Origin Energy Limited and Controlled Entities

Appendix 4E
Results for announcement to the market
30 June 2017

				2017	2016
Total Group Revenue ($million)	up	16%	to	**14,107**	**12,174**
Revenue ($million) - continuing operations	up	19%	to	13,646	11,456
Revenue ($million) - discontinued operations	down	36%	to	461	718
Net loss for the period attributable to members of the parent entity ($million)	down	254%	to	(2,226)	(628)
From continuing operations ($million)	down	579%	to	(2,052)	(302)
From discontinued operations ($million)	up	47%	to	(174)	(326)
Net tangible asset backing per ordinary security	down	30%	to	$3.46	$4.94

Dividends

	Amount per security	Franked amount per security at 30 per cent tax
Final dividend determined subsequent to 30 June 2017	nil	nil
Previous corresponding period (30 June 2016)	nil	nil
Record date for determining entitlements to the dividend	N/A	
Dividend payment date	N/A	

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 2017.
Refer to the attached Directors' Report, Remuneration Report and Operating and Financial Review for commentary.

Origin Energy Limited
and its Controlled Entities
Financial Statements
30 June 2017

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

	Note	2017 $million	2016 $million[1]
Continuing operations			
Revenue	A2	13,646	11,456
Other income	A2	187	41
Expenses	A3	(13,667)	(11,222)
Results of equity accounted investees	A4	(1,912)	(228)
Interest income	A2	224	222
Interest expense	A3	(553)	(548)
Loss before income tax		**(2,075)**	**(279)**
Income tax benefit/(expense)	D1	26	(17)
Loss for the period from continuing operations		**(2,049)**	**(296)**
Discontinued operations			
Loss from discontinued operations	E4	(174)	(319)
Loss for the period		**(2,223)**	**(615)**
(Loss)/profit for the period attributable to:			
Members of the parent entity		(2,226)	(628)
Non-controlling interests		3	13
Loss for the period		**(2,223)**	**(615)**
Earnings per share			
Basic earnings per share	A5	(126.9) cents	(39.8) cents
Diluted earnings per share	A5	(126.9) cents	(39.8) cents
(Loss)/profit for the period from continuing operations attributable to:			
Members of the parent entity		(2,052)	(302)
Non-controlling interests		3	6
Loss for the period		**(2,049)**	**(296)**
Earnings per share from continuing operations			
Basic earnings per share	A5	(117.0) cents	(19.1) cents
Diluted earnings per share	A5	(117.0) cents	(19.1) cents

(1) Certain amounts have been re-presented to separately show those operations classified as discontinued operations and also to reflect adjustments relating to note F12.

The income statement should be read in conjunction with the accompanying notes set out on pages 8 to 74.

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

		2017 $million	2016 $million[1]
Loss for the period		**(2,223)**	**(615)**
Other comprehensive income			
Items that will not be reclassified to the income statement			
Actuarial gain on defined benefit superannuation plan		1	-
Items that may be reclassified to the income statement			
Foreign currency translation differences for foreign operations		(200)	80
Available-for-sale financial assets			
Valuation (loss)/gain taken to equity		(41)	6
Cash flow hedges			
Changes in fair value of cash flow hedges		(202)	247
Net loss on hedge of net investment in foreign operations		-	(18)
Total items that may be reclassified to the income statement		(443)	315
Total other comprehensive income for the period, net of tax	C7	**(442)**	**315**
Total comprehensive income for the period		**(2,665)**	**(300)**
Total comprehensive income attributable to:			
Items that will not be reclassified to the income statement			
Members of the parent entity		1	-
Non-controlling interests		-	-
		1	-
Items that may be reclassified to the income statement			
Members of the parent entity		(2,669)	(311)
Non-controlling interests		3	11
		(2,666)	(300)
Total comprehensive income for the period		**(2,665)**	**(300)**
Total comprehensive income for the period attributable to members of the parent entity arising from:			
Continuing operations		(2,332)	(64)
Discontinued operations		(336)	(247)

(1) Certain amounts have been re-presented to separately show those operations classified as discontinued operations and also to reflect adjustments relating to note F12.

The statement of comprehensive income should be read in conjunction with the accompanying notes set out on pages 8 to 74.

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

	Note	2017 $million	2016 $million(1)	As at 1 July 2015(1) $million
Current assets				
Cash and cash equivalents		117	146	151
Trade and other receivables	B1	2,278	1,945	2,085
Inventories		138	248	239
Derivatives	C5	241	237	15
Other financial assets	B6	86	312	207
Income tax receivable		-	59	79
Assets classified as held for sale	E4	2,050	471	5,441
Other assets		101	137	104
Total current assets		**5,011**	**3,555**	**8,321**
Non-current assets				
Trade and other receivables	B1	4	3	5
Derivatives	C5	1,055	1,065	861
Other financial assets	B6	3,700	4,943	3,553
Investments accounted for using the equity method	A4	5,463	5,945	6,467
Property, plant and equipment (PPE)	B3	3,714	5,685	6,505
Exploration and evaluation assets	B2	858	1,932	1,894
Development assets	B2	-	292	239
Intangible assets	B4	5,325	5,366	5,481
Deferred tax assets		35	92	38
Other assets		34	27	43
Total non-current assets		**20,188**	**25,350**	**25,086**
Total assets		**25,199**	**28,905**	**33,407**
Current liabilities				
Trade and other payables		1,892	2,048	2,037
Payables to joint ventures		130	-	-
Interest-bearing liabilities	C1	133	110	38
Derivatives	C5	300	18	31
Other financial liabilities	B6	387	375	156
Provision for income tax		52	6	4
Employee benefits		184	215	260
Provisions	B5	56	71	74
Liabilities classified as held for sale	E4	720	46	2,575
Total current liabilities		**3,854**	**2,889**	**5,175**
Non-current liabilities				
Trade and other payables		10	68	89
Interest-bearing liabilities	C1	8,382	9,506	11,839
Derivatives	C5	1,309	1,637	1,927
Employee benefits		35	35	35
Provisions	B5	191	710	614
Total non-current liabilities		**9,927**	**11,956**	**14,504**
Total liabilities		**13,781**	**14,845**	**19,679**
Net assets		**11,418**	**14,060**	**13,728**
Equity				
Share capital	C6	7,150	7,150	4,599
Reserves		439	857	576
Retained earnings		3,807	6,032	7,117
Total parent entity interest		**11,396**	**14,039**	**12,292**
Non-controlling interests - Contact Energy		-	-	1,244
Non-controlling interests - other		22	21	192
Total equity		**11,418**	**14,060**	**13,728**

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

The statement of financial position should be read in conjunction with the accompanying notes set out on pages 8 to 74.

Origin Energy Limited and its Controlled Entities
Statement of changes in equity
for the year ended 30 June

$million	Share capital	Share-based payments reserve	Foreign currency translation reserve	Hedging reserve	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2016	**7,150**	**197**	**314**	**321**	**25**	**6,032**	**21**	**14,060**
Other comprehensive income (refer to note C7)	-	-	(200)	(202)	(41)	1	-	(442)
(Loss)/profit	-	-	-	-	-	(2,226)	3	(2,223)
Total comprehensive income for the period	**-**	**-**	**(200)**	**(202)**	**(41)**	**(2,225)**	**3**	**(2,665)**
Dividends paid (refer to note A6)	-	-	-	-	-	-	(2)	(2)
Share-based payments	-	25	-	-	-	-	-	25
Total transactions with owners recorded directly in equity	**-**	**25**	**-**	**-**	**-**	**-**	**(2)**	**23**
Balance as at 30 June 2017	**7,150**	**222**	**114**	**119**	**(16)**	**3,807**	**22**	**11,418**
Balance as at 1 July 2015	**4,599**	**171**	**315**	**71**	**19**	**7,548**	**1,436**	14,159
Power Purchase Arrangements adjustment, net of tax (refer to note F12)	**-**	**-**	**-**	**-**	**-**	**(431)**	**-**	(431)
Balance as at 1 July 2015 (restated)[1]	**4,599**	**171**	**315**	**71**	**19**	**7,117**	**1,436**	**13,728**
(Loss)/profit as reported in 2016 financial statements	-	-	-	-	-	(589)	13	(576)
Power Purchase Arrangements adjustment, net of tax (refer to note F12)	**-**	**-**	**-**	**-**		(39)	**-**	(39)
Restated (loss)/profit for the period	**-**	**-**	**-**	**-**	**-**	**(628)**	**13**	**(615)**
Other comprehensive income (refer to note C7)	-	-	64	247	6	-	(2)	315
Total comprehensive income for the period	**-**	**-**	**64**	**247**	**6**	**(628)**	**11**	**(300)**
Dividends paid (refer to note A6)	-	-	-	-	-	(452)	(8)	(460)
Movement in share capital (refer to note C6)	2,551	-	-	-	-	-	-	2,551
Share-based payments	-	32	-	-	-	-	-	32
Sale of Contact Energy	-	(6)	(65)	3	-	-	(1,423)	(1,491)
Transfer within reserves	-	-	-	-	-	(5)	5	-
Total transactions with owners recorded directly in equity	**2,551**	**26**	**(65)**	**3**	**-**	**(457)**	**(1,426)**	**632**
Balance as at 30 June 2016 restated [1]	**7,150**	**197**	**314**	**321**	**25**	**6,032**	**21**	**14,060**

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

The statement of changes in equity should be read in conjunction with the accompanying notes set out on pages 8 to 74.

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

	Note	2017 $million	2016 $million
Cash flows from operating activities			
Cash receipts from customers		15,263	14,040
Cash paid to suppliers		(14,027)	(12,688)
Cash generated from operations		1,236	1,352
Income taxes paid, net of refunds received		53	52
Net cash from operating activities	F6	**1,289**	**1,404**
Cash flows from investing activities			
Acquisition of PPE		(354)	(460)
Acquisition of exploration and development assets		(65)	(112)
Acquisition of other assets		(82)	(119)
Investment in equity accounted investees		(389)	(10)
Loans to equity accounted investees		-	(1,544)
Interest received from equity accounted investees		218	338
Investment in equity accounted investees (funding of APLNG debt service reserve account) [1]		(127)	-
Interest received from other parties		1	1
Net proceeds from sale of investment in Contact Energy		-	1,599
Net proceeds from sale of non-current assets		887	118
Net cash from/(used in) investing activities		**89**	**(189)**
Cash flows from financing activities			
Proceeds from borrowings		4,017	9,102
Repayment of borrowings		(4,973)	(11,792)
Proceeds from share rights issue		-	2,496
Interest paid		(540)	(611)
Dividends paid by the parent entity		-	(410)
Loan from equity accounted investees [1]		127	-
Dividends paid to non-controlling interests		(2)	(8)
Net cash used in financing activities		**(1,371)**	**(1,223)**
Net increase/(decrease) in cash and cash equivalents		**7**	**(8)**
Cash and cash equivalents at the beginning of the period		**146**	**155**
Effect of exchange rate changes on cash		(2)	(1)
Cash and cash equivalents at the end of the period [2]		**151**	**146**

(1) Relates to cash calls paid by the Group to Australia Pacific LNG, to allow it to meet its project finance Debt Service Reserve Account requirements. These amounts were subsequently loaned back to the Group by Australia Pacific LNG after the provision of a guarantee by the Group. The loan is disclosed as a payable to joint ventures in the statement of financial position.

(2) Cash and cash equivalents at the end of the period of $151 million includes $34 million of cash and cash equivalents which are classified as held for sale.

The statement of cash flows should be read in conjunction with the accompanying notes set out on pages 8 to 74.

Overview

Origin Energy Limited (the Company) is a for-profit 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 nature of the operations and principal activities of the Company and its controlled entities (the Group) are described in the Segment information.

The consolidated general purpose financial statements of the Group for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 16 August 2017.

The financial statements:

- have been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards as issued by the International Accounting Standards Board;
- have been prepared on a historical cost basis, except for derivative financial instruments, environmental scheme certificates, surrender obligations, available-for-sale financial assets and assets and liabilities classified as held for sale 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;
- are presented in Australian dollars;
- are rounded to the nearest million dollars, unless otherwise stated, in accordance with Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- present reclassified comparative information where required for consistency with the current year's presentation;
- adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2016; and
- do not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note F11 for further details.

Key judgements and estimates

In the process of applying the Group's accounting policies, a number of judgements and estimates have been made. Judgements and estimates which are material to the financial statements are found in the following notes:

- Income (note A2)
- Trade and other receivables (note B1)
- Exploration, evaluation and development assets (note B2)
- Property, plant and equipment (note B3)
- Intangible assets (note B4)
- Provisions (note B5)
- Fair value of financial assets and liabilities (note C4)
- Income tax expense (note D1)

Estimates of recoverable amounts are based on an asset's value in use or fair value less costs to sell, using a discounted cash flow method. This requires estimates and assumptions to be made about highly uncertain external factors such as future commodity prices, foreign exchange rates, discount rates, the effects of inflation, climate change policies, supply-and-demand conditions, reserves, future operating profiles and production costs.

The recoverable amounts of non-current assets have been assessed at 30 June 2017 based on the types of judgements and estimates described above. Where required, any impairment has been recognised in the income statement.

Errors can arise in respect of recognition, measurement, presentation or disclosure of elements of financial statements. In the case where the Group identifies a material error during the year relating to prior period, the error is corrected retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred.

A Results for the year

This section highlights the performance of the Group for the year, including results by operating segment, income and expenses, results of equity accounted investments, earnings per share and dividends.

A1 Segments

The Group's Managing Director monitors the operating results of the business using operating segments organised according to the nature and/or geography of the activities undertaken. This section includes the results by operating segment (A1.1), segment assets and liabilities (A1.2) and geographical information for revenue and non-current assets (A1.3).

A1.1 Segment result for the year ended 30 June

		Energy Markets[1]		Integrated Gas[2]		Corporate[3]		Total continuing operations		Contact Energy[4]		Other discontinued operations		Total discontinued operations [7]		Consolidated	
$million	**Ref.**	**2017**	**2016 [8]**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016 [8]**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016 [8]**
Revenue																	
Segment revenue		13,558	11,423	88	33	-	-	13,646	11,456	-	251	824	641	824	892	14,470	12,348
Eliminations	(a)	-	-	-	-	-	-	-	-	-	-	(363)	(174)	(363)	(174)	(363)	(174)
External revenue		**13,558**	**11,423**	**88**	**33**	**-**	**-**	**13,646**	**11,456**	**-**	**251**	**461**	**467**	**461**	**718**	**14,107**	**12,174**
Underlying EBITDA	**(b)**	**1,492**	**1,330**	**747**	**49**	**(66)**	**(81)**	**2,173**	**1,298**	**-**	**61**	**357**	**337**	**357**	**398**	**2,530**	**1,696**
Depreciation and amortisation		(325)	(326)	(19)	(17)	-	-	(344)	(343)	-	(20)	(133)	(261)	(133)	(281)	(477)	(624)
Share of ITDA of equity accounted investees		-	-	(925)	(293)	-	(3)	(925)	(296)	-	-	-	-	-	-	(925)	(296)
Underlying EBIT		**1,167**	**1,004**	**(197)**	**(261)**	**(66)**	**(84)**	**904**	**659**	**-**	**41**	**224**	**76**	**224**	**117**	**1,128**	**776**
Net financing costs [5]	**(c)**			(197)	(30)	(87)	(58)	(284)	(88)	-	(9)	(12)	(12)	(12)	(21)	(296)	(109)
Income tax expense [6]						(217)	(279)	(217)	(279)	-	(11)	(62)	4	(62)	(7)	(279)	(286)
Non-controlling interests (NCI)						(3)	(6)	(3)	(6)	-	(10)	-	-	-	(10)	(3)	(16)
Segment result and underlying profit[7]		**1,167**	**1,004**	**(394)**	**(291)**	**(373)**	**(427)**	**400**	**286**	**-**	**11**	**150**	**68**	**150**	**79**	**550**	**365**
Items excluded from underlying profit																	
Fair value and foreign exchange movements[8]	**(d)**	20	(111)	19	(143)	13	(53)	52	(307)	-	(10)	82	(24)	82	(34)	134	(341)
LNG-related items pre revenue recognition	**(e)**	-	-	(52)	(304)	-	-	(52)	(304)	-	-	-	-	-	-	(52)	(304)
Disposals, impairments and business restructuring	**(f)**	157	(4)	(2,669)	(5)	(183)	(286)	(2,695)	(295)	-	14	(519)	(500)	(519)	(486)	(3,214)	(781)
Tax and NCI on items excluded from underlying profit[8]						243	264	243	264	-	6	113	163	113	169	356	433
Items excluded from underlying profit		**177**	**(115)**	**(2,702)**	**(452)**	**73**	**(75)**	**(2,452)**	**(642)**	**-**	**10**	**(324)**	**(361)**	**(324)**	**(351)**	**(2,776)**	**(993)**
Statutory loss attributable to members of the parent entity[8]																**(2,226)**	**(628)**

(1) Energy retailing, power generation and LPG operations predominantly in Australia.

(2) Unconventional Gas business including the Group's investment in Australia Pacific LNG; the results of the Group's activities as Australia Pacific LNG upstream operator and management of the Group's exposure to LNG pricing risk. The results of the Group's upstream conventional business which are part of the proposed divestment, have been classified as other discontinued operations.

(3) Various business development and support activities that are not allocated to operating segments. The June 2016 results include $6 million of net financing costs and $5 million of income tax benefit and NCI relating to the Group's funding of its investment in Contact Energy.

(4) Includes the Group's 53.09 per cent controlling interest in Contact Energy Limited (Contact Energy), which is involved in energy retailing and power generation in New Zealand, up to the date of sale of the Group's interest in Contact Energy on 10 August 2015. The results of Contact Energy were classified as a discontinued operation at 30 June 2016 (refer to note E4).

(5) Net financing costs have been allocated to the Integrated Gas segment relating to the LNG business, the Contact Energy segment (until disposal on 10 August 2015) and to other discontinued operations segment.

(6) Income tax expense for entities in the Origin tax consolidated group is allocated to the Corporate segment with the exception of amounts related to other discontinued operations.

(7) Further details of discontinued operations are included in note E4.

(8) Certain amounts have been restated to reflect adjustments relating to note F12.

A1 Segments (continued)

Explanatory notes to segment results for the year ended 30 June

(a) Segment revenue eliminations

Sales between segments occur on an arm's length basis. The Upstream conventional business (of which assets relating to the proposed divestment have been classified as other discontinued operations) sells gas and LPG to the Energy Markets segment, and previously sold LPG to Contact Energy.

(b) Underlying EBITDA

Represents underlying earnings before interest, tax, depreciation and amortisation (EBITDA). Includes the Group's share of underlying EBITDA from equity accounted investees of $859 million (2016: $111 million). Refer to note E1.2 for details

(c) Net financing costs

Net financing costs is the aggregation of interest income of $224 million (2016: $222 million), interest expense of $553 million (2016: $548 million) from continuing operations, net interest expense of $12 million relating to discontinued operations (2016: $21 million), less net interest expense relating to Australia Pacific LNG funding of $45 million (2016: $238 million).

	2017		2016 [1]	
(d) Fair value and foreign exchange movements $million	**Gross**	**Tax and NCI**	**Gross**	**Tax and NCI**
Increase/(decrease) in fair value of financial instruments	207	(63)	(290)	90
LNG foreign currency loss	(73)	22	(42)	12
LNG translation of foreign denominated long-term tax balances	-	-	(9)	-
Tax benefit on translation of foreign denominated long-term tax balances	-	3	-	5
	134	**(38)**	**(341)**	**107**
(e) LNG-related items pre revenue recognition				
Net financing costs incurred in funding the Australia Pacific LNG project	(45)	14	(238)	71
LNG pre-production costs not able to be capitalised	(7)	2	(66)	11
	(52)	**16**	**(304)**	**82**
(f) Disposals, impairments and business restructuring				
Gain on sale of Rimu, Kauri and Manutahi (RKM)	1	-	-	-
Gain on sale of Mortlake Pipeline	88	(26)	-	-
Gain on sale of Surat Basin	2	(1)	-	-
Gain on sale of Cullerin Range Wind Farm	12	(4)	-	-
Loss on sale of OTP Geothermal Pte Ltd	(1)	-	-	-
Gain on sale of Javiera solar project	2	-	-	-
Gain on sale of Darling Downs Solar Farm	3	(1)	-	-
Gain on sale of Darling Downs Pipeline	234	(71)	-	-
Gain on sale of Stockyard Hill Wind Farm	60	(18)	-	-
Gain on sale of Contact Energy	-	-	14	-
Gain on sale of Mortlake Terminal Station	-	-	24	(7)
Capital loss recognition	-	40	-	28
Tax expense reflecting difference between carrying amount and tax base of entities sold	-	(17)	-	-
Disposals	401	(98)	38	21

[1] Certain amounts have been restated to reflect adjustments relating to note F12.

A1 Segments (continued)

Explanatory notes to segment results for the year ended 30 June (continued)

(f) Disposals, impairments and business restructuring (continued) $million	2017 Gross	2017 Tax and NCI	2016 Gross	2016 Tax and NCI
Integrated Gas				
Share of Australia Pacific LNG impairment of non-current assets [1]	(1,846)	-	-	-
Browse Basin	(825)	248	-	-
Assets held for sale	(753)	226	-	-
New Zealand onshore assets	-	-	30	(9)
Cooper Basin	-	-	(111)	34
BassGas	-	-	(204)	61
Otway Basin	-	-	(236)	70
Surat Basin	-	-	30	(9)
Corporate				
Investment in Energia Austral SpA	(114)	-	-	-
IT transformation	-	-	(94)	29
Investment in Energia Andina S.A.	-	-	(86)	-
Investment in OTP Geothermal Pte Ltd	-	-	(20)	-
Impairments	(3,538)	474	(691)	176
Transaction costs in respect of the Lattice Energy divestment	(40)	12	-	-
Restructure costs	(17)	5	(111)	33
Corporate transaction costs	(20)	6	(12)	3
Integration and transformation costs	-	-	(5)	2
De-recognition of New Zealand tax losses forecast to be no longer available post divestment	-	(21)	-	-
Uplift in tax cost base	-	-	-	9
Business restructuring	(77)	2	(128)	47
Total disposals, impairments and business restructuring	**(3,214)**	**378**	**(781)**	**244**

[1] As the Group equity accounts for its share of net profit after tax of Australia Pacific LNG the above amount is presented post-tax.

A1 Segments (continued)

A1.2 Segment assets and liabilities as at 30 June

$million	Energy Markets 2017	Energy Markets 2016 [3]	Integrated Gas 2017	Integrated Gas 2016	Corporate 2017	Corporate 2016	Total continuing operations 2017	Total continuing operations 2016 [3]	Contact Energy assets and liabilities held for sale 2017	Contact Energy assets and liabilities held for sale 2016	Other assets and liabilities held for sale 2017	Other assets and liabilities held for sale 2016	Total assets and liabilities held for sale [2] 2017	Total assets and liabilities held for sale [2] 2016	Consolidated 2017	Consolidated 2016 [3]
Assets																
Segment assets	12,188	12,048	973	4,431	126	118	13,287	16,597	-	-	1,696	318	1,696	318	14,983	16,915
Investments accounted for using the equity method (refer to note A4)	-	-	5,463	5,945	-	-	5,463	5,945	-	-	-	152	-	152	5,463	6,097
Cash, funding related derivatives and tax assets			3,609	4,848	790	1,044	4,399	5,892	-	-	354	1	354	1	4,753	5,893
Total assets	**12,188**	**12,048**	**10,045**	**15,224**	**916**	**1,162**	**23,149**	**28,434**	**-**	**-**	**2,050**	**471**	**2,050**	**471**	**25,199**	**28,905**
Liabilities																
Segment liabilities	(2,852)	(2,834)	(565)	(1,293)	(467)	(380)	(3,884)	(4,507)	-	-	(720)	(46)	(720)	(46)	(4,604)	(4,553)
Financial liabilities, interest-bearing liabilities, funding related derivatives and tax liabilities			(7,633)	(6,905)	(1,544)	(3,387)	(9,177)	(10,292)	-	-	-	-	-	-	(9,177)	(10,292)
Total liabilities	**(2,852)**	**(2,834)**	**(8,198)**	**(8,198)**	**(2,011)**	**(3,767)**	**(13,061)**	**(14,799)**	**-**	**-**	**(720)**	**(46)**	**(720)**	**(46)**	**(13,781)**	**(14,845)**
Acquisitions of non-current assets (includes capital expenditure)[1]	276	223	396	383	11	15	683	621	-	7	113	25	113	32	796	653

(1) The Integrated Gas segment includes $388 million of cash contributions to Australia Pacific LNG. June 2016 cash contributions of $1,544 million to Australia Pacific LNG are not treated as acquisitions as they are accounted for as loans rather than an increase in the Group's investment.

(2) Further details of held for sale amounts are included in note E4.

(3) Certain amounts have been restated to reflect adjustments relating to note F12.

A1 Segments (continued)

A1.3 Geographical information

Detailed below is revenue based on the location of the customer and non-current assets (excluding derivatives and other financial assets) based on the location of the assets.

	2017 $million	2016 $million
Revenue		
for the year ended 30 June		
Australia	13,515	11,300
Other	131	156
Revenue from continuing operations	**13,646**	**11,456**
Australia	318	335
New Zealand	143	383
Revenue from discontinued operations	**461**	**718**
Total external revenue	**14,107**	**12,174**

	2017 $million	2016 $million
Non-current assets		
as at 30 June		
Australia	15,359	18,712
New Zealand	-	495
Other	39	43
Total non-current assets(1)	**15,398**	**19,250**

(1) Excludes amounts which are classified as held for sale at 30 June 2016 and 30 June 2017. Refer to note E4.

A2 Income

	2017 $million[(1)]	2016 $million[(1)]
Income from continuing operations		
Revenue[(2)]	13,646	11,456
Net gain on sale of assets	167	25
Other	20	16
Other income	**187**	**41**
Interest earned from other parties	2	2
Interest earned on Australia Pacific LNG MRCPS (refer to note E1)	222	220
Interest income[(3)]	**224**	**222**

(1) Excludes amounts classified as discontinued operations at 30 June 2016 and 30 June 2017. Refer to note E4.

(2) Revenue from the sale of oil and gas by the Integrated Gas segment is recognised when title to the commodity passes to the customer. Revenue from the sale of electricity and gas by the Energy Markets segment is recognised on delivery of the product. Amount excludes revenue from discontinued operations of $461 million (2016: $718 million restated). Note A1 provides segment revenue.

(3) Interest income is recognised as it accrues.

Key estimate: unbilled revenue

At the end of each period, the volume of energy supplied since a customer's last bill is estimated in determining the unbilled revenue included in income. This estimation requires judgement and is based on historical customer consumption and payment patterns.

Related to this are unbilled network expenses for unread gas and electricity meters, which are estimated based on historical customer consumption patterns and accrued at the end of the reporting period. This is recorded within trade and other payables in the statement of financial position.

A3 Expenses

	2017 $million[(1)]	2016 $million[(1)]
Expenses from continuing operations		
Raw materials and consumables used	11,099	8,952
Labour[(2)]	618	691
Exploration	-	53
Depreciation and amortisation	344	343
Impairment of assets	939	141
(Increase)/decrease in fair value of financial instruments [(5)]	(125)	256
Net foreign exchange loss	75	43
Other[(3)]	717	743
Expenses [(5)]	**13,667**	**11,222**
Interest charged by other parties	86	56
Impact of discounting on long-term provisions	3	4
Interest expense related to Australia Pacific LNG funding	464	488
Interest expense	**553**	**548**
Financing costs capitalised[(4)]	2	64

(1) Excludes amounts classified as discontinued operations at 30 June 2016 and 30 June 2017. Refer to note E4.

(2) Includes contributions to defined contribution superannuation funds from continuing operations of $61 million (2016: $66 million).

(3) Includes operating lease rental expense of $67 million (2016: $79 million) from continuing operations.

(4) Financing costs incurred for the construction of a qualifying asset are capitalised while the asset is being constructed or prepared for use at the rate applicable to the relevant borrowings. Where borrowings are not specific to an asset, financing costs are calculated at an average rate based on the general borrowings of the Group (2017: 4.10 per cent; 2016: 4.40 per cent).

(5) Certain comparative amounts have been restated to reflect adjustments relating to note F12.

A4 Results of equity accounted investees

$million **for the year ended 30 June 2017**	Share of EBITDA	Share of interest, tax, depreciation and amortisation (ITDA)	Share of net (loss)/profit
Australia Pacific LNG[1]	(1,778)	(134)	(1,912)
Total	**(1,778)**	**(134)**	**(1,912)**
Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit[2]	2,637	(791)	1,846
Total excluding Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit[3]	**859**	**(925)**	**(66)**

$million **for the year ended 30 June 2016**			
Australia Pacific LNG[1]	62	(287)	(225)
Other joint venture entities	-	(3)	(3)
Total	**62**	**(290)**	**(228)**
Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit[2]	49	(6)	43
Total excluding Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit[3]	**111**	**(296)**	**(185)**

$million **as at**	Equity accounted investment carrying amount	
	2017	**2016**
Australia Pacific LNG[1]	5,463	5,945
Other joint venture entities	-	-
	5,463	**5,945**

(1) Australia Pacific LNG's summary financial information is separately disclosed in note E1.

(2) Detailed further in note E1.

(3) Disclosure is provided to enable the reconciliation to share of ITDA of equity accounted investees included in the segment analysis in note A1.

A5 Earnings per share

	2017	2016[2]
Earnings per share based on statutory consolidated loss		
Basic earnings per share	(126.9) cents	(39.8) cents
Diluted earnings per share	(126.9) cents	(39.8) cents
Basic earnings per share from continuing operations	(117.0) cents	(19.1) cents
Diluted earnings per share from continuing operations	(117.0) cents	(19.1) cents
Basic earnings per share from discontinued operations	(9.9) cents	(20.7) cents
Diluted earnings per share from discontinued operations	(9.9) cents	(20.7) cents
Earnings per share based on underlying consolidated profit[1]		
Underlying basic earnings per share	31.3 cents	23.2 cents
Underlying diluted earnings per share	31.2 cents	23.2 cents

(1) Refer to note A1 for a reconciliation of underlying consolidated profit to statutory loss.
(2) Certain amounts have been re-presented to separately show those operations classified as discontinued operations and also to reflect adjustments relating to note F12.

Calculation of earnings per share

Basic earnings per share

Basic earnings per share (EPS) is calculated as loss for the period attributable to the parent entity (2017: $2,226 million loss; 2016: $628 million loss) divided by the average weighted number of shares on issue during the year.

Basic earnings per share from continuing operations

Basic EPS from continuing operations is calculated as loss for the period from continuing operations attributable to the parent entity (2017: $2,052 million loss; 2016: $302 million loss) divided by the average weighted number of shares (2017: 1,754,489,221; 2016: 1,578,213,157).

Diluted underlying earnings per share

Diluted underlying EPS represents loss for the period attributable to the parent entity divided by an average weighted number of shares (2017: 1,759,929,408; 2016: 1,580,493,399) which has been adjusted to reflect the number of shares which would be issued if all outstanding options, performance share rights and deferred shares rights were to be exercised (2017: 5,440,187; 2016: 2,280,242).

Due to the statutory loss attributable to the parent entity for the years ended 30 June 2016 and 2017, the effect of these instruments and the impact of the share rights issue on these instruments has been excluded in the calculation of diluted EPS and diluted EPS from continuing operations as they would reduce the loss per share.

A6 Dividends

The Directors have determined not to pay a final dividend for the year ended 30 June 2017. The following dividends were paid during the year ended 30 June.

	2017 $million	2016 $million
Nil final dividend (2016: Final dividend of 25 cents per share, unfranked, paid 28 September 2015)	-	277
Nil interim dividend (2016: Interim dividend of 10 cents per share, unfranked, paid 31 March 2016)	-	175
	-	**452**

Dividend franking account

Franking credits available to shareholders of Origin Energy Limited for subsequent financial years are shown below.

Australian franking credits available at 30 per cent	-	-
New Zealand franking credits available at 28 per cent (in NZD)	304	304

B Operating assets and liabilities

This section provides information on the assets used to generate the Group's trading performance and the liabilities incurred as a result.

B1 Trade and other receivables

The following balances are amounts which are due from the Group's customers.

	2017 $million	2016 $million
Current		
Trade receivables net of allowance for impairment	728	632
Unbilled revenue net of allowance for impairment	1,193	992
Other receivables	357	321
	2,278	1,945
Non-current		
Trade receivables	4	3
	4	3

Trade and other receivables are initially recorded at the amount billed to customers. Unbilled receivables represent estimated gas and electricity services supplied to customers since their previous bill was issued. Trade and other receivables (including unbilled revenue) reflect the amount anticipated to be collected. The collectability of these balances is assessed on an ongoing basis. When there is evidence that an amount will not be collected, it is provided for, and then if recovery is not possible it is written off. If receivables are subsequently recovered, the amounts are credited against other expenses in the income statement when collected.

The Group's customers are required to pay in accordance with agreed payment terms. Depending on the customer segment, settlement terms are generally 14 to 30 days from the date of the invoice. Credit approval processes are in place for large customers. All credit and recovery risk associated with trade receivables has been provided for in the statement of financial position.

Key judgements and estimates

Recoverability of trade receivables: *Judgement is required in determining the level of provisioning for customer debts. Impairment allowances take into account the age of the debt, prevailing economic conditions and historic collection trends.*

Unbilled revenue: *Unbilled gas and electricity revenue is not collectable until customers' meters are read and invoices issued. Refer to note A2 for judgement applied in determining the amount of unbilled gas and electricity revenue to recognise.*

The average age of trade receivables is 19 days (2016: 18 days). The ageing of trade receivables that were not impaired at 30 June are shown below.

	2017 $million	2016 $million
Not yet due	500	419
1-30 days past due	111	99
31-60 days past due	46	32
61-90 days past due	23	21
91 days past due	48	61
	728	**632**

The movement in the allowance for impairment in respect of trade receivables and unbilled revenue during the year is shown below.

Balance as at 1 July	87	97
Impairment losses recognised	75	67
Transfers to held for sale	-	(2)
Amounts written off	(52)	(75)
Balance as at 30 June	**110**	**87**

B2 Exploration, evaluation and development assets

	Exploration and evaluation assets		Development assets	
	2017 $million	2016 $million	2017 $million	2016 $million
Balance as at 1 July	1,932	1,894	292	239
Additions	58	107	-	53
Exploration expense - continuing operations	-	(53)	-	-
Exploration expense - discontinued operations	(64)	(10)	-	-
Net impairment loss [(1)]	(1,068)	-	-	-
Transfers to held for sale [(2)]	-	(9)	-	-
Transfers to PPE	-	-	(292)	-
Effect of movements in foreign exchange rates	-	3	-	-
Balance as at 30 June	**858**	**1,932**	**-**	**292**

(1) Reflects impairment of $243 million (tax benefit $73 million) relating to assets subsequently transferred to held for sale and the Browse Basin exploration asset of $825 million (tax benefit $248 million).

(2) Relates to amounts classified as held for sale. Refer to note E4.

The Group holds a number of exploration permits that are grouped into areas of interest according to geographical and geological attributes. Expenditure incurred in each area of interest is accounted for using the successful efforts method. Under this method all general exploration and evaluation costs are expensed as incurred except the direct costs of acquiring the rights to explore, drilling exploratory wells and evaluating the results of drilling. These direct costs are capitalised as exploration and evaluation assets pending the determination of the success of the well. If a well does not result in a successful discovery, the previously capitalised costs are immediately expensed.

The carrying amounts of exploration and evaluation assets are reviewed at each reporting date to determine whether any of the following indicators of impairment are present:

- the right to explore has expired, or will expire in the near future, and is not expected to be renewed;
- further exploration for and evaluation of resources in the specific area is not budgeted or planned;
- the Group has decided to discontinue activities in the area; or
- there is sufficient data to indicate the carrying value is unlikely to be recovered in full from successful development or by sale.

Where an indicator of impairment exists, the asset's recoverable amount is estimated and an impairment is recognised in the income statement if required.

Key judgement: recoverability of exploration and evaluation assets
Assessment of the recoverability of capitalised exploration and evaluation expenditure requires certain estimates and assumptions to be made as to future events and circumstances, particularly in relation to whether economic quantities of reserves have been discovered. Such estimates and assumptions may change as new information becomes available. If it is concluded that the carrying value of an exploration and evaluation asset is unlikely to be recovered by future exploitation or sale, the relevant amount will be written off to the income statement.

Upon approval of the commercial development of a project, the exploration and evaluation asset is classified as a development asset. Once production commences, development assets are transferred to PPE.

B3 Property, plant and equipment

$million	Generation property, plant and equipment	Other land and buildings	Other plant and equipment	Producing areas of interest	Capital work in progress	Total
2017						
Cost	4,392	79	814	-	205	5,490
Accumulated depreciation	(1,151)	(37)	(588)	-	-	(1,776)
	3,241	**42**	**226**	**-**	**205**	**3,714**
Balance as at 1 July 2016	3,327	78	1,274	559	447	5,685
Additions	94	-	139	39	66	338
Disposals	-	(9)	(150)	-	(68)	(227)
Depreciation/amortisation - continuing operations	(187)	(3)	(46)	-	-	(236)
Depreciation/amortisation - discontinued operations	-	-	(51)	(81)	-	(132)
Net impairment loss[(1)]	-	(6)	(282)	(207)	(15)	(510)
Transfers within PP&E	7	-	176	-	(183)	-
Transfers from Development assets	-	-	-	292	-	292
Transfers to held for sale [(2)]	-	(17)	(822)	(598)	(42)	(1,479)
Effect of movements in foreign exchange rates	-	(1)	(12)	(4)	-	(17)
Balance as at 30 June 2017	**3,241**	**42**	**226**	**-**	**205**	**3,714**
2016						
Cost	4,327	118	2,944	1,850	447	9,686
Accumulated depreciation	(1,000)	(40)	(1,670)	(1,291)	-	(4,001)
	3,327	**78**	**1,274**	**559**	**447**	**5,685**
Balance as at 1 July 2015	3,715	69	1,659	738	324	6,505
Additions	92	15	37	155	219	518
Disposals	(85)	-	-	(1)	-	(86)
Depreciation/amortisation - continuing operations	(184)	(7)	(29)	-	-	(220)
Depreciation/amortisation - discontinued operations	-	-	(128)	(133)	-	(261)
Net impairment loss[(1)]	-	-	(354)	(137)	-	(491)
Transfers within PP&E	-	1	86	-	(87)	-
Transfers to held for sale [(2)]	(211)	-	(7)	(67)	(9)	(294)
Effect of movements in foreign exchange rates	-	-	10	4	-	14
Balance as at 30 June 2016	**3,327**	**78**	**1,274**	**559**	**447**	**5,685**

(1) Reflects impairments of $510 million (tax benefit $153 million) relating to assets held for sale at 30 June 2017.
Reflects impairments of $204 million (tax benefit $61 million) relating to BassGas assets, impairment of $111 million (tax benefit $34 million) relating to the Cooper Basin and impairment of $236 million (tax benefit $70 million) relating to the Otway Basin offset by a reversal of prior impairment on the sale of Surat Basin assets of $30 million (tax expense $9 million); and a reversal of prior impairment on New Zealand onshore assets of $30 million (tax expense $9 million) at 30 June 2016.

(2) Relates to amounts classified as held for sale. Refer to note E4.

PPE is recorded at cost less accumulated depreciation, depletion, amortisation and impairment charges. Cost includes the estimated future cost of required closure and rehabilitation.
The carrying amounts of assets are reviewed to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and if required, an impairment is recognised in the income statement.

B3 Property, plant and equipment (continued)

Several different depreciation methodologies are used by the Group. Sub-surface assets relating to producing areas of interest are amortised on a units of production basis. This method applies an average unit depletion cost to current period production. The proved and probable reserves (2P), expenditure to date and an estimate of future development expenditure required to develop those reserves are used to derive the unit depletion cost. Land and capital work in progress are not depreciated. All other assets are depreciated on a straight-line basis over their useful lives.

The range of depreciation rates for the current and comparative period for each class of asset are set out below.

	%
Generation PPE	1 - 35
Other land and buildings	0 - 10
Other plant and equipment	1 - 50
Producing areas of interest	1 - 28

At 30 June 2017, the Group reassessed the carrying amounts of its non-current assets for indicators of impairment.
Estimates of recoverable amounts are based on an asset's value in use or fair value less costs to sell (level 3 fair value hierarchy). The recoverable amount of these assets is most sensitive to those assumptions highlighted in the key judgements and estimates below.

Key judgements and estimates
Recoverability of carrying values*: Assets are grouped together into the smallest group of assets that generate largely independent cash inflows (cash generating unit). A Cash Generating Unit's ("CGU") recoverable amount comprises the present value of the future cash flows which will arise from use of the assets. Assessment of a CGU's recoverable amount requires estimates and assumptions to be made about highly uncertain external factors such as future commodity prices, foreign exchange rates, discount rates, the effects of inflation, climate change policies and the outlook for global or regional market supply-and-demand conditions. In addition, the Group makes estimates and assumptions about reserves, future operating profiles and production costs. Such estimates and assumptions may change as new information becomes available. If it is concluded that the carrying value of a CGU is not likely to be recovered by use or sale, the relevant amount will be written off to the income statement.*

Estimation of reserves: *Conventional reserves are estimates of the amount of product that can be extracted from an area of interest. A range of assumptions are used to estimate economically recoverable 2P reserves. As the economic assumptions change from period to period, and because additional geological information becomes available during the course of operations, estimates of 2P reserves may change from period to period. These changes could impact the asset carrying values, unit of production depletion calculations, restoration provisions and deferred tax balances. Refer note E1.2 for information regarding Australia Pacific LNG's unconventional reserve estimation policy.*

Estimation of commodity prices: *The Group's best estimate of future commodity prices is made with reference to internally derived forecast data, current spot prices, external market analysts' forecasts and forward curves. Where volumes are contracted, future prices reflect the contracted price. Future commodity price assumptions impact the recoverability of carrying values and are reviewed at least annually.*

Estimation of useful economic lives: *A technical assessment of the operating life of an asset requires significant judgement. Useful lives are amended prospectively when a change in those assessments occurs.*

Restoration provisions: *An asset's carrying value includes the estimated future cost of required closure and rehabilitation activities. Refer to note B5 for key judgement related to restoration provisions.*

Future downhole costs: *The depletion and amortisation calculation for producing areas of interest depends in part on the estimated future downhole expenditure required to develop and extract 2P undeveloped reserves. Changes in future downhole expenditure can therefore impact amortisation recognised. Future expenditure estimates have been based on the proposed development profiles for the fields.*

B4 Intangible assets

	2017 $million	2016 $million
Goodwill at cost - Energy Markets	4,827	4,827
Software and other intangible assets at cost less impairment losses	1,169	1,123
Less: Accumulated amortisation	(671)	(584)
	5,325	**5,366**

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

$million	Goodwill	Software and other intangibles	Total
Balance as at 1 July 2016	4,827	539	5,366
Additions	-	72	72
Disposals	-	(1)	(1)
Amortisation expense - continuing operations	-	(108)	(108)
Amortisation expense - discontinued operations	-	(1)	(1)
Transfers to held for sale[2]	-	(3)	(3)
Balance as at 30 June 2017	**4,827**	**498**	**5,325**
Balance as at 1 July 2015	4,815	666	5,481
Additions	12	95	107
Impairment loss[1]	-	(94)	(94)
Amortisation expense - continuing operations	-	(122)	(122)
Transfers to held for sale[2]	-	(6)	(6)
Balance as at 30 June 2016	**4,827**	**539**	**5,366**

(1) During the prior period a decision was made to write-off an organisation-wide IT implementation. As a consequence, an impairment charge of $94 million was recognised in the financial statements which reflects the write-off of the intangible asset relating to this project. The intangible assets relating to this project are allocated across the reportable segments, however the impairment is recorded in the Corporate segment.

(2) Relates to amounts classified as held for sale. Refer to note E4.

Goodwill is stated at cost less any accumulated impairment losses and is not amortised. Software and other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense on a straight-line basis over the estimated useful lives of the intangible assets.

The average amortisation rate for software and other intangibles (excluding capital work in progress) was 12% (2016: 12%).

B4 Intangible assets (continued)

Key judgement

Carrying values of assets: Refer to note B3 for key judgement relating to carrying values of assets.

Impairment testing

The recoverable amount of the Energy Markets goodwill has been determined using a value in use model which includes an appropriate terminal value. The key inputs and assumptions in the calculation of value in use are set out below.

Key input/assumptions	***Energy Markets***
Period of cash flow projections	Either 40 years, or the life of each Generation asset, based on the Group's five-year business plan. The Energy Markets business is considered a long-term business and as such projection of long-term cash flows is appropriate for a more accurate forecast. The growth rate used to extrapolate cash flow projections beyond the five year plan is 2.5%.
Customer numbers and customer churn	Based on review of actual customer numbers and historical data regarding movements in customer numbers and levels of customer churn. The historical analysis is considered against current and expected market trends and competition for customers.
Gross margin and other operating costs per customer	Based on review of actual gross margins and cost per customer, and consideration of current and expected market movements and impacts.
Discount rate	Pre-tax discount rate of 10.3 per cent (2016: 8.5 per cent).

B5 Provisions

$million	Restoration	Other	Total
Balance as at 1 July 2016	**693**	**88**	**781**
Provisions recognised	67	19	86
Provisions released	(84)	(1)	(85)
Payments/utilisation	(3)	(35)	(38)
Transfers to held for sale[1]	(496)	(1)	(497)
Balance as at 30 June 2017	**177**	**70**	**247**
Current	18	38	56
Non-current	159	32	191
	177	**70**	**247**

[1] Relates to amounts classified as held for sale at 30 June 2017. Refer to note E4.

Restoration provisions are initially recognised at the best estimate of the costs to be incurred in settling the obligation. Where restoration activities are expected to occur more than 12 months from the reporting period the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money.

At each reporting date, the restoration provision is remeasured in line with changes in discount rates, and changes to the timing or amount of the costs to be incurred based on current legal requirements and technology. Any changes in the estimated liability in future periods are added to or deducted from the related asset. The unwinding of the discount is recognised in each period as interest expense.

Key estimate: restoration, rehabilitation and dismantling costs
The Group estimates the cost of future site restoration activities at the time of installation or construction of an asset, or when an obligation arises. Restoration often does not occur for many years and thus significant judgement is required as to the extent of work, cost and timing of future activities.

B6 Other financial assets and liabilities

Other financial assets	2017 $million	2016 $million
Current		
Environmental scheme certificates	58	261
Available-for-sale financial assets	28	51
	86	312
Non-current		
Available-for-sale financial assets	91	95
Mandatorily Redeemable Cumulative Preference Shares issued by Australia Pacific LNG (refer to note E1) [(1)]	3,609	4,848
	3,700	4,943

(1) The Mandatorily Redeemable Cumulative Preference Shares (MRCPS) were cancelled on 1 July 2016 and replaced with US$2.8 billion of MRCPS and US$0.8 billion capital contribution.

Other financial liabilities	2017 $million	2016 $million
Current		
Environmental scheme surrender obligations	276	270
Other financial liabilities	111	105
	387	**375**

Financial assets are recognised (or derecognised) on the date on which the Group commits to purchase (or sell) the asset.

The environmental scheme certificates and surrender obligations are initially recorded at cost. Subsequently, they are recorded at their market price (i.e. fair value) where there is an active market. If there is no active market, certificates continue to be recorded at cost.

Other financial assets are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and are intended to be held for the medium to long term.

The Group's available-for-sale assets are primarily Settlement Residual Agreements.

The Group's other financial liabilities primarily represent the net amount owed for exchange-traded derivative contracts which have not settled as at 30 June 2017.

C Capital, funding and risk management

This section focuses on the Group's capital structure, and related financing costs. Information is also presented about how the Group manages capital and the various financial risks to which the Group is exposed through its operating and financing activities.

C1 Interest-bearing liabilities

	2017 $million	2016 $million
Current		
Bank loans - unsecured	6	8
Capital market borrowings - unsecured	126	101
Total current borrowings	**132**	**109**
Lease liabilities - secured	1	1
Total current interest-bearing liabilities	**133**	**110**
Non-current		
Bank loans - unsecured	787	726
Capital market borrowings - unsecured	7,588	8,772
Total non-current borrowings	**8,375**	**9,498**
Lease liabilities - secured	7	8
Total non-current interest-bearing liabilities	**8,382**	**9,506**

Interest-bearing liabilities are initially recorded at the amount of proceeds received (fair value) less transaction costs. After that date the liability is amortised to face value at maturity using an effective interest rate method with any gains or losses recognised in the income statement.

The contractual maturities of non-current borrowings are as set out below.	2017 $million	2016 $million
One to two years	1,044	137
Two to five years	4,773	3,935
Over five years	2,558	5,426
Total non-current borrowings	**8,375**	**9,498**
Lease liabilities	7	8
Total non-current interest-bearing liabilities	**8,382**	**9,506**

Some of the Group's borrowings are subject to terms that allow the lender to call on the debt. As at 30 June 2017, these terms had not been triggered.

Significant funding transactions

In October 2016, the Group amended $4.5 billion of syndicated loan facilities to extend the existing maturity by 34 months to October 2021. The interest cost of the bank loan facilities was increased by 0.2 per cent per annum and flexibility was added with increased USD, bank guarantee and letter of credit drawdown capacity.

In October 2015, the Group completed a rights issue of 636,086,881 shares at $4.00 per share. The rights issue was fully underwritten and was completed on 2 October 2015 (Institutional rights offer) and 28 October 2015 (Retail rights offer). The net proceeds from the rights issue of $2.5 billion were used to pay down Group borrowings.

C2 Risk management

The Group holds or issues financial instruments for the following purposes:

- *Funding:* used to finance the Group's operating activities. The principal types of instruments include syndicated bank loans, bank guarantee facilities, senior notes, hybrid securities, cash and short-term deposits;
- *Operating:* the Group's day-to-day business activities generate financial instruments such as cash, trade receivables and trade payables; and
- *Risk management:* to reduce risks arising from the financial instruments described above, the Group holds derivatives such as forward exchange contracts and interest rate swaps (including cross currency). In addition, a range of standard and bespoke financial instruments are held to manage the Group's exposure to fluctuations in commodity prices.

A number of these financial instruments are recorded at the value that reflects current market conditions, i.e. at fair value. The Group's methodology for calculating fair value can be found in note C4.

These risks are managed under policies approved by the Board of Directors. The key financial risks to which the Group is exposed are explained further in the following sections. They include:

- Credit risk;
- Liquidity risk;
- Market risk (including foreign exchange and price risk);
- Interest rate risk.

C2.1 Credit risk

Credit risk is the risk that a counterparty will not fulfil its financial obligations under a contract or other arrangement. In order to manage credit risk the Group has credit limits which determine the level of exposure that it is prepared to accept with respect to counterparties. The Group is exposed to credit risk through its normal operating activities primarily through customer contracts, financing activities (including Mandatorily Redeemable Cumulative Preference Shares), deposits and the collection risk from arrangements entered into to manage financial risk.

The Group has Board approved credit risk management policies which allocate credit limits to counterparties based on publicly available credit information from recognised providers where available. Credit policies cover exposures generated from the sale of products and the use of derivative instruments. The Group 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 when a counterparty defaults under the terms of the ISDA. Refer note F8.

The carrying amounts of financial assets, which are disclosed in more detail in notes B1, B6 and C5, best represents the Group's maximum exposure to credit risk at the reporting date. The Group holds no significant collateral as security and there are no other significant credit enhancements in respect of these assets. All financial assets are monitored in order to identify any potential changes in the credit quality.

C2 Risk management (continued)

C2.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is exposed to liquidity risk through its ongoing business obligations and its strategy to take advantage of new investment opportunities as they arise and to mitigate against further risks such as lower oil prices. The Group has a capital structure which allows it to support these activities. A key element of this structure is the use of committed undrawn debt facilities.

The tables below set out the contractual timing of undiscounted cash flows for derivative and non-derivative financial assets and liabilities at reporting date and include borrowings drawn at reporting date, including interest, and all financial instruments and drawn guarantees.

Derivative financial instruments

	2017			2016 [1]		
$million	**Derivative financial liabilities**	**Derivative financial assets**	**Net derivative financial (liabilities)/ assets**	**Derivative financial liabilities**	**Derivative financial assets**	**Net derivative financial (liabilities)/ assets**
Less than one month	(8)	30	22	(14)	22	8
One to three months	(18)	83	65	(41)	19	(22)
Three to 12 months	(492)	188	(304)	(178)	96	(82)
One to five years	(584)	1,422	838	(1,119)	1,020	(99)
Over five years	(514)	652	138	(406)	386	(20)

Non-derivative financial instruments[2]

	2017			2016		
$million	**Other financial liabilities**	**Other financial assets**	**Net other financial (liabilities)/ assets**	**Other financial liabilities**	**Other financial assets**	**Net other financial (liabilities)/ assets**
Less than one month	(1,485)	615	(870)	(1,028)	532	(496)
One to three months	(691)	1,262	571	(853)	1,044	191
Three to 12 months	(2,556)	716	(1,840)	(2,231)	1,018	(1,213)
One to five years	(6,717)	2,337	(4,380)	(6,765)	3,767	(2,998)
Over five years	(311)	2,312	2,001	(2,178)	2,521	343

The Group manages liquidity risk centrally by monitoring operating cash flow forecasts and the degree of access to debt and equity capital markets. The Group holds a number of debt instruments with varying maturities. The debt portfolio is periodically reviewed to ensure there is funding flexibility and an appropriate repayment profile.

The Group has the following committed undrawn floating rate borrowing facilities:	**2017 $million**	**2016 $million**
Expiring beyond one year	**6,407**	**6,581**

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

(2) All facilities are deemed to be repaid at the earlier of their contractual maturity date or first call/intended repayment date.

C2 Risk management (continued)

C2.3 Foreign exchange (FX) risk

FX risk is the risk that fluctuations in exchange rates will impact the Group's result. FX risk arises from future commercial transactions (including interest payments and principal debt repayments on foreign currency long-term borrowings, the sale and purchase of oil and gas, LPG, LNG and the purchase of capital equipment), the recognition of assets and liabilities (including foreign receivables and borrowings) and net investments in foreign operations. The Group is mainly exposed to fluctuations in the US dollar and the Euro through its operations (both overseas and in Australia), its financing facilities and through arrangements put in place to manage risk.

As at 30 June 2017, after hedging, the Group is exposed to FX risk on receivables of US$553 million (A$719 million). As at 30 June 2016, after hedging, the Group was exposed to FX risk on borrowings of US$2,247 million (A$3,021 million).

To manage FX risk the Group uses forward foreign exchange contracts and cross-currency interest rate swaps (both fixed-to-fixed and fixed-to-floating). In certain circumstances borrowings are left in the foreign currency, or hedged from one currency to another, to match payments of interest and principal against expected future business cash flows in that currency.

The Group has certain investments in foreign operations whose net assets are exposed to FX translation risk. This currency exposure is managed primarily by borrowing in the currency to which the foreign operation is exposed.

Significant transactions undertaken in the normal course of operations which are denominated in a foreign currency are managed on a case-by-case basis.

The table below shows the impact of a 10 per cent change in FX rates (holding all other things constant) on profit and equity based solely on the Group's borrowings and related financial instruments (excluding debt designated as a net investment hedge) existing at the reporting date but does not take into account any mitigating actions that management might take if the rate change occurred.

2017	Impact on post-tax profit		Impact on equity	
	Increase	Decrease	Increase	Decrease
	$million		$million	
US dollar	(65)	69	(74)	79
Euro[1]	9	(9)	17	(17)

2016	Impact on post-tax profit		Impact on equity	
	Increase	Decrease	Increase	Decrease
	$million		$million	
US dollar	189	(184)	156	(151)
Euro[1]	(5)	5	(12)	12

(1) Exposure to Euro is a result of ineffectiveness of some fair value hedges that are swapped in AUD.

C2 Risk management (continued)

C2.4 Commodity price risk

Commodity price risk is the risk that fluctuations in commodity prices will impact the Group's result. The Group is exposed to fluctuations in prices of electricity, oil, gas and environmental scheme certificates.

To manage its price risks the Group utilises a range of financial and derivative instruments including fixed-price swaps, options, futures and fixed price forward purchase contracts. Refer to note C5. The policy for managing price risk permits the active hedging of price and volume exposures within prescribed limits. The full hedge portfolio is tested on an ongoing basis against these limits.

The table below shows the impact of a 10 per cent change in commodity prices (holding all other things constant) on profit and equity based solely on the Group's hedged and unhedged price exposures existing at the reporting date but does not take into account any mitigating actions that management might take if the price change occurred.

2017	Impact on post-tax profit		Impact on equity	
	Increase	Decrease	Increase	Decrease
	$million		$million	
Electricity forward price	202	(202)	238	(238)
Oil forward prices	9	(2)	28	(21)
Environmental scheme certificate prices	25	(25)	25	(25)

2016	Impact on post-tax profit		Impact on equity	
	Increase	Decrease	Increase	Decrease
	$million		$million	
Electricity forward price (1)	95	(95)	113	(113)
Oil forward prices	-	-	28	(28)
Environmental scheme certificate prices	32	(32)	32	(32)

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

C2 Risk management (continued)

C2.5 Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates affect the Group's results. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The exposure of the Group's borrowings (excluding lease liabilities), after hedging, to interest rate changes and the contractual repricing periods at the reporting date are set out below.

	2017 $million	2016 $million
Variable rate borrowings	2,838	3,403
Fixed interest rate - repricing dates		
Six months or less	1,900	900
Six to twelve months	742	-
One to five years	2,695	4,298
Over five years	332	1,006
	8,507	**9,607**

The Group's risk management policy is to manage interest rate exposures using Profit at Risk and Value at Risk methodologies. Exposure limits are set to ensure that the Group is not exposed to excess risk from interest rate volatility.

The Group manages its cash flow interest rate risk by entering into fixed-rate interest rate swap contracts and fixed-rate debt securities, with rates ranging between 2.25 per cent to 7.91 per cent per annum, at a weighted average rate of 5.29 per cent per annum (2016: 2.25 per cent to 7.91 per cent per annum, at a weighted average rate of 5.14 per cent per annum). Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rates.

The Group manages its fair value interest rate risk by using fixed-to-floating interest rate swaps. Where possible these are designated to hedge the interest rate costs associated with underlying debt obligations.

The table below shows the effect on profit and equity if interest rates had been 100 basis points higher or lower based on the relevant interest rate yield curve applicable to the underlying currency of the Group's interest-bearing assets and liabilities. All other variables have been held constant and the impact of any mitigating actions that management might take if the rate change occurred have not been taken into account.

2017	**Impact on post-tax profit**		**Impact on equity**	
	Increase	**Decrease**	**Increase**	**Decrease**
	$million		**$million**	
Interest rates	8	(13)	5	(10)

2016	**Impact on post-tax profit**		**Impact on equity**	
	Increase	**Decrease**	**Increase**	**Decrease**
	$million		**$million**	
Interest rates	15	(20)	14	(19)

C3 Capital management

The Group's objectives when managing capital are to safeguard the 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.

To maintain or adjust the capital structure, the Group 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 requirements in advance of when the funds are required.

Key factors considered in determining the Group'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.

The Group monitors its capital requirements through a number of metrics including the gearing ratio. This ratio is calculated as adjusted net debt divided by total capital. Net debt is adjusted to take into account the effect of FX hedging transactions on the Group's foreign currency debt obligations. The Group maintains a gearing ratio designed to optimise the cost of capital while providing flexibility to fund growth opportunities.
The Group also monitors various other credit metrics including funds from operations to net adjusted debt and EBITDA to interest expense.

	2017 $million	2016 $million
Total interest-bearing liabilities	8,515	9,616
Less: Cash and cash equivalents	(151)	(146)
Net debt	8,364	9,470
Fair value adjustments on FX hedging transactions	(253)	(339)
Adjusted net debt	8,111	9,131
Total equity [(1)]	11,418	14,060
Total capital [(1)]	19,529	23,191
Gearing ratio	42%	39%

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

C4 Fair value of financial assets and liabilities

The following table summarises the methods that are used to estimate the fair value of the Group's financial instruments.

Instrument	***Fair Value Methodology***
Financial instruments traded in active markets	Quoted market prices at reporting date.
Forward foreign exchange contracts	Present value of expected future cash flows using quoted forward exchange rates.
Commodity option contracts which are regularly traded	Most recent available transaction prices for same or similar instruments.
Long-term debt and other financial assets	Quoted market prices, dealer quotes for similar instruments, or present value of estimated future cash flows.
Commodity swaps and non-exchange traded futures	Present value of expected future cash flows using market forward prices.
Interest rate swaps and cross currency interest rate swaps	Present value of expected future cash flows of these instruments. Key variables include market pricing data, discount rates and credit risk of the Group or counterparty where relevant. Variables reflect those which would be used by market participants to execute and value the instruments.
Structured electricity derivatives which are not regularly traded and with no observable market price	The valuation models for long-term electricity derivatives reflect the fair value of the avoided costs of construction of the physical assets which would be required to achieve an equivalent risk management outcome for the Group. The methodology takes into account all relevant variables including forward commodity prices, physical generation plant variables, the risk-free discount rate and related credit adjustments, and asset lives. The valuation models for short-term electricity derivatives include premiums for lack of volume in the market relative to the size of the instruments being valued.
Power purchase arrangement electricity derivatives	The discounted cash flow methodology reflects the difference in the contract price and long term forecast electricity pool prices which are not observable in the market. The valuation also requires estimation of forecast electricity volumes, the risk-free discount rate and related credit adjustments.
Oil forward structured derivative instrument	Valued with reference to the observable market oil forward prices, foreign exchange rates and discount rates. As a result of the structured nature of the instrument, certain risk premium and credit variables utilised in the valuation model are unobservable.
Commodity option contracts which are not regularly traded	Valued using an established pricing model (such as Monte Carlo or Black-Scholes) to generate potential future cash flow outcomes over the period covered by the option contract. Variables reflect those which would be used by market participants to value the option including commodity price and foreign exchange data, the risk-free discount rate and related credit adjustments.

Valuation methodologies are determined based on the nature of the underlying instrument. To the maximum extent possible, valuations are based on assumptions which are supported by independent and observable market data. Where valuation models are used, instruments are discounted at the market interest rate applicable to the instrument.

Key estimate: fair value

To estimate the fair value of financial assets and financial liabilities, the Group uses a variety of methods (outlined in the table above) and makes assumptions based on market conditions which exist at each reporting date.

C4 Fair value of financial assets and liabilities (continued)

The following table provides information about the reliability of the inputs used in determining the fair value of financial assets and liabilities carried at fair value. The three levels in the hierarchy reflect the level of independent observable market data used in determining the fair values and are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: other valuation methods for which all inputs that have a significant impact on fair value are observable, 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).

2017	Note	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Derivative financial assets	C5	116	882	298	1,296
Environmental scheme certificates	B6	58	-	-	58
Available-for-sale financial assets	B6	119	-	-	119
Financial assets carried at fair value		**293**	**882**	**298**	**1,473**
Derivative financial liabilities	C5	(16)	(842)	(751)	(1,609)
Environmental scheme surrender obligations	B6	(276)	-	-	(276)
Financial liabilities carried at fair value		**(292)**	**(842)**	**(751)**	**(1,885)**

2016 [1]	Note	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Derivative financial assets	C5	115	937	250	1,302
Environmental scheme certificates	B6	261	-	-	261
Available-for-sale financial assets	B6	146	-	-	146
Financial assets carried at fair value		**522**	**937**	**250**	**1,709**
Derivative financial liabilities	C5	(3)	(717)	(935)	(1,655)
Environmental scheme surrender obligations	B6	(270)	-	-	(270)
Financial liabilities carried at fair value		**(273)**	**(717)**	**(935)**	**(1,925)**

The following table shows a reconciliation of movements in the value of instruments included in Level 3 of the fair value hierarchy.

	$million
Balance as at 1 July 2016 [1]	(685)
Net gain recognised in other comprehensive income	13
Net loss realised in revenue line	(26)
Net loss realised in cost of sales	(229)
Net gain from financial instruments at fair value	145
Cash settlements on existing instruments	327
New instruments in the period	2
Balance as at 30 June 2017	**(453)**

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

C4 Fair value of financial assets and liabilities (continued)

The following is a summary of the main inputs and assumptions used by the Group in measuring the fair value of level 3 financial instruments.

Discount rates: Based on observable market rates for risk-free instruments of the appropriate term.

Credit adjustments: Applied to the discount rate depending on the asset/liability position of a financial instrument to reflect the risk of default by either the Group or a specific counterparty. Where a counterparty specific credit curve is not observable, an estimated curve is applied which takes into consideration the credit rating of the counterparty and its industry.

Forward commodity prices: Including both observable external market data and internally derived forecast data. For oil derivatives, internally derived data principally relates to the forward price path for Japanese Customs-cleared Crude (JCC) which is not readily observable in the market. The forward curve for JCC is inferred from the observable Brent oil forward curve. For certain long term electricity derivatives, internally derived forecast spot pool prices and renewable energy certificate prices are applied as market prices are not readily observable for the corresponding term.

Physical generation plant variables: Variables which would be used in the valuation of physical generation assets with equivalent risk management outcomes including new build capital costs, operating costs and plant efficiency factors. For derivatives related to renewable generation, further assumptions are applied to forecast generation volumes over the life of the instrument.

Liquidity premiums: Applied to allow for the lack of volume in the market relative to the size of the instruments being valued.

Strike premiums: Applied to allow for instances where instruments have different strike prices to those associated with instruments which have observable market prices.

The use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, a 10 per cent increase or decrease in the unobservable assumptions would have the following effects:

	2017 Impact on post-tax profit		2016 [(1)] Impact on post-tax profit	
	Increase	Decrease	Increase	Decrease
	$million		$million	
Electricity derivative assets	130	(130)	55	(55)
Electricity derivative liabilities	138	(138)	112	(112)
Oil derivative assets	(1)	1	(5)	14

[(1)] Certain amounts have been restated to reflect adjustments relating to note F12.

C4 Fair value and financial assets and liabilities (continued)

Gains/(losses) on initial recognition of financial instruments

Any differences between the fair value at initial recognition (transaction price) and the amount that would be determined at that date using the relevant valuation technique are deferred in the statement of financial position and recognised in the income statement over the life of the instrument. The following has been recognised during the year.

	2017 $million
Derivative assets	
Opening balance - gain	72
Change in classification	83
Recognised in the income statement	(38)
New instruments in the period	416
Closing balance - gain	533
Derivative liabilities	
Opening balance - gain	282
Change in classification	(83)
Recognised in the income statement	(7)
New instruments in the period	182
Closing balance - gain	374

Except as noted below, the carrying amounts of financial assets and liabilities are reasonable approximations of their fair values.

The Group has the following non-current financial instruments which are not measured at fair value in the statement of financial position.

		Carrying value		Fair value	
	Fair value hierarchy level	2017 $million	2016 $million	2017 $million	2016 $million
Assets					
Other financial assets	2	3,609	4,848	3,115	5,128
Liabilities					
Bank loans - unsecured	2	787	726	744	764
Capital markets borrowings - unsecured	2	7,588	8,772	7,959	8,642
		8,375	**9,498**	**8,703**	**9,406**

The fair value of these financial instruments reflect the present value of estimated future cash flows of the instrument. Key variables used to determine the present value include:

- market pricing data (for the relevant underlying interest rates, foreign exchange rates or commodity prices);
- discount rates; and
- the credit risk of the Group or counterparty where appropriate.

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

C5 Hedging and derivatives

The Group is exposed to risk from movements in foreign exchange and interest rates, and electricity and oil prices. As part of the risk management strategy set out in note C2, the Group holds the following types of derivative instruments:

	Assets		Liabilities	
	2017 $million	2016 $million[1]	2017 $million	2016 $million[1]
Current				
Interest rate swaps	-	-	-	(2)
Cross-currency interest rate swaps	-	7	(229)	-
Forward foreign exchange contracts	-	-	(1)	(1)
Electricity derivatives	184	185	(58)	(10)
Oil derivatives	55	45	(12)	(5)
Other commodity derivatives	2	-	-	-
	241	**237**	**(300)**	**(18)**
Non-current				
Interest rate swaps	-	-	(8)	(35)
Cross-currency interest rate swaps	597	738	(74)	(347)
Forward foreign exchange contracts	-	-	(300)	(286)
Electricity derivatives	451	317	(621)	(688)
Oil derivatives	5	9	(303)	(281)
Other commodity derivatives	2	1	(3)	-
	1,055	**1,065**	**(1,309)**	**(1,637)**
Total	**1,296**	**1,302**	**(1,609)**	**(1,655)**

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

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. Gains or losses on derivatives which are not designated as hedging instruments are recognised in the income statement and resulted in a $109 million gain in the year ended 30 June 2017 (2016[1]: $254 million loss). This includes an $82 million gain relating to discontinued operations (2016: $10 million loss).

The Group designates certain derivatives as either:

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

The Group documents at the inception of these transactions the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. The Group 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 following table shows the fair value of instruments which have been designated as hedging instruments.

		Assets		Liabilities	
		2017 $million	2016 $million	2017 $million	2016 $million
Fair value hedges	**(a)**	484	620	34	25
Cash flow hedges	**(b)**	351	358	65	298
Net investment hedges	**(c)**	-	-	-	1,264

C5 Hedging and derivatives (continued)

Analysis of financial instruments which have been designated as hedging instruments

(a) Fair value hedges

The Group designates certain cross currency interest rate swaps in fair value hedge relationships. Changes in the fair value of these interest swaps are recorded in the income statement, together with any changes in the fair value of the hedged item. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used is amortised to profit and loss over the remaining life using a recalculated effective interest rate.

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.

	2017 $million	2016 $million
(Loss)/gain on the hedging instruments	(145)	189
Gain/(loss) on the hedged item attributable to the hedge risk	121	(172)
	(24)	**17**

(b) Cash flow hedges

The Group designates certain foreign exchange contracts, electricity derivatives, interest rate swaps, cross-currency interest rate swaps and oil derivatives in cash flow hedge relationships. The effective portion of changes in the fair value of these derivatives 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). 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.

Following the announcement to divest the conventional upstream assets (refer note E4), a cash flow hedge was de-designated as the underlying forecast transaction no longer met the highly probable criteria for hedge accounting.

The following sets out the amounts recognised in the income statement and equity arising from the Group's cash flow hedges:

Effective portion of the gains on cash flow hedges recognised in the cash flow hedge reserve (pre-tax)	246	550
Losses transferred from the cash flow hedge reserve to sales	(77)	(151)
Losses transferred from the cash flow hedge reserve to cost of sales	(319)	(136)
(Losses)/gains transferred from the cash flow hedge reserve to decrease in fair value of financial instruments	(198)	30
Gains transferred from the cash flow hedge reserve to finance cost	60	60
	(534)	**(197)**
Ineffectiveness gains recognised in the income statement from cash flow hedges	6	4

C5 Hedging and derivatives (continued)

Analysis of financial instruments which have been designated as hedging instruments (continued)

(c) Net investment and hedge of net investment in foreign operations

The Group designates certain foreign denominated borrowings in net investment hedge relationships. 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 (2017: $nil; 2016: $36 million loss). They are released to the income statement upon disposal of the foreign operation. The ineffectiveness recognised in the income statement from net investment hedges for the year to 30 June 2017 totalled $nil (2016: $nil).

The different types of derivatives used by the Group are set out below along with details of their key attributes.

(d) Types of derivatives

Interest rate swaps

At 30 June 2017, the fixed interest rates varied from 2.25 per cent to 2.84 per cent (2016: 2.25 per cent to 3.33 per cent) and the main floating rate was the Bank Bill Swap Benchmark (BBSW).

The hedged interest payment transactions are expected to impact profit at various dates between one month and six years from the reporting date.

Cross-currency interest rate swaps

At 30 June 2017, the fixed interest rates varied from 3.30 per cent to 7.91 per cent (2016: 2.50 per cent to 7.91 per cent) and the main floating rates were BBSW and US LIBOR.

The hedged interest payment transactions are expected to impact profit at various dates between one month and six years from the reporting date.

Forward foreign exchange contracts

The hedged foreign currency denominated transactions are expected to impact profit at various dates between one month and six years from the reporting date.

Electricity derivatives

The hedged electricity purchase and sale transactions are expected to impact profit continuously for each half hour period throughout the next 14 years from the reporting date.

Oil derivatives

The hedged oil sale and purchase transactions are expected to impact profit continuously throughout the next three years from the reporting date.

C6 Share capital and reserves

	2017 $million	2016 $million
Issued and paid-up capital		
1,755,333,517 (2016: 1,753,335,764) ordinary shares, fully paid	7,150	7,150
Ordinary share capital at the beginning of the period	7,150	4,599
Shares issued:		
• Nil (2016: 636,086,881) shares under a rights issue	-	2,509
• Nil (2016: 6,483,666) shares in accordance with the Dividend Reinvestment Plan	-	42
• 1,997,753 (2016: 1,136,313) shares in accordance with the Long Term Incentive Plans [1]	-	-
Total movements in ordinary share capital	**-**	**2,551**
Ordinary share capital at the end of the period	**7,150**	**7,150**

(1) Relates to shares that have not yet vested.

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 Group, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidation.

The Group 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 to note F3.

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 Group’s net investments in foreign operations.

Hedging reserve

The hedging reserve is used to record the effective portion of the gains or losses on cash flow hedging instruments 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 are taken to the available-for-sale reserve. Amounts are recognised in profit or loss when the associated investments are sold/settled or impaired.

C7 Other comprehensive income

2017 $million	Foreign currency translation reserve	Hedging reserve	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total other comprehensive income
Items that will not be reclassified to the income statement						
Actuarial loss on defined benefit superannuation plan, net of tax	-	-	-	1	-	1
	-	**-**	**-**	**1**	**-**	**1**
Items that may be reclassified to the income statement						
Foreign currency translation differences for foreign operations	(200)	-	-	-	-	(200)
Net loss on cash flow hedges (refer note C5(b))	-	(202)	-	-	-	(202)
Available-for-sale financial assets - valuation loss taken to equity, net of tax	-	-	(41)	-	-	(41)
	(200)	**(202)**	**(41)**	**-**	**-**	**(443)**
Total other comprehensive income	**(200)**	**(202)**	**(41)**	**1**	**-**	**(442)**

2016 $million	Foreign currency translation reserve	Hedging reserve	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total other comprehensive income
Items that will not be reclassified to the income statement						
Actuarial gain on defined benefit superannuation plan, net of tax	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
Items that may be reclassified to the income statement						
Foreign currency translation differences for foreign operations	82	-	-	-	(2)	80
Net loss on hedge of net investment in foreign operations	(18)	-	-	-	-	(18)
Net gain on cashflow hedges	-	247	-	-	-	247
Available-for-sale financial assets - valuation gain taken to equity, net of tax	-	-	6	-	-	6
	64	**247**	**6**	**-**	**(2)**	**315**
Total other comprehensive income	**64**	**247**	**6**	**-**	**(2)**	**315**

D Taxation

This section provides details of the Group's income tax expense, current tax provision and deferred tax balances and the Group's tax accounting policies.

D1 Income tax expense

	2017 $million	2016 $million [1]
Income tax		
Current tax expense/(benefit)	77	(13)
Deferred tax benefit	(158)	(116)
Under provided in prior years	5	3
Tax effect of PPAs adjustment (refer to note F12)	-	(17)
Total income tax benefit	**(76)**	**(143)**
Income tax benefit attributable to:		
(Loss)/profit from continuing operations	(26)	17
Loss from discontinued operations	(50)	(160)
	(76)	**(143)**
Reconciliation between tax expense and pre-tax net profit		
Loss from continuing operations before income tax	(2,075)	(279)
Loss from discontinued operations before income tax	(224)	(479)
	(2,299)	**(758)**
Income tax using the domestic corporation tax rate of 30 per cent (2016: 30 per cent)		
Prima facie income tax expense on pre-tax accounting profit:		
- at Australian tax rate of 30 per cent	(690)	(228)
- adjustment for difference between Australian and overseas tax rates	5	15
Income tax benefit on pre-tax accounting profit at standard rates	**(685)**	**(213)**
Increase/(decrease) in income tax expense due to:		
Impairment expense not recoverable	28	23
Write-off exploration expense	-	13
Sale of Contact Energy	-	(3)
Capital loss recognition	(40)	(30)
Recognition of change in net tax loss position	21	-
Recognition of cost base on disposal of entities	17	-
Reset of tax bases on consolidation of Uranquinty into tax group	-	(9)
Share of results of equity accounted investees	574	65
Tax benefit on translation of foreign denominated tax balances	(3)	(3)
Other	7	11
	604	67
Under provided in prior years	5	3
Total income tax benefit	**(76)**	**(143)**
Deferred tax movements recognised directly in other comprehensive income (including foreign currency translation)		
Financial instruments at fair value	(103)	98
Property, plant and equipment	(4)	(28)
Provisions	2	-
Other items	-	8
	(105)	78

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

D1 Income tax expense (continued)

The Company and its wholly-owned Australian resident entities, which met the membership requirements, formed a tax-consolidated group with effect from 1 July 2003. The head entity within the tax-consolidated group is Origin Energy Limited. Tax funding arrangement amounts are recognised as inter-entity amounts.

Income tax expense is made up of current tax expense and deferred tax expense. Current tax expense represents the expected tax payable on the taxable income for the year, using current tax rates and any adjustment to tax payable in respect of previous years. Deferred tax expense reflects the temporary differences between the accounting carrying amount of an asset or liability in the statement of financial position and its tax base.

Key judgements

Tax balances: *Tax balances reflect a current understanding and interpretation of existing tax laws. Uncertainty arises due to the possibility that changes in tax law or other future circumstances can impact the tax balances recognised in the financial statements. Ultimate outcomes may vary.*

Deferred taxes: *The recognition of deferred tax balances requires judgement as to whether it is probable such balances will be utilised and/or reversed in the foreseeable future.*

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

Income tax expense recognised in other comprehensive income

	2017			2016		
$million	**Gross**	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Available for sale assets:						
Valuation (loss)/gain taken to equity	(58)	17	(41)	9	(3)	6
Cash flow hedges:						
Reclassified to income statement	(534)	160	(374)	(197)	59	(138)
Effective portion of change in fair value	246	(74)	172	550	(165)	385
Net loss on hedge of net investment in foreign operations	-	-	-	(29)	11	(18)
Foreign currency translation differences for foreign operations	(200)	-	(200)	80	-	80
Actuarial gain on defined benefit superannuation plan	2	(1)	1	-	-	-
Other comprehensive income for the period	**(544)**	**102**	**(442)**	**413**	**(98)**	**315**

D2 Deferred tax

Deferred tax balances arise when there are temporary differences between accounting carrying amounts and the tax bases of assets and liabilities, other than for the following:

- where the difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss;
- where temporary differences relate to investments in subsidiaries, associates and interests in joint arrangements to the extent the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- where temporary differences arise on initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet 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 if it is no longer probable that the related tax benefit will be realised.

Movement in temporary differences during the year

Asset/(liability) $million	1 July 2015 (2)	Recognised in income (2)	Recognised in equity	Transfers to held for sale(1)	30 June 2016(2)	Recognised in income	Recognised in equity	Transfers to held for sale(1)	30 June 2017
Accrued expenses not incurred for tax	5	2	-	-	7	(4)	-	-	3
Employee benefits	79	(9)	-	-	70	(1)	-	(7)	62
Acquired environmental scheme certificate purchase obligations	8	(2)	-	-	6	(2)	-	-	4
Acquired energy purchase obligations	17	(8)	-	-	9	(7)	-	-	2
Provisions	239	30	-	(5)	264	(12)	(2)	(149)	101
Tax value of carry-forward tax losses recognised	138	25	1	-	164	(154)	(1)	-	9
Property, plant and equipment	(467)	89	28	(11)	(361)	186	4	(249)	(420)
Exploration and evaluation assets	(356)	(102)	-	15	(443)	273	-	85	(85)
Financial instruments at fair value	347	21	(98)	-	270	(125)	103	-	248
APLNG MRCPS elimination (refer note E1.2)	22	28	-	-	50	3	-	-	53
Business related costs (deductible under s.40-880 ITAA97)	1	20	-	-	21	2	-	-	23
Other items	5	39	(9)	-	35	(1)	1	-	35
Net deferred tax assets	**38**	133	(78)	(1)	**92**	158	105	(320)	**35**

(1) Relates to amounts classified as held for sale at 30 June 2016 and 30 June 2017. Refer to note E4.

(2) Certain amounts have been re-presented to reflect adjustments relating to note F12.

D2 Deferred tax (continued)

Unrecognised deferred tax assets and liabilities	2017 $million	2016 $million
Deferred tax assets have not been recognised in respect of the following items:		
Revenue losses	53	33
Capital losses	2	33
Petroleum resource rent tax, net of income tax[1]	2,459	2,083
Acquisition transaction costs	57	57
Investment in joint ventures	67	39
Intangible assets	8	24
	2,646	**2,269**
Deferred tax liabilities have not been recognised in respect of the following items:		
Investment in Australia Pacific LNG[2]	(1,190)	(1,817)
	(1,190)	**(1,817)**

(1) 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. The application of PRRT legislation relies on a forecast of future years expenditure in order to determine whether the utilisation of the PRRT base will be required. As the forecast indicates that no utilisation is required, no deferred tax asset has been recognised with respect to PRRT in these financial statements.

(2) A deferred tax liability has not been recorded in respect of the investment in Australia Pacific LNG as the Group is able to control the timing of the reversal of the temporary difference through its voting rights and it is not expected that the temporary difference will reverse in the foreseeable future.

E Group structure

The following section provides information on the Group's structure and how this impacts the results of the Group as a whole, including details of joint arrangements, controlled entities, transactions with non-controlling interests and changes made to the Group structure during the year.

E1 Joint arrangements

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement and require consent of two or more parties for strategic, financial and operating decisions. The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on its rights to the assets and obligations for the liabilities of the arrangements.

E1.1 Interests in joint ventures

Interests in joint ventures are initially recognised at cost and are subsequently adjusted for changes in the Group's share of the joint venture's net assets.

Joint venture entity	Reporting date	Country of incorporation	Ownership interest (%) 2017	2016
Australia Pacific LNG Pty Ltd[1]	30 June	Australia	37.5	37.5
Energia Andina S.A.[2]	31 December	Chile	49.9	49.9
Energia Austral SpA[3]	31 December	Chile	34.0	34.0
KUBU Energy Resources (Pty) Limited	30 June	Botswana	50.0	50.0
OTP Geothermal Pte Ltd[4]	31 December	Singapore	-	50.0
PNG Energy Developments Limited	31 December	PNG	50.0	50.0
Venn Energy Trading Pte Limited	31 March	Singapore	50.0	50.0

(1) Australia Pacific LNG is a separate legal entity. Operating, management and funding decisions require the unanimous support of the Foundation Shareholders, which includes the Group and ConocoPhillips. Accordingly, joint control exists and the Group has classified the investment in Australia Pacific LNG as a joint venture.

(2) Energia Andina S.A. is a separate legal entity. Key decisions require super majority (four directors) approval, with the Group entitled to appoint two of the five directors. As a consequence joint control exists and the Group has classified the investment as a joint venture.

(3) Energia Austral SpA is a separate legal entity. Key decisions require super majority (four directors) approval, with the Group entitled to appoint two of the five directors. As a consequence joint control exists and the Group has classified the investment as a joint venture. The Group's ownership interest can change between reporting periods when equity contributions are made to the joint venture.

(4) OTP Geothermal Pte Ltd is a separate legal entity. On 16 August 2016, the Group sold its interest in OTP Geothermal Pte Ltd.

E1 Joint arrangements (continued)

E1.2 Investment in Australia Pacific LNG Pty Ltd

Australia Pacific LNG's second LNG train commenced production during the period, with revenue recognition for the second train commencing in November 2016. A summary of Australia Pacific LNG's financial performance and its financial position for the periods ended 30 June 2017 and 30 June 2016 follows.

	2017		2016	
$million	Total APLNG	Origin interest	Total APLNG	Origin interest
Operating revenue	3,754		880	
Operating expenses	(1,465)		(585)	
EBITDA	**2,289**	**859**	**295**	**111**
Depreciation and amortisation expense	(1,614)		(700)	
Interest income	3		5	
Interest expense	(955)		(296)	
Income tax benefit	87		209	
Underlying result for the period	**(190)**	**(71)**	**(487)**	**(182)**
Elimination of MRCPS depreciation (1)	-	5	-	-
Total underlying result for the period	**(190)**	**(66)**	**(487)**	**(182)**
Items excluded from segment result:				
Impairment of non-current assets	(4,922)	(1,846)	-	-
Net foreign exchange loss	-	-	(7)	(3)
Tax expense on translation of foreign denominated tax balances	-	-	(23)	(9)
Pre-production costs not able to be capitalised	-	-	(75)	(28)
Restructure costs	-	-	(9)	(3)
Total items excluded from segment result	**(4,922)**	**(1,846)**	**(114)**	**(43)**
Net loss for the period	**(5,112)**	**(1,912)**	**(601)**	**(225)**
Other comprehensive income	-	-	95	36
Total comprehensive income	**(5,112)**	**(1,912)**	**(506)**	**(189)**

(1) During project construction, interest paid by Australia Pacific LNG (APLNG) to the Group on Mandatorily Redeemable Cumulative Preference Shares (MRCPS) was capitalised by APLNG. These capitalised interest amounts in APLNG now form part of the cost of APLNG's assets and these assets have been depreciated since commencement of operations. During the project construction period, when the Group received interest on the MRCPS from APLNG, it recorded the interest as income after eliminating a proportion of this interest which related to its ownership interest in APLNG. When the Group now takes up its share of APLNG's net profit after tax (NPAT) the result contains an element of depreciation relating to this capitalised interest. As these amounts were previously eliminated by the Group against its investment at the time the interest was received, an adjustment is made to reverse the impact of this depreciation on APLNG NPAT.

Impairment of investment

$million for the year ended 30 June	**2017**	**2016**
Share of Australia Pacific LNG impairment of non-current assets	1,846	-

E1 Joint arrangements (continued)

E1.2 Investment in Australia Pacific LNG Pty Ltd (continued)

Impairment of investment (continued)

The carrying amount of the Group's equity accounted investment in Australia Pacific LNG (APLNG) is reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

APLNG has performed its own impairment assessment and determined that an impairment of US$5,238 million (A$7,031 million) pre-tax for the period should be recognised (US$2,888 million or A$3,927 million pre-tax having already been recorded at 31 December 2016). As a result, the Group has taken up its 37.5% share (A$1,846 million post-tax) of the impairment recognised by APLNG. This is recorded within the results from equity accounted investees in the income statement.

The Group's own assessment of the carrying value of its equity accounted investment in APLNG identified no additional impairment. The Group's share of the impairment recognised by APLNG is due to a change in a number of assumptions but principally reduced oil prices and a significant increase in USD interest rates impacting APLNG's underlying risk free and base rates.

The APLNG valuation is determined based on an assessment of fair value less costs of disposal (based on level 3 fair value hierarchy). Key assumptions in APLNG's valuation are reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves.

Estimated unconventional reserve quantities in APLNG are based upon interpretations of geological and geophysical models and assessment of the technical feasibility and commercial viability of producing the reserves. Reserve estimates are prepared which conform to guidelines prepared by the Society of Petroleum Engineers. These assessments require assumptions to be made regarding future development and production cost, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Estimated reserve quantities include a Probabilistic Resource Assessment approach.

Estimates of future commodity prices are based on APLNG's best estimate of future market prices with reference to external industry and market analysts' forecasts, current spot prices and forward curves. Future commodity prices for impairment testing are reviewed 6 monthly. Where volumes are contracted, future prices are based on the contracted price.

Oil prices (Brent oil Nominal, US$/bbl) used by APLNG in its impairment assessment are set out below.

	2017	2018	2019	2020	2021	2022 (1)
30 June 2017	49	51	59	67	71	74

(1) Escalated at 2.1% from 2022

Forecasts of the foreign exchange rate for foreign currencies, where relevant, are estimated with reference to observable external market data and forward values, including analysis of broker and consensus estimates.

The future estimated AUD/USD rates applied by APLNG are represented below:

	2017	2018	2019	2020	2021	2022
30 June 2017	0.77	0.77	0.76	0.76	0.75	0.74

The pre-tax discount rate, determined as APLNG's weighted average cost of capital, adjusted for risks where appropriate, that has been applied is 10.1% (30 June 2016: 9.0%).

In the event that future circumstances vary from these assumptions, the recoverable amount of the investment could change materially and result in further impairment losses or the reversal of previous impairment losses.

E1 Joint arrangements (continued)

E1.2 Investment in Australia Pacific LNG Pty Ltd (continued)

Impairment sensitivity

The calculation of fair value less costs of disposal for APLNG is most sensitive to changes in oil price, discount rates and the AUD/USD foreign exchange rate. Key accounting judgements and estimates used in forming the valuation are disclosed on the previous page.

Reasonably possible changes in circumstances will affect assumptions and the estimated fair value of Origin's investment in APLNG. As the recoverable amount of APLNG equals its carrying value, any adverse movements in key assumptions, in isolation, will lead to further impairment. These reasonably possible changes include:

- A decrease in oil prices of USD$1/bbl, which in isolation would lead to a decrease of US$380 million in the valuation; and
- An increase in the discount rate of 0.25% in isolation or an increase in the AUD/USD FX rate of 2.5 cents in isolation from the rates assumed in the valuation would lead to a similar decrease as noted for oil above.

Changes in any of the aforementioned assumptions may be accompanied by changes in other assumptions which may have an offsetting impact.

E1 Joint arrangements (continued)

E1.2 Investment in Australia Pacific LNG Pty Ltd (continued)

Summary statement of financial position of Australia Pacific LNG

$million	2017	2016
Summary statement of financial position of Australia Pacific LNG		
Cash and cash equivalents	747	286
Other current assets	677	584
Current assets	**1,424**	**870**
Receivables from shareholders	333	-
Property, plant and equipment	33,853	40,011
Exploration, evaluation and development assets	351	1,354
Other non-current assets	2,425	379
Non-current assets	**36,962**	**41,744**
Total assets	**38,386**	**42,614**
Bank loans - secured	927	360
Other current liabilities	915	890
Current liabilities	**1,842**	**1,250**
Bank loans - secured	9,532	10,742
Payable to shareholders	9,624	12,927
Other non-current liabilities	2,413	1,463
Non-current liabilities	**21,569**	**25,132**
Total liabilities	**23,411**	**26,382**
Net assets	**14,975**	**16,232**
Group's interest of 37.5 per cent of APLNG net assets	5,615	6,087
Group's own costs	25	25
Mandatorily Redeemable Cumulative Preference Shares elimination[1]	(177)	(167)
Investment in Australia Pacific LNG Pty Ltd	**5,463**	**5,945**

[1] The Mandatorily Redeemable Cumulative Preference Shares (MRCPS) are recognised as a financial asset by the Group and the MRCPS dividend is recognised as interest revenue in the Group's income statement. The proportion attributable to the Group's own interest (37.5 per cent) is eliminated through the equity accounted investment balance as Australia Pacific LNG has capitalised a portion of interest expense associated with the MRCPS.

E1 Joint arrangements (continued)

E1.2 Investment in Australia Pacific LNG Pty Ltd (continued)

In calculating Origin's return on capital employed, an adjustment is made to the carrying value of the Australia Pacific LNG equity accounted investment as noted below.

	2017 $million	2016 $million
Investment in Australia Pacific LNG Pty Ltd	5,463	5,945
Less: Non-cash fair value uplift [(1)]	(30)	(1,923)
Adjusted investment in Australia Pacific LNG Pty Ltd	**5,433**	**4,022**

(1) Non-cash fair value uplift represents the increase in Origin's equity accounted investment in Australia Pacific LNG arising from the partly paid shares issued by Australia Pacific LNG Pty Ltd to ConocoPhillips (CoP) in October 2009 and the dilution impact of subsequent share issues by Australia Pacific LNG Pty Ltd to Sinopec (August 2011 and July 2012).
In the initial years, Origin was not required to make an equivalent contribution and instead recorded a non-cash fair value uplift to its investment in Australia Pacific LNG. The amount has been reduced by the $1,846 million impairment during the period. The equity contributions made by CoP and Sinopec to Australia Pacific LNG were used to fund construction of the LNG project assets, which will be depreciated over their useful lives (approximately 30 years).
In each period Origin's equity accounted share of Australia Pacific LNG's earnings will include a depreciation charge referrable to the non-cash fair value uplift. When these earnings are reflected in Origin's investment balance this depreciation amount will reduce the remaining balance of the non-cash fair value uplift.
The 30 June 2017 balance includes an estimated depreciation charge of $47 million (30 June 2016: $22 million) associated with the non-cash fair value uplift described above.

Australia Pacific LNG is subject to the Petroleum Resource Rent Tax legislation and has an unrecognised deferred tax asset balance of $5,377 million (100 per cent Australia Pacific LNG) at 30 June 2017 (30 June 2016: $3,747 million). Any future recognition of this balance by Australia Pacific LNG will result in an increase in the Group's equity accounted investment in Australia Pacific LNG, rather than a deferred tax asset, as the Group equity accounts its 37.5 per cent interest.

E1 Joint arrangements (continued)

E1.3 Transactions between the Group and Australia Pacific LNG Pty Ltd

The Group provides services to Australia Pacific LNG including corporate services, upstream operating services related to the development and operation of Australia Pacific LNG's natural gas assets, and marketing services relating to coal seam gas (CSG). The Group incurs costs in providing these services and charges Australia Pacific LNG for them in accordance with the terms of the contract governing those services.

Separately, the Group has entered agreements with Australia Pacific LNG to purchase gas (2017: $255 million; 2016: $296 million) and the Group sells gas to Australia Pacific LNG (2017: $66 million; 2016: $41 million). At 30 June 2017, the Group's outstanding payable balance for purchases from Australia Pacific LNG was $nil million (2016: $27 million) and outstanding receivable balance for sales to Australia Pacific LNG was $3 million (2016: $1 million).

The Group has invested in Mandatorily Redeemable Cumulative Preference Shares (MRCPS) issued by Australia Pacific LNG. The MRCPS existing at 1 July 2016 were cancelled and replaced with US$2.8 billion of MRCPS and US$0.8 billion capital contribution. The MRCPS are the mechanism by which the funding for the CSG to LNG Project has been provided by the shareholders of Australia Pacific LNG in proportion to their ordinary equity interests. The MRCPS have a fixed rate dividend obligation based on the relevant observable market interest rates and estimated credit margin at the date of issue. The dividend is paid twice per annum. The mandatory redemption date for the MRCPS is 30 June 2026. The financial asset (loan) reflecting these MRCPS was $3,609 million as at 30 June 2017 (2016: $4,848 million). Dividends received are recognised as interest. Refer to note A2.

The carrying value of the financial asset at 30 June 2017, as disclosed in note B6, reflects the Group's view that Australia Pacific LNG will utilise cash flows generated from export operations to redeem the MRCPS for their full issue price prior to their mandatory redemption date. There are no conditions existing at the reporting date which indicate that Australia Pacific LNG will be unable to repay the full carrying value. Accordingly the financial asset/(loan) is valued at amortised cost and reflects the cash provided to Australia Pacific LNG.

E1.4 Interests in unincorporated joint operations

The Group's interests in unincorporated joint operations are brought to account on a line-by-line basis in the income statement and statement of financial position. These interests are held on the following assets whose principal activities are oil and/or gas exploration, development and production, power generation and geothermal power technology:

- Cooper Basin
- Bass Basin
- Bonaparte Basin
- Browse Basin
- Canterbury Basin
- Beetaloo Basin
- Otway Basin
- Perth Basin
- Surat Basin
- Taranaki Basin
- Worsley Power Plant
- Geodynamics

E2 Business combinations

There were no significant business combinations during the years ended 30 June 2017 and 30 June 2016.

E3 Controlled entities

The financial statements of the Group include the consolidation of Origin Energy Limited and controlled entities. Controlled entities are the following entities controlled by the parent entity (Origin Energy Limited):

	Incorporated in	**2017** Ownership interest per cent	**2016** Ownership interest per cent
Origin Energy Limited	NSW		
Origin Energy Finance Limited	Vic	100	100
Huddart Parker Pty Limited <	Vic	100	100
Origin Energy NZ Share Plan Limited	NZ	100	100
FRL Pty Ltd <	WA	100	100
B.T.S. Pty Ltd <	WA	100	100
Origin Energy Power Limited <	SA	100	100
Origin Energy SWC Limited <	WA	100	100
BESP Pty Ltd	Vic	100	100
Origin Energy Walloons Transmissions Pty Limited	Vic	-	100
Origin Energy Eraring Pty Limited <	NSW	100	100
Origin Energy Eraring Services Pty Limited <	NSW	100	100
Darling Downs Solar Farm Pty Ltd	NSW	-	100
Darling Downs Solar Farm Operating Holding Pty Ltd	NSW	100	-
Darling Downs Solar Farm Asset Holding Pty Ltd	NSW	100	-
Darling Downs Solar Farm Asset Pty Ltd	NSW	100	-
Darling Downs Solar Farm Operating Pty Ltd	NSW	100	-
Origin Energy Upstream Holdings Pty Ltd	Vic	100	100
Origin Energy B2 Pty Ltd	Vic	100	100
Origin Energy Upstream Operator Pty Ltd	Vic	100	100
Origin Energy Upstream Operator 2 Pty Ltd	Vic	100	100
Origin Energy Holdings Pty Limited <	Vic	100	100
Origin Energy Retail Limited <	SA	100	100
Origin Energy (Vic) Pty Limited <	Vic	100	100
Gasmart (Vic) Pty Ltd <	Vic	100	100
Origin Energy (TM) Pty Limited <	Vic	100	100
Cogent Energy Pty Ltd	Vic	100	100
Origin Energy Retail No. 1 Pty Limited	Vic	100	100
Origin Energy Retail No. 2 Pty Limited	Vic	100	100
Horan & Bird Energy Pty Ltd	Qld	100	100
Origin Energy Electricity Limited <	Vic	100	100
Eraring Gentrader Depositor Pty Limited	Vic	100	100
Sun Retail Pty Ltd <	Qld	100	100
OE Power Pty Limited <	Vic	100	100
Origin Energy Uranquinty Power Pty Ltd <	Vic	100	100
Origin Energy Mortlake Terminal Station No. 1 Pty Limited	Vic	100	100
Origin Energy Mortlake Terminal Station No. 2 Pty Limited	Vic	100	100
Origin Energy PNG Ltd #	PNG	66.7	66.7
Origin Energy PNG Holdings Limited #	PNG	100	100
Origin Energy Tasmania Pty Limited <	Tas	100	100
The Fiji Gas Co Ltd	Fiji	51	51
Origin Energy Contracting Limited <	Qld	100	100
Origin Energy LPG Limited <	NSW	100	100
Origin (LGC) (Aust) Pty Limited <	NSW	100	100
Origin Energy SA Pty Limited <	SA	100	100
Hylemit Pty Limited	Vic	100	100
Origin Energy LPG Retail (NSW) Pty Limited	NSW	100	100
Origin Energy WA Pty Limited <	WA	100	100
Origin Energy Services Limited <	SA	100	100
OEL US Inc.	USA	100	100
Origin Energy NSW Pty Limited <	NSW	100	100

E3 Controlled entities (continued)

	Incorporated in	2017 Ownership interest per cent	2016 Ownership interest per cent
Origin Energy Asset Management Limited <	SA	100	100
Origin Energy Pipelines Pty Limited <	NT	100	100
Origin Energy Pipelines (SESA) Pty Limited	Vic	100	100
Origin Energy Pipelines (Vic) Holdings Pty Limited <	Vic	100	100
Origin Energy Pipelines (Vic) Pty Limited <	Vic	100	100
Origin LPG (Vietnam) LLC	Vietnam	51	51
Origin Energy Solomons Ltd	Solomon Islands	80	80
Origin Energy Cook Islands Ltd	Cook Islands	100	100
Origin Energy Vanuatu Ltd	Vanuatu	100	100
Origin Energy Samoa Ltd	Western Samoa	100	100
Origin Energy American Samoa Inc	American Samoa	100	100
Origin Energy Insurance Singapore Pte Ltd	Singapore	100	100
Acumen Metering Pty Ltd **	Vic	100	100
Angari Pty Limited <*	SA	100	100
Oil Investments Pty Limited <*	SA	100	100
Origin Energy Southern Africa Holdings Pty Limited*	Qld	100	100
Origin Energy Kenya Pty Limited*	Vic	100	100
Origin Energy Zoca 91-08 Pty Limited <*	SA	100	100
Sagasco NT Pty Ltd <*	SA	100	100
Sagasco Amadeus Pty Ltd <*	SA	100	100
Origin Energy Amadeus Pty Limited <*	Qld	100	100
Amadeus United States Pty Limited <*	Qld	100	100
Origin Energy Vietnam Pty Limited*	Vic	100	100
Origin Energy Singapore Holdings Pte Limited*	Singapore	100	100
Origin Energy (Song Hong) Pte Limited*	Singapore	100	100
Lattice Energy Limited < ##	SA	100	100
Origin Energy CSG 2 Pty Limited	Vic	100	100
Origin Energy ATP 788P Pty Limited	Qld	100	100
Origin Energy Wallumbilla Transmissions Pty Limited	Vic	-	100
Oil Company of Australia (Moura) Transmissions Pty Limited <	WA	-	100
Lattice Energy Resources (Bonaparte) Pty Limited <	SA	100	100
Lattice Energy Resources (Perth Basin) Pty Limited <	ACT	100	100
Origin Energy Petroleum Pty Limited <	Qld	100	100
Origin Energy Browse Pty Ltd	Vic	100	100
Lattice Energy Resources (Bass Gas) Limited	UK	100	100
Sagasco South East Inc	Panama	-	100
Lattice Energy Resources NZ (Holdings) Limited	NZ	100	100
Kupe Development Limited	NZ	100	100
Kupe Mining (No.1) Limited	NZ	100	100
Lattice Energy Resources NZ (Kupe) Limited	NZ	100	100
Origin Energy Resources NZ (Rimu) Limited	NZ	100	100
Lattice Energy Resources NZ (TAWN) Limited	NZ	100	100
OE Resources Limited Partnership	NSW	100	100
Lattice Energy Services Pty Limited	Vic	100	100
Lattice Energy Finance Limited	Vic	100	-
Origin Energy VIC Holdings Pty Limited <	Vic	100	100
Origin Energy New Zealand Limited	NZ	100	100
Origin Energy Universal Holdings Limited	NZ	100	100
Origin Energy Five Star Holdings Limited	NZ	100	100
Origin Energy Contact Finance Limited	NZ	100	100
Origin Energy Contact Finance No.2 Limited	NZ	100	100
Origin Energy Pacific Holdings Limited	NZ	100	100

E3 Controlled entities (continued)

	Incorporated in	2017 Ownership interest per cent	2016 Ownership interest per cent
Origin Energy Capital Ltd<	Vic	100	100
Origin Energy Finance Company Pty Limited <	Vic	100	100
OE JV Co Pty Limited <	Vic	100	100
OE JV Holdings Pty Limited	Vic	100	100
Origin Energy LNG Holdings Pte Limited	Singapore	100	100
Origin Energy LNG Portfolio Pty Ltd	Victoria	100	100
Origin Energy Australia Holding BV #	Netherlands	100	100
Origin Energy Mt Stuart BV #	Netherlands	100	100
OE Mt Stuart General Partnership #	Netherlands	100	100
Parbond Pty Limited	NSW	100	100
Origin Foundation Pty Limited	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 Limited	Vic	100	100
Origin Energy Chile S.A. #	Chile	100	100
Origin Energy Geothermal Chile Limitada #	Chile	100	100
Nido Energy SpA #	Chile	100	100
Pleiades S.A	Chile	100	100
Origin Energy Geothermal Singapore Pte Limited	Singapore	100	100
Origin Energy Wind Holdings Pty Ltd	Vic	100	100
Cullerin Range Wind Farm Pty Ltd	NSW	-	100
Crystal Brook Wind Farm Pty Limited	NSW	100	100
Wind Power Pty Ltd	Vic	100	100
Wind Power Management Pty Ltd	Vic	100	100
Lexton Wind Farm Pty Ltd	Vic	100	100
Stockyard Hill Wind Farm Pty Ltd	Vic	-	100
Tuki Wind Farm Pty Ltd	Vic	100	100
Dundas Tablelands Wind Farm Pty Limited	Vic	100	100
Origin Energy Hydro Bermuda Limited	Bermuda	100	100
Origin Energy Hydro Chile SpA #	Chile	100	100

< Entered into ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and related deed of cross guarantee with Origin Energy Limited.

Controlled entity has a financial reporting period ending 31 December.

Origin Energy Resources Limited has changed its name to Lattice Energy Limited on 29 June 2017.

* Origin Energy Resources Limited (subsequently renamed Lattice Energy Limited) transferred its shares in certain entities to Origin Energy Holdings Pty Limited on 28 June 2017.

** Origin Energy Power Limited transferred its shares in Acumen Metering Pty Ltd (previously named Origin Energy Pinjar Security Pty Ltd) to Origin Energy Holdings Pty Limited on 6 April 2017.

E3 Controlled entities (continued)

Changes in controlled entities

2017

Sagasco South East Inc was deregistered on 10 October 2016.

Cullerin Range Wind Farm Pty Ltd and Stockyard Hill Wind Farm Pty Ltd were sold during the year ended 30 June 2017.

Darling Downs Solar Farm Operating Holding Pty Ltd, Darling Downs Solar Farm Asset Holding Pty Ltd, Darling Downs Solar Farm Asset Pty Ltd and Darling Downs Solar Farm Operating Pty Ltd were incorporated during the year ended 30 June 2017.

The following name changes occurred on 1 February 2017:
Origin Energy Pinjar Holdings No. 1 Pty Limited changed its name to Origin Energy Upstream Holdings Pty Ltd
Origin Energy Pinjar Holdings No. 2 Pty Limited changed its name to Origin Energy Upstream Operator Pty Ltd
Origin Energy Pinjar No. 1 Pty Limited changed its name to Origin Energy B2 Pty Ltd
Origin Energy Pinjar No. 2 Pty Limited changed its name to Origin Energy Upstream Operator 2 Pty Ltd

Origin Energy Darling Downs Solar Farm Pty Ltd changed its name to Darling Downs Solar Farm Pty Ltd on 26 April 2017. Darling Downs Solar Farm Pty Ltd was sold on 6 April 2017.

On 28 April 2017 Origin Energy Fairview Transmissions Pty Limited changed its name to Lattice Energy Services Pty Limited.

Origin Energy Walloons Transmissions Pty Limited, Origin Energy Wallumbilla Transmissions Pty Limited and Oil Company of Australia (Moura) Transmissions Pty Ltd were sold on 6 June 2017.
Lattice Energy Finance Limited was incorporated on 26 June 2017.

Origin Energy Pinjar Security Pty Ltd changed its name to Acumen Metering Pty Ltd effective from 27 June 2017.
Origin Energy Resources Limited changed its name to Lattice Energy Limited on 29 June 2017.

The following name changes occurred on 28 June 2017:
Origin Energy Developments Pty Limited changed its name to Lattice Energy Resources (Perth Basin) Pty Limited
Origin Energy Bonaparte Pty Limited changed its name to Lattice Energy Resources (Bonaparte) Pty Limited
Origin Energy Northwest Limited changed its name to Lattice Energy Resources (Bass Gas) Limited
Origin Energy Resources (Kupe) Limited changed its name to Lattice Energy Resources NZ (Kupe) Limited
Origin Energy Resources NZ Limited changed its name to Lattice Energy Resources NZ (Holdings) Limited
Origin Energy Resources NZ (TAWN) Limited changed its name to Lattice Energy Resources NZ (TAWN) Limited

2016

On 10 August 2015 Contact Energy Limited ceased to be controlled by the Group (refer note E4).
On 2 November 2015 the Group acquired 100 per cent of Horan & Bird Energy Pty Ltd.
On 18 February 2016 the Group registered Origin Energy LNG Portfolio Pty Ltd.
On 15 March 2016 the Group registered Origin Energy Darling Downs Solar Farm Pty Ltd.
Origin Energy Generacion Chile SpA changed its name to Nido Energy SpA on 23 February 2016.
Origin Energy (Block 31) Pte Limited, Origin Energy (Block 01) Pte Limited, Origin Energy (L15/50) Pte Limited, Origin Energy (L26/50) Pte Limited and Origin Energy (Savannahket) Pte Limited were struck off.

E4 Discontinued operations, assets held for sale and disposals

E4.1 Discontinued operations

On 6 December 2016 the Group announced its intention to divest the conventional upstream assets. The associated earnings, along with those from the Darling Downs Pipeline which was sold in the current period, have been classified as discontinued operations in the income statement and all related note disclosures for the current and comparative period. The earnings of Contact Energy, prior to the Group's sale of its investment on 10 August 2015, were classified as discontinued operations in the comparative period.

for the year ended 30 June **Results of discontinued operations**	2017 $million	2016 $million
Revenue	461	718
Net gain on sale of assets	234	21
Expenses	(154)	(647)
Impairment	(753)	(550)
Net financing costs	(12)	(21)
Loss before income tax	**(224)**	**(479)**
Income tax benefit	50	160
Loss after tax from discontinued operations	**(174)**	**(319)**
Attributable to:		
Members of the parent entity	(174)	(326)
Non-controlling interests	-	7
	(174)	**(319)**
Financing costs capitalised	8	26
Cash flows of discontinued operations		
Cash flows from operating activities	284	226
Cash flows used in investing activities	(178)	(389)
Cash flows used in financing activities [1]	-	(63)
Net decrease in cash and cash equivalents	**106**	**(226)**

(1) Cash flows used in financing activities in the Origin Group are managed by Origin Treasury on a consolidated basis and are not classified as cash flows from discontinued operations. Prior period cash flows used in financing activities relate to Contact Energy.

E4 Discontinued operations, assets held for sale and disposals (continued)

E4.2 Assets held for sale

The assets and liabilities relating to the divestment of the conventional upstream business, Acumen metering business and Jingemia assets have been classified as held for sale at 30 June 2017 (2016: Mortlake Pipeline, Cullerin Range Wind Farm, New Zealand on-shore assets, Waitsia, Senecio, Beharra, Energia Austral SpA, OTP Geothermal Pte Ltd and Javiera solar project).

Impairment losses of $753 million for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in 'results of discontinued operations'. The impairment losses have been applied to reduce the carrying amount of property, plant and equipment and exploration assets within the disposal group.

Assets and liabilities classified as held for sale	2017 $million	2016 $million
Cash and cash equivalents	34	-
Trade and other receivables	91	2
Inventories	58	2
Other financial assets	-	5
Other assets	8	-
Investments accounted for using the equity method	-	152
Property, plant and equipment	1,479	294
Exploration and evaluation assets	-	9
Intangible assets	3	6
Tax assets	320	1
Other assets	57	-
Assets classified as held for sale	**2,050**	**471**
Trade and other payables	198	9
Employee benefits	25	-
Provisions	497	37
Liabilities classified as held for sale	**720**	**46**

E4 Discontinued operations, assets held for sale and disposals (continued)

E4.3 Disposals

During the year, the Group completed the following divestments as listed below.

- Mortlake Pipeline;
- Cullerin Range Wind Farm;
- New Zealand on-shore assets;
- OTP Geothermal Pte Ltd;
- Javiera solar project;
- Darling Downs Solar Farm;
- Darling Downs Pipeline;
- Stockyard Hill Wind Farm; and
- Surat basin assets.

Reconciliation of gain on sale	**2017 $million**
Consideration received	887
Transaction related costs	(30)
Net assets disposed	(456)
Gain on sale before income tax expense	**401**

Carrying value of net assets disposed	
Trade and other receivables	1
Inventories	2
Property, plant and equipment	459
Intangible assets	6
Investments accounted for using the equity method	49
Deferred tax assets	3
Trade and other payables	(5)
Income tax liabilities	(1)
Provisions and employee benefits	(33)
Deferred tax liabilities	(25)
Net assets disposed	**456**

F Other information

This section includes other information to assist in understanding the financial performance and position of the Group, or items required to be disclosed to comply with accounting standards and other pronouncements.

F1 Contingent liabilities

Discussed below are items for which it is not probable that the Group will have to make future payments or the amount of the future payments cannot be reliably measured.

Guarantees

Bank guarantees and letters of credit have been provided mainly to Australian Energy Market Operator Limited to support the Group's obligations to purchase electricity from the National Electricity Market.

	2017 $million(1)	2016 $million(2)
Bank guarantees - unsecured	368	398
Letters of credit - unsecured	2	2

(1) Includes unsecured bank guarantees of $13 million related to discontinued operations.
(2) Includes unsecured bank guarantees of $3 million related to discontinued operations.

The Group's share of guarantees for certain contractual commitments of its joint ventures is shown at note F2. The Group has also given letters of comfort to its bankers in respect of financial arrangements provided by the banks to certain partly-owned controlled entities.

Joint arrangements

As a participant in certain joint arrangements, the Group is liable for its share of liabilities incurred by these arrangements. In some circumstances the Group may incur more than its proportionate share of such liabilities, but will have the right to recover the excess liability from the other joint arrangement participants.

Australia Pacific LNG has secured US$8.5 billion in funding through a project finance facility. As of 30 June 2017, Australia Pacific LNG has drawn down US$8.5 billion under the facility for capital expenditure, fees and interest. The Group guarantees its share of amounts drawn under the facility during the construction phase of the project (37.5 per cent share at 30 June 2017 being US$3.2 billion). On 31 October 2016 US$5.1 billion (37.5 per cent share being US$1.9 billion) of shareholder guarantees were released after the project's first production train successfully satisfied lender's completion tests. The remaining US$3.4 billion remains guaranteed at 30 June 2017 (37.5 per cent share being US$1.3 billion). Principal repayments of US$267 million were made during the year (30 June 2016: $nil).

In September 2016, APLNG made a loan to the Group of $US96 million and receipt of this $US96 million from APLNG is shown as a current payable to joint ventures in the statement of financial position. The loan was made by APLNG to the Group in accordance with the terms of the APLNG project financing facility, which allows APLNG to make a loan to a shareholder if the shareholder provides the project financiers with a letter of credit for the amount of the loan.

The Group continues to provide parent company guarantees in excess of its 37.5 per cent shareholding in Australia Pacific LNG in respect of certain historical domestic contracts.

Legal and regulatory

Certain entities within the Group (and joint venture entities, such as Australia Pacific LNG) are subject to various lawsuits and claims as well as audits and reviews by government or regulatory bodies. In most instances it is not possible to reasonably predict the outcome of these matters or their impact on the Group. Where outcomes can be reasonably predicted, provisions are recorded.

A number of sites owned/operated (or previously owned/operated) by the Group have been identified as contaminated. These properties are subject to ongoing environmental management programs. For sites where the requirements can be assessed and remediation costs can be estimated, such costs have been expensed or provided for.

Warranties and indemnities have also been given and/or received by entities in the Group in relation to environmental liabilities for certain properties divested and/or acquired.

F1 Contingent liabilities (continued)

Capital expenditure

As part of the acquisition of Browse Basin exploration permits, the Group agreed to pay cash consideration of US$75 million contingent upon a project Final Investment Decision (FID) and US$75 million contingent upon first production. The Group will pay further contingent consideration of up to US$50 million upon first production if 2P reserves, at the time of FID, reach certain thresholds. These obligations have not been provided for at the reporting date as they are dependent upon uncertain future events not wholly within the Group's control.

F2 Commitments

Detailed below are the Group's contractual commitments that are not recognised as liabilities as the relevant assets have not yet been received.

	2017 $million	2016 $million
Capital expenditure commitments	72	81
Joint venture commitments[1]	740	993
Operating lease commitments	398	296

[1] Includes $623 million (2016: $822 million) in relation to the Group's share of Australia Pacific LNG's capital, joint venture and operating lease commitments.

The Group leases property, plant and equipment under operating leases with terms of one to ten years. The future minimum lease payments under non-cancellable operating leases are shown below.

	2017 $million	2016 $million
Less than one year	58	67
Between one and five years	159	161
More than five years	181	68
	398	**296**

F3 Share-based payments

This section sets out details of the Group's share-based remuneration arrangements including details of the Company's Equity Incentive Plan and Employee Share Plan.

The table below shows share-based remuneration expense that was recognised during the year.

	Ref.	2017 $million	2016 $million
Origin Equity Incentive Plan	(a)	25	32
Origin Employee Share Plan	(b)	5	5
		30	**37**

Explanatory notes to share-based payments for the year ended 30 June

(a) Equity Incentive Plan

Eligible employees are granted share-based remuneration under the Origin Energy Limited Equity Incentive Plan. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate or to receive any guaranteed benefits. Equity incentives are offered in the form of Options and/or share rights.

(i) Short Term Incentive (STI)

STI includes the award of Deferred Share Rights (DSRs) which vest where the employee remains employed with satisfactory performance for a set period (generally between two and four years). DSRs do not carry voting or dividend entitlements. Once vested, a DSR entitles the holder to one fully paid ordinary share of the Company. As there is no exercise price for DSRs, they are exercised automatically upon vesting. The fair value of DSRs is recognised as an employee expense over the related service period. DSRs are forfeited if the service and performance conditions are not met. In exceptional circumstances[(1)] the DSRs, which represent a portion of 'earned' STI, will vest at cessation unless the Board determines otherwise. Fair value is measured at grant date as the market value of an Origin share less the discounted value of dividends foregone (two year vesting period: $5.25, three year vesting period: $5.10 and four year vesting period: $4.95).

(ii) Long Term Incentive (LTI)

LTI includes the award of Performance Share Rights (PSRs) and/or Options which do not carry dividend or voting entitlements and will only vest if certain performance standards are met. PSRs have a performance period of four years, and Options have a performance period of five years.

Half of each LTI award is subject to a market hurdle, namely Origin's Total Shareholder Return (TSR) relative to a Reference Group of ASX-listed companies identified in the Remuneration Report.

Half of each LTI award is subject to an internal hurdle, namely Return on Capital Employed (ROCE) as set out in the Remuneration Report.

The number of awards that may vest depends on performance against each hurdle, considered separately.

For awards subject to the relative TSR hurdle, no vesting occurs unless Origin's TSR over the performance period (4 years if the award is in PSRs, 5 years if the award is in Options) is ranked above the 50th percentile of the Reference Group. 50 per cent vesting occurs if the 50th percentile is exceeded. Full vesting occurs if Origin is ranked at or above the 75th percentile of the Reference Group, with pro-rata vesting between these two vesting points. The relative TSR hurdle may apply to either PSRs or Options. For KMP the relative TSR hurdle applies only to Options.

For awards subject to the ROCE hurdle, no vesting occurs unless Origin achieves two conditions, the first to meet the average of the four annual target ROCEs, and the second to achieve Origin's weighted average cost of capital in the third or fourth year. 50 per cent vesting occurs if those two conditions are met. Full vesting occurs if Origin exceeds the weighted average cost of capital by two percentage points in the third or fourth year. Pro rata vesting occurs between those two vesting points. The ROCE hurdle applies only to PSRs, including for key management personnel.

[(1)] The Equity Incentive Plan Rules set out the circumstances as death, disability, redundancy, genuine retirement, or other exceptional circumstances approved by the Board.

F3 Share-based payments (continued)

Explanatory notes to share-based payments for the year ended 30 June (continued)

Vested Options may be exercised up to a maximum of 10 years after grant date. The exercise price of Options is based on the weighted average price of the Company's shares over a period of 30 trading days referenced to 30 June, or in the case of awards to the Chief Executive Officer subject to shareholder approval, as announced in the relevant shareholder resolution. As there is no exercise price for PSRs, once vested they are exercised automatically. When exercised, either automatically or upon payment of the exercise price, a vested award is converted into one fully paid ordinary share that carries voting and dividend entitlements.

The fair value of the awards granted is recognised as an employee expense, with a corresponding increase in equity, over the vesting period. In exceptional circumstances[(1)] unvested PSRs or Options may be held 'on foot' subject to the specified performance hurdles and other plan conditions being met, or dealt with in an appropriate manner determined by the Board. For PSRs or Options subject to the relative TSR condition fair value is measured at grant date using a Monte Carlo simulation model that takes into account the exercise price, share price at grant date, price volatility, dividend yield, risk-free interest rate for the term of the security and the likelihood of meeting the TSR market condition. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest except where due to non-achievement of the TSR market condition. Set out below are the inputs used to determine the fair value of the PSRs and Options granted during the year. For PSRs subject to the ROCE condition, the initial fair value at grant date is the market value of an Origin share less the discounted value of dividends foregone, and the expensing value is trued-up at each reporting period to the expected outcome as assessed at that time.

		Options		PSRs
Grant date	30-Aug-16	19-Oct-16	30-Aug-16	19-Oct-16
Grant date share price	$5.25	$5.62	$5.25	$5.62
Exercise price	$5.67	$5.21	Nil	Nil
Volatility (per cent)	38%	39%	38%	39%
Dividend yield (per cent) [(2)]	1.8%	1.8%	1.5%	1.5%
Risk-free rate (per cent)	1.69%	2.05%	1.47%	1.78%
Grant date fair value (per award)	$1.37	$1.76	$2.79(TSR) $4.95(ROCE)	$5.32(ROCE)

[(1)] The Equity Incentive Plan Rules set out the circumstances as death, disability, redundancy, genuine retirement, or other exceptional circumstances approved by the Board.
[(2)] Dividend assumptions are the compound average per annum rate over the vesting period (4 years PSRs, and 5 years Options).

F3 Share-based payments (continued)

Explanatory notes to share-based payments for the year ended 30 June (continued)

Equity Incentive Plan awards outstanding

Set out below is a summary of awards outstanding at the beginning and end of the financial year.

	Options	Weighted average exercise price	PSRs	DSRs
Outstanding at 1 July 2016	18,022,234	$11.99	5,479,633	4,199,028
Granted	2,302,631	$5.58	1,725,214	3,497,212
Exercised	-	-	-	1,986,376
Forfeited	10,438,751	$12.13	3,718,490	275,207
Outstanding at 30 June 2017	**9,886,114**	**$10.35**	**3,486,357**	**5,434,657**
Exercisable at 30 June 2017	**-**	**-**	**-**	**-**
Outstanding at 1 July 2015	19,322,406	$13.30	8,725,038	1,518,469
Granted[(1)]	3,709,418	$6.92	1,831,456	3,999,436
Exercised	-	-	-	1,147,690
Forfeited	5,009,590	$13.27	5,076,861	171,187
Outstanding at 30 June 2016	**18,022,234**	**$11.99**	**5,479,633**	**4,199,028**
Exercisable at 30 June 2016	**-**	**-**	**-**	**-**

The weighted average share price during 2017 was $6.39 (2016: $5.67). The options outstanding at 30 June 2017 have an exercise price in the range of $5.21 to $15.65 and a weighted average contractual life of 6.3 years (2016: 4.3 years).

(1) The number of DSRs issued in 2014 was adjusted for the October 2015 rights issue for all participants except Executive Directors to eliminate any material advantage or disadvantage to participants.

For more information on these share plans and performance rights issued to KMPs, refer to the Remuneration Report.

F3 Share-based payments (continued)

Explanatory notes to share-based payments for the year ended 30 June (continued)

(b) Employee Share Plan (ESP)

Under the ESP all full-time and permanent part-time employees of the Company who are based in Australia or New Zealand with at least one year of continuous service at 30 June of the performance year are granted up to AUD $1,000 of fully paid Origin shares conditional upon the Company meeting certain safety targets. The shares are granted for no consideration. Shares awarded under the ESP are purchased on-market, registered in the name of the employee, and are restricted for three years, or until cessation of employment, whichever occurs first. New Zealand employees may elect to have shares held in trust for three years.

Details of the shares awarded under the ESP during the year are set out below.

	Grant date	Shares granted	Cost per share[(1)]	Total cost $'000
2017				
	26-Aug-16	870,302	$5.51	4,795
		870,302		**4,795**
2016				
	25-Sep-15	708,647	$7.18	5,088
		708,647		**5,088**

(1) The cost per share represents the weighted average market price of the Company's shares on the grant date.

F4 Related party disclosures

The Group's interests in equity accounted entities and details of transactions with these entities are set out in note E1.

Certain directors of Origin Energy Limited are also directors of other companies that 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.

F5 Key management personnel

	2017 $	2016 $
Short-term employee benefits	9,383,880	9,858,958
Post-employment benefits	240,273	243,057
Other long-term benefits	373,647	287,802
Termination benefits	2,919,096	-
Share-based payments	2,371,204	3,858,411
	15,288,100	14,248,228

Loans and other transactions with key management personnel

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

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

- the receipt of dividends from Origin Energy Limited or participation in the Dividend Reinvestment Plan;
- participation in the Employee Share Plan, Equity Incentive Plan and Non-Executive Director Share Plan;
- participation in the October 2015 rights issue as a shareholder;
- terms and conditions of employment or directorship appointment;
- reimbursement of expenses incurred in the normal course of employment;
- purchases of goods and services; and
- receipt of interest on Retail Notes.

F6 Notes to the statement of cash flows

Cash includes cash on hand, at bank and short-term deposits, net of outstanding bank overdrafts.

		2017 $million	2016 $million[2]
The following table reconciles profit to net cash provided by operating activities.			
Loss for the period		**(2,223)**	**(615)**
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation and amortisation		481	623
Executive share-based payment expense		25	32
Impairment losses recognised - trade and other receivables		75	67
Exploration expense		62	63
Impairment of assets		1,692	691
(Increase)/decrease in fair value of financial instruments		(207)	290
Net financing costs		341	347
Increase in tax balances		(23)	(92)
Gain on sale of assets		(401)	(39)
Non-cash share of net profits of equity accounted investees		1,912	228
Unrealised foreign exchange loss		76	40
Oil forward sale		(141)	(139)
Oil option premium		53	(117)
Changes in assets and liabilities, net of effects from acquisitions/disposals:			
• Receivables		(487)	8
• Inventories		52	(11)
• Payables		58	96
• Provisions		(24)	(39)
• Other		(32)	(29)
Total adjustments[1]		**3,512**	**2,019**
Net cash from operating activities		**1,289**	**1,404**

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	C6	-	42

(1) Adjustments include amounts that are classified as discontinued operations and held for sale at 30 June 2017 and 30 June 2016. Refer to note E4 for details of cash flows relating to discontinued operations.

(2) Certain amounts have been restated to reflect adjustments relating to note F12.

F7 Auditors' remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2017 $'000	2016 $'000
Audit and review services of the financial reports by:		
Auditors of the Group (KPMG) [1]	3,042	2,431
Other auditors	82	76
	3,124	**2,507**
Other services by:		
Auditors of the Group (KPMG)		
Accounting advice	45	20
Taxation services	65	17
Legal services	211	-
Assurance services:		
- equity and debt transactions [2]	632	159
- contract compliance	-	140
- other	18	45
	971	**381**
	4,095	**2,888**

(1) Included in this amount is $534,000 relating to the audit and review of financial reports for Lattice Energy in 2017.

(2) Includes IPO transaction services and US 144A advisory services for Lattice Energy in 2017 (2016: equity raising fees).

F8 Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a net amount payable by one party to the other.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, where the Group has a legally enforceable right to offset recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting, but still allow for the related amounts to be offset in certain circumstances, such as a loan default or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to master netting arrangements but not offset, as at reporting date. The column 'net amount' shows the impact on the Group's statement of financial position if all set-off rights were exercised.

	Gross amount $million	Amount offset in the statement of financial position $million	Amount in the statement of financial position $million	Related amount not offset $million	Net amount $million
30 June 2017					
Derivative financial assets	1,708	(412)	1,296	(414)	882
Derivative financial liabilities	(2,021)	412	(1,609)	414	(1,195)
30 June 2016 [1]					
Derivative financial assets	1,674	(372)	1,302	(437)	865
Derivative financial liabilities	(2,027)	372	(1,655)	437	(1,218)

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

F9 Deed of Cross Guarantee

The parent entity has entered into a Deed of Cross Guarantee through which the Group guarantees the debts of certain controlled entities. The controlled entities that are party to the Deed, are shown in note E3.

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 after eliminating all transactions between parties to the Deed.

for the year ended 30 June	2017 $million	2016 $million[1]
Consolidated statement of comprehensive income and retained profits		
Revenue	13,646	11,526
Other income	393	105
Expenses	(12,509)	(11,698)
Share of results of equity accounted investees	(1,912)	(225)
Impairment	(753)	-
Interest income	224	222
Interest expense	(590)	(629)
Loss before income tax	**(1,501)**	**(699)**
Income tax (expense)/benefit	(102)	180
Loss for the period	**(1,603)**	**(519)**
Other comprehensive income	1	-
Total comprehensive income for the period	**(1,602)**	**(519)**
Retained earnings at the beginning of the period	**5,834**	**6,748**
Adjustments for entities entering the Deed of Cross Guarantee	-	57
Retained earnings at the beginning of the period	**5,834**	**6,805**
Dividends paid	-	(452)
Retained earnings at the end of the period	**4,232**	**5,834**

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

F9 Deed of cross guarantee (continued)

as at 30 June	2017 $million	2016 $million[1]
Statement of financial position		
Current assets		
Cash and cash equivalents	44	49
Trade and other receivables	3,321	4,403
Inventories	123	231
Derivatives	240	237
Other financial assets	86	312
Income tax receivable	-	56
Assets classified as held for sale	2,050	220
Other assets	99	135
Total current assets	5,963	5,643
Non-current assets		
Trade and other receivables	1,831	845
Derivatives	1,055	1,065
Other financial assets	4,614	6,041
Investments accounted for using the equity method	5,451	5,933
Property, plant and equipment	2,934	4,700
Exploration and evaluation assets	63	310
Development assets	-	292
Intangible assets	5,131	5,172
Deferred tax assets	187	457
Other assets	34	27
Total non-current assets	21,300	24,842
Total assets	**27,263**	**30,485**
Current liabilities		
Trade and other payables	2,544	2,938
Payables to joint ventures	130	-
Interest-bearing liabilities	127	102
Derivatives	300	18
Other financial liabilities	387	375
Provision for income tax	51	-
Employee benefits	179	209
Provisions	33	49
Liabilities classified as held for sale	720	19
Total current liabilities	4,471	3,710
Non-current liabilities		
Trade and other payables	8,625	8,703
Interest-bearing liabilities	1,016	2,055
Derivatives	1,309	1,637
Employee benefits	34	35
Provisions	64	577
Total non-current liabilities	11,048	13,007
Total liabilities	**15,519**	**16,717**
Net assets	**11,744**	**13,768**
Equity		
Share capital	7,150	7,150
Reserves	362	784
Retained earnings	4,232	5,834
Total equity	**11,744**	**13,768**

(1) Certain amounts have been restated to reflect adjustments relating to note F12.

F10 Parent entity disclosures

The following table sets out the results and financial position of the parent entity, Origin Energy Limited.

Origin Energy Limited	**2017 $million**	**2016 $million**
Loss for the period	(17)	(30)
Other comprehensive income, net of income tax	1	3
Total comprehensive income for the period	**(16)**	**(27)**
Financial position of the parent entity at period end		
Current assets	1,517	1,418
Non-current assets	17,813	17,949
Total assets	**19,330**	**19,367**
Current liabilities	2,344	994
Non-current liabilities	9,173	10,568
Total liabilities	**11,517**	**11,562**
Share capital	7,150	7,150
Share-based payments reserve	221	197
Hedging reserve	(25)	(26)
Retained earnings	467	484
Total equity	**7,813**	**7,805**
Contingent liabilities of the parent entity		
Bank guarantees - unsecured	1	11

The parent entity has entered into a deed of indemnity for the cross-guarantee of liabilities of a number of controlled entities. Refer to note E3.

The parent entity has also provided guarantees for certain contractual commitments of its joint ventures associated with capital projects.

F11 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2017 and have not been applied in preparing these financial statements. The Group has reviewed these standards and interpretations, and, with the exception of AASB 9 *Financial Instruments*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*, determined that none of these standards and interpretations materially impact the Group.

The Group has commenced a project to implement the changes resulting from AASB 9, AASB 15 and AASB 16. The first phase of this project, a qualitative impact assessment, was completed in the period. The Group's initial assessment of impacts arising from each standard is disclosed below. These are not necessarily exhaustive and will evolve as work progresses.

AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The standard will become effective for the Group for the reporting period beginning 1 July 2018. Retrospective application is required with some exceptions. The Group does not intend to early adopt the standard.

F11 New standards and interpretations not yet adopted (continued)

Whilst further work is required to quantify any changes, the Group currently expects the following impacts upon initial adoption of AASB 9:

- Classification of available-for-sale financial assets - The Group has available-for-sale financial assets which are likely to be reclassified to either amortised cost or to fair value. The Group does not hold any financial liabilities at fair value through profit and loss and as such there is no impact of the new standard on financial liabilities.

- Hedge relationships - The standard introduces a new hedge accounting model which more closely aligns hedge accounting with risk management objectives. As a general rule more hedge relationships are eligible for hedge accounting and the Group is actively reviewing options to expand its hedging relationships. Existing hedge relationships should continue to qualify as effective hedge relationships upon adoption of the new standard.

- Bad debt provisioning - The standard introduces a new impairment model for financial assets. Bad debt provisioning will need to move from the existing incurred model (based on the historical experience of bad debts) to an expected loss model (based on expected level of bad debts with reference to current and forecast credit conditions). The model will need to be applied to the Group's trade receivables and unbilled revenue and, for some categories of debt, may result in the earlier recognition of bad debt provisions. Currently, allowances for doubtful receivables are recognised by assessing each receivable balance for collectability based on analysis of various historical factors.

AASB 7 *Financial Instruments: Disclosures* has been amended to reflect the requirements of AASB 9 and also introduces a number of new disclosure requirements. The Group is currently assessing the extent of these new disclosure requirements but expects that there will be an impact on future statutory reporting.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations. Retrospective application is required, however the Group will have the option to either restate comparative period balances or record a cumulative adjustment at the beginning of the period in which the standard is first adopted. The Group will adopt the new standard when it becomes effective in the financial year beginning 1 July 2018.

AASB 15 applies to the recognition of revenue for the Group's contracts with customers. Where a bundle of goods and/or services is sold under one contract the standard requires consideration for each component of the sale be recognised as revenue when an entity transfers control of each individual promised good or service to its customer. The Group's work to date has focused on identifying the areas of the business that have the highest potential impact.

Significant work is required to understand the financial statement impact and any changes to systems, processes and policies in order to implement the new standard due to the following factors:

- The new requirements are far more comprehensive than existing revenue standards;
- AASB 15 requires the identification and assessment of individual rights and obligations in each customer contract;
- The highly contracted nature of revenues earned by the Group; and
- The pervasiveness and importance of revenue recognition.

To date, the Group has identified certain areas of the business where work effort will be prioritised to understand and assess individual components of each contract and the potential differences between current revenue recognition and the requirements of AASB 15. Initially, this will focus on electricity retailing to Mass Market customers and the estimates and judgements involved in the unbilled revenue recognition process; long-term gas sales arrangements and the associated complexities with take-or-pay terms and specific quantitative and qualitative disclosures required under AASB 15.

The Group is currently in the process of determining the potential impact of adopting AASB 15 and management cannot at this stage reasonably quantify the estimated impact in the period of initial application.

F11 New standards and interpretations not yet adopted (continued)

AASB 16 *Leases*

AASB 16 replaces AASB 117 *Leases* and related Interpretations. It is effective for the Group for the reporting period beginning 1 July 2019. The new standard must be implemented retrospectively, either by restating comparatives or by recognising the cumulative impact at the date of initial application. The Group is currently assessing the most appropriate transition option, however adoption of AASB 16 will have an impact on the Group's balance sheet and retained earnings.

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under the current standard. The standard further introduces a new definition of a lease, which focuses on the right to control the use of an identified asset.

At commencement of a lease arrangement, a lessee will recognise a liability to make lease payments ("the lease liability") and an asset representing the right to use the underlying asset during the lease term ("the right-of-use asset"). Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the right-of-use asset. For lease arrangements which would have been treated as operating leases under the current accounting standard there would be a corresponding reduction in "other operating expenses" where operating lease expenses are currently recognised.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (leases with a duration of 12 months or less) however the total value of leases which have not been recognised is required to be disclosed in the financial statements.

At 30 June 2017, the Group has $398 million of non-cancellable operating lease commitments. Related information is disclosed in note F2 of the financial statements. Upon implementation of the new standard all lease arrangements will be recognised on the balance sheet. The Group has identified certain areas of the business where further work is required to understand and assess arrangements that may contain a lease under the new definition which are not leases under the current definition and therefore are not included in the non-cancellable operating lease commitment disclosures. In addition, the Group will be required to assess option or renewal periods identified in lease agreements. Where such options are reasonably certain of exercise, further lease payments will be included in the calculation of the lease liability and right-of-use asset, in addition to those currently disclosed in operating lease commitments.

The Group cannot reasonably estimate the impact in the period of initial application at this stage and will continue to work through the implications of the new standard across the business. To date, work has focused on identifying the provisions of the standard that will most impact the Group. In the remainder of 2017, work on these issues and their resolution will continue. This will include a detailed review of contracts, consideration of financial reporting impacts and an assessment of required changes to systems.

F12 Power Purchase Arrangements adjustment

Power Purchase Arrangements (PPAs) are entered into with third parties (power generator entities) by the Group in order to ensure it can continue to purchase electricity at predetermined prices and to meet its commitments under the Renewable Energy Target Scheme. The Group has historically concluded that all PPAs were supply contracts for the delivery of electricity and Renewable Energy Certificates (RECs) as the contracts required physical delivery of the products and the view that the Australian Electricity Market Operator (AEMO) was a market clearing house that is used to settle such arrangements. As the Group has a short generation position (i.e. it needs to purchase energy from the market to meet electricity demand of its customers) the accounting outcome reflected the economic rationale for entering into the arrangements.

Whilst the accounting standards that outline the measurement and presentation requirements to be applied to PPAs have not changed, there has been a review of the accounting treatment for these contracts since the half year ended 31 December 2016. As a number of the PPAs require net settlement due to the structure of the electricity market, it has been concluded that the net payment made to or received from the third party should be accounted for as a derivative financial instrument. As a result, the Group has determined the fair value of these arrangements and recognised a derivative asset or liability at each reporting date. This change in accounting treatment has been reflected in both the current and comparative periods.

The Group has restated each of the affected financial statement line items for the prior year, as detailed below.

Impact on equity (increase/ (decrease))

30 June 2016	Previously reported $million	Adjustment $million	Restated $million
Derivative assets - current	253	(16)	237
Derivative assets - non-current	1,134	(69)	1,065
Deferred tax assets	-	92	92
Total assets	**28,898**	**7**	**28,905**
Derivative liabilities - non-current	1,050	587	1,637
Deferred tax liabilities	110	(110)	-
Total liabilities	**14,368**	**477**	**14,845**
Net impact on equity	**14,530**	**(470)**	**14,060**

1 July 2015	$million	$million	$million
Derivative assets - non-current	859	2	861
Deferred tax assets	-	38	38
Total assets	**33,367**	**40**	**33,407**
Derivative liabilities - non-current	1,309	618	1,927
Deferred tax liabilities	147	(147)	-
Total liabilities	**19,208**	**471**	**19,679**
Retained earnings	7,548	(431)	7,117
Net impact on equity	**14,159**	**(431)**	**13,728**

Impact on income statement (increase/(decrease))

30 June 2016	$million	$million	$million [(1)]
Expenses	(12,127)	(56)	(12,183)
Net impact on profit for the year	**(576)**	**(39)**	**(615)**

[(1)] Excludes impact of discontinued operations re-presentation

Impact on basic and diluted earnings per share (EPS) (increase/(decrease) in EPS)

Earnings per share	
Basic earnings per share	(2.5)
Diluted earnings per share	(2.5)

The change did not have an impact on OCI for the period or the Group's operating, investing and financing cash flows.

F13 Subsequent events

No item, transaction or event of a material nature has arisen since 30 June 2017 that would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Directors' Declaration

1. In the opinion of the Directors of Origin Energy Limited (the Company):

a) the consolidated financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:

   i. giving a true and fair view of the financial position of the Group as at 30 June 2017 and of its performance, for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (Cth).

b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in the Overview of 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 E3 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 Corporations (Wholly-owned Companies) Instrument 2016/785.

3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors:

Gordon M Cairns, Chairman
Director

Sydney, 16 August 2017

Independent Auditor's Report

To the shareholders of Origin Energy Limited,

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Origin Energy Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017;
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Carrying value of the Conventional Upstream disposal group (Lattice Energy disposal group) and the Australian Pacific LNG (APLNG) equity accounted investment
- Accounting for derivative financial assets and liabilities
- Unbilled revenue, and
- Unbilled network expenses

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of the Lattice Energy disposal group contained within Assets held for sale (A$1,330m as at 30 June 2017) and A$5,463m related to the Australia Pacific LNG (APLNG) equity accounted investment	
Refer to Note B3 and E4 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The recoverability of the carrying values of Lattice Energy disposal group and the APLNG equity accounted investment is considered a key audit matter. This is due to the: • Group's exposure to commodity price fluctuations, a fundamental input to these asset values; • Announcement of the divestment of the Conventional Upstream business adding complexity to the audit given the judgement required in measuring the Fair Value Less Cost of Disposal (FVLCOD); • Inherent complexity in estimating forecast future cash flows, used in the models to value these assets; and • Historical carrying value adjustments. Key matters we consider for the both the Lattice Energy disposal group and APLNG Fair Value Less Cost of Disposal (FVLCOD) model include: • Indicative bids for the Lattice Energy disposal group. We considered the bids when assessing the value of the assets held for sale; • Economic assumptions such as commodity prices and foreign exchange rates due to the long term nature of these assets; • Cash generating units (CGU) specific factors, which are inherently complex to estimate including discount rates, forecast expenditure, and rehabilitation and abandonment costs; and • Available reserves and future production profiles. Reserve estimates are dependent on the production results and additional geological information obtained in the course of operations, as well as the judgment of the Group's internal specialists responsible for the determination of reserves.	In relation to asset carrying values based on FVLCOD models our audit procedures included: • Assessing the accuracy of previous cash flow forecasts to challenge current period forecasts in areas where previous forecasts were not achieved. • Comparing the forecast cash flows included in the models to Board approved forecasts and estimates of future production profiles as published in the Group's 2017 annual reserves report. • Using our valuation specialists and comparing: ○ Oil and gas price assumptions to a combination of observable external market forecasts, pricing of recent long-term supply contracts and internal supply/demand analysis; ○ Future foreign exchange rate assumptions to traded foreign exchange forward rates from Bloomberg; and ○ The inputs to the CGUs' discount rates, including the risk free rate, equity beta, and market risk premium, to observable market and comparator group data. • Comparing assumptions used by APLNG in the APLNG FVLCOD model to value their assets to assumptions used by the Group, including the impact of these on the APLNG valuation and conclusions reached. • Evaluating the competence, capability and objectivity of the Group's internal specialists responsible for the determination of reserve and production profiles. • Comparing rehabilitation and abandonment cost forecasts to the amounts included in the rehabilitation and abandonment provision models for consistency. In relation to the Lattice Energy disposal group our audit procedures included: • Considering the range and terms of indicative bids offered by interested market participants for the Lattice Energy disposal group and comparing them to the carrying value of the Lattice Energy disposal group net assets. • Consideration of correspondence the Group received from potential acquirers regarding the bids being offered and their composition, for consistency with the fair value judgements made by the Group. • Review of internal valuation models and considered external investment bank valuation reports.

Accounting for derivative financial assets and liabilities (A$1,296m and A$1,609m respectively) as at 30 June 2017

Refer to Note C2 – C5 to the Financial Report

The key audit matter

Accounting for derivative financial assets and liabilities is considered a key audit matter due to being inherently complex. The factors contributing to that complexity, included:

- the judgment required in the Group's estimation of the fair value of certain financial instruments within the Group's portfolio, particularly those Level 3 instruments, which are valued via internal models applying an industry accepted methodology and using key inputs that are not based on observable market data;
- the Group's application of hedge accounting to certain exposures in their portfolio in the initial year of designation as well as its monitoring of hedge effectiveness for compliance with the specific requirements of AASB139 Financial Instruments: recognition and measurement;
- the detailed spreadsheets used by the Group underlying the disclosures required by AASB7 Financial Instrument Disclosures, which are inherently more prone to error than system-generated calculations; and
- the Group's reliance on the operating effectiveness of a third party software system, REVAL, to value certain derivative financial instruments and apply hedge accounting.

How the matter was addressed in our audit

Our audit procedures included:

- Using our valuation specialists and evaluating the methodology of the internal valuation models applied to Level 3 financial instruments against market practices;
- Using our valuations specialists, we tested the internally derived inputs, such as long date forward curves and forecast volumes, in the level 3 valuations. We compared the unobservable inputs to our knowledge and understanding of the industry;
- Using our valuation specialists and independently re-performing a sample of Level 1 and 2 Group-prepared financial instrument valuations and hedge accounting results and comparing them to the Group's results;
- Obtaining and evaluating management's hedge documentation of new and changes to existing significant hedge relationships for compliance with AASB 139 Financial Instruments: recognition and measurement;
- Obtaining and evaluating the findings from the independent assurance report addressing the effectiveness of controls operating at the REVAL service organisation, for the implications to the Group's valuations. We tested key Group monitoring controls for the REVAL system and related valuation outputs, including user access testing and authorisation of program changes;
- Testing, on a sample basis, management authorisation controls and segregation of duties over the entry and settlement of financial instrument trades within the software systems: REVAL, Allegro, CETs and GETs;
- Checking, on a sample basis, the key terms for the entry of trades to underlying third party transaction documents. This includes: counterparty information, trade dates, rates, maturity dates and notional amount; and
- Testing the integrity and mathematical accuracy of Group-prepared disclosure spreadsheets, checking disclosures to our audit work, and assessing the financial instrument disclosures in Notes C2 – C5 against the requirements of the accounting standard.

Unbilled revenue (A$1,193m, net of allowance for impairment as at 30 June 2017)	
Refer to Note A2 and B1 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The estimation of unbilled revenue is considered a key audit matter due to the estimation uncertainty involved in determining the volume of energy supplied since a customer's last bill and the application of complex pricing structures. Key factors impacting this estimate include: • The different customer rates and product/plan offerings across the various regulated and unregulated markets for both electricity and gas, which require stratification and disaggregation of our audit testing; • The complex nature of estimating customer demand over a large number of customers. Customer demand can be influenced by a number of factors including weather and their individual circumstances. Due to large customer numbers, a small error in estimating demand at a customer level could have a large cumulative effect on estimates of total unbilled revenue; and • Physical energy loss between purchasing energy and delivering the energy to the end customer, given its estimation difficulty.	Our audit procedures included: • Assessing the historical accuracy of the Group's estimates against subsequent billings to evaluate the accuracy of the Group's process and outcomes for estimating customer volumes of energy supplied, physical energy lost and rates applicable in determining the unbilled revenue estimate; • Reconciling purchase volumes to revenue volumes recognised; • Challenging the current period estimate by comparing: ○ year end unbilled revenue amounts, by state and fuel type, against historical billings, and purchased volumes delivered to customers; ○ average rates used in the accrual calculation to historical rates, current rates and retail offerings; and ○ internally generated estimates of physical energy loss levels through the distribution process to the industry averages published by the Australian Electricity Market Operations (AEMO) and investigating any unusual trends or variances; and • Testing the volume of wholesale energy purchased by the Group to AEMO invoices on a sample basis.

Unbilled network expenses contained within Trade Payables (A$1,902m as at 30 June 2017)	
Refer to Note A2 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The estimation of unbilled network expenses is considered a key audit matter due to the estimation uncertainty involved in estimating the volume of energy purchased to satisfy the Group's customer demand since the last bill. Key factors impacting this estimate include: • Levels of customer demand and physical energy loss, all of which were outlined above in the Unbilled revenue key audit matter; and • The amount of energy volume that was supplied to customers between the last invoice date from the respective distribution company and balance date.	Our audit procedures included: • Assessing the historical accuracy of the Group's estimates against subsequent payments to distributors to evaluate the accuracy of the Group's process and outcomes for estimating customer volumes of energy supplied in determining the unbilled network expenses estimate; • Challenging the current period estimate by: o Comparing year end unbilled network expense accrual amounts, by state and fuel type, against historical distributor invoices and purchase volumes delivered to customers, o Checking for consistency the correlation of volume estimates for unbilled network expenses to the estimates for unbilled revenue, o Comparing internally generated estimates of physical energy loss levels through the distribution process to the AEMO published levels and investigating any unusual trends or variances; and • Challenging the current period network cost by developing an expectation of distribution costs and investigating any variance that is outside our expectation.

Other Information

Other Information is financial and non-financial information in the Company's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Origin Energy Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

D McLennan

Duncan McLennan
Partner

Sydney
16 August 2017