



To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	22 August 2013
From	Helen Hardy	Pages	205
Subject	FULL YEAR RESULTS - FINANCIAL YEAR ENDED 30 JUNE 2013		

We attach the following documents relating to Origin Energy's Results for the full-year ended 30 June 2013:

1. ASX Appendix 4E
2. Financial Statements
3. Directors' Report including the Operating Financial Review and Remuneration Report
4. Corporate Governance Statement

Regards

A handwritten signature in black ink, appearing to read "Helen Hardy".

Helen Hardy
Company Secretary

02 8345 5023 - helen.hardy@originenergy.com.au

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Origin Energy Limited and Controlled Entities

Appendix 4E
30 June 2013

Origin Energy Limited and Controlled Entities

Appendix 4E

Results for announcement to the market

30 June 2013

			2013	2012
Revenue (\$million)	up	13% to	14,619	12,935
Net profit for the period attributable to members of the parent entity (\$million)	down	61% to	378	980
Basic earnings per share (cents per share)	down	62% to	34.6¢	90.6¢
Diluted earnings per share (cents per share)	down	62% to	34.4¢	90.4¢
Net tangible asset backing per ordinary security	down	0% to	\$6.53	\$6.54
Dividends				
			Amount per security	Franked amount per security at 30 per cent tax
Final dividend determined subsequent to 30 June 2013			25 cents	nil
Previous corresponding period (30 June 2012)			25 cents	25 cents
Record date for determining entitlements to the dividend			2 September 2013	
Dividend payment date			27 September 2013	
Brief explanation of any of the figures reported above or other item(s) of importance not previously released to the market. Refer to the attached Directors' Report, Remuneration Report and Operating and Financial Review for explanations.				
Discussion and Analysis of the results for the year ended 30 June 2013. Refer to the attached Directors' Report, Remuneration Report and Operating and Financial Review for commentary.				

Origin Energy Limited and Controlled Entities

Financial Statements

30 June 2013

Origin Energy Limited and Controlled Entities

Financial Statements

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Origin Energy Limited and Controlled Entities
Income statement
for the year ended 30 June

	Note	2013 \$million	2012 \$million
Revenue		14,619	12,935
Other income	3(a)	277	537
Expenses	3(b)	(13,941)	(11,862)
Share of results of equity accounted investees	8(b)	4	39
Interest income	3(c)	12	37
Interest expense	3(c)	(468)	(326)
Profit before income tax		503	1,360
Income tax expense	4	(42)	(302)
Profit for the period		461	1,058
Profit for the period attributable to:			
Members of the parent entity		378	980
Non-controlling interests		83	78
Profit for the period		461	1,058
Earnings per share			
Basic earnings per share	32	34.6 cents	90.6 cents
Diluted earnings per share	32	34.4 cents	90.4 cents

The income statement should be read in conjunction with the accompanying notes set out on pages 8 to 84.

Origin Energy Limited and Controlled Entities
Statement of comprehensive income
for the year ended 30 June

	2013 \$million	2012 \$million
Profit for the period	461	1,058
Other comprehensive income		
<i>Items that will not be reclassified to the income statement</i>		
Actuarial gain/(loss) on defined benefit superannuation plan	2	(9)
<i>Items that may be reclassified to the income statement</i>		
Foreign currency translation differences for foreign operations	333	135
Available for sale financial assets		
Valuation gain/(loss) taken to equity	1	(5)
Cash flow hedges		
Losses transferred to income statement	40	78
Transferred to carrying amount of assets	2	2
Valuation gain/(loss) taken to equity	35	(47)
Net loss on hedge of net investment in foreign operations	(72)	(37)
	339	126
Other comprehensive income for the period, net of tax	341	117
Total comprehensive income for the period	802	1,175
Total comprehensive income attributable to:		
<i>Items that will not be reclassified to the income statement</i>		
Members of the parent entity	2	(9)
Non-controlling interests	-	-
	2	(9)
<i>Items that may be reclassified to the income statement</i>		
Members of the parent entity	613	1,072
Non-controlling interests	187	112
	800	1,184
Total comprehensive income for the period	802	1,175

The statement of comprehensive income should be read in conjunction with the accompanying notes set out on pages 8 to 84.

Origin Energy Limited and Controlled Entities
Statement of financial position
as at 30 June

	Note	2013 \$million	2012 \$million
Current assets			
Cash and cash equivalents		307	357
Trade and other receivables	6	2,705	2,396
Inventories		231	186
Other financial assets, including derivatives	7	370	363
Income tax receivable		174	-
Assets classified as held for sale		35	38
Other assets		139	155
Total current assets		3,961	3,495
Non-current assets			
Trade and other receivables	6	17	17
Inventories		78	73
Other financial assets, including derivatives	7	781	798
Investments accounted for using the equity method	8(b)	6,432	5,962
Property, plant and equipment	9	11,297	10,895
Exploration and evaluation assets	10	864	838
Intangible assets	11	6,113	5,966
Other assets		43	27
Total non-current assets		25,625	24,576
Total assets		29,586	28,071
Current liabilities			
Trade and other payables	13	2,120	2,153
Interest-bearing liabilities	14	741	145
Other financial liabilities, including derivatives	15	2,324	1,620
Provision for income tax		21	71
Employee benefits		186	180
Provisions	16	67	135
Liabilities classified as held for sale		17	16
Total current liabilities		5,476	4,320
Non-current liabilities			
Trade and other payables	13	336	365
Interest-bearing liabilities	14	6,375	5,734
Other financial liabilities, including derivatives	15	934	1,546
Deferred tax liabilities	12	1,136	1,074
Employee benefits		30	34
Provisions	16	505	540
Total non-current liabilities		9,316	9,293
Total liabilities		14,792	13,613
Net assets		14,794	14,458
Equity			
Share capital	17	4,441	4,345
Reserves		73	(186)
Retained earnings		8,769	8,935
Total parent entity interest		13,283	13,094
Non-controlling interests		1,511	1,364
Total equity		14,794	14,458

The statement of financial position should be read in conjunction with the accompanying notes set out on pages 8 to 84.

Origin Energy Limited and Controlled Entities
Statement of changes in equity

\$million	Share capital	Share-based payments reserve	Foreign currency translation reserve	Hedging reserve	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2012	4,345	82	(171)	(92)	(5)	8,935	1,364	14,458
Other comprehensive income (refer note 18)	-	-	161	73	1	2	104	341
Profit	-	-	-	-	-	378	83	461
Total comprehensive income/(expense) for the period	-	-	161	73	1	380	187	802
Dividends paid (refer note 5)	-	-	-	-	-	(546)	(64)	(610)
Movement in share capital (refer note 17)	96	-	-	-	-	-	23	119
Movement in share-based payments reserve	-	24	-	-	-	-	1	25
Total transactions with owners recorded directly in equity	96	24	-	-	-	(546)	(40)	(466)
Balance as at 30 June 2013	4,441	106	(10)	(19)	(4)	8,769	1,511	14,794
Balance as at 1 July 2011	4,029	61	(239)	(123)	-	8,504	1,284	13,516
Other comprehensive income (refer note 18)	-	-	68	31	(5)	(11)	34	117
Profit	-	-	-	-	-	980	78	1,058
Total comprehensive income/(expense) for the period	-	-	68	31	(5)	969	112	1,175
Dividends paid (refer note 5)	-	-	-	-	-	(538)	(65)	(603)
Movement in share capital (refer note 17)	316	-	-	-	-	-	32	348
Movement in share-based payments reserve	-	21	-	-	-	-	1	22
Total transactions with owners recorded directly in equity	316	21	-	-	-	(538)	(32)	(233)
Balance as at 30 June 2012	4,345	82	(171)	(92)	(5)	8,935	1,364	14,458

The statement of changes in equity should be read in conjunction with the accompanying notes set out on pages 8 to 84.

Origin Energy Limited and Controlled Entities
Statement of cash flows
for the year ended 30 June

	Note	2013 \$million	2012 \$million
Cash flows from operating activities			
Cash receipts from customers		16,200	13,991
Cash paid to suppliers		(14,292)	(12,134)
Cash generated from operations		1,908	1,857
Dividends/distributions received from equity accounted investees		9	4
Income taxes paid		(275)	(39)
Net cash from operating activities	19	1,642	1,822
Cash flows from investing activities			
Acquisition of property, plant and equipment		(821)	(1,203)
Acquisition of exploration and development assets		(34)	(127)
Acquisition of other assets		(186)	(173)
Acquisition of businesses, net of cash acquired	20	-	75
Investment in joint ventures/associates		(66)	(109)
Interest received		12	37
Net proceeds from sale of non-current assets		141	41
Repayment of loans to equity accounted investees		(561)	(1,167)
Net cash used in investing activities		(1,515)	(2,626)
Cash flows from financing activities			
Proceeds from borrowings		10,655	7,423
Repayment of borrowings		(9,901)	(6,330)
Interest paid		(448)	(403)
Proceeds from issue of share capital - senior executive options	17	9	10
Proceeds from issue of share capital - underwritten dividend reinvestment plan		-	145
Dividends paid by the parent entity		(459)	(377)
Dividends paid to non-controlling interests		(44)	(34)
Net cash (used in)/from financing activities		(188)	434
Net decrease in cash and cash equivalents		(61)	(370)
Cash and cash equivalents at the beginning of the period		357	724
Effect of exchange rate changes on cash		11	3
Cash and cash equivalents at the end of the period	19(a)	307	357

The statement of cash flows should be read in conjunction with the accompanying notes set out on pages 8 to 84.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies

Origin Energy Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Level 45, Australia Square, 264-278 George Street, Sydney NSW 2000. The financial statements of the Company for the year ended 30 June 2013 comprise the Company, its controlled entities and the consolidated entity's interest in associates and joint ventures (together referred to as the consolidated entity). The consolidated entity is a for-profit entity and is primarily involved in the operation of energy businesses including the exploration and production of oil and gas; electricity generation; wholesale and retail sale of electricity and gas; CSG domestic operations and the Australia Pacific LNG coal seam gas to LNG export project; and renewable energy development opportunities in Australia and overseas.

(A) Statement of compliance

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

The consolidated financial statements were approved by the Board of Directors on 21 August 2013.

(B) Basis of preparation

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

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

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

Certain comparative amounts have been reclassified to conform to the current year's presentation.

(C) Principles of consolidation

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

Accounting for acquisitions of non-controlling interests

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

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(C) Principles of consolidation (continued)

Associates and joint ventures (equity accounted investees)

Associates are those entities over which the consolidated entity exercises significant influence, but not control, over the financial and operating policies and which are not intended for sale in the near future. Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. In the financial statements, investments in associates and investments in incorporated joint ventures, including partnerships, are accounted for using equity accounting principles.

Jointly controlled operations and assets

The consolidated entity's interests in unincorporated joint ventures are brought to account on a line-by-line basis in the income statement and statement of financial position.

(D) Trade and other receivables

Trade and other receivables (including unbilled revenue) are initially recognised at fair value. Unbilled revenue represents estimated gas and electricity services supplied to customers but unbilled at the end of the reporting period.

Subsequent to initial recognition the recoverable amount of trade and other receivables are measured at amortised cost less accumulated impairment losses.

Impairment of receivables and unbilled revenue is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing for individually non-significant receivables and unbilled revenue is performed by placing them into portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

(E) Impairment

The carrying amounts of assets, other than inventories, derivatives, environmental scheme certificates and deferred tax assets, are reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated, as discussed below for all assets except exploration and evaluation assets which is discussed in note 1(H).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(F) Calculation of recoverable amount

The recoverable amount of assets, other than trade and other receivables (refer (D) above), is the greater of their fair value less costs to sell, and value in use. Fair value less costs to sell is determined as the present value of the estimated future cash flows expected to arise from the continued use of the assets, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

(G) Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested bi-annually for impairment. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Customer related and other intangible assets

Customer related and other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense on a straight-line basis over the estimated useful lives of the assets.

The average amortisation rate for customer related and other intangibles was 11% (2012: 15%).

(H) Exploration and evaluation assets

Exploration and evaluation assets are accounted for in accordance with the area of interest method. The application of this method is based on a partial capitalisation model closely aligned to the 'successful efforts' approach. All exploration and evaluation costs, including directly attributable overheads, general permit activity, geological and geophysical costs are expensed as incurred except the cost of drilling exploration wells and the cost of acquiring new interests. The costs of drilling exploration wells are initially capitalised pending the determination of the success of the well. Costs are expensed where the well does not result in a successful discovery.

Exploration and evaluation assets are partially or fully capitalised where the rights of the area of interest are current and either (i) the expenditure is expected to be recouped through successful development and exploitation of the area of interest (or alternatively, by its sale) or (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing, or where both conditions are met.

Upon approval for the commercial development of a project, the accumulated expenditure is transferred to development assets.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(H) Exploration and evaluation assets (continued)

Exploration and evaluation assets are reviewed at each reporting date to determine if there is any indication of impairment. To the extent that capitalised expenditure is no longer expected to be recovered, an impairment loss is recorded in the income statement.

The ultimate recoupment of the carrying value of the consolidated entity's exploration and evaluation assets is dependent on successful and commercial exploitation, or sale of the respective areas of interest.

(I) Development assets

The costs of oil and gas assets in the development phase are separately accounted for and include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and all development drilling and other subsurface expenditure. When production commences, the accumulated costs are transferred to producing areas of interest except for land and buildings and surface plant and equipment associated with development assets which are recorded in the other land and buildings and other plant and equipment categories respectively.

(J) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment charges. Cost is the fair value of consideration given to acquire the asset at the time of its acquisition or construction and includes the direct cost of bringing the asset to the location and condition necessary for operation and the estimated future cost of closure and rehabilitation of the facility.

Depreciation and amortisation

With the exception of producing areas of interest sub-surface assets and land, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The carrying values of producing areas of interest and sub-surface assets are amortised on a units of production basis using the proved and probable reserves to which they relate, together with the estimated future development expenditure required to develop those reserves. Land is not depreciated.

The range of depreciation rates for the current and comparative period for each class of asset are:

Generation property, plant and equipment	1% - 33%
Other land and buildings	1% - 18%
Other plant and equipment	1% - 50%
Producing areas of interest	2% - 25%

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(K) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowings on an effective interest basis. Interest expense is recognised in the income statement.

(L) Employee superannuation funds

At 30 June 2013, 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 Equisuper. The principal types of benefit provided for under the plans are lump sums payable on retirement, termination, death or total disability.

Contributions to the plans by both employees and entities in the consolidated entity are predominantly based on percentages of the salaries or wages of employees. Entities in the consolidated entity contribute to the plans in accordance with the governing Trust Deeds subject to certain rights to vary. The consolidated entity makes contributions to defined contribution superannuation funds. All contributions made by the consolidated entity are recognised as a labour related expense within expenses in the income statement as incurred.

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in certain circumstances. The defined benefit section of the plan is closed to new members. All new members receive accumulation only benefits.

(M) Wages, salaries, annual leave, other employee benefits and long-term service benefits

Liabilities for employee benefits for wages, salaries, annual leave and other employee benefits that are expected and due to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to the reporting date calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

The consolidated entity's net obligation in respect of long-term service benefits, other than superannuation plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating the terms of the consolidated entity's obligations.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(N) Provisions

A provision is recognised in the statement of financial position when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risk free rate, being the rates on Commonwealth Government bonds most closely matching the expected future payments. The unwinding of the discount on the provision is recognised in the income statement within interest expense.

Restoration, rehabilitation and dismantling provisions

Provisions for the estimated costs relating to current environmental restoration, rehabilitation and dismantling are recognised as liabilities. Where the obligation arises as a result of the construction or installation of an asset or assets, an amount equal to the initial liability is capitalised as a component of the asset. At each reporting date, the restoration liability is remeasured in line with changes in discount rates, and timing or amount of the costs to be incurred. Any changes in the liability in future periods are added or deducted from the related asset, other than the unwinding of the discount which is recognised as interest expense in the income statement as it occurs. The costs are determined on the basis of current legal requirements and current technology. Changes in estimates are factored in on a prospective basis.

(O) Revenue recognition

Revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to parties outside the consolidated entity, including estimated amounts for customers' unread and unbilled meters and is measured at the fair value of consideration received or receivable. Sales revenue is recognised in accordance with the contractual arrangements where applicable and only once the significant risks and rewards of ownership of the goods passes from the consolidated entity to the customer or when services have been rendered to the customer, collectability is reasonably assured and revenue can be measured reliably. In practice, the revenue recognition approach is applied to the consolidated entity's operating segments as follows:

- Revenue from the sale of oil and gas in the Exploration & Production operating segment is recognised when title to the commodities passes to the customer.
- Revenue from electricity and gas supplied by the Energy Markets and Contact Energy operating segments is recognised once the electricity and gas have been delivered and is measured through a regular review of usage meters.

(P) Net financing costs

Net financing costs comprise interest payable on borrowings, unwinding of discounts and interest income on funds invested. Borrowing costs are expensed as incurred. Interest income is recognised in the income statement as it accrues.

Financing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(Q) Income tax

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

Current tax is the expected tax receivable/payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting, nor taxable profit, and differences relating to investments in controlled entities and equity accounted investees to the extent that they will not probably reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

The consolidated entity's Exploration & Production operations in New Zealand have an accounting functional currency other than the New Zealand dollar (NZD). New Zealand tax legislation dictates that these operations have a NZD currency for the purposes of submitting their tax returns. Origin is required to translate the NZD tax bases using the spot rate at the reporting date when performing the tax effect accounting calculation, with the foreign exchange movement recorded in the income statement through income tax expense.

Petroleum Resource Rent Tax (PRRT)

Petroleum Resource Rent Tax (PRRT) is considered, for accounting purposes, to be a tax based on income under AASB 112 *Income Taxes*. Accordingly, any current and deferred PRRT expense is measured and disclosed on the same basis as income tax.

(R) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated to Australian dollars at foreign exchange rates in effect at the reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income, and presented in the foreign currency translation reserve within equity.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(S) Environmental scheme certificates

The environmental certificate assets and surrender obligations are initially recorded at cost. Subsequent to initial recognition, they are recorded at fair value (being the market price for certificates at the reporting date) where there is an active market in which the consolidated entity participates in buying and selling activities. If there is no active market, the certificates continue to be recorded at cost.

(T) Financial instruments

(i) Financial assets and liabilities

The consolidated entity classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired or executed. The consolidated entity classifies its financial liabilities into the following categories: at fair value through profit or loss and other financial liabilities. Management determines the classification of its financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities at fair value through profit or loss

This category has two sub-categories: financial assets or liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivative instruments (assets and liabilities) are also categorised as held for trading unless they are designated as hedges for accounting purposes. The consolidated entity holds a number of derivative instruments for economic hedging purposes under the Board approved risk management policies, which are prohibited from being designated as hedges under Australian Accounting Standards. These derivative assets and liabilities are therefore required to be categorised as held for trading.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the statement of financial position (note 6).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of, or otherwise realise, the asset within 12 months of the reporting date.

Other financial liabilities

Other financial liabilities are non-derivatives that are either designated into this category or not designated as fair value through profit or loss. They are included in current liabilities, except where the obligation matures greater than 12 months after the reporting date.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(T) Financial instruments (continued)

(ii) Recognition

Regular purchases and sales of investments are recognised on trade-date, the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The consolidated entity does not recognise day one gains or losses arising from valuation techniques used to estimate the fair value of structured commodity derivatives for which no observable market prices exist. The effect of any day one gains and losses is excluded from recognition both initially and in all subsequent periods during the life of the instrument. The day one gain or loss is recognised in the income statement over the life of the instrument based on the profile of the present value of its cashflows at inception.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(iii) Derivative financial instruments and hedging activities

The consolidated entity uses a range of derivative financial instruments to hedge the risk exposures arising from its operational, financing and investment activities.

Derivatives are initially recognised at fair value on the date they are entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedge);
- hedges of a particular cash flow risk associated with a recognised asset, liability or highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(T) Financial instruments (continued)

(iii) Derivative financial instruments and hedging activities (continued)

The consolidated entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 7 and note 15. Movements of the hedging reserve in shareholders' equity are shown in the statement of changes in equity and note 18. The fair value of hedging derivatives is classified as either current or non-current based on the timing of the underlying cash flows of the instrument. Cash flows due within 12 months of the reporting date are classified as current and cash flows due after 12 months of the reporting date are classified as non-current.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the cross currency interest rate swaps hedging fixed rate foreign currency borrowings is recognised in the income statement within "expenses". Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate and foreign exchange rate risk are recognised in the income statement within "expenses".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "expenses".

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within "net financing costs". The gain or loss relating to the effective portion of commodity derivatives hedging floating price forecast purchases is recognised in note 3(b) within "raw materials and consumables used, and changes in finished goods and work in progress". The gain or loss relating to the effective portion of commodity derivatives hedging floating price forecast sales is recognised in the income statement within "revenue". The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within "revenue". The gain or loss relating to the effective portion of forward foreign exchange contracts hedging purchases of non-financial assets (such as capital equipment) is recognised in the initial carrying value of the non-financial asset.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(T) Financial instruments (continued)

(iii) Derivative financial instruments and hedging activities (continued)

Cash flow hedges (continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment and hedge of net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges that are deemed effective, are recognised in other comprehensive income and presented in the foreign currency translation reserve within equity. They are released to the income statement upon disposal.

The consolidated entity applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the parent entity's functional currency, regardless of whether the net investment is held directly or through an immediate parent entity.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting, despite being valid economic hedges of the relevant risk(s). Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within "expenses" and disclosed in the "increase/(decrease) in fair value of financial instruments" (note 3(b)).

(U) Assets and liabilities classified as held for sale

Assets and liabilities that are expected to be recovered or settled primarily through sale rather than through continuing use, are classified as held for sale and recognised as current assets or current liabilities. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the consolidated entity's accounting policy for that asset or liability. Thereafter the assets or liabilities are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement at the end of each reporting period are recognised in the income statement.

Once classified as held for sale, property, plant and equipment and intangible assets are no longer depreciated or amortised.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(V) Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. These key accounting estimates and judgements are below.

Estimates of reserve quantities

Reserves are estimates of the amount of product that can be economically and legally extracted from the consolidated entity's properties. In order to estimate economically recoverable reserves, assumptions are required about a range of geological, technical, legal and economic factors, including quantities, grades, production techniques, reversion rights, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of reserve fields to be determined by analysing geological data such as drilling samples. Because the economic assumptions used to estimate economically recoverable reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the consolidated entity's financial results and financial position in a number of ways, including the following:

- asset carrying values (notes 9, 10 and 11) may be affected due to changes in estimated future cash flows, or changes to depreciation, depletion or amortisation charges;
- depreciation, depletion and amortisation charged in the income statement (note 3(b)) may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change;
- restoration, rehabilitation and dismantling provisions (note 16) may change where changes in estimated reserves affect expectations about the timing or the cost of the activities; and
- the carrying value of deferred tax assets and tax liabilities (note 12) may change due to changes in the estimates of the likely recovery of the tax benefits.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(V) Accounting estimates and judgements (continued)

Restoration, rehabilitation and dismantling provisions

The consolidated entity estimates the future removal costs of off-shore oil and gas platforms, production facilities, water treatment facilities, wells, pipelines, LPG tanks and generation plants at the time of installation or construction of the assets. In most instances, removal of the assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of restoration and rehabilitation activities required, the methodology for estimating cost, future removal technologies in determining the removal cost, and the risk free rate to determine the present value of these cash flows. Refer to note 16 for the carrying value of these provisions.

Impairment of assets

In accordance with AASB 136 *Impairment of assets*, the recoverable amount of assets is the greater of its value in use and its fair value less costs to sell (refer note 1(F)). These calculations are based on financial forecasts covering periods which reflect the long term nature of the assets. The forecasts include assumptions related to the growth in revenue, operating expenditure and capital expenditure. The growth assumptions are largely determined by contractual parameters, market parameters such as electricity pool prices and the projected Australian Consumer Price Index or equivalent. Expenditure growth for all assets is largely indexed to the projected Australian Consumer Price Index. Assumptions used for oil and gas properties also include reserves levels, future production profiles and commodity prices.

The estimated future cash flows are discounted to their present value using a pre tax discount rate based on the weighted average cost of capital (WACC).

These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying amount of the assets may be further impaired or the impairment charge reduced with the impact recorded in the income statement.

Exploration and evaluation assets

The consolidated entity's accounting policy for exploration and evaluation assets is set out in note 1(H). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. Refer to note 10 for the carrying value of exploration and evaluation assets.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(V) Accounting estimates and judgements (continued)

Fair value of financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Refer to note 24 for further details.

Unbilled revenue

Unbilled revenue for gas and electricity meters is estimated at the end of the reporting period. This involves an estimate of consumption for each meter based on the customer's past consumption history or an estimate of unbilled days at an average billed rate over the billing cycle. Refer to note 6 for the carrying value of unbilled revenue.

Trade and other receivables

The collectability of trade receivables is reviewed on an ongoing basis. The allowance for doubtful debts is increased when debts are deemed to be no longer collectable. Judgement has been applied in determining the level of doubtful debts provisioning, taking into account the historic analysis of collection trends and the prevailing economic conditions and the impact of non-recurring events such as the Retail Transformation project. The allowance for doubtful debts is disclosed in note 6.

Taxation

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available.

Assumptions are made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recorded in the statement of financial position and the amount of tax losses and timing differences not yet recognised. In these circumstances, the carrying amount of deferred tax assets and liabilities may change, impacting the profit or loss of the consolidated entity. Refer to note 12 for the carrying value of tax assets and liabilities.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

1. Statement of significant accounting policies (continued)

(V) Accounting estimates and judgements (continued)

Petroleum Resource Rent Tax (PRRT)

The Petroleum Resource Rent Tax (PRRT) applies to all Australian onshore oil and gas projects, including coal seam gas projects. In addition to the taxation estimates and judgements above, implementation of PRRT legislation involves judgement around the application of the PRRT legislation including the taxing point of projects, the transfer price used for determining PRRT income, and the measurement of the Starting Base on transition of existing permits, production licences and retention leases into the PRRT regime. In assessing the recoverability of deferred tax assets, estimates are required in respect of future augmentation (escalation) of expenditure, the sequence in which current and future deductible amounts are expected to be utilised, and the probable cash flows used in determining the recoverability of deferred tax assets.

(W) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. The consolidated entity has reviewed the impact of the adoption of AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements* and AASB 12 *Disclosures of Interests in Other Entities*. These are not expected to have a significant effect on the consolidated financial statements. AASB 13 *Fair Value Measurement* amends the valuation of certain financial instruments held by the consolidated entity. The consolidated entity is currently assessing the impact of this standard.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

for the year ended 30 June

2. Segments

(a) Operating segments

The operating segments have been presented on a basis consistent with the information that is provided internally to the Managing Director who is the chief operating decision maker for the consolidated entity. The segments are:

Energy Markets - Australian energy retailing, associated products and services; power generation in Australia; and LPG operations in Australia, the Pacific, Papua New Guinea and Vietnam.

Exploration & Production - Gas and oil exploration and production in Australia, New Zealand and International areas of interest.

LNG - The consolidated entity's 37.5 per cent investment in Australia Pacific LNG (42.5 per cent at 30 June 2012) including current domestic operations, the Australia Pacific LNG coal seam gas to LNG export project as well as Origin's LNG Upstream Operator activities.

Contact Energy - The consolidated entity's investment in its 53.1 per cent owned New Zealand controlled entity (53.0 per cent at 30 June 2012). Contact Energy Limited is involved in energy retailing, associated products and services, and power generation in New Zealand.

Corporate - Corporate activities that are not allocated to other operating segments and business development activities outside of the consolidated entity's existing operations.

The Managing Director receives financial information on the segment result of each operating segment so as to assess the performance of each segment, including the items excluded from segment result and underlying consolidated profit by segment, and a reconciliation of the statutory consolidated profit to the underlying consolidated profit.

Segment result represents underlying earnings before interest and tax (EBIT) for the Energy Markets and Exploration & Production segments. Net financing costs and tax expense/(benefit) are allocated to the LNG, Contact Energy and Corporate segments in measuring segment result.

Origin Energy Limited and Controlled Entities
Notes to the financial statements

2. Segments (continued)
(a) Operating segments (continued)
for the year ended 30 June

Segment results:

	Energy Markets		Exploration & Production		LNG ⁽¹⁾		Contact Energy		Corporate		Consolidated	
\$million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue												
Total segment revenue	12,018	10,250	740	735	-	-	2,019	2,102	-	-	14,777	13,087
Intersegment sales elimination ⁽²⁾	-	-	(158)	(152)	-	-	-	-	-	-	(158)	(152)
Total revenues from external customers	12,018	10,250	582	583	-	-	2,019	2,102	-	-	14,619	12,935
Underlying Earnings before interest, tax, depreciation and amortisation (EBITDA) ⁽³⁾	1,333	1,562	395	322	60	54	435	400	(42)	(81)	2,181	2,257
Depreciation and amortisation expense	(287)	(237)	(233)	(217)	(16)	(7)	(156)	(151)	(3)	(2)	(695)	(614)
Share of interest, tax, depreciation and amortisation of equity accounted investees	(8)	(8)	-	-	(39)	(33)	-	(1)	(1)	(3)	(48)	(45)
Underlying Earnings before interest and tax (EBIT)	1,038	1,317	162	105	5	14	279	248	(46)	(86)	1,438	1,598
Net financing costs					-	-	(65)	(67)	(190)	(150)	(255)	(217)
Income tax expense					-	-	(60)	(51)	(279)	(364)	(339)	(415)
Non-controlling interests							(81)	(70)	(3)	(3)	(84)	(73)
Segment result and underlying consolidated profit	1,038	1,317	162	105	5	14	73	60	(518)	(603)	760	893
Items excluded from segment result and underlying consolidated profit for the period (refer note 2(b)):												
(Decrease)/increase in fair value of financial instrument:	(329)	175	2	2	(24)	(33)	10	(9)	(1)	(2)	(342)	133
Impairment of assets	(10)	(87)	-	(225)	-	-	(60)	(3)	-	(197)	(70)	(512)
Australia Pacific LNG related items	-	-	-	-	(12)	454	-	-	-	-	(12)	454
Other	(254)	(108)	(1)	-	(3)	-	36	20	(34)	(8)	(256)	(96)
Tax and non-controlling interests on items excluded from segment result					115	9	13	(2)	170	101	298	108
Impact of items excluded from segment result and underlying consolidated profit net of tax	(593)	(20)	1	(223)	76	430	(1)	6	135	(106)	(382)	87
Statutory profit attributable to members of the parent entity											378	980

⁽¹⁾ Includes the consolidated entity's 37.5 per cent share of Australia Pacific LNG at 30 June 2013 (30 June 2012: 42.5 per cent). Refer to note 8(c) for further details.

The LNG segment now includes Origin's LNG Upstream Operator activities which was previously reported in the Exploration & Production segment. The prior period has been restated.

⁽²⁾ Intersegment pricing is determined on an arm's length basis. Intersegment sales are eliminated on consolidation. The Exploration & Production segment sells gas and LPG to the Energy Markets segment.

⁽³⁾ Underlying EBITDA includes the consolidated entity's share of underlying EBITDA of equity accounted investees of \$62 million (2012: \$73 million). Refer to note 8(b) for further details.

Origin Energy Limited and Controlled Entities
Notes to the financial statements

2. Segments (continued)
(a) Operating segments (continued)
as at 30 June

Other segment information:												
	Energy Markets		Exploration & Production		LNG ⁽¹⁾		Contact Energy		Corporate		Consolidated	
\$million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Assets												
Segment assets	12,860	12,923	3,964	3,596	119	21	5,460	5,072	114	140	22,517	21,752
Investments accounted for using the equity method (refer note 8(b))	76	71	11	5	6,174	5,769	-	-	171	117	6,432	5,962
Cash and interest rate derivatives and current and deferred tax assets							68	5	569	352	637	357
Total assets	12,936	12,994	3,975	3,601	6,293	5,790	5,528	5,077	854	609	29,586	28,071
Liabilities												
Segment liabilities	(2,503)	(2,474)	(1,027)	(572)	(123)	(121)	(332)	(380)	(296)	(275)	(4,281)	(3,822)
Other financial liabilities, interest-bearing liabilities and related derivatives and tax liabilities					(3,849)	(3,648)	(2,266)	(2,064)	(4,396)	(4,079)	(10,511)	(9,791)
Total liabilities	(2,503)	(2,474)	(1,027)	(572)	(3,972)	(3,769)	(2,598)	(2,444)	(4,692)	(4,354)	(14,792)	(13,613)
Acquisitions of non-current assets (includes capital expenditure)	195	567	514	450	-	-	263	451	60	112	1,032	1,580

⁽¹⁾ Includes the consolidated entity's 37.5 per cent share of Australia Pacific LNG at 30 June 2013 (30 June 2012: 42.5 per cent). Refer to note 8(c) for further details.

The LNG segment now includes Origin's LNG Upstream Operator activities which was previously reported in the Exploration & Production segment. The prior period has been restated.

Origin Energy Limited and Controlled Entities
Notes to the financial statements

2. Segments (continued)

(b) Reconciliation of underlying consolidated profit to statutory profit
for the year ended 30 June

\$million	2013				2012			
	Gross	Tax	Non-controlling interests	Net	Gross	Tax	Non-controlling interests	Net
Profit attributable to members of the parent entity				378				980
Items excluded from segment result and underlying consolidated profit attributable to members of the parent entity:								
(Decrease)/increase in fair value of financial instruments	(342)	102	(3)	(243)	133	(39)	3	97
Impairment of assets	(70)	13	24	(33)	(512)	104	1	(407)
Australia Pacific LNG related items	(12)	108	-	96	454	(2)	-	452
Other	(256)	74	(20)	(202)	(96)	50	(9)	(55)
Total items excluded from segment result and underlying consolidated profit	(680)	297	1	(382)	(21)	113	(5)	87
Underlying consolidated profit				760				893

Refer to note 2(c) for a further detail of these items.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

2. Segments (continued)

(c) Explanatory notes to the reconciliation of underlying consolidated profit to statutory profit

Increase/(decrease) in fair value of financial instruments

Change in fair value of financial instruments primarily relates to instruments that are effective economic hedges but do not qualify for hedge accounting.

Impairment of assets

In the year ended 30 June 2013, the consolidated entity recorded an impairment of \$65 million (tax expense \$12 million) in relation to property, plant and equipment (refer note 9), and \$5 million (tax expense \$1 million) for inventory.

In the year ended 30 June 2012, the consolidated entity recorded an impairment of \$512 million (tax expense \$104 million) in relation to property, plant and equipment, exploration assets, intangible assets and investments in equity accounted investees.

Australia Pacific LNG related items

\$million	2013		2012	
	Gross	Tax	Gross	Tax
Dilution gain on Australia Pacific LNG investment	358	-	437	-
Financing costs not able to be capitalised	(201)	60	(72)	22
Share of unwinding of discounted receivables within Australia Pacific LNG	15	-	21	-
Share of tax expense on translation of foreign denominated long term tax balances	(20)	-	(5)	-
Foreign currency (loss)/gain	(164)	48	73	(24)
	(12)	108	454	(2)

- \$358 million (2012: \$437 million): net gain on dilution of the consolidated entity's investment in Australia Pacific LNG arising on Australia Pacific LNG issuing shares to China Petroleum and Chemical Corporation (Sinopec), resulting in Sinopec holding a further 10 per cent interest (2012: an initial 15 per cent interest) in Australia Pacific LNG and the consolidated entity's interest in Australia Pacific LNG diluting from 42.5 per cent to 37.5 per cent (2012: from 50 per cent to 42.5 per cent);
- \$201 million (2012: \$72 million): net financing costs incurred by the consolidated entity in funding the Australia Pacific LNG project. The interest would otherwise be capitalised if the development project was completed by the consolidated entity, rather than being held via an equity accounted investment;
- \$15 million (2012: \$21 million): the consolidated entity's share of the unwinding of discounted receivables within Australia Pacific LNG, refer note 8(c);
- \$20 million share of tax benefit (2012: \$5 million expense) on translation of foreign denominated long term tax balances recorded in the equity accounted investment in Australia Pacific LNG; and
- \$164 million foreign currency loss (2012: \$73 million gain) incurred by the consolidated entity on borrowings relating to funding the Australia Pacific LNG project and the consolidated entity's share of the net foreign exchange loss in Australia Pacific LNG.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

2. Segments (continued)

(c) Explanatory notes to the reconciliation of underlying consolidated profit to statutory profit (continued)

Other

\$million	2013		2012	
	Gross	Tax	Gross	Tax
Retail business transformation and NSW Energy assets transition costs ⁽¹⁾	(241)	72	(111)	33
Corporate transaction costs	(26)	8	(8)	3
Tax expense on translation of foreign denominated long term tax balances	-	(3)	-	(7)
Gain on asset sales in Contact Energy ⁽²⁾	47	2	23	(1)
Recognition of tax benefits not previously brought to account relating to Powercor Trading Contracts (Derecognition)/recognition of deferred tax benefit in respect of the Petroleum Resource Rent Tax (PRRT) legislation ⁽³⁾	-	-	-	6
	-	(16)	-	16
Restructure costs ⁽⁴⁾	(36)	11	-	-
	(256)	74	(96)	50

⁽¹⁾ Retail business transformation and NSW Energy assets transition costs of \$241 million relate to the Retail transformation project (\$149 million) and transition costs (\$92 million).

Retail transformation project costs principally reflecting stabilisation activities undertaken following the commissioning of the new SAP system (\$50 million), a one off increase in Origin's allowance for impairment of receivables (\$62 million), as the system and process implementation activity resulted in an increase in debtor ageing and collectability and costs associated with the migration to an outsourced data centre (\$37 million).

Transition costs relate to the integration of the acquired NSW Government energy business into Origin's existing business.

⁽²⁾ Contact Energy sold its gas metering assets and certain land assets during the year.

⁽³⁾ An expense of \$16 million was recognised from the derecognition of the deferred tax benefit recorded on the inception of the extended PRRT legislation which took effect on 1 July 2012. The change in the current year arose from Origin refining its inception date PRRT projects as is required under the PRRT legislation and considering the available future deductible amounts.

⁽⁴⁾ As part of the restructuring initiative Origin incurred costs of \$36 million pre-tax and minority interests for restructuring and redundancy related costs during the year.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

2. Segments (continued)

(d) Geographical information

for the year ended 30 June

	2013 \$million	2012 \$million
Revenue		
Australia	12,291	10,533
New Zealand	2,200	2,291
Other ⁽¹⁾	128	111
Total revenue from external customers	14,619	12,935
 Non-current assets		
Australia	18,882	18,280
New Zealand	5,740	5,339
Other ⁽¹⁾	222	159
Total segment non-current assets	24,844	23,778

⁽¹⁾ The other geographic segment includes operations in the Pacific, South East Asia, Papua New Guinea, Chile, Indonesia and Africa.

In presenting geographical information revenue is based on the geographical location of customers. Non-current assets, which exclude financial instruments and deferred tax assets, are based on the geographical location of the assets.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

3. Profit

	Note	2013 \$million	2012 \$million
(a) Other income			
Net gain on dilution of Origin's interest in equity accounted investees	2(c)	358	437
Net gain on sale of other assets		44	27
Net foreign exchange (loss)/gain		(169)	67
Other		44	6
Total other income		277	537
(b) Expenses			
Raw materials and consumables used, and changes in finished goods and work in progress		(11,101)	(9,255)
Employee benefits expense ⁽¹⁾		(792)	(708)
Exploration expense		(18)	(49)
Depreciation, depletion and amortisation expense		(695)	(614)
Impairment of assets	2(b)	(70)	(512)
(Decrease)/increase in fair value of financial instruments	2(b)	(342)	133
Other expenses		(923)	(857)
Expenses		(13,941)	(11,862)
(c) Net financing costs			
Interest income			
Other parties		12	37
		12	37
Interest expense			
Other parties		(244)	(217)
Impact of discounting on long term provisions		(23)	(37)
Interest expense related to Australia Pacific LNG funding	2(c)	(201)	(72)
		(468)	(326)
Net financing costs		(456)	(289)
Net financing costs excluding interest expense related to Australia Pacific LNG funding ⁽²⁾			
		(255)	(217)
Financing costs capitalised ⁽³⁾			
		65	142

⁽¹⁾ Employee benefits expense includes contributions to defined contribution superannuation funds of \$59 million (2012: \$52 million).

⁽²⁾ Disclosure is provided to enable reconciliation to net financing costs included in the segment analysis in note 2(a).

⁽³⁾ Capitalised interest is calculated at an average rate based on the general borrowings of the consolidated entity (2013: 6.42 per cent; 2012: 7.53 per cent).

Origin Energy Limited and Controlled Entities

Notes to the financial statements

4. Income tax expense

	2013 \$million	2012 \$million
<i>Income tax</i>		
Current tax expense	57	103
Deferred tax (benefit)/expense	(30)	217
Over provided in prior years	(1)	(2)
Petroleum resource rent tax deferred tax expense/(benefit)	16	(16)
Total income tax expense in the income statement	42	302
Reconciliation between tax expense and pre-tax net profit		
Profit before income tax	503	1,360
Income tax using the domestic corporation tax rate of 30 per cent (2012: 30 per cent)		
Prima facie income tax expense on pre-tax accounting profit:		
- at Australian tax rate of 30 per cent	151	408
- adjustment for difference between Australian and overseas tax rates	(4)	(3)
Income tax expense on pre-tax accounting profit at standard rates	147	405
Increase/(decrease) in income tax expense due to:		
Impairment expense not recoverable	-	50
Share of results of equity accounted investees	(7)	(11)
Gain on dilution of equity accounted investees	(107)	(131)
Recognition of change in net tax loss position	(21)	2
Recognition of tax benefits relating to Powercor Trading Contracts not previously brought to account	-	(6)
Tax expense on translation of foreign denominated tax balances	9	7
Other	6	4
	(120)	(85)
Over provided in prior years - current and deferred	(1)	(2)
Income tax expense on pre-tax net profit	26	318
Petroleum resource rent tax deferred tax expense/(benefit)	16	(16)
Total income tax expense	42	302
Deferred tax movements recognised directly in other comprehensive income (including foreign currency translation)		
Financial instruments at fair value	33	12
Property, plant and equipment	54	13
Provisions	(3)	(1)
Other items	(7)	(5)
	77	19

Origin Energy Limited and Controlled Entities
Notes to the financial statements

4. Income tax expense (continued)

\$million	2013	2013	2013	2012	2012	2012
	Gross	Tax	Net	Gross	Tax	Net
Income tax expense recognised in other comprehensive income						
<i>Available for sale assets:</i>						
Valuation gain/(loss) taken to equity	1	-	1	(8)	3	(5)
<i>Cash flow hedges:</i>						
Losses transferred to income statement	57	(17)	40	109	(31)	78
Transferred to carrying amount of assets	3	(1)	2	4	(2)	2
Valuation gain/(loss) taken to equity	51	(16)	35	(65)	18	(47)
Net loss on hedge of net investment in foreign operations	(72)	-	(72)	(37)	-	(37)
Foreign currency translation differences for foreign operations	333	-	333	135	-	135
Actuarial gain/(loss) on defined benefit superannuation plan	3	(1)	2	(13)	4	(9)
Other comprehensive income for the period	376	(35)	341	125	(8)	117

Origin Energy Limited and Controlled Entities
Notes to the financial statements

5. Dividends

	2013 \$million	2012 \$million
(a) Dividends paid		
Final dividend of 25 cents per share, fully franked at 30 per cent, paid 27 September 2012 (2012: Final dividend of 25 cents per share, fully franked at 30 per cent, paid 29 September 2011)	273	266
Interim dividend of 25 cents per share, fully franked at 30 per cent, paid 4 April 2013 (2012: Interim dividend of 25 cents per share, fully franked at 30 per cent, paid 30 March 2012)	273	272
	546	538

(b) Dividend franking account

Franking credits available to shareholders of Origin Energy Limited for subsequent financial years are:

Australian franking credits available at 30 per cent	-	58
New Zealand franking credits available at 28 per cent (in NZD)	158	140

The ability to utilise the franking credits is dependent upon the ability to declare dividends.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

6. Trade and other receivables

	2013 \$million	2012 \$million
Current		
Trade receivables net of allowance for impairment	1,097	1,046
Unbilled revenue net of allowance for impairment	1,389	1,251
Other debtors	219	99
	<u>2,705</u>	<u>2,396</u>
Non-current		
Trade receivables	17	17
	<u>17</u>	<u>17</u>

The consolidated entity's policy requires trade debtors to pay in accordance with agreed payment terms. Depending on the customer segment, the settlement terms are generally 14 to 30 days from the date of the invoice. All credit and recovery risk associated with trade debtors has been provided for in the statement of financial position. The average age of trade receivables is 22 days (2012: 22 days).

The movement in the allowance for impairment in respect of trade receivables and unbilled revenue during the year is as follows:

Balance as at 1 July	66	62
Impairment losses recognised	193	70
Amounts written off	(129)	(66)
Balance as at 30 June	<u>130</u>	<u>66</u>

The ageing of the consolidated entity's trade receivables and unbilled revenue at the reporting date is detailed below:

	2013 \$million	2013 \$million	2012 \$million	2012 \$million
	Total	Allowance for impairment	Total	Allowance for impairment
Unbilled revenue	1,402	(13)	1,263	(12)
Current	806	(7)	743	(3)
30 - 60 days	148	(9)	126	(3)
60 - 90 days	60	(8)	45	(3)
More than 90 days	200	(93)	186	(45)
	<u>2,616</u>	<u>(130)</u>	<u>2,363</u>	<u>(66)</u>

Origin Energy Limited and Controlled Entities

Notes to the financial statements

7. Other financial assets, including derivatives

	Note	2013 \$million	2012 \$million
Current			
Derivative financial instruments	24	127	84
Environmental scheme certificates	24	237	268
Available-for-sale financial assets	24	5	11
Other financial assets		1	-
		<u>370</u>	<u>363</u>
Non-current			
Derivative financial instruments	24	592	505
Environmental scheme certificates	24	176	280
Available-for-sale financial assets	24	13	13
		<u>781</u>	<u>798</u>

8. Investments accounted for using the equity method

(a) Investments summary

	Reporting date	2013 Ownership interest (%)	2012 Ownership interest (%)
Associates			
BIEP Pty Ltd	30 Jun	50.0	50.0
BIEP Security Pty Ltd	30 Jun	50.0	50.0
CUBE Pty Ltd	30 Jun	50.0	50.0
Energia Andina S.A.	31 Dec	40.0	40.0
Gas Industry Superannuation Pty Ltd	30 Jun	50.0	50.0
Rockgas Timaru Ltd	31 Mar	50.0	50.0
Joint venture entities			
Australia Pacific LNG Pty Ltd	30 Jun	37.5	42.5
Bulwer Island Energy Partnership	30 Jun	50.0	50.0
Energia Austral SpA ⁽¹⁾	31 Dec	29.0	20.7
KUBU Energy Resources (Pty) Limited	30 Jun	50.0	50.0
OTP Geothermal Pte Ltd	31 Dec	50.0	50.0
PNG Energy Developments Limited	31 Dec	50.0	50.0
Transform Solar Pty Ltd	30 Jun	50.0	50.0

⁽¹⁾ The consolidated entity holds a 29.0 per cent (2012: 20.7 per cent) ownership interest in Energia Austral SpA and a 51 per cent voting interest. However, the consolidated entity does not control Energia Austral SpA as the Shareholders Agreement provides for joint control between the consolidated entity and Xstrata over the key strategic financial and operating decisions of the entity.

Origin Energy Limited and Controlled Entities
Notes to the financial statements

8. Investments accounted for using the equity method (continued)

(b) Results of equity accounted investees

\$million	2013				2012			
	Share of EBITDA	Share of interest, tax, depreciation and amortisation (ITDA)	Share of net profit	Equity accounted investment carrying amount	Share of EBITDA	Share of interest, tax, depreciation and amortisation (ITDA)	Share of net profit	Equity accounted investment carrying amount
Australia Pacific LNG joint venture	37	(42)	(5)	6,174	40	(15)	25	5,769
Other joint venture entities	4	(1)	3	178	8	(3)	5	132
Associates	14	(8)	6	80	18	(9)	9	61
Total	55	(51)	4	6,432	66	(27)	39	5,962
Consolidated entity's share of items recorded in Australia Pacific LNG treated as items excluded from underlying consolidated profit ⁽¹⁾	7	3	10		7	(18)	(11)	
Total excluding the consolidated entity's share of items recorded in Australia Pacific LNG treated as items excluded from underlying consolidated profit ⁽²⁾	62	(48)	14		73	(45)	28	

⁽¹⁾ The consolidated entity's share of items recorded in Australia Pacific LNG treated as items excluded from underlying consolidated profit include the consolidated entity's share of the unwinding of discounted receivables (EBITDA \$nil, ITDA \$15 million gain); share of tax expense on foreign denominated long term tax balances (EBITDA \$nil, ITDA \$20 million expense) and share of foreign currency loss incurred by Australia Pacific LNG in relation to the funding and development of Australia Pacific LNG (EBITDA \$7 million loss, ITDA \$2 million benefit).

⁽²⁾ Disclosure is provided to enable the reconciliation to share of interest, tax, depreciation and amortisation of equity accounted investees included in the segment analysis in note 2(a).

Origin Energy Limited and Controlled Entities

Notes to the financial statements

8. Investments accounted for using the equity method (continued)

(c) Investment in Australia Pacific LNG Pty Ltd

The consolidated entity's interest in the results of Australia Pacific LNG are included in the operating segment "LNG" (refer note 2), along with Origin's LNG Upstream Operator activities.

A summary of Australia Pacific LNG's financial performance for the periods ended 30 June 2013 and 30 June 2012, and its financial position as at 30 June 2013 and 30 June 2012 follows:

	2013 \$million	2013 \$million Origin 37.5 per cent interest ⁽¹⁾	2012 \$million	2012 \$million Origin 42.5 per cent interest ⁽¹⁾
	Total APLNG		Total APLNG	
Operating revenue	398		362	
Operating expenses	(280)		(251)	
EBITDA	118	44	111	47
Depreciation and amortisation expense	(122)		(93)	
Net financing income	6		6	
Income tax benefit	10		10	
Result for the period	12	5	34	14
Items excluded from APLNG's result for the period:				
Net unwinding of discounted receivables from shareholders	41	15	50	21
Net foreign exchange loss	(14)	(5)	(12)	(5)
Tax expense on translation of foreign denominated tax balances	(52)	(20)	(13)	(5)
Total items excluded from segment result	(25)	(10)	25	11
Net (loss)/profit for the period	(13)	(5)	59	25

⁽¹⁾ The consolidated entity's interest in Australia Pacific LNG for the period was 50 per cent from 1 July 2011 until 8 August 2011, 42.5 per cent from 9 August 2011 until 11 July 2012, and 37.5 per cent from 12 July 2012 to 30 June 2013.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

8. Investments accounted for using the equity method (continued)

(c) Investment in Australia Pacific LNG Pty Ltd (continued)

	2013 \$million	2012 \$million
Summary statement of financial position of Australia Pacific LNG		
Receivables from shareholders	4,913	2,969
Other current assets	985	765
Current assets	5,898	3,734
Receivables from shareholders	-	2,682
Property, plant and equipment and exploration and evaluation and development assets	18,331	8,656
Other non-current assets	18	52
Non-current assets	18,349	11,390
Total assets	24,247	15,124
Current liabilities	1,573	1,258
Bank loans - secured	5,765	-
Other non-current liabilities	489	320
Non-current liabilities	6,254	320
Total liabilities	7,827	1,578
Net assets	16,420	13,546
Consolidated entity's interest of 37.5 per cent at 30 June 2013 (2012: 42.5 per cent)	6,157	5,757
Consolidated entity's own costs	17	12
	6,174	5,769

Origin Energy Limited and Controlled Entities

Notes to the financial statements

8. Investments accounted for using the equity method (continued)

(d) Investments in joint venture entities

Australia Pacific LNG's summary financial information is separately disclosed in note 8(c). Results of "other" joint venture entities are immaterial.

(e) Transactions between Origin and equity accounted investees

Osborne Cogeneration Pty Ltd

The consolidated entity is party to a Gas Supply Agreement and a Power Purchase Agreement with its associated entity Osborne Cogeneration Pty Ltd (Osborne). Under these agreements the consolidated entity supplies gas to Osborne and purchases electricity from Osborne.

Australia Pacific LNG Pty Ltd Joint Venture

The consolidated entity provides services to Australia Pacific LNG. The services are provided in accordance with contractual arrangements. The services provided under these arrangements include the provision of corporate related services, Upstream operating services including activities related to the development and operation of Australia Pacific LNG's natural gas assets and coal seam gas (CSG) marketing related services. The consolidated entity incurs costs in providing these services and charges Australia Pacific LNG in accordance with the terms of the contractual arrangements.

The consolidated entity has entered agreements with Australia Pacific LNG where the consolidated entity purchases gas from Australia Pacific LNG (2013: \$139 million; 2012: \$151 million) and the consolidated entity sells gas to Australia Pacific LNG (2013: \$74 million; 2012: \$59 million). At 30 June 2013, the consolidated entity's outstanding payable balance for purchases from Australia Pacific LNG is \$9 million (2012: \$14 million) and outstanding receivable balance for sales to Australia Pacific LNG is \$4 million (2012: \$4 million).

Origin Energy Limited and Controlled Entities
Notes to the financial statements

9. Property, plant and equipment

	2013 \$million	2012 \$million
Generation property, plant and equipment		
At cost	8,831	7,278
Less: Accumulated depreciation	1,487	1,168
	<u>7,344</u>	<u>6,110</u>
Other land and buildings		
At cost	121	130
Less: Accumulated depreciation	32	30
	<u>89</u>	<u>100</u>
Other plant and equipment		
At cost	3,497	3,303
Less: Accumulated depreciation	1,494	1,330
	<u>2,003</u>	<u>1,973</u>
Producing areas of interest		
At cost	1,819	1,656
Less: Accumulated amortisation	989	870
	<u>830</u>	<u>786</u>
Capital work in progress	<u>1,031</u>	<u>1,926</u>
	<u><u>11,297</u></u>	<u><u>10,895</u></u>

Origin Energy Limited and Controlled Entities
Notes to the financial statements

9. Property, plant and equipment (continued)

\$million	Generation property, plant and equipment	Other land and buildings	Other plant and equipment	Producing areas of interest	Capital work in progress	Total
2013						
Balance as at 1 July 2012	6,110	100	1,973	786	1,926	10,895
Additions	67	5	15	136	552	775
Disposals	(2)	(17)	(37)	-	(1)	(57)
Depreciation/amortisation expense	(319)	(2)	(164)	(119)	-	(604)
Impairment loss ⁽¹⁾	(2)	-	-	-	(63)	(65)
Transfers within PP&E	1,251	-	182	-	(1,433)	-
Transfers to held for sale	(5)	-	-	-	-	(5)
Effect of movements in foreign exchange rates	244	3	34	27	50	358
Balance as at 30 June 2013	7,344	89	2,003	830	1,031	11,297
2012						
Balance as at 1 July 2011	6,060	92	2,079	773	1,309	10,313
Additions	200	23	265	124	748	1,360
Depreciation/amortisation expense	(269)	(4)	(160)	(103)	-	(536)
Impairment loss ⁽²⁾	(3)	(13)	(23)	(11)	-	(50)
Transfers within PP&E and to intangibles	71	-	(197)	-	(132)	(258)
Transfers to held for sale	(1)	-	(10)	(13)	(5)	(29)
Effect of movements in foreign exchange rates	52	2	19	16	6	95
Balance as at 30 June 2012	6,110	100	1,973	786	1,926	10,895

⁽¹⁾ Impairment losses of \$60 million in respect of Contact Energy Limited's portfolio of wind development opportunities; and \$5 million following further deprioritisation of prospective gas fired generation development sites.

⁽²⁾ Impairment losses of \$15 million in respect of the consolidated entity's portfolio of wind development opportunities; \$5 million following the deprioritisation of a prospective gas fired generation development site; \$3 million in respect of Contact Energy Limited's impairment of the Clutha Hydro site; and \$27 million in respect of the Surat Basin recorded against other land and buildings and producing areas of interest were recognised at 30 June 2012.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

10. Exploration and evaluation assets

	2013 \$million	2012 \$million
Balance as at 1 July	838	965
Additions	43	169
Impairment loss ⁽¹⁾	-	(242)
Exploration expense	(18)	(49)
Transfers to assets held for sale	-	(5)
Effect of movements in foreign exchange rates	1	-
Balance as at 30 June	864	838

⁽¹⁾ In 2012, the impairment losses of \$198 million were in respect of the Ironbark CSG permit area and \$44 million in respect to the consolidated entity's Geothermal development opportunities in Australia.

11. Intangible assets

Goodwill at cost	5,372	5,341
Customer related and other intangible assets at cost	1,123	913
Less: Accumulated amortisation	(382)	(288)
	6,113	5,966

Reconciliations of the carrying amounts of each class of intangible asset are set out below:

\$million	Goodwill	Customer related and other intangibles	Total
2013			
Balance as at 1 July 2012	5,341	625	5,966
Other additions	-	193	193
Amortisation expense	-	(91)	(91)
Effect of movements in foreign exchange rates	31	14	45
Balance as at 30 June 2013	5,372	741	6,113
2012			
Balance as at 1 July 2011	5,398	295	5,693
NSW acquisition settlement adjustment	(49)	-	(49)
Other additions	1	198	199
Transfers from property, plant and equipment	-	258	258
Impairment loss ⁽²⁾	(17)	(50)	(67)
Amortisation expense	-	(78)	(78)
Effect of movements in foreign exchange rates	8	2	10
Balance as at 30 June 2012	5,341	625	5,966

⁽²⁾ In 2012, impairment losses of \$50 million were in respect of the consolidated entity's portfolio of wind development opportunities and \$17 million in respect of the consolidated entity's 50 per cent interest in the Worsley Generation plant.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

11. Intangible assets (continued)

	2013 \$million	2012 \$million
Impairment tests for segments containing goodwill		
The following segments have carrying amounts of goodwill:		
Energy Markets	4,911	4,911
Contact Energy	458	427
Other	3	3
	5,372	5,341

Energy Markets segment

The impairment test for the Energy Markets segment's goodwill is based on a value in use methodology. The value in use calculations apply a discounted cash flow methodology. Cash flow projections are based on the consolidated entity's five-year business plan for the Energy Markets segment and cash flows for a further 35-year period or life of each generation asset are determined based on expected market trends and the expected impact of the key assumptions (discussed below) of the change in customer numbers and customer churn, gross margin per customer and other operating costs per customer. The consolidated entity uses steady growth rates to extrapolate cash flows beyond the five year business plan based on long term CPI rates. The consolidated entity's electricity and gas business is considered a long-term business and the cash flow projections allow for the risk of increased competition for customers and short-term and long-term customer churn. The cash flow projections are discounted using a pre-tax discount rate of 12.2 per cent (2012: 12.2 per cent).

Key assumptions in the value in use calculation for the Energy Markets segment and the approach to determining the value in the current and previous period are:

Assumptions	Method of determination
Customer numbers and customer churn	Review of actual customer numbers and historical data regarding movements in customer numbers and levels of customer churn. The historical analysis is considered against current and expected market trends and competition for customers.
Gross margin per customer	Review of actual gross margins per customer and consideration of current and expected market movements and impacts.
Other operating costs per customer	Review of actual operating costs per customer and consideration of current and expected market movements and impacts.

Contact Energy cash-generating unit

The Contact Energy goodwill relates to Origin Energy's acquired 53.1 per cent ownership interest in Contact Energy Limited. The impairment test for Contact Energy uses the fair value less costs to sell methodology based on Contact Energy's quoted market price and an appropriate control premium.

Origin Energy Limited and Controlled Entities
Notes to the financial statements

12. Deferred tax assets and liabilities

Movement in temporary differences during the year

Asset/(liability)	Balance at 1	Recognised	Recognised	Acquisition	Balance at 30	Recognised	Recognised	Balance at 30
\$million	July 2011	in income	in equity	of controlled	June 2012	in income	in equity	June 2013
		statement		entities		statement		
Accrued expenses not incurred for tax	17	(5)	-	-	12	33	-	45
Employee benefits	49	2	-	-	51	3	-	54
Acquired environmental scheme certificate purchase obligations	32	(7)	-	1	26	(8)	-	18
Acquired energy purchase obligations	118	(17)	-	-	101	(11)	-	90
Provisions	194	31	1	-	226	2	3	231
Available-for-sale financial assets	4	-	-	-	4	-	-	4
Inventories	5	-	-	-	5	(3)	-	2
Tax value of carry-forward tax losses recognised	143	45	3	-	191	4	5	200
Petroleum resource rent tax	-	16	-	-	16	(16)	-	-
Property, plant and equipment	(959)	(110)	(13)	-	(1,082)	(87)	(54)	(1,223)
Exploration and evaluation assets	(353)	9	-	-	(344)	(7)	-	(351)
Financial instruments at fair value	121	(153)	(12)	-	(44)	100	(33)	23
Investments in associates	(19)	16	(3)	-	(6)	2	-	(4)
Unbilled receivables	(237)	(11)	-	-	(248)	(5)	-	(253)
Other items	30	(15)	5	(2)	18	8	2	28
Net deferred tax liabilities	(855)	(199)	(19)	(1)	(1,074)	15	(77)	(1,136)

Origin Energy Limited and Controlled Entities

Notes to the financial statements

12. Deferred tax assets and liabilities (continued)

	2013 \$million	2012 \$million
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Revenue losses	38	38
Capital losses	21	43
Petroleum resource rent tax (net of income tax)	1,261	1,027
GenTrader finance lease asset	99	61
Acquisition transaction costs	57	57
Investment in joint venture	28	28
Intangible assets	19	19
	1,523	1,273

Australia Pacific LNG

Australia Pacific LNG (Origin's 37.5 per cent joint venture; 2012: 42.5 per cent) is also subject to the Petroleum Resource Rent Tax legislation and has an unrecognised deferred tax asset balance of \$2,320 million (100 per cent Australia Pacific LNG) at 30 June 2013 (30 June 2012: \$2,426 million). Any future recognition of this balance by Australia Pacific LNG will result in an increase in the consolidated entity's equity accounted investment in Australia Pacific LNG, rather than a deferred tax asset, as the consolidated entity equity accounts its 37.5 per cent interest (2012: 42.5 per cent interest).

Unrecognised deferred tax liabilities

At 30 June 2013 a deferred tax liability balance of \$1,839 million (2012: \$1,723 million) for temporary differences of \$6,129 million (2012: \$5,741 million) in respect of the consolidated entity's investment in the Australia Pacific LNG joint venture has not been recognised as the consolidated entity is able to control the timing of the reversal of the temporary difference through voting rights prescribed in the shareholders' agreement and it is not expected that the temporary difference will reverse in the foreseeable future.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

13. Trade and other payables

	2013 \$million	2012 \$million
Current		
Trade payables and accrued expenses	2,086	2,096
Acquired energy purchase obligations	22	34
Acquired environmental scheme certificate purchase obligations	12	23
	2,120	2,153
Non-current		
Acquired energy purchase obligations	279	301
Acquired environmental scheme certificate purchase obligations	49	62
Other payables	8	2
	336	365

14. Interest-bearing liabilities

Current		
Bank loans - secured	19	17
Bank loans - unsecured	7	49
Capital market borrowings - unsecured	713	77
Total current borrowings	739	143
Lease liabilities - secured	2	2
Total current interest-bearing liabilities	741	145
Non-current		
Bank loans - secured	258	277
Bank loans - unsecured	1,065	2,022
Capital market borrowings - unsecured	5,038	3,430
Total non-current borrowings	6,361	5,729
Lease liabilities - secured	14	5
Total non-current interest-bearing liabilities	6,375	5,734

Refer to note 24 for further information regarding interest-bearing liabilities.

Interest rates

The consolidated entity has entered into fixed interest rate swap contracts to manage the exposure to interest rates between 1.20 per cent to 8.00 per cent per annum, at a weighted average of 5.25 per cent per annum (2012: 1.20 per cent to 7.67 per cent per annum, at a weighted average of 5.81 per cent per annum).

Refer to note 24(a)(iv) Financial risk factors - interest rate risk (cash flow and fair value), for a summary of interest rate risks.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

15. Other financial liabilities, including derivatives

	Note	2013 \$million	2012 \$million
Current			
Derivative financial instruments	24	216	193
Loan from Australia Pacific LNG joint venture entity		1,847	1,262
Environmental scheme surrender obligations	24	261	160
Other financial liabilities		-	5
		2,324	1,620
Non-current			
Derivative financial instruments	24	934	399
Loan from Australia Pacific LNG joint venture entity		-	1,147
		934	1,546

16. Provisions

Reconciliations of the carrying amounts of each class of provision are set out below:

\$million	Onerous contracts	Restoration, rehabilitation and dismantling	Other	Total
Balance as at 1 July 2012	175	465	35	675
Provisions recognised	-	57	5	62
Provisions released	(50)	(43)	-	(93)
Payments/utilisation	(94)	(3)	(7)	(104)
Impact of discounting expense	3	19	-	22
Effect of movements in foreign exchange rates	-	10	-	10
Balance as at 30 June 2013	34	505	33	572
Current	33	9	25	67
Non-current	1	496	8	505
	34	505	33	572

Nature and purpose of provisions

Restoration, rehabilitation and dismantling

The restoration, rehabilitation and dismantling provision represents estimates of future expenditure for site rehabilitation and restoration of oil and gas fields and infrastructure sites, including the future costs of dismantling and removing infrastructure.

Onerous contracts

Onerous provisions primarily represent the onerous portion of the Transitional Services Agreement (TSA) covering customer related services in respect of the acquired NSW retail businesses.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

17. Share capital and reserves

	2013 \$million	2012 \$million
Issued and paid-up capital		
1,097,961,871 (2012: 1,089,564,638) ordinary shares, fully paid	4,441	4,345
Ordinary share capital at the beginning of the period	4,345	4,029
Shares issued:		
• 7,083,417 (2012: 23,664,131) shares in accordance with the Dividend Reinvestment Plan	87	306
• 1,313,816 (2012: 1,393,248) shares in accordance with the Long Term Incentive Plans	9	10
Total movements in ordinary share capital	96	316
Ordinary share capital at the end of the period	4,441	4,345

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as determined from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the company, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidation.

The company does not have authorised capital or par value in respect of its issued shares.

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options, performance share rights and deferred share rights over their vesting period (refer note 25).

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, and the translation of transactions that hedge the company's net investments in foreign operations.

Hedging reserve

The hedging reserve is used to record the effective portion of the gains or losses on hedging instruments in cash flow hedges that have not yet settled. Amounts are recognised in profit or loss when the associated hedged transactions affect profit or loss or as part of the cost of an asset if non-monetary.

Available-for-sale reserve

Changes in fair value and exchange differences arising on translation of investments and settlement residue agreements are taken to the available-for-sale reserve. Amounts are recognised in profit or loss when the associated investments/settlement residue agreements are sold/settled or impaired.

Origin Energy Limited and Controlled Entities
Notes to the financial statements

18. Other comprehensive income

2013 \$million	Foreign currency translation reserve	Hedging reserve	Available-for- sale reserve	Retained earnings	Non-controlling interests	Total other comprehensive income
<i>Items that will not be reclassified to the income statement</i>						
Actuarial gain/(loss) on defined benefit superannuation plan, net of tax	-	-	-	2	-	2
	-	-	-	2	-	2
<i>Items that may be reclassified to the income statement</i>						
Foreign currency translation differences for foreign operations	235	-	-	-	98	333
Net loss on hedge of net investment in foreign operations	(72)	-	-	-	-	(72)
Cash flow hedges - valuation gain taken to equity, net of tax	-	33	-	-	2	35
Cash flow hedges - losses transferred to income statement, net of tax	-	38	-	-	2	40
Cash flow hedges - transferred to carrying amounts of assets, net of tax	-	1	-	-	1	2
Cash flow hedges - foreign currency translation (loss)/gain, net of tax	(2)	1	-	-	1	-
Available for sale assets - valuation gain taken to equity, net of tax	-	-	1	-	-	1
	161	73	1	-	104	339
Total other comprehensive income	161	73	1	2	104	341

Origin Energy Limited and Controlled Entities
Notes to the financial statements

18. Other comprehensive income (continued)

2012 \$million	Foreign currency translation reserve	Hedging reserve	Available-for- sale reserve	Retained earnings	Non-controlling interests	Total other comprehensive income
<i>Items that will not be reclassified to the income statement</i>						
Actuarial gain/(loss) on defined benefit superannuation plan, net of tax	-	-	-	(9)	-	(9)
	-	-	-	(9)	-	(9)
<i>Items that may be reclassified to the income statement</i>						
Foreign currency translation differences for foreign operations	111	-	-	-	24	135
Net loss on hedge of net investment in foreign operations	(37)	-	-	-	-	(37)
Cash flow hedges - valuation (loss)/gain taken to equity, net of tax	-	(52)	-	-	5	(47)
Cash flow hedges - losses transferred to income statement, net of tax	-	77	-	-	1	78
Cash flow hedges - transferred to carrying amounts of assets, net of tax	-	2	-	-	-	2
Cash flow hedges - foreign currency translation (loss)/gain, net of tax	(6)	4	-	-	2	-
Available for sale assets - valuation loss taken to equity, net of tax	-	-	(5)	-	-	(5)
(Loss)/gain on transfer of interest in entities under common control	-	-	-	(2)	2	-
	68	31	(5)	(2)	34	126
Total other comprehensive income	68	31	(5)	(11)	34	117

Origin Energy Limited and Controlled Entities

Notes to the financial statements

19. Notes to the statement of cash flows

	Note	2013 \$million	2012 \$million
(a) Reconciliation of cash and cash equivalents			
Cash includes cash on hand, at bank and short-term deposits, net of outstanding bank overdrafts.			
Cash as at the end of the period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash and cash equivalents		307	357
		<u>307</u>	<u>357</u>
(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	17	87	306
		<u>87</u>	<u>306</u>
(c) Reconciliation of profit to net cash provided by operating activities			
Profit for the period		461	1,058
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation and amortisation		695	614
Executive share-based payment expense		27	22
Impairment losses recognised - trade and other receivables		193	70
Exploration expense		18	49
Impairment of assets		70	512
(Increase)/decrease in fair value of financial instruments		342	(133)
Net financing costs		456	289
Increase in tax balances		(238)	263
Gain on dilution of the consolidated entity's interest in equity accounted investees and sale of assets		(402)	(464)
Non-cash share of net profits of equity accounted investees		5	(39)
Unrealised foreign exchange loss/(gain)		159	(56)
Changes in assets and liabilities, net of effects from acquisitions/disposals:			
• Receivables		(428)	(222)
• Inventories		(44)	7
• Payables		152	47
• Provisions		(136)	(54)
• Other		312	(141)
Total adjustments		<u>1,181</u>	<u>764</u>
Net cash provided by operating activities		<u>1,642</u>	<u>1,822</u>

Origin Energy Limited and Controlled Entities

Notes to the financial statements

20. Business combinations

2013

There were no business combinations during the year ended 30 June 2013.

2012

There were no business combinations during the year ended 30 June 2012. During the 2012 year the consolidated entity received a working capital settlement amount of \$75 million in respect of the acquisition of the retail businesses of Integral Energy and Country Energy.

The acquisition accounting for the acquisition of the NSW Government energy assets was completed during the year ended 30 June 2012.

21. Auditors' remuneration

	2013 \$'000	2012 \$'000
Audit and review services of the financial reports by:		
Auditors of the company (KPMG)	3,387	3,212
Other auditors ⁽¹⁾	66	66
	3,453	3,278
Other services by:		
Auditors of the company (KPMG)		
• In relation to other assurance, taxation and due diligence services	737	929
Other auditors ⁽²⁾		
• In relation to other services	4,496	3,857
	5,233	4,786
	8,686	8,064

⁽¹⁾ Other auditors audit financial reports of certain controlled entities located in the Pacific and South East Asia.

⁽²⁾ Includes amounts for internal audit, taxation, advice on acquisition transactions, information technology, risk and quality assurance advice, accounting advice and other advisory services.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

22. Contingent liabilities and assets

Details of contingent liabilities where the probability of future payments is not considered remote are set out below. Provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement. Details of contingent liabilities and contingent assets, which the directors consider should be disclosed, have also been included.

	2013 \$million	2012 \$million
Bank guarantees - unsecured	377	352
Letters of credit - unsecured	20	19
	397	371

The bank guarantees and letters of credit disclosed have primarily been provided by the consolidated entity in favour of the Australian Energy Market Operator Limited to support its obligations to purchase electricity from the National Electricity Market.

The consolidated entity has provided guarantees for certain contractual commitments of its joint ventures. The consolidated entity has disclosed its share of these contractual commitments in note 23.

At 30 June 2013, the consolidated entity holds a 37.5 per cent interest in Australia Pacific LNG and currently the consolidated entity provides parent company guarantees in excess of its 37.5 per cent shareholding in relation to certain contractual commitments relating to Australia Pacific LNG. A process is in progress amongst ConocoPhillips, Sinopec, Australia Pacific LNG and the consolidated entity to amend those guarantees where the parties have agreed to reflect each shareholder's revised share of the guarantee following Sinopec increasing its shareholding in Australia Pacific LNG.

Australia Pacific LNG has secured US\$8.5 billion through a project finance facility. At 30 June 2013, Australia Pacific LNG has drawn down US\$5.5 billion under the project finance facility covering capital expenditure and fees. The consolidated entity guarantees its proportionate share of amounts drawn down under the facility during the construction phase of the project (37.5 per cent share at 30 June 2013 being US\$2.1 billion).

The consolidated entity 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 or previously owned/operated by the consolidated entity have been identified as contaminated. These properties are subject to ongoing environmental management programs to ensure appropriate controls are in place and clean-up requirements are implemented. The contaminating activities ceased in the 1970's when manufactured gas was replaced with natural gas from oil and gas fields. For sites where the requirements can be assessed and costs estimated, the estimated cost of remediation has been expensed or provided for.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

22. Contingent liabilities and assets (continued)

Certain entities within the consolidated entity are subject to various lawsuits and claims as well as audits and reviews by government or regulatory bodies. Any liabilities arising from such lawsuits and claims, or potential claims arising from audits or reviews, are not expected to have a material adverse effect on the consolidated financial statements.

The consolidated entity, as a participant in certain joint ventures, is liable for a share of all liabilities incurred by these joint ventures in proportion to its equity interest in them. In some circumstances, the consolidated entity may incur more than its proportionate share of such liabilities, but will have the right to recover the excess liability from the other joint venture participants.

The consolidated entity is party to deferred contingent consideration payments relating to past business combinations contingent on future events and performance related triggers. Current assessment of these triggers and future events indicates that any payment is considered remote.

Deed of cross guarantee

Under the terms of ASIC Class Order (CO) 98/1418 (as amended by CO 98/2017) certain wholly-owned controlled entities have been granted relief from the requirement to prepare audited financial reports. Origin Energy Limited has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities (refer note 29).

A consolidated statement of comprehensive income and retained profits, and a consolidated statement of financial position, comprising the company and controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2013, are set out in note 28.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

23. Commitments

	2013 \$million	2012 \$million
At the reporting date, the consolidated entity has contracted but not provided for the following commitments:		
Capital expenditure commitments ⁽¹⁾	1,001	1,099
Joint venture commitments ⁽²⁾	3,402	5,715
Other GenTrader commitments ⁽¹⁾	2,244	2,308
The above commitments include amounts payable within one year of:		
Capital expenditure commitments	190	229
Joint venture commitments	2,364	2,841
Other GenTrader commitments	116	113
Operating lease commitments	397	410
An amount of \$91 million (2012: \$78 million) is payable within one year.		
Operating lease rental expense	76	65

The consolidated entity leases property, plant and equipment under operating leases with terms of one to ten years.

⁽¹⁾ Included in the Capital expenditure and Other GenTrader commitments above are fixed charges to be paid in respect of the GenTrader arrangements over the Eraring and Shoalhaven power stations entered as part of the NSW energy asset transaction in 2011. As a result of the acquisition of Eraring Energy Limited by the consolidated entity on 1 August 2013, these commitments have been relinquished on completion of the acquisition. Refer note 34.

⁽²⁾ Included in the joint venture commitments above is an amount of \$3,211 million (2012: \$5,251 million) relating to the consolidated entity's 37.5 per cent (2012: 42.5 per cent) share of Australia Pacific LNG's commitments. The consolidated entity has recorded a \$1,847 million (2012: \$2,409 million) loan payable to Australia Pacific LNG (refer to note 15) which may be called upon by Australia Pacific LNG to partly fund these commitments.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments

(a) Financial risk management

Financial risk factors

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial and commodity markets and seeks to manage potential adverse effects on the consolidated entity's financial performance. The consolidated entity uses a range of derivative financial instruments to hedge these risk exposures.

Risk management is carried out under policies approved by the Board of Directors. Financial risks are identified, evaluated and hedged in close co-operation with the consolidated entity's operating units. The consolidated entity has written policies covering specific areas, such as foreign exchange risk, interest rate risk, electricity price risk, oil price risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(i) Market risk

Foreign exchange risk

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Zealand dollar, US dollar and Euro. Foreign exchange risk arises from future commercial transactions (including interest payments and principle debt repayments on long-term borrowings, the sale of oil, the sale and purchase of LPG and the purchase of capital equipment), recognised assets and liabilities (including foreign receivables and borrowings) and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions, the consolidated entity uses forward foreign exchange contracts. To manage the foreign exchange risk arising from the future principal and interest payments required on foreign currency denominated long-term borrowings, the consolidated entity uses cross currency interest rate swaps (both fixed to fixed and fixed to floating) which convert the foreign currency denominated future principal and interest payments into the functional currency for the relevant entity for the full term of the underlying borrowings. In certain circumstances borrowings are left in the foreign currencies, or hedged from one foreign currency to another to match payments of interest and principal against expected future business cash flows in that foreign currency.

External derivative contracts are designated at the consolidated entity level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The consolidated entity has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the consolidated entity's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(a) Financial risk management (continued)

The following table summarises the impact of a 10 per cent strengthening/weakening of the Australian dollar against the relevant foreign currency exposures at balance date, on the consolidated entity's post-tax profit for the year and on other components of equity. All variables other than the relevant primary risk variable identified are held constant in the analysis.

Foreign exchange rate change + / - 10 per cent				
Impact on post-tax profit			Impact on equity	
2013		2012	2013	2012
+ / - (\$million)			+ / - (\$million)	
USD	116	21	179	87
NZD	-	-	23	21
EUR	(49)	60	(47)	60

Price risk

The consolidated entity is exposed to price risk from the purchase and sale of electricity, oil, gas, environmental scheme certificates and related commodities. To manage its price risks the consolidated entity utilises a range of financial and derivative instruments including fixed priced swaps, options, futures and fixed price forward purchase contracts.

The consolidated entity's risk management policy for commodity price risk is to hedge forecast future transactions. The consolidated entity has a risk management policy framework that manages the exposure arising from its commodity-based activities. The policy permits the active hedging of price and volume exposure arising from the retailing, generation and portfolio management activities, within prescribed risk capacity limits. The policy prescribes the maximum risk exposures permissible over prescribed periods for each commodity within the portfolio, under defined worse case scenarios. The full portfolio is subject to ongoing testing against these limits at prescribed intervals, and reported monthly.

The following table summarises the impact of a 10 per cent increase/decrease of the relevant forward prices (for oil, electricity and environmental scheme certificates) on the consolidated entity's post-tax profit for the year and on other components of equity. All variables other than the relevant primary risk variable identified are held constant in the analysis.

Impact on post-tax profit			Impact on equity	
2013		2012	2013	2012
+ / - (\$million)			+ / - (\$million)	
Electricity forward price	9	5	60	2
Oil forward prices	-	-	(43)	5
Environmental scheme certificate prices	20	33	20	33

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(a) Financial risk management (continued)

(ii) Credit risk

The consolidated entity manages its exposure to credit risk via credit risk management policies which allocate credit limits based on the overall financial and competitive strength of the counterparty. Publicly available credit information from recognised providers is utilised for this purpose where available. Credit policies cover exposures generated from the sale of products and the use of derivative instruments. Derivative counterparties are limited to high-credit-quality financial institutions and other organisations in the relevant industry. The consolidated entity has Board approved policies that limit the amount of credit exposure to each financial institution and derivative counterparty. The consolidated entity also utilises International Swaps and Derivative Association (ISDA) agreements with all derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

The carrying amounts of financial assets recognised in the statement of financial position, and disclosed in more detail in notes 6, 7 and 19 best represents the consolidated entity's maximum exposure to credit risk at the reporting date. In respect of those financial assets and the credit risk embodied within them, the consolidated entity holds no significant collateral as security and there are no other significant credit enhancements in respect of these assets. The credit quality of all financial assets that are neither past due nor impaired is constantly monitored in order to identify any potential adverse changes in the credit quality. There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the consolidated entity aims to maintain flexibility in funding by keeping committed credit lines available. Certain of the consolidated entity's interest-bearing liability obligations are subject to change in control provisions under the agreements with third-party lenders. As at 30 June 2013 these provisions were not triggered.

The following summarises the contractual timing of cash flows of the borrowings drawn at balance date together with interest and all financial instruments and drawn guarantees at 30 June 2013 and 30 June 2012:

\$million	2013			2012		
	Financial liabilities	Financial assets	Net financial (liabilities) /assets	Financial liabilities	Financial assets	Net financial (liabilities) /assets
Less than one month	(1,052)	964	(88)	(883)	885	2
One to three months	(1,260)	1,421	161	(821)	1,292	471
Three to 12 months	(3,302)	793	(2,509)	(2,640)	662	(1,978)
One to five years	(4,800)	432	(4,368)	(6,486)	504	(5,982)
Over five years	(5,239)	201	(5,038)	(3,083)	310	(2,773)

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(a) Financial risk management (continued)

(iii) Liquidity risk (continued)

Included in the balances from the previous table is the \$1,847 million (2012: \$2,409 million) loan from Australia Pacific LNG (\$301 million current within one month, \$455 million current within one to three months, \$1,091 million current within three to twelve months; 2012: \$1,262 million current within three to twelve months and \$1,147 million non-current within one to five years). The consolidated entity has \$5,402 million (2012: \$4,189 million) of undrawn facilities (refer note 24(c)) which is immediately available.

(iv) Interest rate risk (cash flow and fair value)

The consolidated entity's income and operating cash flows are substantially independent of changes in market interest rates. The consolidated entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. The consolidated entity's risk management policy is to manage interest rate exposures using Profit at Risk and Value at Risk methodologies using 95% statistical confidence levels. Exposure limits are set to ensure that the consolidated entity is not exposed to excess risk from interest rate volatility. The consolidated entity manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

The following table summarises the impact of a 100 basis point increase/decrease of the relevant interest rates at the reporting date on the consolidated entity's post-tax profit for the year and on other components of equity. All variables other than the relevant primary risk variable identified are held constant in the analysis.

	Impact on post-tax profit		Impact on equity	
	2013	2012	2013	2012
	+ / - (\$million)		+ / - (\$million)	
Interest rates	5	(16)	38	12

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(b) Capital risk management

The consolidated entity's objectives when managing capital are to safeguard the consolidated entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity monitors its current and future funding requirements for at least the next five years and regularly assesses a range of funding alternatives to meet these funding requirements in advance of when the funds are required.

The consolidated entity anticipates meeting future financing requirements through operating cash flows, periodically raising long-term and short-term bank and capital markets debt, and utilising the dividend reinvestment plan and other capital management tools, including equity offerings as may be required from time to time. The consolidated entity aims to maintain a diversified debt portfolio that enables access to a range of debt markets and specific instruments to meet on-going business requirements and investment opportunities. To date, the consolidated entity has financed operations and developments primarily through cash flows from operations, borrowings from banks and proceeds from issuances of equity and debt securities. The consolidated entity intends to continue to fund business operations, future acquisitions and developments from existing financial resources and may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of future developments or for other purposes.

The consolidated entity assesses the capital structure and gearing policies on an on-going basis in light of overall business objectives and prevailing local and global economic conditions. The consolidated entity's objective is to maintain an appropriate capital structure with sufficient financial headroom to allow the business to absorb any short term shocks to business performance. The consolidated entity seeks to retain the flexibility to access a range of debt and equity markets to ensure sufficient liquid funds are available to meet financial commitments as required. Key factors considered in determining the consolidated entity's capital structure and funding strategy at any point in time include expected operating cash flows, capital expenditure plans, maturity profile of existing debt facilities, dividend policy and the ability to access funding from banks, capital markets, and other sources.

Consistent with others in the industry, the consolidated entity monitors capital on the basis of a number of metrics including the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents and fair value adjustments to borrowings in hedge relationships. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt less reserves attributable to fair value adjustments on financial instruments. In addition, Origin monitors various other credit metrics, principally funds from operations (FFO) to gross debt and EBIT to net interest expense.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(b) Capital risk management (continued)

The consolidated entity maintains a gearing ratio designed to optimise the cost of capital whilst providing flexibility to fund growth opportunities. The gearing ratios were as follows:

	2013 \$million	2012 \$million
Total interest-bearing liabilities	7,116	5,879
Less: Cash and cash equivalents	(307)	(357)
Net debt	6,809	5,522
Fair value adjustments on borrowings in hedge relationships	229	216
Adjusted net debt	7,038	5,738
Total equity	14,794	14,458
Less: Reserves ⁽¹⁾	23	97
Total capital (excluding reserves ⁽¹⁾)	21,855	20,293
Total capital (including reserves ⁽¹⁾)	21,832	20,196
Gearing ratio (excluding reserves ⁽¹⁾)	32%	28%
Gearing ratio (including reserves ⁽¹⁾)	32%	28%

⁽¹⁾ Represents reserves attributable to fair value adjustments on financial instruments.

(c) Interest-bearing liabilities

The exposure of the consolidated entity's borrowings (excluding lease liabilities) to interest rate changes and the contractual repricing dates at the reporting date are as follows:

Six months or less	1,201	1,749
Six to twelve months	1,209	77
One to five years	1,161	2,505
Over five years	3,529	1,541
	7,100	5,872

The remaining contractual maturity of non-current borrowings is as follows:

One to two years	236	764
Two to five years	1,711	2,443
Over five years	4,414	2,522
Total non-current borrowings	6,361	5,729
Lease liabilities	14	5
Total non-current interest-bearing liabilities	6,375	5,734

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying value		Fair value	
	2013 \$million	2012 \$million	2013 \$million	2012 \$million
Bank loans - unsecured	1,065	2,022	1,097	2,055
Bank loans - secured	258	277	233	242
Capital markets borrowings - unsecured	5,038	3,430	5,221	3,600
	6,361	5,729	6,551	5,897

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(c) Interest-bearing liabilities (continued)

The carrying amounts of the consolidated entity's borrowings are exposed to the following currencies:

	2013 \$million	2012 \$million
Australian dollar	3,658	2,861
New Zealand dollar	1,509	1,353
US dollar	534	1,045
Euro	1,399	613
	7,100	5,872

The consolidated entity has the following committed undrawn floating rate borrowing facilities:

Expiring within one year	-	739
Expiring beyond one year	5,402	3,450
	5,402	4,189

(d) Hedge accounting

Fair value hedges

The changes in the fair values of the hedged items and hedging instruments recognised in the income statement for the year are disclosed in the following table:

Gain on the hedging instruments	101	30
Loss on the hedged item attributable to the hedge risk	(95)	(28)
	6	2

Cash flow hedges

The effective portion of the losses on cash flow hedges recognised in the cash flow hedge reserve (pre tax)

51	(65)
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The losses transferred from the cash flow hedge reserve to sales	(2)	1
The losses transferred from the cash flow hedge reserve to cost of sales	55	88
The losses transferred from the cash flow hedge reserve to finance cost	4	20
The losses transferred from the cash flow hedge reserve to the initial carrying value of non-financial assets	3	4
	60	113

The ineffectiveness losses recognised in the income statement from cash flow hedges

(2)	(3)
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Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(d) Hedge accounting (continued)

Net investment hedges

The effective portion of the gains/(losses) on net investment hedges recognised in the foreign currency translation reserve for the year to 30 June 2013 totalled \$72 million loss (2012: \$37 million loss).

The ineffectiveness recognised in the income statement from net investment hedges for the year to 30 June 2013 totalled \$Nil (2012: \$Nil).

Derivatives that do not qualify for hedge accounting

Origin enters a range of derivative instruments for economic hedging purposes under approved risk management policies which are not designated as hedges under Australian Accounting Standards. These derivative instruments are categorised as held for trading, with the net change in fair value of the derivative instruments being recognised in the income statement; totalling a \$346 million loss in the year ended 30 June 2013 (2012: \$90 million gain).

Fair value of financial instruments designated as hedging instruments

	Assets		Liabilities	
	2013 \$million	2012 \$million	2013 \$million	2012 \$million
Fair value hedges ⁽¹⁾	151	-	(157)	(171)
Cash flow hedges ⁽²⁾	89	55	(674)	(232)
Net investment hedges ⁽³⁾	-	-	(896)	(1,363)

⁽¹⁾ The consolidated entity designates certain cross currency interest rate swaps in fair value hedge relationships.

⁽²⁾ The consolidated entity designates certain foreign exchange contracts, electricity derivatives, interest rate swaps, cross currency interest rate swaps and oil derivatives in cash flow hedge relationships.

⁽³⁾ The consolidated entity designates certain foreign denominated borrowings in net investment hedge relationships.

(e) Derivative financial instruments

	Notes	Assets		Liabilities	
		2013 \$million	2012 \$million	2013 \$million	2012 \$million
Current					
Interest rate swaps		1	-	87	41
Cross currency interest rate swaps		-	-	44	34
Forward foreign exchange contracts		-	1	1	3
Electricity derivatives		122	77	84	115
Oil derivatives		4	6	-	-
	7, 15	127	84	216	193
Non-current					
Interest rate swaps		155	1	149	140
Cross currency interest rate swaps		-	-	112	139
Electricity derivatives		437	502	196	102
Oil derivatives		-	2	458	-
Other commodity derivatives		-	-	19	18
	7, 15	592	505	934	399
Total		719	589	1,150	592

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(e) Derivative financial instruments (continued)

Interest rate swaps

The aggregate notional principal amounts of the outstanding interest rate swap contracts at 30 June 2013 were \$3,461 million (2012: \$1,968 million). At 30 June 2013, the fixed interest rates vary from 1.20 per cent to 8.00 per cent (2012: 1.20 per cent to 8.00 per cent) and the main floating rates are BBSW, US LIBOR and BKBM. Interest rate swaps are either designated in cash flow hedge relationships or remain non-designated and are fair valued through the income statement.

The hedged anticipated interest payment transactions are expected to occur at various dates between one month and 12 years from the reporting date as a result of the maturities of the underlying borrowings. Gains and losses recognised in the cash flow hedge reserve in equity (statement of comprehensive income) on interest rate swap contracts as of 30 June 2013 will be continuously released to the income statement in each period in which interest payments are recognised in the income statement until the maturities of the swaps and underlying borrowings. During the year to 30 June 2013 and the year to 30 June 2012 no interest rate swaps were de-designated.

Cross currency interest rate swaps

The aggregate notional principal amounts of the outstanding cross currency interest rate swap contracts at 30 June 2013 were \$4,492 million (2012: \$1,470 million). At 30 June 2013, the fixed interest rates vary from 2.50 per cent to 7.49 per cent (2012: 6.25 per cent to 7.49 per cent) and the main floating rates are BBSW, US LIBOR and BKBM. Cross currency interest rate swaps are designated in either cash flow hedge relationships or fair value hedge relationships, or remain non-designated and are fair valued through the income statement.

The hedged anticipated interest payment transactions are expected to occur at various dates between one month and 6 years from the reporting date as a result of the maturities of the underlying borrowings. Gains and losses recognised in the cash flow hedge reserve in equity (statement of comprehensive income) on cross currency interest rate swap contracts as of 30 June 2013 will be continuously released to the income statement in each period in which interest payments are recognised in the income statement until the maturities of the swaps and underlying borrowings. During the year to 30 June 2013 and the year to 30 June 2012 no cross currency interest rate swaps were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecast. During the year to 30 June 2013 and the year to 30 June 2012 no cross currency interest rate swaps were de-designated.

Forward foreign exchange contracts

The aggregate notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2013 were \$30 million (2012: \$78 million). Forward foreign exchange contracts are designated in cash flow hedge relationships.

The hedged anticipated transactions denominated in foreign currency are expected to occur at various dates between one month and 3 years from the reporting date. Gains and losses recognised in the cash flow hedge reserve in equity (statement of comprehensive income) on forward foreign exchange contracts as of 30 June 2013 will be released to the income statement when the underlying anticipated transactions affect the income statement or included in the carrying value of assets or liabilities acquired. During the year to 30 June 2013 and the year to 30 June 2012, no forward foreign exchange contracts were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecast.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(e) Derivative financial instruments (continued)

Electricity derivatives

The aggregate notional volumes of the outstanding electricity derivatives at 30 June 2013 were 227 million MWhs (2012: 232 million MWhs). Electricity derivatives are either designated in cash flow hedge relationships or remain non-designated and are fair valued through the income statement within "increase/(decrease) in fair value of financial instruments" (note 3(b)).

The hedged anticipated electricity purchase and sale transactions are expected to occur continuously for each half hour period throughout the next 15 years from the reporting date consistent with the forecast demand from customers over this period. Gains and losses recognised in the cash flow hedge reserve in equity (statement of comprehensive income) on electricity derivatives as of 30 June 2013 will be continuously released to the income statement in each period in which the underlying purchase or sale transactions are recognised in the income statement. During the year to 30 June 2013 and the year to 30 June 2012, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecast.

The inherent variability in the volume of electricity purchased by customers and dispatched from generators in any half hour period means that the actual purchase requirements and sales volume can vary from the forecasts. The forecasts are updated for significant changes in underlying conditions and where this leads to a reduction in the forecast below the aggregate notional volume of hedging instruments in the relevant half hour periods impacted, the affected hedging instruments are de-designated and the accumulated gain or loss which had been recognised in the cash flow hedge reserve is recognised directly in the income statement as the underlying forecast purchase or sale transactions for those half hours are no longer expected to occur.

Oil derivatives

The aggregate notional volumes of the outstanding oil and related derivatives at 30 June 2013 were 8.6 Mbbl (2012: 0.77 Mbbl). Oil derivatives are designated in cash flow hedge relationships.

The hedged anticipated oil sale and purchase transactions are expected to occur continuously throughout the next eight years from the reporting date consistent with the forecast production and demand from customers over this period. Gains and losses recognised in the cash flow hedge reserve in equity (statement of comprehensive income) on oil derivatives as of 30 June 2013 will be continuously released to the income statement in each period in which the underlying sale or purchase transactions are recognised in the income statement. During the year to 30 June 2013 and the year to 30 June 2012, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecast.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(f) Fair value estimation

The fair values of financial instruments traded in active markets (such as available-for-sale securities) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the consolidated entity are the current bid prices for the assets.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. The consolidated entity uses valuation techniques consistent with the established valuation methodology and general market practice applicable to each instrument/market. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

The fair values of interest rate swaps and cross currency interest rate swaps are calculated using the present value of the estimated future cash flows of these instruments.

The fair values of forward foreign exchange contracts are determined using quoted forward exchange rates at the reporting date.

The fair values of commodity swaps and futures are calculated using the present value of the estimated future cash flows using available market forward prices.

The fair values of commodity option contracts which are regularly traded are determined based on the most recent available transaction prices for the same instruments.

Certain electricity derivative instruments utilised by the consolidated entity are not regularly traded and there are no observable market prices or transactions for equivalent or substantially similar instruments. Valuation techniques are required in order to estimate the fair value of such instruments. The valuation technique estimates the fair value of the avoided cost of physical assets at the valuation date required to achieve an equivalent risk management outcome for the consolidated entity, taking into account all relevant variables including capital costs, fixed and variable operating costs, efficiency factors and asset lives. Valuation techniques require the use of a range of variables and assumptions. Maximum use is made of all relevant independent and observable market data when selecting variables and developing assumptions for valuation techniques.

Each instrument is discounted at the market interest rate appropriate to the instrument.

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, there are two key variables used:

- appropriate market pricing data (for the relevant underlying interest rates, foreign exchange rates or commodity prices); and
- discount rates.

For these derivative instruments, both of these variables are taken from observed market pricing data at the valuation date and therefore these variables represent those which would be used by market participants to execute and value the instruments.

The nominal value of trade receivables (less impairment allowance) and payables approximate their fair values.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(f) Fair value estimation (continued)

Fair value hierarchy

The table below summarises the financial instruments carried at fair value by valuation method. The different levels in the hierarchy are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the instrument, either directly (as prices) or indirectly (derived from prices).
- Level 3: one or more key inputs for the instrument are not based on observable market data (unobservable inputs).

2013	Note	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Derivative financial assets	7	-	291	428	719
Environmental scheme certificates	7	413	-	-	413
Available-for-sale financial assets	7	18	-	-	18
Derivative financial liabilities	15	-	(639)	(511)	(1,150)
Environmental scheme certificates surrender obligations	15	(261)	-	-	(261)
		170	(348)	(83)	(261)
2012					
Derivative financial assets	7	-	119	470	589
Environmental scheme certificates	7	548	-	-	548
Available-for-sale financial assets	7	24	-	-	24
Derivative financial liabilities	15	-	(588)	(4)	(592)
Environmental scheme certificates surrender obligations	15	(160)	-	-	(160)
		412	(469)	466	409

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	\$million
Balance as at 1 July 2012	466
New instruments in the period	(435)
Net loss recognised in the statement of comprehensive income	(22)
Net loss from financial instruments at fair value through profit and loss	(92)
Balance as at 30 June 2013	(83)

Origin Energy Limited and Controlled Entities

Notes to the financial statements

24. Financial instruments (continued)

(f) Fair value estimation (continued)

Although the consolidated entity believes that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the critical assumptions such that the resultant change in the ultimate fair value per unit of volume were to increase or decrease by 10 per cent would have the following effects:

	2013		2012	
	Effect on profit or loss		Effect on profit or loss	
	Favourable	(Un-favourable)	Favourable	(Un-favourable)
Derivative assets	130	(130)	254	(254)
Derivative liabilities	2	(2)	3	(3)

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values using expected cash flows and risk-adjusted discount rates based on the probability weighted average of the consolidated entity's ranges of possible outcomes. Key inputs and assumptions used in the models at 30 June 2013 include:

Discount rate

The discount rates applied to the cash flows of the consolidated entity are based on the observable market rates for risk-free interest rate instruments for the appropriate term.

Forward electricity prices

The consolidated entity uses both observable external market data and internally derived forecast data for forward electricity prices in the valuations of certain Level 3 instruments.

Physical generation plant variables

The consolidated entity uses relevant variables from the valuation of physical generation assets with equivalent risk management outcomes as inputs to the valuation of certain Level 3 instruments. The key variables are new build capital costs, operating costs and plant efficiency factors.

Gain/loss on initial recognition of financial instruments

	2013 \$million	2012 \$million
<i>Derivative assets</i>		
Opening balance - gain/(loss)	180	212
Recognised in the income statement	(29)	(32)
Closing balance - gain/(loss)	151	180
<i>Derivative liabilities</i>		
Opening balance - gain/(loss)	111	123
New instruments in the period	(69)	-
Recognised in the income statement	(16)	(12)
Closing balance - gain/(loss)	26	111

Origin Energy Limited and Controlled Entities

Notes to the financial statements

25. Share-based payments

(a) Origin Energy Limited Long Term Incentive Plan

Equity or share-based remuneration awards are made pursuant to Origin's Equity Incentive Plan Rules, as approved by the Board and as amended from time to time. The Incentive Plan arrangements provide executives with a deferred equity interest in the Company. Awards are subject to the Offer Terms determined prior to grant and as lodged with the ASX, and are currently in the form of Options and/or Share Rights (collectively 'securities'). Share Rights are currently in the form of Performance Share Rights (PSRs) and Deferred Share Rights (DSRs).

Options and PSRs are subject to performance conditions that are described in the Remuneration Report (section 2.3) and may vest to the extent that those conditions are satisfied. The test against the performance conditions occurs 4 years after Grant Date for Options, and 3 years after Grant Date for PSRs. Since 2012, there has been no re-testing. DSRs are subject to a service obligation (generally between 1 and 4 years) and vest if the obligation is met.

The fair value of the securities granted is recognised as an employee expense with a corresponding increase in equity. For Options and PSRs the fair value is measured at grant date using a Black-Scholes methodology with a Monte Carlo simulation model, taking into account market performance conditions and is recognised over the vesting period between Grant Date and the first test against the performance hurdle or condition. The amount recognised as an expense is adjusted to reflect the actual number of securities that vest except where forfeiture of Options and PSRs is due to market related conditions. For DSRs the valuation uses a discounted cash flow methodology.

The performance hurdle which must be met for the Options or PSRs to vest is currently based on Origin's Total Shareholder Return (TSR - share price movement of ordinary shares after notional reinvestment of dividends for a given period). Origin's TSR over the period between Grant Date and the Test Date is compared with the TSRs of companies in a pre-determined reference group (currently the ASX100 at the time of Grant). The Options or PSRs vest only if Origin's TSR for the period exceeds the 50th percentile of the reference group. 50% of the Options or PSRs vest if Origin is above the 50th percentile, and 100% of the award vests if Origin is at or above the 75th percentile, with proportionate vesting between the 50th and 75th percentiles.

The tenure hurdle for DSRs is continuing employment in good standing at a point in time, generally between 1 and 4 years after Grant Date.

Options and Share Rights do not carry voting or dividend entitlements.

Shares arising from the vesting and exercise of Options or Share Rights are issued by Origin and rank equally with other fully paid ordinary shares on issue and carry voting and dividend entitlements.

(b) Options

A vested Option entitles the holder to acquire one fully paid ordinary share on payment of an exercise price. The exercise price is based on the weighted average price of the company's shares over a period of at least five but no more than fifteen trading days determined by the Board to be representative of the company's position at the time, or as adjusted in accordance with the terms of the Equity Incentive Plan Rules.

Since FY2012 the vesting test against the performance conditions occurs 4 years after Grant Date for Options and since 2012, there is no re-testing.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

25. Share-based payments (continued)

(b) Options (continued)

Subject to any restriction on exercise, vested Options may be exercised on payment of the exercise price up to 7 years after Grant Date (or, in the event of cessation of employment, up to 60 days after vest). Trading restrictions may apply to the shares arising from exercise. In certain limited circumstances (as set out in Table 3 of the Remuneration Report) the securities may be tested against the performance condition earlier than the scheduled test date, and vest to the extent the conditions are satisfied. In Australia the Options are classified under the Deferral Scheme tax arrangements with a genuine risk of forfeiture.

During the year, the company issued 7,540,504 options (2012: 4,969,944 options). The weighted average exercise prices of the options issued during the year are included in the Summary of Options table in note 25(f). The fair value of the options granted is recognised as an employee expense with a corresponding increase in equity. The company has recognised \$9,315,495 (2012: \$8,354,365) as an expense during the year.

A summary of options outstanding at the beginning and the end of the financial year and movements during the year are provided in the Summary of Options table in note 25(f).

(c) Share Rights (Performance Share Rights (PSRs) and Deferred Share Rights (DSRs))

A vested Share Right entitles the holder to acquire one fully paid ordinary share. The number of Share Rights granted may be adjusted in accordance with the Equity Incentive Plan Rules (for example, in circumstances of a general Rights issue).

The exercise price of the Share Rights is nil and exercise is automatic on vesting, unless otherwise determined by the Board.

The vesting test against the performance conditions occurs 3 years after Grant Date for PSRs and since FY2012 there has been no re-testing. In certain limited circumstances (as set out in Table 3 of the Remuneration Report) the securities may be tested against the performance condition earlier than the scheduled test date, and vest to the extent the conditions are satisfied. The tenure obligations for DSRs are generally between 1 to 4 years after Grant Date, and an award may be tranching into discrete parcels with separate service requirements (refer footnotes to the Summary of Share Rights (PSRs and DSRs) table in note 25(g)). In Australia the Share Rights are classified under the Deferral Scheme tax arrangements with a genuine risk of forfeiture.

During the year, the company issued 3,848,242 PSRs (2012: 2,118,256). The fair value of the PSRs is recognised as an employee expense with a corresponding increase in equity. The company has recognised \$13,811,494 (2012: \$10,171,657) as an expense during the year.

During the year, the company issued 18,906 DSRs (2012: 161,448). The fair value of the DSRs is recognised as an employee expense with a corresponding increase in equity. The company has recognised \$738,360 (2012: \$574,995) as an expense during the year.

Details of PSRs and DSRs outstanding at the beginning and the end of the financial year and movements during the year are provided in the Summary of Senior Executive Performance Share Rights (PSR) and Deferred Share Rights (DSR) table in note 25(g).

Origin Energy Limited and Controlled Entities

Notes to the financial statements

25. Share-based payments (continued)

(d) Employee Share Plan

All full-time and permanent part-time employees of the consolidated entity who are based in Australia or New Zealand with at least one year of service qualify for participation in the ESP, which provides for a grant of up to \$1,000 of fully paid Origin shares conditional upon the Company meeting certain safety targets, for no consideration. In Australia the ESP is classified as a Taxed Up Front Employee Share Scheme (eligible for reduction, \$1,000 concession) under the Income Tax Assessment Act 1997 (Cth) as amended.

Shares awarded under the ESP are purchased on-market and registered in the name of the employee, and are restricted for 3 years, or until cessation of employment, whichever occurs first.

The following table details the shares awarded under the employee share plans for the year ended 30 June 2013:

2013	Date shares granted	Number of shares granted	Cost per share ⁽²⁾	Total cost \$'000
	20 September 2012	305,565	\$11.88	3,630
	20 September 2012 ⁽¹⁾	10,568	\$0.00	-
		<u>316,133</u>		<u>3,630</u>

⁽¹⁾ Shares awarded to New Zealand-based employees at no cost as the shares were granted from forfeited shares acquired at market prices in prior periods.

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

No shares were awarded under the employee share plan during the year ended 30 June 2012.

(e) Contact Energy Share Based payments

The company's 53.1 per cent controlled entity, Contact Energy Limited, has an Employee Long Term Incentive Scheme for participating employees whereby the value of the long-term incentive award is allocated as a mix of share options and PSRs (options with an exercise price of zero), under the Share Option Scheme. Contact also previously issued restricted shares under a Restricted Share Plan. Under the Share Option Scheme the share options and PSRs will only be exercisable to the extent that the relevant performance hurdles are met (the hurdle is a comparison of Contact's Total Shareholder Return (TSR) relative to the TSR of a reference group comprising companies in the NZX50 index over the relevant period, commencing on the effective grant date).

The consolidated entity has recognised \$3,003,841 (2012: \$2,668,415) as an expense during the year.

Origin Energy Limited and Controlled Entities
Notes to the financial statements

25. Share-based payments (continued)

(f) Summary of Options

	Balance as at July	Issued ⁽³⁾	Exercised ⁽¹⁾	Forfeited	Balance as at 30 June	Vested as at 30 June
2013						
Options	10,621,448	7,540,504	989,600	658,919	16,513,433	930,451
Weighted average exercise price ⁽²⁾	\$13.60	\$11.78	\$9.86	\$12.48	\$13.04	\$15.84
Key management personnel	3,968,697	2,731,038	504,000	-	6,195,735	473,894
Non-key management personnel	6,652,751	4,809,466	485,600	658,919	10,317,698	456,557
	10,621,448	7,540,504	989,600	658,919	16,513,433	930,451
2012						
Options	7,382,127	4,969,944	1,241,400	489,223	10,621,448	2,074,534
Weighted average exercise price ⁽²⁾	\$12.95	\$13.00	\$6.97	\$14.40	\$13.60	\$12.62
Key management personnel ⁽⁴⁾	2,708,538	1,471,159	211,000	-	3,968,697	977,894
Non-key management personnel	4,673,589	3,498,785	1,030,400	489,223	6,652,751	1,096,640
	7,382,127	4,969,944	1,241,400	489,223	10,621,448	2,074,534

The options outstanding at 30 June 2013 have an exercise price in the range of \$11.78 to \$15.84 and a weighted average contractual life of 4.3 years (2012: 3.3 years).

⁽¹⁾ The weighted average share price during the year ended 30 June 2013 was \$11.99 (2012: \$13.67).

⁽²⁾ Exercise prices have been adjusted to reflect the impact of the rights issue in March and April 2011.

⁽³⁾ The inputs used to measure the fair value of options granted during the year ended 30 June 2013 were a weighted average share price of \$11.50, an exercise price of \$11.78, expected volatility of 23.0 per cent, dividend yield of 3.5 per cent and a risk free rate of 2.57 per cent derived from the yield on Australian Government Bonds of appropriate term. The volatility assumption has been determined based on the actual volatility of the consolidated entity's daily closing share price in the three years up to the grant date.

⁽⁴⁾ Opening balances restated to reflect changes to key management personnel for the year ended 30 June 2012.

Origin Energy Limited and Controlled Entities
Notes to the financial statements

25. Share-based payments (continued)

(g) Summary of Share Rights (PSRs and DSRs)

	Balance at 1 July 2012	Issued ⁽²⁾	Exercised	Forfeited	Balance at 30 June 2013	Balance at 1 July 2011	Issued	Exercised	Forfeited	Balance at 30 June 2012
Performance share rights	3,926,101	3,848,242	296,314	343,478	7,134,551	2,075,593	2,118,256	151,848	115,900	3,926,101
Deferred share rights ⁽¹⁾	161,448	18,906	27,902	9,343	143,109	-	161,448	-	-	161,448
	4,087,549	3,867,148	324,216	352,821	7,277,660	2,075,593	2,279,704	151,848	115,900	4,087,549
Key management personnel	1,170,159	748,583	200,539	-	1,718,203	801,951	368,208	-	-	1,170,159
Non-key management personnel	2,917,390	3,118,565	123,677	352,821	5,559,457	1,273,642	1,911,496	151,848	115,900	2,917,390
	4,087,549	3,867,148	324,216	352,821	7,277,660	2,075,593	2,279,704	151,848	115,900	4,087,549

⁽¹⁾ Deferred share rights (DSRs) vest in equal thirds (tranches) on satisfaction of the vesting conditions as detailed below:

- Tranche 1 - continued employment until end of year 2; Tranche 2 - continued employment until end of year 3; Tranche 3 - continued employment until end of year 4.

Vesting of DSRs is also subject to satisfactory performance during the period in which the DSRs are held. Satisfactory performance is defined in the company's performance management system as reviewed by line management and the Managing Director from time to time.

⁽²⁾ The fair value of PSRs granted during the year was \$5.13 per PSR.

The fair value of DSRs granted during the year was in the range of \$9.93 to \$10.72 per DSR.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

26. Related party disclosures

Associated entities

Interests held in equity accounted entities are set out in note 8. The business activities of a number of these entities are conducted under joint venture arrangements. The equity accounted entities conduct business transactions with various controlled entities. Such transactions include purchases and sales of certain products, provision of services and dividends. Refer to note 8 for further information regarding these transactions.

Refer to note 27 for key management personnel disclosures.

27. Key management personnel disclosures

(a) Key management personnel compensation tables

	2013	2012
	\$	\$
Short-term employee benefits	13,008,765	15,372,091
Post-employment benefits	237,510	268,674
Other long term benefits	216,457	496,386
Share-based payments	7,880,329	7,075,882
	<u>21,343,061</u>	<u>23,213,033</u>

(b) Equity instruments

Refer to the Remuneration Report in the Directors' Report for details of the following:

- (i) Options over equity instruments granted as compensation;
- (ii) Exercise of options granted as compensation; and
- (iii) Equity holdings and transactions.

(c) Loans and other transactions with key management personnel

(i) Loans

There were no loans with key management personnel during the year.

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

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

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

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

Origin Energy Limited and Controlled Entities

Notes to the financial statements

28. Deed of cross guarantee

The following consolidated statement of comprehensive income and retained profits, and statement of financial position comprises the company and its controlled entities which are party to the Deed of Cross Guarantee (refer note 29), after eliminating all transactions between parties to the Deed.

for the year ended 30 June	2013 \$million	2012 \$million
Consolidated statement of comprehensive income and retained profits		
Revenue	12,138	10,430
Other income	190	468
Expenses	(11,847)	(9,351)
Share of results of equity accounted investees	1	35
Interest income	8	32
Interest expense	(352)	(182)
Profit before income tax	138	1,432
Income tax (benefit)/expense	(63)	297
Profit for the period	201	1,135
Other comprehensive income	2	(9)
Total comprehensive income for the period	203	1,126
Retained earnings at the beginning of the period	8,930	8,342
Adjustments for entities entering the Deed of Cross Guarantee	4	-
Retained earnings at the beginning of the period	8,934	8,342
Dividends paid	(546)	(538)
Retained earnings at the end of the period	8,591	8,930

Origin Energy Limited and Controlled Entities

Notes to the financial statements

28. Deed of cross guarantee (continued)

as at 30 June	2013 \$million	2012 \$million
Statement of financial position		
Current assets		
Cash and cash equivalents	102	152
Trade and other receivables	3,455	3,192
Inventories	171	130
Other financial assets, including derivatives	348	820
Income tax receivable	174	-
Other assets	85	93
Total current assets	4,335	4,387
Non-current assets		
Trade and other receivables	1,088	1,061
Other financial assets, including derivatives	4,311	3,952
Investments accounted for using the equity method	6,224	5,816
Property, plant and equipment	5,324	5,176
Exploration and evaluation assets	162	175
Intangible assets	5,247	5,186
Other assets	37	21
Total non-current assets	22,393	21,387
Total assets	26,728	25,774
Current liabilities		
Trade and other payables	2,737	1,612
Interest-bearing liabilities	714	120
Other financial liabilities, including derivatives	2,235	1,596
Provision for income tax	-	46
Employee benefits	159	155
Provisions	58	121
Total current liabilities	5,903	3,650
Non-current liabilities		
Trade and other payables	4,408	3,420
Interest-bearing liabilities	1,752	3,307
Other financial liabilities, including derivatives	827	1,339
Tax liabilities	275	333
Employee benefits	29	34
Provisions	333	390
Total non-current liabilities	7,624	8,823
Total liabilities	13,527	12,473
Net assets	13,201	13,301
Equity		
Share capital	4,441	4,345
Reserves	169	26
Retained earnings	8,591	8,930
Total equity	13,201	13,301

Origin Energy Limited and Controlled Entities

Notes to the financial statements

29. Controlled entities

		2013	2012
		Ownership	Ownership
	Incorporated	interest per	interest per
	in	cent	cent
Origin Energy Limited	NSW		
Origin Energy Finance Ltd	Vic	100	100
Huddart Parker Pty Ltd <	Vic	100	100
Origin Energy NZ Share Plan Ltd	NZ	100	100
FRL Pty Ltd <	WA	100	100
BTS Pty Ltd <	WA	100	100
Origin Energy Power Ltd <	SA	100	100
Origin Energy SWC Ltd <	WA	100	100
BESP Pty Ltd	Vic	100	100
Origin Energy Pinjar Security Pty Ltd	Vic	100	100
Origin Energy Pinjar Holdings No. 1 Pty Ltd	Vic	100	100
Origin Energy Pinjar No. 1 Pty Ltd	Vic	100	100
Origin Energy Pinjar Holdings No. 2 Pty Ltd	Vic	100	100
Origin Energy Pinjar No. 2 Pty Ltd	Vic	100	100
Origin Energy Walloons Transmissions Pty Ltd	Vic	100	100
Origin Energy Holdings Pty Ltd <	Vic	100	100
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	100
Cogent Energy Pty Ltd	Vic	100	100
Origin Energy Electricity Ltd <	Vic	100	100
Eraring Gentrader Depositor Pty Ltd	Vic	100	100
Sun Retail Pty Ltd <	Qld	100	100
OE Power Pty Ltd <	Vic	100	100
Origin Energy Uranquinty Power Pty Ltd	Vic	100	100
Origin Energy Mortlake Terminal Station No. 1 Pty Ltd	Vic	100	100
Origin Energy Mortlake Terminal Station No. 2 Pty Ltd	Vic	100	100
Origin Energy PNG Ltd	PNG	66.7	66.7
Origin Energy PNG Holdings Ltd	PNG	100	100
Origin Energy Tasmania Pty 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
Speed-E-Gas (NSW) Pty Ltd	NSW	100	100
Origin Energy WA Pty Ltd <	WA	100	100
Origin Energy Services Ltd <	SA	100	100
OEL US Inc.	USA	100	100

Origin Energy Limited and Controlled Entities
Notes to the financial statements

29. Controlled entities (continued)

		2013	2012
		Ownership	Ownership
	Incorporated	interest per	interest per
	in	cent	cent
Origin Energy NSW Pty Ltd <	NSW	100	100
Origin Energy Asset Management Ltd <	SA	100	100
Origin Energy Pipelines Pty Ltd <	NT	100	100
Origin Energy Pipelines (SESA) Pty Ltd	Vic	100	100
Origin Energy Pipelines (Vic) Holdings Pty Ltd <	Vic	100	100
Origin Energy Pipelines (Vic) Pty Ltd <	Vic	100	100
Origin LPG (Vietnam) LLC	Republic of Vietnam	51	51
Origin Energy Solomons Ltd	Solomon Islands	80	80
Origin Energy Cook Islands Ltd	Cook Islands	100	100
Origin Energy Vanuatu Ltd	Vanuatu	100	100
Origin Energy Leasing Ltd	Vanuatu	100	100
Origin Energy Samoa Ltd	Western Samoa	100	100
Origin Energy American Samoa Inc	American Samoa	100	100
Origin Energy Insurance Singapore Pte Ltd	Singapore	100	-
Origin Energy Resources Ltd <	SA	100	100
Origin Energy CSG 2 Pty Ltd	Vic	100	100
Origin Energy ATP 788P Pty Ltd	Qld	100	100
Angari Pty Ltd <	SA	100	100
Oil Investments Pty Ltd <	SA	100	100
Origin Energy Southern Africa Holdings Pty Ltd	Qld	100	100
Origin Energy Wallumbilla Transmissions Pty Ltd	Vic	100	100
Oil Company of Australia (Moura) Transmissions Pty Ltd <	WA	100	100
Origin Energy Kenya Pty Ltd	Vic	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	100
Kupe Mining (No.1) Ltd	NZ	100	100
Origin Energy Resources (Kupe) Ltd	NZ	100	100
Origin Energy Resources NZ (Rimu) Ltd	NZ	100	100
Origin Energy Resources NZ (TAWN) Ltd	NZ	100	100
Sagasco NT Pty Ltd <	SA	100	100
Sagasco Amadeus Pty Ltd <	SA	100	100
Origin Energy Amadeus Pty Ltd <	Qld	100	100
Amadeus United States Pty Ltd <	Qld	100	100
OE Resources Ltd Partnership	NSW	100	100
Origin Energy Vietnam Pty Ltd	Vic	100	100

Origin Energy Limited and Controlled Entities
Notes to the financial statements

29. Controlled entities (continued)

		2013	2012
		Ownership	Ownership
	Incorporated	interest per	interest per
	in	cent	cent
Origin Energy Singapore Holdings Pte Ltd	Singapore	100	100
Origin Energy (Song Hong) Pte Ltd	Singapore	100	100
Origin Energy (Block 31) Pte Limited	Singapore	100	100
Origin Energy (Block 01) Pte Limited	Singapore	100	100
Origin Energy (L15/50) Pte Limited	Singapore	100	100
Origin Energy (L26/50) Pte Limited	Singapore	100	100
Origin Energy (Savannahket) Pte Limited	Singapore	100	100
Origin Energy Fairview Transmissions Pty Ltd	Vic	100	100
Origin Energy VIC Holdings Pty Ltd<	Vic	100	100
Origin Energy New Zealand Ltd	NZ	100	100
Origin Energy Universal Holdings Ltd	NZ	100	100
Origin Energy Five Star Holdings Ltd	NZ	100	100
Origin Energy Contact Finance Ltd	NZ	100	100
Origin Energy Contact Finance No.2 Ltd	NZ	100	100
Origin Energy Pacific Holdings Ltd	NZ	100	100
Contact Energy Ltd	NZ	53.1	53.0
Contact Australia Pty Ltd	Vic	53.1	53.0
Contact Aria Ltd	NZ	53.1	53.0
Contact Operations Australia Pty Ltd	Vic	53.1	53.0
Contact Wind Ltd	NZ	53.1	53.0
Empower Ltd	NZ	53.1	53.0
Rockgas Ltd	NZ	53.1	53.0
Origin Energy Capital Ltd<	Vic	100	100
Origin Energy Finance Company Pty Ltd <	Vic	100	100
OE JV Co Pty Ltd <	Vic	100	100
OE JV Holdings Pty Ltd	Vic	100	100
Origin Energy Australia Holding BV	Netherlands	100	100
Origin Energy Mt Stuart BV	Netherlands	100	100
Parbond Pty Ltd	NSW	100	100
Origin Foundation Pty Ltd	Vic	100	100
Origin Renewable Energy Investments No 1 Pty Ltd	Vic	100	100
Origin Renewable Energy Investments No 2 Pty Ltd	Vic	100	100
Origin Renewable Energy Pty Ltd	Vic	100	100
Origin Energy Geothermal Holdings Pty Ltd	Vic	100	100
Origin Energy Geothermal Pty Ltd	Vic	100	100
Origin Energy Chile Holdings Pty Ltd	NSW	100	100
Origin Energy Chile S.A.	Chile	100	100
Origin Energy Geothermal Chile Limitada	Chile	100	100
Origin Energy Geothermal Singapore Pte Ltd	Singapore	100	100

Origin Energy Limited and Controlled Entities

Notes to the financial statements

29. Controlled entities (continued)

		2013	2012
		Ownership	Ownership
	Incorporated	interest per	interest per
	in	cent	cent
Origin Renewable Energy Pty Ltd (continued)	Vic	100	100
Origin Energy Wind Holdings Pty Ltd	Vic	100	100
Cullerin Range Wind Farm Pty Ltd	NSW	100	100
Crystal Brook Wind Farm Pty Ltd	NSW	100	100
Wind Power Pty Ltd	Vic	100	100
Wind Power Management Pty Ltd	Vic	100	100
Lexton Wind Farm Pty Ltd	Vic	100	100
Stockyard Hill Wind Farm Pty Ltd	Vic	100	100
Tuki Wind Farm Pty Ltd	Vic	100	100
Dundas Tablelands Wind Farm Pty Ltd	Vic	100	100
Origin Energy Hydro Bermuda Limited	Bermuda	100	100
Origin Energy Hydro Chile SpA	Chile	100	100

< Entered into a Class Order 98/1418 and related deed of cross guarantee with Origin Energy Limited removing the requirement for the preparation of separate financial statements (refer notes 22 and 28).

* Entered into a Class Order 98/1418 during the year ended 30 June 2013.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

30. Changes in controlled entities

The following entities were incorporated/registered during the period:

Origin Energy Insurance Singapore Pte Ltd

The following entities ceased to be controlled and were sold during the period:

Yass Valley Wind Farm Pty Ltd

Conroy's Gap Wind Farm Pty Ltd

The following entities were acquired during the previous financial year:

On 3 April 2012, the consolidated entity acquired a 100 per cent interest in South American Energy (Bermuda) Limited and Enegy Hydro Chile SpA.

No entities were incorporated, registered or deregistered during the year ended 30 June 2012.

Name changes during the previous financial year:

OCA Holdings Pty Ltd to Origin Energy Southern Africa Holdings Pty Ltd

South American Energy (Bermuda) Limited to Origin Energy Hydro Bermuda Limited

Enegy Hydro Chile SpA to Origin Energy Hydro Chile SpA

31. Interest in joint venture operations

The consolidated entity holds interests in a number of unincorporated joint ventures covering the following assets:

Cooper Basin

Bass Basin

Kupe

Otway Basin

Surat Basin

Perth Basin

Worsley Power Plant

Geodynamics

South East Asia joint ventures

The principal activities of these joint ventures are oil and/or gas exploration, development and production, power generation, and geothermal power technology.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

32. Earnings per share

	2013	2012
Earnings per share based on statutory consolidated profit		
Basic earnings per share	34.6 cents	90.6 cents
Diluted earnings per share	34.4 cents	90.4 cents
Earnings per share based on underlying consolidated profit		
Underlying basic earnings per share	69.5 cents	82.6 cents
Underlying diluted earnings per share	69.2 cents	82.4 cents

Weighted average number of shares used as the denominator

	2013 Number	2012 Number
Number of ordinary shares for basic earnings per share calculation	1,093,837,731	1,081,691,687
Effect of executive share options, performance share rights and deferred share rights on issue	4,464,045	2,408,440
Number of ordinary shares for diluted earnings per share calculation	1,098,301,776	1,084,100,127

Reconciliation of earnings used in calculating basic and diluted earnings per share based on statutory profit

	2013 \$million	2012 \$million
Profit for the period	461	1,058
Less: Profit attributable to non-controlling interests	(83)	(78)
Earnings used in calculating earnings per share	378	980

Refer to note 2(b) for a reconciliation of underlying consolidated profit used in calculating earnings per share based on underlying consolidated profit.

Information concerning the classification of securities

(a) Fully paid ordinary shares

Fully paid ordinary shares are classified as ordinary shares for the purposes of calculating basic and diluted earnings per share.

(b) Share options, performance share rights and deferred share rights

Share options, performance share rights and deferred share rights issued under the Long Term Incentive Plan have been classified as potential ordinary shares and have been included in the determination of diluted earnings per share. The options and rights have not been included in the determination of basic earnings per share.

Information about basic and diluted Earnings per share

During the year 2,325,556 (2012: 1,998,371) options, performance share rights and deferred share rights were exercised, forfeited or lapsed. Summary details of these share options and performance share rights are set out in note 25.

There were 1,699 (2012: 68,515) shares issued as a result of the exercise of options, performance share rights and deferred share rights between the reporting date and the completion of the financial report.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

33. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2013, the parent entity company of the consolidated entity was Origin Energy Limited.

	Origin Energy Limited	
	2013	2012
	\$million	\$million
Results of the parent entity		
(Loss)/profit for the period	(159)	158
Other comprehensive income, net of income tax	9	4
Total comprehensive income for the period	(150)	162
Financial position of the parent entity at period end		
Current assets	1,107	1,884
Non-current assets	15,549	16,134
Total assets	16,656	18,018
Current liabilities	5,697	6,846
Non-current liabilities	6,133	5,770
Total liabilities	11,830	12,616
Total equity of the parent entity comprising:		
Share capital	4,441	4,345
Share-based payments reserve	101	77
Hedging reserve	(24)	(31)
Retained earnings	308	1,011
Total equity	4,826	5,402

At 30 June 2013, the current liabilities of the parent exceed current assets by \$4,590 million. The current liabilities include intercompany balances and the loan from Australia Pacific LNG. The settlement of intercompany transactions can be controlled and access to the undrawn facilities set out in note 24 means that the Company is able to settle its debts and obligations as and when they fall due.

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of contingencies, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities

Bank guarantees - unsecured	55	44
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The parent entity has provided guarantees for certain contractual commitments of its joint ventures associated with capital projects.

Deed of cross guarantee

The parent entity has entered into a Deed of Cross Guarantee with the effect that the company guarantees debts in respect of certain of its controlled entities. Further details of the Deed of Cross Guarantee and the controlled entities subject to the deed, are disclosed in notes 28 and 29.

Origin Energy Limited and Controlled Entities

Notes to the financial statements

34. Subsequent events

Acquisition of Eraring Energy and entry into new fuel supply arrangement

Acquisition of Eraring Energy Pty Limited

On 1 August 2013 Origin completed the acquisition of 100 per cent of Eraring Energy Pty Limited ("Eraring Energy") under a Sale and Purchase Agreement with the New South Wales Government for a net payment of \$50 million, and agreed terms for cancellation of the Cobbora Coal Supply Agreement including a payment to Origin of \$300 million. The acquisition will provide Origin ownership of the Eraring Power Station and Shoalhaven Scheme, adding flexibility in the operation of Origin's generation portfolio and enhance Origin's energy trading capabilities.

The net payment of \$50 million reflects a total purchase price of \$659 million net of the expected balance of prepaid capacity charges and funds prepaid or on deposit with the NSW Government of \$609 million, in relation to the existing GenTrader arrangements. The deposit balance and pre-paid capacity charge amount reflects the remaining balance of funds for future capacity charges previously paid by Origin to the NSW Government when it entered the GenTrader Arrangements in March 2011. The amounts were derived in accordance with the agreed terms under the GenTrader arrangements.

The Company has not yet finalised its accounting for the acquisition of Eraring Energy Pty Limited due to the proximity of the completion date of 1 August to the date of release of these financial statements.

As part of the acquisition Origin has settled certain contractual arrangements previously entered into with Eraring Energy in March 2011. These arrangements include the GenTrader arrangements and the Cobbora Coal Supply Agreement and the settlement of these arrangements will be accounted for as part of the transaction.

Centennial Coal supply agreement

On 1 July 2013 Origin entered into a Coal Supply Agreement with Centennial Coal for the provision of 24.5 million tonnes of coal over an eight-year period from FY2015 for use at the Eraring Power Station, with 6 million tonnes of coal conditional on the development of Centennial Coal's Newstan mine extension project.

Debt refinancing

On 21 August 2013 Origin completed a \$7.4 billion debt refinancing with terms of 4 years and 5 years. These syndicated facilities will be used to refinance existing bank debt facilities. As part of the refinancing Origin's standard banking terms have been renegotiated and the Company's debt maturity profile has been extended. The interest rate of the new bank debt facility is in line with the cost of existing bank debt.

Dividends

Since the end of the financial year, the directors have determined to pay a final dividend of 25 cents per share, unfranked, payable 27 September 2013.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial statements.

Other than the matters described above, no other item, transaction or event of a material nature has arisen since 30 June 2013 that would significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Directors' Declaration

- 1 In the opinion of the directors of Origin Energy Limited (the Company):
 - (a) the financial statements and notes, and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2013 and of its performance, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (Cth).
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1 in the consolidated financial statements.
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the controlled entities identified in note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and the Executive Director, Finance and Strategy for the financial year ended 30 June 2013.

Signed in accordance with a resolution of the directors:



Kevin McCann, Chairman
Director

Sydney, 21 August 2013



Independent auditor's report to the members of Origin Energy Limited

Report on the financial report

We have audited the accompanying financial report of Origin Energy Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(A), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continued overleaf)



Independent auditor's report to the members of Origin Energy Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(A).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Origin Energy Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Alison Kitchen
Partner

Sydney

21 August 2013

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Directors' Report for the year ended 30 June 2013

(including the Operating Financial Review and the Remuneration Report)

Contents

1. Principal activities
2. Review of operations
3. Significant changes in the state of affairs
4. Events subsequent to balance date
5. Dividends
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7. Information on Directors and Company Secretaries
8. Directors' meetings
9. Directors' interests in shares, options and rights of Origin Energy Limited
10. Environmental regulation and performance
11. Indemnities and insurance for Directors and officers
12. Auditor independence
13. Non-audit services
14. Proceedings on behalf of the Company
15. Rounding of amounts
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Directors' Report for the year ended 30 June 2013

In accordance with the Corporations Act 2001, the Directors of Origin Energy Limited ("Company") report on the Company and the consolidated entity Origin Energy Group ("Origin"), being the Company and its controlled entities for the year ended 30 June 2013.

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

1. Principal activities

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

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

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

2. Review of operations

A review of the operations and results of operations of Origin during the year, and the business strategies and prospects for future financial years, is set out in the Operational and Financial Review, which is attached and forms part of this Directors' Report.

3. Significant changes in the state of affairs

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

Australia Pacific LNG

On 4 July 2012 Australia Pacific LNG approved a Final Investment Decision on the second train of its two-train CSG to LNG project in Queensland. With this, the subscription agreement for Sinopec to increase its shareholding in Australia Pacific LNG from 15 per cent to 25 per cent became unconditional. The acquisition by Sinopec of the additional 10 per cent shareholding was completed on 12 July 2012, resulting in Origin's and ConocoPhillips' respective shareholdings in Australia Pacific LNG reducing to 37.5 per cent.

During the year, Australia Pacific LNG continued to make good progress on its CSG to LNG project with both the upstream and downstream projects 45 per cent complete at the end of June 2013. Confidence in the delivery of the project was confirmed through a project review, resulting in an announcement in February 2013 of an acceleration of the schedule for Train 2 and an increase in project costs of 7 per cent to \$24.7 billion.

Funding

During the year ended 30 June 2013, Origin undertook a number of funding initiatives, including the raising of over \$5 billion of new facilities and capital markets issuances, to lengthen debt maturities and improve its liquidity position.

In October 2012, Origin undertook a €500 million (approximately US\$646 million) seven year medium term notes issuance under its Euro Medium Term Note Program.

In April 2013, Origin issued an additional €150 million (approximately \$186 million) 10 year medium term note and a €750 million (approximately \$950 million) seven and a half year medium term note under the Euro Medium Term Note Program.

Origin also executed a \$2.4 billion syndicated bank loan facility in October 2012. The loan facility has terms of four and five years and will mature in October 2016 and October 2017 and was used to refinance existing loan facilities maturing in the 2013 and 2014 financial years. An additional syndicated bank loan facility of \$600 million and USD\$200 million was executed in June 2013. The loan facility has a 5 year term and will mature in July 2018, and was used to refinance existing loan facilities maturing in the 2015 financial year.

These initiatives assisted in diversifying Origin's funding portfolio in terms of currency, market and tenor, strengthening Origin's liquidity position and supporting Origin's funding commitments to Australia Pacific LNG. Origin holds debt denominated in A\$, US\$ and NZ\$ to match the currency denomination of cash flow receipts and the functional currency of its various businesses.

Developments

Retail Transformation Program - During the year, the Company successfully migrated all Integral Energy NSW customer accounts to its new SAP system.

Mortlake Power Station - In August 2012, the second unit at the Mortlake Power Station completed final commission, signalling the formal completion of the Company's 550 MW development.

BassGas - In October 2012, production recommenced at the Yolla platform after extended shutdown for the Mid Life Enhancement project.

During the year, Origin entered into agreements to sell a portion of its future oil and condensate production over a 72 month period commencing July 2015, at a price linked to the oil forward pricing curve. Upon entry into the agreements, Origin received \$482 million.

The events described above and those as disclosed in the Financial Statements represent the significant changes in the state of affairs of Origin for the year ended 30 June 2013.

4. Events subsequent to balance date

Other than the items described below, no matters or circumstances have arisen since 30 June 2013, which have significantly affected, or may significantly affect:

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

Acquisition of Eraring Energy and entry into new fuel supply arrangement

Acquisition of Eraring Energy Pty Limited

On 1 August 2013 Origin completed the acquisition of 100 per cent of Eraring Energy Pty Limited ("Eraring Energy") under a Sale and Purchase Agreement with the New South Wales Government for a net payment of \$50 million, and agreed terms for the cancellation of the Cobbora Coal Supply Agreement, including a payment to Origin of \$300 million. The acquisition provided Origin ownership of the Eraring Power Station and Shoalhaven Scheme, adding flexibility in the operation of Origin's generation portfolio and enhancing Origin's energy trading capabilities.

The net payment of \$50 million reflects a total purchase price of \$659 million net of the expected balance of prepaid capacity charges and funds prepaid or on deposit with the NSW Government of \$609 million, in relation to the existing GenTrader arrangements. The deposit balance and pre-paid capacity charge amount reflect the remaining balance of

funds for future capacity charges previously paid by Origin to the NSW Government when it entered the GenTrader Arrangements in March 2011. The amounts were derived in accordance with the agreed terms under the GenTrader arrangements.

The Company has not yet finalised its accounting for the acquisition of Eraring Energy Pty Limited due to the proximity of the completion date of 1 August to the date of release of these financial statements.

As part of the acquisition Origin settled certain contractual arrangements previously entered into with Eraring Energy in March 2011. These arrangements include the GenTrader arrangements and the Cobbora Coal Supply Agreement and the settlement of these arrangements will be accounted for as part of the transaction.

Centennial Coal supply agreement

On 1 July 2013 Origin entered into a Coal Supply Agreement with Centennial Coal for the provision of 24.5 million tonnes of coal over an eight-year period from FY2015 for use at the Eraring Power Station, with 6 million tonnes of that coal conditional on the development of Centennial Coal's Newstan mine extension project.

Debt Refinancing

On 21 August 2013 Origin completed a \$7.4 billion debt refinancing with terms of 4 years and 5 years. These syndicated facilities will be used to refinance existing bank debt facilities. As part of the refinancing Origin's standard banking terms have been renegotiated and the Company's debt maturity profile has been extended. The interest rate of the new bank debt facility is in line with the cost of existing bank debt.

5. Dividends

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

	\$million
Final dividend of 25 cents per ordinary share, fully franked at 30%, for the year ended 30 June 2012, paid 27 September 2012.	273
Interim dividend of 25 cents per ordinary share, fully franked at 30%, for the half year ended 31 December 2012, paid 4 April 2013	273

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

	\$million
Final dividend of 25 cents per ordinary share, unfranked, for the year ended 30 June 2013, payable 27 September 2013.	274

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

6. Directors

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

H Kevin McCann (Chairman)
Grant A King (Managing Director)
John H Akehurst
Bruce G Beeren
Trevor Bourne (retired 12 November 2012)
Gordon M Cairns
Bruce W D Morgan (appointed 16 November 2012)
Karen A Moses
Ralph J Norris
Helen M Nugent

7. Information on Directors and Company Secretaries

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

H Kevin McCann AM
Independent Non-executive Chairman

Kevin McCann joined the Board of the Company as Chairman in February 2000. He is Chairman of the Nomination and Risk committees and a member of the Audit, Remuneration, and Health, Safety and Environment committees.

Kevin is also Chairman of Macquarie Group Ltd and Macquarie Bank Ltd and a director of Evans and Partners and the University of Sydney United States Studies Centre. Kevin is a Fellow of the Senate of the University of Sydney.

Kevin's community activities include Chairmanship of the National Library of Australia Foundation and membership of the Law Foundation, University of Sydney and a member of the University of Sydney, Business School Advisory Board.

Kevin practiced as a commercial lawyer as a partner of Allens Arthur Robinson (and its predecessor firm Allen Allen & Hemsley) from 1970 to 2004 and was Chairman of Partners from 1995 to 2004. He was previously Chairman of Healthscope Ltd and ING Management Limited, a director of BlueScope Steel Ltd, Pioneer International Ltd (building materials and products), Ampol Ltd (refiner and retailer of petroleum products), a member of the Takeovers Panel, the State Rail Authority of New South Wales and served on the Defence Procurement Advisory Board and the Council of the National Library of Australia. He was also previously the Chairman of the Sydney Harbour Federation Trust, a Commonwealth agency and was previously a director and President of the NSW Division of the Australian Institute of Company Directors (AICD) and was a member of the AICD Corporate Governance Committee and NSW Advisory Council.

Kevin has a Bachelor of Arts and Law (Honours) from Sydney University and a Master of Laws from Harvard University. He is a Fellow of the AICD.

Grant A King
Managing Director

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

Prior to joining Boral, he was General Manager, AGL Gas Companies. Grant is Chairman of Contact Energy Ltd (since October 2004), a councillor of the Australian Petroleum

Production and Exploration Association, a Director of the Business Council of Australia and Chairman of the Business Council of Australia Infrastructure & Sustainability Growth Committee. He is a Fellow of the AICD and a former director of Envestra Ltd (1997-2007) and former Chairman of the Energy Supply Association of Australia Ltd.

Grant has a Civil Engineering degree from the University of New South Wales and a Master of Management from the University of Wollongong.

John H Akehurst

Independent Non-executive Director

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

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

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

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

Bruce G Beeren

Non-executive Director

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

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

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

Gordon M Cairns

Independent Non-executive Director

Gordon Cairns joined the Board of the Company in June 2007. He is a member of the Remuneration, Risk, Nomination and Health, Safety and Environment committees and is Chairman of the Origin Foundation.

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

Gordon is currently Chairman of Quick Service Restaurant Group and a director of Westpac Banking Corporation (since July 2004) and World Education Australia. He is also a senior

advisor to McKinsey & Company and Greenhill. He was previously Chairman of Rebel Group (2010-2012) and a Director of The Centre for Independent Studies.

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

Bruce W D Morgan

Independent Non-executive Director

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

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

He is a Non-executive Director of Caltex Australia Limited (since June 2013), Sydney Water Corporation (since January 2012), the University of NSW Foundation, the European Australian Business Council and of Redkite.

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

Karen A Moses

Executive Director, Finance and Strategy

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

Karen has over 30 years experience in the energy industry spanning oil, gas, electricity and coal commodities and upstream production, supply and downstream marketing operations. This experience has been gained both within Australia and overseas. Karen has worked with Origin (formerly Boral Energy) since 1994 and prior to that Exxon and BP. Karen is a director of Contact Energy Ltd (since October 2004), SAS Trustee Corporation (since March 2012), Sydney Dance Company (since May 2012) and director of Energia Andina S.A. (since April 2013). Karen is a former director of Australian Energy Market Operator Limited (July 2009-June 2012), Energy and Water Ombudsman (Victoria) Ltd (October 2005-November 2010), Australian Energy Market Operator (Transitional) Ltd (September 2008-July 2009) and VENCORP (2007-2009).

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

Ralph J Norris KNZM

Independent Non-executive Director

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

Ralph retired as Managing Director and Chief Executive Officer of the Commonwealth Bank of Australia in November 2011 following a 40 year career in business and the banking sector in Australia and New Zealand. During his career he had a number of senior executive roles including Chief Executive Officer of ASB Bank and Air New Zealand Limited. He is a director of Fonterra Limited, New Zealand Treasury, FSF Funds Management Limited, the Advisory

Board of Tax Management Limited and Families Inc and a former Director of Fletcher Building Ltd, Business Council of Australia, the International Monetary Conference, Chairman of Sovereign Insurance Ltd, the New Zealand Bankers' Association, New Zealand Business Roundtable and the Australian Bankers' Association.

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

Ralph was made a Knight Companion of the New Zealand Order of Merit in 2009 and a Distinguished Companion of the New Zealand Order of Merit for services to business in 2006. He is a Fellow of the New Zealand Institute of Management and a Fellow of New Zealand Computer Society.

Helen M Nugent AO

Independent Non-executive Director

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

Helen has significant experience in the financial services and resources sector. She is currently Chairman of Funds SA, the \$20 billion investment fund of the South Australian Government. She is also a Non-Executive Director of Macquarie Group (since August 2007) and Macquarie Bank (since June 1999). Previously, she has been Chairman of Swiss Re Life and Health (Australia) (2001-2010) and Director of Strategy at Westpac Banking Corporation. As a partner with McKinsey she specialised in the banking and mining sectors.

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

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

Andrew Clarke

Group General Counsel and Company Secretary

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

Helen Hardy

Company Secretary

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

8. Directors' meetings

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

Directors	Scheduled Board Meetings		Unscheduled Board Meetings		Meetings of Board Committees									
					Audit		Remuneration		HSE		Nomination		Risk	
	H	A	H	A	H	A	H	A	H	A	H	A	H	A
H K McCann	10	10	2	2	6	5	5	3	4	1	3	3	4	4
G A King	10	10	2	2	-	-	-	-	4	4	-	-	4	4
J H Akehurst	10	9	2	2	-	-	-	-	4	4	3	2	4	3
B G Beeren	10	10	2	2	-	-	5	5	-	-	3	3	4	4
T Bourne ⁽¹⁾	3	3	2	2	2	2	1	1	-	-	1	1	1	1
G M Cairns	10	10	2	2	-	-	5	5	4	4	3	3	4	3
K A Moses	10	10	2	2	-	-	-	-	-	-	-	-	4	3
B W D Morgan ⁽²⁾	7	6	-	-	4	4	-	-	2	1	2	2	3	2
R J Norris	10	10	2	2	6	5	-	-	-	-	3	3	4	3
H M Nugent	10	10	2	2	6	6	5	5	-	-	3	3	4	4

(1): Up to the date of retirement on 12 November 2012.

(2): From the date of appointment to the Board on 16 November 2012.

H: Number of meetings held during the time that the Director held office or was a member of the committee during the year.

A: Number of meetings attended.

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

9. Directors' interests in shares, options and rights of Origin Energy Limited

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

Director	Ordinary shares held directly and indirectly	Subordinated Notes held directly and indirectly	Options over ordinary shares	Performance Share Rights over ordinary shares	Ordinary shares in Contact Energy Limited
H K McCann	349,012	7,570	-	-	-
G A King	1,109,059	2,000	3,089,822 ⁽¹⁾	809,077 ⁽²⁾	33,886
J H Akehurst	71,200	6,500	-	-	-
B G Beeren	1,381,680	500	-	-	35,901
G M Cairns	79,280	-	-	-	-
B W D Morgan	10,000	600	-	-	-
K A Moses	277,787	1,000	1,146,213 ⁽³⁾	344,774 ⁽²⁾	21,038
R J Norris	20,000	-	-	-	-
H M Nugent	38,834	300	-	-	-

Exercise price for share options and performance share rights:

(1) 400,000: \$15.84, 297,000: \$15.47, 371,212: \$14.91, 728,506: \$13.01, 1,293,104: \$11.78

(2) Nil

(3) 89,000: \$15.84, 115,000: \$15.47, 145,202: \$14.91, 271,493: \$13.01, 525,518: \$11.78

Options and Rights granted by Origin Energy

Options and Rights granted during the financial year, including to key management personnel, are included in Appendix 4 of the Remuneration Report which forms part of this Directors' Report.

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

Options and Rights granted by Contact Energy

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

Options

Grant Date	Expiry Date	Exercise price per option	Balance at 30 June 2012
1 October 2008	30 November 2013	NZ\$8.53	543,999
1 October 2009	30 November 2014	NZ\$5.67	1,396,256
1 October 2010	30 November 2015	NZ\$5.76	3,479,508
1 October 2011	30 November 2016	NZ\$5.40	2,496,543
1 October 2012	30 November 2017	NZ\$5.22	4,439,719

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

Rights

Grant Date	Expiry Date	Exercise price per right	Balance at 30 June 2012
1 October 2007	30 November 2012	NZ\$0.00	46,679
1 February 2008	30 November 2012	NZ\$0.00	2,846
1 October 2008	30 November 2013	NZ\$0.00	77,535
1 October 2009	30 November 2014	NZ\$0.00	249,662
1 October 2010	30 November 2015	NZ\$0.00	783,963
1 October 2011	30 November 2016	NZ\$0.00	539,820
1 October 2012	30 November 2017	NZ\$0.00	606,086

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

Origin Energy Shares issued on the exercise of Options and Rights

Options

The following ordinary shares of Origin were issued during the year ended 30 June 2013 on the exercise of options granted under the Senior Executive Option Plan. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
28 September 2007	\$9.86	989,600

No further ordinary shares have been issued on the exercise of options granted under the Senior Executive Option Plan since 30 June 2013.

Rights

The following ordinary shares of Origin were issued during the year ended 30 June 2013 on the vesting and exercise of rights granted under the Senior Executive Performance Share Rights Plan. No amount is payable on the vesting of rights and accordingly no amounts are unpaid on any of the shares.

Date Rights granted	Number of shares issued
28 September 2007	115,000
30 September 2008	181,314
15 October 2011	11,292
11 April 2012	16,610

Since 30 June 2013, the following ordinary shares of Origin have been issued on the vesting and exercise of rights granted under the Senior Executive Performance Share Rights Plan and the Long Term Incentive Plan.

Date Rights granted	Number of shares issued
30 September 2008	1,699

Contact Energy Shares issued on the exercise of Options and Rights

No Contact Energy Options or Rights have vested during or since the end of the financial year and as a result no Contact Energy shares have been issued on the vesting and exercise of Options or Rights granted under the Contact Energy Long-Term Incentive Scheme.

10. Environmental regulation and performance

The Company's operations are subject to environmental regulation under Commonwealth, State and Territory legislation. For the year ended 30 June 2013, the Company's Australian operations recorded a number of environmental regulatory incidents. These include both incidents arising from Origin's own activities as well as those where Origin was the operator of a joint venture. All incidents were appropriately notified to regulators and resulted in only minor environmental impacts. On two occasions, the Company was issued fines according to the law. Since the end of the financial year, Origin has received a further fine for an incident which occurred during the reporting period. Appropriate remedial actions have been, or are being, undertaken in relation to all of these incidents.

11. Indemnities and insurance for Directors and officers

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

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

The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses to the extent allowed under law. The Company is not aware of any liability having arisen, and no claims have been made during or since the year ended 30 June 2013 under these agreements.

During the year, the Company has paid insurance premiums in respect of Directors' and officers' liability, and legal expense insurance contracts for the year ended 30 June 2013.

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

12. Auditor independence

There is no former partner or director of KPMG, the Company's auditors, who is or was at any time during the year ended 30 June 2013 an officer of the Origin Energy Group. The auditor's independence declaration (made under section 307C of the Corporations Act) is attached to and forms part of this report.

13. Non-audit services

The amounts paid or payable to the Origin Energy Group auditor KPMG for non-audit services provided by that firm during the year are as follows (shown to nearest thousand dollar):

1.	Accounting advice	\$199,000
2.	Taxation services	\$77,000
3.	Equity and debt transactional services	\$70,000
4.	Advisory Services - Contract Compliance	\$196,000
5.	Advisory Services - IT	\$88,000
6.	Other Assurance Services	\$97,000
7.	Other services	\$10,000

Further details of amounts paid to the Company's Auditors are included in Note 21 to the full financial statements.

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

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

14. Proceedings on behalf of the Company

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

15. Rounding of amounts

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

16. Remuneration

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



Origin Energy Operating and Financial Review For the year ended 30 June 2013

This report is attached to and forms part of the Directors' Report.

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

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

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

Certain other non-IFRS financial measures are also included in the reports. These non-IFRS financial measures are used internally by management to assess the performance of Origin’s business and make decisions on allocation of resources. Further information regarding the non-IFRS financial measures is included in the Glossary in Appendix 2 of this OFR. Non-IFRS measures have not been subject to audit or review.

Origin Energy Operating and Financial Review for the year ended 30 June 2013

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1. Financial and Operating Highlights

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (%)
Statutory Results:			
External revenue	14,619	12,935	13
Statutory Profit	378	980	(61)
Statutory earnings per share	34.6¢	90.6¢	(62)
Net items excluded from Underlying Profit	(382)	87	N/A
Underlying Results:			
Underlying Profit	760	893	(15)
Underlying earnings per share	69.5¢	82.6¢	(16)
Underlying EBITDA	2,181	2,257	(3)
Full year dividend per share – 50% franked (2012: 100% franked)	50.0¢	50.0¢	-
Ordinary shares on issue at period end (million shares)	1,098	1,090	1
Operating cash flow	1,642	1,822	(10)
Group OCAT	1,142	1,781	(36)
Group OCAT Ratio	6.4%	11.5%	(44)
Capital Expenditure	1,172	1,680	(30)
Origin's cash contribution to Australia Pacific LNG	561	1,167	(52)
Total recordable Injury Frequency Rate	6.7	7.9 ¹	(15)
Total Production (PJe) ²	82	83	(1)

- Statutory Profit of \$378 million down 61% primarily due to a loss on the movement in the fair value of financial instruments, increased expenditure on the Retail Transformation project and NSW Energy assets transition activities, lower benefit from Australia Pacific LNG related items and lower underlying performance in Energy Markets, partially offset by lower impairments.
- Capital expenditure decreased by 30% to \$1,172 million as Origin reduces spend in the existing business to focus on funding its shareholding in Australia Pacific LNG.
- Origin's cash contribution to Australia Pacific LNG decreased by 52% to \$561 million primarily due to Australia Pacific LNG having access to the proceeds of the second Sinopec equity issue and drawdown of project finance.
- Final dividend of 25.0 cents unfranked.
- Group OCAT of \$1,142 million down 36% due to lower Underlying EBITDA, higher tax paid in the current year and increased working capital.
- Total recordable injury frequency rate of 6.7 improved by 15%.

¹ TRIFR for the rolling 12 months to 30 June 2012 has been revised from the previously reported 8.0 to 7.9 due to retrospective data updates.

² Excludes Origin's share of production from Australia Pacific LNG.

2. Origin's business strategy

Origin supplies energy to wholesale and retail energy markets primarily in Australia and New Zealand and increasingly in the Asia Pacific region.

In supplying these markets, Origin's strategy is to invest in the contestable segments of energy production, power generation and energy retailing. This strategy is designed to provide opportunities to grow the value of the Company whilst allowing for the more effective management of the risks that arise across an increasingly competitive energy supply chain.

Origin pursues this strategy through its Energy Markets and Exploration & Production businesses in Australia and New Zealand, through its 53.1% interest in Contact Energy in New Zealand and a 37.5% interest in Australia Pacific LNG which is adding value to domestic gas resources by exporting LNG to energy markets in China and Japan.

Origin intends to grow its interest in energy production through the exploration and development of natural gas resources and is growing its investment in renewable energy through the development of wind, geothermal and hydro resources.

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

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

2.1 Regional leader in energy markets

Australia

Origin, through its Energy Markets and Exploration & Production business segments, has leading integrated operations in the energy production, generation and retail sectors of the Australian energy supply chain, comprising:

- a large and diverse legacy gas portfolio which, together with flexible gas transport arrangements, support a strong domestic gas production and supply business;
- Australia's largest generation portfolio of approximately 5,900 MW providing flexibility and diversity across fuel, generation type and geography; and
- the leading energy retailing position in Australia with approximately 30% market share of electricity and gas retail customer accounts in Australia's eastern and southern states, servicing over 4.3 million customers with a diverse portfolio of energy solutions including electricity, gas, LPG and green energy products.

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

Origin will continue to build on this integrated strategy to capture value through different parts of the energy supply chain, enhance the range of growth opportunities and manage risks. In particular, Origin's portfolio of legacy gas contracts set at previously low domestic prices enable value to be captured as wholesale gas prices continue to rise.

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

New Zealand

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

Contact Energy supplies electricity, gas and LPG to approximately 566,000 commercial and residential customers and has around a 23% share of the retail market³. Contact Energy owns and operates a generation portfolio of 2,218 MW across New Zealand and supplies approximately 25% of New Zealand's electricity needs⁴. Contact Energy uses a diverse fuel base of hydro, geothermal, gas and diesel and has a strategy of developing low cost baseload and flexible generation capacity so that it can cost effectively meet the energy requirements of its customers.

Origin's interest in Contact Energy, together with its leading integrated position in Australia, provides Origin with a geographically diverse business and a substantial presence in the Asia Pacific region.

2.2 Regionally significant position in natural gas and LNG production

Origin, through its LNG segment, holds a 37.5% shareholding in Australia Pacific LNG which owns extensive CSG reserves, predominantly in the Surat and Bowen basins in Queensland. Australia Pacific LNG has the largest 2P CSG reserves position in Australia of 13,382 PJe and is the largest producer of CSG in Australia producing 111 PJe in the 2013 financial year.

Australia Pacific LNG is developing a large-scale CSG-to-LNG project that will produce nameplate capacity of 9 million tonnes of LNG each year for export to supply the growing demand in Asia under long term supply contracts.

Origin is the upstream operator of Australia Pacific LNG and is responsible for the development of the CSG resources and the processing and transportation of gas to the LNG facility on Curtis Island. Origin is focused on the delivery of first LNG by Australia Pacific LNG in mid 2015.

As the upstream operator of Australia Pacific LNG, together with Origin's own existing gas operations, Origin has significant capabilities in natural gas production and has a substantial reserves position in the Asia Pacific region with 6,201 PJe of 2P Reserves⁵.

Origin intends to leverage existing capabilities in developing natural gas, in particular unconventional gas, to expand and build positions in energy markets both domestically and abroad. This includes the development of existing resource positions, such as Ironbark and Halladale/Black Watch, and the leverage of existing capabilities to grow an integrated position in other competitive markets in the Asia Pacific region where Origin can add value to gas opportunities through supply to domestic energy markets.

2.3 Growing position in renewable energy in the Pacific region

Both natural gas and renewable energy are expected to be the strongest growing fuels globally in the medium to longer term. On this basis, Origin is focused on growing its competencies in renewable energy to complement its position in natural gas.

Origin currently supports a significant renewable position through contractual wind off-take agreements, its ownership of a wind farm at Cullerin Range and the Shoalhaven pump storage scheme in Australia and geothermal and hydro generation owned by Contact Energy in New Zealand. Origin also has a number of wind development opportunities, most notably Stockyard Hill in Victoria, and geothermal and hydro development opportunities in Chile, Indonesia and Papua New Guinea. Origin will continue to build on its existing renewable portfolio and seek new opportunities where market structures provide attractive and sustainable value for renewable resources.

³ By electricity and gas customer accounts.

⁴ Based on New Zealand's total annual electricity generation for the year ended 30 June 2013.

⁵ Including hydrocarbon liquids. Includes Origin's 37.5% share of Australia Pacific LNG.

3. Review of Financial Performance

3.1 Underlying financial performance

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (%)
External revenue	14,619	12,935	13
Underlying EBITDA	2,181	2,257	(3)
Underlying depreciation and amortisation	(695)	(614)	13
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(48)	(45)	7
Underlying EBIT ⁶	1,438	1,598	(10)
Underlying net financing costs	(255)	(217)	18
Underlying Profit before tax	1,183	1,381	(14)
Underlying income tax expense	(339)	(415)	(18)
Non-controlling interests' share of Underlying Profit	(84)	(73)	15
Underlying Profit	760	893	(15)
Items excluded from Underlying Profit	(382)	87	N/A
Statutory Profit	378	980	(61)
Underlying earnings per share	69.5¢	82.6¢	(16)

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

External revenue

External revenue increased by 13% or \$1,684 million to \$14,619 million, principally in the Energy Markets segment reflecting higher tariffs driven by the pass through of costs relating to carbon and mandatory green schemes and increased network charges, partly offset by lower electricity volumes.

Underlying EBITDA

Underlying EBITDA decreased 3% or \$76 million to \$2,181 million, predominantly due to a lower contribution from Energy Markets, with reduced electricity volumes and compressed margins as a result of regulatory constraints and increased competition. This was offset by an increased contribution from Exploration & Production, driven by lower operating costs, insurance receipt and a reduced exploration expense, an increased contribution from Contact Energy due to higher levels of hydro generation, and lower net costs in the Corporate segment.

⁶ Refer to Glossary in Appendix 2.

The Underlying EBITDA contributions by business segment are presented in the following table:

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (%)
Energy Markets	1,333	1,562	(15)
Exploration & Production	395	322 ⁷	23
LNG	60	54 ⁸	11
Contact Energy	435	400	9
Corporate	(42)	(81)	(48)
Underlying EBITDA	2,181	2,257	(3)

Underlying depreciation and amortisation⁹

Underlying depreciation and amortisation increased by 13% or \$81 million to \$695 million. This was primarily due to 10 months of depreciation for the Mortlake Power Station (-\$29 million) and capital expenditure works in relation to Eraring Power Station (-\$10 million) and increased amortisation from the Otway and Bass basins (-\$32 million).

Underlying net financing costs

Underlying net financing costs increased by 18% or \$38 million to \$255 million, due to reduced capitalised interest (-\$77 million) predominantly associated with Mortlake Power Station being commissioned in August 2012, partially offset by lower average interest rates.

Underlying income tax expense

Underlying income tax expense for the year decreased by 18% or \$76 million to \$339 million. The Underlying effective tax rate was 29% in the current year and 30% in the prior year.

Underlying Profit

Underlying Profit decreased by 15% or \$133 million to \$760 million.

⁷ Restated from \$329 million to \$322 million due to internal change in composition of the LNG segment. Refer to Section 6.3.

⁸ Restated from \$47 million to \$54 million due to internal change in composition of the LNG segment. Refer to Section 6.3.

⁹ Refer to Glossary in Appendix 2.

Underlying Profit is derived from Statutory Profit and excludes the impact of certain items (described below) that do not align with the manner in which the Managing Director reviews the financial and operating performance of the business.

Reconciliation Year ended 30 June 2013 (\$ millions)	EBITDA	D&A	Share of ITDA	EBIT	Net financing costs	Tax	Non- controlling Interests	NPAT
Statutory equivalent measure	1,705	(695)	(51)	959	(456)	(42)	(83)	378
APLNG related items	192	-	(3)	189	(201)	108	-	96
Decrease in fair value of financial instruments	(342)	-	-	(342)	-	102	(3)	(243)
Impairment of assets	(70)	-	-	(70)	-	13	24	(33)
Other	(256)	-	-	(256)	-	74	(20)	(202)
Less total excluded items	(476)	-	(3)	(479)	(201)	297	1	(382)
Underlying measure	2,181	(695)	(48)	1,438	(255)	(339)	(84)	760
Underlying Basic EPS (cps)	69.5							

Items excluded from Underlying Profit:

Australia Pacific LNG related items (+\$96 million)

Australia Pacific LNG related items for the year comprise:

- a gain of \$358 million on the dilution of Origin's interest in Australia Pacific LNG from 42.5% to 37.5%. As the gain on dilution is not assessable income for tax, this drives a lower effective statutory tax rate of 8% in the current year.
- net financing costs of \$141 million post-tax incurred by Origin¹⁰.
- a \$116 million post-tax net foreign currency loss in relation to the funding and development of Australia Pacific LNG attributable to the impact of the depreciation of the Australian dollar on foreign-denominated debt held.
- a loss of \$20 million recognised for Origin's share of the foreign currency translation of the long-term tax balances within Australia Pacific LNG.
- a benefit of \$15 million being Origin's share of the unwinding of the discounted loans receivable within Australia Pacific LNG.

Fair value measurement of financial instruments (-\$243 million)

Although the fair value movements in Origin's financial instruments are included every financial period, the quantum of the movements is subject to significant volatility. During the current year, a net decrease in the fair value of financial instruments, primarily relating to those that represent economic hedges but do not qualify for hedge accounting, resulted in a post tax loss of \$243 million, including movements in electricity derivatives (-\$216 million) and cross currency derivatives (-\$17 million).

Impairment of assets (-\$33 million)

An impairment of \$26 million post tax and minority interests in relation to Contact Energy's portfolio of wind generation opportunities and certain land assets, as the current oversupply of capacity and lack of demand growth indicate little likelihood of development in the foreseeable future. Origin also recorded impairments of \$4 million post-tax due to the de-prioritisation of potential gas-fired generation developments and \$3 million post-tax in relation to the Surat permit.

¹⁰ Incurred by Origin in funding its investment in Australia Pacific LNG. The financing costs would otherwise be capitalised if the development project was held by Origin rather than via an equity accounted investment.

Other items (-\$202 million)

Other items comprise:

- Retail Transformation and NSW Energy assets transition costs (-\$168 million post-tax and minority interests)

Retail Transformation: Costs of \$103 million post-tax were incurred principally reflecting stabilisation activities undertaken following commissioning of the new SAP system. Included in Origin's expense was an amount of \$43 million post-tax for increased bad and doubtful debts associated with the Retail Transformation implementation as the systems and process implementation activity resulted in an increase in debtor ageing and a risk to debtor collectability. Origin also completed the full migration to an outsourced data centre over the period with \$26 million cost post-tax incurred.

NSW Energy assets transition costs: Origin also incurred \$65 million post-tax in transition costs related to the integration of the acquired NSW government energy business into Origin's existing business.

- Other items (-\$34 million) relating to:
 - o Costs of \$18 million post-tax were incurred during the year for corporate transactions activity including the recently announced acquisition of Eraring Energy.
 - o Gains of \$27 million post-tax and minority interests on asset sales undertaken by Contact Energy of its gas metering and certain land assets.
 - o Costs of \$24 million post-tax and minority interests in restructuring and redundancy related costs as part of Origin's announced restructuring initiative.
 - o Tax expense of \$19 million including a \$16 million de-recognition of the PRRT deferred tax benefit recorded in the prior year.

3.2 Final dividend - 25.0 cps unfranked

A final unfranked dividend of 25.0 cps will be paid on 27 September 2013 to shareholders of record on 2 September 2013. Origin shares will trade ex-dividend from 27 August 2013.

This will bring the total dividend attributable to the 2013 financial year to 50.0 cps in line with the prior year. However, the franking level for the year was 50% compared with 100% in the prior year, as the interim dividend of 25.0 cps was fully franked while the final dividend is unfranked.

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

The DRP will apply to this dividend. No discount will be applied in the calculation of the DRP price.

4. Review of cash flows

4.1 Statement of cash flows

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (\$m)	Change (%)
Cash and cash equivalents at the start of the period	357	724	(367)	(51)
Cash flows from operating activities	1,642	1,822	(180)	(10)
Cash flows used in investing activities	(1,515)	(2,626)	1,111	(42)
Cash flows (used in)/from financing activities	(188)	434	(622)	N/A
Net decrease in cash and equivalents	(61)	(370)	309	(84)
Effect of foreign exchange rates on cash	11	3	8	267
Cash and cash equivalents at end of the period	307	357	(50)	(14)

Cash flows from operating activities reflect the cash generated from Origin's operations and excludes investing and financing activities. Cash flows from operating activities of \$1,642 million were \$180 million down on the prior year, comprising -\$662 million in lower cash flows from the business partly offset by a +\$482 million¹¹ contribution from the sale of future oil and condensate production¹². The negative \$662 million movement includes higher tax payments (\$236 million), an increase in working capital requirements (\$178 million) and lower Underlying EBITDA (\$76 million) and a \$192 million cash outflow (\$111 million in the prior year) for items excluded from measuring Underlying Profit including the Retail Transformation, NSW Energy Assets Transition costs, Corporate Transaction costs, and expenditure on the restructuring program.

Cash flows used in investing activities primarily relate to capital and investment expenditure, which is discussed in more detail in Section 4.3.

Cash flows from financing activities include net cash flows relating to Origin's funding activities, including the payment of interest and dividends. Section 4.4 provides more details on Origin's funding initiatives during the year.

¹¹ Transaction value of US\$500m, less transaction fees and converted into Australian dollars.

¹² A summary of the Oil Sale Agreement is contained in Section 6.2.

4.2 Operating Cash Flow After Tax (OCAT)

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (\$m)	Change (%)
Underlying EBITDA	2,181	2,257	(76)	
Change in working capital	(298)	(120)	(178)	
Stay-in-business capex	(267)	(194)	(73)	
Share of APLNG OCAT less EBITDA	(34)	7	(41)	
Exploration expense	18	49	(31)	
NSW acquisition-related liabilities	(185)	(235)	50	
Other ¹³	2	56	(54)	
Tax paid	(275)	(39)	(236)	
Group OCAT¹⁴ (including share of APLNG)	1,142	1,781	(639)	(36)
Net interest paid	(436)	(366)	(70)	19
Oil Sale Agreement	482	-	482	
Free cash flow¹⁴	1,188	1,415	(227)	(16)
Productive Capital¹⁴	15,783	14,523	1,260	9
Group OCAT Ratio¹⁴	6.4%	11.5%	(5.1%)	(44)

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

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

Group OCAT decreased by 36% or \$639 million to \$1,142 million. This decrease was attributable to:

- A decrease in Underlying EBITDA of \$76 million;
- A \$178 million increase in working capital requirements compared with the prior year primarily due to:
 - o an increase from Energy Markets of \$80 million including an increase in debtors as a result of pass through of carbon and network cost increases; an increase in green certificate payments; offset by a benefit from the liability for carbon under the Commonwealth Government's Clean Energy Legislation, which will be settled in March 2014; and increased creditor balances; and
 - o an increase from Exploration & Production of \$115 million due to insurance proceeds receivable at 30 June 2013; the timing of commodity shipments; and timing of joint venture payments.
- A \$73 million increase in stay-in-business capital expenditure principally due to higher expenditure on Eraring Power Station and higher capital maintenance on Cooper Basin assets;
- A \$54 million decrease in Other balances driven by lower provisioning in the current year;
- A \$41 million decrease in share of APLNG OCAT less EBITDA driven by higher working capital requirements; and
- A \$236 million increase in tax paid, with \$20 million relating to Contact Energy and \$216 million due to timing differences arising on the payment of tax instalments which will reverse in 2014.

Partially offset by:

- A \$50 million decrease in the utilisation of non-cash provisions for transitional services agreements (TSAs) and onerous hedge contracts relating to the NSW acquisition.

¹³ The add-back of non-cash equity accounted profits excluding Australia Pacific LNG and movements in other provision balances are included within the "Other" line item.

¹⁴ Refer to Glossary in Appendix 2.

Net interest paid of \$436 million was \$70 million or 19% higher than the prior year reflecting higher average Net Debt balances relating to funding capital investments and commitment fees paid on undrawn committed debt facilities, principally to support Origin's investment in Australia Pacific LNG.

Free cash flow available for funding growth and distributions to shareholders decreased by 16%, or \$227 million, to \$1,188 million. Free cash flow for the year includes the \$482 million received in respect of the Oil Sale Agreement.

Productive Capital in the business, calculated on a 12-month weighted average basis, increased by 9% to \$15,783 million. Major assets contributing to this increase include the Mortlake Power Station which was commissioned in August 2012 and the Retail Systems implementation, which was included in productive capital from January 2012, capital expenditure in the Otway and Bass basins and increased working capital during the current year.

Following the reduction in Group OCAT and increase in productive capital, the Group OCAT ratio for the year ended 30 June 2013 was 6.4%, down from 11.5% for the year ended 30 June 2012.

4.3 Capital expenditure and Origin's cash contributions to Australia Pacific LNG¹⁵

Origin invested \$1,733 million in the business in the year, comprising \$1,172 million of capital expenditure and \$561 million of cash contributions to Australia Pacific LNG. This compares with \$2,847 million invested in the prior year.

Capital expenditure (including capitalised interest)

Total capital expenditure for the year was \$1,172 million, down 30% from \$1,680 million¹⁶ in the prior year.

Stay-in-business capital expenditure was \$267 million, up 38% from \$194 million in the prior year, primarily due to higher expenditure on Eraring Power Station and higher capital maintenance on Cooper Basin assets.

Growth capital expenditure was \$905 million compared with \$1,561 million in the prior year. This included expenditure of \$40 million or more in the following areas:

- Energy Markets – \$155 million in total, including:
 - o Mortlake Power Station – \$51 million;
- Exploration & Production – \$426 million in total, including:
 - o Otway Project – \$265 million;
 - o BassGas – \$59 million;
- Contact Energy – \$255 million in total, including:
 - o Te Mihi Power Station – \$176 million;
 - o Retail Transformation \$43 million; and
- Corporate – \$69 million in total, including IT and international development.

Capitalised interest of \$65 million in the current year was primarily associated with the Te Mihi Power Station, the Otway project and Mortlake Power Station. This compares with \$142 million of capitalised interest in the prior year which was primarily associated with Mortlake Power Station, Ironbark and Contact Energy projects.

¹⁵ The capital expenditure above is based on cash flow amounts rather than accrual accounting amounts, and includes growth and stay-in-business capital expenditure, capitalised interest and Origin's cash contributions (via loan repayments) to Australia Pacific LNG.

¹⁶ Includes \$75 million of cash received on settlement of NSW acquisition.

Origin's cash contributions to Australia Pacific LNG

Origin is required to contribute cash to Australia Pacific LNG (in proportion to its equity holding) where Australia Pacific LNG has insufficient cash from other sources to fund its shareholder approved activities. During the year, Origin contributed \$561 million to Australia Pacific LNG via loan repayments to fund its activities, compared to \$1,167 million in the prior year, also via loan repayments. Origin's total contribution to Australia Pacific LNG since the formation of the incorporated joint venture with ConocoPhillips is \$1,728 million.

4.4 Funding and capital management

Funding initiatives

During the year ended 30 June 2013, Origin undertook a number of funding initiatives, including a number of capital markets issuances, to lengthen debt maturities and improve its liquidity position.

In October 2012, Origin undertook a €500 million (US\$646 million) seven-year medium term notes issuance under its Euro Medium Term Note Program. The Notes have a coupon of 2.875% and will mature in October 2019. The proceeds have been swapped into US dollars.

In April 2013, Origin issued an additional €150 million (\$186 million) 10-year medium term note and a €750 million (approximately \$950 million) seven and a half year medium term note under the Euro Medium Term Note Program. The €150 million note will mature in 2023 and has a coupon rate of 3%. The proceeds were swapped to AUD at a fixed rate of 6.634%. The €750 million note will mature in 2020 and has a coupon rate of 2.5%. The proceeds were swapped into Australian dollars.

Origin also executed \$3.0 billion of bank loan refinancing during the year including a \$2.4 billion syndicated bank loan facility in October 2012.

In August 2013, Origin entered into a new \$7.4 billion bank loan facility to refinance all existing bank debt. The Company's standard banking terms, which date back to 2004, have been replaced with new terms which reflect the current scope, size and maturity of the business, providing financing flexibility for the longer term and further extending its debt maturity profile. The interest cost associated with this facility is in line with Origin's existing bank debt.

These initiatives assisted in diversifying Origin's funding portfolio in terms of currency, market and tenor, strengthening Origin's liquidity position and supporting Origin's funding commitments to Australia Pacific LNG. Origin either holds debt denominated in, or hedges debt to A\$, US\$ and NZ\$ to match the currency denomination of cash flow receipts and the functional currency of its various businesses.

Australia Pacific LNG signed project finance agreements for the US\$8.5 billion project finance facility during the second quarter of calendar year 2012 and commenced drawing on the facility in the fourth quarter of calendar year 2012. As at 30 June 2013, US\$5,532 million of the facility had been drawn.

Origin's remaining funding requirement for its 37.5% shareholding in Australia Pacific LNG for the period from 1 July 2013 to first production from both LNG trains is approximately \$4.1 billion¹⁷, based on current estimates, and after the drawdown of project finance and the payment of Sinopec's equity subscription on 12 July 2012.

This funding requirement will be met partly from Origin's free cash flow and from \$5.3 billion of existing liquidity comprising committed undrawn debt facilities and cash (excluding Contact Energy and bank guarantees as at 30 June 2013).

¹⁷ Partially via loan repayment.

Share capital

During the 2013 financial year, Origin issued an additional 8.4 million shares, raising a total of \$96 million. This included 7.1 million shares under the DRP which raised \$87 million, and 1.3 million shares issued as a result of the exercise of long-term employee incentives, which raised \$9 million.

As a consequence, the total number of shares on issue increased from 1,090 million at 30 June 2012 to 1,098 million at 30 June 2013.

The weighted average number of shares used to calculate basic EPS at 30 June 2013 increased by 12 million to 1,094 million from 1,082 million at 30 June 2012.

Net Debt¹⁸ and equity

Net Debt

Net Debt for the consolidated entity increased by 23% or \$1,287 million to \$6,809 million from \$5,522 million at 30 June 2012. The increase in net debt is primarily due to Origin's funding of Australia Pacific LNG (\$561 million), growth capital expenditure (\$905 million) and the fair value and foreign currency translation movements of debt (\$442 million), partially offset by cash flows from the existing business.

Equity

Shareholders' Equity¹⁸ increased by 2% from \$14,458 million at 30 June 2012 to \$14,794 million at 30 June 2013. The increase of \$336 million is predominantly due to the Statutory Profit before Non-controlling interests of \$461 million, \$341 of other comprehensive income (comprising foreign currency translation reserve (\$161 million), hedging reserve (\$73 million), and Non-controlling interests (\$104 million)) and \$96 million of share issuance, partially offset by \$546 million of dividends paid.

Gearing Ratio¹⁸

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

As at	30 June 2013	30 June 2012
Net Debt as reported (\$m)	6,809	5,522
Shareholders' Equity as reported (\$m)	14,794	14,458
Net Debt to (Net Debt + Shareholders' Equity)	32%	28%

4.5 Interest rates

Origin's Underlying average interest rate¹⁸ incurred on debt for the year was 6.1% compared with 7.4% for the year ended 30 June 2012. The lower Underlying average interest rate was primarily due to a reduction in the Australian dollar floating interest rate. Underlying net financing costs used to calculate the Underlying average interest rate include interest on Origin's Australian dollar, US dollar and New Zealand dollar debt obligations, Contact Energy's New Zealand dollar denominated debt, as well as commitment fees incurred on undrawn committed debt facilities associated with Origin's underlying business.

Interest incurred on drawn debt and commitment fees paid on undrawn committed debt facilities, which act to support Origin's future funding commitments to Australia Pacific LNG, are excluded from Underlying net financing costs (refer to Section 3.1) and from the interest rate quoted above. This amounted to \$141 million post-tax in the year, and would otherwise be capitalised except for Origin's investment in Australia Pacific LNG being equity accounted.

¹⁸ Refer to Glossary in Appendix 2.

As at 30 June 2013, Origin held cash and cash equivalents of \$307 million compared with \$357 million at 30 June 2012. This cash was invested at an average rate of 3.9% for the year.

Approximately 71% of Origin's consolidated debt obligations are fixed to 30 June 2014 at an average rate of 5.3% including margin.

5. Origin's Prospects for Future Financial Years

The following discussion of Origin's prospects for future financial years should be considered in conjunction with the risks associated with the achievement of those prospects outlined in section 7.

Origin's prospects in the short to medium term are driven by four key priorities:

- Improving the performance of the existing businesses;
- Delivering first LNG through Australia Pacific LNG in mid 2015;
- Managing funding and the balance sheet position; and
- Creating growth opportunities for the medium and longer term future.

5.1 Improving the performance of the existing businesses

Removal of controls on retail pricing reduces risk and improves earnings potential

In the 2013 financial year, margin compression occurred as a result of regulatory decisions, as the QCA pricing determination reduced the wholesale cost of energy allowance and higher than expected costs of wholesale energy were unable to be recovered in previously set tariffs.

In the 2014 financial year, the Queensland tariff determination recovers some of the adverse impact of wholesale cost increases not recovered in the 2013 financial year. Further, with the commencement of deregulation and opening up to full contestability in the South Australian market from January 2013 and the announcement of the proposed deregulation of the Queensland market from July 2015, Origin believes the future earnings potential of the business will not be limited by price controls.

Stabilising competitive environment reduces churn and improves margin outlook

In the 2013 financial year, competitive activity, market churn and discounts increased in all states, except Queensland. There are signs towards the end of the 2013 financial year that the competitive environment in some markets is moderating with churn and discount levels beginning to decrease which improves the outlook on margins in future years. Notwithstanding this, the lagged impact of high levels of discounting that are locked in with customers well into the 2014 financial year is expected to constrain Origin's ability to recover expected increases in wholesale energy costs and contribute to a delay in the recovery in earnings.

Implementation of retail systems and completion of NSW customer migration improves operating effectiveness and competitive capability

Origin has made investments in two major projects, the Retail Transformation Program and NSW Integration, to improve operational efficiency and enhance customer service. The implementation of Retail Transformation has been challenging which disrupted collection activity during the large scale migration of customers to the new SAP system in the 2012 financial year, and resulted in an increase in aged debt. Issues with the implementation of the billing processes on the SAP system led to late bills peaking at 180,000 in September 2012, which has created challenges in collection.

With the stabilisation of the SAP system, Origin is improving billing and collection performance evidenced by late bills returning to 24,000 at the end of June 2013 and an improvement in operating cash flow in the second half of the 2013 financial year.

The new SAP system will provide new capabilities in channel management and products and services provided to customers including on-line self-serve functionality and e-billing. Further, scale benefits from the early integration of Integral Energy NSW customers (completed in January 2013) and the final migration of Integral Energy and Country Energy (scheduled for October 2013) are expected to generate further improved performance and competitive capability.

Completion of investment to improve availability and capacity of upstream assets and additional gas contracting will benefit from increased demand for gas as LNG production commences

Origin expects to benefit from prior year investment in improving production and reliability of existing production assets resulting in an increased contribution from the Exploration & Production segment. In particular, the Otway Basin is expected to have an improvement in performance with the completion of the Geographe 2 well in July 2013, the Bass Basin is expected to benefit from a full year of production from Yolla 3 and Yolla 4, and the Cooper Basin as additional development wells come online.

Origin has also lengthened its gas contracting position with the entry into the gas purchase agreement with Beach Energy for up to 173 PJ of gas over 10 years from the 2015 financial year.

These initiatives will allow Origin to increase gas sales into a growing east coast gas market as the LNG industry commences production.

Completion of Contact Energy's investment in low cost and flexible generation and commissioning of HVDC interconnector reduces exposure to hydrology and improves reliability of earnings

Contact Energy is expected to benefit from the resolution of two issues that had previously impacted earnings. Transmission network upgrades that include the completion of an additional HVDC Inter-Island link will improve the connectivity of Contact Energy's generation and markets in the North and South islands and, the reduction in gas take-or-pay commitments will increase flexibility in the gas and generation portfolio. In addition, the completion of the Te Mihi geothermal power station will provide Contact Energy with additional lower cost generation.

Reduction in employee numbers, business restructuring and asset sales improve cash flow and reduces cost base

In the 2013 financial year, around 900 roles were removed across Contact Energy and the Energy Markets, Exploration & Production and Corporate business segments as part of a business restructuring program. A review of investment activities and assets also resulted in the discontinuation, sale and reduced spend in a number of businesses and assets. These business rationalisation activities will drive improved cash flow and reduce the cost base in future years.

5.2 Delivering the Australia Pacific LNG Project

A key focus for Origin is the delivery of Australia Pacific LNG's CSG to LNG project, with first LNG targeted in mid 2015. Prior to first LNG, Australia Pacific LNG's earnings will reflect growing sales to domestic markets and other LNG projects. The Australia Pacific LNG project will deliver a step change in Origin's earnings and cash flow from the 2016 financial year when the project is due to deliver LNG under its existing long-term contracts.

5.3 Managing the funding of Origin's investment in Australia Pacific LNG

Origin's remaining funding requirement for its 37.5% shareholding in Australia Pacific LNG for the period from 1 July 2013 to first production from both LNG trains is approximately \$4.1 billion.

To fund Origin's share of the investment in the Australia Pacific LNG project, Origin expects to continue to significantly reduce its committed capital expenditure on other projects, maximise cash flow from the existing business and extend the maturity profile of the debt position.

In the coming years, Origin expects the existing businesses to generate cash flow surplus to their ongoing business needs. This excess cash flow will be used to partly meet Origin's funding requirement to Australia Pacific LNG. The balance of Origin's funding requirement will be met by existing liquidity of \$5.3 billion, comprising committed undrawn facilities and cash (excluding Contact Energy and bank guarantees, as at 30 June 2013).

5.4 Creating growth opportunities for the future

Origin is progressing existing development opportunities to provide ongoing growth following the completion of the Australia Pacific LNG Project. This includes preparing existing gas and renewable energy opportunities to be ready for final investment decisions to be taken in the medium term, such as Ironbark and Halladale/Black Watch and the large-scale wind project at Stockyard Hill. Origin will continue exploration activities to increase its gas resource position including the planned well to be drilled in the Canterbury Basin in New Zealand. Controlled spend will continue to grow Origin's position in hydro and geothermal resources.

6. Review of Segment Operations

The Review of Segment Operations is a discussion on the underlying performance of each of Origin's business segments. The financial performance metrics and segmental discussion reflect the results of Origin's underlying business and therefore exclude a number of items to provide a different perspective of the financial and operating performance of the Origin business, consistent with the manner in which the Managing Director reviews the financial and operational performance of the business. Further non-IFRS measures, such as Gross Profit¹⁹, are utilised to explain segment performance. These measures are a component of the Segment Result¹⁹ and are defined in the Glossary in Appendix 2.

6.1 Energy Markets

Origin's Energy Markets business is an integrated provider of energy solutions to retail and wholesale markets in Australia and the Pacific. As well as being Australia's leading electricity, gas and LPG retailer, with 4.3 million customer accounts, Energy Markets operates Australia's largest and one of the most flexible and diverse generation portfolios, and continues to increase its product and service offerings to customers.

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (%)
Total Segment Revenue ¹⁹	12,018	10,250	17
Underlying EBITDA	1,333	1,562	(15)
Segment Result	1,038	1,317	(21)
Operating cash flow	812	1,141	(29)
Growth capital expenditure	155	592	(74)

- Underlying EBITDA down 15% or \$229 million to \$1,333 million as a result of reduced Electricity Gross Profit
- Origin's net Electricity and Natural Gas customer position reduced by 16,000 in the year to 30 June 2013 compared to a net reduction of 160,000 in the prior year
- Origin is now servicing 3.3 million customers on SAP, including Integral Energy NSW customers, with the final migration of Integral Energy and Country Energy customers scheduled for October 2013, a year ahead of schedule
- Mortlake Power Station was commissioned in August 2012 and is performing well with high availability and capacity factors during the period
- Since year end, Origin acquired the assets of Eraring Energy via a share acquisition and entered into an eight year coal supply agreement with Centennial Coal

Energy Markets' Operating Cash Flow for the year was down \$329 million or 29% to \$812 million compared to the prior year primarily due to a decrease in Underlying EBITDA. Late bills have reduced from a peak of 180,000 in September 2012 to 24,000 at June 2013, contributing to a \$212 million or 71% increase in Operating Cash Flow in the second half compared to the first half of the year.

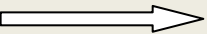
Energy Markets growth capital expenditure was reduced by 74% to \$155 million due to the completion of the upgrades at Eraring Power Station during the 2012 financial year, completion of Mortlake Power Station in August 2012 and reduced capital expenditure on the Retail Transformation.

Segment Result for Energy Markets was down 21% or \$279 million to \$1,038 million driven by a decrease in Underlying EBITDA and includes depreciation expense of \$287 million (up 21% from prior year) and share of ITDA of equity accounted investees of \$8 million.

¹⁹ Refer to Glossary in Appendix 2.

6.1.2 Segment financial performance

Summary Financial and Operational Performance

Year ended 30 June 2013	Natural Gas	Electricity	Non-commodity	LPG
Revenue (\$m) ^{20,21}	1,396 (+16%)	8,528 (+13%)	158 (-26%)	690 (-2%)
Cost of goods sold (\$m)	(1,128) (+16%)	(7,008) (+21%)	(109) (-39%)	(502) (-5%)
Gross Profit (\$m)	268 (+15%)	1,520 (-15%)	49 (+39%)	188 (+6%)
Total operating costs (\$m)	 (692) (+1%) 			
Underlying EBITDA (\$m)	1,333 (-15%)			
Underlying EBIT (\$m)	1,038 (-21%)			
Underlying EBIT Margin (%)	9.6% (June 2012: 13.6%)			
Volumes sold ²²	127 PJ ²³ (-1%)	42 TWh ²³ (-2%)	N/A	437 kT ²³ (-13%)
Period-end customer accounts ²⁴ ('000)	1,022 (+6%)	2,939 (-2%)	N/A	378 (-1%)
Average customer accounts ^{24,25} ('000)	992 (+5%)	2,953 (-5%)	N/A	378 (+3%)
Gross Profit per customer (average accounts, \$)	270 (+9%)	515 (-11%)	N/A	499 (+3%)
Underlying EBITDA per customer (average accounts, \$)	 324 (-14%) 			150 (+16%)
Underlying EBIT per customer (average accounts, \$)	256 (-20%)			74 (+23%)

The main drivers of the 15% reduction in Energy Markets Underlying EBITDA were lower Electricity Gross Profit (-\$277 million) and higher operating costs (-\$10 million), only partially offset by increased contributions from Natural Gas, Non-commodity and LPG (+\$59 million).

In Natural Gas, the reduction in external sales volumes was due to reduced sales in the C&I segment, however, more gas was used internally to support Origin's gas-fired generation portfolio, resulting in an increase in total gas volumes sold. An expansion of Gross Profit per gigajoule as a result of Origin's legacy gas position enabled an increase in Gross Profit of \$35 million.

In Electricity, Gross Profit decreased by \$277 million compared to the prior year primarily due to a 0.4 TWh decrease in overall electricity volumes (\$27 million) and compression in margin due to increased competition and increases in wholesale energy cost unable to be recovered in regulated tariffs (\$250 million).

In Non-commodity, despite reduced installations of rooftop solar photovoltaic (PV) systems, the growth in margin per solar PV panel increased Gross Profit by 39% or \$14 million.

In LPG, Gross Profit increased by 6% or \$10 million with active price management and foreign exchange gains more than offsetting the fluctuations in the procurement cost of LPG. Volumes in LPG reduced in the second half of the year following the cessation of the VitalGas joint venture.

²⁰ Energy Markets Total Segment Revenue includes pool revenue from the sale of electricity when Origin's internal generation portfolio, including Eraring and Shoalhaven power stations, is dispatched. These pool revenues, along with the associated fuel costs, are netted off in Electricity cost of goods sold.

²¹ Energy Markets Total Segment Revenue includes revenue from the sale of gas swaps to major customers at no margin. These revenues are netted off with the associated cost in Natural Gas cost of goods sold.

²² Does not include internal sales for Origin's gas-fired generation portfolio (year ended June 2013: 46PJ; year ended June 2012: 31.2 PJ).

²³ Refer to Glossary in Appendix 2.

²⁴ Customer account movement since 30 June 2012.

²⁵ Average Customer Accounts is calculated as the average of the month-end customer numbers for each month of the year.

Operating costs increased by \$10 million or 1% as a result of higher acquisition and retention costs, partially offset by savings from cost rationalisation activities, including the net reduction of 477 full-time equivalent (FTE) Electricity, Natural Gas, Non-commodity and LPG employees in the current period.

Origin's customer position improved from a net decrease of 160,000 Electricity and Natural Gas accounts in the prior year to a net decrease of 16,000 in the current year. A net gain of 7,000 customer accounts in the second half of the year, compared to a net loss of 23,000 customer accounts in the first half of the year, reflects improved customer acquisition and retention activity despite increased churn across the market.

As a result of the factors above, Energy Markets' Underlying EBIT margin declined from 13.6% in the 2012 financial year to 9.6%. This 4.0% margin compression included a 1.3% reduction from the introduction of the Federal Government's Clean Energy Package, the recovery of which increased revenue by approximately \$1 billion.

Natural Gas

Year ended 30 June	2013	\$/GJ ²⁶	2012	\$/GJ	Change (%)	Change (\$/GJ)
Volumes sold (PJ)	173		161		8	
C&I	88		91		(3)	
Mass Market	39		39		0	
Total external volumes	127		130		(2)	
Internal sales ²⁷	46		31		48	
Revenue (\$m)	1,396	10.9	1,203	9.3	16	1.6
C&I	542	6.2	500	5.5	8	0.7
Mass Market	854	21.1	703	18.0	21	3.1
Cost of goods sold (\$m):	(1,128)	(8.8)	(970)	(7.5)	16	(1.3)
Network costs	(563)	(4.4)	(513)	(4.0)	10	(0.4)
Gas procurement costs	(565)	(4.4)	(457)	(3.5)	24	(0.9)
Gross Profit (\$m)	268	2.1	233	1.8	15	0.3
<i>Gross Margin²⁶ (%)</i>	<i>19.2%</i>		<i>19.4%</i>		<i>(1)</i>	
Period-end customer accounts ('000)	1,022		963		6	
Average customer accounts ('000)	992		943		5	
Gross Profit per customer (average accounts, \$)	270		247		9	

Origin sold 173 PJ of Natural Gas during the year, up 8% on the prior year. Mass Market volumes were flat. Origin continues to increase its dual fuel penetration and leverage its incumbent electricity position in NSW, resulting in a 59,000 increase in Natural Gas customer accounts over the year. This was offset by lower average usage in Victoria and South Australia.

Natural Gas sales in C&I reduced, while following the commissioning of the Mortlake Power Station, more gas was used in the Generation portfolio in order to support Origin's Electricity business.

²⁶ Refer to Glossary in Appendix 2.

²⁷ Internal sales represent volume used in Origin's gas-fired generation portfolio.

Natural Gas mass market volumes by state are detailed in the table below:

Year ended 30 June (PJ)	2013	2012	Change (PJ)	Change (%)
NSW	5.2	3.8	1.4	37
Victoria	26.0	26.8	(0.8)	(3)
Queensland	2.1	2.2	(0.1)	(5)
South Australia	6.1	6.5	(0.4)	(6)
Mass Market	39.4	39.3	0.1	0

Natural Gas revenue increased by \$193 million or 16% to \$1,396 million. Higher tariffs, largely due to the pass through of carbon and increased network costs, resulted in a revenue increase of \$1.60/GJ. Natural Gas Gross Profit increased by 15% or \$35 million, primarily reflecting increased Gross Profit per gigajoule from \$1.80/GJ to \$2.10/GJ reflecting the diversity of Origin's gas supply portfolio. Gross Margin reduced from 19.4% to 19.2%, inclusive of a 1.7% reduction due to the pass through of carbon to Natural Gas revenues.

Electricity

Year ended 30 June	2013	\$/MWh	2012	\$/MWh	Change %	Change \$/MWh
Volumes sold (TWh)	42.3		42.7		(1)	
C&I	22.2		20.6		8	
Mass Market	20.1		22.1		(9)	
Revenue (\$m)	8,528	201	7,566	177	13	24
C&I	3,053	137	2,385	116	28	22
Mass Market	5,399	266	5,136	232	5	34
Externally contracted generation	76		45		69	
Cost of goods sold (\$m):	(7,008)	(165)	(5,769)	(135)	21	(30)
Network costs	(3,751)	(89)	(3,453)	(81)	9	(8)
Wholesale energy costs	(2,983)	(70)	(2,063)	(48)	44	(22)
Generation operating costs	(274)	(7)	(252)	(6)	9	(1)
Energy procurement costs	(3,257)	(77)	(2,316)	(54)	41	(23)
Gross Profit (\$m)	1,520	36	1,797	42	(15)	(6)
<i>Gross Margin (%)</i>	<i>17.8%</i>		<i>23.8%</i>		<i>(25)</i>	
Period-end customer accounts ('000)	2,939		3,014		(2)	
Average customer accounts ('000)	2,953		3,114		(5)	
Gross Profit per customer (average accounts, \$)	515		577		(11)	

Electricity Gross Profit

Electricity volumes declined by 0.4 TWh over the year to 42.3 TWh. While C&I volumes increased by 1.6 TWh or 8%, this was more than offset by reduced mass market volumes, which declined 2.0 TWh or 9%. The reduction in overall volume of 0.4 TWh resulted in a \$27 million decrease in Gross Profit.

The decline in Mass Market electricity volumes of 9% was largely attributable to customer losses resulting from increased competition in NSW during a period when Origin's customer acquisition and retention activities were inhibited due to the large-scale migration of customer accounts to SAP in the 2012 financial year. This resulted in average Electricity customer accounts being

161,000 lower than the prior period. In addition, the continuing penetration of solar PV and subdued demand for electricity as residential customers continue to closely monitor energy usage has resulted in a reduction in average residential usage per customer.

Increased market competition in the Small to Medium Enterprise segment (classified within Mass Market) resulted in the transfer of some large customers, and volumes, in the Mass Market segment to the commercial and industrial (C&I) segment at lower rates in order to retain these customers.

Mass Market electricity volumes by state are detailed in the table below:

Year ended 30 June (TWh)	2013	2012	Change (TWh)	Change (%)
NSW	9.8	10.9	(1.1)	(10)
Victoria	3.9	4.1	(0.2)	(4)
Queensland	5.5	6.2	(0.7)	(11)
South Australia	0.9	0.9	(0.0)	(4)
Mass Market	20.1	22.1	(2.0)	(9)

Tariffs in the mass market segment are set with a forward view of underlying energy costs. In NSW, Queensland and South Australia, the forward view of underlying energy costs is estimated by regulators in arriving at a tariff determination for a given financial year. In the current year, tariffs in these states were set in the final quarter of last financial year and took effect from 1 July 2012. The market has no ability to adjust these tariffs once fixed.

In the 2013 financial year, Electricity revenue increased by 13% (or \$24/MWh) to \$8,528 million, however cost of goods sold increased by 21% (or \$30/MWh) to \$7,008 million. While the increased revenue and cost of goods sold was largely due to the pass through of carbon and increased costs associated with mandatory green schemes and increased network charges, Origin experienced a margin compression of \$6/MWh as a result of increased competition and an inability to recover increases in the wholesale cost of energy in regulated tariffs.

The change in mix of electricity volume between Mass Market and C&I as a result of increased competition, net of mitigating pricing strategies, contributed \$1/MWh to the reduction in gross margins (\$40 million impact on Gross Profit). A further margin compression of \$5/MWh includes both the impact of the tariff determination in Queensland (\$2.60/MWh or \$110 million) and higher wholesale prices that occurred during the year but were not factored into the initial tariff setting (\$2.35/MWh or \$100 million).

The Queensland Competition Authority's tariff determination for the 2013 financial year reduced the wholesale energy cost allowance relative to the previous financial year by \$30/MWh. This was only partially offset by an increase in the allowable Retail margin of \$10/MWh, resulting in a reduction in Electricity Gross Profit, pre mitigating strategies, of \$110 million (or \$2.60/MWh across total volume).

Average electricity spot prices increased by approximately \$9/MWh as a result of reduced generation capacity across the National Electricity Market and extended periods of high prices in Queensland during the March Quarter. These events led to a significant increase in Origin's electricity costs as the wholesale portfolio typically carries a higher exposure to higher energy prices than to volatile energy prices, which are covered by Origin's flexible generation portfolio. These higher average prices were not factored into tariff decisions, including regulated tariff determinations, and therefore were unable to be recovered through the market, resulting in a reduction in Gross Profit of \$100 million (or \$2.35/MWh across total volume).

For these reasons, gross margin reduced from 23.8% to 17.8%. Included within the gross margin reduction is 2.5% relating to the impact of the pass-through of carbon to consumers on revenue.

Internal generation portfolio

Performance of the internal generation portfolio and externally contracted plant is summarised in the following table:

Year ended 30 June	Nameplate Plant Capacity (MW)	Equivalent Reliability Factor	Capacity Factor	Electricity Output (GWh)	Pool revenue (\$m)	Pool revenue (\$/MWh)
Base Load						
Eraring (Contracted)	2,800 ⁽¹⁾	94.5%	44%	10,739	595	55
Darling Downs	630	96.2%	51%	2,807	195	69
Peaking						
Mt Stuart	414	98.9%	2%	56	12	213
Uranquinty	640	99.6%	6%	338	24	71
Roma	74	99.9%	6%	37	5	136
Ladbroke Grove	80	99.1%	12%	90	10	113
Quarantine	216	99.3%	6%	144	19	132
Mortlake ⁽²⁾	550	97.8%	27%	1,307	86	66
Renewable						
Cullerin Range	30	100.0% ⁽³⁾	36%	96	5	52
Shoalhaven (Contracted)	240	84.3%	4%	85	9	106
Internal Generation	5,674	96.3%		15,699	960	61
Externally Contracted						
Bulwer Island ⁽⁴⁾	32	99.1%	65%			
Osborne ^(4,5)	180	99.2%	76%			
Worsley ⁽⁴⁾	120	99.5%	94%			
TOTAL	5,930					

(1) As at 1 August 2013, capacity was 2,880 MW following completion of the acquisition of Eraring Energy.

(2) Mortlake Power Station commenced commercial operation on 21 August 2012.

(3) Availability factor.

(4) Origin holds a 50% share.

(5) For Osborne, Origin holds a 50% share and contracts 100% of the output.

Energy Markets' internal generation portfolio continues to achieve high levels of availability and reliability, with an equivalent reliability factor²⁸ (ERF) of 96%. Eraring Power Station achieved an ERF of 95% during the year, despite a boiler issue in one of the units reducing availability for a six week period from mid October 2012.

Mortlake Power Station was integrated into the portfolio in August 2012 and is performing well. With reduced coal supply and increased energy prices in Victoria, the power station has been operating at a relatively high capacity factor of 27% with an ERF of 98%. Mortlake Power Station (cost of \$810 million excluding capitalised interest) adds 550 MW of peaking to intermediate capacity to Origin's portfolio.

Since year end, Origin agreed to acquire the assets of Eraring Energy via a share acquisition and entered into an eight year coal supply agreement with Centennial Coal. The acquisition of Eraring Energy's assets completed on 1 August 2013. These transactions provide additional generation and fuel flexibility to Origin's wholesale portfolio.

²⁸ Refer to Glossary in Appendix 2.

NSW Integration and Retail Transformation Program

In the 2013 financial year, Origin has undertaken two major and complex IT projects: the integration of the NSW energy business and the Retail Transformation Program (including completion of data centre migration).

NSW Integration

Following the NSW acquisition in March 2011, Origin had approximately 2.6 million customers being serviced on Origin's legacy systems and 1.6 million of NSW-acquisition customers serviced on government legacy systems. On acquisition, Origin was required to migrate the NSW-acquisition customers onto Origin systems over a four year period. Origin accelerated the Retail Transformation project to enable the integration of the acquired customers directly onto SAP. This has enabled the earlier migration of acquired customers onto SAP, with Integral Energy NSW customers migrated in January 2013 and the final migration of Integral Energy and Country Energy customers scheduled for October 2013, one year ahead of the original schedule.

Retail Transformation Program

Retail Transformation has been an essential program to transform all aspects of the Retail business to improve business process efficiency, optimise cost to serve and further enhance customer service. This has been achieved primarily through the implementation of one single integrated SAP billing and customer management system.

Origin is now servicing 3.3 million customers on SAP, including Integral Energy NSW customers which were transitioned in January 2013. Online self-serve functionality and e-billing capability was launched during the period, with penetration increasing each month. Also, the new system has enabled streamlining of call centre processes, improving the utilisation of call centre staff.

The implementation of Retail Transformation has been challenging and has impacted Origin's operational performance in both the prior and current financial years.

In the 2012 financial year, the four large-scale customer migrations onto SAP temporarily restricted customer acquisition and retention activity, at a time of increased competition in NSW, resulted in the loss of customer accounts. Origin has now stemmed the flow of losses, leading to a net increase in Electricity and Natural Gas customer accounts of 7,000 in the second half of the 2013 financial year.

During the 2013 financial year, issues with the implementation of the billing processes on the SAP system resulted in a delay in bills being issued to some customers. The number of late bills peaked in September 2012 at 180,000, which has created challenges in collection. Since then, these issues have been rectified and at June 2013, late bills were at 24,000.

Disruptions to collection activity during the implementation of Retail Transformation has caused an increase in aged debt, which has proved difficult to collect in the 2013 financial year.

The billing and collections issues have resulted in a higher bad and doubtful debt expense in the current year.

Operating costs

Year ended 30 June (\$ million)	2013	2012	Change %
Natural Gas, Electricity & Non-commodity operating costs	(561)	(551)	2
LPG operating costs	(132)	(131)	1
Total operating costs	(692)	(682)	1

Natural Gas, Electricity and Non-commodity operating costs (Cost to serve)

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

Year ended 30 June	2013	2012	Change	Change %
Natural Gas, Electricity & Non-commodity operating cost (excl. TSA unwind) (\$m)	(697)	(649)	(48)	7
TSA provision unwind (\$m)	136	98	38	39
Total Electricity, Natural Gas & Non-commodity cost to serve (\$m)	(561)	(551)	(10)	2
Maintenance costs (\$m)	(445)	(465)	20	(4)
Acquisition & retention costs (\$m)	(116)	(86)	(30)	35
Average customer accounts ('000)	3,946	4,057	(111)	(3)
Cost to serve (\$ per customer)	(142)	(136)	(6)	5
<i>Cost to maintain (\$ per average customer)</i>	(113)	(115)	2	(2)
<i>Cost to acquire/retain (\$ per average customer)</i>	(29)	(21)	(8)	39
<i>Cost per acquisition / retention²⁹ (\$ per win/retain)</i>	(79)	(73)	(6)	8

Cost to serve increased by 2% or \$10 million to \$561 million.

The increase in cost to serve was primarily due to higher acquisition and retention costs of \$30 million from increased customer acquisition and retention activities which resulted in an improved net customer position, partly offset by savings arising from operational improvements achieved during the year and lower expense on the TSAs.

Core operations continue to improve following the SAP migrations allowing Origin to commence cost rationalisation activities, resulting in a net reduction of 309 FTE employees during the year in Electricity, Natural Gas and Non-Commodity. This includes an increase of 120 FTEs associated with the Integral Energy migration, which replaces services provided under the Integral Energy TSAs.

Cost to serve was impacted by \$57 million of higher bad and doubtful debt expense as a result of higher tariffs and billing and collection issues experienced post-implementation of Retail Transformation.

The TSA provision unwind was \$136 million (\$98 million in the prior year), which is the amount by which Origin believed payments to the NSW government exceed the underlying cost to serve. This included an accelerated amount of \$45 million, which reflects the expected migration of the Country Energy customers (in October 2013) one year ahead of the original schedule. The early migration of these customers brings forward the end of the TSA, reduces cash expenditure previously anticipated in servicing these customers and, as a consequence, reduces the requirement for the provision associated with the TSA.

Natural Gas, Electricity and LPG customer accounts

The increased investment in acquisition and retention activity has improved the relative performance of Origin's Electricity and Natural Gas customer account movements. During the year, Electricity and Natural Gas customer accounts reduced by 16,000 compared to a 160,000 net reduction in the prior year. The net reduction of 16,000 customer accounts in the current year

²⁹ Cost per acquisition/retention = Acquisition and Retention Costs divided by the sum of customer wins (637,000; 545,000 prior year) and retains (841,000; 634,000 prior year). Retains have been restated from prior year to remove the impact of inter-entity transfers associated with the acquired NSW energy assets).

included a net loss of 23,000 in the first half and a net gain of 7,000 in the second half reflecting improved customer acquisition and retention activity.

In NSW, while Electricity customer accounts decreased by 55,000 during the year as increased levels of competition continued post-privatisation, these losses were offset by a 58,000 increase in Natural Gas customer accounts, reflecting increased dual fuel penetration and marketing efforts in NSW.

In Victoria, Origin lost 36,000 customer accounts during the period. Competition and churn in this market intensified following regulatory decisions in other states which had the effect of lessening competition, most notably in Queensland.

As at 30 June 2013, Origin held 1,067,000 dual fuel (Electricity and Natural Gas) customer accounts. Dual fuel accounts increased by 125,000 accounts during the financial year from 942,000 accounts at 30 June 2012.

Customer account movement from 30 June 2012 to 30 June 2013 ('000)

Customer Accounts	30 June 2013			30 June 2012			Change
	Electricity	Natural Gas	Total	Electricity	Natural Gas	Total	
NSW	1,370	215	1,585	1,425	157	1,582	3
Victoria	611	469	1,080	641	475	1,116	(36)
Queensland	793	140	933	795	130	925	8
South Australia	165	198	363	153	201	354	9
Total	2,939	1,022	3,961	3,014	963	3,977	(16)

As at 30 June 2013, Origin had 378,000 LPG customer accounts, down 4,000 on the prior year but up 4,000 from 374,000 in the first half of the 2013 financial year.

6.2 Exploration & Production

Origin has exploration and production interests in eastern and southern Australia, the Perth Basin in Western Australia and in New Zealand. Origin also has other international exploration interests in South East Asia, Kenya and Botswana. These activities are reported within Exploration & Production. Australia Pacific LNG activities are reported separately and discussed in Section 6.3.

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (%)
Total Segment Revenue	740	735	1
External Revenue ³⁰	582	583	(0)
Underlying EBITDA	395	322 ³¹	23
Segment Result	162	105	54
Operating cash flow	233	371	(37)
Growth capital expenditure	426	421	1

- Underlying EBITDA up 23% or \$73 million to \$395 million primarily due to lower operating costs of \$45 million and the Kupe insurance receipt of \$24 million
- Total operating costs down 11% from \$415 million to \$370 million, mainly due to reduced shutdown expenses and a significantly reduced exploration expense
- First gas delivered from the Geographe 2 well during July 2013 following completion of the drilling and commissioning phases of the project
- BassGas returned to full production in July 2013 following the successful completion of well workovers, and the earlier re-commissioning of Yolla platform for manned operations as part of the MLE (Mid Life Enhancement) project
- \$482 million received under agreements to sell a portion of future oil and condensate production from July 2015 for 72 months at a price linked to the oil forward pricing curve
- Origin continues to rationalise small assets including the suspension of gas operations at Kincora in Queensland and the oil operations at Jingemia in Western Australia as well as the announced agreement to dispose of the TAWN assets in New Zealand

Operating cash flow decreased by 37% or \$138 million to \$233 million due to an increase in working capital and an increase in stay-in-business capital expenditure, partly offset by the increase in Underlying EBITDA.

Exploration & Production growth capital expenditure increased by \$5 million or 1%.

Segment Result for Exploration & Production includes depreciation expense of \$233 million (up 7% from the prior year³²).

³⁰ The Exploration & Production Segment sells gas and LPG to the Energy Markets segment on an arm's length basis. Intersegment sales are eliminated on consolidation.

³¹ Restated from \$329 million to \$322 million due to internal restructure of LNG segment. Refer to Section 6.3.

³² Restated from \$224 million to \$217 million due to internal restructure of LNG segment. Refer to Section 6.3.

Financial Performance

Production, Sales and Revenue

Year ended 30 June	2013	2012	Change (%)
Total Production (PJe ³³)	82	83	(2)
Total Sales (PJe)	88	90	(3)
Commodity Sales Revenue (\$m)	701	700	0
Proved plus Probable (2P) Reserves (PJe) ³⁴	1,182	1,235	(4)

Origin's share of total production in Exploration & Production was down 1 PJe or 2% to 82 PJe. Increases in production from the Otway and Bass basins due to higher availability at both plants and following the completion of Phase 1 of the Yolla Mid Life Enhancement (MLE) were offset by the extended shutdown of BassGas for the MLE project and lower customer nominations at Kupe.

Sales volumes were also lower reflecting lower production together with lower sales from third party purchases. Of the total sales of 88 PJe, 33 PJe was sold internally to Origin, an increase of 15% on the prior year.

Total Segment Revenue was in line with the prior year. Commodity revenue (which excludes tolling revenue) of \$701 million is also in line with the prior year with higher commodity prices partly offset by a 3% decrease in sales volumes. Revenue per unit of sales of \$7.98/GJe represented an increase of \$0.23/GJe, or 3%, on prior year.

Further information regarding production, sales volumes and revenues is provided in Origin's June 2013 Quarterly Production Report, available at www.originenergy.com.au.

Operating costs

Total operating costs including exploration expense declined by 11% on the prior year, from \$415 million to \$370 million. Expenses excluding exploration costs decreased by 4% to \$352 million, as detailed in the table below.

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change %
Cost of goods sold	(117)	(100)	17
Stock movement	4	5	(16)
Royalties, tariffs and freight	(56)	(62)	(9)
General operating costs	(183)	(209)	(13)
Expenses	(352)	(366)	(4)
Exploration	(18)	(49)	(64)
Total operating costs	(370)	(415)	(11)

Cost of goods sold increased by 17% to \$117 million in the year, primarily due to an increase in Origin's liability relating to the Commonwealth Government's carbon price mechanism and an increase in third party purchases in the Cooper Basin.

General operating costs decreased by 13% or \$26 million to \$183 million in the year. Routine general operating costs were \$5 million lower primarily due to the shut-in of operations in the

³³ Refer to Glossary in Appendix 2.

³⁴ Excludes Origin's share of Australia Pacific LNG reserves. However, if you include Origin's share of Australia Pacific LNG, then Origin's 2P Reserves decreased from 6,807 PJe to 6,201 PJe, or 9%, which includes Origin's dilution in Australia Pacific LNG from 42.5% to 37.5%.

Surat and Perth basins. Non-routine general operating costs were \$17 million lower than the prior year primarily due to non-recurring costs in the prior year.

Origin's general operating costs per unit of production decreased by \$0.28/GJe, or 11%, compared with the prior year to \$2.24/GJe.

For the current year, exploration expense was \$18 million, comprising the write-off of exploration expenses incurred to 30 June 2013 from the Vietnam well net of the benefit of, the divestment of Origin's interest in Vietnam from 100% to 45%, which resulted in the recovery of past costs under the farm-out agreement, and other general exploration costs across other permit areas.

Underlying depreciation and amortisation charges were 7% higher than the prior year at \$233 million, primarily due to increased production from the Otway gas field and additional subsea development costs, higher depreciation from BassGas assets following the completion of Phase 1 of the Yolla MLE Project and higher downhole development costs associated with an increase in field reserves in the Cooper Basin.

During the year, Origin entered into agreements to sell a portion of its future oil and condensate production over a 72 month period commencing July 2015, at a price linked to the oil forward pricing curve. Upon entry into the agreements, Origin received \$482 million³⁵. The production being sold will be sourced from Origin's east coast and New Zealand portfolio, and represents around 35% of Origin's current oil and condensate 2P reserves, excluding Australia Pacific LNG.

Reserves

The 2P Reserves attributable to Origin across its areas of interest (excluding its shareholding in Australia Pacific LNG) decreased by 4% or 53 PJe to 1,182 PJe³⁶ at 30 June 2013. Significant changes in 2P Reserves excluding production were recorded for Cooper Basin (+29 PJe), and Ironbark (-13 PJe).

Origin undertakes a full assessment of its reserves on an annual basis at the end of the financial year. A full statement of reserves attributable to Origin at 30 June 2013 is included in Origin's Annual Reserves Report released to ASX on 31 July 2013 and available on Origin's website at www.originenergy.com.au.

Operations

Australia

Origin's Australian operations include producing assets in the Bass and Otway basins off the south coast of Victoria, Surat Basin in south east Queensland, the Cooper Basin in central Australia and the Perth Basin in Western Australia. Collectively, these assets produced 65 PJe net to Origin during the year, which was in line with production for the prior year.

In the Bass Basin, the Yolla platform and both Yolla 3 and Yolla 4 wells returned to full production in July 2013 following the completion of the accommodation stage of Phase 1 of the Yolla Mid Life Enhancement project and successful well workovers. The timing of installation of the export compression and condensate pumping modules will be assessed by the joint venture following the planned drilling of two wells late in the 2014 financial year, the timing of which is subject to rig availability.

In the Otway Basin, first gas was delivered from the Geographe 2 well during July following the completion of the drilling and commissioning phases of the project. The development of

³⁵ Transaction value of US\$500 million, less transaction fees and converted into Australian dollars.

³⁶ The statements in this Operating and Financial Review relating to reserves and resources as at 30 June 2013 for the Ironbark asset are based on information in the Netherland, Sewell & Associates, Inc. (NSAI) report dated 29 July 2013, compiled by Mr. John G. Hattner, a full-time employee of NSAI. Mr. John G. Hattner has consented to the statements based on this information, and to the form and context in which these statements appear. The statements in this document relating to reserves and resources for other assets have been compiled by Andrew Mayers, a full-time employee of Origin. Andrew Mayers is qualified in accordance with ASX listing rule 5.11 and has consented to the form and context in which these statements appear.

Geographe 2 enables the production from Otway gas plant to be maintained subject to demand. The Stena Clyde rig was demobilised in February 2013 with completion of the Geographe 3 well being deferred to a later campaign.

New Zealand

In New Zealand, Origin participates in production from both offshore (Kupe Project) and onshore assets in the Taranaki Basin, and has interests in exploration permits in the Canterbury. Origin's share of production from these assets was 16 PJe, a decrease of 8% on the prior full year due to lower gas customer nominations.

The pilot project to appraise the potential for secondary waterflood recovery of oil reserves from the Manutahi field was commissioned and brought into production during the year.

In the Canterbury Basin, drilling of the Caravel-1 well is scheduled for the second half of the 2014 financial year.

6.3 LNG

The LNG segment includes Origin's equity accounted share of the results of Australia Pacific LNG Pty Ltd, and the financing costs, foreign exchange gains and losses and tax associated with Australia Pacific LNG. As a result of an internal change in the composition of the LNG segment during the current year, the LNG Segment also contains Origin's activities and transactions arising from its operatorship of the Australia Pacific LNG upstream activities previously reported in the Exploration & Production segment. The comparative numbers for 2012 have been restated. Origin's shareholding in Australia Pacific LNG at 30 June 2012 was 42.5%. On 12 July 2012, completion of Sinopec's increased share subscription in Australia Pacific LNG from 15% to 25% resulted in a dilution of Origin's shareholding to 37.5% and a gain on dilution of \$358 million. Origin's shareholding at 30 June 2013 was 37.5%.

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

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (%)
Total Segment Revenue	-	-	-
Underlying EBITDA	60 ³⁷	54 ³⁸	11
Segment result	5	14	(64)
Origin share of operating cash flow	28	54	(48)
Origin cash contribution to Australia Pacific LNG ³⁹	561	1,167	(52)

- Underlying EBITDA increased by \$6 million to \$60 million primarily reflecting higher domestic gas sales and production, offset by Origin's reduced shareholding in Australia Pacific LNG.
- Progress on the Upstream component of the Australia Pacific LNG Project is 45% complete and the Downstream component is 45% complete.

Operating cash flow decreased 48% to \$28 million due to Origin's reduced shareholding in Australia Pacific LNG and the timing of receipts under domestic take-or-pay arrangements.

Origin's cash contribution to Australia Pacific LNG decreased by 52% to \$561 million primarily due to Australia Pacific LNG having access to the proceeds of the second Sinopec equity issue and drawdown of project finance and Origin's reduced shareholding in Australia Pacific LNG.

Segment Result for LNG includes depreciation expense of \$16 million (\$7 million in the prior year⁴⁰) and share of ITDA expense of \$39 million (up 18% on prior year).

³⁷ Some of the costs incurred by Origin as Upstream Operator come through as depreciation but are recovered from Australia Pacific LNG at the Underlying EBITDA level. This amounted to \$16 million in the current year (\$7 million, prior year).

³⁸ Restated from \$47 million to \$54 million due to internal change in the composition of the LNG segment.

³⁹ Via loan repayment.

⁴⁰ Restated from nil to \$7 million in the prior year due to the internal change in the composition of the LNG segment.

Australia Pacific LNG financial performance (100% basis)

Production, Sales and Revenue

Operating Performance	Total APLNG (PJe) Year ended 30 June 2013	Origin share (PJe) Year ended 30 June 2013	Total APLNG (PJe) Year ended 30 June 2012	Origin share (PJe) Year ended 30 June 2012
Production Volumes	111	42	108	47
Sales Volumes	119	45	115	50

Total Australia Pacific LNG production increased 3 PJe or 3% to 111 PJe mainly due to increased production at Kenya (QGC) (+ 4PJe).

Severe wet weather was encountered during the March Quarter which impacted existing field production. Mitigation plans were implemented in the March and June quarters to bring production back online to meet domestic demand while third party purchases were delivered to meet the production shortfall in the interim.

Further information regarding production, sales volumes and revenues is provided in Origin's June 2013 Quarterly Production Report, available at www.originenergy.com.au.

Financial performance⁴¹

Financial performance (\$ million)	30 June 2013		30 June 2012	
	100% APLNG	Origin share ⁴²	100% APLNG	Origin share ⁴³
Operating revenue	398		362	
Operating expenses	(280)		(251)	
Underlying EBITDA	118	44	111	47
D&A expense	(122)		(93)	
Net financing income	6		6	
Income tax benefit	10		10	
Underlying ITDA	(106)	(39)	(77)	(33)
Underlying Result	12	5	34	14

Australia Pacific LNG's revenue increased by \$36 million or 10% to \$398 million due to a 3% or 4 PJe increase in sales volumes to 119 PJe, coupled with higher average gas prices compared to the prior year. Removing the impact of the carbon price pass through in the current year of \$15 million, revenue increased by 6% compared to the prior year.

Australia Pacific LNG's operating expenses increased by 12% or \$29 million to \$280 million, reflecting an increase in gas purchases in line with higher sales volumes, additional costs for compliance and regulatory activities and the carbon price mechanism. Removing the impact of the carbon price in the current year, operating expenses increased by 6% or \$14 million.

Australia Pacific LNG's depreciation and amortisation expenses increased by 31% or \$29 million due to an increase in assets in operation compared to the prior year. Underlying net financing income remained in line with the prior year at \$6 million.

⁴¹ This table reflects Australia Pacific LNG's financial performance on 100% basis. The difference between Origin's share of Underlying EBITDA in this table and the Underlying EBITDA for LNG is \$16 million of depreciation in the current year (\$7 million, prior year).

⁴² Reflects Origin's 42.5% share in Australia Pacific LNG until 12 July 2012 at which time this was diluted to a 37.5% share, and remained at that level at 30 June 2013.

⁴³ Reflects Origin's 50% share in Australia Pacific LNG until 9 August 2011 at which time this was diluted to a 42.5% share, and remained at that level at 30 June 2012.

Segment Result (Origin share)

LNG recorded an Underlying EBITDA of \$60 million compared with \$54 million in the prior year⁴⁴, an increase of 11%. This primarily reflected higher domestic gas sales and production, offset by Origin's reduced shareholding in Australia Pacific LNG.

Origin's share of Underlying Profit of Australia Pacific LNG decreased from \$14 million in the prior year to \$5 million in the current year due to Origin's reduced shareholding in Australia Pacific LNG and Origin's higher share of ITDA driven by the higher depreciation and amortisation expenses in Australia Pacific LNG.

Reserves

Australia Pacific LNG increased 2P Reserves from 13,111 PJe at 30 June 2012 to 13,382 PJe at 30 June 2013, with 3P Reserves increasing from 16,047 PJe to 16,155 PJe⁴⁵. The overall increase in 2P Reserves of 271 PJe included additions and revisions totalling 382 PJe, together with production of 111 PJe.

Origin's shareholding in Australia Pacific LNG was 42.5% at 30 June 2012 and was diluted to 37.5% on 12 July 2012. The tables below shows Origin's net share of reserves and resources reflective of this change. At a 2P Reserves level Origin's share of reserves has decreased by 554 PJe including production to 5,018 PJe.

Origin Share of Reserves

Reserves	Reserves at 30-Jun-12 (42.5%)	Divestment of 5% to Sinopec (12/7/12)	Other Additions and Revision	Production	Reserves at 30-Jun-13 (37.5%)
2P	5,572	(656)	143	(42)	5,018
3P	6,820	(802)	82	(42)	6,058

Resources	Resources at 30-Jun-12 (42.5%)	Divestment of 5% to Sinopec (12/7/12)	Other Additions and Revision	Production	Resources at 30-Jun-13 (37.5%)
2C	1,626	(191)	(68)	-	1,367

Australia Pacific LNG Project

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

On 20 January 2012, Sinopec agreed to purchase an additional 3.3 million tonnes per annum of LNG through to 2035 under its existing sale and purchase agreement with Australia Pacific LNG. On

⁴⁴ Restated from \$47 million to \$54 million due to internal restructure.

⁴⁵ The June 2013 assessment of Australia Pacific LNG's CSG reserves and resources has been prepared by internationally recognised petroleum consultant Netherland, Sewell & Associates, Inc. (NSAI) as per their report dated 25 July 2013, compiled by Mr John G. Hattner, a full-time employee of NSAI. Mr John G. Hattner is qualified in accordance with ASX listing rule 5.11 and has consented to the statements made based on this information, and to the form and context in which these statements appear. The Reserves Statement has been prepared to be consistent with the Petroleum Resources Management System 2007 published by Society of Petroleum Engineers (SPE). This document may be found at the SPE website spe.org/spe-app/spe/industry/reserves/prms.htm

A factor of 1.038 petajoules per billion cubic feet of gas was used in the conversion of volumetric petroleum product measures to the energy measure of petajoules.

Origin's interests in exploration and production tenements (held directly or indirectly) may change from time to time and some of Australia Pacific LNG's CSG tenements are subject to commercial arrangements under which, after the recovery of acquisition, royalty, exploration, development and operating costs, plus an uplift on exploration, development and operating costs, a portion of some of the interests may revert to previous holders of the tenements. Origin has assessed the potential impact of reversionary rights associated with such interests based on economic tests consistent with these reserves and based on that assessment does not consider that reversion will impact the reserves quoted within this report.

29 June 2012, Australia Pacific LNG and The Kansai Electric Power Company signed an agreement for the sale and purchase of approximately 1 million tonnes of LNG per year for approximately 20 years. The above Sinopec and Kansai agreements completed the marketing of Australia Pacific LNG's two train project.

Project performance and key milestones

At the end of June 2013, the Upstream Project was 45% complete and the Downstream Project was 45% complete, and based on overall progress of work completed to date and the project plan to completion, is on track to accomplish the key milestones of first LNG from Train 1 in mid-2015 and first LNG from Train 2 in late 2015.

Key accomplishments

Upstream - Operated

The following table reports progress against the Upstream Project key goals and milestones Origin outlined in its December 2012 half year Management Discussion and Analysis:

Upstream goal (February 2013)	Actual progress (as at June 2013)
Drilling: 320 wells drilled	Accomplished: 343 wells have been drilled. Well drilling progress has been solid despite severe weather events during the March Quarter. Land access is well advanced for all workfronts. Three Savanna hybrid coil rigs and two conventional Ensign rigs were operational at the end of June 2013.
Gathering: 100 diameter-kilometres of gathering line installed (equivalent to 170 wells)	Accomplished: 161 diameter-kilometres of gathering line installed (equivalent to 273 wells). All Phase 1 operated wells locations have been 'scouted' (land surveys, environmental studies, flow-line routes etc.)
Facilities: Eastern gas field facilities 70% complete (related to Train 1)	Not accomplished: 63% complete. The first compression train at Condabri Central is behind schedule due to severe weather events in the March Quarter and execution challenges. However, this will not impact the project critical path. Condabri train 1 is forecast to be complete in October 2013. The Condabri Central flare, ponds and gathering infrastructure are complete, enabling field commissioning to progress ahead of the completion of the compression facility.
Western gas field facilities 15% complete (related to Train 2)	Accomplished: 32% complete at the end of June. Good progress on module fabrication, equipment deliveries and civil works in the Western gas fields
Pipeline: Main pipeline from Condabri to Gladstone 50% complete	Accomplished: 73% complete with 143 kilometres installed (lowered in and backfilled) and 212 kilometres welded. The Condabri Lateral is complete and final testing is underway. Construction activity has commenced on the Woleebee Lateral and work on the Narrows Crossing is progressing on track. Land access for the main pipeline and laterals has been secured.

Upstream - QGC-operated

355 development wells were drilled during the year in ATP 620 & ATP 648 with 137 of these drilled in the June Quarter. As at June 2013, approved development in the tenements in which Australia Pacific LNG is a participant is more than 50% complete. Construction of the Kenya Water Treatment Plant (near Chinchilla) is close to completion and is scheduled to commence operation before September 2013. The first field compressor station in the ATP 648 development has reached mechanical completion and is due to be commissioned before the end of December 2013.

Upstream - GLNG-operated

66 development wells were drilled during the year. As at June 2013, Fairview had 166 wells online, which were continuing to be turned down and dewatered ahead of the two hub/nodal compressor stations 4 and 5 coming online, which are under construction. Powerlink has been contracted to provide high voltage electrical infrastructure to the Fairview field for the electrification of well site facilities and nodal compressors.

Downstream

The following table reports progress against the Downstream Project key goals and milestones Origin outlined in its December 2012 half year Management Discussion and Analysis:

Downstream goal (February 2013)	Actual progress (June 2013)
First compressors delivered to site in Q3 (FY2013)	Accomplished: All LNG compressors (methane, ethylene and propane) for Train 1 were delivered.
First LNG modules delivered to site in Q3 (FY2013)	Accomplished: The first modules were received at Curtis Island and set on their foundations, and as at the end of June 2013 three barges of modules had been delivered, with another arriving during July 2013.
Set first refrigeration compressor (Q4, FY2013)	Accomplished
Set train 1 gas turbine generators (Q4, FY2013)	Accomplished: Train 1 gas turbine generators were set on their foundations.
LNG tanks 35% complete (Q4, FY2013)	Accomplished: The raising of the roof occurred on the first LNG tank in June 2013, one month ahead of schedule and the second tank's roof raising was completed in July 2013, ahead of schedule.

Key Project goals and milestones for the first half of the 2014 financial year

Upstream Operated	FY2014 Plan	Downstream	FY2014 Plan
First gas and water production from Condabri Central (eastern area)	Q1	Final Train 1 refrigeration compressor set	Q1
500 wells drilled	Q2	Accommodation camp complete	Q1
295 diameter-kilometres of gathering line installed (equivalent to 500 wells)	Q2	Complete Train 2 compressor table tops	Q2
Condabri Central Train 1 commissioned	Q2	Complete loading platform for LNG jetty	Q2
First gas and water production from Reedy Creek (western area)	Q3	First Train 1 cold boxes (methane and ethylene) delivered to site and set	Q2
Main pipelines complete	Q3	Last Train 1 Module set	Q3

Capital expenditure and funding

The table below details Australia Pacific LNG capital expenditure (100% basis) for the year and cumulative to 30 June 2013.

APLNG Capital Expenditure (100% basis) A\$ million		Year to 30 June 2013	Cumulative from FID 1 to June 2013
Project costs	Operated – Growth	7,043	11,266
	Non-Operated – Growth	800	1,231
		7,843	12,497
Capitalised O&M costs	Operated – Growth	317	
		317	
Domestic costs	Operated – Stay In Business	174	
	Non-Operated – Growth	379	
		553	
Exploration costs	Operated	186	
	Non-Operated	35	
		221	
Total		8,934	
Origin cash contribution		561	1,728

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

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

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

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

During the year, Origin contributed \$561 million to Australia Pacific LNG via loan repayments to meet its share of Australia Pacific LNG capital expenditure not otherwise met by cash available to Australia Pacific LNG. Origin made cash contributions of \$1,167 million in the 2012 financial year. Origin has made total cumulative cash contributions of \$1,728 million at 30 June 2013.

During the year, all conditions precedent were satisfied for the US\$8.5 billion project finance facility obtained by Australia Pacific LNG. The total amount drawn down by Australia Pacific LNG during the year was US\$5,532 million. Capitalised interest of US\$147 million has been recognised during the year attributable to the funding utilised from the project finance facility.

6.4 Contact Energy

This segment reports the results of Origin's 53.1% owned controlled entity, Contact Energy, which is a natural gas, electricity, LPG and energy related products and services provider and power generator in New Zealand. Origin held a 53.0% interest in Contact Energy at 30 June 2012. The segment also includes Origin's interest and tax relating to borrowings for the investment in Contact Energy.

Financial Performance

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (%)
Total Segment Revenue	2,019	2,102	(4)
Underlying EBITDA	435	400	9
Underlying Net financing costs	(65)	(67)	(3)
Underlying Income tax expense	(60)	(51)	18
Segment Result	73	60	22
Operating cash flow	373	297	26
Capital expenditure	255	402	(37)

- Underlying EBITDA up 9% to \$435 million due to a lower cost of generation with hydro displacing more expensive thermal generation and lower carbon and gas costs
- Divestment of non-core gas metering assets and certain land assets offset by the impairment of Contact Energy's portfolio of wind generation opportunities and certain land assets
- Te Mihi continues in commissioning phase with completion expected in the first half of the 2014 financial year
- Retail Transformation project progressing toward 'go-live' at the end of the 2013 calendar year

Operating cash flow increased by 26% to \$373 million primarily due to improvements in Underlying EBITDA, a favourable working capital movement driven by lower wholesale prices and stored gas extractions and lower stay-in-business capital expenditure.

Growth capital expenditure decreased 37% to \$255 million primarily due to the Te Mihi development entering a less cash intensive phase post-completion of the majority of physical works in the 2012 financial year.

Segment Result includes depreciation and amortisation expense of \$156 million, net financing costs of \$65 million, income tax expense of \$60 million and non-controlling interests of \$81 million.

Operational Performance

Year ended 30 June	2013	2012	Change (%)
Total generation volume (GWh)	9,879	9,929	(1)
Retail electricity sales (GWh)	8,277	8,280	0
Gas sales (retail and wholesale) (PJ)	4.7	4.8	(2)
LPG sales (kT)	68,061	65,715	4
Electricity customers ('000)	439.5	443.5	(1)
Gas customers ('000)	61.5	62.5	(2)
LPG customers (including franchisees) ('000)	65.0	61.5	6
Total customers ('000)	566.0	567.5	0

In consolidating Contact Energy's results, Origin used an average exchange rate of NZ\$1.25 to the Australian dollar, compared with NZ\$1.28 to the Australian dollar in the prior year.

During the year, Contact Energy continued its programme of selling non-core assets, completing the sale of its gas metering business to Vector for NZ\$60 million, the sale of the New Plymouth power station site in two separate transactions for a price of NZ\$24 million and the sale of surplus land for NZ\$31 million. Following a full assessment of its generation development opportunities, Contact Energy has impaired its portfolio of wind generation opportunities and some land assets (-A\$26 million excluded from Origin's Underlying Profit) with the decision to exit the Hauāuru mā raki (HMR) development and to not proceed in the foreseeable future with the Waitahora project. The impact of the gains on asset sales and impairment expense results in a net gain of A\$1 million post-tax and minority interests, recorded outside of the Segment Result.

The commentary below relates to Contact Energy's performance in New Zealand dollar terms. In January 2013, Contact Energy announced a revised segment structure to simplify the reporting of the relationship between the generation and retail operations. Retail and wholesale gas are now integrated into the Electricity segment which is now called the "Integrated Energy" segment. The "Other" segment includes the contribution of the LPG and meters business.

Contact Energy's Underlying EBITDA increased by 6% or NZ\$32 million to NZ\$541 million.

The Integrated Energy segment grew strongly, with Underlying EBITDA up 7% or NZ\$33 million to NZ\$502 million. The year was characterised by fluctuating hydrology with a resultant impact on electricity wholesale prices. Contact Energy's increasingly flexible fuel and generation portfolio, with diversity of fuel resources and reduced take-or-pay obligations in gas, was able to respond to changing market conditions with a resultant NZ\$2/MWh reduction in net purchase cost.

Contact Energy's retail electricity and gas sales volumes were stable, at 8,277 GWh and 2.5 PJ respectively. Retail competition remained intense with Contact Energy's electricity and gas customer numbers down slightly over the year with lost volume offset by commercial and industrial sales. Retail margins increased marginally by NZ\$3/MWh primarily due to improved collections, reduced operating costs and the full recovery of network costs.

Underlying EBITDA from Contact Energy's Other business segment was down 3%, or NZ\$1 million, to NZ\$39 million with LPG sales volume increasing 4%, offset by increased purchase costs as a result of LPG imports during a period of supplier interruption.

6.5 Corporate

This segment reports corporate activities that have not been allocated to other operating segments together with business development activities outside Origin's existing operations.

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

Financial Performance

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (%)
Underlying EBITDA	(42)	(81)	(48)
Segment Result	(518)	(603)	(14)

- Lower Underlying EBITDA loss resulting from the reimbursement from the NSW government of tax that Origin pays in relation to interest charges on capacity payments under the GenTrader arrangements, lower international development costs and lower unallocated corporate costs.

Segment Result includes depreciation expense of \$3 million, share of ITDA of \$1 million expense, Underlying net financing costs of \$190 million, Underlying income tax expense of \$279 million and non-controlling interest expense of \$3 million.

7. Risks related to Origin's future financial prospects

Risks related to Origin's future financial prospects

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

Material Business Risks

Wholesale Electricity Prices and Commodity Prices

- **Volatility in wholesale electricity prices** – A key part of Origin's Energy Market's business involves procuring the supply of electricity from wholesale electricity markets in Australia and New Zealand for on-sale to customers. Wholesale electricity prices are volatile and influenced by many factors such as demand and supply changes that are difficult to predict.
- Unexpected movements in wholesale prices which are not mitigated through hedging arrangements could result in adverse impacts on Origin's financial performance. Origin manages its wholesale electricity market risk within strict exposure limits. Exposure limits reflect the level of underlying inherent risk which cannot be mitigated through hedging given mismatches between customer demand and available hedges, and the expected returns available through managing spot market volatility.
- **Commodity prices** – Revenues from Origin's Exploration & Production business includes the sale of commodities such as oil and gas, and other products whose prices are linked to external market prices of oil and gas, such as LPG and, potentially in the future, LNG. Additionally, our Energy Markets business is exposed to the fluctuation in commodity prices in respect of purchases of coal and gas for electricity generation and LPG for on-sale to customers. Unexpected movements in commodity prices could result in adverse impacts on Origin's financial performance.

Management of Wholesale Electricity Prices and Commodity Prices risks

Origin manages exposure to wholesale electricity and commodity price risk through a combination of physical positions (ownership or despatch rights to generation or gas supply) and derivatives contracts. Strict limits are set by the Board to manage the overall exposure that Origin is prepared to take, and a commodity risk management system is in place to monitor and report performance against these limits.

Competition in Key Markets and Energy Demand

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

- **Competition in energy retailing and power generation** – Origin's future financial performance is dependent to an extent on the Company's operations in the competitive Australian and New Zealand Energy retailing markets, where electricity and gas customers are able to change providers. High levels of competition can result in downward pressure on margins, lower customer numbers and higher costs of acquiring and maintaining customers, which can adversely impact future financial performance. Additionally, there are many power generators in Australia and New Zealand which compete for generation capacity and sources of fuel, which can impact the cost of energy supply.
- **Competition in the upstream gas market in eastern Australia.** The potential discovery of significant new gas resources in eastern Australia could have a significant impact on the supply and demand dynamics of the eastern Australia gas markets, resulting in changes in gas prices and therefore Origin's future revenues and purchase costs. In addition, the LNG facilities currently being built on Curtis Island in Queensland will compete with domestic

demand for gas. Changes in the demand and supply of gas in the eastern Australian markets could result in material changes to the price of gas, which in turn could result in adverse impacts on Origin's financial performance.

- **Demand for energy** – the volume of electricity, gas and LPG the Company sells is dependent on the energy usage of our customers. Reductions in energy demand including from prevailing consumer sentiment, technological advancement, mandatory minimum appliance performance standards, and other factors, can reduce the Company's revenues and adversely affect the Company's future financial performance.

Management of competition in key markets and energy demand risks

Origin regularly reviews the products offered to customers both by Origin and by other market participants to ensure that offerings remain competitive. Origin is able to respond to changes in the competitive environment by changing the terms on which it is prepared to supply customers to maintain competitiveness. The implementation of the new SAP system should also enable Origin to respond to competitor activity more effectively.

Origin constantly monitors gas and electricity supply and demand dynamics and has built a portfolio of physical assets to assist in managing the exposure to movements in supply and demand. As a result of the physical assets, Origin is able to hedge exposure to supply volatility by using owned generation or gas to meet demand. In addition, the physical electricity and gas portfolio also acts as a hedge to demand volatility within the Origin portfolio enabling Origin to supply a range of market participants.

Business Development Risk

- **Delays in project delivery and cost overruns** - Origin undertakes investments in a variety of projects for the construction or expansion of gas, oil, electricity generation, and business systems including core operational systems. There is a risk that major projects, including Australia Pacific LNG's CSG to LNG project, could be delayed, cost more than intended or not perform as planned, which could adversely impact the Company's future financial performance.
- **Oil and gas reserves** - There are numerous uncertainties inherent in exploring for new oil and gas reserves and in estimating quantities of oil and gas reserves, including factors that are beyond the control of Origin.

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

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

Management of Business and Strategic Risks

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

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

Regulatory, Tax and Litigation Risks

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

Management of Regulatory, Tax and Litigation Risks

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

With respect to tax risks, Origin believes that it has in place controls and procedures designed to promote compliance with applicable tax laws and regulations in order to manage its tax obligations appropriately. Origin monitors the state of any tax reviews and audits and adjusts its response, including provisioning, as appropriate.

Operational Risks

- **Key asset outages, process safety, personal safety and environmental risks** - Origin is involved in large scale operating activities including oil and gas projects, power generation, LPG facilities and, through Australia Pacific LNG, construction of CSG to LNG processing facilities. There is a risk that our operating equipment and facilities may not operate as intended and suffer outages or significant damage. Additionally, the complexity, scale and geography of our operations also give rise to a range of health safety and environmental risks including risk to the safety of our employees and contractors, including through travel as part of our operations, and harm to the environment and local communities in which we operate. Unintended operating failures or harm to our employees, contractors, environment and local communities may adversely impact the Company achieving its financial prospects.
- **Joint venture arrangements** - Origin's joint venture partners may have economic or other business interests or goals that are inconsistent with Origin's and may take actions contrary to the objectives or interests of Origin. There is also the risk that joint venture partners might become bankrupt, default on or fail to fulfil as expected their obligations thereby impacting the performance of the joint venture and adversely affecting Origin or its interests in the joint venture and thereby adversely impacting the Company's financial prospects.
- **Reliance on third party infrastructure** - Any failure of third party infrastructure including, in particular, transmission infrastructure, could materially and adversely affect the ability of Origin to conduct business and operations.
- **Customer billing and collections** - Origin supplies a large base of customers in Australia and New Zealand including residential and corporate and industrial customers. If Origin is unable to effectively bill and or collect outstanding debt from customers it could have an adverse impact on Origin's future financial prospects. Potential causes of an inability for Origin to bill and collect debts from its customers include amongst other factors, the unintended impacts of changes to internal billing and collection systems and economic hardship related to Origin's customer base.

Management of Operational Risks

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

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

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

Financial Risks

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

Management of Financial Risks

Financial risks are managed within risk limits set within the Company's Commodity Risk Management System and Treasury Risk Management System. Financial exposures are subject to regular review. Risk limits are set at a level that is designed to preserve the financial integrity of the Company under a range of commodity price scenarios.

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

Appendix 1 - Origin Energy Key Financials

Year ended 30 June	2013 (\$m)	2012 (\$m)	Change (%)
External revenue	14,619	12,935	13
Underlying EBITDA	2,181	2,257	(3)
Underlying depreciation and amortisation	(695)	(614)	13
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(48)	(45)	7
Underlying EBIT	1,438	1,598	(10)
Underlying net financing costs	(255)	(217)	18
Underlying Profit before income tax and non-controlling interests	1,183	1,381	(14)
Income tax expense on Underlying Profit	(339)	(415)	(18)
Underlying net profit after tax before elimination of Non-controlling interests	844	966	(13)
Non-controlling interests' share of Underlying Profit	(84)	(73)	15
Underlying Profit	760	893	(15)
Items excluded from Underlying Profit	(382)	87	N/A
Statutory Profit	378	980	(61)
Free cash flow	1,188	1,415	(16)
Group OCAT Ratio (12 months to 30 June)	6.4%	11.5%	(44)
Productive capital (12 months to 30 June)	15,783	14,523	9
Capital expenditure (including acquisitions)	1,172	1,680	(30)
Total assets	29,586	28,071	5
Net Debt ⁴⁶	6,809	5,522	23
Adjusted Net Debt	7,038	5,738	23
Shareholders' Equity	14,794	14,458	2
Earnings per share - Statutory	34.6¢	90.6¢	(61)
Earnings per share - Underlying	69.5¢	82.6¢	(16)
Weighted average shares used in EPS (million shares)	1,094	1,082	1
Free cash flow per share ⁴⁷	108.2¢	129.9¢	(16)
Interim dividend per share (franked)	25¢	25¢	-
Final dividend per share (unfranked, 2012 franked)	25¢	25¢	-
Net asset backing per share	\$13.47	\$13.27	2
Net debt to net debt plus equity	32%	28%	14
Origin Cash (excluding Contact Energy)	240	352	(32)
Origin Debt (excluding Contact Energy)	(5,960)	(4,855)	(23)
Contact Energy Net Debt	(1,088)	(1,019)	(7)
Total employees (numbers) ⁴⁸	5,658 ⁴⁹	5,941	(5)
Total Recordable Injury Frequency Rate (TRIFR) ⁵⁰	6.7	7.9 ⁵¹	(15)

⁴⁶ The reported numbers for Net Debt include interest bearing debt obligations only.

⁴⁷ Refer to Glossary in Appendix 2.

⁴⁸ Total employee numbers decreased by 176 or 3% from 5,834 at 31 December 2012.

⁴⁹ Following the Eraring Energy acquisition completed on 1 August 2013, total employees increased by 437 employees.

⁵⁰ Reported on a rolling 12 month basis.

⁵¹ TRIFR for the rolling 12 months to 30 June 2012 has been revised from the previously reported 8.0 to 7.9 due to retrospective data updates.

Appendix 2 - Glossary and interpretation

Financial Measures

Statutory Financial Measures

Statutory Financial Measures are measures included in the Financial Statements for the Origin Consolidated Group, which are measured and disclosed in accordance with applicable Australian Accounting Standards. Statutory Financial Measures also include measures that have been directly calculated from, or disaggregated directly from financial information included in the Financial Statements for the Origin Consolidated Group.

Term	Meaning
Net Debt	Total current and non-current interest bearing liabilities only less cash and cash equivalents.
Non-controlling interest	Economic interest in a controlled entity of the consolidated entity that is not held by the Parent entity or a controlled entity of the consolidated entity.
Shareholders' Equity	Shareholders' residual interest in the assets of the consolidated entity after deducting all liabilities, including non-controlling interests.
Statutory EBIT	Earnings before interest and tax (EBIT) as calculated from the Origin Consolidated Financial Statements.
Statutory EBITDA	Earnings before interest, tax, depreciation and amortisation (EBITDA) as calculated from the Origin Consolidated Financial Statements.
Statutory effective tax rate	Statutory income tax expense divided by Statutory Profit before tax.
Statutory earnings per share	Statutory profit divided by weighted average number of shares.
Statutory income tax expense	Income tax expense as disclosed in the Income Statement of the Origin Consolidated Financial Statements.
Statutory net financing costs	Interest expense net of interest income as disclosed in the Origin Consolidated Financial Statements.
Statutory Profit	Net profit after tax and non-controlling interests as disclosed in the Income Statement of the Origin Consolidated Financial Statements.
Statutory profit before tax	Profit before tax as disclosed in the Income Statement of the Origin Consolidated Financial Statements.
Statutory share of ITDA	The consolidated entity's share of interest, tax, depreciation and amortisation (ITDA) of equity accounted investees as disclosed in the Origin Consolidated Financial Statements.

Non-IFRS Financial Measures

This document includes certain Non-IFRS Financial Measures. Non-IFRS Financial Measures are defined as financial measures that are presented other than in accordance with all relevant Accounting Standards. Non-IFRS Financial Measures are used internally by management to assess the performance of Origin's business, and to make decisions on allocation of resources. The Non-IFRS Financial Measures have been derived from Statutory Financial Measures included in the Origin Consolidated Financial Statements, and are provided in this report, along with the Statutory Financial Measures to enable further insight and a different perspective into the financial performance, including profit and loss and cash flow outcomes, of the Origin business.

The principle non-IFRS profit and loss measure of Underlying Consolidated Profit has been reconciled to Statutory Profit in Section 3. The key Non-IFRS Financial Measures included in this report are defined below.

Term	Meaning
Adjusted Net Debt	Net Debt adjusted to remove fair value adjustments on borrowings in hedge relationships.
Free cash flow	Cash available to fund distributions to shareholders and growth capital expenditure.
Free cash flow per share	Free cash flow divided by the closing number of shares on issue.
Gearing Ratio	Net Debt divided by Net Debt plus Shareholders' Equity.
Gross Margin	Gross profit divided by Revenue.
Gross Profit	Revenue less cost of goods sold.
Group OCAT	Group Operating cash flow after tax (OCAT) of the consolidated entity (including Origin's share of Australia Pacific LNG OCAT).
Group OCAT ratio	(Group OCAT - interest tax shield) / Productive Capital.
Interest tax shield	The tax deduction for interest paid.
Operating cash flow	Operating cash flow before tax.
Operating cash flow return (OCFR)	Operating cash flow / Productive Capital excluding tax balances.
Productive Capital	Funds employed including Origin's share of Australia Pacific LNG and excluding capital works in progress for projects under development which are not yet contributing to earnings. Calculated on a rolling 12 month basis.
Share of ITDA	Share of interest, tax, depreciation and amortisation (ITDA) of equity accounted investees
Total Segment Revenue	Total revenue for the Energy Markets, Exploration & Production, LNG, Contact Energy and Corporate segments, including inter-segment sales, as disclosed in note 2 of the Origin Consolidated Financial Statements.
Underlying average interest rate	Underlying interest expense for the period divided by Origin's average drawn debt during the year (excluding funding related to Australia Pacific LNG).
Underlying profit and loss measures: - Consolidated Profit/Segment Result - Depreciation and Amortisation - EBIT - EBIT margin - EBITDA - Effective tax rate - EPS - Income tax expense / benefit - Net financing costs/income - Non-controlling interests - Profit before tax - Share of ITDA	Underlying measures are measures used internally by management to assess the profitability of the Origin business. The Underlying profit and loss measures are derived from the equivalent Statutory profit measures disclosed in the Consolidated Financial Statements and exclude the impact of certain items that do not align with the manner in which the Managing Director reviews the financial and operating performance of the business. Underlying EBIT, Underlying EBITDA, Segment Result and Underlying Consolidated Profit are disclosed in note 2 of the Origin Consolidated Financial Statements. Underlying EPS is disclosed in note 32 of the Origin Consolidated Financial Statements.

Non-Financial Terms

Term	Meaning
1P reserves	Proved Reserves are those reserves which analysis of geological and engineering data can be estimated with reasonable certainty to be commercially recoverable. There should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
2P reserves	The sum of Proved plus Probable Reserves. Probable Reserves are those reserves which analysis of geological and engineering data indicate are less likely to be recovered than Proved Reserves but more certain than Possible Reserves. It is equally likely that the actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P).
3P reserves	Proved plus Probable plus Possible Reserves. Possible Reserves are those additional Reserves which analysis of geological and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario.
Capacity factor	A generation plant's output over a period compared with the expected maximum output from the plant in the period based on 100% availability at the manufacturer's operating specifications.
Equivalent reliability factor	Equivalent reliability factor is the availability of the plant after scheduled outages.
GJ	Gigajoule = 10^9 joules
GJe	Gigajoules equivalent = 10^6 PJe
Joule	Primary measure of energy in the metric system.
kT	kilo tonnes = 1,000 tonnes
kW	Kilowatt = 10^3 watts
kWh	Kilowatt hour = standard unit of electrical energy representing consumption of one kilowatt over one hour.
MW	Megawatt = 10^6 watts
MWh	Megawatt hour = 10^3 kilowatt hours
PJ	Petajoule = 10^{15} joules
PJe	Petajoules equivalent = an energy measurement Origin uses to represent the equivalent energy in different products so the amount of energy contained in these products can be compared. The factors used by Origin to convert to PJe are: 1 million barrels crude oil = 5.8 PJe; 1 million barrels condensate = 5.4 PJe; 1 million tonnes LPG = 49.3 PJe; 1 TWh of electricity = 3.6 PJe.
TW	Terawatt = 10^{12} watts
TWh	Terawatt hour = 10^9 kilowatt hours
Watt	A measure of power when a one ampere of current flows under one volt of pressure.

Interpretation

A reference to Contact Energy is a reference to Origin's controlled entity (53.1% ownership) Contact Energy Limited in New Zealand. In accordance with Australian Accounting Standards, Origin consolidates Contact Energy within its result.

A reference to Australia Pacific LNG or APLNG is a reference to Australia Pacific LNG Pty Ltd in which Origin had a 50% shareholding in until 9 August 2011, when completion of a share subscription agreement between Australia Pacific LNG and Sinopec resulted in a dilution in Origin's shareholding to 42.5%. Origin's shareholding in Australia Pacific LNG, which is equity accounted in line with Origin's shareholding, was 42.5% as at 30 June 2012. This shareholding was subsequently diluted to 37.5% upon completion of Sinopec's increased share subscription in Australia Pacific LNG on 12 July 2012 and was 37.5% as at 30 June 2013.

A reference to the NSW acquisition or NSW energy assets is a reference to the Integral Energy and Country Energy retail businesses and the Eraring GenTrader arrangements acquired by Origin in March 2011.

A reference to \$ is a reference to Australian dollars unless specifically marked otherwise.

All references to debt are a reference to interest bearing debt only (excludes Australia Pacific LNG shareholder loans).

Individual items and totals are rounded to the nearest appropriate number or decimal. Some totals may not add down the page due to rounding of individual components.

When calculating a percentage change, a positive or negative percentage change denotes the mathematical movement in the underlying metric, rather than a positive or a detrimental impact.

Measures for which the underlying numbers change from negative to positive, or vice versa, are labelled as not applicable.



Remuneration Report for the year ended 30 June 2013

This report is attached to and forms part of the Directors' Report.

Remuneration Report for the year ended 30 June 2013

1. Introduction

Origin's remuneration structure has served it well over a long period with only incremental changes.

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

- Consider feedback from shareholders;
- Examine emerging market practice; and
- Test remuneration outcomes against company performance.

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

Origin's existing remuneration system has served the Company well, although even stronger alignment with shareholder interests can be achieved by introducing deferred STI and extending the performance period for all LTI awards to four years.

Directors support this view for the following reasons:

- Origin's existing remuneration system is focused on delivering sustainable growth in long-term shareholder value (Section 2);
- Remuneration outcomes reflect returns to shareholders (Section 3);
- Refinements to the current remuneration approach will drive even stronger alignment with shareholder interests (Section 4);
- Appropriate governance has been exercised to ensure a focus on shareholder interests (Section 5); and
- Non-Executive Directors are remunerated in a way that supports an independent shareholder focus (Section 6).

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

The report focuses on executives who are Key Management Personnel (KMP). However, it also provides a perspective on all employees of the Company whose remuneration includes awards under the Long Term Incentive arrangements. At June 2013, this covered approximately 600 staff.

2. Origin's existing remuneration system is focused on delivering sustainable growth in long-term shareholder value

The overriding objective of Origin's remuneration system is to drive sustainable growth in shareholder value by attracting and retaining valuable staff while aligning the interests of staff and shareholders. Origin strives to do this by:

- attracting and retaining high calibre executives from diverse backgrounds through a fair and competitive remuneration structure that appropriately incentivises superior performance; and
- aligning the interests of executives and shareholders by aligning rewards with shareholder value creation

Origin Board policy is that the remuneration of senior managers, including KMP, consists of three components, namely Fixed remuneration, Short Term Incentive (STI) and Long Term Incentive (LTI). The key features of each element and the way they align with the creation of shareholder value and attracting and retaining staff is described in 2.1, 2.2 and 2.3 as well as in Table 4.

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

Fixed remuneration takes into account the size and complexity of a recipient's role, and the skills required to succeed in such a position. It includes cash salary, employer contributions to superannuation and salary sacrifice benefits. As the Company employs staff across a broad spectrum of roles and disciplines, the Hay All Organisations benchmark of over 400 organisations is used as the major benchmark reference for most roles.¹ More specific benchmark analysis is undertaken for KMP roles².

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

As the Company has evolved, it has increasingly owned and operated large operational businesses in Upstream Oil & Gas and in the Australian and New Zealand energy markets. It is also responsible for delivering the upstream component of the Australia Pacific LNG project. With that shift, effective management of day-to-day operations is increasingly a key driver of shareholder value.

STI plays a key role in aligning superior financial and operational outcomes for shareholders with the remuneration outcomes for management. The amount of STI awarded reflects financial and operational outcomes over the course of the financial year. The relevant outcomes vary according to the Business Unit served by the recipient and according to their role.

The Managing Director's STI is determined by reference to the Company's performance in terms of earnings per share and the OCAT Ratio; the Company's safety record for the year; and a number of individual operational measures. The degree of exposure to the Company's earnings per share and OCAT ratio outcomes is higher for Executive Directors and for corporate roles than it is for operational roles that are, in addition, exposed to outcomes for their particular business. Examples of Business Unit measures include safety outcomes; progress against project milestones (especially in the LNG Business Unit); production (especially in the Upstream Oil & Gas business); and customer numbers and profitability (in the Australian Energy Markets business).

The Maximum STI award is set above the mid-point for comparable external roles and is capped. To achieve the Maximum award, the recipients' relevant operational targets must be significantly exceeded. Delivering targeted operational outcomes results in an award of only 60% of maximum STI. If targeted outcomes are not achieved, the award of STI is reduced proportionally below 60%.

As can be seen in Table 1, the STI at risk increases with seniority, given that those managers have a greater ability to influence the overall performance of the business.

Table 1: STI as a % of fixed remuneration: FY2013

Position	Target STI as % of Fixed	Maximum STI as % of Fixed
Managing Director	72%	120%
Executive Director, Finance & Strategy	60%	100%
Other Key Management Personnel	60%	100%
Other Executive Management Team	42%	70%
Other Executives	15-36%	25-60%

Under the existing system, STI is paid in cash shortly after the end of the financial year.

¹ For job families in skill shortage areas (such as geosciences and some professional specialists) the relevant market has been determined by reference to smaller peer groups such as those sourced from commissioned surveys and industry forums such as National Rewards Group.

² See Table 16

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

LTI arrangements provide executives with a deferred equity interest in Origin. The vesting of that interest depends on Total Shareholder Return (TSR) over the vesting period, and the value of that vesting depends on the Company's share price.

The Maximum Potential LTI award for any executive is determined by the seniority of their role, as illustrated in Table 2.

Table 2: LTI as a percentage of fixed remuneration: FY2013

Position	Target LTI as % of Fixed	Maximum LTI as % of Fixed
Managing Director	90%	150%
Executive Director, Finance & Strategy	72%	120%
Other Key Management Personnel	60%	100%
Other Executive Management Team	42%	70%
Other Executives	9-33%	15-55%

The maximum potential LTI award depends on an annual assessment of the executive's performance and future development potential.³ Allocations are generally between 30% and 100% of maximum potential LTI, and have averaged 79% for all LTI recipients over the previous three years. The Board can exercise discretion either up or down where it considers it appropriate to do so.

Maximum potential LTI allocations are set at a level such that, in combination with a grant of maximum STI, a high performing executive's total remuneration would reach the 75th percentile of the external market for comparable roles.

Under the current system, the LTI allocations are made half in the form of Performance Share Rights and half as Options.⁴

Once granted, the LTI award only vests if Origin's Total Shareholder Return (TSR) exceeds the 50th percentile of ASX 100 companies. 50% of the award vests above the 50th percentile, and 100% of the award vests at the 75th percentile, and proportionately on a straight-line basis between the 50th and 75th percentiles.

The assessment of relative performance versus the market is made at the end of the performance period, which currently is three years in the case of Performance Share Rights and four years in the case of Options. For awards since FY2012, the TSR hurdle is not retested if the LTI does not vest at the end of the performance period, in which case it lapses immediately. Other than in the case of death, disability, retirement or redundancy, the executive forfeits the LTI allocation if they are not employed by Origin Energy at the time of that assessment.

Table 3 provides further detail on the LTI.

³ This assessment uses the Company's performance management and talent management systems. The Managing Director's performance is assessed by the NEDs. The performance of other EMT members including the Executive Director, Finance & Strategy is assessed by the Managing Director, recommended by the Remuneration Committee and approved by the NEDs.

⁴ In FY2014, LTI allocations will no longer be made half in the form of Performance Share Rights and half as Options for all recipients. See discussion in section 4.

Table 3: LTI profile

LTI parameter	FY2013 details
LTI instruments	Allocation of LTI is made in the form of: (a) Performance Share Rights (PSRs) which are the right to a fully paid share in the Company at no cost; and/or (b) Options, which are the right to a fully paid share in the Company upon payment of an exercise price.⁵ The most senior managers (including all KMP and EMT) are allocated 50% of their LTI in the form of PSRs and 50% Options (by fair value). Other participants are allocated LTI wholly in the form of PSRs⁶. (This mix will change in 2014: see Section 4.5).
Valuation	The number of Options and/or PSRs for each executive is calculated by dividing the allocated value of the LTI award for that executive by the independently-determined fair market value of the Option and/or PSR at the date of grant. The fair value is calculated using a Black-Scholes methodology with a Monte Carlo simulation model that takes into account market conditions and performance hurdles. Because the Options and the PSRs have different values, an Executive receiving a 50/50 mix by value will receive a different number of Options and PSRs. For the Managing Director and the Executive Director, Finance & Strategy, the maximum value of the potential LTI award, as recommended by the Board, is submitted for approval by shareholders at the AGM held in the prior year to which the award relates. The actual number of Options and/or PSRs is calculated at the time of the decision to make the award, shortly after the release of the financial results of that performance year, based upon the independently-determined fair values at that time. This process will be changed for FY14, as discussed in section 4.7 of this report.
Relative TSR hurdle and Vesting Scale	After allocation, the PSRs and Options are subject to a further performance condition in order to vest, namely TSR relative to the ASX 100 group of companies as comprised at the date of grant. Relative TSR is measured at the end of the performance period. Since FY2012 the performance period is 4 years for Options and 3 years for PSRs. (This approach will change in 2014 as outlined in Section 4.4). Vesting occurs only when TSR exceeds the 50th percentile of ASX 100 companies. 50% of the award vests above the 50th percentile, and 100% of the award vests at the 75th percentile, and proportionately on a straight-line basis between the 50th and 75th percentiles. Prior to vesting and allocation of shares, unvested and unexercised Options and/or PSRs carry no voting rights or entitlements to dividends. Options that vest must be exercised together with payment of the exercise price, upon which shares are then allotted. PSRs have a zero exercise price and (since 1 July 2011) shares are allocated automatically on vesting. On capital reorganisation, the number of unvested awards to which each participant is entitled, or the exercise price (if any) or both, will be adjusted in a manner determined by the Board in order to minimise or eliminate any material advantage or disadvantage to the participant.⁷

⁵ For the FY2012 allocation, the exercise price was determined as the volume weighted average market price for the Company's shares traded on the ASX in the ten trading days immediately prior to 18 September 2012 inclusive.

⁶ Particular arrangements apply to Mr Barnes who participated in Contact Energy's LTI arrangements. While under secondment to Contact Energy, Mr Barnes participated in Contact Energy's LTI arrangements (refer to Contact Energy's website - contactenergy.co.nz). The maximum opportunity in his case refers to the combined LTI from Origin Energy and Contact Energy in any given year.

⁷ If new awards are granted, they will, unless the Board determines otherwise, be subject to the same terms and conditions as the original awards.

LTI parameter	FY2013 details
Re-testing	For awards since FY2012 there is no re-testing. Any unvested LTI after the test at the end of the performance period lapses immediately.
Early vesting	In very limited circumstances, testing against the performance condition may be brought forward earlier than the original scheduled test date. Provided that the performance condition is then met, vesting may occur. The limited circumstances are: • on a person/entity acquiring 20% or more of the relevant interest in the Company pursuant to a takeover bid that has become unconditional, or on a person/entity otherwise acquiring 20% or more of the a relevant interest in the issued capital of the Company; • on termination of employment due to death or permanent disability; or • in other exceptional circumstances where the Board determines it to be appropriate. Such discretion has not been exercised by the Board to date.
Exercise period, expiry and forfeiture	Options may be exercised only where the performance condition has been met, to the extent set out in the Vesting Scale above. Options that vest must be exercised by the employee together with payment of the exercise price. PSRs are exercised automatically upon vesting. The LTI Plan Rules provide that unvested or unexercised Options and PSRs lapse on cessation of employment other than in exceptional circumstances (for example death, disability, redundancy or retirement, as defined in the Equity Plan Rules). In those circumstances, the unvested Options or PSRs may be held “on foot” subject to the specified performance hurdles and other Plan conditions being met. The Plan Rules provide that unvested or unexercised Options and PSRs lapse up to a maximum of 7 years after grant.
Anti Hedging policy	The Company’s policy requires that employees cannot trade instruments or other financial products which limit the economic risk of any securities held under any equity-based incentive schemes so long as those holdings are subject to performance hurdles or are otherwise unvested. Non-compliance may result in summary dismissal.

2.4 Summary

In summary, fixed remuneration, STI and LTI work together to generate alignment with shareholders. The way this occurs can be seen in Table 4.

Table 4: Summary of the FY2013 executive remuneration system

	Remuneration component	Delivery vehicle	Performance measure	At-risk weight ¹	Strategic objective / performance link
Not at risk	Fixed remuneration	Cash, super, benefits	Position description	→	Secure staff to execute business plans
AT-RISK REMUNERATION The proportion at risk increases with seniority	STI	Cash ² paid annually after release of corporate results	Group Measure 1 Underlying EPS ³	STI AT RISK (as a % of Fixed) MD 120% Other KMP 100%	Drive real annual earnings growth
			Group Measure 2 OCAT Ratio ³		Measure of cash flow required to exceed risk-adjusted cost of capital, reflecting the long-term nature of the business
			Divisional Measure (e.g. financial measures such as EBITDA, capital and opex management)		Reward achievement of specific divisional goals
			Individual measure (e.g. safety, project delivery, culture-engagement)		Reward achievement of specific individual performance goals
	LTI	Deferred and share-based (Options and Performance Share Rights)	Allocation measure: Personal performance and development potential Vesting measure: Relative TSR	LTI AT RISK (as a % of Fixed) MD 150% Other KMP 100-120%	Reward creation of shareholder wealth (measured by outperformance of TSR relative to the comparator group, tested after 3 or 4 years)

- 1 Maximum STI and LTI components expressed as a percentage of Fixed Remuneration. In this diagram, "Other KMP" refers to the average of executive KMPs (excluding the Managing Director, but including the Executive Director Finance & Strategy).
- 2 Inclusive of any Superannuation Guarantee obligations.
- 3 The key performance indicators of Underlying EPS and OCAT Ratio together form the Group STI Financial Performance Metric which applies to all STI participants, in addition to Divisional and individual performance measures.

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

With seniority, a higher proportion of an executive's remuneration is dependent on performance and a larger proportion is deferred, as shown in Table 5.

Table 5: Remuneration mix: FY2013

Position	Maximum STI as % of Fixed	Maximum LTI as % of Fixed	Ratio LTI / STI	Ratio At risk/ Fixed	At risk as % of Total ¹	Proportion deferred (LTI/Total) ¹
Managing Director	120%	150%	1.25	2.70	73%	41%
ED, Finance & Strategy	100%	120%	1.20	2.20	69%	38%
Other KMP	100%	100%	1.00	2.00	67%	33%
Other EMT	70%	70%	1.00	1.40	58%	29%
Other Executives	25-60%	15-55%	0.6-0.9	0.4-1.15	29-53%	11-26%

¹ Total is the Aggregate Reward (Fixed remuneration+STI+LTI) at maximum incentive outcomes

For the Managing Director, the proportion of total remuneration that is deferred exceeds the average level of deferral for CEOs in the ASX 50, as shown in Table 6.

Table 6: ASX 50 average MD target current and deferred pay mix, calendar year 2012 data

Sector	Current pay	Deferred Pay
Non-Financials	62%	38%
Financials	60%	40%
Energy	55%	45%
ASX 50 (All)	61%	39%
Origin MD	53%	47%

Source: Guerdon Associates analysis of remuneration for full-year CEOs from ASX 50 companies, disclosures to 31 December 2012. The percentage that is deferred includes deferred STI, the disclosed amortised fair value of LTI grants and any unhurdled equity grants; the percentage that is not deferred includes base salary, fringe benefits, superannuation and cash STI.

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

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

In such circumstances, the Board Remuneration Committee may consider putting in place deferred payment arrangements to reduce the risk of losing such staff. More specifically, such staff may be offered Deferred Share Rights (DSRs)⁸ or deferred cash payments if they remain in employment at a nominated date⁹ and achieve personal performance targets.

The DSR Plan was approved by the Board in early 2010 to provide an equity grant as an alternative to cash, with deferral periods ranging from two to four years. The first DSRs were issued during FY2012. At 30 June 2013, 143,109 DSRs were on issue held by 16 recipients, whereas on 30 June 2012, 161,448 DSRs were held by 16 recipients.

No new deferred cash arrangements under the Plan were implemented for KMP during FY2013, and no such arrangements are outstanding for KMP at 30 June 2013.

⁸ DSRs are the right to own a share in the Company, subject to ongoing employment at the time of vesting.

⁹ Generally two to four years in the future

2.7 The Employee Share Plan focuses all staff on safety

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

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

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

For FY2013, a target was set for the recording of 30,000 safety observations, with the additional requirement that each be acted upon and 'closed out' in the Company's HSE Management System by the relevant manager or safety adviser. This target was fully met in 2013. As a result, the Company will award \$1,000 worth of shares to approximately 4,300 eligible employees.¹⁰

The Company will acquire the requisite shares on market for transfer to employees during September 2013, subject to compliance with applicable regulations.

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

Origin's policy is to deliver equal pay for equal work, with a view to attracting and retaining quality staff regardless of gender. Research has shown that organisations that make the most of the talents of women are superior performers over time.¹¹

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

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

3. Remuneration outcomes reflect returns to shareholders

While Origin has produced very solid outcomes for shareholders over the past decade, FY2013 was a challenging year financially relative to past performance.

In these circumstances, the remuneration system has performed in a way that demonstrates its responsiveness and alignment with shareholders' interests. However, in striking an appropriate balance between the short term financial interests of shareholders and staff, Directors also recognise that attracting and retaining key staff is in shareholders' longer term interests.

More specifically, against the background of Origin's financial performance over the past decade and in FY2013, this section of the Remuneration Report will demonstrate:

- STI outcomes for most KMP are significantly lower than the prior year, appropriately reflecting the current year's financial and operational outcomes;

¹⁰ A pro-rata amount is paid to eligible part-time employees

¹¹ Catalyst (2011) Why Diversity Matters; McKinsey (2012) Is There a Pay-Off For Top-Team Diversity?; McKinsey, Carter and Wager (2011) The Bottom Line: Corporate Performance and Women's Representation on Boards 2004-2008

- The amount of past pay crystallised in the current year is zero, appropriately reflecting the lower returns to shareholders relative to prior years;
- Conditional future pay awarded for the current year (LTI) for most KMP is significantly down on the prior year;
- FY 2014 fixed remuneration will not increase for most KMP; and
- Staff retention has been strong, although Directors recognise that low deferred pay crystallisation levels potentially reduce the retention impact of the LTI arrangements.

Each of these points will be discussed in turn, in the context of the Company's overall performance.

3.1 While the Company has produced solid outcomes for shareholders over the past decade, last year's financial results have come under pressure.

Origin's financial performance over the past decade has been solid. Underlying profit has increased by a compound annual growth rate (CAGR) of 15.7 per cent from \$205 million to \$760 million on an annual revenue growth rate of 17.1 per cent. Over the same period, underlying earnings per share has increased by 10.1% per annum compound.

However, Origin's near term performance has come under pressure. Statutory Net Profit after Tax attributable to members of the parent entity for FY 2013 was \$378 million, down from \$980 million in the prior year. This reflected a 14.9 per cent decrease in Underlying Profit from \$893 million to \$760 million, compounded by a significant increase in items excluded from Underlying Profit. For more detail refer to section 3 of the Operating and Financial Review.

Financial and TSR performance over the last ten years are outlined in Table 7.

Table 7: Ten Year Performance History¹²

	2004 ¹	2005 ¹	2006	2007	2008	2009	2010	2011	2012	2013	CAGR ²
EARNINGS											
Revenue \$m	3,522	4,870	5,880	6,436	8,275	8,042	8,534	10,344	12,935	14,619	17.1%
Statutory Profit \$m	205	301	332	457	517	6,941	612	186	980	378	
Statutory EPS - basic ³ cents per share	29.2	38.4	40.7	53.1	57.4	768.8	67.7	19.6	90.6	34.6	
Underlying EPS - basic ³ cents per share	29.2	38.4	41.5	43.0	49.2	58.7	64.8	71.0	82.6	69.5	10.1%
Underlying Profit \$m	205	301	338	370	443	530	585	673	893	760	15.7%
TOTAL SHAREHOLDER RETURN (TSR)											
Dividends (cents)	13.0	15.0	18.0	21.0	50.0 ⁴	50.0	50.0	50.0	50.0	50.0	16.1%
Share Price 30 June ³ \$	5.24	7.28	7.04	9.51	15.43	14.23	14.52	15.79	12.20	12.57	10.2%
TSR Index (Table 8)	100	142.0	140.6	194.6	323.4	306.3	322.6	362.1	290.0	311.6	
Annual TSR %	42.5	42.0	-1.0	38.4	66.2	-5.3	5.3	12.2	-19.9	7.4	
10 Year TSR % ⁵										343.5	
3-Year Rolling TSR %pa ⁶	26.0	35.4	26.1	24.9	31.6	29.6	18.3	3.8	-1.8	-1.1	

¹² Notes in relation to Table 7:

1 Years FY2004 and FY2005 are reported under previous AGAAP and have not been re-stated under A-IFRS.

2 Compound annual growth rate (%pa) between 30 June 2004 to 30 June 2013

3 EPS and Share Price have been restated for the bonus element of the Rights Issues completed in April 2005 and April 2011.

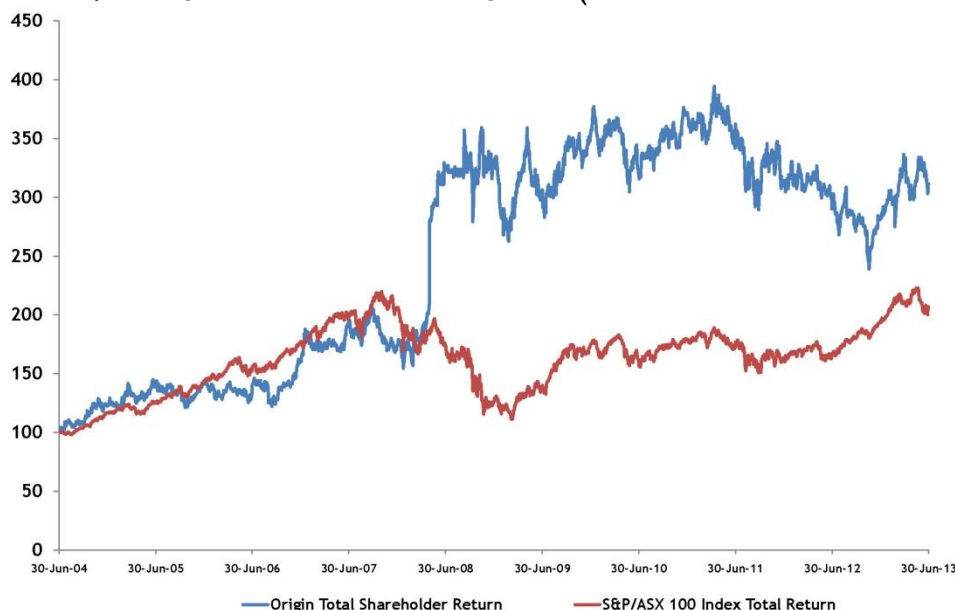
4 Includes additional dividend paid in November 2008.

5 The 10-Year TSR% includes the full period of FY2004 and represents the period from 30 June 2003 to 30 June 2013

6 Compound annual growth rate (%pa) for the three years ended 30 June. Three years corresponds to the average LTI vesting period through to FY2012 (3.5 years in FY2013).

Table 7 shows that TSR increased 7.4% between FY2012 and FY2013 and 343.5% over the last 10 years. Origin has also outperformed the ASX 100 as shown in Table 8.

Table 8: Total Shareholder Return vs ASX 100 (indexed to 100 from 1/07/04 to 30/06/13)



Source: Mercer

3.2 STI outcomes for most KMP are significantly lower than the prior year.

The STI awarded reflects financial and operational outcomes over the course of a financial year. The financial outcomes for the current and prior years are shown in Table 9.

Table 9: STI Performance Conditions¹³

	2012	2013	Annual Change
Underlying EPS - basic cents per share	82.6	69.5	-15.9%
Group OCAT Ratio %	11.5	6.4	-44.3%
Corporate STI Financial Performance Metric Outcome (%) ¹	92.4	0.0	-100%

The relevant outcomes for executive KMP vary according to their Business Unit. Table 10 shows that apart from one person, over the past year, all KMP saw a significant decline in STI, both in terms of their STI outcome as a percent of Maximum STI allocation and in terms of the dollar value of their actual STI payment.

While underlying profit declined by 14.9 percent, between FY2012 and FY2013, overall actual KMP STI allocations decreased by 47.7 percent. As can be seen in Table 10, the extent of the decline varied by KMP, largely but not exclusively, reflecting the extent to which an individual KMP were exposed to the corporate STI financial metric of earnings per share and the OCAT ratio. As can be seen from Table 9, the corporate STI financial metric was zero in FY 2013. The only executive whose STI increased was Mr Barnes. As CEO of the publicly listed New Zealand company, Contact Energy, Mr Barnes's STI was exposed to Contact's corporate STI financial metric rather than Origin's metric.

¹³ Note to Table 9

¹ For FY2012 and FY2013 the two performance indicators Underlying EPS and OCAT Ratio combined in equal weights to form the Group STI Financial Performance Metric (see Table 4).

Table 10: Remuneration outcomes: Present Pay¹⁴

Pay earned and delivered in respect of the period

Name		Fixed remuneration ¹	Max STI as % of fixed remuneration	Actual STI as % of maximum STI ²	Actual STI payment ³	% Change	Present pay ⁴	% Change
Executive Directors								
G A King	2013	2,500,000	120	20	600,000	-74.5%	3,100,000	-36.1%
	2012	2,500,000	120	78	2,350,000		4,850,000	
K A Moses	2013	1,325,000	100	50	662,500	-42.2%	1,987,500	-17.7%
	2012	1,270,000	100	90	1,145,540		2,415,540	
Other Executive KMP								
D A Baldwin	2013	920,000	100	76	699,200	-9.7%	1,619,200	-2.1%
	2012	880,000	100	88	774,400		1,654,400	
D Barnes ⁵	2013	700,000	100	72	504,000	29.2%	1,204,000	15.8%
	2012	650,000	100	60	390,000		1,040,000	
F G Calabria	2013	1,050,000	100	28	294,000	-58.6%	1,344,000	-21.4%
	2012	1,000,000	100	71	710,000		1,710,000	
P A Zealand	2013	740,000	100	38	281,200	-36.1%	1,021,200	-11.2%
	2012	710,000	100	62	440,200		1,150,200	
TOTAL	2013	7,235,000			3,040,900	-47.7%	10,275,900	-19.8%
	2012	7,010,000			5,810,140		12,820,140	

3.3 The amount of past pay crystallised in the current year is zero, reflecting alignment with shareholders

The strong alignment of remuneration outcomes with shareholders' interests is also demonstrated in the way conditional deferred pay from prior years has not crystallised.

Reflecting the historic timeframe for LTI hurdles, in FY2013 only PSR and Option grants from 2008 and 2009 were tested. This occurred in September and November 2012. The TSR hurdle was not met in either case. As a consequence, neither grant vested. One test remains for the 2008 grant in September 2013, while two tests remain for the 2009 options, one of which will occur later in 2013.

¹⁴ Notes to Table 10:

- 1 Fixed remuneration represents base salary (cash) and superannuation, plus any benefits that have been salary sacrificed. It is the amount to which other pay elements such as STI and LTI are referenced. Fixed remuneration for FY2012 has been re-stated for consistency with the definition at footnote 1. The amount reported in FY2012 was calculated inclusive of all non-monetary benefits such as insurance and incidentals, and did not represent the actual contractual salary nor the base on which pay elements such as STI and LTI were referenced.
- 2 The minimum total value of the STI is nil if no performance conditions are met. Where the actual STI payment is less than maximum potential, the difference is foregone. The proportion of potential STI forgone is the difference between 100% and the Actual STI as a percentage of maximum. Note that in exceptional circumstances there is board discretion to award above maximum STI, in which case the notional foregone would then be zero.
- 3 2013 STI constitutes a non-deferred cash bonus granted for performance during the year ended 30 June 2013, determined following the close of 2013 results and paid in September 2013. 2012 STI constitutes a cash bonus granted for performance during the year ended 30 June 2012, determined following the close of 2012 results and paid in September 2012.
- 4 Present pay is the total of fixed remuneration and actual STI payment and represents the actual pay delivered in and for the period.
- 5 Fixed remuneration set by Contact Energy board in NZD. The Australian denominated fixed pay is converted to Australian dollars at the time of notification of pay change (FY2013 set in September 2012, \$1.2825; FY2012 set in September 2011, \$1.2615).

Moreover, at Origin's current share price, the strike price for the options issued in 2008 is unlikely to be met. The strike price for the 2008 Options grant was \$15.84, while Origin's share price on 30 June 2013 was \$12.57. In the case of the 2009 Options grants, the two tranches have strike prices of \$14.58 and \$15.47 respectively.

Table 11 shows that no past pay crystallised in FY2013 for any KMP.

Table 11: Crystallisation of past pay

	Uncrystallised past pay ¹					Past pay crystallised during FY2013 ²					Indicative value of past pay that may crystallise in the future ³				
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2008	FY2009	FY2010	FY2011	FY2012	FY2008	FY2009	FY2010	FY2011	FY2012
G A King	2,093,700	2,532,065	3,071,520	4,094,511	3,538,116	0	0	-	-	-	0	0	0	0	0
K A Moses	471,058	982,544	1,201,439	1,525,903	1,437,890	0	0	-	-	-	0	0	0	0	0
D A Baldwin ⁴	333,354	858,437	640,698	2,259,602	830,280	0	0	-	-	-	0	0	0	0	0
D Barnes ⁵	-	-	-	612,087	645,721	-	-	-	-	-	-	-	-	0	0
F G Calabria	259,704	818,863	861,907	1,128,155	943,499	0	0	-	-	-	0	0	0	0	0
P A Zealand	111,160	332,921	302,825	451,833	569,404	0	0	-	-	-	0	0	0	0	0

Notes to Table 11

- 1 Uncrystallised past pay represents the grant date fair value of LTI awarded for prior periods that has not vested by the end of the current period. For Contact Energy securities, the Australian dollar value has been calculated using the exchange rate applicable at the time of the corresponding disclosure (in respect of awards referencing FY2008 - \$1.2291, FY2009 - \$1.2362, FY2010 - \$1.2947, FY2011 - \$1.2825, FY2012 - \$1.249).
- 2 Past pay crystallised represents the value of LTI awarded for prior periods that has vested during the current period. The value of equity is calculated at the date of vesting (irrespective of exercise). This is the number of Options or Rights vested multiplied by the market closing price of the Company's shares on the day of vesting, less any applicable exercise price. Where the exercise price exceeds the market price, the value is zero. In FY2013, testing of unvested deferred pay earned in respect of FY2008 and FY2009 took place but did not result in any vesting. No testing of past pay in respect of FY2010, FY2011 or FY2012 occurred during FY2013.
- 3 Indicative value of past pay that may crystallise in the future represents the value of LTI awarded for prior periods that had not vested by the end of the current period but that may vest (partially or fully) or lapse in a future period. The indicative value is calculated from the TSR ranking and implied vesting measured at the end of the period based on the Company's closing share price on that date (30 June 2013 - \$12.57) less any applicable exercise price. Where the exercise price exceeds the share price at 30 June 2013, the indicative value is zero. Awards in this column were granted between 30 September 2008 and October 2012 referable to performance years FY2008 through to FY2012. As at 30 June 2013, all uncrystallised pay past pay had zero indicative value. The indicative value may change in future periods based on actual TSR performance over longer lengths of time.
- 4 Includes Contact Energy securities.
- 5 For the period as a KMP, including Contact Energy securities.

3.4 LTI awards for most KMP are significantly lower than the prior year

Aggregate awarded LTI grants for FY2013 are down 57.4 percent against a decrease in underlying profit of 14.9%.

This reflects in part the exercise of Directors' discretion rather than the use of the matrix of individual performance and potential that is usually the basis for making such grants¹⁵. Discretion has been exercised downwards by using the same or a lower percent of Maximum potential ratio for LTI as for STI for all except two¹⁶ of the executive KMP. In exercising this discretion, Directors reserve the right to exercise LTI awards upwards in future.

The outcomes for specific KMPs are outlined in Table 12.

Table 12: Remuneration outcomes: Future Conditional Pay¹⁷

Name		Maximum LTI as a % of Fixed remuneration	Actual LTI as % of Maximum LTI	LTI pay awarded for the period that may crystallise in the future ¹	% Change
Executive Directors					
G A King	2013	150	20	750,000 ²	-80.0%
	2012	150	100	3,750,000 ³	
K A Moses	2013	120	40	636,000 ²	-58.3%
	2012	120	100	1,524,000 ³	
Other Executive KMP					
D A Baldwin	2013	100	100	920,000	4.5%
	2012	100	100	880,000	
D Barnes	2013	100	100	700,000	7.7%
	2012	100	100	650,000	
F G Calabria	2013	100	28	294,000	-70.6%
	2012	100	100	1,000,000	
P A Zealand	2013	100	38	281,200	-53.4%
	2012	100	85	603,500	
TOTAL	2013			3,581,200	-57.4%
	2012			8,407,500	

¹⁵ See section 2.3

¹⁶ Except for D A Baldwin and D Barnes

¹⁷ Notes to Table 12:

1 Intended fair value of deferred pay (LTI) awards determined with respect to performance in the period that may vest (partially or fully) or lapse in a future period.

2 Pursuant to shareholder approval obtained at the 2012 AGM.

3 Pursuant to shareholder approval obtained at the 2011 AGM.

3.5 FY2014 fixed remuneration will not increase for most KMP

Fixed remuneration for most KMP including Executive Directors will be held at the same level as for FY2013. The exception is Mr Baldwin, CEO of Origin's LNG business, whose base pay will increase to reflect his change in role over the past year.

3.6 Staff retention has been strong, although Directors recognise that low deferred pay crystallisation levels potentially reduce the retention impact of the LTI arrangements.

Attracting and retaining high calibre executives from diverse backgrounds is an essential overriding objective of Origin's remuneration system.

Despite the financial pressures of the past year and the impact on remuneration outcomes, retention has been strong.

The Executive Management Team (EMT) is drawn from a range of industry backgrounds. The average tenure of the direct reports to the Managing Director is 6.8 years.¹⁸ Voluntary turnover amongst the executive group has risen slightly in recent years, but remains low (5.6% pa FY2013). All new senior executives have been attracted to the company within the existing remuneration structure.

Despite this outcome, the NEDs recognise the implications for retention of LTI not vesting as described in Section 3.3. They view equity as an important retention tool that needs to be allocated in a way that is consistent with shareholder interests over both the short and long term.

In summary, in a challenging year, Origin's remuneration system has operated in a way that demonstrates strong alignment with shareholder interests.

4. Refinements to the current remuneration approach will drive even stronger alignment with shareholder interests

In line with good corporate governance, NEDs undertake an annual review of Origin's remuneration practices to ensure they remain appropriate. Such deliberations include consideration of feedback from shareholders in the previous remuneration cycle; Origin's evolving circumstances; and input from advisors on evolving market practice.

This year, based on that review, the Remuneration Committee recommended and the NEDs of the Board approved two changes which will be implemented in the 2013-2014 financial year. Specifically, the Company will introduce a deferred STI equity scheme for management including KMP and the EMT, and the performance period for PSRs will be extended to four years so that Options and PSRs have the same vesting period. The process for obtaining shareholder approval for LTI recommendations for Executive Directors will also change.

These changes reflect the Company's changing circumstances and the desire to ensure the ongoing alignment of staff and shareholder interests. They also reflect evolving market practice for ASX 100 companies.

In recent years, excellence in operational performance has become increasingly important for the Company. This has occurred because Origin is now Australia's largest generator and retailer of electricity; it operates significant mature conventional gas facilities; and has responsibility for the construction and operation of APLNG's upstream facilities. Ensuring staff are focused on operational excellence is an imperative.

¹⁸ These figures do not include the Managing Director. Including the time spent by the Managing Director in the Managing Director role, average tenure of the EMT in EMT roles is 8.2 years.

The remuneration changes support that change and are in the interests of shareholders for the following reasons:

4.1 Greater emphasis is placed on critical near-term performance by changing the STI/LTI mix and by recognising that delivery against objectives is essential to shareholders in the near term

As described in section 2.2, the criteria for awarding STI to executives relates to performance over the year against specific operational measures. Group-level measures include underlying earnings per share and the OCAT ratio. Others are set at the Business Unit or personal level and measure operational performance such as profit; safety outcomes; progress against project milestones (especially in the LNG Business Unit); production (in the Upstream Oil & Gas business); and customer numbers and profitability (in the Energy Markets business).

In FY2014, the mix of STI and LTI will change to decrease the proportion potentially allocated to LTI, while proportionally increasing the STI potential. The result will be to increase the proportion of at risk remuneration directly linked to operational outcomes. **This change does not increase the overall maximum level of executive remuneration.**

The shift can be seen in Table 13.

Table 13: Change in weightings of LTI and STI (expressed as a % of Fixed Remuneration)

	FY2013			FY2014		
	Maximum STI	Maximum LTI	Total	Maximum STI	Maximum LTI	Total
Managing Director	120%	150%	270%	150%	120%	270%
ED, Finance & Strategy	100%	120%	220%	135%	85%	220%
Other KMP	100%	100%	200%	130%	70%	200%
Other EMT	70%	70%	140%	100%	40%	140%
Other Executives	25-60%	15-55%	40-115%	40-85%	0-30%	40-115%

4.2 A third of STI will be awarded in the form of deferred share rights reinforcing alignment with shareholders

STI is currently awarded and paid in cash. In light of the increased future weighting of remuneration toward STI, and to increase alignment with long term value creation for shareholders, a third of the awarded STI will in future be in the form of Deferred Share Rights (DSRs). The remaining two thirds will be paid in cash. The basis on which STI awards are made will remain the same, except that discretion in relation to STI awards in future can be exercised both up and down.

DSRs are the right to own a share in the Company, subject to ongoing employment at the time of vesting. No dividends will be paid on DSRs that have not vested.

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

4.3 DSRs will vest over one, two and three years, thereby lengthening the payout period

For all KMP and other EMT, DSRs will vest by number in three tranches. One third of the DSRs will vest at the end of one year from the date of award, one third at the end of two years and the remaining one third at the end of three years. Three-year tranching will also apply to a small number of senior staff below this level. For less senior executives, DSRs will be deferred for two years. Rather than allocating the award over three years as for more senior executives, this approach recognises the smaller DSR parcels allocated to executives at lower levels.

DSRs will align executives' and shareholders' interests in two ways:

- Deferral will mean that the value of the executive's share rights depends on the medium-term impact on shareholder returns of operational decisions made in the year of award; and
- Deferral, subject to ongoing employment, will also provide a clear and effective incentive for the executive to remain with the Company, while having an equity interest in the Company's performance.

4.4 The LTI deferral period will be extended so that Options and PSRs both vest at 4 years

LTI is currently awarded in the form of Options and Performance Share Rights (PSRs) as described in Table 3 in Section 2.3. The existing vesting period for Options is four years and three years for PSRs. From FY2014 the vesting period for PSRs will be changed to four years.

This extension of the deferral period for PSRs reflects the NEDs' view that LTI awards should consistently reflect the longer term impact of management's decisions.

4.5 The mix of Options and PSRs granted as LTI will change from 50% each to 75%/25%, thereby increasing senior executives' LTI exposure to share price performance

The appropriate mix of PSRs and Options going forward has been considered in light of the introduction of DSRs for STI, whose risk/reward characteristics are somewhat more akin to PSRs.

In contrast, the risk/reward profile of PSRs and Options differ.

While both PSRs and Options will be subject to the existing TSR hurdle, value from Options is only created for a recipient if Origin's share price increases above the issue price of the Option. In contrast, with PSRs, provided the hurdle is met, some value attaches to the PSR regardless of the movement in the share price.

Currently, senior executives, including all KMP and EMT, receive half their LTI in the form of PSRs and half as Options.

Going forward, and in light of the introduction of DSRs as part of STI, the NEDs have approved LTIs being made with 75% awarded to Options and 25% to PSRs.

In this way, executives—like shareholders—will be more exposed to the risk of share price movement.

4.6 LTI will be allocated only to the most senior employees who have the greatest potential to influence returns to shareholders

The NEDs take the view that long-term strategic decisions that are company transformational and involve critical resource allocation decisions are more likely to be made by the most senior executives. It is also these decisions that should be aligned with shareholders' interests through an LTI award.

For this reason, it is proposed that the number of executives eligible to receive LTI be reduced from the current level of around 600 to approximately 100. Instead, the sole focus for more junior staff will be on operational excellence, which should be rewarded through STI, including DSRs.

4.7 The number and value of Options PSRs and DSRs awarded to Executive Directors will be submitted for shareholder approval retrospectively, not prospectively.

For a number of years, shareholder approval for an LTI award has been sought in advance of the actual allocation. Shareholders have subsequently been informed of the specific LTI grant made by the NEDs, whose vesting remains subject to meeting a TSR hurdle.

More specifically, at the November 2012 Annual General Meeting shareholders approved the NED's having discretion to award up to the Maximum Potential LTI award for FY2013. In the case of the Managing Director, the amount approved was \$3.75 million; while it was \$1.59 million for the Executive Director, Finance & Strategy. The actual LTI grants made for 2013 are \$750,000 for the Managing Director and \$636,000 for the Executive Director, Finance & Strategy.

In future years, starting in FY2014, the specific allocation of Options, PSRs and DSRs to be granted to Executive Directors will be submitted for approval by shareholders at the AGM held after the close of the financial year to which the grants relate. Specifically, grants relating to FY2014 will be put to shareholders at the AGM to be held in October 2014.

This modified process will allow shareholders to consider the Board's equity recommendations for Executive Directors with the full knowledge of the Company's financial performance for the year to which the award relates.

5. Appropriate governance has been exercised to ensure a focus on shareholders' interests

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

5.1 Governance responsibilities are clearly defined

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

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

The main responsibilities of the Board and Remuneration Committee are described in Table 14.

Table 14: Responsibilities of the Board and Remuneration Committee

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

5.2 The Remuneration Committee is composed of NEDs with an appropriate level of independence and expertise

For part of FY2013, the Board Remuneration Committee was comprised of five NEDs, although with Mr Bourne's resignation in November the size of the Committee reduced to four. As shown in Table 15, all members have significant experience of the Company's operations.

Table 15: Remuneration Committee FY2013

Role	Status	Other Origin Committees
Trevor Bourne (Chairman until November 2012)	Independent, Non-Executive Director until November 2012	Audit; Health, Safety & Environment; Risk; Nominations
Kevin McCann (Acting Chairman from November 2012 - February 2013)	Independent, Non-Executive Chairman	Audit, Health, Safety & Environment, Risk, Nominations
Helen Nugent (Chairman since February 2013)	Independent, Non-Executive Director	Audit (Chairman until February 2013 and subsequently a member); Risk; Nominations
Bruce Beeren	Non-Executive Director	Risk; Nominations
Gordon Cairns	Independent, Non-Executive Director	Health, Safety & Environment; Risk; Nominations; Origin Foundation (Chairman)

Dr Nugent, Mr Cairns and Mr McCann have experience with remuneration governance as members of board remuneration committees at other ASX 100 Australian companies.

The Committee met five times in FY2013.

5.3 Board and Remuneration Committee processes ensure independence

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

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

These protocols were followed in FY2013. While Guerdon Associates did not act as a Remuneration Consultant for the purposes of the *Corporations Act 2001 (Cth)*, it provided benchmarking information and data to inform the Board's changes to STI and LTI described in section 4 and to inform the Board's decisions about KMP and Other EMT remuneration. Guerdon Associates has provided a statement confirming the absence of any influence from management.

Table 16 summarises the sources of remuneration data used in FY2013.

Table 16: Sources of remuneration data, FY2013

Advisor/ Consultant FY2013	KMP Benchmarking and data used by Committee to formulate its own recommendations to Board	Remuneration Consultant for the purposes of the <i>Corporations Act</i>	Comments
Guerdon Associates	Yes	No	Benchmarking and market analysis, advisor to Remuneration Committee
The Hay Group	Yes	No	Hay PayNet® database access to remuneration survey data
Ernst & Young	No	No	General benchmarking and survey reports
Mercer Consulting	No	No	Fair valuation of LTI instruments, actuarial assessment of superannuation

6. Non-Executive Directors are remunerated in a way that supports an independent shareholder focus

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

Appropriate remuneration for NEDs is achieved by:

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

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

No Executive KMP is remunerated for acting as a Director of Origin Energy. The Managing Director, the Executive Director Finance & Strategy and the CEO, LNG are, however, remunerated for serving as Directors of Contact Energy.

6.2 Non-Executive Director fees are appropriate in light of market rates, and remain within the aggregate cap approved by shareholders

Board and Committee fees are reviewed annually having regard to the level of fees paid to Non-Executive Directors at Australian companies of comparable size and complexity. They reflect the responsibilities and time commitment necessary for the role. Per diem fees may also be paid on occasions where approved special work is undertaken outside of the expected commitments.

Following a review, no change of fee is proposed for any role as a Non-Executive Director for 2014.

The Chairman receives a single fee that is inclusive of Committee activities, while other Non-Executive Directors receive a base Board fee and separate fees for appointment to specific Committees. All fees are inclusive of superannuation contributions. Each year Directors may elect to salary sacrifice up to \$5,000 of their fees to acquire Origin shares (See Section 6.3).

The aggregate cap for Non-Executive Directors' remuneration (\$2,700,000) was last approved by shareholders at the 2010 Annual General Meeting. The Board does not propose a change to this cap for FY2014.

Table 17 shows the structure and level of Non-Executive Director fees for the current year, which will also apply for FY2014:

Table 17: Fee structure (\$)

Fees	FY2013	FY2014
Board fees		
Chairman (inclusive of all Committee work)	677,000	677,000
Non-executive Director base fee	196,000	196,000
Committee fees (except for Chairman)		
Audit		
Chairman	57,000	57,000
Member	29,000	29,000
Remuneration		
Chairman	47,000	47,000
Member	21,000	21,000
Health, Safety & Environment		
Chairman	42,000	42,000
Member	21,000	21,000
Risk		
Chairman & members	-	-
Nomination		
Chairman & members	-	-

No per diem fees were paid in FY2013 for approved special work undertaken outside of the expected commitments.

6.3 Non-Executive Directors are required to acquire and hold shares in the Company

To more closely align the interests of the Board and shareholders, NEDs are required to hold a minimum of 10,000 shares in the Company within three years of appointment. All Directors meet this minimum shareholding requirement.

From August 2013, the minimum requirement for NEDs will be 20,000 shares. New NEDs will have up to three years to acquire this shareholding once they join the Board.

In FY2013 and in previous years, the Non-Executive Director Share Plan (NEDSP) allowed a salary sacrifice of up to \$5,000 in annual fees toward the acquisition of shares. Shares could be acquired on-market by the Trustee of the Plan to be held for participating NEDs. The Trustee of the Plan could transfer to a NED a share acquired under the Plan after five years or upon retirement from office or in the case of death.

No acquisitions were made under the NEDSP in FY 2013. The NEDSP was closed to new participants and to new acquisitions by existing participants by decision of the Board in August 2013.

No directors acquired additional shares during the year other than Mr Morgan, who was appointed to the Board in November 2012 and purchased shares to meet the minimum holding requirement at that time of 10,000 shares.

Appendices: Key Management Personnel (KMP) disclosures

Appendix 1: KMP

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

Table 18: Key Management Personnel, FY2013

Non-Executive Directors		Notes
H K McCann	Independent Chairman	
J H Akehurst	Independent	
B G Beeren	Non-executive	Executive Director from March 2000 to January 2005
T Bourne	Independent	Retired from the Board November 2012
G M Cairns	Independent	
B W D Morgan	Independent	Joined the Board November 2012
R J Norris	Independent	
H M Nugent	Independent	
Executive Directors		
G A King	Managing Director	
K A Moses	Executive Director, Finance & Strategy	
Executives		
D A Baldwin	Chief Executive Officer, LNG	Chief Development Officer until December 2012, also a KMP role
D Barnes	Chief Executive Officer, Contact Energy	
F G Calabria	Chief Executive Officer, Energy Markets	
P A Zealand	Chief Executive Officer, Upstream	

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

Appendix 2: Contractual arrangements for Executive KMP

The table below sets out the main terms and conditions of the employment contracts of the Managing Director and executive KMP (excluding Non-Executive Directors) as at 30 June, 2013.

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

Table 19: Contractual Details for Executive KMP¹⁹

Role	Contract Expiry	Notice Period	Termination Payments (subject to termination benefits legislation)
Managing Director	To 30 June 2014	12 months either party - Immediate for misconduct, breach of contract or bankruptcy 6 months for extended illness	- Statutory entitlements only for termination with cause - Payment in lieu of notice at Company discretion - For Company termination “without cause”, pro rata STI is payable
Executive Director Finance & Strategy and other executive KMP	Ongoing (no fixed term)	- Up to 3 months by either party - Immediate for misconduct, breach of contract or bankruptcy	- Statutory entitlements only for termination with cause - Payment in lieu of notice at Company discretion - For Company termination “without cause” pro rata earned STI is payable - For Company termination “without cause” payment equivalent to 3 weeks’ fixed remuneration per year of service capped at 74 weeks; a minimum may also apply (generally 18-22 weeks)

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

Table 20: Managing Director remuneration

Element	Details
Fixed remuneration	The Managing Director’s fixed remuneration for FY2013 was \$2,500,000. The Board commissioned an external report by Guerdon Associates on chief executive remuneration providing detailed benchmarks across a range of domestic and international peer groups. The Board concluded from the analysis that it was appropriate not to increase the Managing Director’s fixed remuneration for FY2014.
STI	The Managing Director’s maximum STI opportunity level is 120% of fixed remuneration (72% at target). 60% of the Managing Director’s STI is determined by the Group Performance Metrics and 40% on individual measures. Company performance for FY2013 was determined against two equally weighted measures, OCAT Ratio and growth in Underlying EPS (see section 2).
LTI	The Managing Director’s maximum LTI opportunity level for FY2013 was 150% of fixed remuneration. The Managing Director maintains a significant shareholding in the Company, as reflected in Table 29 of this Report (and equivalent tables in prior Reports).

¹⁹ Note to Table 19. The table includes arrangements agreed prior to the amendments to the *Corporations Act 2001* (Cth) regarding termination payments which came into effect on 24 November 2009. Entitlements under pre-existing contracts are generally not subject to the new limits on termination payments. The new legislative provisions apply to KMP contract variations after 24 November 2009 and to agreements with KMPs appointed after 24 November 2009.

Appendix 3: Supplementary remuneration disclosures

Three additional disclosures are presented below, incorporating information from Tables 10, 11 and 12 and prepared in line with the Corporations and Market Advisory Committee's (CAMAC) indicative guidelines and subject to an Exposure Draft amendment to the Corporations Act 2001 (Cth) proposed by Treasury on 12 December 2012. **These tables are not additive.**

- 1 **Past pay** represents the value of LTI awarded for prior periods that has crystallised (vested) during the current period. The value of equity is calculated at the date of vesting (irrespective of exercise). This is the number of Options or Rights vested multiplied by the market closing price of the Company's shares on the day of vesting, less any applicable exercise price. Where the exercise price exceeds the market price, the value is zero. In FY2013, testing of unvested deferred pay earned in respect of FY2008 and FY2009 took place but did not result in any vesting. In FY2012, vesting comprised LTI awards granted in September 2008 referable to the performance year FY2008.

Table 21: Past Pay

Name		Past Pay (\$)	% change
Executive Directors			
G A King	2013	0	-100%
	2012	1,677,216	
K A Moses	2013	0	-100%
	2012	402,538	
Other Executive KMP			
D A Baldwin	2013	0	0
	2012	0	
D Barnes ⁶	2013	0	-100%
	2012	67,090	
F G Calabria	2013	0	-100%
	2012	223,628	
P A Zealand	2013	0	-100%
	2012	95,042	
TOTAL	2013	0	-100%
	2012	2,465,514	

- 2 **Present pay** represents remuneration earned in respect of the period and paid during or shortly after the end of the period. For FY2012 and FY2013 this includes fixed remuneration plus STI. For these periods the STI constitutes a non-deferred cash bonus granted for performance during the period, determined following the close of final results for the period, and paid during September of the following period.

Table 22: Present Pay²⁰

Name		Fixed remuneration ¹	Actual STI payment ²	% change	Present pay	% change
Executive Directors						
G A King	2013	2,500,000	600,000	-74.5%	3,100,000	-36.1%
	2012	2,500,000	2,350,000		4,850,000	
K A Moses	2013	1,325,000	662,500	-42.2%	1,987,500	-17.7%
	2012	1,270,000	1,145,540		2,415,540	
Other Executive KMP						
D A Baldwin	2013	920,000	699,200	-9.7%	1,619,200	-2.1%
	2012	880,000	774,400		1,654,400	
D Barnes ³	2013	700,000	504,000	29.2%	1,204,000	15.8%
	2012	650,000	390,000		1,040,000	
F G Calabria	2013	1,050,000	294,000	-58.6%	1,344,000	-21.4%
	2012	1,000,000	710,000		1,710,000	
P A Zealand	2013	740,000	281,200	-36.1%	1,021,200	-11.2%
	2012	710,000	440,200		1,150,200	
TOTAL	2013	7,235,000	3,040,900	-47.7%	10,275,900	-19.8%
	2012	7,010,000	5,810,140		12,820,140	

²⁰ Notes to Table 22

- 1 Fixed remuneration represents base salary (cash) and superannuation, plus any benefits that have been salary sacrificed. It is the amount to which other pay elements such as STI and LTI are referenced. Fixed remuneration for FY2012 has been re-stated for consistency with the definition at footnote 1. The amount reported in FY2012 was calculated inclusive of all non-monetary benefits such as insurance and incidentals, and did not represent the actual contractual salary nor the base on which pay elements such as STI and LTI were referenced.
- 2 2013 STI constitutes a non-deferred cash bonus granted for performance during the year ended 30 June 2013, determined following the close of 2013 results and paid in September 2013. 2012 STI constitutes a cash bonus granted for performance during the year ended 30 June 2012, determined following the close of 2012 results and paid in September 2012.
- 3 Fixed remuneration set by Contact Energy board in NZD. The Australian denominated fixed pay is converted to Australian dollars at the time of notification of pay change (FY2013 set in September 2012, \$1.2825; FY2012 set in September 2011, \$1.2615).

- 3 **Future pay** represents deferred pay awarded for the period but to be paid in a future period. For equity awards the value represents the intended fair value at the time of determination of the award. For FY2012 and FY2013 the amounts are comprised of **conditional** LTI awards that may vest (partially or fully), or may lapse without value, in a future period.

Table 23: Future Pay²¹

Name		Future Pay	% Change
Executive Directors			
G A King	2013	750,000 ²	-80.0%
	2012	3,750,000 ³	
K A Moses	2013	636,000 ²	58.3%
	2012	1,524,000 ³	
Other Executive KMP			
D A Baldwin	2013	920,000	4.5%
	2012	880,000	
D Barnes	2013	700,000	7.7%
	2012	650,000	
F G Calabria	2013	294,000	-70.6%
	2012	1,000,000	
P A Zealand	2013	281,200	-53.4%
	2012	603,500	
TOTAL	2013	3,581,200	-57.4%
	2012	8,407,500	

²¹ Notes to Table 23:

- 1 Intended fair value of deferred pay (LTI) awards determined with respect to performance in the period that may vest (partially or fully) or lapse in a future period.
- 2 Pursuant to shareholder approval obtained at the 2012 AGM.
- 3 Pursuant to shareholder approval obtained at the 2011 AGM.

Appendix 4: Statutory remuneration disclosures

Table 24: Remuneration Table for FY2012 and FY2013

		Short-term benefits				Post-employment benefits	Long-term benefits			Totals		
		Base salary / fees	Contact Energy Fees ¹	Variable remuner- ation ²	Non- monetary benefits and Other ³		Accounting Value of Options & Rights ⁴	Movement in Accrued LSL		Termination Benefits	Total Remuneration	% of Total Remune- ration “At Risk”
Executive Directors												
G A King	2013	2,481,000	174,139	600,000	105,734	19,000	3,496,148	62,485	-	6,938,506	59%	50%
	2012	2,456,248	163,743	2,350,000	30,963	43,752	3,162,818	140,468	-	8,347,992	66%	38%
K A Moses	2013	1,305,846	104,484	662,500	74,197	16,488	1,352,448	55,456	-	3,571,419	56%	38%
	2012	1,251,542	100,292	1,145,540	22,715	15,792	1,169,436	58,515	-	3,763,832	62%	31%
Executive KMP												
D A Baldwin ⁵	2013	891,312	112,890	699,200	19,091	16,488	1,365,503	14,573	-	3,119,057	66%	44%
	2012	852,008	102,339	774,400	314,463	15,792	1,206,338	65,226	-	3,330,566	59%	36%
D Barnes ⁶	2013	749,834	-	504,000	10,350	21,000	333,510	32,807	-	1,651,501	51%	20%
	2012	618,362	-	390,000	5,589	21,000	325,414	62,371	-	1,422,736	50%	23%
F G Calabria	2013	1,005,922	-	294,000	32,629	24,312	933,231	39,371	-	2,329,465	53%	40%
	2012	963,669	-	710,000	24,088	23,616	873,784	158,539	-	2,753,696	58%	32%
P A Zealand	2013	706,941	-	281,200	36,895	24,993	399,489	11,765	-	1,461,283	47%	27%
	2012	660,899	-	440,200	27,021	42,812	338,092	11,267	-	1,520,291	51%	22%

		Short-term benefits				Post-employment benefits	Long-term benefits			Totals		
		Base salary / fees	Contact Energy Fees ¹	Variable remuneration ²	Non-monetary benefits and Other ³	Superannuation	Accounting Value of Options & Rights ⁴	Movement in Accrued LSL	Termination Benefits	Total Remuneration	% of Total Remuneration “At Risk”	% of Remuneration in Options and PSRs
Non-executive Directors (current)												
H K McCann	2013	659,179	-	-	1,537	16,488	-	-	-	677,204	-	-
	2012	633,245	-	-	738	15,792	-	-	-	649,775	-	-
J H Akehurst	2013	221,511	-	-	204	16,488	-	-	-	238,203	-	-
	2012	205,208	-	-	204	23,792	-	-	-	229,204	-	-
B G Beeren	2013	202,512	128,102	-	1,537	16,488	-	-	-	348,639	-	-
	2012	218,489	120,468	-	1,515	15,792	-	-	-	356,264	-	-
G M Cairns	2013	221,511	-	-	204	16,488	-	-	-	238,203	-	-
	2012	208,112	-	-	204	15,792	-	-	-	224,108	-	-
B W D Morgan ⁷	2013	151,569	-	-	204	10,305	-	-	-	162,078	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-
R J Norris ⁸	2013	209,956	-	-	204	16,488	-	-	-	226,648	-	-
	2012	35,092	-	-	51	3,158	-	-	-	38,301	-	-
H M Nugent	2013	256,803	-	-	204	16,488	-	-	-	273,495	-	-
	2012	278,112	-	-	204	15,792	-	-	-	294,108	-	-
Non-executive Directors (former)												
T Bourne ⁹	2013	101,160	-	-	204	5,996	-	-	-	107,360	-	-
	2012	266,112	-	-	256	15,792	-	-	-	282,160	-	-
Totals ¹⁰	2013	9,165,056	519,615	3,040,900	283,194	237,510	7,880,329	216,457	-	21,343,061	-	-
	2012	8,647,098	486,842	5,810,140	428,011	268,674	7,075,882	496,386	-	23,213,033	-	-

Footnotes to Table 24

- (1) G A King, D A Baldwin, B G Beeren and K A Moses are the Company's nominees on the board of Contact Energy. Remuneration is converted to Australian dollars using an annual (1 July 2012 - 30 June 2013) average exchange rate of \$1.249 (2012 - \$1.2825).
- (2) Variable remuneration includes the STI in respect of the relevant reporting period based on achieving personal goals and satisfying specified performance criteria during that period plus any discretionary amounts awarded for exceptional contributions. FY2013 STI constitutes a cash bonus granted for the year ended 30 June 2013, determined following the close of FY2013 results and to be paid in September 2013. FY2012 STI constitutes a cash bonus granted for the year ended 30 June 2012, determined following the close of 2012 results and paid in September 2012.
- (3) Non-monetary benefits include insurance premiums and fringe benefits such as car parking. For FY2012 benefits for D A Baldwin include costs associated with his relocation from New Zealand to Australia and is recorded as Other Benefits.
- (4) The fair value of the Options and PSRs awarded is calculated at the date of grant using a Black-Scholes methodology with a Monte Carlo simulation model that takes into account hurdles. The fair value is allocated to each reporting period evenly over the period from date of grant to the first test date. The value disclosed is the portion of the fair value of the Options and PSRs allocated to the relevant reporting period. In valuing the Options and PSRs, market conditions have been taken into account.
- (5) Amortisation includes equity issued by Contact Energy in relation to D A Baldwin's employment by Contact Energy prior to April 2011.
- (6) During employment with Contact Energy, D Barnes was paid in New Zealand currency. Remuneration is converted to Australian dollars using an annual average exchange rate of \$1.249 (1 July 2012 to 30 June 2013) (2012 - \$1.2825). For Contact Energy, base salary may include holiday pay rate adjustments. Fixed remuneration and all or part of Contact Energy variable remuneration for the period of employment with Contact Energy is reimbursed by Contact Energy. Amortisation includes equity issued by Contact Energy in relation to D Barnes employment by Contact after 1 April 2011.
- (7) B W D Morgan was appointed as a Non-executive Director on 16 November 2012.
- (8) R J Norris was appointed as a Non-executive Director on 18 April 2012.
- (9) T Bourne retired as a Non-executive Director on 12 November 2012.
- (10) All named executive KMP and Executive Directors are employed and remunerated by the Company and its controlled entities. All Non-executive Directors are remunerated by the Company.

Table 25: Details of equity grants

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

Granted	Type	Number Outstanding	Exercise Price	First Test Date	Expiry Date	Vested	Number Exercisable ¹	Percentage Exercisable ²
28-09-2007	Options	-	\$9.86	28-09-2010 ³	28-09-2012	Yes	-	-
28-09-2007	PSRs	-	Nil	28-09-2010 ³	28-12-2012	Yes	-	-
28-09-2007	Options	-	\$9.86	28-09-2010 ³	28-12-2012	Yes	-	-
30-09-2008	PSRs	201,305	Nil	30-09-2011	30-12-2013	Partial	139,107	82.56
30-09-2008	Options	1,127,000	\$15.84	30-09-2011	30-12-2013	Partial	930,451	82.56
28-09-2009	PSRs	405,993	Nil	28-09-2012	28-12-2014	No	0	0
28-09-2009	Options	1,011,000	\$14.58	28-09-2012	28-12-2014	No	0	0
06-11-2009	PSRs	154,370	Nil	6-11-2012	6-02-2015	No	0	0
06-11-2009	Options	412,000	\$15.47	6-11-2012	6-02-2015	No	0	0
10-05-2010	PSRs	4,322	Nil	10-05-2013	10-08-2015	No	0	0
10-05-2010	Options	11,600	\$14.89	10-05-2013	10-08-2015	No	0	0
28-10-2010	PSRs	725,773	Nil	1-10-2013	31-12-2015	No	0	0
28-10-2010	Options	1,982,274	\$14.91	1-10-2013	31-12-2015	No	0	0
15-10-2011	DSRs	-	Nil	1-04-2013	1-04-2013	Yes	-	-
		11,292	Nil	1-04-2014	1-04-2014	No	-	-
		11,292	Nil	1-04-2015	1-04-2015	No	-	-
15-10-2011	PSRs	42,886	Nil	1-04-2014	1-04-2016	No	0	0
15-10-2011	Options	174,316	\$13.01	1-04-2014	30-06-2016	No	0	0
15-10-2011	DSRs	26,678	Nil	15-10-2013	15-10-2013	No	-	-
		26,678	Nil	15-10-2014	15-10-2014	No	-	-
		26,678	Nil	15-10-2015	15-10-2015	No	-	-
15-10-2011	PSRs	1,800,627	Nil	15-10-2014	15-10-2016	No	0	0
15-10-2011	Options	4,081,986	\$13.01	15-10-2014	15-01-2017	No	0	0
11-04-2012	DSRs	7,195	Nil	1-02-2014	1-02-2014	No	-	-
		7,195	Nil	1-02-2015	1-02-2015	No	-	-
		7,195	Nil	1-02-2016	1-02-2016	No	-	-
11-04-2012	PSRs	98,409	Nil	11-04-2015	11-04-2017	No	0	0
11-04-2012	Options	362,570	\$12.91	11-04-2015	11 Jul 2017	No	0	0
15-10-2012	DSRs	6,302	Nil	15-10-2014	15-10-2014	No	-	-
		6,302	Nil	15-10-2015	15-10-2015	No	-	-
		6,302	Nil	15-10-2016	15-10-2016	No	-	-
15-10-2012	PSRs	3,689,524	Nil	15-10-2015	15-10-2015	No	0	0
15-10-2012	Options	7,309,306	\$11.78	15-10-2016	15-10-2019	No	0	0
24-12-2012	PSRs	11,342	Nil	15-10-2015	15-10-2015	No	0	0
24-12-2012	Options	41,381	\$11.78	15-10-2016	15-10-2019	No	-0	0

- 1 The performance conditions are described in section 2.3.
- 2 Where not vested the percentage exercisable is indicative and for Options and PSRs only. The percentage has been calculated by comparing the Company's TSR to the relevant performance group and applying the performance conditions noted in section 2.3 as at 30 June 2013. The number of Options and PSRs that become exercisable will be determined at the test date and may be different from that indicated here. An indicative number is not provided for Deferred Share Rights as these are subject to tenure and personal performance hurdles rather than a market hurdle.
- 3 Under the previous LTI Plan Rules that applied to these awards early testing occurred as a result of the announcement on 30 April 2008 by the BG Group that it proposed to acquire more than 20% of the Company's shares. On testing, the performance hurdles were met and the awards vested.

Table 26: Analysis of movements in Options and PSRs

A summary of the movement in FY2013, by value, of Options over ordinary shares and PSRs in the Company (and Options, PSRs and Restricted Shares in Contact Energy in the case of D A Baldwin and D Barnes) held by KMP is provided in the table below. Note that no Non-executive Directors hold Options or PSRs.

	Type	Value of Options and PSRs (\$)		Lapsed
		Granted ¹	Exercised ²	
Executive Directors				
G A King	Options	1,719,828	438,000	-
	PSRs	1,818,287	1,507,710	-
K A Moses	Options	698,939	275,800	-
	PSRs	738,951	603,330	-
D Barnes ^{3,4}	Options	74,527	-	-
	PSRs	78,797	61,176	-
	Contact Options	246,199	-	-
	Contact PSRs	246,199	-	-
D A Baldwin ^{3,4}	Options	403,587	-	-
	PSRs	426,693	-	-
	Contact Options	-	-	130,104
	Contact PSRs	-	-	80,461
	Contact Restricted Shares	-	-	-
F G Calabria	Options	458,621	136,960	-
	PSRs	484,877	203,746	-
P A Zealand	Options	276,778	-	-
	PSRs	292,625	-	-

- (1) The allocated value of Options and PSRs granted in the year is the fair value calculated at grant date using a Black-Scholes algorithm with Monte Carlo simulation to account for hurdles has been independently calculated by Mercer. The value disclosed is the total value of the Options and PSRs. This amount is allocated to remuneration (Table 24) over the vesting period.
- (2) The value of Options and PSRs exercised during the year is calculated as the market price of the Company's shares on the ASX as at the close of trading on the date the Options and PSRs were exercised, after deducting the price paid to exercise the Option or PSR. The exercise price paid for each Option that was exercised was \$9.86.
- (3) Based on an exchange rate of 1.249.
- (4) D Barnes and D A Baldwin's Contact securities were issued under the Contact Energy Employee Long-term Incentive Scheme as Chief Executive Officer or Managing Director (respectively) of Contact Energy. Contact Energy relies on NZSX Listing Rule 7.3.9 to allow participation of the CEO/Managing Director in the Long-term Incentive Scheme. D A Baldwin receives cash director's fees from Contact Energy in his capacity as a director post 1 April 2011 following the end of his secondment to Contact Energy, but will not be granted any further securities in Contact Energy under its Long-term Incentive Scheme. However he retains existing securities subject to their corresponding exercise hurdles and vesting requirements. Refer to Contact Energy's website - www.contactenergy.co.nz.

Table 27: Numbers of Options and PSRs granted, vested and lapsed in FY2013 and associated fair value

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

KMP	Type	No Granted during FY2013	Grant Date	Fair Value ¹	Exercise Price	Vesting Date	Expiry Date	% vested FY2013	% forfeited FY2013 ²	No of options & PSRs vested FY 2013
Executive Directors										
G A King	Options	1,293,104	15/10/12	\$1.33	\$11.78	15/10/16	15/10/19	-	-	-
	PSRs	354,442	15/10/12	\$5.13	Nil	15/10/15	15/10/15	-	-	-
K A Moses	Options	525,518	15/10/12	\$1.33	\$11.78	15/10/16	15/10/19	-	-	-
	PSRs	144,045	15/10/12	\$5.13	Nil	15/10/15	15/10/15	-	-	-
D Barnes	Options	56,035	15/10/12	\$1.33	\$11.78	15/10/16	15/10/19	-	-	-
	PSRs	15,360	15/10/12	\$5.13	Nil	15/10/15	15/10/15	-	-	-
	Contact Options ³	715,117	01/10/12	\$0.34	\$4.18	01/10/15	30/11/17	-	-	-
	Contact PSRs ³	97,620	01/10/12	\$2.52	Nil	01/10/15	30/11/17	-	-	-
D A Baldwin	Options	303,449	15/10/12	\$1.33	\$11.78	15/10/16	15/10/19	-	-	-
	PSRs	83,176	15/10/12	\$5.13	Nil	15/10/15	15/10/15	-	-	-
F G Calabria	Options	344,828	15/10/12	\$1.33	\$11.78	15/10/16	15/10/19	-	-	-
	PSRs	94,518	15/10/12	\$5.13	Nil	15/10/15	15/10/15	-	-	-
P A Zealand	Options	208,104	15/10/12	\$1.33	\$11.78	15/10/16	15/10/19	-	-	-
	PSRs	57,042	15/10/12	\$5.13	Nil	15/10/15	15/10/15	-	-	-

1 Fair values are at the date of grant.

2 The percentage forfeited in FY2013 represents the reduction from the maximum number of Options available to vest due to the highest level performance criteria not being achieved.

3 Converted to Australian dollars using an average exchange rate of \$1.249 (1 July 2012 to 30 June 2012). For terms refer to Contact Energy's website - www.contactenergy.co.nz.

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

Table 28: Options and PSRs holdings and transactions

Movement during the reporting period in the number of Options and PSRs over ordinary shares in the Company (and, for D A Baldwin and D Barnes, Options and PSRs over ordinary shares in Contact Energy) held directly, indirectly or beneficially by the KMP including their related parties are listed below. Note that Non-executive Directors do not hold Options or PSRs.

	Year	Type	Held at Year Start	Granted during the year	Vested and Exercised	Lapsed	Held at Year End	Vested During Year	Vested & Exercisable at Year End	
Executive Directors										
G A King	2013	Options	2,096,718	1,293,104	300,000	-	3,089,822	-	330,240	
		PSRs	582,083	354,442	127,448	-	809,077	-	-	
	2012	Options	1,368,212	728,506	-	-	2,096,718	330,240	630,240	
		PSRs	399,750	182,333	-	-	582,083	127,448	127,448	
K A Moses	2013	Options	760,695	525,518	140,000	-	1,146,213	-	73,478	
		PSRs	251,729	144,045	51,000	-	344,774	-	30,588	
	2012	Options	700,202	271,493	211,000	-	760,695	73,478	213,478	
		PSRs	183,779	67,950	-	-	251,729	30,588	81,588	
Other KMP										
D Barnes	2013	Options	56,990	56,035	-	-	113,025	-	12,384	
		PSRs	21,540	15,360	5,098	-	31,802	-	-	
		Contact Options	596,707	715,117	-	-	1,311,824	-	-	
		Contact PSRs	129,983	97,620	-	-	227,603	-	-	
	2012	Options	56,990	-	-	-	56,990	12,384	12,384	
		PSRs	21,540	-	-	-	21,540	5,098	5,098	
		Contact Options	106,082	490,625	-	-	596,707	-	-	
		Contact PSRs	23,574	106,409	-	-	129,983	-	-	
	D A Baldwin	2013	Options	368,415	303,449	-	-	671,864	-	-
			PSRs	113,787	83,176	-	-	196,963	-	-
			Contact Options	1,043,692	-	-	98,485	945,207	-	-
			Contact PSRs	200,408	-	-	17,508	182,900	-	-
2012		Contact Restricted Shares	-	-	-	-	-	-	-	
		Options	178,369	190,046	-	-	368,415	-	-	
		PSRs	66,221	47,566	-	-	113,787	-	-	
		Contact Options	1,250,102	-	-	206,410	1,043,692	-	-	
	Contact PSRs	104,655	96,308 ¹	-	555	200,408	-	-		
	Contact Restricted Shares	133,070	-	-	133,070	-	-	-		
F G Calabria	2013	Options	509,890	344,828	64,000	-	790,718	-	40,454	
		PSRs	144,509	94,518	16,993	-	222,034	-	-	

	Year	Type	Held at Year Start	Granted during the year	Vested and Exercised	Lapsed	Held at Year End	Vested During Year	Vested & Exercisable at Year End
P A Zealand	2012	Options	309,166	200,724	-	-	509,890	40,454	104,454
		PSRs	94,271	50,238	-	-	144,509	16,993	16,993
	2013	Options	175,989	208,104	-	-	384,093	-	17,338
		PSRs	56,511	57,042	-	-	113,553	-	7,222
	2012	Options	95,599	80,390	-	-	175,989	17,338	17,338
		PSRs	36,390	20,121	-	-	56,511	7,222	7,222

1 Contact PSRs issued in FY2012 to adjust for dilution on previously granted securities as a result of the Contact Energy Entitlement Offer and to replace existing Restricted Shares due to the closure of the Contact Energy Restricted Share Plan. Refer to refer to Contact Energy's website - www.contactenergy.co.nz.

Table 29: Equity holdings and transactions

Movements during the reporting periods in the number of ordinary shares of the Company (and, in the case of D A Baldwin and D Barnes, Contact Energy) held directly, or indirectly or beneficially by KMP, including their related parties:

	Year	Held at Year Start	Purchases	Received on exercise of options	Received on Exercise of PSRs ⁶	Sales	Held at Year End
Non-executive Directors¹							
H K McCann	2013	349,012	-	-	-	-	349,012
	2012	349,012	-	-	-	-	349,012
J H Akehurst	2013	71,200	-	-	-	-	71,200
	2012	71,200	-	-	-	-	71,200
B G Beeren	2013	1,381,680	-	-	-	-	1,381,680
	2012	1,360,015	21,665	-	-	-	1,381,680
G M Cairns	2013	83,360	-	-	-	4,080	79,280
	2012	83,360	-	-	-	-	83,360
B W D Morgan ²	2013	-	10,000	-	-	-	10,000
	2012	-	-	-	-	-	-
R J Norris	2013	20,000	-	-	-	-	20,000
	2012	-	20,000	-	-	-	20,000
H M Nugent	2013	38,834	-	-	-	-	38,834
	2012	38,204	630	-	-	-	38,834
Non executive Director (former)							
T Bourne ³	2013	55,606	-	-	-	16,844	38,762
	2012	53,504	2,102	-	-	-	55,606
Executive Directors							
G A King	2013	1,006,611	-	300,000 ⁴	127,448	325,000	1,109,059
	2012	1,106,611	-	-	-	100,000	1,006,611
K A Moses	2013	237,374	-	140,000 ⁴	51,000	150,587	277,787
	2012	221,927	-	211,000 ⁵	-	195,553	237,374
Other KMP							
D Barnes	2013	59,668	20,942	-	5,098	50,462	35,246
	2012	59,668	-	-	-	-	59,668
D A Baldwin	2013	10,393	513	-	-	-	10,906
	2012	10,000	393	-	-	-	10,393
F G Calabria	2013	234,469	81,077	64,000 ⁴	16,993	209,912	186,627
	2012	234,469	-	-	-	-	234,469
P A Zealand	2013	183,540	1,419	-	-	-	184,959
	2012	182,928	612	-	-	-	183,540

1 Non-executive Directors purchased shares on-market and were not issued shares under any incentive or equity plans.

2 B W D Morgan was appointed to the Board on 16 November 2012

3 T Bourne retired from the Board on 12 November 2012.

4 Exercise price per share of \$9.86. There are no amounts remaining unpaid.

5 Exercise price per share of \$6.04. There are no amounts remaining unpaid.

6 No amount was paid for the shares acquired on exercise of vested PSRs.

Signed in accordance with a resolution of 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, 21 August 2013



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

To: the directors of Origin Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Alison Kitchen'.

Alison Kitchen
Partner

Sydney

21 August 2013

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Corporate Governance Statement 2013

CORPORATE GOVERNANCE STATEMENT 2013

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

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

Compliance with ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles)

This statement summarises the Company's corporate governance practices which were in place throughout FY2013. The Company is pleased to report that, during the financial year and to the date of this Report, it complied with all of the ASX Principles.

Principle 1: Lay solid foundations for management and oversight

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

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

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

- (a) a set of personal financial and non-financial goals;
- (b) Company goals; and
- (c) adherence to the Company's Compass, which reflects the role that Origin's Purpose, Principles, Values and Commitments play in everyday decision making.

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

Principle 2: Structure the Board to add value

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

In FY2013, the Board had 10 scheduled meetings, including a two-day strategic planning meeting. The Board also had four separate scheduled workshops to consider matters of particular relevance. In addition, the full Board met on two other occasions to deal with urgent matters and conducted visits of Company operations and met with operational management during the year.

From time to time, the Board delegates its authority to non-standing committees of Directors to deal with transactional or other urgent matters. In the 12 months to 30 June 2013, eight such additional Board Committee meetings were held.

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

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

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

The Board's size and composition is determined by the Directors, within limits set by the Company's Constitution, which requires a Board of between five and 12 Directors. As at 30 June 2013, the Board comprised nine Directors, including two Executive Directors and seven Non-executive Directors, six of whom are considered independent by the Board. Directors' profiles, duration of office and details of their skills, experience and special expertise are set out in the Director's Report.

The Board seeks to have an appropriate mix of skills, experience, expertise and diversity to enable it to discharge its responsibilities and add value to the Company. The skills, experience and expertise which are relevant include those in the areas of finance, legal, safety, governance, management, retail, marketing, engineering and energy industry-related. The Board values diversity in all respects, including gender and differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem solving skills. The Board has an appropriate mix of relevant skills, experience, expertise and diversity.

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

The Board reviews each Director's independence annually. At its review for the FY2013 reporting period, the Board formed the view that, Mr Kevin McCann, Chairman, and Directors Mr John Akehurst, Mr Gordon Cairns, Mr Bruce Morgan, Mr Ralph Norris and Dr Helen Nugent were independent.

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

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

Each Committee has its own Charter which sets out its role, responsibilities, composition, structure, membership requirements and operation. These are available on the Company's website. Each Committee's Chairman reports to the Board on the Committee's deliberations at the following Board meeting where the Committee meeting minutes are

also tabled. Additional and specific reporting requirements to the Board by each Committee are addressed in the respective Committee Charters.

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

The Nomination Committee, which met three times during FY2013, provides support and advice to the Board by:

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

A list of the members of each Board Committee as at 30 June 2013 is set out below and their attendance at Committee meetings is set out in the Directors' Report.

Current Board Committee membership

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

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

The Board reviewed the performance of Mr Cairns, who is standing for re-election at the Annual General Meeting in October 2013. The Board found that Mr Cairns was a high performing Director and concluded that he should be proposed for re-election. Mr Cairns was not present for his review.

In addition, Mr Morgan joined the Board in November 2012 and will be standing for election at the Annual General Meeting in accordance with the ASX Listing Rules.

Mr Morgan brings to the Board significant financial and international business experience, together with a deep knowledge of the Australian energy sector and of multinational companies, which will provide an invaluable contribution to the Company's business.

The Board's recommendation on the election or re-election of each Director will be included in the Notice convening the Annual General Meeting.

Every second year, the Directors review the performance of the whole Board and Board Committees. Last year, the review was undertaken with assistance from an independent external consultant, covering the Board's activities and work program, time commitments, meeting efficiency and Board contribution to Company strategy, monitoring, compliance and governance. The results of the review were discussed by the whole Board, and initiatives to improve or enhance Board performance and effectiveness were considered and recommended.

Principle 3: Promote ethical and responsible decision making

All Directors and employees are expected to comply with the law and act with a high level of integrity. The Company has a Code of Conduct and a number of policies governing conduct in pursuit of Company objectives in dealing with shareholders, employers, customers, contractors and other stakeholders. The Code of Conduct is based on the Company's Statement of Purpose, Principles, Values and Commitments (Origin Compass).

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

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

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

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

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

The Company is focused on increasing gender diversity across all levels of its workforce, but in particular in senior roles. It is committed to providing equality of opportunity and a rewarding workplace for all employees, and the Company's Diversity and Inclusion Policy aims to create an environment in which all individuals are supported and respected.

As part of the Company's continued efforts to increase gender diversity across the business, the Company committed in FY2013 to:

- continue to deliver equal average pay for men and women at each job grade;
- improve our retention of women, with a target to improve our turnover rate among women in senior professional and management roles by 15%;

- increase the number of women in senior management, with a target to improve our rate of appointment of women to senior professional and management roles by 15% in FY2014.

The cohort ‘senior professional and management roles’ aims to capture roles in the operational business units that report to the Executive Management Team (EMT) and the two layers below; and roles in the smaller functional areas (People & Culture, Corporate Affairs and Legal) that report to the EMT and one layer below. For consistency across the organization, and for comparability over time, the cohort is defined by reference to Hay Pay Scale grades.

The targets are reported internally on a quarterly basis to Origin’s Diversity Council, which currently consists of the Executive Management Team. Performance against the targets in FY2013 was as follows:

- Average pay for men and women at each job grade fluctuates through the year with turnover, recruitment and promotions, but once a year the Company undertakes a comprehensive review of all aspects of remuneration. In FY2013, the average difference between male and female average pay at each job level was within 2% at the time of that review.
- Turnover of women in senior professional and management roles increased over the year, as did turnover of men in those roles and turnover of both men and women in the rest of the workforce. This was in line with the Company’s focus through the year on reducing operational expenses, including labor costs. The percentage of women in senior professional and management roles let go by the Company as part of that process was lower than the percentage of men in those roles.
- All of the operational Business Units (Energy Markets, LNG and Upstream Exploration and Production) achieved the targeted 15% increase in the appointment of women to senior roles in FY2013 versus the previous year. Appointment of women to senior professional and management roles in the corporate functions (Finance & Strategy, People & Culture, Corporate Affairs and Legal & Company Secretary), where in many cases women already make up more than half the cohort, did not increase by 15%, and as a result the Company overall was short of the target despite the good progress made in the operational Business Units.

As at 30 June 2013, women represent 22 per cent of the Board; 11 per cent of the Executive Management Team; 27 per cent of professional and management roles; and 40 per cent of all employees.

The Company will pursue the same targets for FY2014.

The Board is responsible for overseeing the Company’s strategies on gender diversity, including monitoring of the Company’s achievements against any gender targets set by the Board.

Principle 4: Safeguard integrity in financial reporting

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

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

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

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

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

Principle 5: Make timely and balanced disclosure

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

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

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

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

Principle 6: Respect the rights of shareholders

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

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

The Company provides shareholders with a choice of receiving an annual Shareholder Review, a full Annual Report or no report at all. Shareholders who make no election receive a Shareholder Review. Shareholders may also elect to receive their reports electronically or in printed form.

The Company's website contains a list of upcoming events, all recent announcements, presentations, past and current reports to shareholders, notices of meeting and archived

webcasts of general meetings and results announcements. The Company also keeps an internal record of briefings given to investors and analysts, including those present and the main issues discussed.

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

Principle 7: Recognise and manage risk

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

The Risk Committee oversees the Company's policies and procedures in relation to risk management and internal control systems. The Company's policies are designed to identify, assess, address and monitor strategic, operational, legal, reputational, commodity and financial risks to achieve business objectives. Certain specific risks are covered by insurance and the Board has also approved policies for hedging of interest rates, foreign exchange rates and commodities.

Management is responsible for the design and implementation of the risk management and internal control systems to manage the Company's material business risks. Management reports to the Risk Committee on whether those risks are being managed effectively. Top risks are reported to the Risk Committee and the Board, along with associated controls and risk mitigation plans. Management has reported to the Risk Committee and the Board that, as at 30 June 2013, its material business risks are being managed effectively.

In addition to reports from the Risk Committee, the Board receives monthly reports on key risk areas such as health and safety, project development, commodity exposures and exchange rates. A general Company-wide review of major risks is undertaken for corporate, operational and development activities.

Given the importance and scale of the Company's investment in the A\$24.7 billion Australia Pacific LNG project, it receives particular attention by the Board. The Board, and its relevant Committees, have a number of mechanisms through which they maintain appropriate oversight of the Australia Pacific LNG project related risks, including a comprehensive assurance program, ongoing management briefings and rigorous monthly reports, participation in CSG workshops, and evaluating progress in the field by undertaking visits to both the gasfields in the Surat and Bowen basins and the LNG facility under development at Curtis Island.

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

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

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

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

Principle 8: Remunerate fairly and responsibly

The Remuneration Report sets out details of the Company's policies and practices for remunerating Directors, key management personnel and employees.

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

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

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

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