Origin Energy Limited and Controlled Entities

Appendix 4E
Results for announcement to the market
30 June 2018

				2018	2017
Total Group Revenue ($million)	up	6%	to	**14,883**	**14,107**
Revenue ($million) - continuing operations	up	7%	to	14,604	13,646
Revenue ($million) - discontinued operations	down	39%	to	279	461
Net profit/(loss) for the period attributable to members of the parent entity ($million)	up	nm*	to	**218**	**(2,226)**
From continuing operations ($million)	up	nm*	to	280	(2,052)
From discontinued operations ($million)	down	64%	to	(62)	(174)
Net tangible asset backing per ordinary security	up	6%	to	$3.68	$3.46

Dividends

	Amount per security	Franked amount per security at 30 per cent tax
Final dividend determined subsequent to 30 June 2018	nil	nil
Previous corresponding period (30 June 2017)	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 2018.
Refer to the attached Directors' Report, Remuneration Report and Operating and Financial Review for commentary.

* not meaningful

Origin Energy Limited
and its Controlled Entities
Financial Statements
30 June 2018

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	2018 $million	2017 $million
Continuing operations			
Revenue	A2	14,604	13,646
Other income	A2	253	187
Expenses	A3	(14,589)	(13,667)
Results of equity accounted investees	E1	205	(1,912)
Interest income	A2	229	224
Interest expense	A3	(500)	(553)
Profit/(loss) before income tax		**202**	**(2,075)**
Income tax benefit	D1	81	26
Profit/(loss) for the period from continuing operations		**283**	**(2,049)**
Discontinued operations			
Loss from discontinued operations	E4	(62)	(174)
Profit/(loss) for the period		**221**	**(2,223)**
Profit/(loss) for the period attributable to:			
Members of the parent entity		218	(2,226)
Non-controlling interests		3	3
Profit/(loss) for the period		**221**	**(2,223)**
Earnings per share			
Basic earnings per share	A4	12.4 cents	(126.9) cents
Diluted earnings per share	A4	12.3 cents	(126.9) cents
Profit/(loss) for the period from continuing operations attributable to:			
Members of the parent entity		280	(2,052)
Non-controlling interests		3	3
Profit/(loss) for the period		**283**	**(2,049)**
Earnings per share from continuing operations			
Basic earnings per share	A4	15.9 cents	(117.0) cents
Diluted earnings per share	A4	15.9 cents	(117.0) cents

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

		2018 $million	2017 $million
Profit/(loss) for the period		**221**	**(2,223)**
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		278	(200)
Available-for-sale financial assets			
Valuation loss taken to equity		(6)	(41)
Cash flow hedges			
Changes in fair value of cash flow hedges	C2	(106)	(202)
Total items that may be reclassified to the income statement		166	(443)
Total other comprehensive income for the period, net of tax	C7	**166**	**(442)**
Total comprehensive income for the period		**387**	**(2,665)**
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		383	(2,669)
Non-controlling interests		4	3
		387	(2,666)
Total comprehensive income for the period		**387**	**(2,665)**
Total comprehensive income for the period attributable to members of the parent entity arising from:			
Continuing operations		462	(2,332)
Discontinued operations		(79)	(336)

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	2018 $million	2017 $million
Current assets			
Cash and cash equivalents		150	117
Trade and other receivables	B1	2,537	2,278
Inventories		196	138
Derivatives	C2	522	241
Other financial assets	B6	208	86
Assets classified as held for sale	E4	-	2,050
Other assets		153	101
Total current assets		**3,766**	**5,011**
Non-current assets			
Trade and other receivables	B1	4	4
Derivatives	C2	1,117	1,055
Other financial assets	B6	3,683	3,700
Investments accounted for using the equity method	E1	5,988	5,463
Property, plant and equipment (PP&E)	B3	3,696	3,714
Exploration, evaluation and development assets	B2	363	858
Intangible assets	B4	5,328	5,325
Deferred tax assets	D2	277	35
Other assets		35	34
Total non-current assets		**20,491**	**20,188**
Total assets		**24,257**	**25,199**
Current liabilities			
Trade and other payables		2,011	1,892
Payables to joint ventures		221	130
Interest-bearing liabilities	C1	1,089	133
Derivatives	C2	424	300
Other financial liabilities	B6	361	387
Provision for income tax		115	52
Employee benefits		175	184
Provisions	B5	53	56
Liabilities classified as held for sale	E4	-	720
Total current liabilities		**4,449**	**3,854**
Non-current liabilities			
Trade and other payables		5	10
Interest-bearing liabilities	C1	6,350	8,382
Derivatives	C2	1,234	1,309
Employee benefits		30	35
Provisions	B5	361	191
Total non-current liabilities		**7,980**	**9,927**
Total liabilities		**12,429**	**13,781**
Net assets		**11,828**	**11,418**
Equity			
Share capital	C6	7,150	7,150
Reserves		629	439
Retained earnings		4,025	3,807
Total parent entity interest		**11,804**	**11,396**
Non-controlling interests		24	22
Total equity		**11,828**	**11,418**

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	Hedge reserve	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2017	**7,150**	**222**	**114**	**119**	**(16)**	**3,807**	**22**	**11,418**
Other comprehensive income (refer to note C7)	-	-	277	(106)	(6)	-	1	166
Profit	-	-	-	-	-	218	3	221
Total comprehensive income for the period	**-**	**-**	**277**	**(106)**	**(6)**	**218**	**4**	**387**
Dividends paid	-	-	-	-	-	-	(2)	(2)
Share-based payments	-	25	-	-	-	-	-	25
Total transactions with owners recorded directly in equity	**-**	**25**	**-**	**-**	**-**	**-**	**(2)**	**23**
Balance as at 30 June 2018	**7,150**	**247**	**391**	**13**	**(22)**	**4,025**	**24**	**11,828**
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	-	-	-	-	-	-	(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**

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	2018 $million	2017 $million
Cash flows from operating activities			
Cash receipts from customers		16,171	15,263
Cash paid to suppliers		(14,840)	(14,027)
Cash generated from operations		1,331	1,236
Income taxes paid, net of refunds received		(38)	53
Net cash from operating activities	F6	**1,293**	**1,289**
Cash flows from investing activities			
Acquisition of PP&E		(314)	(354)
Acquisition of exploration and development assets		(11)	(65)
Acquisition of other assets		(87)	(82)
Acquisition of other investments		(10)	-
Interest received from other parties		2	1
Net proceeds from sale of non-current assets		1	887
Net proceeds from sale of investment in Acumen Energy (refer note E4)		267	-
Net proceeds from sale of investment in Lattice Energy (refer note E4)		1,217	-
Australia Pacific LNG investing cash flows			
- Investment in equity accounted investees		(74)	(389)
- Interest received from equity accounted investees		227	218
- Proceeds from buy-back of Australia Pacific LNG MRCPS (refer note B6)		134	-
- Investment in equity accounted investees (funding of APLNG debt service reserve account)		-	(127)
Net cash from investing activities		**1,352**	**89**
Cash flows from financing activities			
Proceeds from borrowings[(1)]		925	2,980
Repayment of borrowings[(1)]		(2,907)	(3,936)
Interest paid		(474)	(540)
Early settlement of forward oil sale		(265)	-
Loan from equity accounted investees [(2)]		76	127
Dividends paid to non-controlling interests		(2)	(2)
Net cash used in financing activities		**(2,647)**	**(1,371)**
Net (decrease)/increase in cash and cash equivalents		**(2)**	**7**
Cash and cash equivalents at the beginning of the period		**151**	**146**
Effect of exchange rate changes on cash		1	(2)
Cash and cash equivalents at the end of the period [(3)]		**150**	**151**

(1) Comparative amounts have been restated to reflect the net impact of amounts drawn down and repaid within a short period of time to better reflect the nature of the underlying cash flows.

(2) $76 million (2017: $127 million) represents cash generated by Australia Pacific LNG as part of its normal business operations deposited to a project finance debt service reserve account. Upon issuance of a bank guarantee to Australia Pacific LNG by Origin the cash was distributed to Origin by way of a loan.

(3) Cash and cash equivalents at the end of the prior period of $151 million includes $34 million of cash and cash equivalents which were 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 32, Tower 1, 100 Barangaroo Avenue, Barangaroo 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 2018 were authorised for issue in accordance with a resolution of the directors on 16 August 2018.
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;
- have been prepared on a going concern basis. At 30 June 2018, the consolidated statement of financial position shows a net current liability position of $683 million. The deficit is primarily caused by the classification of US144A US$800 million debt as a current liability, with this due to mature in October 2018. Notwithstanding the net current liability position, the Group has reasonable grounds to believe it will be able to pay its debts as and when they become due based on the continued strong cash flows of the Group's existing operations, along with the strong financial profile of the Group which includes significant committed undrawn facilities;
- 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;
- present a change in accounting policy adopted by its parent entity for the financial year ending 30 June 2018. AASB 2014-9 *Equity Method in Separate Financial Statements* amended AASB127 *Separate Financial Statements* to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements for annual reporting periods beginning on or after 1 January 2016. Refer to the parent entity disclosures in note F10;
- 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 2017. *AASB 2016-2 Amendments to Australian Accounting Standards – Amendments to AASB 107*, applicable from 1 January 2017, has been adopted by the Group. The amendment requires disclosure of changes arising from cash flows such as drawdowns and repayments of borrowings; and non-cash changes such as acquisitions, disposals and unrealised exchange differences. This amendment has no impact on the accounting policies, financial position or performance of the Group; 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.

Overview (continued)

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 C5)
- Income tax expense (note D1)

Estimates of recoverable amounts are based on an asset's value in use or fair value less costs of disposal, 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.

A Results for the year

This section highlights the performance of the Group for the year, including results by operating segment, income and expenses, 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		Discontinued operations[4]		Consolidated	
$million	**Ref**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue													
Segment revenue		14,344	13,558	260	88	-	-	14,604	13,646	477	824	15,081	14,470
Eliminations	**(a)**	-	-	-	-	-	-	-	-	(198)	(363)	(198)	(363)
External revenue		**14,344**	**13,558**	**260**	**88**	**-**	**-**	**14,604**	**13,646**	**279**	**461**	**14,883**	**14,107**
EBITDA		**1,592**	**1,669**	**633**	**(2,701)**	**(179)**	**(236)**	**2,046**	**(1,268)**	**7**	**(79)**	**2,053**	**(1,347)**
Depreciation and amortisation		(359)	(325)	(22)	(19)	-	-	(381)	(344)	-	(133)	(381)	(477)
Share of ITDA of equity accounted investees		-	-	(1,192)	(134)	-	-	(1,192)	(134)	-	-	(1,192)	(134)
EBIT		**1,233**	**1,344**	**(581)**	**(2,854)**	**(179)**	**(236)**	**473**	**(1,746)**	**7**	**(212)**	**480**	**(1,958)**
Interest income[5]				227	222	2	2	229	224	-	-	229	224
Interest expense[5]						(500)	(553)	(500)	(553)	(8)	(12)	(508)	(565)
Income tax benefit/(expense)[6]						81	26	81	26	(61)	50	20	76
Non-controlling interests (NCI)						(3)	(3)	(3)	(3)	-	-	(3)	(3)
Statutory profit/(loss) attributable to members of the parent entity		**1,233**	**1,344**	**(354)**	**(2,632)**	**(599)**	**(764)**	**280**	**(2,052)**	**(62)**	**(174)**	**218**	**(2,226)**
Reconciliation of statutory profit/(loss) to segment result and underlying profit/(loss)													
Fair value and foreign exchange movements	**(b)**	(459)	20	(89)	19	(3)	13	(551)	52	(35)	82	(586)	134
LNG-related items pre revenue recognition	**(c)**	-	-	-	16	-	(68)	-	(52)	-	-	-	(52)
Disposals, impairments and business restructuring[7]	**(d)**	239	157	(526)	(2,669)	(63)	(183)	(350)	(2,695)	(228)	(519)	(578)	(3,214)
Tax and NCI on items excluded from underlying profit						343	243	343	243	17	113	360	356
Total significant items		**(220)**	**177**	**(615)**	**(2,634)**	**277**	**5**	**(558)**	**(2,452)**	**(246)**	**(324)**	**(804)**	**(2,776)**
Segment result and underlying profit/(loss)		**1,453**	**1,167**	**261**	**2**	**(876)**	**(769)**	**838**	**400**	**184**	**150**	**1,022**	**550**
Underlying EBITDA		**1,811**	**1,492**	**1,251**	**747**	**(115)**	**(66)**	**2,947**	**2,173**	**270**	**357**	**3,217**	**2,530**

(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 Lattice Energy divestment, have been classified as discontinued operations.

(3) Various business development and support activities that are not allocated to operating segments.

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

(5) Interest income earned on MRCPS has been allocated to the Integrated Gas segment relating to the LNG business. Interest expense has been allocated to both the Corporate and the discontinued operations segments.

(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 discontinued operations.

(7) Included in the Integrated Gas segment in the prior period is Origin's share of APLNG's net impairment expense of $1,846 million, which is stated net of tax.

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 Lattice Energy divestment have been classified as discontinued operations) sells gas and LPG to the Energy Markets segment.

	2018		2017	
(b) Fair value and foreign exchange movements		**Tax and**		**Tax and**
$million	**Gross**	**NCI**	**Gross**	**NCI**
(Decrease)/increase in fair value of financial instruments[1]	(624)	187	207	(63)
LNG foreign currency gain/(loss)	38	(11)	(73)	22
Tax benefit on translation of foreign denominated long-term tax balances	-	-	-	3
	(586)	**176**	**134**	**(38)**
(c) LNG-related items pre revenue recognition				
Net financing costs incurred in funding the Australia Pacific LNG project	-	-	(45)	14
LNG pre-production costs not able to be capitalised	-	-	(7)	2
	-	**-**	**(52)**	**16**
(d) Disposals, impairments and business restructuring				
Gain on sale of Acumen	239	-	-	-
Recycling of foreign currency translation reserve to income statement in respect of OE Resources Ltd Partnership [2]	(27)	-	-	-
Gain on sale of Jingemia [2]	7	(2)	-	-
Loss on sale of Lattice[2]	(10)	(8)	-	-
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[3]	1	-	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)
Capital loss recognition	-	-	-	40
Tax expense reflecting difference between carrying amount and tax base of entities sold	-	-	-	(17)
Disposals	**210**	**(10)**	**401**	**(98)**

(1) ($35) million (pre-tax) (2017: $82 million (pre-tax)) relates to discontinued operations.

(2) Amounts relating to discontinued operations.

(3) Amount in current period relates to release of escrow balance held in respect of sale of Javiera in 2017.

A1 Segments (continued)

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

(d) Disposals, impairments and business restructuring (continued) $million	2018 Gross	2018 Tax and NCI	2017 Gross	2017 Tax and NCI
Integrated Gas impairments				
Ironbark	(514)	154	-	-
Lattice Energy[1]	(198)	25	-	-
Share of Australia Pacific LNG reversal of impairment of non-current assets held for sale[2]	4	-	-	-
Share of Australia Pacific LNG impairment of non-current assets[2]	(2)	-	(1,846)	-
Browse Basin	-	-	(825)	248
Assets held for sale	-	-	(753)	226
Corporate				
Investment in Energia Austral SpA	-	-	(114)	-
Impairments	(710)	179	(3,538)	474
Transaction costs in respect of the Lattice Energy divestment	(44)	13	(40)	12
Restructuring costs	(18)	7	(17)	5
Share of Australia Pacific LNG restructuring costs[2]	(8)	-	-	-
Corporate transaction costs	(8)	4	(20)	6
De-recognition of tax assets relating to divestment of Lattice Energy[1]	-	(9)	-	(21)
Business restructuring	(78)	15	(77)	2
Total disposals, impairments and business restructuring	**(578)**	**184**	**(3,214)**	**378**

(1) Amounts relating to discontinued operations.
(2) As the Group equity accounts for its share of net profit after tax of Australia Pacific LNG the above amounts are presented post-tax.

A1 Segments (continued)

A1.2 Segment assets and liabilities as at 30 June

	Energy Markets		Integrated Gas		Corporate		Total continuing operations		Total assets and liabilities held for sale		Consolidated	
$million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Assets												
Segment assets	12,447	12,188	745	973	156	126	13,348	13,287	-	1,696	13,348	14,983
Investments accounted for using the equity method (refer to note E1)	-	-	5,988	5,463	-	-	5,988	5,463	-	-	5,988	5,463
Cash, funding related derivatives and tax assets			3,620	3,609	1,301	790	4,921	4,399	-	354	4,921	4,753
Total assets	**12,447**	**12,188**	**10,353**	**10,045**	**1,457**	**916**	**24,257**	**23,149**	**-**	**2,050**	**24,257**	**25,199**
Liabilities												
Segment liabilities	(3,205)	(2,852)	(695)	(565)	(653)	(467)	(4,553)	(3,884)	-	(720)	(4,553)	(4,604)
Financial liabilities, interest-bearing liabilities, funding related derivatives and tax liabilities					(7,876)	(9,177)	(7,876)	(9,177)	-	-	(7,876)	(9,177)
Total liabilities	**(3,205)**	**(2,852)**	**(695)**	**(565)**	**(8,529)**	**(9,644)**	**(12,429)**	**(13,061)**	**-**	**(720)**	**(12,429)**	**(13,781)**
Net assets	**9,242**	**9,336**	**9,658**	**9,480**	**(7,072)**	**(8,728)**	**11,828**	**10,088**	**-**	**1,330**	**11,828**	**11,418**
Acquisitions of non-current assets (includes capital expenditure)[1]	329	276	107	396	16	11	452	683	68	113	520	796

[1] The Integrated Gas segment includes $74 million of cash contributions to Australia Pacific LNG at 30 June 2018 (30 June 2017: cash contributions of $388 million).

A1 Segments (continued)

A1.3 Geographical information

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

	2018 $million	2017 $million
Revenue for the year ended 30 June		
Australia	14,476	13,515
Other	128	131
Revenue from continuing operations	**14,604**	**13,646**
Australia	198	318
New Zealand	81	143
Revenue from discontinued operations	**279**	**461**
Total external revenue	**14,883**	**14,107**

	2018 $million	2017 $million
Non-current assets as at 30 June		
Australia	15,363	15,359
Other	51	39
Total non-current assets[(1)]	**15,414**	**15,398**

(1) Excludes amounts that are classified as held for sale at 30 June 2017.

A2 Income

	2018 $million[1]	2017 $million[1]
Income from continuing operations		
Revenue[2]	14,604	13,646
Net gain on sale of assets	237	167
Other	16	20
Other income	**253**	**187**
Interest earned from other parties	2	2
Interest earned on Australia Pacific LNG MRCPS (refer to note E1)	227	222
Interest income[3]	**229**	**224**

(1) Excludes amounts classified as discontinued operations at 30 June 2017 and 30 June 2018. 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 $279 million (2017: $461 million). 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

	2018 $million[1]	2017 $million[1]
Expenses from continuing operations		
Raw materials and consumables used	11,674	11,099
Labour[2]	648	618
Depreciation and amortisation	381	344
Impairment of assets[3]	514	939
Decrease/(increase) in fair value of financial instruments	589	(125)
Net foreign exchange (gain)/loss	(44)	75
Other	827	717
Expenses[4]	**14,589**	**13,667**
Interest on interest-bearing liabilities	496	550
Impact of discounting on long-term provisions	4	3
Interest expense	**500**	**553**
Financing costs capitalised	1	2

(1) Excludes amounts classified as discontinued operations at 30 June 2017 and 30 June 2018. Refer to note E4.
(2) Includes contributions to defined contribution superannuation funds from continuing operations of $65 million (2017: $61 million).
(3) Reflects impairments of $514 million (tax benefit $154 million) relating to the Ironbark Cash Generating Unit (CGU). The Ironbark valuation is determined based on an assessment of fair value less costs of disposal (level 3 fair value hierarchy). Key assumptions in Ironbark's valuation are reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. The pre-tax discount rate, determined as weighted average cost of capital, that has been applied in determining the recoverable amount of $279 million is 12.7% as at December 2017. The impairment charges resulted primarily from a reduction in the reported reserves.
(4) Includes operating lease rental expense of $119 million (2017 restated: $101 million) from continuing operations.

A4 Earnings per share

	2018	2017
Earnings per share based on statutory consolidated profit/(loss)		
Basic earnings per share	12.4 cents	(126.9) cents
Diluted earnings per share	12.3 cents	(126.9) cents
Basic earnings per share from continuing operations	15.9 cents	(117.0) cents
Diluted earnings per share from continuing operations	15.9 cents	(117.0) cents
Basic earnings per share from discontinued operations	(3.5) cents	(9.9) cents
Diluted earnings per share from discontinued operations	(3.5) cents	(9.9) cents
Earnings per share based on underlying consolidated profit[(1)]		
Underlying basic earnings per share	58.2 cents	31.3 cents
Underlying diluted earnings per share	57.9 cents	31.2 cents
Underlying basic earnings per share from continuing operations	47.7 cents	22.8 cents
Underlying basic earnings per share from discontinued operations	10.5 cents	8.5 cents

(1) Refer to note A1 for a reconciliation of statutory profit/(loss) to underlying consolidated profit.

Calculation of earnings per share

Basic earnings per share

Basic earnings per share (EPS) is calculated as profit/(loss) for the period attributable to the parent entity (2018: $218 million profit; 2017: $2,226 million loss) divided by the average weighted number of shares on issue during the period.

Basic earnings per share from continuing operations

Basic EPS from continuing operations is calculated as profit/(loss) for the period from continuing operations attributable to the parent entity (2018: $280 million profit; 2017: $2,052 million loss) divided by the average weighted number of shares on issue during the period (2018: 1,757,442,268; 2017: 1,754,489,221).

Diluted underlying earnings per share

Diluted underlying EPS represents profit/(loss) for the period attributable to the parent entity divided by an average weighted number of shares (2018: 1,765,715,232; 2017: 1,759,929,408) 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 (2018: 8,272,964; 2017: 5,440,187).

Due to the statutory loss attributable to the parent entity in the year ended 30 June 2017, the effect of these instruments has been excluded from the 2017 calculation of diluted EPS and diluted EPS from continuing operations, as their inclusion would have the effect of reducing the loss per share.

A5 Dividends

The Directors have determined not to pay a final dividend for the year ended 30 June 2018 (30 June 2017: nil).

	2018 $million	2017 $million
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	116	-
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 and other parties.

	2018 $million	2017 $million
Current		
Trade receivables net of allowance for impairment	888	728
Unbilled revenue net of allowance for impairment	1,288	1,193
Other receivables	361	357
	2,537	**2,278**
Non-current		
Trade receivables	4	4
	4	**4**

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 21 days (2017: 19 days). The ageing of trade receivables that were not impaired at 30 June are shown below.

	2018 $million	2017 $million
Not yet due	592	500
1-30 days past due	140	111
31-60 days past due	61	46
61-90 days past due	25	23
91 days past due	70	48
	888	**728**

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	110	87
Impairment losses recognised	88	75
Amounts written off	(84)	(52)
Balance as at 30 June	**114**	**110**

B2 Exploration, evaluation and development assets

	Exploration and evaluation assets		Development assets	
	2018 $million	2017 $million	2018 $million	2017 $million
Balance as at 1 July	858	1,932	-	292
Additions	19	58	-	-
Exploration expense - continuing operations	(3)	-	-	-
Exploration expense - discontinued operations	(5)	(64)	-	-
Net impairment loss[1]	(506)	(1,068)	-	-
Transfers to PP&E	-	-	-	(292)
Balance as at 30 June[2]	**363**	**858**	**-**	**-**

(1) Reflects impairment of the Ironbark CGU of $514 million (tax benefit $154 million), of which $506 million relates to exploration and evaluation assets (2017: $243 million (tax benefit $73 million) relating to assets subsequently transferred to held for sale and disposed and Browse Basin exploration asset of $825 million (tax benefit $248 million) in the prior period).

(2) The closing balance includes $296 million in relation to Ironbark and $67 million in relation to Beetaloo Basin assets.

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 PP&E.

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
2018						
Cost	4,415	79	901	-	263	5,658
Accumulated depreciation	(1,298)	(42)	(622)	-	-	(1,962)
	3,117	**37**	**279**	**-**	**263**	**3,696**
Balance as at 1 July 2017	3,241	42	226	-	205	3,714
Additions	60	15	170	-	72	317
Disposals	-	(15)	(19)	-	-	(34)
Depreciation/amortisation - continuing operations	(201)	(5)	(57)	-	-	(263)
Net impairment loss[1]	-	-	(8)	-	-	(8)
Transfers from inventory	17	-	-	-	-	17
Transfers within PP&E	-	-	14	-	(14)	-
Transfers to intangibles	-	-	(48)	-	-	(48)
Effect of movements in foreign exchange rates	-	-	1	-	-	1
Balance as at 30 June 2018	**3,117**	**37**	**279**	**-**	**263**	**3,696**
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	-	(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**

(1) Reflects impairment of the Ironbark CGU of $514 million (tax benefit $154 million), of which $8 million relates to property, plant and equipment. (2017: Reflects impairments of $510 million (tax benefit $153 million) relating to assets held for sale at 30 June 2017.)

PP&E 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 PP&E	2 - 95
Other land and buildings	0 - 20
Other plant and equipment	1 - 50
Producing areas of interest	0 - 28

At 30 June 2018, 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 that 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.*

B3 Property, plant and equipment (continued)

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 the operating life is determined.*

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

	2018 $million	2017 $million
Goodwill at cost - Energy Markets	4,820	4,827
Software and other intangible assets at cost less impairment losses	1,303	1,169
Less: Accumulated amortisation	(795)	(671)
	5,328	**5,325**

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 2017	4,827	498	5,325
Additions	-	91	91
Transfers from PP&E	-	48	48
Disposals	-	(10)	(10)
Net impairment loss[(1)]	(7)	(1)	(8)
Amortisation expense - continuing operations	-	(118)	(118)
Balance as at 30 June 2018	**4,820**	**508**	**5,328**
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	-	(3)	(3)
Balance as at 30 June 2017	**4,827**	**498**	**5,325**

(1) Amounts relating to discontinued operations.

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% (2017: 12%).

B4 Intangible assets (continued)

Key judgement

Carrying values of assets: Refer to note B3 for a 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 that 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 ranges between 2.2% to 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 (2017: 10.3 per cent).

B5 Provisions

$million	Restoration	Other	Total
Balance as at 1 July 2017	**177**	**70**	**247**
Provisions recognised	103	140	243
Provisions released	(5)	(13)	(18)
Payments/utilisation	(4)	(54)	(58)
Balance as at 30 June 2018	**271**	**143**	**414**
Current	7	46	53
Non-current	264	97	361
	271	**143**	**414**

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	2018 $million	2017 $million
Current		
Environmental scheme certificates	153	58
Available-for-sale financial assets	18	28
Mandatorily Redeemable Cumulative Preference Shares issued by Australia Pacific LNG (refer to note E1)[(1)]	37	-
	208	**86**
Non-current		
Available-for-sale financial assets	100	91
Mandatorily Redeemable Cumulative Preference Shares issued by Australia Pacific LNG (refer to note E1)[(1)]	3,583	3,609
	3,683	**3,700**

(1) The Group has invested in Mandatorily Redeemable Cumulative Preference Shares (MRCPS) issued by Australia Pacific LNG (APLNG) in the amount of US$2,775 million (converted from USD to AUD using an end of period exchange rate of 0.7384). During the period, APLNG performed a buy-back of MRCPS in the amount of US$102 million (A$134 million). The non-current financial asset has reduced accordingly, although it is offset by the movement in exchange rate from 0.7689 (June 2017) to 0.7384 (June 2018).
The MRCPS are the mechanism by which the funding for the CSG to LNG Project has been provided by the shareholders of APLNG 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. Dividends received are recognised as interest. Refer to note A2.
The effective interest rate at 30 June 2018 was 6.37% (2017: 6.37%).

Financial assets are recognised (or derecognised) on the date on which the Group commits to purchase (or sell) the asset.
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 electricity Settlement Residue Distribution Agreements and shares in listed corporations held by Origin Foundation Limited.

Other financial liabilities

Current		
Environmental scheme surrender obligations	304	276
Other financial liabilities	57	111
	361	**387**

At 30 June 2018, the Group's other financial liabilities represent deferred option premiums. At 30 June 2017, these liabilities represented the net amount owed for exchange-traded derivative contracts that had not settled at the reporting date.
The environmental scheme certificates and surrender obligations are initially recorded at fair value which approximates cost. Subsequently, they are recorded at their market price (i.e. fair value).

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

	2018 $million	2017 $million
Current		
Bank loans - unsecured	7	6
Capital market borrowings - unsecured	1,081	126
Total current borrowings	**1,088**	**132**
Lease liabilities - secured	1	1
Total current interest-bearing liabilities	**1,089**	**133**
Non-current		
Bank loans - unsecured	220	787
Capital market borrowings - unsecured	6,124	7,588
Total non-current borrowings	**6,344**	**8,375**
Lease liabilities - secured	6	7
Total non-current interest-bearing liabilities	**6,350**	**8,382**

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.	2018 $million	2017 $million
One to two years	915	1,044
Two to five years	3,742	4,773
Over five years	1,687	2,558
Total non-current borrowings	**6,344**	**8,375**
Lease liabilities	6	7
Total non-current interest-bearing liabilities	**6,350**	**8,382**

Some of the Group's borrowings are subject to terms that allow the lender to call on the debt. As at 30 June 2018, these terms had not been triggered.

Significant funding transactions

On 27 June 2018 the Group completed a $4 billion debt refinancing which extended the previous tenor from a maturity of October 2021 to new 4, 5 and 7 year maturities.

C2 Derivatives and hedging

The Group is exposed to risk from movements in foreign exchange, interest rates, and commodity prices including electricity and oil. As part of the risk management strategy set out in note C3, the Group holds the following types of derivative instruments.

	Assets		Liabilities	
$million	Current	Non-current	Current	Non-current
2018				
Interest rate swaps[1]	-	-	-	(6)
Cross-currency interest rate swaps[2]	229	642	-	(66)
Forward foreign exchange contracts[3]	1	-	-	(250)
Electricity derivatives[4]	50	327	(51)	(841)
Oil derivatives[5]	230	142	(370)	(70)
Other commodity derivatives	12	6	(3)	(1)
	522	**1,117**	**(424)**	**(1,234)**
2017				
Interest rate swaps	-	-	-	(8)
Cross-currency interest rate swaps	-	597	(229)	(74)
Forward foreign exchange contracts	-	-	(1)	(300)
Electricity derivatives	184	451	(58)	(621)
Oil derivatives	55	5	(12)	(303)
Other commodity derivatives	2	2	-	(3)
	241	**1,055**	**(300)**	**(1,309)**

(1) At 30 June 2018, the fixed interest rates varied from 2.25 per cent to 2.27 per cent (2017: 2.25 per cent to 2.84 per cent) and the main floating rate was the Bank Bill Swap Rate (BBSW). The hedged interest payment transactions are expected to impact profit at various dates between one month and five years from the reporting date.

(2) At 30 June 2018, the fixed interest rates varied from 3.30 per cent to 7.91 per cent (2017: 3.30 per cent to 7.91 per cent) and the main floating rates were BBSW and the US Dollar London Interbank Offered Rate (LIBOR). The hedged interest payment transactions are expected to impact profit at various dates between one month and five years from the reporting date.

(3) Predominantly represents forward foreign exchange contracts executed in prior periods to monetise the value accrued in certain cross currency interest rate derivatives. The contracts will cash settle over the period to 2023, do not incur interest expense and the value of the contracts, in aggregate, is not subject to foreign exchange fluctuations.

(4) The hedged electricity purchase and sale transactions are expected to impact profit continuously for each half hour period throughout the next 13 years from the reporting date.

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

C2 Derivatives and hedging (continued)

Derivatives are initially recognised at fair value. If the fair value differs from the transaction price, the difference is deferred in the statement of financial position and recognised in the income statement over the life of the instrument. The following amounts have been deferred and/or recognised in the income statement during the year.

	2018 $million
Derivative assets	
Opening balance	533
Recognised in the income statement	(59)
Reclassified to derivative liabilities	(9)
Derivatives derecognised in the period	(54)
Closing balance	**411**
Derivative liabilities	
Opening balance	374
Recognised in the income statement	(29)
Reclassified to derivative assets	9
Derivatives derecognised in the period	(42)
Closing balance	**312**

C2 Derivatives and hedging (continued)

After initial recognition, derivatives are subsequently remeasured at their fair value. The method of recognising any resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. Gains or losses on derivatives that are not designated as hedging instruments are recognised in the income statement and resulted in a $563 million loss in the year ended 30 June 2018 (2017: $109 million gain). This includes a $35 million loss relating to discontinued operations (2017: $82 million gain).

Derivatives designated as hedging instruments

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 following table shows the fair value of instruments that have been designated as hedging instruments.

		Assets		Liabilities	
		2018 $million	2017 $million	2018 $million	2017 $million
Fair value hedges	**(a)**	645	484	-	(34)
Cash flow hedges	**(b)**	454	351	(183)	(65)

(a) Fair value hedges

The Group designates certain cross-currency interest rate swaps as fair value hedges of foreign denominated debt. Changes in the fair value of these derivatives are recorded in the income statement, together with any changes in the fair value of the hedged debt.

The following table shows the changes in the fair values of the hedged debt and related derivatives recognised in the income statement for the year.

	2018 $million	2017 $million
Gain/(loss) on the derivatives	160	(145)
(Loss)/gain on the hedged debt	(175)	121
	(15)	**(24)**

C2 Derivatives and hedging (continued)

Derivatives designated as hedging instruments

(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 the cash flow hedge reserve (in equity). The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve 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 the hedge reserve at that time remains in the hedge reserve and is recognised when the forecast transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the hedge reserve is immediately transferred to the income statement.

	2018 $million	2017 $million
Ineffective portion of the gains on cash flow hedges recognised in the income statement post-tax	-	6
Changes in the fair value of cash flow hedges		
Effective portion of the (losses)/gains on cash flow hedges	(46)	246
Gains transferred to sales	(16)	(77)
Gains transferred to cost of sales	(131)	(319)
Gains transferred to change in fair value of financial instruments	(14)	(198)
Losses transferred to finance cost	54	60
	(153)	**(288)**
Tax	47	86
Changes in the fair value of cash flow hedges post-tax	**(106)**	**(202)**

C3 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 C5.

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); and
- Interest rate risk.

C3.1 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 that determine the level of exposure 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, deposits and the collection risk from arrangements entered into to manage financial risk.

The Group has Board approved credit risk management policies that 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 C2, 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.

C3 Risk management (continued)

C3.2 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, its strategy to take advantage of new investment opportunities as they arise and its hedging activities. The Group has a capital structure that allows it to support these activities. A key element of this structure is the use of committed undrawn debt facilities.

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.

	2018 $million	2017 $million
The Group has the following committed undrawn floating rate borrowing facilities.		
Expiring beyond one year[1]	**3,474**	**6,407**

[1] As outlined in note C1, the Group refinanced its bank debt facilities during the current period. The amount shown above reflects the committed undrawn balance of the refinanced facility.

Set out below are the contractual cash flows of the Group's derivative and non-derivative financial assets and liabilities, including drawn borrowings, at reporting date. The cash flows are undiscounted and include items not recorded in the statement of financial position such as interest and drawn guarantees.

Derivative financial instruments

	2018 $million			2017 $million		
$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	(72)	15	(57)	(8)	30	22
One to three months	(93)	91	(2)	(18)	83	65
Three to 12 months	(335)	495	160	(492)	188	(304)
One to five years	(804)	1,085	281	(584)	1,422	838
Over five years	(216)	257	41	(514)	652	138

Non-derivative financial instruments[1]

	2018 $million			2017 $million		
$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	(692)	732	40	(1,485)	615	(870)
One to three months	(713)	1,377	664	(691)	1,262	571
Three to 12 months	(1,993)	1,632	(361)	(2,556)	716	(1,840)
One to five years	(6,589)	3,183	(3,406)	(6,717)	2,337	(4,380)
Over five years	(179)	-	(179)	(311)	2,312	2,001

[1] All facilities are deemed to be repaid at the earlier of their contractual maturity date or first call/intended repayment date.

C3 Risk management (continued)

C3.3 Foreign exchange (FX) risk

FX risk is the risk that fluctuations in exchange rates will adversely 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 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 2018, after hedging, the Group is exposed to FX risk on receivables of US$1,324 million (A$1,792 million) (30 June 2017: US$553 million (A$719 million)).

To manage FX risk, the Group uses forward foreign exchange contracts and cross-currency interest rate swaps. In certain circumstances borrowings are left in the foreign currency, or swapped from one currency to another, to hedge expected future business cash flows in that currency.

Significant transactions undertaken in the normal course of operations that 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 the carrying value of the Group's financial instruments at the reporting date. The impacts on profit and equity do not take into account any mitigating actions that management might take if the rate change occurred.

2018	Impact on post-tax profit		Impact on equity	
	Increase	Decrease	Increase	Decrease
	$million		$million	
US dollar	(104)	104	(112)	112
Euro[(1)]	1	(1)	(18)	18

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)

(1) Represents the ineffectiveness from some fair value hedges of Euro debt that has been swapped to AUD.

C3 Risk management (continued)

C3.4 Commodity price risk

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

To manage its price risks the Group utilises a range of financial instruments and derivatives, including fixed-price swaps, options, futures and fixed price forward purchase contracts. 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 the carrying value of the Group's financial instruments at the reporting date. The impacts on profit and equity do not take into account any mitigating actions that management might take if the price change occurred.

2018	Impact on post-tax profit		Impact on equity	
	Increase	Decrease	Increase	Decrease
	$million		$million	
Electricity forward price	171	(170)	206	(205)
Oil forward prices	(21)	22	(13)	14
Environmental scheme certificate prices	23	(23)	23	(23)

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)

C3 Risk management (continued)

C3.5 Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates adversely impact 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.
After hedging, the exposure of the Group's borrowings (excluding lease liabilities) to interest rate changes and the contractual repricing periods are set out below.

	2018 $million	2017 $million
Variable rate borrowings	3,843	2,838
Fixed interest rate - repricing dates		
Six months or less	400	1,900
Six to twelve months	-	742
One to five years	3,075	2,695
Over five years	114	332
	7,432	**8,507**

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 5.75 per cent per annum (2017: 2.25 per cent to 7.91 per cent per annum, at a weighted average rate of 5.29 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 impact of a 100 basis point shift in interest rates (holding all other things constant) on the carrying value of the Group's interest-bearing assets and liabilities as at the reporting date. The impacts on profit and equity do not take into account any mitigating actions that management might take if the rate change occurred.

2018	Impact on post-tax profit		Impact on equity	
	Increase	Decrease	Increase	Decrease
	$million		$million	
Interest rates	1	(6)	(3)	(2)

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

C4 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.

	2018 $million	2017 $million
Total interest-bearing liabilities	7,439	8,515
Less: Cash and cash equivalents	(150)	(151)
Net debt	7,289	8,364
Fair value adjustments on FX hedging transactions	(793)	(253)
Adjusted net debt	6,496	8,111
Total equity	11,828	11,418
Total capital	18,324	19,529
Gearing ratio	35%	42%

C5 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.

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 existing market conditions at each reporting date.

C5 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).

2018	Note	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Derivative financial assets	C2	21	1,388	230	1,639
Environmental scheme certificates	B6	153	-	-	153
Available-for-sale financial assets	B6	103	15	-	118
Financial assets carried at fair value		**277**	**1,403**	**230**	**1,910**
Derivative financial liabilities	C2	(15)	(988)	(655)	(1,658)
Environmental scheme surrender obligations	B6	(304)	-	-	(304)
Financial liabilities carried at fair value		**(319)**	**(988)**	**(655)**	**(1,962)**

2017	Note	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Derivative financial assets	C2	116	882	298	1,296
Environmental scheme certificates	B6	58	-	-	58
Available-for-sale financial assets	B6	113	6	-	119
Financial assets carried at fair value		**287**	**888**	**298**	**1,473**
Derivative financial liabilities	C2	(16)	(842)	(751)	(1,609)
Environmental scheme surrender obligations	B6	(276)	-	-	(276)
Financial liabilities carried at fair value		**(292)**	**(842)**	**(751)**	**(1,885)**

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 2017	(453)
Net loss recognised in other comprehensive income	(25)
Net gain recognised in revenue line	10
Net gain recognised in raw materials and consumables used	107
Net loss recognised in change in fair value of financial instruments	(365)
Net cash settlements	301
Balance as at 30 June 2018	**(425)**

C5 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 that 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) that 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 that 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 that have observable market prices.

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

	2018		2017	
	Impact on post-tax profit		Impact on post-tax profit	
	Increase	Decrease	Increase	Decrease
	$million		$million	
Electricity derivatives	229	(228)	268	(268)
Oil derivatives	(1)	1	(1)	1

C5 Fair value and financial assets and liabilities (continued)

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.

	Fair value hierarchy level	Carrying value		Fair value	
		2018 $million	2017 $million	2018 $million	2017 $million
Assets					
Other financial assets	2	3,583	3,609	3,428	3,115
Liabilities					
Bank loans - unsecured	2	220	787	244	744
Capital markets borrowings - unsecured	2	6,124	7,588	6,387	7,959
		6,344	**8,375**	**6,631**	**8,703**

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 that would be used by market participants to execute and value the instruments.

C6 Share capital and reserves

	2018 $million	2017 $million
Issued and paid-up capital		
1,759,156,516 (2017: 1,755,333,517) ordinary shares, fully paid	7,150	7,150
Ordinary share capital at the beginning of the period	7,150	7,150
Shares issued:		
• 3,822,999 (2017: 1,997,753) shares in accordance with the Long Term Incentive Plans [1]	-	-
Total movements in ordinary share capital	**-**	**-**
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.

Hedge reserve
The hedge reserve is used to record the effective portion of the gains or losses on cash flow hedging instruments that have not yet settled. Where the underlying transaction is recognised in profit or loss, hedge reserve amounts are subsequently recycled to the income statement at the time the underlying transaction affects profit or loss. Where the underlying transaction results in recognition of an asset, hedge reserve amounts subsequently form part of the cost of the asset.

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

2018 $million	Foreign currency translation reserve	Hedge reserve	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total other comprehensive income
Items that will not be reclassified to the income statement						
Actuarial loss on defined benefit superannuation plan, net of tax	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
Items that may be reclassified to the income statement						
Foreign currency translation differences for foreign operations	277	-	-	-	1	278
Net loss on cash flow hedges (refer note C2(b))	-	(106)	-	-	-	(106)
Available-for-sale financial assets - valuation loss taken to equity, net of tax	-	-	(6)	-	-	(6)
	277	**(106)**	**(6)**	**-**	**1**	**166**
Total other comprehensive income	**277**	**(106)**	**(6)**	**-**	**1**	**166**
2017 **$million**						
Items that will not be reclassified to the income statement						
Actuarial gain 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 cashflow hedges (refer note C2(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)**

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

	2018 $million	2017 $million
Income tax		
Current tax expense	174	77
Deferred tax benefit	(195)	(158)
Under provided in prior years	1	5
Total income tax benefit	**(20)**	**(76)**
Income tax expense/(benefit) attributable to:		
Profit/(loss) from continuing operations	(81)	(26)
Loss from discontinued operations	61	(50)
	(20)	**(76)**
Reconciliation between tax expense and pre-tax net profit		
Profit/(loss) from continuing operations before income tax	202	(2,075)
Loss from discontinued operations before income tax	(1)	(224)
	201	**(2,299)**
Income tax using the domestic corporation tax rate of 30 per cent (2017: 30 per cent)		
Prima facie income tax expense on pre-tax accounting profit:		
- at Australian tax rate of 30 per cent	60	(690)
- adjustment for tax exempt charity (Origin Foundation Limited)	(17)	-
- adjustment for difference between Australian and overseas tax rates	(2)	5
Income tax expense/(benefit) on pre-tax accounting profit at standard rates	**41**	**(685)**
Increase/(decrease) in income tax expense due to:		
Lattice disposal	55	-
Acumen disposal	(72)	-
Entity wind-up	9	-
Impairment expense not recoverable	-	28
Capital loss recognition	-	(40)
Recognition of change in net tax loss position	-	21
Recognition of cost base on disposal of entities	-	17
Share of results of equity accounted investees	(60)	574
Other	6	4
	(62)	604
Under provided in prior years	1	5
Total income tax benefit	**(20)**	**(76)**
Deferred tax movements recognised directly in other comprehensive income (including foreign currency translation)		
Financial instruments at fair value	(51)	(103)
Property, plant and equipment	5	(4)
Provisions	(1)	2
	(47)	**(105)**

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): *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

	2018			2017		
$million	**Gross**	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Available for sale assets:						
Valuation loss taken to equity	(10)	4	(6)	(58)	17	(41)
Cash flow hedges:						
Reclassified to income statement	-	-	-	(534)	160	(374)
Effective portion of change in fair value	(153)	47	(106)	246	(74)	172
Foreign currency translation differences for foreign operations	278	-	278	(200)	-	(200)
Actuarial gain on defined benefit superannuation plan	-	-	-	2	(1)	1
Other comprehensive income for the period	**115**	**51**	**166**	**(544)**	**102**	**(442)**

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 2016	Recog-nised in income	Recog-nised in equity	Transfers to held for sale[1]	30 June 2017	Recog-nised in income	Recog-nised in equity	30 June 2018
Employee benefits	70	(1)	-	(7)	62	(1)	-	61
Provisions	264	(12)	(2)	(149)	101	44	1	146
Tax value of carry-forward tax losses recognised	164	(154)	(1)	-	9	(9)	-	-
Property, plant and equipment	(361)	186	4	(249)	(420)	8	(5)	(417)
Exploration and evaluation assets	(443)	273	-	85	(85)	136	-	51
Financial instruments at fair value	270	(125)	103	-	248	10	51	309
APLNG MRCPS elimination (refer note E1.2)	50	3	-	-	53	(1)	-	52
Business related costs (deductible under s.40-880 ITAA97)	21	2	-	-	23	30	-	53
Other items	57	(14)	1	-	44	(22)	-	22
Net deferred tax assets	**92**	158	105	(320)	**35**	195	47	**277**

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

D2 Deferred tax (continued)

Unrecognised deferred tax assets and liabilities	2018 $million	2017 $million
Deferred tax assets have not been recognised in respect of the following items:		
Revenue losses	42	53
Capital losses	280	2
Petroleum resource rent tax, net of income tax[(1)]	690	2,459
Acquisition transaction costs	57	57
Investment in joint ventures	67	67
Intangible assets	8	8
	1,144	**2,646**
Deferred tax liabilities have not been recognised in respect of the following items:		
Investment in Australia Pacific LNG[(2)]	(1,320)	(1,190)
	(1,320)	**(1,190)**

(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 (%) 2018	2017
Australia Pacific LNG Pty Ltd[1]	30 June	Australia	37.5	37.5
Energia Andina Geothermal SpA[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
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 Pty Ltd 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 Geothermal SpA (previously named 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.
Prior to being renamed, Energia Andina S.A was split into two entities and one of those, Andina Solar - Javiera was sold in the prior period.

(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.

Of the above joint arrangements, only Australia Pacific LNG has a material impact to the Group.

E1 Joint arrangements (continued)

E1.2 Investment in Australia Pacific LNG Pty Ltd

Australia Pacific LNG's second LNG train commenced production during the prior 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 2018 and 30 June 2017 follows.

Summary income statement of Australia Pacific LNG

	2018		2017	
$million	Total APLNG	Origin interest	Total APLNG	Origin interest
Operating revenue	5,528		3,754	
Operating expenses	(1,811)		(1,465)	
Reversal of impairment of non-current assets held for sale	16		-	
Impairment expense	(8)		(7,031)	
EBITDA	**3,725**	**1,397**	**(4,742)**	**(1,778)**
Depreciation and amortisation expense	(1,853)		(1,614)	
Interest income	17		3	
Interest expense on MRCPS	(605)		(626)	
Other interest expense	(532)		(495)	
Capitalised interest	-		166	
Income tax (expense)/benefit	(216)		2,196	
Statutory result for the period	**536**	**201**	**(5,112)**	**(1,917)**
Elimination of MRCPS depreciation[(1)]	-	4	-	5
Total statutory result for the period	**536**	**205**	**(5,112)**	**(1,912)**
Other comprehensive income	-	-	-	-
Statutory total comprehensive income	**536**	**205**	**(5,112)**	**(1,912)**
Items excluded from segment result:				
Reversal of impairment of non-current assets held for sale	11	4	-	-
Impairment of non-current assets	(5)	(2)	(4,922)	(1,846)
Restructuring costs	(21)	(8)	-	-
Total items excluded from segment result	**(15)**	**(6)**	**(4,922)**	**(1,846)**
Underlying profit/(loss) for the period	**551**	**211**	**(190)**	**(66)**
Underlying EBITDA for the period	**3,746**	**1,405**	**2,289**	**859**

(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.

E1 Joint arrangements (continued)

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

Carrying value of investment

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 no impairment is required. The Group's own assessment of the carrying value identified no impairment.

The recoverable amount of the investment is sensitive to changes in key assumptions. A change in assumption could result in impairment losses or the reversal of previous impairment losses. The assumptions and the sensitivity of the investment to assumption changes are described below.

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, foreign exchange, 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 on a six monthly basis. 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.

	2018	2019	2020	2021	2022	2023[1]
30 June 2018	76	73	70	71	73	78

[1] Escalated at 2.1% from 2023.

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.

	2018	2019	2020	2021	2022	2023
30 June 2018	0.76	0.76	0.77	0.77	0.77	0.77

The pre-tax discount rate, determined as APLNG's weighted average cost of capital, adjusted for risks where appropriate, that has been applied is 11.2% (2017:10.1%).

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 in the previous carrying value of investment section.
Reasonably possible changes in circumstances will affect assumptions and the estimated fair value of Origin's investment in APLNG. These reasonably possible changes include:

- A decrease in oil prices of USD$1/bbl, which in isolation would lead to a decrease of US$375 million in the valuation; and
- An increase in the discount rate of 0.27% in isolation or an increase in the AUD/USD FX rate of 2.6 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 (100 per cent share)

$million	2018	2017
Cash and cash equivalents	1,223	747
Assets classified as held for sale	65	-
Other current assets	607	677
Current assets	**1,895**	**1,424**
Receivables from shareholders	394	333
Property, plant and equipment	34,865	33,853
Exploration, evaluation and development assets	256	351
Other non-current assets	2,282	2,425
Non-current assets	**37,797**	**36,962**
Total assets	**39,692**	**38,386**
Bank loans - secured	872	927
Payable to shareholders (MRCPS)	98	-
Liabilities classified as held for sale	76	-
Other current liabilities	841	915
Current liabilities	**1,887**	**1,842**
Bank loans - secured	9,077	9,532
Payable to shareholders (MRCPS)	9,556	9,624
Other non-current liabilities	2,810	2,413
Non-current liabilities	**21,443**	**21,569**
Total liabilities	**23,330**	**23,411**
Net assets	**16,362**	**14,975**
Group's interest of 37.5 per cent of APLNG net assets	6,136	5,615
Group's own costs	25	25
Mandatorily Redeemable Cumulative Preference Shares elimination[(1)]	(173)	(177)
Investment in Australia Pacific LNG Pty Ltd	**5,988**	**5,463**

(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.

Balance sheet amounts are converted from USD to AUD using an end of period exchange rate of 0.7384 (2017: 0.7689).

Australia Pacific LNG is subject to the Petroleum Resource Rent Tax legislation and has an unrecognised deferred tax asset balance of $6,220 million (100 per cent Australia Pacific LNG) at 30 June 2018 (2017: $5,377 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 contracts governing those services.

Separately, the Group has entered agreements with Australia Pacific LNG to purchase gas (2018: $476 million; 2017: $255 million) and the Group sells gas to Australia Pacific LNG (2018: $118 million; 2017: $66 million). At 30 June 2018, the Group's outstanding payable balance for purchases from Australia Pacific LNG was $56 million (2017: $nil) and outstanding receivable balance for sales to Australia Pacific LNG was $7 million (2017: $3 million).

The Group has invested in Mandatorily Redeemable Cumulative Preference Shares (MRCPS) issued by Australia Pacific LNG (APLNG). 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. On 23 April 2018 the MRCPS balance reduced to US$2.7 billion following a US$0.1 billion share buy-back by APLNG. 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 $3,620 million as at 30 June 2018 (2017: $3,609 million). Dividends received are recognised as interest. Refer to note A2.

The carrying value of the financial asset at 30 June 2018, as disclosed in note B6, reflects the Group's view that Australia Pacific LNG will utilise cash flows generated from 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:

- Bonaparte Basin
- Browse Basin
- Otway Basin
- Geodynamics
- Beetaloo Basin

E2 Business combinations

There were no significant business combinations during the years ended 30 June 2018 and 30 June 2017.

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).

		2018	2017
	Incorporated in	Ownership interest per cent	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 Eraring Pty Limited <	NSW	100	100
Origin Energy Eraring Services Pty Limited <	NSW	100	100
Darling Downs Solar Farm Asset Holding Pty Ltd	NSW	100	100
Darling Downs Solar Farm Asset Pty Ltd	NSW	100	100
Origin Energy Upstream Holdings Pty Ltd	Vic	100	100
Origin Energy B2 Pty Ltd	Vic	100	100
Origin Energy Petroleum Pty Limited <	Qld	100	100
Origin Energy Browse Pty Ltd	Vic	100	100
Origin Energy CSG 2 Pty Limited	Vic	100	100
Origin Energy ATP 788P Pty Limited	Qld	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)

		2018	2017
	Incorporated in	Ownership interest per cent	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
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
Origin Future Energy Pty Limited	NSW	100	100
Origin Energy Metering Coordinator Pty Ltd	NSW	100	100
Origin Energy Resources NZ (Rimu) Limited	NZ	100	100
Lattice Energy Limited [<]	SA	-	100
Lattice Energy Resources (Bonaparte) Pty Limited <	SA	-	100
Lattice Energy Resources (Perth Basin) Pty Limited <	ACT	-	100
Lattice Energy Resources (Bass Gas) Limited	UK	-	100
Lattice Energy Resources NZ (Holdings) Limited	NZ	-	100
Kupe Development Limited	NZ	-	100
Kupe Mining (No.1) Limited	NZ	-	100
Lattice Energy Resources NZ (Kupe) Limited	NZ	-	100
Lattice Energy Resources NZ (TAWN) Limited	NZ	-	100
OE Resources Limited Partnership	NSW	-	100
Lattice Energy Services Pty Limited	Vic	-	100
Lattice Energy Finance Limited	Vic	-	100

E3 Controlled entities (continued)

	Incorporated in	2018 Ownership interest per cent	2017 Ownership interest per cent
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
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 Education Foundation Pty Limited	Vic	100	100
Origin Foundation Limited	NSW	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
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
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.

E3 Controlled entities (continued)

Changes in controlled entities

2018

Lattice Energy Limited transferred its shares in Origin Energy Browse Pty Ltd and Origin Energy Petroleum Pty Ltd to Origin Energy Upstream Holdings Pty Ltd on 31 August 2017.
Origin Energy Power Limited transferred its shares in Darling Downs Solar Farm Operating Holding Pty Ltd to Origin Energy Holdings Pty Limited on 27 July 2017.
Darling Downs Solar Farm Operating Holding Pty Ltd changed its name to Origin Future Energy Pty Limited on 7 August 2017.
Origin Future Energy Pty Ltd transferred its shares in Darling Downs Solar Farm Operating Pty Ltd to Origin Energy Holdings Pty Ltd on 24 August 2017.
Darling Downs Solar Farm Operating Pty Ltd changed its name to Origin Energy Metering Coordinator Pty Ltd on 24 August 2017.
Lattice Energy Resources NZ (Holdings) Limited transferred its shares in Origin Energy Resources NZ (Rimu) Limited to Origin Energy Holdings Pty Ltd on 25 September 2017.
Lattice Energy Limited transferred its shares in Origin Energy CSG 2 Pty Ltd and Origin Energy ATP 788P Pty Ltd to Origin Energy Upstream Holdings Pty Ltd on 26 September 2017.
Origin Foundation Pty Limited changed its name to Origin Education Foundation Pty Limited on 11 January 2018.
Origin Foundation Limited was incorporated on 12 January 2018.
On 31 January 2018 Lattice Energy Limited ceased to be controlled by the Group (refer note E4).
Acumen Metering Pty Ltd was sold on 19 June 2018.

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

E4 Discontinued operations and disposals

E4.1 Discontinued operations

On 6 December 2016 the Group announced its intention to divest the Lattice Energy assets. The associated earnings have been classified as discontinued operations in the income statement and all related note disclosures for the current and comparative period.

Earnings from the Darling Downs Pipeline and the Jingemia asset in Western Australia have been classified as discontinued operations in the income statement and all related note disclosures for the comparative period.

for the year ended 30 June **Results of discontinued operations**	**2018** **$million**	**2017** **$million**
Revenue	279	461
Net (loss)/gain on sale of assets	(3)	234
Expenses	(71)	(154)
Impairment	(198)	(753)
Net financing costs	(8)	(12)
Loss before income tax	**(1)**	**(224)**
Income tax (expense)/benefit	(61)	50
Loss after tax from discontinued operations	**(62)**	**(174)**
Attributable to:		
Members of the parent entity	(62)	(174)
Non-controlling interests	-	-
	(62)	**(174)**
Financing costs capitalised	1	8
Cash flows of discontinued operations		
Cash flows from operating activities	140	284
Cash flows used in investing activities	(94)	(178)
Net increase in cash and cash equivalents	**46**	**106**

E4 Discontinued operations and disposals (continued)

E4.2 Disposals

On 26 April 2016 the Group entered into a Sale Agreement with Cyclone Energy Pty Ltd for the sale of the Jingemia asset in Western Australia. Completion of the transaction occurred on 14 July 2017 for cash proceeds of $1. The assets and liabilities disposed primarily comprised a restoration provision of $7 million, resulting in a pre-tax gain on sale of $7 million, net of transaction costs.

On 28th September 2017 the Group entered into an agreement to sell its conventional upstream oil and gas business, Lattice Energy Limited (Lattice Energy), to Beach Energy with an economic effective date of 1 July 2017. Completion of the sale occurred on 31 January 2018.

On 24 May 2018 the Group entered into a Share and Asset Sale Agreement with Spark Investment Bidco Pty Ltd and IntelliHUB Operations Pty Limited for the sale of the Acumen Metering business. Completion of the sale occurred on 19 June 2018.

The assets and liabilities relating to the divestment of the conventional upstream business, Acumen metering business and Jingemia assets were classified as held for sale at 30 June 2017. All of these assets and liabilities have been disposed of during the year.

Reconciliation of (loss)/gain on sale	**Lattice Energy 2018 $million**	**Acumen 2018 $million**
Consideration received	1,317	267
Net assets disposed	(1,309)	(28)
Gain on sale before income tax expense and reclassification of foreign currency translation reserve	8	239
Reclassification of foreign currency translation reserve	(18)	-
(Loss)/gain on sale before income tax expense	**(10)**	**239**

Carrying value of net assets disposed	**2018 $million**	**2018 $million**
Cash and cash equivalents	100	-
Trade and other receivables	150	2
Inventories	49	1
Property, plant and equipment	1,384	19
Exploration and evaluation assets	7	-
Intangible assets	1	10
Deferred tax assets	255	-
Trade and other payables	(158)	(4)
Provisions and employee benefits	(479)	-
Net assets disposed	**1,309**	**28**

Reconciliation of cash consideration	**2018 $million**	**2018 $million**
Consideration	1,506	267
Less: settlement of Benaris acquisition transaction (Lattice Energy)	(189)	-
Consideration (net of transaction costs)	**1,317**	**267**
Less: Cash and cash equivalents disposed	(100)	-
Consideration (net of cash disposed)	**1,217**	**267**

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.

	2018 $million[1]	2017 $million[2]
Bank guarantees - unsecured	408	368
Letters of credit - unsecured	-	2

(1) Includes unsecured bank guarantees of $9 million related to discontinued operations of which $8 million were cancelled on 3 July 2018 and $1 million are in the process of being cancelled.

(2) Includes unsecured bank guarantees of $13 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.

During the period, Australia Pacific LNG (APLNG) made principal repayments of US$713 million and interest payments on the project finance facility of US$324 million. At 30 June 2018, the total outstanding balance of the project finance facility was US$7,346 million.

In August 2017, the final Project Finance lenders' tests were passed which removed the remaining project finance guarantees provided by the Company’s shareholders.

In September 2016, APLNG made a loan to the Group of US$96 million and receipt of this US$96 million from APLNG is shown as a current payable to joint ventures in the statement of financial position. A further US$60 million was loaned by APLNG to Origin in September 2017, bringing the total loan amount to US$156 million. These loans were 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.

F1 Contingent liabilities (continued)

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.

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.

	2018 $ million[1]	2017 $ million[1]
Capital expenditure commitments	87	72
Joint venture commitments[2]	452	740
Operating lease commitments[3]	505	465

(1) Includes $Nil (June 2017: $9 million) of capital expenditure commitments and $Nil (June 2017: $104 million) of joint venture commitments relating to discontinued operations.

(2) Includes $441 million (2017: $623 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 10 years. The future minimum lease payments under non-cancellable operating leases are shown below.

	2018 $million	2017 $million[3]
Less than one year	85	97
Between one and five years	191	186
More than five years	229	182
	505	**465**

(3) Prior year disclosure has been restated by $67 million to reflect additional operating lease arrangements identified during the period.

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.	2018 $million	2017 $million
Origin Equity Incentive Plan	(a)	25	25
Origin Employee Share Plan	(b)	5	5
		30	**30**

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 granted prior to 1 July 2018 were offered in the form of Options and/or share rights; from 1 July 2018 in the form of Share Rights and/or Restricted Shares.

(i) Short Term Incentive (STI)

STI includes the award of Deferred Share Rights (DSRs) and/or Restricted Shares, which vest or are unrestricted where the employee remains employed with satisfactory performance for a set period (generally after two and up to 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 the earned STI within the employee's remuneration package, 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: $7.65, three year vesting period: $7.43 and four year vesting period: $7.21). As at 30 June 2018, Restricted Shares have not been used but are expected to be used during FY19.

(ii) Long Term Incentive (LTI)

LTI includes the award of Performance Share Rights (PSRs) and, prior to 1 July 2018 Options. Neither PSRs nor Options carry dividend or voting entitlements and will only vest if certain company performance conditions and personal performance standards are met. For grants during FY18 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 relevant Remuneration Report.
The remaining half of each LTI award is subject to an internal hurdle, namely Return on Capital Employed (ROCE) as set out in the relevant 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 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.
For awards granted in FY16 and FY17 subject to the ROCE hurdle, no vesting occurs unless Origin achieves two conditions, the first to meet the average of the annual target ROCEs, and the second to achieve Origin's weighted average cost of capital (WACC) in either of the last two years of the performance period.

[(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)

For awards granted in respect of FY18 that are subject to the ROCE hurdle, average actual ROCE outcomes will need to exceed average annual WACC and will be tested separately for the Integrated Gas and the Energy Markets businesses.
In all cases, meeting or exceeding the ROCE targets will result in half of the relevant PSRs vesting, while exceeding the WACC targets by two percentage points or more will result in all of the relevant PSRs vesting, with straight line proportionate vesting in between.

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. 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		
Grant date	30-Aug-17	30-Aug-17	18-Oct-17
Grant date share price	$7.65	$7.65	$7.38
Exercise price	$7.37	$7.37	$7.37
Volatility (per cent)	40%	40%	40%
Dividend yield (per cent)[2]	1.8%	1.8%	1.8%
Risk-free rate (per cent)	2.35%	2.43%	2.51%
Grant date fair value (per award)	$2.52	$2.50	$2.30

[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)

	PSRs			
Grant date	30-Aug-17	30-Aug-17	30-Aug-17	18-Oct-17
Grant date share price	$7.65	$7.65	$7.65	$7.38
Exercise price	Nil	Nil	Nil	Nil
Volatility (per cent)	40%	40%	40%	40%
Dividend yield (per cent)[1]	1.5%	1.5%	1.5%	1.5%
Risk-free rate (per cent)[2]	-	2.11%	-	-
Grant date fair value (per award)	$7.43	$4.80	$7.21	$6.98

(1) Dividend assumptions are the compound average per annum rate over the vesting period (4 years PSRs, and 5 years Options).

(2) Where the risk free rate is nil, these PSR tranches are ROCE-tested, therefore the risk free rate is not relevant to their valuation.

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 2017	9,886,114	$10.35	3,486,357	5,434,657
Granted	1,432,299	$7.37	1,117,385	2,943,713
Exercised	-	-	-	3,822,999
Forfeited	3,842,812	$12.18	517,100	152,635
Outstanding at 30 June 2018	**7,475,601**	**$8.84**	**4,086,642**	**4,402,736**
Exercisable at 30 June 2018	**-**	**-**	**-**	**-**
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	**-**	**-**	**-**	**-**

The weighted average share price during 2018 was $8.55 (2017: $6.39). The options outstanding at 30 June 2018 have an exercise price in the range of $5.21 to $15.65 (2017: $5.21 to $15.65) and a weighted average contractual life of 6.9 years (2017: 6.3 years).

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) General Employee Share Plan (GESP)

Under the GESP 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 were able elect to have shares held in trust for three years; as at 30 June 2018 there were no New Zealand employees and no shares held in trust for them.

For the award to be made later in 2018 (referable to FY2018 service) there is no conditional hurdle and the service period qualification has been reduced to commencement on or after 1 March 2018.

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
2018	28-Aug-17	620,116	$7.43	4,607
		620,116		**4,607**
2017	26-Aug-16	870,302	$5.51	4,795
		870,302		**4,795**

(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

	2018 $	2017 $
Short-term employee benefits	9,704,215	9,383,880
Post-employment benefits	252,588	240,273
Other long-term benefits	150,525	373,647
Termination benefits	-	2,919,096
Share-based payments	4,343,944	2,371,204
	14,451,272	**15,288,100**

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;
- 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.

	2018 $million	2017 $million
The following table reconciles profit to net cash provided by operating activities.		
Profit/(loss) for the period	**221**	**(2,223)**
Adjustments for:		
Depreciation and amortisation	381	481
Executive share-based payment expense	25	25
Impairment losses recognised - trade and other receivables	88	75
Exploration expense	8	62
Impairment of assets	712	1,692
Decrease/(increase) in fair value of financial instruments	624	(207)
Gain on sale of assets	(234)	(401)
Non-cash share of net profits of equity accounted investees	(205)	1,912
Unrealised foreign exchange (gain)/loss	(41)	76
Amortisation of oil option premiums	64	53
Net financing costs	279	341
Oil forward sale (pre-early termination)	(86)	(141)
Electricity hedge premium	(160)	(133)
Changes in assets and liabilities (net of effects from acquisitions/disposals):		
• Receivables	(321)	(487)
• Inventories	(66)	52
• Payables	128	58
• Provisions	(15)	(24)
• Tax balances	(58)	(23)
• Other	(51)	101
Total adjustments[1]	**1,072**	**3,512**
Net cash from operating activities	**1,293**	**1,289**

Reconciliation of movements of liabilities to cash flows arising from financing activities

$million	Liabilities from financing activities			
	Current borrowings	Non-current borrowings	Other financial (assets)/ liabilities	Total
Balance as at 1 July 2017	133	8,382	(176)	8,339
Proceeds from borrowings	-	925	-	925
Repayment of borrowings/other liabilities[2]	(167)	(2,268)	(472)	(2,907)
Foreign exchange adjustments	75	330	(271)	134
Other non-cash movements	1,048	(1,019)	(20)	9
Balance as at 30 June 2018	**1,089**	**6,350**	**(939)**	**6,500**

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

(2) The movement in other financial (assets)/liabilities includes a $220 million cash repayment of cross-currency interest rate swaps.

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.

	2018 $'000	2017 $'000
Audit and review services of the financial reports by:		
Auditors of the Group (KPMG)	2,360	3,042
Other auditors	88	82
	2,448	**3,124**
Other services by:		
Auditors of the Group (KPMG)		
Accounting advice	-	45
Taxation services	97	65
Legal services	37	211
Lattice related services[(1)]	1,184	632
Advisory services	61	-
Other	179	18
	1,558	**971**
	4,006	**4,095**

(1) This amount relates to IPO transaction, US 144A advisory, accounting advice, legal advisory and taxation services for Lattice Energy.

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 2018					
Derivative financial assets	1,893	(254)	1,639	(678)	961
Derivative financial liabilities	(1,912)	254	(1,658)	678	(980)
30 June 2017					
Derivative financial assets	1,708	(412)	1,296	(414)	882
Derivative financial liabilities	(2,021)	412	(1,609)	414	(1,195)

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	2018 $million	2017 $million
Consolidated statement of comprehensive income and retained profits		
Revenue	14,297	13,646
Other income	95	393
Expenses	(13,554)	(12,509)
Share of results of equity accounted investees	205	(1,912)
Impairment	-	(753)
Interest income	228	224
Interest expense	(544)	(590)
Profit/(loss) before income tax	**727**	**(1,501)**
Income tax expense	(65)	(102)
Profit/(loss) for the period	**662**	**(1,603)**
Other comprehensive income	-	1
Total comprehensive income for the period	**662**	**(1,602)**
Retained earnings at the beginning of the period	**4,232**	**5,834**
Adjustments for entities entering the Deed of Cross Guarantee	(4)	-
Retained earnings at the beginning of the period	**4,228**	**5,834**
Dividends paid	-	-
Retained earnings at the end of the period	**4,890**	**4,232**

F9 Deed of cross guarantee (continued)

as at 30 June	2018 $million	2017 $million
Statement of financial position		
Current assets		
Cash and cash equivalents	56	44
Trade and other receivables	3,146	3,321
Inventories	183	123
Derivatives	406	240
Other financial assets	208	86
Assets classified as held for sale	-	2,050
Other assets	151	99
Total current assets	4,150	5,963
Non-current assets		
Trade and other receivables	1,966	1,831
Derivatives	1,109	1,055
Other financial assets	4,274	4,614
Investments accounted for using the equity method	5,988	5,451
Property, plant and equipment	3,391	2,934
Exploration, evaluation and development assets	-	63
Intangible assets	5,130	5,131
Deferred tax assets	152	187
Other assets	38	34
Total non-current assets	22,048	21,300
Total assets	**26,198**	**27,263**
Current liabilities		
Trade and other payables	2,204	2,544
Payables to joint ventures	221	130
Interest-bearing liabilities	-	127
Derivatives	182	300
Other financial liabilities	61	387
Provision for income tax	114	51
Employee benefits	118	179
Provisions	34	33
Liabilities classified as held for sale	-	720
Total current liabilities	2,934	4,471
Non-current liabilities		
Trade and other payables	8,315	8,625
Interest-bearing liabilities	713	1,016
Derivatives	1,234	1,309
Employee benefits	19	34
Provisions	321	64
Total non-current liabilities	10,602	11,048
Total liabilities	**13,536**	**15,519**
Net assets	**12,662**	**11,744**
Equity		
Share capital	7,150	7,150
Reserves	622	362
Retained earnings	4,890	4,232
Total equity	**12,662**	**11,744**

F10 Parent entity disclosures

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

Origin Energy Limited	2018 $million	2017 Restated $million
Loss for the period	(1,390)	(1,934)
Other comprehensive income, net of income tax	258	(187)
Total comprehensive income for the period	**(1,132)**	**(2,121)**
Financial position of the parent entity at period end		
Current assets	1,193	1,517
Non-current assets	20,164	21,779
Total assets	**21,357**	**23,296**
Current liabilities	3,596	2,373
Non-current liabilities	7,118	9,174
Total liabilities	**10,714**	**11,547**
Share capital	7,150	7,150
Share-based payments reserve	247	221
Foreign currency translation	379	133
Hedging reserve	(13)	(25)
Retained earnings	2,880	4,270
Total equity	**10,643**	**11,749**
Contingent liabilities of the parent entity		
Bank guarantees - unsecured	213	126

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.

Change in accounting policy

The Group has re-assessed its accounting policy relating to accounting for interests in joint ventures in its parent entity. In the current year, the Group elected to change the method of accounting to use the equity method. The parent entity had previously measured its investments at cost.

The Group believes that this method provides more relevant information to the users of its financial statements and that it aligns the parent entity accounting policy to the Group's accounting treatment. The change in the parent entity has been applied retrospectively with an opening adjustment of $4.0 billion recognised as an equity accounted investment classified under non-current assets and a corresponding increase in retained earnings of $3.9 billion and foreign currency translation reserve of $0.1 billion within equity.

In the current year, the applied equity accounting method has resulted in an increase in equity accounted investments of $525 million with a corresponding increase in profit of $205 million and foreign currency translation reserve of $246 million.

F11 New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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* and generally simplifies the classification and measurement of financial instruments, introduces a new model for calculating impairment of financial assets, and aligns hedge accounting more closely with an entity's risk management practices.

In the current year, the Group completed its detailed impact assessment. The key impacts on the Group's accounting and reporting, as outlined below, are based on currently available information and may change should further reasonable and supportable information become available in 2018 when the Group adopts AASB 9.

The key changes to the Group's accounting for and reporting of financial instruments are outlined below.

· Mandatorily Redeemable Cumulative Preference Shares (MRCPS) – the MRCPS issued to the Group by Australia Pacific LNG are currently held at amortised cost. Under the new standard the MRCPS financial asset must be measured at fair value through profit and loss. At 30 June 2018, the fair value of the MRCPS receivable was $3,465 million as compared to a carrying value of $3,620 million.

· Available-for-sale financial assets – the Group's available-for-sale financial assets include Settlement Residue Distribution Agreements which are currently held at fair value through other comprehensive income. Under the new standard, changes in the fair value of these financial assets must be recognised in profit and loss. Cumulative fair value losses of $22 million will be reclassified from reserves to retained earnings on initial adoption of AASB 9.

AASB 9 introduces an expected credit loss model for impairment of financial assets which replaces the existing incurred loss model. The various methodologies under which the Group currently calculates trade receivable and unbilled revenue impairment allowances have been reviewed and application of the new credit loss model will not have a material impact to the Group.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and establishes a five-step model to account for revenue arising from contracts with customers. The core principle of AASB 15 is that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

In the current year, the Group completed its detailed impact assessment which included review of a representative sample of revenue contracts and relevant industry guidance. As a result of the assessment, it is concluded that there will be no material adjustments to profit or retained earnings on adoption of AASB 15.

F11 New standards and interpretations not yet adopted (continued)

The revenue and expenses line items in the income statement will be subject to immaterial adjustments of equal amounts due to revised accounting for network connection fees passed onto customers in the Group's retail energy contracts and gas swap arrangements.

Further reclassification from other income to revenue may also arise where amounts recorded in other income are deemed to constitute contracts with customers under AASB 15.

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 and 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. AASB 16 further introduces a new definition of a lease, which focuses on the right to control the use of an identified asset.

At the reporting date, the Group has $505 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 need to assess option or renewal periods identified in lease agreements. Where such options are reasonably certain of exercise, payments in excess of those currently disclosed as operating lease commitments will be included in the calculation of the lease liability and right-of-use asset.

The Group's detailed impact assessment is ongoing and a reliable estimate of the impact is still being determined.

Conceptual Framework for Financial Reporting

The International Accounting Standards Board (IASB) issued the revised Conceptual Framework on 20 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for prepares developing consistent accounting policies. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The revised Conceptual Framework is effective for annual periods beginning on or after 1 January 2020.

The Group has assessed the impact of the changes to the Conceptual Framework. It is not expected to have a significant impact on the amounts recognised in these financial statements.

F12 Subsequent events

No item, transaction or event of a material nature has arisen since 30 June 2018 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 2018 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 2018.

Signed in accordance with a resolution of the Directors:

Gordon M Cairns, Chairman
Director

Sydney, 16 August 2018

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 2018 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 2018.

Signed in accordance with a resolution of the Directors:



Gordon M Cairns, Chairman
Director

Sydney, 16 August 2018

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 2018 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 2018;
- 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 Australian Pacific LNG (APLNG) equity accounted investment and Ironbark exploration asset
- 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.

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Carrying value of Australia Pacific LNG (APLNG) equity accounted investment (A$5,988m as at 30 June 2018) and Ironbark exploration asset (A$296m as at 30 June 2018)	
Refer to Note E1 and B2 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The recoverability of the carrying value of the APLNG equity accounted investment and Ironbark exploration asset are considered a key audit matter. This is due to the: • Group's exposure to commodity price fluctuations, a fundamental input to these asset values; • 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 both the APLNG and Ironbark Fair Value Less Cost of Disposal (FVLCOD) models include: • 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 2018 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 external sources; 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.

Accounting for derivative financial assets and liabilities (A$1,639m and A$1,658m respectively) as at 30 June 2018	
Refer to Note C2 – C5 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Accounting for derivative financial assets and liabilities is considered a key audit matter due to being inherently complex. The factors contributing	Our audit procedures included: • Using our valuation specialists and evaluating the methodology of the internal valuation models applied to Level 3 financial

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.	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. • 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$1,288m, net of allowance for impairment as at 30 June 2018)	
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	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.

Unbilled revenue (A$1,288m, net of allowance for impairment as at 30 June 2018)	
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.	• Testing the volume of wholesale energy purchased by the Group to AEMO invoices on a sample basis. • 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; ○ year end unbilled revenue amounts to subsequent billings, where, possible, on a sample basis; ○ 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.

Unbilled network expenses contained within Trade Payables (A$2,016m as at 30 June 2018)	
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. • Testing the volume of wholesale energy purchased by the Group to AEMO invoices on a sample basis. • Reconciling purchase volumes to revenue volumes recognised. • Challenging the current period estimate by: ○ Comparing year end unbilled network expense accrual amounts, by state and fuel type, against historical distributor invoices and purchase volumes delivered to customers; ○ Checking for consistency the correlation of volume estimates for unbilled network expenses to the estimates for unbilled revenue; and

	○ Comparing 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. • Developing an expectation of unbilled distribution costs based on the above factors 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_responsibilities/ar1.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 2018, 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 2018.

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

KPMG

Duncan McLennan
Partner

Sydney

16 August 2018