



## Directors' Report for the year ended 30 June 2009



**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 year ended 30 June 2009 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 of the KPMG firm, written in black ink.

KPMG

A handwritten signature in black ink, which appears to read 'Duncan McLennan'.

Duncan McLennan  
*Partner*

Sydney

18 August 2009

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18 August 2009

## Directors' Report for the year ended 30 June 2009

In accordance with the Corporations Act 2001, the Directors of Origin Energy Limited report on the Company and the consolidated entity, being the Company and its controlled entities ('Company'), for the year ended 30 June 2009.

### 1. Principal activities

During the year, the principal activity of the Company 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.

### 2. Result

#### Statutory Profit - \$6,941 million, up from \$517 million

Origin reported a net profit after tax and Minority Interests ("Statutory Profit") of \$6,941 million for the year ended 30 June 2009, an increase of 1,243% compared with \$517 million reported in the prior year.

Year ended 30 June	2009 (\$m)	2008 (\$m)	Change (%)
Total external revenue	8,042	8,275	(3)
EBITDAF	1,219	1,324	(8)
EBIT	7,961	1,091	630
Net profit after tax before elimination of minority interests	6,998	622	1,025
Minority Interests	(57)	(105)	(46)
Statutory Profit	6,941	517	1,243
Significant items	(6,411)	(74)	8,564
Underlying Profit	530	443	20
Basic earnings per share on Statutory Profit (cents)	791.0	59.0	1,241
Basic earnings per share on Underlying Profit (cents)	60.4	50.6	19
Free cash flow <sup>1</sup>	661	622	6
Capital expenditure	2,345	1,685	39
Group OCAT Ratio <sup>2</sup> - year to 30 June	10.4%	12.3%	n/a
Origin Cash (excluding Contact)	3,751	94	3,891
Adjusted Origin Debt (excluding Contact)	(2,747)	(3,005)	(9)
Adjusted Contact Net Debt	(897)	(696)	29

#### Underlying Profit - \$530 million, up 20%

The Statutory Profit for Origin contains the impact of a number of significant items as outlined in the table below. This includes the following impacts on profit (after tax and minority interests):

- positive impacts from:
  - net impact of the dilution of Australia Pacific LNG Pty Limited (APLNG) (\$6,724 million); and

<sup>1</sup> Free cash flow is defined here as cash available to fund distributions to shareholders and growth capital expenditure. It includes deductions for stay-in-business capital expenditure, interest and tax.

<sup>2</sup> Group OCAT Ratio = (OCAT - interest tax shield) / productive capital includes 50% of APLNG.

- recognition of tax benefits not previously brought to account (\$25 million)
- reductions to profit from:
  - the net impact of changes in the fair value of financial instruments (\$114 million in total);
  - impairment of assets (\$218 million); and
  - Retail Transformation and Transition Project (\$6 million).

These significant items provide an overall benefit of \$6,411 million after tax and the elimination of minority interests.

The profit after tax and minority interests and before significant items (“Underlying Profit”) for Origin for the year ended 30 June 2009 was therefore \$530 million.

Origin’s Statutory Profit for the year to 30 June 2008 also contained a number of significant items that had a net positive impact of \$74 million as outlined in the table below.

Origin’s Underlying Profit therefore increased 20% year to year from \$443 million to \$530 million.

### Reconciliation of Statutory and Underlying Profit

(\$millions)	June 2009		June 2008		Change (%)
	After Tax & Minority Interests	NPAT	After Tax & Minority Interests	NPAT	
<b>Statutory Profit</b>		<b>6,941</b>		<b>517</b>	<b>1,243</b>
<b>Significant items</b>					
Net impact of the dilution of APLNG	6,724				
Impairment of assets	(218)				
Retail transformation and transition Project	(6)				
Recognition of tax benefits not previously brought to account	25				
Changes in fair value of financial instruments					
- Commodity instruments	(43)		(57)		
- Financing instruments	(71)		(6)		
Gain on sale of significant businesses and assets			154		
Other			(17)		
<b>Total significant items</b>	<b>6,411</b>	<b>(6,411)</b>	<b>74</b>	<b>(74)</b>	<b>8,564</b>
<b>Underlying Profit</b>		<b>530</b>		<b>443</b>	<b>20</b>
<i>Statutory EPS (cents per share)</i>		<i>791.0</i>		<i>59.0</i>	<i>1,241</i>
<i>Underlying EPS (cents per share)</i>		<i>60.4</i>		<i>50.6</i>	<i>19</i>

### 3. Review of operations

Total external revenue decreased by \$233 million or 3% to \$8,042 million from \$8,275 million.

In New Zealand, Contact is a net generator of electricity. Lower wholesale prices due to extreme hydrology conditions and transmission constraints in New Zealand led to both lower volumes generated and lower realised prices resulting in a \$551 million reduction in revenues from this business.

Revenues in the balance of Origin’s operations were up \$300 million compared with the prior year. This was due to tariff increases in the Retail segment partially offset by lower

Exploration and Production revenue as a result of equity accounting Origin's Australia Pacific LNG interest and lower oil and condensate prices. In addition the Generation segment recorded lower external revenue as a result of the outage at the Worsley Power Station.

For the year to 30 June 2009 EBITDAF was \$1,219 million, an 8% decrease from the prior year of \$1,324 million.

The challenging circumstances faced by Contact in New Zealand were the primary driver of this reduction with the full consolidation of Contact's EBITDAF of \$369 million, down \$125 million on the prior year. In the balance of Origin's operations EBITDAF increased by \$20 million. This was achieved despite the dilution of Origin's interests in its CSG assets as part of the Australia Pacific LNG transaction, lower oil prices and the under recovery of costs in the Retail segment as a result of the initial tariff decision by the Queensland Competition Authority ("QCA").

The segment contributions to this result are presented in the following table:

**Earnings before interest, tax, depreciation, amortisation, financial instruments and significant items (EBITDAF)**

Year ended 30 June	2009 (\$m)	2008 (\$m)	Change (\$m)	Change (%)
Exploration & Production	264	266	(2)	(1)
Generation	107	65	42	65
Retail	479	499	(20)	(4)
Contact Energy	369	494	(125)	(25)
EBITDAF	1,219	1,324	(105)	(8)

**Exploration & Production** EBITDAF was similar at \$264 million when compared to \$266 million in the prior year. This modest reduction was achieved despite the 50% dilution of Origin's CSG interest following completion of the Australia Pacific LNG transaction and lower oil and condensate prices.

**Generation** EBITDAF increased \$42 million or 65% from \$65 million to \$107 million primarily due to the initial contributions from the 640 MW Uranquinty Power Station and the 120 MW Quarantine Power Station expansion.

In **Retail**, EBITDAF was \$479 million, a 4% decline from \$499 million reported in the prior year. This was primarily due to under recovery of costs resulting from the initial QCA tariff decision.

**Contact Energy** contributed \$369 million to EBITDAF, 25% lower than the \$494 million recorded for the year ended 30 June 2008. This was due to a significantly reduced net contribution from electricity and higher gas supply costs.

**EBIT - \$7,961 million, up from \$1,091 million**

A number of items are recorded between EBITDAF and EBIT, as detailed below:

**Depreciation and amortisation expense (expense of \$369 million)**

Depreciation and amortisation expense increased by 7% to \$369 million compared with \$345 million in the prior year. It primarily reflects depreciation on newly contributing assets such as the Otway Gas Project, onshore Taranaki Basin oil and gas, Uranquinty Power Station and expansion of the Quarantine Power Station.

**Changes in fair value of non-financing cost related financial instruments (expense of \$66 million)**

An expense of \$66 million is included in the Income Statement associated with the value of valid commodity hedging instruments which do not qualify for hedge accounting. This compares with an expense of \$76 million in the prior year.

### **Share of interest, tax, depreciation, amortisation and financial instruments of equity accounted investees (benefit of \$113 million)**

The line item, "Share of interest, tax, depreciation, amortisation and financial instruments of equity accounted investees" is included between the EBITDAF and EBIT line on the Income Statement and accounts for Origin's share of all items between EBITDAF and Statutory Profit for its investments in equity accounted investees. Australia Pacific LNG, CUBE Pty Ltd (Osborne cogeneration), Bulwer Island Energy Partnership and Oakey Power Holdings Pty Ltd each recorded a benefit or expense for the year.

For the full year a net benefit of \$113 million was recognised comprising:

- an interest benefit in relation to the unwinding of the discount on the receivables from Australia Pacific LNG shareholders (\$144 million);
- an expense of \$20 million in relation to interest, tax, depreciation, amortisation and financial instruments of the Australia Pacific LNG equity accounted investment;
- an expense of \$11 million attributable to the remaining equity accounted investments in the Generation segment and Contact.

This is compared to the prior year which recorded an expense of \$13 million attributable to the Generation segment and Contact.

### **Gain on dilution of Origin's interest in Australia Pacific LNG (benefit of \$7,385 million)**

On 29 October 2008 Origin completed a transaction with COP whereby COP subscribed for 50% of the share capital of Australia Pacific LNG and thereby became a 50% shareholder in Australia Pacific LNG, the company that owned all of Origin's CSG interests. As a consequence of this transaction Origin has diluted its interest in Australia Pacific LNG by 50% and has recognised a significant pre-tax accounting gain on dilution of \$7,385 million.

### **Impairment of assets (expense of \$312 million)**

Following an assessment of the carrying values of Origin's assets, an impairment charge totalling \$312 million before tax has been raised against various oil and gas producing assets, legacy retail systems, the SLIVER photovoltaic technology development assets, the Heytesbury gas reservoir in the Otway Basin, capitalised costs for the potential Spring Gully Power Station and Contact's Gasbridge asset.

### **Other prior year items**

In the year to 30 June 2008, a net gain of \$225 million was recognised in relation to the sale of the discontinued Networks business and a net gain of \$18 million was recognised in relation to the sale of the Mokai geothermal assets in New Zealand. In addition, an expense of \$30 million was recognised in relation to the New Plymouth Power Station in New Zealand and a \$12 million expense was recognised in relation to one-off costs associated with the integration of the Sun Retail business.

The items described above contribute to an EBIT for this year of \$7,961 million compared with \$1,091 million in the prior year.

### **Net financing costs - \$172 million, down 22%**

The overall reduction in net financing costs was primarily due to the \$6.9 billion receipt of funds following the Australia Pacific LNG transaction. The funds were used to repay debt that could be redrawn with the balance being invested in cash deposits.

### **Underlying financing costs - \$32 million, down 85%**

Underlying financing costs for the year excluding significant items was \$32 million compared with \$220 million recorded in the prior year.

Interest expense in relation to interest bearing liabilities decreased by \$61 million from \$211 million to \$150 million as the result of significant debt repayments following

completion of the Australia Pacific LNG transaction. In addition, interest revenue earned on deposits increased by \$128 million from \$9 million in 2008 to \$137 million.

Non cash expenses on the unwinding of the discounts on restoration provision were in line with the prior year. An expense of \$19 million was recorded this year compared with \$18 million in the prior year.

### **Significant financing costs<sup>3</sup> - \$140 million**

A non cash interest expense of \$140 million was recorded for the year. This represents the unwinding of the discounted liability payable to Australia Pacific LNG over the period from 29 October 2008 to 30 June 2009. The discount associated with the payable will be unwound over the period to November 2009 and from that time the payable will be carried at face value. The liability is payable at call after a specified notice period and has been discounted over this period.

As a consequence of these two factors net financing costs for the year were \$172 million, down \$48 million or 22% from \$220 million in 2008.

### **Changes in fair value of financial instruments related to financing costs - expense of \$119 million**

The decrease in the fair value of financing cost related financial instruments amounted to \$119 million. This included decreases associated with treasury instruments employed by Origin (\$77 million) and Contact (\$42 million).

The changes in fair value of financing cost related financial instruments is included in the calculation of Statutory Profit and is excluded from the calculation of Underlying Profit.

## **Tax Expense**

### **Statutory Tax Expense - \$672 million, up \$437 million**

Tax expense for the year was \$672 million, \$437 million or 186% higher than the \$235 million recorded in the prior year. Prima facie tax was higher reflecting the higher pre-tax profits as a result of the Australia Pacific LNG transaction.

### **Underlying Tax Expense - \$183 million, down 7%**

Tax expense excluding tax related significant items for the year was \$183 million, 7% lower than the \$197 million in the year to 30 June 2008. The underlying effective tax rate was 23% compared with the effective tax rate of 26% in the prior year. The reduction in both the absolute and effective tax rate has resulted from:

- an increased level of research and development expenditure for the 2008 and 2009 years;
- the resolution of a number outstanding issues with Revenue Authorities; and
- an increased level of net profits of associates (primarily APLNG) that have already been tax affected.

Origin's underlying effective tax rate for the 2010 financial year is expected to be around 27%.

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<sup>3</sup> The significant interest expense item is offset by the \$144 million interest benefit in relation to the unwinding of the discount on the receivables from Australia Pacific LNG shareholders recorded within the line item "Share of interest, tax, depreciation, amortisation and financial instruments of equity accounted investees".

## 4. Significant changes in the state of affairs

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

- **Acquisitions**

Uranquinty - On 4 July 2008 the company acquired the 640MW gas fired Uranquinty Power Station for an enterprise value of \$700 million from Babcock and Brown Power. The acquisition enables Origin to satisfy more of its peak electricity demand from owned generation and expands the domestic channel to market for gas.

- **Projects under construction**

Mortlake - In March 2009 construction of the gas fired Mortlake 550MW Power Station commenced in South Western Victoria. The power station will enable Origin to satisfy more of its peak electricity retail demand from owned generation.

- **BG Group Takeover Offer**

On 24 June 2008 BG Group announced their intention to acquire all of Origin shares at a consideration of \$15.50 per share (less any dividend) pursuant to a conditional off-market takeover and a formal bid was made in July 2008. Origin Directors recommended that shareholders reject the offer and on 26 September 2008 the offer lapsed with conditions unsatisfied.

- **Australia Pacific LNG Pty Limited**

On 29 October 2008 Origin completed a transaction in which ConocoPhillips subscribed for 50% of the share capital of APLNG to form a 50:50 CSG to liquefied natural gas (LNG) joint venture. Under the agreement ConocoPhillips became a 50% shareholder in APLNG which retains all Origin's CSG interests in Queensland and its conventional oil and gas interests in the Denison Trough. APLNG will develop these interests into a CSG to LNG project.

The events described above and those as disclosed in the Financial Statements represent the significant changes in the state of affairs of the Company for the year ended 30 June 2009.

## 5. Events subsequent to balance date

The following events have occurred since 30 June 2009:

- **Acquisition of Pangaea**

On 7 August 2009 Origin acquired a 100% interest in exploration permit ATP 788P from the Pangaea Group. The acquisition is expected to provide over 1,000 PJ of 3P CSG reserves. The consideration paid for the acquisition was \$660 million and was funded from existing balance sheet capacity.

## 6. Dividends

Dividends paid during the year by Origin Energy Limited were as follows:

	\$million
Final dividend of 13 cents per ordinary share, fully franked at 30%, for the year ended 30 June 2008, paid 3 October 2008.	115
Additional dividend of 25 cents per ordinary share, fully franked at 30%, paid 21 November 2008.	221
Interim dividend of 25 cents per ordinary share, fully franked at 30%, for the half year ended 31 December 2008, paid 25 March 2009.	218

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, fully franked at 30%, for the year ended 30 June 2009, payable 23 September 2009.	219

## 7. Business strategies, future developments and expected results

Origin has commenced the 2010 financial year with its existing business well placed to contribute ongoing growth, its CSG to LNG joint venture with COP effectively established and a very strong financial position with access to \$5.3 billion of cash and undrawn committed debt facilities.

In its existing businesses, a number of development projects and acquisitions are expected to make initial, or increased, contributions to Origin's financial performance.

These include:

- A full year contribution from the Uranquinty and expanded Quarantine power stations;
- Full year contribution from the 30 MW Cullerin Range Wind Farm in NSW that was completed in late June 2009;
- Continued development of domestic CSG production, which is expected to reach over 100 PJ per annum for Australia Pacific LNG by 2011 (Origin share 50%);
- The Kupe Gas Project in New Zealand which is expecting to open the wells and bring raw gas ashore in the December Quarter 2009;
- The 126 MW expansion of the Mt Stuart Power Station in Townsville - due for completion in late calendar year 2009; and
- Completion of the 630 MW combined cycle gas fired Darling Downs Power Station in Queensland which is expected to be fully commissioned in the latter half of the 2010 financial year.

Origin also expects increased contributions from Contact Energy based on the presumption that weather in New Zealand will return to more normal levels. The final Queensland Competition Authority decision for 2008/09 will result in underlying cost increases being more appropriately reflected in tariffs for the coming year.

Taking all these factors into account and based on current market conditions, Origin expects the Underlying Profit for the 2010 financial year to be around 15% higher than the prior year.

During the coming year Origin has committed to a substantial program of offshore exploration in the Bass and Otway Basins in southern Australia and the Northland Basin in New Zealand. The initial program of five wells is expected to cost approximately \$100 million. This program is targeting substantial reserves increases addressing opportunities near domestic markets in Australia and New Zealand.

It is possible that some elements of this program may be unsuccessful and could result in substantial write-off of exploration expense occurring in this year.

Work commenced on a number of other major projects which will contribute to growth in the years ahead including the Mortlake Power Station in Victoria and, through Contact Energy in New Zealand, the Stratford Peaking Power Station, the Ahuroa storage project and expansion of geothermal generation.

Origin has also developed a substantial portfolio of renewable energy opportunities. This includes wind, geothermal and solar photovoltaic energy. Passage of the renewable energy legislation through the Australian Parliament will generate substantial further investment in these areas.

The Australia Pacific LNG joint venture between Origin and COP is established and working effectively towards the development of a CSG to LNG project in Queensland. As reported by Origin at 30 June 2009 Australia Pacific LNG's Proved and Probable reserves increased by over 50% to 7,265 PJe. This reserves increase demonstrates the size and quality of the CSG resource available to the joint venture. Australia Pacific LNG has secured a site for its project at Laird Point on Curtis Island in the Port of Gladstone from the Queensland Government. The project continues to target FID by the end of 2010 with production commencing at the end of 2014.

The past year has been a challenging year for financial markets and many companies have been severely constrained in accessing capital to fund their business. Following the transaction with COP to establish Australia Pacific LNG Origin begins the new financial year with \$5.3 billion of cash and undrawn committed debt facilities. Origin is therefore able to fund the many opportunities it has to continue to grow and develop its business.

## 8. Directors

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

H Kevin McCann (Chairman)  
Grant A King (Managing Director)  
John H Akehurst (Appointed 29 April 2009)  
Bruce G Beeren  
Trevor Bourne  
Gordon M Cairns  
Karen A Moses (Appointed 25 March 2009)  
Dr Helen M Nugent  
Dr J Roland Williams

## 9. 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 as Chairman in February 2000. He is Chairman of the Nomination Committee and a member of the Audit, Remuneration, and Health, Safety and Environment committees. Kevin is Lead Independent Director of Macquarie Group Limited; a director of Macquarie Bank Limited. He is serving as acting Chairman of both companies from 1 December 2008 to 31 August 2009 and is a director of BlueScope Steel Limited. Kevin is also the Chairman of the Sydney Harbour Federation Trust a Commonwealth agency. He is a member of the Takeovers Panel, Council Member of the National Library of Australia; Councillor of the NSW Division, Australian Institute of

Company Directors (*AICD*) and Chairman of the Corporate Governance Committee of the AICD.

His community activities include Chairmanship of the Development Council of the National Library of Australia and the Law Foundation, University of Sydney. Kevin was a partner of Allens Arthur Robinson (and its predecessor firm Allen Allen & Hemsley) from 1970 to 2004 and Chairman of Partners from 1995 to 2004.

He was previously Chairman of Healthscope Limited (a listed integrated health provider), a director of Pioneer International Limited, (building materials and products), Ampol Limited (refiner and retailer of petroleum products) and the State Rail Authority of New South Wales and served on the Defence Procurement Advisory Board (advising the Defence Material Organisation on defence procurement policy).

Kevin has a Bachelor of Arts and Law (Honours) from Sydney University and a Master of Law from Harvard University. He is a Fellow of the Australian Institute of Company Directors.

**Grant A King**  
**Managing Director**

Grant King was appointed Managing Director of Origin Energy at the time of its demerger from Boral Limited, in February 2000, and was Managing Director of Boral Energy from 1994. Prior to joining Boral, he was General Manager, AGL Gas Companies. Grant is Chairman of Contact Energy Limited (since October 2004), a councillor of the Australian Petroleum Production and Exploration Association, a former director of Envestra Limited (1997-2007) and former Chairman of the Energy Supply Association of Australia Limited. Grant has a Civil Engineering Degree and a Master of Management.

**John H Akehurst**  
**Independent Non-executive Director**

John Akehurst joined the Board in April 2009. 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 Limited.

John is currently a member of the Board of the Reserve Bank of Australia and a director of CSL Limited, the University of Western Australia Business School and the Curtin University Sustainable Development Institute. He is chairman of the National Centre for Asbestos Related Diseases and of the Fortitude Foundation, a former chairman of Alinta Limited and Coogee Resources Limited and a former director of Oil Search Limited. He 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 as an executive director in March 2000. He retired from this position on 31 January 2005 and continues on the Origin Energy Board as a non-executive director. He is a member of the Audit, Remuneration and Nomination committees. With over 30 years experience in the energy industry, he 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 (since October 2004), Coal & Allied Industries Limited (since July 2004), Equipsuper Pty Limited (since August 2002) and ConnectEast Group (since March 2009). He is a former director of Envestra Limited (2000-2007) and Veda Advantage Limited (2004-2007). Bruce has degrees in Science and Commerce and a Master of Business Administration. He is a Fellow of CPA Australia and the Australian Institute of Company Directors.

**Trevor Bourne**  
**Independent Non-executive Director**

Trevor Bourne joined the Board in February 2000. He is Chairman of the Remuneration Committee and a member of the Nomination and Health, Safety & Environment committees. He retired in December 2003 as Chief Executive Officer of Tenix Investments Pty Limited, prior to which he was Managing Director of Brambles Australia Limited. Trevor is Chairman of Hastie Group Limited (since November 2004) and a director of Caltex Australia Limited (since March 2006). He is a former director of Coates Hire Limited (2004-2008) and Lighting Corporation Limited (2004-2008). He has a Mechanical Engineering degree and a Master of Business Administration.

**Gordon M Cairns**  
**Independent Non-executive Director**

Gordon Cairns joined the Board on 1 June 2007 and is a member of the Remuneration, Nomination and Health, Safety and Environment committees. He has extensive Australian and international experience as a senior executive, most recently as Chief Executive Officer of Lion Nathan Limited, and has held senior management positions in marketing and finance with Pepsico, Cadbury Schweppes and Nestlé.

Gordon is currently a director of Westpac Banking Corporation (since July 2004), The Centre for Independent Studies and World Education Australia and is a senior advisor to McKinsey & Company and Caliburn Partnership. He holds a Master of Arts (Honours) from the University of Edinburgh.

**Karen A Moses**  
**Executive Director**

Karen Moses joined the board as an executive director in March 2009. As Executive Director, Finance and Strategy she is responsible for the finance, tax and accounting functions, our interactions with capital markets and information technology. In addition to corporate strategy and transactional activity, she has oversight of overall Origin risk including operational HSE, commodity risk, compliance and insurance. Prior to joining Origin, Karen previously held development and trading roles in the Exxon Group (1983-1994).

Karen is currently a Director of Energy and Water Ombudsman (Victoria) Limited (since October 2005), Australian Energy Market Operator Limited (since July 2009) and Contact Energy Limited (since October 2004) and chairs Contact's HSE Committee. Karen is a former director of VENCORP (2007-2009) and the Australian Energy Market Operator (Transitional) Limited (September 2008 - July 2009). Karen holds a Bachelor of Economics and a Diploma of Education from the University of Sydney. Karen is a Member of the Australian Institute of Company Directors and Chief Executive Women.

**Helen M Nugent AO**  
**Independent Non-executive Director**

Helen Nugent joined the Board in March 2003 and is Chairman of the Audit Committee and a member of the Remuneration and Nomination committees. An experienced professional non-executive director, she is currently Chairman of Swiss Re Life and Health (Australia) and Funds SA. She is also a non-executive director of Macquarie Group Limited (since August 2007), Macquarie Bank Limited (since June 1999) as well as Freehills. She is also Chancellor of Bond University.

Previously, she was a director of UNITAB (1999-2006), Director of Strategy at Westpac Banking Corporation and a partner with McKinsey & Company, specialising in financial services and mining. Helen has a Bachelor of Arts degree (Honours) and a Doctorate of Philosophy. She holds a Master of Business Administration from Harvard Business School and is a Fellow of the Australian Institute of Company Directors.

**J Roland Williams CBE**  
**Independent Non-executive Director**

Roland Williams joined the Board in February 2000. He is Chairman of the Health, Safety and Environment Committee and a member of the Audit and Nomination committees. He retired in June 1999 as Chairman and Chief Executive of Shell Australia Limited prior to which he was Managing Director, Shell International Gas, and President, Shell Coal International. Roland is a director of Boral Limited (since 1999) and holds a Chemical Engineering degree (Honours) and a Doctorate of Philosophy. He is a Fellow of the Australian Institute of Company Directors and the Institution of Chemical Engineers and a Companion of the Institution of Gas Engineers and Managers.

**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.

**Bill Hundy**  
**Company Secretary**

Bill Hundy joined Origin Energy in July 2001. Prior to that, he was company secretary for Email Limited and Placer Pacific Limited. Bill has a Bachelor of Laws and Bachelor of Commerce from the University of New South Wales. He is a Fellow of the Chartered Institute of Secretaries and the Australian Institute of Company Directors.

## 10. 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							
	H	A	H	A	Audit		Remuneration		HSE		Nomination	
					H	A	H	A	H	A	H	A
H K McCann	11	11	7	7	4	3	3	1	4	4	4	4
G A King	11	11	7	7	-	-	-	-	4	4	-	-
J H Akehurst	3	2	-	-	-	-	-	-	-	-	-	-
B G Beeren	11	11	7	6	4	4	3	3	-	-	4	4
T Bourne	11	11	7	7	-	-	3	3	4	4	4	4
G M Cairns	11	11	7	7	-	-	3	2	4	4	4	4
K A Moses	4	4	1	1	-	-	-	-	1	1	-	-
Dr H M Nugent	11	11	7	7	4	4	3	3	-	-	4	4
Dr J R Williams	11	11	7	7	4	4	-	-	4	4	4	4

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.

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

The relevant interests of each Director in the shares 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	Options over ordinary shares	Performance Share Rights over ordinary shares	Ordinary shares in Contact Energy Limited
H K McCann	277,382	-	-	-
G A King	909,958	1,700,000 <sup>(1)</sup>	250,000 <sup>(2)</sup>	7,408
J H Akehurst	2,000	-	-	-
B G Beeren	1,235,020	-	-	16,194
T Bourne	45,372	-	-	-
G M Cairns	48,089	-	-	-
K A Moses	198,586	822,000 <sup>(3)</sup>	87,000 <sup>(2)</sup>	3,704
Dr H M Nugent	25,953	-	-	-
Dr J R Williams	45,420	-	-	-

Exercise price for share options and performance share rights:

(1) 500,000: \$7.21, 500,000: \$6.50, 300,000: \$10.32, 400,000: \$16.30

(2) 337,000: Nil

(3) 220,000: \$5.72, 162,000: \$7.21, 211,000: \$6.50, 140,000: \$10.32, 89,000: \$16.30

## 12. Environmental regulation and performance

The Company's operations are subject to significant environmental regulation under Commonwealth, State and Territory legislation. The Company's performance in relation to that regulation is described in section 8.3 of the Management Discussion and Analysis.

## 13. Indemnities and insurance for Directors and officers

Under Origin Energy's Constitution, it must indemnify the current and past Directors, secretaries and senior managers against all liabilities to other persons (other than the Company or a related body corporate) that may arise from their positions as Directors, secretaries or officers of Origin Energy Limited and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. Origin Energy has entered into agreements with current Directors and certain former Directors whereby it will indemnify those Directors from all liability in accordance with the terms of the Constitution for a period of seven years after they cease to be Directors.

The agreements stipulate that Origin Energy Limited will meet the full amount of any such liabilities, including costs and expenses.

Since the end of the previous financial year, the Company has paid insurance premiums in respect of Directors' and officers' liability, and legal expense insurance contracts for current and former Directors and officers, including executive officers and Directors of Origin Energy Limited and executive officers and secretaries of its controlled entities.

## 14. 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 2009 an officer of the Origin Energy group. The auditor's independence declaration (made under section 307C of the Corporations Act 2001) is attached to and forms part of this report.

## 15. 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.	Acquisition audit and accounting advice	\$566,000
2.	Taxation services	\$123,000
3.	Other assurance services	\$122,000

Further details of amounts paid to the Company's Auditors are included in Note 26 to the full financial statements.

In accordance with advice provided 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 the Company 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 the Company, acting as an advocate for the Company or jointly sharing risks and rewards.
- There were no known conflict of interest situations nor any circumstance arising out of a relationship between the Company (including its Directors and officers) and the auditor which may impact on auditor independence.

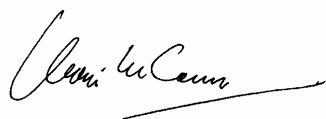
## 16. Rounding of amounts

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

## 17. Remuneration

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

Signed in accordance with a resolution of Directors:



Kevin McCann, Chairman  
Sydney, 18 August 2009

