

To	Company Announcements Office	Facsimile	1300 300 021
Company	Australian Stock Exchange Limited	Date	16 September 2004
From	Bill Hundy	Pages	133
Subject	ANNUAL ACCOUNTS		

We attach the audited accounts of Origin Energy Limited and controlled entities for the financial year ended 30 June 2004 comprising:

1. the Financial Statements
2. the Concise Annual Report including Directors' Report
3. Notice of Annual General Meeting and Proxy Appointment Form

These documents are being sent to shareholders today.

We confirm that the Company will be treated as having lodged the reports with the Australian Securities and Investments Commission by reason of having given them to you.

Regards

A handwritten signature in black ink, appearing to read "Bill Hundy", written over a horizontal line.

Bill Hundy
Company Secretary

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Strategy
Performance
Growth...

Opportunities

Financial Statements 2004

 **origin**
energy

In our first five years, Origin Energy's strategic focus as an integrated energy business has generated increasing value for shareholders. This approach captures significant opportunities for growth, reduces risk and delivers strong, stable cash flows.

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These are the Financial Statements referred to in the Annual Report.

Statements of Financial Performance

for year ended 30 June

	Note	Consolidated		Origin Energy Limited	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities	3(a)	3,556,015	3,352,303	173,413	153,078
Expenses from ordinary activities excluding borrowing costs	3(b)	(3,249,193)	(3,068,179)	(29,282)	(29,485)
Borrowing costs	3(c)	(49,006)	(50,138)	(105,316)	(84,970)
Share of net profits of associates and joint venture entities accounted for using the equity method		26,012	12,565	–	–
Profit from ordinary activities before related income tax expense		283,828	246,551	38,815	38,623
Income tax expense/(benefit) relating to ordinary activities	4	76,905	80,248	(80,873)	(9,726)
Net profit		206,923	166,303	119,688	48,349
Net profit attributable to outside equity interests		1,982	4,351	–	–
Net profit attributable to members of the parent entity, Origin Energy Limited	22	204,941	161,952	119,688	48,349
Non-owner transaction changes in equity:					
Net decrease in retained profits on the initial adoption of revised AASB 1028 'Employee Benefits'		–	(283)	–	(7)
Net exchange difference relating to self-sustaining foreign operations	21	2,624	(1,779)	–	–
Total revenues, expenses and valuation adjustments attributable to members of Origin Energy Limited recognised directly in equity		2,624	(2,062)	–	(7)
Total changes in equity from non-owner related transactions attributable to members of the parent entity, Origin Energy Limited	22	207,565	159,890	119,688	48,342
Basic earnings per share	38	30.9 cents	24.8 cents		
Diluted earnings per share	38	30.7 cents	24.7 cents		

The Statements of Financial Performance should be read in conjunction with the accompanying notes set out on pages 5 to 57, which form an integral part of the financial statements.

Statements of Financial Position

as at 30 June

	Note	Consolidated		Origin Energy Limited	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current assets					
Cash assets		44,318	16,431	127	37,036
Receivables	6	616,971	621,085	3,563,309	3,008,290
Inventories	7	56,529	53,913	–	–
Other	8	61,466	43,063	4,578	4,159
Total current assets		779,284	734,492	3,568,014	3,049,485
Non-current assets					
Receivables	6	5,451	31,675	300,000	12,173
Investments accounted for using the equity method	9	115,054	55,272	–	–
Other financial assets	10	169,546	170,713	987,253	790,559
Property, plant and equipment	11	1,469,593	1,352,527	2,757	2,021
Exploration, evaluation and development expenditure	12	251,620	154,300	–	–
Intangible assets	13	811,978	777,948	–	–
Deferred tax assets	14	96,680	123,192	95,092	1,342
Other	8	8,140	8,622	20	–
Total non-current assets		2,928,062	2,674,249	1,385,122	806,095
Total assets		3,707,346	3,408,741	4,953,136	3,855,580
Current liabilities					
Payables	15	477,772	475,026	2,216,730	1,664,251
Interest-bearing liabilities	16	113,761	85,522	101,600	25,000
Current tax liabilities	18	2,680	546	1,074	–
Provisions	19	71,886	71,330	20,105	15,840
Total current liabilities		666,099	632,424	2,339,509	1,705,091
Non-current liabilities					
Payables	15	3,838	11,840	–	–
Interest-bearing liabilities	16	791,076	663,012	790,941	663,012
Deferred tax liabilities	18	259,786	243,904	247,604	59
Provisions	19	47,092	67,957	1,703	5,180
Total non-current liabilities		1,101,792	986,713	1,040,248	668,251
Total liabilities		1,767,891	1,619,137	3,379,757	2,373,342
Net assets		1,939,455	1,789,604	1,573,379	1,482,238
Equity					
Contributed equity	20	463,208	418,612	463,208	418,612
Reserves	21	112,241	110,764	5,723	5,723
Retained profits	22	1,356,922	1,223,977	1,104,448	1,057,903
Total parent entity interest		1,932,371	1,753,353	1,573,379	1,482,238
Outside equity interests	23	7,084	36,251	–	–
Total equity	22	1,939,455	1,789,604	1,573,379	1,482,238

The Statements of Financial Position should be read in conjunction with the accompanying notes set out on pages 5 to 57, which form an integral part of the financial statements.

Statements of Cash Flows

for year ended 30 June

	Note	Consolidated		Origin Energy Limited	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash flows from operating activities					
Cash receipts in the course of operations		3,884,454	3,703,004	26,930	26,702
Cash payments in the course of operations		(3,419,007)	(3,193,463)	(32,646)	(17,390)
Dividends/distributions received from associates/ joint venture entities		11,533	10,998	–	–
Other dividends received		684	413	–	18,547
Interest received		2,183	1,832	160,563	121,560
Borrowing costs paid		(53,245)	(50,571)	(101,213)	(85,983)
Income tax refund/(payment)		2,194	(39,619)	(1,698)	(3,888)
Subvention payments		(4,000)	(10,000)	(4,000)	(10,000)
Net cash provided by operating activities	24(d)	424,796	422,594	47,936	49,548
Cash flows from investing activities					
Payments for purchases of property, plant and equipment		(195,644)	(146,776)	(1,075)	(1,433)
Payments for exploration, development and producing areas of interest		(127,395)	(132,454)	–	–
Proceeds from sale of non-current assets		9,377	3,494	29	–
Payment for additional investment in equity accounted entity		(55,619)	–	–	–
Payment for purchase of business	24(e)	–	(131,614)	–	–
Payment for purchase of outside equity interests		(73,944)	–	(73,944)	–
Payments for purchases of controlled entities (net of cash acquired)	24(e)	(25,248)	(93,107)	(114,643)	(89,025)
Payments for purchases of other investments		(11,809)	(459)	(8,037)	–
Loans to equity accounted entities		(27,985)	–	–	–
Net cash used in investing activities		(508,267)	(500,916)	(197,670)	(90,458)
Cash flows from financing activities					
Proceeds from borrowings		582,771	1,092,626	582,771	896,626
Repayments of borrowings		(442,153)	(987,675)	(383,724)	(852,114)
Dividends paid		(34,168)	(25,858)	(33,364)	(23,933)
Proceeds from issues of securities		4,817	5,417	4,817	5,417
Net movement in loans with controlled entities		–	–	(63,158)	58,292
Net cash provided by financing activities		111,267	84,510	107,342	84,288
Net increase/(decrease) in cash held		27,796	6,188	(42,392)	43,378
Cash and cash equivalents at the beginning of the year		16,431	10,551	37,036	(6,342)
Effect of exchange rate changes on cash		91	(308)	–	–
Cash and cash equivalents at the end of the year	24(a)	44,318	16,431	(5,356)	37,036

The Statements of Cash Flows should be read in conjunction with the accompanying notes set out on pages 5 to 57, which form an integral part of the financial statements.

Notes to the Financial Statements

1. Statement of significant accounting policies

Basis of preparation:

The following is a summary of significant accounting policies which have been adopted in the presentation of these financial statements which is a general purpose financial report prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements have been prepared on a historical cost accounting basis. These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Principles of consolidation:

The consolidated financial statements of the consolidated entity include the financial statements of Origin Energy Limited and all entities in which it had a controlling interest. The effects of transactions between entities incorporated in the consolidated financial statements are eliminated. Outside interests in the contributed equity, reserves and results of entities that are under the control of Origin Energy Limited are shown as a separate item in the consolidated financial statements. Where control of entities commenced or ceased during the year, the results are included only from the date control commenced or up to the date control ceased. Associates are those entities, other than partnerships, over which the consolidated entity exercises significant influence and which are not intended for sale in the near future. In the consolidated financial statements, investments in associates are accounted for using equity accounting principles.

Acquisition of assets:

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Receivables:

The collectibility of debts is assessed at balance date and a specific provision is made for any doubtful accounts. Unbilled debtors are net of realisation costs.

Inventories and work in progress:

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost is determined predominantly on the first-in-first-out basis of valuation.

Deferred expenses:

Expenditure is deferred to the extent that it is probable that future economic benefits embodied in the expenditure will eventuate and can be reliably measured. Deferred expenses are amortised on a straight-line basis over the period in which the related benefits are expected to be realised.

Recoverable amount of non-current assets:

The carrying amounts of non-current assets, excluding exploration and development expenditure (refer below), are reviewed at each reporting date to ensure that the carrying amounts are not in excess of recoverable amounts. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the recoverable amount. In assessing recoverable amounts the relevant cash flows are discounted to their present value.

Intangibles:

Goodwill: Goodwill, being the excess of the cost of acquisition incurred over the fair value of the identifiable net assets acquired, is amortised to the Statements of Financial Performance using the straight-line method of calculation over the period of time during which the benefits are expected to arise, but not exceeding twenty years. The unamortised balance of goodwill is reviewed at each reporting date and recognised as an expense in the Statements of Financial Performance to the extent that future benefits are no longer probable. The methodology applied in carrying out the review of the unamortised balance of goodwill does include, but is not limited to, an analysis of expected future cash flows discounted to their present value.

Other intangibles: Other identifiable intangible assets are initially recorded at cost and amortised on a straight-line basis over the useful life of the asset, being the estimated period of time over which the future economic benefits are expected to be realised.

Commodity hedging contracts:

Commodity hedging contracts acquired are recorded at their cost of acquisition at the date of acquisition, being the assessed net fair value at that time. The carrying value of the contracts is amortised over the duration of the contracts in accordance with the pattern of benefits which are expected to be realised.

Exploration and development expenditure:

Exploration, evaluation and development expenditure in relation to separate areas of interest is accumulated and carried forward in the Statements of Financial Position. The ultimate recoupment of exploration and evaluation expenditure is dependent on successful development and/or commercial exploitation of the areas of interest. Each area is reviewed at each reporting date to determine whether expenditure should continue to be carried forward in respect of that area of interest. Where an area of interest is abandoned or there is considered to be a permanent diminution in the value of that area of interest, the costs in respect of that area of interest are written off or a provision is raised for tenement write-down. On commencement of production in an area of interest, accumulated exploration and development expenditure net of any provision for write-down is amortised over the life of the area of interest based on the rate of depletion of the economically recoverable reserves.

Notes to the Financial Statements (continued)

1. Statement of significant accounting policies (continued)

Investments:

Interests in listed and unlisted companies which are not controlled entities, associated entities or joint venture entities are treated as investments and are carried at cost. The carrying values are reviewed at each reporting date to ensure that they do not exceed recoverable amounts. Investments in associates and joint venture entities are accounted for using equity accounting principles. An associate is an entity that the consolidated entity exercises significant influence over. Investments in associates and joint venture entities are carried at the lower of the equity accounted amount and the recoverable amount. The consolidated entity's share of the associates' or joint venture entities' net profit or loss after tax is recognised as revenue in the consolidated Statement of Financial Performance from the date significant influence commences until the date significant influence ceases. Movements in other reserves are recognised directly in consolidated reserves.

Property, plant and equipment:

Items of property, plant and equipment are initially recorded at cost. Depreciation and amortisation are charged at rates which provide for the write-down from cost over the anticipated period of their useful life to the consolidated entity. Predominantly the straight line method of depreciation and amortisation has been used for items of property, plant and equipment.

Leased plant and equipment: Leases of plant and equipment which are classified as finance leases are capitalised and amortised over the period during which benefits are anticipated. Other leases are classified as operating leases and the lease costs are expensed as incurred.

Finance leases:

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by the repayments of principal. The interest components of the lease payments are expensed.

Operating leases:

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight line basis over the period of the incentive.

Joint venture operations:

The consolidated entity's interests in unincorporated joint ventures are brought to account by including its proportionate share of the joint ventures' assets, liabilities and expenses and the consolidated entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Payables:

Liabilities are recognised for amounts to be paid in the future for goods and services received.

Interest-bearing liabilities:

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate in 'trade creditors and accruals'. Borrowings are recognised at their face value. Any premium or discount is booked as prepaid interest and is amortised over the period to maturity.

Employee benefits:

Provision is made in the financial statements for benefits accruing to employees in relation to long service leave and annual leave. The provision for employee benefits for annual leave expected to be settled within 12 months of the year end has been calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at the reporting date including related on-costs. The provision for employee benefits for long service leave represents the present value of the future cash outflows. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using rates at the reporting date that closely match the terms of maturity of related liabilities. The unwinding of the discount is treated as long service leave expense.

Superannuation plans:

Employee contributory superannuation funds exist to provide benefits for employees and their dependents on retirement, disability or death. Contributions are recognised as an expense as payments are made. The company also has an Employer Benefit Account within an industry defined benefit superannuation plan. Where a deficit exists in respect of the defined benefit superannuation plan, the company will provide in full for this deficit only where there is a present obligation to make good the deficit. Any provision raised is released as and when additional contributions are made by the company to make good the shortfall or as and when the defined benefit superannuation plan returns to surplus.

Provisions:

A provision is recognised 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. If the effect is material, a provision is 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 risks specific to the liability, being risk free rates on government bonds most closely matching the expected future payments, except where noted below. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that the recovery will be received and is measured on a basis consistent with the measurement of the related provision. In the Statements of Financial Performance, the expense recognised in respect of a provision is presented net of the recovery.

1. Statement of significant accounting policies (continued)

In the Statements of Financial Position, the provision is recognised net of the recovery receivable only when the entity has a legally recognised right to set-off the recovery receivable and the provision, and intends to settle on a net basis, or to realise the asset and settle the provision simultaneously. A provision for dividend payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

Restoration: Provisions are made for estimated costs relating to the remediation of soil, groundwater and untreated waste as soon as the need is identified. Provisions are made for field site rehabilitation and restoration on an incremental basis during the course of the field life (which includes the field closure phase). Provisions, which are determined on an undiscounted basis, include the following costs: reclamation, plant closure, waste site closure and monitoring activities. These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis. Significant uncertainties exist as to the amount of the restoration obligations that will be incurred due to uncertainty as to the remaining life of existing operating sites and the impact of changes in environmental legislation.

Restructuring and employee termination benefits: A provision for restructuring, including employee termination benefits, related to an acquired entity or operation is recognised at the date of acquisition where the main features of the restructuring were announced, implementation of the restructuring commenced, or contracts were entered into by the date of acquisition, or a detailed formal plan is developed by the earlier of three months after the date of the acquisition and the completion of this financial report. The provision only relates to costs associated with the acquired entity, and is included in the determination of the fair value of the net assets acquired. The provision includes liabilities for termination benefits that will be paid to employees of the acquired entity as a result of the restructuring.

Other provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination benefits has either commenced or been publicly announced, or firm contracts related to the restructuring or termination benefits have been entered into. Costs related to ongoing activities are not provided for. The liabilities for termination benefits that will be paid as a result of the restructuring have been included in the provision for employee benefits.

Onerous contracts: A provision for onerous contracts is recognised after impairment losses on assets dedicated to the contract have been recognised and when the expected benefits are less than the unavoidable costs of meeting the contractual obligations. A provision is recognised to the extent that the contractual obligations exceed unrecognised assets.

Revenue recognition:

Sales revenue: Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to entities outside the consolidated entity. Sales revenue is recognised in accordance with the contractual arrangements where applicable and only once title to the goods passes from the company to the customer or when services have been rendered to the customer and collectibility is reasonably assured. In practice the above revenue recognition approach is applied to the company's business segments as follows:

- ~ Revenue from the sale of oil and gas in the Exploration and Production business segment is recognised when the commodities have been loaded for shipment and title passes to the customer.
- ~ Revenue from electricity and gas supplied by our Retail business segment is recognised once the electricity and gas has been delivered and is measured through a regular review of usage meters.
- ~ The Generation business segment recognises revenues from the generation of electricity when the electricity has been supplied to customers. With effect from 1 July 2002, a tolling arrangement at commercial rates was established between the Retail and Generation business segments in relation to the consolidated entity's three merchant power stations. The external revenue generated by the merchant power stations is now recognised in Retail's revenue while Generation receives a tolling fee from Retail for the capacity provided and costs incurred by these power stations.
- ~ The revenues earned by the Networks business segment for managing gas distribution networks are recognised once the management services are rendered.

Interest revenue: interest revenue is recognised as it accrues.

Asset sales: The gross proceeds of asset sales are included as revenue. The profit or loss on disposal of assets is brought to account at the date that substantially all the risks and benefits of ownership have passed to the purchaser.

Dividends: Revenue from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities. Revenue from dividends from associates and other investments is recognised when dividends are received. Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

Notes to the Financial Statements (continued)

1. Statement of significant accounting policies (continued)

Goods and services tax:

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statements of Financial Position. Cash flows are included in the Statements of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Income tax:

The income statement liability method of tax effect accounting has been adopted whereby income tax expense for the period has been matched with accounting profit after allowing for permanent differences relating to deductibility or assessability for income tax purposes of certain items. No liability has been provided for in the financial statements in respect of possible future capital gains tax that may arise on the disposal of assets. Such a liability is provided for at the time of disposal of assets. Deferred tax assets are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Deferred tax assets in relation to tax losses are only recognised when their realisation is virtually certain. The tax effect of capital losses is not recorded unless their realisation is virtually certain.

The consolidated entity has applied IJG 52 'Income Tax Accounting under the Tax Consolidation System' for the first time at 30 June 2004 with effect from 1 July 2003. The consolidated entity still applies the old (1989) tax standard AASB 1020 'Accounting for Income Tax (Tax-Effect Accounting)'. The impact of entry into the new tax consolidation regime on the consolidated entity is explained in note 4.

Deferred tax balances:

Where assets have had their tax value reset under tax consolidation, the subsidiary-related deferred tax balances recognised in the company and consolidated entity have been determined based on the tax-consolidated group carrying amount for the subsidiaries' assets less the reset tax bases. For other assets and liabilities, the subsidiary-related deferred tax balances recognised in the company and consolidated entity have been determined based on the previous timing differences at the level of the tax-consolidated group.

Borrowing costs:

Borrowing costs include interest, interest rate swap interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange differences net of hedged amounts on borrowings and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to prepare for their intended use or sale, but do not include exploration and evaluation expenditure carried forward relating to areas of interest which have not reached a stage permitting reliable assessment of economic benefits to be made. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is that which is incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed in relation to a qualifying asset, borrowing costs are capitalised using a weighted average capitalisation rate.

Derivatives:

The consolidated entity is exposed to financial risk as a result of fluctuations occurring in interest and foreign exchange rates, electricity prices and certain commodity prices. Accordingly, the consolidated entity uses derivative financial instruments having an off-balance sheet risk to minimise the economic volatility these exposures create. Derivative financial instruments are not held for speculative purposes. Where derivative financial instruments are designated as a hedge of an anticipated transaction, gains and losses on the derivative financial instrument arising up to the date of the anticipated transaction are deferred and included in the measurement of the anticipated transaction when the transaction has occurred. When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the derivative financial instrument are recognised immediately in the Statements of Financial Performance. Option premiums are recorded as prepayments when paid and amortised over the term of the option.

1. Statement of significant accounting policies (continued)

Foreign currencies:

Transactions in foreign currencies are recorded in the financial statements at rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted to Australian dollars at the exchange rates ruling at balance date. Exchange differences arising from amounts receivable and payable are treated as operating revenue or expense in the period in which they arise. Exchange differences in respect of overseas controlled entities that are self-sustaining, resulting from the translation of assets and liabilities at exchange rates ruling at balance date and revenue and expense items at average rates for the period, together with exchange differences in respect of any long term foreign currency borrowings which have been designated as being hedged against the net assets of overseas controlled entities, have been taken to the foreign currency translation reserve on consolidation, net of income tax where applicable.

For foreign currency hedges of specific purchases or sales, the costs (or gains) of entering the hedge and the exchange differences up to the date of the purchase or sale are deferred and recognised as assets or liabilities on the Statements of Financial Position from the inception of the hedge contract. The gains or losses on the foreign currency hedges are included in the measurement of the hedged transaction, when the transaction has occurred.

Equity-based compensation:

Equity-based compensation benefits are provided to employees via the Senior Executive Option Plan, Employee Share Plan and the Executive Share Plan. Further information regarding these plans is provided in note 34. The accounting policies regarding each of these plans is as follows:

- Senior Executive Option Plan: No accounting entries are made in relation to options issued under the options plan until the options are exercised, at which time the proceeds received by the company from the exercise of the options are recognised in the Statements of Financial Position as share capital.
- Employee Share Plan and the Executive Share Plan: Where shares allocated to the benefit of employees are purchased by the company on market, the fair value of the shares is recognised as a liability in the Statements of Financial Position until paid and included in employee benefit costs in the Statements of Financial Performance.

Earnings per share:

Basic earnings per share is determined by dividing net profit after tax attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of financing costs associated with dilutive potential shares and the effect on revenue and expenses of conversion to ordinary shares associated with the dilutive potential ordinary shares, by the weighted average number of shares.

Revisions of accounting estimates:

Revisions to accounting estimates are recognised prospectively in current and future periods only.

Comparative amounts:

Where necessary, the figures for the previous period have been reclassified to facilitate comparison.

Rounding of amounts to the nearest \$'000:

The company is 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 thousand dollars, unless otherwise stated.

International Financial Reporting Standards:

Refer to note 40 for the impact of adopting AASB equivalents of International Financial Reporting Standards.

Changes in accounting policies – prior year:

Provisions, contingent liabilities and contingent assets:

The consolidated entity applied AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' for the first time from 1 July 2002. Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, despite the dividends being announced after the end of that financial year. The adjustments to the financial statements as at 1 July 2002 as a result of this change were an increase of \$19,435,000 in opening retained profits (refer note 22) and a corresponding reduction in the provision for dividend reported in current provisions at the beginning of the previous financial year.

Employee benefits: The consolidated entity applied the revised AASB 1028 'Employee Benefits' for the first time from 1 July 2002. The liability for wages and salaries, annual leave and sick leave is now calculated using the remuneration rates the company expects to pay as at each reporting date, not wage and salary rates current at reporting date. The initial adjustments to the consolidated financial report as at 1 July 2002 as a result of this change were an increase of \$404,000 in provision for employee benefits, a decrease of \$283,000 in opening retained profits, and an increase of \$121,000 in future income tax benefit.

Notes to the Financial Statements (continued)

	Exploration and Production	
	2004 \$'000	2003 \$'000
2. Segments		
(a) Primary reporting– business segments		
Revenue		
Total sales	345,285	330,302
Intersegment sales elimination *	(54,494)	(43,989)
External sales revenue	290,791	286,313
Other revenue	6,612	1,534
Total segment revenue	297,403	287,847
Unallocated revenue		
Revenue from ordinary activities		
Result		
Segment result	105,113	103,272
Share of net profits of associates and joint venture entities	–	–
Earnings before interest and tax (EBIT)	105,113	103,272
Net borrowing costs		
Profit from ordinary activities before income tax expense		
Income tax expense		
Net profit		
Earnings before interest, tax, depreciation and amortisation (EBITDA)	197,180	187,565
Depreciation and amortisation	92,067	84,293
Other non–cash expenses	20,465	23,600
Acquisitions of non–current assets (includes capital expenditure)	367,986	253,604
Assets		
Segment assets	1,285,956	1,081,787
Equity accounted investments	–	–
Total segment assets	1,285,956	1,081,787
Unallocated assets **		
Total assets		
Liabilities		
Segment liabilities	127,297	110,284
Unallocated liabilities **		
Total liabilities		

* Intersegment pricing is determined on an arm's-length basis. Intersegment sales are eliminated on consolidation.

** Unallocated assets consist of cash and deferred tax assets. Unallocated liabilities consist of current and non-current interest-bearing liabilities and current and deferred tax liabilities.

Corporate revenue and expenses are allocated across business segments based on their share of external sales revenue.

Corporate assets and liabilities are allocated across business segments based on their share of total assets and total liabilities.

Industry segments:

Exploration and Production
Retail
Generation
Networks

Products and services:

Natural gas and oil
Natural gas, electricity, LPG, energy related products and services
Natural gas-fired cogeneration and power generation
Infrastructure investment and management services

(b) Secondary reporting– geographical segments

The consolidated entity operates predominantly in Australia. More than 90% of revenue, profit, assets and acquisitions of non-current assets relate to operations in Australia.

Retail		Generation		Networks		Consolidated	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
2,988,882	2,836,474	117,110	97,308	168,098	149,270	3,619,375	3,413,354
-	-	(43,094)	(42,816)	-	-	(97,588)	(86,805)
2,988,882	2,836,474	74,016	54,492	168,098	149,270	3,521,787	3,326,549
5,377	4,681	2,398	1,667	16,250	14,490	30,637	22,372
2,994,259	2,841,155	76,414	56,159	184,348	163,760	3,552,424	3,348,921
						3,591	3,382
						3,556,015	3,352,303
153,094	142,123	22,798	15,677	22,226	21,632	303,231	282,704
2,006	1,694	19,361	10,871	4,645	-	26,012	12,565
155,100	143,817	42,159	26,548	26,871	21,632	329,243	295,269
						(45,415)	(48,718)
						283,828	246,551
						(76,905)	(80,248)
						206,923	166,303
236,231	232,055	69,378	48,258	29,410	23,448	532,199	491,326
81,131	88,238	27,219	21,710	2,539	1,816	202,956	196,057
14,599	10,270	880	694	700	963	36,644	35,527
70,805	169,628	12,997	100,579	56,838	538	508,626	524,349
1,668,986	1,633,050	281,458	309,183	214,894	189,826	3,451,294	3,213,846
156	5,966	57,517	48,956	57,381	350	115,054	55,272
1,669,142	1,639,016	338,975	358,139	272,275	190,176	3,566,348	3,269,118
						140,998	139,623
						3,707,346	3,408,741
434,649	464,108	3,580	12,298	35,062	39,463	600,588	626,153
						1,167,303	992,984
						1,767,891	1,619,137

Notes to the Financial Statements (continued)

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
3. Profit from ordinary activities				
(a) Revenue from ordinary activities				
Revenue from operating activities:				
Revenue from sale of goods	3,353,598	3,176,888	–	–
Revenue from rendering of services	168,189	149,661	–	–
Total sales revenue	3,521,787	3,326,549	–	–
Revenue from outside operating activities*	34,228	25,754	173,413	153,078
Revenue from ordinary activities	3,556,015	3,352,303	173,413	153,078
Share of net profits of associates and joint venture entities	26,012	12,565	–	–
Total revenue	3,582,027	3,364,868	173,413	153,078
*Revenue from outside operating activities:				
Interest received or receivable from:				
Wholly owned controlled entities	–	–	160,439	121,377
Associated entities	1,466	–	–	–
Other parties	2,125	1,420	124	184
	3,591	1,420	160,563	121,561
Dividends received or receivable from:				
Wholly owned controlled entities	–	–	–	11,960
Partly owned controlled entities	–	–	–	6,587
Other parties	684	413	–	–
	684	413	–	18,547
Other distributions received	12,821	12,821	12,821	12,821
Proceeds on sale of non-current assets	9,377	3,494	29	–
Net foreign exchange gain	2,032	669	–	–
Government subsidies received and receivable	1,494	1,293	–	149
Other income	4,229	5,644	–	–
Total revenue from outside operating activities	34,228	25,754	173,413	153,078
(b) Expenses from ordinary activities excluding borrowing costs				
Expenses by nature:				
Raw materials and consumables used, and changes in finished goods and work in progress	2,423,282	2,267,139	–	–
Advertising	25,141	18,448	7	26
Bad and doubtful debts	10,840	6,760	–	–
Consultancy costs	8,816	8,297	3,774	3,655
Contracting costs	130,987	118,533	1,226	1,618
Depreciation and amortisation	202,956	196,057	277	258
Employee expenses	206,199	206,683	19,756	20,244
Exploration and production costs	56,567	57,677	–	–
Motor vehicle expenses	15,949	15,957	474	486
Occupancy expenses	27,441	26,172	2,363	1,604
Repairs and maintenance	14,157	14,854	38	41
Royalties	25,533	26,134	–	–
Administration and other expenses from ordinary activities	101,325	105,468	1,367	1,553
Total expenses from ordinary activities excluding borrowing costs	3,249,193	3,068,179	29,282	29,485

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
3. Profit from ordinary activities (continued)				
(c) Borrowing costs				
Borrowing costs paid or payable to:				
Wholly owned controlled entities	–	–	58,062	39,876
Partly owned controlled entities	–	–	–	207
Other parties	48,944	50,138	47,254	44,887
	48,944	50,138	105,316	84,970
Finance charges on capitalised leases	62	–	–	–
Total borrowing costs expensed	49,006	50,138	105,316	84,970
Borrowing costs capitalised	7,733	861	–	–
(d) Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Cost of goods sold	2,392,194	2,245,899	–	–
Depreciation and amortisation:				
Buildings	1,848	1,198	94	94
Plant and equipment	99,395	92,320	183	164
Leased assets capitalised	156	9	–	–
Producing areas of interest	51,730	46,452	–	–
Commodity hedging contracts	11,305	22,178	–	–
Goodwill	18,581	14,824	–	–
Licences	18,618	17,476	–	–
Other	1,323	1,600	–	–
	202,956	196,057	277	258
Net expense/(income) from movements in provision for:				
Doubtful debts (including bad debts written off)	10,840	6,760	–	–
Unbilled debtor collection costs	(813)	1,603	–	–
Inventories	(314)	(1,235)	–	–
Diminution in value of investments	430	3,352	–	–
Write-down of exploration, development and producing areas of interest	14,910	15,484	–	–
Employee benefits	32,552	23,927	9,603	6,428
Restoration and environmental rehabilitation	1,328	1,314	–	–
Superannuation defined benefit plan deficit	(4,533)	4,533	(4,533)	4,533
Other provisions	3,869	(5,280)	1,710	(1,890)
	58,269	50,458	6,780	9,071
Net foreign exchange loss	–	–	69	180

Notes to the Financial Statements (continued)

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
3. Profit from ordinary activities (continued)				
Exploration and development expenditure written off	535	1,136	–	–
Government royalties paid and payable	20,717	20,424	–	–
Research and development costs	1,223	1,437	–	4
Operating lease rental charges	22,810	20,848	2,532	1,737
Net gain/(loss) on disposal of non-current assets:				
Property, plant and equipment	1,179	(2,522)	(6)	(11)
Investments	1,193	–	–	–
Other assets	120	(5)	–	–
	2,492	(2,527)	(6)	(11)
(e) Individually significant items				
Individually significant expenses included in profit from ordinary activities before income tax expense include:				
Provision for write-down of Cooper Basin producing area of interest	16,212	–	–	–
4. Income tax expense/(benefit) relating to ordinary activities				
Prima facie income tax expense/(benefit) on pre-tax accounting profit:				
– at Australian tax rate of 30%	85,148	73,965	11,645	11,587
– adjustment for difference between Australian and overseas tax rates	202	(7)	–	–
Income tax expense on pre-tax accounting profit at standard rates	85,350	73,958	11,645	11,587
Add/(subtract) tax effect of major items causing permanent differences:				
Non-taxable distributions received	(2,581)	(2,649)	(2,450)	(5,564)
Depreciation and amortisation	15,310	12,615	25	25
Non-deductible provision for write-down of producing areas of interest	4,863	–	–	–
Capital gain/(recoupment of capital losses not previously recognised)	465	(918)	–	–
Tax loss transfers with controlled entities	–	–	(13,373)	(12,101)
Share of net profits of associates	(7,441)	(3,598)	–	–
Under/(over) provision for tax in previous years	384	733	(152)	(1,835)
Other	1,008	272	(1,420)	(1,838)
Individually significant items:				
Tax consolidation benefit #	(1,620)	–	(21,374)	–
Recognition of deferred tax assets not previously brought to account	(53,774)	–	(53,774)	–
Tax losses written off/(recognised)	34,941	(165)	–	–
	(8,445)	6,290	(92,518)	(21,313)
Income tax expense/(benefit) relating to ordinary activities	76,905	80,248	(80,873)	(9,726)

Impact of tax consolidation legislation

Origin Energy Limited has decided to enter the new tax consolidation regime with effect from 1 July 2003. The impact on income tax expense for the current financial year has been disclosed in the tax reconciliation above. The wholly owned controlled entities in the tax consolidated group have fully compensated the parent entity for deferred tax liabilities assumed by the parent entity and have been fully compensated for any deferred tax assets transferred to the parent entity.

The contributing group members have agreed terms to be included in a tax sharing and funding agreement. Under the terms of this agreement, the contributing group members reimburse the parent entity for any current income tax payable by the parent entity arising in respect of their activities. All current and deferred tax balances are recorded in the accounts of Origin Energy Limited, being the head entity in the tax consolidated group, while expenses and revenues arising under the tax sharing agreement are recognised as a component of the income tax expense by each contributing member in proportion to their individual respective profits or losses before income tax expense.

	Note	Consolidated		Origin Energy Limited	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
5. Dividends					
(a) Dividend reconciliation					
Final prior year dividend over provided		–	(1)	–	(1)
Final dividend of 5 cents per share, franked to 2 cents per share at 30%, paid 3 October 2003 (2003: Nil)		33,183	–	33,183	–
Interim dividend of 6 cents per share, fully franked at 30%, paid 18 March 2004 (2003: 5 cents per share, franked to 2 cents per share at 30%, paid 24 March 2003)		39,960	32,655	39,960	32,655
	22	73,143	32,654	73,143	32,654
Restatement adjustment:					
Final dividend previously recognised in the year ended 30 June 2002, now recognised in the year ended 30 June 2003 as a result of the initial adoption of AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' (refer note 1)	22	–	19,435	–	19,435
		73,143	52,089	73,143	52,089
(b) Subsequent event					
Since the end of the financial year the Directors have declared a final dividend of 7 cents per share, fully franked at 30%, payable 15 September 2004.		46,808		46,808	

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2004 and will be recognised in subsequent financial statements.

(c) Dividend franking account

30% franking credits available to shareholders of Origin Energy Limited for subsequent financial years amount to \$21,652,000 (2003: Nil).

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of income tax;
- (b) franking debits that will arise from the payment of dividends provided at year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at year end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Tax consolidation legislation

On 1 July 2003, Origin Energy Limited and its Australian wholly owned controlled entities adopted the Tax Consolidation legislation which requires a tax consolidated group to keep a single franking account. The amount of franking credits available to shareholders of the parent entity (being the head entity in the tax consolidated group) disclosed at 30 June 2004 has been measured under the new legislation as those available from the tax consolidated group.

The comparative information has not been restated for this change in measurement. Had the comparative information been calculated on the new basis, the franking credits available as at 30 June 2003 would have been \$50,633,000.

Notes to the Financial Statements (continued)

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
6. Receivables				
Current				
Trade and accrued debtors	538,852	539,263	—	—
Receivables from associated entities and related parties	25,237	22,958	—	—
	564,089	562,221	—	—
Less: Provision for doubtful debts	11,597	14,347	—	—
	552,492	547,874	—	—
Loans to wholly owned controlled entities	—	—	3,559,195	2,995,215
Other debtors	64,552	73,354	4,114	13,075
Less: Provision for non-recovery	73	143	—	—
	64,479	73,211	4,114	13,075
	616,971	621,085	3,563,309	3,008,290
Non-current				
Loans to wholly owned controlled entities	—	—	300,000	—
Receivables from associated entities	4,463	10,122	—	—
Less: Provision for non-recovery	4,456	3,897	—	—
	7	6,225	—	—
Other debtors	5,444	25,450	—	12,173
	5,451	31,675	300,000	12,173
7. Inventories				
Raw materials and stores at cost	28,489	25,935	—	—
Less: Provision for diminution	551	435	—	—
	27,938	25,500	—	—
Finished goods at cost	27,726	27,485	—	—
Less: Provision for diminution	49	24	—	—
	27,677	27,461	—	—
Work in progress at cost	914	952	—	—
	56,529	53,913	—	—
8. Other assets				
Current				
Prepayments	57,230	42,302	3,062	4,159
Deposits	2,186	52	—	—
Deferred expenses	2,031	709	1,516	—
Other	19	—	—	—
	61,466	43,063	4,578	4,159
Non-current				
Deferred expenses	4,788	8,228	20	—
Prepayments	3,352	394	—	—
	8,140	8,622	20	—

	Note	Consolidated		Origin Energy Limited	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
9. Investments accounted for using the equity method					
Associates	32(a)	21,362	15,096	—	—
Joint venture entities	32(b)	93,692	40,176	—	—
		115,054	55,272	—	—
10. Other financial assets					
Non-current					
Shares in wholly owned controlled entities at cost		—	—	852,202	526,275
Shares in partly owned listed controlled entities at cost ^a		—	—	—	137,270
		—	—	852,202	663,545
Listed shares at cost ^{aa}		22,818	17,654	8,037	—
Less: Provision for diminution in value		6,301	7,416	—	—
		16,517	10,238	8,037	—
Listed stapled securities at cost ^{aaa}		127,014	127,014	127,014	127,014
Other corporations at cost		3,865	6	—	—
Commodity hedging contracts at cost		82,028	82,028	—	—
Less: Accumulated amortisation		59,878	48,573	—	—
		22,150	33,455	—	—
		169,546	170,713	987,253	790,559
^a Market value of shares in partly owned listed controlled entities		—	—	—	390,861
^{aa} Market value of shares in listed corporations (refer note 29(e))		23,017	9,002	14,065	—
^{aaa} Market value of listed stapled securities		143,052	144,402	143,052	144,402

^a Investment in listed stapled securities is comprised of an investment of 17.53% (2003: 18.55%) in Envestra Limited. The principal activities of Envestra Limited are the provision of natural gas haulage services to retailers through the transmission pipelines and distribution networks it owns and manages, and the development of the business through expansion of the existing networks, construction of new networks and acquisitions.

Notes to the Financial Statements (continued)

11. Property, plant and equipment

Land and buildings are carried at cost. The latest independent valuation of land and buildings at 30 June 2002 was on the basis of market value for existing use in respect of specialised property or vacant possession for non-specialised property and property where specialist use had ceased. The majority of sites were valued on the aforementioned basis, however the directors consider that the value of certain land, which is contaminated as a result of prior activities conducted, should take into account the estimated cost of remediation. This cost of remediation is reflected in the provision for remediation. The independent valuation of land and buildings resulted in a valuation of \$61,386,000. The valuation excluded land and buildings located in the Pacific region, land and buildings acquired during the 2002 year, buildings constructed during the 2002 year, and leasehold land and buildings. The valuation related to land and buildings with a written down value of \$41,033,000 at 30 June 2002. As land and buildings are recorded at cost, the valuation has not been brought to account.

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Land and buildings				
At cost	75,831	73,652	376	376
Less: Provision for remediation	22,104	14,920	–	–
Less: Accumulated depreciation and amortisation	9,324	7,201	282	188
Less: Provision for write-down	745	1,249	–	–
	43,658	50,282	94	188
Plant and equipment				
At cost	1,770,870	1,548,076	3,293	2,409
Less: Accumulated depreciation	719,854	597,304	817	697
	1,051,016	950,772	2,476	1,712
Leased plant and equipment capitalised	808	28	–	–
Less: Accumulated amortisation	124	28	–	–
	684	–	–	–
	1,051,700	950,772	2,476	1,712
Producing areas of interest				
At cost	885,189	799,910	187	121
Less: Accumulated amortisation	440,695	382,932	–	–
Less: Provision for write-down	70,259	65,505	–	–
	374,235	351,473	187	121
	1,469,593	1,352,527	2,757	2,021
Class of asset	Average depreciation/ amortisation rate			
Buildings	2.5%	1.7%		
Plant and equipment	6.0%	6.4%		
Producing areas of interest	6.1%	6.2%		

11. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment are set out below.

	2004 \$'000			
	Land and buildings	Plant and equipment	Producing areas of interest	Total
Consolidated				
Carrying amount at the beginning of the financial year	50,282	950,772	351,473	1,352,527
Additions	3,317	213,842	67,204	284,363
Disposals	(1,462)	(888)	–	(2,350)
Additions through acquisition of entities/operations	397	18,491	–	18,888
Depreciation/amortisation expense	(1,848)	(99,551)	(51,730)	(153,129)
Acquisition adjustments	–	(32,320)	18,075	(14,245)
Provision for remediation transfer and movement	(7,185)	–	–	(7,185)
Provision for write-down	–	–	(10,787)	(10,787)
Foreign currency exchange differences	157	1,354	–	1,511
Carrying amount at the end of the financial year	43,658	1,051,700	374,235	1,469,593
Origin Energy Limited				
Carrying amount at the beginning of the financial year	188	1,712	121	2,021
Additions	–	982	66	1,048
Disposals	–	(35)	–	(35)
Depreciation/amortisation expense	(94)	(183)	–	(277)
Carrying amount at the end of the financial year	94	2,476	187	2,757
2003 \$'000				
	Land and buildings	Plant and equipment	Producing areas of interest	Total
Consolidated				
Carrying amount at the beginning of the financial year	43,959	818,061	293,352	1,155,372
Additions	8,163	138,342	106,394	252,899
Disposals	(1,856)	(3,894)	(169)	(5,919)
Additions through acquisition of entities/operations	1,293	91,718	–	93,011
Depreciation/amortisation expense	(1,198)	(92,329)	(46,452)	(139,979)
Write-down to recoverable amount	–	–	(152)	(152)
Provision for remediation movement	185	–	–	185
Provision for write-down	–	–	(1,500)	(1,500)
Foreign currency exchange differences	(264)	(1,126)	–	(1,390)
Carrying amount at the end of the financial year	50,282	950,772	351,473	1,352,527
Origin Energy Limited				
Carrying amount at the beginning of the financial year	282	569	–	851
Additions	–	1,318	121	1,439
Disposals	–	(11)	–	(11)
Depreciation/amortisation expense	(94)	(164)	–	(258)
Carrying amount at the end of the financial year	188	1,712	121	2,021

Notes to the Financial Statements (continued)

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
12. Exploration, evaluation and development expenditure				
Net costs carried forward in respect of areas of interest in:				
Exploration and evaluation phase	214,915	165,081	—	—
Development phase	58,783	15,379	—	—
Less: Provision for write-down	22,078	26,160	—	—
	251,620	154,300	—	—

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

13. Intangible assets

Goodwill at cost	300,954	270,642	—	—
Less: Accumulated amortisation	58,756	38,441	—	—
	242,198	232,201	—	—
Licences at cost	642,752	600,686	—	—
Less: Accumulated amortisation	72,972	54,939	—	—
	569,780	545,747	—	—
	811,978	777,948	—	—

Class of asset	Amortisation rate	
Goodwill	5.0%	5.0%
Licences	2.5%	2.5%

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
14. Deferred tax assets				
Future income tax benefit				
Comprises the estimated benefit at the applicable income tax rate of 30% in respect of the following items:				
Timing differences	60,732	83,247	59,144	1,342
Tax losses carried forward	35,948	39,945	35,948	—
	96,680	123,192	95,092	1,342
Future income tax benefits not brought to account				
Potential future income tax benefits at 30% that have not been brought to account in respect of tax losses where recovery is not virtually certain:				
Revenue losses	79,278	96,125	76,603	—
Capital losses	73,263	76,608	73,263	75,605

The potential future income tax benefits will only be obtained if:

- (i) the head entity derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the head entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the head entity in realising the benefit.

	Note	Consolidated		Origin Energy Limited	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
15. Payables					
Current					
Trade creditors and accruals		477,693	467,821	18,528	18,169
Loans from wholly owned controlled entities		—	—	2,198,202	1,618,486
Loans from partly owned controlled entities		—	—	—	27,596
Deferred foreign currency hedge exchange gains		79	7,205	—	—
		477,772	475,026	2,216,730	1,664,251
Non-current					
Other creditors		3,662	3,202	—	—
Deferred foreign currency hedge exchange gains		176	8,638	—	—
		3,838	11,840	—	—
16. Interest-bearing liabilities					
Current					
Bank loans – unsecured		113,660	85,500	96,117	25,000
Bank overdrafts – unsecured *		—	—	5,483	—
Lease liabilities – secured	17	101	—	—	—
Other loans – unsecured		—	22	—	—
	28	113,761	85,522	101,600	25,000
Non-current					
Capital market borrowings – unsecured		750,941	663,012	750,941	663,012
Bank loans – unsecured		40,000	—	40,000	—
Lease liabilities – secured	17	135	—	—	—
	28	791,076	663,012	790,941	663,012

* Origin has a bank account set-off arrangement in place whereby certain bank accounts in overdraft are set-off against bank accounts in surplus funds.

Interest rates applicable to:

Borrowings including interest rate swap contracts: 4.87% to 7.38% per annum at a weighted average of 6.61% per annum (2003: 4.82% to 7.38% per annum at a weighted average of 6.69% per annum).

Lease liabilities: 7.45% to 8.92% per annum at a weighted average of 7.66% per annum (2003: 5.45% to 8.09% per annum at a weighted average of 6.66% per annum) are secured by the assets under the lease.

Refer to note 29(a) for interest rate risk.

Notes to the Financial Statements (continued)

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
17. Lease liabilities				
Finance leases				
Lease commitments in respect of finance leases of plant and equipment are payable as follows:				
not later than one year	101	—	—	—
later than one year but not later than five years	135	—	—	—
	236	—	—	—
Operating leases				
Lease commitments in respect of operating leases are payable as follows:				
not later than one year	19,919	15,534	—	—
later than one year but not later than five years	29,173	28,188	—	—
later than five years	8,104	14,117	—	—
	57,196	57,839	—	—
The consolidated entity leases property, plant and equipment under operating leases with terms of one to six years.				
18. Tax liabilities				
Current				
Provision for income tax	2,680	546	1,074	—
Non-current				
Deferred tax liabilities				
Provision for deferred income tax at the applicable income tax rate of 30%	259,786	243,904	247,604	59
19. Provisions				
Current				
Employee benefits	55,000	45,480	15,972	11,284
Onerous contracts acquired	3,311	2,133	—	—
Commodity hedge losses acquired	6,157	6,061	—	—
Transaction and integration costs on acquisition	—	5,448	—	—
Superannuation defined benefit plan deficit	—	1,600	—	1,600
Other	7,418	10,608	4,133	2,956
	71,886	71,330	20,105	15,840
Non-current				
Employee benefits	3,848	3,360	302	9
Restoration and environmental rehabilitation	20,676	27,443	—	—
Onerous contracts acquired	19,381	23,894	—	—
Commodity hedge losses acquired	1,786	7,938	—	—
Superannuation defined benefit plan deficit	—	2,933	—	2,933
Other	1,401	2,389	1,401	2,238
	47,092	67,957	1,703	5,180

19. Provisions (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of provision, except employee benefits and restoration and environmental rehabilitation, are set out below.

	2004 \$'000					
	Dividends	Onerous contracts acquired	Commodity hedge losses acquired	Transaction and integration costs on acquisition	Superannuation defined benefit plan deficit	Other
Consolidated						
Current						
Carrying amount at beginning of year	–	2,133	6,061	5,448	1,600	10,608
Provisions recognised during the year, net of write-backs	73,143	–	–	–	(1,600)	3,869
Payments/utilisation during the year	(73,143)	(3,335)	(6,056)	(5,964)	–	(8,047)
Transfer from/(to) non-current	–	4,513	6,152	–	–	988
Other adjustment	–	–	–	516	–	–
Carrying amount at end of year	–	3,311	6,157	–	–	7,418
Non-current						
Carrying amount at beginning of year	–	23,894	7,938	–	2,933	2,389
Transfer from/(to) current	–	(4,513)	(6,152)	–	–	(988)
Provision written back during the year	–	–	–	–	(2,933)	–
Carrying amount at end of year	–	19,381	1,786	–	–	1,401
Origin Energy Limited						
Current						
Carrying amount at beginning of year	–	–	–	–	1,600	2,956
Provisions recognised during the year, net of write-backs	73,143	–	–	–	(1,600)	1,710
Payments/utilisation during the year	(73,143)	–	–	–	–	(1,370)
Transfer from non-current	–	–	–	–	–	837
Carrying amount at end of year	–	–	–	–	–	4,133
Non-current						
Carrying amount at beginning of year	–	–	–	–	2,933	2,238
Transfer to current	–	–	–	–	–	(837)
Provision written back during the year	–	–	–	–	(2,933)	–
Carrying amount at end of year	–	–	–	–	–	1,401

Notes to the Financial Statements (continued)

	Note	Consolidated		Origin Energy Limited	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
20. Contributed equity					
Issued and paid-up capital					
668,688,360 (2003: 657,709,751) ordinary shares, fully paid		463,208	418,612	463,208	418,612
Ordinary share capital					
Ordinary share capital at the beginning of the financial year		418,612	385,039	418,612	385,039
Shares issued:					
– 2,513,350 (2003: 2,333,300) shares in accordance with the Senior Executive Option Plan		4,817	5,417	4,817	5,417
– 8,465,259 (2003: 7,547,299) shares in accordance with the Dividend Reinvestment Plan		39,779	28,156	39,779	28,156
Total movements in ordinary share capital	22	44,596	33,573	44,596	33,573
Ordinary share capital at the end of the financial year		463,208	418,612	463,208	418,612
Terms and conditions					
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the company, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidation.					
21. Reserves					
Asset revaluation		103,676	104,823	5,723	5,723
Foreign currency translation		8,565	5,941	–	–
		112,241	110,764	5,723	5,723
Asset revaluation reserve:					
Asset revaluation reserve at the beginning of the financial year		104,823	104,627	5,723	5,723
Transfer (to)/from retained earnings on sale of property	22	(1,147)	196	–	–
Asset revaluation reserve at the end of the financial year		103,676	104,823	5,723	5,723
Foreign currency translation reserve:					
Foreign currency translation reserve at the beginning of the financial year		5,941	7,720	–	–
Net exchange gain/(loss) on translation of assets and liabilities of overseas controlled entities		2,624	(1,779)	–	–
Foreign currency translation reserve at the end of the financial year		8,565	5,941	–	–

Nature and purpose of reserves:

Asset revaluation reserve

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in prior years.

Foreign currency reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, and the translation of transactions that hedge the company's net investments in foreign operations. Refer to note 1.

	Note	Consolidated		Origin Energy Limited	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
22. Retained profits and total equity					
Retained profits reconciliation					
Previously reported retained profits at the end of the previous financial year		1,223,977	1,095,158	1,057,903	1,042,215
Adjustment resulting from the initial adoption of revised AASB 1028 'Employee Benefits'		–	(283)	–	(7)
Adjustment to dividends resulting from the initial adoption of AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'		–	19,435	–	19,435
Restated retained profits at the beginning of the financial year		1,223,977	1,114,310	1,057,903	1,061,643
Dividends recognised during the year as a result of the initial adoption of AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'	5	–	(19,435)	–	(19,435)
Current year dividends paid during the year	5	(73,143)	(32,654)	(73,143)	(32,654)
Net profit attributable to members of the parent entity, Origin Energy Limited		204,941	161,952	119,688	48,349
Aggregate of amounts transferred (to)/from reserves	21	1,147	(196)	–	–
Retained profits at the end of the financial year		1,356,922	1,223,977	1,104,448	1,057,903
Total equity reconciliation					
Total equity at the beginning of the financial year		1,789,604	1,626,039	1,482,238	1,432,977
Total changes in parent entity interest in equity recognised in the Statements of Financial Performance		207,565	159,890	119,688	48,342
Transactions with owners as owners:					
Contributions of equity	20	44,596	33,573	44,596	33,573
Dividends recognised during the year	5	(73,143)	(32,654)	(73,143)	(32,654)
Total changes in outside equity interests		(29,167)	2,756	–	–
Total equity at the end of the financial year		1,939,455	1,789,604	1,573,379	1,482,238
23. Outside equity interests in controlled entities					
Contributed equity		1,478	16,563	–	–
Asset revaluation reserve		765	1,914	–	–
Foreign currency translation reserve		(4,869)	(5,093)	–	–
Retained profits		9,710	22,867	–	–
		7,084	36,251	–	–

Notes to the Financial Statements (continued)

	Note	Consolidated		Origin Energy Limited	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
24. Notes to the Statements of Cash Flows					
(a) Reconciliation of cash and cash equivalents					
Cash includes cash on hand, at bank and short-term deposits at call, net of outstanding bank overdrafts.					
Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:					
Cash		44,318	16,431	127	37,036
Bank overdrafts	16	–	–	(5,483)	–
		44,318	16,431	(5,356)	37,036
(b) The following non-cash financing and investing activities have not been included in the Statements of Cash Flows:					
Issue of shares in respect of the Dividend Reinvestment Plan		39,779	28,156	39,779	28,156
Deferred settlement portion of the consideration for the acquisition of Kupe Development Ltd, Kupe Mining (No. 1) Ltd and Kupe Mining (No. 2) Ltd (now known as Origin Energy Resources (Kupe) Ltd)		18,678	–	–	–
(c) Details of credit standby arrangements and loan facilities are included in note 28.					
(d) Reconciliation of net profit to net cash provided by operating activities:					
Net profit		206,923	166,303	119,688	48,349
Adjustments to reconcile net profit to net cash provided by operating activities:					
Depreciation and amortisation		202,956	196,057	277	258
Net expense from movements in provisions		58,269	50,458	6,780	9,071
Exploration written off		535	1,136	–	–
Increase/(decrease) in deferred taxes		40,622	(1,610)	(67,706)	(5,815)
(Profit)/loss on sale of assets		(2,492)	2,527	6	11
Non-cash share of net profits of associates and joint venture entities		(14,478)	(1,567)	–	–
Changes in assets and liabilities, net of effects from acquisitions/disposals:					
– Receivables		(10,817)	(6,984)	(3,236)	1,532
– Inventories		(2,451)	(2,103)	–	–
– Payables		(26,694)	12,223	4,558	(6,809)
– Provisions		(11,660)	(12,622)	(11,993)	3,161
– Other		(15,917)	18,776	(438)	(210)
Total adjustments		217,873	256,291	(71,752)	1,199
Net cash provided by operating activities		424,796	422,594	47,936	49,548

	Consolidated	
	2004 \$'000	2003 \$'000
24. Notes to the Statements of Cash Flows (continued)		
(e) Net assets acquired		
The consolidated entity acquired entities/businesses during the year ended 30 June 2004 for a total consideration of \$45,426,000 (30 June 2003: \$224,721,000). The total assets and liabilities acquired are as follows:		
Current assets		
Cash assets	1,500	–
Receivables	2,751	133,327
Inventories	–	3,470
Other	227	3,377
Total current assets	4,478	140,174
Non-current assets		
Receivables	–	363
Other financial assets	1,346	–
Property, plant and equipment	18,888	93,011
Exploration, evaluation and development expenditure	40,106	–
Intangible assets	405	–
Deferred tax assets	507	15,258
Total non-current assets	61,252	108,632
Total assets	65,730	248,806
Current liabilities		
Payables	2,870	99,906
Interest-bearing liabilities	2,180	–
Current tax liabilities	–	81
Provisions:		
– Employee benefits	–	895
– Onerous contracts	–	1,482
– Commodity hedge losses	–	6,227
– Transaction and integration costs	–	21,395
– Other	287	7,103
Total provisions	287	37,102
Total current liabilities	5,337	137,089
Non-current liabilities		
Interest-bearing liabilities	4,359	–
Deferred tax liabilities	10,608	–
Provisions:		
– Onerous contracts	–	25,734
– Commodity hedge losses	–	7,772
– Other	–	2,799
Total provisions	–	36,305
Total non-current liabilities	14,967	36,305
Total liabilities	20,304	173,394
Net assets	45,426	75,412
Goodwill on acquisition	–	149,309
Fair value of net assets acquired	45,426	224,721

Notes to the Financial Statements (continued)

	Consolidated	
	2004 \$'000	2003 \$'000
24. Notes to the Statements of Cash Flows (continued)		
(e) Net assets acquired (continued)		
Consideration is comprised as follows:		
Cash	26,748	224,721
Deferred settlement	18,678	–
Consideration	45,426	224,721
Consideration (net of cash acquired and deferred settlement)	25,248	224,721

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
25. Auditors' remuneration				
Amounts received or due and receivable for audit services by:				
Auditors of Origin Energy Limited (KPMG)				
Australia				
– Audits and review of the financial reports	719	696	130	55
– Other regulatory audit services	27	102	–	9
Overseas				
– Audits and review of the financial reports	48	15	–	–
	794	813	130	64
Other auditors (PWC)*	24	149	–	–
Amounts received or due and receivable for other services by:				
Auditors of Origin Energy Limited (KPMG)				
Australia				
– Acquisition audit and accounting advice	180	426	–	–
– Taxation services	175	61	16	13
– Other assurance services	38	198	19	41
Overseas				
– Acquisition audit and accounting advice	26	–	–	–
– Taxation services	212	–	–	–
	631	685	35	54
Other auditors (PWC)**	1,355	952	995	691
	2,804	2,599	1,160	809

* PriceWaterhouseCoopers(PWC) audit financial reports of certain controlled entities located in various Pacific Island countries.

** Includes amounts for internal audit, taxation, information technology and accounting advice.

26. Contingent liabilities and assets

Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below, as well as details of contingent liabilities and contingent assets, which although considered remote, the directors consider should be disclosed. The directors are of the opinion that 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.

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Bank guarantees – unsecured	204,741	169,811	9,295	–
Letters of credit – unsecured *	9,561	–	–	–
	214,302	169,811	9,295	–

* The Origin group has provided overseas suppliers letters of credit to facilitate the importation of equipment.

The Origin group has given to its bankers letters of responsibility in respect of accommodation provided from time to time by the banks to Origin Energy Limited's wholly or partly owned controlled entities.

Warranties and indemnities have been given by entities in the consolidated entity in relation to environmental liabilities for certain properties as part of the terms and conditions of divestments.

A number of sites within the consolidated entity have been identified as contaminated, all of which 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. The contamination has generally resulted from the manufacture of gas from coal and the treatment of the associated by-products conducted at the sites. These activities ceased in the 1970s when manufactured gas was replaced with natural gas from oil and gas fields.

Certain entities within the consolidated entity are subject to various lawsuits and claims, including claims for stamp duty, penalties and native title claims. Any liabilities arising from such lawsuits and claims are not expected to have a material adverse effect on the consolidated financial statements.

A Demerger Deed was entered into in the 2000 year containing certain indemnities and other agreements between Origin Energy Limited and Boral Limited and their respective controlled entities covering the transfer of the businesses, investments, debt and assets of Boral Limited and some temporary shared arrangements.

The company, as a venturer in certain joint ventures, is severally liable for 100% of all liabilities incurred by these joint ventures (refer note 33).

Deed of cross guarantee

Under the terms of ASIC Class Order 98/1418 (as amended by Class Order 98/2017) certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. Origin Energy Limited has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities (refer note 31).

A consolidated Statement of Financial Performance 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 2004 are set out in note 37.

	Consolidated	
	2004 \$'000	2003 \$'000
27. Commitments		
Capital expenditure commitments**:		
Contracted but not provided for and payable:		
not later than one year	7,745	317
	7,745	317
Joint venture commitments:		
Share of exploration and development commitments not provided for and payable:		
not later than one year	32,174	19,011
later than one year but not later than five years	38,675	41,820
later than five years	–	3,563
	70,849	64,394

** The capital expenditure commitments are in regard to the purchase of plant and equipment and exclude joint venture commitments. Refer to note 17 for lease commitments.

Employee superannuation funds

At 30 June 2004, 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, suspend or terminate such contributions and thus are not legally obliged to contribute to those plans.

In relation to defined benefits, actuarial estimates of the assets and liabilities of the defined benefit plans within **equipsuper** was undertaken as at 30 June 2004.

The name and qualifications of the actuary who made those estimates is J Osborn, FIAA.

Notes to the Financial Statements (continued)

27. Commitments (continued)

Employee superannuation funds:

Accrued benefits and fund assets at market value are as follows:

	Consolidated	
	2004 \$'000	2003 \$'000
Fund assets at net market value	106,759	94,000
Accrued benefits	102,883	98,800
Vested benefits	102,883	98,800
Fund assets less accrued liabilities ⁽¹⁾	3,876	(4,800)
Superannuation expense recognised during the year:		
Employer contributions during the year ⁽²⁾	5,657	3,429
Net movement in provision for superannuation defined benefit deficit ⁽¹⁾	(4,533)	4,533
Superannuation expense for the year	1,124	7,962

(1) The excess of fund liabilities over assets was recognised as an expense for the year ended 30 June 2003. This provision was being progressively released as additional contributions were made to eliminate the deficit, commencing in May 2003. The remaining balance of the provision was released at 30 June 2004 as the plan had returned to a surplus position.

(2) Employer contributions payable/acrued as at 30 June 2004 were \$480,000 (2003: \$436,000).

Accrued benefits, fund assets and vested benefits have been based on amounts estimated by the actuary.

Based on the abovementioned actuarial assessments and the market value of assets after meeting liabilities, funds are available after additional contributions by the company to satisfy all benefits that would have been vested under each of the major plans in the event of:

- (i) termination of the plan,
- (ii) voluntary termination of the employment of each employee on the initiative of that employee, or
- (iii) compulsory termination of the employment of each employee by an entity in the consolidated entity.

28. Details of credit facilities available to the consolidated entity

(a) Short-term facilities – unsecured

Working Capital Facility Agreement – Nil (2003: A\$100 million) fully underwritten revolving facility provided by an international bank. This facility expired in May 2004.

Working Capital Facility Agreement – A\$100 million (2003: Nil) fully underwritten revolving facility provided by an international bank. The facility has a fixed maturity of May 2005, and as at 30 June 2004, A\$91 million was utilised.

Short-Term Bridge Facility – Nil (2003: A\$100 million) fully underwritten facility provided by an international bank. This facility expired in October 2003.

Multi Option Facility – A\$20 million (2003: Nil) fully underwritten New Zealand dollar denominated facility provided by an international bank. The facility has a fixed maturity date of January 2005, and as at 30 June 2004, A\$17 million was utilised.

(b) Term facilities – unsecured

Loan Note Subscription Agreement – Nil (2003: A\$320 million) fully underwritten and provided by a syndicate of international banks with a fixed maturity of October 2004. This facility expired in May 2004.

Standby Facility Agreement – A\$250 million (2003: Nil) fully underwritten and provided by a syndicate of international banks with a fixed maturity of May 2009. This facility is utilised as a Standby Facility for the Electronic Promissory Note Programme. At 30 June 2004, this facility was un-drawn.

Revolving Cash Advance Loan Facility – A\$75 million (2003: A\$75 million) fully underwritten revolving facility provided by an international bank. The facility has a fixed maturity date of August 2007. At 30 June 2004, this facility was un-drawn.

Working Capital Facility Agreement – A\$100 million (2003: Nil) fully underwritten revolving facility provided by an international bank. The facility has a fixed maturity of May 2007, and as at 30 June 2004, A\$40 million was drawn.

28. Details of credit facilities available to the consolidated entity (continued)

(c) Non-current capital market borrowings – unsecured

Electronic Promissory Note Programme (EPN) – unsecured

A non-underwritten revolving facility whereby issuances by Origin Energy Limited are conducted through a panel of five dealers. Notes to the value of A\$250 million (2003: A\$320 million) can be issued for periods not exceeding 364 days from the date of issue, with the applicable interest rate benchmark referenced to the Bank Bill Swap Rate. This programme was implemented in January 2002 and as at 30 June 2004, A\$148 million was utilised.

US Private Placement – US\$250 million (A\$423 million equivalent) (2003: US\$250 million). A non-underwritten facility where Origin Energy Limited issued a series of 7, 12 and 15 year USD-denominated bonds to international investors in the US Private Placement Market. The bonds were issued in March 2003 and as at 30 June 2004 there was a total of US\$250 million (A\$423 million equivalent) (2003: US\$250 million) on issue. All USD proceeds from the issue of notes have been fully hedged to Australian dollars.

Medium-Term Note Programme – A non-underwritten revolving facility whereby issuances by Origin Energy Limited are conducted through a panel of five dealers. Notes can be issued for a period greater than 365 days, with the applicable interest rate being either fixed or floating, this being agreed to between the issuer and the purchaser prior to issuance. This programme was implemented in January 2002 and as at 30 June 2004 there was one issue outstanding of A\$180 million with a maturity of April 2007.

(d) Bank guarantee facilities – unsecured

Bank Guarantee Facility Agreement – A\$200 million (2003: Nil) fully underwritten revolving facility provided by two international banks. The facility has a fixed maturity of May 2007, and as at 30 June 2004, A\$138 million was drawn.

29. Financial instruments

The consolidated entity is exposed to financial risk as a result of fluctuations occurring in interest and foreign exchange rates and certain commodity prices. Accordingly, the consolidated entity uses financial instruments to minimise the economic volatility these exposures create on its Statements of Financial Performance and Statements of Financial Position.

(a) Interest rate risk

The consolidated entity enters into interest rate swap transactions with the purpose of controlling the interest cost of funding associated with external debt raised.

Interest rate swaps provide to the consolidated entity the flexibility to raise term borrowings at variable or fixed interest rates, which subsequently can either be locked into fixed interest rates in order to remove the interest cost uncertainty attached to variable interest rate external debt or alternatively converted to variable interest rates.

The maturity profile of existing swap transactions is less than 15 years and in accordance with financial market convention each swap requires a quarterly or semi-annual fixed payment or receipt of interest and a corresponding receipt or payment of interest at variable rates. The swap contract allows settlement to occur on the basis that either a net amount of interest is payable by or receivable to the consolidated entity or for cross currency swap transactions settlement occurs on a gross interest basis with principal exchange at the end of the term of the transaction. At 30 June 2004, fixed rates applicable to the consolidated entity's interest rate swap portfolio range between 4.87% and 7.38% (weighted average 5.81%) which compares with a 90 day BBSW floating rate at balance date of 5.53%.

The following tables provide the consolidated entity's exposure to interest rate risk and the weighted average interest rate for the various categories of financial assets and financial liabilities existing at balance date, as well as the net fair value of various assets and liabilities (refer note 29(e)).

Notes to the Financial Statements (continued)

29. Financial instruments (continued)

(a) Interest rate risk (continued)

2004								
	Floating interest rate	Fixed interest maturing in:			Non interest-bearing	Total	Weighted average interest rate	Net fair value
	\$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	\$'000	\$'000	%	\$'000
Financial assets								
Cash	44,318	—	—	—	—	44,318	4.3	44,318
Receivables	—	—	—	—	622,422	622,422	—	622,422
Other financial assets	—	—	—	—	169,546	169,546	—	236,359
Financial liabilities								
Payables	—	—	—	—	481,610	481,610	—	481,610
Interest-bearing liabilities	301,589	101	180,135	423,012	—	904,837	5.8	904,837
Employee benefits**	—	—	—	—	58,848	58,848	4.3	58,848
Off-balance sheet								
Interest rate swaps*								
– underlying debt (pay fixed)	(416,387)	55,000	256,387	105,000	—	—	5.8	1,738
– underlying debt (pay floating)	523,012	—	(100,000)	(423,012) [#]	—	—	6.4	(16,614)

2003								
	Floating interest rate	Fixed interest maturing in:			Non interest-bearing	Total	Weighted average interest rate	Net fair value
	\$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	\$'000	\$'000	%	\$'000
Financial assets								
Cash	16,431	—	—	—	—	16,431	3.9	16,431
Receivables	—	—	—	—	652,760	652,760	—	652,760
Other financial assets	—	—	—	—	170,713	170,713	—	186,865
Financial liabilities								
Payables	—	—	—	—	486,866	486,866	—	486,866
Interest-bearing liabilities	145,522	—	180,000	423,012	—	748,534	5.7	748,534
Employee benefits**	—	—	—	—	48,840	48,840	4.3	48,840
Off-balance sheet								
Interest rate swaps*								
– underlying debt (pay fixed)	(483,198)	95,000	315,000	73,198	—	—	5.8	(10,456)
– underlying debt (pay floating)	523,012	—	(100,000)	(423,012) [#]	—	—	4.7	(14,576)

* Represents notional principal amounts

** Employee benefits to be settled in cash fall under the definition of financial liabilities. The weighted average interest rate is the discount rate used to calculate the long service leave liability.

This derivative transaction converts a US dollar fixed rate debt obligation to an Australian dollar floating rate debt obligation.

29. Financial instruments (continued)

(b) Foreign exchange risk

The consolidated entity is exposed to foreign currency exchange risk. This occurs as a result of the sale of oil, the sale and purchase of LPG, the purchase of plant and equipment and the translation of its investment in overseas domiciled operations. In order to mitigate the economic volatility caused by fluctuations in foreign currency rates, the consolidated entity enters into foreign exchange forward contracts to hedge certain firm purchase and sale commitments denominated in foreign currency.

At balance date the consolidated entity has the following contracts outstanding which are required to hedge the foreign exchange exposures outlined in the above paragraph.

	2004		2003	
	Contract amounts \$'000	Net fair value \$'000	Contract amounts \$'000	Net fair value \$'000
Foreign currency forward contracts				
Buy AUD/Sell USD				
Not longer than one year	82,682	7,186	49,334	7,205
Longer than one year	80,043	3,139	55,841	8,638
Buy USD/Sell AUD				
Not longer than one year	44,341	68	—	—
Longer than one year	62,543	1,185	—	—
Buy EUR/Sell AUD				
Not longer than one year	1,054	(11)	—	—
Longer than one year	—	—	—	—
Buy NZD/Sell AUD				
Not longer than one year	760	10	—	—
Longer than one year	—	—	—	—
	271,423	11,577	105,175	15,843

Unrealised gains/losses together with other costs relating to those contracts entered into for purchases and sales denominated in foreign currencies are deferred and recognised as assets or liabilities on the Statements of Financial Position from the inception of the hedge contract. The gain or loss is included in the measurement of the hedged transaction when the transaction has occurred.

The weighted average foreign exchange rate for the buy AUD/sell USD forward contracts referred to above as at 30 June 2004 was 0.6168 for one year or less and 0.6334 for greater than one year.

The weighted average foreign exchange rate for the buy USD/sell AUD forward contracts referred to above as at 30 June 2004 was 0.6766 for one year or less and 0.6715 for greater than one year.

The weighted average foreign exchange rate for the buy EUR/sell AUD forward contracts referred to above as at 30 June 2004 was 0.5595 for one year or less.

The weighted average foreign exchange rate for the buy NZD/sell AUD forward contracts referred to above as at 30 June 2004 was 1.1124 for one year or less.

(c) Commodity price risk

Oil

The consolidated entity has exposure to fluctuations in crude oil and fuel oil commodity prices associated with the sale of oil and natural gas. In order to eliminate the adverse financial effects caused by unfavourable price movements, fixed rate swaps are utilised.

	2004		2003	
	Contract amount \$'000	Net fair value \$'000	Contract amount \$'000	Net fair value \$'000
Crude oil sales				
Receive fixed/pay floating swaps:				
Not longer than one year	65,218	(4,706)	44,499	(1,486)
Longer than one year	20,189	1,698	4,988	(112)
Fuel oil sales				
Receive fixed/pay floating swaps:				
Not longer than one year	11,731	1,358	11,002	(991)
	97,138	(1,650)	60,489	(2,589)

Notes to the Financial Statements (continued)

29. Financial instruments (continued)

(c) Commodity price risk (continued)

Electricity

The consolidated entity enters into forward electricity pricing contracts, futures and options contracts, to hedge electricity sales under retail contracts in the Eastern and South Eastern Australian markets. The terms of these contracts may range from one half hour in the short term, to five years commencing immediately or at a date in the future. Electricity trading activities are conducted in accordance with a Board approved policy which regulates aggregated price and volume market exposure against Board approved limits. Realised gains and losses from this activity are included in the result for the year. The nature of these contracts is similar to interest rate swaps undertaken in the financial markets, in that fixed and variable price components apply and it is the variable price component which creates the exposure that is Origin's electricity price risk.

	2004		2003	
	Contract amount GWh	Net fair value \$'000	Contract amount GWh	Net fair value \$'000
Receive fixed/ pay floating:				
Not longer than one year	4,009	(793)	4,446	24,050
Longer than one year	5,162	3,662	2,682	12,533
Pay fixed/ receive floating:				
Not longer than one year	14,608	25,516	18,602	(72,061)
Longer than one year	18,072	88,593	18,135	71,412
Options:				
Not longer than one year	–	(3,669)	–	(4,980)
Longer than one year	–	2,976	–	4,552
	41,851	116,285	43,865	35,506

Certain electricity trading contracts were acquired in the 2001 financial year and further trading contracts were acquired in the 2003 financial year. The net fair value of these contracts at acquisition, together with customer supply contracts, was recognised as commodity hedging contracts (see note 10) and commodity hedge losses and onerous contracts (see note 19).

(d) Credit risk

Credit risk represents the loss that would be incurred if counterparties to financial transactions fail to fulfil their obligations as contracted at maturity.

The consolidated entity minimises its exposure to credit risk through the adoption of counterparty credit limits which are determined in accordance with international credit ratings. At balance date, the only significant concentration of credit risk with any single counterparty is to Eraring Energy, which is wholly owned by the NSW Government, in relation to commodity hedging contracts.

The credit risk relating to financial assets of the consolidated entity which are recognised on the Statements of Financial Position, is the carrying amount, net of any provision for doubtful debts.

Credit risk relating to derivative contracts is minimised by applying a Board approved policy under which the exposure limit applicable to each respective counterparty is determined with reference to the credit rating assigned by the international rating agencies.

Credit exposures relating to foreign currency, commodity and interest rate derivatives is represented by the net fair value position of the contracts, as disclosed, subject to the counterparties performing as contracted.

(e) Net fair value of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the consolidated entity using the following criteria:

- Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers or due to suppliers. The carrying amounts of bank term deposits, receivables, payables, bank loans and dividends payable approximate net fair value.
- Net fair value of listed investments is defined as the quoted market price in an active and liquid market. In the prior year the carrying amount of the investment in listed shares was appropriate although being above net fair value. Internal analysis, including analysis of discounted future cash flows, supported the carrying value of this investment.
- The valuation of derivative contracts detailed in this note reflects the estimated amounts which the consolidated entity would pay or receive on termination of the contracts (net of transaction costs) or replacement of the contracts at their current market prices as at the balance date. This is determined using independent market quotations and adopting conventional market valuation techniques. The fair value of the contracts has been determined by valuing them at the present value of future cash flows.

30. Acquisition/disposal of controlled entities

	2004					
	Date of acquisition	Percentage interest acquired	Net tangible assets acquired \$'000	Consideration paid \$'000	Contribution to consolidated net profit/(loss) \$'000	Beneficial ownership
The following entities were acquired during the financial year:						
Rockgas Ltd *	31 Mar 2004	50%	15,139	15,544	2,016	100%
Kupe Development Ltd, Kupe Mining (No. 1) Ltd and Kupe Mining (No. 2) Ltd (now known as Origin Energy Resources (Kupe) Ltd)	13 Feb 2004	100%	29,882	29,882	(106)	100%
Oil Company of Australia Ltd (now known as Origin Energy CSG Ltd) **	30 Sep 2003	14.77%	55,869	73,944	2,726	100%

* Rockgas Ltd's contribution to net profit of \$2,016,000 represents the consolidated profit of Rockgas Ltd for the three months from 1 April 2004 to 30 June 2004.

** Oil Company of Australia Ltd's contribution to net profit of \$2,726,000 represents the consolidated profit of 14.77% of Oil Company of Australia Ltd for the nine months from 1 October 2003 to 30 June 2004.

Kupe Development Ltd, Kupe Mining (No. 1) Ltd and Kupe Mining (No. 2) Ltd (now known as Origin Energy Resources (Kupe) Ltd)

The consideration of \$29,882,000 for the Kupe entities includes a deferred payment of NZ\$21,000,000 (A\$18,678,000) which will be paid on the earlier of the project sanction date or 1 July 2005.

Oil Company of Australia Ltd (OCA) (now known as Origin Energy CSG Ltd)

At 30 June 2003 Origin Energy Limited and its controlled entities owned 85.23% of OCA. During the period, the remaining 14.77% interest in OCA was acquired. OCA has been accounted for as a 100% owned controlled entity from 30 September 2003. This acquisition resulted in a reduction to outside equity interests in the Statement of Financial Position of \$30,056,000.

	Beneficial ownership
The following controlled entities were incorporated during the financial year:	
Origin Energy VIC Holdings Pty Ltd	100%
Origin Energy CSG Processing Pty Ltd	100%
Origin Energy Bairnsdale Pty Ltd	100%
Origin Energy (TM) Pty Ltd	100%
Origin Energy Pinjar Security Pty Ltd	100%
Origin Energy Pinjar Holdings No. 1 Pty Ltd	100%
Origin Energy Pinjar No. 1 Pty Ltd	100%
Origin Energy Pinjar Holdings No. 2 Pty Ltd	100%
Origin Energy Pinjar No. 2 Pty Ltd	100%
Origin Energy Asset Management Services Pty Ltd	100%
Origin Energy Water Management Holdings Pty Ltd	100%

Notes to the Financial Statements (continued)

30. Acquisition/disposal of controlled entities (continued)

	Date of acquisition/ disposal	Percentage interest acquired	2003		Contribution to consolidated net profit/(loss) \$'000	Beneficial ownership
			Net tangible assets acquired \$'000	Consideration paid/ (received) \$'000		
The following controlled entities were acquired during the previous financial year:						
AES Australia Holding BV and AES Mt Stuart BV	13 Dec 2002	100%	89,025	89,025	(76)	100%
Hylemit Pty Ltd	30 Jun 2003	100%	3,378	4,082	~	100%
The following entities were sold during the previous financial year:						
OE SEA Gas SPV1 Pty Ltd	3 Sep 2002			~		~
The following controlled entities were incorporated during the previous financial year:						
Origin Energy Sofar Pty Ltd						100%
Origin Energy NZ Share Plan Ltd						100%
Origin Energy Asset Management Services Pty Ltd (renamed Origin Energy NSW Pty Ltd)						100%
Origin Energy Water Management Pty Ltd						100%
OCA Holdings Pty Ltd						85.23%

31. Controlled entities

Carrying on business in a place other than Australia:

American Samoa:

Origin Energy American Samoa Inc

Cook Islands:

Origin Energy Cook Islands Ltd

Fiji:

The Fiji Gas Co Ltd

Tonga:

Tonga Gas Ltd

New Zealand:

Origin Energy Resources NZ Ltd

Origin Energy Industries Ltd

Origin Energy NZ Share Plan Ltd

Rockgas Ltd

Kupe Development Ltd

Kupe Mining (No.1) Ltd

Origin Energy Resources (Kupe) Ltd

Papua New Guinea:

Origin Energy PNG Ltd

Solomon Islands:

Origin Energy Solomons Ltd

Vanuatu:

Origin Energy Vanuatu Ltd

Western Samoa:

Origin Energy Samoa Ltd

Name changes during the financial period:

Oil Company of Australia Ltd

to Origin Energy CSG Ltd

OCA (Durham) Pty Ltd

to Origin Energy CSG Marketing Pty Ltd

Origin Energy Asset Management Services Pty Ltd

to Origin Energy NSW Pty Ltd

31. Controlled entities (continued)

	Incorporated in	Consolidated entity	Origin Energy Limited	Consolidated entity	Origin Energy Limited
		2004 %	2004 %	2003 %	2003 %
Origin Energy Limited	NSW				
Huddart Parker Ltd* *	Vic	100	100	100	100
Raenniks Ltd (in voluntary liquidation)	Vic	100	100	100	100
Origin Energy NZ Share Plan Ltd	NZ	100	100	100	100
FRL Pty Ltd* *	WA	100	100	100	100
BTS Pty Ltd* *	WA	100		100	
Origin Energy Power Ltd* *	SA	100	100	100	100
Origin Energy Bairnsdale Pty Ltd	Vic	100		—	
Origin Energy Solar Pty Ltd *	NSW	100		100	
Origin Energy SWC Ltd *	WA	100		100	
BESP Pty Ltd	Vic	100		100	
Origin Energy Pinjar Security Pty Ltd	Vic	100		—	
Origin Energy Pinjar Holdings No. 1 Pty Ltd	Vic	100		—	
Origin Energy Pinjar No. 1 Pty Ltd	Vic	100		—	
Origin Energy Pinjar Holdings No. 2 Pty Ltd	Vic	100		—	
Origin Energy Pinjar No. 2 Pty Ltd	Vic	100		—	
Origin Energy Holdings Ltd* *	Vic	100	95.8	100	95.8
Origin Energy Retail Ltd* *	SA	100		100	
Origin Energy (Vic) Pty Ltd* *	Vic	100		100	
Gasmart (Vic) Pty Ltd *	Vic	100		100	
Origin Energy (TM) Pty Ltd	Vic	100		—	
Origin Energy Electricity Ltd* *	Vic	100		100	
Origin Energy PNG Ltd	PNG	66.7		66.7	
Origin Energy Tasmania Ltd* *	Tas	100		100	
The Fiji Gas Co Ltd	Fiji	51		51	
Tonga Gas Ltd	Tonga	51		51	
Origin Energy Contracting Ltd* *	Qld	100		100	
Origin Energy LPG Ltd* *	NSW	100		100	
Origin (LGC) (Aust) Pty Ltd* *	NSW	100		100	
Origin Energy SA Pty Ltd* *	SA	100		100	
Hylemit Pty Ltd	Vic	100		100	
Origin Energy Industries Ltd	NZ	100		100	
Rockgas Ltd	NZ	100		—	
Origin Energy (WA) Pty Ltd* *	WA	100		100	
Origin Energy Services Ltd* *	SA	100		100	
Origin Energy NSW Pty Ltd *	NSW	100		100	
Origin Energy Water Management Holdings Pty Ltd	Vic	100		—	
Origin Energy Water Management Pty Ltd	NSW	100		100	
Origin Energy Asset Management Services Pty Ltd	Vic	100		—	
Origin Energy Asset Management Ltd* *	SA	100		100	
Origin Energy Pipelines Pty Ltd* *	NT	100		100	
Origin Energy Pipelines (Vic) Holdings Pty Ltd* *	Vic	100		100	
Origin Energy Pipelines (Vic) Pty Ltd* *	Vic	100		100	
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	99.9		99.9	

Notes to the Financial Statements (continued)

31. Controlled entities (continued)

	Incorporated in	Consolidated entity	Origin Energy Limited	Consolidated entity	Origin Energy Limited
		2004 %	2004 %	2003 %	2003 %
Origin Energy Resources Ltd**	SA	100	100	100	100
Origin Energy Bonaparte Pty Ltd**	SA	100		100	
Origin Energy Developments Pty Ltd**	ACT	100		100	
Origin Energy Zoca 91-08 Pty Ltd**	SA	100		100	
Origin Energy Petroleum Pty Ltd**	Qld	100		100	
Origin Energy Northwest Ltd	UK	100		100	
Sagasco Southeast Inc	Panama	100		100	
Origin Energy Resources NZ Ltd	NZ	100		100	
Kupe Development Ltd	NZ	100		—	
Kupe Mining (No.1) Ltd	NZ	100		—	
Origin Energy Resources (Kupe) Ltd	NZ	100		—	
Sagasco NT Pty Ltd**	SA	100		100	
Sagasco Amadeus Pty Ltd**	SA	100		100	
Origin Energy Amadeus NL**	Qld	100		100	
Amadeus United States Pty Ltd**	Qld	100		100	
Origin Energy CSG Ltd **	NSW	100	100	85.23	62.24
OCA (CSG) Pty Ltd **	Qld	100		85.23	
Angari Pty Ltd **	SA	100		85.23	
Oil Investments Ltd **	SA	100		85.23	
Origin Energy CSG Marketing Pty Ltd **	WA	100		85.23	
OCA Holdings Pty Ltd **	Qld	100		85.23	
Origin Energy CSG Processing Pty Ltd **	Vic	100		—	
Oil Company of Australia (Moura) Pty Ltd **	Qld	100		85.23	
Oil Company of Australia (Moura) Transmissions Pty Ltd **	WA	100		85.23	
Origin Energy VIC Holdings Pty Ltd	Vic	100	100	—	—
Origin Energy Finance Company Pty Ltd *	Vic	100	100	100	100
OE JV Co Pty Ltd *	Vic	100	100	100	100
OE SEA Gas Holdings Pty Ltd	Vic	100		100	
OE SEA Gas SPV2 Pty Ltd	Vic	100		100	
OE SEA Gas SPV3 Pty Ltd	Vic	100		100	
Origin Energy Australia Holding BV	Netherlands	100	100	100	100
Origin Energy Mt Stuart BV	Netherlands	100		100	
Parbond Pty Ltd	NSW	100	100	100	100

* Entered into a cross guarantee with Origin Energy Limited (refer note 26).

** Granted relief by the Australian Securities and Investments Commission from specified accounting requirements in accordance with a Class Order.

Vic Gas Distribution Pty Ltd (Vic Gas) and its controlled entity Albury Gas Company Ltd (AGC) are owned 100% (2003: 100%) by Origin Energy Pipelines (Vic) Pty Ltd. However, Vic Gas and AGC are not considered to be controlled entities of Origin Energy Limited as Origin Energy Limited does not have the right to appoint a simple majority of directors and does not have the capacity to dominate the decision-making, directly or indirectly, in relation to the financial and operating policies of Vic Gas and AGC. Vic Gas and AGC are managed and controlled by Envestra Victoria Pty Ltd (EnVic) (a non-related company), via a Business Management Agreement between Origin Energy and EnVic. Accordingly, Vic Gas and AGC have been excluded from the consolidation of the consolidated entity.

32. Equity accounted investments

Details of investments in associates and joint venture entities are as follows:

Name	Principal activity	Place of incorporation	Reporting date	Ownership interest Consolidated		Equity accounted investment carrying amount Consolidated	
				2004 %	2003 %	2004 \$'000	2003 \$'000
Associates:							
BIEP Pty Ltd	Cogeneration	Vic	30 June	50.0	50.0	–	–
BIEP Security Pty Ltd	Cogeneration	Vic	30 June	50.0	50.0	–	–
CUBE Pty Ltd*	Cogeneration	SA	30 June	50.0	50.0	20,753	8,780
Gas Industry Superannuation Pty Ltd	Superannuation Trustee	SA	30 June	50.0	50.0	–	–
Rockgas Timaru	LPG distributor	NZ	31 Mar	50.0	–	156	–
Rockgas Ltd**	LPG distributor	NZ	31 Dec	100.0	50.0	–	5,966
Vitalgas Pty Ltd	Autogas distributor	NSW	31 Dec	50.0	50.0	–	–
WEBE Pty Ltd	Cogeneration	SA	30 June	–	50.0	–	–
Campaspe Asset Management Services Pty Ltd	Water infrastructure asset management	SA	30 June	50.0	50.0	453	350
						21,362	15,096
Joint venture entities:							
Bulwer Island Energy Partnership	Cogeneration	Qld	30 June	50.0	50.0	36,766	40,176
SEA Gas Partnership	Pipeline construction	SA	30 June	33.3	33.3	56,926	–
						93,692	40,176
Total						115,054	55,272

* Osborne Cogeneration Pty Ltd, a company incorporated in SA, is a wholly owned controlled entity of CUBE Pty Ltd.

** Rockgas Ltd is a wholly owned subsidiary of Origin Energy Industries Ltd at 30 June 2004 following the acquisition of the remaining 50% of the entity on the 31 March 2004.

(a) Investments in associates

	Consolidated	
	2004 \$'000	2003 \$'000
Results of associates:		
Share of associates' profit before income tax	11,309	13,100
Share of associates' income tax attributable to net profit	5,273	(5,779)
Share of associates' net profit	16,582	7,321
Share of post-acquisition retained profits attributable to associates:		
Share of associates' retained profits at the beginning of the financial year	12,126	9,819
Share of associates' net profit	16,582	7,321
Less: Dividends from associates	(2,500)	(5,000)
Effect of exchange rate changes	(12)	(14)
Associate that became a controlled entity during the year **	(5,149)	–
Share of associates' retained profits at the end of the financial year	21,047	12,126
Movements in carrying amount of investments in associates:		
Carrying amount of investments in associates at the beginning of the financial year	15,096	12,417
Investments in associates acquired during the year	156	350
Associate that became a controlled entity during the year **	(8,006)	–
Share of associates' net profit	16,582	7,321
Less: Dividends from associates	(2,500)	(5,000)
Effect of exchange rate changes	34	8
Carrying amount of investments in associates at the end of the financial year	21,362	15,096

Notes to the Financial Statements (continued)

32. Equity accounted investments (continued)

(a) Investments in associates (continued)

	Consolidated	
	2004 \$'000	2003 \$'000
Share of associates' capital expenditure commitments contracted but not provided for and payable:		
Not later than one year	–	2,949
Share of associates' operating lease commitments payable:		
Not later than one year	63	95
Later than one year but not later than five years	253	868
Later than five years	442	591
	758	1,554
Summary of performance and financial position of associates:		
The consolidated entity's share of aggregate profits, assets and liabilities of associates are as follows:		
Net profit after tax	16,582	7,321
Current assets	13,058	16,479
Non-current assets	77,236	96,731
Total assets	90,294	113,210
Current liabilities	13,941	17,058
Non-current liabilities	54,991	81,056
Total liabilities	68,932	98,114
Net assets	21,362	15,096
(b) Investments in joint venture entities		
Results of joint venture entities:		
Share of joint venture entities' profit before income tax	9,430	5,244
Share of joint venture entities' income tax attributable to net profit	–	–
Share of joint venture entities' net profit	9,430	5,244
Share of post-acquisition retained profits attributable to joint venture entities:		
Share of joint venture entities' retained profits at the beginning of the financial year	7,175	7,929
Share of joint venture entities' net profit	9,430	5,244
Distributions received	(11,533)	(5,998)
Share of joint venture entities' retained profits at the end of the financial year	5,072	7,175

Notes to the Financial Statements (continued)

33. Interest in joint venture operations (continued)

	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
The principal activities of most of these joint ventures are oil and/or gas exploration, development and production.				
The assets and liabilities of the consolidated entity include the following items which represent the consolidated entity's interest in the assets and liabilities employed in unincorporated joint ventures, recorded in accordance with the accounting policies described in note 1:				
Current assets				
Cash assets	31,324	5,006	-	-
Receivables	2,442	3,571	-	-
Inventories	15,860	16,627	-	-
Other	3,091	2,089	-	-
Total current assets	52,717	27,293	-	-
Non-current assets				
Producing areas of interest	316,060	310,236	-	-
Property, plant and equipment	498,491	413,220	-	-
Exploration, evaluation and development expenditure	224,788	142,487	-	-
Other	1,679	1,980	-	-
Total non-current assets	1,041,018	867,923	-	-
Total assets	1,093,735	895,216	-	-
Current liabilities				
Payables	36,906	47,835	-	-
Provisions	130	50	-	-
Total current liabilities	37,036	47,885	-	-
Non-current liabilities				
Provisions	13,872	1,578	-	-
Total non-current liabilities	13,872	1,578	-	-
Total liabilities	50,908	49,463	-	-
Net investment in joint ventures	1,042,827	845,753	-	-

34. Employee benefits

Note	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Aggregate liability for employee benefits, including on-costs				
Current	19	55,000	45,480	15,972
Non-current	19	3,848	3,360	302
		58,848	48,840	16,274
Number of employees at year end		3,211	2,857	46
				43

(a) Employee superannuation funds

Refer to note 27.

(b) Equity-based instruments

(i) Senior Executive Option Plan

The company's Senior Executive Option Plan was approved at the annual general meeting on 13 November 1995. Staff eligible to participate in the plan are those senior executives invited by the Board, with the invitation based on performance and the role the individual plays in guiding the future success of the company. Options granted under the plan entitle the holder to subscribe for one fully paid ordinary share. The exercise price of the options is based on the weighted average price of the company's shares during a five day period determined by the Board to be representative of the company's position at the time. The options are exercisable at any time after the third anniversary of the grant and prior to the fifth anniversary of the grant, provided that relevant performance hurdles are met. The performance hurdles that must be met prior to an option becoming exercisable vary by option tranche and are discussed in the footnotes to the Senior Executive Options table in this note. Options granted under the plan do not carry any dividend or voting rights.

During the year, the company issued 3,910,000 options at an exercise price of \$4.31. The company does not record an expense on either the granting of options to employees or upon the subsequent exercise of the options by employees. The company has, however, estimated the cost attributable to the current year of all options issued by the company in the current and prior years, using the guidance in AASB 2 'Share-based Payment' (AASB 2) to be \$2.9 million (2003: \$1.8 million). AASB 2 prescribes that options be measured at fair value at the date of grant and amortised over the period to vesting date.

The amount recognised in contributed equity in the financial statements of the company for the financial year represents the proceeds received from exercise of options and is as follows:

Note	Consolidated		Origin Energy Limited	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Issued ordinary share capital	20	4,817	5,417	4,817
				5,417

Details of options outstanding at the beginning and the end of the financial year and movements during the year are provided in the Senior Executives Options table in this note.

(ii) Employee Share Plan

The Origin Board of Directors approved the Origin Energy Employee Share Plan (Origin ESP) on 20 March 2001. All Origin full-time and permanent part-time employees based in Australia with at least one year of service qualify for participation in the Origin ESP. Under the Origin ESP, up to \$1,000 worth of fully paid shares are offered to all qualifying employees, in each year in which the Origin ESP is in effect, for no consideration.

Shares are awarded under the terms of the Origin ESP in recognition of the contribution employees make to the overall success of Origin, based on performance hurdles established each year. The Origin ESP has been established as a qualifying plan under the Income Tax Assessment Act.

Origin Energy Limited shares awarded under the Origin ESP to Australian-based employees are registered as restricted shares which cannot be sold for three years from the date of award. The shares awarded in the name of the qualifying employee, are not subject to forfeiture and vest at the date of award to the employee. Shares awarded under the Origin ESP rank equally with other fully paid ordinary shares on issue and carry full voting and dividend rights.

To enable Origin employees based in New Zealand to receive benefits similar to those of Australian-based employees, the Board of Directors has approved the Origin Energy New Zealand Employee Share Plan (New Zealand ESP). The terms and benefits awarded under the New Zealand ESP are similar to those of the Origin ESP and all full-time and permanent part-time employees with at least one year of service qualify for participation in the plan. Under the New Zealand ESP, up to \$1,000 worth of fully paid shares are offered to all qualifying employees, in each year in which the New Zealand ESP is in effect, for no consideration. Shares awarded under the New Zealand ESP are restricted shares which cannot be sold for three years from the date of award and employees may elect to either receive the shares in their name at the time of award or have the shares placed into trust. Shares received by employees in their name at the date of award are not subject to forfeiture and vest at the date of award. Shares held in trust are subject to a three year vesting period before being allocated to employees and may be forfeited if employees do not remain employees of Origin for the full three year vesting period. Separate plans and procedures, adapting for local laws, have also been implemented to enable employees not based in Australia or New Zealand to receive benefits similar to those awarded under the Origin Energy ESP and the New Zealand ESP.

The cost of shares awarded under employee share plans during the year ended 30 June 2004 with respect to the company's performance in the 2003 financial year, which were purchased on-market, was \$1,858,000 (2003: \$1,686,000 fair value). This amount was accrued as part of employee benefit costs in the year ended 30 June 2003 (refer next page).

An amount of \$2,506,000 (2003: \$2,240,000) being the estimated cost of shares expected to be awarded under employee share plans for the year ended 30 June 2004 has been accrued at 30 June 2004.

Notes to the Financial Statements (continued)

34. Employee benefits (continued)

(b) Equity-based instruments (continued)

The following table details the shares awarded under employee share plans and the fair value of those shares:

Date shares granted	2004		
	Number of shares granted	Cost per share ⁽²⁾	Total cost \$'000
20 October 2003	428,141	\$4.15	1,777
1 December 2003 ⁽¹⁾	17,254	\$4.67	81
	445,395		1,858

Date shares granted	2003		
	Number of shares granted	Cost per share ⁽²⁾	Total cost \$'000
1 December 2002	427,429	\$3.77	1,613
30 June 2003 ⁽¹⁾	17,869	\$4.05	73
	445,298		1,686

(1) Shares awarded to New Zealand based employees.

(2) The cost per share represents the weighted average on-market purchase price of the company's shares.

Under the New Zealand ESP, employees may elect to either receive the shares awarded to them in their name or have the shares placed in trust at the date of award. Shares placed in trust have a three year vesting period. During the year ended 30 June 2004, 12,768 (2003: 14,954) shares were vested to the trust under the New Zealand ESP. During the year ended 30 June 2004, 670 (2003: 3,360) shares held in trust vested to employees, with a vesting date of 14 July 2003 and a fair value at this date of \$4.23 per share. The number of shares held in trust under the New Zealand ESP as at 30 June 2004 is 50,892 (2003: 41,367).

(iii) Executive Share Plan

Origin makes annual contributions to the Executive Share Plan according to a proportion of the variable incentive component of participating executives remuneration. The trustee of the plan applies to purchase shares on-market at prices prevailing at the time and allocates these shares to accounts of executives in accordance with directions from the directors. Shares allocated to the benefit of participating executives in the year ended 30 June 2004 and the prior year were awarded in the name of the participating executive and were not subject to any trading or vesting restrictions. The shares rank equally with other fully paid shares on issue and carry both dividend and voting rights. Shares awarded under the Executive Share Plan were purchased on-market for both the year ended 30 June 2004 and 2003.

During the year ended 30 June 2004, 238,021 shares were allocated to the accounts of executives under the Executive Share Plan at a fair value equal to the volume weighted average market price of the shares, of \$4.19 per share (2003: 224,471 shares, fair value \$3.65). The aggregate fair value of shares issued under the Executive Share Plan totalled \$997,000 (2003: \$820,000) and was recognised as part of employee benefits expense in the financial statements of the consolidated entity.

In years prior to 30 June 2002, shares awarded under the Executive Share Plan were placed in trust and subject to a vesting period before the shares were distributed to individual executives. Shares held in trust under the Executive Share Plan may be forfeited if executives do not remain employees of Origin for the full vesting period applicable under the rules of the trust. During the year ended 30 June 2004 all remaining shares held in trust were distributed to executives.

The following table details the movements in Origin Energy Limited shares held in trust for Origin executives under the Executive Share Plan:

	2004	
	Number of shares	Fair value per share*
Shares held in trust at 30 June 2003	449,034	
Shares distributed to executives during the year:		
20 October 2003	9,010	\$4.22
10 November 2003	2,672	\$4.26
30 November 2003	437,352	\$4.67
Shares held in trust at 30 June 2004	—	

	2003	
	Number of shares	Fair value per share*
Shares held in trust at 30 June 2002	580,328	
Shares distributed to executives during the year:		
3 July 2002	930	\$3.30
4 October 2002	931	\$3.43
25 November 2002	3,293	\$3.72
1 December 2002	111,188	\$3.61
10 January 2003	5,493	\$3.84
6 March 2003	2,277	\$4.20
7 March 2003	5,996	\$4.22
22 April 2003	1,186	\$4.27
Shares held in trust at 30 June 2003	449,034	

* The fair value of shares is the weighted average market share price on the Australian Stock Exchange on the date the shares were distributed to executives.

34. Employee benefits (continued)

(c) Summary of senior executive options

2004										
Grant date	First exercise date	Expiry date	Exercise price per option	Hurdle price per share	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested at end of the year
4 Dec 1998	4 Dec 2001	4 Dec 2003	\$1.66	\$2.00 ⁽¹⁾	365,000	—	365,000	—	—	—
4 Dec 1998	4 Dec 2001	4 Dec 2003	\$1.50	\$1.80 ⁽¹⁾	50,000	—	—	50,000	—	—
19 Jan 1999	19 Jan 2002	19 Jan 2004	\$1.66	\$2.00 ⁽¹⁾	30,000	—	30,000	—	—	—
1 Feb 1999	1 Feb 2002	1 Feb 2004	\$2.24	⁽²⁾	1,250,000	—	1,250,000	—	—	—
6 Dec 1999	6 Dec 2002	6 Dec 2004	\$1.76	⁽²⁾	881,500	—	528,350	—	353,150	353,150
6 Dec 1999	6 Dec 2002	6 Dec 2004	\$1.78	⁽²⁾	55,500	—	—	—	55,500	55,500
1 Mar 2000	1 Mar 2003	1 Mar 2005	\$1.27	⁽³⁾	2,230,000	—	340,000	—	1,890,000	1,890,000
31 Aug 2001	31 Aug 2004	31 Aug 2006	\$2.74	⁽⁴⁾	495,000	—	—	—	495,000	—
16 Dec 2001	16 Dec 2004	16 Dec 2006	\$3.20	⁽⁴⁾	3,495,000	—	—	—	3,495,000	—
14 Jan 2002	14 Jan 2005	14 Jan 2007	\$3.20	⁽⁴⁾	30,000	—	—	—	30,000	—
19 Dec 2002	19 Dec 2005	19 Dec 2007	\$3.56	⁽⁴⁾	2,630,000	—	—	—	2,630,000	—
19 Dec 2003	19 Dec 2006	19 Dec 2008	\$4.31	⁽⁴⁾	—	3,910,000	—	—	3,910,000	—
					11,512,000	3,910,000	2,513,350	50,000	12,858,650	2,298,650

2003										
Grant date	First exercise date	Expiry date	Exercise price per option	Hurdle price per share	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested at end of the year
11 Dec 1997	11 Dec 2000	11 Dec 2002	\$2.92	\$3.51 ⁽¹⁾	1,160,000	—	1,125,000	35,000	—	—
11 Dec 1997	11 Dec 2000	11 Dec 2002	\$5.02	\$6.02 ⁽¹⁾	70,000	—	—	70,000	—	—
2 Mar 1998	2 Mar 2001	2 Mar 2003	\$2.92	\$3.51 ⁽¹⁾	30,000	—	30,000	—	—	—
4 Dec 1998	4 Dec 2001	4 Dec 2003	\$1.66	\$2.00 ⁽¹⁾	645,000	—	280,000	—	365,000	365,000
4 Dec 1998	4 Dec 2001	4 Dec 2003	\$1.50	\$1.80 ⁽¹⁾	50,000	—	—	—	50,000	50,000
19 Jan 1999	19 Jan 2002	19 Jan 2004	\$1.66	\$2.00 ⁽¹⁾	60,000	—	30,000	—	30,000	30,000
1 Feb 1999	1 Feb 2002	1 Feb 2004	\$2.24	⁽²⁾	1,250,000	—	—	—	1,250,000	1,250,000
6 Dec 1999	6 Dec 2002	6 Dec 2004	\$1.76	⁽²⁾	1,665,900	—	784,400	—	881,500	881,500
6 Dec 1999	6 Dec 2002	6 Dec 2004	\$1.78	⁽²⁾	139,400	—	83,900	—	55,500	55,500
1 Mar 2000	1 Mar 2003	1 Mar 2005	\$1.27	⁽³⁾	2,230,000	—	—	—	2,230,000	2,230,000
31 Aug 2001	31 Aug 2004	31 Aug 2006	\$2.74	⁽⁴⁾	495,000	—	—	—	495,000	—
16 Dec 2001	16 Dec 2004	16 Dec 2006	\$3.20	⁽⁴⁾	3,495,000	—	—	—	3,495,000	—
14 Jan 2002	14 Jan 2005	14 Jan 2007	\$3.20	⁽⁴⁾	30,000	—	—	—	30,000	—
19 Dec 2002	19 Dec 2005	19 Dec 2007	\$3.56	⁽⁴⁾	—	2,630,000	—	—	2,630,000	—
					11,320,300	2,630,000	2,333,300	105,000	11,512,000	4,862,000

During the year ended 30 June 2004 2,513,350 (2003: 2,333,300) options were exercised and the details of these options are included in the Summary of Senior Executive Options exercised table in this note.

(1) The exercise hurdle requires that the company share price achieve the hurdle price for at least 20 consecutive days from date of grant to expiry date. The options were issued prior to the Boral Limited Demerger in February 2000.

(2) The performance hurdle for these options is based on an improvement in the Total Shareholder Return (TSR) index, i.e. the index measuring total shareholder returns maintained by the Australian Stock Exchange that calculates the share price movement of ordinary shares after notional reinvestment of dividends. The TSR must increase from the issue date by a specified percentage during a period of 20 consecutive trading days beginning 2½ years from the date of issue. These options were issued prior to the Boral Limited Demerger in February 2000.

(3) The performance hurdle for these options is based on the Total Shareholder Return (TSR) index, i.e. the index measuring total shareholder returns maintained by the Australian Stock Exchange that calculates the share price movement of ordinary shares after notional reinvestment of dividends. Whether the exercise hurdle is satisfied within the exercise period is determined by comparing the TSR index of the company with the TSR index of a predetermined reference group of Australian listed companies. The percentage of options that may be exercised is calculated on a sliding scale dependent upon the company's performance against the reference group of companies. The percentage of options that may be exercised is nil% if the TSR fails to reach the 25th percentile of the reference group of companies, 25% if the TSR reaches the 25th percentile, 50% if it reaches the 50th percentile and 100% if it reaches the 75th percentile.

(4) The performance hurdle for these options is based on the Total Shareholder Return (TSR) index, i.e. the index measuring total shareholder returns maintained by the Australian Stock Exchange that calculates the share price movement of ordinary shares after notional reinvestment of dividends. Whether the exercise hurdle is satisfied within the exercise period is determined by comparing the TSR index of the company with the TSR index of a predetermined reference group of Australian listed companies. The percentage of options that may be exercised is calculated on a sliding scale dependent upon the company's performance against the reference group of companies. If the Origin TSR reaches the 50th percentile, 50% of the options may be exercised and if it reaches the 75th percentile, 100% of the options may be exercised.

The reference group of companies is available to shareholders and may be accessed via the company's website.

Notes to the Financial Statements (continued)

34. Employee benefits (continued)

(d) Summary of senior executive options exercised

The following table details the options exercised during the financial year and number of shares issued to employees on the exercise of options.

Exercise date	2004		
	Exercise price	Number of shares	Fair value at date of exercise*
2 Jul 2003	\$1.76	14,050	\$4.16
11 Jul 2003	\$1.66	30,000	\$4.23
22 Jul 2003	\$1.76	8,200	\$4.21
23 Jul 2003	\$1.76	15,550	\$4.17
5 Aug 2003	\$1.66	20,000	\$4.16
5 Aug 2003	\$1.76	38,550	\$4.16
14 Aug 2003	\$1.76	19,050	\$4.11
22 Aug 2003	\$1.66	15,000	\$4.15
22 Aug 2003	\$1.76	16,000	\$4.15
29 Aug 2003	\$1.76	19,450	\$4.18
2 Sep 2003	\$1.76	19,450	\$4.18
11 Sep 2003	\$1.66	20,000	\$4.31
11 Sep 2003	\$1.76	14,750	\$4.31
17 Sep 2003	\$1.76	33,550	\$4.30
20 Oct 2003	\$1.66	50,000	\$4.23
20 Oct 2003	\$1.76	36,750	\$4.23
23 Oct 2003	\$1.66	20,000	\$4.28
3 Nov 2003	\$1.66	20,000	\$4.26
3 Nov 2003	\$1.76	12,250	\$4.26
7 Nov 2003	\$1.66	20,000	\$4.27
20 Nov 2003	\$1.66	20,000	\$4.41
20 Nov 2003	\$1.66	15,000	\$4.41
20 Nov 2003	\$1.66	15,000	\$4.41
28 Nov 2003	\$1.66	20,000	\$4.65
28 Nov 2003	\$1.66	20,000	\$4.65
1 Dec 2003	\$1.66	20,000	\$4.64
1 Dec 2003	\$1.76	40,950	\$4.64
1 Dec 2003	\$1.66	20,000	\$4.64
3 Dec 2003	\$1.66	20,000	\$4.61
4 Dec 2003	\$1.66	50,000	\$4.64
22 Dec 2003	\$1.76	21,800	\$4.70
14 Jan 2004	\$1.76	62,400	\$5.11
21 Jan 2004	\$2.24	1,250,000	\$5.17
12 Feb 2004	\$1.76	16,650	\$5.34
24 Feb 2004	\$1.76	42,050	\$5.43
25 Feb 2004	\$1.76	14,900	\$5.39
18 Jun 2004	\$1.27	150,000	\$5.47
24 Jun 2004	\$1.76	42,950	\$5.56
24 Jun 2004	\$1.27	190,000	\$5.56
30 Jun 2004	\$1.76	39,050	\$5.54
		2,513,350	

Exercise date	Exercise price	2003	
		Number of shares	Fair value at date of exercise*
10 Jul 2002	\$1.66	15,000	\$3.24
1 Aug 2002	\$1.66	15,000	\$3.37
8 Aug 2002	\$1.66	15,000	\$3.23
22 Aug 2002	\$1.66	15,000	\$3.41
30 Aug 2002	\$1.66	15,000	\$3.72
5 Sep 2002	\$1.66	20,000	\$3.70
17 Sep 2002	\$1.66	30,000	\$3.60
26 Sep 2002	\$2.92	105,000	\$3.54
3 Oct 2002	\$2.92	35,000	\$3.49
10 Oct 2002	\$2.92	15,000	\$3.45
11 Oct 2002	\$2.92	15,000	\$3.46
11 Oct 2002	\$1.66	30,000	\$3.46
14 Oct 2002	\$2.92	50,000	\$3.46
14 Oct 2002	\$1.66	50,000	\$3.46
18 Oct 2002	\$2.92	15,000	\$3.62
18 Oct 2002	\$1.66	15,000	\$3.62
24 Oct 2002	\$2.92	40,000	\$3.72
25 Oct 2002	\$2.92	15,000	\$3.71
28 Oct 2002	\$2.92	60,000	\$3.72
29 Oct 2002	\$2.92	40,000	\$3.69
1 Nov 2002	\$2.92	50,000	\$3.75
4 Nov 2002	\$2.92	35,000	\$3.73
5 Nov 2002	\$2.92	15,000	\$3.71
8 Nov 2002	\$2.92	35,000	\$3.79
18 Nov 2002	\$2.92	30,000	\$3.75
22 Nov 2002	\$2.92	20,000	\$3.76
25 Nov 2002	\$2.92	20,000	\$3.72
2 Dec 2002	\$2.92	35,000	\$3.59
6 Dec 2002	\$2.92	15,000	\$3.65
11 Dec 2002	\$2.92	480,000	\$3.47
13 Dec 2002	\$1.76	43,600	\$3.46
16 Dec 2002	\$1.76	24,050	\$3.48
17 Dec 2002	\$1.76	13,950	\$3.51
9 Jan 2003	\$1.76	73,850	\$3.89
10 Jan 2003	\$1.76	18,050	\$3.84
14 Jan 2003	\$1.76	27,900	\$3.86
17 Jan 2003	\$1.76	118,150	\$3.76
29 Jan 2003	\$2.92	30,000	\$3.80
29 Jan 2003	\$1.66	30,000	\$3.80
29 Jan 2003	\$1.76	40,450	\$3.80
3 Feb 2003	\$1.76	27,800	\$3.85
17 Feb 2003	\$1.76	42,700	\$3.93
3 Mar 2003	\$1.66	10,000	\$4.26
3 Mar 2003	\$1.76	261,200	\$4.26
3 Mar 2003	\$1.78	83,900	\$4.26
4 Mar 2003	\$1.66	20,000	\$4.19
14 Mar 2003	\$1.66	15,000	\$3.92
8 May 2003	\$1.76	14,500	\$4.38
29 May 2003	\$1.66	15,000	\$4.50
29 May 2003	\$1.76	20,800	\$4.50
30 May 2003	\$1.76	57,400	\$4.50
		2,333,300	

* The fair value of the shares issued as a result of exercising options is the weighted average market share price of the shares of the Company on the Australian Stock Exchange on the date the options were exercised.

35. Related party disclosures

Controlled entities and partly owned controlled entities

Interests held in controlled entities and partly owned controlled entities are set out in note 31.

During the year, the company entered into transactions with certain of these entities primarily involving loans and recharges to the company which were conducted on normal arm's-length terms and conditions. Interest is charged on intercompany loan amounts at commercially comparable rates.

Associated entities

Interests held in associated entities are set out in notes 9 and 32. The business activities of a number of these entities are conducted under joint venture arrangements. Associated entities conduct business transactions with various controlled entities. Such transactions and resulting year end balances, which are immaterial in amount, include purchases and sales of certain products, dividends and interest. All such transactions are conducted on the basis of normal arm's-length commercial terms and conditions.

Other Transactions

Origin Energy Limited and/or controlled entities have entered into agreements with Envestra Limited and/or certain of its controlled entities under which a controlled entity manages natural gas distribution networks for Envestra and Envestra provides a controlled entity with access to the networks. During the financial year, controlled entities received \$72,218,000 (2003: \$64,890,000) from Envestra for managing the networks, received \$91,345,000 (2003: \$76,291,000) from Envestra as reimbursement for capital expenditure on the networks, paid \$219,715,000 (2003: \$209,569,000) to Envestra for transporting gas through the networks, and received \$6,118,000 (2003: \$5,880,000) from Envestra for system use gas and industry support expenditure. Subvention payments of \$4,000,000 (2003: \$10,000,000) were made during the year.

All transactions were conducted on the basis of normal arm's-length commercial terms and conditions.

36. Director and executive disclosures

(a) Directors

The following persons were directors of Origin Energy Limited during the financial year:

Independent Chairman – non-executive

Mr H K McCann

Executive directors

Mr G A King, Managing Director

Mr B G Beeren, Executive Director, Commercial

Independent non-executive directors

Mr T Bourne

Mr C B Carter

Dr H M Nugent

Dr J R Williams

(b) Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the five executives with the greatest authority for the strategic direction and management of the consolidated entity ('specified executives') during the financial year:

Name	Position	Employer
Ms K A Moses	Executive General Manager, Wholesale and Trading	Origin Energy Limited
Mr A M Stock	Executive General Manager, Generation	Origin Energy Limited
Mr J M Piper	Executive General Manager, Oil and Gas Production	Origin Energy Limited
Mr P J Vines	Executive General Manager, Retail	Origin Energy Limited
Dr R J Willink	General Manager, Exploration	Origin Energy Limited

(c) Remuneration of specified directors and specified executives

(i) Principles used to determine nature and amount of remuneration

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include a mix of fixed remuneration, performance-based remuneration and equity-based remuneration. The committee ensures the Remuneration Policy is consistent with market practice and that the company is able to attract, develop and retain its people. As required by the committee, the Managing Director is invited to attend meetings to discuss senior executives' performance and remuneration.

Notes to the Financial Statements (continued)

36. Director and executive disclosures (continued)

(c) Remuneration of specified directors and specified executives (continued)

(ii) Executive directors and executives

The remuneration of the Managing Director and senior executives is reviewed annually by the Remuneration Committee, which considers the performance of both the company and the individual. Recommendations are made to the Board in this regard. Contractual entitlements for executive directors and specified executives are detailed at item (c)(v) in this note. In addition the Board has discretion to vary payments to individuals in recognition of extraordinary circumstances or outcomes.

Executive directors and senior executives may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a blend of the consolidated entity's and each relevant segment's result incorporating operating cash flow return on assets ratio and other relevant measures of performance. The Board exercised its discretion in relation to the payment of bonuses for the year ended 30 June 2004 with respect to short-term incentives payable to the Managing Director, Executive Director, Commercial and Executive General Manager, Wholesale and Trading in recognition of their contribution to the proposed Contact Energy acquisition which was not contemplated at the time that performance hurdles were set.

Options are issued under the Senior Executive Option Plan (made in accordance with thresholds set in plans approved by shareholders at the 13 November 1995 Annual General Meeting) at the discretion of the Board, upon receiving recommendations from the Remuneration Committee. Options over ordinary shares are issued for no consideration. The ability to exercise the options is conditional on the consolidated entity achieving certain performance hurdles. The Board did not exercise its discretion in relation to the exercise of options during the year.

The performance hurdle for the options is based on the Total Shareholder Return (TSR) index, i.e. the index measuring total shareholder returns maintained by the Australian Stock Exchange that calculates the share price movement of ordinary shares after notional reinvestment of dividends. Whether the exercise hurdle is satisfied within the exercise period is determined by comparing the TSR index of the company with the TSR index of a predetermined reference group of Australian listed companies. The percentage of options that may be exercised is calculated on a sliding scale dependent upon the company's performance against the reference group of companies. If the Origin TSR reaches the 50th percentile, 50% of the options may be exercised and if it reaches the 75th percentile, 100% of the options may be exercised. The reference group of companies is available to shareholders and may be accessed via the company's website.

The Board considers that the above performance-linked remuneration structure is generating the desired outcome. The evidence for this is firstly, the very strong growth in profits in recent years, and secondly, the performance-linked element of the structure appears to be appropriate because most but not all of the executive directors and senior executives achieve a level of performance which qualifies them for bonuses and options.

(iii) Independent non-executive directors

The payment of non-executive directors' fees within the limit set by shareholders is reviewed annually using external data and advice to ensure that such fees are reasonable and consistent with the market. At the Annual General Meeting on 16 October 2003, shareholders approved an increase to the aggregate maximum fees payable to non-executive directors to \$950,000 per annum. For the past year, the Chairman's base fees were \$233,333 and \$93,333 for other non-executive directors. The Chairman and non-executive directors receive additional fees for their work on Board Committees. The additional annual fee for the Remuneration Committee Chairman is \$13,333 and \$6,666 for a member. The additional annual fee for the Audit Committee Chairman is \$26,666 and \$13,333 for a member.

The Board has approved a new level of fees to be paid from 1 July 2004 whereby fees paid to the Chairman will be \$340,000 per annum inclusive of all committee fees and \$105,000 for each other non-executive director. The additional annual fee for the Remuneration Chairman will be \$13,333 and \$6,666 for a member. The additional annual fee for the Audit Committee Chairman will be \$40,000 and \$20,000 for a member. The additional annual fee for the HSE Committee Chairman will be \$13,333 and \$6,666 for a member.

An increase in the aggregate maximum fee payable to non-executive directors to \$1,400,000 is to be considered by shareholders at the Annual General Meeting on 20 October 2004.

Non-executive directors were entitled to a retirement benefit under a retirement benefit scheme that was approved by shareholders in 1989. The scheme was terminated on 31 December 2002 and the entitlements were frozen at that date. Non-executive directors are required to sacrifice 25% of their total fees for the acquisition of shares in the company under the Non-Executive Directors Share Plan (NEDS Plan). Shares held by the directors under the NEDS Plan cannot be sold until the director retires or leaves the Board. Directors are required to acquire and hold at least 25,000 shares in the company. After that number has been acquired the fees sacrificed may be applied in the acquisition of further shares under the NEDS Plan or paid into a complying superannuation fund. Accordingly 25% of non-executive directors gross fees are not paid immediately to the director but are deferred until they retire from employment or the Board. As from 1 July 2004, by election or as required, all non-executive directors sacrifice 25% of their fees for the acquisition of shares under the NEDS Plan.

The actual amount paid to non-executive directors in 2004 was \$692,900 (2003: \$541,454) inclusive of superannuation and contributions to the Non-Executive Directors' Share Plan. The amount of benefits accrued during the year under the Non-Executive Directors' Retirement Scheme (terminated at 31 December 2002) was \$40,444 (2003: \$87,924). The total of accrued benefits and amounts paid during the year was \$733,344 (2003: \$629,378).

Non-executive directors do not receive any performance related remuneration.

36. Director and executive disclosures (continued)

(c) Remuneration of specified directors and specified executives (continued)

(iv) Remuneration Table

The following table provides the details of all directors of the Company ('specified directors') and the five executives of the consolidated entity with the greatest authority ('specified executives') and the nature and amount of the elements of their remuneration for the year ended 30 June 2004.

	2004								
	Salary & fees \$	Primary		Post-employment		Equity compensation	Other compensation		Total \$
		Bonus ** \$	Non-monetary benefits \$	Super-annuation benefits \$	Prescribed benefits \$	Value of options * \$	Termination benefits \$	Insurance premiums \$	
Specified directors									
<i>Non-executive</i>									
Mr T Bourne	80,000	—	—	7,200	25,956	—	—	182	113,338
Mr C B Carter	75,000	—	—	6,750	24,739	—	—	182	106,671
Mr H K McCann, (Chairman)	189,674	—	—	—	81,775	—	—	182	271,631
Dr J R Williams	90,000	—	—	8,100	30,817	—	—	182	129,099
Dr H M Nugent	85,000	—	—	7,650	20,683	—	—	182	113,515
<i>Executive</i>									
Mr G A King, (Managing Director)	1,043,795	686,000	89,007	25,000	—	295,079	—	6,059	2,144,940
Mr B G Beeren ***	508,810	629,000	25,170	—	—	124,959	—	3,197	1,291,136
Total, all specified directors	2,072,279	1,315,000	114,177	54,700	183,970	420,038	—	10,166	4,170,330

	2004								
	Salary & fees \$	Primary		Post-employment		Equity compensation	Other compensation		Total \$
		Bonus ** \$	Non-monetary benefits \$	Super-annuation benefits \$	Prescribed benefits \$	Value of options * \$	Termination benefits \$	Insurance premiums \$	
Specified executives									
Ms K A Moses	460,780	305,910	73,329	35,000	—	191,110	—	2,709	1,068,838
Mr A M Stock	373,007	210,910	27,804	59,000	—	129,823	—	2,709	803,253
Mr J M Piper	345,195	200,910	52,855	63,075	—	127,526	—	2,059	791,620
Mr P J Vines	415,166	185,910	12,558	—	—	136,193	—	2,059	751,886
Dr R J Willink	293,009	170,910	49,617	50,840	—	107,516	—	3,035	674,927
Total, all specified executives	1,887,157	1,074,550	216,163	207,915	—	692,168	—	12,571	4,090,524

* The fair value of the options is calculated at the date of grant using a Monte Carlo simulation technique and allocated to each reporting period evenly over the period from grant date to vesting date. The value of the options disclosed above is the portion of the fair value of the options allocated to this reporting period.

** Cash and long-term incentive bonuses are granted annually, before the end of the year. The grant date is tied to the performance appraisal, which, for the current year, was completed by 30 June 2004. The specific service and performance criteria are set out earlier in this note.

*** The bonus amount of \$629,000 includes an amount of \$314,000 which reflects the increase in share price during the year. This amount is only payable on the earlier of retirement date or 19 December 2007 if performance hurdles are exceeded.

Comparative information is not required to be disclosed, as this is the first reporting period to which AASB 1046 'Director and Executive Disclosures by Disclosing Entities' is applied.

Notes to the Financial Statements (continued)

36. Director and executive disclosures (continued)

(c) Remuneration of specified directors and specified executives (continued)

(v) Executive directors and specified executives contractual entitlements

Managing Director

<i>Contract end date</i>	30 June 2009
<i>Fixed remuneration -- 2003/2004</i>	\$1.1 million from 1 July 2003 to 30 June 2004
<i>Fixed remuneration -- 2004/2005</i>	\$1.3 million from 1 July 2004, subject to annual review
<i>Short-term incentives</i>	Maximum 60% of fixed remuneration
<i>Long-term incentives</i>	Maximum 100% of fixed remuneration, currently delivered at Board discretion in the form of options as approved by shareholders*
<i>Termination:</i>	
<i>With cause</i>	Immediate with payment of accrued entitlements only
<i>Without cause</i>	12 months notice or payment in lieu, including payment of short-term incentive potential
<i>Poor performance</i>	Maximum of 12 months of fixed remuneration, including 6 months notice or payment in lieu, with no payment of short-term incentive
<i>Resignation</i>	12 months notice or payment in lieu, with no payment of short-term incentive

Executive Director, Commercial

<i>Contract end date</i>	Termination with 12 months notice
<i>Fixed remuneration -- 2003/2004</i>	\$545,000 from 1 September 2003 to 31 August 2004
<i>Fixed remuneration -- 2004/2005</i>	\$575,000 from 1 September 2004, subject to annual review
<i>Short-term incentives</i>	Maximum 50% of fixed remuneration
<i>Long-term incentives</i>	Maximum 55% of fixed remuneration, currently delivered at Board discretion in the form of options as approved by shareholders*
<i>Termination:</i>	
<i>With cause</i>	Immediate with payment of accrued entitlements only
<i>Without cause</i>	12 months notice or payment in lieu, including payment of short-term incentive potential
<i>Resignation</i>	12 months notice or payment in lieu, with no payment of short-term incentive

Executive General Manager, Wholesale and Trading

<i>Fixed remuneration -- 2003/2004</i>	\$530,000 from 1 September 2003 to 31 August 2004
<i>Fixed remuneration -- 2004/2005</i>	\$560,000 from 1 September 2004, subject to annual review
<i>Short-term incentives</i>	Maximum 50% of fixed remuneration
<i>Long-term incentives</i>	Maximum 55% of fixed remuneration, currently delivered at Board discretion in the form of options*

Executive General Manager, Oil and Gas Production

<i>Fixed remuneration -- 2003/2004</i>	\$440,000 from 1 September 2003 to 31 August 2004
<i>Fixed remuneration -- 2004/2005</i>	\$465,000 from 1 September 2004, subject to annual review
<i>Short-term incentives</i>	Maximum 50% of fixed remuneration
<i>Long-term incentives</i>	Maximum 50% of fixed remuneration, currently delivered at Board discretion in the form of options*

Executive General Manager, Generation

<i>Fixed remuneration -- 2003/2004</i>	\$440,000 from 1 September 2003 to 31 August 2004
<i>Fixed remuneration -- 2004/2005</i>	\$465,000 from 1 September 2004, subject to annual review
<i>Short-term incentives</i>	Maximum 50% of fixed remuneration
<i>Long-term incentives</i>	Maximum 50% of fixed remuneration, currently delivered at Board discretion in the form of options*

Executive General Manager, Retail

<i>Fixed remuneration -- 2003/2004</i>	\$420,000 from 1 September 2003 to 31 August 2004
<i>Fixed remuneration -- 2004/2005</i>	\$445,000 from 1 September 2004, subject to annual review
<i>Short-term incentives</i>	Maximum 50% of fixed remuneration
<i>Long-term incentives</i>	Maximum 50% of fixed remuneration, currently delivered at Board discretion in the form of options*

General Manager, Exploration

<i>Fixed remuneration -- 2003/2004</i>	\$380,000 from 1 September 2003, to 31 August 2004
<i>Fixed remuneration -- 2004/2005</i>	\$410,000 from 1 September 2004, subject to annual review
<i>Short-term incentives</i>	Maximum 50% of fixed remuneration
<i>Long-term incentives</i>	Maximum 50% of fixed remuneration, currently delivered at Board discretion in the form of options*

Senior executives, other than executive directors, are employed as permanent employees under the terms of Executive Service Agreements. Those agreements provide for termination, with related payments, as follows:

With cause

Immediate termination, with payment of accrued entitlements only.

Without cause

Notice period of up to 3 months notice or payment in lieu plus severance payment equivalent to 3 weeks of fixed remuneration per year of service, to a maximum of 74 weeks entitlement. A minimum of 6 months combined notice and severance applies.

Resignation

One month notice or payment in lieu.

In certain circumstances, primarily redundancy, senior executives may also be entitled to receive pro-rata portions of at-risk remuneration for the year during which termination occurs.

* With options, as the mechanism through which long-term incentives are provided, the relative value used to determine the corresponding number of options is determined using a Monte Carlo Simulation technique that adopts the same principles and assumptions used in the Black-Scholes formula but allows for Total Shareholder Return performance hurdles to be incorporated in the valuation process. Options awarded have an exercise price based on the market price at the time of approval, a three-year vesting period and clear performance hurdles requiring out-performance relative to a reference group of listed companies.

36. Director and executive disclosures (continued)

(d) Equity instruments

All options refer to options over ordinary shares of Origin Energy Limited, which are exercisable on a one-for-one basis under the Senior Executive Option Plan.

(i) Options and rights over equity instruments granted as remuneration

During the reporting period, options over ordinary shares granted or vested to all specified directors and specified executives, were as follows:

	Number of options granted during the year	Number of options vested during the year
Specified directors		
Mr T Bourne	—	—
Mr C B Carter	—	—
Mr H K McCann, (Chairman)	—	—
Dr J R Williams	—	—
Dr H M Nugent	—	—
Mr G A King, (Managing Director)	500,000	750,000
Mr B G Beeren	275,000	400,000
Specified executives		
Ms K A Moses	260,000	190,000
Mr A M Stock	160,000	—
Mr J M Piper	160,000	175,250
Mr P J Vines	140,000	—
Dr R J Willink	160,000	159,100

All options granted in the current year were granted on 19 December 2003, vest on 19 December 2006, have an expiration date of 19 December 2008, an exercise price of \$4.31, and a fair value of \$4.65 per share at grant date. All options expire on the earlier of their expiry date or termination of the individual's employment. Refer to the Summary of Senior Executive Options Table, footnote (4) in note 34(c) for a detailed description of the performance hurdles attached to these options. The options were provided at no cost to the recipients.

Further details, including grant dates and exercise dates regarding options granted to executives under the Senior Executive Option Plan are in note 34.

On 6 August 2004, 775,000 options with an exercise price of \$6.14 each, vesting on 6 August 2007 and expiring on 6 August 2009, were issued to the executive directors. The awards were consistent with the approval received from shareholders at the 16 October 2003 Annual General Meeting to grant 1,000,000 options to the Managing Director and 550,000 options to the Executive Director, Commercial. The fair value of each option at grant date, as determined by Mercer, was \$1.65 per option.

(ii) Exercise of options granted as remuneration

During the reporting period, the following shares were issued on the exercise of options previously granted as remuneration:

	Number of shares	Amount paid \$/share
Specified directors		
Mr T Bourne	—	—
Mr C B Carter	—	—
Mr H K McCann, (Chairman)	—	—
Dr J R Williams	—	—
Dr H M Nugent	—	—
Mr G A King, (Managing Director)	50,000	\$1.66
Mr G A King, (Managing Director)	36,750	\$1.76
Mr B G Beeren	—	—
Specified executives		
Ms K A Moses	40,950	\$1.76
Ms K A Moses	20,000	\$1.66
Mr A M Stock	20,000	\$1.66
Mr A M Stock	42,950	\$1.76
Mr A M Stock	190,000	\$1.27
Mr J M Piper	20,000	\$1.66
Mr P J Vines	—	—
Dr R J Willink	20,000	\$1.66

There are no amounts unpaid on the shares issued as a result of the exercise of the options.

Notes to the Financial Statements (continued)

36. Director and executive disclosures (continued)

(d) Equity instruments (continued)

(iii) Option holdings

The movement during the reporting period in the number of options over ordinary shares in Origin Energy Limited held directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 1 July 2003	Granted as remuneration	Exercised	Held at 30 June 2004	Vested and exercisable at 30 June 2004
Specified directors					
Mr T Bourne	—	—	—	—	—
Mr C B Carter	—	—	—	—	—
Mr H K McCann, (Chairman)	—	—	—	—	—
Dr J R Williams	—	—	—	—	—
Dr H M Nugent	—	—	—	—	—
Mr G A King, (Managing Director)	1,586,750	500,000	86,750	2,000,000	750,000
Mr B G Beeren	650,000	275,000	—	925,000	400,000
Specified executives					
Ms K A Moses	690,950	260,000	60,950	890,000	190,000
Mr A M Stock	572,950	160,000	252,950	480,000	—
Mr J M Piper	505,250	160,000	20,000	645,250	175,250
Mr P J Vines	340,000	140,000	—	480,000	—
Dr R J Willink	419,100	160,000	20,000	559,100	159,100

No options held by specified directors or specified executives are vested but not exercisable.

No options expired or were forfeited during the year.

(iv) Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Origin Energy Limited held directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

	Held at 1 July 2003	Purchases	Received on exercise of options	Sales	Held at 30 June 2004
Specified directors					
Mr T Bourne	16,658	9,517	—	—	26,175
Mr C B Carter	16,000	4,191	—	—	20,191
Mr H K McCann, (Chairman)	204,220	4,838	—	—	209,058
Dr J R Williams	17,178	4,980	—	—	22,158
Dr H M Nugent	2,000	3,778	—	—	5,778
Mr G A King, (Managing Director)	100,986	1,848	86,750	86,750	102,834
Mr B G Beeren	69,464	1,660	—	—	71,124
Specified executives					
Ms K A Moses	32,743	219	60,950	60,950	32,962
Mr A M Stock	16,520	283	252,950	—	269,753
Mr J M Piper	39,358	1,622	20,000	—	60,980
Mr P J Vines	11,378	5,612	—	—	16,990
Dr R J Willink	27,114	1,080	20,000	—	48,194

36. Director and executive disclosures (continued)

(e) Loans and other transactions with specified directors and specified executives

(i) Loans

No loans were extended to specified directors or specified executives during the financial year or previous year.

(ii) Other transactions with the company or its controlled entities

Transactions entered into during the year with specified directors and specified executives 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;
- participation in the Employee Share Plan, the Executive Share Plan and the Senior Executive Option Plan;
- terms and conditions of employment;
- reimbursement of expenses; and
- purchases of goods and services.

Certain non-executive directors of Origin Energy Limited are associated with legal and consulting firms which from time to time derive fees for work performed for Origin Energy Limited and controlled entities. However, no fees were paid to these firms in the current or previous year.

Messrs. GA King and BG Beeren are directors of Envestra Limited and Ms. KA Moses is a director of a controlled entity of Envestra Limited.

37. Deed of cross guarantee

The following consolidated Statement of Financial Performance and Statement of Financial Position comprises the company and its controlled entities which are party to the Deed of Cross Guarantee (refer notes 26 and 31), after eliminating all transactions between parties to the Deed.

for year ended 30 June	Consolidated	
	2004 \$'000	2003 \$'000
Summarised Statement of Financial Performance and retained profits		
Profit from ordinary activities before income tax	255,030	212,799
Income tax expense	65,991	69,336
Net profit	189,039	143,463
Retained profits at the beginning of the financial year	1,153,117	1,042,924
Adjustment resulting from initial adoption of revised AASB 1028 'Employee Benefits'	–	(265)
Adjustment for entities entering Deed of Cross Guarantee	46,051	–
Dividends recognised during the year	(73,141)	(32,654)
Aggregate of amounts transferred (to)/from reserves	341	(351)
Retained profits at the end of the financial year	1,315,407	1,153,117

Notes to the Financial Statements (continued)

37. Deed of cross guarantee (continued)

as at 30 June	Consolidated	
	2004 \$'000	2003 \$'000
Statement of Financial Position		
Current assets		
Cash assets	28,758	11,910
Receivables	798,052	595,379
Inventories	47,938	38,189
Other	61,198	42,394
Total current assets	935,946	687,872
Non-current assets		
Receivables	5,444	23,941
Investments accounted for using the equity method	21,206	9,130
Other financial assets	215,643	329,019
Property, plant and equipment	1,305,940	1,044,948
Exploration, evaluation and development expenditure	204,690	74,474
Intangibles	809,772	776,581
Deferred tax assets	95,093	103,529
Other	8,136	8,573
Total non-current assets	2,665,924	2,370,195
Total assets	3,601,870	3,058,067
Current liabilities		
Payables	467,500	283,491
Interest-bearing liabilities	96,084	85,522
Current tax liabilities	1,074	524
Provisions	69,548	68,570
Total current liabilities	634,206	438,107
Non-current liabilities		
Payables	1,704	9,557
Interest-bearing liabilities	777,546	663,012
Deferred tax liabilities	247,603	198,074
Provisions	45,835	60,018
Total non-current liabilities	1,072,688	930,661
Total liabilities	1,706,894	1,368,768
Net assets	1,894,976	1,689,299
Equity		
Contributed equity	463,208	418,612
Reserves	116,361	117,570
Retained profits	1,315,407	1,153,117
Total equity	1,894,976	1,689,299

38. Earnings per share

	Consolidated	
	2004	2003
Basic earnings per share	30.9 cents	24.8 cents
Diluted earnings per share	30.7 cents	24.7 cents
Weighted average number of shares used as the denominator:		
Number of ordinary shares for basic earnings per share calculation	663,160,654	652,380,401
Effect of executive share options on issue	4,923,384	4,061,338
Number of ordinary shares for diluted earnings per share calculation	668,084,038	656,441,739
	2004 \$'000	2003 \$'000
Reconciliation of earnings used in calculating basic and diluted earnings per share:		
Net profit	206,923	166,303
Net profit attributable to outside equity interests	(1,982)	(4,351)
Earnings used in calculating earnings per share	204,941	161,952

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

Share options granted under the Senior Executive Option Plan have been classified as potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share.

Information about basic and diluted EPS

During the year 2,563,350 (2003: 2,438,300) options were exercised or lapsed. The diluted earnings per share calculation includes that portion of these options assumed to be issued for nil consideration, weighted with reference to the date of conversion. The weighted average number included is 830,901 (2003: 467,427).

The following Senior Executive Share Options have not been included in the calculation of diluted earnings per share as they are not dilutive:

Expiry date 11 December 2002 70,000 options

Full details of these options are set out in note 34.

There were nil (2003: 145,400) shares issued as a result of the exercise of options between the reporting date and the completion of the financial report. These shares were not included in the calculation of basic earnings per share.

775,000 options were issued on 6 August 2004 (refer note 36(d)(i)). These options were not included in the calculation of diluted earnings per share.

39. Events subsequent to balance date

Dividends declared subsequent to 30 June 2004

Refer to note 5(b).

Contact Energy Limited acquisition

On 20 July 2004 the company announced that a conditional agreement had been signed to acquire Edison Mission Energy's 51.2% interest in the issued capital of Contact Energy Limited for a consideration of NZ\$1,675 million or NZ\$5.67 per share. The consideration is to be adjusted by any dividends paid by Contact prior to completion. A dividend of NZ\$0.10 per share was declared on 30 July 2004 and the price per share to be paid to Edison Mission Energy will be reduced by this amount. Should the acquisition become unconditional, in accordance with the Takeovers Code in New Zealand, the company will proceed to make a bid for all the issued capital of Contact at the same adjusted price as agreed with Edison Mission Energy.

Onshore Otway Basin permits acquisition

On 19 July 2004, Origin Energy Resources Ltd, a wholly owned subsidiary of Origin Energy Limited, announced that it had signed an agreement with Santos (BOI) Pty Ltd to acquire interests in a number of petroleum exploration and production tenements in the onshore portion of the Victorian Otway Basin. Consideration for these assets is \$25.8 million.

The transaction is subject to the waiver of certain pre-emptive rights in respect of EP 154 (a) and (b) and associated PPLs by the other joint venture participant, various consents and regulatory/ministerial approvals.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2004.

Notes to the Financial Statements (continued)

40. Impact of adopting AASB equivalents of International Financial Reporting Standards

International Financial Reporting Standards

Origin will be required to prepare financial statements under Australian equivalents of International Financial Reporting Standards (IFRS) for the first time for the half year ending 31 December 2005 and year ending 30 June 2006. Origin is in the process of preparing the transition of its financial reporting from current Australian Accounting Standards to these new standards. The Origin Board has established a formal IFRS Project, has allocated internal resources, and engaged Deloitte as its IFRS technical advisor to assist in the assessment of the impact of adoption of IFRS on Origin and assist with the implementation of IFRS. The project is managed by a steering committee chaired by the Chief Financial Officer and overseen by a project manager. Sub-project teams have been established to address each potential high impact area. The Board and Audit Committee are regularly updated on the status of the IFRS Project.

Origin's IFRS Project is comprised of three main phases: Scoping and Impact Analysis; Evaluation and Design; and Implementation and Review. The first two phases are complete, while the final phase is in progress and on schedule.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

Transitional balance sheet

Origin will be required to restate its comparatives for its 31 December 2005 half year report and 30 June 2006 annual financial report using all IFRS except for AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' which do not come into effect until 1 July 2005. Thus Origin will prepare an opening balance sheet in accordance with AASB equivalent standards to IFRS as at 1 July 2004, while further transitional adjustments relating to AASB 132 and AASB 139 will be made at 1 July 2005.

Accounting policies

The Origin IFRS project team has identified a number of accounting policy changes that may be required. In some cases, choices of accounting policies are available and these are still being analysed to determine the most appropriate accounting policy for Origin. Set out below are the significant areas where accounting policies are likely to change.

Financial instruments

- ~ Transitional impact on retained profits at 1 July 2005
- ~ Potential volatility in future results
- ~ New assets, liabilities and equity reserves recognised

Under AASB 139, financial instruments which were previously not recognised, must now be recognised in the Statements of Financial Position. All derivatives, including embedded derivatives, and most financial assets will be carried at fair value. Listed investments will most likely be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity reserves.

IFRS recognises fair value hedge accounting, cash flow hedge accounting and hedges of investments in foreign operations. Fair value and cash flow hedges only qualify for hedge accounting where stringent hedge effectiveness and documentation criteria are satisfied. Where the hedge accounting criteria are met, the changes in fair value are recognised directly in reserves (for cash flow hedges), while for fair value hedges, changes in fair value of both the hedged item and hedging transaction are recognised in the Statements of Financial Performance. Where the hedge accounting criteria is not met, the changes in fair value are recognised in the Statements of Financial Performance and this may result in significant volatility in reported results. Under the current accounting policy, costs or gains arising under hedge transactions, together with any realised or unrealised gains or losses from remeasurement, are deferred and included in the measurement of the hedged transaction when it occurs.

Although AASB 139 has been issued in Australia, the application of this standard to commodity contracts (eg contracts for the sale of electricity) and electricity related derivatives is still under review by industry participants, both locally and internationally. For this reason it has not been possible to determine with any certainty the likely impact of AASB 139 on the consolidated entity's results, except that the introduction of the standard will add potential volatility to future results.

40. Impact of adopting AASB equivalents of International Financial Reporting Standards (continued)

Income taxes

- ~ Transitional impact on retained profits at 1 July 2004
- ~ Potential impact not yet determinable

Under AASB 112 'Income Taxes', deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying value of assets and liabilities and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. This will be a change to the current accounting policy under which deferred tax balances are determined using the income statement method where items are only tax effected if they are included in the determination of pre-tax accounting profit and taxable income, and current and deferred taxes cannot be recognised directly in equity. IFRS impacts arising from other areas (eg restatement of business combinations) may also result in further changes in deferred tax assets and liabilities. Accordingly, the potential financial impact on deferred tax balances is not yet determinable.

Share-based payment

- ~ Transitional impact on retained profits at 1 July 2004
- ~ Expense recognised for share-based remuneration

Under AASB 2 'Share-Based Payment', equity-based compensation in the form of shares and options will be measured at fair value at the date of grant and recognised as expenses over the vesting period. The current accounting policy is to recognise no expense for equity-based remuneration provided under the Senior Executive Option Plan. Expenses are currently recognised for equity-based remuneration provided under the Employee Share Plan and Executive Share Plan, for which shares are purchased on-market.

Employee benefits

- ~ Transitional impact on retained profits at 1 July 2004
- ~ Potential volatility in future results

Under AASB 119 'Employee Benefits', surpluses and deficits in the defined benefit superannuation plan sponsored by entities within the consolidated entity will be recognised in the Statement of Financial Position and the Statement of Financial Performance. The current accounting policy is only to recognise deficits where there is a present obligation to make good that deficit, and to release the provision as and when additional contributions are made to eliminate the deficit or when the defined benefit superannuation plan returns to surplus.

Impairment of assets

- ~ Transitional impact on retained profits at 1 July 2004
- ~ Potential volatility in results if assets impaired

Under AASB 136 'Impairment of Assets', the recoverable amount of an asset or cash generating unit is determined as the higher of fair value less costs to sell and value in use. This will result in a change in the current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Value in use adopts a discounted cash flow methodology but has more prescriptive rules governing inputs into the impairment models.

Goodwill

- ~ Transitional impact on retained profits at 1 July 2004
- ~ Lower (nil) amortisation expense
- ~ Potential volatility in results if assets impaired

Under AASB 3 'Business Combinations', goodwill will no longer be amortised but instead the asset to which it relates will be subject to annual impairment testing focusing on the discounted cash flows of the related cash generating unit. Goodwill will only be written down to the extent it is impaired. This will result in a change in the current accounting policy which amortises goodwill on a straight line basis over the period during which the benefits are expected to arise, but not exceeding 20 years.

Exploration and evaluation expenditure

- ~ Accounting policy impact unable to be determined until accounting standard is issued

The impact of exposure draft ED 6 'Exploration for and Evaluation of Mineral Resources' on Origin's accounting policy for the treatment of exploration and evaluation expenditure cannot be determined until the final standard is issued by the International Accounting Standards Board (IASB), and the equivalent Australian Accounting Standard is subsequently issued by the Australian Accounting Standards Board (AASB).


Recent announcements from the AASB indicate that the IASB will amend ED 6 and will fully grandfather Australia's existing area of interest method of accounting for exploration and evaluation expenditure. Until these proposed changes are enacted it is not possible to determine the potential impacts in this area.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents of IFRS, as not all standards have been fully analysed and some accounting policy decisions have not been made where choices are available. Therefore at this stage, Origin has not been able to reliably quantify the impact of the transition to IFRS on its financial report.

Statutory statements – Directors' declaration

1. In the opinion of the Directors of Origin Energy Limited:
 - a) the financial statements and notes, set out on pages 2 to 57, are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the financial position of the company and consolidated entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - b) 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 31 to the financial statements 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.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read 'Kevin McCann', with a long horizontal flourish extending to the right.

Kevin McCann, Chairman

Sydney, 17 August 2004

Independent audit report

to members of Origin Energy Limited

Scope

The Financial Report and Directors' responsibility

The Financial Report comprises the Statements of Financial Position, Statements of Financial Performance, Statements of Cash Flows, accompanying notes to the Financial Statements, and the Directors' declaration for both Origin Energy Limited (the 'company') and Origin Energy Limited and its controlled entities (the 'consolidated entity'), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The Directors of the company are responsible for the preparation and true and fair presentation of the Financial Report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial Report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the Financial Report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the Financial Report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- ~ examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- ~ assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

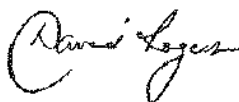
In our opinion, the Financial Report of Origin Energy Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG .

KPMG

Sydney, 17 August 2004



David Rogers, Partner

Share and shareholder information

Information set out below was applicable as at 18 August 2004.

Ordinary shares

Size of holding	Number of shareholders	% of issued shares
1-1,000	38,480	3.11
1,001-5,000	49,199	17.06
5,001-10,000	8,234	8.57
10,001-100,000	4,087	12.09
100,001 and above	147	59.17

2,434 shareholders hold less than a marketable parcel.

Substantial shareholders

By notice dated 3 February 2004, Barclays Group advised that it had an interest in 40,673,107 ordinary shares. This is the only notification current as at 18 August 2004.

20 largest shareholders	Number of shares	% of issued shares
Westpac Custodian Nominees Limited	72,431,943	10.83
National Nominees Limited	72,150,010	10.79
J P Morgan Nominees Australia Limited	71,491,143	10.69
Citicorp Nominees Pty Limited	31,206,805	4.67
Cogent Nominees Pty Limited	18,871,225	2.82
AMP Life Limited	14,963,729	2.24
Queensland Investment Corporation	11,886,051	1.78
ANZ Nominees Limited	11,290,630	1.69
RBC Global Services Australia Nominees Pty Limited	9,791,142	1.46
Westpac Financial Services Limited	7,507,970	1.12
IAG Nominees Pty Limited	6,470,438	0.97
IOOF Investment Management Limited	5,111,844	0.76
PSS Board	4,959,456	0.74
CSS Board	4,114,704	0.62
Warbont Nominees Pty Limited	4,101,825	0.61
Australian Foundation Investment Company Limited	3,669,296	0.55
Suncorp Custodian Services Pty Limited	3,145,303	0.47
Argo Investments Limited	3,079,669	0.46
Bond Street Custodians Limited	2,373,341	0.35
Government Superannuation Office	2,291,282	0.34
	360,907,806	53.96

Share and Shareholder Information

Shareholder enquiries

Shareholder queries or notifications regarding shareholdings or dividends should be directed to Origin's share registry on 1300 664 446.

When contacting the share registry, shareholders should quote their Security Holder Reference Number, which can be found on your holding or dividend statements.

Dividends

Origin will pay a final dividend for the 2003/04 year of 7 cents per share (fully franked) on 15 September 2004.

Origin offers its shareholders the convenience of having their dividends paid directly into a bank, building society or credit union account in Australia. The payment of dividends will be electronically credited on the dividend payment date and confirmed by payment advices sent through the mail. Should shareholders wish to take advantage of this service, they will need to contact the share registry for an application form.

Dividend alternatives

As an alternative to receiving cash dividends, shareholders may elect to participate in the Dividend Reinvestment Plan (DRP). The DRP enables shareholders to use cash dividends to purchase additional fully paid Origin shares. If a shareholder wishes to participate in the DRP, they must notify the share registry in writing.

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.

Annual Report mailing lists

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. Unless shareholders have advised the share registry that they require no Annual Report or the full set of financial statements, they will be sent the Annual Report containing a concise set of financial statements.

Change of address

Shareholders who are Issuer Sponsored should notify any changes of address to the share registry promptly in writing. For your protection you should quote your Security Holder Reference Number. Broker Sponsored holders should advise their sponsoring broker of any change.

Information on Origin Energy

The main source of information for shareholders is the Annual Report and the Full Financial Statements. Both the Annual Report and Full Financial Statements will be provided to shareholders on request and free of charge. Origin's website www.originenergy.com.au is another source of information for shareholders.

Stock Exchange listing

Origin shares are traded on the Australian Stock Exchange (ASX). The symbol under which Origin shares are traded is 'ORC'.

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.

Investor Centre

Shareholders can also access and update information about their shareholding online. Visit www.originenergy.com.au/investor for further information.

DIRECTORY

ORIGIN ENERGY LIMITED

Registered office
Level 39, AMP Centre
50 Bridge Street
Sydney NSW 2000

As of November 2004, the
registered office will be:
Level 45, Australia Square
264 – 278 George Street
Sydney NSW 2000

GPO Box 5376
Sydney NSW 2001

Telephone (02) 9220 6400
Facsimile (02) 9235 1661
Internet www.originenergy.com.au
Email enquiry@originenergy.com.au

Share register
ASX Perpetual Registrars Limited

580 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235

Toll Free 1300 664 446
Telephone (02) 8280 7155
Facsimile (02) 9287 0303
Internet www.asxperpetual.com.au
Email registrars@asxperpetual.com.au

Secretary
William Hundy

Auditors
KPMG

Bankers
National Australia Bank
Westpac Banking Corporation





Strategy
Performance
Growth...

Opportunities

Annual Report 2004

 **origin**
energy

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In our first five years, Origin Energy's strategic focus as an integrated energy business has generated increasing value for shareholders. This approach captures significant opportunities for growth, reduces risk and delivers strong, stable cash flows.

Our strategic focus

Origin Energy owns, develops and procures energy and related products and services to provide customers with better choices to meet their energy needs.

We are committed to:

Delivering better returns to shareholders than comparable companies by ensuring existing businesses generate cash returns surplus to operating requirements and through our detailed understanding of the energy industry, identifying, analysing and investing in opportunities that create leverage and value across the energy supply chain.

Delivering better value to customers than competitors by accessing competitive sources of energy and incorporating these into products and services to provide customers with better choices to meet their energy needs.

Attracting and retaining the best team of people by encouraging their development and rewarding success.

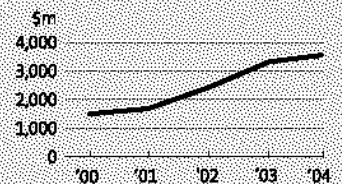
Contributing to the sustainable development of our communities by developing and commercialising energy and related products and services that reduce the environmental and social impact of energy production and use.

Revenues 2004

↑ **6%**
to \$3,556 million

5 year performance

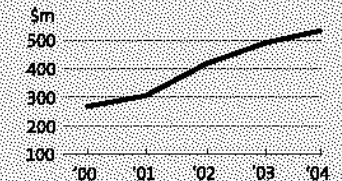
Average compound growth of 24% per year driven by contributions from Retail and Generation.



EBITDA 2004

↑ **8%**
to \$532 million

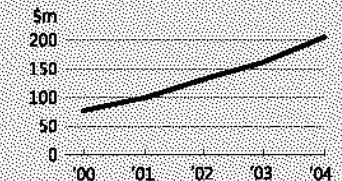
Average compound growth of 18% per year as revenue growth flows through to cash flows and EBITDA.



Net profit after tax 2004

↑ **27%**
to \$205 million

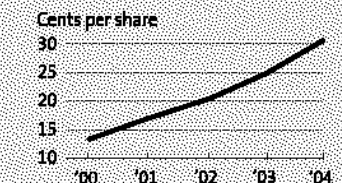
Average compound growth of 29% per year reflecting business growth and effective management of interest and tax expenses.



Earnings per share 2004

↑ **25%**
to 30.9 cents

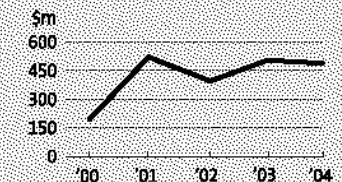
Average compound growth of 24% per year, while shares on issue increased 18%.



Capital expenditure 2004

↓ **3%**
to \$509 million

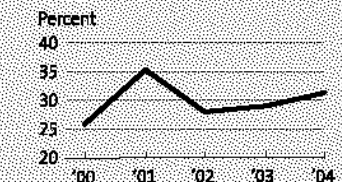
More than \$2.1 billion invested in energy retailing and generation acquisitions, and exploration and production growth projects.



Net debt/capitalisation 2004

↑ **2%**
to 31%

Gearing remains conservative as capital expenditure has been largely funded by cash flows.



We expect to see good opportunities for continuing growth and a profit increase in the coming year.

Kevin McCann Chairman

In the past year, Origin Energy has further consolidated its position as the major integrated producer and retailer of energy in the Australian market.

Since listing in February 2000, our strategy of pursuing an integrated business model across the energy supply chain has generated increasing value for shareholders. This approach has captured opportunities that have increased the strength and diversity of our business and provided growth in sustainable earnings.

Results

Our net profit after tax increased by 27% to \$205 million. Despite increased retail competition in the Victorian market and unforeseen events such as the disruption to production at the Moomba Gas Plant in the Cooper Basin, earnings per share increased by 25% to 30.9 cents.

Consistent with our policy of paying dividends at a rate of 40% of earnings,

our annual dividend increased to 13 cents per share, fully franked.

By prepaying tax, we have been able to fully frank our dividends despite a lower effective rate of tax payable by the group.

The strength of Origin's balance sheet was maintained with a net debt-to-capitalisation ratio of 31% at 30 June 2004 which is up slightly from 29% in the previous year. During the year, Standard & Poor's issued a credit rating upgrade from BBB+ to A-.

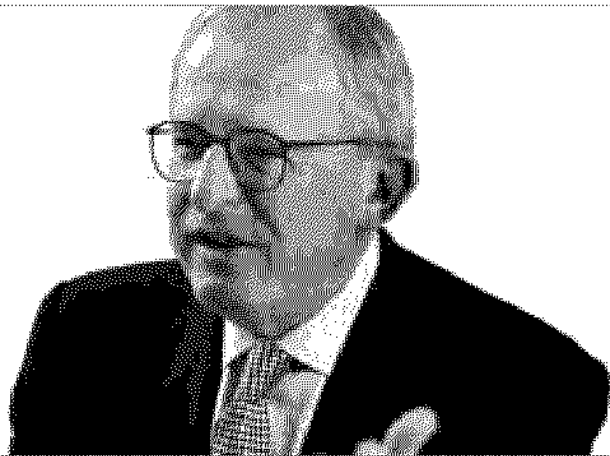
We have continued development of our BassGas, Otway and coal seam gas projects. Oil production in the Perth Basin has continued to grow following a successful exploration program. Development of our retail capabilities and marketing channels has seen improved Retail results in an environment of increasing competition and customer churn. Generation has benefited from the investment in the Mt Stuart Power Station, and the SEA Gas Pipeline began to deliver earnings to our Networks business from January this year.

It is pleasing that during a year of good financial results we have been able to continue to improve our employee safety performance.

The Lost Time Injury Frequency Rate improved 10% from 3.1 to 2.8 injuries per million hours worked with reductions also recorded in the severity of employee injuries. We will continue our efforts to improve employee safety over the coming year.

Origin has actively sought opportunities to strengthen its business, seeking acquisitions where they will add value for shareholders. This included the acquisition of the minority interests in Oil Company of Australia, a 50% interest in the Kupe gas field and the Rockgas LPG business in New Zealand.

The agreement to acquire a controlling interest in Contact Energy, a listed New Zealand company, was announced in July 2004. Contact is an integrated energy supplier with more than 2,700 MW of hydro, geothermal, combined and open cycle gas generation, and a retail energy business with around 600,000 gas and electricity customers. Contact will add to Origin's earnings and cash flows over coming years. Origin is now required under New Zealand law to make an offer to the remaining shareholders of Contact. However, our strategic objectives in relation to the acquisition will be met with the 51.2% interest that has been secured.



The final funding required for the Contact acquisition will depend on the acceptance level by the minority shareholders. We have flexible funding arrangements in place that are sufficient to meet the requirements of the acquisition at any level of acceptance. The acquisition price of NZ\$1,675 million for the 51.2% interest will be met by a combination of hybrid equity and debt.

Corporate governance

The Board and management have continued to improve our corporate governance practices over the past year.

In this year's Annual Report, we have provided our initial report on Origin's compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. By the end of the financial year, we achieved full compliance as reported on pages 28 to 32.

A review of Board performance was undertaken during the year examining the role of the Board and its procedures and practices, to identify opportunities for continued improvement in our activities. The review established that the Board

was operating well and we have developed an action plan to further enhance Board effectiveness. Reviews of Trevor Bourne and Roland Williams, who seek re-election at the forthcoming Annual General Meeting, were also undertaken. The Board (with the affected Directors abstaining) will recommend their re-election to shareholders at the Annual General Meeting on 20 October 2004.

Greater levels of disclosure will be required under the CLERP 9 amendments to the Corporations Act for future reporting years and, in advance of this, we have provided additional remuneration disclosure in our Directors' Report from pages 33 to 37.

The year ahead

A key focus over the coming year will be the completion of the Contact acquisition and its consolidation into the Origin group. Work will continue on the Otway Gas Project, coal seam gas projects in Queensland and front-end engineering on the Kupe Gas Project in New Zealand.

During the year, we will be reviewing our existing businesses to determine whether the sale of non-core assets

would be appropriate to reduce debt raised to fund the Contact acquisition.

Following the completion of the offer to Contact minority shareholders and the review of non-core assets, we will know the final level of funding required for this acquisition. We then expect to undertake an equity raising to further reduce debt.

We expect to see good opportunities for continuing growth and a profit increase in the coming year.

I would like to thank my fellow Directors for their time and involvement in the vital decisions that have secured the opportunities for Origin's continued prosperity.

In concluding, I would like to thank Grant King and all our employees for their contribution to another successful year.

KEVIN McCANN
Chairman



Grant King Managing Director

When Origin Energy listed in February 2000, one of our key objectives was to produce Total Shareholder Returns (TSR) in the top third of the largest 100 companies listed on the Australian Stock Exchange.

As this is our fifth Annual Report to shareholders, it is an appropriate time to reflect on the extent to which we are meeting that objective.

Over that time, Origin's TSR has averaged 41% per annum placing us well within the top third of the largest 100 companies. During this period, our revenue has grown 24% per annum, profit after tax has grown 29% per annum and earnings per share has grown 24% per annum on a compound annual growth rate basis.

Dividends increased from 4 cents per share in 2001 to 13 cents per share this year. Our share price has reflected this growth, increasing from \$1.28 on 1 March 2000, about one week following listing,

to \$5.64 at 30 June 2004 – an increase of 340%. Our market capitalisation has increased over 400% to \$3.8 billion.

Our TSR performance since listing has met our initial objective. That objective remains unchanged and our challenge looking forward is to continue to produce top third returns for shareholders.

The results we have produced over our first five years reflect the many opportunities that we have captured. However, these have not been without their challenges. Continued deregulation of the energy industry has seen increased competition at all levels.

Governments continue to participate in the industry as owners, regulators and policy makers resulting in significant conflicts between these roles and unnecessary uncertainty around industry structure, regulation and competitive behaviour. There has also been continued churn of assets and businesses as some investments have failed and investors have sought to restructure their businesses or leave the energy industry in Australia and New Zealand. The growth within Origin also produces its own challenges with continued changes in people, organisation and systems reflecting the development, execution and integration of many opportunities within the company

We believe that a key to our past performance has been our ability to navigate our way through all these challenges by:

- Maintaining a strong strategic focus on our business and the energy industry in which we operate;
- Achieving sound financial performance; and
- Continuing development and growth.

This focus has been the key to our success to date. Reviewing our performance in each of these areas is an indicator of our ability to continue this success in coming years.

Strategic focus

In the years prior to listing, Origin was already focused on building an integrated business across the contestable segments of the energy industry – gas production, power generation and energy retailing.

This strategy is designed to provide more opportunities for growth while reducing the risks that arise from operating in any one segment of the industry.

Over the past year in the energy industry, a large number of major generation, gas production, pipeline and retail assets were sold in Australia and New Zealand. This presented many opportunities, and our strategic focus is the filter through which we review them.

30 SEPTEMBER 2003

Origin Energy acquires remaining interests in Oil Company of Australia.

25 NOVEMBER 2003

Origin signs a 15-year contract to supply 180 PJ of coal seam gas to Queensland Alumina Limited (QAL).

8 DECEMBER 2003

Construction starts on \$21 million solar plant in South Australia to demonstrate new Silver® solar technology.

11 DECEMBER 2003

Standard & Poor's Ratings Service raises Origin's long-term credit rating from BBB+ to A-

2 JANUARY 2004

The SEA Gas Pipeline linking Victorian and South Australian gas markets comes on line.

Our values

We care about the impact of our operations and actions on shareholders, customers, fellow employees, the community and the environment.

We listen to the needs of others, knowing that an unfulfilled need creates the best opportunities.

We constantly learn and implement new and better ways of doing business by collecting, analysing and sharing information and ideas effectively.

We deliver as individuals and as a company, on the commitments made in all areas of performance.

The outcome of these reviews confirmed our view that while the regulated and heavily contracted assets are increasingly attractive to a large number of highly leveraged investors, they provide little opportunity for growth or higher returns for Origin.

There were also a number of base load, coal-fired generators offered or sold during the year. The prices sought by vendors, or paid by competitors, also confirmed our view that prices did not adequately reflect the risk to generators from low wholesale electricity prices for owners of single generating assets.

We were, however, successful in reaching an agreement to acquire Edison Mission Energy's 51.2% interest in Contact Energy in New Zealand. Contact is an integrated generator and retailer with a significant natural hedge – a business strategy similar to Origin's. We were able to reach an agreement to acquire the interest in Contact at a reasonable price and, in so doing, add scale and diversity to Origin as well as further opportunities for growth.

We acquired the minority interests in Oil Company of Australia (OCA) and Caltex's 50% interest in Rockgas in New Zealand as well as Santos' onshore Otway Basin assets adjacent to Origin's offshore Otway Basin acreage in Victoria. These acquisitions are accretive to assets or businesses we already own.

We also acquired a 50% interest in, and operatorship of, the Kupe gas field in New Zealand.

In addition to these acquisitions we continued to develop our portfolio of renewable energy technologies with further investment in our pilot production facility for solar photovoltaic cells and an investment in Geodynamics which is piloting a hot dry rock project in the Cooper Basin.

Construction and commissioning of the SEA Gas Pipeline was completed – fortunately just before gas supplies to the South Australian market were severely curtailed by disruption to gas production at Moomba.

Significant hydrocarbon reserve additions were also made during the year – particularly with coal seam gas (CSG) in Queensland and through the acquisition of the Kupe interest in New Zealand.

Work commenced on identifying and permitting sites for potential further investment in power generation based on the company's increasing gas reserves in Victoria and Queensland and its growing Retail business.

All of the opportunities that we were successful in pursuing are consistent with the company's strategic focus, reduce overall risk in the business and provide opportunities for continued growth.

Financial performance

Origin's financial performance over the last five years has been a major driver of TSR.

Over the past year, Origin's total revenue increased 6% to \$3,556 million. EBITDA was up 8% to \$532 million and profit after tax was up 27% to \$205 million. Basic earnings per share increased by 25% to 30.9 cents.

The main factors contributing to this result included:

- Significantly higher oil production in the onshore Perth Basin. The resulting increase in earnings was partly offset by disruption to production at the Moomba Gas Plant which reduced after tax profit by approximately \$6 million, and a provision of \$16.2 million created at the half year for the write-down of the Cooper Basin interests. This resulted from the restatement of reserves by the operator Santos as at 31 December 2003;
- Higher gas and electricity tariffs, coupled with colder winter weather, which produced higher revenues for the Retail segment, partially offset by higher energy supply costs;
- Higher earnings in the LPG retail business resulting from lower purchasing costs and three months contribution from the Rockgas acquisition;

We were able to reach an agreement to acquire the interest in Contact Energy at a reasonable price and, in so doing, add scale and diversity to Origin as well as further opportunities for growth.

- A full year of contribution from the Mt Stuart Power Station and an additional capacity payment received, adding a total of \$11 million to profit before tax;
- A benefit of \$9.6 million being Origin's share of the reduced deferred tax liability of Osborne Cogeneration Pty Ltd (an associated entity) upon its entry into the new tax consolidation regime;
- Reduced tax expense arising largely as a result of the Australian Taxation Office decision in relation to the Victorian gas business; and
- The acquisition of the minority interests in OCA.

Operating Cash Flow After Tax (OCAT) remained strong at \$402 million, up from \$399 million in the prior year. Funds employed through the year increased to over \$2.6 billion producing an OCAT Ratio of 14.8%, well above the company's target of 9.4%.

Cash flow available for funding growth and distributions to shareholders (free cash flow) was constant at \$350 million. This year's cash flows have been adversely affected by:

- An increase in accrued and trade debtors of around \$16 million due to higher retail sales as the result of colder weather in the June quarter compared with the corresponding period in 2003; and
- The full impact of lost sales arising from the Moomba incident.

Capital expenditure on growth and stay-in-business projects was around \$323 million. Stay-in-business capital expenditure associated with the maintenance of ongoing operations was \$86 million, \$11 million lower than in the prior year. Growth capital expenditure was \$237 million, \$85 million higher than in the prior year. Capital expenditure on acquisitions totalled \$185 million.

Total capital expenditure, including acquisitions, was \$509 million or 3% lower than the prior year.

The continued strength of the company's cash flows over the year has meant that net borrowings increased by only \$128 million to \$861 million, despite the company spending \$509 million on capital projects and acquisitions. Interest cover (including capitalised interest) is robust at 6.2 times EBIT.

The company's balance sheet remains strong with a net debt-to-capitalisation ratio of 31% as at 30 June 2004. This compares with 29% as at 30 June 2003.

A total of \$44.6 million in equity was raised during the year through share issuances under the Dividend Reinvestment Plan (\$39.8 million) and as a result of the exercise of options (\$4.8 million).

Opportunities for growth

Origin is involved in a number of major development projects. These include

the BassGas Project, the development of gas fields in the offshore Otway Basin, the development of the company's CSG resources in Queensland, the Kupe Gas Project in New Zealand, solar photovoltaic cell manufacturing and an investment in Geodynamics. These projects are reported on in detail in subsequent pages of this report.

We have also recently acquired onshore Otway assets from Santos. This acreage has exploration potential as well as potential for future development as a gas storage project.

We maintain an active gas-focused exploration program. Significant exploration prospects are targeted for drilling in the Bass, Otway, Perth and Surat Basins in the coming year.

The diversity of Origin's interests has enabled us to gain a number of major new gas contracts to secure the development of our CSG and other gas producing interests. These include a 15-year contract with Queensland Alumina Limited (QAL) from 2006, and an arrangement with Santos to swap gas between our Queensland gas fields and the Moomba Gas Hub from 2004 providing access to southern markets. Negotiations were also finalised in September 2004 for a 10-year gas supply contract with Incitec Pivot for 7 PJ per annum from 2007.

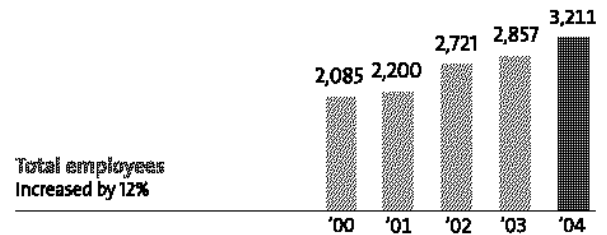
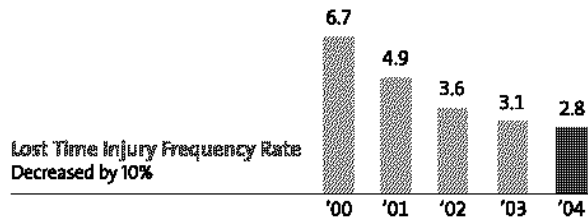
13 FEBRUARY 2004
Acquired 50% interest in and operatorship of the Kupe gas field in New Zealand.

31 MARCH 2004
Acquired remaining 50% interest in Rockgas, the largest distributor of LPG in New Zealand.

20 MAY 2004
Otway Gas Project receives joint venture approval, initiating a three-phase \$1.1 billion development in the offshore Otway Basin.

19 JULY 2004
Agreed to acquire additional permits in the onshore Otway Basin, providing new exploration opportunities and potential gas storage.

20 JULY 2004
Agreed to acquire a controlling interest in Contact Energy, one of New Zealand's largest energy companies.



In July 2004, we agreed to acquire a controlling interest in Contact in New Zealand. An offer to shareholders is being made on the same terms as that acquisition.

These opportunities represent an investment in capital projects of more than \$1 billion with a further \$1.5 to \$3 billion required depending on the outcome of the offer to other shareholders in Contact.

We are also beginning the development process for potential investment in gas-fired power generation. This investment is premised on Origin's increasing gas reserves in Queensland and Victoria and its growing electricity retail business. This creates a unique opportunity for Origin to develop generation on an integrated and therefore cost competitive basis.

These opportunities will drive Origin's medium-term growth.

Sustainability

In this review we have focused on the returns created for Origin shareholders over the past five years. We are also aware of the need to ensure that Origin's performance is sustainable in economic, social and environmental terms.

We have now published our second Sustainability Report which can be accessed on our website. In this report, we set out in considerable detail the

impact our operations have on the environment and the communities in which we operate. This additional information complements the financial and operational information detailed in this report. We recommend that the Annual Report and Sustainability Report be reviewed together as they give a comprehensive overview of the sustainability of Origin's performance.

Employees

Our employees are a major contributor to our success. We are pleased that despite all the challenges in our business, our continued focus on safety resulted in further reductions in our Lost Time Injury Frequency Rate to 2.8 and a reduction in our Moderate Medical Injury Treatment Rate to 7.4 injuries per million hours worked.

The continued improvement in our safety performance as well as the increased return to shareholders will again result in employees sharing in this success. A further issue of shares under the Employee Share Plan will be made to employees.

We again thank all employees for their contribution to another successful year.

Outlook

There will no doubt be many challenges in the year ahead as we pursue our objective of achieving top third returns for shareholders.

We will concentrate on maximising free cash flow from our existing businesses as this is our preferred source of funds for our ongoing capital projects. We will also continue to focus on the successful progress and completion of these projects.

We will complete the acquisition of Contact by November 2004.

When the level of acceptances is known, we will determine our final funding requirements. In making this decision, we will also review existing businesses to determine whether the sale of some existing assets would be beneficial for shareholders.

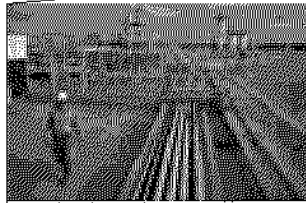
Given our capital requirements to fund the continued growth of the company, we anticipate the need to raise additional equity at some stage during the current financial year.

We expect our earnings to continue to grow, reflecting the increased investment in the many opportunities that we have captured in the past year.

GRANT KING
Managing Director

An Overview of Origin Energy

Origin Energy's strategy of focusing across the competitive segments of the energy market provides opportunities for growth while effectively managing the risks associated with major changes occurring in the industry. Our integrated view of the market is supported by a common approach to energy supply and demand, risk management, management systems, opportunity analysis and investment criteria. The scale and diversity of Origin's business provides strong and stable cash flows.



Exploration and Production

Gas and oil exploration and production is based in Australia and New Zealand, with most current gas production supplying eastern Australian markets. To increase reserves near markets, Origin is focusing on the Bass and Otway Basins offshore Victoria, the Perth Basin in Western Australia, Queensland's coal seam gas areas and the Taranaki Basin in New Zealand. Committed projects in these areas will provide growth and new opportunities for Origin to supply consumer and power generation markets.



Retail

Origin is the second largest retailer of natural gas, electricity and LPG in Australia, with more than two million customers. Of these, 65% are in Victoria, where a cooler climate makes the market more energy-intensive. Origin enjoys a significant scale advantage and our ownership of electricity and gas production enables us to be more responsive to changing market requirements.



Generation

Electricity generation capacity totals 883 MW and includes gas-fired cogeneration and peaking plants. All generation plants are either contracted to Origin's Retail division or other customers. Those plants contracted to Retail provide a hedge against wholesale electricity price spikes that may negatively impact the Retail business. Where possible, Origin builds power plants where we can access gas from our own fields.



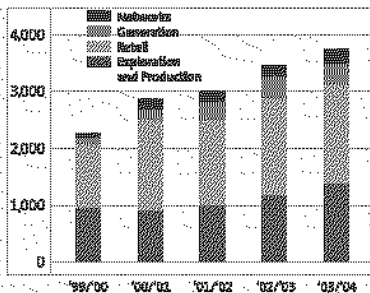
Networks

Origin's Networks business includes an 18% stake in Envestra Limited; the management of gas and water infrastructure assets; and a one-third interest in the SEA Gas Pipeline. Envestra is Australia's largest distributor of natural gas through more than 19,000 kilometres of regulated networks, which Origin manages on Envestra's behalf. Fees from managing regulated networks and distributions from Envestra provide a relatively steady and predictable return.

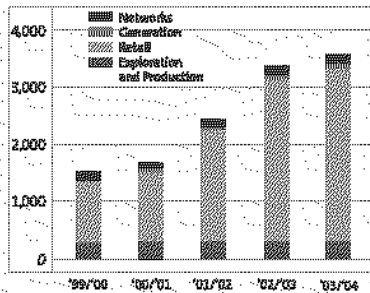
Contribution by segment

\$ million

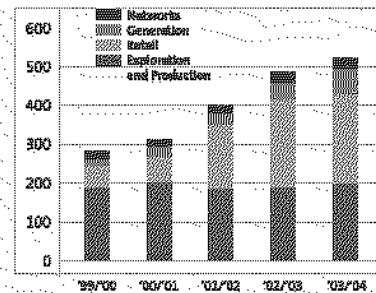
Assets



Revenue



EBITDA

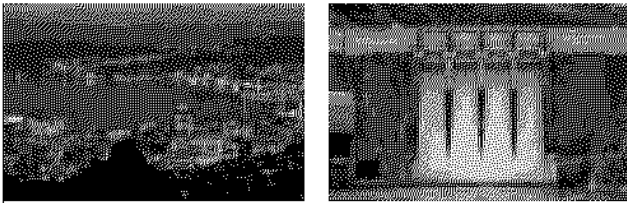


After listing, Origin grew predominantly through acquisitions and investments in the Retail and Generation businesses. This has been supplemented in the last two years with increasing investment in exploration and production projects.

Retail and Generation revenues and EBITDA have grown on the back of asset investments, with immediate contributions flowing from acquisitions. Exploration and production projects, which have a long lead time from first capital invested until completion, will start contributing significantly from 2005.

Contact Energy

In July 2004, Origin Energy announced it had agreed to acquire a controlling interest in Contact Energy, one of New Zealand's largest energy companies for a consideration of NZ\$1,675 million.



Contact has a similar business model to Origin, focussing on the competitive generation and retail segments of the New Zealand energy market. The addition of around 600,000 gas and electricity customers and more than 2,700 MW of installed generation capacity will complement Origin's existing businesses in Australia, New Zealand and the Pacific.

As one of the largest wholesalers and retailers of natural gas in the country, Contact is also responsible for generating about 27% of New Zealand's electricity from its 10 power stations including hydro, geothermal and gas turbine. Annual revenue is more than NZ\$1 billion.

With its head office based in Wellington, Contact has more than 600 staff across New Zealand. Contact is also listed on the New Zealand Stock Exchange, and has over 100,000 shareholders.

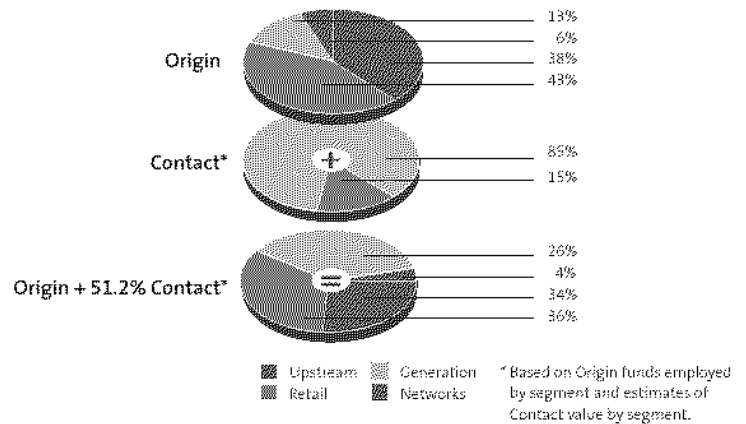
The acquisition adds significantly to the size and diversity of Origin's business.

As at 30 June 2004	Origin	Contact	Combined
Customers ('000)			
- Electricity	887	508	1,395
- Natural gas	967	92	1,059
- LPG	289	---	289
Total			2,743
Generation (MW)*			
- Gas capable plant	883	1,780	2,663
- Hydro	---	752	752
- Geothermal	---	244	244
Total			3,659
Available gas resources (PJ)**			
- 2P gas reserves	2,220	---	2,220
- Gas under contract	>1,000	300	>1,300
Total			>3,520

* Reflects full installed capacity of plants in which the companies have interests.

** Origin Energy estimates. Origin gas under contract excludes gas contracted from Origin subsidiaries.

Contact brings a better balance to Origin's business segments



Contact Energy assets and activities

Valley Power Australia
Open cycle gas turbine 300 MW
Contact share 40%

Oakey - Australia
Open cycle gas turbine 282 MW
Contact share 25%

Retail and generation coverage across New Zealand

27% of generation capacity

- 50% thermal
- 15% geothermal
- 35% hydro

28% of electricity retail market

40% of gas retail market

- gas retail area

Otahuhu B
Combined cycle gas turbine 380 MW

Te Rapa
Cogeneration 44 MW

New Plymouth
Gas 400 MW

Taranaki
Combined cycle gas turbine 357 MW

Otahuhu A
Gas turbine 17 MW

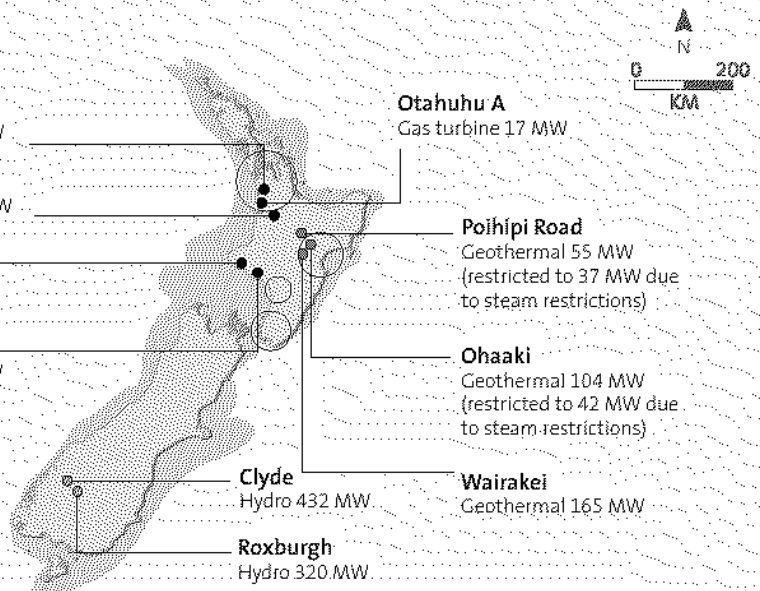
Poihipi Road
Geothermal 55 MW
(restricted to 37 MW due to steam restrictions)

Ohaaki
Geothermal 104 MW
(restricted to 42 MW due to steam restrictions)

Clyde
Hydro 432 MW

Wairakei
Geothermal 165 MW

Roxburgh
Hydro 320 MW



Operations Review – Exploration and Production

The acquisition of the Kupe gas field in New Zealand, additional reserves and new projects to come on stream by 2007 have positioned the Exploration and Production business for significant growth in coming years.

Increased oil sales and higher gas prices lifted the contribution from the Exploration and Production business. EBITDA increased 5% to \$197.2 million.

Oil sales more than doubled due largely to increased oil production in the Perth Basin.

A fire at the Moomba Gas Plant in January caused a major disruption to gas and liquids production from the Cooper Basin during the second half of

the year. Consequently, gas sales were 9% lower than last year, while sales of condensate and LPG were down by 33% and 22% respectively.

The net result was that total sales volumes were 3% lower than last year.

Total sales revenue was up 5% to \$345.3 million. This reflects oil sales revenue that was \$40 million higher than last year, and higher gas prices which were up 3.5% on average.

2003/04 drilling program results

Area/Basin	Exploration	Appraisal	Development	Total	Wells cased for production
Cooper/Eromanga	20	7	33	60	50
Denison	-	-	-	-	-
Surat	2	3	1	6	3
CSG	21	15	44	80 ^{**}	57
Onshore Otway	-	-	-	-	-
Offshore Otway	-	-	-	-	-
Bass Basin	-	-	1	1	1
Onshore Perth	5	6	4	15	6 [*]
Offshore Perth	-	-	-	-	-
Carnarvon	-	-	-	-	-
New Zealand	1	-	-	1	-
US	-	-	-	-	-
Total	49	31	83	163	117

* in addition two wells completed as water injectors to enhance oil recoveries.

[^] includes nine slimholes not drilled as potential producing wells.

^{*} Includes 14 production holes awaiting operations to drill and cavitate (stimulate) target zones.

67 PJ
gas sales, down 9%

1,899 Kbbbls
oil sales, up 122%

2,220 PJe
2P reserves, up 41%

The Yolla platform is an 8,000-tonne steel structure located 147 kilometres off the southern coast of Victoria in Bass Strait. The platform and an onshore gas processing facility have been developed to deliver 20 PJ of gas and more than one million barrels of liquids per annum.



Future prospects for the business were enhanced as 2P reserves increased by 647 PJ or 41% over the year, which is eight times current production.

Bass Basin – Victoria/Tasmania

Production from the Yolla field, located 147 kilometres off the Victorian coast, is expected to commence in November 2004. During the year, Origin has been developing the infrastructure to deliver 20 PJ of gas and more than one million barrels of liquids per annum from Yolla. Origin has a 37.5% interest in the project, and has contracted to take all of the gas produced from the field to supply our retail gas portfolio.

Otway Basin – Victoria/Tasmania

In May 2004, the Otway Gas Project joint venture announced it would proceed with the development of the Thylacine and Geographe fields. Origin has a 29.75% interest in the project, which will supply 60 PJ of gas, more than 100,000 tonnes of LPG and 800,000 barrels of condensate per annum once commissioned in mid 2006. Origin has signed gas purchase agreements with two of its co-venturers and will take 48.45% of the gas produced from the field.

In July 2004, Origin agreed to acquire exploration and production permits in the onshore Otway Basin from Santos covering around 1,900 square kilometres. Production from these areas is approximately 15 TJ per day, with 2P reserves of about 5 PJ. Gas fields in the area also have the potential to be used for gas storage, providing a competitive advantage in our Victorian retail markets. A number of exploration prospects have also been identified.

Surat and Bowen Basins – Queensland

Throughout the coal-rich Surat and Bowen Basins in central Queensland, Origin has been developing its extensive coal seam gas (CSG) reserves. This year, our activities focused on developing the Spring Gully Project north of Roma. Scheduled for commissioning by 30 June 2005, the project will supply contracts signed with AGL and Queensland Alumina Limited (QAL).

1. John Piper
Executive
General Manager
Oil and Gas Production

2. Robbert Willink
General Manager
Exploration



2003/04 What we said we would do

- Deliver first gas from the Yolla field by 30 July 2004.
- Begin construction of the Otway Gas Project by 30 June 2004.
- Continue construction of the Spring Gully Project with first gas to be delivered by June 2005.
- Secure additional markets for uncontracted gas reserves.
- Obtain production licence and commission facilities at Jingemba in the Perth Basin.
- Further appraise the Hovea, Jingemba and Eremia fields and increase oil production from those fields to 10,000 bopd.
- Participate in up to two exploration wells in the Perth Basin, four in the Surat Basin and two in other greenfield areas.
- Mature at least 10 exploration prospects to advanced drillable status.

2003/04 How we went

- ✗ Delivery of first gas from the Yolla field rescheduled to November 2004 due to weather and construction delays.
- ✓ Awarded construction contracts for the Otway Gas Project following joint venture approval in May 2004.
- ✓ Acquired 50% and assumed operatorship of the Kupe gas field in New Zealand.
- ✓ Production and pipeline licences granted and over half of the necessary production wells drilled on the Spring Gully Project.
- ✓ Secured a new contract to supply gas to QAL (180 PJ over 15 years).
- ✓ Production licence was granted for the Jingemba field in June 2004.
- ✓ Drilled 10 wells to appraise and develop the Hovea, Jingemba and Eremia fields.
- ✗ Increased oil production capacity in the Perth Basin to 10,000 bopd, while field commissioning delays restricted daily production to 6,700 bopd.
- ✓ Participated in eight exploration wells in greenfield areas.
- ✓ Matured 18 exploration prospects to advanced drillable status.
- ✓ In July 2004, acquired interests in a number of exploration and production tenements in the onshore Otway Basin.

✓ Achieved = Partially achieved or in progress ✗ Not achieved

Growth – Key indicators & trends

	2004	2003	Change
	\$m	\$m	%
REVENUE	297	288	3
EBITDA	197	188	5
EBIT	105	103	2
CAPEX*	368	254	45
ASSETS	1,286	1,082	19

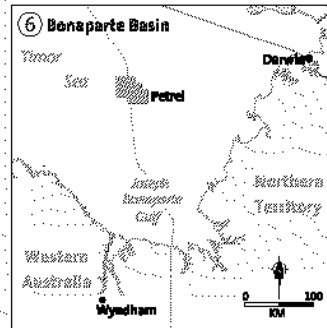
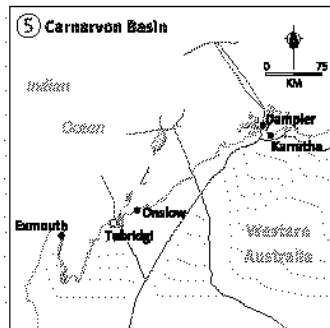
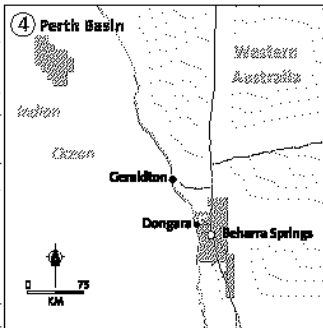
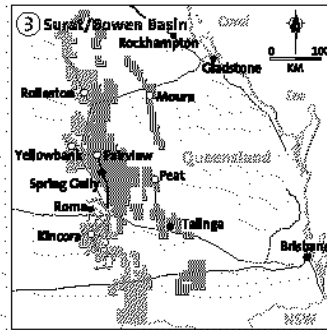
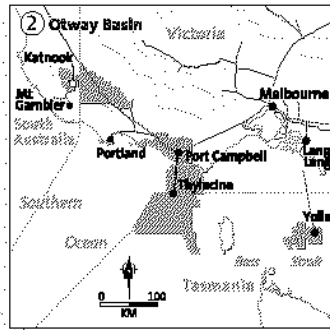
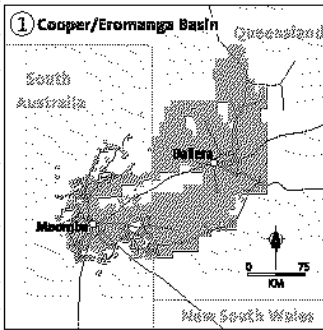
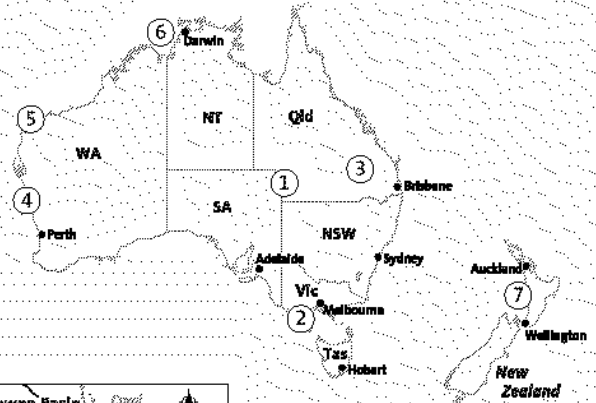
* including acquisitions

2004/05 Looking forward

- Deliver first gas from the Yolla field by November 2004.
- Progress construction of the Otway Gas Project for first gas to be delivered from July 2006.
- Complete gas plant and pipeline construction on the Spring Gully Project with first gas to be delivered by June 2005.
- Complete front-end engineering design and obtain joint venture approval for the Kupe field in New Zealand by June 2005.
- Commence gas sales to AGL in May 2005.
- Test, evaluate and, where applicable, bring recent gas discoveries in the Perth Basin on stream.
- Complete construction of the Jingemba production facilities in the Perth Basin by late 2004.
- Progress exploration and appraisal of Permian and Triassic reservoirs of the Surat Basin with the drilling of five wells.
- Find new oil and gas reserves in the Otway, Bass, Perth and Taranaki Basins.

Operations Review – Exploration and Production

Origin Energy has an extensive portfolio of gas and oil exploration and production interests close to key markets in Australia and New Zealand.



OFFSHORE BONAPARTE BASIN (MAP 6)
NT/RLT, WA-6-R 5.00%

ONSHORE COOPER/EROMANGA BASIN (MAP 1)

PPLs (EX PATCHAWARRA)	Percentage
EAST BLOCK	10.54%
OTHER SA COOPER PPLs	13.19%
SWQ UNIT	16.74%
AQUITAINE A,B	25.00%
AQUITAINE C	27.00%
WAREENA	10.00%
ATP 633P (Application)	50.00% (Operator)
	(Nil)

ONSHORE CARNARVON BASIN (MAP 5)

L9	56.65% (Operator)
ONSHORE OTWAY BASIN (MAP 2)	
PEL 27	100.00% (Operator)
	(50.00%)
PEL 32, PPL 62, PPL 168,	75.71% (Operator)
PL 202	
PEL 57	50.00% (Operator)
	(Nil)
PEL 66	70.00% (Operator)
	(Nil)
PEL 83	Nil
	Surrendered during year
PEP 150	50.00% (Operator)
	(Nil)
PEP 152	50.51% (Operator)
	(Nil)
PEP 159	Nil
	Withdrew during year
PEP 160	40.00%
PPL 2 EX, PPL 8	100.00% (Operator)

OFFSHORE OTWAY BASIN (MAP 2)

T/30P	29.75%
T/34P	29.75%
VIC/P43	29.75%
VIC/P37(V)	37.50% (Operator)
VIC/L23	29.75%
T/L2	29.75%

OFFSHORE BASS BASIN (MAP 2)

T/L3	37.50% (Operator)
T/RLT	37.50% (Operator)
T/18P	41.40% (Operator)

ONSHORE BONAPARTE BASIN (MAP 4)

WA-226-P	28.75% (Operator)
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ONSHORE SURAT BASIN (MAP 3)

PL 56, PL 74	69.00% (Operator)
ATP 336P WALDEGRAVE*	46.25%
ATP 470P REDCAP*	90.00% (Operator)
ATP 473P WERIBONE	50.64% (Operator)
PL 21, PL 22, PL 27, PL 64	87.50% (Operator)
ATP 470P KOLSTON*	100.00% (Operator)
ATP 375P*	100.00% (Operator)
PL 14	100.00% (Operator)
PL 30	75.00% (Operator)
PL 11 SNAKE CREEK	25.00%
ATP 606P+	88.97% (Operator)
	(92.72%)
ATP 631P+	95.71% (Operator)
ATP 692P	100.00% (Operator)
ATP 663P+	100.00% (Operator)
ATP 680P+	100.00% (Operator)
ATP 647P (BLOCK 2656)	50.00% (Operator)
ATP 682P	55.00% (Operator)
ATP 754P	50.00% (Operator)
ATP 702P+	100.00% (Operator)

ONSHORE BOWEN BASIN (MAP 3)

ATP 337P, ATP 553P	50.00%
ATP 337P (Comet Ridge)	40.00%
	(30.00%)

PL 41, 42, 43, 44, 45, 54,	50.00% (Operator)
67, 173, 183	
PL 101	100.00% (Operator)
ATP 564P	50.00% (Operator)
PL 94	100.00% (Operator)
PL 94 (NORTH)	50.00% (Operator)
ATP 653P+	23.85%
PL 195, PL 203 +	91.26% (Operator)
	(94.51%)
PL 204+	99.56% (Operator)
	(99.73%)
PL 200+	95.71% (Operator)
ATP 745P+	23.85%
ATP 698P+	100.00% (Operator)
ATP 584P+	26.04%
	(29.30%)
ATP 592P+	91.26% (Operator)
	(94.51%)
ATP 701P+	99.56% (Operator)
	(99.73%)
	Replaced with PL 204
	95.71% (Operator)
	Replaced with PL 200
	50.00% (Operator)
ATP 602P	23.93%
ATP 526P+	23.93%
PL 90,91,92,99,100+	23.93%

ONSHORE EAST COAST NEW ZEALAND

PEP 38330	Nil
	Withdrew during year

ONSHORE TARANAKI BASIN NEW ZEALAND (MAP 7)

PEP 38718	Nil
	Withdrew during year
PEP 38728	24.00%
PEP 38729	25.00%
PEP 38744	Nil
	Divested during year

OFFSHORE TARANAKI BASIN NEW ZEALAND (MAP 7)

PML 38146	50.00% (Operator)
PEP 38478	50.00%
PEP 38485	33.33%

- Origin Energy interests
- Coal seam gas
- Production facilities
- Proposed production facility
- Pipelines
- Potential pipeline
- Current interest
- Including associated PIs
- Anticipated final interest upon completion of commercial arrangements in progress as at 30 June 2004

The QAL contract was signed in November 2003 for 180 PJ of gas supplied over 15 years from late 2006, and negotiations were finalised in September 2004 for a 10-year contract with Incitec Pivot for 7 PJ per year from 2007.

In May 2004, we signed a conditional Heads of Agreement with Santos to swap gas between Queensland and the Moomba Gas Hub, providing access to southern markets for Origin's CSG resources. The swap will eliminate the need for Origin to build a major additional pipeline in the short term.

An additional 572 PJe of 2P reserves were booked as a result of continuing exploration, appraisal and development activities across Origin's CSG tenements.

The Myall Creek gas field in the Surat Basin is in a mature hydrocarbon area where Origin has been exploring to give existing gas production facilities a new lease of life. The field has established 2P reserves of 52 PJe which will provide additional flexibility in managing the portfolio of contracts we supply from central Queensland. A 3D seismic program is being recorded to provide the basis for ongoing appraisal and development of the field.

Perth Basin – Western Australia

Over the past few years, Origin has enjoyed considerable success in the exploration for oil and gas in the Perth Basin. This year, oil production from the Hovea, Eremia and Jingemina fields increased to average more than 6,700 barrels of oil per day

Potential drilling program for 2004/05

Area/Basin	No. of wells	Cost (\$m)
Cooper/Eromanga	54	12
Denison	2	1
Surat	12	9
CSG	62	38
Onshore Otway	4	6
Offshore Otway	2	6
Bass Basin	2	12
Onshore Perth	12	21
Offshore Perth	1	2
Carnarvon	-	-
New Zealand	-	-
US	-	-
Total	151	107

Origin's share of 2P reserves

	Sales gas PJ	LPG Kt	Condensate Kbbbl	Crude oil Kbbbl	Total PJe
2P at 30 June 2003	1,368	1,562	14,464	8,475	1,573
Additions and revisions	669	95	7,607	2,191	727
Production	65	47	485	1,790	80
2P at 30 June 2004	1,972	1,610	21,586	8,876	2,220
% of reserves	89%	4%	5%	2%	100%

By Basin/Asset

	Sales gas PJ	LPG Kt	Condensate Kbbbl	Crude oil Kbbbl	Total PJe
Cooper/Eromanga Basin	312	473	4,186	2,684	373
Western Australian Basins	11	-	25	6,121	47
Central Queensland Basins	116	82	630	71	124
Otway and Bass Basins	380	878	8,895	-	472
CSG	1,035	-	-	-	1,035
New Zealand	118	177	7,850	-	169

Sales volume by asset (PJe)

Area/Basin	Region	2004	2003
Cooper Basin	South Australia/Queensland	42.6	47.7
Denison Trough	Queensland	7.6	7.9
Surat Basin	Queensland	5.2	4.1
Moura (CSG)	Queensland	3.3	3.1
Peat (CSG)	Queensland	4.9	5.2
Fairview (CSG)	Queensland	1.1	0.7
Katnook/Ladbroke Grove	South Australia	6.0	6.8
Beharra Springs	Western Australia	2.2	2.8
Perth Basin oil	Western Australia	7.2	2.3
Tubridgi	Western Australia	4.9	6.7
Total		85.0	87.3

(bopd), a three-fold increase on the previous year.

Over the remainder of 2004, the gross average daily production rate is expected to increase towards 10,000 bopd as Jingemina 4 is fully commissioned and the Hovea field is further developed. Origin has a 50% share in oil production from the Perth Basin.

The gas exploration and production program in the area will continue with planning underway to bring new gas discoveries at Xyris 1, Apium 1 and Tarantula 1 on stream during 2004/05.

Taranaki Basin – New Zealand

In February 2004, Origin acquired a 50% interest in, and assumed operatorship of, the Kupe gas field for \$30 million. Scheduled to be in production by mid 2007, the field is expected to produce around 20 PJ of gas and 1.5 million barrels of liquid hydrocarbons per annum. Origin's share of the gas is contracted to New Zealand power generator, Genesis Energy.

Exploration

In the coming year, we will continue our exploration program in the offshore Otway Basin to utilise existing and proposed gas production facilities in the area. Our program will include two exploration wells in VIC/P37 (V) in the offshore Otway Basin and the Trefoil 1 exploration well in T/18P adjacent to the Yolla production licence in the Bass Basin.

The exploration program in the onshore Perth Basin is continuing with eight exploration and four development wells planned for 2004/05, while in the offshore Perth Basin the Fiddich 1 oil exploration well will be drilled during the latter half of 2004.

The momentum in CSG development will continue with 25 exploration and appraisal wells planned in the Surat and Bowen Basins.

Operations Review – Retail

The Retail business is focused on responding to increasing competition, reducing costs and delivering more attractive product choices to customers.

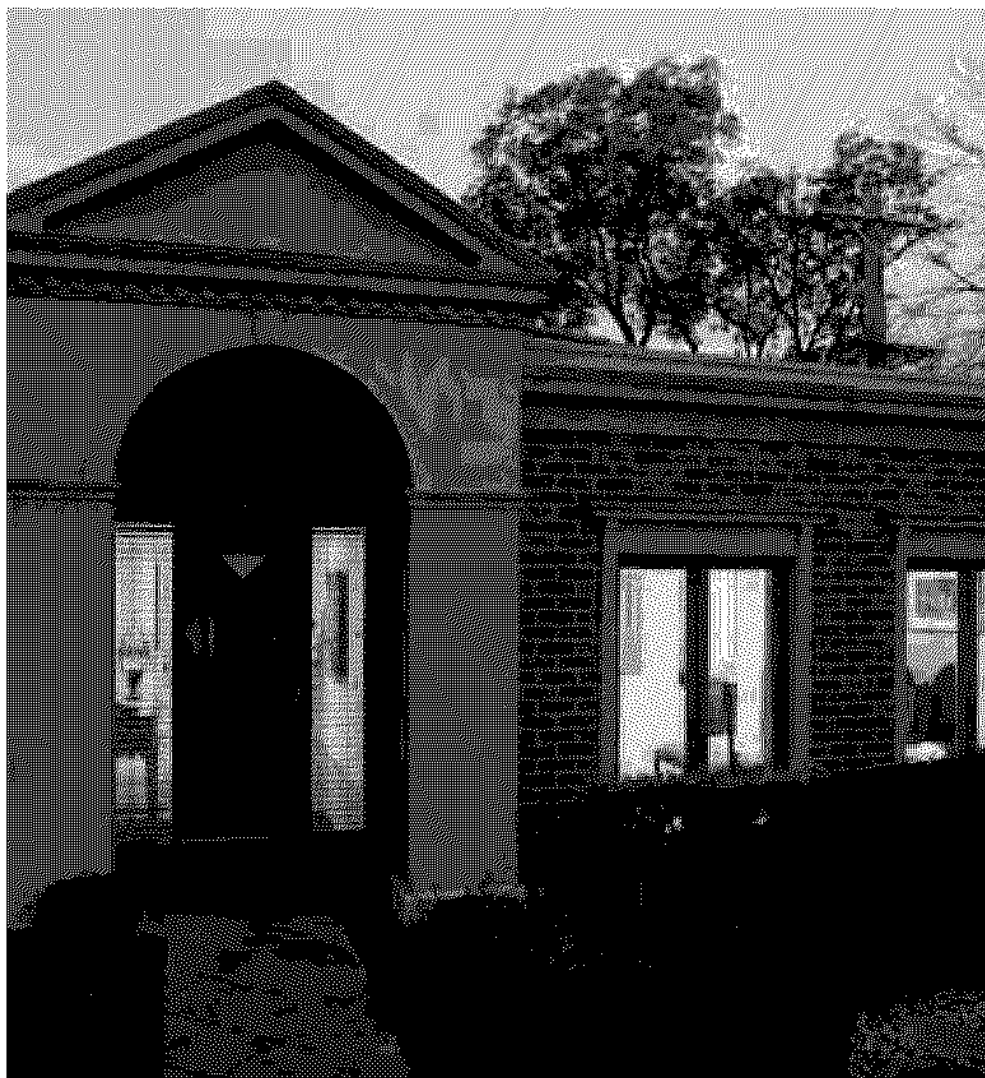
Colder winter weather and tariff increases in Victoria and South Australia drove an improved result for the Retail business, with EBITDA increasing by 2% to \$236.2 million. Due to significant mass market demand for energy over the winter months of July, August and September, 62% of earnings came from the first half of the year.

While sales of natural gas, electricity and LPG were 3% lower than the previous year, revenue from the sale of these products increased. This was due to higher unit prices derived from the mix of products sold and higher gas and electricity tariffs.

Total revenue increased 5% to \$3 billion. EBIT to sales margins were slightly higher than last year at 5.2%.

In Victoria, natural gas and electricity market churn, or the rate at which customers switch suppliers, increased to an average of 13.5% across the year, up from 9% in the previous year.

Costs associated with increased customer churn and the introduction of retail competition in South Australia and New South Wales were offset by a number of cost reduction initiatives and the integration of the CitiPower business purchased in July 2002.



2.14 million
customers

196 PJc
energy sales,
down 3%

Origin supplies electricity, natural gas and LPG to more than two million homes and businesses. Colder winter weather and tariff increases drove an improved contribution from the Retail business this year.

Even in this increasingly competitive market, Origin grew its overall customer numbers by 36,000.

We achieved this through a number of product initiatives and affinity programs. The most high profile of

these was the AFL Inside50 Program which offers Victorian and South Australian customers, who sign a market contract with Origin, \$50 off their 2004 and 2005 club memberships. Launched in February

2004, Inside50 has attracted more than 20,000 customers and has driven a significant improvement in brand awareness.

Origin has a network of gas and electrical appliance stores which was utilised to sell natural gas and electricity contracts. This year, we launched a product through our Origin Energy Shops which rewards Victorian customers with one month's free electricity if they have their electricity and natural gas with Origin for 12 months. More than 8,000 customer contracts were signed via Origin Energy Shops.

Electricity

Origin supplies electricity to more than 880,000 customers mostly in Victoria. This year, the electricity business expanded with almost 35,000 new customers in South Australia and more than 3,000 new customers in New South Wales.

We were also awarded new large industrial contracts to supply Adelaide Brighton Cement and Zinifex in South Australia.

Electricity sales for the year increased 6% to 15.9 TWh.

Tariff increases granted for the Victorian mass market in the second half of the year, combined with increased volumes, led to a 7% increase in revenue to \$1.7 billion. This was offset by an increase in electricity network charges and the need to replace favourable hedge contracts acquired from Powercor with contracts at current market prices. These factors drove a 9% increase in purchasing and distribution costs and, as a consequence, the gross margin from electricity sales was down 9% from \$266 million to \$242 million.

1. Karen Moses
Executive
General Manager
Wholesale and Trading

2. Peter Vines
Executive
General Manager
Retail



2003/04 What we said we would do

- Maintain market share within contestable energy markets.
- Reduce cost to serve and customer churn through efficient transaction processing.
- Ensure enquiries to the Victorian Ombudsman remain below market share.
- Continue to pursue tariff outcomes that are not unreasonably constrained by government.
- Complete implementation of FRC systems and develop the capability to enter any Australian contestable energy market by June 2004.
- Increase the GreenEarth customer base to 40,000 by June 2004.
- Continue to maintain LPG margins in volatile wholesale pricing environment.
- Continue to purchase electricity at a competitive cost within acceptable risk limits.

2003/04 How we went

- ✓ Maintained market share and increased customer numbers by 36,000.
 - ⊖ Reduced the cost to serve per customer through improved operating efficiencies. Total cost to serve remained flat due to higher churn rates.
 - ✓ Natural gas level 1 complaints to the Victorian Ombudsman were maintained below market share at 28% of complaints received.
 - ✗ Electricity level 1 complaints exceeded market share at 42% of complaints received. This was mainly due to delays in billing customers.
 - ✓ Agreed a four-year price path with the Victorian Government granting price increases in line with CPI for those customers who have not taken a market offer.
 - ✓ Achieved natural gas tariff increases of about 3.7% in South Australia and 3.4% in Queensland in July 2003.
 - ✓ Implemented systems to support Origin's entry into the New South Wales electricity mass market and the introduction of competition in the South Australian natural gas mass market in July 2004.
 - ✓ Increased customers contracted to GreenEarth and other green electricity products to 45,000 at 30 June 2004.
 - ✓ Strengthened LPG margins through optimal product sourcing, cost-control initiatives and a three-month contribution from an additional 50% of Rockgas in New Zealand.
 - ✓ Continued to purchase electricity at a competitive cost in comparison to a prudent retailer benchmark despite an increase in average net cost of electricity purchased.
- ✓ Achieved ⊖ Partially achieved or in progress ✗ Not achieved

Growth – Key indicators & trends	2004	2003	Change
	\$m	\$m	%
REVENUE	2,994	2,841	5
EBITDA	236	232	2
EBIT	155	144	8
CAPEX*	71	170	(58)
ASSETS	1,669	1,639	2

*including acquisitions

2004/05 Looking forward

- Deliver further reductions in cost to serve per customer through automation of manual processing and a review of key customer support processes.
- Minimise the cost to acquire customers through more efficient use of sales channels.
- Maintain market share within contestable mass markets.
- Continue to focus on billing, credit and receipting activities to reduce working capital requirements.
- Continue to pursue tariff outcomes that are not unreasonably constrained by government.
- Increase the number of customers contracted to GreenEarth and other green electricity products to 75,000 by 30 June 2005.
- Maintain LPG margins in a volatile wholesale pricing environment.
- Continue to purchase electricity at a competitive cost within acceptable risk limits.

Operations Review – Retail

Natural gas

Origin supplies natural gas to more than 960,000 customers mostly in Victoria, South Australia and Queensland. In July 2004, the South Australian natural gas market opened to full competition, leaving Queensland's mass market, the only non-contestable market in which Origin operates.

Natural gas sales of 114 PJ were 7% lower than in the previous year, largely due to the loss of some major customers including the Mobil refinery in Adelaide which closed during the year. These losses were partially offset by increased retail gas sales, due to colder winter weather.

Tariffs for natural gas were increased by 5% in Victoria and by around the increase in the Consumer Price Index

in South Australia and Queensland. As a result, natural gas revenue increased by 2% to \$856 million for the year. The increase in revenue, coupled with the cessation of payments to the Victorian Government in the 2003 financial year, was offset by increased network tariff charges. As a result the gross margin for natural gas increased 8% from \$131 million to \$142 million.

LPG

Through an extensive network of distribution terminals, Origin sells wholesale and retail LPG across Australia, New Zealand and the Pacific.

This year the LPG business continued its expansion with the acquisition of the remaining 50% interest in Rockgas from Caltex. Supplying more than 50% of the New Zealand market,

Rockgas became wholly owned by Origin in March 2004. Rockgas services industrial and commercial clients and more than 13,000 domestic customers through retail outlets and franchise operations. In addition, Rockgas distributes to around 300 automotive LPG refuelling outlets, and leads the development of LPG reticulation in New Zealand with recently expanded networks in Queenstown and Christchurch.

LPG sales increased by 11 Ktonnes following three months contribution from the additional 50% of Rockgas. This was offset by a decrease in autogas volumes. Autogas demand in Australia continues to decline. However, a concessional excise treatment for LPG and other alternate road fuels, announced by the Federal Government in March 2004, should help stabilise autogas sales.

15.9 TWh
electricity sales,
up 6%

114 PJ
natural gas sales,
down 7%

490 Ktonnes
LPG sales,
up 2%

In March 2004, Origin acquired the remaining 50% of Rockgas, the largest distributor of LPG in New Zealand.



Gross margins rose 15% from \$114 million to \$131 million due to a part-year contribution from the purchase of additional interests in Rockgas, continued focus on improved business processes and cost-control initiatives.

While purchasing costs decreased during the year, with the international contract price for LPG averaging \$415 per tonne, continued oil price volatility is expected to place pressure on margins in the LPG sector.

Clean energy products

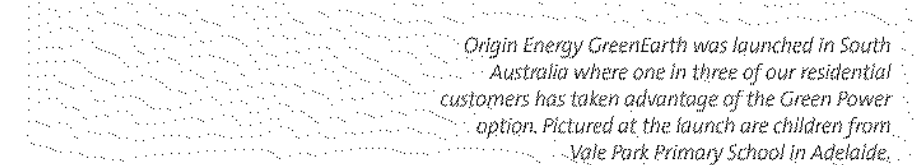
Sales of clean energy products are growing as consumer awareness of the impact of greenhouse gas emissions on the environment increases. Origin is continuing to investigate opportunities to provide more environmentally friendly energy options, and to find new markets for existing products.

We lead the market in sales of Green Power with 45,000 customers contracted to GreenEarth and other green electricity products at 30 June 2004. GreenEarth was launched in South Australia where one in three of our residential customers has taken advantage of the Green Power option.

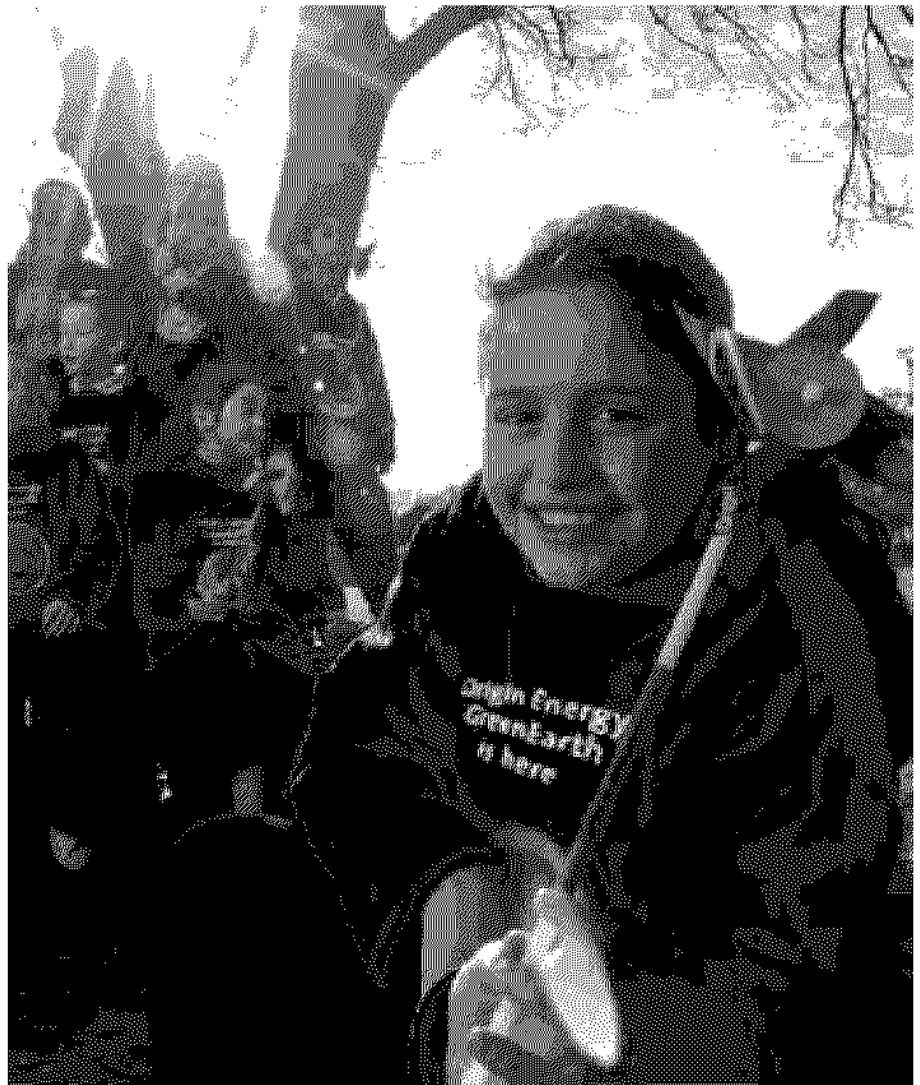
In August 2003, we introduced GreenEarth Solar which allows customers to buy excess electricity generated by those of our customers with solar PV installations. We are the only energy company in Australia to offer a pure 100% solar electricity product.

Other initiatives during the year included:

- The launch of an R22-replacement product. R22 is the most widely used industrial refrigerant. It is being phased out by legislation, creating opportunities for high-performance substitutes;



Origin Energy GreenEarth was launched in South Australia where one in three of our residential customers has taken advantage of the Green Power option. Pictured at the launch are children from Vale Park Primary School in Adelaide.



- A new contract with the Western Australian Passenger Transit Board to develop two compressed natural gas (CNG) bus-refuelling stations in Perth. CNG is one of the cleanest burning transport fuels available and these sites represent an opportunity to further expand our CNG activities in Western Australia; and
- A 73% increase in kW sales of grid-connected solar PV systems, which allow customers to generate their own renewable energy. The company is the market share leader in the key markets of Victoria and South Australia.

Operations Review – Generation

This year Generation continued to develop new power generation opportunities to capitalise on a growing market for electricity and renewable energy.

Generation's contribution was lifted by a full year's ownership of the Mt Stuart Power Station and a one-off tax consolidation adjustment from its associate, Osborne Cogeneration. Total revenue was \$117 million, up 20% on the previous year. EBITDA increased by 44% to \$69.4 million.

Under an arrangement introduced last year, Generation contracts the capacity of its Ladbroke Grove, Roma and Quarantine gas-fired power plants to Origin's Retail business, formalising the natural hedge the power stations provide against volatile electricity wholesale prices. Under this arrangement, Generation received internal revenue of \$43 million.

Sales revenue from externally contracted plant increased by 36% to \$74 million. This was largely due to the inclusion of 12 months of revenue, and an additional capacity payment received by the Mt Stuart Power Station in Townsville, Queensland, which was purchased in December 2002.

Origin has a 50% share of cogeneration plants contracted to BP Bulwer Island in Queensland; Worsley Alumina and Western Power in Western Australia; and NRG Flinders and Penrice Soda Products in Osborne, South Australia. These plants generate electricity and steam and maintained a high level of availability for their customers during the year.

Development opportunities

Gas-fired power plants

The Australian Bureau of Agricultural and Resource Economics (ABARE) is projecting a 54% increase in the demand for electricity from 2001/02 to 2019/20. The challenge for the Australian energy industry is to meet this demand with generation capacity at least cost to the consumer and the environment.

As one of Australia's leading gas-fired power generators, Origin is well placed to capitalise on this opportunity. During the year, we evaluated several opportunities to invest in or construct gas-fired power plants.

Major power plants

Plants	Interest %	Nameplate capacity MW	Type	Operation	Availability %	Capacity factor %	Contracted to
Osborne	50	180	Cogen	Base	98	77	NRC Flinders Penrice Soda Products Western Power
Worsley	50	120	Cogen	Base	99	96	Worsley Alumina
Bulwer Island	50	32	Cogen	Base	94	79	BP
OneSteel	100	8	Cogen	Base	88	83	OneSteel
Mt Stuart	100	288	OCCGT	Peak	98	1	Enertrade
Quarantine	100	96	OCCGT	Peak	80	5	Origin Retail
Ladbroke	100	80	OCCGT	Base/ Intermediate	66*	71	Origin Retail
Roma	100	74	OCCGT	Peak	82	4	Origin Retail

Cogen: Cogeneration

OCCGT: Open cycle gas turbine

*At Ladbroke Grove, one turbine suffered a major failure in November 2003 and was returned to service in May 2004.

1.83 TWh
total sales, down 4%

883 MW
generation capacity

Origin developed a \$21 million pilot solar photovoltaic (PV) manufacturing plant in Adelaide, South Australia in 2004 to commercially manufacture new Silver[®] Solar Cell technology. Developed in co-operation with The Australian National University, the technology is designed to lower the cost of solar systems.

Purchased in December 2002, the Mt Stuart Power Station in Townsville, Queensland, boosted earnings for the Generation segment.



This included the assessment of potential development sites for new combined cycle power plants in Victoria and Queensland where Origin has access to significant gas resources, and an unsuccessful bid to construct a 250 MW peaking project in Western Australia.

Renewable energy

In June 2004, the Federal Government released a White Paper, *Securing Australia's Energy Future*, which signalled the need for long-term reductions in Australia's greenhouse profile. The White Paper highlighted that greenhouse risk must be factored into investment decisions by assessing the relative greenhouse intensity implications of different technologies for power generation. In addition to our gas-fired projects, renewable investments will assist in reducing the overall greenhouse intensity of our power generation portfolio and will allow our customers to choose products to reduce their own emissions.

Origin has been active in evaluating and seeking approval for potential wind generation sites. Two sites in South Australia, Kemmiss Hill and Troubridge, are well advanced. However, the construction of these facilities will depend on the level of policy support provided by governments for renewable generation.

Construction of a \$21 million Sliver® Solar Cell demonstration plant in Regency Park, South Australia was completed during the year. The facility is focused on commissioning cell and module lines to produce Sliver® Solar Modules for commercial sale in early 2005.

Origin holds an 18% interest in Geodynamics which continues to develop a world class geothermal resource in South Australia's Cooper Basin. Origin contributed approximately \$8 million in funding for development of the project which included the drilling of the first well, and acquisition of rights to innovative technology that allows greater economic heat extraction from geothermal resources.

Andrew Stock
Executive
General Manager
Generation



2003/04 What we said we would do

- Secure competitive locations for further gas-fired generation plant.
- Complete and commission SEA Gas Pipeline in January 2004.
- Meet or exceed contracted availability on all power plants.
- Achieve approval of one Origin wind farm development.
- Achieve commercial production of Sliver® Solar Cell technology.
- Continue to pursue cogeneration projects utilising CGAP grant funds as market opportunities arise.

2003/04 How we went

- ✓ Pursued options in several states to develop additional gas-fired power generation plant.
- ✓ Commissioned SEA Gas Pipeline on time and on budget and performed a critical gas supply role for South Australia following the 1 January 2004 Moomba gas crisis.
- ✓ Met or exceeded contracted availability on all cogeneration plants.
- ✗ Suffered one major outage at Ladbroke Grove Power Station due to a generator failure.
- ✓ Secured approval for the Troubridge Point Wind Farm and seeking development approval for the Kemmiss Hill Road wind project.
- ✓ Built the Sliver® Solar Cell demonstration plant. Commissioning activities are well advanced.
- ≡ Deferred cogeneration development projects due to adverse electricity market conditions.

✓ Achieved. ≡ Partially achieved or in progress. ✗ Not achieved

Growth – Key indicators & trends	2004	2003	Change
	\$m	\$m	%
REVENUE	76	56	36
EBITDA	69	48	44
EBIT	42	26	62
CAPEX*	13	101	(87)
ASSETS	339	358	(5)

*including acquisitions

2004/05 Looking forward

- Progress development approvals for gas-fired generation plant.
- Meet or exceed contracted availability on all power plants.
- Construct the Troubridge Point Wind Farm providing there is an appropriate level of policy support from government.
- Produce Sliver® Solar Modules for commercial sale commencing first quarter 2005 and secure international Sliver® Solar Cells licensing agreements.
- Continue to pursue cogeneration projects utilising CGAP grant funds as market opportunities arise.



116.5 PJ
natural gas delivered,
up 1%

927 thousand
consumers connected
to natural gas, up 2.4%

The SEA Gas Pipeline came on line in January 2004. The pipeline connects Origin's Victorian gas fields to South Australia, opening up new markets for Origin's gas reserves in the Otway and Bass Basins.

Origin's one-third interest in the SEA Gas Pipeline boosted Network's earnings this year.

Networks' EBITDA of \$29 million which was 26% higher than in the previous year, reflected a maiden contribution from the SEA Gas Pipeline of \$4.6 million.

Origin's 18% holding in Envestra contributed \$12.8 million, which is in line with last year.

Asset management services

Colder winter weather in Victoria and South Australia drove an increase in network management fees from Origin's principal customer and network owner, Envestra. This was partially offset by slightly lower incentive fees received from Envestra for the year's performance.

Total natural gas connections increased by 2.4% to 927,000. This increase was largely driven by the continued strength of the housing market which was greater than expected. Reflecting the continued buoyancy of this market, we laid 360 kilometres of new mains to service new areas. To maintain network reliability, we replaced 131 kilometres of existing mains.

In July 2003, an Origin and United Utilities joint venture successfully took over the operations and management of the water and waste water assets of Coliban Water in central Victoria under a 10-year contract. Management fees and an equity income share from the joint venture with United Utilities contributed \$0.3 million to Networks' EBITDA.

Utility asset management services are a significant area of growth for the Networks segment. On the Coliban Water contract, Origin and United Utilities have exceeded key performance measures, signalling a strong and very marketable capability in asset management and optimisation.

SEA Gas Pipeline

The SEA Gas Pipeline was commissioned on time and on budget in January 2004. The pipeline played an important role in helping to alleviate a significant gas shortage in South Australia caused by a fire at the Moomba Gas Plant in the State's north east.

Even though gas supplies from Moomba were restored in late February, the SEA Gas Pipeline, which stretches 680 kilometres from Port Campbell in Victoria to Adelaide, is continuing to make a significant contribution to South Australian gas requirements.

In the longer term, SEA Gas will connect Origin's Victorian gas fields to South Australia, to help supply the State's gas needs as well as opening up new markets for Origin's gas reserves in the Otway and Bass Basins.

Origin contributed equity of \$55.6 million to the project on 2 January 2004.

	Natural gas		Water	
	2004	2003	2004	2003
Networks under management (km)	19,605	19,249	3,300	-

Robert Tardif
General Manager
Asset Management



2003/04 What we said we would do

- Further increase utilisation of networks under management.
- Achieve further reductions in operating and capital costs.
- Effectively transition the operation and maintenance of the Coliban Water assets to the joint venture.
- Expand asset management services to new customers.

2003/04 How we went

- ✓ Connected 21,300 new consumers to gas networks under management.
 - ✓ Reduced operating and capital unit costs, in line with expectations under the Envestra contract.
 - ✓ Met all key performance indicators under the contract with Coliban Water in the first year of operation.
 - ✓ Gained several new asset management contracts and provided additional services to existing clients.
 - ✓ Delivered 116.5 PJ of natural gas.
 - ✓ Laid 360 km of new mains and replaced 131 km of existing mains.
- ✓ Achieved = Partially achieved or in progress ✗ Not achieved

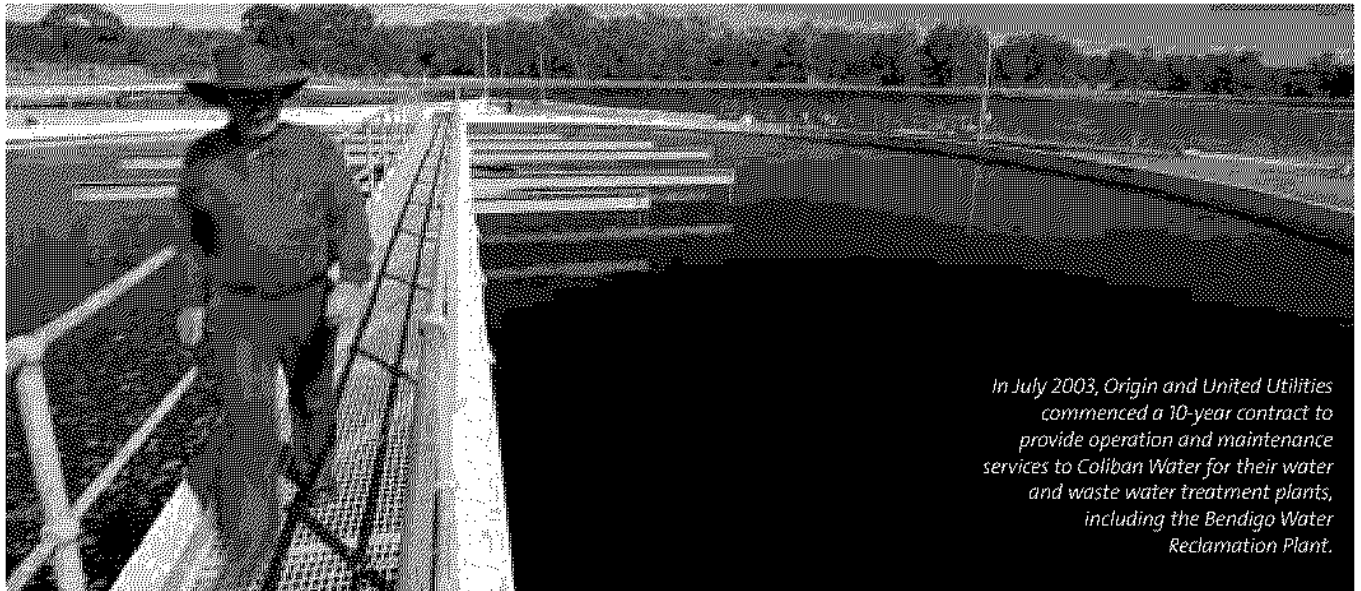
Growth – Key indicators & trends

	2004	2003	Change
	\$m	\$m	%
REVENUE	184	164	12
EBITDA	29	23	26
EBIT	27	22	23
CAPEX*	57	0.5	>100
ASSETS	272	190	43

* including acquisitions.

2004/05 Looking forward

- Further increase utilisation of networks under management.
- Achieve further reductions in operating and capital costs.
- Continue to effectively operate and maintain the Coliban Water assets via the joint venture with United Utilities.
- Continue to expand asset management services to new and existing customers.



In July 2003, Origin and United Utilities commenced a 10-year contract to provide operation and maintenance services to Coliban Water for their water and waste water treatment plants, including the Bendigo Water Reclamation Plant.

Operations Review – Corporate

2003/04

What we said we would do



Bruce Beeren
Executive Director
Commercial

- Maximise the value realised from non-core assets and investments.
- Evaluate and pursue potential acquisitions.
- Begin remediation of the Newstead site in January 2004 for completion in 2005.
- Enter a sale agreement for the remainder of the Newstead site by early 2004.
- Review all contaminated sites to ensure appropriate remediation plans are in place.
- Monitor and seek opportunities to monetise contaminated sites.

2003/04

How we went

- Disposed of 15% of our interests in Magellan for \$2.8 million.
- Acquired outside equity interests in Oil Company of Australia and Rockgas, 18% of Geodynamics and 50% of the Kupe gas field in New Zealand.
- In July 2004, entered into a conditional agreement for the purchase of 51.2% of Contact Energy.
- Began remediation of the Newstead site in January 2004.
- In November 2003, Origin and Brisbane City Council agreed to sell the remaining portion of the Newstead site to FKP for \$42 million.
- Reviewed all contaminated sites and continued remediation programs at Launceston (Tas) and Osborne (SA).
- Completed the sale of former contaminated sites in Cairns and Ipswich in Queensland.

2004/05

Looking forward

- Continue to review and realise the value from non-core assets and investments.
- Complete the Contact Energy acquisition.
- Continue to evaluate and pursue potential acquisitions.
- Complete remediation of the Newstead site by October 2005.
- Finalise plans for the rehabilitation and sale of remaining major contaminated sites.



Frank Calabria
Chief Financial
Officer

- Ensure adequate facilities are in place to fund the company's continued development.
- Complete the implementation of tax consolidation and work towards the introduction of Australian equivalents of International Financial Reporting Standards (A-IFRS) in 2005.
- Upgrade the company's financial accounting and treasury systems.

- Refinanced short-term debt facilities in May 2004.
- Standard & Poor's credit rating upgraded from BBB+ to A-.
- Work on track to lodge first consolidated tax return in January 2005.
- Began implementation project for A-IFRS which is on track to report for 2005. See pages 52 and 53.
- Completed upgrades to the company's financial accounting and treasury systems.

- Complete funding for the Contact Energy acquisition.
- Integrate Contact Energy's financial reporting activities.
- Complete implementation of A-IFRS Project to report pursuant to A-IFRS from 1 July 2005.
- Lodge first group consolidated tax return in January 2005.
- Enhance tax and treasury risk management systems.



William Hundy
Company Secretary

- Mitigate exposure to insurable risks.
- Provide a complete corporate governance response to the ASX Principles of Good Corporate Governance and Best Practice Recommendations in the 2004 Annual Report.

- Increased insurance cover and reduced insurance costs.
- Provided response to the ASX Principles of Good Corporate Governance and Best Practice Recommendations in the 2004 Annual Report. See page 28.

- Continue to optimise insurance, through improved coverage, and minimise costs.
- Improve corporate practices and policies to achieve higher standards of corporate governance.
- Review the company's risk management systems and processes.



John Hayward
General Manager
Human Resources,
Health, Safety and
Environment

- Reduce lost time and moderate medical treatment injuries per million hours worked from 8.8 to 7.5.
- Improve systems and processes to ensure the company continues to meet equal opportunity commitments.
- Continue to minimise disruption to delivery of products or services, resulting from industrial disputes.

- LTI and Moderate Medical Treatment Injury Frequency Rate reduced to 7.4 injuries per million hours worked.
- Total Reportable Case Frequency Rate improved 15% to 20.8 injuries per million hours worked.
- LTIFR improved 10% to 2.8 injuries per million hours worked.
- Increased employee numbers by 12% to 3,211.
- Completed equal opportunity review in preparation for gaining EOWA Employer of Choice recognition.
- Achieved no lost time to industrial disputes.

- Reduce lost time and moderate medical treatment injuries per million hours worked from 7.4 to 6.7.
- Satisfy requirements to apply for EOWA Employer of Choice recognition in 2005.
- Continue to minimise disruption to delivery of products or services, resulting from industrial disputes.



Tony Wood
General Manager
Public and
Government Affairs

- Produce Origin's second Sustainability Report on the company's environmental, social and economic impacts by first quarter 2004.
- Continue to participate in the development of government policy and regulations that are relevant to ensuring a competitive and sustainable energy industry in Australia.
- Continue to pursue climate change regimes that remove uncertainty for the development of renewable generation.

- Published Origin's second Sustainability Report in March 2004.
- Made approximately 60 submissions to government.
- Engaged in discussions with the Federal Government on the Mandatory Renewable Energy Target Review and broader energy market issues ahead of the government's release of its Energy White Paper.
- Completed community consultations for key infrastructure projects including the BassGas Project and the SEA Gas Pipeline.

- Produce Origin's third Sustainability Report on the company's environmental, social and economic impacts by first quarter 2005.
- Continue to participate in the development of government policy and regulations that encourage a competitive and sustainable energy industry in Australia.
- Continue to pursue climate change regimes that remove uncertainty for the development of renewable generation.
- Improve community consultation processes to assist approvals for major projects.

Health, safety and environment

Origin Energy's Health, Safety and Environment Management System (HSEMS) provides the framework through which we identify and assess, eliminate or control risks to our employees, contractors, customers, communities and the environment.

To ensure ongoing effective management of these risks, the HSEMS was the subject of two major audits to provide guidance for continuous improvement.

- A comprehensive external audit was undertaken by the specialist firm, Ibis Business Solutions. Plans to implement actions, based on recommendations in the auditor's report, are being progressed across the business.
- An audit of the company's South Australian operations was undertaken by WorkCover as part of the process of extending Origin's registration as an Exempt Employer under South Australian legislation. The auditor recommended Origin's registration be extended for three years allowing us to maintain our self-insured status under WorkCover.

Origin's employee safety performance continues to improve on three indicators:

- The Lost Time Injury Frequency Rate improved by 10% from 3.1 to 2.8 lost time injuries per million hours worked.
- The Total Reportable Case Frequency Rate, which includes medical treatment injuries as well as lost time injuries, improved from 24.5 to 20.8 injuries per million hours worked.
- The severity of employee injuries improved from 859 to 571 hours lost per million hours worked.

On 10 June 2004, the Tarantula 1 gas well in the Perth Basin, Western Australia experienced an uncontrolled gas flow, which was contained by well control experts on 23 June 2004. In the process of securing the site, four contractor personnel received scalding injuries from hot drilling fluid and required first aid treatment. Origin is co-operating with the Western Australian Department of Industry and Resources investigation, and is reviewing systems and procedures to reduce the risk of a similar incident occurring again.

Although we are not aware of any breach of environmental regulations as a result of the uncontrolled gas flow at the Tarantula 1 gas well, we are monitoring the effects on the surrounding environment.

Other than at the Tarantula 1 gas well, there were no significant environmental incidents that relate to the company's operations, and no known breaches of significant environmental regulations.

A number of Origin's sites have a long history, and as a result, may contain contaminated soil from past gas manufacturing processes. Our approach is to ensure all contaminants are contained on site, and the health of the community and surrounding environment is not adversely affected. Origin has initiated an ongoing audit program and has developed management plans to ensure that these sites are appropriately managed.



Sustainability Report

Origin Energy has produced its second Sustainability Report to Stakeholders outlining the company's environmental, social and economic impacts.

The report details our progress in fulfilling our commitments to stakeholders and provides more information on our health, safety and environmental performance. Our 2004 Sustainability Report to Stakeholders will be available from April 2005, while our 2003 report is available at www.originenergy.com.au/sustainability.

Operations Review – Corporate

During the past year:

- Remedial works continued at the Launceston Terminal and are expected to be completed by October 2004;
- New remedial works commenced at the Newstead site in Brisbane with an expected completion date of October 2005; and
- To restrict contaminants moving off a former gas manufacturing site in Osborne, South Australia, remedial works were undertaken in conjunction with the EPA and the landowner, the South Australian Land Management Corporation.

Human resources

Reflecting another strong year of growth, Origin employee numbers increased by 12% to 3,211. The largest increases were in Exploration and Production due to recruitment for the Spring Gully and the BassGas Projects. New employees were also recruited in the Retail and Networks businesses to

cater for the extension of contestability into new retail energy markets.

At Origin, we believe the right balance between business imperatives, workplace flexibility, professional development and employee rewards is likely to lead to more committed and motivated employees and therefore enhanced corporate performance.

We have therefore linked employee and company performance through the Employee Share Plan. Each year, up to \$1,000 of shares are granted to all eligible employees as long as the company achieves its financial and safety targets. This year, 219 shares were awarded to each eligible full-time employee with eligible part-time employees awarded a pro-rated number of shares.

There was no time lost to industrial disputes during the year.

Government

Origin participates in ongoing dialogue with governments to promote a more sustainable and competitive energy industry. This year, we made approximately 60 submissions to governments and industry associations, driven mainly by the Ministerial Council on Energy's (MCE) energy market reform agenda, the release of the Federal Government's White Paper, *Securing Australia's Energy Future*, and various States' activities in relation to climate change policy.

The MCE reform agenda is creating a new regulatory structure for the Australian energy industry, with the aim of simplifying and reducing the cost of energy market regulation.

Amy Hadson is one of the drilling engineers in the Exploration and Production business helping to develop our extensive coal seam gas resources.





Origin continues to expand its environmental education program to promote and encourage the efficient use of energy. Many of the program's activities are supported by web-based teaching aides.

Origin is committed to maintaining community support and goodwill for the company's activities.

The Energy White Paper released on 15 June 2004 contains a clear message that energy production and infrastructure investment decisions should be made against the Government's objective of long-term reductions in Australia's greenhouse gas emissions. Origin welcomes the direction of the White Paper, but advocates that a more concrete framework be established to guide investment.

We were, however, disappointed with the decision not to increase the Mandatory Renewable Energy Target, as a higher 2020 target would provide a more sustainable industry development path.

Community consultation

Origin is committed to maintaining community support and goodwill for the company's activities. Through ongoing community consultations, we are able to work closely with stakeholders who may be affected, directly or indirectly, by our key infrastructure projects.

Community consultations were undertaken for:

- The Kemmiss Hill Road Wind Farm in South Australia;
- The Spring Gully Project in central Queensland;
- LPG hazardous facilities in Cairns, Townsville, Brisbane and Gladstone;
- The BassGas Project which resulted in three compulsory acquisitions and 100 easement contracts signed with private landowners;
- The SEA Gas Pipeline including negotiations with 700 affected landowners;
- The Otway Gas Project in association with other joint venture partners; and
- The VIC/P37 (V) licence in the Otway Basin, Victoria, also in conjunction with our joint venture partners.

Corporate community involvement

This year, we continued to implement our Corporate Community Involvement Program to make a meaningful contribution to the social and economic well-being of communities where we operate.

Our focus is on providing knowledge and support to local communities, customers, schools and our employees.

Through our Customer Hardship Policy, we assisted more than 7,000 customers. The policy was extended across all energy products with the inclusion of eligible LPG customers in December 2003. The policy seeks to identify customers in genuine hardship by differentiating those customers who 'won't pay' from those that 'can't pay'.

Our hardship program also included the following:

- As part of the United Nation's Cities Program, Origin is participating in a program to help prevent people falling into a debt spiral due to utility bills.
- From February 2004, the Uniting Church's Kildonan Family Services has been providing financial counselling and energy audits to customers identified under our Hardship Policy as having long-term payment difficulties.
- A National Customer Consultative Council was established in November 2003 to identify and review energy supply issues including payment difficulties. The Council includes business and residential customer representatives from the Brotherhood of St Laurence, Australian Council of Social Service, Hanover Welfare Services, Australian Industry Group and the Australian Conservation Foundation.
- Origin contributed to the Victorian Government's Energy Task Force initiative which aims to improve the affordability of energy for low-income households, while maintaining or improving the comfort of occupants.
- Origin is supporting the South Australian Government's Energy Friends Program that offers low-interest loans to assist customers improve the efficiency of their homes and appliances.

Our environmental education program is designed to help customers reduce the greenhouse gas intensity of their energy use through several schools-based activities:

- The Origin of the Wind Program provides information and student activities for teachers to support them in teaching wind power; and
- In November 2003, Origin launched a home energy efficiency program, with kits being distributed to more than 350 secondary schools in Victoria and South Australia. The project links science ideas to everyday life and gives students valuable skills in energy conservation.

The Board



Kevin McCann
Independent non-executive
Chairman
Aged 63

Mr McCann joined the Board and was appointed Chairman in February 2000. He is a member of the Audit, Remuneration, Nomination and HSE Committees. Mr McCann practised as a commercial lawyer at Allens Arthur Robinson, a national law firm, specialising in mergers and acquisitions, mineral and resource law and capital market transactions for over 34 years, until his retirement as a partner on 1 July 2004. He remains as Chairman of Allens Arthur Robinson and is Chairman of Healthscope Limited, Triako Resources Limited and Sydney Harbour Federation Trust.



Grant King
Managing Director
Aged 49

Mr King was appointed Managing Director of Origin Energy at the time of its demerger from Boral Limited in February 2000 and was Managing Director of Boral Energy from 1994. Prior to joining Boral, Mr King was General Manager, AGL Gas Companies. He is a Director of Envestra Limited, a Councilor of the Australian Petroleum Production and Exploration Association, and a past Chairman of the Australian Gas Association. He has a Civil Engineering degree and a Masters of Management.



Bruce Beeren
Executive Director, Commercial
Aged 55

Mr Beeren joined the Board in March 2000. With more than 30 years experience in the energy industry, Mr Beeren was establishment Chief Executive Officer of VENCORP and held a number of senior management positions at AGL, including Chief Financial Officer and General Manager, AGL Pipelines. Mr Beeren is a Director of Envestra Limited, Coal & Allied Industries Limited and Equipsuper Pty Limited. He has a Science degree, a Commerce degree and a Masters of Business Administration, and is a Fellow of CPA Australia and the Australian Institute of Company Directors.

Senior Management Team

Profiles of Managing Director, Grant King and Executive Director Commercial, Bruce Beeren are provided with the Board above.

John Piper

**Executive General Manager
Oil and Gas Production**
Aged 58

Mr Piper is responsible for oil and gas production activities and exploration in areas where Origin Energy has established production. Previously Managing Director of Oil Company of Australia (1990-95), he was also General Manager of Brisbane Gas Company (1981-83) and General Manager and Director of Gas Corporation of Queensland (1983-90). He is a Fellow of the Australian Institute of Company Directors and a member of the Australian Institute of Energy. He has a Commerce degree from the University of Queensland and is a CPA.

Robbert Willink

**General Manager
Exploration**
Aged 51

Since 1995, Mr Willink has been responsible for greenfields exploration at Origin Energy. Previously Exploration Manager at SAGASCO Resources (1988-95), he was also a Petroleum Geologist with Shell in Australia, Oman and Turkey and was a Senior Lecturer in Petroleum Geology at University of Adelaide (1997). He has a Science degree (Honours) from the University of Tasmania and a Doctorate in Philosophy (Geology) from The Australian National University. He is a member of the Petroleum Exploration Society of Australia and Australian Petroleum Production and Exploration Association Exploration Committee.

Karen Moses

**Executive General Manager
Wholesale and Trading**
Aged 47

Ms Moses is responsible for the wholesale supply of natural gas, electricity and LPG for sale by Origin Energy's Retail businesses; energy sales to wholesale customers; the management of risks associated with commodities bought and sold by Origin and assessment of the long-term strategic risk. She is also responsible for LPG operations in Australia, New Zealand and the Pacific. She has previously held development and trading roles in the Exxon Group (1983-94). Ms Moses is a Director of VENCORP and Chair of the Safety and Emergency Committee and is also a Director of Vitalgas Pty Limited. She has an Economics degree and Diploma of Education, from the University of Sydney, and is an Industry Council member of the World LP Gas Association and a member of the Australian Institute of Company Directors.

Peter Vines

**Executive General Manager
Retail**
Aged 54

Having joined Origin Energy in June 2001, Mr Vines is responsible for natural gas and electricity retailing nationally including marketing, sales and customer service. He was previously Executive Director, Powercor Australia and was Vice-President, International Development, with PacificCorp Inc. A Civil Engineer, he has a Commerce degree from the University of Melbourne, a Masters of Business Administration from Deakin University and is a Fellow of the Institution of Engineers, Australia.

Andrew Stock

**Executive General Manager
Generation**
Aged 52

Mr Stock is responsible for developing and operating the natural gas-fuelled and renewable generation businesses, Origin's Sliver® solar power development, and contracting gas and transportation services including the SEA Gas Pipeline. He is also a Director of Geodynamics Limited. Mr Stock previously held various senior management positions in energy marketing, oil and gas and petrochemical industries. He is National President of the Australian Business Council for Sustainable Energy, a Fellow of the Institution of Engineers, Australia and has a Chemical Engineering degree (Honours) from the University of Adelaide.



Trevor Bourne
Independent non-executive
Director
Aged 58

Mr Bourne joined the Board in February 2000 and is Chairman of the Remuneration Committee and a member of the Nomination and HSE Committees. He retired in December 2003 as Chief Executive Officer of Ienx Investments Pty Limited. Previously Managing Director of Brambles Australia Limited, Mr Bourne also held a number of directorships in various Brambles subsidiaries and joint ventures. He is a Director of Coates Hire Limited and Lighting Corporation Limited. Mr Bourne has a Mechanical Engineering degree (with Merit) and a Masters of Business Administration. Mr Bourne's broad business background and his leadership experience ensures that he brings to the Board an understanding of the key issues that will drive the company's success.



Colin Carter
Independent non-executive
Director
Aged 61

Mr Carter joined the Board in February 2000 and is Chairman of the HSE Committee and a member of the Remuneration and Nomination Committees. Previously a management consultant at The Boston Consulting Group, Mr Carter is now a Senior Advisor to that firm. Mr Carter currently holds directorships of Melbourne 2006 Commonwealth Games Pty Limited, Wesfarmers Limited and several not-for-profit organisations and is a Commissioner of the Australian Football League. He has a Commerce degree and a Master of Business Administration degree. Mr Carter brings wide industry knowledge and experience in strategy and governance issues to Board deliberations.



Helen Nugent AO
Independent non-executive
Director
Aged 55

Dr Nugent joined the Board in March 2003 and is a member of the Audit, Remuneration, Nomination and HSE Committees. Previously Director of Strategy for Westpac Banking Corporation from 1994 to 1999, and a Director of United Energy Limited from 1999 to 2002, Dr Nugent is currently Chairman of Swiss Re (Australia) Limited and Funds SA, and a Director of Macquarie Bank Limited, Carter Holt Harvey Limited, UNITAB Limited and Freehills. She holds a Bachelor of Arts, a Doctorate of Philosophy and a Masters of Business Administration. She is also a fellow of the Australian Institute of Company Directors. Dr Nugent's extensive commercial, risk management and strategic expertise, as well as her experience on the boards of a number of major companies has been of value to the Board.



Roland Williams CBE
Independent non-executive
Director
Aged 65

Dr Williams joined the Board in February 2000 and is Chairman of the Audit Committee and a member of the Nomination and HSE Committees. He retired in June 1999 as Chairman and Chief Executive of Shell Australia Limited and in November 2003 he retired as Chairman of Australian Magnesium Corporation Limited. He is a Director of Boral Limited and COSCO Oceania Pty Limited and a Council Member of Australian Strategic Policy Institute Limited. Dr Williams holds a Chemical Engineering degree (Honours) and a Doctorate of Philosophy, and is a Fellow of the Australian Institute of Company Directors. Dr Williams' extensive experience in the petroleum and resources industry and broad commercial expertise has proven valuable to the Board and in his role as Chairman of the Audit Committee.

Robert Tardif
General Manager
Asset Management
Aged 52

Mr Tardif has been responsible for infrastructure management services since 1997. His previous roles include General Manager, Adelaide Region (1995-97), Group Manager Distribution, SAGASCO (1987-95) and various engineering and operational positions at Mobil Oil from 1975 to 1987. He has a Chemical Engineering degree from the University of Adelaide.

Frank Calabria
Chief Financial Officer
Aged 36

Responsible for the finance function, Mr Calabria joined Origin Energy in November 2001. He previously held senior finance positions with Pioneer International Limited, Hanson plc and Hutchison Telecommunications. Mr Calabria has an Economics degree from Macquarie University and a Masters of Business Administration (Executive) from the Australian Graduate School of Management, and is an Associate of the Institute of Chartered Accountants of Australia and the Securities Institute of Australia.

William Hundy
Company Secretary
Aged 46

Having joined Origin Energy in July 2001, Mr Hundy is responsible for the company secretarial, legal and insurance functions. He was previously Company Secretary of Email Limited and Placer Pacific Limited. He has Law and Economics degrees from the University of New South Wales. He is a Fellow of the Institute of Chartered Secretaries and the Australian Institute of Company Directors.

John Hayward
General Manager
Human Resources, Health,
Safety and Environment
Aged 49

Mr Hayward is responsible for human resources and the company's Health, Safety and Environment Management System. Formerly Commercial Analyst (1989-90) and Commercial Manager (1990-94) with SAGASCO, he has also worked in the Reservoir Engineering and Planning Departments of Petro Canada (1984-88). He has a Chemical Engineering degree (Honours) from the University of Waterloo (Canada).

Tony Wood
General Manager
Public and
Government Affairs
Aged 53

Mr Wood has been responsible for corporate relationships with governments, the media and the community since June 2001, having previously been General Manager, Retail. He held several positions with the ICI group (1976-94) including General Manager of dangerous goods transport company and Incitec subsidiary, Chemtrans. He has a Masters degree in Science (Physical Chemistry) from the University of Queensland and a post graduate diploma in Business Administration from the Queensland Institute of Technology. He is Chairman of the Energy Retailers Association of Australia and a Director of the Energy Supply Association of Australia.

Corporate Governance

Origin Energy's Board and management are committed to acting responsibly, ethically and with the highest standards of integrity as the company strives to create shareholder value.

This requires sound corporate governance principles and practices to be adopted by the Board and implemented with commitment through all levels of management and staff.

This statement reflects the practices of Origin during the year and to the date of this report.

Compliance with the ASX Corporate Governance Council Best Practice Recommendations

The ASX Listing Rules require companies to include in their annual report a statement disclosing the extent to which they have followed the 10 ASX Best Practice Recommendations in the reporting period ('Recommendations').

At the date of this report, Origin considers that its governance practices comply with all of the Recommendations as disclosed in the following statement.

The Board of Directors

Membership and expertise of the Board

The Board of Directors comprises five non-executive Directors and two executive Directors.

The current Board composition, with details of Directors' skills, experience and special expertise is set out on pages 26 and 27 of this Annual Report and on the company's website, www.originenergy.com.au.

ASX Best Practice Recommendation 2.5

Board role and responsibilities

The Board is accountable to shareholders for the performance of the company.

The Board has formalised its roles and responsibilities into a charter that defines the matters that are reserved for the Board and has approved specific matters that are delegated to management.

The specific responsibilities of the Board include:

- Approving the strategic direction, policies and budgets of the company and ensuring that these are followed;
- Approving major investments and monitoring the return on those investments;
- Monitoring financial performance including approval of the annual and half year financial statements;
- Appointing the Managing Director and senior management and ensuring that appropriate human resource management systems are in place;
- Approving the risk profile of the company and the company's financial capacity to absorb risk;
- Ensuring appropriate systems are established for the identification, control and reporting of risk;
- Reviewing and approving the company's compliance systems and corporate governance principles;

- Ensuring that the company provides continuous disclosure of information to the investment community and that shareholders have all information they reasonably require to make informed assessments of the company's prospects;
- Overseeing the company's commitment to its values, sustainable development, the environment and the health and safety of employees and contractors; and
- Enhancing and protecting the reputation of the company.

The Board has delegated to management responsibility for managing day-to-day operations in accordance with policies, the code of conduct and delegated limits of authority approved by the Board. The limits of authority define matters that are delegated to management and those that require Board approval and are reviewed on a regular basis.

Origin's Board Charter is available on the company's website. *ASX Best Practice Recommendations 1.1, 7.3*

Board size and composition

The Board's size and composition is determined by the Directors within the limits imposed by the Constitution. The Constitution provides that the maximum number of Directors is 12 and the minimum is five. The size of the Board has been set in accordance with the Constitution at seven Directors.

As at 30 June 2004, there were seven Directors, comprising five independent non-executive and two executive Directors. *ASX Best Practice Recommendation 2.1*

The selection and role of the Chairman

The Chairman is selected by the Board from the non-executive Directors.

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings. The role and responsibilities of the Chairman are separate from that of the Chief Executive Officer.

The current Chairman, Mr Kevin McCann, is a non-executive independent Director appointed by the Board. *ASX Best Practice Recommendations 2.2, 2.3*

Directors' independence

Origin recognises that independent Directors have an important role in ensuring that the Board fulfils its responsibilities and holds management accountable for the performance of the company.

The Board has adopted a policy that its composition should include a majority of non-executive Directors and a majority of independent Directors.

The Board has determined a definition of an independent Director based on its assessment of best practice and having regard to the nature of Origin and its businesses. This definition is available on the company's website.

Each year, the Board assesses the independence of its non-executive Directors in light of the interests disclosed by those Directors. It has formed the view that as at 30 June 2004, the Chairman and all non-executive Directors were independent.

ASX Best Practice Recommendations 2.1, 2.5

Avoidance of conflicts of interest by Directors

In accordance with the Corporations Act, any Director with a material personal interest in a matter must not be present when the matter is being considered and may not vote on the matter.

The Board has adopted a procedure to ensure that any Director who may have a conflict of interest is precluded from considering or voting on the matter giving rise to that conflict.

Where any transactions are to be considered by the Board that relate to Directors or their related parties, or where any potential conflicts of interest arise, the Directors concerned are required to declare their interests in any dealings between the company and their related parties. Where appropriate, Directors with such interests take no part in decisions and do not participate in discussions nor receive any papers from the company pertaining to those matters. The Board regularly reviews the register of Directors' interests and related parties and all new declarations by Directors are advised to all other Directors.

ASX Best Practice Recommendation 3.1

Meetings and the work of the Board

The Board meets on at least 10 days each year including a strategic planning session over a two day period. If required, the Board meets at other times to deal with specific matters requiring attention between scheduled meetings.

For each Board meeting, an agenda is prepared by the Managing Director, the Chairman and the Company Secretary to ensure that there is adequate coverage of operational, financial, strategic, regulatory and other major risk areas throughout the year.

Executive management regularly attends Board meetings to report on specific matters. Each month Directors receive an operating report, health safety and environment report and reports from the Chief Financial Officer.

In conjunction with, or in addition to, scheduled Board meetings, the non-executive Directors meet together without the presence of the executive Directors or management.

Review of Board performance

The Directors undertake a review of the Board and Board committee performance and their activities each year. This includes a review by management of the Board and Board committee performance.

The Board has also adopted a process for reviewing each year the individual performance of Directors who are seeking

re-election at the next Annual General Meeting. This review is undertaken by the Directors not seeking re-election who will make a recommendation to shareholders on the Directors standing for re-election.

ASX Best Practice Recommendation 8.1

Nomination and appointment of new Directors

Nomination and recommendation of new Directors are made by the Board Nomination Committee. The whole Board decides on the appointment of new Directors. In considering new appointments, the Board assesses the suitability of a prospective Director by taking into account the appropriate skills and characteristics needed by the Board to maximise its effectiveness considering the present and future needs of the company. Other attributes considered include business acumen, broad experience, an enquiring mind and personal integrity. In addition, the composition of the Board should be such that the Directors must work together effectively to combine and leverage their skills, knowledge and experience to provide leadership to the company in generating value for shareholders and meeting the expectations of other stakeholders.

New Directors are provided with a letter of appointment, setting out their responsibilities, rights and the terms and conditions of employment. New Directors participate in a comprehensive induction program through which they are briefed by management on financial, strategic, operational and risk management issues.

Origin's Constitution provides for new Directors appointed by the Board to stand for election by the shareholders at the following Annual General Meeting and for all Directors, other than the Managing Director, to stand for re-election every three years. An election of Directors is held at every Annual General Meeting.

ASX Best Practice Recommendation 2.5

Board access to information and advice

Directors have a right of access to company employees, advisers and records. In relation to their duties and responsibilities, Directors have access to the advice and counsel of the Chairman and Company Secretary and have the right to seek independent professional advice at the company's expense if required, after prior consultation with the Chairman.

As approved by shareholders, the company has entered into a Deed of Access with each Director giving them a right of access to all documents that were provided to them during their time in office, for a period of seven years after ceasing to be a Director.

ASX Best Practice Recommendation 2.5

Board committees

Committee structure and membership

The Board has established four Board committees to assist in the execution of its duties and to allow detailed consideration of complex and significant matters. The four committees are the Audit, Nomination, Remuneration and Health, Safety and Environment Committees.

Each of these committees has its own written charter approved by the Board. The charters set out the committees'

Corporate Governance

roles and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. Minutes of committee meetings are tabled at the next Board meeting and additional requirements for specific reporting by the committees to the Board are addressed in the committee charters.

All charters are reviewed annually and are available on the company's website.

Audit Committee

The Audit Committee consists of three independent non-executive Directors:

Dr J R Williams (Chairman)

Mr H K McCann

Dr H M Nugent

The Audit Committee oversees the structure and management systems that ensure the integrity of the company's financial reporting.

The Audit Committee has appropriate financial expertise and all members have an understanding of the industries in which Origin operates. The Chairman of the Audit Committee may not be the Chairman of the Board.

The committee meets a minimum of four times per year. An agenda for each meeting is prepared with comprehensive papers circulated to the committee members for each meeting. Both the internal and external auditor attend meetings of the committee. The Managing Director and the Executive Director, Commercial attend meetings at the invitation of the Chairman of the committee.

The Audit Committee reviews the half yearly and annual financial reports and makes recommendations to the Board on the adoption of the financial statements. The committee provides the Board with additional assurance regarding the quality and reliability of financial information. The committee has the authority, within the scope of its responsibilities, to seek information from any employee or external party.

The internal auditor and the external auditor have direct access to the Chairman of the Audit Committee and meet with the committee without executive Directors or other management present at each scheduled meeting.

The committee reviews the independence of the external auditor including the nature and level of non-audit services provided and reports to the full Board on this issue every six months.

The Charter of the Audit Committee is available on the company's website.

ASX Best Practice Recommendations 4.2, 4.3, 4.4, 4.5

Remuneration Committee

Four independent non-executive Directors are the members of this committee:

Mr T Bourne (Chairman)

Mr H K McCann

Mr C B Carter

Dr H M Nugent

The aims of the committee are to ensure that remuneration is consistent with market practice and that the company is able to attract, develop and retain its people. As required by the committee, the Managing Director is invited to attend meetings to discuss senior executives' performance and remuneration.

The remuneration of the Managing Director and senior executives is reviewed annually by this committee against the performance of both the company and the individual with appropriate recommendations then made to the Board.

The committee also oversees and monitors the company's policies on remuneration including:

- General remuneration practices;
- Performance management;
- Share plans and incentive schemes;
- Superannuation; and
- Recruitment and termination.

The Remuneration Committee Charter is available on the company's website and further information on remuneration is on pages 31 and 32 and in the Directors' Report on pages 34 to 37.

ASX Best Practice Recommendations 9.2, 9.5

Health, Safety and Environment Committee

To oversee Origin's commitment to health, safety and environment (HSE), Origin has formed a HSE Committee that comprises the full Board:

Mr C B Carter (Chairman)

Mr H K McCann

Mr T Bourne

Dr H M Nugent

Dr J R Williams

Mr B G Beeren

Mr G A King

A report on health, safety and the environment is made to each Board meeting and the HSE Committee meets separately to undertake a more comprehensive review. The committee seeks to establish, maintain and monitor practices that protect employees, contractors and the general public as well as striving for best practice in sustainable environmental management.

The HSE Committee Charter is available on the company's website.

Nomination Committee

The Nomination Committee comprises five independent non-executive Directors:

Mr H K McCann (Chairman)

Mr T Bourne

Mr C B Carter

Dr H M Nugent

Dr J R Williams

The Nomination Committee supports and advises the Board to ensure that the Board is comprised of the individuals who are best able to discharge the responsibilities of Directors. This is achieved by:

- Assessing the skills required by the Board;
- Conducting reviews of the Board;
- Establishing processes to identify suitable Board candidates; and
- Recommending Directors' appointment, Board and committee structure.

The Nomination Committee Charter is available on the company's website.

ASX Best Practice Recommendations 2.4, 2.5

External audit

External audit role

The Board regards the external auditor as a key protector of shareholders' interests and believes that the auditor's independence is essential to ensuring that the company's financial reports are true and fair and meet the highest standards of financial integrity.

External Audit Policy

The company has adopted a policy to monitor and maintain the independence of the external auditor and which governs the relationship between the auditor and the Board and management.

Key elements of this policy are as follows:

- Commitments required from the external auditor in relation to their ongoing independence, including six monthly independence declarations and a two year delay before engagement or review partners can be employed by Origin;
- Audit partner rotation at least every five years with a two year cooling off period;
- Guidance on the provision of non-audit services by the external auditor including general and specific examples of prohibited services and details of the approval process for any acceptable non-audit services proposed; and
- Responsibilities and processes relating to the selection, appointment, review and removal of the external auditor.

ASX Best Practice Recommendation 4.5

Attendance at Annual General Meetings

Origin's external auditor attends the Annual General Meeting and is available to answer shareholder questions.

ASX Best Practice Recommendation 6.2

Risk management compliance and internal controls

The Board has adopted an overarching policy which governs the overall approach of the company to the management of risk.

The Board is responsible for ensuring there are appropriate policies in relation to risk oversight and management and internal control systems. The company's policies are designed to ensure strategic, operational, legal, reputational, commodity and financial risks are identified, assessed, addressed and monitored to enable achievement of the company's business objectives. Specific risks are covered by insurance and Board

approved policies for hedging of interest rates, foreign exchange rates and commodities.

The Board requires the company and its executives to conduct all business activities in a manner that complies both with the law and Board approved delegated limits of authority. Controls at the Board, executive and business unit levels are designed to safeguard the company and stakeholders' interests including compliance with authority limits, occupational health and safety, employment practices, environmental matters and trade practices.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability. Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, information technology, security, compliance and other key risk management areas. The internal audit function has a mandate for reviewing and recommending improvements to controls, processes and procedures used by the company across its corporate and business activities and it reports to both business unit management and the Audit Committee.

Apart from ongoing management review, detailed questionnaires on key aspects of operational and financial risks are completed on a half yearly basis and reviewed by senior management and the Audit Committee and reported to the Board.

When presenting financial statements for approval the Managing Director and Chief Financial Officer provide a formal statement to the Board that:

- The company's financial statements present a true and fair view in all material respects of Origin's financial condition and operational results and are in accordance with the relevant accounting standards;
- The company's financial statements are founded on a sound system of risk management and internal compliance and control which implements policies adopted by the Board; and
- The risk management and internal control systems are sound and operating effectively in all material respects.

The company's Risk Management Policy is available on the company's website.

ASX Best Practice Recommendations 4.1, 7.1, 7.2, 7.3

Remuneration

Executive remuneration

The Board, through the Remuneration Committee, ensures that executive remuneration is fair and reasonable, having regard to the need to attract, retain and develop talented people and deliver value to shareholders.

Origin seeks to pay executives at the median for comparable positions, with the opportunity to earn at the top quartile through performance-based incentives for outstanding achievement.

Remuneration for senior executives comprises fixed remuneration and short-term and long-term incentives. The incentives are driven by a combination of the company's results and individual performance. Short-term incentives paid are dependent upon the achievement of operating and financial targets set at the beginning of each year.

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Long-term incentives include a shareholder approved Senior Executive Option Plan under which share options are awarded to key executives as a reward for performance during the year and as an incentive for future performance.

Further information on the Remuneration Policy and the remuneration of the five highest paid executives of the company, including share options issued under the rules of the Senior Executive Option Plan and performance hurdles are provided in the Directors' Report on pages 34 to 37.

Origin's Remuneration Policy is available on the company's website.

ASX Best Practice Recommendations 8.1, 9.1, 9.2, 9.3, 9.4, 9.5

Remuneration of non-executive Directors

Non-executive Directors are remunerated separately from executive management.

The payment of non-executive Directors' fees within the limit set by shareholders is reviewed annually, using external data and advice to ensure that such fees are reasonable and consistent with market norms.

Further information on the remuneration of non-executive Directors is included in the Directors' Report on pages 34 and 35.

ASX Best Practice Recommendations 9.1, 9.3, 9.5

Corporate responsibility and sustainability

Sustainability

Origin is committed to ensuring that all aspects of its activities as they impact upon shareholders, the environment and the community in which it operates, are sustainable.

Origin produces a Sustainability Report annually, reporting on the company's environmental, social and economic impacts, which is available on the company's website.

ASX Best Practice Recommendations 3.1, 10.1

Conduct

Compliance with the law and acting with a high level of integrity is expected of all Directors and employees.

Origin has developed a set of commitments and values that are set out on the inside front cover and page 5 of this report. Consistent with these commitments and values, Origin has developed and implemented policies which govern the conduct of Directors and employees in their pursuit of company objectives.

Origin encourages the reporting of unlawful and unethical behaviour and actively promotes and monitors compliance with its policies and protects those who report breaches in good faith.

A summary of Origin's Code of Conduct is available on the company's website.

ASX Best Practice Recommendations 3.1, 3.3, 10

Securities dealings

Origin has adopted a policy concerning trading in the company's securities by Directors, officers and employees.

The policy precludes Directors, officers and employees of Origin from dealing in securities in the company from 1 July each year until announcement of preliminary final results and from 1 January each year until announcement of half yearly results. Share trading is prohibited at any time by a Director, or any officer or employee of the company, if they are in possession of price sensitive information that is not available to the market and that could reasonably be expected to influence the market. Directors and employees may not engage in short-term dealings in securities of the company at any time.

Directors and senior management must give prior notification for any proposed dealing to the Company Secretary. Any transaction conducted by Directors in shares of the company is notified to the ASX and all other Directors. Each Director has entered into an agreement with the company to provide information to allow the company to notify the ASX of any share transaction within five business days.

Origin's Dealing in Securities Policy is available on the company's website.

ASX Best Practice Recommendations 3.2, 3.3

Continuous disclosure and shareholder communications

Origin has established written policies and procedures to ensure compliance with its continuous disclosure obligations and to ensure accountability at a senior management level for that compliance.

Origin is committed to the provision of timely, full and accurate disclosure and keeps the market informed by quarterly releases detailing its exploration, development and production activities, as well as providing an annual report and half yearly report to shareholders. Origin discloses all material matters to the ASX and the media immediately as required by ASX Listing Rules, with all releases posted on the company's website immediately after release to the ASX.

The company has complied throughout the year with its obligations to provide continuous disclosure of information to the market. The Company Secretary is primarily responsible for communications with the ASX and the company's compliance with ASX listing rules obligations.

Copies of investment presentations are released to the ASX and promptly posted to the company's website, as are other reports not material enough for an ASX announcement. Shareholders are able to subscribe to an email notification service to receive immediate notice of any announcements released by the company.

Origin's external auditor attends each Annual General Meeting. Shareholders' right to ask questions of the auditors as to the conduct of the audit and the preparation of the auditor's report is respected and implemented. Origin broadcasts its major results announcements and Annual General Meeting on its website.

The Continuous Disclosure Policy and Origin's strategy on communications with shareholders are available on the company's website.

ASX Best Practice Recommendations 5.1, 5.2, 6.1, 6.2

Directors' Report

In accordance with the Corporations Act 2001, the Directors of Origin Energy Limited report on the company and the consolidated entity, being the company and its controlled entities ('Company'), for the year ended 30 June 2004.

Directors

The Directors of Origin Energy Limited at any time during or since the end of the financial year are:

H Kevin McCann (Chairman)
 Grant A King (Managing Director)
 Bruce G Beeren (Executive Director, Commercial)
 Trevor Bourne
 Colin B Carter
 Dr Helen M Nugent
 Dr J Roland Williams

Directors' qualifications, experience and special responsibilities

Information relating to current Directors' qualifications, experience and special responsibilities is set out on pages 26 and 27.

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:

Directors	Meetings of Board committees									
	Board meetings		Audit		Remuneration		HSE		Nomination	
	H	A	H	A	H	A	H	A	H	A
H K McCann	11	11	6	6	2	2	2	2	1	1
G A King	11	11					2	2		
B G Beeren	11	11					2	2		
T Bourne	11	11			2	2	2	2	1	1
C B Carter	11	11			2	2	2	2	1	1
Dr H M Nugent	11	11	6	6	2	2	2	2	1	1
Dr J R Williams	11	11	6	6			2	2	1	1

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.

Directors' shareholdings

The relevant interest of each Director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as notified by the Directors to the Australian Stock Exchange in accordance with section 205G (1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares and prescribed interests as at 17 Aug 2004	Options over ordinary shares as at 17 Aug 2004
H K McCann	209,058	—
G A King	102,834	2,500,000 ⁽¹⁾
B G Beeren	71,124	1,200,000 ⁽²⁾
T Bourne	26,175	—
C B Carter	20,191	—
Dr H M Nugent	5,778	—
Dr J R Williams	22,158	—

Exercise price for share options:

(1) 750,000: \$1.27, 750,000: \$3.20, 500,000: \$4.31, 500,000: \$6.14

(2) 400,000: \$1.27, 250,000: \$3.20, 275,000: \$4.31, 275,000: \$6.14

Dividends

Dividends paid during the year by Origin Energy Limited were as follows:

	\$'000
Final dividend of 5 cents per ordinary share, franked to 2 cents at 30%, for the year ended 30 June 2003, paid 3 October 2003.	33,183

	\$'000
Interim dividend of 6 cents per ordinary share, fully franked at 30%, for the half year ended 31 December 2003, paid 18 March 2004.	39,960

In respect of the current financial year, the Directors have declared a final dividend as follows:

	\$'000
Final dividend of 7 cents per ordinary share, fully franked at 30%, for the year ended 30 June 2004, payable 15 September 2004.	46,808

Principal activities

The Company operates energy businesses including:

- Exploration and production of oil and gas;
- Electricity generation;
- Wholesale and retail sale of electricity and gas; and
- Investment in, and the management of, utility infrastructure.

Review of operations

The Directors' review of the operations of the Company during the year and the results of those operations are as stated in the Managing Director's Review on pages 4 to 7, and the Operations Review on pages 10 to 25, which form part of this report.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Company during the reporting period were as follows:

- Origin completed the acquisition of the outside equity interests of Oil Company of Australia Limited (now known as Origin Energy CSG Limited) which became a wholly owned subsidiary in October 2003;
- On 2 January 2004, the SEA Gas Pipeline, in which Origin holds a one-third interest, was completed. This will provide additional access to markets for the Yolla and offshore Otway gas fields and an alternative source of supply to South Australian gas customers;
- On 13 February 2004, Origin acquired a 50% interest in the Kupe joint venture, a gas exploration field in New Zealand, for NZ\$33 million. If the project proceeds to development it is expected to commence production of gas in mid 2007;
- In May 2004, a decision was made to develop the Thylacine and Geographe gas fields in the offshore Otway Basin. Gas from the development is expected to be produced from mid 2006; and
- On 25 June 2004, the Board of Origin resolved that a tax consolidated group would be formed between the Company and its wholly owned Australian controlled entities effective from 1 July 2003.

In the opinion of the Directors, significant changes in the state of affairs of the Company and its controlled entities, that occurred during the financial year under review, are disclosed in this report, in the Managing Director's Review on pages 4 to 7 and Operations Review on pages 10 to 25 and in the Concise Financial Report on pages 38, 40 and 42.

Environmental regulation and performance

The Company's operations are subject to significant environmental regulation under both Commonwealth, State and Territory legislation. The Company's performance in relation to environmental regulation is detailed on pages 23 and 24.

Events subsequent to balance date

No matters or circumstances have arisen since 30 June 2004, which have significantly affected, or may significantly affect:

Directors' Report

- i) The Company's operations in future financial years; or
 ii) Results of those operations in future financial years; or
 iii) The Company's state of affairs in future financial years,
 other than as follows:

- On 19 July 2004 Origin agreed to acquire the interests of Santos Limited in certain permits in the onshore Otway Basin for \$25.8 million; and
- On 20 July 2004, the Company announced that it had entered into a conditional agreement to acquire 51.2% of Contact Energy Limited from Edison Mission Energy (EME) for NZ\$1,675 million or NZ\$5.67 per share. The consideration is to be adjusted by any dividends paid by contact prior to completion. A dividend of NZ\$0.10 per share was declared on 30 July 2004 and the price per share to be paid to EME will be reduced by this amount. The acquisition is subject to certain approvals required of the New Zealand Takeovers Panel. Should the agreement become unconditional, Origin will make a full takeover bid for all the capital of Contact Energy Limited at the same price as agreed with EME;
- Since the end of the financial year, the Directors have declared a final dividend of 7 cents per share, fully franked at 30%, payable 15 September 2004.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2004.

Future developments and expected results of operations

Likely developments of the Company's operations in future financial years and the expected results of those operations are referred to in the Chairman's Message, Managing Director's Review and the Operations Review from pages 2 to 25, which form part of this report.

Further detail about likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Directors' and senior executives' emoluments

	Fixed remuneration	Variable remuneration ⁽¹⁾	Non-cash benefits	Super-annuation contributions	Value of options issued Current year ⁽²⁾	Value of options issued Past years ⁽²⁾	Retirement/ NEDS Plan benefits	Total	Number of options issued ⁽²⁾
	\$	\$	\$	\$	\$	\$	\$	\$	
Directors									
Non-executive									
Mr H K McCann	189,674	--	--	--	--	--	81,775	271,449	--
Mr T Bourne	80,000	--	--	7,200	--	--	25,956	113,156	--
Mr C B Carter	75,000	--	--	6,750	--	--	24,739	106,489	--
Dr H M Nugent	85,000	--	--	7,650	--	--	20,683	113,333	--
Dr J R Williams	90,000	--	--	8,100	--	--	30,817	128,917	--
Executive									
Mr G A King	1,043,795	686,000	89,007	25,000	122,765	172,314	--	2,138,881	500,000
Mr B G Beeren	508,810	629,000	25,170	--	67,521	57,438	--	1,287,939	275,000
Executive officers (excluding Directors)									
Ms K A Moses	460,780	305,910	73,329	35,000	63,838	127,272	--	1,066,129	260,000
Mr A M Stock	373,007	210,910	27,804	59,000	39,285	90,538	--	800,544	160,000
Mr J M Piper	345,195	200,910	52,855	63,075	39,285	88,241	--	789,561	160,000
Mr P J Vines	415,166	285,910	12,558	--	34,374	101,819	--	749,827	140,000
Dr R J Willink	293,009	170,910	49,617	50,840	39,285	68,231	--	671,892	160,000

(1) Cash and long-term incentive bonuses are granted annually before the end of the year. The grant date is tied to the performance appraisal, which for the current year was completed 30 June 2004.

(2) The fair value of options is calculated at the date of a grant using a Monte Carlo simulation technique and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period.

Remuneration Policy for Directors and senior executives

The Board Remuneration Committee is responsible for making recommendations to the board on remuneration policy and packages applicable to the Board and senior executives of the Company.

A detailed remuneration policy statement and the Charter of the Remuneration Committee are available on the Company's website www.originenergy.com.au.

Details of the nature and amount of each element of the emoluments of each Director of Origin Energy Limited and the five named officers of the Company receiving the highest emolument during the year are set out in the table below. This information is also included with additional detail in Note 36 on pages 47 to 52 of the Full Financial Report.

Non-executive Director remuneration

Non-executive Directors are remunerated by way of fees paid, including fees paid in recognition of membership on Board committees, superannuation and participation in the shareholder-approved Non-Executive Directors' Share Plan (NEDS Plan).

The aggregate limit of annual non-executive Directors' fees is approved by shareholders in accordance with the requirements of Origin's Constitution. Directors decide on actual fees, set by reference to the market and within the limits of the shareholder approval.

The non-executive Directors' fees were externally reviewed during the year to determine whether non-executive Directors were being remunerated at market rates. The external review undertook a comparison of 21 listed companies that were comparable to Origin in market capitalisation. The results were compared also to broader market data to ensure consistency. These reviews determined that fees paid to Origin non-executive Directors were below market levels and increases to bring them into line were approved with effect from 1 July 2004. The reviews also indicated that the growth of the Company may require the appointment of additional Directors in the coming year. The table on the top of page 35 shows the structure of non-executive Director fees and the new fees for the year ending 30 June 2005.

Non-executive Director fee structure

Year to 30 June	2004	2005
Board fees		
Chairman	\$233,333	\$340,000 ⁽¹⁾
Member	\$93,333	\$105,000
Committee fees		
Audit		
Chairman	\$26,666	\$40,000
Member	\$13,333	\$20,000
Remuneration		
Chairman	\$13,333	\$13,333
Member	\$6,666	\$6,666
Health, Safety and Environment		
Chairman	\$0	\$13,333
Member	\$0	\$6,666
Nomination		
Chairman and Members	\$0	\$0

(1) Fee to be paid to the Chairman for the year ending 30 June 2005 will be inclusive of all committee fees.

The current aggregate fee limit for the payment of fees to non-executive Directors was set by shareholders at \$950,000 per annum in October 2003. As a result of the review, the aggregate fee limit is required to be increased to enable the payment of fees at market rates for existing Directors and to enable the appointment of additional non-executive Directors during the coming year. An increase in the aggregate fee limit to \$1,400,000 per annum will be proposed for shareholder approval at the Annual General Meeting on 20 October 2004.

The Non-Executive Directors' Retirement Scheme was terminated effective 1 January 2003 and benefits accrued to that time have been frozen. The retirement benefit is a multiple of the average annual fees over the last three years of office, with the applicable multiple disclosed below. This benefit is payable on the retirement of each of the Directors in office at 1 January 2003. Further accumulations of the multiple under the scheme have been terminated.

The accrued benefits under the scheme as at 30 June 2004 and the fixed final fees multiple shown are:

H K McCann	\$172,661 (multiple 0.97 times)
T Bourne	\$58,668 (multiple 0.97 times)
J R Williams	\$73,648 (multiple 1.07 times)
C B Carter	\$55,236 (multiple 0.97 times)

Executive Director and senior executive remuneration structure

Name & Position	Total cost (TC) Fixed remuneration		Short-term incentives as maximum % of TC ⁽³⁾		Long-term incentives as maximum % of TC ⁽⁴⁾	
	2004 \$	2005 \$	2004	2005	2004	2005
Managing Director G A King	1,100,000	1,300,000 ⁽²⁾	60%	60%	100%	100%
Executive Director, Commercial B C Beeren	545,000	575,000 ⁽²⁾	50%	50%	55%	55%
Executive General Manager, Wholesale and Trading Ms K A Moses	530,000	560,000 ⁽²⁾	50%	50%	55%	55%
Executive General Manager, Generation Mr A M Stock	440,000	465,000 ⁽²⁾	50%	50%	50%	50%
Executive General Manager, Oil and Gas Production Mr J M Piper	440,000	465,000 ⁽²⁾	50%	50%	50%	50%
Executive General Manager, Retail Mr P J Vines	420,000	445,000 ⁽²⁾	50%	50%	50%	50%
General Manager, Exploration Dr R J Wilink	380,000	410,000 ⁽²⁾	50%	50%	50%	50%

(1) Short-term incentives (STI) are paid in cash on achievement of specified key performance indicators.

(2) Long-term incentives (LTI) are currently provided as options issued under the Senior Executive Option Plan.

(3) Effective from 1 July 2004.

(4) Effective from 1 September 2004.

Non-executive Directors are required to acquire and hold at least 25,000 shares in the Company.

Non-executive Directors are required to sacrifice 25% of their gross fees for the on-market acquisition of Origin shares under the NEDS Plan until they hold that number. Shares held by the Directors under the NEDS Plan cannot be sold until the Director retires or leaves the Board. After they hold 25,000 shares, they may apply the fee sacrifice to the acquisition of further shares in the Company or have it paid into a complying superannuation fund.

Accordingly, 25% of non-executive Directors' gross fees are not immediately paid to the Director but are effectively deferred until they retire from employment or retire from the Board.

As from 1 July 2004, all non-executive Directors have elected to sacrifice 25% of their gross fees for the acquisition of Origin shares under the NEDS Plan.

Executive Directors and senior executives

Origin's remuneration policy for executive Directors and senior executives is designed to align their interests with those of shareholders and to competitively set remuneration levels to attract and retain qualified and experienced Directors and senior executives.

Origin seeks to pay executives at the median for comparable positions with the opportunity to earn at the top quartile through short-term incentives for outstanding achievement.

Executive Directors and senior executives receive a fixed base remuneration which is determined by reference to market conditions.

Contracts with executive Directors and senior executives provide for the payment of short-term and long-term incentives to a prescribed maximum.

Short-term incentives are paid dependent upon the achievement of operating and financial targets set at the beginning of each year. Long-term incentives have been provided by the issuance of options under the shareholder approved Senior Executive Option Plan under which options have been awarded to key executives as a reward for performance during the year and as an incentive for future performance. The Remuneration Committee makes recommendations to the Board as to the payment of incentives. The Board may exercise discretion to vary the maximum long-term and short-term incentive entitlements in recognition of extraordinary circumstances or outcomes.

The remuneration structure for the executive Directors and senior executives for the years ending 30 June 2004 and 2005 is set out in the table below.

Directors' Report

Share options granted as long-term incentives to executive Directors and senior executives

This table discloses options granted to executive Directors and senior executives in the financial year as part of the long-term incentives:

Name	Date options granted	Number of options	Option exercise price	Date of first exercise
Directors				
G A King	19 December 2003	500,000	\$4.31	19 December 2006
B G Beeren	19 December 2003	275,000	\$4.31	19 December 2006
Executive officers				
Ms K A Moses	19 December 2003	260,000	\$4.31	19 December 2006
Mr A M Stock	19 December 2003	160,000	\$4.31	19 December 2006
Mr J M Piper	19 December 2003	160,000	\$4.31	19 December 2006
Mr P J Vines	19 December 2003	140,000	\$4.31	19 December 2006
Dr R J Willink	19 December 2003	160,000	\$4.31	19 December 2006

Share options exercised by executive Directors and senior executives

Shares issued in the financial year to Directors and senior executives pursuant to the exercise of share options (granted in previous years) are shown in the table below:

Name	Date exercised	Number of shares issued	Amount paid per share	Market value per share at date of exercise
Directors				
G A King	20 October 2003	50,000	\$1.66	\$4.23
	20 October 2003	36,750	\$1.76	\$4.23
Executive officers				
Ms K A Moses	1 December 2003	40,950	\$1.76	\$4.64
	1 December 2003	20,000	\$1.66	\$4.64
Mr A M Stock	23 October 2003	20,000	\$1.66	\$4.28
	24 June 2004	42,950	\$1.76	\$5.56
	24 June 2004	190,000	\$1.27	\$5.56
	24 June 2004	20,000	\$1.66	\$4.31
Mr J M Piper	11 September 2003	20,000	\$1.66	\$4.31
Dr R J Willink	1 December 2003	20,000	\$1.66	\$4.64

Share options

During the financial year, Origin Energy Limited granted 3,910,000 options over unissued ordinary shares under the Senior Executive Option Plan to 78 eligible officers (including two executive Directors) at an exercise price of \$4.31. The Directors' and senior executives' emoluments table on page 34 shows the value of options, as allocated per footnote (2), that were issued to Directors and to the five most highly remunerated officers of the Company as part of their remuneration in the financial year.

Since the end of the financial year, 775,000 options have been granted at an exercise price of \$6.14 to the Managing Director (500,000) and the Executive Director, Commercial (275,000). All options issued to executive Directors and shares issued pursuant to the exercise of those options have been approved by shareholders as required by Australian Stock Exchange Listing Rule 10.14.

Options granted under the Senior Executive Option Plan entitle the holder to subscribe for one fully paid ordinary share at an exercise price determined by the prevailing market price at the time of the approval of the options. The options are exercisable at any time after the third anniversary of the grant and prior to the fifth anniversary of the grant, provided that relevant exercise hurdle rates are met within this period (as described in the share options table on the next page).

As at the date of this report, unissued shares of Origin Energy Limited under option are set out in the table on the next page.

Share options

	Senior Executive Option Plan	Other ⁽⁴⁾	First exercise date	Expiry date	Exercise price per share \$	Hurdie price per share \$
Pre demerger	102,400	250,750	6 Dec 2002	6 Dec 2004	1.76	⁽¹⁾
	-	55,500	6 Dec 2002	6 Dec 2004	1.78	⁽¹⁾
Post demerger	1,890,000	-	1 Mar 2003	1 Mar 2005	1.27	⁽²⁾
	495,000	-	31 Aug 2004	31 Aug 2006	2.74	⁽³⁾
	3,495,000	-	16 Dec 2004	16 Dec 2006	3.20	⁽³⁾
	30,000	-	14 Jan 2005	14 Jan 2007	3.20	⁽³⁾
	2,630,000	-	19 Dec 2005	19 Dec 2007	3.56	⁽³⁾
	3,910,000	-	19 Dec 2006	19 Dec 2008	4.31	⁽³⁾
	775,000	-	6 Aug 2007	6 Aug 2009	6.14	⁽³⁾

- (1) The performance hurdle for these options is based on an improvement in the TSR index, i.e. the index measuring total shareholder returns maintained by the Australian Stock Exchange that calculates the share price movement of ordinary shares after notional reinvestment of dividends. The TSR index must increase from the issue date by a specified percentage during a period of 20 consecutive trading days beginning 2.5 years from the date of issue.
- (2) The performance hurdle for these options is based on the TSR index, i.e. the index measuring total shareholder returns maintained by the Australian Stock Exchange that calculates the share price movement of ordinary shares after notional reinvestment of dividends. Whether the exercise hurdle is satisfied within the exercise period is determined by comparing the TSR index of the Company with the TSR index of a predetermined reference group of Australian listed companies relative to the date of approval. The percentage of options that may be exercised is calculated on a sliding scale dependent upon the Company's performance against the reference group of companies. The percentage of options that may be exercised is 0% if the TSR fails to reach the 25th percentile of the reference group of companies, 25% if the TSR reaches the 25th percentile, 50% if it reaches the 50th percentile and 100% if it reaches the 75th percentile. The reference group of companies is available to shareholders and may be accessed on the company's website.
- (3) The performance hurdle for these options is based on the TSR index, i.e. the index measuring total shareholder returns maintained by the Australian Stock Exchange that calculates the share price movement of ordinary shares after notional reinvestment of dividends. Whether the exercise hurdle is satisfied within the exercise period is determined by comparing the TSR index of the company with the TSR index of a predetermined reference group of Australian listed companies relative to the date of approval. The percentage of options that may be exercised is calculated on a sliding scale dependent upon the Company's performance against the reference group of companies. If the Origin TSR reaches the 50th percentile, 50% of the options may be exercised and if it reaches the 75th percentile, 100% of the options may be exercised. The reference group of companies is available to shareholders and may be accessed on the company's website.
- (4) Options issued prior to the Boral demerger held by non-employees pursuant to the terms of the demerger.

Full details of persons who hold options are entered in the register of option holders at ASX Perpetual Registrars Limited, Securities Registration Service, 580 George Street, Sydney, New South Wales. The register may be inspected free of charge by shareholders.

During or since the end of the financial year, Origin Energy Limited issued ordinary shares as a result of the exercise of options, which are set out in the table below. These options were exercised by Origin and Boral Limited employees, and former employees who had received options, prior to the Boral demerger. There were no amounts unpaid on the shares issued.

Shares issued by the exercise of options during or since the end of the financial year

No. of shares	Amount paid on each share
395,000	\$1.66
1,250,000	\$2.24
528,350	\$1.76
340,000	\$1.27

Indemnities and insurance for Directors and officers

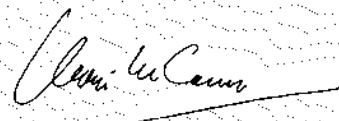
Under Origin's Constitution, it must indemnify the current and past Directors, secretaries and officers against all liabilities to other persons (other than the Company or a related body corporate) that may arise from their positions as Directors, secretaries or officers of Origin Energy Limited and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. Origin has entered into agreements with current Directors and certain former Directors whereby it will indemnify those Directors from all liability in accordance with the terms of the Constitution for a period of seven years after they cease to be Directors. The agreements stipulate that Origin Energy Limited will meet the full amount of any such liabilities, including costs and expenses.

Since the end of the previous financial year, the Company has paid insurance premiums in respect of Directors' and officers' liability, and legal expense insurance contracts for current and former Directors and officers, including executive officers and Directors of Origin Energy Limited and executive officers and secretaries of its controlled entities.

Rounding off

Origin Energy Limited 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 thousand dollars unless otherwise stated.

Signed in accordance with a resolution of Directors:



Kevin McCann, Chairman
Sydney, 17 August 2004

Discussion and Analysis – Statement of Financial Performance

Origin Energy recorded a net profit after tax and outside equity interests of \$205 million for the year ended 30 June 2004, an increase of \$43 million or 27% on the prior year of \$162 million. Total revenue for the year was up 6% to \$3.6 billion, while sales revenue increased by \$195 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by \$41 million (or up 8%) to \$532 million compared with \$491 million in the prior year, largely due to strong rises in the Exploration and Production and Generation businesses.

The improved result for the year was driven predominantly by:

- increased oil production in the onshore Perth Basin;
- higher retail gas sales volumes resulting from colder than average winter weather in the Victorian and South Australian markets;
- higher margins in gas and electricity from increased tariffs in the Victorian and South Australian markets;
- an increased contribution from power generation reflecting a full year of operations from the Mt Stuart Power Station acquired in December 2002 and a \$7 million additional capacity payment received in respect of the Mt Stuart Power Station;
- a benefit of \$9.6 million being Origin's 50% share of the reduced deferred tax liability of Osborne Cogeneration Pty Ltd (an associated entity) upon its entry into the new tax consolidation regime; and
- a reduction of \$3 million in income tax expense.

The improvements in the result for the year were offset by:

- a write-down of the Cooper Basin producing area of interest of \$16 million;
- an increase in electricity purchase costs resulting from the roll off of favourable hedge contracts acquired in 2001;
- a decrease resulting from a disruption to gas and liquids production due to a fire at the Moomba gas plant, net of insurance recoveries; and
- an increase in depreciation and amortisation of \$7 million.

Basic earnings per share increased by 6.1 cents, or 25%, to 30.9 cents per share in comparison to the prior year, while diluted earnings per share increased by 6.0 cents to 30.7 cents per share.

Borrowing costs for the year were \$49 million, a decrease of \$1 million on the prior year. The decrease is the net result of higher interest expense due to higher external borrowings less an amount of \$8 million (2003: \$1 million) for interest capitalised in relation to development projects in the Exploration and Production business.

Income tax expense for the year totalled \$77 million, a decrease of \$3 million in comparison to the prior year. Prima facie tax expense on net profit increased by \$11 million to \$85 million (2003: \$74 million). Also included in tax expense for the current year was:

- a charge for non-deductible depreciation and amortisation of licences, goodwill and certain exploration assets of \$15 million (2003: \$13 million);
- a charge relating to the non-deductible provision for write-down of producing areas of interest of \$5 million (2003: nil);
- a benefit for non-assessable equity accounted income of \$7 million (2003: \$4 million), the increase largely resulting from increased equity accounted profit from Osborne Cogeneration Pty Ltd as referred to previously;
- a benefit on entry into the new tax consolidation regime of \$2 million (2003: nil);
- a benefit for deferred tax assets not previously brought to account and now recognised of \$54 million (2003: nil); and
- a charge relating to tax losses previously recognised and now written-off of \$35 million.

Net profit attributable to outside equity interests was \$2 million in 2004, down from \$4 million in 2003. The reduction was primarily due to the acquisition of the remaining outside equity interests in Oil Company of Australia Ltd (now known as Origin Energy CSG Ltd) on 30 September 2003.

Refer to the Operations Review for further commentary on the results.

Statement of Financial Performance

for year ended 30 June

	Note	Consolidated 2004 \$'000	Consolidated 2003 \$'000
Revenue from ordinary activities	3	3,556,015	3,352,303
Expenses from ordinary activities excluding borrowing costs	3	(3,249,193)	(3,068,179)
Borrowing costs		(49,006)	(50,138)
Share of net profits of associates and joint venture entities accounted for using the equity method		26,012	12,565
Profit from ordinary activities before related income tax expense		283,828	246,551
Income tax expense relating to ordinary activities	4	76,905	80,248
Net profit		206,923	166,303
Net profit attributable to outside equity interests		1,982	4,351
Net profit attributable to members of the parent entity, Origin Energy Limited	9	204,941	161,952
Non-owner transaction changes in equity:			
Net decrease in retained profits on initial adoption of revised AASB 1028 'Employee Benefits'		-	(283)
Net exchange difference relating to self-sustaining foreign operations		2,624	(1,779)
Total revenues, expenses and valuation adjustments attributable to members of Origin Energy Limited recognised directly in equity		2,624	(2,062)
Total changes in equity from non-owner related transactions attributable to members of the parent entity, Origin Energy Limited	9	207,565	159,890
Basic earnings per share	8	30.9c	24.8c
Diluted earnings per share	8	30.7c	24.7c

The Statement of Financial Performance should be read in conjunction with the Discussion and Analysis on page 38 and the accompanying notes to the financial statements set out on pages 44 to 53.

Discussion and Analysis – Statement of Financial Position

Total assets of the consolidated entity increased by \$299 million during the year to \$3.7 billion, while total liabilities increased by \$149 million to \$1.8 billion at 30 June 2004. Net assets of the consolidated entity increased by \$150 million, from \$1.8 billion to \$1.9 billion. Net tangible assets per share increased to \$1.68 at 30 June 2004 from \$1.48 at 30 June 2003.

Total assets of the consolidated entity increased by \$299 million, principally as a result of:

- an increase in cash assets of \$28 million primarily resulting from the timing of cash injections provided to Exploration and Production joint ventures;
- a decrease in current and non-current receivables of \$30 million primarily due to the receipt of a tax refund relating to tax payments made in the prior year;
- an increase of \$18 million in other current assets due to increased prepayments for insurance and electricity trading contracts and an increase in renewable energy certificates held;
- an increase in investments accounted for using the equity method of \$60 million primarily due to a \$56 million equity contribution to the SEA Gas partnership, a one-off uplift of \$9 million as a result of the Osborne Cogeneration associated entity entering the tax consolidation regime, and a reduction of \$6 million resulting from Rockgas Ltd ceasing to be an associated entity and becoming a wholly owned controlled entity;
- an increase in property, plant and equipment of \$117 million and exploration, evaluation and development expenditure of \$97 million. This increase mainly comprises stay-in-business capital expenditure of \$86 million; spend on Exploration and Production activities totalling \$207 million including expenditure in relation to the BassGas Project, coal seam gas resources in Queensland, the onshore Perth Basin and the offshore Otway Basin; \$59 million resulting from the acquisition of the remaining 50% of Rockgas Ltd and the acquisition of a 50% interest in the Kupe gas field; and spend on solar energy generation technologies and full retail contestability systems in South Australia of \$22 million. The capital expenditure for the period was offset by depreciation and amortisation of \$154 million and provision for write-down of producing areas of interest and exploration and evaluation costs of \$15 million;
- an increase in intangible assets of \$34 million driven primarily by \$12 million goodwill recognised as part of the acquisition of the remaining outside equity interests in Oil Company of Australia Ltd (now known as Origin Energy CSG Ltd), \$59 million resulting from the restatement of goodwill and licence values arising from acquisitions made in prior years less \$37 million for amortisation in the current year; and
- a reduction in deferred tax assets of \$27 million comprised of the recognition of deferred tax assets not previously brought to account of \$19 million, offset by a reversal of a previously acquired future income tax benefit of \$43 million and reductions in other tax-effected provisions.

Total liabilities of the consolidated entity increased by \$149 million, principally as a result of:

- an increase in current and non-current interest-bearing liabilities of \$156 million largely as a result of funding a number of acquisitions, which include the acquisition of the outside equity interests in Oil Company of Australia Ltd (\$74 million); the purchase of the remaining 50% of Rockgas Ltd (\$14 million); the acquisition of a 50% interest in the Kupe gas field joint venture in New Zealand (\$11 million); and an additional equity contribution made to the SEA Gas partnership (\$56 million). Additional borrowings have also been required to fund exploration and development activity, offset by cash generated from operations;
- a decrease in current and non-current provisions of \$20 million due to utilisation of trading contract loss provisions (\$9 million) and utilisation of integration provisions (\$11 million) recognised as part of the CitiPower acquisition in the previous year; and
- an increase in current and deferred tax liabilities of \$18 million, which largely reflects accelerated exploration expenditure and tax depreciation (\$22 million) and acquired tax balances of \$11 million, offset by the benefit of entry into the new tax consolidation regime (decrease of \$21 million).

Contributed equity (share capital) increased by \$45 million during the year as a result of the issue of 8.5 million shares for \$40 million in accordance with the Dividend Reinvestment Plan and 2.5 million shares issued for \$5 million with respect to options issued prior to the demerger in 2000 and in accordance with the Senior Executive Option Plan.

Outside equity interests decreased by \$29 million during the year primarily as a result of the acquisition of the remaining outside equity interests in Oil Company of Australia Ltd (\$30 million).

An interim dividend of 6 cents per share, fully franked at 30%, totalling \$40 million was paid on 18 March 2004. Subsequent to year end, the company declared a final dividend of 7 cents per share, fully franked at 30%, totalling \$47 million. This will result in a total dividend payout ratio of 42% of current year profit.

Statement of Financial Position

as at 30 June

	Note	Consolidated 2004 \$'000	Consolidated 2003 \$'000
Current assets			
Cash assets		44,318	16,431
Receivables		616,971	621,085
Inventories		56,529	53,913
Other		61,466	43,063
Total current assets		779,284	734,492
Non-current assets			
Receivables		5,451	31,675
Investments accounted for using the equity method		115,054	55,272
Other financial assets		169,546	170,713
Property, plant and equipment		1,469,593	1,352,527
Exploration, evaluation and development expenditure		251,620	154,300
Intangible assets		811,978	777,948
Deferred tax assets		96,680	123,192
Other		8,140	8,622
Total non-current assets		2,928,062	2,674,249
Total assets		3,707,346	3,408,741
Current liabilities			
Payables		477,772	475,026
Interest-bearing liabilities		113,761	85,522
Current tax liabilities		2,680	546
Provisions		71,886	71,330
Total current liabilities		666,099	632,424
Non-current liabilities			
Payables		3,838	11,840
Interest-bearing liabilities		791,076	663,012
Deferred tax liabilities		259,786	243,904
Provisions		47,092	67,957
Total non-current liabilities		1,101,792	986,713
Total liabilities		1,767,891	1,619,137
Net assets		1,939,455	1,789,604
Equity			
Contributed equity	7	463,208	418,612
Reserves		112,241	110,764
Retained profits	9	1,356,922	1,223,977
Total parent entity interest		1,932,371	1,753,353
Outside equity interests		7,084	36,251
Total equity	9	1,939,455	1,789,604

The Statement of Financial Position should be read in conjunction with the Discussion and Analysis on page 40 and the accompanying notes to the financial statements set out on pages 44 to 53.

Discussion and Analysis – Statement of Cash Flows

Net cash provided by operating activities increased by \$2 million, from \$423 million to \$425 million for the year ended 30 June 2004. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 8% to \$532 million compared to \$491 million last year. The increase in EBITDA was offset by increases in working capital amounts and other non-cash items included in EBITDA for the current year. Refer to commentary in the Discussion and Analysis of the Statement of Financial Performance and the Operations Review.

Distributions and dividends received from equity accounted joint venture entities and associated entities totalled \$12 million in 2004, compared to \$11 million in the prior year.

Net interest paid increased from \$49 million to \$51 million primarily as a result of the increase in borrowings during the current period.

Net income taxes refunded during the year were \$2 million compared with income taxes paid of \$40 million in the prior year as tax instalments made in 2003 were refunded in 2004. Subvention payments made during the year totalled \$4 million, a reduction of \$6 million from the prior year. The subvention liability to Vic Gas Distribution Pty Ltd has now been fully extinguished.

Capital expenditure on property, plant and equipment and exploration and development for the year totalled \$323 million excluding acquisitions, an increase of \$44 million from the prior year. Stay-in-business capital expenditure decreased \$11 million from \$97 million to \$86 million. Exploration and production activities accounted for \$54 million of this expenditure in the current year, of which \$42 million was attributable to the Cooper Basin. Growth capital expenditure increased \$55 million from \$182 million to \$237 million in the current year. The major components of growth capital expenditure in 2004 were:

- \$95 million spent on development of the BassGas Project;
- \$52 million spent on exploration and development of coal seam gas resources in Queensland;
- \$28 million spent on exploration and development within the Perth Basin;
- \$23 million spent on exploration and development of the offshore Otway Basin;
- \$14 million invested in development of solar energy generation technologies; and
- \$8 million spent on the systems for full retail contestability in South Australia.

Proceeds from the sale of non-current assets increased by \$6 million to \$9 million during the year primarily due to the sale of shares in Magellan. Payments for additional investments in equity accounted entities represent the \$56 million equity contribution to the SEA Gas partnership. A \$28 million subordinated loan was also advanced to SEA Gas entities during the year.

Payment for the purchase of business was nil in the current year, compared with \$132 million for the prior year. The prior year amount related to the acquisition of the electricity retail business of CitiPower.

Payments for the purchase of outside equity interests of \$74 million in the current year represented the purchase consideration paid to acquire the outside equity interests in Oil Company of Australia Ltd (now known as Origin Energy CSG Ltd).

Payments for the purchase of controlled entities (net of cash acquired) were \$25 million in the current year (2003: \$93 million). The current year amount includes \$14 million paid for the acquisition of the remaining 50% of Rockgas Ltd and \$11 million paid for the acquisition of a 50% interest in the Kupe gas field (excluding the deferred settlement amount of \$19 million). The prior year amount of \$93 million related to the acquisition of Hylemit Pty Ltd (trading as Treston Gas) and the entities that hold the Mt Stuart Power Station.

Payments for the purchase of other investments were \$12 million in the current year primarily comprised of an \$8 million investment in shares of Geodynamics Ltd and \$3 million for an investment in Magellan US listed shares.

Proceeds from the issue of shares in accordance with the Senior Executive Option Plan totalled \$5 million during the year. Dividends paid, net of dividends reinvested, in the current year totalled \$34 million compared to \$26 million in the prior year.

Net proceeds from borrowings were \$141 million in the current year compared to \$105 million in the prior year. The net debt to capitalisation ratio at 30 June 2004 was 31% (2003: 29%).

Statement of Cash Flows

for year ended 30 June

	Note	Consolidated 2004 \$'000	Consolidated 2003 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		3,884,454	3,703,004
Cash payments in the course of operations		(3,419,007)	(3,193,463)
Dividends/distributions received from associates/joint venture entities		11,533	10,998
Other dividends received		684	413
Interest received		2,183	1,832
Borrowing costs paid		(53,245)	(50,571)
Income taxes refunded/(paid)		2,194	(39,619)
Subvention payments		(4,000)	(10,000)
Net cash provided by operating activities		424,796	422,594
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(195,644)	(146,776)
Payments for exploration, development and producing areas of interest		(127,395)	(132,454)
Proceeds from sale of non-current assets		9,377	3,494
Payment for additional investment in equity accounted entity		(55,619)	-
Payment for purchase of business	6(c)	-	(131,614)
Payment for purchase of outside equity interests		(73,944)	-
Payments for purchases of controlled entities (net of cash acquired)	6(c)	(25,248)	(93,107)
Payments for purchases of other investments		(11,809)	(459)
Loans to equity accounted entities		(27,985)	-
Net cash used in investing activities		(508,267)	(500,916)
Cash flows from financing activities			
Proceeds from borrowings		582,771	1,092,626
Repayments of borrowings		(442,153)	(987,675)
Dividends paid		(34,168)	(25,858)
Proceeds from issues of securities	7	4,817	5,417
Net cash provided by financing activities		111,267	84,510
Net increase in cash held		27,796	6,188
Cash and cash equivalents at the beginning of the year		16,431	10,551
Effect of exchange rate changes on cash		91	(308)
Cash and cash equivalents at the end of the year	6(a)	44,318	16,431

The Statement of Cash Flows should be read in conjunction with the Discussion and Analysis on page 42 and the accompanying notes to the financial statements set out on pages 44 to 53.

Notes to the Financial Statements

1. Basis of preparation of the Concise Financial Report

The Concise Financial Report has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1039 'Concise Financial Reports' and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's Full Financial Statements for the financial year. Other information included in the Concise Financial Report is consistent with the consolidated entity's Full Financial Statements. The Concise Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Full Financial Statements. It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets. The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in an accounting policy, are consistent with those of the previous year.

A full description of the accounting policies adopted by the consolidated entity can be found in the consolidated entity's Full Financial Statements.

Income tax

The consolidated entity has applied UIG 52 'Income Tax Accounting under the Tax Consolidation System' for the first time at 30 June 2004 with effect from 1 July 2003. The consolidated entity still applies the old (1989) tax standard AASB 1020 'Accounting for Income Tax (Tax-Effect Accounting)'. The impact of entry into the new tax consolidation regime on the consolidated entity is explained in note 4.

Refer to note 12 for the impact of adopting AASB equivalents of International Financial Reporting Standards.

Changes in accounting policy – prior year

Provisions, contingent liabilities and contingent assets

The consolidated entity applied AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' for the first time from 1 July 2002. Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, despite the dividends being announced after the end of that financial year. The adjustments to the consolidated financial report as at 1 July 2002 as a result of this change were an increase of \$19,435,000 in opening retained profits (refer note 9) and a corresponding reduction in the provision for dividend reported in current provisions at the beginning of the previous financial year.

Employee benefits

The consolidated entity applied the revised AASB 1028 'Employee Benefits' for the first time from 1 July 2002. The liability for wages and salaries, annual leave and sick leave is now calculated using the remuneration rates the company expects to pay as at each reporting date, not wage and salary rates current at reporting date. The initial adjustments to the consolidated financial report as at 1 July 2002 as a result of this change were an increase of \$404,000 in provision for employee benefits, a decrease of \$283,000 in opening retained profits, and an increase of \$121,000 in future income tax benefit.

2. Segments

(a) Primary reporting – business segments	Exploration and Production		Retail		Generation		Networks		Consolidated	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue										
Total sales	345,285	330,302	2,988,882	2,836,474	117,110	97,308	168,098	149,270	3,619,375	3,413,354
Intersegment sales elimination *	(54,494)	(43,989)	–	–	(43,094)	(42,816)	–	–	(97,588)	(86,805)
External sales revenue	290,791	286,313	2,988,882	2,836,474	74,016	54,492	168,098	149,270	3,521,787	3,326,549
Other revenue	6,612	1,534	5,377	4,681	2,398	2,667	16,250	14,490	30,637	22,372
Total segment revenue	297,403	287,847	2,994,259	2,841,155	76,414	56,159	184,348	163,760	3,552,424	3,348,921
Unallocated revenue									3,591	3,382
Revenue from ordinary activities									3,556,015	3,352,303
Result										
Segment result	105,113	103,272	153,094	142,123	22,798	15,677	22,226	21,632	303,231	282,704
Share of net profits of associates and joint venture entities	–	–	2,006	1,694	19,361	10,871	4,645	–	26,012	12,565
Earnings before interest and tax (EBIT)	105,113	103,272	155,100	143,817	42,159	26,548	26,871	21,632	329,243	295,269
Net borrowing costs									(45,415)	(48,718)
Profit from ordinary activities before income tax expense									283,828	246,551
Income tax expense									(76,905)	(80,248)
Net profit									206,923	166,303
Earnings before interest, tax, depreciation and amortisation (EBITDA)	197,180	187,565	236,231	232,055	69,378	48,258	29,410	23,448	532,199	491,326
Depreciation and amortisation	92,067	84,293	81,131	88,238	27,219	21,710	2,539	1,816	202,956	196,057
Other non-cash expenses	20,465	23,600	14,599	10,270	880	694	700	963	36,644	35,527
Acquisitions of non-current assets (includes capital expenditure)	367,986	253,604	70,805	169,628	12,997	100,579	56,838	538	508,626	524,349
Assets										
Segment assets	1,285,956	1,081,787	1,668,986	1,633,050	281,458	309,183	214,894	189,826	3,451,294	3,213,846
Equity accounted investments	–	–	156	5,966	57,517	48,956	57,381	350	115,054	55,272
Total segment assets	1,285,956	1,081,787	1,669,142	1,639,016	338,975	358,139	272,275	190,176	3,566,348	3,269,118
Unallocated assets **									140,998	139,623
Total assets									3,707,346	3,408,741
Liabilities										
Segment liabilities	127,297	110,284	434,649	464,108	3,580	12,298	35,062	39,463	600,588	626,153
Unallocated liabilities **									1,167,303	992,984
Total liabilities									1,767,891	1,619,137

* Intersegment pricing is determined on an arm's-length basis. Intersegment sales are eliminated on consolidation.

** Unallocated assets consist of cash and deferred tax assets. Unallocated liabilities consist of current and non-current interest-bearing liabilities and current and deferred tax liabilities.

Corporate revenue and expenses are allocated across business segments based on their share of external sales revenue.

Corporate assets and liabilities are allocated across business segments based on their share of total assets and total liabilities.

Industry segments:	Products and services:
Exploration and Production	Natural gas and oil
Retail	Natural gas, electricity, LPG, energy related products and services
Generation	Natural gas-fired cogeneration and power generation
Networks	Infrastructure investment and management services

(b) Secondary reporting – geographical segments

The consolidated entity operates predominantly in Australia. More than 90% of revenue, profit, assets and acquisition of non-current assets relate to operations in Australia.

Notes to the Financial Statements

	Consolidated 2004 \$'000	Consolidated 2003 \$'000
3. Profit from ordinary activities		
(a) Revenue from ordinary activities		
Revenue from operating activities:		
Revenue from sale of goods	3,353,598	3,176,888
Revenue from rendering of services	168,189	149,661
Total sales revenue	3,521,787	3,326,549
Revenue from outside operating activities	34,228	25,754
Revenue from ordinary activities	3,556,015	3,352,303
(b) Expenses from ordinary activities excluding borrowing costs		
Expenses by nature:		
Raw materials and consumables used, and changes in finished goods and work in progress	2,423,282	2,267,139
Advertising	25,141	18,448
Bad and doubtful debts	10,840	6,760
Consultancy costs	8,816	8,297
Contracting costs	130,987	118,533
Depreciation and amortisation	202,956	196,057
Employee expenses	206,199	206,683
Exploration and production costs	56,567	57,677
Motor vehicle expenses	15,949	15,957
Occupancy expenses	27,441	26,172
Repairs and maintenance	14,157	14,854
Royalties	25,533	26,134
Administration and other expenses from ordinary activities	101,325	105,468
Expenses from ordinary activities	3,249,193	3,068,179
(c) Individually significant items		
Individually significant expenses included in profit from ordinary activities before income tax expense include:		
Provision for write-down of Cooper Basin producing area of interest	16,212	-

	Consolidated 2004 \$'000	Consolidated 2003 \$'000
4. Income tax expense		
Income tax expense/(benefit) on pre-tax accounting profit:		
(i) at Australian tax rate of 30%	85,148	73,965
(ii) adjustment for difference between Australian and overseas tax rates	202	(7)
Income tax expense on pre-tax accounting profit at standard rates	85,350	73,958
Add/(subtract) tax effect of major items causing permanent differences:		
Non-taxable distributions received	(2,581)	(2,649)
Tax consolidation benefit ⁽ⁱ⁾	(1,620)	-
Depreciation and amortisation	15,310	12,615
Non-deductible provision for write-down of producing areas of interest	4,863	-
Capital gain/(recoupment of capital losses not previously recognised)	465	(918)
Share of net profits of associates	(7,441)	(3,598)
Under provision of tax in previous years	384	733
Other	1,008	272
Individually significant items:		
Recognition of deferred tax assets not previously brought to account	(53,774)	-
Tax losses written off/(recognised)	34,941	(165)
	(8,445)	6,290
Income tax expense relating to ordinary activities	76,905	80,248

⁽ⁱ⁾ **Impact of tax consolidation legislation**

Origin Energy Limited has decided to enter the new tax consolidation regime with effect from 1 July 2003. The impact on income tax expense for the current financial year has been disclosed in the tax reconciliation above. The wholly owned controlled entities in the tax consolidated group have fully compensated the parent entity for deferred tax liabilities assumed by the parent entity and have been fully compensated for any deferred tax assets transferred to the parent entity.

The contributing group members have agreed terms to be included in a tax sharing and funding agreement. Under the terms of this agreement, the contributing group members reimburse the parent entity for any current income tax payable by the parent entity arising in respect of their activities. All current and deferred tax balances are recorded in the accounts of Origin Energy Limited, being the head entity in the tax consolidated group, while expenses and revenues arising under the tax sharing agreement are recognised as a component of the income tax expense by each contributing group member in proportion to their individual respective profits or losses before income tax.

Notes to the Financial Statements

	Note	Consolidated 2004 \$'000	Consolidated 2003 \$'000
5. Dividends			
(a) Dividend reconciliation			
Final prior year dividend over provided		–	(1)
Final dividend of 5 cents per share, franked to 2 cents per share at 30%, paid 3 October 2003 (2003: Nil)		33,183	–
Interim dividend of 6 cents per share, fully franked at 30%, paid 18 March 2004 (2003: 5 cents per share, franked to 2 cents per share at 30%, paid 24 March 2003)		39,960	32,655
	9	73,143	32,654
Restatement adjustment:			
Final dividend previously recognised in the year ended 30 June 2002, now recognised in the year ended 30 June 2003 as a result of the initial adoption of AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'	9	–	19,435
		73,143	52,089
(b) Subsequent event			
Since the end of the financial year, the Directors have declared a final dividend of 7 cents per share, fully franked at 30%, payable 15 September 2004.		46,808	
The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2004 and will be recognised in subsequent financial statements.			
(c) Dividend franking account			
30% franking credits available to shareholders of Origin Energy Limited for subsequent financial years.		21,652	–

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of income tax;
- (b) franking debits that will arise from the payment of dividends provided at year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at year end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Tax consolidation legislation

On 1 July 2003, Origin Energy Limited and its Australian wholly owned controlled entities adopted the Tax Consolidation legislation which requires a tax consolidated group to keep a single franking account. The amount of franking credits available to shareholders of the parent entity (being the head entity in the tax consolidated group) disclosed at 30 June 2004 has been measured under the new legislation as those available from the tax consolidated group.

The comparative information has not been restated for this change in measurement. Had the comparative information been calculated on the new basis, the franking credits available as at 30 June 2003 would have been \$50,633,000.

	Consolidated 2004 \$'000	Consolidated 2003 \$'000
6. 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 at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash	44,318	16,431
(b) The following non-cash financing and investing activities have not been included in the Statement of Cash Flows:		
Issue of shares in respect of the Dividend Reinvestment Plan	39,779	28,156
Deferred settlement portion of the consideration for the acquisition of Kupe Development Ltd, Kupe Mining (No. 1) Ltd, and Kupe Mining (No. 2) Ltd (now known as Origin Energy Resources (Kupe) Ltd)	18,678	–

	Consolidated 2004 \$'000	Consolidated 2003 \$'000
6. Notes to the Statement of Cash Flows (continued)		
(c) Net assets acquired		
The consolidated entity acquired entities/businesses during the year ended 30 June 2004 for a total consideration of \$45,426,000 (2003: \$224,721,000). The total assets and liabilities acquired are as follows:		
Current assets		
Cash assets	1,500	-
Receivables	2,751	133,327
Inventories	-	3,470
Other	227	3,377
Total current assets	4,478	140,174
Non-current assets		
Receivables	-	363
Other financial assets	1,346	-
Property, plant and equipment	18,888	93,011
Exploration, evaluation and development expenditure	40,106	-
Intangible assets	405	-
Deferred tax assets	507	15,258
Total non-current assets	61,252	108,632
Total assets	65,730	248,806
Current liabilities		
Payables	2,870	99,906
Interest-bearing liabilities	2,180	-
Current tax liabilities	-	81
Provisions	287	37,102
Total current liabilities	5,337	137,089
Non-current liabilities		
Interest-bearing liabilities	4,359	-
Deferred tax liabilities	10,608	-
Provisions	-	36,305
Total non-current liabilities	14,967	36,305
Total liabilities	20,304	173,394
Net assets	45,426	75,412
Goodwill on acquisition	-	149,309
Fair value of net assets acquired	45,426	224,721
Consideration is comprised as follows:		
Cash	26,748	224,721
Deferred settlement	18,678	-
Consideration	45,426	224,721
Consideration (net of cash acquired and deferred settlement)	25,248	224,721

Notes to the Financial Statements

	Note	Consolidated 2004 \$'000	Consolidated 2003 \$'000
7. Contributed equity			
Issued and paid-up capital			
668,688,360 (2003: 657,709,751) ordinary shares, fully paid		463,208	418,612
Ordinary share capital			
Balance at the beginning of the financial year		418,612	385,039
Shares issued:			
• 2,523,350 (2003: 2,333,300) shares in accordance with the Senior Executive Option Plan		4,817	5,417
• 8,465,259 (2003: 7,547,299) shares in accordance with the Dividend Reinvestment Plan		39,779	28,156
Total movements in ordinary share capital	9	44,596	33,573
		463,208	418,612

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the company, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidation.

8. Earnings per share

	Consolidated 2004	Consolidated 2003
Basic earnings per share	30.9 cents	24.8 cents
Diluted earnings per share	30.7 cents	24.7 cents
Weighted average number of shares used as the denominator:		
Number of ordinary shares for basic earnings per share calculation	663,160,654	652,380,401
Effect of executive share options on issue	4,923,384	4,061,338
Number of ordinary shares for diluted earnings per share calculation	668,084,038	656,441,739
	\$'000	\$'000
Reconciliation of earnings used in calculating basic and diluted earnings per share:		
Net profit	206,923	166,303
Net profit attributable to outside equity interests	(1,982)	(4,351)
Earnings used in calculating earnings per share	204,941	161,952

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

Share options granted under the Senior Executive Option Plan have been classified as potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share.

	Note	Consolidated 2004 \$'000	Consolidated 2003 \$'000
9. Retained profits and total equity			
Retained profits reconciliation			
Previously reported retained profits at the end of the previous financial year		1,223,977	1,095,158
Adjustment resulting from the initial adoption of revised AASB 1028 'Employee Benefits'		-	(283)
Adjustment to dividends resulting from the initial adoption of AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'		-	19,435
Restated retained profits at the beginning of the financial year		1,223,977	1,114,310
Dividends recognised during the year as a result of the initial adoption of AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'	5	-	(19,435)
Current year dividends paid during the year	5	(73,143)	(32,654)
Net profit attributable to members of the parent entity, Origin Energy Limited		204,941	161,952
Aggregate of amounts transferred (to)/from reserves		1,147	(196)
Retained profits at the end of the financial year		1,356,922	1,223,977
Total equity reconciliation			
Total equity at the beginning of the financial year		1,789,604	1,626,039
Total changes in parent entity interest in equity recognised in the Statement of Financial Performance		207,565	159,890
Transactions with owners as owners:			
• Contributions of equity	7	44,596	33,573
• Dividends recognised during the year	5	(73,143)	(32,654)
Total changes in outside equity interests		(29,167)	2,756
Total equity at the end of the financial year		1,939,455	1,789,604

10. Contingent liabilities and assets

Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below, as well as details of contingent liabilities and contingent assets, which although considered remote, the Directors consider should be disclosed. The Directors are of the opinion that 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.

	Consolidated 2004 \$'000	Consolidated 2003 \$'000
Bank guarantees – unsecured	204,741	169,811
Letters of credit ⁽¹⁾	9,561	-
	214,302	169,811

(1) Origin has provided overseas suppliers letters of credit to facilitate the importation of equipment.

Origin has given to its bankers letters of responsibility in respect of accommodation provided from time to time by the banks to Origin Energy Limited's wholly or partly owned controlled entities.

Warranties and indemnities have been given by entities in the consolidated entity in relation to environmental liabilities for certain properties as part of the terms and conditions of divestments.

A number of sites within the consolidated entity have been identified as contaminated, all of which 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. The contamination has generally resulted from the manufacture of gas from coal and the treatment of the associated by-products, conducted at the sites. These activities ceased in the 1970s when manufactured gas was replaced with natural gas from oil and gas fields.

Certain entities within the consolidated entity are subject to various lawsuits and claims, including claims for stamp duty and penalties and native title claims. Any liabilities arising from such lawsuits and claims are not expected to have a material adverse effect on the consolidated financial statements.

A Demerger Deed was entered into in the 2000 year containing certain indemnities and other agreements between Origin Energy Limited and Boral Limited and their respective controlled entities covering the transfer of the businesses, investments, debt and assets of Boral Limited and some temporary shared arrangements.

Notes to the Financial Statements

11. Events subsequent to balance date

Dividends declared subsequent to 30 June 2004

Refer note 5(b).

Contact Energy Limited acquisition

On 20 July 2004 the company announced that a conditional agreement had been signed to acquire Edison Mission Energy's 51.2% interest in the issued capital of Contact Energy Limited for a consideration of NZ\$1,675 million or NZ\$5.67 per share. The consideration is to be adjusted by any dividends paid by Contact prior to completion. A dividend of NZ\$0.10 per share was declared on 30 July 2004 and the price per share to be paid to Edison Mission Energy will be reduced by this amount. Should the acquisition become unconditional, in accordance with the Takeovers Code in New Zealand, the company will proceed to make a bid for all the issued capital of Contact at the same adjusted price as agreed with Edison Mission Energy.

Onshore Otway Basin permits acquisition

On 19 July 2004 Origin Energy Resources Ltd, a wholly owned controlled entity of Origin Energy Limited, signed an agreement with Santos (BOL) Pty Ltd to acquire interests in a number of petroleum exploration and production tenements in the onshore portion of the Victorian Otway Basin. Consideration for these assets is \$25.8 million. The transaction is subject to the waiver of certain pre-emptive rights in respect of EP 154 (a) and (b) and associated PPLs by the other joint venture participant, various consents and regulatory/ministerial approvals.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2004.

12. Impact of adopting AASB equivalents of International Financial Reporting Standards

Origin will be required to prepare financial statements under Australian equivalents of International Financial Reporting Standards (IFRS) for the first time for the half year ending 31 December 2005 and year ending 30 June 2006. Origin is in the process of preparing the transition of its financial reporting from current Australian Accounting Standards to these new standards. The Origin Board has established a formal IFRS Project, has allocated internal resources, and engaged Deloitte as its IFRS technical advisor to assist in the assessment of the impact of adoption of IFRS on Origin and to assist with the implementation of IFRS. The project is managed by a steering committee chaired by the Chief Financial Officer and is overseen by a project manager. Sub-project teams have been established to address each potential high impact area to the consolidated entity. The Board and Audit Committee are regularly updated on the status of the IFRS Project.

Origin's IFRS Project is comprised of three main phases: Scoping and Impact Analysis; Evaluation and Design; and Implementation and Review. The first two phases are complete, while the final phase is in progress and on schedule.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between

Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

Transitional balance sheet

Origin will be required to restate its comparatives for its 31 December 2005 half year report and 30 June 2006 annual financial report using all IFRS except for AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', which do not come into effect until 1 July 2005. Thus Origin will prepare an opening balance sheet in accordance with AASB equivalent standards to IFRS as at 1 July 2004, while further transitional adjustments relating to AASB 132 and AASB 139 will be made at 1 July 2005.

Accounting policies

The Origin IFRS project team has identified a number of accounting policy changes that may be required. In some cases, choices of accounting policies are available and these are still being analysed to determine the most appropriate accounting policy for Origin. Set out below are the significant areas where accounting policies are likely to change.

Financial instruments

- Transitional impact on retained profits at 1 July 2005
- Potential volatility in future results
- New assets, liabilities and equity reserves recognised

Under AASB 139, financial instruments which were previously not recognised, must now be recognised in the Statement of Financial Position. All derivatives, including embedded derivatives, and most financial assets will be carried at fair value. Listed investments will most likely be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity reserves.

IFRS recognises fair value hedge accounting, cash flow hedge accounting and hedges of investments in foreign operations. Fair value and cash flow hedges only qualify for hedge accounting where stringent hedge effectiveness and documentation criteria are satisfied. Where the hedge accounting criteria are met, the changes in fair value are recognised directly in reserves (for cash flow hedges), while for fair value hedges, changes in fair value of

12. Impact of adopting AASB equivalents of International Financial Reporting Standards (continued)

both the hedged item and hedging transaction are recognised in the Statement of Financial Performance. Where the hedge accounting criteria is not met, the changes in fair value are recognised in the Statement of Financial Performance and this may result in significant volatility in reported results. Under the current accounting policy, costs or gains arising under hedge transactions, together with any realised or unrealised gains or losses from remeasurement, are deferred and included in the measurement of the hedged transaction when it occurs.

Although AASB 139 has been issued in Australia, the application of this standard to commodity contracts (eg contracts for the sale of electricity) and electricity related derivatives is still under review by industry participants, both locally and internationally. For this reason it has not been possible to determine with any certainty the likely impact of AASB 139 on the consolidated entity's results, except that the introduction of the standard will add potential volatility to future results.

Income taxes

- Transitional impact on retained profits at 1 July 2004
- Potential impact not yet determinable

Under AASB 112 'Income Taxes', deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying value of assets and liabilities and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. This will be a change to the current accounting policy under which deferred tax balances are determined using the income statement method where items are only tax effected if they are included in the determination of pre-tax accounting profit and taxable income, and current and deferred taxes cannot be recognised directly in equity. IFRS impacts arising from other areas (eg restatement of business combinations) may also result in further changes in deferred tax assets and liabilities. Accordingly, the potential financial impact on deferred tax balances is not yet determinable.

Share-based payment

- Transitional impact on retained profits at 1 July 2004
- Expense recognised for share-based remuneration

Under AASB 2 'Share-Based Payment', equity-based compensation in the form of shares and options will be measured at fair value at the date of grant and recognised as expenses over the vesting period. The current accounting policy is to recognise no expense for equity-based remuneration provided under the Senior Executive Option Plan. Expenses are currently recognised for equity-based remuneration provided under the Employee Share Plan and Executive Share Plan, for which shares are purchased on-market.

Employee benefits

- Transitional impact on retained profits at 1 July 2004
- Potential volatility in future results

Under AASB 119 'Employee Benefits', surpluses and deficits in the defined benefit superannuation plan sponsored by entities within the consolidated entity will be recognised in the Statement of Financial Position and the Statement of Financial Performance.

The current accounting policy is only to recognise deficits where there is a present obligation to make good that deficit, and to release the provision as and when additional contributions are made to eliminate the deficit or when the defined benefit superannuation plan returns to surplus.

Impairment of assets

- Transitional impact on retained profits at 1 July 2004
- Potential volatility in results if assets impaired

Under AASB 136 'Impairment of Assets', the recoverable amount of an asset or cash generating unit is determined as the higher of fair value less costs to sell and value in use. This will result in a change in the current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Value in use adopts a discounted cash flow methodology but has more prescriptive rules governing inputs into the impairment models.

Goodwill

- Transitional impact on retained profits at 1 July 2004
- Lower (nil) amortisation expense
- Potential volatility in results if assets impaired

Under AASB 3 'Business Combinations', goodwill will no longer be amortised but instead the asset to which it relates will be subject to annual impairment testing focusing on the discounted cash flows of the related cash generating unit. Goodwill will only be written down to the extent it is impaired. This will result in a change in the current accounting policy which amortises goodwill on a straight line basis over the period during which the benefits are expected to arise, but not exceeding 20 years.

Exploration and evaluation expenditure

- Accounting policy impact unable to be determined until accounting standard is issued

The impact of exposure draft ED 6 'Exploration for and Evaluation of Mineral Resources' on Origin's accounting policy for the treatment of exploration and evaluation expenditure cannot be determined until the final standard is issued by the International Accounting Standards Board (IASB), and the equivalent Australian accounting standard is subsequently issued by the Australian accounting standards Board (AASB).

Recent announcements from the AASB indicate that the IASB will amend ED 6 and will fully grandfather Australia's existing area of interest method of accounting for exploration and evaluation expenditure. Until these proposed changes are enacted it is not possible to determine the potential impacts in this area.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents of IFRS, as not all standards have been fully analysed and some accounting policy decisions have not been made where choices are available. Therefore at this stage, Origin has not been able to reliably quantify the impact of the transition to IFRS on its financial report.

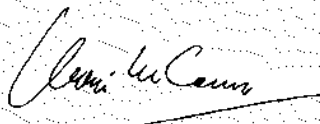
Statutory Statements

Directors' declaration

In the opinion of the Directors of Origin Energy Limited the accompanying Concise Financial Report of the consolidated entity, comprising Origin Energy Limited and its controlled entities, for the year ended 30 June 2004 set out on pages 38 to 53:

- i) has been derived from or is consistent with the Full Financial Report for the financial year; and
- ii) complies with Australian Accounting Standard AASB 1039 'Concise Financial Reports'

Signed in accordance with a resolution of the Directors:



Kevin McCann, Chairman
Sydney, 17 August 2004

Independent audit report on Concise Financial Report to the members of Origin Energy Limited

Scope

The financial report and Directors' responsibility

The Concise Financial Report comprises the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes, and the accompanying discussion and analysis on the Statement of Financial Performance, Statement of Financial Position, and Statement of Cash Flows, for Origin Energy Limited ('the company') and its controlled entities (the 'consolidated entity') for the year ended 30 June 2004.

The Directors of the company are responsible for the preparation of the Concise Financial Report in accordance with Australian Accounting Standard AASB 1039 'Concise Financial Reports'. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the Concise Financial Report.

Audit approach

We conducted an independent audit in order to express an opinion to members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the Concise Financial Report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected. We have also performed an independent audit of the Full Financial Report of the company and its controlled entities for the year ended 30 June 2004. Our audit report on the Full Financial Report was signed on 17 August 2004, and was not subject to any qualification.

We performed procedures in respect of the audit of the Concise Financial Report to assess whether, in all material respects, the Concise Financial Report is presented fairly in accordance with Australian Accounting Standard AASB 1039 'Concise Financial Report'.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information in the Concise Financial Report is consistent with the Full Financial Report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures, which were not directly derived from the Full Financial Report.

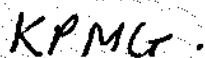
While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

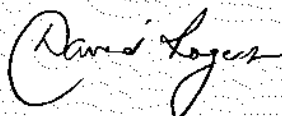
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the Concise Financial Report of Origin Energy Limited and its controlled entities for the year ended 30 June 2004 complies with Australian Accounting Standard AASB 1039 'Concise Financial Reports'.



KPMG
Sydney, 17 August 2004



David Rogers, Partner

Share and Shareholder Information

Information set out below was applicable as at 18 August 2004.

Ordinary shares

Size of holding	Number of shareholders	% of issued shares
1-1,000	38,480	3.11
1,001-5,000	49,199	17.06
5,001-10,000	8,234	8.57
10,001-100,000	4,087	12.09
100,001 and above	147	59.17

2,434 shareholders hold less than a marketable parcel.

Substantial shareholders

By notice dated 3 February 2004, Barclays Group advised that it had an interest in 40,673,107 ordinary shares. This is the only notification current as at 18 August 2004.

20 largest shareholders	Number of shares	% of issued shares
Westpac Custodian Nominees Limited	72,431,943	10.83
National Nominees Limited	72,150,010	10.79
J P Morgan Nominees Australia Limited	71,491,143	10.69
Citicorp Nominees Pty Limited	31,206,805	4.67
Cogent Nominees Pty Limited	18,871,225	2.82
AMP Life Limited	14,963,729	2.24
Queensland Investment Corporation	11,886,051	1.78
ANZ Nominees Limited	11,290,630	1.69
RBC Global Services Australia Nominees Pty Limited	9,791,142	1.46
Westpac Financial Services Limited	7,507,970	1.12
IAG Nominees Pty Limited	6,470,438	0.97
IOOF Investment Management Limited	5,111,844	0.76
PSS Board	4,959,456	0.74
CSS Board	4,114,704	0.62
Warbont Nominees Pty Limited	4,101,825	0.61
Australian Foundation Investment Company Limited	3,669,296	0.55
Suncorp Custodian Services Pty Limited	3,145,303	0.47
Argo Investments Limited	3,079,669	0.46
Bond Street Custodians Limited	2,373,341	0.35
Government Superannuation Office	2,291,282	0.34
	360,907,806	53.96

Share and Shareholder Information

Shareholder enquiries

Shareholder queries or notifications regarding shareholdings or dividends should be directed to Origin's share registry on 1300 664 446.

When contacting the share registry, shareholders should quote their Security Holder Reference Number, which can be found on your holding or dividend statements.

Dividends

Origin will pay a final dividend for the 2003/04 year of 7 cents per share (fully franked) on 15 September 2004.

Origin offers its shareholders the convenience of having their dividends paid directly into a bank, building society or credit union account in Australia. The payment of dividends will be electronically credited on the dividend payment date and confirmed by payment advices sent through the mail. Should shareholders wish to take advantage of this service, they will need to contact the share registry for an application form.

Dividend alternatives

As an alternative to receiving cash dividends, shareholders may elect to participate in the Dividend Reinvestment Plan (DRP). The DRP enables shareholders to use cash dividends to purchase additional fully paid Origin shares. If a shareholder wishes to participate in the DRP, they must notify the share registry in writing.

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.

Annual Report mailing lists

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. Unless shareholders have advised the share registry that they require no Annual Report or the full set of financial statements, they will be sent the Annual Report containing a concise set of financial statements.

Change of address

Shareholders who are Issuer-Sponsored should notify any changes of address to the share registry promptly in writing. For your protection you should quote your Security Holder Reference Number. Broker Sponsored holders should advise their sponsoring broker of any change.

Information on Origin Energy

The main source of information for shareholders is the Annual Report and the Full Financial Statements. Both the Annual Report and Full Financial Statements will be provided to shareholders on request and free of charge. Origin's website www.originenergy.com.au is another source of information for shareholders.

Stock Exchange listing

Origin shares are traded on the Australian Stock Exchange (ASX). The symbol under which Origin shares are traded is 'ORG'.

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.

Investor Centre

Shareholders can also access and update information about their shareholding online.

Visit www.originenergy.com.au/investor for further information.

DIRECTORY

ORIGIN ENERGY LIMITED

Registered office
Level 39, AMP Centre
50 Bridge Street
Sydney NSW 2000

As of November 2004, the
registered office will be:
Level 45, Australia Square
264 – 278 George Street
Sydney NSW 2000

GPO Box 5376
Sydney NSW 2001

Telephone (02) 9220 6400
Facsimile (02) 9235 1661
Internet www.originenergy.com.au
Email enquiry@originenergy.com.au

Share register
ASX Perpetual Registrars Limited

580 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235

Toll Free 1300 664 446
Telephone (02) 8280 7155
Facsimile (02) 9287 0303
Internet www.asxperpetual.com.au
Email registrars@asxperpetual.com.au

Secretary
William Hundy

Auditors
KPMG

Bankers
National Australia Bank
Westpac Banking Corporation



Notice of Annual General Meeting

Dear Shareholder

Accompanying this letter is the Notice of Meeting for the Annual General Meeting of the company, which will be held in the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales at 10.30am on Wednesday, 20 October 2004.

Attending the meeting or appointing a proxy

If you are able to attend the meeting, please bring this form with you to facilitate your registration. The bar coding on the Appointment of Proxy will enable shareholders to be easily registered.

Registration will be available from 9.30am and shareholders are encouraged to arrive before the starting time of 10.30am to avoid any last minute congestion.

If you are not able to attend the meeting, you may wish to complete the attached Appointment of Proxy.

Any corporate shareholder of Origin Energy Limited shares wishing to appoint a person to act as its representative at the meeting may do so by providing that person with a duly executed letter authorising him or her to do so.

Business of the meeting

The Notice of Meeting covers all of the business to be conducted. Included in the Explanatory Notes, is information on the Directors' seeking re-election and a recommendation of the Board. This should be of assistance to you in considering your vote on item 2. The Explanatory Notes also provide information on the special business in items 3-4.

Shareholders unable to attend

If shareholders who are unable to attend have any questions which would ordinarily be covered at the meeting including questions that may be directed to the Auditor, they can be sent to this office prior to the meeting and we will be pleased to reply.

Any questions regarding the Annual General Meeting or the Appointment of Proxy should be directed to ASX Perpetual Registrars Limited on (02) 8280 7155 or 1300 664 446.

Yours sincerely

A handwritten signature in black ink, appearing to read "Kevin McCann", with a horizontal line underneath.

Kevin McCann
Chairman
Origin Energy Limited

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of shareholders of Origin Energy Limited ('the company') will be held in the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales at 10.30am on Wednesday, 20 October 2004.

Ordinary business

1. To receive and consider the Statements of Financial Position and Statements of Financial Performance of the company and the entities it controlled during the year for the year ended 30 June 2004 and the reports of the Directors and Auditors thereon.

2. To elect Directors

J Roland Williams and Trevor Bourne, being eligible, offer themselves for election.

Details of their qualifications and experience and the recommendation of the Board are set out in the attached Explanatory Notes.

Shareholders should note that a separate resolution will be put in relation to each of the candidates.

Special business

3. Grant of options to Mr Grant A King – Managing Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That the grant to Managing Director, Mr Grant A King of options to subscribe for up to one million (1,000,000) fully

paid ordinary shares in the company over two years, at an exercise price equal to the Origin Energy market price and otherwise on the terms as set out in the Explanatory Notes which accompanied the Notice convening this Meeting and the allotment to Mr Grant A King of up to one million (1,000,000) fully paid ordinary shares in the company pursuant to the valid exercise of those options is hereby approved.'

Voting exclusion

The company will disregard any vote cast on Resolution 3 by Mr King and his associates.

However the company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides. It is the intention of the Chairman of the Meeting acting as proxy to cast any such votes in favour of all of the resolutions.

4. Increase in non-executive Directors' fees

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That the maximum sum of fees payable to the non-executive Directors of the company be increased by \$450,000 to \$1,400,000 per annum.'

Voting exclusion

The company will disregard any vote cast on Resolution 4 by any of the Directors and their associates.

However the company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides. It is the intention of the Chairman of the meeting acting as proxy to cast any such votes in favour of all of the resolutions.

By order of the Board



W M Hundy

Secretary

Sydney, 31 August 2004

Notes

(i) Pursuant to Regulation 7.11.37 of the Corporations Act Regulations, the company has determined that for the purpose of the meeting, all shares in the company will be taken to be held by the persons who held them as registered shareholders at 7.00pm (Sydney time) on Monday, 18 October 2004.

(ii) A member has a right to appoint a person or body corporate as a proxy. A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of the member's votes each proxy is entitled to exercise. Where a shareholder appoints more than one (1) proxy, neither proxy is entitled to vote on a show of hands.

(iii) If you appoint a body corporate as your proxy, the body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at meetings, in accordance with section 250D of the Corporations Act 2001 (Cth); and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

(iv) A proxy need not be a member of the company.

(v) Details for completion and lodgement of proxies are on the reverse side of the Appointment of Proxy form. A proxy must be received by the company's share registry, ASX Perpetual Registrars Limited, by 10.30am on Monday, 18 October 2004. A proxy may be mailed to ASX Perpetual Registrars Limited at Locked Bag A14, Sydney South NSW 1235, hand delivered to ASX Perpetual Registrars Limited at Level 8, 580 George Street, Sydney NSW or sent by facsimile to ASX Perpetual Registrars Limited on (02) 9287 0309.

Explanatory notes

Resolution 2 – Candidates for election as Directors

J Roland Williams,

Independent non-executive Director,
Aged 65

Dr Williams joined the Origin Energy Board in February 2000 and is Chairman of the Audit Committee and a member of the Nomination and HSE Committees. He retired in June 1999 as Chairman and Chief Executive of Shell Australia Limited and in November 2003 he retired as Chairman of Australian Magnesium Corporation Limited. He is a Director of Boral Limited and COSCO Oceania Pty Limited and a Council Member of Australian Strategic Policy Institute Limited. Dr Williams holds a Chemical Engineering degree (Honours) and a Doctorate of Philosophy, and is a Fellow of the Australian Institute of Company Directors.

Dr William's extensive experience in the petroleum and resources industry and broad commercial expertise has proven valuable to the Board and in his role as Chairman of the Audit Committee.

Trevor Bourne,

Independent non-executive Director,
Aged 58

Mr Bourne joined the Board in February 2000 and is Chairman of the Remuneration Committee and a member of the Nomination and HSE Committees. He retired in December 2003 as Chief Executive Officer of Tenix Investments Pty Limited. Previously Managing Director of Brambles Australia Limited, Mr Bourne also held a number of directorships in various Brambles subsidiaries and joint ventures. He is a Director of Coates Hire Limited and Lighting Corporation Limited. Mr Bourne has a Mechanical Engineering degree (with Merit) and a Masters of Business Administration.

Mr Bourne's broad business background and his leadership experience ensures that he brings to the Board an understanding of the key issues that will drive the company's success.

Directors' recommendation

The Board have reviewed the performance of the two Directors standing for re-election.

The review included consideration of the expertise, skill and experience of the Directors and their performance and contribution to the work of the Board over their time of office. The Board concluded that each of Dr Williams and Mr Bourne made valuable contributions to the Board. The Board concluded that the two Directors should be retained and accordingly recommend that you vote in favour of their re-election. Dr Williams and Mr Bourne did not participate in their own performance evaluation nor did they vote in respect of the recommendation relating to their re-election.

Resolution 3 – Grant of options to Mr Grant A King

This resolution seeks shareholders' approval for the grant to Mr King of options to subscribe for up to one million (1,000,000) fully paid ordinary shares in the company ('options') with an exercise price equal to the Origin Energy market price as determined at the time of grant and to the allotment to Mr King of up to one million (1,000,000) fully paid ordinary shares in the company on the exercise of those options. If approved, the options will be issued in two tranches over a two year period in respect of the years ending 30 June 2006 and 30 June 2007. The actual number of options issued by the Board will depend upon their assessment of Mr King's performance over the preceding years.

A summary of the terms of the options, and the Directors' recommendation in relation to this resolution are set out in the explanatory note below.

Requirement for approval

ASX Listing Rule 10.14 provides that a listed company may only permit a Director of the company to acquire shares or rights to shares under an employee incentive scheme where that Director's participation has been approved by an ordinary resolution of shareholders. This rule applies to Mr Grant King, the Managing Director of the company.

Following shareholder approval at the 2003 Annual General Meeting the following options were issued to executive Directors of the company:

- Mr Grant King – Managing Director
– 500,000 options on 19 December 2003 with an exercise price of \$4.31

- 500,000 options on 6 August 2004 with an exercise price of \$6.14
- Mr Bruce Beeren – Executive Director, Commercial
 - 275,000 options on 19 December 2003 with an exercise price of \$4.31
 - 275,000 options on 6 August 2004 with an exercise price of \$6.14

The options granted in December 2003 were in respect of long term incentive awards for the year ending 30 June 2004. The options granted in August 2004 relate to the year ending 30 June 2005.

Background

Origin's remuneration policy for executive Directors is discussed in the Directors' Report in the 2004 Annual Report.

Grant King as Managing Director is entitled to receive:

- Fixed remuneration of \$1,300,000 per annum, as determined by the Board by reference to market conditions; and
- Variable performance based remuneration in the form of short-term incentives (STI) equal to 60% of fixed remuneration and long-term incentives (LTI) equal in value to 100% of fixed remuneration.

The remuneration policy for Mr King and executive Directors and senior executives is designed to align their interests with shareholders and to competitively set remuneration levels to attract, motivate and retain qualified and experienced executives.

Short-term incentives are paid dependent upon the achievement of operating and financial targets set at the beginning of the year. Long-term incentives are provided by the issuance of options under the Senior Executive Option Plan under which options have been awarded as a reward for performance during the year and as an incentive for future performance.

In 2003 Origin reviewed whether options over unissued shares was an appropriate form of equity based remuneration. The review concluded that an options based equity remuneration program, with appropriate performance hurdles is an effective means of providing long-term incentives that motivate and reward executives and also provide alignment with shareholders' interests.

After further review in 2004, the Board considers that Origin's remuneration policies and practices have been successful in meeting its remuneration objectives to deliver long-term value to shareholders.

Origin has been consistently profitable since its formation out of the Boral demerger in 2000. Since then its net profit has grown by an average of over 27% annually from \$75 million in 2000 to \$205 million in 2004. In that period Origin's Total Shareholder Returns place it in the top 10% of all companies in the ASX 100.

The fair value of each option on grant to Mr King will not be known precisely until they have been granted. However, as an indication, the fair value has been estimated at \$1.49 per option assuming an exercise price of \$5.87 being the closing market price on 26 August 2004. The Board believes that the benefit that Mr King will receive as a result of the issue of the options to be reasonable in the circumstances of Origin and Mr King and within the maximum for long-term incentives that he is entitled to receive.

Each option is exercisable into one Origin share. As at 26 August 2004 the number of shares on issue was 669,373,610. Assuming that each option that is proposed to be granted to Mr King is exercised, the extent to which existing shareholders' interests will be diluted by the exercise of these options is approximately 0.15%.

As at 31 August 2004 Mr King held 2,500,000 options. If the award of the options is approved, the Directors will have the ability to make an LTI award to Mr King for the years ending 30 June 2006 and 30 June 2007. The Directors expect to make the awards in August of 2005 and 2006 following the completion of the annual accounts.

Details of the remuneration and existing Origin share and option holdings of Mr King is shown in the Directors' Report in the 2004 Annual Report and in Note 36 in the 2004 Full Financial Report.

Summary of the terms of the options to be granted to Mr Grant A King

The terms of the proposed options to be granted to Mr King are summarised below.

The exercise price of the options will be equal to the Origin Energy market price. This will be determined by dividing the total of the sale values of the company's shares on each of the five trading days immediately prior to the Board approving an offer of options to Mr King on the stockmarket conducted by ASX (excluding sales reported as special crossings, New Zealand Stock Exchange purchases or sales, Recognised Stock Exchange (as referred to in the ASX Business Rules) purchases or sales, late or overnight purchases or sales or option exercises on those days under the ASX Business Rules) by the number of the company's shares the subject of sales on those days.

The exercise of the options will be subject to the achievement of a performance hurdle which will be measured by comparing Total Shareholder Return of the company relative to the Total Shareholder Return of a group of companies during the exercise period of the options. This group of companies (the 'reference group') consists of not less than 50 companies selected by the company's Directors from the ASX Top 100 from time to time. The current list of the companies in the reference group is set out below.

Reference group of companies

BHP Billiton	Sky City	Coles Myer	Patrick Corp
CC Amatil	Entertainment	BlueScope Steel	Alinta
Newcrest Mining	Fosters Group	Soul Pattinson	WMC Resources
Telstra	Orica	Amcor	Boral
Santos	Ansell	Mayne Group	Macquarie Airports
Onesteel	Woodside Petroleum	Burns Philp	AGL
Rio Tinto	Lion Nathan	Qantas	Coal & Allied
Southcorp	Billabong	Leighton	Rinker Group
Toll Holdings	Westfield Group	Fletcher Building	Lend Lease
Woolworths	Harvey Norman	Macquarie	Transurban
CSL	Lihir Gold	Infrastructure Trust	Brambles
Paperlinx	Telecom Corp NZ	Caltex Australia	Flight Centre
Wesfarmers	Mirvac Group	Oil Search	Tabcorp
James Hardie	Air New Zealand	CSR	Foodland

Determination of Total Shareholder Return will be made on the basis of movements in the share price and dividends, calculated in a similar manner to the Accumulation Index of the ASX.

The Total Shareholder Return of the company is compared with the Total Shareholder Return of the reference group measured from the date of the Board approval of the grant of the options to a period commencing 3 years after that approval.

The percentage of options capable of exercise is based on a sliding scale as follows:

If at any time during the exercise period of the options the Total Shareholder Return of the company:	The percentage of options which become exercisable is:
Does not reach the 50 th percentile of the TSR of the companies in the reference group	0%
Exceeds the 50 th percentile of the TSR of the companies in the reference group	50%*
Reaches or exceeds the 75 th percentile of the TSR of the companies in the reference group	100%

* The percentage of options which become exercisable increases proportionately from the 50th percentile up to the 75th percentile.

Subject to the satisfaction of the exercise hurdle and the terms of the Origin Energy Senior Executive Option Plan, the options may be exercised at any time after the third anniversary of the grant of the options and no later than the fifth anniversary.

The options may also be exercisable at any time or prior to the third anniversary of the grant of the options, if an acquisition of all of the issued shares in Origin Energy is made or notice is given of a proposal to make an acquisition of more than 20% of the shares in the company and on the termination of Mr King's employment as a consequence of his death, permanent disablement or other circumstances in which the company's Board determines in its absolute discretion that the options should be exercisable.

The options will lapse if not exercised within the period specified above or in the event that Mr King's employment is terminated for cause.

The options will be unlisted and will be granted for no consideration. The shares issued on exercise of the options will rank equally with other ordinary shares from their date of issue. The company will apply to ASX for official quotation of shares issued on exercise of the options. The company will not provide any loan to Mr King in relation to either the grant of the options or the exercise of the options.

Other terms of the options relate to the manner of exercise of options and adjustment for a rights issue, a bonus issue or reconstruction of the company's share capital, in each such case in accordance with the ASX Listing Rules.

Details of any options granted pursuant to resolution 3 will be published in each Annual Report of the company relating to a period in which such options were granted, together with a statement that approval for the grant of the options (and the allotment of fully paid ordinary shares in the company pursuant to the valid exercise of those options) was approved under ASX Listing Rule 10.14.

Any persons referred to in ASX Listing Rule 10.14 (being principally Directors of the company and their associates), other than Mr King, who become entitled to participate in the Origin Energy Senior Executive Option Plan will not participate until approval is obtained under ASX Listing Rule 10.14.

A copy of the rules of the Origin Energy Senior Executive Option Plan may be obtained free of charge from the company's registered office at Level 39, 50 Bridge Street, Sydney, New South Wales.

Directors' interests & recommendations

None of the Directors other than Mr King, has any interest in the outcome of resolution 3 except to provide an appropriate incentive to Mr King to maximise shareholder wealth.

All of the Directors, other than Mr King who will abstain from voting on the resolution, recommend that you vote in favour of the resolution.

Resolution 4 – Increase in non-executive Directors' fees

An increase in the maximum annual aggregate limit of fees that can be paid to non-executive Directors is sought from the existing limit of \$950,000 to a new limit of \$1,400,000.

The maximum aggregate annual limit of \$950,000 which was approved in October 2003 will not be adequate to allow for payment at market rates and to allow the appointment of additional Directors.

In considering this increase in the aggregate annual limit, shareholders are asked to consider the following:

1. Fees paid have been below market

Although the annual aggregate limit was increased in October 2003, the actual fees paid have not been increased since 1 July 2002. The level of fees was reviewed externally during the last year to determine whether non-executive Directors were being remunerated at market rates. The external review undertook a comparison of 21 listed

companies that were comparable to Origin in market capitalisation. The fee levels were also compared to broader market data of companies in the following ranges:

Market capitalisation \$2 – \$5 billion
Turnover \$2 – \$5 billion
Total assets \$2.5 – \$5 billion
Operating profit \$200 – \$500 million

As a result of this review it was found that fees paid were below market rates, in particular, the level of fees payable to the Chairman. Accordingly fees were increased from 1 July 2004 which will place Origin Directors at approximately the 75th percentile within these groups consistent with Origin's size and complexity.

These revised fees and the comparison to the previous year is as follows:

Year ending 30 June	2004	2005
Board Fees		
Chairman	\$233,333	\$340,000 ⁱⁱⁱ
Member	\$93,333	\$105,000
Committee Fees		
Audit		
Chairman	\$26,666	\$40,000
Member	\$13,333	\$20,000
Remuneration		
Chairman	\$13,333	\$13,333
Member	\$6,666	\$6,666
Health, Safety & Environment		
Chairman	\$0	\$13,333
Member	\$0	\$6,666
Nomination		
Chairman & Members	\$0	\$0

ⁱⁱⁱ Fee to be paid to the Chairman for the year ending 30 June 2005 will be inclusive of all Committee fees.

The next review of fees will be undertaken at 1 July 2005 according to appropriate market data.

2. All non-executive Directors' entitlements are included in the annual aggregate fee limit

Fees paid to Directors are inclusive of all benefits and are required to be within the annual aggregate fee limit. The Non-Executive Directors' Retirement Plan was terminated with effect from 1 January 2003 and entitlements to that time were frozen. The retirement benefit is a multiple of the average annual fees over the last three years of office. This benefit is payable on the retirement of each of the Directors in office at 1 January 2003. Further accumulations under the scheme have been frozen.

3. Additional non-executive Directors may be appointed

The acquisition of Contact Energy Limited (a New Zealand listed company whose operations are mainly based in New Zealand) will substantially increase the size, complexity and geographical diversity of the Origin group. It may be appropriate to appoint suitably qualified Directors who may be based in New Zealand in recognition of the significance of Contact Energy in the Origin Energy group. The new limit will allow the company to appoint new Directors and pay fees at levels that are comparable to companies of Origin's size.

4. 25% of fees are deferred through the Non-Executive Directors' Share Plan

The Board has adopted a policy that requires all non-executive Directors to sacrifice 25% of their fees for the acquisition of shares under the Non-Executive Directors' Share Plan. Shares held by the Directors under the Non-Executive Directors' Share Plan cannot be sold until the Director retires or leaves the Board. Non-executive Directors are required to acquire and hold at least 25,000 shares in the company. After they acquire that number they may apply the fees sacrifice for the acquisition of further shares or have them paid into a complying superannuation fund. Accordingly 25% of non-executive Directors' gross fees are effectively deferred until they retire from employment or retire from the Board.

As from 1 July 2004, all non-executive Directors have elected to sacrifice 25% of their fees for the acquisition of shares under the Non-Executive Directors' Share Plan.

Directors' interests and recommendation

As the non-executive Directors Kevin McCann, Trevor Bourne, Helen Nugent, Roland Williams and Colin Carter are personally interested in this resolution they make no recommendation to shareholders.

Executive Directors Grant King and Bruce Beeren recommend the approval of the resolution based on the need to attract and retain qualified non-executive Directors and having regard to the increased duties and responsibilities being imposed on those Directors.

Appointment of Proxy

If you propose to attend and vote at the Annual General Meeting, please bring this form with you. This will assist in registering your attendance.

Please complete in black ink

I/We being a member(s) of Origin Energy Limited and entitled to attend and vote hereby appoint

<p>A the Chairman of the meeting (mark box)</p>	<input type="checkbox"/>	<p>OR write here the name of the person or body corporate (excluding the registered shareholder) you are appointing if this person/body corporate is someone other than the Chairman of the meeting</p>	
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or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the company to be held at 10.30am on Wednesday 20 October 2004 and at any adjournment of that meeting. Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the company if they are signed and received in the Registrar's office no later than 48 hours before the meeting.

Important: for Items 3 & 4

<input type="checkbox"/>	<p>If the Chairman of the meeting is to be your proxy and you have not directed your proxy how to vote on Items 3 and/or 4 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your votes on Items 3 & 4 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the meeting intends to vote undirected proxies in favour of items 3 & 4.</p>
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Should you desire to direct your proxy how to vote on any resolution please insert (X) in the appropriate box below.

Ordinary business	For	Against	Abstain*	Special business	For	Against	Abstain*
2. Election of Directors J Roland Williams Trevor Bourne	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	3. Grant of options to Grant A King 4. Increase in non-executive Directors' fees	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>

* If you mark the abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

B Signature of shareholder/s – this must be completed

<p>Shareholder 1 (Individual)</p> <div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p>Sole Director and Sole Company Secretary</p>	<p>Joint shareholder 2 (Individual)</p> <div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p>Director/Company Secretary (Delete one)</p>	<p>Joint shareholder 3 (Individual)</p> <div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p>Director</p>
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This form should be signed by the shareholder. If a joint holding, either shareholder can sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the shareholder's constitution and the Corporations Act 2001 (Cwth).

Appointment of proxy

- If you are unable to attend and vote at the Annual General Meeting of Origin Energy Limited on Wednesday, 20 October 2004 or any adjournment thereof and wish to appoint a person or body corporate who is attending as your proxy, please complete and return this Appointment of Proxy Form. A proxy need not be a shareholder.
- If you appoint a body corporate as your proxy, the body corporate will need to ensure that it:
 - ~ appoints an individual as its corporate representative to exercise its powers at meetings, in accordance with section 250D of the Corporations Act 2001 (Cth); and
 - ~ provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.
- Shareholders are entitled to appoint up to two proxies (whether shareholders or not), to attend the meeting and vote. If you wish to appoint two proxies, please obtain a second proxy form by telephoning 1300 664 446 or (02) 8280 7155. Both forms should be completed with the nominated number or percentage of your voting rights on each form. If you appoint two proxies and the appointment does not specify the proper number of your votes that the proxies may exercise, each such proxy may exercise one half. Please return both proxy forms together. Where a shareholder appoints more than one (1) proxy, neither proxy is entitled to vote on a show of hands.

Signing instructions

- This Appointment of Proxy must be signed by the shareholder (for joint shareholders either can sign) or by his/her/their joint authorised attorney(s).
- if the shareholder is a corporation, this Appointment of Proxy should be signed in a manner which is legally binding on the corporation, for example:
 - ~ under the common seal of the company by two directors, or a director and a secretary; or
 - ~ by two directors, or a director and a secretary; or
 - ~ in the case of a proprietary company that has a sole director who is also the sole company secretary, by that director; or
 - ~ under the hand of a duly authorised officer or attorney
- if signed under Power of Attorney, the attorney hereby states that no notice of revocation of the power has been received. If the Power of Attorney or other authority (if any) has not been previously noted by the company's share registry, it must be produced for noting to ASX Perpetual Registrars Limited, by posting it to Locked Bag A14, Sydney South NSW 1235 or sending it by facsimile to ASX Perpetual Registrars Limited on (02) 9287 0309, by 10.30am on Monday, 18 October 2004. A certified copy of a Power of Attorney is acceptable.
- if you require further information on how to complete this Appointment of Proxy telephone Origin Energy's Share Registry on 1300 664 446 or (02) 8280 7155.

Lodgement details

- The Appointment of Proxy must be received by the company's share registry, ASX Perpetual Registrars Limited, by 10.30am on Monday, 18 October 2004. Shareholders are requested to return the Appointment of Proxy in the reply paid envelope provided, or post to Locked Bag A14, Sydney South NSW 1235 in sufficient time so that it reaches ASX Perpetual Registrars Limited by that time and date.
- Alternatively, the Appointment of Proxy can be hand delivered to ASX Perpetual Registrars Limited, Level 8, 580 George Street, Sydney, sent by facsimile to ASX Perpetual Registrars Limited on (02) 9287 0309, by 10.30am on Monday, 18 October 2004.

ASX Perpetual Registrars Limited advises that Chapter 2C of the Corporations Act 2001 requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.asxperpetual.com.au).

Origin Energy Limited

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