	118	121
Less: Accumulated depreciation	39	32
	79	**89**
Other plant and equipment		
At cost	3,540	3,497
Less: Accumulated depreciation	1,577	1,494
	1,963	**2,003**
Producing areas of interest		
At cost	2,073	1,819
Less: Accumulated amortisation	1,137	989
	936	**830**
Capital work in progress	563	1,031
	11,742	**11,297**

$million	Generation property, plant and equipment	Other land and buildings	Other plant and equipment	Producing areas of interest	Capital work in progress	Total
2014						
Balance as at 1 July 2013	7,344	89	2,003	830	1,031	11,297
Additions acquired through business combinations	93	–	–	–	–	93
Other additions	157	–	–	202	238	597
Disposals	–	(3)	(13)	–	–	(16)
Depreciation/amortisation expense	(307)	(6)	(175)	(150)	–	(638)
Impairment loss (1)	(7)	–	–	(15)	–	(22)
Transfers within PP&E	546	–	147	70	(763)	–
Transfers to held for sale	(3)	(1)	–	–	–	(4)
Effect of movements in foreign exchange rates	378	–	1	(1)	57	435
Balance as at 30 June 2014	**8,201**	**79**	**1,963**	**936**	**563**	**11,742**
2013						
Balance as at 1 July 2012	6,110	100	1,973	786	1,926	10,895
Additions	67	5	15	136	552	775
Disposals	(2)	(17)	(37)	–	(1)	(57)
Depreciation/amortisation expense	(319)	(2)	(164)	(119)	–	(604)
Impairment loss (2)	(2)	–	–	–	(63)	(65)
Transfers within PP&E	1,251	–	182	–	(1,433)	–
Transfers to held for sale	(5)	–	–	–	–	(5)
Effect of movements in foreign exchange rates	244	3	34	27	50	358
Balance as at 30 June 2013	**7,344**	**89**	**2,003**	**830**	**1,031**	**11,297**

(1) Impairment losses of $15 million in respect of New Zealand onshore assets, $5 million in respect of Contracted Power stations and $2 million in respect of Contact Energy Limited recording certain land at its recoverable amount were recognised at 30 June 2014.

(2) Impairment losses of $60 million in respect of Contact Energy Limited's portfolio of wind development opportunities; and $5 million following further deprioritisation of prospective gas fired generation development sites were recognised at 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

10. EXPLORATION AND EVALUATION ASSETS

	2014 $million	2013 $million
Balance as at 1 July	864	838
Additions	309	43
Exploration expense	(54)	(18)
Effect of movements in foreign exchange rates	1	1
Balance as at 30 June	**1,120**	**864**

11. INTANGIBLE ASSETS

Goodwill at cost	5,321	5,372
Software and other intangible assets at cost	1,354	1,127
Less: Accumulated amortisation	(472)	(382)
	6,203	**6,117**

Reconciliations of the carrying amounts of each class of intangible asset are set out below:

$million	Goodwill	Software and other intangibles	Total
2014			
Balance as at 1 July 2013	5,372	745	6,117
Acquisition of Eraring Energy Pty Ltd	172	2	174
Settlement of GenTrader arrangements	(260)	–	(260)
Other additions	–	244	244
Impairment loss (1)	(11)	(37)	(48)
Amortisation expense	–	(94)	(94)
Effect of movements in foreign exchange rates	48	22	70
Balance as at 30 June 2014	**5,321**	**882**	**6,203**
2013			
Balance as at 1 July 2012	5,341	629	5,970
Other additions	–	193	193
Amortisation expense	–	(91)	(91)
Effect of movements in foreign exchange rates	31	14	45
Balance as at 30 June 2013	**5,372**	**745**	**6,117**

(1) Impairment losses of $48 million comprising goodwill of $11 million and $2 million of other intangibles relating to Contracted Power Stations and $35 million in respect of Australian and New Zealand Carbon Conscious assets were recognised at 30 June 2014.

	2014 $million	2013 $million
Impairment tests for segments containing goodwill		
The following segments have carrying amounts of goodwill:		
Energy Markets	4,815	4,914
Contact Energy	506	458
	5,321	**5,372**

Energy Markets segment

The impairment test for the Energy Markets segment's goodwill is based on a value in use methodology. Cash flow projections are based on the consolidated entity's five year business plan for the Energy Markets segment. Beyond this five year plan, cash flows are estimated for a further 35 year period or the life of each generation asset based on the following key assumptions:

Assumptions	Method of determination
Customer numbers and customer churn	Review of actual customer numbers and historical data regarding movements in customer numbers and levels of customer churn. The historical analysis is considered against current and expected market trends and competition for customers.
Gross margin and other operating costs per customer	Review of actual gross margins and cost per customer and consideration of current and expected market movements and impacts.
Growth rates	Based on long-term CPI rates.
Discount rate	Pre-tax discount rate of 12.2 per cent (2013: 12.2 per cent).

The Energy Markets business is considered a long-term business and the cash flow projections allow for the risk of increased competition for customers and short-term and long-term customer churn.

11. INTANGIBLE ASSETS (CONTINUED)

Contact Energy segment

The Contact Energy goodwill relates to Origin Energy's acquired 53.1 per cent ownership interest in Contact Energy Limited. The impairment test for the Contact Energy goodwill is based on a value in use methodology. Cash flow projections are based on Contact Energy's five year business plan. Beyond the five year plan, cash flows are extrapolated using stable growth factors based on the following key assumptions:

Assumptions	Method of determination
Customer numbers and customer churn	Review of actual customer numbers and historical data regarding movements in customer numbers and levels of customer churn. The historical analysis is considered against current and expected market trends and competition for customers.
Gross margin and other operating costs per customer	Review of actual gross margins and cost per customer and consideration of current and expected market movements and impacts.
Growth rates	Based on long-term CPI rates.
Discount rate	Pre-tax discount rate of 11.8 per cent.

12. DEFERRED TAX ASSETS AND LIABILITIES

Movement in temporary differences during the year

Asset/(liability) $million	Balance at 1 July 2012	Recognised in income statement	Recognised in equity	Balance at 30 June 2013	Recognised in income statement	Recognised in equity	Acquisition of controlled entities (1)	Balance at 30 June 2014
Accrued expenses not incurred for tax	12	33	–	45	70	–	–	115
Employee benefits	51	3	–	54	17	–	–	71
Acquired environmental scheme certificate purchase obligations	26	(8)	–	18	(8)	–	–	10
Acquired energy purchase obligations	101	(11)	–	90	(6)	–	–	84
Provisions	226	2	3	231	(41)	1	26	217
Available-for-sale financial assets	4	–	–	4	(1)	–	–	3
Inventories	5	(3)	–	2	(5)	–	–	(3)
Tax value of carry-forward tax losses recognised	191	4	5	200	(138)	–	–	62
Petroleum resource rent tax	16	(16)	–	–	–	–	–	–
Property, plant and equipment	(1,146)	(102)	(54)	(1,302)	(66)	(63)	154	(1,277)
Exploration and evaluation assets	(280)	8	–	(272)	(33)	–	–	(305)
Financial instruments at fair value	(44)	100	(33)	23	38	35	–	96
Unbilled receivables	(248)	(5)	–	(253)	253	–	–	–
Other items	12	10	2	24	21	(1)	–	44
Net deferred tax liabilities	**(1,074)**	**15**	**(77)**	**(1,136)**	**101**	**(28)**	**180**	**(883)**

(1) As part of the acquisition of Eraring Energy Pty Limited, the previously recognised deferred tax liability in respect of property, plant and equipment for the GenTrader arrangements of $317 million has been de-recognised and replaced by a deferred tax liability on the owned property, plant and equipment of $163 million on acquisition date (refer note 20).

	2014 $million	2013 $million
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Revenue losses	45	38
Capital losses	–	21
Petroleum resource rent tax (net of income tax)	1,387	1,261
Acquisition transaction costs	57	57
Investment in joint ventures	43	28
Intangible assets	22	19
GenTrader finance lease asset	–	99
	1,554	**1,523**

NOTES TO THE FINANCIAL STATEMENTS

12. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Australia Pacific LNG

Australia Pacific LNG is also subject to the Petroleum Resource Rent Tax legislation and has an unrecognised deferred tax asset balance of $2,566 million (100 per cent Australia Pacific LNG) at 30 June 2014 (30 June 2013: $2,320 million). Any future recognition of this balance by Australia Pacific LNG will result in an increase in the consolidated entity's equity accounted investment in Australia Pacific LNG, rather than a deferred tax asset, as the consolidated entity equity accounts its 37.5 per cent interest.

Unrecognised deferred tax liabilities

At 30 June 2014 a deferred tax liability balance of $1,831 million (2013: $1,839 million) for temporary differences of $6,103 million (2013: $6,129 million) in respect of the consolidated entity's investment in the Australia Pacific LNG joint venture has not been recognised as the consolidated entity is able to control the timing of the reversal of the temporary difference through voting rights prescribed in the shareholders' agreement and it is not expected that the temporary difference will reverse in the foreseeable future.

13. TRADE AND OTHER PAYABLES

	2014 $million	2013 $million
Current		
Trade payables and accrued expenses	2,177	2,088
Acquired energy purchase obligations	18	22
Acquired environmental scheme certificate purchase obligations	7	12
	2,202	**2,122**
Non-current		
Acquired energy purchase obligations	261	279
Acquired environmental scheme certificate purchase obligations	27	49
Other payables	109	8
	397	**336**

14. INTEREST-BEARING LIABILITIES

Current		
Bank loans – secured	22	19
Bank loans – unsecured	54	7
Capital market borrowings – unsecured	259	713
Total current borrowings	**335**	**739**
Lease liabilities – secured	2	2
Total current interest-bearing liabilities	**337**	**741**
Non-current		
Bank loans – secured	236	258
Bank loans – unsecured	1,279	1,065
Capital market borrowings – unsecured	7,476	5,038
Total non-current borrowings	**8,991**	**6,361**
Lease liabilities – secured	34	14
Total non-current interest-bearing liabilities	**9,025**	**6,375**

Refer to note 24 for further information regarding interest-bearing liabilities.

Interest rates

The consolidated entity has entered into fixed interest rate swap contracts and fixed rate debt securities to manage the exposure to interest rates between 2.20 per cent to 7.49 per cent per annum, at a weighted average of 4.59 per cent per annum (2013: 1.20 per cent to 8.00 per cent per annum, at a weighted average of 5.24 per cent per annum).

Refer to note 24(A)(iv) Financial risk factors – interest rate risk (cash flow and fair value), for a summary of interest rate risks.

15. OTHER FINANCIAL LIABILITIES, INCLUDING DERIVATIVES

	Note	2014 $million	2013 $million
Current			
Derivative financial instruments	24	339	216
Loan from Australia Pacific LNG joint venture entity		–	1,847
Environmental scheme surrender obligations	24	422	261
Other financial liabilities		16	–
		777	**2,324**
Non-current			
Derivative financial instruments	24	1,399	934
		1,399	**934**

16. PROVISIONS

Reconciliations of the carrying amounts of each class of provision are set out below:

$million	Restoration, rehabilitation and dismantling	Other	Total
Balance as at 1 July 2013	**506**	**67**	**573**
Provisions recognised	67	89	156
Provisions released	(20)	(14)	(34)
Payments/utilisation	(12)	(36)	(48)
Impact of discounting expense	17	–	17
Effect of movements in foreign exchange rates	6	–	6
Balance as at 30 June 2014	**564**	**106**	**670**
Current	23	81	104
Non-current	541	25	566
	564	**106**	**670**

Nature and purpose of provisions

Restoration, rehabilitation and dismantling

The restoration, rehabilitation and dismantling provision is an estimate of future expenditure for site rehabilitation and restoration of oil and gas fields and infrastructure sites, including the future costs of dismantling and removing infrastructure.

17. SHARE CAPITAL AND RESERVES

	2014 $million	2013 $million
Issued and paid-up capital		
1,103,645,753 (2013: 1,097,961,871) ordinary shares, fully paid	**4,520**	**4,441**
Ordinary share capital at the beginning of the period	4,441	4,345
Shares issued:		
— 5,531,820 (2013: 7,083,417) shares in accordance with the Dividend Reinvestment Plan	79	87
— 152,062 (2013: 1,313,816) shares in accordance with the Long Term Incentive Plans	–	9
Total movements in ordinary share capital	**79**	**96**
Ordinary share capital at the end of the period	**4,520**	**4,441**

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as determined from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the consolidated entity, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidation.

The consolidated entity does not have authorised capital or par value in respect of its issued shares.

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of Options, Performance Share Rights and Deferred Share Rights over their vesting period (refer note 25).

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, and the translation of transactions that hedge the consolidated entity's net investments in foreign operations.

Hedging reserve

The hedging reserve is used to record the effective portion of the gains or losses on hedging instruments in cash flow hedges that have not yet settled. Amounts are recognised in profit or loss when the associated hedged transactions affect profit or loss or as part of the cost of an asset if non-monetary.

Available-for-sale reserve

Changes in fair value and exchange differences arising on translation of investments and settlement residue agreements are taken to the available-for-sale reserve. Amounts are recognised in profit or loss when the associated investments/settlement residue agreements are sold/settled or impaired.

18. OTHER COMPREHENSIVE INCOME

$million	Foreign currency translation reserve	Hedging reserve	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total other comprehensive income
2014						
Items that will not be reclassified to the income statement						
Actuarial gain on defined benefit superannuation plan, net of tax	–	–	–	5	–	5
	–	**–**	**–**	**5**	**–**	**5**
Items that may be reclassified to the income statement						
Foreign currency translation differences for foreign operations	158	–	–	–	152	310
Net loss on hedge of net investment in foreign operations	(17)	–	–	–	–	(17)
Cash flow hedges – valuation loss taken to equity, net of tax	–	(81)	–	–	(1)	(82)
Cash flow hedges – gains transferred to income statement, net of tax	–	–	–	–	(2)	(2)
Cash flow hedges – transferred to carrying amounts of assets, net of tax	–	–	–	–	(1)	(1)
Cash flow hedges – foreign currency translation gain, net of tax	1	–	–	–	–	1
Available for sale assets – valuation gain taken to equity, net of tax	–	–	3	–	–	3
	142	**(81)**	**3**	**–**	**148**	**212**
Total other comprehensive income	**142**	**(81)**	**3**	**5**	**148**	**217**
2013						
Items that will not be reclassified to the income statement						
Actuarial gain on defined benefit superannuation plan, net of tax	–	–	–	2	–	2
	–	**–**	**–**	**2**	**–**	**2**
Items that may be reclassified to the income statement						
Foreign currency translation differences for foreign operations	235	–	–	–	98	333
Net loss on hedge of net investment in foreign operations	(72)	–	–	–	–	(72)
Cash flow hedges – valuation gain taken to equity, net of tax	–	33	–	–	2	35
Cash flow hedges – losses transferred to income statement, net of tax	–	38	–	–	2	40
Cash flow hedges – transferred to carrying amounts of assets, net of tax	–	1	–	–	1	2
Cash flow hedges – foreign currency translation (loss)/gain, net of tax	(2)	1	–	–	1	–
Available for sale assets – valuation gain taken to equity, net of tax	–	–	1	–	–	1
	161	**73**	**1**	**–**	**104**	**339**
Total other comprehensive income	**161**	**73**	**1**	**2**	**104**	**341**

19. NOTES TO THE STATEMENT OF CASH FLOWS

(A) Reconciliation of cash and cash equivalents

Cash includes cash on hand, at bank and short-term deposits, net of outstanding bank overdrafts.

Cash as at the end of the period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Note	2014 $million	2013 $million
Cash and cash equivalents		228	308
		228	**308**

(B) The following non-cash financing and investing activities have not been included in the statement of cash flows:

	Note	2014 $million	2013 $million
Issue of shares in respect of the Dividend Reinvestment Plan	17	79	87

(C) Reconciliation of profit to net cash provided by operating activities

	2014 $million	2013 $million
Profit for the period	**638**	**461**
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation and amortisation	732	695
Executive share-based payment expense	35	27
Impairment losses recognised – trade and other receivables	117	193
Exploration expense	54	18
Impairment of assets	133	70
Decrease in fair value of financial instruments	278	342
Net financing costs	431	456
Decrease/(increase) in tax balances	92	(238)
Net gain on settlement of GenTrader arrangements	(357)	–
Gain on dilution of the consolidated entity's interest in equity accounted investees and sale of assets	(26)	(402)
Non-cash share of net profits of equity accounted investees	24	5
Unrealised foreign exchange loss	19	159
Changes in assets and liabilities, net of effects from acquisitions/disposals:		
— Receivables	65	(428)
— Inventories	(58)	(44)
— Payables	(91)	152
— Provisions	17	(136)
— Other	124	312
Total adjustments	**1,589**	**1,181**
Net cash provided by operating activities	**2,227**	**1,642**

20. BUSINESS COMBINATIONS

2014

Acquisition of Eraring Energy Pty Limited

On 1 August 2013, the consolidated entity completed the acquisition of 100 per cent of Eraring Energy Pty Limited ("Eraring Energy") under a sale and purchase agreement with the New South Wales Government ("the State"). The acquisition provides the consolidated entity ownership of the Eraring Power Station and Shoalhaven Scheme, adding flexibility in the operation of the consolidated entity's generation portfolio.

As the acquisition resulted in the consolidated entity taking ownership of the Eraring and Shoalhaven power schemes and exiting the GenTrader agreements with the State which already provided the consolidated entity contractual access to the power output, the overall impact of the acquisition to the consolidated entity's consolidated revenue and profit and loss since the acquisition date, is not significant.

Cash purchase consideration of $50 million [(1)] was paid on the completion date, and was subsequently adjusted for the settlement of working capital and other balances as part of the completion statement mechanism (-$2 million) and the settlement of a payable amount in respect of the previously existing GenTrader agreements (-$19 million) in January 2014. Net of these adjustments the purchase consideration was $29 million. Considering the acquired cash balance ($25 million) the net cash impact from the acquisition was $4 million.

(i) Settlement of pre-existing relationships

As part of the acquisition the consolidated entity effectively settled the GenTrader agreements and the Cobbora Coal Supply Agreement which was entered into while Eraring Energy was owned by the State.

The GenTrader agreements were settled at the acquisition date at their fair value resulting in the derecognition of deferred tax liabilities of $317 million and reduction in goodwill of $260 million. The consolidated entity also received a payment of $300 million from the State in respect of the cancellation of the Cobbora Coal Supply Agreement. The settlement of the pre-existing relationships resulted in a gain of $357 million recognised in "other income" in the income statement. The gain has been recorded as an item excluded from underlying profit (refer note 2(C)).

(1) The cash purchase consideration of $50 million paid on completion reflects a total purchase price of $659 million net of the balance of prepaid capacity charges and funds prepaid on deposit with the State of $609 million, in relation to the existing GenTrader arrangements.

20. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Eraring Energy Pty Limited (CONTINUED)

(ii) Acquisition accounting statement of financial position

The fair values of the net assets acquired as part of the business combination are detailed below.

	2014 $million Fair value (2)
Cash and cash equivalents	25
Trade and other receivables	1
Inventories	2
Property, plant and equipment (1)	93
Intangible assets	2
Other assets	10
Goodwill	172
Trade and other payables	(35)
Deferred tax liabilities	(138)
Other provisions	(103)
Fair value of net assets acquired	**29**
Purchase consideration paid on completion	50
Acquisition adjustment amounts:	
Adjustment for completion statement mechanism	(2)
Settlement of payable amount under previous GenTrader agreements	(19)
Net consideration for the business combination	**29**
Cash acquired	25
Net acquisition related cash outflow	**4**

(1) As part of this acquisition, the previously recognised finance lease asset for the GenTrader arrangements has been derecognised and replaced by owned property, plant and equipment at its fair value. The net addition to property, plant and equipment from the acquisition was $93 million.

(2) In accordance with the consolidated entity's accounting policies, the fair value of acquired assets and liabilities reported in the interim financial statements as at 31 December 2013 were provisional and subject to further review. Adjustments in the six months ended 30 June 2014 related primarily to the recognition of balances relating to site rehabilitation as well as deferred tax balances following the finalisation of the acquisition accounting. As a result, goodwill increased by $19 million (net).

2013

There were no business combinations during the year ended 30 June 2013.

21. AUDITORS' REMUNERATION

	2014 $'000	2013 $'000
Audit and review services of the financial reports by:		
Auditors of the consolidated entity (KPMG)	3,673	3,387
Other auditors (1)	56	66
	3,729	**3,453**
Other services by:		
Auditors of the consolidated entity (KPMG)		
— In relation to other assurance, taxation and due diligence services	771	737
Other auditors (2)		
— In relation to other services	–	4,496
	771	**5,233**
	4,500	**8,686**

(1) Other auditors audit financial reports of certain controlled entities located in the Pacific and South East Asia.

(2) Includes amounts for internal audit, taxation, advice on acquisition transactions, information technology, risk and quality assurance advice, accounting advice and other advisory services.

22. CONTINGENT LIABILITIES AND ASSETS

Details of contingent liabilities, where the probability of future payments is not considered remote, are set out below. Provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement. Details of contingent liabilities and contingent assets, which the Directors consider should be disclosed, have also been included.

	2014 $million	2013 $million
Bank guarantees – unsecured	328	377
Letters of credit – unsecured	22	20
	350	**397**

The bank guarantees and letters of credit disclosed have primarily been provided by the consolidated entity in favour of the Australian Energy Market Operator Limited to support its obligations to purchase electricity from the National Electricity Market.

The consolidated entity has provided guarantees for certain contractual commitments of its joint ventures. The consolidated entity has disclosed its share of these contractual commitments in note 23.

At 30 June 2014, the consolidated entity holds a 37.5 per cent interest in Australia Pacific LNG (an equity accounted joint venture of the consolidated entity) and currently the consolidated entity provides parent company guarantees in excess of its 37.5 per cent shareholding in relation to certain contractual commitments relating to Australia Pacific LNG. Throughout the year, certain guarantees have been amended to reflect each shareholders' revised share of the guarantee following Sinopec increasing its shareholding in Australia Pacific LNG. A process remains ongoing amongst ConocoPhillips, Sinopec, Australian Pacific LNG and the consolidated entity to amend other guarantees, in some cases to remove Origin as a guarantor and in other cases to amend the guarantees to reflect each shareholder's revised share of the guarantee.

Australia Pacific LNG has secured US$8.5 billion through a project finance facility. At 30 June 2014, Australia Pacific LNG has drawn down US$7.77 billion under the project finance facility covering capital expenditure, fees and interest. The consolidated entity guarantees its proportionate share of amounts drawn down under the facility during the construction phase of the project (37.5 per cent share at 30 June 2014 being US$2.91 billion).

The consolidated entity has given to its bankers letters of comfort in respect of financial accommodation provided from time to time by the banks to certain partly-owned controlled entities of the consolidated entities.

Warranties and indemnities have been given and received by entities in the consolidated entity in relation to environmental liabilities for certain properties as part of the terms and conditions of divestments and acquisitions.

A number of sites within or previously owned/operated by the consolidated entity have been identified as contaminated. These properties are subject to ongoing environmental management programs to ensure appropriate controls are in place and clean-up requirements are implemented. For sites where the requirements can be assessed and costs estimated, the estimated cost of remediation has been expensed or provided for.

Certain entities within the consolidated entity are subject to various lawsuits and claims as well as audits and reviews by government or regulatory bodies. In most instances it is not possible to reasonably predict the outcome of these matters.

The consolidated entity, as a participant in certain joint arrangements, is liable for a share of all liabilities incurred by these joint arrangements in proportion to its equity interest in them. In some circumstances, the consolidated entity may incur more than its proportionate share of such liabilities, but will have the right to recover the excess liability from the other joint arrangement participants.

Deed of Cross Guarantee

Under the terms of ASIC Class Order (CO) 98/1418 (as amended by CO 98/2017) certain wholly-owned controlled entities have been granted relief from the requirement to prepare audited financial statements. Origin Energy Limited has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities (refer note 29).

A consolidated statement of comprehensive income and retained profits, and a consolidated statement of financial position, comprising the company and controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2014, are set out in note 28.

23. COMMITMENTS

	2014 $million	2013 $million
At the reporting date, the consolidated entity has contracted but not provided for the following commitments:		
Capital expenditure commitments (1)	77	1,001
Joint venture commitments (2)	2,317	3,402
Other GenTrader commitments (1)	–	2,244
The above commitments include amounts payable within one year of:		
Capital expenditure commitments	61	190
Joint venture commitments	1,919	2,364
Other GenTrader commitments	–	116
Operating lease commitments	**396**	**397**
An amount of $82 million (2013: $91 million) is payable within one year.		
Operating lease rental expense	**86**	**90**

(1) Included in the 30 June 2013 Capital expenditure and Other GenTrader commitments above are fixed charges which were to be paid in respect of the GenTrader arrangements over the Eraring and Shoalhaven power stations entered into as part of the NSW Energy asset transaction in 2011. As a result of the acquisition of Eraring Energy Limited by the consolidated entity on 1 August 2013, these commitments have been relinquished on completion of the acquisition.

(2) Included in the joint venture commitments above is an amount of $2,024 million (2013: $3,211 million) relating to the consolidated entity's 37.5 per cent share of Australia Pacific LNG's commitments. The consolidated entity has recorded a $nil (2013: $1,847 million) loan payable to Australia Pacific LNG (refer to note 15).

The consolidated entity leases property, plant and equipment under operating leases with terms of one to ten years.

24. FINANCIAL INSTRUMENTS

(A) Financial risk management

Financial risk factors

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial and commodity markets and seeks to manage the potential adverse effects of these on the consolidated entity's financial performance. The consolidated entity uses a range of derivative financial instruments to hedge these exposures.

Risk management is carried out under policies approved by the Board of Directors. Financial risks are identified, evaluated and hedged in close co-operation with the consolidated entity's operating units. The consolidated entity has written policies covering specific areas, such as foreign exchange risk, interest rate risk, electricity price risk, oil price risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(i) Market risk

Foreign exchange risk

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Zealand dollar, US dollar and Euro. Foreign exchange risk arises from future commercial transactions (including interest payments and principal debt repayments on long-term borrowings, the sale of oil, the sale and purchase of LPG and the purchase of capital equipment), the recognition of assets and liabilities (including foreign receivables and borrowings) and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions, the consolidated entity uses forward foreign exchange contracts. To manage the foreign exchange risk arising from the future principal and interest payments required on foreign currency denominated long-term borrowings, the consolidated entity uses cross currency interest rate swaps (both fixed to fixed and fixed to floating) which convert the foreign currency denominated future principal and interest payments into the functional currency for the relevant entity for the full term of the underlying borrowings. In certain circumstances borrowings are left in the foreign currencies, or hedged from one foreign currency to another to match payments of interest and principal against expected future business cash flows in that foreign currency.

External derivative contracts are designated at the consolidated entity level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

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

The table below shows the effect on profit and total equity after tax of retranslating cash, receivables, payables and interest-bearing liabilities denominated in USD, NZD and EUR into AUD, had the rates been 10 per cent higher or lower than the relevant year end rate, with all other variables held constant, and taking into account all underlying exposures and related hedges. A sensitivity of 10 per cent has been selected as this is considered reasonable taking into account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations for future movements.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (CONTINUED)

(i) Market risk (CONTINUED)

	Impact on post-tax profit		Impact on equity	
	2014	2013	2014	2013
	+/– ($million)		+/– ($million)	
US dollar	113	116	269	179
New Zealand dollar	–	–	15	23
Euro	210	(49)	241	(47)

Price risk

The consolidated entity is exposed to price risk from the purchase and sale of electricity, oil, gas, environmental scheme certificates and related commodities. To manage its price risks, the consolidated entity utilises a range of financial and derivative instruments including fixed priced swaps, options, futures and fixed price forward purchase contracts.

The consolidated entity's risk management policy for commodity price risk is to hedge forecast future transactions. The consolidated entity has a risk management policy framework that manages the exposure arising from its commodity-based activities. The policy permits the active hedging of price and volume exposure arising from the retailing, generation and portfolio management activities, within prescribed risk capacity limits. The policy prescribes the maximum risk exposures permissible over prescribed periods for each commodity within the portfolio, under defined worst case scenarios. The full portfolio is subject to ongoing testing against these limits at prescribed intervals, and reported monthly.

The table below shows the effect on profit and total equity after tax if relevant forward prices at that date had been 10 per cent higher or lower based on the relevant forward prices applicable to the underlying commodity-related financial assets and liabilities, with all other variables held constant. The effect takes into account all underlying exposures and related hedges and does not include the impact of any mitigating management action that might take place if these events occurred. A sensitivity of 10 per cent has been selected as this is considered reasonable taking into account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations for future movements.

	Impact on post-tax profit		Impact on equity	
	2014	2013	2014	2013
	+/– ($million)		+/– ($million)	
Electricity forward prices	5	9	29	60
Oil forward prices	–	–	(53)	(43)
Environmental scheme certificate prices	12	20	12	20

(ii) Credit risk

The consolidated entity manages its exposure to credit risk via credit risk management policies which allocate credit limits based on the overall financial and competitive strength of the counterparty. Publicly available credit information from recognised providers is utilised for this purpose where available. Credit policies cover exposures generated from the sale of products and the use of derivative instruments. Derivative counterparties are limited to high-credit-quality financial institutions and other organisations in the relevant industry. The consolidated entity has Board approved policies that limit the amount of credit exposure to each financial institution and derivative counterparty. The consolidated entity also utilises International Swaps and Derivative Association (ISDA) agreements with all derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

The carrying amounts of financial assets recognised in the statement of financial position, and disclosed in more detail in notes 6, 7 and 19 best represents the consolidated entity's maximum exposure to credit risk at the reporting date. In respect of those financial assets and the credit risk embodied within them, the consolidated entity holds no significant collateral as security and there are no other significant credit enhancements in respect of these assets. The credit quality of all financial assets that are neither past due nor impaired is constantly monitored in order to identify any potential adverse changes in the credit quality. There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

The consolidated entity has provided certain funding to Australia Pacific LNG by way of subscription up to an amount of $3.75 billion for mandatorily redeemable cumulative preference shares (MRCPS) issued by Australia Pacific LNG. Each holder of the ordinary shares of Australia Pacific LNG also holds MRCPS in an equivalent proportion to its share in the ordinary equity of the joint venture entity. The MRCPS attract a market-based fixed dividend, reflective of the assessed credit risk of Australia Pacific LNG, have a mandatory redemption date of 31 December 2022 and accordingly are recorded in "other non-current financial assets". The carrying value of the loan at 30 June 2014, as disclosed in note 7, reflects the consolidated entity's view that the shares will be fully redeemed for their full issue price prior to 31 December 2022 from the cash flows generated from Australia Pacific LNG's export operations. There are no conditions existing at the reporting date which indicate that Australia Pacific LNG will be unable to repay the full carrying value. Accordingly, the loan is valued at amortised cost, and reflects the cash provided to Australia Pacific LNG.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (CONTINUED)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the consolidated entity aims to maintain flexibility in funding by keeping committed credit lines available. Certain of the consolidated entity's interest-bearing liability obligations are subject to change in control provisions under the agreements with third-party lenders. As at 30 June 2014 these provisions were not triggered.

The following summarises the contractual timing of cash flows of the borrowings drawn at balance date together with interest and all financial instruments and drawn guarantees at 30 June 2014 and 30 June 2013:

	2014			2013		
$million	Financial liabilities	Financial assets	Net financial (liabilities)/ assets	Financial liabilities	Financial assets	Net financial (liabilities)/ assets
Less than one month	(963)	878	(85)	(1,052)	964	(88)
One to three months	(915)	1,334	419	(1,260)	1,421	161
Three to 12 months	(2,033)	671	(1,362)	(3,302)	793	(2,509)
One to five years	(7,867)	1,395	(6,472)	(4,800)	432	(4,368)
Over five years	(5,462)	131	(5,331)	(5,239)	201	(5,038)

Included in the balances from the previous table is $nil (2013: $1,847 million) relating to the loan from Australia Pacific LNG. The consolidated entity has $5,269 million (2013: $5,402 million) of undrawn facilities (refer note 24(C)) immediately available.

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

The consolidated entity's income and operating cash flows are substantially independent of changes in market interest rates. The consolidated entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. The consolidated entity's risk management policy is to manage interest rate exposures using Profit at Risk and Value at Risk methodologies using 95 per cent statistical confidence levels. Exposure limits are set to ensure that the consolidated entity is not exposed to excess risk from interest rate volatility. The consolidated entity manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

The table below shows the effect on profit and total equity after tax if interest rates at that date had been 100 basis points higher or lower based on the relevant interest rate yield curve applicable to the underlying currency of the Company's financial assets and liabilities, with all other variables held constant, taking into account all underlying exposures and related hedges and does not include the impact of any mitigating management action that might take place if these events occurred. A sensitivity of 100 basis points has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

	Impact on post-tax profit		Impact on equity	
	2014	2013	2014	2013
	+/– ($million)		+/– ($million)	
Interest rates	23	5	26	38

(B) Capital risk management

The consolidated entity's objectives when managing capital are to safeguard the consolidated entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity monitors its current and future funding requirements for at least the next five years and regularly assesses a range of funding alternatives to meet these funding requirements in advance of when the funds are required.

The consolidated entity anticipates meeting future financing requirements through operating cash flows, periodically raising long-term and short-term bank and capital markets debt, and utilising the dividend reinvestment plan and other capital management tools, including equity offerings as may be required from time to time. The consolidated entity aims to maintain a diversified debt portfolio that enables access to a range of debt markets and specific instruments to meet ongoing business requirements and investment opportunities. To date, the consolidated entity has financed operations and developments primarily through cash flows from operations, borrowings from banks and proceeds from issuances of equity and debt securities. The consolidated entity intends to continue to fund business operations, future acquisitions and developments from existing financial resources. It may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of future developments.

The consolidated entity assesses its capital structure and gearing policies on an ongoing basis in light of overall business objectives and prevailing local and global economic conditions. The consolidated entity's objective is to maintain an appropriate capital structure with sufficient financial headroom to allow the business to absorb any short-term shocks to business performance. The consolidated entity seeks to retain the flexibility to access a range of debt and equity markets to ensure sufficient liquid funds are available to meet financial commitments as required. Key factors considered in determining the consolidated entity's capital structure and funding strategy at any point in time include expected operating cash flows, capital expenditure plans, maturity profile of existing debt facilities, dividend policy and the ability to access funding from banks, capital markets, and other sources.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(B) Capital risk management (CONTINUED)

Consistent with others in the industry, the consolidated entity monitors capital on the basis of a number of metrics including the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents and fair value adjustments to borrowings in hedge relationships. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt less reserves attributable to fair value adjustments on financial instruments. In addition, the consolidated entity monitors various other credit metrics, principally funds from operations (FFO) to gross debt and EBIT to net interest expense.

The consolidated entity maintains a gearing ratio designed to optimise the cost of capital whilst providing flexibility to fund growth opportunities. The gearing ratios are as follows:

	2014 $million	2013 $million
Total interest-bearing liabilities	9,362	7,116
Less: Cash and cash equivalents	(228)	(308)
Net debt	9,134	6,808
Fair value adjustments on borrowings in hedge relationships	4	229
Adjusted net debt	9,138	7,037
Total equity	15,129	14,794
Less: Reserves (1)	101	23
Total capital (excluding reserves) (1)	24,368	21,854
Total capital (including reserves) (1)	24,267	21,831
Gearing ratio (excluding reserves) (1)	38%	32%
Gearing ratio (including reserves) (1)	38%	32%

(1) Represents reserves attributable to fair value adjustments on financial instruments.

(C) Interest-bearing liabilities

The exposure of the consolidated entity's borrowings (excluding lease liabilities) to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	2014 $million	2013 $million
Six months or less	2,790	2,525
Six to twelve months	145	1,052
One to five years	3,893	1,506
Over five years	2,498	2,017
	9,326	**7,100**
The remaining contractual maturity of non-current borrowings is as follows:		
One to two years	47	236
Two to five years	2,958	1,711
Over five years	5,986	4,414
Total non-current borrowings	**8,991**	**6,361**
Lease liabilities	34	14
Total non-current interest-bearing liabilities	**9,025**	**6,375**

Except as noted below the carrying amounts of financial assets and liabilities are reasonable approximations of their fair values.

At 30 June 2014 the consolidated entity has the following financial instruments which are not measured at fair value in the statement of financial position:

		Carrying value		Fair value	
	Fair value hierarchy level	2014 $million	2013 $million	2014 $million	2013 $million
Assets					
Other financial assets	2	974	–	994	–
Liabilities					
Bank loans – unsecured	2	1,279	1,065	1,331	1,097
Bank loans – secured	2	236	258	241	233
Capital markets borrowings – unsecured	2	7,476	5,038	7,931	5,221
		8,991	**6,361**	**9,503**	**6,551**

24. FINANCIAL INSTRUMENTS (CONTINUED)

(C) Interest-bearing liabilities (CONTINUED)

The fair value of these financial instruments reflects the present value of estimated future cash flows of the instrument. The following key reflects variables are used to determine the present value:

— appropriate market pricing data (for the relevant underlying interest rates, foreign exchange rates or commodity prices);
— discount rates; and
— credit risk of the consolidated entity or counterparty where appropriate.

For these instruments, each of these variables is taken from observed market pricing data at the valuation date and therefore these variables represent those which would be used by market participants to execute and value the instruments.

The carrying amounts of the consolidated entity's borrowings are exposed to the following currencies:

	2014 $million	2013 $million
Australian dollar	5,748	3,658
New Zealand dollar	1,407	1,509
US dollar	730	534
Euro	1,441	1,399
	9,326	**7,100**
The consolidated entity has the following committed undrawn floating rate borrowing facilities:		
Expiring within one year	76	–
Expiring beyond one year	5,193	5,402
	5,269	**5,402**

(D) Hedge accounting

Fair value hedges

The changes in the fair values of the hedged items and hedging instruments recognised in the income statement for the year are disclosed in the following table:

Gain on the hedging instruments	91	101
Loss on the hedged item attributable to the hedge risk	(106)	(95)
	(15)	**6**
Cash flow hedges		
The effective portion of the losses on cash flow hedges recognised in the cash flow hedge reserve (pre-tax)	(117)	51
The gains transferred from the cash flow hedge reserve to sales	(4)	(2)
The (gains)/losses transferred from the cash flow hedge reserve to cost of sales	(10)	55
The losses transferred from the cash flow hedge reserve to finance cost	12	4
The (gains)/losses transferred from the cash flow hedge reserve to the initial carrying value of non-financial assets	(1)	3
	(3)	**60**
The ineffectiveness gains/(losses) recognised in the income statement from cash flow hedges	3	(2)

Net investment hedges

The effective portion of the gains/(losses) on net investment hedges recognised in the foreign currency translation reserve for the year to 30 June 2014 totalled $17 million loss (2013: $72 million loss).

The ineffectiveness recognised in the income statement from net investment hedges for the year to 30 June 2014 totalled $nil (2013: $nil).

Derivatives that do not qualify for hedge accounting

The consolidated entity enters a range of derivative instruments for economic hedging purposes under approved risk management policies which are not designated as hedges under Australian Accounting Standards. These derivative instruments are categorised as held for trading, with the net change in fair value of the derivative instruments being recognised in the income statement; totalling a $176 million loss in the year ended 30 June 2014 (2013: $346 million loss).

24. FINANCIAL INSTRUMENTS (CONTINUED)

(D) Hedge accounting (CONTINUED)

Fair value of financial instruments designated as hedging instruments

	Assets		Liabilities	
	2014 $million	2013 $million	2014 $million	2013 $million
Fair value hedges [(1)]	162	151	190	157
Cash flow hedges [(2)]	125	89	844	674
Net investment hedges [(3)]	–	–	920	896

(1) The consolidated entity designates certain cross currency interest rate swaps in fair value hedge relationships.
(2) The consolidated entity designates certain foreign exchange contracts, electricity derivatives, interest rate swaps, cross currency interest rate swaps and oil derivatives in cash flow hedge relationships.
(3) The consolidated entity designates certain foreign denominated borrowings in net investment hedge relationships.

(E) Derivative financial instruments

		Assets		Liabilities	
	Note	2014 $million	2013 $million	2014 $million	2013 $million
Current					
Interest rate swaps		152	1	32	87
Cross currency interest rate swaps		–	–	208	44
Forward foreign exchange contracts		–	–	1	1
Electricity derivatives		92	122	86	84
Oil derivatives		–	4	5	–
Embedded derivatives		–	–	7	–
	7, 15	**244**	**127**	**339**	**216**
Non-current					
Interest rate swaps		–	–	62	149
Cross currency interest rate swaps		335	155	114	112
Forward foreign exchange contracts		169	–	406	–
Electricity derivatives		377	437	220	196
Oil derivatives		–	–	584	458
Embedded derivatives		–	–	13	19
	7, 15	**881**	**592**	**1,399**	**934**
Total		**1,125**	**719**	**1,738**	**1,150**

Interest rate swaps

The aggregate notional principal amounts of the outstanding interest rate swap contracts at 30 June 2014 were $6,434 million (2013: $3,461 million). At 30 June 2014, the fixed interest rates vary from 2.20 per cent to 6.95 per cent (2013: 1.20 per cent to 8.00 per cent) and the main floating rates are BBSW, US LIBOR and BKBM. Interest rate swaps are either designated in cash flow hedge relationships or remain non-designated and are fair valued through the income statement within "decrease in fair value of financial instruments" (note 3(B)).

The hedged anticipated interest payment transactions are expected to occur at various dates between one month and 12 years from the reporting date as a result of the maturities of the underlying borrowings. Gains and losses recognised in the cash flow hedge reserve in equity (statement of comprehensive income) on interest rate swap contracts as of 30 June 2014 will be continuously released to the income statement in each period in which interest payments are recognised in the income statement until the maturities of the swaps and underlying borrowings. During the year to 30 June 2014 and the year to 30 June 2013 no interest rate swaps were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecasted.

Cross currency interest rate swaps

The aggregate notional principal amounts of the outstanding cross currency interest rate swap contracts at 30 June 2014 were $5,377 million (2013: $4,492 million). At 30 June 2014, the fixed interest rates vary from 2.50 per cent to 7.49 per cent (2013: 2.50 per cent to 7.49 per cent) and the main floating rates are BBSW, US LIBOR and BKBM. Cross currency interest rate swaps are designated in either cash flow hedge relationships or fair value hedge relationships, or remain non-designated and are fair valued through the income statement within "decrease in fair value of financial instruments" (note 3(B)).

The hedged anticipated interest payment transactions are expected to occur at various dates between one month and six years from the reporting date as a result of the maturities of the underlying borrowings. Gains and losses recognised in the cash flow hedge reserve in equity (statement of comprehensive income) on cross currency interest rate swap contracts as of 30 June 2014 will be continuously released to the income statement in each period in which interest payments are recognised in the income statement until the maturities of the swaps and underlying borrowings. During the year to 30 June 2014 certain fair value hedging relationships were de-designated and redesignated due to a failure of the effectiveness test. The relationships have continued to pass the effectiveness tests since being redesignated. All the relevant debt instruments have remained continuously in place during the period. During the year to 30 June 2013, no hedges were de-designated and all underlying forecast transactions remained highly probable to occur as originally forecast.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(E) Derivative financial instruments (CONTINUED)

Forward foreign exchange contracts

The aggregate notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2014 were $5,696 million (2013: $30 million). Forward foreign exchange contracts are designated in cash flow hedge relationships.

The hedged anticipated transactions denominated in foreign currency are expected to occur at various dates between one month and three years from the reporting date. Gains and losses recognised in the cash flow hedge reserve in equity (statement of comprehensive income) on forward foreign exchange contracts as of 30 June 2014 will be released to the income statement when the underlying anticipated transactions affect the income statement or included in the carrying value of assets or liabilities acquired. During the year to 30 June 2014 and the year to 30 June 2013, no forward foreign exchange contracts were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecast.

Electricity derivatives

The aggregate notional volumes of the outstanding electricity derivatives at 30 June 2014 were 200 million MWhs (2013: 227 million MWhs). Electricity derivatives are either designated in cash flow hedge relationships or remain non-designated and are fair valued through the income statement within "decrease in fair value of financial instruments" (note 3(B)).

The hedged anticipated electricity purchase and sale transactions are expected to occur continuously for each half hour period throughout the next 15 years from the reporting date consistent with the forecast demand from customers over this period. Gains and losses recognised in the cash flow hedge reserve in equity (statement of comprehensive income) on electricity derivatives as of 30 June 2014 will be continuously released to the income statement in each period in which the underlying purchase or sale transactions are recognised in the income statement. During the year to 30 June 2014 and the year to 30 June 2013, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecast.

The inherent variability in the volume of electricity purchased by customers and dispatched from generators in any half hour period means that the actual purchase requirements and sales volumes can vary from the forecasts. The forecasts are updated for significant changes in underlying conditions and where this leads to a reduction in the forecast below the aggregate notional volume of hedging instruments in the relevant half hour periods impacted, the affected hedging instruments are de-designated and the accumulated gain or loss which had been recognised in the cash flow hedge reserve is recognised directly in the income statement as the underlying forecast purchase or sale transactions for those half hours are no longer expected to occur.

Oil derivatives

The aggregate notional volumes of the outstanding oil derivatives at 30 June 2014 were 9.0 Mbbl (2013: 8.6 Mbbl). Oil derivatives are designated in cash flow hedge relationships.

The hedged anticipated oil sale and purchase transactions are expected to occur continuously throughout the next eight years from the reporting date consistent with the forecast production and demand from customers over this period. Gains and losses recognised in the cash flow hedge reserve in equity (statement of comprehensive income) on oil derivatives as of 30 June 2014 will be continuously released to the income statement in each period in which the underlying sale or purchase transactions are recognised in the income statement. During the year to 30 June 2014 certain oil hedging relationships were de-designated and redesignated due to a failure of the effectiveness test. The relationships have continued to pass the effectiveness tests since being redesignated. No amounts were required to be released from the cash flow hedge reserve to the income statement as all underlying forecast transactions remain highly probable to occur as originally forecast. During the year to 30 June 2013, no hedges were de-designated and all underlying forecast transactions remained highly probable to occur as originally forecast.

(F) Fair value estimation

Application of AASB 13 *Fair Value Measurement*

The consolidated entity applied the requirements of AASB 13 *Fair Value Measurement* for the first time from the beginning of the year ended 30 June 2014. The application of the standard resulted in a net reduction in the consolidated entity's derivative financial instruments of $25 million at 30 June 2014 predominantly as a result of the requirement to include credit risk in the measurement of fair value. The $25 million was recognised as an expense in the income statement within "decrease in fair value of financial instruments" (note 3(B)).

The consolidated entity has an established control framework with respect to the measurement of fair values.

The fair values of financial instruments traded in active markets (such as available-for-sale securities) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the consolidated entity are the current bid prices for the assets.

The fair values of forward foreign exchange contracts are determined using quoted forward exchange rates at the reporting date.

The fair values of commodity option contracts which are regularly traded are determined based on the most recent available transaction prices for the same or similar instruments.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. The consolidated entity uses valuation techniques consistent with the established valuation methodology and general market practice applicable to each instrument/market. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

The fair values of interest rate swaps and cross currency interest rate swaps are calculated using the present value of the estimated future cash flows of these instruments.

The fair values of commodity swaps and futures are calculated using the present value of the estimated future cash flows using available market forward prices.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(F) Fair value estimation (CONTINUED)

Certain electricity derivative instruments utilised by the consolidated entity are not regularly traded and there are no observable market prices or transactions for equivalent or substantially similar instruments. Valuation techniques are required in order to estimate the fair value of such instruments. The valuation techniques estimate the fair value of the avoided cost of physical assets at the valuation date required to achieve an equivalent risk management outcome for the consolidated entity, taking into account all relevant variables including capital costs, fixed and variable operating costs, efficiency factors and asset lives.

The consolidated entity has forward sold a portion of its future oil and condensate production through a structured derivative instrument. The fair value of the derivative is measured with reference to the relevant observable market oil forward prices, foreign exchange rates and discount rates. As a result of the structured nature of the instrument, certain risk premium and credit variables utilised in the valuation model are unobservable.

Valuation techniques require the use of a range of variables and assumptions. Maximum use is made of all relevant independent and observable market data when selecting variables and developing assumptions for valuation techniques.

Each instrument is discounted at the market interest rate appropriate to the instrument.

The following key variables are used where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument:

— appropriate market pricing data (for the relevant underlying interest rates, foreign exchange rates or commodity prices);
— discount rates; and
— credit risk of the consolidated entity or counterparty where appropriate.

For these derivative instruments, each of these variables is taken from observed market pricing data at the valuation date and therefore these variables represent those which would be used by market participants to execute and value the instruments.

Fair value hierarchy

The table below summarises the financial instruments carried at fair value by valuation method. The different levels in the hierarchy are defined as follows:

— Level 1: quoted prices (unadjusted) in active markets for identical instruments.
— Level 2: inputs other than quoted prices included within Level 1 that are observable for the instrument, either directly (as prices) or indirectly (derived from prices).
— Level 3: one or more key inputs for the instrument are not based on observable market data (unobservable inputs).

	Note	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
2014					
Derivative financial assets	7	–	752	373	1,125
Environmental scheme certificates	7	249	–	–	249
Available-for-sale financial assets	7	94	–	–	94
Total financial assets carried at fair value		**343**	**752**	**373**	**1,468**
Derivative financial liabilities	15	–	(1,107)	(631)	(1,738)
Environmental scheme certificates surrender obligations	15	(422)	–	–	(422)
Total financial liabilities carried at fair value		**(422)**	**(1,107)**	**(631)**	**(2,160)**
2013					
Derivative financial assets	7	–	291	428	719
Environmental scheme certificates	7	413	–	–	413
Available-for-sale financial assets	7	68	–	–	68
Total financial assets carried at fair value		**481**	**291**	**428**	**1,200**
Derivative financial liabilities	15	–	(639)	(511)	(1,150)
Environmental scheme certificates surrender obligations	15	(261)	–	–	(261)
Total financial liabilities carried at fair value		**(261)**	**(639)**	**(511)**	**(1,411)**

Transfers between hierarchy levels are expected to occur when there is a change in the observability of a pricing input, or a change in valuation technique. The consolidated entity recognises transfers between levels of the fair value hierarchy as of the beginning of the reporting period during which the transfer has occurred.

There were no transfers between the fair value hierarchy levels during the year ending 30 June 2014.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(F) Fair value estimation (CONTINUED)

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	$million
Balance as at 1 July 2013	**(83)**
New instruments in the period	1
Net loss recognised in the statement of comprehensive income	(73)
Net loss from financial instruments at fair value through profit and loss	(103)
Balance as at 30 June 2014	**(258)**

Although the consolidated entity believes that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the critical assumptions such that the resultant change in the ultimate fair value per unit of volume were to increase or decrease by 10 per cent would have the following effects:

	2014		2013	
	Effect on profit or loss		Effect on profit or loss	
	Favourable + / – ($million)	(Unfavourable)	Favourable + / – ($million)	(Unfavourable)
Derivative assets	86	(86)	130	(130)
Derivative liabilities	122	(122)	2	(2)

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values using expected cash flows and risk-adjusted discount rates based on the probability weighted average of the consolidated entity's ranges of possible outcomes. Key inputs and assumptions used in the models at 30 June 2014 include:

Items impacting the expected cash flows

Forward commodity prices: The consolidated entity uses both observable external market data and internally derived forecast data for forward commodity prices in the valuations of certain Level 3 instruments.

Physical generation plant variables: The consolidated entity uses relevant variables from the valuation of physical generation assets with equivalent risk management outcomes as inputs to the valuation of certain Level 3 instruments. The key variables are new build capital costs, operating costs and plant efficiency factors.

Items impacting the discount rate

Risk-free discount rate: The discount rates applied to the cash flows of the consolidated entity are based on the observable market rates for risk-free interest rate instruments for the appropriate term.

Credit adjustment: The consolidated entity applies an observable entity or counterparty discount or credit spread curves to the discount rate depending on the asset/liability position of a financial instrument. Where a counterparty specific credit curve is not observable a proxy curve is applied, taking into consideration the credit rating of the counterparty and its industry.

Gain/(loss) on initial recognition of financial instruments

The consolidated entity defers day one gains or losses arising on all applicable instruments in the statement of financial position on inception and recognises them in the income statement over the life of the instrument based on the profile of the present value at inception.

	2014 $million	2013 $million
Derivative assets		
Opening balance – gain	151	180
Recognised in the income statement	(27)	(29)
Closing balance – gain	**124**	**151**
Derivative liabilities		
Opening balance – gain	26	111
New instruments in the period	–	(69)
Recognised in the income statement	24	(16)
Closing balance – gain	**50**	**26**

24. FINANCIAL INSTRUMENTS (CONTINUED)

(G) Master netting or similar agreements

The consolidated entity enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a net amount payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the consolidated entity does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

	Note	Financial instruments in the statement of financial position $million	Related financial instruments that are not offset $million	Net amount $million
30 June 2014				
Financial assets				
Other investments, including derivatives				
— Interest rate swap used for hedging		152	(17)	135
— Cross currency interest rate swaps used for hedging		335	(64)	271
— Forward exchange contracts used for hedging		169	(169)	–
— Electricity derivatives used for hedging		469	(182)	287
	7	**1,125**	**(432)**	**693**
Financial liabilities				
Other investments, including derivatives				
— Interest rate swap used for hedging		94	17	111
— Cross currency interest rate swaps used for hedging		322	64	386
— Forward exchange contracts used for hedging		407	169	576
— Electricity derivatives used for hedging		306	182	488
— Oil derivatives used for hedging		589	–	589
— Embedded derivatives		20	–	20
	15	**1,738**	**432**	**2,170**
30 June 2013				
Financial assets				
Other investments, including derivatives				
— Interest rate swap used for hedging		1	(1)	–
— Cross currency interest rate swaps used for hedging		155	(35)	120
— Electricity derivatives used for hedging		559	(200)	359
— Oil derivatives used for hedging		4	–	4
	7	**719**	**(236)**	**483**
Financial liabilities				
Other investments, including derivatives				
— Interest rate swap used for hedging		236	1	237
— Cross currency interest rate swaps used for hedging		156	35	191
— Forward exchange contracts used for hedging		1	–	1
— Electricity derivatives used for hedging		280	200	480
— Oil derivatives used for hedging		458	–	458
— Embedded derivatives		19	–	19
	15	**1,150**	**236**	**1,386**

24. FINANCIAL INSTRUMENTS (CONTINUED)

(H) Significant funding transactions

On 21 August 2013, the consolidated entity completed a $7.4 billion debt refinancing with terms of four years and five years. The consolidated entity subsequently accepted and recognised an oversubscription of $1.2 billion. These syndicated facilities were used to refinance existing bank debt facilities. As part of the refinancing, the consolidated entity's standard banking terms have been renegotiated and the consolidated entity's debt maturity profile has been extended. The interest rate of the new bank debt facility is in line with the cost of existing bank debt.

On 4 October 2013, the consolidated entity completed the pricing and allocation of €800 million eight year medium term notes (Euro Notes). The Euro Notes have a coupon rate of 3.50 per cent and will mature in October 2021. The proceeds have been swapped into Australian dollars. The proceeds were used to repay certain drawn amounts under the $7.4 billion syndicated bank loan facility and have been used to fund its contribution to Australia Pacific LNG and for general corporate purposes.

On 9 October 2013, the consolidated entity completed the pricing and allocation of US$800 million five year senior unsecured notes (US$ Notes) in the United States 144A market. The US$ Notes have a coupon rate of 3.50 per cent and will mature in October 2018. The proceeds have been swapped into Australian dollars. The proceeds were used to repay certain drawn amounts under the $7.4 billion syndicated bank loan facility and have been used to fund its contribution to Australia Pacific LNG and for general corporate purposes.

25. SHARE-BASED PAYMENTS

(A) Origin Energy Limited Equity Incentive Plan

Equity or share-based remuneration awards are made pursuant to Origin's Equity Incentive Plan Rules, as approved by the Board and as amended from time to time. The Incentive Plan arrangements provide executives with a deferred equity interest in the Company. Awards are subject to the Offer Terms determined prior to grant and as lodged with the ASX, and are currently in the form of Options and/or Share Rights (collectively 'securities'). Share Rights are currently in the form of Deferred Share Rights (DSRs) and Performance Share Rights (PSRs).

(i) Options

Options are granted under Long Term Incentive arrangements and are subject to a market-based performance condition, namely Total Shareholder Return (TSR) of the Company over the vesting period relative to companies comprising the S&P/ASX 100 at the date of grant. Testing of the condition occurs four years after the date of grant and there is no re-testing. The Options vest only if Origin's TSR exceeds the 50th percentile of S&P/ASX 100 companies. 50 per cent of the Options vest if Origin's TSR exceeds the 50th percentile of the comparator group, and 100 per cent vest at the 75th percentile, with proportionate vesting on a straight-line basis between the 50th and 75th percentiles.

The fair value of the Options granted is recognised as an employee expense with a corresponding increase in equity over the service period of the Options. The fair value is measured at the date of grant using a Black-Scholes methodology with a Monte Carlo simulation model, taking into account the exercise price, dividends foregone and the market performance condition, and recognised over the service period to the date of testing against the performance condition. The amount recognised as an expense is adjusted to reflect the actual number of Options that vest, except where due to market related conditions. The Options do not carry voting or dividend entitlements.

During the year, the Company issued 3,966,186 Options (2013: 7,540,504) and has recognised $8,198,952 (2013: $9,315,495) as an expense.

A vested Option entitles the holder to receive one fully paid ordinary share on payment of an exercise price. The exercise price is based on the weighted average price of the Company's shares over a period of at least five but no more than 15 trading days determined by the Board prior to the date of grant and considered to be representative of the Company's position at the time, or as adjusted in accordance with the terms of the Equity Incentive Plan Rules.

Shares arising from the vesting and exercise of Options are issued by the Company and rank equally with other fully paid ordinary shares on issue and carry voting and dividend entitlements.

Subject to any restriction on exercise, vested Options may be exercised on payment of the exercise price up to seven years after the date of grant (or, in the event of cessation of employment, where vesting has occurred prior to cessation, up to 60 days after vesting). Trading restrictions may apply to the shares arising from exercise. In certain limited circumstances (for example, change of control, death or permanent disability or exceptional circumstances where the Board deems it appropriate), the Options may be tested against the performance condition earlier than the scheduled test date, and vest to the extent the conditions are satisfied. In Australia, the Options are classified under the Deferral Scheme tax arrangements with a genuine risk of forfeiture.

A summary of Options outstanding at the beginning and end of the financial year and movements during the year is provided in the Summary of Options table in note 25(D).

(ii) Performance Share Rights (PSRs)

PSRs are granted under Long Term Incentive arrangements and are subject to a market-based performance condition, namely TSR of the Company over the vesting period relative to companies comprising the S&P/ASX 100 at the date of grant. Testing of the condition occurs three years after the date of grant for PSRs granted prior to 30 June 2014, changing to four years for PSRs granted after 1 July 2014 and there is no re-testing. The PSRs vest only if Origin's TSR exceeds the 50th percentile of the S&P/ASX 100 companies. 50 per cent of the PSRs vest if Origin's TSR exceeds the 50th percentile of the comparator group, and 100 per cent vest at the 75th percentile, with proportionate vesting on a straight-line basis between the 50th and 75th percentiles.

The fair value of the PSRs granted is recognised as an employee expense with a corresponding increase in equity over the service period of the PSRs. The fair value is measured at the date of grant using a Black-Scholes methodology with a Monte Carlo simulation model, taking into account dividends foregone and the market performance condition, and recognised over the service period to the date of testing against the performance condition. The amount recognised as an expense is adjusted to reflect the actual number of PSRs that vest, except where due to market related conditions. The PSRs do not carry voting or dividend entitlements.

During the year, the Company issued 2,596,456 PSRs (2013: 3,848,242) and has recognised $16,174,254 (2013: $13,811,494) as an expense.

A vested PSR entitles the holder to receive one fully paid ordinary share on vesting. The number of PSRs may be adjusted in accordance with the terms of the Equity Incentive Plan Rules (for example, in circumstances of a general Rights issue).

NOTES TO THE FINANCIAL STATEMENTS

25. SHARE-BASED PAYMENTS (CONTINUED)

(A) Origin Energy Limited Equity Incentive Plan (CONTINUED)

(ii) Performance Share Rights (PSRs) (CONTINUED)

Shares arising from the vesting of PSRs are issued by the Company and rank equally with other fully paid ordinary shares on issue and carry voting and dividend entitlements. There is no exercise price for PSRs and since 2011 vested PSRs are exercised automatically on vesting.

Trading restrictions may apply to the shares arising from exercise. In certain limited circumstances (for example change of control, death or permanent disability or exceptional circumstances where the Board deems it appropriate), the PSRs may be tested against the performance condition earlier than the scheduled test date, and vest to the extent the conditions are satisfied. In Australia, the PSRs are classified under the Deferral Scheme tax arrangements with a genuine risk of forfeiture.

A summary of PSRs outstanding at the beginning and end of the financial year and movements during the year is provided in the Summary of Share Rights table in note 25(E).

(iii) Deferred Share Rights (DSRs)

DSRs are awarded under the Short Term Incentive Plan (STI) and/or the Retention Plan. They are subject to a service obligation (generally between one and four years) and vest only where the employee remains in ongoing employment and satisfactory service at the relevant date.

The fair value of the DSRs granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured using a discounted cash flow methodology and recognised over the service period to the date of the service obligation, taking into account dividends foregone. The amount recognised as an expense is adjusted to reflect the actual number of DSRs that vest. The DSRs do not carry voting or dividend entitlements.

During the year, the Company issued 43,719 DSRs (2013: 18,906). The expense attributable to DSRs under the Retention Plan is $415,993 (2013: $738,360). In addition, an expense of $7,143,509 million (2013: Nil) has been recognised for Deferred STI DSRs expected to be granted in October 2014 related to the performance year ended 30 June 2014. No Deferred STI DSRs were granted previously. The total expense recognised for the year is $7,559,502 (2013: $738,360).

A vested DSR entitles the holder to receive one fully paid ordinary share on vesting. The number of DSRs may be adjusted in accordance with the terms of the Equity Incentive Plan Rules (for example, in circumstances of a general Rights issue). DSRs are exercised automatically on vesting and there is no exercise price.

Shares arising from the exercise of DSRs are issued by the Company and rank equally with other fully paid ordinary shares on issue and carry voting and dividend entitlements.

Trading restrictions may apply to the shares arising from exercise. In certain limited circumstances (for example, change of control, death or permanent disability or exceptional circumstances where the Board deems it appropriate), the DSRs may vest earlier than the scheduled service obligation date. In Australia, the DSRs are classified under the Deferral Scheme tax arrangements with a genuine risk of forfeiture.

A summary of DSRs outstanding at the beginning and end of the financial year and movements during the year is provided in the Summary of Share Rights table in note 25(E).

(B) Employee Share Plan (ESP)

All full-time and permanent part-time employees of the Company who are based in Australia or New Zealand with at least one year of continuous service to 30 June of the performance year are eligible for participation in the ESP. The ESP provides for a grant of up to AUD $1,000 of fully paid Origin shares, conditional upon the Company meeting certain safety targets. The shares are allocated for no consideration. In Australia, the ESP is classified as a Taxed Up Front Employee Share Scheme (eligible for reduction, $1,000 concession) under the *Income Tax Assessment Act 1997* (Cth) as amended.

Shares awarded under the ESP are purchased on-market and registered in the name of the employee, and are restricted for three years or until cessation of employment, whichever occurs first. Employees in New Zealand are able to elect to have the restricted shares held in trust under New Zealand tax arrangements for employee share schemes.

The following table details the shares awarded under the employee share plans:

	Date shares granted	Number of shares granted	Cost per share (2)	Total cost $'000
2014				
	1 October 2013	292,063	$14.17	4,139
2013				
	20 September 2012	305,565	$11.88	3,630
	20 September 2012 (1)	10,568	$0.00	–
		316,133		**3,630**

(1) Shares awarded to New Zealand based employees at no cost as the shares were granted from forfeited shares acquired at market prices in prior periods.
(2) The cost per share represents the weighted average market price of the Company's shares.

(C) Contact Energy Share Based Payments

The consolidated entity's 53.1 per cent controlled entity, Contact Energy Limited, has a Long Term Incentive Scheme for eligible executives. Long Term Incentives are allocated under the Share Option Scheme as a mix of Options and PSRs (a PSR is an Option with an exercise price of zero). Contact also previously issued restricted shares under a Restricted Share Plan. Vesting of the Options and PSRs is subject to a market-based performance condition, namely TSR of Contact Energy Limited relative to companies comprising the NZX50 index at the date of grant.

The consolidated entity has recognised $3,191,660 (2013: $3,003,841) as an expense during the year.

25. SHARE-BASED PAYMENTS (CONTINUED)

(D) Summary of Options

	Balance as at 1 July	Issued [3]	Exercised [1]	Forfeited	Expired	Balance as at 30 June	Vested as at 30 June
2014							
Options	16,513,433	3,966,186	–	1,021,816	1,127,000	18,330,803	–
Weighted average exercise price [2]	$13.04	$13.97	–	$12.79	$15.84	$13.08	–
Key Management Personnel	6,195,735	697,763	–	–	574,000	6,319,498	–
Non-Key Management Personnel	10,317,698	3,268,423	–	1,021,816	553,000	12,011,305	–
	16,513,433	**3,966,186**	**–**	**1,021,816**	**1,127,000**	**18,330,803**	**–**
2013							
Options	10,621,448	7,540,504	989,600	532,919	126,000	16,513,433	930,451
Weighted average exercise price [2]	$13.60	$11.78	$9.86	$13.09	$9.86	$13.04	$15.84
Key Management Personnel	3,968,697	2,731,038	504,000	–	–	6,195,735	473,894
Non-Key Management Personnel	6,652,751	4,809,466	485,600	532,919	126,000	10,317,698	456,557
	10,621,448	**7,540,504**	**989,600**	**532,919**	**126,000**	**16,513,433**	**930,451**

(1) The weighted average share price during the year ended 30 June 2014 was $13.83 (2013: $11.99).
(2) Exercise prices have been adjusted to reflect the impact of the rights issue in March and April 2011.
(3) The inputs used to measure the fair value of options granted during the year ended 30 June 2014 was a share price of $14.17 on the date of grant of 14 October 2013, an exercise price of $13.97 based on Origin's 10 day VWAP to 17 September 2013, expected volatility of 24.0 per cent, dividend yield of 3.5 per cent and a risk free rate of 3.46 per cent derived from the yield on Australian Government Bonds of appropriate term. The volatility assumption has been determined based on the actual volatility of the consolidated entity's daily closing share price in the three years up to the grant date.

The options outstanding at 30 June 2014 have an exercise price in the range of $11.78 to $15.47 and a weighted average contractual life of 4.1 years (2013: 4.3 years).

(E) Summary of Share Rights (PSRs and DSRs)

	Balance as at 1 July	Issued [2]	Exercised	Forfeited	Expired	Balance as at 30 June
2014						
Performance Share Rights	7,134,551	2,596,456	114,092	600,729	83,108	8,933,078
Deferred Share Rights [1]	143,109	43,719	37,970	25,047	–	123,811
	7,277,660	**2,640,175**	**152,062**	**625,776**	**83,108**	**9,056,889**
Key Management Personnel	1,718,203	211,063	37,809	–	39,577	1,851,880
Non-Key Management Personnel	5,559,457	2,429,112	114,253	625,776	43,531	7,205,009
	7,277,660	**2,640,175**	**152,062**	**625,776**	**83,108**	**9,056,889**
2013						
Performance Share Rights	3,926,101	3,848,242	296,314	327,478	16,000	7,134,551
Deferred Share Rights [1]	161,448	18,906	27,902	9,343	–	143,109
	4,087,549	**3,867,148**	**324,216**	**336,821**	**16,000**	**7,277,660**
Key Management Personnel	1,170,159	748,583	200,539	–	–	1,718,203
Non-Key Management Personnel	2,917,390	3,118,565	123,677	336,821	16,000	5,559,457
	4,087,549	**3,867,148**	**324,216**	**336,821**	**16,000**	**7,277,660**

(1) Deferred Share Rights (DSRs) may be granted in one tranche, vesting on the second anniversary of the Date of Grant, or else into three separate tranches (each tranche equal by number of DSRs) vesting at the second and third anniversaries and either at the first anniversary (generally for Deferred STI) or the fourth anniversary (generally under the Retention Plan). Vesting of DSRs is subject to ongoing employment at the relevant anniversary date and also subject to satisfactory performance over the period in which the DSRs are held. Satisfactory performance is a reference to assessments under the Company's Performance Management System.
(2) The fair value on the date of grant for PSRs granted during the year was $8.32 per PSR. The fair value on the date of grant for DSRs granted during the year was in the range of $12.32 to $13.89 per DSR.

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY DISCLOSURES

Associated entities

Interests held in equity accounted entities are set out in note 8. The business activities of a number of these entities are conducted under joint venture arrangements. The equity accounted entities conduct business transactions with various controlled entities. Such transactions include purchases and sales of certain products, provision of services and dividends. Refer to note 8 for further information regarding these transactions.

Certain Directors of Origin Energy Limited are also Directors of other companies which supply Origin Energy Limited with goods and services or acquire goods or services from Origin Energy Limited. Those transactions are approved by management within delegated limits of authority and the Directors do not participate in the decisions to enter into such transactions. If the decision to enter into those transactions should require approval of the Board, the Director concerned will not vote upon that decision nor take part in the consideration of it.

Refer to note 27 for Key Management Personnel disclosures.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) Key Management Personnel compensation tables

	2014 $	2013 $
Short-term employee benefits	14,608,533	13,008,765
Post-employment benefits	255,378	237,510
Other long term benefits	167,661	216,457
Share-based payments	7,608,812	7,880,329
	22,640,384	**21,343,061**

(B) Loans and other transactions with Key Management Personnel

(i) Loans

There were no loans with Key Management Personnel during the year.

(ii) Other transactions with the consolidated entity or its controlled entities

Transactions entered into during the year with Key Management Personnel which are within normal employee, customer or supplier relationships on terms and conditions no more favourable than dealings in the same circumstances on an arm's length basis include:

- the receipt of dividends from Origin Energy Limited and Contact Energy Limited;
- participation in the Employee Share Plan and the Long Term Incentive Plan;
- terms and conditions of employment;
- reimbursement of expenses;
- purchases of goods and services; and
- interest on Retail Notes.

28. DEED OF CROSS GUARANTEE

The following consolidated statement of comprehensive income and retained profits, and statement of financial position comprises the Company and its controlled entities which are party to the Deed of Cross Guarantee (refer note 29), after eliminating all transactions between parties to the Deed.

For the year ended 30 June	2014 $million	2013 $million
Consolidated statement of comprehensive income and retained profits		
Revenue	11,800	12,266
Other income	348	359
Expenses	(11,414)	(12,139)
Share of results of equity accounted investees	(22)	(4)
Interest income	15	8
Interest expense	(369)	(352)
Profit before income tax	**358**	**138**
Income tax expense/(benefit)	(27)	(63)
Profit for the period	**385**	**201**
Other comprehensive income	4	2
Total comprehensive income for the period	**389**	**203**
Retained earnings at the beginning of the period	8,591	8,930
Adjustments for entities entering the Deed of Cross Guarantee	–	4
Retained earnings at the beginning of the period	**8,591**	**8,934**
Dividends paid	(550)	(546)
Retained earnings at the end of the period	**8,430**	**8,591**

28. DEED OF CROSS GUARANTEE (CONTINUED)

As at 30 June	2014 $million	2013 $million
Statement of financial position		
Current assets		
Cash and cash equivalents	104	103
Trade and other receivables	2,868	3,461
Inventories	216	171
Other financial assets, including derivatives	369	398
Income tax receivable	–	174
Other assets	124	35
Total current assets	**3,681**	**4,342**
Non-current assets		
Trade and other receivables	1,037	1,112
Other financial assets, including derivatives	5,251	4,311
Investments accounted for using the equity method	6,149	6,192
Property, plant and equipment	5,414	5,324
Exploration and evaluation assets	349	162
Intangible assets	5,212	5,251
Deferred tax assets	101	–
Other assets	36	37
Total non-current assets	**23,549**	**22,389**
Total assets	**27,230**	**26,731**
Current liabilities		
Trade and other payables	2,603	2,739
Interest-bearing liabilities	306	714
Other financial liabilities, including derivatives	233	2,235
Provision for income tax	18	–
Employee benefits	218	159
Provisions	90	58
Total current liabilities	**3,468**	**5,905**
Non-current liabilities		
Trade and other payables	6,799	4,408
Interest-bearing liabilities	2,160	1,752
Other financial liabilities, including derivatives	1,294	827
Tax liabilities	–	275
Employee benefits	31	29
Provisions	397	334
Total non-current liabilities	**10,681**	**7,625**
Total liabilities	**14,149**	**13,530**
Net assets	**13,081**	**13,201**
Equity		
Share capital	4,520	4,441
Reserves	131	169
Retained earnings	8,430	8,591
Total equity	**13,081**	**13,201**

29. CONTROLLED ENTITIES

	Incorporated in	2014 Ownership interest per cent	2013 Ownership interest per cent
Origin Energy Limited	NSW		
Origin Energy Finance Limited	Vic	100	100
Huddart Parker Pty Limited [<]	Vic	100	100
Origin Energy NZ Share Plan Limited	NZ	100	100
FRL Pty Ltd [<]	WA	100	100
BTS Pty Ltd [<]	WA	100	100
Origin Energy Power Limited [<]	SA	100	100
Origin Energy SWC Limited [<]	WA	100	100
BESP Pty Ltd	Vic	100	100
Origin Energy Pinjar Security Pty Limited	Vic	100	100
Origin Energy Pinjar Holdings No. 1 Pty Limited	Vic	100	100
Origin Energy Pinjar No. 1 Pty Limited	Vic	100	100
Origin Energy Pinjar Holdings No. 2 Pty Limited	Vic	100	100
Origin Energy Pinjar No. 2 Pty Limited	Vic	100	100
Origin Energy Walloons Transmissions Pty Limited	Vic	100	100
Origin Energy Eraring Pty Limited [< *]	NSW	100	–
Origin Energy Eraring Services Pty Limited [< *]	NSW	100	–
Origin Energy Holdings Pty Limited [<]	Vic	100	100
Origin Energy Retail Limited [<]	SA	100	100
Origin Energy (Vic) Pty Limited [<]	Vic	100	100
Gasmart (Vic) Pty Ltd [<]	Vic	100	100
Origin Energy (TM) Pty Limited [<]	Vic	100	100
Cogent Energy Pty Ltd	Vic	100	100
Origin Energy Electricity Limited [<]	Vic	100	100
Eraring Gentrader Depositor Pty Limited	Vic	100	100
Sun Retail Pty Ltd [<]	Qld	100	100
OE Power Pty Limited [<]	Vic	100	100
Origin Energy Uranquinty Power Pty Ltd	Vic	100	100
Origin Energy Mortlake Terminal Station No. 1 Pty Limited	Vic	100	100
Origin Energy Mortlake Terminal Station No. 2 Pty Limited	Vic	100	100
Origin Energy PNG Ltd [#]	PNG	66.7	66.7
Origin Energy PNG Holdings Limited	PNG	100	100
Origin Energy Tasmania Pty Limited [<]	Tas	100	100
The Fiji Gas Co Ltd	Fiji	51	51
Tonga Gas Ltd	Tonga	51	51
Origin Energy Contracting Limited [<]	Qld	100	100
Origin Energy LPG Limited [<]	NSW	100	100
Origin (LGC) (Aust) Pty Limited [<]	NSW	100	100
Origin Energy SA Pty Limited [<]	SA	100	100
Hylemit Pty Limited	Vic	100	100
Speed-E-Gas (NSW) Pty Ltd	NSW	100	100
Origin Energy WA Pty Limited [<]	WA	100	100
Origin Energy Services Limited [<]	SA	100	100
OEL US Inc.	USA	100	100
Origin Energy NSW Pty Limited [<]	NSW	100	100
Origin Energy Asset Management Limited [<]	SA	100	100
Origin Energy Pipelines Pty Limited [<]	NT	100	100
Origin Energy Pipelines (SESA) Pty Limited	Vic	100	100
Origin Energy Pipelines (Vic) Holdings Pty Limited [<]	Vic	100	100
Origin Energy Pipelines (Vic) Pty Limited [<]	Vic	100	100
Origin LPG (Vietnam) LLC	Vietnam	51	51
Origin Energy Solomons Ltd	Solomon Islands	80	80
Origin Energy Cook Islands Ltd	Cook Islands	100	100
Origin Energy Vanuatu Ltd	Vanuatu	100	100
Origin Energy Samoa Ltd	Western Samoa	100	100
Origin Energy American Samoa Inc	American Samoa	100	100
Origin Energy Insurance Singapore Pte Ltd	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

29. CONTROLLED ENTITIES (CONTINUED)

	Incorporated in	2014 Ownership interest per cent	2013 Ownership interest per cent
Origin Energy Resources Limited [<]	SA	100	100
Origin Energy CSG 2 Pty Limited	Vic	100	100
Origin Energy ATP 788P Pty Limited	Qld	100	100
Angari Pty Limited [<]	SA	100	100
Oil Investments Pty Limited [<]	SA	100	100
Origin Energy Southern Africa Holdings Pty Limited	Qld	100	100
Origin Energy Wallumbilla Transmissions Pty Limited	Vic	100	100
Oil Company of Australia (Moura) Transmissions Pty Limited [<]	WA	100	100
Origin Energy Kenya Pty Limited	Vic	100	100
Origin Energy Bonaparte Pty Limited [<]	SA	100	100
Origin Energy Developments Pty Limited [<]	ACT	100	100
Origin Energy Zoca 91-08 Pty Limited [<]	SA	100	100
Origin Energy Petroleum Pty Limited [<]	Qld	100	100
Origin Energy Browse Pty Ltd	Vic	100	–
Origin Energy Northwest Limited	UK	100	100
Sagasco South East Inc	Panama	100	100
Origin Energy Resources NZ Limited	NZ	100	100
Kupe Development Limited	NZ	100	100
Kupe Mining (No.1) Limited	NZ	100	100
Origin Energy Resources (Kupe) Limited	NZ	100	100
Origin Energy Resources NZ (Rimu) Limited	NZ	100	100
Origin Energy Resources NZ (TAWN) Limited	NZ	100	100
Sagasco NT Pty Ltd [<]	SA	100	100
Sagasco Amadeus Pty Ltd [<]	SA	100	100
Origin Energy Amadeus Pty Limited [<]	Qld	100	100
Amadeus United States Pty Limited [<]	Qld	100	100
OE Resources Limited Partnership	NSW	100	100
Origin Energy Vietnam Pty Limited	Vic	100	100
Origin Energy Singapore Holdings Pte Limited	Singapore	100	100
Origin Energy (Song Hong) Pte Limited	Singapore	100	100
Origin Energy (Block 31) Pte Limited	Singapore	100	100
Origin Energy (Block 01) Pte Limited	Singapore	100	100
Origin Energy (L15/50) Pte Limited	Singapore	100	100
Origin Energy (L26/50) Pte Limited	Singapore	100	100
Origin Energy (Savannahket) Pte Limited	Singapore	100	100
Origin Energy Fairview Transmissions Pty Limited	Vic	100	100
Origin Energy VIC Holdings Pty Limited [<]	Vic	100	100
Origin Energy New Zealand Limited	NZ	100	100
Origin Energy Universal Holdings Limited	NZ	100	100
Origin Energy Five Star Holdings Limited	NZ	100	100
Origin Energy Contact Finance Limited	NZ	100	100
Origin Energy Contact Finance No.2 Limited	NZ	100	100
Origin Energy Pacific Holdings Limited	NZ	100	100
Contact Energy Limited	NZ	53.1	53.1
Contact Aria Ltd	NZ	53.1	53.1
Contact Wind Limited	NZ	53.1	53.1
Rockgas Limited	NZ	53.1	53.1
Origin Energy Capital Ltd [<]	Vic	100	100
Origin Energy Finance Company Pty Limited [<]	Vic	100	100
OE JV Co Pty Limited [<]	Vic	100	100
OE JV Holdings Pty Limited	Vic	100	100
Origin Energy LNG Holdings Pte Limited	Singapore	100	–
OE Mt Stuart General Partnership [#]	Netherlands	100	100
Origin Energy Australia Holding BV [#]	Netherlands	100	100
Origin Energy Mt Stuart BV [#]	Netherlands	100	100
Parbond Pty Limited	NSW	100	100
Origin Foundation Pty Limited	Vic	100	100

29. CONTROLLED ENTITIES (CONTINUED)

	Incorporated in	2014 Ownership interest per cent	2013 Ownership interest per cent
Origin Renewable Energy Investments No 1 Pty Ltd	Vic	100	100
Origin Renewable Energy Investments No 2 Pty Ltd	Vic	100	100
Origin Renewable Energy Pty Ltd	Vic	100	100
Origin Energy Geothermal Holdings Pty Ltd	Vic	100	100
Origin Energy Geothermal Pty Ltd	Vic	100	100
Origin Energy Chile Holdings Pty Limited	Vic	100	100
Origin Energy Chile S.A. #	Chile	100	100
Origin Energy Geothermal Chile Limitada #	Chile	100	100
Origin Energy Generacion Chile SpA #	Chile	100	–
Origin Energy Geothermal Singapore Pte Limited	Singapore	100	100
Origin Energy Wind Holdings Pty Ltd	Vic	100	100
Cullerin Range Wind Farm Pty Ltd	NSW	100	100
Crystal Brook Wind Farm Pty Limited	NSW	100	100
Wind Power Pty Ltd	Vic	100	100
Wind Power Management Pty Ltd	Vic	100	100
Lexton Wind Farm Pty Ltd	Vic	100	100
Stockyard Hill Wind Farm Pty Ltd	Vic	100	100
Tuki Wind Farm Pty Ltd	Vic	100	100
Dundas Tablelands Wind Farm Pty Limited	Vic	100	100
Origin Energy Hydro Bermuda Limited	Bermuda	100	100
Origin Energy Hydro Chile SpA #	Chile	100	100

< Entered into a Class Order 98/1418 and related deed of cross guarantee with Origin Energy Limited.
* Entered into a Class Order 98/1418 during the year ended 30 June 2014.
# Controlled entity has a financial reporting period end of 31 December.

Non-controlling interests in subsidiaries

The following table summarises the information relating to the consolidated entity's controlled entities that have material non-controlling interests (NCI), before any intragroup eliminations. Contact Energy Limited is the only controlled entity with a material non-controlling interest at 30 June 2014 (46.9 per cent; 2013: 46.9 per cent).

	2014 $million	2013 $million
Contact Energy Limited (in A$)		
Current assets	358	422
Non-current assets	5,388	4,805
Current liabilities	579	903
Non-current liabilities	1,838	1,341
Net assets (100 per cent)	**3,329**	**2,983**
Carrying amount of NCI (46.9 per cent)	**1,561**	**1,399**
Revenue (100 per cent)	2,170	2,005
Profit after tax (100 per cent)	211	159
Total comprehensive income	**203**	**169**
Profit allocated to NCI (46.9 per cent)	**99**	**75**
Cash flows from operating activities	403	376
Cash flows used in investing activities	(119)	(219)
Cash flows used in financing activities – before dividends to NCI	(267)	(59)
Cash flows used in financing activities – cash dividends to NCI	(78)	(38)
Net (decrease)/increase in cash and cash equivalents (100 per cent)	**(61)**	**60**

30. CHANGES IN CONTROLLED ENTITIES

Acquisition of controlled entities

On 1 August 2013, the consolidated entity acquired 100 per cent of Eraring Energy Pty Limited and its 100 per cent owned subsidiary Eraring Energy Services Pty Limited (refer note 20).

No entities were acquired during the financial year ended 30 June 2013.

The following entities were incorporated/registered during the financial year:

Origin Energy LNG Holdings Pte Limited, Origin Energy Generacion Chile SpA and Origin Energy Browse Pty Ltd were incorporated/registered during the year ended 30 June 2014.

Origin Energy Insurance Singapore Pte Ltd was incorporated/registered during the year ended 30 June 2013.

The following entities ceased to be controlled and were sold/deregistered/struck off during the financial year:

Origin Energy Leasing Limited was struck off during the year ended 30 June 2014.

Yass Valley Wind Farm Pty Limited and Conroy's Gap Wind Farm Pty Ltd ceased to be controlled and were sold during the year ended 30 June 2013.

Contact Australia Pty Ltd and Contact Operations Australia Pty Ltd were deregistered during the year ended 30 June 2013.

Empower Limited was struck off during the year ended 30 June 2013.

Name changes during the financial year:

Eraring Energy Pty Limited to Origin Energy Eraring Pty Limited.

Eraring Energy Services Pty Limited to Origin Energy Eraring Services Pty Limited.

There were no name changes during the financial year ended 30 June 2013.

31. INTEREST IN UNINCORPORATED JOINT OPERATIONS

The consolidated entity holds interests in a number of unincorporated joint arrangements covering the following assets:

- Cooper Basin
- Bass Basin
- Bonaparte Basin
- Canterbury Basin
- Taranaki Basin
- Geodynamics
- Song Hong Basin
- Otway Basin
- Perth Basin
- Surat Basin
- Worsley Power Plant

The principal activities of these joint operations are oil and/or gas exploration, development and production, power generation, and geothermal power technology.

32. EARNINGS PER SHARE

Earnings per share based on statutory consolidated profit

	2014	2013
Basic earnings per share	48.1 cents	34.6 cents
Diluted earnings per share	47.8 cents	34.4 cents

Earnings per share based on underlying consolidated profit

Underlying basic earnings per share	64.8 cents	69.5 cents
Underlying diluted earnings per share	64.3 cents	69.2 cents

Weighted average number of shares used as the denominator

	2014 Number	2013 Number
Number of ordinary shares for basic earnings per share calculation	1,101,015,692	1,093,837,731
Effect of executive share options, performance share rights and deferred share rights on issue	7,680,811	4,464,045
Number of ordinary shares for diluted earnings per share calculation	**1,108,696,503**	**1,098,301,776**

32. EARNINGS PER SHARE (CONTINUED)

Reconciliation of earnings used in calculating basic and diluted earnings per share based on statutory profit

	2014 $million	2013 $million
Profit for the period	638	461
Less: Profit attributable to non-controlling interests	(108)	(83)
Earnings used in calculating earnings per share	**530**	**378**

Refer to note 2(B) for a reconciliation of underlying consolidated profit used in calculating earnings per share based on underlying consolidated profit.

Information concerning the classification of securities

(a) Fully paid ordinary shares

Fully paid ordinary shares are classified as ordinary shares for the purposes of calculating basic and diluted earnings per share.

(b) Share options, performance share rights and deferred share rights

Share options, performance share rights and deferred share rights issued under the Long Term Incentive Plan have been classified as potential ordinary shares and have been included in the determination of diluted earnings per share. The options and rights have not been included in the determination of basic earnings per share.

33. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2014, the parent entity company of the consolidated entity was Origin Energy Limited.

	Origin Energy Limited	
	2014 $million	2013 $million
Results of the parent entity		
Profit/(loss) for the period	1,207	(159)
Other comprehensive income, net of income tax	35	9
Total comprehensive income for the period	**1,242**	**(150)**
Financial position of the parent entity at period end		
Current assets	2,925	1,107
Non-current assets	13,875	15,549
Total assets	**16,800**	**16,656**
Current liabilities	2,218	5,697
Non-current liabilities	8,953	6,133
Total liabilities	**11,171**	**11,830**
Total equity of the parent entity comprising:		
Share capital	4,520	4,441
Share-based payments reserve	133	101
Hedging reserve	7	(24)
Retained earnings	969	308
Total equity	**5,629**	**4,826**

Parent entity contingencies

The Directors are of the opinion that provisions are not required in respect of contingencies, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities		
Bank guarantees – unsecured	55	55

The parent entity has provided guarantees for certain contractual commitments of its joint ventures associated with capital projects.

Deed of cross guarantee

The parent entity has entered into a Deed of Cross Guarantee with the effect that the consolidated entity guarantees debts in respect of certain of its controlled entities. Further details of the Deed of Cross Guarantee and the controlled entities subject to the deed, are disclosed in notes 28 and 29.

34. SUBSEQUENT EVENTS

Dividends

Since the end of the financial year, the Directors have determined to pay a final dividend of 25 cents per share, unfranked, payable 26 September 2014.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial statements.

Acquisition of 40 per cent interest in WA-315-P and WA-398-P

On 12 August 2014, Origin completed the acquisition of a 40 per cent interest in two offshore exploration permits WA-315-P and WA-398-P, the Poseidon permits, in Western Australia's Browse Basin from Karoon Gas for US$600 million. ConocoPhillips (40 per cent) and PetroChina (20 per cent) are the other two participants in the joint arrangement, with ConocoPhillips also being the Operator. There are further contingent payments due to Karoon Gas of US$75 million on a final investment decision (FID) and US$75 million on first production, with an additional amount of up to US$50 million due if 2P reserves meet certain thresholds by FID. In addition, a completion adjustment mechanism will be used to allocate expenditure between Karoon and Origin in accordance with the commercially agreed terms.

The acquisition was funded through a drawdown of existing committed undrawn debt facilities. Origin intends to refinance this drawdown through the issue of a new hybrid security as an alternative to an equity raising. It is expected that a transaction will be completed in the first half of the 2015 financial year, subject to prevailing market conditions.

Other than the matters described above, no other item, transaction or event of a material nature has arisen since 30 June 2014 that would significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

DIRECTORS' DECLARATION

1 In the opinion of the Directors of Origin Energy Limited (the Company):

(a) the consolidated financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:

(i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance, for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (Cth).

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in note 1 in the consolidated financial statements.

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the controlled entities identified in note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

3 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and the Executive Director, Finance and Strategy for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the Directors:

Gordon M Cairns, Chairman
Director

Sydney, 21 August 2014

Independent auditor's report to the members of Origin Energy Limited

Report on the financial report

We have audited the accompanying financial report of Origin Energy Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(A), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the consolidated entity comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the consolidated entity's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

(continued overleaf)

KPMG

Independent auditor's report to the members of Origin Energy Limited *(continued)*

Auditor's opinion

In our opinion:

(a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(A).

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Origin Energy Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Alison Kitchen

Alison Kitchen
Partner

Sydney

21 August 2014

SHARE AND SHAREHOLDER INFORMATION

Information set out below was applicable as at 21 August 2014.

As at 21 August 2014, there were:

— 164,053 holders of ordinary shares in the Company; and
— 199 holders of 18,272,029 Options, 603 holders of 8,885,367 Performance Share Rights, and 18 holders of 122,657 Deferred Share Rights granted under the Origin Energy Equity Incentive Plan.

There is not a current on-market buy-back of Origin shares.

During the reporting period, 292,063 Origin shares were purchased on-market for the purpose of the General Employee Share Plan. The average price per share purchased was $14.17.

ANALYSIS OF SHARES

Holding Ranges	Holders	Total units	%
1-1,000	73,974	34,210,420	3.100
1,001-5,000	72,327	165,386,474	14.985
5,001-10,000	11,701	81,188,290	7.356
10,001-100,000	5,892	117,288,032	10.627
100,001 and above	159	705,573,691	63.931
Totals	**164,053**	**1,103,646,907**	**100.000**

3,971 shareholders held less than a marketable parcel as at 21 August 2014.

SUBSTANTIAL SHAREHOLDERS

There were no substantial shareholders as disclosed by notices received by the Company as at 21 August 2014.

TOP 20 HOLDINGS

Twenty Largest Shareholders	Number of shares	% of issued shares
HSBC Custody Nominees (Australia) Limited	204,544,020	18.533
JP Morgan Nominees Australia Limited	186,765,332	16.923
National Nominees Limited	103,783,234	9.404
Citicorp Nominees Pty Limited	54,863,929	4.971
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	27,258,078	2.470
BNP Paribas Noms Pty Ltd (DRP)	18,674,398	1.692
RBC Investor Services Australia Nominees Pty Limited (Bkcust A/C)	7,906,087	0.716
UBS Wealth Management Australia Nominees Pty Ltd	7,828,015	0.709
AMP Life Limited	7,428,473	0.673
Australian Foundation Investment Company Limited	6,957,423	0.630
Argo Investments Limited	6,789,947	0.615
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	5,703,160	0.517
RBC Investor Services Australia Nominees Pty Limited (GSAM A/C)	4,261,736	0.386
QIC Limited	3,532,698	0.320
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	3,475,778	0.315
RBC Investor Services Australia Nominees Pty Limited (MBA A/C)	2,560,869	0.232
Navigator Australia Ltd (MLC Investment Sett A/C)	2,533,348	0.230
The Senior Master Of The Supreme Court (Common Fund No 3 A/C)	2,241,194	0.203
National Nominees Limited (DB A/C)	1,787,547	0.162
Australian United Investment Company Limited	1,500,000	0.136
	660,395,266	**59.838**

SHAREHOLDER ENQUIRIES

For information about your shareholding, to notify a change of address, to make changes to your dividend payment instructions or for any other shareholder enquiries, you should contact Origin Energy's share registry, Boardroom Pty Ltd on 1300 664 446. Please note that broker sponsored holders are required to contact their broker to amend their address.

When contacting the share registry, shareholders should quote their security holder reference number, which can be found on the holding or dividend statements.

Shareholders with internet access can update and obtain information regarding their shareholding online at www.originenergy.com.au/investor.

SHARE AND SHAREHOLDER INFORMATION

DIVIDENDS

Origin will pay a final dividend for the 2014 financial year of 25 cents per share unfranked on 26 September 2014.

There are several alternatives in relation to the way shareholders can elect to receive their dividends:

- By direct credit, paid into a bank, building society or credit union account in Australia or New Zealand. For payments into New Zealand bank accounts, dividends will be paid in New Zealand dollars. The payment of dividends will be electronically credited on the dividend payment date and confirmed by payment advices sent through the mail or by email; or
- By participation in the Dividend Reinvestment Plan (DRP). The DRP enables shareholders to use cash dividends to purchase additional fully paid Origin Energy shares. Details of the DRP can be obtained at www.originenergy.com.au/investor or by contacting the share registry; or
- By cheque paid in Australian dollars (only available to shareholders with a registered address outside Australia and New Zealand).

TAX FILE NUMBER

For resident shareholders who have not provided the share registry with their Tax File Number (TFN) or exemption category details, tax at the top marginal tax rate (plus Medicare levy) will be deducted from dividends to the extent they are not fully franked. For those shareholders who have not as yet provided their TFN or exemption category details, forms are available from the share registry. Shareholders are not obliged to provide this information if they do not wish to do so.

INFORMATION ON ORIGIN

The main source of information for shareholders is the Annual Report and the Shareholder Review. Both the Annual Report and Shareholder Review will be provided to shareholders on request and free of charge. Shareholders not wishing to receive the Annual Report should advise the share registry in writing so that their names can be removed from the mailing list. Origin's website www.originenergy.com.au is another source of information for shareholders.

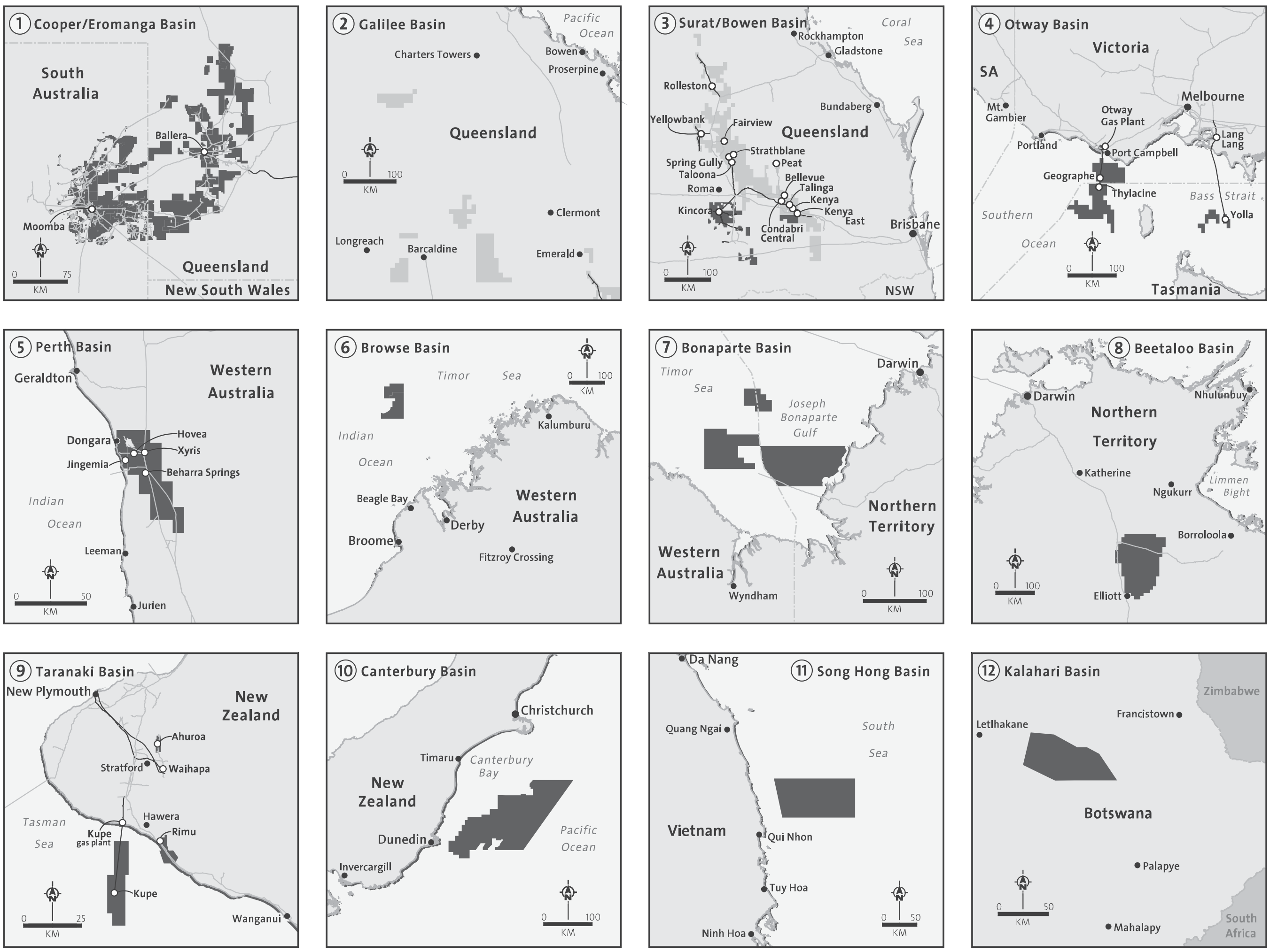
SECURITIES EXCHANGE LISTING

Origin shares are traded on the Australian Securities Exchange Limited (ASX). The symbol under which Origin shares are traded is 'ORG'. Origin's Subordinated Notes are also traded on the ASX under the symbol ORGHA.

VOTING RIGHTS OF MEMBERS

At a meeting of members, each member who is entitled to attend and vote may attend and vote in person or by proxy, attorney or representative. On a show of hands, every person present who is a member, proxy, attorney or representative, shall have one vote and on a poll, every member who is present in person or by proxy, attorney or representative shall have one vote for each fully paid share held.

EXPLORATION AND PRODUCTION PERMITS AND DATA[(1)]



(1) Browse and Beetaloo Basin permits acquired subsequent to 30 June 2014.

EXPLORATION AND PRODUCTION PERMITS AND DATA [1]

Basin/Project Area	Interest	Notes
AUSTRALIA		
COOPER BASIN (South Australia)		
Patchawarra East Block PPLs	10.54%	
SA Unit PPLs	13.19%	
PEL 637 and PRL 106	40.00%	(2)
ATP 666P	37.50%	(2)
COOPER BASIN (Queensland)		
SWQ Unit Subleases	16.74%	
Aquitaine A * B Blocks of ATP 259P and associated PLs	25.00%	
Aquitaine C Block of ATP 259P and associated PLs	27.00%	
Wareena Block of ATP 259P and associated PLs	10.00%	
GALILEE BASIN (Queensland)		
ATP 666P	37.50%	* (3)
ATP 667P	37.50%	* (3)
ATP 668P	37.50%	* (3)
SURAT BASIN (Queensland)		
PL 14	100.00%	*
PL 74	69.00%	*
PL 30	75.00%	*
PLs 21, 22, and 27	87.50%	* (4)
PLs 53, 174 and 227	100.00%	*
ATP 470P Redcap	90.00%	*
PL 264	90.00%	*
ATP 470P Formosa Downs	42.72%	*
PL 71 (Exploration)	72.00%	*
PL 71 (Production)	90.00%	*
PL 70	100.00%	*
ATP 471P Weribone Pooling Area	50.64%	*
ATP 336P and PLs 10W, 11W, 12W, 28, 69 and 89	46.25%	
PL 11 Snake Creek East 1 Exclusion Zone	25.00%	
ATP 647P (Block 2656 only)	50.00%	*
ATP 754P	50.00%	*
ATP 788P Shallows	100.00%	*
ATP 471P Bainbilla	24.75%	
DENISON TROUGH (Queensland)		
PLs 41, 42, 43, 44, 45, 54, 67, 173, 183 and 218	18.75%	* (3)
ATP 337P (Denison Trough) – Production	18.75%	* (3)
ATP 337P (Denison Trough) – Exploration, PLs 449(A), 450(A), 451(A), 454(A) and 457(A)	18.75%	(3)
ATP 337P Mahalo and PL448(A)	11.25%	(3)
ATP 1177P	18.75%	(3)
PPLs 10 and 11	18.75%	* (3)
LNG (Gladstone)		
PPLs 162 and 163	37.50%	* (3)
PFL 20	37.50%	* (3)
CSG (Queensland)		
Fairview		
ATP 526P and PLs 90, 91, 92, 99, 100, 232, 233, 234, 235 and 236	8.97%	(3)
Spring Gully		
ATP 592P and PLs 195, 203, 268(A), 414(A), 415(A), 416(A), 417, 418(A) and 419(A)	35.44%	* (3)
PL 204	37.40%	* (3)
PL 200	35.89%	* (3)
PPL 180	37.50%	* (3)

Basin/Project Area	Interest	Notes
Talinga/Orana		
ATP 692P, PLs 209, 215, 226, 272, 216(A), 225(A), 289(A), 445(A) and 481(A)	37.50%	* (3)
PPLs 171 and 181	37.50%	* (3)
PFL 26	37.50%	* (3)
Kenya/Argyle/Lauren/Bellevue		
PLs 179, 180, 228, 229 and 263	15.23%	(3)
PL 247	11.02%	(3)
ATP 648P Shallows, PLs 257, 273, 274, 275, 278, 279, 442, 466, 474 and 503(A)	11.72%	(3)
ATP 1188P	11.72%	(3)
PFL 19	11.72%	(3)
PPL 107	15.23%	(3)
Peat		
PL 101	37.50%	* (3)
Other Bowen Basin		
ATP 804P	10.99%	(3)
ATPs 653P and 745P and PLs 420(A), 421(A) and 440(A)	8.94%	(3)
PLs 219 and 220	37.50%	* (3)
Other Surat Basin		
ATP 606P and PLs 297, 404, 408, 403(A), 405(A), 406(A), 407(A), 412(A), 413(A) and 444(A)	34.77%	* (3)
ATP 631P, PLs 281(A) and 282(A)	6.79%	(3)
ATP 663P and PLs 434(A), 435(A), 436(A), 437(A), 438(A) and 439(A)	37.50%	* (3)
973P, and PLs 265, 266 and 267	37.50%	* (3)
ATP 972P, and PLs 469(A), 470(A) and 471(A)	34.77%	* (3)
ATP 1178P	37.50%	* (3)
PPLs 143, 177, 178, 185 and 186	37.50%	* (3)
ONSHORE OTWAY BASIN		
Victoria		
PPLs 6,9 and PRL1	90.00%	*
PPLs 4, 5, 7, 10 and 12	100.00%	*
PPL 2 Ex (Iona Exclusion)	100.00%	*
PPL 8	100.00%	*
OFFSHORE OTWAY BASIN		
Victoria		
Vic/P42 (V)	100.00%	*
Vic/P43	67.23%	*
Vic/L23	67.23%	*
Vic/P69	100.00%	* (5)
Vic/RL2(V)	100.00%	*
Tasmania		
T/L2, T/L3 and T/30P	67.23%	*
T/34P	86.63%	*
Bass Basin (Tasmania)		
T/L1	42.50%	*
T/18P	39.00%	*
PERTH BASIN (Western Australia)		
EP320 and L11	67.00%	*
L 14	49.19%	*
L1/L2 (excluding Dongara, Mondarra and Yardarino)	50.00%	

Basin/Project Area	Interest	Notes
BONAPARTE BASIN (Western Australia & Northern Territory)		
WA 454P	50.00%	
NT/RL1 and WA6R	5.00%	*
NEW ZEALAND		
TARANAKI BASIN		
PML 38146	50.00%	*
PMP 38151	100.00%	*
PMP 38155	100.00%	*
CANTERBURY BASIN		
PEP 38264	45.00%	
VIETNAM		
SONG HONG BASIN		
Block 121	45.00%	*
BOTSWANA		
PL134/2010, PL135/2010, PL136/2010	50.00%	(6)

* Operatorship.
(1) As at 30 June 2014.
(2) Farm-in arrangement completed on 27 June 2014.
(3) Interest held through 37.5 per cent ownership of Australia Pacific LNG Joint Venture.
(4) PL 64 expired on 19 August 2013.
(5) Vic/P69 was granted on 16 April 2014.
(6) Interest held through 50 per cent ownership of Kubu Energy Resources (Pty) Ltd (a Botswana company). The JV has advised the government of its intention to relinquish the permit.

EXPLORATION AND PRODUCTION PERMITS AND DATA

DRILLING PROGRAM RESULTS (1 JULY 2013 TO 30 JUNE 2014) – NUMBER OF WELLS

Area/Basin	Exploration	Appraisal	Development	Total	Wells cased for production
Cooper Oil	1	1	4	6	6
Cooper Gas	11	2	55	68	68
CSG – Ironbark	–	2	–	2	2
CSG – Australia Pacific LNG	10	70	948	1,028	1,028
Denison Trough – Australia Pacific LNG	–	4	–	4	4
Surat	–	–	–	–	–
Offshore Otway	–	–	–	–	–
Bass Basin	–	–	–	–	–
Perth Basin	–	–	–	–	–
Bonaparte Basin	–	–	–	–	–
Beetaloo Basin	–	–	–	–	–
Browse Basin	–	–	–	–	–
New Zealand – Offshore	1	–	–	1	–
New Zealand – Onshore	–	–	–	–	–
Vietnam	–	–	–	–	–
Other	–	–	–	–	–
Total	**23**	**79**	**1,007**	**1,109**	**1,108**

SALES VOLUME BY ASSET

		Sales Volume (PJe)	
		1 July – 30 June	
Area/Basin	Region	2014	2013
Cooper Basin	South Australia/Queensland	24.3	23.3
Surat Basin	Queensland	0.1	0.1
Denison Trough	Queensland	0.5	0.6
Peat	Queensland	1.1	1.0
Fairview	Queensland	6.6	6.0
Spring Gully	Queensland	17.6	14.9
Kenya/Bellevue/Kenya East	Queensland	9.4	8.2
Talinga/Orana	Queensland	14.3	13.9
Condabri	Queensland	0.1	0.0
Perth Basin gas	Western Australia	3.3	4.0
Perth Basin oil	Western Australia	0.0	0.1
Bass Project	Tasmania	10.2	6.2
Otway Gas Project	Victoria/Tasmania	45.7	37.6
Kupe	New Zealand	18.5	15.4
Taranaki Basin (Onshore)	New Zealand	0.8	1.2
Total		**152.6**	**132.5**

ANNUAL RESERVES STATEMENT

This Annual Reserves Statement provides an update on the reserves and resources of Origin Energy Limited and its share of Australia Pacific LNG, as at 30 June 2014. The data is compared with and reconciled to the position at 30 June 2013.

Origin proved plus probable (2P) reserves increased by 272 PJe (after production) to a total of 6,473 PJe, when compared to 30 June 2013. The key changes in 2P reserves include:

- 312 PJe net increase within Australia Pacific LNG.
- 94 PJe net increase due to Ironbark revisions.
- 8 PJe increase due to other net revisions and extensions.
- 142 PJe decrease due to production.

Australia Pacific LNG 2P reserves increased by 709 PJe after production (to a total of 14,091 PJe) when reconciled to end June 2013, a 5 per cent increase. Origin's effective interest in Australia Pacific LNG is 37.5 per cent.

SUMMARY OF 2P RESERVES

Table 1 reconciles the 2P reserves reported at 30 June 2013.

Table 1: Origin 2P reserves (by area)

Reserves (2P) by area (PJe)	2P 30 June 2013	Acquisition/ Divestment	New Booking/ Discovery	Production	Revisions/ Extensions	2P 30 June 2014
Australia Pacific LNG						
Surat/Bowen (Unconventional)	5,006	3	–	(46)	312	5,276
Denison	12	–	–	(0)	(3)	9
Cooper Basin						
SA Cooper Basin	233	–	–	(12)	(7)	214
SWQ Cooper Basin	67	–	–	(6)	(4)	58
Other Onshore Australia						
Western Australia	27	–	–	(3)	0	23
Surat Basin	0	–	–	(0)	(0)	0
Ironbark (Unconventional)	165	–	–	–	94	259
Australia Offshore						
Otway Basin	337	–	33	(46)	–	325
Bass Basin	144	–	–	(10)	(5)	129
New Zealand						
Onshore Taranaki	20	–	–	(1)	(9)	10
Offshore Taranaki (Kupe)	189	–	–	(19)	–	170
Total	**6,201**	**3**	**33**	**(142)**	**378**	**6,473**

During the year, significant changes were recorded in the following areas:

- Australia Pacific LNG – 2P reserves increased by 266 PJe (to 5,284 PJe) with 309 PJe for revisions and extension, 3 PJe for an acquisition and 46 PJe of production.
- Cooper Basin – 2P reserves decreased by 29 PJe (to 272 PJe) based on an 11 PJe change due to revised field development plans and 18 PJe of production.
- Ironbark (ATP788P) – 2P reserves increased by 94 PJe (to 259 PJe) based on positive drilling results during the year. Additionally, 3P reserves decreased by 13 PJe (to 869 PJe) and 2C contingent resources increased by 10 PJe (to 38 PJe).
- Otway Basin – 2P reserves decreased by 12 PJe (to 325 PJe) due to a 33 PJe new booking to Halladale as the project matures and 46 PJe of production.

Minor revisions to reserves occurred in other areas as additional data and technical studies are incorporated into forward estimates. Around 86 per cent of 2P reserves are unconventional.

ANNUAL RESERVES STATEMENT

Table 2: Origin 2P reserves (by product and development type)

2P reserves	Gas (PJ)	LPG (kT)	Condensate (kbbl)	Oil (kbbl)	Total (PJe)	Total (PJe) Developed	Total (PJe) Undeveloped
Australia Pacific LNG							
Surat/Bowen (Unconventional)	5,276	–	–	–	**5,276**	746	4,529
Denison	9	–	13	–	**9**	9	–
Cooper Basin							
SA Cooper Basin	168	343	2,661	2,498	**214**	98	117
SWQ Cooper Basin	49	55	547	454	**58**	21	36
Other Onshore Australia							
Western Australia	23	–	16	–	**23**	23	–
Surat Basin	–	–	–	57	**0**	0	–
Ironbark (Unconventional)	259	–	–	–	**259**	–	259
Australia Offshore							
Otway Basin	276	543	4,061	–	**325**	204	121
Bass Basin	94	307	3,529	6	**129**	14	114
New Zealand							
Onshore Taranaki	1	2	–	1,475	**10**	4	6
Offshore Taranaki (Kupe)	117	502	5,180	–	**170**	107	63
Total	**6,274**	**1,752**	**16,007**	**4,490**	**6,473**	**1,227**	**5,245**

Table 3: Origin 2P reserve changes (by product)

	Gas (PJ)	LPG (kT)	Condensate (kbbl)	Oil (kbbl)	Total (PJe)
2P (30 June 2013)	5,980	1,935	17,900	4,925	**6,201**
Acquisition/divestment	3	0	0	0	**3**
New bookings/discoveries	29	48	355	0	**33**
Production	(122)	(159)	(1,828)	(383)	**(142)**
Revisions/extensions	384	(72)	(419)	(53)	**378**
2P (30 June 2014)	**6,274**	**1,752**	**16,007**	**4,490**	**6,473**
Change	294	(183)	(1,893)	(436)	**272**
Change (%)	5	(9)	(11)	(9)	**4**

ANNUAL RESERVES STATEMENT

SUMMARY OF 1P RESERVES

Origin proved (1P) reserves increased by 291 PJe (after production) to a total of 2,218 PJe, when compared to 30 June 2013. Table 4 reconciles the 1P reserves reported at 30 June 2013. Around 77 per cent of 1P reserves are unconventional.

Table 4: Origin 1P reserves (by area)

Reserves (1P) by area (PJe)	1P 30 June 2013	Acquisition/ Divestment	New Booking /Discovery	Production	Revisions/ Extensions	1P 30 June 2014
Australia Pacific LNG						
Surat/Bowen (Unconventional)	1,361	3	–	(46)	394	**1,712**
Denison	8	–	–	(0)	(2)	**6**
Cooper Basin						
SA Cooper Basin	93	–	–	(12)	5	**86**
SWQ Cooper Basin	31	–	–	(6)	(1)	**25**
Other Onshore Australia						
Western Australia	16	–	–	(3)	0	**13**
Surat Basin	0	–	–	(0)	(0)	**0**
Ironbark (Unconventional)	–	–	–	–	–	**–**
Australia Offshore						
Otway Basin	183	–	30	(46)	–	**168**
Bass Basin	98	–	–	(10)	3	**90**
New Zealand						
Onshore Taranaki	3	–	–	(1)	1	**3**
Offshore Taranaki (Kupe)	134	–	–	(19)	–	**116**
Total	**1,927**	**3**	**30**	**(142)**	**400**	**2,218**

Table 5: Origin 1P reserves (by product and development type)

1P reserves	Gas (PJ)	LPG (kT)	Condensate (kbbl)	Oil (kbbl)	Total (PJe)	Total (PJe)	
						Developed	Undeveloped
Australia Pacific LNG							
Surat/Bowen (Unconventional)	1,712	–	–	–	**1,712**	746	966
Denison	6	–	9	–	**6**	6	–
Cooper Basin							
SA Cooper Basin	69	127	978	893	**86**	34	52
SWQ Cooper Basin	22	21	217	184	**25**	14	11
Other Onshore Australia							
Western Australia	13	–	8	–	**13**	13	–
Surat Basin	–	–	–	31	**0**	0	–
Ironbark (Unconventional)	–	–	–	–	**–**	–	–
Australia Offshore							
Otway Basin	142	290	2,159	–	**168**	113	55
Bass Basin	66	207	2,483	1	**90**	20	70
New Zealand							
Onshore Taranaki	0	0	–	529	**3**	1	2
Offshore Taranaki (Kupe)	80	342	3,438	–	**116**	98	18
Total	**2,110**	**988**	**9,291**	**1,638**	**2,218**	**1,044**	**1,174**

ANNUAL RESERVES STATEMENT

Table 6: Origin 1P reserve changes (by product)

	Gas (PJ)	LPG (kT)	Condensate (kbbl)	Oil (kbbl)	Total (PJe)
1P (30 June 2013)	1,804	1,104	10,626	1,824	**1,927**
Acquisitions/divestments	3	0	0	0	**3**
New bookings/discoveries	26	44	322	0	**30**
Production	(122)	(159)	(1,828)	(383)	**(142)**
Revisions/extensions	398	0	172	196	**400**
1P (30 June 2014)	2,110	988	9,291	1,638	**2,218**
Change	305	(116)	(1,335)	(186)	**291**
Change (%)	17	(10)	(13)	(10)	**15**

AUSTRALIA PACIFIC LNG RESERVES AND RESOURCES

Reserves and resources held by 100 per cent Australia Pacific LNG have been prepared independently by NSAI (Netherland, Sewell & Associates, Inc.). The reserves and resources data are based on technical, commercial and operational information provided by Origin on behalf of Australia Pacific LNG.

Table 7 provides 1P, 2P and 3P reserves and 2C resources for Australia Pacific LNG (100 per cent) and Table 8 shows Origin's 37.5 per cent interest in these Australia Pacific LNG reserves and resources.

Table 7: Reserves/resources held by Australia Pacific LNG (100 per cent share)

Reserves (PJe)	30 June 2013 Reserves	Acquisition/ Divestment	New Booking/ Discoveries	Production	Revisions/ Extensions	30 June 2014 Reserves
1P	3,649	8	0	(123)	1,046	**4,581**(1)
2P	13,382	8	0	(123)	824	**14,091**(1)
3P	16,155	8	0	(123)	1,420	**17,459**(1)
Resources (PJe)	**Resources**					**Resources**
2C	3,644	0	0	0	(965)	**2,679**(1)

(1) Includes: 15, 23, 34 and 8 PJe, for 1P, 2P, 3P and 2C, respectively, for conventional reserves in Denison Trough.

Table 8: Reserves/resources held by Origin (37.5 per cent share in Australia Pacific LNG)

Reserves (PJe)	30 June 2013 Reserves	Acquisition/ Divestment	New Booking/ Discoveries	Production	Revisions/ Extensions	30 June 2014 Reserves
1P	1,369	3	0	(46)	392	**1,718**(1)
2P	5,018	3	0	(46)	309	**5,284**(1)
3P	6,058	3	0	(46)	532	**6,547**(1)
Resources (PJe)	**Resources**					**Resources**
2C	1,367	0	0	0	(362)	**1,005**(1)

(1) Includes: 6, 9, 13 and 3 PJe, for 1P, 2P, 3P and 2C, respectively, for conventional reserves in Denison Trough.

The increase in Australia Pacific LNG 2P reserves was driven by results of Australia Pacific LNG's exploration and appraisal program in addition to extensive development drilling as part of the Phase 1 project.

Some 99.6 per cent and 99.8 per cent of Australia Pacific LNG 1P and 2P reserves are unconventional respectively.

NOTES RELATING TO THE ANNUAL RESERVES STATEMENT

(A) Methodology regarding Reserves and Resources

The Reserves Report has been prepared to be consistent with the Petroleum Resources Management System (PRMS) 2007 published by the Society of Petroleum Engineers (SPE). This document may be found at the SPE website: spe.org/spe-app/spe/industry/reserves/. Additionally, this Reserves Report has been prepared to be consistent with the ASX reporting guidelines.

The conventional (non-CSG) reserves estimates are prepared by employees who are qualified petroleum reserves and resource evaluators working in each of our assets utilising an Origin approved Reserves and Resources Process.

An independent assessment of our CSG reserves, which include the ATP 788P (Ironbark) permit and reserves held by Australia Pacific LNG, has been undertaken by NSAI. For these assets Origin reports NSAI's independent estimate of three categories of reserves and resources consistent with the SPE guidelines, as follows: proved reserves (1P); proved plus probable reserves (2P); proved plus probable plus possible reserves (3P); best estimate contingent resource (2C).

Origin does not intend to report Prospective or Undiscovered Resources as defined by the SPE in any of its areas of interest on an ongoing basis.

(B) Economic test for reserves

The assessment of reserves requires a commercial test to establish that reserves can be economically recovered. Within the commercial test, operating cost and capital cost estimates are combined with fiscal regimes and product pricing to confirm the economic viability of producing the reserves.

In the case of oil, condensate and LPG forward estimates of prices are used in line with the forward curves available through various international benchmarking agencies, appropriately adjusted for local market conditions.

Gas reserves are assessed against existing contractual arrangements, local market conditions, as appropriate. In the case of gas reserves where contracts are not in place a forward price scenario based on monetisation of the reserves through domestic markets has been used, including power generation opportunities, direct sales to LNG and other end users and utilisation of Origin's wholesale and retail channels to market.

For CSG reserves that are intended to supply the Australia Pacific LNG-CSG to LNG project, the economic test is based on gas prices calculated using the Residual Pricing Method (RPM). The RPM mechanism is used within the Petroleum Resource Rent Tax (PRRT) regime to determine an appropriate transfer price for integrated gas to liquids projects.

RPM applies the same rate of return to the upstream and downstream businesses of the Australia Pacific LNG project, and divides residual profit equally between the businesses. The residual profit is a function of the upstream "cost plus" and the downstream "net back" prices. The residual price is exposed to changes in the supply/demand balance in the market through the oil price-linked LNG contract, as well as other market forces through the long term bond rate.

(C) Reversionary Rights

Origin's interests in exploration and production tenements (held directly or indirectly) may change from time to time and some of Australia Pacific LNG's CSG tenements are subject to commercial arrangements under which, after the recovery of acquisition, royalty, development and operating costs, plus an uplift on development and operating costs, a portion of some of the interests may revert to previous holders of the tenements. Origin has assessed the potential impact of reversionary rights associated with such interests based on economic tests consistent with these reserves and based on that assessment does not consider that reversionary rights will impact the reserves quoted within this report.

(D) Information regarding the preparation of this Reserves Report

The internationally recognised petroleum consultant NSAI has prepared assessments of the reserves and resources for Australia Pacific LNG and the Ironbark asset based on technical, commercial and operational data provided by Origin on behalf of Australia Pacific LNG.

The statements in this Report relating to reserves and resources as of 30 June 2014, for Australia Pacific LNG and the Ironbark asset are based on information in the NSAI reports dated 24 July 2014 and 18 July 2014, respectively. The data has been compiled by Mr Dan Paul Smith, a full-time employee of NSAI. Mr Dan Paul Smith has consented to the statements based on this information and to the form and context in which these statements appear.

The statements in this Report relating to reserves and resources for other assets have been compiled by Andrew Mayers, a full-time employee of Origin. Andrew Mayers is a qualified reserves and resources evaluator and has consented to the form and context in which these statements appear.

(E) Rounding

Information on reserves is quoted in this report rounded to the nearest whole number. Some totals in tables in this report may not add due to rounding. Items that round to zero are represented by the number 0, while items that are actually zero are represented with a dash "–".

ANNUAL RESERVES STATEMENT

(F) Abbreviations

bbl	Barrel
Bscf	billion standard cubic feet
CSG	coal seam gas
kbbls	kilo barrels = 1,000 barrels
kT	kilo tonnes = 1,000 tonnes
mmboe	million barrels of oil equivalent
PJ	petajoule = 1 x 10^{15} joules
PJe	petajoule equivalent

(G) Conversion Factors for PJe

Crude oil	0.00583 PJ/kbbls = 5.83 PJ / mmboe
Condensate	0.00541 PJ/kbbls
LPG	0.0493 PJ/kT
CSG	1.038 PJ/Bscf

(H) Reference Point

Reference points for Origin's petroleum reserves and contingent resources are defined points within Origin's operations where normal exploration and production business ceases, and quantities of the produced product are measured under defined conditions prior to custody transfer. Fuel, flare and vent consumed to the reference points are excluded.

(I) Preparing and Aggregating Petroleum Resources

Petroleum reserves and contingent resources are typically prepared by deterministic methods with the support from probabilistic methods. Petroleum reserves and contingent resources are aggregated by arithmetic summation by category and as a result, proved reserves may be a conservative estimate due to the portfolio effects of the arithmetic summation. Proved plus probable plus possible may be an optimistic estimate due to the same aforementioned reasons.

(J) Methodology and Internal Controls

The reserves estimates undergo an assurance process to ensure that they are technically reasonable given the available data and have been prepared according to our reserves and resources process, which includes adherence to the PRMS Guidelines. The assurance process includes peer reviews of the technical and commercial assumptions. The annual reserves report is reviewed by management with the appropriate technical expertise, including Chief Petroleum Engineer and Upstream General Managers.

(K) Qualified Petroleum Reserves and Resources Evaluators

The material presented in this report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of the listed qualified reserves and resources evaluators. These individuals have consented to the statements based on this information, and to the form and context in which these statements appear.

Name	Employer	Professional Organisation*
Andrew Mayers	Origin Energy (Chief Petroleum Engineer)	SPE, APEGA, RPEQ
Chung Chen	Origin Energy	SPE, EA, RPEQ
Samantha Phillips	Origin Energy	APEGA
Simon Smith	Origin Energy	SPE
Reneke van Soest	Origin Energy	SPE
Jocelyn Young	Origin Energy	SPE
David MacDougal	Origin Energy	SPE

* SPE: Society of Petroleum Engineers; AAPG: American Association of Petroleum Geologists; APEGA: The Association of Professional Engineers and Geoscientists of Alberta; EA: Engineers of Australia; RPEQ: Board of Professional Engineers Queensland

FIVE YEAR FINANCIAL HISTORY

	2014	2013	2012	2011	2010
Income Statement ($million)					
Total external revenue	14,518	14,747	12,935	10,344	8,534
Underlying:					
EBITDA	2,139	2,181	2,257	1,782	1,346
Depreciation and amortisation expense	(732)	(695)	(614)	(539)	(408)
Share of interest, tax, depreciation and amortisation of equity accounted investees [(1)]	(54)	(48)	(45)	(49)	(42)
EBIT	1,353	1,438	1,598	1,194	896
Net financing costs	(192)	(255)	(217)	(143)	(13)
Income tax expense	(342)	(339)	(415)	(316)	(232)
Non-controlling interests' share of Underlying profit	(106)	(84)	(73)	(62)	(66)
Segment result and Underlying consolidated profit	713	760	893	673	585
Impact of items excluded from segment result and Underlying consolidated profit net of tax	(183)	(382)	87	(487)	27
Statutory:					
Profit attributable to members of the parent entity	530	378	980	186	612
Statement of financial position ($million)					
Total Assets	31,139	29,589	28,071	26,900	21,834
Net Debt	9,134	6,808	5,522	4,060	2,663
Shareholders' equity – members/parent entity interest	13,444	13,283	13,094	12,232	10,249
Adjusted net debt/(cash) [(2)]	9,138	7,037	5,738	4,283	2,835
Shareholders' equity – total	15,129	14,794	14,458	13,516	11,438
Cash flow and capital expenditure ($million)					
Group operating cash flow after tax (OCAT) [(3)]	2,041	1,142	1,781	1,585	965
Free cash flow [(2)]	1,599	1,188	1,415	1,316	800
Capital expenditure	1,012	1,172	1,680	4,954	3,027
Stay-in-business	309	267	194	203	179
Growth	699	905	1,561	1,626	1,664
Acquisitions	4	–	(75)	3,125	1,184
Productive Capital [(2)]	16,577	15,783	14,523	11,571	8,423
Group OCAT Ratio (%) [(2)]	11.5	6.4	11.5	13.0	10.9
Key ratios					
Statutory basic earnings per share (cents) [(4)]	48.1	34.6	90.6	19.6	67.7
Underlying basic earnings per share (cents) [(4)]	64.8	69.5	82.6	71.0	64.8
Free cash flow per share (cents)	144.9	108.2	129.9	123.6	90.8
Total dividend per share (cents)	50	50	50	50	50
Net debt to net debt plus equity (%) [(2)]	38	32	28	23	19
Underlying EBITDA by segment ($million)					
Energy Markets	1,053	1,333	1,562	1,174	807
Exploration and Production	487	395	322	268	209
Australia Pacific LNG	83	60	54	63	45
Contact Energy	533	435	400	345	346
Corporate	(17)	(42)	(81)	(68)	(61)
General information [(5)]					
Number of employees	6,701	5,658	5,941	5,213	4,392
2P reserves (PJe) [(6)]	6,473	6,201	6,807	7,041	6,207
Product sales volumes (PJe)	153	133	140	150	117
Natural gas and Ethane (PJ)	123	110	118	128	97
Crude oil (kbbls)	2,036	1,462	1,286	1,067	1,209
Condensate/naphtha (kbbls)	1,843	1,548	1,563	1,792	1,245
LPG (kT)	160	113	119	136	92
Production volumes (PJe)	142	123	130	135	104
Generation (MW) – owned and contracted	6,010	5,930	5,900	5,310	1,620
Generation dispatched (TWh)	17.20	15.70	14.89	9.56	2.36
Number of customers ('000)	4,295	4,293	4,359	4,502	2,938
Electricity	2,876	2,917	3,014	3,214	1,721
Natural gas	1,036	998	963	923	868
LPG	383	378	382	365	349
Electricity (TWh)	38	42	43	34	30
Natural gas sold (PJ)	108	127	130	142	135
LPG sold (kT)	386	437	502	476	491
Weighted average number of shares [(4)]	1,101,015,692	1,093,837,731	1,081,691,687	947,741,899	903,353,998

(1) Origin discloses its equity accounted results in two lines 'share of EBITDA of equity accounted investees' included in EBITDA and 'share of interest, tax, depreciation and amortisation of equity accounted investees' included between EBITDA and EBIT.

(2) Refer to Glossary on page 130.

(3) Group OCAT is calculated from Underlying EBITDA as the primary source of cash contribution, but adjusted for stay-in-business capital expenditure, changes in working capital, non cash items and tax paid.

(4) FY2010 data has been restated for the bonus element of the rights issue completed in April 2011.

(5) General information excluding Contact Energy.

(6) Includes Origin's share of Australia Pacific LNG reserves. Shareholding was 50 per cent at 30 June 2009 and 42.5 per cent at 30 June 2012. Origin's share post-Sinopec completion on 12 July 2012 is 37.5 per cent.

GLOSSARY AND INTERPRETATION

FINANCIAL MEASURES

Statutory Financial Measures

Statutory Financial Measures are measures included in the Financial Statements for the Origin Consolidated Group, which are measured and disclosed in accordance with applicable Australian Accounting Standards. Statutory Financial Measures also include measures that have been directly calculated from, or disaggregated directly from financial information included in the Financial Statements for the Origin Consolidated Group.

Term	Meaning
Net Debt	Total current and non-current interest bearing liabilities only, less cash and cash equivalents.
Non-controlling interest	Economic interest in a controlled entity of the consolidated entity that is not held by the Parent entity or a controlled entity of the consolidated entity.
Shareholders' Equity	Shareholders' residual interest in the assets of the consolidated entity after deducting all liabilities, including non-controlling interests.
Statutory EBIT	Earnings before interest and tax (EBIT) as calculated from the Origin Consolidated Financial Statements.
Statutory EBITDA	Earnings before interest, tax, depreciation and amortisation (EBITDA) as calculated from the Origin Consolidated Financial Statements.
Statutory effective tax rate	Statutory income tax expense divided by Statutory Profit before tax.
Statutory earnings per share	Statutory Profit divided by weighted average number of shares.
Statutory income tax expense	Income tax expense as disclosed in the Income Statement of the Origin Consolidated Financial Statements.
Statutory net financing costs	Interest expense net of interest income as disclosed in the Origin Consolidated Financial Statements.
Statutory Profit	Net profit after tax and non-controlling interests as disclosed in the Income Statement of the Origin Consolidated Financial Statements.
Statutory Profit before tax	Profit before tax as disclosed in the Income Statement of the Origin Consolidated Financial Statements.
Statutory share of ITDA	The consolidated entity's share of interest, tax, depreciation and amortisation (ITDA) of equity accounted investees as disclosed in the Origin Consolidated Financial Statements.

Non-IFRS Financial Measures

This document includes certain Non-IFRS Financial Measures. Non-IFRS Financial Measures are defined as financial measures that are presented other than in accordance with all relevant Accounting Standards. Non-IFRS Financial Measures are used internally by management to assess the performance of Origin's business, and to make decisions on allocation of resources. The Non-IFRS Financial Measures have been derived from Statutory Financial Measures included in the Origin Consolidated Financial Statements, and are provided in this report, along with the Statutory Financial Measures to enable further insight and a different perspective into the financial performance, including profit and loss and cash flow outcomes, of the Origin business.

The principle non-IFRS profit and loss measure of Underlying Profit has been reconciled to Statutory Profit on page 12. The key Non-IFRS Financial Measures included in this report are defined below.

Term	Meaning
Adjusted Net Debt	Net Debt adjusted to remove fair value adjustments on borrowings in hedge relationships.
Free cash flow	Cash available to fund distributions to shareholders and growth capital expenditure.
Free cash flow per share	Free cash flow divided by the closing number of shares on issue.
Gearing Ratio	Net Debt divided by Net Debt plus Shareholders' Equity.
Gross Margin	Gross profit divided by Revenue.
Gross Profit	Revenue less cost of goods sold.
Group OCAT	Group Operating cash flow after tax (OCAT) of the consolidated entity (including Origin's share of Australia Pacific LNG OCAT).
Group OCAT Ratio	(Group OCAT – interest tax shield)/Productive Capital.
Interest tax shield	The tax deduction for interest paid.
Operating cash flow	Operating cash flow before tax.
Operating cash flow return (OCFR)	Operating cash flow/Productive Capital excluding tax balances.
Prior year	Twelve month period ended 30 June 2013.
Productive Capital	Funds employed including Origin's share of Australia Pacific LNG and excluding capital works in progress for projects under development which are not yet contributing to earnings. Calculated on a rolling 12 month basis.
Share of ITDA	Share of interest, tax, depreciation and amortisation (ITDA) of equity accounted investees.
Total Segment Revenue	Total revenue for the Energy Markets, Exploration & Production, LNG, Contact Energy and Corporate segments, including inter-segment sales, as disclosed in note 2 of the Origin Consolidated Financial Statements.
Underlying average interest rate	Underlying interest expense for the current year divided by Origin's average drawn debt during the current year (excluding funding related to Australia Pacific LNG).

GLOSSARY AND INTERPRETATION

Term	Meaning
Underlying profit and loss measures: — **Consolidated Profit/Segment Result** — **Depreciation and Amortisation** — **EBIT** — **EBIT margin** — **EBITDA** — **Effective tax rate** — **EPS** — **Income tax expense/benefit** — **Net financing costs/income** — **Non-controlling interests** — **Profit before tax** — **Share of ITDA**	Underlying measures are measures used internally by management to assess the profitability of the Origin business. The Underlying profit and loss measures are derived from the equivalent Statutory Profit measures disclosed in the Consolidated Financial Statements and exclude the impact of certain items that do not align with the manner in which the Managing Director reviews the financial and operating performance of the business. Underlying EBIT, Underlying EBITDA, Segment Result and Underlying Profit are disclosed in note 2 of the Origin Consolidated Financial Statements. Underlying EPS is disclosed in note 32 of the Origin Consolidated Financial Statements.

Non-Financial Terms

Term	Meaning
1P reserves	Proved Reserves are those reserves which analysis of geological and engineering data can be estimated with reasonable certainty to be commercially recoverable. There should be at least a 90 per cent probability that the quantities actually recovered will equal or exceed the estimate.
2P reserves	The sum of Proved plus Probable Reserves. Probable Reserves are those reserves which analysis of geological and engineering data indicate are less likely to be recovered than Proved Reserves but more certain than Possible Reserves. There should be at least a 50 per cent possibility that the quantities actually recovered will equal or exceed the best estimate of Proved plus Probable Reserves (2P).
3P reserves	Proved plus Probable plus Possible Reserves. Possible Reserves are those additional Reserves which analysis of geological and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have at least a 10 per cent probability of exceeding the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario.
2C resources	The best estimate quantity of petroleum estimated to be potentially recoverable from known accumulations by application of development oil and gas projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. The total quantities ultimately recovered from the project have at least a 50 per cent probability to equal or exceed the best estimate for 2C contingent resources.
Capacity factor	A generation plant's output over a period compared with the expected maximum output from the plant in the period based on 100 per cent availability at the manufacturer's operating specifications.
Discounting	For Energy Markets, discounting refers to offers made to customers at a reduced price to the published tariffs. While a customer bill comprises a fixed and a variable portion, Origin's discounts only apply to the variable portion. In some cases, these discounts are conditional, such as requiring direct debit payment or on-time payments.
Equivalent reliability factor	Equivalent reliability factor is the availability of the plant after scheduled outages.
GJ	Gigajoule = 10^9 joules
GJe	Gigajoules equivalent = 10^{-6} PJe
Joule	Primary measure of energy in the metric system.
kT	Kilo tonnes = 1,000 tonnes
kW	Kilowatt = 10^3 watts
kWh	Kilowatt hour = standard unit of electrical energy representing consumption of one kilowatt over one hour.
MW	Megawatt = 10^6 watts
MWh	Megawatt hour = 10^3 kilowatt hours
Netback	For Contact Energy is calculated by deducting the network, meter, levy and cost to serve costs from the retail customer tariffs.
Oil Sale Agreements	Agreements to sell a portion of future oil and condensate production from July 2015 for 72 months at prices linked to the oil forward pricing curve at the agreement date.
PJ	Petajoule = 10^{15} joules
PJe	Petajoules equivalent = an energy measurement Origin uses to represent the equivalent energy in different products so the amount of energy contained in these products can be compared. The factors used by Origin to convert to PJe are: 1 million barrels crude oil = 5.8 PJe; 1 million barrels condensate = 5.4 PJe; 1 million tonnes LPG = 49.3 PJe; 1 TWh of electricity = 3.6 PJe.
TW	Terawatt = 10^{12} watts
TWh	Terawatt hour = 10^9 kilowatt hours
Watt	A measure of power when one ampere of current flows under one volt of pressure.

GLOSSARY AND INTERPRETATION

Interpretation

All comparable results reflect a comparison between the current year and the prior year ended 30 June 2013, unless specifically stated otherwise.

A reference to Contact Energy is a reference to Origin's controlled entity (53.1 per cent ownership) Contact Energy Limited in New Zealand. In accordance with Australian Accounting Standards, Origin consolidates Contact Energy within its result.

A reference to Australia Pacific LNG or APLNG is a reference to Australia Pacific LNG Pty Ltd in which Origin had a 50 per cent shareholding until 9 August 2011, when completion of a share subscription agreement between Australia Pacific LNG and Sinopec resulted in a dilution in Origin's shareholding to 42.5 per cent. This shareholding was subsequently diluted to 37.5 per cent upon completion of Sinopec's increased share subscription in Australia Pacific LNG on 12 July 2012. Origin's shareholding in Australia Pacific LNG is equity accounted.

A reference to the NSW acquisition or NSW energy assets is a reference to the Integral Energy and Country Energy retail businesses and the Eraring GenTrader arrangements acquired by Origin in March 2011. The Eraring Energy GenTrader arrangements were settled as part of the acquisition of the Eraring Power Station completed on 1 August 2013.

A reference to $ is a reference to Australian dollars unless specifically marked otherwise.

All references to debt are a reference to interest bearing debt only (excludes Australia Pacific LNG shareholder loans).

Individual items and totals are rounded to the nearest appropriate number or decimal. Some totals may not add down the page due to rounding of individual components.

When calculating a percentage change, a positive or negative percentage change denotes the mathematical movement in the underlying metric, rather than a positive or a detrimental impact.

Percentage changes on measures for which the underlying numbers change from negative to positive, or vice versa, are labelled as not applicable.

DIRECTORY

Origin Energy Limited

Registered office

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Further information about Origin's performance can be found on the website: www.originenergy.com.au

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