Annual Report 2007

Contents

Orica Limited
ABN 24 004 145 868

About Orica

We've only been known as Orica for a decade yet we can lay claim to more than a century of expertise, superior service and innovative product development in our chosen fields.

Our commitment to leadership, innovation, quality and safety has seen us grow into a global Australian-based company with more than 14,000 people operating in around 50 countries and servicing customers in twice that number.

Orica is a multibillion dollar organisation, currently ranked in the top 40 companies listed on the Australian Stock Exchange based on market capitalisation.

We take pride in our ability to turn science into the solutions that satisfy basic human needs, and in our delivery of products, brands and services that can be trusted for their reliability, range and quality.

Whilst end consumers are often unaware of it, Orica's role is critical in producing many of the things that people take for granted in their everyday lives.

At Orica, we aim to conduct our business in a sustainable manner. Meeting our environmental, social and community obligations is important – not only to us, but also to our customers and the community.

Each of our businesses enjoys a world class reputation. Orica Mining Services and Minova are global market leaders, and our Consumer Products, Chemnet and Chemical Services businesses are Australian market leaders.

ORICA > TURNING SCIENCE INTO SOLUTIONS

Orica Mining Services offers commercial explosives, initiating systems and Blast Based Services to the mining, quarrying and construction industries. The business has true global reach with a presence in Australia, Asia, Europe, the former Soviet Union, Africa, the Middle East, North America and Latin America.

Minova specialises in delivering chemical-based consumables, associated equipment and services for strata support, ventilation and water control to the underground mining, tunnelling and civil engineering markets. Minova operates sites in Australia, the Czech Republic, United Kingdom, Germany, India, South Africa, Poland, Russia, the USA, China, Kazakhstan, Sweden, Switzerland and Spain. The recent acquisition of Excel Mining Systems expands the business' product offering to include specialty bolts and accessories for strata support in underground mining.

Orica's Consumer Products business is Australia and New Zealand's leader in decorative, preparation, and lawn and garden care products. The iconic brands manufactured and marketed by the business include Dulux, Berger, British Paints, Levene, Walpamur, Cabot's, Feast Watson, Intergrain, Acratex, Selleys, Rota Cota, Poly, Turtle Wax, Yates, Thrive, Zero and Dynamic Lifter in Australia and New Zealand. An extensive range of powder coatings is manufactured and marketed in Australia, New Zealand and the Asia-Pacific region.

Chemical Services is a major supplier of chemicals, services and technologies to the water treatment, mining chemical and industrial chemical markets. The business is based in Australia and has operations in the USA, United Kingdom, Ghana and Peru. Chemical Services operates three separate business units: Watercare, Mining Chemicals and Specialty Chemicals.

Chemnet is Australasia's largest chemical distributor, supplying a broad range of chemicals to almost every industry group. The business is based in Australia and operates in New Zealand, China, Hong Kong, Fiji, Indonesia, Thailand, Malaysia, Singapore, Peru and Chile.

THE WAY WE DO BUSINESS

Our business activities are structured around what we regard as the enablers to success, namely Growth, Productivity and Culture.

- Growth – Our growth strategy is guided by three criteria:
  - Market leadership – can we be market leader in that business either globally or locally and do we have the competitive advantage to sustain that position?
  - Grow 'close to the core' – we pursue opportunities in related businesses where we can leverage expertise and achieve synergies.
  - Invest in the 'winners' – we only grow our best performing businesses that meet financial performance targets and have earned the right to grow.

    We grow through organic means and through acquisition, extending into new geographies, expanding into new categories and improving our ability to meet customers' needs.
- Productivity – Improving productivity is a key element of how we do business. Our aim is to improve productivity year on year by way of efficiency, effectiveness and leveraging our fixed cost base. All our business units are focused on improving efficiency, paying particular attention to manufacturing and supply chain improvements. The adoption of Six Sigma plays an important role in our productivity improvement program. This ongoing drive for productivity is intrinsic to our integration of acquisitions, where we continually look for synergies as part of the integration process. For example, we identified $90 million of synergy benefits associated with our integration of Dyno in Europe, Latin America and Asia. Delivery of these benefits is on track, with approximately $70 million delivered to date.
- Culture – Much of our growth has come from geographic expansion spanning cultural, language and workplace relations diversity. Having a strong culture within the organisation is critical to ensuring that we all share a common approach to the way we do business. The four 'Deliver the Promise' principles that support our performance based culture and against which our performance is measured, revolve around Safety, Health and Environment, Commercial Ownership, Creative Customer Solutions and Working Together. Our culture empowers and motivates Orica's people to achieve long-term, sustainable results.

Chairman's Report

I am pleased to report that this year your company continued to grow strongly and perform well.

In a very active year for Orica, your company's underlying earnings for the year improved with net profit after tax and before individually material items up 31% on the full year result for 2006 to $498 million. Net profit after tax and individually material items was down by 10% to $488 million from the previous year (which included a profit of $159 million on individually material items).

The Board has declared a final dividend of 53 cents per share, franked at 17 cents per share. This brings the total dividend for the year to 89 cents per share franked at 17 cents per share, which represents an increase of 20% on the 2006 dividend.

Orica's Managing Director and his management team made some significant achievements both in the existing business and against the company's strategy of acquisitive growth in closely related businesses that offer geographic or product expansion.

The recent acquisition of Excel Mining Systems (Excel) in the United States is one more realisation of that strategy. Excel with its metal based structural support products is complementary to the Minova business with its chemical based strata products. They share common customer bases but not necessarily in the same regions, and therefore provide opportunities for geographic and product expansion.

These acquisitions combined create a new business platform for Orica which, although closely related to our existing mining services explosives business, provides us a new, and increasingly important, product and service range for the underground mining sector. A greater demand for safety in underground mining, coupled with a trend towards extracting underground deposits as the availability of open cut resources diminishes, make this a valuable addition to our capability to meet the future needs of the mining sector.

Sales growth for Minova has been strong across most regions and synergies are being delivered to expectation.

These developments have further cemented Orica as one of the world's leading suppliers of services to the mining industry. The Mining Services explosives business, which delivered a record result this year, is well positioned to take advantage of the opportunities presented by emerging high growth markets including China, India, Russia, Eastern Europe and Latin America. Orica's presence in Eastern Europe has been strengthened by our acquisition of Minova.

Consumer Products delivered strong results this year due to improving market conditions and increased market share flowing from the strategic decision to invest more heavily in our brands and new product innovation. This investment allowed us to capture value from an Australian paint market that returned to positive growth following two years of decline. The Australian and New Zealand Paints businesses, Selleys and Yates have all increased their market share this year.

The Mining Chemicals division enjoys considerable competitive advantages enabling it to benefit further from the projected increase in global demand for sodium cyanide by gold producers over the next few years. We have made strategic investments in recent years to reach this privileged position including the recent successful commissioning this year of a further 20ktpa increase in capacity at our Yarwun sodium cyanide plant.

Progress continues to be made towards meeting the company's Challenge 2010 goals, which are the targets that Orica has set itself to reduce its environmental impact. Per unit of production, our net water consumption and waste generation have decreased, and while energy consumption and greenhouse gas emissions increased due to increased production of energy intensive products, plans are in place to make significant improvements in these areas.

Orica devotes considerable resources to cleaning up legacy sites and remains committed to dealing with environmental issues from the past in an honest and practical way.

Your Board remains confident in its strategy of investing in those businesses that have earned the right to grow while remaining focused on productivity and efficiency to ensure that all of our businesses meet our strict financial hurdles.

We see growth coming from four key areas: industry and organic growth, productivity improvements, expansion capital expenditure, and mergers and acquisitions – increasingly outside of Australia.

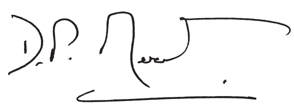
Orica's total shareholder returns in the past five years have increased at almost twice the rate of the ASX 100 accumulation index. We have taken the strategic steps to ensure that we remain on our growth path, capturing maximum shareholder value from the opportunities we see before us.

We continue to have a strong balance sheet and remain committed to maintaining our BBB+ rating. The prudent management of our balance sheet afforded us the capacity for the Minova and Excel acquisitions. That room to stretch is important for our continued growth, and following the acquisition of Excel, we anticipate returning to our targeted gearing range in the next 12 to 18 months.

It is with these opportunities in mind that earlier in the year, after careful consideration, the Board rejected the unsolicited, conditional proposal received from a private equity consortium to acquire Orica for a cash consideration of A$32 per share. The Board felt that the proposal significantly undervalued Orica and its growth prospects.

As in previous years, I would like to take this opportunity on behalf of the Board to thank Orica's employees without whom these achievements would not have been possible. We are fortunate that our commitment to developing, motivating and rewarding our people allows us to recruit and retain high calibre people at all levels of the organisation, and we benefit from strong succession planning when the need arises to fill key positions.

The strategy we have in place, coupled with the high calibre of our people worldwide give us confidence that we can continue to reward our shareholders. I look forward to the next opportunity to update you on Orica's success.



Don Mercer
Chairman

Managing Director's Report

This year, as we mark the end of Orica's first decade as an independent company, I am pleased to report that the company continues to deliver strong results with solid growth in underlying earnings across all of our businesses.

Orica Mining Services and Chemical Services' Mining Chemicals division performed exceptionally well. Orica Mining Services contributed record earnings of $575 million, a 40% increase on the previous year and sales growth for the year was 19%, taking it to $3.1 billion. It is pleasing to report that the successful integration of the Dyno business continues with these businesses contributing an incremental $95 million in earnings in 2007.

Likewise, the Minova business which we acquired late last year, has made a positive start under Orica ownership contributing earnings of $62 million, which is in line with expectations. As the global leader in specialist chemical products for underground mining and civil engineering activities, Minova's product and service offering complements that of our Mining Services business. Minova has already proved itself to be a valuable addition to the organisation.

Consistent with our strategy of investing in market leading positions, we recently completed the acquisition of Excel Mining Systems (Excel). As the leading manufacturer and distributor of metal based strata reinforcement products for underground mining in the USA, Excel is complementary to Minova and they share an underground mining customer base. The combined Minova and Excel business platform along with Orica Mining Services consolidates Orica as the global leader with a market share approaching 30%, which is more than twice that of our nearest competitor.

Adjusted for divestments, earnings for the Chemical Services business increased by 11% reflecting the ongoing market growth in Mining Chemicals and also an increasing market acceptance of Watercare's Miex® water treatment technology. The successful and on-time commissioning of the expanded Yarwun sodium cyanide plant positions the business for continued benefit from the anticipated growth in this market.

Chemnet's earnings of $59 million are slightly ahead of last year. The cost restructuring program is complete and the business continues to recover with focus now on rebuilding market position. However, the expected turnaround in sales and margin has been impacted by unfavourable market conditions in some key market sectors.

Orica Consumer Products performed strongly this year with underlying earnings improving by 14% and sales growth of 5% to $826 million. The result reflects increased market share for all brands and an improving Australasian paint market. The Selleys business achieved a record outcome. This pleasing result endorses our strategy of achieving organic growth through an increased investment in our brands and new product development.

This year Orica has remained on the strategic growth path that has served our shareholders well over the past five years.

The business has maintained its strategy of sustainable profit growth and strong returns on investment, which is supported by a high-performance culture and a commitment to productivity improvement. Orica's businesses are focused on generating strong operating cash flows to help fund future growth as well as delivering on productivity.

Our vision to become a carbon-neutral and water-neutral organisation is a significant element in our pledge to future generations. The Botany Groundwater Treatment Plant is containing the plume of contaminated groundwater under the Botany site. It is also making a positive contribution to our sustainability goal by processing approximately five megalitres of contaminated groundwater daily, most of which is then recycled and made available for use in industrial manufacturing, thus reducing the consumption of potable water.

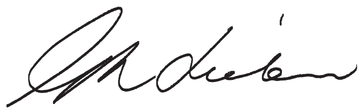
We continue to seek the best possible solutions to issues arising from past operations which were conducted under less stringent environmental standards. The planned export and destruction of the stored Hexachlorobenzene (HCB) waste located at Botany was rejected by the relevant German authority. We have objected to the decision and expect an answer by the end of this calendar year. We remain determined to resolve this legacy issue.

Orica's commitment to an injury-free workplace is uncompromising and we will not put production ahead of our safety, health and environmental obligations. Whilst our recordable incident frequency rate is among the best in the world, we have been unable to completely eliminate workplace accidents. Worse still are the fatalities that were recorded at incidents in Chile and Mexico this year. Our deepest sympathies go to all who were affected by these incidents, along with our assurances that we will learn from these events in order to prevent any recurrence.

Orica would not be what it is today without the talented people employed at all levels of the organisation and I thank them for their invaluable contribution.

Since my last report we have welcomed two new members to the Group Executive. Late last year Andrew Coleman was appointed General Manager of the Chemical Services business and earlier this year Patrick Houlihan was appointed General Manager of Orica Consumer Products. Both Patrick and Andrew have been with Orica for more than 15 years and illustrate our strong commitment to succession planning and developing and retaining our most talented people.

Orica has indeed come a long way in its first decade and is well positioned to continue to deliver the success that has served our business and our shareholders well. I look forward to the next opportunity to update you on Orica's journey of growth.



Graeme Liebelt
Managing Director
November 2007

Orica – 10 years

ORICA > TURNING SCIENCE INTO SOLUTIONS

Then and now: On becoming an independent company, we had around 9,500 employees operating in seven countries.

Orica now employs around 14,000 people. We have operations in around 50 countries, and we supply products and services to more than twice that number.

1997: We separate from former parent company, ICI Plc, to become an independent company. Our subsequent acquisition of the Explosives interests of ICI Plc in the Americas and Europe alters the company's focus from regional to global.

1998: The start of the Orica era. The Company's change of name and identity becomes effective at the start of February. Orica is an abstract word that research at the time indicates can be associated with attributes such as knowledge, expertise and technology.

1999: Orica announces the construction of a state-of-the-art Chlor-Alkali plant at Laverton North, Victoria, Australia. The plant, which uses sophisticated membrane production technology, offers significant benefits in terms of efficiency and reliability as well as delivering world class safety, health and environmental performance.

2001: Orica enters a turbulent period that necessitates a major transformation project with a key focus on productivity, culture and financial discipline. The organisation's subsequent turnaround is attributed to the introduction of these principles.

2003: Orica expands its offering of consumer products with the acquisition of the Yates Consumer Lawn and Garden Business, the market leader in the garden care sector in Australia and New Zealand.

2003-2005: A series of acquisitions contributes to the expansion of Orica's Chemnet business. Between September 2003 and January 2005, the Chemnet portfolio expanded to include Fernz Specialty Chemicals, Bronson and Jacobs, Woods and Woods, and Keith Harris Flavours and Fragrances.

2004: Orica commences a series of expansions to its Yarwun ammonium nitrate plant at Gladstone, Queensland, Australia. Production capacity is now 580ktpa, making Yarwun the largest industrial grade ammonium nitrate plant in the world.

2007: Orica acquires Excel Mining Systems, the leading manufacturer and distributor of specialty bolts and accessories for strata support in underground mining in the USA, and further strengthens Orica's position in a growing underground mining segment.

2006: Orica completed the acquisition of Dyno Nobel's commercial explosives business in Europe, the Middle East, Africa, Asia and Latin America.

Orica Managing Director Graeme Liebelt comments: "The acquisition of the Dyno Nobel businesses in these regions complements our global footprint and extends our access into growing regions."

2007: Orica acquires Minova, the global leader in providing specialist chemical products for underground mining and civil engineering activities. The acquisition brings an additional 1,200 employees into the company.

Review of Operations

Net profit after tax (NPAT) and individually material items for the year ended 30 September 2007 was down 10% to $488M (previous corresponding period (pcp): $539M including a net profit on individually material items of $159M).

Orica's net profit after tax (NPAT) before individually material items of $498M[1] was up 31% compared with the pcp.

FINANCIAL HIGHLIGHTS

- Sales revenue up 3% to $5,527M. Underlying sales growth was 12% (excluding acquisitions and divestments).
- EBIT up 24% to $813M[1].
- NPAT after minority interests up 31% to $498M[1].
- Earnings per ordinary share[1] up 21% to 152.6 cents.
- Return on shareholders' funds[1] at 19.2% is in line with the pcp.
- Gearing[2] at 33.2%, up from 10.2% in the pcp.
- Final ordinary dividend is 53 cents per share (cps) – franked at 17cps. Total ordinary dividend for 2007 is 89 cps, an increase of 20% over pcp (74 cps).

(1) Before individually material items and not adjusted for the impact of discontinued businesses.
(2) Net debt/net debt + book equity.

BUSINESS HIGHLIGHTS

- Record result in Mining Services with EBIT up 40% to $575M, reflecting firm conditions in most regions and the ongoing successful integration of the former Dyno Nobel businesses.
- Record performance in Consumer Products on the back of improving market conditions and increased market share flowing from continuing investment in our brands.
- Chemical Services' result was ahead of last year, with the benefit of ongoing market growth in Mining Chemicals and continued progress in the commercialisation of the MIEX® technology.
- Chemnet's result was slightly ahead of last year, as the cost benefits of the restructure are being realised.
- A positive start by Minova which continues to trade strongly in firm resources markets.

OUTLOOK

- Subject to global economic conditions, group net profit (before individually material items) in 2008 is expected to be higher than that reported in 2007. This is a result of an additional three months contribution from Minova, 11 months contribution from Excel Mining Systems (Excel) and improved earnings across the other businesses.

REVENUE

Sales revenue increased by $168M (+3%) to $5,527M. Major items were:

- Revenue (excluding acquisitions and divestments) of $5,195M improved $563M (+12.2%), driven primarily by:
  - Ongoing growth in Mining Services due to firm demand in most regions;
  - Market share increases and a general improvement in market conditions for Consumer Products; and
  - Increasing demand for sodium cyanide in Chemical Services;

  Offset by:
  - A reduction in Chemnet revenues of $35M (after adjusting for divested businesses).
- Revenue decreased against the pcp by $151M due to unfavourable movement in exchange rates.
- Sales revenue from the acquired Minova business was $332M.
- Incremental revenue from the former Dyno businesses was $435M.
- Sales revenue of businesses divested since the pcp was $726M.
- Other income decreased $437M on the pcp reflecting the profit on sale of the Fertilisers business, Incitec Pivot (IPL) in the pcp.

EARNINGS BEFORE INTEREST AND TAX (EBIT)

- Total EBIT increased 24% to $813M (pcp: $658M) primarily due to:
  - Incremental EBIT from acquired businesses, including synergies, of $157M (Dyno $95M and Minova $62M);
  - Improvement in underlying earnings from Mining Services of $68M (17.7%), reflecting growth in all markets and the benefits of the Yarwun ammonium nitrate (AN) expansion; and
  - Improvement in underlying earnings in Consumer Products (market and market share growth) and Chemical Services (Mining Chemicals);

  Partly offset by:
  - Difficult market conditions experienced by Chemnet largely offsetting the benefits of last year's cost reduction program;
  - Consumer Products $10M restructure of Yates and $4M environmental provision;
  - A net negative impact from unfavourable foreign exchange rates of $18M; and
  - No Fertilisers contribution due to the sale of IPL in the pcp.

INTEREST

- Net interest expense of $123M increased by $30M from pcp, mainly due to:
  - Higher average net interest rates – $10M;
  - Higher net debt and lower capitalised interest during the year – $13M; and
  - An increase of $6M for non-cash interest on unwinding of discounted environmental provisions.
- Interest cover was 6.6 times (pcp 7.1 times).

TAX

- Tax expense was $166M with an effective tax rate of 24.1% (pcp: 27.7%). The lower effective rate was primarily a result of favourable adjustments relating to the prior years.

NET PROFIT

- Net profit after tax before individually material items increased 31% to $498M (pcp: $380M).
- Net profit after tax and individually material items was down 10% to $488M (pcp: $539M including a net profit on individually material items of $159M).

INDIVIDUALLY MATERIAL ITEMS

- Individually material items for the year totalled $10M loss after tax (pcp: profit of $159M). Items in the current period were:
  - A net profit of $24M on disposal of the Adhesives and Resins businesses; and
  - a reversal of a $16M tax indemnity due to a favourable taxation ruling;

  Offset by:
  - $33M expense relating to the ongoing integration of the acquired Dyno Nobel businesses; and
  - a $16M charge associated with the restructuring and goodwill impairment of Marplex.

SHARE BUYBACK

- The $250M on market share buy-back was completed in July 2007 at an average price of $24.26.

DIVIDEND

- Directors have increased the final ordinary dividend by 10% to 53 cps (pcp: 48 cps) franked at 17 cps.
- Franking capacity in the near term is forecast to be around 35%.

Review of Financial Performance

MERGERS & ACQUISITIONS, DEVELOPMENT

- The purchase of Minova for $870M was completed on 1 January 2007.
- The sale of the Adhesives and Resins business was completed in January 2007 for an after-tax profit of $24M.
- The purchase of Excel for approximately $775M was completed on 26 October 2007.
- Further progress has been made on the development of an AN manufacturing facility in Bontang, Indonesia.
- Mining Services continues to develop its business through organic growth, a number of small bolt-on acquisitions and increasing Orica's share ownership in joint ventures.
- Chemical Services' Watercare division continues to work on the commercial development of new technologies, with MIEX® steadily gaining market acceptance and extending its product offering in the watercare market by way of small bolt-on acquisitions.
- The uprate of the Yarwun sodium cyanide facility of the Chemical Services' Mining Chemicals business was completed on time and within the revised budget of $50M.

BALANCE SHEET

- Key balance sheet movements since September 2006 were:
  - The increase in reported trade working capital was $123M from the pcp. This was due primarily to the impact of the acquisition of Minova ($87M), partly offset by the impact of divestments (primarily Adhesives and Resins $7M). Underlying trade working capital was up $49M compared with the pcp, mainly due to increased inventories and debtors as a result of increased sales in Mining Services;
  - Rolling trade working capital to sales has improved to 14.8% (16.4% in the pcp);
  - Net property, plant and equipment is $140M up on the pcp, mainly due to completion of the sodium cyanide ($39M) and ammonium nitrate uprate projects ($15M), Electronic Blasting Systems (EBS) capacity uprate at Brownsburg ($25M), investment in the Terra project ($17M), the relocation of the emulsion plant in the Emirates ($8M) and ongoing investment in Russia ($5M). The movement attributable to the acquisition of Minova was $38M;
  - Intangible assets are $914M higher than the pcp, mainly due to the acquisition of Minova ($898M) as well as intangibles on smaller acquisitions;
  - The increase in net other liabilities of $214M over the pcp was partly due to the acquisition of Minova ($145M), fair value adjustments to Dyno acquisition provisions ($24M) and an increase in employee provisions ($15M);
  - Net debt increased by $1,004M from pcp to $1,306M, primarily due to acquisitions ($958M), sustenance and growth capital expenditure ($337M), completion of the share buyback ($115M), dividends and distributions paid ($307M), partly offset by operating cash flows of $524M and sale proceeds from divestment of assets of $124M;
  - Orica shareholders equity decreased by $50M, mainly due to the completion of the share buy back ($115M) and net reduction in the foreign currency translation reserve due to unfavourable currency movements ($130M), dividends/distributions paid ($289M) partly offset by the increase in retained earnings due to profit after tax; and
  - Outside equity interests have increased due to higher profits in the businesses offset by dividends received.
- Key balance sheet movements since March 2007 were:
  - Trade working capital decreased by $50M, largely due to a reduction in inventories and timing of payments to suppliers;
  - Intangible assets increased by $29M, mainly arising from adjustments to fair value assessments on the Dyno and Minova acquisitions; and
  - Net property, plant and equipment increased by $79M. The key movements were the sodium cyanide uprate at Yarwun, the EBS capacity uprate project at Brownsburg and turnarounds at the Kooragang Island and Carseland plants during the period.

GEARING

- At 33.2%, accounting gearing (net debt/net debt + equity) increased by 23.0 percentage points since September 2006 (10.2%). In accordance with accounting standards, SPS Securities are recognised as equity.
- Adjusted gearing, which treats the SPS Securities as 50% equity and 50% debt in accordance with the Standard & Poors credit rating treatment, was 39.6% (18.4% September 2006).

CASH FLOW

- Net operating cash inflows were $524M, compared with the pcp net inflow of $414M, mainly due to:
  - EBITDA growth of $181M, to $996M; and
  - A net reduction in trade working capital of $163M;

  Partly offset by:
  - $18M increase in interest paid, due to higher average interest rates and lower interest capitalisation levels;
  - $40M increase in income tax paid, due to an increase in earnings; and
  - $177M increase in non-trade working capital outflows, due to payments made against environmental and restructuring provisions ($60M), a general decrease in non-trade creditors, spend on significant items and foreign exchange reserve movements.
- Net investing cash outflows of $1,172M ($376M pcp). The increase is mainly due to:
  - $69M increased spending on acquisitions, with the current period spending due mainly to the Minova Group acquisition and other smaller bolt-on acquisitions. The pcp cash outflow was primarily attributable to the Dyno acquisitions; and
  - A reduction in proceeds from surplus asset sales of $776M. Current period proceeds were $124M with divestment of Adhesives and Resins being the main item. The pcp proceeds were mainly from the divestment of IPL;

  Offset partly by:
  - Lower sustenance capital spending of $139M compared with the pcp of $179M (pcp included major turnaround at IPL) and lower growth capital spend of $198M compared with the pcp of $209M (pcp included Yarwun ammonium nitrate uprate).
- Net financing cash inflows of $25M (pcp inflow $757M), mainly due to:
  - Minimal proceeds from the issue of shares compared to the net $508M rights issue and the net $490M Orica SPS Securities issue inflows in the pcp;
  - An increase in short term borrowings;
  - Completion of the share buy back ($115M);
  - Net payments for shares issued to employees under long term incentive plans ($29M); and
  - Higher dividends to ordinary shareholders and the initial payment of SPS distributions ($103M higher than the pcp in total).

ORICA STEP-UP PREFERENCE SECURITIES (SPS)

- The first two distributions on the Orica SPS securities relating to the period 15 March 2006 to 29 November 2006 ($24.9M) and for the six months to 30 May 2007 ($19.5M) were paid during the year. Subject to the terms of the SPS, future distributions are payable semi-annually in arrears on 31 May and 30 November each year. All distributions are unfranked.
- The distribution rate is calculated as the sum of the 180 Bank Bill Swap Rate (BBSW) plus a margin of 1.35%. The distribution rate for the current period is 7.81% (BBSW on 31 May 2007 6.46% plus 1.35%).

STRATEGY

Orica's strategy for sustainable profit growth and strong returns on investment is driven by:

- securing market leadership positions in selected 'niche' markets, which build on the businesses strengths and enables the Company better service customers, develop and retain technological advantage and achieve benefits of scale;
- growing only businesses that have 'earned the right to grow'; and
- growing 'close to the core'.

Strict adherence to financial criteria continues to provide the discipline required for assessing growth opportunities.

Orica sees growth coming from four key areas: Industry and Organic Growth, Productivity Improvements, Expansion Capital expenditure and Mergers and Acquisitions.

Orica's businesses are focused on generating strong operating cash flows to help fund future growth as well as delivering on productivity (for example the successful integration of the former Dyno businesses demonstrates our competence in driving productivity and integrating large acquisitions).

This strategy has been successful and is a relatively low risk approach that has the potential to produce superior returns for our shareholders in the longer term.

Major strategic initiatives in the year to 30 September 2007 were:

Minova/Excel:

- Orica completed the acquisition of the Minova group of companies on 1 January 2007. Minova is a clear global leader in providing specialist chemical products for underground mining and civil engineering activities.
- Effective 26 October 2007, Orica completed the acquisition of Excel Mining Systems ("Excel"). Excel is the leading supplier of metal based strata reinforcement products for underground mining in the USA.
- The Minova and Excel acquisitions are complementary and position Orica as the leading supplier of strata support systems to the mining and tunnelling industries.

Mining Services:

- Mining Services continues to leverage its position as the pre-eminent global commercial explosives company by growing the business organically as its customers increase output and open new mines, via the formation of strategic joint ventures and by small bolt-on acquisitions.
- Mining Services continues to make steady progress towards developing an ammonium nitrate facility in Indonesia, with final engineering design likely to be completed during 2008. The feasibility of establishing an ammonium nitrate facility in Latin America is continuing.

Consumer Products:

- Orica Consumer Products successfully continues to pursue its market leadership strategy in Australia and New Zealand by sustained investment in both product innovation and marketing.
- Entry into Asian markets is progressing well with a small but growing presence in China.
- Consumer Products announced a restructure of the Yates business (primarily focusing on supply chain improvement and a rationalisation of product ranges) that has been severely impacted by prolonged drought conditions throughout much of Australia.

Chemnet:

- The restructure program is complete and the business is firmly focused on delivering improved sales and margins.
- The increase to 100% ownership in our Latin American business (from 51%) and the establishment of a bulk sulphuric acid tank in Darwin are important drivers to the ongoing recovery of Chemnet.

Chemical Services:

- The 80ktpa sodium cyanide uprate at Yarwun was completed on time and within the revised capital budget of $50M.
- MIEX® commercialisation continues to gather momentum and is expected to be break even in 2008. Interest in the MIEX® technology continues in new geographies as well as for applications other than drinking water.

CORPORATE CENTRE & SUPPORT COSTS

- Corporate Centre costs of $39M were $3M higher than last year mainly due to an increase in remuneration from the introduction of a Key Executive Retention Plan.
- Other support costs of $14M were in line with the prior year, inclusive of the following major items:
  - One off Qenos doubtful debts recovery of $8M and a net favourable insurance result of $9M ($6M higher than pcp);

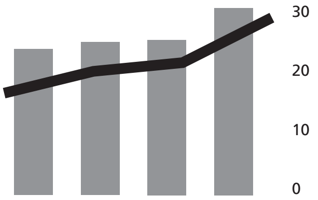
  Offset by:
  - Takeover defence and stranded Mergers & Acquisition bid costs of $13M and Botany Groundwater Treatment Plant operating costs and depreciation of $7M.

Review of Financial Performance continued

FINANCIAL PERFORMANCE 2007

SHAREHOLDER SCORECARD

Earnings per Share* ($) and Year End Share price ($)

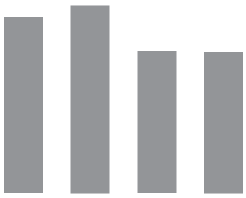


2004	2005	2006	2007
1.19	1.24	1.26	1.52

EPS ■ Year End Share Price

*Before individually material items

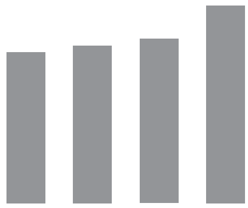
Return on Shareholders' Funds* (%)



2004	2005	2006	2007
23.9	25.5	19.3	19.2

*Before individually material items

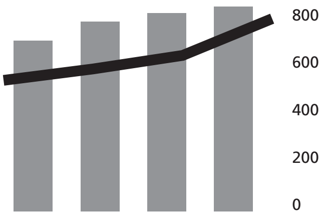
Dividends per Share ($)



2004	2005	2006	2007
0.68	0.71	0.74	0.89

FINANCIAL SUMMARY

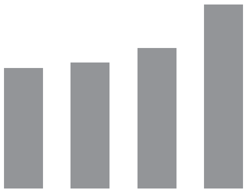
Sales ($M) and EBIT ($M)



2004	2005	2006	2007
4,611	5,127	5,359	5,527

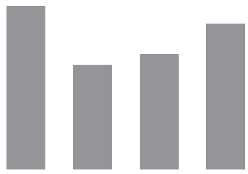
Sales ■ EBIT

Net Profit After Tax Before Individually Material Items ($M)



2004	2005	2006	2007
326	340	380	498

Cash Flow from Operating Activities ($M)



2004	2005	2006	2007
588	376	414	524

FINANCIAL LEVERAGE

Net Debt ($M)

2004	2005	2006	2007
977	1,112	302	1,306

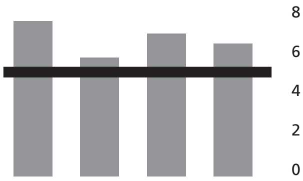
Adjusted Gearing (%)

2004	2005	2006	2007
38.8	42.3	18.4*	39.6*

Gearing ■ Target Range

*Adjusted gearing, which treats the SPS Securities as 50% equity and 50% debt.

Interest Cover (Times)

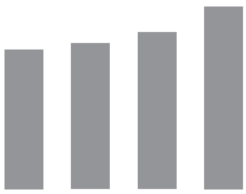


2004	2005	2006	2007
7.7	5.9	7.1	6.6

Interest Cover ■ Target >5x

EFFICIENCY

Gross Margin Growth ($M)



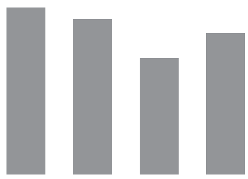
2004	2005	2006	2007
1,894	1,976	2,125	2,474

Productivity (%)

2004	2005	2006	2007
74.0	73.2	72.8	69.8

Productivity is measured as total fixed costs (incl. depreciation and amortisation) as a percentage of gross margin.

Cash Conversion (%)



2004	2005	2006	2007
75.2	70.2	52.5	63.8

Cash conversion is calculated as EBITDA add/less movement in working capital less sustenance capital spend.

Orica Mining Services

Record result with profitability up 40% to $575M, including a contribution of $121M from the acquired Dyno businesses (including synergies).

HIGHLIGHTS

- Excluding Dyno, profitability up $68M (18%) due to strong growth in the base businesses.
- Dyno integration (including rationalisation of operations) is on track and synergies are being realised ahead of plan. Synergies delivered to date total $70M.
- Continued robust volumes and favourable market conditions in most major markets contributing to increased EBIT margin.
- Continued growth in Electronic Blasting Systems (EBS) and other value adding technologies such as Blast Based Services (BBS).
- Strategic bolt-on acquisitions in North America.

BUSINESS SUMMARIES

Australia/Asia

- EBIT of $314M, up 38% on pcp.
- Regional volume growth was strong at 11% largely driven by increasing market share from the Yarwun ammonium nitrate expansion. Market growth was approximately 5-6%.
- Business is increasing penetration into the Chinese domestic market and has secured some new opportunities in Western Australia.

North America

- EBIT of $84M, in line with pcp. Negative impact from foreign exchange on the translation of earnings was $7M.
- Regional volume up 2% with lower demand for coal while electronic detonator sales were up 90% on pcp.
- Consolidation and expansion of EBS manufacturing at Brownsburg, Canada is on track and the Terra sourcing project is delivering expected benefits.

Latin America

- EBIT of $85M, up 63% on pcp, with regional volume up 4%. Negative impact from foreign exchange on the translation of earnings was $10M.
- Progress has been made in the manufacturing rationalisation project, as part of the Dyno integration, and will continue into 2008.
- Electronic detonator sales up 50% on pcp.

Europe, Middle East and Africa (EMEA)

- EBIT of $93M, up 87% on pcp.
- Regional volume up 9%, with strong demand in Turkey, Germany and Estonia.
- Increased manufacturing presence in Russia and Ghana.
- Relocation of non-electric detonator manufacturing from Germany to Sweden is largely complete.

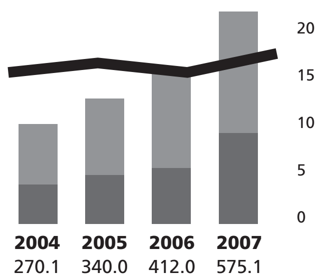
OUTLOOK 2008

- Market conditions, especially for resources in Australia, to remain firm.
- Steady ongoing easing of infrastructure constraints in the USA and Australia is expected.
- Continued realisation of Dyno synergy benefits and benefits of smaller acquisitions.
- Further growth opportunities in emerging markets (eg China and Russia).
- A strengthening Australian dollar will continue to adversely impact translated earnings.

FINANCIAL PERFORMANCE 2007

Record result with profitability up 40% to $575M, including a contribution of $121M from the acquired Dyno businesses (including synergies).

EBIT ($M) and EBIT Margin (%)



Key
- EBIT Margin
- EBIT H2
- EBIT H1

Financial Performance A$M

Year ended September	2007	2006	Change F/(U)*
Sales Revenue	**3,111.2**	2,620.9	19%
EBIT	**575.1**	412.0	40%
Operating Net Assets	**2,307.1**	2,184.1	6%
Return on Net Assets	**26%**	25%	
EBIT			
Australia/Asia	**314.0**	227.3	38%
North America	**83.5**	83.2	0%
Latin America	**84.7**	51.9	63%
EMEA	**92.9**	49.6	87%

* F – Favourable, (U) – Unfavourable

Minova

Minova earnings for its first nine months were in line with Orica's expectations.

HIGHLIGHTS

- Effective acquisition date of Minova was 1 January 2007.
- Minova sales of $332M and underlying EBIT of $69M represent growth in excess of 10% over the equivalent period in 2006.
- Minova EBIT of $62M includes the negative impact of $7M of one off acquisition adjustments relating to inventory, $13M amortisation of identifiable intangibles and $3M negative impact from unfavourable exchange rates since acquisition date.
- Sales growth for Minova has been strong across most regions (except for lower activity in Poland and the USA) and also benefited from further tunnelling projects in Europe and South East Asia.
- The synergies associated with cost reduction are being delivered to expectation.

STRATEGY AND INTEGRATION

- The senior management of Minova have all been retained and are actively implementing the core strategy of:
  - Expanding into developing markets;
  - Expanding Minova's product offering to include metal based strata products;
  - Developing Minova's expertise in civil engineering outside of Europe; and
  - Leveraging Orica's international mining presence, and vice versa.
- The acquisition of Excel, the leading USA and largest global supplier of metal based strata reinforcement products, in October 2007, is highly complementary to Minova and a key step in delivering the strategy.
- The key management of Excel have been retained.
- The combined Minova and Excel product offering strengthens our position in the growing underground mining segment which is being driven by the resources boom, enhanced safety practices globally and a slow trend toward underground, as opposed to surface, for new mining activity. The combined expertise also enhances our capability to service tunnelling projects.
- The integration of Minova and Excel is fundamental to the success of the acquisition. In order to ensure the full benefits of the synergies between Minova and Excel, building on the success of the Dyno integration, two teams have been established to focus on operational and revenue synergies.
- Both teams will report to the Managing Director of Minova.
- The Managing Director of Minova will continue to report to the Managing Director of Orica.

OUTLOOK 2008

- Mining and civil engineering markets are generally expected to remain firm in most geographies.
- Increasing demand for energy and newer mining technologies in China and Russia is leading to opportunity.
- As mines mature and safety requirements increase, there is an increasing intensity of use of Minova and Excel products.
- Realisation of Excel synergy benefits in line with expectation.
- A strengthening Australian dollar will continue to adversely impact translated earnings.

FINANCIAL PERFORMANCE 2007

Minova earnings for its first nine months were in line with Orica's expectations.

Financial Performance A$M

Period ended September	2007
Sales Revenue	**332.1**
EBIT	**61.6**
Operating Net Assets	**905.6**
Return on Net Assets^	**10.1%**

^ EBIT excluding $7m acquisition adjustment and extrapolated to 12 months

Orica Consumer Products

Record performance with underlying earnings up 14% on pcp. Total reported earnings up by 4% after the establishment of a $10M provision for restructuring of the Yates business and a $4M environmental provision.

HIGHLIGHTS

- Sales revenue increased by 5% on pcp.
- The Australian paint market returned to positive growth (approximately 3%) following two years of decline. Growth was driven primarily by increased renovation activity.
- Continued market share growth in Australasian Paints, Selleys and Yates businesses.

BUSINESS SUMMARIES

Paints and Woodcare

- Sales revenue growth of 7% on pcp driven by market growth, market share gains and the launch of new products.
- Strong volume growth compared with pcp in the Australian Retail paints business, resulting from:
  - market growth and market share increases through major channel partners;
  - new product sales; and
  - investment in marketing spend to support the brands and consumer recognition.
- Australian Trade paint earnings increased due to increased market share.
- New Zealand earnings were up despite a relatively flat market due to retail market share and productivity gains.
- Strong earnings growth in Texture Coatings as these products are continually being substituted for traditional brick finishes.
- Strong Woodcare earnings growth, driven by a 7% increase in revenue coming from higher decking product sales.
- Raw material price increases were largely offset by a combination of the strengthening Australian dollar, price increases and productivity improvements.
- An environmental provision of $4M was established for remediating Padstow, NSW.

Other

- Record result for Selleys driven by sales growth of 6% complemented by market share growth and productivity improvements.
- Powder coatings ANZ business delivered improving sales and EBIT over pcp.
- Progress has been made on restructuring the Yates business with some sites already closed and the resultant cost savings beginning to flow through.
- The business platform in China continues to grow.

OUTLOOK 2008

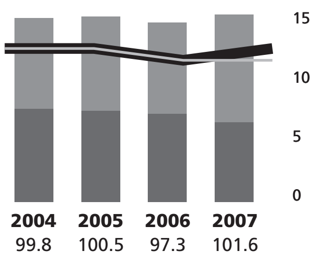
- Revenue and earnings of the Australasian paints and Selleys businesses are expected to steadily increase in generally improving market conditions.
- Raw material prices expected to increase driven by a rising oil price.
- Investment in brands and product innovation will continue to support recent market share gains.

Record performance with underlying earnings up 14% on pcp. Total reported earnings up by 4% after the establishment of a $10M provision for restructuring of the Yates business and a $4M environmental provision.

Key

- EBIT Margin (excluding Yates restructure)
- Reported EBIT Margin
- EBIT H2
- EBIT H1

EBIT ($M) and EBIT Margin (%)



Financial Performance A$M

Year ended September	2007	2006	Change F/(U)*
Sales Revenue	**826.3**	785.0	5%
EBIT	**101.6**	97.3	4%
Underlying EBIT(i)	**111.1**	97.3	14%
Operating Net Assets	**242.7**	222.5	9%
Return on Net Assets	**44%**	44%	
Business Sales			
Paints and Woodcare	**574.7**	535.3	7%
Other(ii)	**251.6**	249.7	1%

(i) Excluding the impact of the Yates restructuring provision
(ii) Selleys, Yates, Powders & Eliminations
* F – Favourable, (U) – Unfavourable

Chemical Services

Chemical Services increased EBIT by 2% to $69M. The Adhesives and Resins (A&R) business was divested in January 2007.

HIGHLIGHTS

- Excluding the disposal of A&R, sales were up in the underlying businesses by 10% and EBIT was up by 11% on pcp.
- The uprate of the Yarwun sodium cyanide plant from 60ktpa to 80ktpa was completed on time and within the revised cost estimate of $50M.

BUSINESS SUMMARIES

Watercare

- Sales in Watercare were up 7% on pcp attributable mainly due to the impact of acquisitions and MIEX®.
- The Australian water treatment industry has encountered substantial reductions in volumes due to sustained drought-enforced water restrictions. The EBIT impact in 2007 was $4M.
- With an improved focus, the business recovered most of the cost increases incurred in the first half of the year.
- World caustic prices remain high.
- To further enhance capability in water treatment, the following small bolt-on acquisitions; CSBP Chlor-Alkali assets, Ultraviolet Technology of Australasia and Wendouree Water Treatment were completed during the year and are all performing to expectation.
- MIEX® continues to gather momentum in the USA and Europe. There are now 12 operational MIEX® plants worldwide and a further 14 plants are in the design or construction phase. Geographical expansion and opportunities to utilise the MIEX® technology for industrial purposes are being pursued.

Mining Chemicals

- Sales increased by 9% over the pcp as sodium cyanide sales volumes continue to increase with the benefit of the 2006 uprate and generally strong demand in gold mining.
- Current year earnings were adversely impacted by the need to trade sodium cyanide while the Yarwun plant was down for an extended period for commissioning of the uprate.

Industrial Chemicals

- The A&R business was divested in January 2007. The realised gain of $24M is included in individually material items.
- Specialty Chemicals' volumes and profits are robust as a result of ongoing strength in the resources industry.

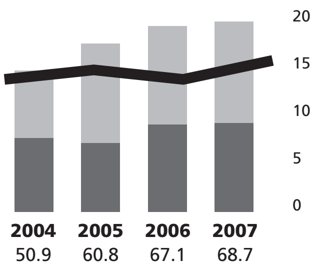
OUTLOOK 2008

- Sodium cyanide demand expected to remain firm.
- Prices for caustic expected to remain high.
- Sales revenue in Watercare will continue to be impacted if ongoing drought-enforced water restrictions continue.
- MIEX® expected to be EBIT break-even in 2008.

FINANCIAL PERFORMANCE 2007

Chemical Services increased EBIT by 2% to $69M. The Adhesives and Resins (A&R) business was divested in January 2007.

EBIT ($M) and EBIT Margin (%)



Key
- EBIT Margin
- EBIT H2
- EBIT H1

Financial Performance A$M

Year ended September	2007	2006	Change F/(U)*
Sales Revenue	**425.1**	477.0	(11%)
EBIT	**68.7**	67.1	2%
Operating Net Assets	**397.1**	391.2	2%
Return on Net Assets	**17%**	18%	
Return on Net Assets^	**19%**	20%	
Business Sales			
Watercare	**198.0**	185.8	7%
Mining Chemicals	**148.8**	136.5	9%
Industrial Chemicals	**78.3**	154.7	(49%)

^ Excluding MIEX®
* F – Favourable, (U) – Unfavourable

Chemnet

Chemnet profitability up 2% to $59M due to the benefits of the restructure program being offset by ongoing difficult trading conditions in some market segments. RONA improved but remains below target.

HIGHLIGHTS

- Despite lower sales, EBIT was maintained in line with pcp as a result of cost reductions from the restructure program. At 6.3%, EBIT margin was up on pcp (5.8%).
- Chemnet sales down 6% on the pcp. On an underlying basis, excluding divested businesses, sales were down 4%.

BUSINESS SUMMARY

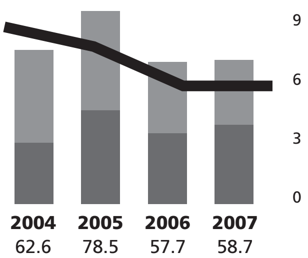
- Sales continue to decline due to a number of factors, including:
  – The continued slowdown in Australasia's manufacturing sectors, especially automotive, cabling and whitegoods;
  – Ongoing aggressive cost reduction programs by key customers, including some customers switching to direct sourcing; and
  – Increased competitive activity in Chemnet's markets.
- The restructure program announced in 2006 has been completed with the following key achievements:
  – A sustainable reduction of $20M in the fixed cost base;
  – Three small businesses were divested during the period resulting in a net gain of $1M; and
  – An investment has been made in a training program for all commercial and supply chain employees in the business. This program will continue in 2008.
- The Latin American business continues to grow and, in addition to servicing Chile and Peru, operations are now located in Brazil and Argentina and business is starting to flow. Recognising the strong outlook in this region, Orica increased its ownership in the Latin American business to 100% (previously 51%) in August 2007.
- In June 2007, Chemnet successfully won the non-compete court case against the former CEO of Bronson and Jacobs.
- Chemnet has invested in a bulk sulphuric acid tank in Darwin, NT, to supply the mining industry under long term agreements. The tank came into operation from October 2007.
- In respect to Marplex, the ongoing disappointing trading performance has resulted in restructuring and goodwill impairment costs of $16M which has been recognised as an individually material item.

OUTLOOK 2008

- Market conditions are expected to remain difficult in Australasia.
- The focus of management is on growing sales and margin and repositioning the business to more value add offerings and stronger markets.
- Continuing focus on refinement and efficiency of the supply chain.

Chemnet profitability up 2% to $59M due to the benefits of the restructure program being offset by ongoing difficult trading conditions in some market segments. RONA improved but remains below target.

EBIT ($M) and EBIT Margin (%)



Key
EBIT Margin
EBIT H2
EBIT H1

Financial Performance A$M

Year ended September	2007	2006	Change F/(U)*
Sales Revenue	**927.7**	987.4	(6%)
EBIT	**58.7**	57.7	2%
Operating Net Assets	**335.2**	342.2	(2%)
Return on Net Assets^	**16.9%**	15.4%	
Return on Net Assets	**17.3%**	15.4%	

^ Excluding Marplex goodwill impairment
* F – Favourable, (U) – Unfavourable

Board Members

Donald P Mercer
BSc (Hons), MA (Econ), FAICD
Age 66

Chairman, Non-Executive Director since October 1997, appointed Chairman since May 2001. Chair of the Board's Remuneration and Appointments Committee and Corporate Governance and Nominations Committee.

Chairman of Newcrest Mining Limited, Australia Pacific Airports Corporation Limited and Orchestra Victoria Limited. Director of Air Liquide Australia Limited. Former Chairman of Australian Institute of Company Directors Ltd. Former Managing Director and Chief Executive Officer of ANZ Banking Group.

Graeme R Liebelt
BEc (Hons)
Age 53

Managing Director and Chief Executive Officer (CEO) since September 2005. Executive Director since July 1997. Member of Corporate Governance and Nominations Committee.

Former CEO of Orica Mining Services, Chairman and Director of Incitec Limited, General Manager of Plastics and Managing Director of Dulux. Member of the Council of Australia Latin America Relations (COALAR).

Noel Meehan
BSc (Hons), CPA
Age 41

Executive Director Finance since September 2005. Former Chief Financial Officer for Orica Chemicals, Orica Group Investor Relations Manager and Corporate Reporting Manager.

Prior to joining Orica he held a variety of finance roles both within Qantas Airways Limited and Australian Airlines Limited.

Michael E Beckett
BSc, FIMM, FRSA
Age 71

Non-Executive Director since July 2002. Member of the Remuneration and Appointments Committee, Corporate Governance and Nominations Committee and the Environment Committee.

Chairman of Coalcorp Limited and Deputy Chairman of Thomas Cook Group plc. Director of Northam Platinum Limited (South Africa), Mvelaphanda Resources Limited (South Africa), Northern Orion Ltd (Canada), Egypt Trust Limited and Endeavour Mining Capital Corp. Former Chairman of London Clubs International (UK) plc and WBB Minerals Limited.

Peter J B Duncan
BChE (Hons), GradDip (Bus), FAICD
Age 66

Non-Executive Director since June 2001. Chairman of the Audit and Risk Management Committee. Member of the Remuneration and Appointments Committee and Corporate Governance and Nominations Committee.

Chairman of Cranlana Programme Foundation and Scania Australia. Director of National Australia Bank Limited. Former director of GasNet Australia Limited and CSIRO and former member of Siemens Australia Advisory Board. Former Chief Executive Officer of the Shell Group of Companies in Australia.

Garry Hounsell
BBus (Accounting), FCA, CPA, FAICD
Age 53

Non-Executive Director since September 2004. Member of the Audit and Risk Management Committee and Remuneration and Appointments Committee.

Deputy Chairman of Mitchell Communication Group Limited. Director of Qantas Airways Limited and Nufarm Limited. Consultant to Investec Bank (Australia) Limited and a Director of The Macfarlane Burnet Institute for Medical Research and Public Health Limited. Former Chief Executive Officer and Country Managing Partner of Arthur Andersen and former Senior Partner of Ernst & Young.

Peter Kirby
BEc (Hons), MA (Econ), MBA
Age 60

Non-Executive Director since July 2003. Chairman of the Environment Committee. Member of the Remunerations and Appointments Committee and Corporate Governance and Nominations Committee.

Director of Macquarie Bank Limited. Former Chairman of Medibank Private Limited and Director of the Business Council of Australia. Former Managing Director and Chief Executive Officer of CSR Limited. Former Chief Executive Officer of ICI Paints and member of the Executive Board of ICI plc.

Nora Scheinkestel
Ph D, LLB (Hons), FAICD, Centenary Medal
Age 47

Non-Executive Director since August 2006. Member of the Audit and Risk Committee and Remuneration and Appointments Committee.

Director of AMP Limited, AMP Capital Group, and PaperlinX Limited. Associate Professor Melbourne Business School. Former director of Newcrest Mining Limited, Mayne Group Ltd, Mayne Pharma Limited, North Ltd, MBF Health Fund, Docklands Authority, IOOF Funds Management and a number of utilities across the gas, water and electricity sector. Also former Chairman of South East Water and Energy 21 and Stratus Group.

Michael Tilley
GradDip, BA
Age 54

Non-Executive Director since November 2003. Member of the Remuneration and Appointments Committee.

Managing Director and Chief Executive Officer of Challenger Financial Services Group Limited. Former member of the Takeovers Panel. Former Non-Executive Director of Incitec Ltd and former Vice-Chairman of JP Morgan.

Catherine M Walter
AM, LLB (Hons), LLM, MBA
Age 55

Non-Executive Director since October 1998. Member of the Remuneration and Appointments Committee and the Environment Committee.

Chairman of the Federal Government's Business Regulation Advisory Group, Equipsuper Pty Ltd and Australian Synchrotron. Director of James Hardie Industries N.V., Melbourne Business School Limited, Australian Foundation Investment Company, Payment Systems Board and the Walter & Eliza Hall Institute of Medical Research and Melbourne International Arts Festival. Former Director of Australian Stock Exchange and National Australia Bank Limited. Former Melbourne Managing Partner of Clayton Utz and Commissioner of City of Melbourne.

Russell Caplan
LLB, FAICD
Age 61

Non-Executive Director since October 2007. Member of the Remuneration and Appointments Committee.

Chairman of the Shell Group of Companies in Australia. Chairman of the Australian Institute of Petroleum and Chairman of the Melbourne and Olympic Parks Trust. Former Director of Woodside Petroleum Limited.

Group Executive Team

Graeme R Liebelt
BEc (Hons)
Age 53
Managing Director

Graeme has held a variety of key positions within the Orica Group since joining in 1989 including Chief Executive of ICI Paints Pacific, General Manager Plastics and Advanced Sciences Groups and Chief Executive Officer, Orica Mining Services.

Prior to joining Orica Graeme held a number of senior positions including Marketing Director, Repco (Australia), Marketing Director, Philip Morris (Australia) and Consultant for Pappas Carter (now Boston Consulting Group).

Noel Meehan
BSc (Hons), CPA
Age 41
Executive Director Finance

Noel joined Orica in April 1999 as Corporate Reporting Manager. Since then, he has held a number of other senior finance roles within the Group, including CFO for Chemicals and Orica Group Investor Relations Manager. Noel was appointed to the role of Chief Financial Officer in May 2005 and Executive Director Finance in September 2005.

Prior to joining Orica, Noel held a variety of finance roles both within Qantas Airways Limited and Australian Airlines Limited.

John Beevers
BEng (Mining)
Age 45
General Manager, Orica Mining Services Australia/Asia

John has been with the company for a period of 20 years, joining in 1985 in the Operations Division of Mining Services (Australia).

Since then he has held a variety of positions in Mining Services with leadership roles in Technology, Operations and Business. Most recently, John held the role of General Manager, Chemical Services.

He has developed and gained a broad international experience base, having managed teams in North America, Europe, South Africa and Australasia.

John assumed his current role in September 2006.

Andrew Coleman
BEng (Hons), MBA
Age 43
General Manager, Chemical Services

Andrew has been with the company for a period of 17 years, joining the Mining Services Division in 1988 based in Melbourne.

Since then he has held a variety of positions in Mining Services with leadership roles in Operations, Product Marketing, Human Resources and Business.

In 2001 he moved to New Zealand joining Orica Consumer Products as General Manager Dulux New Zealand.

Prior to taking up his current role in December 2006, Andrew was General Manager of Orica's Mining Services business in Asia.

Philippe Etienne
BSc, MBA, GradDip (Marketing)
Age 52
Chief Executive Officer, Orica Mining Services

Philippe joined Orica in 1985 from the Bonds Coates Patons Group where he held sales and consumer marketing positions.

Initially in Orica's Chemicals Group, Philippe has held a number of commercial roles including General Manager of Valchem, Watercare and then the ChlorAlkali Division. In 2000 he moved to Denver, Colorado to join the international management team of Orica Mining Services as Senior VP – Strategic Planning.

Prior to taking up his current role, Philippe was Managing Director of Orica's European, Middle Eastern and African business group based in Germany.

Patrick Houlihan
BSc (Hons), MBA
Age 40
General Manager, Orica Consumer Products

Patrick has been with the company for 18 years joining the Dulux business in 1989 as a research chemist. Progressing through a succession of technical, commercial and senior leadership roles he has accumulated extensive experience across all facets of the Orica Consumer Products (OCP) division.

Patrick has developed strong relationships with OCP customers and suppliers over many years in the industry. Prior to this appointment Patrick's recent positions included Dulux Director of Marketing, Selleys Sales Director and most recently General Manager of the Yates business.

Patrick assumed his current role in February 2007.

Bronislaw (Bronek) Karcz
BSc (Geology), BSc (Eng) (Mining), GradDip (Finance)
Age 53
General Manager, Orica Chemnet

Bronek joined the company in November 2001 as General Manager Orica Mining Services Australia/Asia. In April 2005 he assumed his current role managing the Orica Chemnet business and was made a member of the Orica Group Executive Team.

Prior to joining Orica, Bronek held a number of senior business management and marketing roles including Managing Director ERS Ltd and a number of senior roles across Australia, Asia and Africa with Castrol Ltd and Atlas Copco Pty Ltd in Australia.

Andrew Larke
LLB, BComm, Grad Dip (Corporations & Securities Law)
Age 38
Group General Manager, Mergers and Acquisitions, Strategy and Technology

Andrew has spent over 15 years in mergers, acquisitions, divestments and corporate advisory. He joined Orica in April 2002 as General Manager, Mergers and Acquisitions and has been responsible for leading Orica's M&A activities since that time, including the merger of Incitec and Pivot in 2003, the subsequent divestment of Orica's shareholding in the merged Incitec Pivot entity in 2006 and the acquisition of Dyno Nobel in 2005.

Before joining Orica, Andrew was principal in SLM Corporate Advisory and prior to that held the role of General Manager Mergers, Acquisitions and Strategy at resources company North Limited where he also held a number of senior commercial and legal roles.

Greg Witcombe
BSc
Age 57
General Manager, People and Community

Greg has been with the company for 29 years. He joined in 1977 as a research chemist with the Agricultural Products business before moving into a series of commercial roles in the Chemicals business, including a secondment to the United Kingdom where he had responsibility for chemical exports to Asia.

His senior management positions have included General Manager of Trading (now Chemnet) and Mining Chemicals, General Manager of Polyethylene Group, Manager Director of Incitec Ltd and Managing Director of Incitec Pivot Limited.

In June 2005 he was appointed to his current role with responsibility for Human Resources, Safety Health and Environment, Corporate Affairs, Six Sigma and Group Procurement.

Corporate Governance

Orica's directors and management are committed to conducting the Company's business ethically and in accordance with high standards of corporate governance.

This statement describes Orica's approach to corporate governance. The Board believes that Orica's policies and practices comply with the Australian Stock Exchange (ASX) Corporate Governance Council Principles of Good Corporate Governance. The company's corporate governance policies can be viewed on the company's website at www.orica.com.

INTEGRITY OF REPORTING

The Company has controls in place at the Board and business group level that are designed to safeguard the company's interests and integrity of its reporting. These include accounting, financial reporting, safety, health and environment and other internal control policies and procedures, which are directed at monitoring whether the company complies with regulatory requirements and community standards.

Both the Managing Director and Executive Director Finance are required to state in writing to the Board that:

- the Company's financial reports represent a true and fair view of the group's financial condition and operational results and are in accordance with relevant accounting standards
- these statements are founded on a system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the board of directors; and
- the risk management and internal compliance and control systems of the Company and consolidated entity relating to financial reporting objectives are operating efficiently and effectively in all material respects.

These assurances are based on a financial letter of assurance that cascades down through management and includes sign-off by business general managers and business chief financial officers.

Comprehensive practices have been adopted to monitor:

- that capital expenditure and revenue commitments above a certain size obtain prior Board approval
- financial exposures including the use of derivatives
- safety, health and environment standards and management systems to achieve high standards of performance and compliance
- that Business transactions are properly authorised and executed.

Internal audit has a mandate for reviewing and recommending improvement to controls, processes and procedures used by the Company across its corporate and business activities. The company's internal audit is managed by the chief risk officer and undertaken by an independent firm of accountants.

The Company's financial statements are subject to an annual audit by an independent, professional auditor who also reviews the Company's half-yearly financial statements. The Board Audit and Risk Committee oversees this process on behalf of the Board.

RISK IDENTIFICATION AND MANAGEMENT

The Board has in place integrated risk management programs aimed at monitoring the Company operations in a manner that allows risks to be formally and systematically identified, assessed and appropriately managed. Individual businesses have the responsibility and accountability for implementing and managing the standards and processes required by the program.

The Company has a separate role of chief risk officer, reporting to the Executive Director Finance and liaising directly with the Chairman of the Board Audit and Risk Committee, to manage the company's risk management and internal audit program.

Note 32 to the financial statements includes reference to critical accounting judgements and estimates (including environmental and decommissioning provisions, foreign exchange movements and acquisition accounting), and the management of interest rate risk, foreign exchange risk and credit risk.

THE BOARD ROLE

The Board of Orica Limited sees its primary role as the protection and enhancement of long term shareholder value. The Board is accountable to shareholders for the performance of the Company. It directs and monitors the business and affairs of the Company on behalf of shareholders and is responsible for the Company's overall corporate governance.

The Board responsibilities include: appointing the Managing Director and succession planning, approving major strategic plans, monitoring the integrity and consistency of management's control of risk, agreeing business plans and budgets, approving major capital expenditure, acquisitions and divestments, approving funding plans and capital raisings, agreeing corporate goals and reviewing performance against approved plans.

Responsibility for managing, directing and promoting the profitable operation and development of the company, consistent with the primary objective of enhancing long term shareholder value, is delegated to the Managing Director, who is accountable to the Board.

The Board recognises the respective roles and responsibilities of the Board and management in the charters prepared for the Board, Managing Director and chairman and in the Company's reserved authorities approved by the Board.

COMPOSITION

The Board considers that its structure, size, focus, experience and use of committees enables it to operate effectively and add value to the Company.

Orica maintains a majority of non-executive directors on its Board and separates the role of chairman and Managing Director.

The Board currently comprises eleven directors: nine independent non-executive directors, including the chairman, and two executive directors, being the Managing Director and the Executive Director Finance.

Details of the directors as at the date of this report, including their qualifications and experience are set out on page 14.

The composition of the Board seeks to provide an appropriate range of experience, skills, knowledge and perspective to enable it to carry out its obligations and responsibilities. In reviewing the Board's composition and in assessing nominations for appointment as non-executive directors, the Board uses external professional advice as well as its own resources to identify candidates for appointment as directors.

The balance of skills and experience of the Board is critically and regularly reviewed by the Corporate Governance and Nominations Committee.

INDEPENDENCE

The Board recognises the special responsibility of non-executive directors for monitoring executive management and the importance of independent views.

The Board regularly assesses the independence of each director. For this purpose an independent director is a non-executive director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment.

The chairman and all non-executive directors are independent of executive management and are free from any business or other relationship that could compromise their ability to act in the best interests of the Company.

The independence of each director is considered on a case by case basis and each director is obliged to immediately inform the Company of any fact or circumstance, which may affect the director's independence.

If a conflict of interest arises, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Directors must keep the Board advised, on an ongoing basis of any interests that could potentially conflict with those of the Company.

SELECTION AND APPOINTMENT OF DIRECTORS

The directors are conscious of the need for Board members to possess the diversity of skill and experience required to fulfil the obligations of the Board. In considering membership of the Board, directors take into account the appropriate characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the company.

Nominations for appointment to the Board are considered by the Corporate Governance and Nominations Committee and approved by the Board as a whole.

Non-executive directors are subject to shareholder re-election by rotation at least every three years, and normally do not serve more than 10 years.

All directors must obtain the chairman's prior approval before accepting directorships or other significant appointments.

An orientation program is offered to new directors including a program of site visits and briefings on Orica's businesses and operations and key policies and controls.

BOARD MEETINGS

The Board has eight scheduled meetings per year, of which six are two days duration. Additional meetings are held as the business of the company may require. Directors receive comprehensive Board papers in advance of the Board meetings. As well as holding regular Board meetings, the Board sets aside at least two days annually to comprehensively review business plans and company strategy. Directors also receive regular exposure to Orica's businesses and the major regulatory controls relevant to the Company. Directors also undertake site visits to a range of Orica operations to meet with employees, customers and other stakeholders.

In those months that Board meetings are not scheduled directors receive financial and safety, health and environment reports and an update from the Managing Director on the performance of the Company and any issues that have arisen since the last Board meeting.

In conjunction with or in addition to scheduled Board meetings, the non-executive directors meet together without the presence of management and the executive directors to discuss company matters.

To aid the effectiveness of Board meetings each scheduled Board meeting is subject to a critical review evaluating the standard of information and material presented to the Board and the quality of the contribution made by directors to the consideration of issues on the agenda.

BOARD PERFORMANCE

At the conclusion of the year, the Board carries out a review of its performance. Directors standing for re-election are subject to a performance review conducted by the Board. In addition, each Board Committee reviews its effectiveness. An independent review of Board, Committee and director performance is undertaken periodically.

The non-executive directors are responsible for regularly evaluating the performance of the Managing Director. The evaluation is based on specific criteria, including the Company's business performance, short and long term strategic objectives and the achievement of personal objectives agreed annually with the Managing Director.

ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Each director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the chairman, may seek independent professional advice at the company's expense. Pursuant to a deed executed by the company and each director, a director also has the right to have access to all documents which have been presented to meetings or made available whilst in office, or made available in relation to their position as director for a term of seven years after ceasing to be a director or such longer period as is necessary to determine relevant legal proceedings that commenced during this term.

SHAREHOLDINGS OF DIRECTORS AND EMPLOYEES

Directors currently are required to hold a minimum of 1,000 shares. Their current shareholdings are shown in Note 38.

The Board has approved guidelines for dealing in securities. Directors and employees must not, directly or indirectly, buy or sell the shares or other securities of Orica, when in possession of unpublished price sensitive information, which could materially affect the value of those securities. Subject to this restriction, directors and employees may buy or sell Orica shares:

- in the 28 day period commencing 24 hours after the announcement of the Orica half-year results; and
- in the period commencing 24 hours after the announcement of the full-year results and ending 31 January.

Directors and employees must not engage in short term dealing, excluding participation in the Dividend Reinvestment Plan, in Orica's securities or relating to securities held under an executive or employee plan. Directors and Group Executive members must receive clearance from the chairman or company secretary for any proposed dealing in Orica shares outside of a trading window.

Any transaction conducted by directors in Orica securities is notified to the Australian Stock Exchange. Each director has entered into an agreement with the Company to provide information to allow the Company to notify the ASX of any transaction within 5 business days.

DIRECTORS' FEES AND EXECUTIVE REMUNERATION

The remuneration report on page 25 sets out details regarding the company's remuneration policy, fees paid to directors for the past financial year, and specific details of executive remuneration.

BOARD COMMITTEES

The Board has charters for each of its committees. Charters are reviewed annually and objectives set for each committee. The committees report back to the Board and do not have formal delegation of decision making authority. The Committee Chairmen report on the committees as a standing item of the Board agenda. Additionally any director is welcome to attend any committee, and minutes of the committees are circulated to the Board. The charters may be viewed on the Orica website at www.orica.com.

BOARD AUDIT AND RISK COMMITTEE

The Board Audit and Risk Committee comprises three independent non-executive directors with relevant financial, commercial and risk management experience. The chairman of the Board Audit and Risk Committee is separate from the chairman of the Board. Peter Duncan is the current chairman of the Board Audit and Risk Committee and the other members are Garry Hounsell, and Nora Scheinkestel. The Chairman, Managing Director and Executive Director Finance attend ex officio.

The committee is charged with assessing the adequacy of the company's financial and operating controls, oversight of risk management systems and compliance with legal requirements affecting the company. The committee meets at least four times per year.

Details of directors' attendance at meetings of the Audit and Risk Committee are set out in the Directors' Report on page 22.

The committee assesses and reviews external and internal audits and risk reviews and any material issues arising from these audits or reviews. It also assesses and reviews the accounting policies and practices of the group as an integral part of reviewing the half yearly and full year accounts for recommendation to the Board. It also makes recommendations to the Board regarding the appointment of external auditors and the level of their fees and provides a facility, if necessary, to convey any concerns raised by the internal and external auditors independent of management influence. The external and internal auditors attend committee meetings and meet privately with the committee at least twice per year.

The Board Audit and Risk Committee monitors the level of any other services provided by the external auditor for compatibility in maintaining auditor independence. Restrictions are placed on other services performed by the external auditor and projects outside the scope of the approved audit program require the approval of the chairman of the Board Audit and Risk Committee. Any other services with a value of greater than $20,000 must be submitted to the Committee for approval in advance of the work being undertaken. The committee is asked to ratify any other services less than $20,000 in value. The fees paid to the company's external auditors for audit and other services are set out in Note 31.

REMUNERATION AND APPOINTMENTS COMMITTEE

The Remuneration and Appointments Committee, which comprises all the non-executive directors, is chaired by the Chairman of the Company and meets at least four times per year.

Details of directors' attendance at meetings of the Remunerations and Appointments Committee are set out in the Directors' Report on page 22.

It reviews the performance and remuneration of senior management including the Managing Director. Remuneration is set by reference to independent data, external professional advice, the company's circumstances and the requirement to attract and retain high-calibre management. It also has responsibility for overseeing the appointment and succession of executive directors and the members of the Group Executive.

CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

The Corporate Governance and Nominations Committee comprises Don Mercer (Chairman), Graeme Liebelt, Peter Duncan, Peter Kirby and Michael Beckett. The committee monitors new developments in corporate governance practices and evaluates the company's policies and practices in response to changing external and internal factors and the ethical guidelines affecting the company.

This committee also deals with the nomination of directors and considers the most appropriate processes for review of the Board's composition and performance. The committee evaluates the composition of the Board and the annual program of matters considered by the Board to determine whether the appropriate mix of members and business exists to enable the Board to discharge its responsibilities to shareholders.

Details of directors' attendance at meetings of the Corporate Governance and Nominations Committee are set out in the Directors' Report on page 22.

ENVIRONMENT COMMITTEE

The Environment Committee comprises Peter Kirby (Chairman), Catherine Walter and Michael Beckett. The Chairman and Managing Director attend ex officio.

The committee assists the Board in the effective discharge of its responsibilities in relation to environmental matters arising out of activities within the company as they affect employees, contractors, visitors and the communities in which it operates. The committee also reviews the company's compliance with the environment policy and legislation and reviews environmental objectives, targets and due diligence processes adopted by the company.

Details of directors' attendance at meetings of the Environment Committee are set out in the Directors' Report on page 22.

EXECUTIVE AND SPECIAL COMMITTEES

In addition, there is a standing Executive Committee comprising the Chairman, the Managing Director, the Executive Director Finance and any other non-executive director who is available (but at least one), which is convened as required, to deal with matters that need to be dealt with between board meetings. From time to time special committees may be formed on an as-needs basis to deal with specific matters.

CONTINUOUS DISCLOSURE AND KEEPING SHAREHOLDERS INFORMED

The Company seeks to provide relevant and timely information to its shareholders and is committed to fulfilling its obligations to the broader market for continuous disclosure and enabling equal access to material information about the company.

The Board has approved a continuous disclosure policy so that the procedures for identifying and disclosing material and price sensitive information in accordance with the Corporations Act and ASX Listing Rules are clearly articulated. This policy sets out the obligations of employees and guidelines relating to the type of information that must be disclosed and may be viewed on the Orica website at www.orica.com.

Information provided to and discussions with analysts are subject to the continuous disclosure policy. Material information must not be selectively disclosed prior to being announced to the Australian Stock Exchange. The Company Secretary is the person responsible for communication with the Australian Stock Exchange.

The www.orica.com website contains copies of the annual and half year reports, ASX announcements, investor relations publications, briefings and presentations given by executives (including webcasts) plus links to information on our products and services. Shareholders may elect to receive electronic notification of releases of information by the company and receive their notice of meeting and proxy form by email. Electronic submission of proxy appointments and power of attorney are also available to shareholders. Page 130 of this report contains details of how information provided to shareholders may be obtained.

The Board encourages full participation of shareholders at the Annual General Meeting. Important issues are presented to the shareholders as single resolutions. The external auditor attends annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

CODE OF ETHICS

Orica acknowledges the need for directors, executives and employees to observe the highest ethical standards of corporate behaviour. Orica has adopted a Code of Ethics which applies to all countries in which Orica operates and in accordance with international laws and standards, provides employees with guidance on what is acceptable behaviour. Specifically, the Company requires that all directors, managers and employees maintain the highest standards of integrity and honesty.

The key elements of the code are:

- fairness, honesty and loyalty supporting all actions
- being aware of and obeying the law
- individually and collectively contributing to the well-being of shareholders, customers, the economy and the community
- avoiding behaviour, which is likely to reflect badly on employees and the company
- openness and public disclosure as the test for all actions.

To assist employees in applying the code in practice, the Company has developed policies and guidelines dealing with the following:

- safety, health and environment
- protection of information and the company's resources
- trade practices compliance
- privacy
- conflict of interest
- insider trading and dealing in securities
- equal employment opportunity and harassment
- gifts and benefits and facilitation payments
- prevention of, and dealing with, fraud.

The Code of Ethics is regularly reviewed and approved by the Corporate Governance and Nominations Committee and processes are in place to promote and communicate these policies. An Integrity Hotline has been established to enable employees to report breaches of the Code of Ethics. If a report is made, it is escalated to a panel comprising the General Manager, People and Community, the Group General Counsel and the Group Security Manager, who collectively determine appropriate organisational actions, take appropriate independent advice and seek to protect the anonymity of the reporter.

The Code of Ethics may be viewed on the Orica website at www.orica.com.

SAFETY, HEALTH & ENVIRONMENT

Orica considers the successful management of safety, health and environment issues as a vital issue for our employees, customers, communities and business success. At each Board meeting the directors receive a report on current safety, health and environment issues and performance in the group. The Board receives more detailed presentations on safety, health and environment every six months. A separate Board Environment Committee reviews and monitors environmental issues at Board level.

The separate Sustainability Report that is released with this Annual Report outlines the company's practices and performance in these important areas. The Sustainability section of this Annual Report details the actions being undertaken by the company to improve its environmental performance.

DONATIONS

The equivalent of dividends payable on a shareholding of 0.15% of the Company's issued capital is allocated for donation at the direction of the Corporate Governance and Nominations Committee.

Orica's operations contribute to their local communities with donations, sponsorship and practical support and there is an employee giving program known as 'Dare to Share' across all Australian sites. From the amount allocated for corporate donations, Orica matches employee 'Dare to Share' contributions and may support worthwhile causes overseas. The amount remaining is allocated to the Orica Community Program and is distributed to selected Australian charitable organisations in accordance with published criteria. Orica does not make political donations.

It is clear that to be successful in the future Orica must continue to grow and do so in a more sustainable manner. This will require continued focus on eliminating injuries in our workplace, the efficient use of our own assets and working with our suppliers and customers to identify new, economically viable and sustainable business opportunities that reduce environmental impacts.

This philosophy has been incorporated into the Orica Safety, Health and Environment (SH&E) Policy as follows:

At Orica we believe that all work-related injuries, illnesses and environmental incidents are preventable. We will manage all our activities with concern for people and the environment and will conduct our business for the benefit of society and without compromising the quality of life of future generations.

Orica seeks to be among the best performers internationally in safety, health and environment (SH&E) consistent with the Company's aim to 'Deliver the Promise' in all aspects of its activities. This year Orica has developed its sustainability strategy so that it may reach this goal.

In addition to 'no injuries to anyone ever', Orica aspires to become a business that does 'no harm to people and the environment'. Orica seeks to achieve this by transitioning to;

- carbon-neutral;
- water-neutral;
- zero-waste producing; and
- environmentally friendly operations, products and services,

in a commercially responsible way.

Orica's key sustainability principles and practices are overseen and monitored by the Orica Limited Board and a range of management systems are in place to ensure commitment to the Company's strict business ethics. Further details on these systems can be found on the Orica website.

Orica has driven improvement in its safety, health and environmental performance through a series of 'Challenge' objectives. Orica recognises that its current Challenge 2010 targets are just a step along the journey towards sustainability. While the Challenge program has helped Orica to achieve significant improvements in performance and will continue to be the focus of its activities for the next few years, sustainability requires Orica to look beyond these targets and consider how it can develop new products and businesses that address the emerging challenges.

Already a number of priority activities have been identified in relation to resources and operational sustainability. These activities address our most significant environmental impacts and help us move beyond the existing targets to deliver a fundamentally more sustainable business.

Orica is an active participant in the Plastics and Chemicals Industry Association (PACIA) Responsible Care Program. The Responsible Care Program is an initiative of the international chemicals industry aimed at improving its safety, health and environmental performance and communicating openly with all sectors of the community. Orica has incorporated the commitments of Responsible Care into its Safety, Health and Environment Management System. This System is adopted by all Orica operations. Over the past 12 months Orica has also worked closely with PACIA to help draft the Plastic and Chemical Industry Discussion Paper: Sustainability Leadership Framework for Industry.

GREENHOUSE CHALLENGE

Orica has been a participant in the Greenhouse Challenge program run by the Australian Greenhouse Office (AGO) since 1996. This is a voluntary program aimed at reducing the emissions of greenhouse gases, measured as carbon dioxide equivalent. Measurements include both direct emissions from operating plants and the upstream contribution from power generation.

Orica continues its commitment to with Greenhouse Challenge and has signed on to the new Greenhouse Challenge Plus program. As a Greenhouse Challenge Plus member, Orica agrees to monitor greenhouse gas emissions and report achievements annually. In addition, being a Greenhouse Challenge Plus member helps Orica accelerate the uptake of energy efficiency measures and integrate greenhouse issues into business decision-making.

Orica recognises that there is a need for action to address climate change and that it must minimise its own environmental impact by improving its efficiency and reducing greenhouse gas emissions. The Orica Mining Services Group is investigating technologies it can apply to significantly reduce nitrous oxide emissions from its nitric acid plants. Nitrous oxide emissions now account for over 70% of Orica's total greenhouse gas emissions and this is one of Orica's most pressing challenges among the commitments we have made to improve our safety, health and environmental performance.

ALL WORKER SAFETY AND HEALTH

Orica has been working at continually improving our SH&E performance for many years and the underlying progress is good in many areas.

However, the overall safety performance was overshadowed by the tragic death of an employee during the year. In July

2007, a Mining Services employee working underground at a customer mine in North Candelaria, Chile was fatally injured when a mine haul truck unexpectedly rolled back down the mine road and the load of ore shifted and crushed an Orica utility vehicle from which the employee was trying to escape. A thorough investigation involving the mine owners, Orica and government authorities concluded that the employee had followed all the prescribed underground safety procedures. Any fatality is clearly unacceptable and the company continues to seek ways to identify potential for fatalities and serious injuries in the workplace and take preventive action to reduce these risks.

COMMUNITY SAFETY

Distribution incident performance declined dramatically during 2007, with a total of 28 serious (Category 2+) incidents during the year, compared with 18 in 2006 and 37 in 2005 corresponding periods. This represents a 50% increase over the past year. Tragically, two of these incidents resulted in fatalities to 29 members of the public. The two fatal incidents were:

- 21 March 2007, a transport carrier's truck returning with empty chlorine drums and cylinders near Bendigo (Australia) was involved in a fatal head-on collision. The single occupant of the vehicle was killed instantly when he lost control of his speeding vehicle (estimated by police at 157 km/h) prior to veering onto the wrong side and colliding with the oncoming truck. The contract driver was physically unharmed and no product or packaging damage occurred in the incident.
- 9 September 2007, an approved and fully licensed contractor truck carrying ANFO (ammonium nitrate fuel oil mixture) was involved in a fatal head-on collision with a pickup truck on a busy public highway at Monclova (Mexico). The collision ignited a fire that spread to the ANFO and subsequently a major explosion occurred some 45 minutes later. One member of the public died as a result of the initial accident, a further 27 were killed in the explosion and in excess of 300 people were injured. The two contract drivers survived.

During 2007, there were in excess of 50,800 tests completed across the company's operations in order to assess compliance of emissions (e.g. air, water, noise) with environmental licences and regulations. Of these tests there were 29 environment non-compliances detected during 2007 (compared with 15 in 2006 and 76 in 2005), representing a compliance rate of >99.9%.

There were no environmental prosecutions or significant fines during 2007 and three infringement notices were issued by regulatory authorities arising from the overflow of a site containment pond during heavy rains, trace powder fines fallout from an extraction stack and an odour release from a site.

The operation of many sites over very long periods, and where environmental standards were very much lower than those applying today, has inevitably led to problems with soil and groundwater contamination. Orica deeply regrets the impact of this contamination on the environment and the communities in which it operates. Orica continues its program of managing legacy issues associated with historical operations at a number of sites and is also committed to keeping both local and broader communities informed of progress.

Information about Orica's environmental projects can be found on the Orica web site.

PRODUCT STEWARDSHIP

The safety of our products and facilities with our customers and the general community is an integral component of the Company's overall sustainability framework. Good product stewardship remains an important objective for Orica.

Orica uses Product Stewardship Self-Assessment checklists to monitor its performance across the supply chain and plan improvements. Each business has an objective to attain a score > 90%. Product Stewardship achievements made over the past few years include:

- The ammonia safety program – Ammsafe
- The chlorine safety program – Safeguard
- The removal of security sensitive ammonium nitrate from the Australian fertiliser market; and
- Signatory to the International Cyanide Management Code.

RESOURCE AND OPERATIONAL SUSTAINABILITY

Challenge 2010 provides continued focus on resource conservation particularly in relation to the use of water and energy, the emission of greenhouse gases and waste generation.

This year the baseline, annual values and Challenge 2010 Targets have all been recalculated to reflect the divestment of Incitec Pivot and the acquisition of the Dyno Nobel business, consistent with international practice of reporting changes in business mix.

The company's energy consumption during the year was 5.22 gigajoules per tonne of production, a 5.5% increase compared to the 2004 baseline year. A number of factors contributed to this result. The Kooragang Island and Yarwun sites have been increasing production of ammonia and ammonium nitrate due to strong demand, leading to an 11% increase in gross energy consumption over 2006. The energy intensive nature of these products means meeting the Challenge 2010 target will be extremely difficult in times of growth, regardless of the efficiency improvements that may be made in manufacturing processes.

Direct greenhouse gas emissions from operating plants, including the contribution of nitrous oxide emissions from our nitric acid plants, increased by 18.8% over the 2004 baseline to 1.56 tonnes of carbon dioxide equivalent per tonne of production in 2007. This increase is due to the commissioning of an additional nitric acid plant at Yarwun and increased nitric acid production at several sites to meet the strong demand for ammonium nitrate. The Orica Mining Services Group is investigating new technologies that will enable Orica to significantly reduce nitrous oxide emissions from its nitric acid plants over the next three years.

Water use from the company's activities decreased by 11.1% over the 2004 baseline to 2.83 kilolitres per tonne of production in 2007. This decrease reflects improvements in water use and the recycling of some water from the Botany Groundwater Treatment plant into other manufacturing processes on the Botany site.

Waste generation decreased by 50.7% in 2007 from the 2004 baseline to 5.29 tonnes per kilotonne of production in 2007.

Despite the recent changes in the business portfolio, Orica remains committed to pursuing economically viable solutions to achieve its Challenge 2010 targets.

Financial Report

Directors' Report

The directors of Orica Limited ('the Company' or 'Orica') present the financial report of the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group') for the year ended 30 September 2007 and the auditor's report thereon.

Directors

The directors of the Company during the financial year and up to the date of this report are:

D P Mercer, Chairman
G R Liebelt, Managing Director
N A Meehan, Executive Director Finance
M E Beckett
R R Caplan (appointed 1 October 2007)
P J Duncan
G A Hounsell
P M Kirby
N L Scheinkestel
M Tilley
C M Walter

Particulars of directors' qualifications, experience and special responsibilities are detailed on page 14 of the annual report.

A Cook (Dip Bus (Accounting), Dip Bus (Data Processing), CPA) has been a company secretary of Orica Limited since 16 February 2005 and prior to that was assistant company secretary from August 2002, following a series of roles in Orica over 19 years.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are listed below:

Director	Scheduled Board Meetings		Audit and Risk Committee		Remuneration and Appointments Committee		Corporate Governance and Nominations Committee		Environment Committee	
	Held (1)	Attended (2)	Held (1)	Attended (2)	Held (1)	Attended (2)	Held (1)	Attended (2)	Held (1)	Attended (2)
D P Mercer	11	11	-	-	4	4	5	5	-	-
G R Liebelt	11	11	-	-	-	-	5	5	-	-
N A Meehan	11	11	-	-	-	-	-	-	-	-
M E Beckett	11	11	-	-	4	4	5	5	5	5
P J Duncan	11	11	4	4	4	4	5	5	-	-
G A Hounsell	11	11	4	4	4	4	-	-	-	-
P M Kirby	11	11	-	-	4	3	5	4	5	5
N L Scheinkestel	11	11	4	4	4	4	-	-	-	-
M Tilley	11	11	-	-	4	4	-	-	-	-
C M Walter	11	11	-	-	4	4	-	-	5	5

(1) This column shows the number of meetings held during the period the director was a member of the Board or Committee.
(2) This column shows the number of meetings attended.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at the date of this report is disclosed in note 38. Directors' interests shown in this note are as at 30 September 2007, however there has been no change in holdings to the date of this report.

Principal activities

The principal activities of the consolidated entity in the course of the financial year were the manufacture and distribution of mining products and services, consumer products, chemical products and chemical services.

Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the review of operations of the consolidated entity on pages 5 to 13 of the annual report. Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the directors, disclosure would be likely to result in unreasonable prejudice to the consolidated entity.

Review and results of operations

A review of the operations of the consolidated entity during the financial year and of the results of those operations is contained on pages 5 to 13 of the annual report.

Dividends

Dividends paid or declared since the end of the previous financial year were:	**$m**
Final dividend paid at the rate of 2.5 cents per share on preference shares, franked to 43.75% (1.09 cents) at the 30% corporate tax rate, paid 12 January 2007.	0.05
Interim dividend paid at the rate of 2.5 cents per share on preference shares, franked to 38.9% (0.97 cents) at the 30% corporate tax rate, paid 31 July 2007.	0.05
Final dividend at the rate of 48 cents per share on ordinary shares, franked to 43.75% (21.0 cents) at the 30% corporate tax rate, paid 15 December 2006.	148.0
Interim dividend declared at the rate of 36 cents per share on ordinary shares, franked to 38.9% (14.0 cents) at the 30% corporate tax rate, paid 6 July 2007.	111.3
Total dividends paid	259.4

Since the end of the financial year, the directors have declared a final dividend to be paid at the rate of 53 cents per share on ordinary shares. This dividend will be franked to 32.08% (17.0 cents) at the 30% corporate tax rate. In addition, for at least the 2007 final dividend, the Board has introduced a 2.5% discount on shares issued under the underwritten dividend reinvestment plan (DRP).

Changes in the state of affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the year ended 30 September 2007 are as follows:

Acquisitions

In October 2006, Orica agreed to acquire the Minova group. The acquisition was completed on 1 January 2007.

Disposals

On 31 January 2007, the Adhesives and Resins business assets in Australia and New Zealand were sold.

Events subsequent to balance date

On 24 September 2007, Orica announced that it had signed an agreement to acquire all of Excel Mining Systems LLC for approximately US$670 million (approximately A$775 million). Excel is the leading manufacturer and distributor of specialty bolts and accessories in underground mining for strata support in the USA. The acquisition of Excel was completed on 26 October 2007, after required regulatory clearances were obtained. Orica entered into forward exchange contracts to hedge the majority of the Australian dollar exposure of the acquisition at a rate of 0.8618.

On 23 October 2007, Orica announced that as part of the funding plan for the acquisition of Excel Mining Systems LLC, the dividend reinvestment plan (DRP) would be underwritten. In addition, for at least the 2007 final dividend, the Board has introduced a 2.5% discount on shares issued under the underwritten DRP.

On 30 October 2007, Orica announced a proposal to cancel the 2,000,000 5% cumulative non-redeemable preference shares (5% Preference Shares) on issue for a cash payment of $4.75 for each cancelled 5% Preference Share. The cancellation will be implemented by way of a selective capital reduction and is subject to approval by the 5% Preference Shareholders at a separate class meeting to be held on 21 December 2007 and, subsequently, by Orica's Ordinary and Step-Up Preference shareholders at the Annual General Meeting on the same day. Shareholders holding over 75% of the 5% Preference Shares have undertaken to the Company that they will not vote against the resolution at the Annual General Meeting and, where applicable, will vote in favour of the capital reduction at this meeting. If approved, the capital reduction is expected to occur in January 2008.

On 12 November 2007, the directors declared a final dividend of 53 cents per ordinary share payable on 14 December 2007. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2007 and will be recognised in the 2008 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2007, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Environmental regulations

Safety, health and environment are cornerstones of Orica culture and Orica has set itself high standards. More specific details about Orica's sustainability initiatives and performance, including safety, health and environment, can be found in the Sustainability Report 2007 which is released together with this annual report.

Where applicable, manufacturing licences and consents are in place at each Orica site, often in consultation with local environmental regulatory authorities. The measurement of compliance with conditions of licences and consents involves collection of monitoring data. Any breach of licence limits is reported to authorities as required and is investigated to determine cause and ensure the risk of recurrence is minimised.

Environmental Prosecutions

No environmental prosecutions have been reported in the current period.

Orica continues to devote considerable resources to cleaning up legacy sites and is committed to dealing with environmental issues from the past in an honest and practical way.

Indemnification of officers

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the directors, the secretaries and other executive officers, against liabilities incurred whilst acting as such officers to the extent permitted by law.

In accordance with the company's Constitution, the Company has entered into a Deed of Access, Indemnity and Insurance with each of the Company's Directors and in a few cases specific indemnities have been provided. No director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the year.

The Company has paid a premium in respect of a contract insuring officers of the Company and of controlled entities, against a liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid. Executives and officers of Orica and directors of major subsidiaries have made a contribution to the insurance contract premium.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their audit responsibilities.

The Board is satisfied that the provision of non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

No officer of the Company was a former partner or director of KPMG. A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is contained on page 35 of the annual report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are disclosed in note 31.

Remuneration Report

The directors of Orica Limited present the Remuneration Report prepared in accordance with section 300A of the Corporations Act for the Company and its controlled entities for the year ended 30 September 2007. This Remuneration Report forms part of the Directors' Report.

A. Remuneration Report Summary

A.1 Remuneration strategy

Orica is a company that enjoys a strong performance based culture and aims to deliver above average returns to its shareholders. The remuneration strategy adopted by the Company has been a key factor in achieving this success. The key elements of the strategy are fixed salary at the market median with the ability to earn top quartile total remuneration based on achievement of clear short and long term performance targets. The strategy aims to attract, retain and motivate appropriately qualified and experienced executive directors, senior executives and other managers who contribute to Orica's performance.

A.2 Overview of elements of remuneration

Non-executive directors

Non-executive directors' fees are set at levels which reflect the responsibilities and time commitments required of non-executive directors to discharge their duties. In order to maintain independence and impartiality, these fees are not linked to the performance of Orica.

Executive directors and senior executives

Executive remuneration comprises both a fixed component and an at-risk component. Fixed remuneration provides a guaranteed level of reward based on the executive's role, skills, knowledge, experience, individual performance, and the employment market. At-risk remuneration rewards executives for achieving financial and business targets and increasing shareholder value – no reward is earned unless pre-determined performance targets are achieved. The mix between fixed remuneration and at-risk remuneration depends on the level of seniority of the executive.

	Elements of Remuneration	Directors		Senior Executives	Discussion in Remuneration Report
		Non-Executive	Executive		
Fixed remuneration	Fees	✓	✗	✗	B2
	Salary	✗	✓	✓	E1
	Compulsory Statutory Superannuation	✓ (1)	✓	✓	B2/E1
	Other benefits	✓	✓	✓	B2/E1
At-risk remuneration	Short Term Incentive (STI)	✗	✓	✓	D4
	Long Term Equity Incentive Plan	✗	✓	✓	D5
Other	Retention arrangements	✗	✓(2)	✓	D6
Post-employment	Service Agreements	✗	✓	✓	F1
	Termination payments – former senior executives	✗	✓	✓	E1

Table 1

(1) Retirement allowances for non-executive directors have been discontinued and directors appointed prior to 1 July 2002 preserved their retirement allowances as at 1 July 2004, with no indexation. The allowances will be paid to eligible directors on retirement.

(2) The Managing Director does not participate in the Key Executive Retention Programme.

This Remuneration Report is signed in accordance with a resolution of the directors of Orica Limited.

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D P Mercer
Chairman of the Remuneration and Appointments Committee

12th November 2007.

B. Non-executive directors' fees

B.1 Policy – independence and impartiality

Non-executive directors' fees, including committee fees, are set by the Board within the maximum aggregate amount of $1,800,000 approved by shareholders at the 2005 Annual General Meeting. These fees are set at levels which reflect the time commitments and responsibilities of non-executive directors. In order to maintain independence and impartiality, non-executive directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance. In setting fees, the Board takes into consideration the Company's existing remuneration policies, external professional advice, survey data on fees paid by comparable companies and the level of remuneration required to attract and retain directors of the appropriate calibre. A review of non-executive directors' fees took place during the year. Based on the results of that review, annual fees were increased by 27% effective from 1 April 2007. Prior to that, fees were last increased in April 2005. From 1 April 2007, non-executive directors receive a fee of $140,000 in relation to their service as a director of the Board, and the Chairman, taking into account the greater commitment required, receives a fee of $420,000. These fees include payment for service on the Remuneration and Appointments Committee and the Corporate Governance and Nominations Committee. From 1 April 2007, directors who sit on the Board's Audit and Risk Committee and Environment Committee receive an additional fee of $15,000 per annum, other than Chairs of these Board committees who receive an additional fee of $30,000 per annum. Superannuation contributions are also made. In addition, non-executive directors are entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by the director while engaged on the business of the Company, in accordance with rule 50.2 of Orica's constitution.

Orica has discontinued retirement allowances for all non-executive directors. Directors appointed prior to 1 July 2002, have had their retirement allowance preserved (as at 1 July 2004) with no indexation and the allowance will be paid to the eligible directors upon retirement. In accordance with rule 48 of the Company's constitution, those retirement benefits do not fall within the maximum aggregate fee cap for non-executive directors.

B.2 Remuneration

Details of non-executive directors' remuneration for the financial year are set out in the following table:

For the year to 30 September 2007	Directors Fees [1] $000	Audit and Risk Committee [1] $000	Environment Committee [1] $000	Superannuation Benefits [2] $000	Other Benefits [3] $000	Total $000
Non-Executive Directors						
D P Mercer, Chairman [4]	375.0	-	-	33.8	27.0	435.8
M E Beckett	125.0	-	12.5	12.4	-	149.9
P J Duncan [4]	125.0	25.0	-	13.5	27.2	190.7
G A Hounsell	125.0	12.5	-	12.4	-	149.9
P M Kirby	125.0	-	25.0	13.5	-	163.5
N L Scheinkestel	125.0	12.5	-	12.4	-	149.9
M Tilley	125.0	-	-	11.3	-	136.3
C M Walter [4]	125.0	-	12.5	12.4	-	149.9
Total Non-Executive Directors	1,250.0	50.0	50.0	121.7	54.2	1,525.9

Table 2

(1) Represents actual directors' remuneration paid during the financial year.

(2) Company contributions made on behalf of non-executive directors.

(3) These benefits relate to spousal travel.

(4) If each eligible non-executive director had ceased to be a director on 30 September 2007, the following benefits would have been payable under the grandfathered Directors' Retirement Scheme: D P Mercer $664,000, P J Duncan $154,800, C M Walter $228,700 (refer to section B.1 above). These benefits have been fully provided for in the financial statements.

C. Company performance – the link to reward

C.1 Five year performance

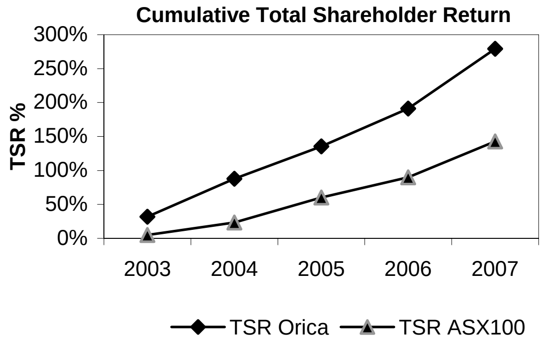
Over the past five years, the Board has set challenging financial performance targets for management and has directly aligned executive incentives to the achievement of those targets. The link is clear: when target performance is achieved, target executive rewards are earned, and when above target performance is achieved, executives earn above target rewards.

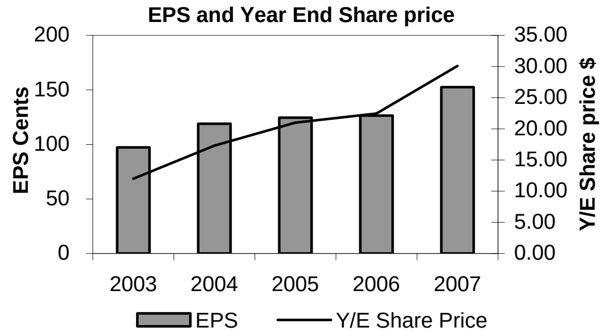
Orica has enjoyed strong performance over the past five years:

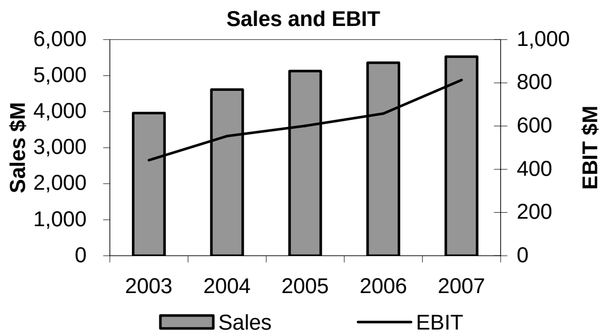
- net profit after tax (before individually material items) has grown at a compound rate of 15.8% per annum over the five years;
- the share price has increased 216.2% over that period;
- an average of 70.8 cents per ordinary share has been paid to shareholders under the Company's progressive dividend policy;
- additional returns to shareholders have been made through share buy-backs; and
- total shareholder return (TSR) over the past five years has been 279.2%.

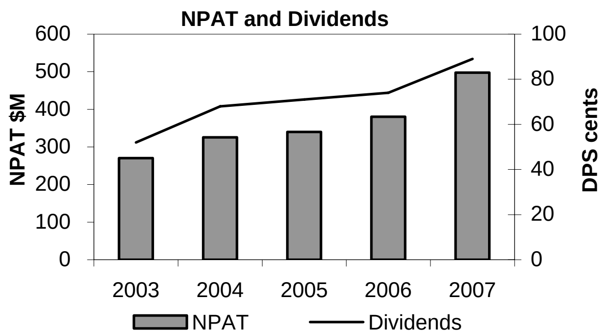
As a result, for the past five years, executives have generally earned rewards at or above target levels.

The Board believes that directly linking executive rewards to performance targets has been a key driver in the achievement of the strong results shown in the charts below. Note that 2005 to 2007 financial data is stated under Australian equivalents to International Financial Reporting Standards (AIFRS), whilst prior years are under previous accounting standards (AGAAP).









Further information about this year's performance is set out in the Managing Director's report on page 3 and throughout the annual report.

Over the past five years, Orica has conducted a series of on-market share buy-backs as part of its capital management strategy. These buy-backs have resulted in a total buy-back of 24,259,202 ordinary shares, with $426.7 million returned to shareholders.

C.2 Link to performance

All of the at-risk component of executive remuneration is tied to performance.

Executive **short term incentives** are linked to overall performance measures for Orica and specific measures for businesses in the areas of financial performance (net profit after tax (before individually material items) (NPAT), earnings before interest and tax (EBIT) and cash flow) and safety. The specific measures and their weightings vary depending on the seniority and role of the executive. Each year, a performance contract specifying target, stretch and threshold performance measures is set and agreed with each executive, by that executive's manager. The performance contract of the Managing Director is set and agreed with the Chairman. The Chairman and the Board's Remuneration and Appointments Committee review executive performance targets to ensure they are appropriately challenging.

Executive **long term incentives** (delivered through the Long Term Equity Incentive Plan) are linked to growth in Orica's share price and growth in Total Shareholder Return (TSR).

The table below shows how specific measures of Company performance and shareholder value link to executive at-risk rewards.

These measures are directly linked to short term incentives. A minimum level of NPAT must be achieved before any incentives are paid.

Executive long term incentives are directly linked to share price and TSR growth.

	2002 AGAAP	2003 AGAAP	2004 AGAAP	2005 AIFRS	2006 AIFRS	2007 AIFRS
External Sales ($m)	4,085.2	3,958.6	4,610.5	5,126.7	5,359.2	5,527.2
Cash flow from operating activities ($m)	342.7	500.4	587.9	375.8	413.9	524.3
EBIT ($m)	410.0	442.3	553.3	600.9	657.7	812.7
NPAT - Net profit after tax (before individually material items) ($m)	239.1	270.3	325.6	339.9	380.3	497.8
All Workers Recordable Case Rate	1.12	1.08	0.74	0.85	0.57	0.60
Dividends per ordinary share (cents)	44.0	52.0	68.0	71.0	74.0	89.0
Return of capital ($m)	-	49.2	127.5	53.7	81.5	114.8
Year end share price ($)	9.52	12.00	17.30	21.00	22.47	30.10
Cumulative TSR - Orica (%)		31.80	87.91	135.33	191.15	279.20
Cumulative TSR - ASX 100 (%)		4.87	23.36	60.17	90.10	142.72

Table 3

2005 to 2007 are stated under AIFRS whilst prior years are under AGAAP.

D. Executive directors' and senior executives' remuneration – driving a performance culture

D.1 Executive team

Details of the current executive team are set out on page 15 of the annual report. The executive directors and senior executives with the highest remuneration during the financial year and to whom this report applies are:

Name	Role	
Current		**Commencement Date ***
Graeme Liebelt	Managing Director	1 September 2005
Noel Meehan	Executive Director Finance	1 May 2005
Philippe Etienne	Chief Executive Officer, Orica Mining Services	1 October 2005
Andrew Larke	Group General Manager, Mergers and Acquisitions, Strategy and Technology	1 June 2006
Greg Witcombe	General Manager, People and Community	3 June 2005
John Beevers	General Manager, Orica Mining Services Australia/Asia	18 September 2006
Bronek Karcz	General Manager, Chemnet	1 April 2005
Patrick Houlihan	General Manager, Orica Consumer Products	1 February 2007
Andrew Coleman	General Manager, Chemical Services	18 December 2006
Former		**Leaving Date**
Peter Bailey	General Manager, Orica Consumer Products	28 February 2007

Table 4

* Commenced in the role – all of the executives were promoted internally from other roles within Orica reflecting our commitment to succession planning and development of key talent.

D.2 Board policy on remuneration

The Remuneration and Appointments Committee has recommended, and the Board has adopted, a policy that remuneration for executive directors, senior executives and the company secretary will:

- reinforce the short, medium and long term objectives of Orica;
- link the rewards for management to the creation of shareholder value and returns; and
- be competitive in the markets in which Orica operates in order to attract, motivate and retain high calibre employees.

Details of the composition and responsibilities of the Remuneration and Appointments Committee are set out on page 18. The Committee and senior management receive external advice on matters relating to remuneration.

The Board considers it desirable for remuneration packages of executive directors and senior executives to include both a *fixed* component and an *at-risk* or *performance-related* component (comprising both short term and long term incentives). The Board views the at-risk component as an essential driver of Orica's high performance culture. The mix between fixed remuneration and at-risk remuneration is designed to reflect market conditions at each job and seniority level. For the Managing Director, the split is broadly 35% fixed and 65% at-risk, whilst the split for senior executives is broadly 50% fixed and 50% at-risk, as shown in the table below:

	% of Total Annual Remuneration		
	Fixed	**At-risk**	
		Short term incentive [1]	Long term incentive
Managing Director	35%	20%	45%
Senior Executives	50%	20%	30%

Table 5

[1] Target STI is set at 50% of the maximum STI.

The percentages in table 5 represent the remuneration mix for the Managing Director and senior executives where target performance is achieved. The actual remuneration mix for the Managing Director and senior executives will vary depending on the level of performance achieved at a Group, business and individual level. Where stretch targets for short term and long term incentives are met, then the proportion of total remuneration derived from these at-risk components will be significantly higher than the percentages shown in table 5. This relatively high weighting of at-risk remuneration reflects the Board's commitment to performance-based reward.

In recognition of the increasingly competitive global market for talent, particularly at a senior executive level, the Board introduced a retention component of remuneration for key executives during the year. The Board is confident that it has the right management team in place to deliver on commitments to shareholders and position the Group for continued expansion and has introduced the new retention arrangements in an effort to keep this team in place going forward. The Board believes that the retention arrangements entered into with key executives are appropriate in light of current market conditions and in the context of Orica's broader strategic objectives. Section D.6 contains further details regarding the terms of the retention arrangements entered into with the senior executive team.

The Managing Director does not participate in these retention arrangements. However, a review of the Managing Director's remuneration arrangements was conducted during the year to ensure that his remuneration arrangements were appropriate having regard to both market conditions and the position of the Company. This review benchmarked the Managing Director's remuneration against domestic and international remuneration data. As a result of this review, the Managing Director's remuneration was adjusted with effect from 1 January 2007, to bring his arrangements into line with Orica's policy of remunerating at the market median for fixed remuneration and at the 75th percentile of the market for total remuneration where the Company achieves its performance targets. A similar process was conducted in respect of the other members of the senior management team as part of the annual remuneration review process, and, where appropriate, adjustments were made to the executives' remuneration with effect from 1 January 2007.

For full details of the remuneration paid to executive directors (including the Managing Director) and senior executives for the 2007 financial year, refer to section E below.

D.3 Fixed remuneration

All executive directors and senior executives receive a fixed remuneration component. In general, this is expressed as a total amount of salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash and superannuation. Fixed remuneration is reviewed annually and is determined by the scope of the individual's role, their level of knowledge, skills and experience, their individual performance and market benchmarking.

D.4 At-risk remuneration – Short Term Incentive Plan (STI)

Summary of STI	
What is the STI?	An annual cash incentive plan linked to specific annual targets (which are predominantly financial).
Who participates in the STI?	All executives (including the executive directors).
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a large proportion of executive remuneration at-risk against meeting targets linked to Orica's annual business objectives.
Are STIs awarded where performance falls below a minimum threshold performance level?	No STI is awarded if minimum performance across Orica does not meet the required threshold. In recent years, this has been linked to a minimum level of net profit after tax before individually material items that must be achieved before any STI is awarded.
Who assesses the performance of senior executives?	The Managing Director, in consultation with the Remuneration and Appointments Committee, assesses the performance of senior executives at the end of each financial year.
Who assesses the performance of the Managing Director?	The Remuneration and Appointments Committee sets the targets for the Managing Director and Executive Director Finance at the beginning of each year and assesses performance against those targets at the end of the financial year.
What are the performance conditions?	The performance conditions comprise financial targets relating to: - Net profit after tax (before individually material items); - Business EBIT; and - Cash flow, - as well as other targets, including safety, health and environmental performance and talent management. These performance conditions are set at both an Orica level and an individual business level. Achievement of performance conditions may therefore vary between businesses.
Why were these conditions chosen?	The financial targets are set in line with the Group's annual budget and are intended to improve financial performance which results in greater shareholder wealth. Safety and health targets build Orica's culture and commitment to 'no injuries to anyone, ever' and 'valuing people and the environment'. It is this culture that enables Orica to attract and retain high performing people.
Are both target and stretch performance conditions imposed?	Yes. The STI and the performance conditions set under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI will deliver higher rewards to executives.
How well were the performance conditions met in the 2007 financial year?	The performance conditions were generally satisfied above target, with the Group achieving many of its stretch targets.
How would a change of control impact on STI entitlements?	Where there is an actual change of control, the Board would generally be expected to exercise its discretion to pay a proportion of the maximum STI available for that financial year.

Table 6

D.5 At-risk remuneration – Long Term Incentives

D.5.1 Long Term Equity Incentive Plan - (LTEIP)

Summary of LTEIP	
What is the LTEIP?	The Orica Long Term Equity Incentive Plan (LTEIP) is the long term incentive component of remuneration for executives who are able to influence the generation of shareholder wealth by having a direct impact on the Group's performance. The LTEIP is designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value.
Why does the Board consider the structure of the LTEIP appropriate?	The LTEIP facilitates immediate share ownership by the executive directors and senior executives and links a significant proportion of their potential remuneration to Orica's ongoing share price and returns to shareholders over a three year period. The Board believes the LTEIP promotes behaviour that will achieve superior performance over the long term.
What are the key features of the LTEIP?	Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. In order to reward good performance, part of the loan may be forgiven at the end of the three year performance period upon the achievement of specified performance conditions. The loan must be repaid following testing of the performance condition after the three year period or upon the executive ceasing employment with the Group. Under the November 2006 and subsequent offers, if the executive ceases employment with the Group during the loan period, the shares are returned to the Group (in full repayment of the loan), and the executive has no further interest in the shares.
How are shares provided to executive directors under the LTEIP?	Whilst the Company has the flexibility under the LTEIP Rules to either acquire shares on-market or issue new shares for allocation to participants in the Plan, shares allocated to the executive directors under the LTEIP are acquired on-market. As the grants to the executive directors do not dilute the holdings of other shareholders, they do not require shareholder approval.
Why introduce a loan based plan?	The Board approved the design of the LTEIP (as a loan based plan) after consideration of its relative merits against other performance share based equity plans in the market. The Board considers the LTEIP to be a cost effective plan aligned to the creation of shareholder value.
Why is the loan interest free?	The interest waived on the loan is part of the remuneration value to executives of participation in the LTEIP, and is taken into consideration when determining the amount of the loan offered to each executive.
Why is a non-recourse loan provided?	If the loan exceeds the value of the shares, the Board believes the loss of any remuneration value from the LTEIP is a sufficient penalty to the senior executives. The performance condition necessary for partial forgiveness of their loan would not be satisfied, and senior executives would derive no value from the shares.
As the loans are non-recourse do executives have to repay their loans?	Yes, the executives must repay their loans at the earlier of the end of the three year performance period or the cessation of their employment with the Group. Where an executive does not discharge their loan within the prescribed period, the Company will sell or otherwise realise the value of their shares and apply the proceeds in satisfaction of the loan.
Is the benefit to executives of participation in the LTEIP affected by changes in the share price?	Yes, executives who participate in the LTEIP will be affected in the same way as all other shareholders by changes in Orica's share price. The remuneration value executives receive through participation in the LTEIP will be reduced if the share price falls during the loan period, and will increase if the share price rises over this period.
What is the forgiveness amount?	Part of the loan (the forgiveness amount) may be forgiven upon the achievement of specified performance conditions at the end of the three year period. The amount of the loan which may be forgiven is calculated by reference to a percentage of the executives' fixed annual remuneration. In general, for on target performance, this would be up to 22% of the loan amount for senior executives. No forgiveness amount is earned if the executive leaves employment before the end of the loan period.
What is the performance measurement testing period?	Three years.
What are the performance hurdles?	The performance hurdle is based on Orica's Total Shareholder Return (TSR). For the performance condition to be satisfied at target, compounded growth in Orica's TSR must be 20% per annum over the three year period.
What is TSR?	Broadly, TSR is the percentage increase in the Company's share price over the three year performance period, plus the value of dividends paid being treated as if they were reinvested.
Why did the Board select an absolute TSR performance hurdle rather than a relative TSR hurdle?	Orica's diversified business mix means there is no logical comparator group for the Company. The TSR growth target sets what we consider to be an aggressive target for executives and against which they can regularly monitor performance by comparing changes in the Company's share price over the three year performance period. This was felt to be superior to using a relative hurdle that would only be calculated and made available periodically.
What is the TSR performance condition vesting schedule?	In order to ensure that the performance condition is not an "all or nothing" target, 90% of the forgiveness amount will be awarded for compound TSR growth which exceeds 15% per annum. The percentage of the forgiveness amount increases proportionately in line with the level of TSR growth achieved, with 100% of the forgiveness amount awarded for TSR growth of 20% per annum (compound), up to a maximum of 110% of the forgiveness amount awarded for TSR growth of 25% per annum (compound) or more. No amount will be forgiven for TSR growth below the 15% threshold.

Summary of LTEIP	
Does the Board consider the satisfaction in full of the TSR hurdle a sufficient "stretch" for management?	Yes. After reviewing the Company's rate of cumulative growth in TSR over the past few years, the Board believes that 20% per annum is a clear, certain and absolute target for management. The Board believes it is an aggressive target to maintain TSR growth at 20% per annum over the three year performance period, given the current share price of the Company (which is the starting point for the TSR growth calculation) being at historically high levels. The Board also had reference to the general performance of the market over the three years and noted that a TSR of 20% per annum generally reflects top quartile performance within the ASX 100.
Is the performance hurdle re-tested?	No, the performance condition is only tested once at the end of the three year performance period.
How would a change of control impact on LTEIP entitlements?	The LTEIP Rules provide that the loan becomes immediately repayable upon a change of control, with the outstanding loan balance reduced by the forgiveness amount, except where the Board determines otherwise. The Board's current intention is that it would not exercise its discretion to vary this default position in the event of an actual change of control.

Table 7

D.5.2 Legacy plans

In the period 2001 to 2004, Orica used a Senior Executive Share Loan Plan (SESLP) as the long term incentive for the Group Executive and an Executive Share Option Plan (ESOP) for other senior executives. Prior to this, the Company used a Share Option Plan (SOP) and Share Acquisition Plan (SAP) for senior executives. Further details regarding the legacy share plans that are still active at 30 September 2007 are contained in note 37 to the financial statements.

D.6 Retention Arrangements for the Executive Director Finance and Senior Executives

The Board entered into agreements with the Executive Director Finance and senior executives during the year to participate in the Key Executive Retention Programme (KERP). The Managing Director does not participate in the KERP.

In return for participating in the KERP, participants agreed to changes to the terms of their service agreements. The relevant changes comprise an extension of the notice the executive must give to Orica upon termination to six months, as well as an undertaking not to compete with Orica for a period of six months following termination. Further details of these changes are set out in section F.

The KERP has the following key elements:

- participants are eligible to receive a lump sum retention payment equal to 50% of their Fixed Annual Remuneration plus their maximum STI (determined by reference to their remuneration as at 1 January 2007). The amount of the payment is not linked to, or dependent upon, Group performance; and
- participants must be employed with Orica on 31 March 2009 to receive the retention payment, although in exceptional circumstances (eg. where there is an actual change of control before 31 March 2009) the Board may elect to make retention payments prior to 31 March 2009.

E. Details of remuneration

E.1 Executive Directors' and Senior Executives' remuneration

Particulars of executive directors' and senior executives' qualifications, experience and special responsibilities are detailed on page 15 of the annual report. Details of the nature and amount of each element of remuneration of executive directors and senior executives are included in the tables below.

For the year to 30 September 2007

	Fixed Salary $000	STI Payment [1] $000	Other Benefits [2] $000	Super-annuation Benefits $000	Termination Benefits [3] $000	Share Based Payments [4] $000	Other Long Term Benefits [5] $000	Total Remuneration $000
Current Executive Directors								
G R Liebelt	1,850.0	2,277.6	174.8	12.8	-	289.8	208.7	4,813.7
N A Meehan	855.0	683.3	111.5	12.8	-	69.5	427.4	2,159.5
Total Current Executive Directors	2,705.0	2,960.9	286.3	25.6	-	359.3	636.1	6,973.2
Current Senior Executives								
P G Etienne	906.3	737.2	47.1	12.8	-	74.9	490.2	2,268.5
A J P Larke	532.5	865.0	61.2	12.8	-	92.7	402.4	1,966.6
G J Witcombe [6]	710.8	516.7	(24.0)	12.8	-	66.0	342.0	1,624.3
J R Beevers	590.5	471.8	115.8	12.8	-	53.1	306.0	1,550.0
B K Karcz	537.5	228.2	6.3	12.8	-	48.3	251.6	1,084.7
P W Houlihan	389.7	256.6	78.8	12.8	-	16.6	298.9	1,053.4
A R Coleman	385.2	245.6	28.2	12.8	-	20.0	218.2	910.0
Total Current Senior Executives	4,052.5	3,321.1	313.4	89.6	-	371.6	2,309.3	10,457.5
Former Senior Executives								
P G Bailey	255.0	-	1.2	5.3	651.3	-	19.1	931.9

Table 8

[1] STI Payment includes payments relating to 2007 performance accrued but not paid.

[2] These benefits include relocation costs, car parking, medical costs, movement in annual leave accrual, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax).

[3] Represents contractual payments upon termination and payment of statutory leave paid to the executive on cessation of his employment.

[4] Includes the value to executives under the November 2006 Long Term Equity Incentive Plan (LTEIP) which vests over three years. The amounts for the 2007 financial year do not include any expense from previous LTEIP offers which vested immediately.

[5] This benefit includes the movement in long service leave accrual and the accrual for the Key Executive Retention Programme (KERP).

[6] G J Witcombe's annual leave accrual reduced during the year.

E.2 Executive Directors' and Senior Executives' STI

Specific information relating to the percentage of the STI which is payable and the percentage that was forfeited for the Executive Directors and Senior Executives of the Company and the Group is set out in the table below:

For the year to 30 September 2007	Actual STI payment ($) [1] [2]	Actual STI payment as % of maximum STI	% of maximum STI payment forfeited
Current Executive Directors and Senior Executives			
G R Liebelt	2,277,600	94.9	5.1
N A Meehan	683,280	94.9	5.1
P G Etienne	737,200	97.0	3.0
A J P Larke	865,040	98.3	1.7
G J Witcombe	516,680	89.7	10.3
J R Beevers	471,840	98.3	1.7
B K Karcz	228,200	51.9	48.1
P W Houlihan	256,645	91.4	8.6
A R Coleman	245,630	86.8	13.2
Former Senior Executives			
P G Bailey	-	-	100.0

Table 9

[1] STI constitutes a cash incentive earned during 2007, and is expected to be paid in December 2007.

[2] A minimum level of net profit after tax must be achieved before any STI is paid. Therefore the minimum potential value of the STI for the financial year was nil.

E.3 Equity instruments held by Executive Directors and Senior Executives

The value of options granted during the year and the value of any options granted in a previous year that were exercised during the year relating to the Executive Directors and Senior Executives (including former Senior Executives) is set out below. The value of the options granted, as valued by PricewaterhouseCoopers, is the fair value calculated at grant date using an adjusted form of the Black Scholes option pricing model.

Value of equity instruments of Executive Directors and Senior Executives:

For the year to 30 September 2007	Options Granted Number	Options Granted [1] [2] [3] ($)	Options Exercised [4] Number	Options Exercised [5] ($)
Current Executive Directors and Senior Executives				
G R Liebelt	181,110	1,043,194	-	-
N A Meehan	43,466	250,364	14,855	240,948
P G Etienne	46,786	269,487	35,967	594,894
A J P Larke	57,955	333,821	50,000	827,000
G J Witcombe	41,232	237,496	151,122	1,234,667
J R Beevers	33,203	191,249	29,014	479,892
B K Karcz	30,185	173,866	40,063	662,642
P W Houlihan	10,349	59,610	7,671	128,182
A R Coleman	12,505	72,029	15,250	247,355
Total Current Executive Directors and Senior Executives	456,791	2,631,116	343,942	4,415,580
Former Senior Executives				
P G Bailey	-	-	171,416	1,315,939

Table 10

[1] Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executives must apply net cash dividends to the repayment of the loan balance, and executives may not deal with the shares while the loan remains outstanding. Australian Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements. Further details are set out in note 37(a) to the financial statements.

[2] The options have been valued by PricewaterhouseCoopers at $5.76 per option. The benefit of the options granted under the November 2006 LTEIP Offer will lapse during future years if the executive ceases employment with the Group before the end of the three year performance period.

[3] The grants made to senior executives under the LTEIP during the year constituted 100% of the grants available for the year. The minimum potential value of grants made during the year under LTEIP is nil.

[4] Options exercised may relate to grants made under the LTEIP as well as the SELSP and the ESOP. Refer notes 37 and 39 for full details of the legacy plans and the holdings of the Executive Directors and Senior Executives.

[5] No options lapsed or were forfeited during the year. The value of each option exercised is the market value of Orica shares on the date of exercise, less the exercise price paid.

E.4 Loans to Executive Directors and Senior Executives under Group long term incentive plans

For the year to 30 September 2007	Opening balance $	Loan advanced during the year [1] $	Interest free value $	Amount repaid during the year [2] $	Closing balance $	Highest indebtedness $
Current Executive Directors						
G R Liebelt	3,372,667	4,304,984	465,232	151,193	7,526,458	7,677,651
N A Meehan	1,144,886	1,033,187	134,088	43,292	2,134,781	2,178,073
Current Executive Directors	4,517,553	5,338,171	599,320	194,485	9,661,239	9,855,724
Current Senior Executives						
P G Etienne	1,366,713	1,112,104	153,312	49,517	2,429,300	2,478,817
A J P Larke	658,024	1,377,591	120,714	39,322	1,996,293	2,035,615
G J Witcombe [3]	3,760,701	980,085	221,957	1,955,630	2,785,156	4,740,786
J R Beevers	875,813	789,236	102,508	33,196	1,631,853	1,665,049
B K Karcz	930,528	717,498	102,169	33,094	1,614,932	1,648,026
P W Houlihan	211,040	245,995	27,809	9,042	447,993	457,035
A R Coleman	238,273	297,244	32,483	10,564	524,953	535,517
Total Current Senior Executives	8,041,092	5,519,753	760,952	2,130,365	11,430,480	13,560,845
Former Senior Executives						
P G Bailey [3]	1,810,627	-	57,268	1,810,627	-	1,810,627

Table 11

[1] Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executives must apply net cash dividends to the repayment of the loan balance, and executives may not deal with the shares while the loan remains outstanding. Australian Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements.

[2] Constitutes repayments including after tax dividends paid on the shares applied against the loan. No loans were forgiven during the year.

[3] Includes repayment of loans under SESLP.

F. Executive service agreements

Remuneration and other terms of employment for the executive directors and senior executives are formalised in service agreements. Specific information relating to the terms of the service agreements of the current executive directors and senior executives are set out in the table below:

F.1 Summary of specific terms

Name	Term of Agreement	Fixed Annual Remuneration [1]	Retention Entitlements	Notice Period by Executive	Termination Payment [2]
G R Liebelt	31 August 2010	2,000,000	-	6 months	1.5 times his fixed annual remuneration [3]
N A Meehan	Open	900,000	1,170,000	6 months	1.0 times his fixed annual remuneration
P G Etienne	Open	950,000	1,235,000	6 months	1.3 times his fixed annual remuneration [4]
A J P Larke	Open	550,000	1,155,000	6 months	1.0 times his fixed annual remuneration
G J Witcombe	Open	720,000	936,000	6 months	1.68 times his fixed annual remuneration [4]
J R Beevers	Open	600,000	780,000	6 months	1.28 times his fixed annual remuneration [4]
B K Karcz	Open	550,000	715,000	6 months	1.0 times his fixed annual remuneration
P W Houlihan	Open	550,000	585,000	6 months	1.0 times his fixed annual remuneration
A R Coleman	Open	500,000	520,000	6 months	1.0 times his fixed annual remuneration

Table 12

(1) Fixed salary, inclusive of superannuation, is reviewed annually by the Remuneration and Appointments Committee following the end of each financial year. Accordingly, the amounts set out in the table above are the executive's fixed annual remuneration as at 30 September 2007. As part of the normal annual review of remuneration, fixed annual remuneration for all executives will be reviewed and, where appropriate, adjusted during the 2008 financial year.

(2) Termination payment if Orica terminates the executive's employment other than for cause.

(3) The termination benefits in respect of G R Liebelt were set following external professional remuneration advice at a level reflective of the termination benefits effected by the Company's peers and which were considered to be reasonable in the context of G R Liebelt and his previous contractual entitlement and in the context of the Group.

(4) The termination benefits in respect of these executives reflect grandfathering of entitlements, under previous service agreements and employment terms, recognising their past service in the Group, as part of new remuneration arrangements.

Orica makes provision for employee entitlements in accordance with applicable Australian Accounting Standards. In addition, Orica has policies in relation to relocation, consistent with its expectation that all executives are mobile, as required by the needs of the business.

F.2 Restraint of trade

Each of the executive directors and senior executives has agreed to restraints as part of their service agreements, which will apply upon cessation of their employment to protect the legitimate business interests of Orica.

As a term of their participation in the KERP, the Executive Director Finance and senior executives consented to their service agreements being amended to incorporate a six month non-compete period. In addition, the service agreements for each of the senior executives provide for a twelve month non-solicitation period following termination of their employment.

F.3 Sign-on payments

No payment was made to the executive directors or any of the named executives before they took office as part consideration for them agreeing to hold office.

Rounding

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

Signed on behalf of the Board in accordance with a resolution of the directors of Orica Limited.

D P Mercer
Chairman

Dated at Melbourne this 12th day of November 2007.

Lead Auditor's Independence Declaration

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Alison M Kitchen
Partner
Melbourne, 12 November 2007.

Income Statements

For the year ended 30 September

From continuing operations:	Notes	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
The income statements should be read in conjunction with note 28, discontinued operations and businesses disposed.					
Sales revenue	(3)	**5,527.2**	4,745.6	**-**	-
Other income	(3)	**61.5**	57.8	**-**	372.1
Expenses					
Changes in inventories of finished goods and work in progress		**1.7**	(13.2)	**-**	-
Raw materials and consumables used and finished goods purchased for resale		**(2,793.3)**	(2,473.5)	**-**	-
Share based payments		**(2.7)**	(9.4)	**-**	-
Other employee benefits expense		**(959.8)**	(780.5)	**-**	-
Depreciation expense	(4c)	**(153.3)**	(124.9)	**(0.2)**	(0.2)
Amortisation expense	(4c)	**(29.9)**	(13.0)	**-**	-
Purchased services		**(374.5)**	(354.6)	**(1.0)**	(0.8)
Repairs and maintenance		**(115.0)**	(119.4)	**-**	-
Impairment of property, plant & equipment		**-**	(18.4)	**-**	-
Impairment of intangibles		**(15.4)**	(16.6)	**-**	-
Outgoing freight		**(256.6)**	(238.9)	**-**	-
Lease payments - operating leases		**(77.8)**	(59.7)	**-**	-
Other expenses from ordinary activities including individually material items		**(52.9)**	(339.9)	**-**	(0.4)
Share of net profits of associates accounted for using the equity method	(11)	**31.2**	12.4	**-**	-
		(4,798.3)	(4,549.6)	**(1.2)**	(1.4)
Profit/(loss) from operations		**790.4**	253.8	**(1.2)**	370.7
Net financing costs					
Financial income	(4a)	**34.8**	64.7	**41.9**	30.1
Financial expenses	(4b)	**(157.4)**	(151.6)	**(82.3)**	(54.1)
Net financing costs		**(122.6)**	(86.9)	**(40.4)**	(24.0)
Profit/(loss) before income tax expense		**667.8**	166.9	**(41.6)**	346.7
Income tax (expense)/benefit	(5)	**(154.4)**	(46.4)	**13.9**	114.4
Profit/(loss) after tax but before profit and loss of discontinued operations and gain on disposal of discontinued operations		**513.4**	120.5	**(27.7)**	461.1
Profit of discontinued operations and gain on disposal of discontinued operations, net of tax	(28)	**-**	440.9	**-**	-
Profit/(loss) for the year		**513.4**	561.4	**(27.7)**	461.1
Net/(loss) profit for the year attributable to:					
Shareholders of Orica Limited		**487.7**	539.1	**(27.7)**	461.1
Minority interest		**25.7**	22.3	**-**	-
Net profit/(loss) for the year		**513.4**	561.4	**(27.7)**	461.1

		cents	cents
Earnings per share			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
From continuing operations:			
Basic	(6)	**149.3**	35.9
Diluted	(6)	**147.1**	35.3
Total attributable to ordinary shareholders of Orica Limited:			
Basic	(6)	**149.3**	179.2
Diluted	(6)	**147.1**	176.5

The Income Statements are to be read in conjunction with the notes to the financial statements set out on pages 40 to 122.

Statements of Recognised Income and Expense

For the year ended 30 September

		Consolidated		Company	
		2007	2006	**2007**	2006
	Notes	**$m**	$m	**$m**	$m
Net loss on hedge of net investments in foreign subsidiaries		**(14.3)**	(13.7)	**-**	-
Cash flow hedges					
- Effective portion of changes in fair value		**(10.9)**	4.8	**-**	-
Exchange differences on translation of foreign operations		**(119.1)**	(5.9)	**-**	-
Actuarial gains on defined benefit plans	(40)	**11.9**	18.7	**-**	-
Income tax on income and expense recognised directly through equity	(5)	**(1.1)**	(14.1)	**-**	-
Net income and expense recognised directly in equity		**(133.5)**	(10.2)	**-**	-
Profit/(loss) for the year		**513.4**	561.4	**(27.7)**	461.1
Total recognised income and expense for the year		**379.9**	551.2	**(27.7)**	461.1
Attributable to:					
Shareholders of Orica Limited		**354.2**	528.9	**(27.7)**	461.1
Minority interest		**25.7**	22.3	**-**	-
Total recognised income and expense for the year		**379.9**	551.2	**(27.7)**	461.1

The Statements of Recognised Income and Expense are to be read in conjunction with the notes to the financial statements set out on pages 40 to 122.

Balance Sheets
As at 30 September

		Consolidated		Company	
		2007	2006	**2007**	2006
	Notes	**$m**	$m	**$m**	$m
Current assets					
Cash and cash equivalents	(7)	**370.7**	1,009.1	**-**	-
Trade and other receivables	(8)	**915.9**	810.1	**767.1**	1,031.7
Other financial assets	(12)	**18.0**	16.7	**-**	-
Inventories	(9)	**604.3**	579.1	**-**	-
Non-current assets classified as held for sale	(28)	**-**	30.3	**-**	-
Other assets	(10)	**36.2**	34.4	**-**	-
Total current assets		**1,945.1**	2,479.7	**767.1**	1,031.7
Non-current assets					
Trade and other receivables	(8)	**109.5**	107.4	**100.0**	100.0
Investments accounted for using the equity method	(11)	**124.5**	122.2	**-**	-
Other financial assets	(12)	**1.1**	3.7	**1,915.0**	1,647.7
Property, plant and equipment	(13)	**1,742.9**	1,603.1	**26.2**	29.1
Intangible assets	(14)	**2,055.5**	1,141.3	**-**	-
Deferred tax assets	(15)	**222.5**	221.5	**5.2**	7.7
Other assets	(10)	**3.2**	33.9	**-**	-
Total non-current assets		**4,259.2**	3,233.1	**2,046.4**	1,784.5
Total assets		**6,204.3**	5,712.8	**2,813.5**	2,816.2
Current liabilities					
Trade and other payables	(16)	**1,032.6**	935.4	**8.4**	5.8
Interest bearing liabilities	(17)	**582.7**	45.6	**1,218.1**	790.7
Current tax liabilities	(18)	**62.6**	56.5	**40.6**	43.0
Provisions	(19)	**269.7**	262.6	**-**	0.1
Total current liabilities		**1,947.6**	1,300.1	**1,267.1**	839.6
Non-current liabilities					
Trade and other payables	(16)	**4.9**	6.9	**-**	-
Interest bearing liabilities	(17)	**1,093.7**	1,265.6	**2.0**	2.0
Deferred tax liabilities	(20)	**117.6**	41.8	**-**	-
Provisions	(19)	**412.9**	430.2	**1.1**	0.9
Total non-current liabilities		**1,629.1**	1,744.5	**3.1**	2.9
Total liabilities		**3,576.7**	3,044.6	**1,270.2**	842.5
Net assets		**2,627.6**	2,668.2	**1,543.3**	1,973.7
Equity					
Ordinary shares	(21)	**702.4**	815.3	**702.4**	815.3
Reserves	(22)	**(188.5)**	(46.6)	**-**	-
Retained earnings	(22)	**1,562.8**	1,357.9	**350.9**	668.4
Total equity attributable to ordinary shareholders of Orica		**2,076.7**	2,126.6	**1,053.3**	1,483.7
Equity attributable to Step-Up Preference Securities holders	(21)	**490.0**	490.0	**490.0**	490.0
Minority interest in controlled entities	(23)	**60.9**	51.6	**-**	-
Total equity	(24)	**2,627.6**	2,668.2	**1,543.3**	1,973.7

The Balance Sheets are to be read in conjunction with the notes to the financial statements set out on pages 40 to 122.

Statements of Cash Flows

For the year ended 30 September

	Notes	Consolidated 2007 $m Inflows/ (Outflows)	Consolidated 2006 $m Inflows/ (Outflows)	Company 2007 $m Inflows/ (Outflows)	Company 2006 $m Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		**6,025.2**	5,519.0	**-**	-
Payments to suppliers and employees		**(5,307.4)**	(4,973.9)	**(4.1)**	(0.3)
Interest received		**37.0**	77.2	**42.0**	30.2
Borrowing costs		**(145.3)**	(167.5)	**(79.2)**	(54.6)
Dividends received		**21.0**	13.8	**82.6**	22.1
Royalties and other operating revenue received		**35.2**	46.9	**-**	-
Net income taxes (paid)/refund		**(141.4)**	(101.6)	**(30.8)**	9.0
Net cash flows from operating activities	(26)	**524.3**	413.9	**10.5**	6.4
Cash flows from investing activities					
Payments for property, plant and equipment		**(304.8)**	(385.7)	**-**	(2.8)
Payments for intangibles		**(32.2)**	(1.3)	**-**	-
Payments for purchase of investments		**(20.1)**	(6.8)	**-**	(500.0)
Payments for minorities' share of controlled entities	(27)	**(20.5)**	(6.6)	**-**	-
Payments for purchase of businesses/controlled entities	(27)	**(917.7)**	(875.6)	**-**	-
Proceeds from sale of property, plant and equipment		**23.9**	56.5	**2.7**	-
Proceeds from sale of investments		**10.8**	23.9	**-**	-
Proceeds from sale of businesses/controlled entities	(28)	**88.8**	819.5	**-**	-
Net cash flows (used in)/from investing activities		**(1,171.8)**	(376.1)	**2.7**	(502.8)
Cash flows from financing activities					
Net movement in short term financing		**459.0**	-	**403.4**	(266.7)
Proceeds from issue of ordinary shares		**16.3**	527.1	**16.3**	527.1
Proceeds from issue of Step-Up Preference Securities	(21)	**-**	490.0	**-**	490.0
Payments for buy-back of ordinary shares		**(114.8)**	(84.7)	**(114.8)**	(84.7)
Net (payments)/proceeds from LTEIP/SESLP	(21)	**(29.2)**	16.9	**(29.2)**	16.9
Dividends paid - Orica ordinary shares		**(244.5)**	(186.2)	**(244.5)**	(186.2)
Distributions paid - Step-Up Preference Securities		**(44.4)**	-	**(44.4)**	-
Dividends paid - minority interest		**(17.6)**	(5.9)	**-**	-
Net cash flows from/(used in) financing activities		**24.8**	757.2	**(13.2)**	496.4
Net (decrease)/increase in cash held		**(622.7)**	795.0	**-**	-
Cash at the beginning of the year		**1,008.2**	211.9	**-**	-
Effects of exchange rate changes on cash		**(17.8)**	1.3	**-**	-
Cash at the end of the year	(26)	**367.7**	1,008.2	**-**	-

The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements set out on pages 40 to 122.

Notes to the Financial Statements
For the year ended 30 September 2007

1. Accounting policies

The significant accounting policies adopted in preparing the financial report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the consolidated entity' or 'the Group') are stated below to assist in a general understanding of this financial report.

(i) Basis of preparation

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets (other than controlled entities and associates) which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair value attributable to the risks that are being hedged.

(ii) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of applicable Australian Accounting Standards including Australian Interpretations and the Corporations Act 2001.

The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board. The Company's financial report does not comply with IFRS as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

The financial report is presented in Australian dollars which is Orica's functional and presentation currency.

This financial report has been prepared on the basis of Australian Accounting Standards and Interpretations on issue that are effective, or available for early adoption at Orica's balance date, 30 September 2007.

Except as described below, the accounting policies applied by the Group in the financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 September 2006. The standards relevant to Orica that have been adopted during the year are:

- AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation] – Financial Guarantee Contracts.

The standards relevant to Orica that have been early adopted during the year are:

- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2 Share-based Payment];
- AASB 123 Borrowing costs;
- AASB 2007-6 AASB 1 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow Statements, AASB 111 Construction Contracts, AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets, Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and Interpretation 12 Service Concession Arrangements];
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED151 and other amendments;
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statements, AASB 131 Interests in Joint Ventures & AASB 139 Financial Instruments: Recognition and Measurement];
- AASB Interpretation 10 Interim Financial Reporting and Impairment;
- AASB Interpretation 11 Group and Treasury Share Transactions; and
- AASB 2007-7 Amendments to Australian Accounting Standards amending AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 2 Share-based Payment, AASB 4 Insurance Contracts, AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 107 Cash Flow Statements and AASB 128 Investments in Associates.

These standards have had no significant impact on the financial statements.

The standards and interpretations relevant to Orica that have not been early adopted are:

- AASB 2005-10 Amendments to Australian Accounting Standards amending AASB 132 Financial Instruments: Presentation and Disclosure, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 1038 Life Insurance Contracts - applicable from annual reporting periods beginning on or after 1 January 2007;
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 1023 General Insurance Contracts, and AASB 1038 Life Insurance Contracts] – applicable from annual reporting periods beginning on or after 1 January 2009;
- AASB 7 Financial Instruments: Disclosures – applicable from annual reporting periods beginning on or after 1 January 2007;
- AASB Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – applicable from annual reporting periods beginning on or after 1 January 2008;

1. Accounting policies (continued)

- AASB 8 Operating Segments – applicable from annual reporting periods beginning on or after 1 January 2009;
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 – applicable from annual reporting periods beginning on or after 1 January 2009; and
- AASB 101 Presentation of Financial Statements – applicable from annual reporting periods beginning on or after 1 January 2009.

The consolidated entity expects to adopt these standards and interpretations in the 2008 and subsequent financial reports - however they are not expected to have a significant impact on the financial results of the Company or the consolidated entity.

(iii) Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to the Income Statement in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities and contingent liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances, transactions and unrealised profits arising within the consolidated entity are eliminated in full.

(iv) Revenue recognition

Sales revenue

External sales are recognised when the risks and rewards of ownership are transferred to the purchaser.

Other income

Profits and losses from sale of businesses, controlled entities and other non-current assets are recognised when there is a signed unconditional contract of sale. Dividends are recognised in the Income Statements when declared. Interest income is recognised in the Income Statements as it accrues.

Construction contracts

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated. Stage of completion is measured by reference to an assessment of total costs incurred to date as a percentage of estimated total costs for each contract. Revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

(v) Borrowing costs

Borrowing costs include interest, unwinding of the effect of discounting on provisions, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings, including lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average interest rate.

(vi) Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred except when it is probable that future economic benefits associated with the item will flow to the consolidated entity, in which case they are capitalised.

(vii) Share based payments

Equity settled share based payments are measured by PricewaterhouseCoopers at fair value at the date of grant using an option valuation model. This valuation model generates possible future share prices based on similar assumptions that underpin relevant option pricing models and reflects the value (as at grant date) of options granted. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares and (f) the risk-free interest rate for the life of the option.

The fair value determined at the grant date of the equity settled share based payments is expensed in the Income Statement on a straight-line basis over the relevant vesting period.

The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised and any shares purchased on-market are recognised as a share buy-back and deducted from shareholders equity.

(viii) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax and is recognised in the Income Statements.

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

1. Accounting policies (continued)

Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheets and their associated tax bases. Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will be 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 will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Orica Limited is the parent entity in the tax consolidated group comprising all wholly-owned Australian entities. Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the parent entity recognises the tax effects of its own transactions and the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary entities. Current tax income/expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation. In accordance with the tax sharing agreement, the subsidiary entities are compensated for the assets and liabilities assumed by the parent entity as intercompany receivables and payables and for amounts which equal the amounts initially recognised by the subsidiary entities. There is no adjustment for tax consolidation contribution by (or distribution to) equity participants.

(ix) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. Cost is based on the first-in, first-out or weighted average method based on the type of inventory. For manufactured goods, cost includes direct material and fixed overheads based on normal operating capacity. For merchanted goods, cost is net cost into store.

(x) Construction work in progress

Where the Group manufactures equipment for sale, the work in progress is carried at cost plus profit recognised to date based on the value of work completed less progress billings and less provision for foreseeable losses allocated between amounts due from customers and amounts due to customers.

(xi) Trade and other receivables

Trade and other receivables are recognised at their cost less any impairment losses.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables.

Derecognition

A number of customers use bank facilities that are guaranteed or partially guaranteed by Orica. Where the entire risks and rewards relating to these facilities have been transferred to the financial institution, the receivable is derecognised. Where this has not occurred, the receivable and the equivalent interest bearing liability have been recognised in the Balance Sheet.

(xii) Investments accounted for using the equity method

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Associates are those entities over which the consolidated entity exercises significant influence, but does not control.

(xiii) Other financial assets

The consolidated entity’s interests in financial assets other than controlled entities and associates are stated at market value.

Investments in subsidiaries and associates are accounted for in the Company’s financial statements at their cost of acquisition.

(xiv) Non-current assets held for sale and disposal groups

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is reassessed in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the Income Statement. The same applies to gains and losses on subsequent remeasurement.

Classification as a disposal group occurs when the operation meets the criteria to be classified as held for sale.

(xv) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset to the consolidated entity.

1. Accounting policies (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Estimated useful lives of each class of asset are as follows:

Buildings and improvements	25 to 40 years
Machinery, plant and equipment	3 to 30 years

Profits and losses on disposal of property, plant and equipment are taken to the Income Statements.

(xvi) Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Assets under finance lease are capitalised at the present value of the minimum lease payments and amortised on a straight-line basis over the period during which benefits are expected to flow from the use of the leased assets.

A corresponding liability is established and each lease payment is allocated between finance charges and reduction of the liability.

Operating leases are not capitalised and lease rental payments are taken to the Income Statement on a straight-line basis.

(xvii) Intangible assets

Identifiable intangibles

Amounts paid for the acquisition of identifiable intangible assets are capitalised at the fair value of consideration paid determined by reference to independent valuations.

Identifiable intangible assets with a finite life (customer contracts, patents, software, brand names, trademarks and licences) are amortised on a straight-line basis over their expected useful life to the consolidated entity, being up to thirty years.

Identifiable intangible assets with an indefinite life (brand names and trademarks) are not amortised but the recoverable amount of these assets is tested for impairment at least annually as explained under impairment of assets (see note XXV).

Unidentifiable intangibles

Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is treated as goodwill. Goodwill is not amortised but the recoverable amount is tested for impairment at least annually as explained under impairment of assets (see note XXV).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(xviii) Interest-bearing liabilities

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

Amortised cost is calculated by taking into account any issue costs and any discount or premium on issuance. Gains and losses are recognised in the Income Statement in the event that the liabilities are derecognised.

(xix) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the effect of discounting on provisions is recognised as a borrowing cost.

Environmental

Estimated costs for the remediation of soil, groundwater and untreated waste that have arisen as a result of past events are provided for where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed.

However, where the cost relates to land held for resale then, to the extent that the expected realisation exceeds both the book value of the land and the estimated cost of remediation, the cost is capitalised as part of the holding value of that land.

For sites where there are uncertainties with respect to what Orica’s remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been capitalised, expensed or provided for.

Decommissioning

The present value of the estimated costs of dismantling and removing an asset and restoring the site on which it is located are recognised as an asset within property, plant and equipment which is depreciated on a straight line basis over its estimated useful life and a corresponding provision is raised where a legal or constructive obligation exists. At each reporting date, the liability is remeasured in line with changes in discount rates, timing and estimated cash flows. Any changes in the liability are added or deducted from the related asset, other than the unwinding of the discount which is recognised as borrowing costs in the Income Statement.

Self insurance

The Group self-insures for certain insurance risks. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims.

Employee entitlements

Provisions are made for liabilities to employees for annual leave, sick leave and other current employee entitlements that represent the amount for which the consolidated entity has a present obligation. These have been calculated at nominal amounts based on the wage and salary rates that the consolidated entity expects to pay as at each reporting date and include related on-costs.

1. Accounting policies (continued)

Liabilities for employee entitlements which are not expected to be settled within twelve months of balance date, such as long service leave, are accrued at the present value of future amounts expected to be paid. The present value is determined using interest rates applicable to government guaranteed securities with maturities approximating the terms of the consolidated entity's obligations.

A liability is recognised for bonus plans on the achievement of predetermined bonus targets and the benefit calculations are formally documented and determined before signing the financial report.

Contingent liabilities on acquisition of controlled entities

A provision is recognised on acquisition of a business for contingent liabilities of that business.

Superannuation

Contributions to defined contribution superannuation funds are taken to the Income Statement in the year in which the expense is incurred.

For each defined benefit scheme, the cost of providing pensions is charged to the Income Statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets.

All actuarial gains and losses are recognised directly in equity.

The consolidated entity's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Restructuring and employee termination benefits

Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination has either commenced or been publicly announced, or firm contracts related to the restructuring or termination benefits have been entered into. Costs related to ongoing activities are not provided for.

Onerous contracts

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

(xx) Trade and other payables

Dividends

A liability for dividends payable (including distributions on the Step-Up Preference Securities) is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash. A liability for dividends payable on cumulative non-redeemable preference shares is recognised on an accruals basis and included in trade and other payables.

(xxi) Foreign currency

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date.

The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. The revenues and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Prior to translating the financial statements of foreign operations in hyperinflationary economies, the financial statements, including comparatives, are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the balance sheet date.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the translation reserve. They are released into the Income Statement upon disposal.

(xxii) Financial instruments

The consolidated entity uses financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue financial instruments for trading purposes. However, financial instruments that do not qualify for hedge accounting, but remain economically effective, are accounted for as trading instruments.

Financial instruments are recognised initially at cost. Subsequent to initial recognition, financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement.

1. Accounting policies (continued)

However, where financial instruments qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Hedging

Cash flow hedges

Where a financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Income Statement.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects the Income Statement.

The ineffective part of any gain or loss is recognised immediately in the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

Hedge of monetary assets and liabilities

When a financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the Income Statement.

Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

Other financial instruments held by the consolidated entity classified as being available-for-sale are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Income Statement.

Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Income Statement. The fair value of financial instruments classified as held for trading and available for sale is their quoted market price at the balance sheet date.

Financial instruments classified as held for trading or available for sale investments are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments. Securities held to maturity are recognised/derecognised on the day they are transferred to/by the consolidated entity.

Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in the foreign currency translation reserve in equity. The ineffective portion is recognised immediately in the Income Statement.

Anticipated transactions

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables and payables outstanding at balance date are translated at the exchange rates current at that date. Exchange gains and losses on retranslation of outstanding receivables and payables are taken to the Income Statement.

Where a hedge transaction is designated as a hedge of the anticipated purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, gains and losses on the hedge, arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the Income Statement.

The net amount receivable or payable under open swaps, forward rate agreements and futures contracts and the associated deferred gains or losses are not recorded in the Income Statement until the hedged transaction matures. The net receivables or payables are then revalued using the foreign currency, interest or commodity rates current at balance date.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the Income Statement.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains and losses are recognised immediately in the Income Statement.

(xxiii) Cash and cash equivalents

Cash includes cash at bank, cash on hand and deposits at call which are readily convertible to cash on hand and which are used in the cash management function and are disclosed for the purposes of the Statement of Cash Flows, net of bank overdrafts.

(xxiv) Share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

1. Accounting policies (continued)

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Cumulative non-redeemable preference shares

Cumulative non-redeemable preference shares are included in liabilities as they are, in substance, borrowings. Dividends payable on these shares are recognised in the Income Statements as borrowing costs on an accruals basis.

Step-Up Preference Securities

Step-Up Preference Securities are included in equity. A provision for distributions payable is recognised in the reporting period in which the distributions are declared.

(xxv) Impairment of assets

The carrying amount of Orica's and the Group's non-current assets excluding defined benefit fund assets, deferred tax assets, goodwill and indefinite life intangible assets is reviewed at each reporting date to determine whether there is any evidence of impairment. If such indication exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount. Goodwill and indefinite life intangible assets are tested for impairment annually.

The recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use.

The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the cash generating unit to which the asset belongs.

A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets with each cash generating unit being no larger than a segment.

In calculating recoverable amount, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit.

Cash flows are estimated for the asset in its present condition and therefore do not include cash inflows or outflows that improve or enhance the asset's performance or that may arise from future restructuring.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit.

Reversals of impairment

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(xxvi) Goods and services tax

Revenues, expenses, assets and liabilities other than receivables and payables, are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the relevant taxation authorities. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the relevant taxation authorities is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authorities are classified as operating cash flows.

(xxvii) Rounding

The amounts shown in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

(xxviii) Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

2. Segment report

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format is business segments. The consolidated entity's operations have been divided into seven business segments comprising Mining Services, Minova, Consumer Products, Chemnet, Chemical Services, Fertilisers and Other.

The Minova group was acquired on 1 January 2007.

The Fertilisers business was disposed on 15 May 2006 and is reported as a discontinued operation.

The consolidated entity's policy is to transfer products internally at negotiated commercial prices. Other income includes royalties, profit on sale of property, plant and equipment and profit from sale of businesses and controlled entities.

The consolidated entity's geographical segments are determined based on the location of the Group's assets.

The major products and services from which the above segments derive revenue are:

Defined business segments	Products/services
Mining Services	Manufacture and supply of explosives and mining services, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries.
Minova	Manufacture and supply of specialty chemicals for stabilisation and ventilation systems in underground mining and civil works.
Consumer Products	Manufacture and supply of paints and other surface coatings to the decorative and technical markets and a range of home handyman, car care and garden care products.
Chemnet	Distribution and trading of a broad range of industrial and specialty chemicals, raw materials, ingredients and associated services to a wide range of manufacturers.
Chemical Services	Manufacture and supply of a broad range of industrial and specialty chemicals including chlorine, MIEX® DOC resin, sodium hypochlorite, caustic soda, adhesives and resins (disposed of on 31 January 2007) and related chemicals for watercare, food, timber and general industrial purposes and sodium cyanide to the gold mining industry.
Other	Minor activities, operation of the Botany Groundwater Recycling Business, non-operating assets, corporate and support costs and financial items such as foreign currency gains/losses on interest bearing liabilities.
Fertilisers	Manufacture, import and supply of a broad range of fertilisers including nitrogen, phosphate and other fertilisers for the agricultural industry including profit/loss on sale of discontinued operation.

2. Segment report (continued)

Primary reporting
Business segments
2007
$m

	Mining Services	Minova	Consumer Products	Chemnet	Chemical Services	Other	Eliminations	Consolidated
Revenue								
External sales	3,099.5	332.1	826.2	896.0	373.0	0.4	-	5,527.2
Inter-segment sales	11.7	-	0.1	31.7	52.1	-	(95.6)	-
Total sales revenue	3,111.2	332.1	826.3	927.7	425.1	0.4	(95.6)	5,527.2
Other income	25.8	-	0.4	3.2	25.0	7.1	-	61.5
Total revenue and other income	3,137.0	332.1	826.7	930.9	450.1	7.5	(95.6)	5,588.7
Results								
Profit/(loss) before individually material items, net financing costs and income tax expense	575.1	61.6	101.6	58.7	68.7	(53.0)	-	812.7
Individually material items	(44.7)	-	-	(16.9)	23.3	16.0	-	(22.3)
Profit/(loss) from operations	530.4	61.6	101.6	41.8	92.0	(37.0)	-	790.4
Net financing costs								(122.6)
Profit before income tax expense								667.8
Income tax expense								(154.4)
Profit after income tax expense								513.4
Minority interests in profit after income tax								(25.7)
Net profit for the period relating to shareholders of Orica Limited								487.7
Segment assets	3,292.6	1,020.2	432.3	476.8	479.5	502.9	-	6,204.3
Segment liabilities	978.9	125.6	187.0	131.3	68.4	2,085.5	-	3,576.7
Investments accounted for using the equity method	122.5	-	1.5	0.5	-	-	-	124.5
Acquisitions of PPE, intangibles and other non-current assets	200.3	10.0	41.5	8.9	63.4	17.7	-	341.8
Impairment of intangibles	-	-	-	15.4	-	-	-	15.4
Impairment of inventories	1.5	0.9	1.2	3.0	1.0	-	-	7.6
Impairment of trade receivables	6.1	0.5	1.8	2.0	0.2	-	-	10.6
Depreciation	107.4	4.3	11.4	7.5	18.8	3.9	-	153.3
Amortisation	15.4	9.2	3.3	0.2	0.3	1.5	-	29.9
Non-cash expenses other than depreciation and amortisation:								
- share based payments	1.1	0.2	0.2	0.2	0.1	0.9	-	2.7
Share of associates net profit/(loss) equity accounted	31.4	-	(0.2)	-	-	-	-	31.2

2. Segment report (continued)

Primary reporting
Business segments
2006
$m

	Mining Services	Minova	Consumer Products	Chemnet	Chemical Services	Other	Eliminations	Total Continuing Operations	Fertilisers	Eliminations	Consolidated
Revenue											
External sales	2,608.3	-	784.9	933.6	440.9	-	-	4,767.7	591.5	-	5,359.2
Inter-segment sales	12.6	-	0.1	53.8	36.1	-	(98.2)	4.4	22.1	(26.5)	-
Total sales revenue	2,620.9	-	785.0	987.4	477.0	-	(98.2)	4,772.1	613.6	(26.5)	5,359.2
Other income	44.5	-	1.0	2.9	2.0	7.4	-	57.8	440.8	-	498.6
Total revenue and other income	2,665.4	-	786.0	990.3	479.0	7.4	(98.2)	4,829.9	1,054.4	(26.5)	5,857.8
Results											
Profit/(loss) before individually material items, net financing costs and income tax expense	412.0	-	97.3	57.7	67.1	(50.7)	-	583.4	74.3	-	657.7
Individually material items	(151.3)	-	-	(49.1)	(10.1)	(119.1)	-	(329.6)	400.4	-	70.8
Profit/(loss) from operations	260.7	-	97.3	8.6	57.0	(169.8)	-	253.8	474.7	-	728.5
Net financing costs											(92.2)
Profit before income tax expense											636.3
Income tax expense											(74.9)
Profit after income tax expense											561.4
Minority interests in profit after income tax											(22.3)
Net profit for the period relating to shareholders of Orica Limited											539.1
Segment assets	3,430.8	-	335.6	426.8	399.4	1,120.2	-	5,712.8	-	-	5,712.8
Segment liabilities	980.2	-	180.1	158.8	76.8	1,648.7	-	3,044.6	-	-	3,044.6
Investments accounted for using the equity method	118.7	-	1.3	1.4	-	0.8	-	122.2	-	-	122.2
Acquisitions of PPE, intangibles and other non-current assets	323.4	-	10.7	4.9	34.1	29.4	-	402.5	29.5	-	432.0
Impairment of PPE	14.9	-	-	3.3	2.9	(2.7)	-	18.4	-	-	18.4
Impairment of intangibles	14.1	-	-	2.5	-	-	-	16.6	-	-	16.6
Impairment of inventories	1.1	-	1.7	12.1	-	-	-	14.9	0.5	-	15.4
Impairment of trade receivables	6.3	-	1.8	5.4	-	-	-	13.5	(0.1)	-	13.4
Depreciation	85.5	-	11.5	8.1	17.7	2.1	-	124.9	17.7	-	142.6
Amortisation	8.5	-	2.7	0.2	0.2	1.4	-	13.0	1.3	-	14.3
Non-cash expenses other than depreciation and amortisation:											
- share based payments	3.6	-	1.1	0.7	0.6	3.4	-	9.4	0.4	-	9.8
Share of associates net profit/(loss) equity accounted	12.5	-	(0.2)	0.1	-	-	-	12.4	-	-	12.4

2. Segment report (continued)

Secondary reporting
Geographical segments
2007
$m

	Australia	New Zealand	Asia	Americas	Europe	Other	Eliminations	Consolidated
Revenue								
External sales	**2,428.1**	**405.4**	**439.8**	**1,495.4**	**714.4**	**44.1**	**-**	**5,527.2**
Inter-segment sales	**141.1**	**13.4**	**14.8**	**13.5**	**53.2**	**4.7**	**(240.7)**	**-**
Total sales revenue	**2,569.2**	**418.8**	**454.6**	**1,508.9**	**767.6**	**48.8**	**(240.7)**	**5,527.2**
Other income [1]	**(0.4)**	**36.5**	**3.3**	**14.2**	**7.9**	**-**	**-**	**61.5**
Total revenue and other income	**2,568.8**	**455.3**	**457.9**	**1,523.1**	**775.5**	**48.8**	**(240.7)**	**5,588.7**
Results								
Profit before individually material items, net financing costs and income tax expense	**369.5**	**50.1**	**75.6**	**184.9**	**129.8**	**2.8**	**-**	**812.7**
Individually material items [1]	**(13.0)**	**32.2**	**(1.9)**	**(26.8)**	**(12.8)**	**-**	**-**	**(22.3)**
Profit from operations	**356.5**	**82.3**	**73.7**	**158.1**	**117.0**	**2.8**	**-**	**790.4**
Net financing costs								**(122.6)**
Profit before income tax expense								**667.8**
Income tax expense								**(154.4)**
Profit after income tax expense								**513.4**
Minority interests in profit after income tax								**(25.7)**
Net profit for the period relating to shareholders of Orica Limited								**487.7**
Segment assets	**2,712.2**	**237.8**	**420.8**	**1,297.2**	**1,503.0**	**33.3**	**-**	**6,204.3**
Segment liabilities	**2,012.7**	**626.0**	**87.9**	**466.1**	**376.2**	**7.8**	**-**	**3,576.7**
Investments accounted for using the equity method	**2.0**	**-**	**52.7**	**57.0**	**12.8**	**-**	**-**	**124.5**
Acquisitions of PPE, intangibles and other non-current assets	**175.6**	**11.2**	**18.5**	**89.7**	**46.1**	**0.7**	**-**	**341.8**
Impairment of intangibles	**15.4**	**-**	**-**	**-**	**-**	**-**	**-**	**15.4**
Impairment of inventories	**4.9**	**0.5**	**0.6**	**0.6**	**0.8**	**0.2**	**-**	**7.6**
Impairment of trade receivables	**2.5**	**0.7**	**1.6**	**4.2**	**1.6**	**-**	**-**	**10.6**
Depreciation	**83.5**	**5.4**	**9.8**	**33.4**	**20.1**	**1.1**	**-**	**153.3**
Amortisation	**12.3**	**0.6**	**0.7**	**4.9**	**11.4**	**-**	**-**	**29.9**
Non-cash expenses other than depreciation and amortisation: - share based payments	**2.0**	**0.1**	**-**	**0.4**	**0.2**	**-**	**-**	**2.7**
Share of associates net profit equity accounted	**(0.6)**	**-**	**7.9**	**19.8**	**4.1**	**-**	**-**	**31.2**

[1] On disposal of the Adhesives and Resins business assets, a gain was realised in the New Zealand segment and a loss in the Australian segment.

2. Segment report (continued)

Secondary reporting
Geographical segments
2006
$m

	Australia	New Zealand	Asia	Americas	Europe	Other	Eliminations	Consolidated
Revenue								
External sales	2,870.5	453.8	405.8	1,315.9	306.8	6.4	-	5,359.2
Inter-segment sales	122.3	14.0	10.2	9.8	46.2	6.0	(208.5)	-
Total sales revenue	2,992.8	467.8	416.0	1,325.7	353.0	12.4	(208.5)	5,359.2
Other income	459.4	3.2	1.1	22.2	12.7	-	-	498.6
Total revenue and other income	3,452.2	471.0	417.1	1,347.9	365.7	12.4	(208.5)	5,857.8
Results								
Profit before individually material items, net financing costs and income tax expense	351.6	59.0	56.8	137.8	50.0	2.5	-	657.7
Individually material items	266.6	(3.5)	(16.8)	(60.4)	(115.1)	-	-	70.8
Profit from operations [(1)]	618.2	55.5	40.0	77.4	(65.1)	2.5	-	728.5
Net financing costs								(92.2)
Profit before income tax expense								636.3
Income tax expense								(74.9)
Profit after income tax expense								561.4
Minority interests in profit after income tax								(22.3)
Net profit for the period relating to shareholders of Orica Limited								539.1
Segment assets	3,269.3	280.3	281.6	1,033.6	840.8	7.2	-	5,712.8
Segment liabilities	1,592.1	612.7	80.3	510.1	247.0	2.4	-	3,044.6
Investments accounted for using the equity method	3.5	-	-	45.8	72.9	-	-	122.2
Acquisitions of PPE, intangibles and other non-current assets	344.0	6.6	9.1	42.8	22.5	7.0	-	432.0
Impairment of PPE	3.3	-	2.9	-	14.9	(2.7)	-	18.4
Impairment of intangibles	2.6	-	0.1	1.1	12.8	-	-	16.6
Impairment of inventories	12.0	1.2	0.8	0.1	1.3	-	-	15.4
Impairment of trade receivables	2.6	1.5	-	3.4	5.5	0.4	-	13.4
Depreciation	87.2	5.8	8.5	29.2	11.3	0.6	-	142.6
Amortisation	10.1	0.5	0.4	0.9	2.4	-	-	14.3
Non-cash expenses other than depreciation and amortisation: - share based payments	7.6	0.1	0.2	1.3	-	0.6	-	9.8
Share of associates net profit/(loss) equity accounted	(0.1)	-	-	10.1	-	2.4	-	12.4

(1) The discontinued operation (Fertilisers) operated in one geographical segment - Australia.

	Consolidated		Company	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m

3. Sales revenue and other income from continuing operations

This note should be read in conjunction with note 28, discontinued operations and businesses disposed.

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Sales revenue	**5,527.2**	4,745.6	**-**	-
Other income				
Royalty income	**3.0**	2.6	**-**	-
Dividend income:				
controlled entities	**-**	-	**-**	372.1
Other income	**32.3**	33.3	**-**	-
Profit from sale of businesses/controlled entities	**26.2**	6.4	**-**	-
Profit on sale of property, plant and equipment	**-**	15.5	**-**	-
Total other income	**61.5**	57.8	**-**	372.1

4. Specific profit and loss income and expenses

This note should be read in conjunction with note 28, discontinued operations and businesses disposed.

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
a) Financial income:				
Interest income received/receivable from:				
controlled entities	**-**	4.9	**41.9**	30.0
associated companies	**0.8**	-	**-**	-
external parties – banks	**34.0**	59.8	**-**	0.1
Total financial income	**34.8**	64.7	**41.9**	30.1
b) Financial expenses:				
Borrowing costs paid/payable to:				
controlled entities	**-**	-	**82.2**	54.0
external parties	**146.2**	146.3	**0.1**	0.1
unwinding of discount on provisions	**11.0**	5.2	**-**	-
finance charges – finance leases	**0.2**	0.1	**-**	-
Total financial expenses	**157.4**	151.6	**82.3**	54.1
Net financing costs	**122.6**	86.9	**40.4**	24.0
c) Profit/(loss) before income tax expense is arrived at after charging/(crediting):				
Currency (gains)/losses	**0.4**	(8.0)	**-**	-
Loss on sale of property, plant and equipment	**4.3**	-	**-**	-
Depreciation on property, plant and equipment:				
buildings and improvements	**16.8**	14.9	**0.1**	0.2
machinery, plant and equipment	**136.5**	110.0	**0.1**	-
Total depreciation on property, plant and equipment	**153.3**	124.9	**0.2**	0.2
Amortisation of intangibles	**29.9**	13.0	**-**	-
Amounts provided for:				
trade receivables impairment	**6.0**	12.4	**-**	-
employee entitlements	**38.5**	39.9	**-**	-
environmental liabilities	**4.5**	140.7	**-**	-
inventory impairment	**7.6**	14.9	**-**	-
restructuring and rationalisation provisions	**17.3**	86.7	**-**	-
decommissioning	**4.7**	-	**-**	-
onerous contracts	**4.4**	-	**-**	-
other provisions	**35.3**	10.1	**-**	-
Bad debts written off in respect of trade receivables	**4.6**	1.1	**-**	-
Lease payments – operating leases	**77.8**	59.7	**-**	-
Research and development	**31.5**	32.8	**-**	-

	2007			2006		
	Gross $m	**Tax $m**	**Net $m**	Gross $m	Tax $m	Net $m

4. Specific profit and loss income and expenses (continued)

	Gross $m	**Tax $m**	**Net $m**	Gross $m	Tax $m	Net $m
d) Profit after income tax includes the following individually material items of income/(expense):						
Consolidated						
Profit on disposal of:						
Adhesives and Resins (A&R) [1]	**23.3**	**0.4**	**23.7**	-	-	-
Incitec Pivot Limited	**-**	**-**	**-**	428.6	(19.8)	408.8
Environmental provisions:						
Botany HCB (NSW) [2]	**-**	**-**	**-**	(70.1)	21.0	(49.1)
Villawood (NSW)	**-**	**-**	**-**	(33.0)	9.9	(23.1)
Seneca (North America)	**-**	**-**	**-**	(30.5)	11.7	(18.8)
Cockle Creek (NSW)	**-**	**-**	**-**	(28.2)	8.5	(19.7)
Restructuring and rationalisation costs: [3]						
Marplex business	**(16.9)**	**0.5**	**(16.4)**	-	-	-
Chemnet business	**-**	**-**	**-**	(49.1)	14.0	(35.1)
Seneca (North America)	**-**	**-**	**-**	(13.3)	5.1	(8.2)
Dyno Nobel (expenditure)/income:						
Integration costs [4]	**(44.7)**	**10.9**	**(33.8)**	(114.8)	36.1	(78.7)
Net financing income [5]	**-**	**-**	**-**	7.3	(5.0)	2.3
Impairment writedowns: [6]						
Adhesives and Resins	**-**	**-**	**-**	(10.1)	-	(10.1)
Tax indemnity - Cropcare [7]	**16.0**	**-**	**16.0**	(16.0)	-	(16.0)
Individually material items	**(22.3)**	**11.8**	**(10.5)**	70.8	81.5	152.3
Minority interests in individually material items	**(0.4)**	**-**	**(0.4)**	(9.0)	2.5	(6.5)
Individually material items attributable to members of Orica	**(21.9)**	**11.8**	**(10.1)**	79.8	79.0	158.8
Company						
Recognition of capital losses [8]	**-**	**-**	**-**	-	110.2	110.2
	-	**-**	**-**	-	110.2	110.2

[1] Profit on sale of Adhesives and Resins business assets in Australia and New Zealand.

[2] Environmental provision related to HCB export and remediation of Botany (New South Wales, Australia) Car Park Waste Encapsulation.

[3] Costs including asset write downs and provisions relating to restructuring of the Marplex (Victoria, Australia) business in 2007 and the Chemnet business and closure of Seneca (North America) in 2006.

[4] Costs including asset write downs and provisions relating to the integration and restructuring of the Mining Services business following the purchase of the Dyno Nobel businesses.

[5] Financing income received from the Dyno Nobel businesses related to purchase price paid prior to the acquisition, offset by interest cost on borrowings associated with the purchase.

[6] Impairment writedown of assets of Indonesian Adhesives and Resins business.

[7] The Cropcare business was sold to Nufarm Limited in October 2002 and Orica provided a tax indemnity. A tax assessment was received by Nufarm Limited in 2006 and Orica provided for this amount and disputed the claim. In 2007, the Australian Tax Office refunded amounts paid and the expense previously recognised was reversed.

[8] Capital loss recognised by Orica Limited in 2006 as head entity of the tax consolidated group following the sale of Incitec Pivot Limited.

5. Income tax expense

	Continuing 2007 $m	Discontinued 2007 $m	Consolidated 2007 $m	Continuing 2006 $m	Discontinued 2006 $m	Consolidated 2006 $m
a) Income tax expense recognised in the income statement						
Current tax expense						
Current year	**163.4**	**-**	**163.4**	117.9	38.7	156.6
Deferred tax	**5.4**	**-**	**5.4**	(76.0)	(8.5)	(84.5)
(Over)/under provided in prior years	**(14.4)**	**-**	**(14.4)**	4.5	(1.7)	2.8
Total income tax expense in income statements	**154.4**	-	**154.4**	46.4	28.5	74.9
b) Reconciliation of income tax expense to prima facie tax payable						
Income tax expense attributable to operating profit before individually material items						
Prima facie income tax expense calculated at 30% on profit before individually material items	**207.0**	**-**	**207.0**	149.0	20.7	169.7
Tax effect of items which (reduce)/increase tax expense:						
variation in tax rates of foreign controlled entities	**(7.4)**	**-**	**(7.4)**	4.2	-	4.2
tax (over)/under provided in prior years	**(14.4)**	**-**	**(14.4)**	4.5	(1.7)	2.8
non allowable share based payment	**0.8**	**-**	**0.8**	2.8	0.1	2.9
non taxable profit on sale of investments	**-**	**-**	**-**	(0.9)	(1.4)	(2.3)
non taxable profit on sale of property, plant and equipment	**-**	**-**	**-**	(0.1)	(0.5)	(0.6)
other foreign deductions	**(25.4)**	**-**	**(25.4)**	(25.1)	-	(25.1)
sundry items	**5.6**	**-**	**5.6**	4.8	-	4.8
Income tax expense attributable to profit before individually material items	**166.2**	-	**166.2**	139.2	17.2	156.4
Income tax (benefit)/expense attributable to individually material items						
Prima facie income tax (benefit)/expense calculated at 30% on (loss)/profit from individually material items	**(6.7)**	**-**	**(6.7)**	(98.9)	120.1	21.2
Tax effect of items which (reduce)/increase tax expense:						
variation in tax rates of foreign controlled entities	**(1.1)**	**-**	**(1.1)**	(6.0)	-	(6.0)
individually material items:						
non taxable profit on sale (A&R)	**(7.7)**	**-**	**(7.7)**	-	-	-
non taxable writedown/(writeback) (Cropcare)	**(4.8)**	**-**	**(4.8)**	4.8	-	4.8
non allowable impairment writedown (Marplex)	**4.7**	**-**	**4.7**	-	-	-
non allowable Dyno Nobel integration costs	**3.8**	**-**	**3.8**	1.4	-	1.4
recognition of capital losses	**-**	**-**	**-**	-	(110.2)	(110.2)
non allowable impairment writedown (A&R)	**-**	**-**	**-**	3.0	-	3.0
non allowable Chemnet restructuring costs	**-**	**-**	**-**	0.9	-	0.9
non allowable Dyno Nobel net financing income	**-**	**-**	**-**	2.0	-	2.0
other	**-**	**-**	**-**	-	1.4	1.4
Income tax (benefit)/expense attributable to (loss)/profit from individually material items	**(11.8)**	-	**(11.8)**	(92.8)	11.3	(81.5)
Income tax expense reported in the income statement	**154.4**	**-**	**154.4**	46.4	28.5	74.9

5. Income tax expense (continued)

	Company 2007 $m	Company 2006 $m
c) Income tax expense recognised in the income statement		
Current tax benefit		
Current year	**(14.1)**	(104.8)
Deferred tax	**2.5**	(8.7)
Over provided in prior years	**(2.3)**	(0.9)
Total income tax benefit in income statement	**(13.9)**	(114.4)
d) Reconciliation of income tax expense to prima facie tax payable		
Income tax benefit attributable to operating profit before individually material items		
Prima facie income tax expense calculated at 30% on profit before individually material items	**(12.5)**	104.0
Tax effect of items which (reduce)/increase tax expense:		
rebateable and exempt dividends	**-**	(111.6)
tax over provided in prior years	**(2.3)**	(0.9)
sundry items	**0.9**	4.3
Income tax benefit attributable to profit before individually material items	**(13.9)**	(4.2)
Income tax benefit attributable to individually material items		
Prima facie income tax benefit calculated at 30% on loss from individually material items	**-**	-
Tax effect of items which reduce tax expense:		
individually material items:		
recognition of capital losses	**-**	(110.2)
Income tax benefit attributable to profit from individually material items	**-**	(110.2)
Income tax benefit reported in the income statement	**(13.9)**	(114.4)

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
e) Deferred income tax related to items charged or credited to equity:				
Net loss on hedge of net investments in foreign subsidiary	**0.5**	(6.8)	**-**	-
Cash flow hedges - effective portion of changes in fair value	**3.3**	(1.4)	**-**	-
Actuarial gains on defined benefit plans	**(4.9)**	(5.9)	**-**	-
Deferred income tax related to items charged or credited to statements of recognised income and expense	**(1.1)**	(14.1)	**-**	-
Deductible share issue costs	**-**	7.8	**-**	7.8
Adjustments to reserves on transition to AASB 139	**-**	8.1	**-**	-
Deferred income tax related to items charged or credited to equity	**(1.1)**	1.8	**-**	7.8

5. Income tax expense (continued)

f) Recognised deferred tax assets and liabilities

		Balance Sheet		Income Statement	
		2007	2006	**2007**	2006
Consolidated	Notes	**$m**	$m	**$m**	$m
Deferred tax assets					
Trade and other receivables		**4.2**	7.3	**3.1**	12.3
Inventories		**8.3**	8.1	**(0.1)**	0.2
Property, plant and equipment		**26.4**	39.3	**13.2**	(0.6)
Intangible assets		**18.8**	18.9	**0.1**	(1.2)
Trade and other payables		**41.7**	38.5	**(2.7)**	0.7
Interest bearing liabilities		**30.7**	12.1	**(14.2)**	(5.5)
Provision for employee entitlements		**27.1**	26.6	**0.1**	9.0
Provision for retirement benefit obligations		**29.9**	34.5	**-**	(11.0)
Provisions for restructuring and rationalisation		**4.9**	10.3	**5.4**	(3.6)
Provisions for environmental		**74.7**	83.0	**8.4**	(45.7)
Provisions for decommissioning		**5.2**	6.7	**1.5**	0.4
Foreign tax credits		**-**	5.6	**11.2**	6.0
Tax losses		**25.6**	41.1	**(10.0)**	(17.0)
Other items		**3.6**	5.2	**0.4**	8.2
Deferred tax assets		**301.1**	337.2		
less set-off against deferred tax liabilities		**(78.6)**	(115.7)		
Net deferred tax assets	(15)	**222.5**	221.5		
Deferred tax liabilities					
Inventories		**5.4**	5.8	**(0.4)**	(3.3)
Property, plant and equipment		**94.9**	98.6	**(3.7)**	(15.9)
Intangible assets		**70.0**	16.3	**2.1**	(0.6)
Interest bearing liabilities		**6.1**	14.8	**(8.7)**	(23.9)
Undistributed profits of foreign subsidiaries		**9.1**	6.1	**3.0**	(1.0)
Other items		**10.7**	15.9	**(3.3)**	8.0
Deferred tax liabilities		**196.2**	157.5		
less set-off against deferred tax assets		**(78.6)**	(115.7)		
Net deferred tax liabilities	(20)	**117.6**	41.8		
Deferred tax expense/(income)				**5.4**	(84.5)
Company					
Deferred tax assets					
Property, plant and equipment		**0.7**	0.7	**-**	-
Provisions for other		**0.3**	0.3	**-**	-
Foreign tax credits		**-**	-	**-**	(6.0)
Tax losses		**-**	-	**-**	(3.7)
Other items		**4.2**	6.7	**2.5**	1.0
Deferred tax assets	(15)	**5.2**	7.7		
Deferred tax expense/(income)				**2.5**	(8.7)

5. Income tax expense (continued)

g) Unrecognised deferred tax assets and liabilities

	Consolidated		Company	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Tax losses not booked	**10.5**	7.9	**-**	-
Capital losses not booked	**17.6**	14.9	**-**	-
Temporary differences not booked	**0.9**	0.9	**-**	-

Geographic analysis of tax losses not booked at 30 September 2007:	Tax losses **$m**	Capital losses **$m**	Expiry date
Australia	**0.9**	**15.8**	Indefinite
Other	**9.6**	**1.8**	Between 2009 and 2020
	10.5	**17.6**	

h) Unrecognised temporary differences

	Consolidated		Company	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised	**816.7**	597.4	**22.4**	12.7
Unrecognised deferred tax liabilities relating to the above temporary differences	**116.2**	87.0	**3.8**	2.1

	Consolidated 2007 $m	2006 $m

6. Earnings per share (EPS)

(i) As reported in the income statement

	2007	2006
Reconciliation of earnings used in the calculation of EPS attributable to ordinary shareholders of Orica		
Net profit for the year from continuing operations	**513.4**	120.5
Net profit for the year from continuing operations attributable to minority interests	**(25.7)**	(12.6)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	**(30.5)**	-
Net profit for the year from continuing operations attributable to ordinary shareholders	**457.2**	107.9
Net profit for the year from discontinued operations	**-**	440.9
Net profit for the year from discontinued operations attributable to minority interests	**-**	(9.7)
Earnings used in calculation of EPS attributable to ordinary shareholders of Orica	**457.2**	539.1

	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	**306,306,087**	300,771,193
Effect of executive share options	**4,080,147**	4,375,049
Effect of Orica Step-Up Preference Securities	**478,913**	317,892
Number for diluted earnings per share	**310,865,147**	305,464,134
The following Orica Long Term Equity Incentive Plan has not been included in the calculation for diluted EPS as it is not dilutive:		
- issue date 11 May 2007	**64,405**	-
Full details of these options are set out in note 37.		

	Cents per share	Cents per share
From continuing operations		
Basic earnings per share	**149.3**	35.9
Diluted earnings per share	**147.1**	35.3
From discontinued operations		
Basic earnings per share	**-**	143.3
Diluted earnings per share	**-**	141.2
Total attributable to ordinary shareholders of Orica		
Basic earnings per share	**149.3**	179.2
Diluted earnings per share	**147.1**	176.5

(ii) Adjusted for individually material items

	$m	$m
Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica		
Net profit for the year from continuing operations	**513.4**	120.5
Net profit for the year from continuing operations attributable to minority interests	**(25.7)**	(12.6)
Orica Step-Up Preference Securities (net of tax benefit)	**(30.5)**	-
Add individually material items from continuing operations	**10.1**	236.3
Net profit for the year from continuing operations attributable to ordinary shareholders	**467.3**	344.2
Net profit for the year from discontinued operations	**-**	440.9
Net profit for the year from discontinued operations attributable to minority interests	**-**	(9.7)
Less individually material items from discontinued operations	**-**	(395.1)
Earnings used in calculation of EPS attributable to ordinary shareholders of Orica	**467.3**	380.3

	Cents per share	Cents per share
From continuing operations		
Basic earnings per share	**152.6**	114.4
Diluted earnings per share	**150.3**	112.7
From discontinued operations		
Basic earnings per share	**-**	12.0
Diluted earnings per share	**-**	11.8
Total attributable to ordinary shareholders of Orica		
Basic earnings per share	**152.6**	126.4
Diluted earnings per share	**150.3**	124.5

	Consolidated		Company	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m

7. Cash and cash equivalents

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Cash at bank and on hand	**155.8**	499.8	**-**	-
Deposits at call				
external	**214.9**	509.3	**-**	-
	370.7	1,009.1	**-**	-

8. Trade and other receivables

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Current				
Trade receivables				
external	**789.2**	717.9	**-**	-
associated companies	**25.6**	22.9	**-**	-
Less allowance for doubtful receivables				
external	**(19.5)**	(35.3)	**-**	-
	795.3	705.5	**-**	-
Other receivables				
external	**122.5**	108.4	**-**	-
controlled entities	**-**	-	**767.1**	1,031.7
Less allowance for doubtful receivables				
external	**(1.9)**	(3.8)	**-**	-
	120.6	104.6	**767.1**	1,031.7
	915.9	810.1	**767.1**	1,031.7
Non-current				
Other receivables				
external [1]	**109.5**	107.4	**100.0**	100.0
	109.5	107.4	**100.0**	100.0

[1] This includes $100.0 million (2006 $100.0 million) that was paid during the financial year ended 30 September 2005 to the Australian Tax Office in relation to the sale of the pharmaceuticals business to Zeneca in September 1998 (see note 33). Orica has lodged an appeal with the Federal Court and the directors are of the opinion that the amount paid and recognised as a non-current receivable is recoverable.

(i) Significant terms and conditions
Trade receivables are carried at amounts due.

The collectability of receivables is assessed at balance date and specific allowances are made for any doubtful receivables based on a review of outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

Other receivables generally arise from transactions outside the usual operating activities of the consolidated entity. Interest may be charged where the terms of repayment exceed agreed terms.

(ii) Net fair values
The net carrying amount of trade and other receivables approximates their net fair values.

(iii) Credit risk
Credit risk in receivables is managed in the following ways:
– payment terms are generally 30 days and payment compliance is high;
– a risk assessment process is used for all accounts, with a stop credit process for most long overdue accounts; and
– credit insurance cover is obtained where appropriate.

	Consolidated		Company	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m

9. Inventories

	2007 $m	2006 $m	**2007 $m**	2006 $m
Raw materials and stores	**225.9**	220.6	**-**	-
Work in progress	**15.2**	20.6	**-**	-
Finished goods	**363.2**	337.9	**-**	-
	604.3	579.1	**-**	-

10. Other assets

	2007 $m	2006 $m	**2007 $m**	2006 $m
Current				
Prepayments and other assets	**36.2**	34.4	**-**	-
	36.2	34.4	**-**	-
Non-current				
Prepayments and other assets	**3.2**	33.9	**-**	-
	3.2	33.9	**-**	-

11. Investments accounted for using the equity method

Name	Principal activity	Balance date	Ownership 2007 %	Ownership 2006 %	Carrying amount 2007 $m	Carrying amount 2006 $m
Australian Plantations Pty Ltd	Tea tree oil production	30 Jun	**50.0**	50.0	**0.5**	1.4
Botany Industrial Park Pty Limited	Facility management service	30 Sep	**33.4**	33.4	**-**	-
BXL Bulk Explosives Limited (1)	Manufacture and sale of explosives	31 Oct	**50.0**	50.0	**0.3**	0.1
Controladora DNS de RL de CV (2)	Manufacture and sale of explosives	30 Sep	**49.0**	49.0	**0.1**	0.1
Dyno Nobel Petrolera (2)	Manufacture and sale of explosives	31 Dec	**47.0**	47.0	**-**	-
Dyno Nobel UMMC LLC (3)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**-**	-
Emirates Explosives L.L.C. (4) *	Manufacture and sale of explosives	31 Dec	**-**	49.0	**-**	3.5
Exor Explosives Limited (5)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**1.2**	1.2
Geneva Nitrogen LLC (6)	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**5.9**	5.9
Geodynamics B.V. (7)	Manufacture and sale of explosives	31 Dec	**29.0**	29.0	**4.7**	3.7
Irish Mining Emulsion Systems Ltd (8)	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**-**	-
Makina Kimya Nitro Nobel Kimya Sanayii A.S (9) **	Manufacture and sale of explosives	30 Sep	**-**	25.0	**-**	0.1
MicroCoal Inc.(6)	Development and commercialisation of coal dewatering process	31 Dec	**50.0**	50.0	**5.0**	6.6
MSW-Chemie GmbH (10)	Manufacture and sale of explosives	31 Dec	**31.5**	31.5	**0.6**	0.6
Nelson Brothers, LLC (6)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**24.5**	27.1
Nelson Brothers Mining Services LLC (6)	Supply of explosives	31 Dec	**50.0**	27.7	**18.2**	3.2
Norabel Ignition Systems AB (11)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**0.4**	0.2
Northwest Energetic Services, LLC (6)	Manufacture and sale of explosives	31 Dec	**33.3**	33.3	**1.0**	1.0
Orica Camel Coatings Ltd (12)	Manufacture and sale of powder coatings	31 Dec	**50.0**	50.0	**-**	-
OY Forcit (13)	Manufacture and sale of explosives	31 Dec	**20.0**	20.0	**4.8**	4.5
Pigment Manufacturers of Australia Limited	Non-operating company	31 Dec	**50.0**	50.0	**-**	0.8
Pinegro Products Pty Ltd	Manufacture and sale of garden products	30 Jun	**50.0**	50.0	**1.5**	1.3
PIIK Limited Partnership (1)	Sale of explosives	30 Sep	**49.0**	49.0	**-**	-
Qenos Holdings Pty Ltd **	Manufacture and sale of polyethylene	31 Dec	**-**	-	**-**	-
Sprewa Sprengmittel GmbH (10)	Sale of explosives	31 Dec	**24.0**	24.0	**0.9**	1.0
SVG&FNS Philippines Holdings Inc (14)	Investment company	31 Dec	**40.0**	40.0	**-**	-
Thai Nitrate Company Ltd (15)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**52.8**	57.9
Troisdorf GmbH (10)	Holder of operating permits	30 Sep	**50.0**	50.0	**-**	-
Ulaex SA (16)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**2.0**	1.9
Wurgendorf GmbH (10)	Holder of operating permits	30 Sep	**50.0**	50.0	**0.1**	0.1
					124.5	122.2

Entities are incorporated in Australia except: (1) Canada, (2) Mexico, (3) Russia, (4) United Arab Emirates, (5) UK, (6) USA, (7) Holland, (8) Ireland, (9) Turkey, (10) Germany, (11) Sweden, (12) Hong Kong, (13) Finland, (14) Philippines, (15) Thailand, (16) Cuba.

* Consolidated as a subsidiary from 6 November 2006.

** Disposed of - Makina Kimya Nitro Nobel Kimya Sanayii A.S on 3 May 2007, Qenos Holdings Pty Ltd on 16 February 2006.

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

	Consolidated 2007 $m	Consolidated 2006 $m
Results of associates		
Share of associates' profit from ordinary activities before income tax	**33.4**	12.7
Share of associates' income tax expense relating to profit from ordinary activities	**(2.2)**	(0.3)
Share of associates' net profit equity accounted	**31.2**	12.4
Share of post-acquisition retained losses and reserves attributable to associates		
Share of associates' accumulated losses at the beginning of the year	**(40.9)**	(39.5)
Share of associates' net profit equity accounted	**31.2**	12.4
Less dividends from associates	**(21.0)**	(13.8)
Share of associates' accumulated losses at the end of the year	**(30.7)**	(40.9)
Movements in carrying amounts of investments		
Carrying amount of investments in associates at the beginning of the year	**122.2**	49.1
Investments in associates acquired during the year	**14.8**	73.7
Fair value adjustment on prior year acquisitions (see note 27)	**(9.3)**	-
Investments in associates now controlled	**(3.6)**	-
Share of associates' net profit equity accounted	**31.2**	12.4
Less dividends from associates	**(21.0)**	(13.8)
Effects of exchange rate changes	**(9.8)**	0.8
Carrying amount of investments in associates at the end of the year	**124.5**	122.2
Summary of profit and loss and balance sheets of associates on a 100% basis		
The aggregate net profit, assets and liabilities of associates are:		
Revenue	**499.3**	570.2
Net profit after tax	**42.4**	29.6
Assets	**290.5**	260.1
Liabilities	**106.4**	136.4

The Company does not have any associates.

12. Other financial assets

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Current				
Interest in unlisted entities				
at fair value	**-**	7.4	**-**	-
Derivative assets	**18.0**	9.3	**-**	-
	18.0	16.7	**-**	-
Non-current				
Interest in unlisted entities				
at fair value	**1.1**	3.7	**-**	-
Interest in unlisted controlled entities				
at cost	**-**	-	**1,915.0**	1,647.7
	1.1	3.7	**1,915.0**	1,647.7

13. Property, plant and equipment

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Land, buildings and improvements				
at cost	**523.0**	487.9	**41.7**	44.3
accumulated depreciation	**(154.2)**	(136.8)	**(15.6)**	(15.5)
Total carrying value	**368.8**	351.1	**26.1**	28.8
Machinery, plant and equipment				
Gross book value				
at cost	**2,568.0**	2,346.0	**3.6**	3.7
under finance lease	**0.5**	0.7	**-**	-
	2,568.5	2,346.7	**3.6**	3.7
Accumulated depreciation				
at cost	**(1,194.1)**	(1,094.3)	**(3.5)**	(3.4)
under finance lease	**(0.3)**	(0.4)	**-**	-
	(1,194.4)	(1,094.7)	**(3.5)**	(3.4)
Net carrying value				
at cost	**1,373.9**	1,251.7	**0.1**	0.3
under finance lease	**0.2**	0.3	**-**	-
Total carrying value	**1,374.1**	1,252.0	**0.1**	0.3
Total net carrying value of property, plant and equipment	**1,742.9**	1,603.1	**26.2**	29.1

(i) Capitalised borrowing costs

Interest amounting to $1.4 million (2006 $13.9 million) was capitalised to property, plant and equipment, calculated at the rate of 7.2% (2006 8.0%).

13. Property, plant and equipment (continued)

(ii) Reconciliations

Reconciliations of the carrying values of property, plant and equipment at the beginning and end of the years are set out below:

Consolidated		Land, buildings and improvements $m	Machinery, plant and equipment $m	Total $m
2006				
Carrying amount at the beginning of the year	01-Oct-2005	460.2	1,133.5	1,593.7
Additions		14.4	416.3	430.7
Disposals		(4.6)	(31.1)	(35.7)
Additions through acquisition of entities (see note 27)		38.3	76.8	115.1
Disposals through disposal of entities (see note 28)		(129.1)	(170.8)	(299.9)
Depreciation expense (see note 28)		(17.0)	(125.6)	(142.6)
Transfer to current assets classified as held for sale (note 28) (1)		(4.9)	(25.4)	(30.3)
Impairment of property, plant and equipment (2)		-	(18.4)	(18.4)
Foreign currency exchange differences		(6.2)	(3.3)	(9.5)
Carrying amount at the end of the year	30-Sep-2006	**351.1**	**1,252.0**	**1,603.1**
2007				
Additions		**35.7**	**273.9**	**309.6**
Disposals		**(11.4)**	**(14.0)**	**(25.4)**
Additions through acquisition of entities (see note 27)		**19.5**	**36.9**	**56.4**
Fair value adjustment on prior year acquisitions		**-**	**(0.5)**	**(0.5)**
Disposals through disposal of entities (see note 28)		**(5.0)**	**(35.2)**	**(40.2)**
Depreciation expense (see notes 4,28)		**(16.8)**	**(136.5)**	**(153.3)**
Foreign currency exchange differences		**(4.3)**	**(2.5)**	**(6.8)**
Carrying amount at the end of the year	30-Sep-2007	**368.8**	**1,374.1**	**1,742.9**

Company				
2006				
Carrying amount at the beginning of the year	01-Oct-2005	27.1	-	27.1
Additions		2.5	0.3	2.8
Disposals		(0.6)	-	(0.6)
Depreciation expense (see note 4)		(0.2)	-	(0.2)
Carrying amount at the end of the year	30-Sep-2006	**28.8**	**0.3**	**29.1**
2007				
Disposals		**(2.6)**	**(0.1)**	**(2.7)**
Depreciation expense (see note 4)		**(0.1)**	**(0.1)**	**(0.2)**
Carrying amount at the end of the year	30-Sep-2007	**26.1**	**0.1**	**26.2**

(1) The transfer of assets in 2006 was in relation to the Australian PVC Compounding business and Australian and New Zealand Adhesives & Resins businesses.

(2) The impairment in 2006 was in relation to the write-off of plant and equipment in the Mining Services, Chemnet and Chemical Services businesses due to restructuring part of the businesses.

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m

14. Intangible assets

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Goodwill	**1,789.5**	1,015.5	**-**	-
Less impairment losses	**(26.0)**	(10.6)	**-**	-
Total net book value of goodwill	**1,763.5**	1,004.9	**-**	-
Patents, trademarks and rights	**135.8**	83.5	**-**	-
Less accumulated amortisation	**(48.9)**	(41.9)	**-**	-
Total net book value of patents, trademarks and rights	**86.9**	41.6	**-**	-
Brand names	**62.4**	26.5	**-**	-
Less accumulated amortisation	**(2.8)**	(0.5)	**-**	-
Total net book value of brand names	**59.6**	26.0	**-**	-
Software	**52.9**	50.4	**-**	-
Less accumulated amortisation	**(26.0)**	(21.1)	**-**	-
Total net book value of software	**26.9**	29.3	**-**	-
Customer contracts and relationships	**131.5**	41.1	**-**	-
Less accumulated amortisation	**(12.9)**	(1.6)	**-**	-
Total net book value of customer contracts and relationships	**118.6**	39.5	**-**	-
Total net book value of intangibles	**2,055.5**	1,141.3	**-**	-

Reconciliations of the carrying values of intangible assets at the beginning and end of the years are set out below:

Consolidated	Goodwill $m	Patents trademarks and rights $m	Brand names $m	Software $m	Customer contracts $m	Total $m
2006						
Carrying amount at the beginning of the year	554.8	35.0	17.8	26.7	-	634.3
Additions	-	-	0.3	1.0	-	1.3
Additions through acquisition of entities (see note 27)	663.3	20.2	8.1	10.8	41.1	743.5
Disposals through disposal of entities (see note 28)	(206.1)	-	-	(7.4)	-	(213.5)
Amortisation expense (see note 28)	-	(7.3)	(0.5)	(4.9)	(1.6)	(14.3)
Impairment expense (see note 29) [(1)]	(7.8)	(8.8)	-	-	-	(16.6)
Foreign currency exchange differences	0.7	2.5	0.3	3.1	-	6.6
Carrying amount at the end of the year	**1,004.9**	**41.6**	**26.0**	**29.3**	**39.5**	**1,141.3**
2007						
Additions	**-**	**1.0**	**23.5**	**7.7**	**-**	**32.2**
Disposals	**-**	**-**	**-**	**(3.0)**	**-**	**(3.0)**
Additions through acquisition of entities (see note 27)	**758.4**	**55.1**	**15.0**	**2.7**	**92.8**	**924.0**
Fair value adjustment on prior year acquisitions (see note 27)	**77.0**	**-**	**-**	**-**	**-**	**77.0**
Amortisation expense (see note 28)	**-**	**(9.3)**	**(1.9)**	**(7.2)**	**(11.5)**	**(29.9)**
Impairment expense (see note 29) [(1)]	**(15.4)**	**-**	**-**	**-**	**-**	**(15.4)**
Foreign currency exchange differences	**(61.4)**	**(1.5)**	**(3.0)**	**(2.6)**	**(2.2)**	**(70.7)**
Carrying amount at the end of the year	**1,763.5**	**86.9**	**59.6**	**26.9**	**118.6**	**2,055.5**

There are no intangible assets held by the Company.
[(1)] Impairment of goodwill is related to the writedown of Marplex goodwill in 2007. Impairment of patents, trademarks and rights in 2006 is related to the writedown of the Dyno Nobel tradename purchased during that year.

15. Deferred tax assets

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Deferred tax assets (see note 5)	**222.5**	221.5	**5.2**	7.7

16. Trade and other payables

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Current				
Trade payables				
external	**652.0**	660.9	**-**	-
associated companies	**8.6**	7.3	**-**	-
Other payables				
external	**261.0**	210.5	**0.1**	0.5
controlled entities	**-**	-	**8.3**	5.3
Derivative financial instruments	**111.0**	56.7	**-**	-
	1,032.6	935.4	**8.4**	5.8
Non-current				
Other payables				
external	**4.9**	6.9	**-**	-
	4.9	6.9	**-**	-

(i) Significant terms and conditions

Trade and other payables, including expenditures not yet billed, are recognised when the consolidated entity becomes obliged to make future payments as a result of a purchase of goods or services. Trade payables are normally settled within 60 days from invoice date or within the agreed payment terms with the supplier.

(ii) Net fair values

The carrying amount of trade and other payables approximates their net fair values.

17. Interest bearing liabilities

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Current				
Unsecured				
bank overdrafts	**3.0**	0.9	**-**	-
bank loans	**172.1**	23.4	**-**	-
commercial paper	**307.1**	-	**-**	-
other short term borrowings	**7.9**	1.6	**-**	-
trade bills and trade cards [1]	**14.3**	19.6	**-**	-
other loans				
private placement [4]	**78.0**	-	**-**	-
controlled entities	**-**	-	**1,218.1**	790.7
Lease liabilities (see note 30)	**0.3**	0.1	**-**	-
	582.7	45.6	**1,218.1**	790.7
Non-current				
Unsecured				
fixed term notes [2]	**75.0**	75.0	**-**	-
cumulative non-redeemable preference shares [3]	**2.0**	2.0	**2.0**	2.0
other loans				
private placement [4]	**1,016.2**	1,187.4	**-**	-
Lease liabilities (see note 30)	**0.5**	1.2	**-**	-
	1,093.7	1,265.6	**2.0**	2.0

[1] **Trade bills and trade cards**

Under AASB 139, trade bills and trade cards used by customers to finance trade debts which are partially guaranteed by Orica are included in both trade receivables and interest bearing liabilities.

[2] **Fixed term notes**

These notes mature in June 2009, with interest reset quarterly.

[3] **Cumulative non-redeemable preference shares**

Under AASB 139, the 5% cumulative non-redeemable preference shares are treated as non-current interest bearing liabilities.

[4] **Private placement**

Orica Limited guaranteed senior notes issued in the US private placement market in 2000, 2003 and 2005. The notes have maturities between 2007 and 2018.

	Consolidated		Company	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m

18. Current tax liabilities

Provision for income tax	**62.6**	56.5	**40.6**	43.0

19. Provisions

Current				
Employee entitlements	**78.7**	68.1	**-**	-
Restructuring and rationalisation	**39.0**	60.9	**-**	-
Environmental	**101.2**	97.1	**-**	-
Decommissioning	**2.7**	10.8	**-**	-
Onerous contracts	**5.2**	-	**-**	-
Other	**42.9**	25.7	**-**	0.1
	269.7	262.6	**-**	0.1
Non-current				
Employee entitlements	**36.9**	36.0	**-**	-
Retirement benefit obligations (see note 40)	**142.1**	160.2	**-**	-
Restructuring and rationalisation	**0.6**	1.4	**-**	-
Environmental	**175.2**	200.1	**-**	-
Decommissioning	**16.4**	11.4	**-**	-
Contingent liabilities on acquisition of controlled entities	**21.1**	8.1	**-**	-
Onerous contracts	**3.2**	-	**-**	-
Other	**17.4**	13.0	**1.1**	0.9
	412.9	430.2	**1.1**	0.9
Aggregate employee entitlements				
Current	**78.7**	68.1	**-**	-
Non-current	**179.0**	196.2	**-**	-
	257.7	264.3	**-**	-

Employees at year end

	Number	Number	**Number**	Number
Full-time equivalent	**14,174**	13,458	**-**	-

Reconciliations

Reconciliations of the consolidated carrying amounts of provisions at the beginning and end of the current financial year are set out below:

Current provision - restructuring and rationalisation	Consolidated **$m**	Company **$m**
Carrying amount at the beginning of the year	**60.9**	**-**
Provisions made during the year	**16.8**	**-**
Provisions written back during the year	**(3.3)**	**-**
Payments made during the year	**(33.3)**	**-**
Provisions transferred from non-current	**1.3**	**-**
Foreign currency exchange differences	**(3.4)**	**-**
Carrying amount at the end of the year	**39.0**	**-**

19. Provisions (continued)

Current provision - environmental	Consolidated $m	Company $m
Carrying amount at the beginning of the year	**97.1**	**-**
Additions through acquisition of entities (see note 27)	**6.6**	**-**
Provisions made during the year	**4.5**	**-**
Payments made during the year	**(45.4)**	**-**
Provision transferred from non-current	**41.5**	**-**
Foreign currency exchange differences	**(3.1)**	**-**
Carrying amount at the end of the year	**101.2**	**-**

Current provision - decommissioning		
Carrying amount at the beginning of the year	**10.8**	**-**
Payments made during the year	**(7.8)**	**-**
Provision transferred to non-current	**(0.3)**	**-**
Carrying amount at the end of the year	**2.7**	**-**

Current provision - onerous contracts		
Carrying amount at the beginning of the year	**-**	**-**
Fair value adjustment on prior year acquisitions (see note 27)	**6.7**	**-**
Provisions made during the year	**4.4**	**-**
Payments made during the year	**(5.9)**	**-**
Carrying amount at the end of the year	**5.2**	**-**

Current provision - other		
Carrying amount at the beginning of the year	**25.7**	**0.1**
Additions through acquisition of entities (see note 27)	**5.3**	**-**
Provisions made during the year	**35.1**	**-**
Provisions written back during the year	**(10.1)**	**-**
Payments made during the year	**(5.2)**	**-**
Provision transferred to non-current	**(6.9)**	**(0.1)**
Foreign currency exchange differences	**(1.0)**	**-**
Carrying amount at the end of the year	**42.9**	**-**

Non-current provision - restructuring and rationalisation		
Carrying amount at the beginning of the year	**1.4**	**-**
Provisions made during the year	**0.5**	**-**
Provision transferred to current	**(1.3)**	**-**
Carrying amount at the end of the year	**0.6**	**-**

Non-current provision - environmental		
Carrying amount at the beginning of the year	**200.1**	**-**
Fair value adjustment on prior year acquisitions (see note 27)	**12.7**	**-**
Unwinding of discount on provisions (see note 4)	**11.0**	**-**
Provision transferred to current	**(41.5)**	**-**
Foreign currency exchange differences	**(7.1)**	**-**
Carrying amount at the end of the year	**175.2**	**-**

19. Provisions (continued)

Non-current provision - decommissioning	Consolidated $m	Company $m
Carrying amount at the beginning of the year	**11.4**	**-**
Provisions made during the year	**4.7**	**-**
Provision transferred from current	**0.3**	**-**
Carrying amount at the end of the year	**16.4**	**-**

Non-current provision - contingent liabilities on acquisition of controlled entities	Consolidated $m	Company $m
Carrying amount at the beginning of the year	**8.1**	**-**
Additions through acquisition of entities (see note 27)	**2.0**	**-**
Fair value adjustment on prior year acquisitions (see note 27)	**11.0**	**-**
Carrying amount at the end of the year	**21.1**	**-**

Non-current provision - onerous contracts	Consolidated $m	Company $m
Carrying amount at the beginning of the year	**-**	**-**
Fair value adjustment on prior year acquisitions (see note 27)	**3.2**	**-**
Carrying amount at the end of the year	**3.2**	**-**

Non-current provision - other	Consolidated $m	Company $m
Carrying amount at the beginning of the year	**13.0**	**0.9**
Fair value adjustment on prior year acquisitions (see note 27)	**(1.5)**	**-**
Provisions made during the year	**0.2**	**0.1**
Payments made during the period	**(2.0)**	**-**
Provision transferred from current	**6.9**	**0.1**
Foreign currency exchange differences	**0.8**	**-**
Carrying amount at the end of the year	**17.4**	**1.1**

Restructuring and rationalisation provision
Provisions made during the year related to the restructure of the Marplex and Yates businesses and the restructure and integration of the Mining Services division arising from the acquisition of the Dyno Nobel businesses.
Provisions made in the prior year related to the restructure of the Chemnet division and the restructure and integration of the Mining Services division arising from the acquisition of the Dyno Nobel businesses.

Environmental provision
Estimated costs for the remediation of soil, groundwater and untreated waste that have arisen as a result of past events which have been provided where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed.
Refer also to notes 32 and 33.

	Consolidated		Company	
	2007 $m	2006 $m	**2007 $m**	2006 $m
Total environmental provision comprises:				
Botany Groundwater remediation	**53.0**	60.9	**-**	-
Hexachlorobenzene (HCB) waste remediation	**113.0**	127.1	**-**	-
Dyno Nobel sites remediation	**37.2**	32.8	**-**	-
Seneca remediation	**21.9**	30.7	**-**	-
Villawood remediation	**31.0**	32.7	**-**	-
Minova sites remediation	**6.0**	-	**-**	-
Other environmental provisions	**14.3**	13.0	**-**	-
Total environmental provisions	**276.4**	297.2	**-**	-

Decommissioning provision
A provision is recognised for the present value of the estimated costs of dismantling and removing an asset and restoring the site on which it is located where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed (see note 32).

Contingent liabilities on acquisition of controlled entities
A provision is recognised on acquisition of a business for contingent liabilities of that business.

Onerous contracts provision
A provision is recognised for rental of land and buildings which are not able to be fully used or sublet by the consolidated entity and for non-cancellable loss making sales contracts. The provision reflects only the onerous element of these commitments.

Other provision
The Group self-insures for certain insurance risks. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims.

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
20. Deferred tax liabilities				
Deferred income tax	**117.6**	41.8	**-**	-
	117.6	41.8	**-**	-

	Company 2007 $m	Company 2006 $m
21. Contributed equity		
Issued and fully paid: [(1)]		
Cumulative non-redeemable 5% preference shares - 2,000,000 (2006 2,000,000) [(2)]	**-**	-
Step-Up Preference Securities - 5,000,000 (2006 5,000,000) [(3)]	**490.0**	490.0
Ordinary shares - 307,912,707 (2006 309,217,777)	**702.4**	815.3

[(1)] Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of issued shares.
[(2)] Under AASB 139, the 5% cumulative non-redeemable preference shares are treated as non-current interest bearing liabilities.
[(3)] The Group issued Step-Up Preference Securities (SPS) via a prospectus dated 17 February 2006. The SPS are stapled securities comprising a fully paid Preference Share and a fully paid unsecured note. The SPS have no fixed repayment date, but Orica has the right to repurchase them for cash or convert the SPS into a variable number of ordinary shares in Orica from November 2011 or earlier in certain circumstances. Holders rank ahead of ordinary shares but behind cumulative non-redeemable preference shares and creditors. Distributions payable on the SPS are discretionary, payable semi-annually, non-cumulative, unfranked and payable based on the 180 day bill swap rate plus a margin of 1.35% per annum. Should the credit rating of SPS fall below Standard and Poor's BBB- or equivalent, or no longer be rated, then an additional 1% will be added to the distribution rate. Distributions are payable in priority to distributions on Orica shares, but behind existing Orica preference shares. Where a distribution on SPS is not paid, Orica may not declare or pay any dividends, pay any interest, or distribute any income or capital on any security that ranks behind the SPS until Orica has paid SPS distributions scheduled for the twelve months following the missed distribution or Orica has paid an amount equivalent to the unpaid distributions in the last twelve months, or all SPS have been repurchased or converted, or a special resolution of the SPS holders has been passed approving such payment. Orica SPS holders do not have voting rights in shareholder meetings except in limited circumstances.
Under a Deed of Undertaking and Indemnity between Orica Limited and Australian Stock Exchange Limited (ASX), the ASX reserves the right (but without limiting its absolute discretion) to remove either or both of the Company and Orica New Zealand Securities Ltd (Orica NZ) from the official list if a) any of the SPS Preference Shares of the Company and Notes of Orica NZ cease to be stapled together, or b) if any SPS Preference Share or Notes are issued by either of the Company or Orica NZ which are not stapled to corresponding securities in the other entity.

21. Contributed equity (continued)

Movements in issued and fully paid shares of the Company since 1 October 2005 were as follows:

Details	Date	Number of shares	Issue price $	$m
Cumulative non-redeemable 5% preference shares				
Opening balance	1-Oct-05	2,000,000	1.00	2.0
Reclassification under AASB 139	1-Oct-05			(2.0)
Balance at end of year	**30-Sep-06**	**2,000,000**		**-**
Balance at end of year	**30-Sep-07**	**2,000,000**		**-**
Step-Up Preference Securities				
Opening balance	1-Oct-05	-		-
Step-Up Preference Securities issued [1]	16-Mar-06	5,000,000	100.00	500.0
Step-Up Preference Securities issued - costs [1]	16-Mar-06			(10.0)
Balance at end of year	**30-Sep-06**	**5,000,000**		**490.0**
Balance at end of year	**30-Sep-07**	**5,000,000**		**490.0**
Ordinary shares				
Opening balance of ordinary shares issued	1-Oct-05	273,104,280		327.3
Shares issued under the Orica executive option plans [5]		3,057,493		23.7
Shares issued under the Orica dividends reinvestment plan (note 25)	16-Dec-05	1,038,688	20.06	20.9
Share movements under the Orica LTEIP plan (note 37) [6]	23-Dec-05	1,208,392		13.2
Shares issued under the Orica Rights Issue [4]	23-Dec-05	34,426,827	15.00	516.4
Expenses related to the Orica Rights Issue [4]	23-Dec-05			(8.4)
Shares issued under the Orica SESLP plan (note 37) [7]		-		3.7
Share buy-back [3]		(3,617,903)	22.53	(81.5)
Balance at end of year	**30-Sep-06**	**309,217,777**		**815.3**
Shares issued under the Orica executive option plans [5]		**1,926,006**		**14.6**
Shares issued under the Orica dividends reinvestment plan (note 25)		**491,901**		**14.8**
Share movements under the Orica LTEIP plan (note 37) [6]		**-**		**(31.4)**
Share movements under the Orica SESLP plan (note 37) [7]		**-**		**2.2**
Shares issued under the Orica GEESP plan (note 37) [2]		**20,502**		**1.7**
Share buy-back [3]		**(3,743,479)**	**30.67**	**(114.8)**
Balance at end of year	**30-Sep-07**	**307,912,707**		**702.4**

[1] Shares issued and costs incurred pursuant to the Step-Up Preference Securities issue in accordance with the prospectus dated 17 February 2006.

[2] Shares issued under the Orica general employee exempt share plan.

[3] Shares bought back and cancelled over a period from May 2007 to July 2007 (2006 July 2006 to August 2006).

[4] Shares issued and costs incurred pursuant to rights issue prospectus dated 21 November 2005.

21. Contributed equity (continued)

Details	Date	Number of shares	Issue price $	$m
(5) Shares issued under the Orica executive option plan (note 37)				
2005/2006		32,000	5.09	0.2
		6,800	5.14	-
		27,000	5.67	0.2
		14,900	5.72	0.1
		830,511	7.33	6.1
		4,620	7.73	-
		1,982,007	7.91	15.7
		23,380	8.31	0.2
		12,191	9.02	0.1
		15,066	9.24	0.1
		12,759	9.77	0.1
		34,241	10.18	0.3
		41,015	10.35	0.4
		10,000	10.36	0.1
		11,003	13.38	0.1
Movement for the year	**30-Sep-06**	**3,057,493**		**23.7**
2006/2007				
		10,000	**5.09**	**0.1**
		1,767,688	**7.33**	**13.0**
		5,500	**7.73**	**-**
		12,191	**8.44**	**0.1**
		15,066	**8.66**	**0.1**
		41,168	**9.60**	**0.4**
		26,844	**9.77**	**0.3**
		10,000	**9.78**	**0.1**
		16,504	**12.80**	**0.2**
		21,045	**16.77**	**0.3**
Movement for the year	**30-Sep-07**	**1,926,006**		**14.6**

The options have been exercised at various times during the year. The weighted average of the fair value of shares issued was $24.32 (2006 $21.92).

Details	Date	Number of shares	Issue price $	$m
(6) Shares issued/bought back under the Orica LTEIP plan (note 37)				
2005/2006				
Shares issued	23-Dec-05	1,208,392	20.67	-
Shares bought back	23-Dec-05			(3.2)
Shares issued - loan repayment	Various			16.4
Movement for the year	**30-Sep-06**	**1,208,392**		**13.2**
2006/2007				
Shares bought back	Various			**(39.2)**
Shares issued - loan repayment	Various			**7.8**
Movement for the year	**30-Sep-07**			**(31.4)**
(7) Shares issued under the Orica SESLP plan (note 37)				
2005/2006				
Shares issued - loan repayment	Various			3.7
Movement for the year	**30-Sep-06**			**3.7**
2006/2007				
Shares issued - loan repayment	Various			**2.2**
Movement for the year	**30-Sep-07**			**2.2**

Under the SESLP and LTEIP, eligible executives are provided with a three year, interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. The shares issued to the executives are either purchased on market or issued by Orica. Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Shares issued under the plans are recognised as shares issued at nil value, with a share based payments expense recognised in the income statement. Shares purchased on-market under the plans are recognised as a share buy-back. Repayments of share loans are recognised as share capital. Under the November 2006 LTEIP executive allocations, executives who leave Orica within three years are not entitled to deal with the shares. The shares are returned to Orica.

The amounts recognised in the financial statements of the Company in relation to executive share options exercised during the financial year were:

	Company	
	2007	2006
	$m	$m
(Bought back)/issued ordinary share capital	**(14.6)**	40.6

21. Contributed equity (continued)

Options over unissued shares (see note 37):

Exercisable between		Balance 30 Sep 05	Issued/ reinstated during the year	Exercised during the year	Lapsed during the year	Balance 30 Sep 06	**Exercised during the year**	**Lapsed during the year**	**Balance 30 Sep 07**
01 Jan 03	31 Dec 09	44,500	-	(28,000)	-	16,500	**(5,500)**	**-**	**11,000**
01 Jan 04	31 Dec 10	56,300	-	(21,700)	-	34,600	**-**	**-**	**34,600**
31 Dec 04	31 Dec 06	118,000	-	(59,000)	-	59,000	**(10,000)**	**-**	**49,000**
31 Oct 05	31 Oct 07 [1]	4,877,662	-	(2,812,518)	(277,654)	1,787,490	**(1,767,688)**	**-**	**19,802**
31 Oct 05	31 Oct 07 [1]	30,132	-	(15,066)	-	15,066	**(15,066)**	**-**	**-**
31 Oct 05	31 Oct 07 [1]	24,382	-	(12,191)	-	12,191	**(12,191)**	**-**	**-**
31 Oct 05	31 Oct 07 [1]	80,619	-	(53,774)	-	26,845	**(26,844)**	**-**	**1**
31 Oct 05	31 Oct 07 [1]	20,000	-	(10,000)	-	10,000	**(10,000)**	**-**	**-**
31 Oct 05	31 Oct 07 [1]	75,409	-	(34,241)	-	41,168	**(41,168)**	**-**	**-**
10 Nov 05	31 Oct 07 [1]	27,507	-	(11,003)	-	16,504	**(16,504)**	**-**	**-**
10 Nov 06	31 Oct 07 [1]	21,045	-	-	-	21,045	**(21,045)**	**-**	**-**
Total		5,375,556	-	(3,057,493)	(277,654)	2,040,409	**(1,926,006)**	**-**	**114,403**

[1] Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure. Refer to note 37 (c) and (d) for specific terms and conditions.

Pursuant to the terms on which they were granted, the exercise price of outstanding ESOP and SOP options were reduced by 58 cents in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

22. Reserves and retained earnings

	Notes	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
(a) Reserves					
Share based payments		**21.6**	18.9	**-**	-
Cash flow hedging		**(4.5)**	3.1	**-**	-
Foreign currency translation		**(198.6)**	(68.6)	**-**	-
Equity		**(7.0)**	-	**-**	-
Balance at end of year		**(188.5)**	(46.6)	**-**	-
Movement in reserves during the year					
Share based payments					
Balance at beginning of year		**18.9**	9.1	**-**	-
Share based payments expense	(28)	**2.7**	9.8	**-**	-
Balance at end of year		**21.6**	18.9	**-**	-
Cash flow hedging					
Balance at beginning of year		**3.1**	-	**-**	-
Transition adjustments re AASB 139		**-**	(0.3)	**-**	-
Restated balance at beginning of year		**3.1**	(0.3)	**-**	-
Movement for period		**(7.6)**	3.4	**-**	-
Balance at end of year		**(4.5)**	3.1	**-**	-
Foreign currency translation					
Balance at beginning of year		**(68.6)**	(29.9)	**-**	-
Transition adjustments re AASB 139		**-**	(12.2)	**-**	-
Restated balance at beginning of year		**(68.6)**	(42.1)	**-**	-
Transfer to income statement on disposal of foreign subsidiaries		**2.9**	(0.1)	**-**	-
Translation of overseas controlled entities at the end of the financial year		**(132.9)**	(26.4)	**-**	-
Balance at end of year		**(198.6)**	(68.6)	**-**	-
Equity					
Balance at beginning of year		**-**	-	**-**	-
Purchase of minority interests		**(7.0)**	1.9	**-**	-
Disposal of entities		**-**	(1.9)	**-**	-
Balance at end of year		**(7.0)**	-	**-**	-
(b) Retained earnings					
Retained earnings at the beginning of the year		**1,357.9**	1,019.4	**668.4**	414.4
Transition adjustments re AASB 139		**-**	(6.3)	**-**	-
Restated balance at beginning of year		**1,357.9**	1,013.1	**668.4**	414.4
Operating profit/(loss) after income tax attributable to shareholders of Orica		**487.7**	539.1	**(27.7)**	461.1
Defined benefit fund superannuation movement (net of tax)		**7.0**	12.8	**-**	-
Dividends/distributions paid:	(25)				
Step-Up Preference Securities distributions		**(44.4)**	-	**(44.4)**	-
Less tax credit on Step-Up Preference Securities distributions		**13.9**	-	**13.9**	-
Ordinary dividends – interim		**(111.3)**	(81.0)	**(111.3)**	(81.0)
Ordinary dividends – final		**(148.0)**	(126.1)	**(148.0)**	(126.1)
Retained earnings at end of year		**1,562.8**	1,357.9	**350.9**	668.4

Share based payments reserve
The amount charged to the share based payments reserve each year represents the share based payments expense.

Cash flow hedging reserve
The amount in the cash flow hedging reserve represents the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign currency translation reserve
The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a foreign operation.

Equity reserve
The equity reserve represents the excess of cost of investment in purchasing minority interests in subsidiaries over the net assets acquired and minority share of goodwill at the date of original acquisition of the subsidiary.

23. Minority interests in controlled entities

	Consolidated 2007 %	Consolidated 2006 %	Consolidated 2007 $m	Consolidated 2006 $m
Ordinary share capital of controlled entities held by minority interests in:				
ACN 099 090 267 Pty Ltd (formerly Welvic Australia Pty Ltd) (1)	**-**	37.4	**-**	-
Active Chemicals Chile S.A. (2)	**-**	49.0	**-**	0.2
Altona Properties Pty Ltd	**37.4**	37.4	**-**	-
Ammonium Nitrate Development and Production Limited	**0.1**	0.1	**-**	-
Andean Mining & Chemicals Limited (2)	**-**	49.0	**-**	-
ASA Organizacion Industrial S.A. De C.V. (2)	**-**	1.3	**-**	0.1
Bamble Mekaniske Industri AS	**40.0**	40.0	**0.3**	0.3
Beijing Ruichy Minova Synthetic Material Company Limited (3)	**45.0**	-	**1.2**	-
Blast & Quarry Surveys Ltd (3)	**25.0**	-	**0.6**	-
Bronson & Jacobs International Co. Ltd	**51.0**	51.0	**-**	-
CJSC (ZAO) Carbo-Zakk (3)	**12.5**	-	**0.1**	-
Dyno NitroMed AD	**40.0**	40.0	**2.6**	2.6
Dyno Nobel Samex S.A.	**49.5**	49.5	**4.1**	4.1
Dyno Nobel VH Company LLC	**49.0**	49.0	**0.2**	0.2
Dyno Nobel (Zimbabwe) (Pty) Limited (4)	**-**	22.0	**-**	-
Emirates Explosives L.L.C. (2)	**35.0**	-	**2.1**	-
Explosivos de Mexico SA de CV	**1.3**	1.3	**-**	-
GeoNitro Limited	**40.0**	40.0	**0.3**	0.5
Incitec Pivot Limited (5)	**-**	-	**-**	-
Minova Ksante Sp. z o.o. (3)	**30.0**	-	**0.6**	-
Minova MineTek Private Limited (3)	**24.0**	-	**0.2**	-
Nitro Asia Company Inc.	**41.6**	41.6	**0.1**	0.1
OOO Minova TPS (3)	**12.5**	-	**-**	-
Orica-CCM Energy Systems Sdn Bhd	**45.0**	45.0	**0.6**	0.6
Orica-GM Holdings Ltd	**49.0**	49.0	**-**	-
Orica Chemicals Chile S.A. (2)	**-**	49.0	**-**	0.8
Orica Chemicals Peru S.A.C. (2)	**-**	49.0	**-**	0.6
Orica Coatings (Fiji) Limited (6)	**-**	-	**-**	-
Orica Colombia S.A.	**8.0**	8.0	**-**	-
Orica Eesti OU	**35.0**	35.0	**2.6**	4.7
Orica Kazakhstan Closed Joint Stock Company	**23.0**	23.0	**2.2**	1.8
Orica Nitrates Philippines	**4.0**	4.0	**0.2**	0.2
Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi, A.S.	**49.0**	49.0	**1.7**	1.6
Orica Philippines Inc (2)	**9.9**	10.5	**0.2**	0.2
Orica Scandanavia Mining Services AB (7)	**-**	-	**-**	-
Orica (Weihai) Explosives Co Ltd	**20.0**	20.0	**6.1**	6.2
PT Kaltim Nitrate Indonesia	**10.0**	10.0	**1.1**	1.1
Sprengmittelvertrieb in Bayern GmbH	**49.0**	49.0	**0.1**	0.1
TOO "Minova Kasachstan" (3)	**40.0**	-	**0.5**	-
Teradoran Pty Ltd	**33.0**	33.0	**-**	-
			27.7	26.0
Minority interests in shareholders' equity at balance date is as follows:				
Contributed equity			**27.7**	26.0
Reserves			**5.9**	8.0
Retained earnings			**27.3**	17.6
			60.9	51.6

(1) Liquidated during the year.
(2) Minority interests purchased during the year.
(3) Minority interests acquired through new acquisitions.
Disposed of : (4) Dyno Nobel (Zimbabwe) (Pty) Limited - 30 September 07 (5) Incitec Pivot Limited - 16 May 2006,
(6) Orica Coatings (Fiji) Limited - 2 March 2006, (7) Orica Scandanavia Mining Services AB - 31 July 2006.

24. Total equity reconciliation

	Notes	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Total equity at the beginning of the year		**2,668.2**	1,519.5	**1,973.7**	743.7
Adjustments to reserves and retained earnings on transition to AASB 139		**-**	(18.8)	**-**	-
Adjustments to share capital on transition to AASB 139		**-**	(2.0)	**-**	(2.0)
Restated balance at beginning of year		**2,668.2**	1,498.7	**1,973.7**	741.7
Total changes recognised in statement of recognised income and expense		**354.2**	528.9	**(27.7)**	461.1
Transactions with owners as owners					
Dividends paid	(25)	**(259.3)**	(207.1)	**(259.3)**	(207.1)
Distributions paid	(25)	**(44.4)**	-	**(44.4)**	-
Less tax credit on Step-Up Preference Securities distributions		**13.9**	-	**13.9**	-
Share based payments reserve movements		**2.7**	9.8	**-**	-
Transfer of reserves to income statement on disposal of foreign subsidiaries		**2.9**	(0.1)	**-**	-
Purchase of minorities		**(7.0)**	1.9	**-**	-
Disposal of minorities		**-**	(1.9)	**-**	-
Total changes in contributed equity	(21)	**(112.9)**	978.0	**(112.9)**	978.0
Total changes in minority interest	(23)	**9.3**	(140.0)	**-**	-
Total equity at end of year		**2,627.6**	2,668.2	**1,543.3**	1,973.7

	Company 2007 $m	Company 2006 $m
25. Dividends and distributions		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary shares		
interim dividend of 26 cents per share, 34.6% franked at 30%, paid 7 Jul 2006	**-**	81.0
interim dividend of 36 cents per share, 38.9% franked at 30%, paid 6 Jul 2007	**111.3**	-
final dividend of 46 cents per share, 32.6% franked at 30%, paid 16 Dec 2005	**-**	126.1
final dividend of 48 cents per share, 43.75% franked at 30%, paid 15 Dec 2006	**148.0**	-
Cumulative non-redeemable 5% preference shares [(1)]		
interim dividend of 2.5 cents per share, 34.6% franked at 30%, paid 31 Jul 2006	**-**	0.05
interim dividend of 2.5 cents per share, 38.9 % franked at 30%, paid 31 Jul 2007	**0.05**	-
final dividend of 2.5 cents per share, 32.6% franked at 30%, paid 31 Jan 2006	**-**	0.05
final dividend of 2.5 cents per share, 43.75% franked at 30%, paid 12 Jan 2007	**0.05**	-
Distributions paid in respect of the year ended 30 September were:		
Step-Up Preference Securities		
distribution at 6.995% per annum, per share, unfranked, paid 30 November 2006	**24.9**	-
distribution at 7.820% per annum, per share, unfranked, paid 31 May 2007	**19.5**	-
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:		
paid in cash	**218.5**	186.2
satisfied by issue of shares	**14.8**	20.9
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan [(2)]	**26.1**	-
Distributions paid in cash	**44.4**	-
No distributions were satisfied by the issue/purchase of shares.		

[(1)] Dividends on these shares have been charged to the Income Statement as borrowing costs as the shares are classified as liabilities.

[(2)] During the year, the Company bought 1,089,528 (2006 3,617,903) shares on market to satisfy shareholders' dividend reinvestment plan (DRP) requirements. The transaction costs have been charged directly against contributed equity.

Subsequent events

Since the end of the financial year, the directors declared the following dividend:

Final dividend on ordinary shares of 53 cents per share, 32.08% franked at 30%, payable 14 December 2007.	**163.2**	

The financial effect of the final dividend on ordinary shares has not been brought to account in the financial statements for the year ended 30 September 2007 and will be recognised in the 2008 financial statements.

On 23 October 2007, Orica announced that as part of the funding plan for the acquisition of Excel Mining Systems LLC, the dividend reinvestment plan (DRP) would be underwritten. In addition, for at least the 2007 final dividend, the Board has introduced a 2.5% discount on shares issued under the underwritten DRP.

Franking credits

Franking credits available at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the final dividend for 2007 is nil (2006 nil).

26. Notes to the statements of cash flows

		Consolidated		Company	
		2007	2006	**2007**	2006
	Notes	**$m**	$m	**$m**	$m
Reconciliation of cash					
Cash at the end of the year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:					
Cash	(7)	**370.7**	1,009.1	**-**	-
Bank overdraft	(17)	**(3.0)**	(0.9)	**-**	-
		367.7	1,008.2	**-**	-
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities					
Profit/(loss) from ordinary activities after income tax expense		**513.4**	561.4	**(27.7)**	461.1
Depreciation and amortisation		**183.2**	156.9	**0.2**	0.2
Share based payments expense		**2.7**	9.8	**-**	-
Share of associates' net (profit)/loss after adding back dividends received		**(10.2)**	1.4	**-**	-
Increase/(decrease) in net interest payable		**4.7**	3.6	**3.1**	(0.5)
Decrease/(increase) in dividend income receivable		**-**	-	**82.6**	(350.0)
Impairment of intangibles		**15.4**	16.6	**-**	-
Impairment of property, plant and equipment		**-**	18.4	**-**	-
Net profit on sale of businesses and controlled entities	(28)	**(26.2)**	(435.0)	**-**	-
Net loss/(profit) on sale of property, plant and equipment		**4.3**	(16.7)	**-**	0.6
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities					
(increase)/decrease in trade and other receivables		**(2.1)**	(201.5)	**(44.8)**	41.5
decrease/(increase) in inventories		**3.5**	(40.8)	**-**	-
increase/(decrease) in deferred taxes payable		**5.5**	(86.0)	**-**	-
(decrease)/increase in payables and provisions		**(164.1)**	379.3	**(0.5)**	(193.2)
(decrease)/increase in income taxes payable		**(5.8)**	46.5	**(2.4)**	46.7
Net cash flows from operating activities		**524.3**	413.9	**10.5**	6.4

27. Businesses acquired

Consolidated - 2007
Acquisition of businesses and controlled entities
The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

Minova entities
In October 2006, Orica agreed to acquire the Minova group. The acquisition was completed on 1 January 2007.

Other entities
BST Manufacturing Inc on 1 February 2007.
Blast & Quarry Surveys Ltd on 28 September 2007.
Emirates Explosives LLC shareholding increased to 65% (2006 49%) on 6 November 2006.

Businesses
Business assets of Detacorp and SEC Holdings on 1 October 2006.
Chlor-alkali assets of CSBP Limited on 5 December 2006.
Business assets of Ultraviolet Technology of Australasia Pty Ltd on 20 February 2007.
Business assets of Wendouree Water Treatment Pty Ltd on 1 August 2007.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date. The final position of the acquired net assets will be presented in the financial statements at 30 September 2008.

2007	Book values $m	Fair value adjustments $m	Total $m
Consideration [1]			
cash paid	**931.5**	**-**	**931.5**
acquisition costs	**14.3**	**-**	**14.3**
net cash acquired	**(10.8)**	**-**	**(10.8)**
deferred settlement	**18.8**	**-**	**18.8**
Total consideration	**953.8**	**-**	**953.8**
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	**126.6**	**1.5**	**128.1**
inventories	**39.9**	**6.6**	**46.5**
property, plant and equipment	**56.4**	**-**	**56.4**
intangibles including purchased goodwill	**-**	**170.9**	**170.9**
other assets	**5.5**	**0.9**	**6.4**
payables and interest bearing liabilities	**(118.9)**	**-**	**(118.9)**
provision for dividends	**(1.1)**	**-**	**(1.1)**
provision for employee entitlements	**(2.6)**	**-**	**(2.6)**
provision for environmental	**(0.3)**	**(6.3)**	**(6.6)**
provision for taxation	**(10.6)**	**(56.3)**	**(66.9)**
contingent liabilities	**-**	**(2.0)**	**(2.0)**
other provisions	**(5.3)**	**-**	**(5.3)**
	89.6	**115.3**	**204.9**
Less minority interest at date of acquisition	**(3.9)**	**(0.3)**	**(4.2)**
	85.7	**115.0**	**200.7**
Goodwill on acquisition			**753.1**

[1] The total consideration includes $914.5 million for newly controlled entities, Dyno costs of $3.2 million, and $20.5 million for the buy-out of the minority share in controlled entities.

Results contributed by acquired entities since acquisition date:	$m
Revenue for the period	**372.1**
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	**79.9**

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 12 months to 30 September 2007 are as follows:

	$m
Operating revenue	**500.4**
EBITDA	**91.2**

The historical information was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses.

27. Businesses acquired (continued)

Consolidated - 2006
Acquisition of businesses and controlled entities
The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

Dyno Nobel entities
In September 2005, Orica announced that it had signed an agreement with a Macquarie led consortium (Macquarie consortium) to acquire substantially all of the European, Middle Eastern, African, Asian and Latin American businesses of Dyno Nobel. The agreement followed the Macquarie consortium's acquisition of 100% of Dyno Nobel from Industri Kapital which was subject to regulatory approvals and which was completed in late November 2005. Approximately US$685 million (A$902 million) was paid to the Macquarie consortium under the purchase agreement and this amount was initially recognised by the Group as a receivable, pending the completion of the acquisition of the identified individual entities. As regulatory approvals were obtained, the businesses were acquired on a country by country basis and the receivable was progressively reduced. The acquisition of entities under the agreement was completed on 1 June 2006, at which time the receivable was reduced to nil.
The Dyno entities were acquired as follows:
(1) On 31 December 2005, Dyno Nobel (Thailand) Limited, Dyno Nobel Slovakia AS, Dyno Nobel Schweiz AG and Ensign-Bickford Venezuela C.A. (51%).
(2) On 8 March 2006, Orica Dyno Nobel Philippines Inc. (96.1%) and Nitro Asia Company Inc.
(3) On 10 May 2006, 56% of Dyno Nobel Chile and Industriales Chile.
(4) On 1 June 2006, the remainder of Dyno Nobel Chile and Industriales Chile.
(5) On 1 June 2006, the remaining Dyno entities in Asia, Latin America, Europe, the Middle East and Africa.

Other entities
During December 2005, Orica purchased the remaining 49% minority interest in Orica Kimit Explosives AB and Orica Kimit Norge AS.
On 31 May 2006, 60% GeoNitro Limited was purchased.

	Preliminary net assets position as at 30 September 2006				Final net assets
	Book values $m	Preliminary fair value adjustments $m	Provisional fair values at Sep-06 $m	Further adjustments to fair values in 2007 $m	Final fair values $m
Consideration [1]					
cash paid	918.0	-	918.0	**-**	**918.0**
acquisition costs	41.8	-	41.8	**3.2**	**45.0**
net cash acquired	(77.6)	-	(77.6)	**-**	**(77.6)**
Total consideration	882.2	-	882.2	**3.2**	**885.4**
Fair value of net assets of businesses/controlled entities acquired					
trade and other receivables	104.7	39.2	143.9	**-**	**143.9**
inventories	72.3	2.1	74.4	**(0.5)**	**73.9**
investments	27.0	44.4	71.4	**(9.3)**	**62.1**
property, plant and equipment	93.1	22.0	115.1	**(0.5)**	**114.6**
intangibles including purchased goodwill	10.8	69.4	80.2	**-**	**80.2**
other assets	34.4	23.2	57.6	**(18.3)**	**39.3**
payables and interest bearing liabilities	(150.3)	-	(150.3)	**(13.9)**	**(164.2)**
provision for dividends	(1.1)	-	(1.1)	**-**	**(1.1)**
provision for employee entitlements	(61.6)	(23.7)	(85.3)	**-**	**(85.3)**
provision for restructuring and rationalisation	(3.4)	-	(3.4)	**-**	**(3.4)**
provision for environmental	(6.9)	(24.0)	(30.9)	**(12.7)**	**(43.6)**
provision for taxation	(3.7)	(23.5)	(27.2)	**0.8**	**(26.4)**
contingent liabilities	-	(8.1)	(8.1)	**(11.0)**	**(19.1)**
provision for onerous contracts	-	-	-	**(9.9)**	**(9.9)**
other provisions	(5.2)	-	(5.2)	**1.5**	**(3.7)**
	110.1	121.0	231.1	**(73.8)**	**157.3**
Less minority interest at date of acquisition	(12.2)	-	(12.2)	**-**	**(12.2)**
	97.9	121.0	218.9	**(73.8)**	**145.1**
Goodwill on acquisition			663.3	**77.0**	**740.3**

(1) The total consideration amount of $882.2 million includes $875.6 million for newly controlled entities and $6.6 million for the minority share of controlled entities.

27. Businesses acquired (continued)

Results contributed by acquired entities since acquisition date:	Sep-06 $m
Revenue for the period	247.7
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	35.0

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 12 months to 30 June 2005 as disclosed in the rights issue prospectus dated 21 November 2005 and the Orica Step-Up Preference Securities Prospectus dated 17 February 2006, are as follows:

	$m
Operating revenue	537.3
EBITDA	82.0

The historical information was compiled by Orica management based on limited financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Revenue and net profit of the acquired entities for the 12 months ended 30 September 2006 have not been disclosed due to lack of separate historical information, significant historical transactions between entities purchased and entities not purchased, material acquisition adjustments and restructuring and integration activities of the acquired businesses.

Goodwill has arisen on the purchase of these entities because of unidentifiable assets that did not meet the criteria for recognition as an identifiable intangible asset at date of acquisition.

Businesses acquired subsequent to 30 September 2007

On 24 September 2007, Orica announced that it had signed an agreement to acquire all of Excel Mining Systems LLC for approximately US$670 million (approximately A$775 million). Excel is the leading manufacturer and distributor of specialty bolts and accessories used in underground mining for strata support in the USA. The acquisition of Excel was completed on 26 October 2007, after required regulatory clearances were obtained. Orica entered into forward exchange contracts to hedge the majority of the Australian dollar exposure of the acquisition at a rate of 0.8618.

The following information has been compiled from Excel Mining Systems LLC management financial information:

Estimated results for 12 months to 31 July 2007	**$m**
Revenue for the period	**279.3**
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	**82.2**

Balance sheet as at 31 July 2007

	Book values **$m**
Consideration including acquisition costs	**784.3**
Fair value of net assets of businesses/controlled entities acquired	
trade and other receivables	**18.4**
inventories	**25.2**
property, plant and equipment	**15.9**
intangibles including purchased goodwill	**255.5**
other assets	**0.8**
payables and interest bearing liabilities	**(14.2)**
	301.6
Goodwill on acquisition	**482.7**

28. Discontinued operations and businesses disposed

The Fertilisers business was disposed of on 15 May 2006 and is reported as a discontinued operation. This note shows the results of the continuing businesses and the discontinued business.

For the year ended 30 September	Continuing 2007 $m	Discontinued 2007 $m	Consolidated 2007 $m	Continuing 2006 $m	Discontinued 2006 $m	Consolidated 2006 $m
Sales revenue	**5,527.2**	**-**	**5,527.2**	4,745.6	613.6	5,359.2
Other income	**61.5**	**-**	**61.5**	57.8	440.8	498.6
Expenses						
Changes in inventories of finished goods and work in progress	**1.7**	**-**	**1.7**	(13.2)	96.9	83.7
Raw materials and consumables used and finished goods purchased for resale	**(2,793.3)**	**-**	**(2,793.3)**	(2,473.5)	(437.6)	(2,911.1)
Share based payments	**(2.7)**	**-**	**(2.7)**	(9.4)	(0.4)	(9.8)
Other employee benefits expense	**(959.8)**	**-**	**(959.8)**	(780.5)	(43.0)	(823.5)
Depreciation expense	**(153.3)**	**-**	**(153.3)**	(124.9)	(17.7)	(142.6)
Amortisation expense	**(29.9)**	**-**	**(29.9)**	(13.0)	(1.3)	(14.3)
Purchased services	**(374.5)**	**-**	**(374.5)**	(354.6)	(28.4)	(383.0)
Repairs and maintenance	**(115.0)**	**-**	**(115.0)**	(119.4)	(31.9)	(151.3)
Impairment of property, plant & equipment	**-**	**-**	**-**	(18.4)	-	(18.4)
Impairment of intangibles	**(15.4)**	**-**	**(15.4)**	(16.6)	-	(16.6)
Outgoing freight	**(256.6)**	**-**	**(256.6)**	(238.9)	(15.2)	(254.1)
Lease payments - operating leases	**(77.8)**	**-**	**(77.8)**	(59.7)	(5.4)	(65.1)
Other expenses from ordinary activities including individually material items	**(52.9)**	**-**	**(52.9)**	(339.9)	(95.7)	(435.6)
Share of net profits of associates accounted for using the equity method	**31.2**	**-**	**31.2**	12.4	-	12.4
	(4,798.3)	**-**	**(4,798.3)**	(4,549.6)	(579.7)	(5,129.3)
Profit from operations	**790.4**	**-**	**790.4**	253.8	474.7	728.5
Net financing costs						
Financial income	**34.8**	**-**	**34.8**	64.7	(4.5)	60.2
Financial expenses	**(157.4)**	**-**	**(157.4)**	(151.6)	(0.8)	(152.4)
Net financing costs	**(122.6)**	**-**	**(122.6)**	(86.9)	(5.3)	(92.2)
Profit before income tax expense	**667.8**	**-**	**667.8**	166.9	469.4	636.3
Income tax expense	**(154.4)**	**-**	**(154.4)**	(46.4)	(28.5)	(74.9)
Profit after tax	**513.4**	**-**	**513.4**	120.5	440.9	561.4
Net profit for the year attributable to:						
Shareholders of Orica Limited	**487.7**	**-**	**487.7**	107.9	431.2	539.1
Minority interest	**25.7**	**-**	**25.7**	12.6	9.7	22.3
Net profit for the year	**513.4**	**-**	**513.4**	120.5	440.9	561.4

28. Discontinued operations and businesses disposed (continued)

Revenue and other income from continuing operations

	Continuing 2007 $m	Discontinued 2007 $m	Consolidated 2007 $m	Continuing 2006 $m	Discontinued 2006 $m	Consolidated 2006 $m
Sales revenue	**5,527.2**	**-**	**5,527.2**	4,745.6	613.6	5,359.2
Other income						
Royalty income	**3.0**	**-**	**3.0**	2.6	-	2.6
Other income	**32.3**	**-**	**32.3**	33.3	2.2	35.5
Profit from sale of businesses/controlled entities	**26.2**	**-**	**26.2**	6.4	428.6	435.0
Profit on sale of property, plant and equipment	**-**	**-**	**-**	15.5	1.2	16.7
Profit from sale and mark-to-market of investments	**-**	**-**	**-**	-	8.8	8.8
Total other income	**61.5**	**-**	**61.5**	57.8	440.8	498.6
Financial income:						
Interest income:						
controlled entities	**-**	**-**	**-**	4.9	(4.9)	-
associated companies	**0.8**	**-**	**0.8**	-	-	-
external parties – banks	**34.0**	**-**	**34.0**	59.8	0.4	60.2
Total financial income	**34.8**	**-**	**34.8**	64.7	(4.5)	60.2
Financial expense:						
Borrowing costs paid/payable to:						
external parties	**146.2**	**-**	**146.2**	146.3	0.6	146.9
unwinding of discount on provision	**11.0**	**-**	**11.0**	5.2	0.2	5.4
finance charges – finance leases	**0.2**	**-**	**0.2**	0.1	-	0.1
Total borrowing costs	**157.4**	**-**	**157.4**	151.6	0.8	152.4
Net financing costs	**122.6**	**-**	**122.6**	86.9	5.3	92.2
Profit/(loss) before income tax expense is arrived at after charging/(crediting):						
Currency losses/(gains)	**0.4**	**-**	**0.4**	(8.0)	-	(8.0)
Loss on sale of property, plant and equipment	**4.3**	**-**	**4.3**	-	-	-
Depreciation on property, plant and equipment:						
buildings and improvements	**16.8**	**-**	**16.8**	14.9	2.1	17.0
machinery, plant and equipment	**136.5**	**-**	**136.5**	110.0	15.6	125.6
Total depreciation on property, plant and equipment	**153.3**	**-**	**153.3**	124.9	17.7	142.6
Amortisation of intangibles	**29.9**	**-**	**29.9**	13.0	1.3	14.3
Amounts provided for:						
trade receivables impairment	**6.0**	**-**	**6.0**	12.4	(0.1)	12.3
employee entitlements	**38.5**	**-**	**38.5**	39.9	3.3	43.2
environmental liabilities	**4.5**	**-**	**4.5**	140.7	28.7	169.4
inventory impairment	**7.6**	**-**	**7.6**	14.9	0.5	15.4
restructuring and rationalisation provisions	**17.3**	**-**	**17.3**	86.7	-	86.7
decommissioning	**4.7**	**-**	**4.7**	-	-	-
onerous contracts	**4.4**	**-**	**4.4**	-	-	-
other provisions	**35.3**	**-**	**35.3**	10.1	7.4	17.5
Bad debts written off in respect of trade receivables	**4.6**	**-**	**4.6**	1.1	-	1.1
Lease payments – operating leases	**77.8**	**-**	**77.8**	59.7	5.4	65.1
Research and development	**31.5**	**-**	**31.5**	32.8	-	32.8

28. Discontinued operations and businesses disposed (continued)

Reconciliation of net profit after tax	Continuing 2007 $m	Discontinued 2007 $m	Consolidated 2007 $m	Continuing 2006 $m	Discontinued 2006 $m	Consolidated 2006 $m
Before individually material items						
Profit before income tax expense	**690.1**	**-**	**690.1**	496.5	69.0	565.5
Income tax expense	**(166.2)**	**-**	**(166.2)**	(139.2)	(17.2)	(156.4)
Profit after tax before Minority interest	**523.9**	**-**	**523.9**	357.3	51.8	409.1
Minority interest	**26.1**	**-**	**26.1**	13.1	15.7	28.8
Profit after tax before individually material items	**497.8**	**-**	**497.8**	344.2	36.1	380.3
Individually material items						
(Loss)/profit before income tax expense	**(22.3)**	**-**	**(22.3)**	(329.6)	400.4	70.8
Income tax benefit/(expense)	**11.8**	**-**	**11.8**	92.8	(11.3)	81.5
(Loss)/profit after tax before Minority interest	**(10.5)**	**-**	**(10.5)**	(236.8)	389.1	152.3
Minority interest	**(0.4)**	**-**	**(0.4)**	(0.5)	(6.0)	(6.5)
(Loss)/profit after tax from individually material items	**(10.1)**	**-**	**(10.1)**	(236.3)	395.1	158.8
Net profit after tax						
Profit before income tax expense	**667.8**	**-**	**667.8**	166.9	469.4	636.3
Income tax expense	**(154.4)**	**-**	**(154.4)**	(46.4)	(28.5)	(74.9)
Profit after tax before Minority interest	**513.4**	**-**	**513.4**	120.5	440.9	561.4
Minority interest	**25.7**	**-**	**25.7**	12.6	9.7	22.3
Profit after tax	**487.7**	**-**	**487.7**	107.9	431.2	539.1
Net profit for the year attributable to:						
Shareholders of Orica Limited	**487.7**	**-**	**487.7**	107.9	431.2	539.1
Minority interest	**25.7**	**-**	**25.7**	12.6	9.7	22.3
Net profit for the year	**513.4**	**-**	**513.4**	120.5	440.9	561.4

	Consolidated 2007 $m	Consolidated 2006 $m
Assets/liabilities held for sale [1]		
Trade and other receivables	**-**	19.0
Inventories	**-**	12.4
Other assets	**-**	0.4
Total current assets held for sale	**-**	31.8
Property, plant and equipment	**-**	30.3
Total non-current assets held for sale	**-**	30.3
Trade and other payables	**-**	20.5
Provision for income tax	**-**	0.1
Provision for environmental	**-**	2.7
Provision for employee benefits	**-**	1.1
Total current liabilities held for sale	**-**	24.4

[1] Represents assets/liabilities held for sale in the Adhesives and Resins business in 2006.

28. Discontinued operations and businesses disposed (continued)

Disposal of businesses/controlled entities

The following businesses and controlled entities were disposed of:

2007:

(1) On 31 October 2006, Welvic PVC business in Australia.
(2) On 1 December 2006, B&J Perlite and Vermiculite business in Australia.
(3) On 8 December 2006, Adhesives and Resins business in Indonesia.
(4) On 31 January 2007, Adhesives and Resins business assets in Australia and New Zealand.
(5) On 9 February 2007, Bridestowe lavender farm in Australia.
(6) On 30 June 2007, High Energy Materials business in Norway.

2006:

(1) On 2 March 2006, 88.3% share in Orica Coatings (Fiji) Limited.
(2) On 15 May 2006, Orica completed the sale of a 56.5% stake in the listed company Incitec Pivot Limited (IPL), via an institutional placement underwritten by Macquarie Equity Capital Markets Limited. The balance of Orica's holding in IPL (13.5% of IPL's issued ordinary shares) was sold to IPL under a selective share buy-back on 11 July 2006, ceasing Orica's involvement in the fertilisers business. This disposal has been disclosed as a discontinued operation.
(3) On 31 July 2006, Orica Scandanavia Mining Services AB and Orica Kimit Norge AS.

	Consolidated	
	2007	2006
	$m	$m
Consideration		
cash received	**97.8**	876.8
cash disposed	**-**	(22.8)
disposal costs	**(9.0)**	(34.5)
Cash received	**88.8**	819.5
deferred settlement	**2.7**	-
Net consideration	**91.5**	819.5
Carrying value of net assets of businesses/controlled entities disposed		
trade and other receivables	**21.4**	234.8
inventories	**17.3**	362.8
property, plant and equipment	**40.2**	299.9
intangibles	**-**	213.5
other assets	**2.5**	51.0
investment	**4.3**	-
payables and interest bearing liabilities	**(14.8)**	(482.3)
provision for employee entitlements	**(5.7)**	(14.6)
provision for restructuring	**-**	(10.9)
provision for dividends	**-**	(12.8)
provision for income tax	**0.1**	(42.1)
provision for environmental	**-**	(47.5)
provision for other	**-**	(7.9)
	65.3	543.9
Less outside equity interests at date of disposal	**-**	(159.4)
	65.3	384.5
Profit on sale of business/controlled entities *	**26.2**	435.0

* Disclosed as Profit on sale of business/controlled entities in September 2006: $428.6 million relates to discontinued operations and $6.4 million relates to other minor divestments.

Cash flows from discontinued operations		
Cash flows from operating activities	**-**	(72.4)
Cash flows from investing activities	**-**	(17.9)
Cash flows from financing activities	**-**	108.2
Net cash from discontinued operations	**-**	17.9

29. Impairment testing of goodwill and intangibles with indefinite lives

Impairment testing is conducted annually at the individual cash generating unit (CGU) level where goodwill and intangibles with indefinite lives are allocated and monitored for management purposes.

The carrying amounts of goodwill and brand names are as follows:

	Consolidated			
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
	Goodwill		Brand Names	
Mining Services	**911.5**	819.5	**-**	-
Minova	**673.6**	-	**-**	-
Consumer Products	**26.9**	26.9	**37.8**	16.9
Chemnet	**134.3**	147.0	**-**	-
Chemical Services	**17.2**	11.5	**-**	-
Total	**1,763.5**	1,004.9	**37.8**	16.9

The recoverable amount of both goodwill and brand names for all businesses is assessed based on value in use. The value in use calculations use cash flow projections based on actual operating results and the business four year forecast approved by the Board of Directors. Cash flow projections beyond the four year period were calculated using the forecast cash flow of the fourth year to the life of the asset with no growth rate going forward.

The discount rates for each CGU were estimated using pre-tax rates based on the Group's post tax weighted average cost of capital in conjunction with risk specific factors to the countries in which the CGUs operate. The pre-tax discount rates applied in the discounted cash flow model range between 7% and 19%.

Impairment charged during the year

	Consolidated	
	2007	2006
	$m	$m
Goodwill	**15.4**	7.8

30. Commitments

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Capital expenditure commitments				
Capital expenditure on property, plant and equipment and business acquisitions contracted but not provided for and payable:				
no later than one year	**82.5**	14.6	**-**	-
	82.5	14.6	**-**	-
Lease commitments				
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:				
no later than one year	**73.7**	69.0	**-**	-
later than one, no later than five years	**112.9**	103.5	**-**	-
later than five years	**28.3**	65.0	**-**	-
	214.9	237.5	**-**	-
Representing:				
cancellable operating leases	**86.6**	117.9	**-**	-
non-cancellable operating leases	**128.3**	119.6	**-**	-
	214.9	237.5	**-**	-
Non-cancellable operating lease commitments payable:				
no later than one year	**43.9**	30.5	**-**	-
later than one, no later than five years	**63.3**	50.8	**-**	-
later than five years	**21.1**	38.3	**-**	-
	128.3	119.6	**-**	-
Finance lease commitments payable:				
no later than one year	**0.6**	0.1	**-**	-
later than one, no later than five years	**0.2**	1.2	**-**	-
	0.8	1.3	**-**	-
Less future finance charges	**-**	-	**-**	-
Present value of minimum lease payments provided for as a liability	**0.8**	1.3	**-**	-
Representing lease liabilities: (see note 17)				
current	**0.3**	0.1	**-**	-
non-current	**0.5**	1.2	**-**	-
	0.8	1.3	**-**	-

31. Auditors' remuneration

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Total remuneration received, or due and receivable, by the auditors for:				
Audit services				
Auditors of the Company – KPMG Australia				
– Audit and review of financial reports	**4,560**	3,703	**50**	42
Other regulatory audit services [1]				
Auditors of the Company – overseas KPMG firms				
– Audit and review of financial reports	**1,128**	450	**-**	-
Auditors of the Company – KPMG Australia				
– Audit and review of financial reports	**50**	-	**-**	-
Other 2006 audit services	**278**	-	**-**	-
	6,016	4,153	**50**	42
Other services [2]				
Auditors of the Company – KPMG Australia				
– other assurance services [3]	**-**	749	**-**	735
	-	749	**-**	735
	6,016	4,902	**50**	777

From time to time, KPMG the auditors of the Company provide other services to the Group, which are subject to strict corporate governance procedures adopted by the Company which encompass the selection of service providers and the setting of their remuneration.

(1) Other regulatory audit services are fees paid or payable for overseas subsidiaries' local lodgement purposes and other regulatory compliance requirements.
(2) The Board Audit and Risk Committee must approve any other services provided by KPMG above a value of $20,000 per assignment and it also reviews and approves at year end other services provided by KPMG below a value of $20,000. The guidelines adopted by KPMG for the provision of other services ensure their statutory independence is not compromised.

(3) The 2006 other assurance services are related to due diligence associated with the equity raising and confirmation of accounting treatment in relation to the hybrid financing structure for the Dyno Nobel acquisition.

32. Critical accounting judgements and estimates

Management determines the development, selection and disclosure of the consolidated entity's critical accounting policies, estimates and accounting judgements and the application of these policies and estimates. Management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable and in accordance with accounting standards. Changes in the assumptions underlying the estimates could result in a significant impact on the financial statements. The most critical of these assumptions and judgements are:

Contingent liabilities

In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with our current or former sites. Where we believe that potential liabilities have a low probability of crystallising or it is not possible to quantify reliably, we disclose them as contingent liabilities. These are not provided for in the financial statements but are disclosed in the notes. In view of the significance of environmental issues associated with Botany (NSW, Australia) Groundwater, Botany Hexachlorobenzene (HCB) Waste, Botany Car Park Encapsulation, Villawood (NSW, Australia) and Seneca (Illinois, USA) they continue to be disclosed as contingent liabilities even though estimated costs have been recognised in the financial statements. Further details regarding contingent liabilities are set out in note 33.

Environmental and decommissioning provisions

The business of the Group is subject to a variety of laws and regulations in the jurisdictions in which it operates or maintains properties. Provisions for expenses that may be incurred in complying with such laws and regulations are set aside if environmental inquiries or remediation measures are probable and the costs can be reliably estimated. For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been provided for. With regard to the HCB Waste clean up, it is assumed that a licence to export waste for destruction overseas will be obtained. German authorities have rejected Orica's application to import the waste into Germany for treatment. Orica has lodged objections against these rejections. It is also assumed that the methods planned for environmental clean up will be able to treat the issues within the expected timeframe.

32. Critical accounting judgements and estimates (continued)

It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the status of laws, regulations and the information available about conditions in the various countries and at the individual sites. Significant factors in estimating the costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and new developments affecting costs, management's interpretation of current environmental laws and regulations, the number and financial position of third parties that may become obligated to participate in any remediation costs on the basis of joint liability, and the remediation methods which are likely to be deployed.

Environmental costs are estimated using either the work of external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs could impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated. In respect of the Botany Groundwater contamination, a provision was established in 2004 to cover the estimated costs associated with remediation until 2014. Costs are expected to be incurred after this date, but it is not possible to predict the timeframe over which remediation will be required. The discount rate used for environmental provisioning is Orica's weighted average cost of capital and this may vary from year to year.

Legal proceedings

The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could significantly impact the business and results of operations of the Group. Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the Group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Group could be materially affected by the unfavourable outcome of litigation. Litigation and administrative proceedings are evaluated on a case-by-case basis considering the available information, including that from legal counsel, to assess potential outcomes. Where it is considered probable that a future obligation will result in an outflow of resources, a provision is recorded in the amount of the present value of the expected cash outflows if these are deemed to be reliably measurable.

In the course of acquisitions and disposals of businesses and assets, Orica routinely negotiates warranties and indemnities across a range of commercial issues and risks, including environmental risks associated with real property. Management uses the information available and exercises judgement in the overall context of these transactions, in determining the scope and extent of these warranties and indemnities. In assessing Orica's financial position, management relies on warranties and indemnities received, and considers potential exposures on warranties and indemnities provided. It is possible that the financial position, results of operations and cash flows of the Group could be materially affected if circumstances arise where warranties and indemnities received are not honoured, or for those provided, circumstances change adversely.

Defined benefit superannuation fund obligations

The expected costs of providing post-retirement benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the consolidated statement of recognised income and expense. In all cases, the pension costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary and pension increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings of the Group (refer note 40).

Property, plant and equipment and definite life intangible assets

The Group's property, plant and equipment and intangible assets, other than indefinite life intangibles, are depreciated/amortised on a straight line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives of assets at least annually but any changes to useful economic lives could affect prospective depreciation rates and asset carrying values.

Foreign exchange movements

In note 34, a detailed analysis is given of the foreign exchange exposure of the consolidated entity and risks in relation to foreign exchange movements.

32. Critical accounting judgements and estimates (continued)

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell and value in use. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGUs. The determination of value in use requires the estimation and discounting of cashflows. The estimation of the cashflows considers all the information available at balance date which may deviate from actual developments. This includes, among other things, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing of cash flows could impact the carrying value of the respective assets (refer note 29).

Impairment testing of the Botany Groundwater Treatment Plant has assumed that the treated water from this plant will be sold to industrial customers for the assumed prices (using Sydney Water prices as a guide). The carrying value of the Groundwater Treatment Plant included in property, plant and equipment at 30 September 2007 is $63.6 million.

Current asset provisions

In the course of normal trading activities, management uses its judgement in establishing the net realisable value of various elements of working capital – principally inventory and accounts receivable. Provisions are established for obsolete or slow moving stocks, bad or doubtful debts and product warranties. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Group.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recorded on the Balance Sheet and the amount of tax losses and timing differences not yet recognised. In these circumstances, the carrying amount of deferred tax assets and liabilities may change, resulting in an impact on the earnings of the Group.

Acquisition accounting

During the period, Orica acquired the Minova group. Accounting standards require the fair value of the net assets acquired to be recognised. This report includes the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date. The final classification of the acquired net assets of Minova will be presented in the 2008 financial statements. However, they may vary significantly from those disclosed in this report.

33. Contingent liabilities and contingent assets

Environmental

(i) General

A number of sites within the Group have been identified as requiring environmental remediation or review. Appropriate implementation of remediation actions to meet Orica's obligations for these sites is continuing.

In accordance with the current accounting policy, provisions have been created for all known environmental liabilities that can be reliably estimated. For sites where the requirements have been assessed and are capable of reliable measurement, estimated regulatory and remediation costs have been capitalised, expensed as incurred or provided for. For environmental matters where there are significant uncertainties with respect to Orica's remediation obligations or the remediation techniques that might be approved, no reliable estimate can presently be made of regulatory and remediation costs.

There can be no assurance that new information or regulatory requirements with respect to known sites or the identification of new remedial obligations at other sites will not require additional future provisions for environmental remediation and such provisions could be material.

33. Contingent liabilities and contingent assets

Orica has entered into arrangements with the relevant regulatory authorities for a number of sites to investigate possible land and groundwater contamination and, where appropriate, undertake voluntary remediation activities on these sites. Where reliable estimates are possible and remediation techniques have been identified for these sites, provisions have been established in accordance with the current accounting policy.

(ii) Significant environmental matters which are in progress at the date of this report are as follows:

Botany Groundwater (New South Wales, Australia)

Orica is continuing to conduct extensive remediation activities, including the operation of a Groundwater Treatment Plant, to treat the groundwater at Botany, which is contaminated with pollutants from historical operations. The Groundwater Treatment Plant has been commissioned and a portion of the treated water is sold by Orica to other corporations to replace town drinking water in industrial uses. Testing of the quality of the recycled water is ongoing.

Orica is also investigating suitable remediation options for Dense Non-Aqueous Phase Liquid (DNAPL) source areas. No provision has been established for remediation activities in respect of DNAPL as a reliable estimate is not possible at this stage.

Orica has received preliminary results indicating elevated concentrations of mercury in soil and groundwater at the southern end of the Botany site and at adjacent offsite locations. An environmental consultant has been commissioned to assess and report on these concentrations of mercury. No provision has been established for remediation activities in respect of this matter as the extent of contamination is unknown.

Hexachlorobenzene (HCB) Waste Clean Up (Botany, New South Wales, Australia)

In August 2006, Orica submitted its application for export approval of HCB waste to the Federal Government. In its application, Orica sought permission to export the HCB waste for final destruction at high temperature incinerators in Germany. In May 2007, the Federal Government issued a duly motivated statement of fact that Australia does not have the technical capability to treat Orica's HCB waste. In June 2007, German authorities rejected Orica's application to import the HCB waste into Germany. Orica has lodged objections against these rejections. In the event that Orica does not obtain the necessary regulatory approvals to export the waste overseas for destruction, it will continue to ensure the safe storage of the HCB waste at Botany. Orica provided for the estimated costs associated with export and treatment of the waste in the 2006 financial statements (refer note 19).

Car Park Waste Encapsulation (Botany, New South Wales, Australia)

Soil and ash contaminated with low level chlorinated materials (including hexachlorobutadiene and HCB) are stored in an approved and licensed encapsulation on the Botany site, known as the Car Park Waste Encapsulation. Orica has investigated technologies that may be suitable to treat this material and has evaluated conventional destruction methods and has determined that direct thermal treatment of this waste is the preferred treatment technology. As required under the Botany site environmental licence conditions, Orica has submitted an application for planning approval of the proposed remediation. Orica has provided for estimated costs of treatment of the soil using thermal desorption technology (refer note 19).

Taxation

(i) Tax investigations and audits

Consistent with other companies of the size and diversity of Orica, the Group is the subject of periodic information requests, investigations and audit activities by the Australian Taxation Office ("ATO") and tax authorities in other jurisdictions in which Orica operates.

(ii) Brazilian Tax Action

The Brazilian Taxation authority is claiming unpaid taxes relating to the 1997 financial year of approximately $25 million. ICI Plc, the vendor of the business to Orica, has been notified to preserve Orica's rights under the tax indemnity obtained upon acquisition of the business. The Brazilian Taxation authority has been granted security over the Lorena site in relation to these matters.

(iii) Tax Audit – 1998 Sale of Pharmaceuticals Business

On 13 October 2004, Orica Limited received a notice of amended assessment from the ATO for $210.3 million (primary tax of $95.3 million, penalties of $23.8 million and interest of $91.2 million). The amended assessment relates to the sale of the pharmaceuticals business to Zeneca in September 1998.

On 9 November 2004, Orica lodged an objection against the amended assessment. On 10 March 2005, the ATO disallowed the objection and, in March 2005, Orica applied to have the matter dealt with by the Federal Court.

After due consideration, the directors are of the opinion the ATO's case has no merit and accordingly no liability is recognised.

In accordance with the ATO administrative practice, Orica has paid 50% of the amended assessment, which has been recognised as a non-current receivable.

On 28 March 2006, the ATO advised Orica of an error with the interest calculation in relation to the amended assessment, reducing the interest component by $10.2 million. On the basis of the 50% arrangement, Orica Limited received a refund of $5.1 million from the ATO.

33. Contingent liabilities and contingent assets (continued)

The ATO has indicated that if it is unsuccessful in defending the amended assessment against Orica, it may consider issuing an amended assessment for a similar amount to Orica Australia Pty Ltd in respect of the same transaction. The ATO considers that it is not in a position to decide if the second assessment should be issued until the outcome of the dispute with Orica Limited is known. Orica would also contest this matter.

Guarantees, indemnities and warranties

- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but in all cases the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.
- The consolidated entity has entered into various sales contracts where minimum savings are guaranteed to customers and such savings are expected to be achieved in the ordinary course of business.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial warranties and indemnities to the purchasers.

The Company

Under the terms of a Deed of Cross Guarantee entered into in accordance with the ASIC Class Order 98/1418 dated 13 August 1998 (as amended), each company which is a party to the Deed has covenanted with the Trustee of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies. The closed group of entities which are party to the Deed are disclosed in note 41. A consolidated balance sheet and income statement for this closed group is shown in note 42.

34. Financial instruments

The major types of financial risks to which the Group is exposed are foreign exchange risk, interest rate risk, liquidity risk and credit risk. The consolidated entity uses several techniques to reduce the exposure to loss from financial risks. With the exception of receivables from controlled entities (refer note 8), payables to controlled entities (refer note 16) and loans from controlled entities (refer note 17), there were no significant financial instruments in the Company.

Foreign exchange risk management

Foreign exchange transactions – cash flow hedges

The consolidated entity is exposed to foreign exchange movements on sales and purchases denominated, either directly or indirectly, in currencies other than Australian Dollars (AUD). Where these exposures are significant and cannot be eliminated by varying contract terms or other business arrangements, formal hedging strategies are implemented, within policy guidelines established for each of the consolidated entity's business segments. The currencies giving rise to this risk are primarily U.S. Dollars (USD), New Zealand Dollars (NZD), Euro (EUR), Norwegian Kroner (NOK) and Swedish Kronor (SEK).

The consolidated entity hedges up to 100 per cent of committed exposures. Anticipated exposures are hedged by applying a declining hedge percentage based on increasing time until the exposure crystallises. Only exposures that can be forecast with highly probable forecast accuracy are hedged. Transactions can be hedged for up to five years on a rolling monthly basis. The derivative instruments used for hedging purchase and sales exposures are bought option contracts and forward contracts. Forward contracts may be used only for committed exposures and anticipated exposures expected to occur within 12 months. Vanilla bought option contracts may be used for all exposures. These contracts are designated as cash flow hedges and stated at fair value.

The fair value of forward exchange contracts used as hedges of foreign exchange transactions at 30 September 2007 was $2.9 million loss (2006 $0.6 million gain), comprising assets of $1.7 million (2006 $2.7 million) and liabilities of $4.6 million (2006 $2.1 million). The fair value of currency options used as hedges of foreign exchange transactions at 30 September 2007 was $5.5 million gain (2006 $4.2 million gain), comprising assets of $5.6 million (2006 $4.3 million) and liabilities of $0.1 million (2006 $0.1 million).

34. Financial instruments (continued)

The tables below outline the net forward foreign exchange contracts and vanilla European foreign currency bought option contracts used to hedge committed and anticipated purchases and sales denominated in foreign currencies:

Foreign Exchange Contracts	Weighted average rate **2007**	2006	**million 2007**	million 2006
Buy US dollars/sell Australian dollars				
Not later than one year	**0.8547**	0.7543	**USD 35.6**	USD 88.3
Buy US dollars/sell New Zealand dollars				
Not later than one year	**0.7132**	0.6382	**USD 21.3**	USD 27.9
Buy Australian dollars/sell New Zealand dollars				
Not later than one year	**1.1454**	1.0600	**NZD 9.6**	NZD 2.4
Buy Australian dollars/sell Canadian dollars				
Not later than one year	**0.8569**	-	**CAD 6.0**	-
Buy Australian dollars/sell Swedish Kroner				
Not later than one year	**5.6403**	5.4329	**SEK 42.7**	SEK 0.2
Buy Swedish Kroner/sell Norwegian Kroner				
Not later than one year	**1.1768**	-	**NOK 133.4**	-
Buy Euro/sell Australian dollars				
Not later than one year	**0.5975**	0.5889	**EUR 4.3**	EUR 17.8

Vanilla European Option Contracts	Weighted average rate **2007**	2006	**million 2007**	million 2006
Buy US dollars/sell Australian dollars				
Not later than one year	**0.7818**	0.7661	**USD 52.1**	USD 25.3
Later than one year but not later than two years	**0.7877**	0.7813	**USD 4.1**	USD 6.4
Buy US dollars/sell New Zealand dollars				
Not later than one year	**0.6227**	0.6453	**USD 12.5**	USD 25.3
Later than one year but not later than two years	**0.7248**	0.6241	**USD 4.5**	USD 11.4

Gains and losses recognised in the cash flow hedge reserve on all foreign currency hedges of anticipated purchases and sales and the timing of their anticipated recognition as part of sales or purchases are:

Term	Net deferred gains **2007 $m**	2006 $m
Not later than one year	**2.2**	3.3
Later than one year but not later than two years	**0.4**	1.5
Total	**2.6**	4.8

The terms of the forward exchange contracts have been negotiated to match the terms of the commitments.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the asset or liability affects the Income Statement, the consolidated entity transfers the related amount deferred in equity into the Income Statement.

In September 2007, Orica announced that it had signed an agreement to acquire all of Excel Mining Systems LLC. The purchase price was denominated in US dollars, and the entity entered into forward foreign exchange contracts to hedge the resultant currency exposure as detailed below:

Foreign Exchange Contracts	Weighted average rate **2007**	2006	**million 2007**	million 2006
Buy US dollars/sell Australian dollars				
Not later than one year	**0.8618**	-	**USD 680.0**	-

As at balance date, the fair value of this hedge was a loss of $18.8 million.

34. Financial instruments (continued)

The consolidated entity's reported AUD earnings are exposed to AUD/USD exchange rate movements resulting from the sale of goods and services by certain of its international operations. In particular, there exists a significant level of USD sales that are not effectively offset by USD costs, hence creating an exposure relating to the translation of those businesses' earnings to AUD in the accounts of the consolidated entity. Similar exposures against the AUD exist for a number of other currencies due to businesses operating in those currencies, primarily the NZD, SEK, Chilean Pesos (CLP), Mexican Pesos (MXN) and Canadian Dollars (CAD). Australian Accounting Standards do not allow derivative instruments designed to hedge this exposure to qualify for hedge accounting treatment. No derivative instruments hedging this exposure were outstanding at period end.

Foreign operations' net asset risk management

The consolidated entity is exposed to translation risk resulting from foreign exchange rate movements impacting on the AUD equivalent value of foreign operations. Movements in the value of foreign operations resulting from changes in exchange rates are recognised in the foreign currency translation reserve within the equity section of the Balance Sheet.

Foreign operations' net asset currency translation risk is managed within policies determined by the Board of Directors. Hedging of exposures is undertaken centrally by the consolidated entity's treasury operations, primarily through originating debt in the currency of the asset or by raising debt in a different currency and effectively swapping the debt to the currency of the asset (see cross currency interest rate swaps under interest rate risk management). The remaining translation exposure is managed, where considered appropriate, through forward foreign exchange derivative instruments. Gains and losses resulting from these hedging activities are recorded in the foreign currency translation reserve to the extent they are effective and offset against the foreign exchange impact resulting from the translation of foreign operations. A foreign exchange gain of $3.4 million (2006 $1.2 million loss) was recognised in the foreign currency translation reserve during the period.

The consolidated entity is primarily exposed to entities having USD, CAD, NZD, NOK, SEK and EUR as their functional currency. No derivative instruments hedging this exposure were outstanding at period end.

Interest rate risk management

The consolidated entity is exposed to interest rate risk on outstanding interest bearing liabilities and investments. The mix of floating and fixed rate debt is managed within policies determined by the Orica Board of Directors via the use of interest rate swaps and cross currency interest rate swaps. A maximum of between 50% and 90% of debt with a maturity of less than five years can be fixed and 50% of debt with a maturity of greater than five years can be fixed. The effective interest rate on average gross debt for the year ended 30 September 2007 was 7.2% (2006 6.6%).

The consolidated entity classifies interest rate or cross currency interest rate swaps as fair value hedges if they are used to transfer a fixed rate debt product into a floating rate debt product and are stated at fair value. The fair value of swaps at 30 September 2007 was $31.9 million (2006 $147.0 million), comprising assets of $88.1 million (2006 $176.5 million) and liabilities of $56.2 million (2006 $29.5 million).

Interest rate or cross currency interest rate swaps are classified as cash flow hedges if they are used to transfer a floating rate debt product into a fixed rate debt product and are stated at fair value. There was an asset of $19.1 million as at 30 September 2007 (2006 $1.4 million asset).

Cross currency interest rate swaps are classified as net investment hedges if they are used to hedge foreign currency risk on net assets of foreign operations. There was a liability of $107.1 million as at 30 September 2007 (2006 $192.4 million). During the period, the entity sold assets that were based in New Zealand and as a result, the entity closed out some cross currency interest rate swaps that were designated as a hedge of NZD assets. The accumulated deferred losses associated with hedging the sold assets ($2.5 million, after tax) were transferred from the foreign currency translation reserve and included in the calculation of the profit on sale.

The change in fair value of swaps executed as economic hedges for which hedge accounting is not applied is a $1.3 million gain for the financial year ending 30 September 2007 (2006 $1.7 million gain). This relates to two interest rate swaps with a notional principal amount of $29.5 million (2006 $30.8 million).

Interest rate swaps

Interest rate swaps provide the consolidated entity with the facility to raise long term borrowings at floating or fixed interest rates and effectively swap the interest obligation into fixed or floating interest rates respectively. The notional amounts of interest rate swaps as summarised below represent the contract or face values of these derivatives. The notional amounts do not represent amounts exchanged by the parties. The amounts to be exchanged are net settled and will be calculated with reference to the notional amounts and the pay and receive interest rates determined under the terms of the derivative contracts. Each contract involves quarterly or semi-annual payment or receipt of the net amount of interest.

34. Financial instruments (continued)

The notional principal amounts and periods of expiry of these interest rate swap contracts are as follows:

	2007 $m	2006 $m
Fixed to floating swaps		
One to five years	**28.3**	33.4
More than five years	**33.9**	40.1
Floating to fixed swaps		
One to five years	**389.5**	290.8
More than five years	**100.0**	200.0
Fixed interest rate range p.a.	**5.2% to 8.3%**	5.2% to 8.3%
Floating interest rate range p.a.	**4.3% to 8.6%**	2.6% to 7.5%

Cross currency interest rate swaps

Cross currency interest rate swaps have been used to allow the consolidated entity to raise long term borrowings in USD at fixed interest rates and effectively swap the borrowings into CAD, EUR, NZD and AUD floating rate debt. Each contract involves the physical exchange of principal amounts, at a fixed exchange rate, at the beginning and the end of the transaction period and the payment and receipt of interest quarterly or semi-annually throughout the life of the contract. USD denominated debt was raised primarily due to the cost efficiency and available tenor of the US debt market compared to the markets for the other currencies. The swap to CAD, EUR and NZD debt was primarily undertaken to provide the consolidated entity with a hedge of foreign operations in those jurisdictions.

The principal amounts and periods of expiry of these cross currency interest rate swap contracts are as follows:

	2007		2006	
	Receive Principal millions	**Pay Principal millions**	Receive Principal millions	Pay Principal millions
Net receive US dollar fixed interest/pay Canadian dollar floating interest				
One to five years	**USD 47.0**	**CAD 69.6**	USD 12.0	CAD 17.8
More than five years	**USD 10.0**	**CAD 14.8**	USD 45.0	CAD 66.7
Net receive US dollar fixed interest/pay Australian dollar floating interest				
More than five years	**USD 65.0**	**AUD 98.9**	USD 65.0	AUD 98.9
Net receive US dollar fixed interest/pay Euro floating interest				
More than five years	**USD 47.0**	**EUR 42.3**	USD 47.0	EUR 42.3
Net receive US dollar fixed interest/pay New Zealand dollar floating interest				
More than five years	**USD 23.0**	**NZD 39.2**	USD 73.0	NZD 124.5
Fixed interest rate range p.a.		**5.8% to 8.3%**		5.8% to 8.3%
Floating interest rate range p.a.		**4.9% to 9.3%**		3.4% to 8.4%

Interest rate risk

The consolidated entity's exposure to interest rate risk and the weighted average effective interest rates on financial assets and liabilities at balance date are:

			Fixed interest rates					
	Note	Floating interest rate $m	1 year or less $m	1 to 5 years $m	5 years or more $m	Non-interest bearing $m	Total $m	Weighted average effective interest rate % p.a.
30 September 2007								
Cash assets	(7)	**370.7**	**-**	**-**	**-**	**-**	**370.7**	**5.4**
Receivables	(8)	**-**	**-**	**-**	**-**	**1,025.4**	**1,025.4**	**-**
Other financial assets	(12)	**-**	**-**	**-**	**-**	**19.1**	**19.1**	**-**
Total financial assets		**370.7**	**-**	**-**	**-**	**1,044.5**	**1,415.2**	
Payables	(16)	**-**	**-**	**-**	**-**	**1,037.5**	**1,037.5**	**-**
Bank overdrafts [1]	(17)	**3.0**	**-**	**-**	**-**	**-**	**3.0**	**6.9**
Short term borrowings	(17)	**521.7**	**57.7**	**-**	**-**	**-**	**579.4**	**7.3**
Lease liabilities	(17)	**0.8**	**-**	**-**	**-**	**-**	**0.8**	**8.1**
Long term borrowings	(17)	**604.5**	**-**	**172.7**	**237.5**	**-**	**1,014.7**	**7.2**
Employee entitlements	(19)			**36.9**		**78.7**	**115.6**	**6.3**
Interest rate swaps		**(427.3)**	**-**	**361.2**	**66.1**	**-**	**-**	**(0.5)**
Cross currency interest rate swaps	(17)	**295.7**	**(13.6)**	**(39.6)**	**(164.0)**	**-**	**78.5**	**3.0**
Total financial liabilities		**998.4**	**44.1**	**531.2**	**139.6**	**1,116.2**	**2,829.5**	
Net financial liabilities		**(627.7)**	**(44.1)**	**(531.2)**	**(139.6)**	**(71.7)**	**(1,414.3)**	

34. Financial instruments (continued)

	Note	Floating interest rate $m	Fixed interest rates: 1 year or less $m	1 to 5 years $m	5 years or more $m	Non-interest bearing $m	Total $m	Weighted average effective interest rate % p.a.
30 September 2006								
Cash assets	(7)	1,009.1	-	-	-	-	1,009.1	4.7
Receivables	(8)	-	-	-	-	917.5	917.5	-
Other financial assets	(12)	-	-	-	-	20.4	20.4	-
Total financial assets		1,009.1	-	-	-	937.9	1,947.0	
Payables	(16)	-	-	-	-	942.3	942.3	-
Bank overdrafts [1]	(17)	0.9	-	-	-	-	0.9	14.2
Short term borrowings	(17)	44.6	-	-	-	-	44.6	7.0
Lease liabilities	(17)	1.3	-	-	-	-	1.3	8.1
Long term borrowings	(17)	618.4	-	274.7	293.6	-	1,186.7	7.2
Employee entitlements	(19)	-	-	36.0	-	68.1	104.1	5.6
Interest rate swaps		(417.3)	-	257.4	159.9	-	-	(0.1)
Cross currency interest rate swaps	(17)	400.8	-	(62.8)	(260.4)	-	77.6	0.1
Total financial liabilities		648.7	-	505.3	193.1	1,010.4	2,357.5	
Net financial assets/(liabilities)		360.4	-	(505.3)	(193.1)	(72.5)	(410.5)	

[1] Weighted average effective interest rate includes offshore funding at local rates.

Liquidity risk management

Liquidity risk arises from the possibility that there will be insufficient funds available to make payments as and when required. To counter this risk, the consolidated entity:

- maintains a target level of undrawn committed facilities in various currencies that can be called upon at short notice;
- generally uses instruments that are readily tradable in the financial markets;
- maintains a target duration for long term debt; and
- spreads, to the extent practicable, the maturity dates of long term debt facilities.

Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under a contract or arrangement. The credit risk exposure arising from financial instruments is the sum of all contracts with a positive fair value. As at 30 September 2007, the sum of all contracts with a positive fair value was $31.4 million (2006 $8.5 million).

The consolidated entity restricts dealings to highly rated counterparties approved within its credit limit policy. The level of exposure to individual counterparties is based upon credit ratings provided by international credit rating agencies.

Fair values

For receivables/payables with a remaining life of less than one year, the carrying amount reflects the fair value. All other receivables/payables are discounted to determine the fair value.

The fair value of derivatives and borrowings are calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of other financial assets have been calculated using market interest rates.

35. Standby arrangements and credit facilities

	Consolidated		Company	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Unsecured bank overdraft facilities available	**100.6**	107.8	**-**	-
Amount of facilities unused	**97.6**	106.9	**-**	-
Committed standby and loan facilities available	**1,200.0**	1,294.0	**-**	-
Amount of facilities unused	**1,120.0**	1,260.0	**-**	-

The unsecured bank overdraft facilities are provided by banks. The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed standby and loan facilities range from 6 March 2008 to 7 March 2010.

Since balance date, the Group has entered into additional committed short-term loan facilities to the value of $835.8 million. These facilities support the initial funding strategy for the purchase of Excel Mining Systems LLC (refer note 36).

36. Events subsequent to balance date

On 24 September 2007, Orica announced that it had signed an agreement to acquire all of Excel Mining Systems LLC for approximately US$670 million (approximately A$775 million). Excel is the leading manufacturer and distributor of specialty bolts and accessories in underground mining for strata support in the USA. The acquisition of Excel was completed on 26 October 2007, after required regulatory clearances were obtained. Orica entered into forward exchange contracts to hedge the majority of the Australian dollar exposure of the acquisition at a rate of 0.8618.

On 23 October 2007, Orica announced that as part of the funding plan for the acquisition of Excel Mining Systems LLC, the dividend reinvestment plan (DRP) would be underwritten. In addition, for at least the 2007 final dividend, the Board has introduced a 2.5% discount on shares issued under the underwritten DRP.

On 30 October 2007, Orica announced a proposal to cancel the 2,000,000 5% cumulative non-redeemable preference shares (5% Preference Shares) on issue for a cash payment of $4.75 for each cancelled 5% Preference Share. The cancellation will be implemented by way of a selective capital reduction and is subject to approval by the 5% Preference Shareholders at a separate class meeting to be held on 21 December 2007 and, subsequently, by Orica's Ordinary and Step-Up Preference shareholders at the Annual General Meeting on the same day. Shareholders holding over 75% of the 5% Preference Shares have undertaken to the Company that they will not vote against the resolution at the Annual General Meeting and, where applicable, will vote in favour of the capital reduction at this meeting. If approved, the capital reduction is expected to occur in January 2008.

On 12 November 2007, the directors declared a final dividend of 53 cents per ordinary share payable on 14 December 2007. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2007 and will be recognised in the 2008 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2007, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

37. Employee share plans

(a) Long Term Equity Incentive Plan (LTEIP)

In December 2004, Orica introduced the LTEIP as the long term incentive component of compensation for executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles. In prior periods, Orica used a Senior Executive Share Loan Plan (SESLP) as the long term incentive for the Executive Key Management Personnel (the Group Executive) and share option plans and award rights for other senior eligible executives.

The LTEIP is designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value. Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Group. Executives must apply net cash dividends to repayment of the loan balance, and executives may not deal with the shares while the loan remains outstanding. LTEIP is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

In order to reward good performance, part of the loan may be forgiven (the Forgiveness Amount) upon the achievement of specified performance conditions. The performance condition in respect of the LTEIP offers is linked to the growth in Orica's total shareholder return (TSR) over a three year period. TSR is, broadly, the percentage increase in the Company's share price over the three year loan period, plus the value of dividends paid being treated as reinvested. The Forgiveness Amount is calculated by reference to a percentage of the executives' fixed annual compensation (depending on, for example, seniority of the executive). The balance of the loan becomes repayable following the testing of the performance conditions. If the executive fails to repay the loan within the prescribed period, Orica will sell the shares on the executive's behalf and use the proceeds to repay the outstanding loan balance, and pay any surplus to the executive. Under the November 2006 and subsequent issues, if the executive ceases employment with the Group during the loan period, the shares are returned to the Group and may not be dealt with by the executive.

In general, where an executive ceases employment with the Group during the loan period, the executive must repay the loan within the prescribed period, and will not be entitled to any part of the Forgiveness Amount. Where an executive is terminated for cause, Orica will sell the shares, and the executive will not be entitled to any further interest in the shares.

The LTEIP facilitates immediate share ownership by the executives and links a significant proportion of their potential compensation to Orica's ongoing share price and returns to shareholders over a three year period. The Board believes the LTEIP will promote behaviour that will achieve superior performance over the long term. Should the Company's share price decrease, so will the long term incentive component of their compensation. Executives will therefore only derive a benefit where shareholder wealth is created over the longer term. Accordingly, the long term incentive value to the executives is calculated having regard to the Forgiveness Amount; the interest free component of the loan; and the capital growth in Orica's share price over the three year loan period.

37. Employee share plans (continued)

In order to ensure that the performance condition is not an all or nothing target, 90% of the forgiveness amount will be awarded for compound TSR growth which exceeds a compound rate of 15% per annum. The percentage of the forgiveness amount increases proportionately in line with the level of TSR growth achieved, with 100% of the forgiveness amount awarded for TSR growth of 20% per annum (compound), up to a maximum of 110% of the forgiveness amount awarded for TSR growth of 25% per annum (compound) or more. No amount will be forgiven for TSR growth below the 15% threshold.

Grant date	Number of options issued	Number of options held at 30 Sep	Number of participants	Total loan at grant date $	Total loan at 30 Sep $	Maximum loan waiver opportunity over full loan period $	Loan repayments through dividends during year $	Value of options at grant date [(1)] $
As at 30 September 2007								
11 May 07	64,405	**64,405**	24	**2,064,824**	2,052,876	821,822	**11,948**	797,334
20 Nov 06	1,633,960	**1,581,322**	288	**38,839,229**	36,903,912	10,511,599	**698,576**	9,411,610
13 Jun 06	20,911	**20,911**	3	**461,715**	449,867	210,997	**9,047**	180,880
23 Dec 05	1,467,744	**1,134,713**	261	**30,338,268**	22,543,139	9,197,061	**536,589**	9,525,659
18 Nov 05	5,282	**5,282**	1	**109,443**	105,198	50,298	**2,285**	43,365
22 Dec 04	1,827,184	**763,940**	252	**36,836,029**	14,696,102	11,192,533	**363,442**	11,821,880
	5,019,486	**3,570,573**		**108,649,508**	**76,751,094**	**31,984,310**	**1,621,887**	**31,780,728**
As at 30 September 2006								
13 Jun 06	20,911	20,911	3	461,715	458,913	210,997	2,802	180,880
23 Dec 05	1,467,744	1,356,225	261	30,338,268	27,530,549	9,197,061	534,872	9,525,659
18 Nov 05	5,282	5,282	1	109,443	107,483	50,298	1,960	43,365
22 Dec 04	1,827,184	924,631	252	36,836,029	18,185,845	11,192,533	524,453	11,821,880
	3,321,121	2,307,049		67,745,455	46,282,790	20,650,889	1,064,087	21,571,784

(1) The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Average value per option $
11 May 07	$33.50	28%	Nil	6.29%	12.38
20 Nov 06	$22.39	24%	Nil	5.93%	5.76
13 Jun 06	$22.08	22%	4.0%	5.24%	8.65
23 Dec 05	$20.67	22%	4.0%	5.24%	6.49
18 Nov 05	$20.72	30%	5.0%	4.99%	8.21
22 Dec 04	$20.16	30%	5.0%	4.99%	6.47

The option valuation prepared by PricewaterhouseCoopers uses methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2007 and 30 September 2006. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The share based payments expense recognised in the Income Statement for LTEIP in 2007 was $2.7 million (2006 $9.2 million).

Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, they are measured at fair value at the date of grant using an option valuation model which generates possible future share prices based on similar assumptions that underpin the Black Scholes option pricing model and reflects the value (as at grant date) of options granted. The amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised and any shares purchased on-market are recognised as a share buy-back and deducted from shareholders equity.

(b) Senior Executive Share Loan Plan

Between 2001 and 2004, the Company operated the Senior Executive Share Loan Plan (SESLP) to permit the Managing Director, executive directors and selected executives who reported to the Managing Director to acquire fully paid ordinary shares in Orica Limited. This Plan was designed to replace the perceived deficiencies of the previous option plans, by exposing participants' interest in the Plan to both increases and decreases in the Company's share price. The executives were intended to derive a benefit where shareholder wealth was created over the longer term. SESLP was administered internally.

37. Employee share plans (continued)

The acquisition of these shares was funded by a non-recourse interest-free loan. This arrangement was consistent with the share loan provided to the then Chief Executive Officer, M W Broomhead, on his appointment in 2001. The post-tax dividends on the shares are progressively applied to the repayment of the loan. In order to ensure that executives were sufficiently exposed to the share price, but not so as to potentially demotivate them, the interest free loans provided to fund the share acquisition were limited recourse in nature (i.e. the outstanding loan balance was never greater than the value of the shares).

The shareholders approved a change to the scheme as it applied to M W Broomhead at the 2004 Annual General Meeting to allow the early release of one third of these shares in 2004, 2005 and 2006 upon repayment of the loans in respect of these shares. The Board also approved this change in relation to the other executives except G R Liebelt. The remaining shares were to be held until September 2006.

As an additional incentive to the executives, the loans were also subject to further reduction upon achievement of satisfactory price hurdles, on each of 3 September 2004, 3 September 2005 and 3 September 2006. The price hurdle required that the average closing price of Orica shares on the ASX for five consecutive trading days between 3 March and 2 September in the relevant year be equal or greater than the relevant price hurdle. The second and third loan waiver hurdles were reached during 2005.

In accordance with the terms of the Senior Executive Share Loan Agreement, repayment of the loan was required within 30 days of 3 September 2006 or such longer period as determined by the Chairman. The Chairman exercised his discretion under clause 3.1 of the SESLP Agreement such that the loan must be repaid by 31 January 2007. All loans were repaid by that date.

Grant date	Number of shares held	Number of participants	First price hurdle $	Second price hurdle $	Third price hurdle $	Total loan at grant date $	Maximum loan waiver opportunity over full loan period $	Loan repayments through dividends during year $	Value of options at grant date [1] $
As at 30 September 2006									
6 May 03	60,733	1	9.61	10.00	12.00	875,562	283,683	26,090	196,168
6 Jun 05	151,122	1	NA	10.00	12.00	2,425,500	441,000	64,922	621,111
	211,855					3,301,062	724,683	91,012	817,279

Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, they are measured at fair value at the date of grant using an option valuation model which generates possible future share prices based on similar assumptions that underpin the Black Scholes option pricing model and reflects the value (as at grant date) of options granted. The amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised and any shares purchased on-market are recognised as a share buy-back and deducted from shareholders equity.

[1] The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option $
6 May 03	9.61	30%	4.5%	4.60%	3.23
6 Jun 05	16.05	25%	-	5.25%	4.11

The option valuation prepared by PricewaterhouseCoopers uses methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2006. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option.

(c) Executive Share Option Plan

The Executive Share Option Plan (ESOP) was introduced as part of the new executive compensation arrangements introduced during 2002 and operated between 2002 and 2004. It was the Board's intention that the plan would be used only once to reflect the particular circumstances of the Company at the time to support the introduction of its new compensation policy. ESOP is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

Eligible executives, as determined by the Board, who agreed to participate in the new compensation arrangements were invited to apply for options in three tranches to acquire shares in Orica at a specified exercise price subject to the achievement of a performance hurdle based on Orica's share price. Options that vest upon achievement of the performance hurdles may be exercised from one day after the release of the annual results to 31 October of the following year subject to the company's guidelines for dealing in securities.

The plan performance periods and hurdles reflect those put in place for the Executive Key Management Personnel under SESLP. The second price hurdle was reached during 2005 and the third price hurdle was reached during 2006. Pursuant to the terms on which they were granted, the exercise price of outstanding ESOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

37. Employee share plans (continued)

The table below discloses options over ordinary shares of the Company under the ESOP:

Grant date	Options issued	**Options held at 30 Sep**	Number of participants at 30 Sep	Exercise price $	First Tranche Exercise date [1]	Price Hurdle $	Second Tranche Exercise date [1]	Price Hurdle $	Third Tranche Exercise date [1]	Price Hurdle $	Value of options at grant date [2] $
As at 30 September 2007											
24 Apr 02	9,061,385	**19,802**	**3**	7.33	2004	8.00	2005	10.00	2006	12.00	16,854,176
11 Nov 02	115,421	**1**	**1**	9.77	2004	10.35	2005	10.00	2006	12.00	216,991
	9,176,806	**19,803**									**17,071,167**
As at 30 September 2006											
24 Apr 02	9,061,385	1,787,490	155	7.33	2004	8.00	2005	10.00	2006	12.00	16,854,176
5 Jun 02	59,013	15,066	2	8.66	2004	9.24	2005	10.00	2006	12.00	100,912
10 Aug 02	32,509	12,191	2	8.44	2004	9.02	2005	10.00	2006	12.00	57,541
11 Nov 02	115,421	26,845	4	9.77	2004	10.35	2005	10.00	2006	12.00	216,991
2 Dec 02	20,000	10,000	1	9.78			2005	10.36	2006	12.00	43,400
21 May 03	84,576	41,168	7	9.60			2005	10.18	2006	12.00	158,157
8 Dec 03	27,507	16,504	3	12.80			2005	13.38	2006	12.00	69,868
23 Sep 04	21,045	21,045	3	16.77					2006	12.00	64,608
	9,421,456	1,930,309									17,565,653

[1] Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure.

[2] The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option $
24 Apr 02	8.72	30%	5.4%	5.89%	1.86
5 Jun 02	9.10	30%	5.2%	6.03%	1.71
10 Aug 02	9.25	30%	5.1%	5.18%	1.77
11 Nov 02	10.24	30%	4.5%	4.74%	1.88
2 Dec 02	10.50	30%	4.4%	5.11%	2.17
21 May 03	10.20	30%	4.5%	4.50%	1.87
8 Dec 03	13.43	30%	4.5%	5.45%	2.54
23 Sep 04	17.32	30%	4.5%	4.99%	3.07

The option valuation prepared by PricewaterhouseCoopers uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2007 and 30 September 2006. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The share based payments expense recognised in the Income Statement for ESOP's in 2007 was $nil (2006 $0.2 million).

d) Share Option Plan

The Share Option Plan (SOP) operated between 1999 and 2002. SOP is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

Eligible executives, as determined by the Board, who achieved an agreed performance rating were invited to apply for options to acquire shares in Orica at a specified exercise price subject to the achievement of a performance hurdle based on Orica's Total Shareholder Return (TSR) relative to the TSR of the other companies in the ASX 100 index after three, four and five years. The proportion of options that vest and become exercisable is determined by comparing Orica's TSR with the other companies. No options vest where Orica's TSR score is below 50% of the other companies. Where the score is equal to or greater than 75% of other companies, all options granted will vest. Options that vest may be exercised for a period up to 10 years from the grant date. Pursuant to the terms on which they were granted, the exercise price of outstanding SOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

The options were granted in three tranches, with an exercise price and exercise period as follows:

Grant date	Options issued over plan life	**Number of participants at 30 September**	**Options held at 30 September**	Exercise price $	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of options at grant date [1] $
As at 30 September 2007								
1 Jan 00	1,505,000	**2**	**11,000**	7.73	Expired	Expired	Expired	2,979,900
1 Jan 01	1,969,800	**3**	**34,600**	5.14	Expired	Expired	Expired	2,147,082
1 Jan 02	1,202,000	**5**	**49,000**	5.09	Expired	Expired	Expired	2,367,940
	4,676,800		**94,600**					**7,494,922**
As at 30 September 2006								
1 Jan 00	1,505,000	3	16,500	7.73	Expired	Expired	Expired	2,979,900
1 Jan 01	1,969,800	3	34,600	5.14	Expired	Expired	31 Dec 05	2,147,082
1 Jan 02	1,202,000	7	59,000	5.09	31 Dec 04	31 Dec 05	31 Dec 06	2,367,940
	4,676,800		110,100					7,494,922

37. Employee share plans (continued)

[1] The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option $
1 Jan 00	8.20	30%	5.0%	6.88%	1.98
1 Jan 01	5.76	30%	6.6%	5.42%	1.09
1 Jan 02	7.19	30%	5.4%	5.68%	1.97

The option valuation prepared by PricewaterhouseCoopers uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2007 and 30 September 2006. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option.

(e) Employee Share Plan

The Employee Share Plan (ESP) operated between 1987 and 2002. The ESP is administered by Computershare Plan Managers Pty Limited.

Eligible employees, as determined by the Board, were invited to purchase shares in Orica funded by the provision of an interest free loan repayable over ten years. The balance of loans receivable from employees participating in the ESP at 30 September 2007 was $0.2 million (2006 $0.3 million).

Grant date	Date shares become unrestricted	**Number of participants 2007**	Number of participants 2006	Average issue price $	**Shares held at 30 September 2007**	Shares held at 30 September 2006
Pre 1 Oct 2001	-	**268**	309	-	**89,633**	106,200
31 Dec 01	31 Dec 11	**3**	5	7.32	**1,200**	2,060
05 Jul 02	05 Jul 12	**54**	67	9.48	**23,600**	29,500
					114,433	137,760

(f) (i) General Employee Exempt Share Plan - Australia

The General Employee Exempt Share Plan (GEESP) has operated since 1998. It is administered by the Plan Manager, Computershare Plan Managers Pty Limited. Invitations are made to eligible employees as determined by the Board on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market;
- employees are each entitled to acquire shares with a market value of approximately $1,000 per year;
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 June the following year;
- employees who leave the consolidated entity must salary sacrifice any remaining amount prior to departure; and
- employees cannot dispose of the shares for a period of three years from date of acquisition or until they leave their employment with the consolidated entity, whichever occurs first.

Grant date	Date shares become unrestricted	**Number of participants at 30 September 2007**	Number of participants at 30 September 2006	**Shares held at 30 September 2007**	Shares held at 30 September 2006
1 Sep 03	31 Aug 06	**597**	772	**51,342**	66,392
12 Jul 04	11 Jul 07	**753**	895	**49,698**	59,070
1 Jul 05	30 Jun 08	**1,011**	1,181	**57,627**	67,317
3 Jul 06	30 Jun 09	**1,451**	1,623	**62,393**	69,789
2 Jul 07	2 Jul 10	**1,718**	-	**56,694**	-
				277,754	262,568

(f) (ii) General Employee Exempt Share Plan - New Zealand

A separate GEESP has operated for New Zealand employees since 1999. It is administered internally. Invitations are made to eligible employees as determined by the Board on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market;
- employees are each entitled to acquire shares with a market value of approximately NZ$780 per year;
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 September the following year;
- employees who leave the consolidated entity because of redundancy, retirement or sickness, have the option to salary sacrifice any remaining amounts prior to departure, if they wish to retain their shares;
- employees who leave the consolidated entity because of resignation, will be paid the market value of the shares in proportion to their contributions to date; and

37. Employee share plans (continued)

- employees cannot dispose of the shares for a period of three years from date of acquisition or until they leave their employment with the consolidated entity and they are entitled to retain their shares, whichever occurs first.

Grant date	Date shares become unrestricted	**Number of participants at 30 September 2007**	Number of participants at 30 September 2006	**Shares held at 30 September 2007**	Shares held at 30 September 2006
1 Oct 03	30 Sept 06	**33**	80	**1,854**	4,480
1 Oct 04	30 Sept 07	**84**	107	**3,444**	4,387
1 Oct 05	30 Sept 08	**113**	133	**3,955**	4,655
1 Oct 06	30 Sept 09	**128**	-	**3,968**	-
				13,221	13,522

38. Related party disclosures

(a) Key Management Personnel

Details and compensation of Key Management Personnel are disclosed in note 39.

(b) Key Management Personnel's transactions in shares and options

The relevant interests of Key Management Personnel in the share capital of the Company are:

As at 30 September 2007	**Balance 1 October 2006**	**Acquired (1)**	**Net change other (2)**	**Fully paid ordinary shares held at 30 September 2007 (3)**
Non-Executive Key Management Personnel				
D P Mercer	**22,500**	**-**	**-**	**22,500**
M E Beckett	**50,805**	**6,383**	**-**	**57,188**
P J Duncan	**14,165**	**-**	**-**	**14,165**
G A Hounsell	**11,701**	**1,187**	**-**	**12,888**
P M Kirby	**24,230**	**-**	**-**	**24,230**
N L Scheinkestel	**6,575**	**2,963**	**-**	**9,538**
M Tilley	**5,625**	**-**	**-**	**5,625**
C M Walter	**11,250**	**-**	**-**	**11,250**
	146,851	**10,533**	**-**	**157,384**

As at 30 September 2007	**Balance 1 October 2006**	**Acquired (1)**	**Net change other (2)**	**Fully paid ordinary shares held at 30 September 2007 (3)**	**Options for fully paid ordinary shares held at 30 September 2007 (3) (4)**
Executive Key Management Personnel					
G R Liebelt	**413,900**	**-**	**-**	**413,900**	**349,498**
N A Meehan	**22,281**	**14,855**	**-**	**37,136**	**100,075**
P G Etienne	**16,779**	**35,967**	**(52,746)**	**-**	**114,463**
A J P Larke *	**-**	**50,000**	**(50,000)**	**-**	**90,896**
G J Witcombe	**33,340**	**151,122**	**(90,000)**	**94,462**	**134,463**
J Beevers	**-**	**29,014**	**(29,014)**	**-**	**76,735**
P W Houlihan	**2,122**	**7,671**	**(7,671)**	**2,122**	**20,902**
B Karcz	**8,940**	**36,158**	**(40,063)**	**5,035**	**76,500**
A R Coleman	**-**	**15,250**	**(9,250)**	**6,000**	**24,419**
P G Bailey	**-**	**171,416**	**(171,416)**	**-**	**-**
	497,362	**511,453**	**(450,160)**	**558,655**	**987,951**

R R Caplan was appointed a director on 1 October 2007. He did not hold any shares at that date.

* In addition, A J P Larke holds 2,000 Orica Step-Up Preference shares.

38. Related party disclosures (continued)

As at 30 September 2006	Balance 1 October 2005	Acquired (1)	Net change other (2)	Fully paid ordinary shares held at 30 September 2006 (3)
Non-Executive Key Management Personnel				
D P Mercer	20,000	2,500	-	22,500
M E Beckett	33,283	17,522	-	50,805
P J Duncan	12,591	1,574	-	14,165
G A Hounsell	10,400	1,301	-	11,701
P M Kirby	21,537	2,693	-	24,230
N L Scheinkestel	-	1,999	4,576	6,575
M Tilley	5,000	625	-	5,625
C M Walter	10,000	1,250	-	11,250
	112,811	29,464	4,576	146,851

As at 30 September 2006	Balance 1 October 2005	Acquired (1)	Net change other (2)	Fully paid ordinary shares held at 30 September 2006 (3)	Options for fully paid ordinary shares held at 30 September 2006 (3) (4)
Executive Key Management Personnel					
G R Liebelt	-	413,900	-	413,900	168,388
N A Meehan	6,600	15,681	-	22,281	71,464
P G Etienne	13,374	39,372	(35,967)	16,779	103,644
G J Witcombe	63,374	32,543	(62,577)	33,340	244,353
P G Bailey	11,540	35,967	(47,507)	-	171,416
J Beevers	13,497	29,014	(42,511)	-	72,546
B Karcz	2,800	46,203	(40,063)	8,940	86,378
A J P Larke	-	52,085	(52,085)	-	82,941
E Salinas	-	-	-	-	34,712
P J Largier	15,816	28,000	(27,814)	16,002	84,718
G R Davis	3,301	33,540	(33,540)	3,301	62,521
J Segal	819	148,511	(149,330)	-	-
	131,121	874,816	(491,394)	514,543	1,183,081

(1) Includes shares acquired through the Dividend Reinvestment Plan (DRP) and purchases and exercise of options during the year by Executive Key Management Personnel.

(2) Net change other includes changes resulting from sales during the year by Non-Executive Directors and Executive Key Management Personnel.

(3) Includes trust shares for Executive Key Management Personnel.

(4) These interests include shares acquired under a loan agreement. A general description of these agreements (known as LTEIP and SESLP) is provided in note 37 Employee share plans. Under AASB 2 Share-based Payment, LTEIP and SESLP plans are deemed to be option plans for compensation purposes and the amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised. The LTEIP before November 2006 and SESLP are deemed to vest at grant date, whilst the LTEIP from November 2006 onwards vests after three years.

(c) Parent entity

The ultimate parent entity within the Group is Orica Limited, which is domiciled and incorporated in Australia.

(d) Controlled entities

Interests in subsidiaries are set out in note 41.

(e) Transactions with controlled entities

Transactions between Orica and entities in the Group during the year included:

- Rental revenue received by Orica for the use of land and buildings;
- Management fees received and paid by Orica for accounting and administrative assistance;
- Interest revenue received and paid by Orica for money deposited with or borrowed from Orica Finance Limited;
- Dividend revenue received by Orica;
- Indemnity fees paid to Orica; and
- Purchases and sales of products and services.

All the above transactions with controlled entities are made on normal commercial terms and conditions and in the ordinary course of business. Transactions with the parent entity are disclosed in the Orica Limited parent entity financial statements.

38. Related party disclosures (continued)

(f) Transactions with other related parties

All transactions with other related parties are made on normal commercial terms and conditions and in the ordinary course of business. Transactions during the year with associated companies were:

	Consolidated		Company	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Sales of goods to associates	**209.6**	236.3	**-**	-
Purchases of goods from associates	**73.5**	66.8	**-**	-
Dividend income received from associates	**21.0**	13.8	**-**	-
Interest income received from associates	**0.8**	0.2	**-**	-

Additional related party disclosures

Additional relevant related party disclosures are shown throughout the notes to the financial statements as follows:

- Dividend income note 3
- Interest income and borrowing cost note 3, 4
- Trade and other receivables note 8
- Investments note 11, 41
- Trade and other payables note 16
- Interest bearing liabilities note 17
- Options note 21
- Key Management Personnel compensation note 39

39. Key Management Personnel compensation

Key Management Personnel

Particulars of Key Management Personnel qualifications, experience and special responsibilities are detailed on pages 14 to 15 of the annual report. The Key Management Personnel to whom this note applies are:

Name	Role	Commencement Date *
Non-Executive Key Management Personnel		
Donald Mercer	Non-Executive Director	1 October 1997
Michael Beckett	Non-Executive Director	15 July 2002
Peter Duncan	Non-Executive Director	1 June 2001
Garry Hounsell	Non-Executive Director	21 September 2004
Peter Kirby	Non-Executive Director	22 July 2003
Nora Scheinkestel	Non-Executive Director	1 August 2006
Michael Tilley	Non-Executive Director	10 November 2003
Catherine Walter	Non-Executive Director	1 October 1998
Executive Key Management Personnel		
Current		
Graeme Liebelt	Managing Director	1 September 2005
Noel Meehan	Executive Director Finance	1 May 2005
Philippe Etienne	Chief Executive Officer, Orica Mining Services	1 October 2005
Andrew Larke	Group General Manager, Mergers and Acquisitions, Strategy and Technology	1 June 2006
Greg Witcombe	General Manager, People and Community	3 June 2005
John Beevers	General Manager, Orica Mining Services Australia/Asia	18 September 2006
Bronek Karcz	General Manager, Chemnet	1 April 2005
Patrick Houlihan	General Manager, Orica Consumer Products	1 February 2007
Andrew Coleman	General Manager, Chemical Services	18 December 2006
Former		**Leaving Date**
Peter Bailey	General Manager, Orica Consumer Products	28 February 2007

* Commenced in the role – all of the executives were promoted internally from other roles within the company reflecting Orica's commitment to succession planning and development of key talent.

39. Key Management Personnel compensation (continued)

Compensation Policy

Non-Executive Key Management Personnel's compensation

Non-executive directors' fees, including committee fees, are set by the Board within the maximum aggregate amount of $1,800,000 approved by shareholders at the 2005 Annual General Meeting. These fees are set at levels which reflect the time commitments and responsibilities of non-executive directors. In order to maintain independence and impartiality, non-executive directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance. In setting fees, the Board takes into consideration the Company's existing remuneration policies, external professional advice, survey data on fees paid by comparable companies and the level of remuneration required to attract and retain directors of the appropriate calibre. A review of non-executive directors' fees took place during the year. Based on the results of that review, annual fees were increased by 27% effective from 1 April 2007. Prior to that, fees were last increased in April 2005. From 1 April 2007, non-executive directors receive a fee of $140,000 in relation to their service as a director of the Board, and the Chairman, taking into account the greater commitment required, receives a fee of $420,000. These fees include payment for service on the Remuneration and Appointments Committee and the Corporate Governance and Nominations Committee. From 1 April 2007, directors who sit on the Board's Audit and Risk Committee and Environment Committee receive an additional fee of $15,000 per annum, other than Chairs of these Board committees who receive an additional fee of $30,000 per annum. Superannuation contributions are also made. In addition, non-executive directors are entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by the director while engaged on the business of the Company, in accordance with rule 50.2 of Orica's constitution.

Orica has discontinued retirement allowances for all non-executive directors. Directors appointed prior to 1 July 2002, have had their retirement allowance preserved (as at 1 July 2004) with no indexation and the allowance will be paid to the eligible directors upon retirement. In accordance with rule 48 of the Company's constitution, those retirement benefits do not fall within the maximum aggregate fee cap for non-executive directors.

Executive Key Management Personnel's compensation

The Remuneration and Appointments Committee has recommended, and the Board has adopted, a policy that remuneration for executive directors, senior executives and the company secretary will:

- reinforce the short, medium and long term objectives of Orica;
- link the rewards for management to the creation of shareholder value and returns; and
- be competitive in the markets in which Orica operates in order to attract, motivate and retain high calibre employees.

Details of the composition and responsibilities of the Remuneration and Appointments Committee are set out on page 18. The Committee and senior management receive external advice on matters relating to remuneration.

The Board considers it desirable for remuneration packages of executive directors and senior executives to include both a *fixed* component and an *at-risk* or *performance-related* component (comprising both short term and long term incentives). The Board views the at-risk component as an essential driver of Orica's high performance culture. The mix between fixed remuneration and at-risk remuneration is designed to reflect market conditions at each job and seniority level. For the Managing Director, the split is broadly 35% fixed and 65% at-risk, whilst the split for senior executives is broadly 50% fixed and 50% at-risk.

Fixed compensation

All executive Key Management Personnel receive a fixed compensation component. In general, this is expressed as a total amount of salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form including cash and superannuation. Fixed compensation is reviewed annually and is determined by the scope of the individual's role, their level of knowledge, skills and experience, their individual performance and market benchmarking.

Short Term Incentives (STI)

The STI is designed to put a large proportion of executive compensation at risk against meeting targets linked to Orica's annual business objectives. No STI is awarded if minimum performance across Orica does not meet the required threshold. In recent years this has been linked to a minimum level of net profit after tax (before individually material items) that must be achieved before any STI is awarded. The performance conditions comprise financial targets relating to net profit after tax (before individually material items), business EBIT, and cash flow as well as other targets, including safety, health and environmental performance and talent management. These performance conditions are set at both an Orica level and an individual business level. Achievement of performance conditions may therefore vary between businesses.

The financial targets are set in line with the Group's annual budget and are intended to improve financial performance which results in greater shareholder wealth. Safety and health targets build Orica's culture and commitment to 'no injuries to anyone, ever' and 'valuing people and the environment'. The performance conditions were generally satisfied above target, with the Group achieving many of its stretch targets.

Long Term Incentives (LTI)

In 2004, Orica introduced the Orica Long Term Equity Incentive Plan (LTEIP) as the long term incentive component of compensation for executives who are able to influence the generation of shareholder wealth by having a direct impact on the Company's performance.

39. Key Management Personnel compensation (continued)

The LTEIP is designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value. Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan.

In order to reward good performance, part of the loan may be forgiven (the Forgiveness Amount) at the end of the three year performance period upon the achievement of specified performance conditions. The Forgiveness Amount is calculated by reference to a percentage of the executives' fixed annual compensation (depending on, for example, seniority of the executive). The balance of the loan must be repaid following testing of the performance condition or upon the executive ceasing employment with the Group (whichever occurs earlier). Once the loan is repaid, the executive is free to deal with the shares during specific trading periods as outlined in the Corporate Governance practices disclosure. Under the November 2006 and subsequent issues, if the executive ceases employment with the Group during the loan period, the shares are returned to the Group and may not be dealt with by the executive.

In general, where an executive ceases employment with the Group during the loan period, the executive must repay the loan within the prescribed period, and will not be entitled to any part of the Forgiveness Amount. Where an executive is terminated for cause, Orica will sell the shares, and the executive will not be entitled to any further interest in the shares.

The LTEIP facilitates immediate share ownership by the executives and links a significant proportion of their potential compensation to Orica's ongoing share price and returns to shareholders over a three year period. The Board believes the LTEIP will promote behaviour that will achieve superior performance over the long term. Should the Company's share price decrease, so will the long term incentive component of their compensation. Accordingly, the long term incentive value to the executives is calculated having regard to the Forgiveness Amount, the interest free component of the loan, after tax dividends and the capital growth in Orica's share price over the three year performance period.

Under the LTEIP, the relevant performance condition is based on the total shareholder return (TSR) growth over the three year performance period. TSR is, broadly, the percentage increase in the Company's share price over the three year performance period, plus the value of dividends paid being treated as reinvested. In order to ensure that the performance condition is not an "all or nothing" target, 90% of the forgiveness amount will be awarded for compound TSR growth which exceeds 15% per annum. The percentage of the forgiveness amount increases proportionately in line with the level of TSR growth achieved, with 100% of the forgiveness amount awarded for TSR growth of 20% per annum (compound), up to a maximum of 110% of the forgiveness amount awarded for TSR growth of 25% per annum (compound) or more. No amount will be forgiven for TSR growth below the 15% threshold.

Key Management Personnel service agreements and retention arrangements

Compensation and other terms of employment for the executive Key Management Personnel are formalised in service agreements. The Board entered into agreements with the Executive Director Finance and senior executives during the year to participate in the Key Executive Retention Programme (KERP). The Managing Director does not participate in the KERP. In return for participating in the KERP, participants agreed to changes to the terms of their service agreements. The relevant changes comprise an extension of the notice the executive must give to Orica upon termination to six months, as well as an undertaking not to compete with Orica for a period of six months following termination. The KERP has the following key elements:

- participants are eligible to receive a lump sum retention payment equal to 50% of their Fixed Annual Remuneration plus their maximum STI (determined by reference to their remuneration as at 1 January 2007). The amount of the payment is not linked to, or dependent upon, Company performance; and
- participants must generally be employed with Orica on 31 March 2009 to receive the retention payment, although in exceptional circumstances (eg. where there is an actual change of control prior to 31 March 2009) the Board may elect to make retention payments prior to 31 March 2009.

Key Management Personnel compensation summary

A summary of the Key Management Personnel compensation is set out in the following table:

	Consolidated		Company	
	2007 $000	2006 $000	**2007 $000**	2006 $000
Short term employee benefits	**15,299.6**	13,367.1	**-**	-
Other long term benefits	**2,964.5**	363.8	**-**	-
Post employment benefits	**242.2**	228.4	**-**	-
Share-based payments	**730.9**	3,019.6	**-**	-
Termination benefits	**651.3**	1,377.7	**-**	-
	19,888.5	18,356.6	**-**	-

39. Key Management Personnel compensation (continued)

Non-Executive Key Management Personnel compensation

Details of Non-Executive Key Management Personnel compensation are set out in the following table:

For the year to 30 September 2007	Directors Fees [1]	Audit and Risk Committee [1]	Board Environment Committee [1]	Superannuation Benefits [2]	Other Benefits [3]	Total
	$000	$000	$000	$000	$000	$000
D P Mercer, Chairman [4]	375.0	-	-	33.8	27.0	435.8
M E Beckett	125.0	-	12.5	12.4	-	149.9
P J Duncan [4]	125.0	25.0	-	13.5	27.2	190.7
G A Hounsell	125.0	12.5	-	12.4	-	149.9
P M Kirby	125.0	-	25.0	13.5	-	163.5
N L Scheinkestel	125.0	12.5	-	12.4	-	149.9
M Tilley	125.0	-	-	11.3	-	136.3
C M Walter [4]	125.0	-	12.5	12.4	-	149.9
Total Non-Executive Key Management Personnel	**1,250.0**	**50.0**	**50.0**	**121.7**	**54.2**	**1,525.9**
For the year to 30 September 2006						
D P Mercer, Chairman [4]	330.0	-	-	29.7	-	359.7
M E Beckett	110.0	-	10.0	10.8	-	130.8
P J Duncan [4]	110.0	20.0	-	11.7	-	141.7
G A Hounsell	110.0	10.0	-	10.8	-	130.8
P M Kirby	110.0	-	20.0	11.7	-	141.7
N L Scheinkestel [5]	18.3	1.7	-	1.8	-	21.8
M Tilley [6]	110.0	9.2	-	10.7	-	129.9
C M Walter [4]	110.0	-	10.0	10.8	-	130.8
Total Non-Executive Key Management Personnel	1,008.3	40.9	40.0	98.0	-	1,187.2

(1) Represents actual directors' remuneration paid during the financial year.

(2) Company contributions made on behalf of non-executive directors.

(3) These benefits relate to spousal travel.

(4) If each eligible non-executive director had ceased to be a director on 30 September 2007, the following benefits would have been payable under the grandfathered Directors' Retirement Scheme: D P Mercer $664,000, P J Duncan $154,800, C M Walter $228,700 (refer non-executive Key Management Personnel's compensation above). These benefits have been fully provided for in the financial statements.

(5) N L Scheinkestel was appointed on 1 August 2006.

(6) Ceased as a Board Audit and Risk Committee member on 31 August 2006.

39. Key Management Personnel compensation (continued)

Executive Key Management Personnel compensation

Details of the Executive Key Management Personnel compensation are set out in the following tables:

For the year to 30 September 2007

	Short term employee benefits			Post Employment Benefits				
	Fixed Salary $000	STI Payment [1] $000	Other Benefits [2] $000	Super-annuation Benefits $000	Termination Benefits [3] $000	Share Based Payments [4] $000	Other Long Term Benefits [5] $000	Total Remuneration $000
Current Executive Directors								
G R Liebelt	1,850.0	2,277.6	174.8	12.8	-	289.8	208.7	4,813.7
N A Meehan	855.0	683.3	111.5	12.8	-	69.5	427.4	2,159.5
Total Current Executive Directors	**2,705.0**	**2,960.9**	**286.3**	**25.6**	**-**	**359.3**	**636.1**	**6,973.2**
Current Senior Executives								
P G Etienne	906.3	737.2	47.1	12.8	-	74.9	490.2	2,268.5
A J P Larke	532.5	865.0	61.2	12.8	-	92.7	402.4	1,966.6
G J Witcombe [6]	710.8	516.7	(24.0)	12.8	-	66.0	342.0	1,624.3
J R Beevers	590.5	471.8	115.8	12.8	-	53.1	306.0	1,550.0
B K Karcz	537.5	228.2	6.3	12.8	-	48.3	251.6	1,084.7
P W Houlihan	389.7	256.6	78.8	12.8	-	16.6	298.9	1,053.4
A R Coleman	385.2	245.6	28.2	12.8	-	20.0	218.2	910.0
Total Current Senior Executives	**4,052.5**	**3,321.1**	**313.4**	**89.6**	**-**	**371.6**	**2,309.3**	**10,457.5**
Former Senior Executives								
P G Bailey	255.0	-	1.2	5.3	651.3	-	19.1	931.9
Total Senior Executives	**4,307.5**	**3,321.1**	**314.6**	**94.9**	**651.3**	**371.6**	**2,328.4**	**11,389.4**
Total Executive Key Management Personnel	**7,012.5**	**6,282.0**	**600.9**	**120.5**	**651.3**	**730.9**	**2,964.5**	**18,362.6**

[1] STI Payment includes payments relating to 2007 performance accrued but not paid.

[2] These benefits include relocation costs, car parking, medical costs, movement in annual leave accrual, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax).

[3] Represents contractual payments upon termination and payment of statutory leave paid to the executive on cessation of his employment.

[4] Includes the value to executives under the November 2006 Long Term Equity Incentive Plan (LTEIP) which vests over three years. The amounts for the 2007 financial year do not include any expense from previous LTEIP offers which vested immediately.

[5] This benefit includes the movement in long service leave accrual and the accrual for the Key Executive Retention Programme (KERP).

[6] G J Witcombe's annual leave accrual reduced during the year.

39. Key Management Personnel compensation (continued)

For the year to 30 September 2006

	Short term employee benefits			Post Employment Benefits				
	Fixed Salary $000	STI Payment [1] $000	Other Benefits [2] $000	Super-annuation Benefits $000	Termination Benefits [3] $000	Share Based Payments [4] $000	Other Long Term Benefits [5] $000	Total Remuneration $000
Current Executive Directors								
G R Liebelt	1,387.7	813.4	47.2	12.3	-	600.7	23.3	2,884.6
N A Meehan	707.7	418.3	94.6	12.3	-	308.9	24.9	1,566.7
Total Current Executive Directors	2,095.4	1,231.7	141.8	24.6	-	909.6	48.2	4,451.3
Current Senior Executives								
P G Etienne	745.7	549.5	182.6	12.3	-	332.5	154.9	1,977.5
G J Witcombe	670.6	359.9	71.5	12.3	-	292.9	13.7	1,420.9
P G Bailey	577.7	343.2	40.2	12.3	-	240.3	29.0	1,242.7
J R Beevers	478.2	301.2	140.0	12.3	-	193.1	25.5	1,150.3
B K Karcz	475.2	159.0	(3.9)	12.3	-	193.1	11.6	847.3
A J P Larke	419.3	361.6	31.2	12.3	-	100.5	9.0	933.9
Total Current Senior Executives	3,366.7	2,074.4	461.6	73.8	-	1,352.4	243.7	7,572.6
Former Senior Executives								
E Salinas	500.0	259.5	154.6	-	541.9	214.5	7.0	1,677.5
P J Largier	482.0	279.5	(2.7)	12.3	702.7	204.7	13.5	1,692.0
G R Davis	392.3	250.4	9.8	11.5	133.1	98.1	-	895.2
J Segal [6]	347.0	150.0	83.9	8.2	-	240.3	51.4	880.8
Total Former Senior Executives	1,721.3	939.4	245.6	32.0	1,377.7	757.6	71.9	5,145.5
Total Senior Executives	5,088.0	3,013.8	707.2	105.8	1,377.7	2,110.0	315.6	12,718.1
Total Executive Key Management Personnel	7,183.4	4,245.5	849.0	130.4	1,377.7	3,019.6	363.8	17,169.4

(1) 2006 STI payments include payments relating to 2006 performance accrued but not paid.

(2) These benefits include relocation costs, car parking, medical costs, movement in annual leave accrual, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax).

(3) Represents contractual payments upon termination and payment of statutory leave and was paid to each executive on cessation of their employment.

(4) Includes the value to executives under the Long Term Equity Incentive Plan (LTEIP). The benefit derived under the LTEIP in 2006 is an immediately vesting benefit and therefore the full value granted to executives in December 2005 was disclosed in the 2006 financial year. This amount also includes the amortised value of options previously granted to executives. Full details of the valuation methodology are set out in note 37 to the financial statements.

(5) This benefit represents the movement in long service leave accrual.

(6) 2006 STI payment to J Segal was pro rated as he was only employed by Orica for part of the financial year.

Employees' options entitlement

The names of persons who currently hold options in the share option plans are entered in the registers of options kept by the Company pursuant to Section 170 of the Corporations Act 2001. The registers may be inspected free of charge. Particulars of options granted to and exercised by the executive Key Management Personnel under SOP and ESOP to the date of this report are shown in the following table. The exercise price of options issued under SOP and ESOP is set at the market value of an Orica share at the time of issue of the option. Market value is defined as the average of the closing price at which Orica shares were traded on the ASX during the three calendar months preceding the date of issue. The ability to exercise these options is conditional on the Company achieving prescribed performance hurdles (refer note 37 Employee share plans). All options refer to ordinary shares of Orica Limited and the options are provided at no cost to the recipient until their exercisable date. No person entitled to exercise an option in the Company has, by virtue of the option, a right to participate in a share issue of any other consolidated entity of the group. 1,926,006 ordinary shares were issued during the financial year as a consequence of the exercise of options issued in prior years. As at balance date, there are 114,403 unissued ordinary shares under option. The price of issue and expiration dates of those unissued shares are set out in note 21 Contributed equity.

39. Key Management Personnel compensation (continued)

The number of equity instruments held by executive Key Management Personnel is shown in the following table:

For the year to 30 September 2007

	Grant date	Granted during the year	Exercised during the year [6]	Outstanding at year end	Exercise price $	Value of options at grant date [1] $	Value of options included in compensation for the year [1] $	
Directors								
G R Liebelt	22 Dec 04	-	-	71,194	N/A	426,452	-	(4)
	23 Dec 05	-	-	97,194	N/A	600,659	-	(4)
	20 Nov 06	181,110	-	181,110	N/A	1,043,194	289,776	(5)
N A Meehan	24 Apr 02	-	14,855	-	7.91	27,630	-	(2)
	22 Dec 04	-	-	6,624	N/A	39,678	-	(4)
	23 Dec 05	-	-	49,985	N/A	308,907	-	(4)
	20 Nov 06	43,466	-	43,466	N/A	250,364	69,546	(5)
Executives								
P G Etienne	24 Apr 02	-	35,967	-	7.91	66,899	-	(2)
	22 Dec 04	-	-	13,874	N/A	83,105	-	(4)
	23 Dec 05	-	-	53,803	N/A	332,503	-	(4)
	20 Nov 06	46,786	-	46,786	N/A	269,487	74,858	(5)
A J P Larke	24 Apr 02	-	50,000	-	7.91	93,000	-	(2)
	22 Dec 04	-	-	16,676	N/A	99,989	-	(4)
	23 Dec 05	-	-	16,265	N/A	100,518	-	(4)
	20 Nov 06	57,955	-	57,955	N/A	333,821	92,728	(5)
G J Witcombe	3 Jun 04	-	151,122	-	N/A	621,111	-	(3)
	22 Dec 04	-	-	45,840	N/A	274,582	-	(4)
	23 Dec 05	-	-	47,391	N/A	292,876	-	(4)
	20 Nov 06	41,232	-	41,232	N/A	237,496	65,971	(5)
P G Bailey	24 Apr 02	-	35,967	-	7.91	66,899	-	(2)
	6 May 03	-	60,733	-	N/A	294,253	-	(3)
	22 Dec 04	-	35,839	-	N/A	214,676	-	(4)
	23 Dec 05	-	38,877	-	N/A	240,260	-	(4)
J R Beevers	24 Apr 02	-	29,014	-	7.91	53,966	-	(2)
	22 Dec 04	-	-	12,292	N/A	73,629	-	(4)
	23 Dec 05	-	-	31,240	N/A	193,063	-	(4)
	20 Nov 06	33,203	-	33,203	N/A	191,249	53,125	(5)
B K Karcz	24 Apr 02	-	40,063	-	7.91	74,517	-	(2)
	22 Dec 04	-	-	15,075	N/A	90,299	-	(4)
	23 Dec 05	-	-	31,240	N/A	193,063	-	(4)
	20 Nov 06	30,185	-	30,185	N/A	173,866	48,296	(5)
P W Houlihan	24 Apr 02	-	7,671	-	7.91	28,365	-	(2)
	22 Dec 04	-	-	4,975	N/A	32,188	-	(4)
	23 Dec 05	-	-	5,578	N/A	36,201	-	(4)
	20 Nov 06	10,349	-	10,349	N/A	59,610	16,558	(5)
A R Coleman	24 Apr 02	-	15,250	-	7.91	28,365	-	(2)
	22 Dec 04	-	-	5,592	N/A	36,180	-	(4)
	23 Dec 05	-	-	6,322	N/A	41,030	-	(4)
	20 Nov 06	12,505	-	12,505	N/A	72,029	20,008	(5)

The footnotes apply to options disclosure tables for both the current and previous years. Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure.

(1) The option valuation prepared by PricewaterhouseCoopers uses methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2007 and 30 September 2006. See note 37 Employee share plans.

(2) Related to options under the executive share option plan (ESOP). See note 37 Employee share plans. The options expire on 31 Oct 2005, 31 Oct 2006 and 31 Oct 2007 depending on performance hurdles being met.

(3) Related to the senior executive share loan plan (SELSP). See note 37 Employee share plans. The options have no expiry date and can be exercised at any time after the date exercisable. The combination of shares, and the loan provided to fund those shares constitutes an option under AASB 2.

(4) Related to the long term executive incentive plan (LTEIP) grants in the 2005 and 2006 financial years. See note 37 Employee share plans. The combination of shares, and the loan provided to fund those shares constitutes an option under AASB 2. These options vest immediately. Under the terms of the LTEIP, the loan must be repaid before the executive can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition (typically in November after the annual results announcement) and continues through to 31 January of the following year. The options expire if the loan is not repaid within the repayment window.

(5) Related to the LTEIP grant in November 2006. See note 37 Employee share plans. The combination of shares, and the loan provided to fund those shares constitutes an option under AASB 2. These options vest over three years. Under the terms of the LTEIP, the loan must be repaid before the executive can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition (typically in November after the annual results announcement) and continues through to 31 January of the following year. The options expire if the loan is not repaid within the repayment window.

(6) There were no amounts outstanding on the shares issued as a result of the exercise of the options. No options lapsed during either year.

39. Key Management Personnel compensation (continued)

For the year to 30 September 2006

	Grant date	Granted during the year	Exercised during the year [6]	Outstanding at year end	Exercise price $	Value of options at grant date [1] $	Value of options included in compensation for the year [1] $	
Directors								
G R Liebelt	21 Dec 02	-	360,000	-	N/A	1,299,600	-	(3)
	22 Dec 04	-		71,194	N/A	426,452	-	(4)
	23 Dec 05	97,194		97,194	N/A	600,659	600,659	(4)
N A Meehan	24 Apr 02	-	14,855	-	7.91	27,630	-	(2)
	24 Apr 02	-	-	14,855	7.91	27,630	-	(2)
	22 Dec 04	-	-	6,624	N/A	39,678	-	(4)
	23 Dec 05	49,985	-	49,985	N/A	308,907	308,907	(4)
Executives								
P G Etienne	24 Apr 02	-	35,967	-	7.91	66,899	-	(2)
	24 Apr 02	-	-	35,967	7.91	66,899	-	(2)
	22 Dec 04	-	-	13,874	N/A	83,105	-	(4)
	23 Dec 05	53,803	-	53,803	N/A	332,503	332,503	(4)
G J Witcombe	3 Jun 04	-	-	151,122	N/A	621,111	-	(3)
	22 Dec 04	-	-	45,840	N/A	274,582	-	(4)
	23 Dec 05	47,391	-	47,391	N/A	292,876	292,876	(4)
P G Bailey	24 Apr 02	-	35,967	-	7.91	66,899	-	(2)
	24 Apr 02	-	-	35,967	7.91	66,899	-	(2)
	6 May 03	-	-	60,733	N/A	294,253	-	(3)
	22 Dec 04	-	-	35,839	N/A	214,676	-	(4)
	23 Dec 05	38,877	-	38,877	N/A	240,260	240,260	(4)
J R Beevers	24 Apr 02	-	29,014	-	7.91	53,966	-	(2)
	24 Apr 02	-	-	29,014	7.91	53,966	-	(2)
	22 Dec 04	-	-	12,292	N/A	73,629	-	(4)
	23 Dec 05	31,240	-	31,240	N/A	193,063	193,063	(4)
B K Karcz	24 Apr 02	-	40,063	-	7.91	74,517	-	(2)
	24 Apr 02	-	-	40,063	7.91	74,517	-	(2)
	22 Dec 04	-	-	15,075	N/A	90,299	-	(4)
	23 Dec 05	31,240	-	31,240	N/A	193,063	193,063	(4)
A J P Larke	24 Apr 02	-	50,000	-	7.91	93,000	-	(2)
	24 Apr 02	-	-	50,000	7.91	93,000	-	(2)
	22 Dec 04	-	-	16,676	N/A	99,989	-	(4)
	23 Dec 05	16,265	-	16,265	N/A	100,518	100,518	(4)
E Salinas	23 Dec 05	34,712	-	34,712	N/A	214,520	214,520	(4)
P J Largier	24 Apr 02	-	19,572	-	7.91	66,899	-	(2)
	24 Apr 02	-	-	19,572	7.91	66,899	-	(2)
	22 Dec 04	-	-	32,031	N/A	191,866	-	(4)
	23 Dec 05	33,115	-	33,115	N/A	204,651	204,651	(4)
G R Davis	24 Apr 02	-	33,540	-	7.91	62,384	-	(2)
	24 Apr 02	-	-	33,540	7.91	62,384	-	(2)
	22 Dec 04	-	-	13,113	N/A	78,547	-	(4)
	23 Dec 05	15,868	-	15,868	N/A	98,064	98,064	(4)
J Segal	24 Apr 02	-	54,817	-	7.91	101,960	-	(2)
	24 Apr 02	-	54,817	-	7.91	101,960	-	(2)
	22 Dec 04	-	16,012	-	N/A	95,912	-	(4)
	23 Dec 05	38,877	38,877	-	N/A	240,260	240,260	(4)

39. Key Management Personnel Compensation (continued)

Summary of specific terms

Specific information relating to the terms of the service agreements and the Key Executive Retention Programme (KERP) of the executive Key Management Personnel are set out in the table below:

Name	Term of agreement	Fixed Annual Remuneration [1]	Retention Entitlements	Notice Period by Executive	Termination Payment [2]
G R Liebelt	31 August 2010	2,000,000	-	6 months	1.5 times his fixed annual remuneration [3]
N A Meehan	Open	900,000	1,170,000	6 months	1.0 times his fixed annual remuneration
P G Etienne	Open	950,000	1,235,000	6 months	1.3 times his fixed annual remuneration [4]
A J P Larke	Open	550,000	1,155,000	6 months	1.0 times his fixed annual remuneration
G J Witcombe	Open	720,000	936,000	6 months	1.68 times his fixed annual remuneration [4]
J R Beevers	Open	600,000	780,000	6 months	1.28 times his fixed annual remuneration [4]
B K Karcz	Open	550,000	715,000	6 months	1.0 times his fixed annual remuneration
P W Houlihan	Open	550,000	585,000	6 months	1.0 times his fixed annual remuneration
A R Coleman	Open	500,000	520,000	6 months	1.0 times his fixed annual remuneration

(1) Fixed salary, inclusive of superannuation, is reviewed annually by the Remuneration and Appointments Committee following the end of each financial year. Accordingly, the amounts set out in the table above are the executive's fixed annual remuneration as at 30 September 2007. As part of the normal annual review of remuneration, Fixed Annual Remuneration for all executives will be reviewed and, where appropriate, adjusted during the 2008 financial year.

(2) Termination payment if Orica terminates the executive's employment other than for cause.

(3) The termination benefits in respect of G R Liebelt were set following external professional remuneration advice at a level reflective of the termination benefits effected by the Company's peers and which were considered to be reasonable in the context of G R Liebelt and his previous contractual entitlement and in the context of the Group.

(4) The termination benefits in respect of these executives reflect grandfathering of entitlements, under previous service agreements and employment terms, recognising their past service in the Group, as part of new remuneration arrangements.

Orica makes provision for employee entitlements in accordance with applicable Australian Accounting Standards.

In addition, Orica has policies in relation to relocation, consistent with its expectation that all executives are mobile, as required by the needs of the business.

Restraint of trade

Each of the executive directors and senior executives have agreed to restraints as part of their service agreements, which will apply upon cessation of their employment to protect the legitimate business interests of Orica.

As a term of their participation in the KERP, the Executive Director Finance and senior executives consented to their service agreements being amended to incorporate a six month non-compete period. In addition, the service agreements for each of the senior executives provide for a 12 month non-solicitation period following termination of their employment.

Sign-on payments

No payment was made to executive Key Management Personnel before they took office as part consideration for them agreeing to hold office.

40. Superannuation commitments

(a) Superannuation plans

The consolidated entity contributes to a number of superannuation plans that exist to provide benefits for employees and their dependants on retirement, disability or death. The superannuation plans cover company sponsored plans, other qualifying plans and multi-employer industry/union plans.

Company sponsored plans

- The principal benefits are pensions or lump sum payments for members on resignation, retirement, disability or death. The benefits are provided on either a defined benefit basis or a defined contribution basis.
- Employee contribution rates are either fixed by the rules of the plans or selected by members from time to time from a specified range of rates. The employer entities contribute the balance of the cost required to fund the defined benefits or, in the case of defined contribution plans, the amounts required by the rules of the plan.
- The contributions made by the employer entities to defined contribution plans are in accordance with the requirements of the governing rules of such plans or are required to avoid a liability under law.

Government plans

- Some controlled entities participate in government plans on behalf of certain employees, which provide pension benefits. There exists a legally enforceable obligation on employer entities to contribute as required by legislation.

Industry plans

- Some controlled entities participate in industry plans on behalf of certain employees.
- These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement, disability or death.
- The employer entities have a legally enforceable obligation to contribute a regular amount for each employee member of these plans.
- The employer entities have no other legal liability to contribute to the plans.

(b) Defined contribution pension plans

The consolidated entity contributes to several defined contribution pension plans on behalf of its employees. The amount recognised as an expense for the financial year ended 30 September 2007 was $24.2 million (2006 $17.2 million).

(c) Defined benefit pension plans

The consolidated entity participates in several local and overseas defined benefit post-employment plans that provide benefits to employees upon retirement. Plan funding is carried out in accordance with the requirements of trust deeds and the advice of actuaries. During the year, the consolidated entity made employer contributions of $27.0 million (2006 $25.9 million) to defined benefit plans. The Group’s actuaries have forecast total employer contributions to defined benefit plans of $27.7 million for 2008.

The Company has no employees and therefore does not support any defined benefit post-employment plans. Accordingly, the disclosures detailed below relate to the consolidated entity.

(c) (i) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	2007 $m	2006 $m
Present value of the defined benefit obligations	**691.4**	657.9
Fair value of defined benefit plan assets	**(635.3)**	(589.7)
Deficit in plan	**56.1**	68.2
Present value of unfunded defined benefit obligation at end of year	**81.2**	88.2
Net liability in the balance sheet	**137.3**	156.4
Amounts in balance sheet:		
Liabilities	**142.1**	160.2
Assets	**(4.8)**	(3.8)
Net liability recognised in balance sheet at end of year	**137.3**	156.4

40. Superannuation commitments (continued)

(c) (ii) Categories of plan assets

The major categories of plan assets are as follows:

	2007 $m	2006 $m
Cash and net current assets	**57.0**	43.6
Equity instruments	**310.1**	287.4
Fixed interest securities	**166.9**	155.3
Property	**58.5**	50.9
Other assets	**42.8**	52.5
	635.3	589.7

(c) (iii) Reconciliations

	2007 $m	2006 $m
Reconciliation of present value of the defined benefit obligation:		
Balance at the beginning of the year	**746.1**	692.3
Current service cost	**21.7**	23.1
Interest cost	**40.5**	37.6
Actuarial losses/(gains)	**20.6**	(4.5)
Contributions by plan participants	**7.0**	7.2
Benefits paid	**(60.8)**	(51.1)
Distributions	**(3.6)**	(4.1)
Gains on curtailments	**-**	(2.6)
Settlements	**(7.9)**	(73.2)
Liabilities assumed in business combinations	**26.9**	114.6
Exchange differences on foreign funds	**(17.9)**	6.8
Balance at the end of the year	**772.6**	746.1
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	**589.7**	584.0
Expected return on plan assets	**40.6**	39.0
Actuarial gains	**32.5**	14.2
Contributions by plan participants	**7.0**	7.2
Contributions by employer	**27.0**	25.9
Benefits paid	**(60.8)**	(51.1)
Distributions	**(3.6)**	(4.1)
Settlements	**(3.2)**	(73.2)
Assets acquired in business combinations	**17.5**	43.9
Exchange differences on foreign funds	**(11.4)**	3.9
Balance at the end of the year	**635.3**	589.7

The fair value of plan assets does not include any amounts relating to the consolidated entity's own financial instruments, property occupied by, or other assets used by, the consolidated entity.

(c) (iv) Amounts recognised in the income statement

The amounts recognised in the income statement are as follows:

	2007 $m	2006 $m
Current service cost	**21.7**	23.1
Interest cost	**40.5**	37.6
Expected return on plan assets	**(40.6)**	(39.0)
Curtailment or settlement gains	**(4.7)**	(2.6)
Total included in employee benefits expense	**16.9**	19.1

40. Superannuation commitments (continued)

(c) (v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2007	2006
Discount rate	**4.25% - 8.75%**	2.25% - 9.25%
Expected return on plan assets	**0.00% - 8.75%**	0.00% - 10.00%
Future salary increases	**2.50% - 7.00%**	2.75% - 7.00%
Future inflation	**2.00% - 4.00%**	1.75% - 3.10%
Future pension increases	**0.00% - 3.15%**	0.00% - 3.00%
Healthcare cost trend rates (ultimate)	**4.80% - 5.00%**	0.00% - 8.25%
Pension increases in deferment	**2.00% - 3.15%**	2.66% - 3.10%

A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase $m	**One percentage point decrease $m**
Effect on the aggregate of the service cost and interest cost	**0.4**	**(0.3)**
Effect on the defined benefit obligation	**2.9**	**(2.3)**

(c) (vi) Historic summary

Amounts for the current and previous periods are as follows:

	2007 $m	2006 $m	2005 $m
Defined benefit plan obligation	**772.6**	746.1	692.3
Plan assets	**(635.3)**	(589.7)	(584.0)
Deficit	**137.3**	156.4	108.3
Experience adjustments arising on plan liabilities	**26.7**	(0.3)	(8.1)
Experience adjustments arising on plan assets	**32.5**	14.2	42.2
Actual return on plan assets	**73.1**	53.2	78.3

The consolidated entity has used the AASB 1 exemption and disclosed amounts under AASB 1 above for each annual reporting period prospectively from the transition date (1 October 2004).

(c) (vii) Amounts included in the statement of recognised income and expense

	2007 $m	2006 $m
Net actuarial gains	**11.9**	18.7

The consolidated entity has elected under AASB 119, to recognise all actuarial gains/losses in the statement of recognised income and expense. The cumulative amount of net actuarial gains included in the statement of recognised income and expense as at 30 September 2007 is $36.0 million (2006 $24.1 million).

(c) (viii) Expected rate of return on assets assumption

The overall expected rate of return on assets assumption is determined by weighting the expected long-term rate of return for each asset class by the target allocation of plan assets to each class. The rates of return used for each class are net of investment tax and investment fees.

40. Superannuation commitments (continued)

(c) (ix) Surplus/(deficit) for major defined benefit plans

30 September 2007 **Plan**	**Accrued Benefits**	**Fund Assets**	**Accrued (deficit)/ surplus**	**Current contribution recommendation**	**Discount rate**	**Expected return on plan assets**	**Future salary increases**
	$m	**$m**	**$m**		%	%	%
The Flexible Benefits Super Fund 4(a)	413.5	403.7	(9.8)	12.5% of salaries	5.00	7.00	4.00
Pension plan for employees of Orica Canada Inc 4(b)	83.1	66.0	(17.1)	6.2% of pensionable earnings	5.60	7.25	3.75
Post Retirement Benefits (Canada) 4(c)	14.3	-	(14.3)	Based on benefit payments	5.60	n/a	n/a
Orica Pension Scheme (UK) 4(b)	38.7	32.7	(6.0)	24.8% of pensionable earnings	6.00	7.07	5.05
Dyno Nobel Sweden AB 4(d)	38.9	-	(38.9)	Based on benefit payments	4.25	n/a	3.50
Dyno DNE (Norway) 4(e)	40.4	26.0	(14.4)	Insurance premiums	5.25	6.25	4.50
Dyno Defence (Norway) (2) 4(e)	7.8	6.2	(1.6)	Insurance premiums	5.25	6.25	4.50
Dynea HK (Norway) 4(e)	12.3	7.1	(5.2)	Insurance premiums	5.25	6.25	4.50
Orica New Zealand Ltd Retirement Plan 4(b)	33.5	31.3	(2.2)	15.7% of salaries	4.30	6.20	3.50
Orica USA Inc. Retirement Income Plan 4(b)	21.2	21.3	0.1	Set in accordance with local annual funding requirements	6.25	8.25	n/a
Minova USA Retirement Plans (1) 4(b)	17.5	15.5	(2.0)	Set in accordance with local annual funding requirements	6.25	8.00	3.50
Other (3)	51.4	25.5	(25.9)	Various	Various	Various	Various
	772.6	635.3	(137.3)				

30 September 2006 Plan	Accrued Benefits	Fund Assets	Accrued (deficit)/ surplus	Current contribution recommendation	Discount rate	Expected return on plan assets	Future salary increases
	$m	$m	$m		%	%	%
The Flexible Benefits Super Fund 4(a)	395.0	380.9	(14.1)	12.5% of salaries	4.80	7.00	4.00
Pension plan for employees of Orica Canada Inc 4(b)	81.8	61.8	(20.0)	6.2% of pensionable earnings	5.50	7.25	3.75
Post Retirement Benefits (Canada) 4(c)	19.4	-	(19.4)	Based on benefit payments	5.60	n/a	n/a
Orica Pension Scheme (UK) 4(b)	39.1	32.0	(7.1)	24.8% of pensionable earnings	6.00	7.07	5.05
Dyno Nobel Sweden AB 4(d)	41.9	-	(41.9)	Based on benefit payments	4.25	n/a	3.50
Dyno DNE (Norway) 4(e)	36.6	23.9	(12.7)	Insurance premiums	5.25	5.00	4.50
Dyno Defence (Norway) 4(e)	13.5	6.8	(6.7)	Insurance premiums	4.50	5.00	4.00
Dynea HK (Norway) 4(e)	13.3	7.5	(5.8)	Insurance premiums	5.25	5.00	4.50
Orica New Zealand Ltd Retirement Plan 4(b)	37.3	34.4	(2.9)	14.4% of salaries	4.00	5.50	3.50
Orica USA Inc. Retirement Income Plan 4(b)	23.8	22.1	(1.7)	Set in accordance with local annual funding requirements	6.25	7.50	n/a
Other (3)	44.4	20.3	(24.1)	Various	Various	Various	Various
	746.1	589.7	(156.4)				

(1) The Minova USA Retirement Plans were acquired on 1 January 2007 as part of the Minova acquisition.

(2) The Dyno Defence (Norway) accrued deficit balance was reduced by $4.7 million due to the transfer of employees in relation to the sale of the High Energy Materials business on 30 June 2007.

40. Superannuation commitments (continued)

[3] Other international plans comprise the following:

Dyno Nobel HK (Norway)	Indian Explosives Limited Non-Management Staff Leave Encashment Scheme
Dyno Nobel Retirement Plan (Philippines)	International Pension Plan (Canada)
Dyno Nobel Retirement Plans (Mexico)	Jubilee (Europe)
Eurodyn (Europe)	Minova Carbotech Pension Plans (Germany)
Excess Plan (Canada)	Minova Holding Pension Plans (Germany)
Explosives Germany	Nitro Consult (Sweden)
High Income Earners Arrangement (Canada)	Old Age Part-time Program (Incentives for Early Retirement) (Europe)
Indian Explosives Limited Employees Management Staff Superannuation	Orica Brasil Ltda.
Indian Explosives Limited Employees Superannuation Fund	Orica USA Inc. Retiree Medical Plan
Indian Explosives Limited Gratuity Fund	Philippine Explosives Corporation Factory Workers Retirement Plan
Indian Explosives Limited Management Staff Leave Encashment Scheme	Philippine Explosives Corporation Monthly-Paid Employees Retirement Plan
Indian Explosives Limited Management Staff Pension (DB) Fund	Self-insured long-term disability (LTD) plan (Canada)

[4] The major defined benefit plans of the consolidated entity are categorised as follows:

(a) Funded lump sum retirement benefits based on final average pensionable earnings;

(b) Funded pension retirement benefits based on final average pensionable earnings;

(c) Post retirement life, dental and medical coverage;

(d) Unfunded pension retirement benefits based on final average pensionable earnings; and

(e) Arrangements for each Norway entity are a combination of funded and unfunded pension benefits based on final average pensionable earnings.

41. Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2006 and 2007:

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Company			
Orica Limited		Dyno Nobel Poland Sp. z oo	Poland
Controlled Entities		Dyno Nobel Samex SA	Peru
Accesorios para Explosivos Problast Ltda	Chile	Dyno Nobel Schweiz AG	Switzerland
ACF and Shirleys Pty Ltd (g)		Dyno Nobel Slovakia a.s.	Slovakia
A.C.N 099 090 267 Pty Ltd		Dyno Nobel Sweden AB	Sweden
(formerly Welvic Australia Pty Ltd) (e)		Dyno Nobel (Thailand) Limited	Thailand
Active Chemicals Chile S.A.	Chile	Dyno Nobel VH Company LLC	USA
Altona Properties Pty Ltd (g)		Dyno Nobel Venezuela CA	Venezuela
Ammonium Nitrate Development and	Thailand	Dyno Nobel Zambia Limited	Zambia
Production Limited		Dyno Nobel (Zimbabwe) (Pty) Limited (h)	Zimbabwe
Andean Mining & Chemicals Limited	Jersey	Eastern Nitrogen Pty Ltd (g)	
Arboleda S.A	Panama	Emirates Explosives LLC (b)	United Arab
ASA Organizacion Industrial S.A. De C.V.	Mexico		Emirates
Australian Fertilizers Pty Ltd (g)		Engineering Polymers Pty Ltd	
Bamble Mekaniske Industri AS	Norway	Essential Oils of Tasmania Pty Ltd (g)	
Barbara Limited (b)	UK	Eurodyn Sprengmittel GmbH	Germany
Beijing Ruichy Minova Synthetic	China	Explosivos de Mexico SA de CV	Mexico
Material Company Limited (b)		Explosivos Mexicanos S.A. de C.V.	Mexico
BHZ Ekochem Sp. z o.o. (b) (d)	Poland	FA Sig Pty Limited (b) (g)	
Brasex Participacoes Ltda	Brazil	Forsikringsselskapet Eksplosionsskade AS (e)	Norway
Bronson and Jacobs (H.K.) Limited	Hong Kong	Fortune Properties (Alrode) (Pty) Limited (b)	South Africa
Bronson and Jacobs (Shanghai) International	China	FS Resin (Pty) Limited (b)	South Africa
Trading Co. Ltd		Geobolt s.r.o. (b)	Czech Republic
Bronson & Jacobs (GZFTZ) Ltd	China	GeoNitro Limited	Georgia
Bronson & Jacobs International Co. Ltd	Thailand	Ground Consolidation Pty Limited (b) (g)	
Bronson & Jacobs (Malaysia) Sdn Bhd	Malaysia	Hallowell Manufacturing LLC	USA
Bronson & Jacobs (NZ) Limited	NZ	Hebben & Fischbach Chemietechnik GmbH (b)	Germany
Bronson & Jacobs Pty Ltd		Huanuco SL Lanzarote (h)	Spain
Bronson & Jacobs (S.E. Asia) Pte Limited	Singapore	Indian Explosives Limited	India
BST Manufacturing, Inc. (b)	USA	Initiating Explosives Systems Pty Ltd (a)	
Carbo Tech-Australia Pty Limited (b) (g)		Inversiones Dyno Nobel Chile Ltda (d)	Chile
Carbo Tech Australia Cement		Joplin Manufacturing Inc.	USA
Investments Pty Limited (b) (g)		Karochem International Limited (d)	UK
Carbo Tech Polonia Sp. z o.o. (b) (g)	Poland	LLC Orica Logistics	Russia
Chemnet Pty Limited (g)		Marplex Australia (Holdings) Pty Ltd (g)	
CJSC (ZAO) Carbo-Zakk (b)	Russia	Marplex Australia Pty Ltd	
Compania Aragonesa de Explosivos, S.A.	Spain	Mining Concepts Pty Limited (b) (g)	
Curasalus Insurance Limited	NZ	Minova AG (b)	Switzerland
Curasalus Insurance Pty Limited		Minova Australia Pty Limited (b)	
DENASA Argentina (d)	Argentina	Minova Bohemia s.r.o. (b)	Czech Republic
Dulux Holdings Pty Ltd (g)		Minova Botswana (Pty) Ltd (b)	Botswana
Dyno Consult AS	Norway	Minova CarboTech GmbH (b)	Germany
Dyno NitroMed AD	Bulgaria	Minova Codiv S.L. (b)	Spain
Dyno Nobel Argentina Ltda	Argentina	Minova Ekochem S.A. (b)	Poland
Dyno Nobel AS	Norway	Minova Holding GmbH (b)	Germany
(formerly Dyno Nobel ASA)		Minova Holding Inc (b)	USA
Dyno Nobel Bolivia SA	Bolivia	Minova International Limited (b)	UK
Dyno Nobel Brasil Ltda	Brazil	Minova Ksante Sp. z o.o. (b)	Poland
Dyno Nobel Chile SA	Chile	Minova MineTek Private Limited (b)	India
Dyno Nobel Czech Republic	Czech Republic	Minova Nordic AB (b)	Sweden
Dyno Nobel Danmark A/S	Denmark	Minova Slovakia s.r.o. (b) (d)	Slovak Republic
Dyno Nobel Holding AB	Sweden	Minova UK Limited (b)	UK
Dyno Nobel Hong Kong Ltd	Hong Kong	Minova US Inc (b)	USA
Dyno Nobel Latin America S.A.	Peru	Mintun Australia Pty Ltd (b)	
Dyno Nobel Nitrogen AB (d)	Sweden		

41. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia
Mintun 1 Limited (b)	UK
Mintun 2 Limited (b)	UK
Mintun 3 Limited (b)	UK
Mintun 4 Limited (b)	UK
Myspace Limited (f)	
Nitedals Krudtvaerk AS	Norway
Nitro Asia Company Inc	Philippines
Nitro Consult AB	Sweden
Nitroamonia de Mexico S.A de C.V.	Mexico
Nobel Industrier AS	Norway
Nobeltax S.A.	Spain
Nordenfjeldske Spraengstof AS	Norway
Nutnim 1 Limited (b)	UK
Nutnim 2 Limited (b)	UK
OOO Minova (b)	Russia
OOO Minova TPS (b)	Russia
Orange Norway (e)	Norway
Orica-CCM Energy Systems Sdn Bhd	Malaysia
Orica-GM Holdings Ltd	UK
Orica Advanced Water Technologies Pty Ltd (g)	
Orica Argentina S.A.I.C.	Argentina
Orica Australia Pty Ltd (a)	
Orica Australia Securities Pty Limited	
Orica Blast & Quarry Surveys Ltd (b)	UK
Orica Brasil Ltda	Brazil
Orica Canada Inc	Canada
Orica Centroamerica SA (formerly Dyno Nobel Centroamerica SA)	Costa Rica
Orica Chemicals Chile S.A.	Chile
Orica Chemicals Peru S.A.C.	Peru
Orica Chile S.A.	Chile
Orica Coatings (Shenzhen) Limited (c)	China
Orica Colombia S.A. (formerly Dyno Nobel Colombia SA)	Colombia
Orica Dominicana S.A.	Dominican Republic
Orica Eesti OU	Estonia
Orica Engineering Pty Ltd (g)	
Orica Europe FT Pty Ltd (g) (formerly Orica Investments (China Paints) Pty Ltd)	
Orica Europe Investments Pty Ltd (g)	
Orica Explosives Holdings Pty Ltd	
Orica Explosives Holdings No 2 Pty Ltd (formerly Orica International GP Pty Ltd)	
Orica Explosives Holdings No 3 Pty Ltd (c), (g)	
Orica Europe Management GmbH	Germany
Orica Europe Pty Ltd & Co KG	Germany
Orica Explosives Research Pty Ltd (g)	
Orica Explosives (Thailand) Co Ltd	Thailand
Orica Explosives Technology Pty Ltd	
Orica Explosivos Industriales, S.A.	Spain
Orica Export Inc.	USA
Orica Fiji Ltd	Fiji
Orica Finance Limited	
Orica GEESP Pty Ltd (g)	
Orica Germany GmbH	Germany

Name of Entity	Place of incorporation if other than Australia
Orica Ghana Limited	Ghana
Orica Grace US Holdings Inc. (c)	USA
Orica Guyana Inc.	Guyana
Orica Holdings Pty Ltd (g)	
Orica Hong Kong Limited	Hong Kong
Orica IC Assets Pty Ltd (a)	
Orica IC Investments Pty Ltd (g)	
Orica International IP Holdings Inc.	USA
Orica International Management Inc. (d)	USA
Orica Investments (Indonesia) Pty Limited (g)	
Orica Investments (NZ) Limited	NZ
Orica Investments (Thailand) Pty Limited (g)	
Orica Investments Pty Ltd (a)	
Orica Japan Co. Ltd	Japan
Orica Kazakhstan Closed Joint Stock Company	Kazakhstan
Orica Malaysia Sdn Bhd	Malaysia
Orica Mongolia LLC	Mongolia
Orica Nelson Quarry Services Inc.	USA
Orica Netherlands Finance B.V.	Holland
Orica New Zealand Finance Limited	NZ
Orica New Zealand Ltd	NZ
Orica New Zealand Securities Limited	NZ
Orica Nitrates Philippines inc (formerly Dyno Nobel Philippines Inc)	Philippines
Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi A.S. (formerly Orica Nitro Patlayici Maddeler Ticaret ve Sanayi A.S.)	Turkey
Orica Nitrogen LLC	USA
Orica Nominees Pty Ltd (g)	
Orica Norway Holdings AS	Norway
Orica Papua New Guinea Limited	PNG
Orica Peru S.A.	Peru
Orica Philippines Inc	Philippines
Orica Puerto Rico Inc. (d)	Puerto Rico
Orica Securities (UK) Limited	UK
Orica Share Plan Pty Limited (g)	
Orica Singapore Pte Ltd	Singapore
Orica South Africa (Proprietary) Limited	South Africa
Orica St. Petersburg LLC	Russia
Orica Sweden Holdings AB	Sweden
Orica UK Limited	UK
Orica USA Holdings General Partnership (c)	USA
Orica USA Inc.	USA
Orica U.S. Services Inc.	USA
Orica Venezuela C.A.	Venezuela
Orica Watercare Inc.	USA
Oricorp Comercial S.A. de C.V.	Mexico
Oricorp Mexico S.A. de C.V.	Mexico
Orica (Weihai) Explosives Co Ltd	China
Penlon Pty Limited (g)	
Project Grace Holdings Limited (c)	UK
Project Grace Incorporated (c)	USA
Project Grace Limited (c)	UK
PT Baktijala Kencana Citra	Indonesia
PT Dyno Nobel Indonesia	Indonesia

41. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia
PT Kaltim Nitrate Indonesia	Indonesia
PT Orica Mining Services	Indonesia
PT Orica Resindo Mahakam (h)	Indonesia
Retec Pty Ltd (g)	
Sarkem Pty Ltd (g)	
Selleys Pty Limited (a)	
Sprengmittelvertrieb in Bayern GmbH	Germany
Sprengstoff-Verwertungs GmbH	Germany
Stratabolt Products (Pty) Limited (b)	South Africa
Stratabolt (Proprietary) Ltd (b)	South Africa
Tec Harseim Do Brazil Ltda	Brazil
Tecrete Industries Pty Limited (b) (g)	
Teradoran Pty Ltd	
The Orica Community Foundation Pty Ltd (f)	
TOO "Minova Kasachstan" (b)	Kazakhstan
UPEX S.A. (d)	Peru
Ventmine Pty Limited (b)	
Ventmine (QLD) Pty Limited (b) (g)	
White Lightning Holding Co Inc	Philippines
Willich Fosroc Technika Gornicza i Budowlana Sp zo.o. (b)	Poland
Woods & Woods Pty Limited (d)	
Zao Dyno Nobel Russia	Russia

Notes:
All entities are owned 100% except as set out in note 23.
(a) These controlled entities have each entered into a Deed of Cross Guarantee with Orica in respect of relief granted from specific accounting and financial reporting requirements in accordance with the ASIC Class Order 98/1418.
(b) Acquired in 2007.
(c) Incorporated in 2007.
(d) In liquidation.
(e) Liquidated in 2007.
(f) Dissolved in 2007.
(g) Small proprietary company - no separate statutory accounts are prepared.
(h) Disposed of in 2007.

42. Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 dated 13 August 1998 (as amended), are disclosed in note 41. A consolidated income statement and consolidated balance sheet for this closed group is shown below:

Summarised balance sheet

	Closed Group 2007 $m	Closed Group 2006 $m
Current assets		
Cash and cash equivalents	**1,593.2**	1,505.5
Trade and other receivables	**374.6**	390.2
Inventories	**234.2**	253.3
Other assets	**7.5**	7.3
Total current assets	**2,209.5**	2,156.3
Non-current assets		
Trade and other receivables	**103.0**	102.0
Investments accounted for using the equity method	**0.2**	1.3
Other financial assets	**2,057.0**	1,632.5
Property, plant and equipment	**1,121.8**	1,077.3
Intangible assets	**426.7**	398.5
Deferred tax assets	**134.6**	148.7
Other assets	**1.3**	29.8
Total non-current assets	**3,844.6**	3,390.1
Total assets	**6,054.1**	5,546.4
Current liabilities		
Trade and other payables	**462.5**	471.1
Interest bearing liabilities	**2,479.2**	1,633.4
Current tax liabilities	**44.0**	34.0
Provisions	**120.8**	128.8
Total current liabilities	**3,106.5**	2,267.3
Non-current liabilities		
Trade and other payables	**11.5**	15.7
Interest bearing liabilities	**313.4**	306.0
Deferred tax liabilities	**78.7**	73.9
Provisions	**88.8**	149.1
Total non-current liabilities	**492.4**	544.7
Total liabilities	**3,598.9**	2,812.0
Net assets	**2,455.2**	2,734.4
Equity		
Ordinary shares	**702.4**	815.3
Reserves	**435.7**	436.4
Retained profits	**827.1**	992.7
Total equity attributable to ordinary shareholders of Orica	**1,965.2**	2,244.4
Equity attributable to Step-Up Preference Securities holders	**490.0**	490.0
Total equity	**2,455.2**	2,734.4

Summarised income statement and retained profits

	Closed Group 2007 $m	Closed Group 2006 $m
Profit before income tax expense	**178.5**	421.2
Income tax expense	**(56.3)**	(33.9)
Profit from continuing operations	**122.2**	387.3
Retained profits at the beginning of the year	**992.7**	817.9
Other	**2.0**	(5.4)
Dividends/distributions paid:		
Step-Up Preference Securities distributions	**(44.4)**	-
Less tax credit on Step-Up Preference Securities distributions	**13.9**	-
Ordinary dividends – interim	**(111.3)**	(81.3)
Ordinary dividends – final	**(148.0)**	(125.8)
Retained profits at the end of the year	**827.1**	992.7

Directors’ Declaration on the Financial Report set out on pages 36 to 122

I, Donald Penn Mercer, being a director of Orica Limited, do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

(a) the financial statements and notes, set out on pages 36 to 122, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 September 2007 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the controlled entities identified in note 41 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 September 2007.

D P Mercer

Chairman

Dated at Melbourne this 12th day of November 2007.

Auditor’s Report

For the year ended 30 September 2007

Independent auditor’s report to the members of Orica Limited

Report on the financial report

We have audited the accompanying financial report of Orica Limited (the “Company”), which comprises the balance sheets as at 30 September 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 42 and the directors’ declaration set out on pages 36 to 123 of the Group comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors’ responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards but that the financial report of the Company does not comply.

Auditor’s responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company’s and the Group’s financial position and of their performance.

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

Auditor’s opinion

In our opinion:

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

- (i) giving a true and fair view of the Company’s and the Group’s financial position as at 30 September 2007 and of their 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.

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

KPMG

Alison M Kitchen

Partner

Dated at Melbourne this 12th day of November 2007.

Shareholders' Statistics

As at 12 October 2007

Distribution of ordinary shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	32,968	62.04%	14,214,528	4.62%
1,001	–	5,000	17,465	32.87%	35,736,656	11.61%
5,001	–	10,000	1,742	3.28%	12,034,669	3.91%
10,001	–	100,000	872	1.64%	18,470,580	6.00%
100,001 and over			92	0.17%	227,456,274	73.86%
Total			53,139	100.00%	307,912,707	100.00%

Included in the above total are 1,360 shareholders holding less than a marketable parcel of 16 shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 65.77% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
J P Morgan Nominees Australia Limited	44,806,582	14.55%
HSBC Custody Nominees (Australia) Limited	38,915,631	12.64%
National Nominees Limited	37,509,931	12.18%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	19,444,534	6.31%
ANZ Nominees Limited <CASH INCOME A/C>	12,997,813	4.22%
Citicorp Nominees Pty Limited	11,173,904	3.63%
Cogent Nominees Pty Limited	6,669,558	2.17%
Queensland Investment Corporation	5,057,943	1.64%
AMP Life Limited	3,567,988	1.16%
Citicorp Nominees Pty Limited<CFC WSLE GEARED SHR FND A/C>	2,976,297	0.97%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	2,571,742	0.84%
Australian Foundation Investment Company Limited	2,230,286	0.72%
Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 4 A/C>	2,095,866	0.68%
UBS Wealth Management Australia Nominees Pty Ltd	2,088,437	0.68%
ANZ Nominees Limited <INCOME REINVEST PLAN A/C>	2,000,147	0.65%
UBS Nominees Pty Ltd	1,944,021	0.63%
Suncorp Custodian Services Pty Limited <AET>	1,826,821	0.59%
Argo Investments Limited	1,652,658	0.54%
Cogent Nominees Pty Limited <SMP ACCOUNTS>	1,536,006	0.50%
UBS Nominees Pty Ltd <116C A/C>	1,450,000	0.47%
Total	202,516,165	65.77%

Register of substantial shareholders

The names of substantial shareholders in the company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates, are as follows:

11 October 2006	Merrill Lynch & Co., Inc	27,291,184	8.83%
20 April 2007	Perpetual Limited and Subsidiaries	40,213,925	12.93%

Shareholders' Statistics

As at 12 October 2007

Distribution of preference shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	205	73.74%	56,686	2.83%
1,001	–	5,000	34	12.23%	90,790	4.54%
5,001	–	10,000	17	6.12%	137,833	6.89%
10,001	–	100,000	18	6.47%	529,703	26.49%
100,001 and over			4	1.44%	1,184,988	59.25%
Total			278	100.00%	2,000,000	100.00%

Included in the above total are 139 shareholders holding less than a marketable parcel of 309 shares.
The holdings of the 20 largest holders of 5% cumulative preference shares represent 84.69% of that class of shares.

Twenty largest 5% cumulative preference shareholders

	Shares	% of total
IC Nominees Pty Ltd <NOM A/C>	312,908	15.65%
Citicorp Nominees Pty Limited	312,907	15.65%
National Nominees Limited	312,907	15.65%
Mr Ian Edward Morton	246,266	12.31%
Winpar Holdings Limited	74,605	3.73%
J S Millner Holdings Pty Ltd	55,300	2.77%
Mr John Frederick Bligh Weldbank	51,153	2.56%
Oceanridge Limited	41,150	2.06%
Patmic Pty Limited	36,877	1.84%
Ms Nina Tschernykow Weldbank	34,500	1.73%
Mr Eric Raymond Arnold Elsey	33,500	1.68%
Gowing Bros Limited	33,400	1.67%
Robert John Charles Catto <Raglan Superfund A/C>	27,048	1.35%
Great Northern Laundry Pty Ltd	25,000	1.25%
Mr Allistair Hazard	22,600	1.13%
Mr Ian Edward Morton	18,214	0.91%
RFC Investment Holdings P/L <R F Cameron Super Fund A/C>	16,936	0.85%
Mr Douglas Robert Graham Neild <A/C S>	15,500	0.78%
Miss Hazel Lilian Neild	11,250	0.56%
Batoka Pty Limited	11,120	0.56%
Total	1,693,141	84.69%

Shareholders' Statistics

As at 12 October 2007

Distribution of Orica Step-Up Preference Securities shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	2,344	91.82%	597,229	11.94%
1,001	–	5,000	155	6.07%	368,861	7.38%
5,001	–	10,000	23	0.90%	172,443	3.45%
10,001	–	100,000	19	0.74%	619,884	12.40%
100,001 and over			12	0.47%	3,241,583	64.83%
Total			2,553	100.00%	5,000,000	100.00%

Included in the above total are nil shareholders holding less than a marketable parcel of 5 shares.
The holdings of the 20 largest holders of the Orica Step-Up Preference Securities represent 73.03% of that class of shares.

Twenty largest Orica Step-Up Preference securities shareholders

	Shares	% of total
J P Morgan Nominees Australia Limited	1,112,041	22.24%
ANZ Nominees Limited <Cash Income A/C>	420,272	8.41%
Citicorp Nominees Pty Limited	242,246	4.84%
Harbour Nominees Pty Ltd <SL A/C>	235,449	4.71%
National Nominees Limited	219,522	4.39%
RBC Dexia Investor Services Australia Nominees Pty Limited <GSENIP A/C>	215,004	4.30%
Cogent Nominees Pty Limited <SMP Accounts>	175,701	3.51%
HSBC Custody Nominees (Australia) Limited	149,686	2.99%
UBS Nominees Pty Ltd	146,662	2.93%
Goldman Sachs JBWere Capital Markets Ltd <HYBRID PORTFOLIO A/C>	112,000	2.24%
Queensland Investment Corporation	110,000	2.20%
Elise Nominees Pty Limited	103,000	2.06%
Suncorp General Insurance Limited	85,000	1.70%
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	79,553	1.59%
GIO General Ltd	65,000	1.30%
HSBC Custody Nominees (Australia) Limited - A/C 2	65,000	1.30%
Australian Executor Trustees Limited <No 1 ACCOUNT>	32,309	0.65%
Flight Centre Limited	32,150	0.64%
Equity Trustees Limited <EQT HIGH INC WHOLESALE A/C>	26,538	0.53%
M F Custodians Ltd	25,000	0.50%
Total	3,652,133	73.03%

Voting rights

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:
(a) on a show of hands, one vote only; and
(b) on a poll, one vote for every fully paid ordinary share held.
No voting rights attach to the 5% cumulative preference shares except as defined in the Constitution.
No voting rights attach to the Orica Step-Up Preference Securities except as defined in the Constitution.

Ten Year Financial Statistics

Orica consolidated		2007 $m
Sales		**5,527.2**
Earnings before depreciation, amortisation, net borrowing costs and tax		995.9
Depreciation and amortisation (excluding goodwill)		(183.2)
Goodwill amortisation		-
Earnings before net borrowing costs and tax (EBIT)		**812.7**
Net borrowing costs		(122.6)
Individually material items before tax		(22.3)
Taxation expense		(154.4)
Minority interests		(25.7)
Profit/(loss) after tax and individually material items		**487.7**
Individually material items after tax attributable to members of Orica		**(10.1)**
Profit after tax before individually material items (net of tax)		**497.8**
Dividends/distributions		303.7
Current assets		1,945.1
Property, plant and equipment		1,742.9
Investments		125.6
Intangibles		2,055.5
Other non-current assets		335.2
Total assets		**6,204.3**
Current borrowings and payables		1,615.3
Current provisions		332.3
Non current borrowings and payables		1,098.6
Non current provisions		530.5
Total liabilities		**3,576.7**
Net assets		**2,627.6**
Equity attributable to ordinary shareholders of Orica		2,076.7
Equity attributable to Step-Up Preference Securities holders		490.0
Equity attributable to minority interests		60.9
Total shareholders' equity		**2,627.6**
Number of ordinary shares on issue at year end	millions	307.9
Weighted average number of ordinary shares on issue	millions	306.3
Basic earnings per ordinary share		
before individually material items	**cents**	**152.6**
including individually material items	**cents**	**149.3**
Dividends per ordinary share	**cents**	**89.0**
Dividend franking	**%**	**34.8**
Dividend yield (based on year end share price)	**%**	3.0
Closing share price range – High		**$33.90**
Low		**$21.78**
Year end		**$30.10**
Stockmarket capitalisation at year end	$m	9,268.2
Net tangible assets per share	**$**	**0.07**
Profit margin (earnings before net borrowing costs and tax/sales)	**%**	**14.7**
Net debt		**1,305.7**
Gearing (net debt/net debt plus equity)	**%**	**33.2**
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	**times**	**6.6**
Net capital expenditure on plant and equipment (Cash Flow)		**(280.9)**
Capital expenditure on acquisitions (Cash Flow)		**(917.7)**
Return on average shareholders' funds		
before individually material items	**%**	**19.2**
including individually material items	**%**	**18.8**

Note: Income statements for 2005 to 2007 and balance sheets for 2004 to 2007 are stated under AIFRS, prior years are under AGAAP.

Ten Year Financial Statistics

2006	2005	2004	2003	2002	2001	2000	1999	1998
$m	$m	$m	$m	$m	$m	$m	$m	$m
5,359.2	**5,126.7**	**4,610.5**	**3,958.6**	**4,085.2**	**4,041.9**	**3,672.7**	**3,959.8**	**3,935.2**
814.6	741.3	724.2	617.5	581.8	349.7	442.5	479.7	560.5
(156.9)	(140.4)	(137.7)	(155.1)	(161.3)	(161.2)	(145.5)	(160.2)	(147.8)
-	-	(33.2)	(20.1)	(10.5)	(14.1)	(15.9)	(15.9)	(23.6)
657.7	**600.9**	**553.3**	**442.3**	**410.0**	**174.4**	**281.1**	**303.6**	**389.1**
(92.2)	(102.5)	(72.3)	(60.7)	(59.5)	(64.0)	(46.0)	(45.2)	(62.7)
70.8	(187.7)	(46.6)	(208.7)	(48.1)	(280.4)	(46.7)	(33.7)	126.3
(74.9)	(88.8)	(80.9)	(59.3)	(72.5)	(36.6)	(65.1)	(26.7)	(1.8)
(22.3)	(13.6)	(25.7)	(12.9)	(16.3)	13.9	(9.6)	(11.8)	(16.0)
539.1	**208.3**	**327.8**	**100.7**	**213.6**	**(192.7)**	**113.7**	**186.2**	**434.9**
158.8	**(131.6)**	**2.2**	**(169.6)**	**(25.5)**	**(255.0)**	**(33.3)**	**29.8**	**230.3**
380.3	**339.9**	**325.6**	**270.3**	**239.1**	**62.3**	**147.0**	**156.4**	**204.6**
207.1	190.6	156.6	50.0	122.9	44.3	96.4	100.8	134.1
2,479.7	1,781.6	1,699.6	1,282.6	1,270.3	1,433.9	1,364.7	1,377.8	1,387.5
1,603.1	1,593.7	1,514.4	1,436.8	1,414.1	1,621.4	1,484.0	1,444.3	1,736.2
125.9	49.1	48.4	86.4	234.2	244.2	264.6	239.4	17.3
1,141.3	634.3	588.3	441.7	135.5	155.0	249.6	258.4	297.0
362.8	252.5	335.2	307.8	311.1	276.0	216.4	209.7	209.4
5,712.8	**4,311.2**	**4,185.9**	**3,555.3**	**3,365.2**	**3,730.5**	**3,579.3**	**3,529.6**	**3,647.4**
981.0	958.9	1,165.4	683.3	640.0	887.4	845.0	811.4	870.7
319.1	218.7	215.1	169.6	248.2	303.8	266.3	312.3	340.4
1,272.5	1,287.2	755.7	812.7	727.8	869.2	552.3	534.0	579.7
472.0	326.9	510.3	309.2	255.1	267.4	271.9	274.7	343.2
3,044.6	**2,791.7**	**2,646.5**	**1,974.8**	**1,871.1**	**2,327.8**	**1,935.5**	**1,932.4**	**2,134.0**
2,668.2	**1,519.5**	**1,539.4**	**1,580.5**	**1,494.1**	**1,402.7**	**1,643.8**	**1,597.2**	**1,513.4**
2,126.6	1,327.9	1,334.5	1,384.9	1,373.0	1,283.2	1,511.4	1,476.7	1,390.0
490.0	-	-	-	-	-	-	-	-
51.6	191.6	204.9	195.6	121.1	119.5	132.4	120.5	123.4
2,668.2	**1,519.5**	**1,539.4**	**1,580.5**	**1,494.1**	**1,402.7**	**1,643.8**	**1,597.2**	**1,513.4**
309.2	273.1	270.1	277.6	279.1	277.3	275.8	273.2	268.8
300.8	272.8	273.5	277.9	278.0	275.9	274.6	270.6	267.1
126.4	**124.6**	**119.0**	**97.2**	**86.0**	**22.5**	**53.5**	**57.8**	**76.6**
179.2	**76.3**	**119.8**	**36.2**	**76.8**	**(70.0)**	**41.4**	**68.8**	**162.8**
74.0	**71.0**	**68.0**	**52.0**	**44.0**	**16.0**	**35.0**	**37.0**	**50.0**
40.5	**32.4**	**41.2**	**21.1**	**34.0**	**100.0**	**32.0**	**37.9**	**42.0**
3.3	3.4	3.9	4.3	4.6	3.7	6.1	4.5	6.1
$26.45	**$21.55**	**$17.55**	**$12.47**	**$9.85**	**$6.08**	**$8.66**	**$9.60**	**$13.12**
$17.78	**$14.32**	**$11.92**	**$8.15**	**$4.22**	**$4.04**	**$5.58**	**$7.97**	**$7.80**
$22.47	**$21.00**	**$17.30**	**$12.00**	**$9.52**	**$4.34**	**$5.73**	**$8.25**	**$8.20**
6,948.1	5,735.2	4,672.0	3,331.2	2,656.9	1,203.3	1,580.1	2,253.5	2,204.5
3.19	**2.53**	**2.76**	**3.40**	**4.43**	**4.07**	**4.58**	**4.46**	**4.07**
12.3	**11.7**	**12.0**	**11.2**	**10.0**	**4.3**	**7.7**	**7.7**	**9.9**
302.1	**1,112.1**	**977.3**	**877.0**	**679.7**	**984.1**	**777.4**	**709.8**	**801.1**
10.2	**42.3**	**38.8**	**35.7**	**31.3**	**41.2**	**32.1**	**30.8**	**34.6**
7.1	**5.9**	**7.7**	**7.3**	**6.9**	**2.7**	**6.1**	**6.7**	**6.2**
(329.2)	**(234.9)**	**(126.9)**	**(43.6)**	**(15.3)**	**(213.8)**	**(241.5)**	**(221.5)**	**(223.1)**
(875.6)	**(59.2)**	**(253.9)**	**(415.7)**	**(1.3)**	**(131.7)**	**144.9**	**12.5**	**(3.9)**
19.3	**25.5**	**23.9**	**19.6**	**18.0**	**4.5**	**9.8**	**10.9**	**16.6**
27.3	**15.6**	**24.1**	**7.3**	**16.1**	**(13.8)**	**7.6**	**13.0**	**35.3**

Shareholder Information

Annual General Meeting
10.30am Friday 21 December 2007, BMW Edge, Federation Square, cnr Swanston and Flinders Streets, Melbourne.

Stock Exchange Listing
Orica's shares are listed on the Australian Stock Exchange (ASX) and are traded under the code ORI, ORIPA and ORIPB.

Orica Share Registry
Link Market Services Limited
Level 12, 680 George Street,
Sydney NSW 2000

Locked Bag A14
Sydney NSW 1235

Telephone: 1300 301 253
(for callers within Australia)
International: +612 8280 7754
Facsimile: +612 9287 0309
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au/orica

Tax and Dividend Payments
For Australian registered shareholders who have not quoted their Tax File Number (TFN) or Australian Business Number (ABN), the company is obliged to deduct tax at the top marginal rate plus Medicare levy from unfranked and/or partially franked dividends.
If you have not already quoted your TFN/ABN, you may do so by contacting the Share Registrar or by registering your TFN/ABN at Orica's website at: www.orica.com/registry to access the shareholder information page.

Dividend Payments
Your dividends will be paid in Australian dollars by cheque, mailed to the address recorded on the share register.

Why not have us bank your dividend payments for you?
How would you like to have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Dividends paid by direct credit appear in your account as cleared funds, thus allowing you to access them on payment date.

You may elect to receive your dividends by way of direct credit by completing an application form available by contacting the Share Registrar or enter the details at Orica's website at www.orica.com

Shareholders should be aware that any cheques that remain uncashed after approximately two years from a dividend payment, are required to be handed over to State Trustees under the Unclaimed Monies Act. Shareholders are encouraged to cash cheques promptly or to have their dividends directly deposited into their bank accounts.

Dividend Reinvestment Plan
The Dividend Reinvestment Plan (DRP) enables Orica's fully paid ordinary shareholders having a registered address or being resident in Australia or New Zealand to reinvest all or part of their dividends in additional Orica fully paid ordinary shares. Applications are available from the Share Registrar.

Consolidation of Multiple Holdings
If you have multiple issuer sponsored holdings that you wish to consolidate into a single account, please notify the Share Registrar in writing, quoting your full registered names and SRNs for these accounts and nominating the account to which the holdings are to be consolidated.

Change of Name and/or Address
For issuer-sponsored holdings: please notify the Share Registrar in writing if you change your name and/or address (please supply details of your new/previous name, your new/previous address and your SRN number), or change the details online at Orica's website at www.orica.com/registry.

For CHESS/broker sponsored holdings: please notify your broker in writing if you change your name and/or address.

Share Enquiries
Shareholders seeking information about their shareholding or dividends should contact Orica's Share Registrar, Link Market Services Limited. Contact details are above. Callers within Australia can obtain information on their investments with Orica by calling the InvestorLine on 1300 301 253. This is a 24 hour, seven days a week service. Before you call, make sure you have your security holder reference number (SRN) or holder identification number (HIN) handy.

You can do so much more online via the internet
Visit Orica's website: www.orica.com/registry. Access a wide variety of holding information, make some changes online or download forms.

You can:
- Check your current and previous holding balances
- Choose your preferred annual report options
- Update your address details
- Update your bank details
- Confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN) exemption
- Register your TFN/ABN
- Check transaction and dividend history
- Enter your email address
- Check the share prices and graphs
- Download a variety of instruction forms
- Subscribe to email announcements.

You can access this information via a security login using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

Orica Communications
Orica's website: www.orica.com offers shareholder publications, news releases, announcements to the ASX, and the text of the Chairman's and Managing Director's addresses at the AGM. The website provides essential information about the company and offers insights into Orica's businesses.

Orica's printed communications for shareholders includes the Annual Report, Business Overview and the Sustainability Report which provide a review of the company's performance in the twelve months to 30 September.

Shareholders may elect to receive the annual report, or notification by email when the annual report is available online at www.orica.com. If you do not make an annual report election you will not receive the annual report. If you wish to change your annual report election please contact the Share Registrar or visit Orica's website.

We can now provide electronic dividend statements, notices of meeting and proxy forms. Electronic transmission enhances shareholder communication, results in significant cost savings for the Company and is more environmentally friendly.

Shareholders wishing to receive all communications electronically should visit the Orica Limited website www.orica.com to register their preference.

Copies of publications are available on request.

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KPMG

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Shareholder Timetable*

14 January 2008	Books close for 2007 final preference dividend
21 January 2008	Final preference dividend paid
31 March 2008	**Orica Half Year End**
28 April 2008	Half year profit and interim dividend announced
16 May 2008	Books close for Step Up Preference distribution
2 June 2008	Step Up Preference distribution paid
2 June 2008	Books close for 2008 interim ordinary dividend
4 July 2008	Interim ordinary dividend paid
30 September 2008	**Orica Year End**
10 November 2008	Full year profit and final dividend announced
14 November 2008	Books close for Step Up Preference distribution
18 November 2008	Books close for 2008 final ordinary dividend
1 December 2008	Step Up Preference distribution paid
2 December 2008	Final ordinary dividend paid
17 December 2008	Annual General Meeting

** Timing of events is subject to change*

Orica Limited
ABN 24 004 145 868

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Website: orica.com

We are committed to keeping all our shareholders well-informed and regularly update our website at orica.com with:

- Orica Share Price – updated every 15 minutes
- ASX Releases
- Investor presentations
- Financial performance
- Half-yearly and annual results webcasts
- Annual Reports

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Annual Report 2008

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Orica Limited
ABN 24 004 145 868

About Orica

Orica Mining Services

World's leading supplier of commercial explosives and blasting systems

Minova

Global leader in tunnelling and underground mine support products

Orica Chemicals

Leading supplier of chemicals to the water treatment market

Orica Consumer Products

Leading premium brands supported by world class innovation capability

THE WAY WE DO BUSINESS

Over the past decade Orica has been guided by a strategy of pursuing market leadership positions in businesses offering resilient earnings streams with limited exposure to market volatility. This has seen us divest a number of more cyclical businesses which did not meet our strategic objectives and strengthen our position in businesses where we could be leaders in markets offering long term, steady growth in demand for our products and services. Over the past 10 years there have been dozens of acquisition and divestment transactions involved in the strategic restructure of Orica. We know that success comes from building and consolidating leadership around the core of things we know and do well.

In doing so, our values are guided by our most important stakeholders – our employees, customers, shareholders and the communities in which we operate.

Our business activities are structured around what we regard as the enablers to success, namely Growth, Productivity and Culture.

Growth

Our growth strategy is guided by three criteria:

- Market leadership – our aim is to be market leader in each business either globally or locally and to ensure that we have the competitive advantage to sustain that position.
- Grow 'close to the core' – we pursue opportunities in related businesses where we can use our knowledge and expertise and achieve synergies.
- Invest in the 'winners' – we only grow our best performing businesses that meet financial performance targets and have earned the right to grow.

We grow through organic means and through acquisition, extending into new geographies, expanding into new categories and improving our ability to meet customers' needs.

Productivity

Improving productivity, which Orica measures by the ratio of total fixed costs to gross margin, is a key element of how we do business. Our aim is to improve productivity year-on-year by way of efficiency, effectiveness or leveraging our fixed cost base. All our business units are focused on improving efficiency, paying particular attention to manufacturing and supply chain improvements.

The adoption of Six Sigma plays an important role in our productivity improvement program. This ongoing drive for productivity is intrinsic to our integration of acquisitions, where we continually look for synergies as part of the integration process. For example, we identified $90 million of synergy benefits per annum associated with our integration of Dyno in Europe, Latin America and Asia. We have now realised those synergies 12 months ahead of schedule. The integration of our latest major acquisition, Minova (including Excel), is on track.

Culture

Our business has expanded geographically across diverse cultural, language and workplace relations backgrounds. Having well founded, transparent and widely understood workplace values amongst our employees has been critical to our success. The four 'Deliver the Promise' principles that support our performance based culture and against which our performance is measured, revolve around Safety, Health and Environment, Commercial Ownership, Creative Customer Solutions and Working Together. Our culture empowers and motivates Orica's people to achieve long-term, sustainable results. Importantly our employees are united by a common approach to how we do business and achieve success.

Chairman's Report

I am pleased to report that this year your company continued to grow and achieve excellent results.

In an eventful year for Orica and in the face of quite challenging market conditions, your company's underlying earnings for the year improved with net profit after tax and before significant items up 15% on the full year result for 2007 to a record $572 million. Net profit after tax and significant items was up by 11% to $540 million from the previous year.

The Board has declared a final dividend of 55 cents per share, franked at 20 cents per share. This brings the total dividend for the year to 94 cents per share, an increase of 6% on the 2007 dividend.

This is Orica's seventh year of consecutive profit growth and the achievement was company wide with each of our business divisions achieving record profits.

In July, the Board announced its intention to demerge the Consumer Products business so that it could pursue its own strategic path away from the shadow of the larger mining services businesses. However, due to extreme volatility in equity and financial markets the Board decided in November 2008 to defer the demerger indefinitely. The opportunity will surely recur.

Consumer Products' strength as a stand alone business is once again evident in its 2008 performance. In the face of subdued market conditions the business achieved a record result and increased its market share. Investment in our brands, new product innovation and a strong commitment to customer service have driven record sales growth. The business also expanded its presence in Asia with the most recent acquisition of Sopel based in Shanghai, China.

Orica continues to focus its business on the mining, infrastructure and, to a lesser extent, chemicals sectors. This is part of a very deliberate journey, begun almost a decade ago, towards a business portfolio exposed to sectors offering steady, above GDP growth with limited exposure to the volatility of commodity cycles. Along the way we have consciously sought and achieved leadership positions in our chosen markets.

During the year we completed the acquisition of Strata Control Systems in Australia and the US based Excel Mining Systems. Both are now an integral part of the Minova business platform which has been further complemented by some smaller bolt-on acquisitions in Europe and Africa. Minova is the global leader in strata control products for the mining, tunnelling and civil infrastructure industries. As a leader with global scale, the business is well positioned to take advantage of the gradual trend towards underground mining and the increased focus on safety, particularly in the emerging markets of China and Eastern Europe, where it is experiencing strong growth. The business is already proving a valuable addition to the Orica portfolio and is meeting our expectations with earnings growth achieved during the year.

The Mining Services business achieved record results across all regions reflecting strong volumes and ongoing firm demand for ammonium nitrate. Our exposure to the volume side of mining rather than commodity prices has produced a relatively resilient earnings stream and, although likely to be tested, has us well positioned for ongoing growth in the face of some challenging market conditions. This very good result was assisted by the successful integration of the former Dyno Nobel businesses, a full 12 months ahead of schedule, and achieving synergies in excess of the $90 million target.

The Chemicals division is a global leader in the supply of sodium cyanide to the gold mining sector and this year achieved record earnings. Strategic investments, including increased capacity at our Yarwun plant, have allowed us to take advantage of strong demand for sodium cyanide.

Your Board remains confident that the strategic path taken in the past decade has positioned Orica so that demand for its products and expertise will grow steadily.

Prudent management of our balance sheet remains a priority. We remain committed to retaining a BBB+ rating. Following the successful $900 million capital raising completed in August 2008, at year end Orica had more than $2 billion in un-drawn bank debt facilities. This provides financial flexibility to pursue growth opportunities and to take advantage of the privileged competitive positions we have developed in each of our businesses.

In 2008, earnings per share (EPS) before significant items increased 14% over the 2007 full year to $1.70. This is the seventh consecutive year of EPS growth.

As in previous years, I would like to take this opportunity on behalf of the Board to thank Orica's employees, each of whom has worked hard to achieve outstanding results despite some headwinds. By empowering our employees to succeed and rewarding them accordingly, we have been able to recruit and retain talented people at all levels of the company.

Our growth strategy combined with strict financial discipline, steered by a high calibre workforce, gives us confidence that we can provide superior rewards to our shareholders over time.

Don Mercer
Chairman

Managing Director's Report

This year Orica delivered its seventh consecutive year of underlying profit growth with all of our business platforms achieving at least double digit growth. This strong result was achieved despite some challenging market conditions during 2008, including unfavourable foreign exchange movements and rising input costs.

Orica Mining Services achieved a record result with earnings up 11% to $636 million. This reflected record earnings growth in all regions as a result of increasing volumes and benefits from increasing ammonium nitrate prices. Sales growth for the year was 14%, taking it to $3.6 billion. The former Dyno Nobel businesses are now embedded within Orica and have delivered in excess of their synergy targets a full 12 months ahead of schedule.

This successful integration model is now being used to incorporate the Minova business into Orica and we are on track to achieve our targeted synergies of $45 million. I'm pleased to report that Minova, which now includes Excel Mining Systems, has made a very good contribution in its first full year under Orica ownership. This year we continued on our growth path with the completion of the acquisition of Strata Control Systems. As a leading provider of underground support systems to the tunnelling and mining markets, this business is highly complementary to our recently acquired Minova and Excel businesses.

In July 2008 we took the decision to combine the former Chemical Services and Chemnet platforms into one single Chemicals business platform. We believe this will deliver improved customer service, increased efficiency and improved productivity. The combined Chemicals platform increased its earnings by 15% to a record $146 million and achieved sales of $1.4 billion. A record result for the Mining Chemicals division was driven by strong demand globally for sodium cyanide and the benefit of increased capacity at the recently expanded Yarwun plant. We also saw continued growth in the MIEX® water treatment business and stronger volumes in Chemnet's bulk chemicals business.

Orica Consumer Products performed strongly this year achieving record earnings growth in relatively subdued market conditions. Sales grew 6% to $875 million and underlying earnings grew to a record $123 million. Perhaps most pleasingly, strong investment in brands, innovation and customer service saw market share increase across each of our consumer products divisions. The Yates restructure has delivered positive results.

This year Orica continued its strategic growth path. Combined with a relentless drive for productivity, it has delivered ongoing profit growth. Each of our businesses is accountable for delivering year-on-year productivity improvements and this year has been no exception.

A strong focus on productivity improvement is supported by our high performance culture where people are rewarded for 'finding a better way' to achieve solutions that best meet our customers' needs. Another key ingredient to these good results is strong financial discipline and, particularly pleasing this year, is the excellent cash performance. Cash flow from operating activities was up by 41% as a result of business profit growth and very good discipline across all of our businesses in managing working capital. Orica employees understand that maintaining this focus is important for our future growth prospects.

As our operations around the world have grown, our commitment to an injury-free workplace has stayed constant. We continue our journey towards the goal of 'no injuries to anyone, ever' and we investigate every incident to ensure that we take corrective action to prevent a recurrence.

I am saddened at the tragic death of one of our valued employees in a motor vehicle accident in Malaysia in November 2008. The impact of this on friends, family and colleagues is immeasurable.

The focus on sustainability is long standing and more important than ever. Many of our operations are energy and resource intensive and we have set ourselves challenging hurdles towards becoming a business that does no harm to people or the environment. We monitor greenhouse gas emissions, water use, waste production and energy use. It is pleasing that we have met our targets in all of these areas in 2008.

An important part of our environmental commitment is remediating the damage done at our sites from past manufacturing practices. The groundwater treatment plant at Botany continues to operate at a level well in excess of that required to contain the contaminated plume. Recycled water is being used by our own plant at Botany and some neighbouring operations. We continue to pursue options to export the store of hexachlorobenzene to specialised destruction facilities in Europe. Even though this has taken longer than anticipated, we remain confident of a satisfactory resolution.

Orica would not be what it is today without the talented people employed at all levels of the organisation and I thank them for their invaluable contribution. Recruitment, professional development and talent management programmes are very important to our ongoing success and are best reflected in our succession planning.

Since my last report there have been several changes within the Group Executive team. Andrew Coleman, General Manager Chemicals, has retired. Greg Witcombe, previously Orica's General Manager, People and the Community, has been appointed to this role. I would like to welcome Michael Reich who earlier in the year was appointed CEO of Minova and Craig Elkington who has been appointed President of Orica Mining Services, North America.

Despite some market uncertainty, Orica has continued to deliver record results. We are confident that the strategy of building on our strengths, pursuing opportunities in markets offering relatively stable long term growth – combined with very strong financial discipline – will deliver continued success and superior value to our shareholders. I look forward to the next opportunity to update you on Orica's progress.

Graeme Liebelt
Managing Director and
Chief Executive Officer
10 November 2008

Postscript
Effective 13 November 2008, Philippe Etienne, CEO of Orica Mining Services, stepped down from his position due to illness and John Beevers, previously General Manager of OMS Australia and Asia, has taken over this position.

Review of Operations and Financial Performance

Net profit after tax (NPAT) and significant items for the year ended 30 September 2008 was up 11% to $540M, compared with the previous corresponding period (pcp) of $488M. The loss on significant items was $32.7M ($10.1M loss in the pcp).

Orica's net profit after tax before significant items of $572M was up 15% compared with the pcp.

FINANCIAL HIGHLIGHTS

- Sales revenue up 18% to $6.5B. Underlying sales growth was 14% (excluding major acquisitions and divestments).
- EBIT up 19% to $970M(1).
- Earnings per ordinary share(1) up 14% to $1.70.
- Post the rights issue, return on shareholders' funds(1) at 16.9% is down from 19.2% the pcp.
- Gearing(2) at 19.1%, down from 33.2% in the pcp.
- Final ordinary dividend is 55 cents per share (cps) – franked at 20 cps. Total ordinary dividend for 2008 is 94 cps, an increase of 6% over the pcp (89 cps).

(1) Before significant/individually material items.
(2) Net debt/(net debt + book equity).

BUSINESS HIGHLIGHTS

- Record result in Mining Services with EBIT up 11% to $636M, reflecting earnings growth in most regions from increasing volumes, benefits from increasing ammonium nitrate (AN) prices and the successful integration of the former Dyno Nobel businesses.
- Minova EBIT was 144% ahead of the pcp at $150M driven by underlying growth and a full years earnings contribution from Minova (nine months pcp) as well as earnings from Excel Mining Systems LLC (Excel) from November 2007 in line with expectations.
- Record performance in Consumer Products with EBIT up 21% to $123M driven by increasing market share in Australia due to continuing investment in our brands and productivity.
- The record result for Chemicals of $146M (comprised of Chemical Services and Chemnet) was 15% ahead of last year, with a record result in Mining Chemicals in firm market conditions for sodium cyanide, and improving volumes in Watercare and Chemnet's bulk chemicals businesses.
- Earnings for business platforms were adversely impacted by net unfavourable foreign exchange movements totalling $38M.

OUTLOOK – 2009

- Orica's businesses have performed strongly and we are confident they will continue to do so. Accordingly, Group net profit (before significant items) in 2009 is expected to be higher than that reported in 2008. This is subject to global economic conditions and particularly their impact on demand in developing nations.

REVENUE

Sales revenue increased by $1.0B (+18%) to $6.5B. Major items were:

- Revenue (excluding major acquisitions and divestments) of $6.3B improved $780M (+14%), driven primarily by:
  – ongoing growth in Mining Services due to firm demand in most regions, increasing AN prices from both increasing market prices and pass through of rising input costs;
  – a full 12 month contribution from the Minova businesses (nine months in the pcp);
  – market share increases for Consumer Products in Australia;
  – increased volumes and firm market conditions for sodium cyanide and watercare products and an improvement across most Chemnet businesses; and
  – partly offset by unfavourable movements in exchange rates of $247M.
- Sales revenue from the acquired Excel business was $275M.
- Sales revenue of the divested Adhesives and Resins (A&R) in the pcp was $38M.
- Other income decreased $7.7M on the pcp reflecting the profit on sale of the A&R business in the pcp.

EARNINGS BEFORE INTEREST AND TAX (EBIT)

- Total EBIT increased 19% to $970M (pcp: $813M) primarily due to:
  – improvement in earnings from Mining Services of $61M (11%) to a record $636M, reflecting growth in all regions, benefits from improved AN pricing and generally favourable trading conditions;
  – underlying growth and a full 12 month contribution from Minova, increasing earnings by $34M and a net incremental EBIT from Excel of $56M; and
  – record earnings in Consumer Products (market share, margin and productivity) and Chemicals (volume and margin).

  Partly offset by:
  – a net negative impact from unfavourable foreign exchange rates of $38M; and
  – increased Corporate and Support costs of $31M mainly due to a discretionary one-off bonus for all employees ($15M), cost of the preference share buy-back ($8M) and a break even insurance result (pcp – gain of $9M).

INTEREST

- Net interest expense of $158M increased by $35M from the pcp, mainly due to:
  – higher average net debt levels ($66M) and higher average interest rates ($1M); offset by
  – interest income includes $24M from income on the Excel net investment hedge (closed out during the financial year) and favourable foreign exchange impacts ($8M).
- Interest cover was 6.1 times (pcp 6.6 times).

TAX

- Tax expense was $212M with an effective tax rate of 26.1% (pcp: 24.1%). The higher effective rate was primarily as a result of a proportional movement in earnings to countries with higher tax rates and lower favourable adjustments compared with prior years.

NET PROFIT

- Net profit after tax before significant items increased 15% to $572M (pcp: $498M).
- Net profit after tax and significant items was up 11% to $540M (pcp: $488M).

SIGNIFICANT ITEMS

- Significant items for the period resulted in a loss after tax of $33M (pcp: loss of $10M). Major items in the current period related to the restructuring of the Chemicals business ($14.7M) and the ongoing integration of Dyno Nobel ($9M) and Minova/Excel ($9M).

DIVIDEND

- Directors have increased the final ordinary dividend by 6% to 55 cps (pcp: 53 cps) – franked at 20 cps; and
- Franking capacity in the near term is forecast not to exceed 40%.

BANK DEBT REFINANCING

- In addition to the successful refinancing in December 2007, Orica has recently extended $1.0B of its bank debt facilities until October 2009.
- A further total of $1.1B of bank debt facilities have maturity dates in December 2010 and 2012.
- Following the rights issue, no bank debt was drawn under any of the above facilities at year end.
- The facilities are multi currency, flexible and cancellable at Orica's option.
- Facility costs on the 1 year facility have increased by approximately 45 bps in line with current market conditions. Facility costs on the 2 year and 4 year tranches remain unchanged.

Review of Operations and Financial Performance

MERGERS & ACQUISITIONS, DEVELOPMENT

- The purchase of Excel for approximately $781M was completed on 26 October 2007.
- Minova acquired Strata Control Systems (SCS) in May 2008 and in the September quarter has acquired more small complementary bolt-on businesses in Africa, Germany and Poland.
- Mining Services is progressing well on the development of the 300ktpa AN manufacturing facility in Bontang, Indonesia with cumulative spend to date of $76M.
- Given the tight market conditions, other AN expansion options continue to be progressed.
- Mining Services announced the Nanling Initiating Systems JV in China with a new plant expected in 2010, a JV with Southwest Energy in the USA and the acquisition of an additional 49% interest (taking Orica's interest to 99%) in Samex, an explosives distribution business in Peru (to be completed in November 2008).
- Consumer Products has made steady progress in developing a business in China and in November 2008 acquired Sopel, a small decorative coatings company.
- Chemical Services' Watercare division continues to successfully work on the commercialisation of new technologies with MIEX® and Advanced Water Treatment's product and services offerings continuing to gain market acceptance.

BALANCE SHEET

- Key balance sheet movements since September 2007 were:
  - the increase in trade working capital (TWC) was $87M from the pcp, partly due to the impact of the acquisition of Excel ($26M) and the impact of FX translation on TWC ($44M). An increase in underlying TWC due to business growth was offset by improvement in TWC management;
  - rolling TWC to sales has marginally improved to 14.5% (pcp: 14.6%);
  - net property, plant and equipment (PP&E) is $309M up on the pcp mainly due to increased spend on growth projects. Of significance, Mining Services growth projects including Bontang ($68M), EBS project at Brownsburg ($22M) and Emirates plant relocation ($10M); Chemnet sulphuric acid storage tanks in Darwin ($20M); new OCP powder coatings site ($12M) and Gladstone caustic soda storage tanks ($12M). Additionally, acquisitions including Excel, contributed $37M and foreign exchange translation increased PP&E by $31M;
  - intangible assets are up $957M mainly due to the acquisition of Excel ($747M), other acquisitions ($69M) and impact of foreign exchange translation to intangible assets ($171M) offset by amortisation of $41M;
  - net other liabilities decreased by $52M mainly due to the mark to market of net derivative assets ($50M), net provision movements ($27M) and an increase in prepayments ($26M), partly offset by an increase in non-trade creditors ($41M);
  - net debt decreased by $285M as a result of operating cash flows and proceeds from the rights issue offset by the acquisition of Excel and various growth projects;
  - Orica shareholders equity increased by $1,655M, mainly due to an increase in share capital of $1,179M (primarily from the rights issue ($885M) and shares issued from the underwritten Orica Dividend Reinvestment Plan (DRP) ($286M)). Other contributing factors include an increase in retained earnings ($196M) and an increase in the foreign currency translation reserve ($263M); and
  - minority interests have increased by $36M due to capital contributions and higher business profits offset by dividends paid.
- Key balance sheet movements since March 2008 were:
  - TWC decreased by $87M, largely due to a focused effort. TWC to sales improved to 14.5% from 14.9%;
  - net property, plant and equipment is up $211M mainly due to acquisitions ($15M), ongoing development of Bontang ($46M), the EBS project at Brownsburg ($14M), new powder coatings site ($12M), Gladstone caustic soda storage ($12M) and foreign exchange translation adjustment ($32M);
  - intangible assets increased by $206M, mainly arising from acquisitions ($49M) and foreign exchange translation impacts on intangibles ($174M) offset by amortisation of $21M; and
  - net debt decreased by $1,164M primarily due to funds flowing from the rights issue ($885M). Other contributing factors include dividend payments replaced by shares issued from the underwritten Orica DRP ($123M) and a reduction in trade working capital requirement ($87M).

GEARING

- Post the successful rights issue, accounting gearing (net debt/(net debt + equity)) decreased to 19.1% from 33.2% in September 2007. In accordance with accounting standards, the Step-Up Preference Securities (SPS) are recognised as equity.
- Adjusted gearing, which treats the SPS as 50% equity and 50% debt (Standard & Poors credit rating treatment), was 23.8% (pcp 39.6%).

CASH FLOW

- Net operating cash inflows increased by $213M to $737M, compared with the pcp mainly due to:
  - EBITDA growth of $193M to $1,189M (pcp $996M);
  - a reduction in non-trade working capital outflows of $89M, partly due to reduced spend, in comparative terms, on environmental, restructuring and decommissioning provisions ($27M), an increase in non-trade creditors and foreign exchange movements; and
  - a reduction in trade working capital outflows of $19M.

  Partly offset by:
  - $40M increase in interest paid, mainly due to the higher net average debt level during the year following the acquisition of Excel; and
  - $49M increase in income tax paid due to earnings growth and the timing of payments.
- Net investing cash outflows of $1,270M increased by $98M from $1,172M in the pcp. The increase was mainly due to:
  - $98M reduction in proceeds from surplus asset sales and businesses. The pcp inflow was mainly due to the Adhesives and Resins divestment; and
  - increased capital spending of $89M.

  Partly offset by:
  - $89M decreased spending on acquisitions, with the current period spending mainly due to the Excel acquisition and various smaller bolt-on acquisitions. The pcp cash outflow was mainly attributable to the Minova acquisition.
- Net financing cash inflows increased by $440M to $465M mainly due to:
  - proceeds from share issues including underwritten DRP ($1,069M);
  - there was no share buyback program in the current year ($115M in pcp);
  - cash dividends paid to Orica shareholders decreased by $97M primarily due to an increase in the Orica DRP acceptance rate; and
  - a reduction of $32M for shares required for the LTEIP (Long Term Executive Incentive Plan) program. In the current period, new shares were issued to satisfy the majority of LTEIP requirements whereas in the pcp, shares were acquired on market.

  Partly offset by:
  - a reduction in borrowings of $390M.

Review of Operations and Financial Performance

ORICA STEP-UP PREFERENCE SECURITIES (SPS)

- Two further distributions on the SPS were paid during the period totalling $41.5M.
- The distributions are unfranked and the distribution rate is calculated as the sum of the 180 Bank Bill Swap Rate (BBSW) plus a margin of 1.35%. The distribution rate for the current period ending 29 November 2008 is 9.38%.

STRATEGY

Orica's strategy for sustainable profit growth and strong return on investment is driven by three fundamental rules:

- securing market leadership positions in its chosen growth markets. This enables the Company to better service customers, develop and retain technological advantage and achieve benefits of scale;
- growing only those businesses that have "earned the right to grow"; and
- growing "close to the core".

We are disciplined in assessing growth opportunities against our strict financial criteria (including 18% RONA in the third full year of operation/ownership) and by performing thorough due diligence.

This strategy has been successful and a key part of delivering seven years of profit growth. It is a relatively low risk approach that has the potential to produce superior returns for shareholders in the longer term.

2008 REVIEW OF INITIATIVES

We were pleased to have successfully completed our $900M capital raising in August this year.

As a result of this injection of funds and the ongoing focus on operating cash generation from our businesses, Orica has a very strong balance sheet and is well poised for investment in growth opportunities as they emerge over the coming years.

Orica has seen profit growth coming from four key areas:

- industry and organic growth;
- productivity improvement;
- expansion capital expenditure; and
- smaller scale "bolt-on" mergers and acquisitions (M&A).

The emphasis has been on investing in initiatives that play to our businesses' competitive advantages.

Given the significant large scale M&A activity over the past two years, we have predominantly been in a period of consolidation.

Mining Services (OMS):

- OMS continues to leverage its position as the pre-eminent global commercial explosives player and has a number of significant growth opportunities ahead.
- With increasing global demand for ammonium nitrate (AN) and a tightening supply side position, OMS has three large scale organic AN growth projects in the pipeline. OMS has already announced the commencement of construction of a 300 ktpa AN plant in Bontang, Indonesia. This project is progressing to plan and we have invested approximately $76M thus far. Market demand in Indonesia is already in excess of the plant's capacity.
- Two other large scale AN projects are currently in development or concept phase. At our integrated (natural gas feedstock) AN plant at Kooragang Island, NSW, we have lodged the appropriate planning applications for a brownfield expansion. Secondly, a feasibility study is progressing on the concept of establishing a greenfield (ammonia feedstock) AN plant in Latin America, most likely in Peru. We expect to be in a position to move to the development phase during 2009.
- On a smaller scale, OMS will continue to invest in growing the business organically as its customers increase output, adopt new technologies and open new mines. For example, to support the growth of new technologies, we completed the uprate of the Electronic Blasting Systems (EBS) plant at Brownsburg, Canada for a total investment of $42M.
- Having established a strong track record of successfully integrating businesses, OMS will continue to pursue strategic joint ventures and small bolt-on acquisitions. In the current year we announced the establishment of the Nanling Initiating Systems JV in China (April), entered into a 50/50 JV with South West Energy, a distributor in the USA at the end of September and acquired 49% of the Samex explosives distribution business in Peru (to be completed in November 2008).

Minova:

- To complement the acquisition of Minova, on 26 October 2007, Orica completed the acquisition of Excel Mining Systems LLC (Excel). Excel is the leading supplier of metal based strata reinforcement products for underground mining in the USA.
- The integration of Minova/Excel is progressing to plan and we are confident we have the right management team in place to deliver on productivity, combined product offering (resin and steel) and geographic growth opportunities that exist.
- Minova completed the acquisition of Strata Control Systems in Australia (May 2008), recently acquired two small steel bolt producers, Arnall in Poland and BWZ in Germany and has entered a global distribution agreement with Atlas Copco.

Chemicals:

- To enable improved customer service, reduce duplication of effort and improve productivity in our chemicals businesses, the Chemnet and Chemical Services divisions were combined in July.
- Plans have been developed that will deliver annual EBIT improvement of approximately $14M by 2010 at an after tax cost of approximately $15M (significant items in 2008). A number of these initiatives have already been implemented.
- Chemicals' Mining Chemicals division continues to pursue growth opportunities with the benefit of last year's successful 80ktpa sodium cyanide uprate at Yarwun delivered this year. Geographic expansion for sodium cyanide and the potential to uprate Yarwun further continues to be assessed.
- Watercare is successfully introducing its expanded capability in new geographies and downstream water treatment solutions. The commercialisation of MIEX® continues to gather momentum, albeit the geographic extent of the demand required additional investment during 2008.

Consumer Products:

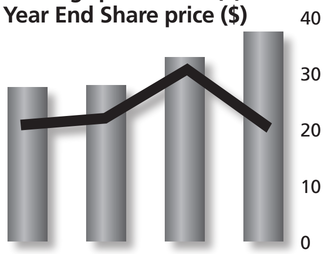
- In light of the extreme volatility currently being experienced in equity and financial markets, on 7 November, Orica announced it has deferred the proposed demerger of Consumer Products indefinitely.
- OCP has been steadily developing a presence in China and in November 2008 acquired a small decorative coatings business, based in Shanghai.
- OCP has maintained its leadership position in Australia and New Zealand and continues to invest in brands and research and development.

Corporate Centre & Support Costs

- Corporate Centre costs of $46M were $7M higher than the pcp mainly due to the costs of the cancellation of the 5% preference shares ($8M).
- Other support costs of $38M were $24M higher than the pcp, primarily due to the costs associated with a discretionary one-off bonus for all Orica employees globally ($15M) and the prior year including a positive insurance result of $9M (the current year was break even after costs associated with the incident in Mexico in September 2007).

SHAREHOLDER SCORECARD

Earnings per Share* ($) and Year End Share price ($)

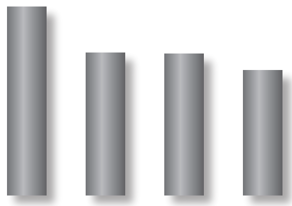


2005	2006	2007	2008
1.25	1.26	1.49	1.70

EPS ■ Year End Share Price

*Before individually material items

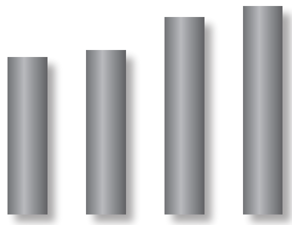
Return on Shareholders' Funds* (%)



2005	2006	2007	2008
25.5	19.3	19.2	16.9

*Before individually material items

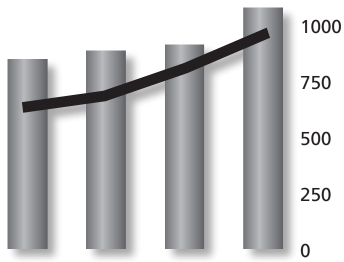
Dividends per Share ($)



2005	2006	2007	2008
0.71	0.74	0.89	0.94

FINANCIAL SUMMARY

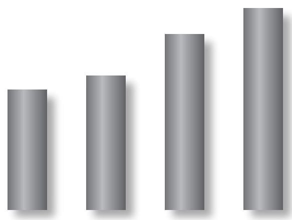
Sales ($M) and EBIT ($M)



2005	2006	2007	2008
5,127	5,359	5,527	6,544

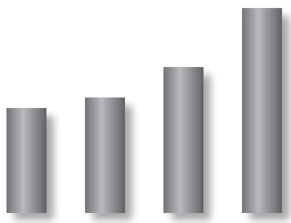
Sales ■ EBIT

Net Profit After Tax Before Significant/ Individually Material Items ($M)



2005	2006	2007	2008
340	380	498	572

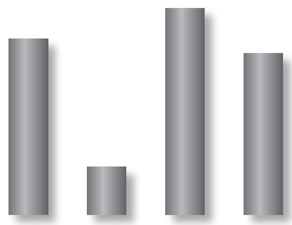
Cash Flow from Operating Activities ($M)



2005	2006	2007	2008
376	414	524	737

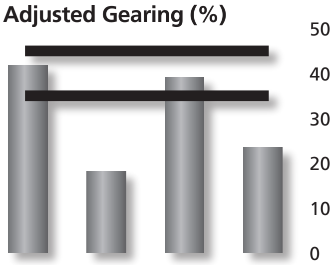
FINANCIAL LEVERAGE

Net Debt ($M)



2005	2006	2007	2008
1,112	302	1,306	1,021

Adjusted Gearing (%)

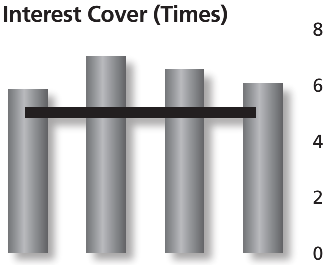


2005	2006	2007	2008
42.3	18.4*	39.6*	23.8*

Gearing ■ Target Range

*Adjusted gearing, which treats the Step-up Preference Securities (SPS) as 50% equity and 50% debt.

Interest Cover (Times)

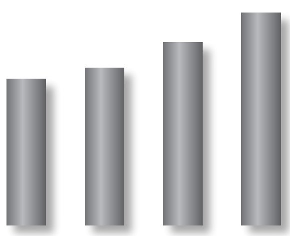


2005	2006	2007	2008
5.9	7.1	6.6	6.1

Interest Cover ■ Target >5x

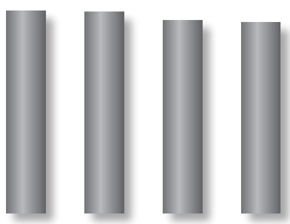
EFFICIENCY

Gross Margin Growth ($M)



2005	2006	2007	2008
1,976	2,125	2,474	2,875

Productivity (%)



2005	2006	2007	2008
73.2	72.8	69.8	69.0

Productivity is measured as total fixed costs (incl. depreciation and amortisation) as a percentage of gross margin.

Orica Mining Services

Record result with sales up 14% to $3.6B and profit up 11% to $636M.

HIGHLIGHTS

- Profit up $60.5M due to steady growth in most regions with continued robust volumes in Australia/Asia and Latin America and generally favourable market conditions.
- AN pricing increasing as contracts rollover.
- Continued growth in Electronic Blasting System (EBS), with the commissioning of the Brownsburg manufacturing facility nearing completion, and other customer productivity driven technologies such as Blast Based Services (BBS) providing strong growth.
- Dyno integration is fundamentally complete. Some manufacturing rationalisation projects to be finalised in 2009. Estimated synergies delivered in 2008 total $92M.
- The bolt-on acquisition program continues with a number of small acquisitions completed in North America and Europe, Middle East and Africa (EMEA).
- Significant increases in ammonia prices negatively impacted earnings by $22M (timing issue).

BUSINESS SUMMARIES

Australia/Asia

- EBIT of $347.1M, up 11% on the pcp. Negative impact from foreign exchange of $12M.
- Overall volume growth was strong at 11% largely driven by increased mining activity and some market share gains in Australia from increased availability of domestic AN.
- AN pricing increasing as contracts roll, benefiting from global AN supply tightening.

North America

- EBIT of $97.2M, up 17% on the pcp. Negative impact from foreign exchange on the translation of earnings was $6M.
- Overall volumes were up 8% with mining activity reasonably strong, offset partly by softening in construction markets.
- EBS sales volumes were up 62%, BBS sales up three fold.
- Acquisitions are delivering to expectation.

Latin America

- EBIT of $93.6M, up 11% on the pcp, with overall volume up 14%. Negative impact from foreign exchange was $14M, mainly impacting Chile.
- Significant cost reductions in Brazil following productivity program.
- Strong EBS (volumes up 63%) and BBS sales up 100%.

Europe, Middle East and Africa (EMEA)

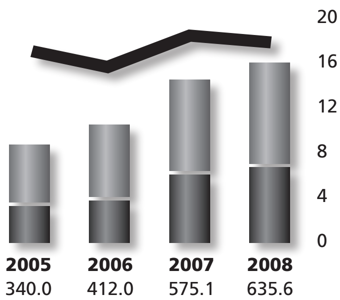
- EBIT of $97.7M, up 4% on the pcp.
- Overall volume up 5%, with strong demand in Turkey and Estonia and good progress in developing markets such as Ghana and Kazakhstan.
- Final closure of Troisdorf is scheduled to occur in December 2008.

PERSPECTIVES FOR 2009

- Market conditions for volumes remain firm.
- Availability of AN globally remains tight.
- Easing in ammonia prices.
- Steady ongoing easing of infrastructure constraints in Australia.
- Further growth opportunities in emerging markets (eg China, Russia and Africa).
- Continued growth in EBS and BBS.
- A weakening Australian dollar will positively impact translated earnings.

Record result with sales up 14% to $3.6B and profit up 11% to $636M.

EBIT ($M) and EBIT Margin (%)



Key
EBIT Margin EBIT H2 EBIT H1

Financial Performance $M

Year ended September	2008	2007	Change F/(U)*
Sales Revenue	**3,552.1**	3,111.2	14%
EBIT	**635.6**	575.1	11%
Operating Net Assets	**2,675.8**	2,307.1	16%
RONA	**26%**	26%	
EBIT:			
Australia/Asia	**347.1**	313.6	11%
North America	**97.2**	83.3	17%
Latin America	**93.6**	84.5	11%
EMEA	**97.7**	93.7	4%

* F – Favourable, (U) – Unfavourable

Minova

Earnings growth continues for Minova with EBIT growth of 144% to $150M.

HIGHLIGHTS

- Minova brand has been adopted worldwide.
- Succession of key management is complete. Global team in place based out of Melbourne.
- Most mining markets continue to have a steady outlook.
- Tunnelling activity has been much stronger in the second half with some significant projects completed by our expert team in Europe.
- Excel was acquired effective 26 October 2007.
- Excel earnings contribution to date (including a stronger second half) and the progress on the integration is in line with expectations.
- Several small bolt-on acquisitions completed.
- Global distribution agreement has been entered into with Atlas Copco.
- Solid growth in earnings continues in emerging markets including the Commonwealth of Independent States (CIS), Africa and China.
- The EBIT result is inclusive of an additional three months from Minova, a one-off negative acquisition stock adjustment of $2M ($7M in the pcp for Minova) and additional amortisation of $13M.
- Rising steel prices have impacted margins (primarily a timing issue).

BUSINESS SUMMARIES

Minova Americas:

- The management structure in the US has settled since April and sound progress has been made on developing the combined resin/steel product offering for the market as well as looking at productivity initiatives in manufacturing.
- The Cadiz site has been closed and corporate functions have been consolidated in Georgetown, Kentucky.
- A small operation has been established in Canada and the study of the feasibility of entering Latin America is well underway.

Minova Europe:

- EBIT growth in Europe came primarily from the following:
  - organic growth in mature mining markets such as Poland and the UK;
  - improved tunnelling activity in Switzerland and the Czech Republic;
  - organic growth in emerging markets of CIS, Ukraine and Kazakhstan; and
  - benefits from small complementary bolt-on acquisitions (steel bolt businesses) in Germany (BWZ) and Poland (Arnall); offset by
  - a slowing German coal business and delays in tunnelling projects in Spain.

Australia Pacific and Africa (APA):

- Minova Australia improved EBIT in generally firm conditions.
- Acquisition of Strata Control Systems (SCS), producer of steel bolts for hard rock markets, was completed in May and has contributed slightly ahead of expectation.
- The South African business completed a couple of minor acquisitions which have added much needed scale to its operations.
- Our 55/45 joint venture in China, Ruichy Minova, continues to gather momentum and is successfully penetrating the Chinese resin market. To complement our offering, a steel bolt plant is in the process of being constructed and is expected to be operating in early 2009.

PERSPECTIVES FOR 2009

- Demand for resources in emerging markets including CIS, Eastern Europe, Africa, Latin America and China is positive.
- Further benefit from a combined Orica capability in the tunnelling and mining markets.
- Continuing progress on the integration of acquisitions.
- A weakening Australian dollar will positively impact translated earnings.

Earnings growth continues for Minova with EBIT growth of 144% to $150M.

Financial Performance $M

Year ended September	**2008**	2007	Change F/(U)*
Sales Revenue	**794.2**	332.1	139%
EBIT	**150.1**	61.6	144%
Operating Net Assets	**1,873.8**	905.6	107%
RONA(1)	**13.6%**	10.1%	

(1) 2007 EBIT excl $7M IFRS acquisition adjs and extrapolated to 12 months. RONA calc incl $38.6M taxation and financial structuring benefits in 2008

* F – Favourable, (U) – Unfavourable

Review of Business Segment Performance

Orica Chemicals

Chemicals increased EBIT by 15% to a record $146M. Excluding the impact of the disposal of divested businesses, earnings were up by 18%. Record result for Mining Chemicals.

HIGHLIGHTS

- Chemnet and Chemical Services were merged in July 2008 to form the Chemicals Division.
- Plans are in place to deliver annualised EBIT benefits of $14M from the merger by 2010.
- Strong growth in Watercare despite continuation of drought conditions in large areas of Australia with sales up 13% on the pcp.
- Benefit of the Yarwun sodium cyanide plant uprate was the main driver behind the 26% increase in sales in Mining Chemicals.
- Negative impact on earnings from adverse exchange rates was $8M.

BUSINESS SUMMARIES

Chemnet

- Chemnet sales up 6% on the pcp due to improved volumes in bulk chemicals (Chemnet Australia and NZ).
- The Latin American business continues to develop with increased EBIT over pcp.
- Marplex was marginally down on pcp from continuing slowdown in Australasia's manufacturing sectors.
- Bronson and Jacobs, whilst improving in the second half, continues to face difficulties in replacing principals.

Watercare

- Sales in Watercare were up 13% on the pcp attributable primarily to stronger sales volumes, pricing discipline, the benefit of acquisitions and cyclically high caustic prices.
- MIEX® continues to gather momentum in many regions. There are now 21 operational MIEX® plants worldwide and a further 16 plants are in the design or construction phase.

Mining Chemicals

- Firm market conditions for the gold industry prevailed in 2008. Supply of sodium cyanide continues to be tight.
- Full year impact of Yarwun sodium cyanide uprate (20ktpa) delivered additional volumes and also improved EBIT margins as manufactured tonnes replaced previously traded tonnes.

Industrial Chemicals

- Specialty Chemicals' volumes remain steady as a result of ongoing strength in the resources sector.

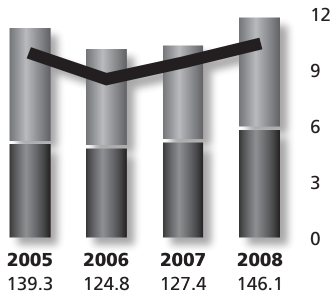
PERSPECTIVES FOR 2009

- Chemicals merger benefits will continue to flow through.
- Sodium cyanide demand to remain firm.
- Prices for caustic expected to remain relatively high.
- Demand in automotive and general manufacturing sectors expected to remain soft in short-term.
- Sales revenue in Watercare will continue to be impacted in southern Australia if drought-enforced water restrictions continue.
- Continuing focus on supply chain efficiency programs and repositioning low margin business to more value added offerings and stronger markets.

Chemicals increased EBIT by 15% to a record $146M. Excluding the impact of the disposal of divested businesses, earnings were up by 18%. Record result for Mining Chemicals.

Key
EBIT Margin EBIT H2 EBIT H1

EBIT ($M) and EBIT Margin (%)



Financial Performance $M

Year ended September	**2008**	2007	Change F/(U)*
Sales Revenue	**1,406.1**	1,329.5	6%
EBIT	**146.1**	127.4	15%
Operating Net Assets	**784.1**	732.4	7%
RONA	**19%**	17%	
Business Sales:			
Chemnet	**979.4**	927.7	6%
Watercare	**223.8**	198.0	13%
Mining Chemicals	**187.3**	148.8	26%
Industrial Chemicals(1)	**48.6**	81.6	(40%)

(1) 2007 includes contribution from Adhesives and Resins
* F – Favourable, (U) – Unfavourable

Consumer Products

Record EBIT performance with underlying earnings up 10% on the pcp to $123M. Total reported earnings up by 21% as the pcp included $10M Yates restructuring provision.

HIGHLIGHTS

- Sales revenue increased by 6% on the pcp.
- Record earnings for Paints and Selleys driven by strong market share growth.
- Strong turnaround in the Yates business, with restructure benefits complemented by market share gains and market growth.

BUSINESS SUMMARIES

Coatings

- Sales revenue growth of 6% on the pcp driven by record market share gains.
- Australian retail earnings were ahead of last year primarily on volume growth driven by market share increases through major channel partners and continuing investment in marketing spend and brand recognition.
- Australian trade paint earnings grew as a result of ongoing investment, higher market share and increased distribution.
- New Zealand earnings were down significantly on lower volumes in deteriorating market conditions.
- Texture Coatings again delivered double digit earnings growth on the pcp due to both market share and industry growth. Additional resources have been put into this division to meet expected future growth.
- Strong Woodcare earnings growth, driven by increased share and benefit of owning the Cabot's brand in Australia.
- Powder Coatings' ANZ business delivered earnings in line with the pcp.
- Strong performance from PNG, driven by volume growth.
- Raw material cost increases were offset by a combination of price management and productivity improvements.

Home Improvement and Garden Care

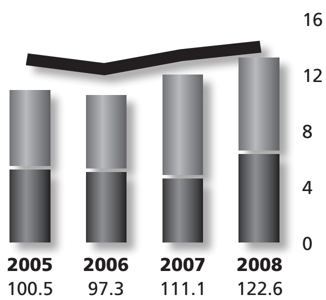
- Record result for Selleys driven by market share growth and productivity improvements.
- Earnings increase in Yates is a result of delivering cost saving benefits from the ongoing restructuring program and increased volumes through new product development and marketing initiatives.

PERSPECTIVES FOR 2009

- Uncertainty surrounding a softening in consumer confidence and weak general housing market conditions. Economic conditions in NZ expected to remain difficult.
- Raw material prices to increase due to a significant softening of the Australian dollar.
- Continued development of a business platform in China with the acquisition in November 2008 of Sopel, a complementary small decorative coatings business, located in Shanghai.

Record EBIT performance with underlying earnings up 10% on the pcp to $123M. Total reported earnings up by 21% as the pcp included $10M Yates restructuring provision.

EBIT ($M) and EBIT Margin (%)



Key
EBIT Margin EBIT H2 EBIT H1

Financial Performance $M

Year ended September	2008	2007	Change F/(U)*
Sales Revenue	**875.4**	826.3	6%
EBIT	**122.6**	101.6	21%
Underlying EBIT(1)	**122.6**	111.1	10%
Operating Net Assets	**279.0**	242.7	15%
RONA	**47%**	44%	
Business Sales:			
Coatings	**650.9**	613.2	6%
Home Improvement and Garden Care(2)	**224.5**	213.2	5%

(1) Excluding the impact of the 2007 Yates restructuring provision
(2) Selleys & Yates
* F – Favourable, (U) – Unfavourable

Board Members

Donald P Mercer
BSc (Hons) MA (Econ)

Chairman, Non-Executive Director since October 1997, Chairman since May 2001. Chair of the Board's Remuneration and Appointments Committee and Corporate Governance and Nominations Committee.

Chairman of Newcrest Mining Limited, Australia Pacific Airports Corporation Limited, Air Liquide Australia Limited and Orchestra Victoria Limited. Former Chairman of Australian Institute of Company Directors Ltd. Former Managing Director and Chief Executive Officer of ANZ Banking Group.

Graeme R Liebelt
BEc (Hons)

Managing Director and Chief Executive Officer (CEO) since September 2005. Executive Director since July 1997. Member of Corporate Governance and Nominations Committee.

Director of Melbourne Business School Limited. Board member of The Global Foundation. Former CEO of Orica Mining Services, Chairman and Director of Incitec Limited, General Manager of Plastics and Managing Director of Dulux.

Noel A Meehan
BSc (Hons), CPA

Executive Director Finance since September 2005. Former Chief Financial Officer of Orica Chemicals, Orica Group Investor Relations Manager and Corporate Reporting Manager.

Prior to joining Orica, he held a variety of finance roles both within Qantas Airways Limited and Australian Airlines Limited.

Michael E Beckett
BSc, FIMM, FRSA

Non-Executive Director since July 2002. Member of the Remuneration and Appointments Committee, Corporate Governance and Nominations Committee and the Safety, Health and Environment Committee.

Chairman of Coalcorp Limited and Deputy Chairman of Thomas Cook Group plc. Director of Northam Platinum Limited (South Africa), Mvelaphanda Resources Limited (South Africa), Egypt Trust Limited and Endeavour Mining Capital Corp. Former Chairman of London Clubs International (UK) plc and WBB Minerals Limited.

Peter J B Duncan
BChE (Hons) GradDip (Bus)

Non-Executive Director since June 2001. Chairman of the Audit and Risk Committee. Member of the Remuneration and Appointments Committee and Corporate Governance and Nominations Committee.

Chairman of Cranlana Programme Foundation and Scania Australia. Former director of National Australia Bank Limited, GasNet Australia Limited and CSIRO and former member of Siemens Australia Advisory Board. Former Chief Executive Officer of the Shell Group of Companies in Australia.

Garry A Hounsell
BBus (Accounting) FCA, CPA, FAICD

Non-Executive Director since September 2004. Member of the Audit and Risk Committee and Remuneration and Appointments Committee.

Chairman of PanAust Limited and Deputy Chairman of Mitchell Communication Group Limited. Director of Qantas Airways Limited and Nufarm Limited. He is also Chairman of Investec Global Aircraft Fund, Prudentia Investments Pty Ltd and a Director of Ingeus Limited, The Macfarlane Burnet Institute for Medical Research and Public Health Limited. Board Member of law firm Freehills. Former Chief Executive Officer and Country Managing Partner of Arthur Andersen and former Senior Partner of Ernst & Young.

Peter M Kirby
BEc (Hons), MA (Econ) MBA

Non-Executive Director since July 2003. Chairman of the Safety, Health and Environment Committee. Member of the Remunerations and Appointments Committee and Corporate Governance and Nominations Committee.

Director of Macquarie Bank Limited. Former Chairman of Medibank Private Limited and Director of the Business Council of Australia. Former Managing Director and Chief Executive Officer of CSR Limited and former Chief Executive Officer of ICI Paints and member of the Executive Board of ICI plc.

Nora Scheinkestel
Ph D, LLB (Hons), FAICD, Centenary Medal

Non-Executive Director since August 2006. Member of the Audit and Risk Committee and Remuneration and Appointments Committee.

Director of AMP Limited, AMP Capital Group, and PaperlinX Limited. Associate Professor Melbourne Business School. Former director of Newcrest Mining Limited, Mayne Group Ltd, Mayne Pharma Limited, North Ltd, MBF Health Fund, Docklands Authority, IOOF Funds Management and a number of utilities across the gas, water and electricity sector. Also former Chairman of South East Water and Energy 21 and Stratus Group.

Michael Tilley
GradDip, BA

Non-Executive Director since November 2003. Member of the Remuneration and Appointments Committee.

Former Managing Director and Chief Executive Officer of Challenger Financial Services Group Limited. Former member of the Takeovers Panel. Former Non-Executive Director of Incitec Ltd and former Vice-Chairman of JP Morgan.

Catherine M Walter
AM, LLB (Hons) LLM MBA

Non-Executive Director since October 1998. Member of the Remuneration and Appointments Committee and the Safety, Health and Environment Committee.

Chairman of the Australian Synchrotron and a Director of James Hardie Industries N.V., Australian Foundation Investment Company, Payment Systems Board and Financial Reporting Council. A director of a number of not-for-profit entities including Melbourne Business School, Walter and Eliza Hall Institute of Medical Research and Melbourne International Arts Festival. Former Director of Australian Stock Exchange and National Australia Bank Limited.

Russell R Caplan
LLB, FAICD

Non-Executive Director since October 2007. Member of the Remuneration and Appointments Committee and the Safety, Health and Environment Committee.

Chairman of the Shell Group of Companies in Australia and the Melbourne and Olympic Parks Trust. Director of the Australian Institute of Petroleum and the Australian Science Media Centre. Board member of The Global Foundation. Former Director of Woodside Petroleum Limited.

Annette M Cook
Dip Bus (Accounting), Dip Bus (Data Processing), CPA

Company Secretary of Orica Limited since 16 February 2005 and prior to that was assistant Company Secretary from August 2002. Joined Orica in July 1987 and has had a variety of roles in Business Services, IT and Finance.

Group Executive Team

Graeme R Liebelt
BEc (Hons)
Managing Director

Graeme has held a variety of key positions within the Orica Group since joining in 1989 including Chief Executive of ICI Paints Pacific, General Manager Plastics and Advanced Sciences Groups and Chief Executive Officer Orica Mining Services.

Prior to joining Orica Graeme held a number of senior positions including Marketing Director Repco (Australia), Marketing Director Philip Morris (Australia) and Consultant for Pappas Carter (now Boston Consulting Group)

Noel Meehan
BSc (Hons), CPA
Executive Director Finance

Noel joined Orica in April 1999 as Corporate Reporting Manager. Since then, he as held a number of other senior finance roles within the Group, including CFO for Orica Chemicals and Orica Group Investor Relations Manager. Noel was appointed to the role of Chief Financial Officer in May 2005 and Executive Director Finance in September 2005.

Prior to joining Orica, Noel held a variety of finance roles both within Qantas Airways Limited and Australian Airlines Limited.

John Beevers
BEng (Mining)
General Manager, Orica Mining Services Australia/Asia

John joined Orica in 1985, starting in the Operations Division of Mining Services (Australia). Since then he has held a variety of positions in Mining Services with leadership roles in Technology, Operations and Business.

Prior to this appointment John was General Manager, Chemical Services.

Note: John was appointed Chief Executive Officer, Orica Mining Services, effective 13 November, 2008.

Craig Elkington
Bbus (Acc), CPA
President, Orica Mining Services, North America

Craig joined Orica in 1994 initially with corporate accounting responsibilities before moving into several senior finance roles across the Group's business platforms. In 1998 he moved to Denver, Colorado to join the North American Mining Services business following the acquisition of ICI's explosives operations.

In recent years he has held the CFO positions of the Company's former subsidiary Incitec Ltd, Chemicals Division and most recently as CFO of the global Mining Services Group. Craig was appointed to the role of President Orica Mining Services North America in December 2007.

Prior to joining Orica, Craig held a number of positions with Qantas Airways Limited, Australian Airlines Limited and Touche Ross International.

Philippe Etienne
BSc, MBA, GradDip (Marketing)
Chief Executive Officer, Orica Mining Services

Philippe joined Orica in 1985 from the Bonds Coates Patons Group where he held sales and consumer marketing positions.

Initially in Orica's Chemicals Group, Philippe has held a number of commercial roles including General Manager of Valchem, Watercare and then the ChlorAlkali Division. In 2000 he moved to Denver, Colorado to join the international management team of Orica Mining Services as Senior VP – Strategic Planning.

Prior to this appointment, Philippe was Managing Director of Orica's European, Middle Eastern and African business group based in Germany.

Note: Due to illness, Philippe stood down from his position effective 13 November, 2008.

Patrick Houlihan
BSc (Hons), MBA
General Manager, Orica Consumer Products

Patrick has been with the company for 19 years joining the Dulux business in 1989 as a research chemist. Progressing through a succession of technical, commercial and senior leadership roles including Dulux Director of Marketing and Selleys Sales Director, he has accumulated extensive experience across all facets of the Orica Consumer Products (OCP) division.

Prior to this appointment, Patrick was General Manager of the Yates business.

Andrew Larke
LLB, BComm, Grad Dip (Corporations & Securities Law)
Group General Manager, Mergers and Acquisitions, Strategy and Technology

Andrew has spent over 15 years in mergers, acquisitions, divestments and corporate advisory. He joined Orica in April 2002 as General Manager, Mergers and Acquisitions and has been responsible for leading Orica's M&A activities since that time, including the merger of Incitec and Pivot in 2003, the subsequent divestment of Orica's shareholding in the merged Incitec Pivot entity in 2006 and the acquisition of Dyno Nobel in 2005.

Before joining Orica, Andrew was principal in SLM Corporate Advisory and prior to that held the role of General Manager Mergers, Acquisitions and Strategy at resources company North Limited where he also held a number of senior commercial and legal roles.

Michael Reich
B Mining Eng
Chief Executive Officer, Minova

Michael was appointed to the role of Chief Executive Officer Minova in December 2007.

Prior to his appointment, Michael was CEO of Minova's German business for five years.

Michael has extensive experience in the mining industry particularly in the area of underground coal mining operations. Throughout his career he has as held a number of positions including sales and operations management.

Greg Witcombe
BSc
General Manager, Chemicals

Greg joined the company in 1977 as a research chemist with the Agricultural Products business before moving into a series of commercial roles in the Chemicals business, including a secondment to the United Kingdom where he had responsibility for chemical exports to Asia.

His senior management positions have included General Manager of Trading (Chemnet) and Mining Chemicals, General Manager of Polyethylene Group, Manager Director of Incitec Ltd and Managing Director of Incitec Pivot Limited.

Prior to this appointment, Greg was General Manager People and Community with responsibility for Human Resources, Safety Health and Environment, Corporate Affairs, Six Sigma and Group Procurement.

Corporate Governance

Orica's directors and management are committed to conducting the company's business ethically and in accordance with high standards of corporate governance.

This statement describes Orica's approach to corporate governance. The Board believes that Orica's policies and practices comply with the Australian Stock Exchange (ASX) Corporate Governance Council Principles and Recommendations. The company's corporate governance policies can be viewed on the company's website at www.orica.com.

INTEGRITY OF REPORTING

The company has controls in place at the Board and business group level that are designed to safeguard the company's interests and integrity of its reporting. These include accounting, financial reporting, safety, health and environment and other internal control policies and procedures, which are directed at monitoring whether the company complies with regulatory requirements and community standards.

Both the Managing Director and Executive Director Finance are required to state in writing to the Board that:

- the company's financial reports represent a true and fair view of the group's financial condition and operational results and are in accordance with relevant accounting standards; and
- these statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

These assurances are based on a financial letter of assurance that cascades down through management and includes sign-off by business general managers and business chief financial officers.

Comprehensive practices have been adopted to monitor:

- that capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- financial exposures including the use of derivatives;
- safety, health and environment standards and management systems to achieve high standards of performance and compliance; and
- that business transactions are properly authorised and executed.

Internal audit has a mandate for reviewing and recommending improvements to controls, processes and procedures used by the company across its corporate and business activities. The company's internal audit is managed by the Chief Risk Officer and undertaken by an independent firm of accountants.

The company's financial statements are subject to an annual audit by an independent, professional auditor who also reviews the company's half-yearly financial statements. The Board Audit and Risk Committee oversees this process on behalf of the Board.

RISK IDENTIFICATION AND MANAGEMENT

Orica believes that effective risk management supports the company's ability to grow. Orica recognises the importance of risk management practices across all businesses and operations. Effective risk management highlights for management's attention the risks of loss of value and provides a framework to achieve and deliver the company's strategy.

The Board establishes the policies for the oversight and management of material business risks and internal control. The design and implementation of the risk management and internal control systems to manage the company's material business risks is the responsibility of management. The Board satisfies itself that management has developed and implemented a sound system of risk management and internal control.

The key elements of the policies for the oversight and management of material business risks are:

- Material financial and non-financial business risks, covering 12 risk categories, are systematically and formally identified and assessed by the Board, group executive and business groups on (at least) an annual basis.
- Risk assessments are also performed for individual material projects, capital expenditure and country risks.
- Management plans are established for each significant identified risk outlining the mitigation strategy and tasks, and the management responsible for the action.
- Formal risk reporting is provided to the Board on an ongoing basis including information relating to risk profiles and progress against plans.

Both the Managing Director and Executive Director Finance have provided a report to the Board that the risk management and internal control systems have been designed and implemented to manage the company's material business risks, and those risks are managed effectively.

A separate role of Chief Risk Officer exists, reporting to the Executive Director Finance and liaising directly with the Chairman of the Board Audit and Risk Committee, to manage the company's risk management and internal audit program.

A third party assists the Board in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the risk management and internal control systems, and periodically provides assistance and input when undertaking risk assessments.

THE BOARD ROLE

The Board of Orica Limited sees its primary role as the protection and enhancement of long term shareholder value. The Board is accountable to shareholders for the performance of the company. It directs and monitors the business and affairs of the company on behalf of shareholders and is responsible for the company's overall corporate governance.

The Board responsibilities include appointing the Managing Director and succession planning, approving major strategic plans, monitoring the integrity and consistency of management's control of risk, agreeing business plans and budgets, approving major capital expenditure, acquisitions and divestments, approving funding plans and capital raisings, agreeing corporate goals and reviewing performance against approved plans.

Responsibility for managing, directing and promoting the profitable operation and development of the company, consistent with the primary objective of enhancing long term shareholder value, is delegated to the Managing Director, who is accountable to the Board.

The Board recognises the respective roles and responsibilities of the Board and management in the charters prepared for the Board, Managing Director and Chairman and in the company's reserved authorities approved by the Board.

COMPOSITION

The Board considers that its structure, size, focus, experience and use of committees enables it to operate effectively and add value to the company.

Orica maintains a majority of non-executive directors on its Board and separates the role of Chairman and Managing Director.

The Board currently comprises eleven directors: nine independent non-executive directors, including the Chairman, and two executive directors, being the Managing Director and the Executive Director Finance.

Details of the directors as at the date of this report, including their qualifications and experience are set out on page 12.

The composition of the Board seeks to provide an appropriate range of experience, skills, knowledge and perspective to enable it to carry out its obligations and responsibilities. In reviewing the Board's composition and in assessing nominations for appointment as non-executive directors, the Board uses external professional advice as well as its own resources to identify candidates for appointment as directors.

The balance of skills and experience of the Board is critically and regularly reviewed by the Corporate Governance and Nominations Committee.

INDEPENDENCE

The Board recognises the special responsibility of non-executive directors for monitoring executive management and the importance of independent views.

The Chairman and all non-executive directors are independent of executive management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment or compromise their ability to act in the best interests of the company.

The independence of each director is considered on a case by case basis from the perspective of both the company and the director. Materiality is assessed by reference to each director's individual circumstances, rather than by applying general materiality thresholds. Each director is obliged to immediately inform the company of any fact or circumstance, which may affect the director's independence.

If a conflict of interest arises, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Directors must keep the Board advised, on an ongoing basis of any interests that could potentially conflict with those of the company.

SELECTION AND APPOINTMENT OF DIRECTORS

The directors are conscious of the need for Board members to possess the diversity of skill and experience required to fulfil the obligations of the Board. In considering membership of the Board, directors take into account the appropriate characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the company.

Nominations for appointment to the Board are considered by the Corporate Governance and Nominations Committee and approved by the Board as a whole.

Non-executive directors are subject to shareholder re-election by rotation at least every three years, and normally do not serve more than 10 years.

All directors must obtain the Chairman's prior approval before accepting directorships or other significant appointments.

An orientation program is offered to new directors including a program of site visits and briefings on Orica's businesses and operations and key policies and controls.

BOARD MEETINGS

The Board has eight scheduled meetings per year, of which six are two days duration. Additional meetings are held as the business of the company may require. Directors receive comprehensive Board papers in advance of the Board meetings. As well as holding regular Board meetings, the Board sets aside at least two days annually to comprehensively review business plans and company strategy. Directors also receive regular exposure to Orica's businesses and the major regulatory controls relevant to the company. Directors also undertake site visits to a range of Orica operations to meet with employees, customers and other stakeholders.

In those months that Board meetings are not scheduled directors receive financial and safety, health and environment reports and an update from the Managing Director on the performance of the company and any issues that have arisen since the last Board meeting.

In conjunction with or in addition to scheduled Board meetings, the non-executive directors meet together without the presence of management and the executive directors to discuss company matters.

To aid the effectiveness of Board meetings each scheduled Board meeting is subject to a critical review evaluating the standard of information and material presented to the Board and the quality of the contribution made by directors to the consideration of issues on the agenda.

BOARD AND EXECUTIVE PERFORMANCE

Orica has in place a range of formal processes to evaluate the performance of the Board, Board Committees and executives. These processes can be viewed on the Orica website at www.orica.com.

At the conclusion of the year, the Board carries out a review of its performance. Directors standing for re-election are subject to a performance review conducted by the Board. In addition, each Board Committee reviews its effectiveness. An independent review of Board, Committee and director performance is undertaken periodically. During the year the annual Board and committee reviews were conducted in respect of the previous financial year in accordance with the process set out above.

The non-executive directors are responsible for regularly evaluating the performance of the Managing Director. The evaluation is based on specific criteria, including the company's business performance, short and long term strategic objectives and the achievement of personal objectives agreed annually with the Managing Director.

All Orica executives are subject to an annual performance review. The review involves an executive being evaluated by their immediate superior by reference to their specific performance contract for the year, including the completion of key performance indicators and contribution to specific business and company plans. All Orica executives, including the Chief Executive Officer, have had their performance evaluated during the year in accordance with the process set out above.

ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Each director has the right of access to all relevant company information and to the company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the company's expense. Pursuant to a deed executed by the company and each director, a director also has the right to have access to all documents which have been presented to meetings or made available whilst in office, or made available in relation to their position as director for a term of seven years after ceasing to be a director or such longer period as is necessary to determine relevant legal proceedings that commenced during this term.

SHAREHOLDINGS OF DIRECTORS AND EMPLOYEES

The Board has approved guidelines for dealing in securities. Directors and employees must not, directly or indirectly, buy or sell the shares or other securities of Orica, excluding participation in the Dividend Reinvestment Plan, when in possession of unpublished price sensitive information, which could materially affect the value of those securities. Subject to this restriction, directors and employees may buy or sell Orica shares during the following trading windows:

- in the 28 day period commencing 24 hours after the announcement of the Orica half-year results; and

- in the period commencing 24 hours after the announcement of the full-year results and ending 31 January.

Directors and employees must receive clearance from the Chairman or Company Secretary for any proposed dealing in Orica shares outside of a trading window.

Directors and employees must not deal in Orica securities on a short-term basis or enter into short-term derivative arrangements in any circumstances. Directors and employees may deal in securities via a margin loan arrangement in relation to their Orica securities where:

- the Orica securities are not held "at risk" or subject to restrictions under an Orica employee, executive or director plan;
- the margin lending arrangement does not, of itself, trigger a transfer in the legal or beneficial ownership of the underlying securities;
- the arrangement is entered into during a trading window; and
- the Company Secretary is notified prior to the margin lending arrangement being entered into.

Directors and employees may create or enter into a derivative arrangement in relation to Orica securities where:

- the Orica securities are not held "at risk" or subject to restrictions under an Orica employee, executive or director plan;
- the derivate arrangement would not be considered a short term derivate arrangement; and
- the Company Secretary is notified prior to the derivate arrangement being entered into.

Any transaction conducted by directors in Orica securities is notified to the Australian Stock Exchange. Each director has entered into an agreement with the company to provide information to allow the company to notify the ASX of any transaction within 5 business days. The current shareholdings are shown in Note 37.

DIRECTORS' FEES AND EXECUTIVE REMUNERATION

The remuneration report on page 24 sets out details regarding the company's remuneration policy, fees paid to directors for the past financial year, and specific details of executive remuneration.

BOARD COMMITTEES

The Board has charters for each of its committees. Charters are reviewed annually and objectives set for each committee. The committees report back to the Board and do not have formal delegation of decision making authority. The Committee Chairmen report on the committees as a standing item of the Board agenda. Additionally any director is welcome to attend any committee, and minutes of the committees are circulated to the Board. The charters may be viewed on the Orica website at www.orica.com.

BOARD AUDIT AND RISK COMMITTEE

The Board Audit and Risk Committee comprises three independent non-executive directors with relevant financial, commercial and risk management experience. The Chairman of the Board Audit and Risk Committee is separate from the Chairman of the Board. Peter Duncan is the current Chairman of the Board Audit and Risk Committee and the other members are Garry Hounsell, and Nora Scheinkestel. The Chairman, Managing Director and Executive Director Finance attend ex officio.

The committee is charged with assessing the adequacy of the company's financial and operating controls, oversight of risk management systems and compliance with legal requirements affecting the company. The committee meets at least four times per year.

Details of directors' attendance at meetings of the Audit and Risk Committee are set out in the Directors' Report on page 21.

The committee assesses and reviews external and internal audits and risk reviews and any material issues arising from these audits or reviews. It also assesses and reviews the accounting policies and practices of the group as an integral part of reviewing the half yearly and full year accounts for recommendation to the Board. It also makes recommendations to the Board regarding the appointment of external auditors and the level of their fees and provides a facility, if necessary, to convey any concerns raised by the internal and external auditors independent of management influence. The external and internal auditors attend committee meetings and meet privately with the committee at least twice per year.

The Board Audit and Risk Committee monitors the level of any other services provided by the external auditor for compatibility in maintaining auditor independence. Restrictions are placed on other services performed by the external auditor and projects outside the scope of the approved audit program require the approval of the Chairman of the Board Audit and Risk committee. Any other services with a value of greater than $20,000 must be submitted to the Committee for approval in advance of the work being undertaken. The committee is asked to ratify any other services less than $20,000 in value. The fees paid to the company's external auditors for audit and other services are set out in Note 31.

REMUNERATION AND APPOINTMENTS COMMITTEE

The Remuneration and Appointments Committee, which comprises all the non-executive directors, is chaired by the Chairman of the company and meets at least four times per year.

Details of directors' attendance at meetings of the Remunerations and Appointments Committee are set out in the Directors' Report on page 21.

It reviews the performance and remuneration of senior management including the Managing Director. Remuneration is set by reference to independent data, external professional advice, the company's circumstances and the requirement to attract and retain high-calibre management. It also has responsibility for overseeing the appointment and succession of executive directors and the members of the group executive.

CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

The Corporate Governance and Nominations Committee comprises Don Mercer (Chairman), Graeme Liebelt, Peter Duncan, Peter Kirby and Michael Beckett. The committee monitors new developments in corporate governance practices and evaluates the company's policies and practices in response to changing external and internal factors and the ethical guidelines affecting the company.

This committee also deals with the nomination of directors and considers the most appropriate processes for review of the Board's composition and performance. The committee evaluates the composition of the Board and the annual program of matters considered by the Board to determine whether the appropriate mix of members and business exists to enable the Board to discharge its responsibilities to shareholders.

Details of directors' attendance at meetings of the Corporate Governance and Nominations Committee are set out in the Directors' Report on page 21.

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

The Safety, Health and Environment Committee comprises Peter Kirby (Chairman), Catherine Walter, Michael Beckett and Russell Caplan. The Chairman and Managing Director attend ex officio.

The committee assists the Board in the effective discharge of its responsibilities in relation to safety, health and environmental matters arising out of activities within the company as they affect employees, contractors, visitors and the communities in which it operates. The committee also reviews the company's compliance with the environment policy and legislation and reviews safety, health and environmental objectives, targets and due diligence processes adopted by the company.

Details of directors' attendance at meetings of the Safety, Health and Environment Committee are set out in the Directors' Report on page 21.

EXECUTIVE AND SPECIAL COMMITTEES

In addition, there is a standing Executive Committee comprising the Chairman, the Managing Director, the Executive Director Finance and any other non-executive director who is available (but at least one), which is convened as required, to deal with matters that need to be dealt with between board meetings. From time to time special committees may be formed on an as-needs basis to deal with specific matters.

CONTINUOUS DISCLOSURE AND KEEPING SHAREHOLDERS INFORMED

The company seeks to provide relevant and timely information to its shareholders and is committed to fulfilling its obligations to the broader market for continuous disclosure and enabling equal access to material information about the company.

The Board has approved a continuous disclosure policy so that the procedures for identifying and disclosing material and price sensitive information in accordance with the Corporations Act and ASX Listing Rules are clearly articulated. This policy sets out the obligations of employees and guidelines relating to the type of information that must be disclosed and may be viewed on the Orica website at www.orica.com.

Information provided to and discussions with analysts are subject to the continuous disclosure policy. Material information must not be selectively disclosed prior to being announced to the Australian Stock Exchange. The Company Secretary is the person responsible for communication with the Australian Stock Exchange.

The www.orica.com website contains copies of the annual and half year reports, ASX announcements, investor relations publications, briefings and presentations given by executives (including webcasts) plus links to information on our products and services. Shareholders may elect to receive electronic notification of releases of information by the company and receive their notice of meeting and proxy form by email. Electronic submission of proxy appointments and power of attorney are also available to shareholders. Page 128 of this report contains details of how information provided to shareholders may be obtained.

The Board encourages full participation of shareholders at the Annual General Meeting. Important issues are presented to the shareholders as single resolutions. The external auditor attends annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

CODE OF ETHICS

Orica acknowledges the need for directors, executives and employees to observe the highest ethical standards of corporate behaviour. Orica has adopted a Code of Ethics which applies to all countries in which Orica operates and in accordance with international laws and standards, provides employees with guidance on what is acceptable behaviour. Specifically, the company requires that all directors, managers and employees maintain the highest standards of integrity and honesty.

The key elements of the code are:

- fairness, honesty and loyalty supporting all actions;
- being aware of and obeying the law;
- individually and collectively contributing to the well-being of shareholders, customers, the economy and the community;
- avoiding behaviour, which is likely to reflect badly on employees and the company; and
- openness and public disclosure as the test for all actions.

To assist employees in applying the code in practice, the company has developed policies and guidelines dealing with the following:

- safety, health and environment;
- protection of information and the company's resources;
- trade practices compliance;
- privacy;
- conflict of interest;
- insider trading and dealing in securities;
- equal employment opportunity and harassment;
- gifts and benefits and facilitation payments; and
- prevention of, and dealing with, fraud.

The Code of Ethics is regularly reviewed and approved by the Corporate Governance and Nominations Committee and processes are in place to promote and communicate these policies. An Integrity Hotline has been established to enable employees to report breaches of the Code of Ethics. If a report is made, it is escalated to the Orica Business Conduct Committee comprising the Executive Director Finance, General Manager People and Community, the Group General Counsel and the Chief Risk Officer, who collectively determine appropriate organisational actions, take appropriate independent advice and seek to protect the anonymity of the reporter.

The Code of Ethics may be viewed on the Orica website at www.orica.com.

SAFETY, HEALTH & ENVIRONMENT

Orica considers the successful management of safety, health and environment issues as a vital issue for our employees, customers, communities and business success. At each Board meeting the directors receive a report on current safety, health and environment issues and performance in the group. The Board receives more detailed presentations on safety, health and environment every six months. A separate Board Safety, Health and Environment Committee reviews and monitors environmental issues at Board level.

For more in-depth information on our SH&E and Sustainability commitments in 2008, visit the Orica website:
www.orica.com/sustainability.
The Sustainability section of this Annual Report details the actions being undertaken by the company to improve its environmental performance.

DONATIONS

The equivalent of dividends payable on a shareholding of approximately 0.5% of the company's ordinary issued capital is allocated for donation at the direction of the Corporate Governance and Nominations Committee.

Orica's operations contribute to their local communities with donations, sponsorship and practical support and there is an employee giving program known as 'Dare to Share' across all Australian sites. From the amount allocated for corporate donations, Orica matches employee 'Dare to Share' contributions and may support worthwhile causes overseas. The amount remaining is allocated to the Orica Community Program and is distributed to selected Australian charitable organisations in accordance with published criteria. Orica does not make political donations.

Orica and Sustainability

Orica has a longstanding commitment to ensuring that we care for the safety of the people we work with, and the communities and environments within which we operate. In very complex work environments, we are proud of our ability to maintain world-class safety performance and introduce innovative ways to reprocess by-products into saleable products.

Our Safety, Health and Environment (SH&E) Policy commits us to:

- value people and the environment; and to achieve.
- no injuries to anyone, ever.

In recent years we have progressed from not only recognising our responsibility for social and environmental issues but also to an understanding of their importance to our ongoing success and growth. To remain cost competitive in a carbon constrained economy, to engage and retain staff in a competitive environment and to enhance our social 'licence to operate' as we expand our global presence, our sustainability aspiration is clear and challenging: we aspire to become a business that does **No Harm to People and the Environment**.

This means a transition to:

- Carbon neutral – no net generation of greenhouse gases to the atmosphere.
- Water neutral – no net consumption of potable water.
- Zero waste – no net generation of waste to landfill and innovative ways to prevent, reduce, reuse and recycle by-product streams.
- Environmentally friendly operations, products and services – that have no unintended consequences to the environment and the community

… in a commercially responsible way.

Our vision is supported by our 'Challenge 2010' SH&E targets. Our people have worked hard to deliver a solid performance against the targets in 2008.

VALUE PEOPLE AND THE ENVIRONMENT

We understand that the way we conduct our business affects the environment, the people who work for us and live in the local community. We aim to make this impact a positive one.

In 2008 we sought to provide an engaging and enjoyable workplace, free of discrimination and offering a range of training and development opportunities.

Our Emergency Response Service continued to provide a world-class service in 2008, handling 335 calls from customers and employees, transport carriers, emergency services, government authorities, hospitals, veterinarians, as well as members of the public.

Today we operate in around 50 countries and publish company news in twelve languages other than English. In 2008 our employees continued to engage with their local communities around the world, providing in kind and financial support to a number of community organizations, particularly in less affluent regions.

NO INJURIES TO ANYONE, EVER

We are committed to eliminating fatalities and serious injuries from our workplaces.

In 2008 our people worked hard to continue implementation and compliance with our safety-related Model Procedures and improve reporting of 'learning incidents'. While there were no fatalities at our operations this year, we are disappointed to report that our headline "All Worker Recordable Case Rate" has increased from 0.60 in 2007 to 0.72 in 2008.

We are saddened to report that there were seven fatalities to members of the public in separate distribution incidents this year. Although no fault was attributed to either Orica or contracted drivers in any of the events, we will maintain our vigilance and rigorously apply our SH&E systems and tools to manage all distribution related risks under the company's control.

CARBON NEUTRAL

We emit greenhouse gases including carbon dioxide and nitrous oxide from our operations. We have improved our energy efficiency by 14 per cent and reduced our greenhouse gas emissions per tonne of production by 21.6 per cent compared to our 2004 baseline year.

In 2008 we commenced nitrous oxide abatement at our operation in Carseland, Canada. As our third largest emitter of greenhouse gases, the 80 per cent abatement currently achieved at Carseland, with no production losses, is a significant achievement for our business. We are following up on this success with plans for an abatement program at our Bacong operation in the Philippines. The program will be implemented under the Kyoto Protocol's Clean Development Mechanism. We expect to roll out the abatement program to all Orica Nitric Acid Plants over the next two years, with the potential to reduce our overall greenhouse gas emissions by up to 55 per cent.

We have completed detailed assessments at our two most energy intensive sites in Australia, which have identified many energy efficiency projects. A Sensitivity Analysis for carbon and water is now included in all of our significant expenditure proposals and contracts.

We are working with the Australian Department of Climate Change to ensure Orica is appropriately considered under the proposed Carbon Pollution Reduction Scheme.

WATER NEUTRAL

We have reduced our water use per tonne of production by 26.9 per cent compared to our 2004 baseline year, achieving our Challenge 2010 target of a 15 per cent reduction

We are reducing consumption of potable water through the supply of treated water from our Botany Groundwater Treatment Plant (GTP). In 2008 we supplied more than 460 ML to our nearby Chlorine Plant and third party users. This water reuse project resulted in Orica and Qenos (which also consumed GTP treated water) winning the Plastics and Chemicals Industry Association (PACIA) Environment Award. We also completed the preliminary design for a project to supply 100 per cent recycled water from the Hunter River to our Kooragang Island operation. If successful, this project will reduce Orica's total water use by 30 per cent.

ZERO WASTE

We have reduced our waste generation per unit of product by 55 per cent compared to our 2004 baseline year, achieving our Challenge 2010 target of a 50 per cent reduction. Our most waste-intensive site, Rocklea, reduced its waste to landfill by 15 per cent this year by recycling wash water particulates into the manufacture of compost. Orica Consumer Products (OCP) in New Zealand has developed a commercially viable particleboard using recycled paint, powder coatings and wood waste. OCP has also demonstrated market leadership in waste paint and packaging recycling projects.

ENVIRONMENTALLY FRIENDLY

We continue to analyse the full lifecycle impacts of our major products. This year we worked with our customers and suppliers to define, and measure sales of, low-impact or 'greener' products. These include our sustainable Blast Based Services for the world explosives market and our expanded range of "Green" paint products, including low-VOC and carbon-neutral paint products.

Read more about how we delivered on our SH&E and Sustainability commitments in 2008 in our Full Report at:
www.orica.com/sustainability

Financial Report

Directors' Report

The directors of Orica Limited ('the Company' or 'Orica') present the financial report of the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group') for the year ended 30 September 2008 and the auditor's report thereon.

Directors

The directors of the Company during the financial year and up to the date of this report are:

- D P Mercer, Chairman
- G R Liebelt, Managing Director
- N A Meehan, Executive Director Finance
- M E Beckett
- R R Caplan
- P J Duncan
- G A Hounsell
- P M Kirby
- N L Scheinkestel
- M Tilley
- C M Walter

Particulars of directors' qualifications, experience and special responsibilities are detailed on page 12 of the annual report.

A Cook (Dip Bus (Accounting), Dip Bus (Data Processing), CPA) has been a company secretary of Orica Limited since 16 February 2005 and prior to that was assistant company secretary from August 2002, following a series of roles in Orica over 20 years.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are listed below:

Director	Scheduled Board Meetings		Audit and Risk Committee		Remuneration and Appointments Committee		Corporate Governance and Nominations Committee		Safety, Health and Environment Committee	
	Held [1]	Attended [2]	Held [1]	Attended [2]	Held [1]	Attended [2]	Held [1]	Attended [2]	Held [1]	Attended [2]
D P Mercer	10	10	-	-	4	4	4	4	-	-
G R Liebelt	10	10	-	-	-	-	4	4	-	-
N A Meehan [3] [4]	10	10	-	-	-	-	-	-	-	-
M E Beckett	10	10	-	-	4	4	4	4	4	4
R R Caplan	10	10	-	-	4	4	-	-	3	3
P J Duncan	10	10	4	4	4	4	4	4	-	-
G A Hounsell [4]	10	10	4	4	4	3	-	-	-	-
P M Kirby [3]	10	10	-	-	4	-	4	4	4	4
N L Scheinkestel [4]	10	10	4	4	4	3	-	-	-	-
M Tilley	10	9	-	-	4	4	-	-	-	-
C M Walter [3]	10	9	-	-	4	3	-	-	4	3

[1] This column shows the number of meetings held during the period the director was a member of the Board or Committee.

[2] This column shows the number of meetings attended.

[3] Also members of the special purpose Rights Issue Committee for capital raising during the year.

[4] Also members of the special purpose Demerger Committee for the demerger of Orica Consumer Products during the year.

In addition to the Board meetings referred to in the above table, available directors attended four meetings during the year to address business matters arising between scheduled Board meetings.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at the date of this report is disclosed in note 37. Directors' interests shown in this note are as at 30 September 2008, however there has been no change in holdings to the date of this report.

Principal activities

The principal activities of the consolidated entity in the course of the financial year were the manufacture and distribution of mining products and services, consumer products and chemical products and services.

Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the review of operations and financial performance of the consolidated entity on pages 4 to 11 of the annual report. Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the directors, disclosure would be likely to result in unreasonable prejudice to the consolidated entity.

On 21 July 2008, Orica announced the intention to demerge its Consumer Products business. On 7 November 2008, Orica announced that in light of the extreme volatility currently being experienced in equity and financial markets, it would defer the proposed demerger of its Consumer Products business indefinitely.

Review and results of operations

A review of the operations of the consolidated entity during the financial year and of the results of those operations is contained on pages 4 to 11 of the annual report.

Dividends

Dividends paid or declared since the end of the previous financial year were:	**$m**
Final dividend paid at the rate of 2.5 cents per share on preference shares, franked to 32.08% (0.8 cents) at the 30% corporate tax rate, paid 18 January 2008.	0.05
Final dividend at the rate of 53 cents per share on ordinary shares, franked to 32.08% (17.0 cents) at the 30% corporate tax rate, paid 14 December 2007.	162.4
Interim dividend declared at the rate of 39 cents per share on ordinary shares, franked to 35.9% (14 cents) at the 30% corporate tax rate, paid 4 July 2008.	122.1
Total dividends paid	284.6
Since the end of the financial year, the directors have declared a final dividend to be paid at the rate of 55 cents per share on ordinary shares. This dividend will be franked to 36.36% (20 cents) at the 30% corporate tax rate.	

Distributions on Step-up preference Shares

Distributions paid since the end of the previous financial year were:	**$m**
Dividend at the rate of 7.8133% per annum, per share, unfranked paid 30 November 2007 for the period from 31 May 2007 to 29 November 2007.	19.6
Dividend at the rate of 8.7317% per annum, per share, unfranked paid 2 June 2008 for the period from 30 November 2007 to 31 May 2008.	21.9
Total distributions paid	41.5

Changes in the state of affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the year ended 30 September 2008 are as follows:

Acquisitions

- On 1 October 2007, Orica acquired Southern Blasting Services, Inc.
- On 24 September 2007, Orica announced that it had signed an agreement to acquire all of Excel Mining Systems LLC. The acquisition was completed on 26 October 2007.
- On 1 December 2007, Orica completed the purchase of Intermountain West Energy, Inc.
- On 9 May 2008, Orica acquired D.C. Guelich Explosive Company.
- On 23 May 2008, Orica acquired the business assets of Strata Control Systems.
- On 14 August 2008, Orica announced it would acquire and complete early in the 2009 financial year its joint venture partners' 48.6% interest in Dyno Nobel Samex SA.
- On 4 September 2008, Orica acquired Arnall Poland Sp z o.o.
- On 30 September 2008, Orica announced it has entered into a joint venture agreement with Southwest Energy LLC.

Contributed Equity

- Orica raised $885.2m net of costs under a rights issue prospectus dated 28 July 2008.
- Under the dividend reinvestment plan, dividends paid during the year were underwritten, raising $156.5m.
- The cumulative non-redeemable preference shares were cancelled during the year at a cost of $7.5m.

Events subsequent to balance date

On 10 November 2008, the directors declared a final dividend of 55 cents per ordinary share payable on 5 December 2008. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2008 and will be recognised in the 2009 financial statements.

On 7 November 2008, Orica acquired Opel Chemical (Singapore) Private Limited which owns a decorative coatings business in China.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2008, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Environmental regulations

Safety, health and environment are cornerstones of Orica culture and Orica has set itself high standards. More specific details about Orica's sustainability initiatives and performance, including safety, health and environment, can be found on the Orica web site – www.orica.com.

Where applicable, manufacturing licences and consents are in place at each Orica site, often in consultation with local environmental regulatory authorities. The measurement of compliance with conditions of licences and consents involves collection of monitoring data. Any breach of licence limits is reported to authorities as required and is investigated to determine cause and ensure the risk of recurrence is minimised.

Environmental Prosecutions

No environmental convictions have been reported in the current period.

The Queensland Environmental Protection Agency has issued summonses in the Queensland Magistrates' Court alleging breaches by Orica of its licence conditions at its Yarwun site at Gladstone, Queensland.

The matter is currently set down for hearing in December 2008.

Orica continues to devote considerable resources to cleaning up legacy sites and is committed to dealing with environmental issues from the past in an honest and practical way.

Indemnification of officers

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the directors, the secretaries and other executive officers, against liabilities incurred whilst acting as such officers to the extent permitted by law.

In accordance with the Company's Constitution, the Company has entered into a Deed of Access, Indemnity and Insurance with each of the Company's Directors and in a few cases specific indemnities have been provided. No director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the year.

The Company has paid a premium in respect of a contract insuring officers of the Company and of controlled entities, against a liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid. Executives and officers of Orica and directors of major subsidiaries have made a contribution to the insurance contract premium.

Non-audit services

During the year, KPMG, the Company's auditor, has performed certain other services in addition to its audit responsibilities.

The Board is satisfied that the provision of non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

No officer of the Company was a former partner or director of KPMG. A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is contained on page 38 of the annual report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are disclosed in note 31.

Remuneration Report – audited

The directors of Orica Limited present the Remuneration Report (which forms part of the Directors' Report) prepared in accordance with section 300A of the Corporations Act for the Company and its controlled entities for the year ended 30 September 2008.

A. Remuneration Report Summary

A.1 Remuneration strategy

Orica is a company that enjoys a strong performance based culture and aims to deliver above average returns to its shareholders. The remuneration strategy adopted by the Company has been a key factor in achieving this success. To ensure appropriateness of the Key Management Personnel (KMP) remuneration strategy, during the year the Board engaged PriceWaterhouseCoopers (PWC) to conduct an independent review that covered elements of reward including the remuneration philosophy strategy and design characteristics.

The review confirmed that the Company's remuneration framework and mix are aligned with the company business strategy. The Company's remuneration approach aims to attract, motivate, reward and retain executives through a remuneration system that is globally relevant, adaptable, sustainable, performance driven, competitive, shareholder aligned, differentiated, retentive and transparent and has a high perceived value. The key elements of the strategy are fixed salary at the market median with the ability to earn top quartile total remuneration based on achievement of clear short and long term performance targets.

Orica has a policy on the use of financial products (e.g. derivatives, margin loans or similar products) by directors and employees, to limit the risk attached to equity instruments (commonly referred to as 'hedging') where those instruments are granted to them as part of their remuneration. Under this policy, Orica securities must not be hedged prior to vesting (i.e. prior to the relevant performance being met) or while they are subject to restriction under a long-term incentive plan, and any Orica securities that have vested and are no longer subject to restriction under a long-term incentive plan may be subject to hedging arrangements provided the Company is notified in advance of the employee/director entering into the relevant arrangement and the arrangements are put in place in a trading window.

Consistent with this policy, the Company's equity plans prohibit hedging of unvested securities. Orica treats compliance with this policy as a serious issue and takes appropriate measures to ensure the policy is adhered to. Breaches of the policy will be subject to appropriate sanctions, which could include disciplinary action or termination of employment.

A.2 Overview of elements of remuneration

As deemed under AASB 124, Key Management Personnel include non-executive directors and members of the Group Executive Team (executive directors and the most highly remunerated executives) who have authority and responsibility for planning, directing and controlling the activities of Orica. In this report, "Executives" refers to executive Key Management Personnel. However non–executive directors had no involvement in the day to day management of the business during the financial year.

Non-Executive Directors

Non-executive directors fees are set at levels which reflect the responsibilities and time commitments required of non-executive directors to discharge their duties. In order to maintain independence and impartiality, these fees are not linked to the performance of Orica.

Executive Directors and Senior Executives

Executive directors and senior executives remuneration comprises both a fixed component and an at-risk component. Fixed remuneration provides a guaranteed level of reward based on the executive's role, skills, knowledge, experience, individual performance, and the employment market. At-risk remuneration rewards executives for achieving financial and business targets and increasing shareholder value – no reward is earned unless pre-determined performance targets are achieved. The mix between fixed remuneration and at-risk remuneration depends on the level of seniority of the executive.

	Elements of Remuneration	Directors		Executives	Discussion in Remuneration Report
		Non-Executive	Executive		
Fixed remuneration	Fees	✓	×	×	B2
	Salary	×	✓	✓	E1
	Compulsory Statutory Superannuation	✓ (1)	✓	✓	B2/E1
	Other benefits	✓	✓	✓	B2/E1
At-risk remuneration	Short Term Incentive (STI)	×	✓	✓	D3
	Long Term Equity Incentive Plan	×	✓	✓	D4/G
Other	Retention arrangements	×	✓(2)	✓	D5
Post-employment	Service Agreements	×	✓	✓	F1
	Termination payments – former Executives	×	✓	✓	E1

Table 1

(1) Retirement allowances for non-executive directors have been discontinued and directors appointed prior to 1 July 2002 preserved their retirement allowances as at 1 July 2004, with no indexation. The allowances will be paid to eligible directors on retirement.

(2) The Managing Director does not participate in the Key Executive Retention Programme.

A.3 Key Management Personnel

Particulars of Key Management Personnel qualifications, experience and special responsibilities are detailed on pages 12 to 13 of the annual report.

All of the current Executives were promoted internally from other roles within the Group reflecting Orica's commitment to succession planning and development of key talent.

The Key Management Personnel to whom this Report applies are:

Name	Role	Commencement Date in current role
Non-Executive		
Donald Mercer	Non-Executive Director	1 October 1997
Michael Beckett	Non-Executive Director	15 July 2002
Russell Caplan	Non-Executive Director	1 October 2007
Peter Duncan	Non-Executive Director	1 June 2001
Garry Hounsell	Non-Executive Director	21 September 2004
Peter Kirby	Non-Executive Director	22 July 2003
Nora Scheinkestel	Non-Executive Director	1 August 2006
Michael Tilley	Non-Executive Director	10 November 2003
Catherine Walter	Non-Executive Director	1 October 1998
Executives		
Current		
Graeme Liebelt	Managing Director	1 September 2005
Noel Meehan	Executive Director Finance	1 May 2005
Philippe Etienne	Chief Executive Officer, Orica Mining Services	1 October 2005
Michael Reich	Chief Executive Officer, Minova	1 February 2008
Andrew Larke	Group General Manager, Mergers and Acquisitions, Strategy and Technology	1 June 2006
Greg Witcombe [1]	Group General Manager, Chemicals	22 September 2008
John Beevers	General Manager, Orica Mining Services Australia/Asia	18 September 2006
Craig Elkington	President, Orica Mining Services, North America	1 April 2008
Patrick Houlihan	General Manager, Orica Consumer Products	1 February 2007
Former		**Leaving Date**
Bronek Karcz	General Manager, Chemnet	31 July 2008
Andrew Coleman [2]	Group General Manager, Chemicals	19 September 2008

Table 2

The Company Secretary is not considered Key Management Personnel. Accordingly, the Company Secretary has not been included in any Key Management Personnel totals.

(1) On 22 September 2008, Greg Witcombe commenced as Group General Manager, Chemicals. Prior to this, Greg Witcombe was General Manager, People and Community.

(2) From 18 December 2006, Andrew Coleman was General Manager of Chemical Services. This business was merged with Chemnet on 21 July 2008 to form the Chemicals business. Andrew Coleman held the role of Group General Manager, Chemicals from 21 July 2008 until he ceased employment with the Group on 19 September 2008.

This Remuneration Report is signed in accordance with a resolution of the directors of Orica Limited.

D P Mercer

Chairman of the Remuneration and Appointments Committee

10th November 2008.

B. Non-Executive Directors' Remuneration

B.1 Policy – independence and impartiality

Non-Executive directors' fees, including committee fees, are set by the Board within the maximum aggregate amount of $1,800,000 approved by shareholders at the 2005 Annual General Meeting. These fees exclude superannuation benefits and other payments in accordance with rule 48.1 of Orica's constitution. These fees are set at levels which reflect the time commitments and responsibilities of non-executive directors. In order to maintain independence and impartiality, non-executive directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance. In setting fees, the Board takes into consideration the Company's existing remuneration policies, external professional advice, survey data on fees paid by comparable companies and the level of remuneration required to attract and retain directors of the appropriate calibre. From 1 April 2007, non-executive directors receive a fee of $140,000 in relation to their service as a director of the Board, and the Chairman, taking into account the greater commitment required, receives a fee of $420,000. The Chairman's fees include payment for service on the Remuneration and Appointments Committee and the Corporate Governance and Nominations Committee. From 1 April 2007, directors who sit on the Board's Audit and Risk Committee and Safety, Health and Environment Committee (SH&E) receive an additional fee of $15,000 per annum, other than Chairs of these Board committees who receive an additional fee of $30,000 per annum. Additional fees of $20,000 per annum are paid for sitting on Special Purpose Committees with Chairs of these Board committees receiving an additional fee of $25,000 per annum. Superannuation contributions are also made. In addition, Non-Executive directors are entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by the director while engaged on the business of the Company, in accordance with rule 50.2 of Orica's constitution.

Orica has discontinued retirement allowances for all Non-Executive directors. Directors appointed prior to 1 July 2002, have had their retirement allowance preserved (as at 1 July 2004) with no indexation and the allowance will be paid to the eligible directors upon retirement. In accordance with rule 48 of the Company's constitution, those retirement benefits do not fall within the maximum aggregate fee cap for Non-Executive directors.

B.2 Remuneration

Details of Non-Executive Directors remuneration is set out in the following table:

For the year to 30 September 2008	Directors Fees (1)	Audit and Risk Committee (1)	SH&E Committee (1)	Super-annuation Benefits (2)	Due Diligence Committees (1) (3)	Other Benefits (4)	Total
	$000	$000	$000	$000	$000	$000	$000
D P Mercer, Chairman (5)	420.0	-	-	37.8	-	-	457.8
M E Beckett	140.0	-	15.0	14.0	-	-	169.0
R R Caplan	140.0	-	11.3	13.6	-	-	164.9
P J Duncan (5)	140.0	30.0	-	15.3	-	-	185.3
G A Hounsell (3)	140.0	15.0	-	16.2	25.0	-	196.2
P M Kirby (3)	140.0	-	30.0	17.1	20.0	-	207.1
N L Scheinkestel (3)	140.0	15.0	-	15.8	20.0	-	190.8
M Tilley	140.0	-	-	12.6	-	-	152.6
C M Walter (3) (5)	140.0	-	15.0	16.2	25.0	-	196.2
Total Non-Executive Directors	**1,540.0**	**60.0**	**71.3**	**158.6**	**90.0**	**-**	**1,919.9**
For the year to 30 September 2007							
D P Mercer, Chairman (5)	375.0	-	-	33.8	-	27.0	435.8
M E Beckett	125.0	-	12.5	12.4	-	-	149.9
P J Duncan (5)	125.0	25.0	-	13.5	-	27.2	190.7
G A Hounsell	125.0	12.5	-	12.4	-	-	149.9
P M Kirby	125.0	-	25.0	13.5	-	-	163.5
N L Scheinkestel	125.0	12.5	-	12.4	-	-	149.9
M Tilley	125.0	-	-	11.3	-	-	136.3
C M Walter (5)	125.0	-	12.5	12.4	-	-	149.9
Total Non-Executive Directors	1,250.0	50.0	50.0	121.7	-	54.2	1,525.9

Table 3

(1) Represents actual directors' remuneration paid during the financial year.

(2) Company contributions made on behalf of Non-Executive directors.

(3) C Walter chaired and P Kirby was a member of the Rights Issue Committee. G Hounsell chaired and N Scheinkestel was a member of the Demerger Committee. The demerger committee continues to operate in 2009.

(4) These benefits relate to spousal travel.

(5) If each eligible Non-Executive Director had ceased to be a director on 30 September 2008 and 30 September 2007, the following benefits would have been payable under the grandfathered Directors' Retirement Scheme: D P Mercer $664,000 (2007 $664,000), P J Duncan $154,800 (2007 $154,800), C M Walter $228,700 (2007 $228,700) (refer Non-Executive Directors' remuneration above). These benefits have been fully provided for in the financial statements.

Directors' Report – Remuneration Report

C. Company performance – the link to reward

C.1 Five year performance

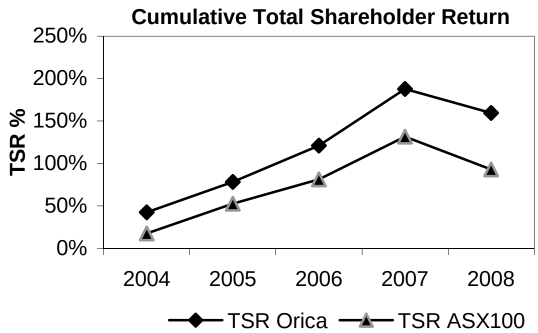
Over the past five financial years, the Board has set challenging financial performance targets for management and has directly aligned executive incentives to the achievement of those targets. The link is clear: when target performance is achieved, target executive rewards are earned, and when above target performance is achieved, executives earn above target rewards.

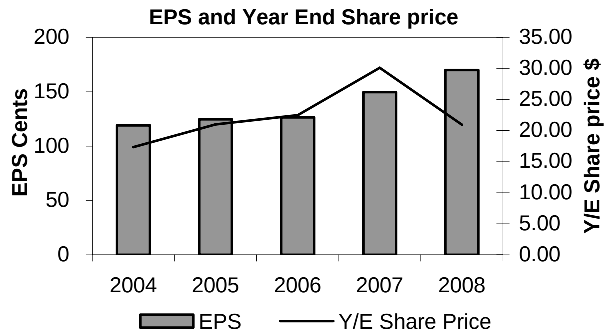
Orica has enjoyed strong performance over the past five years:

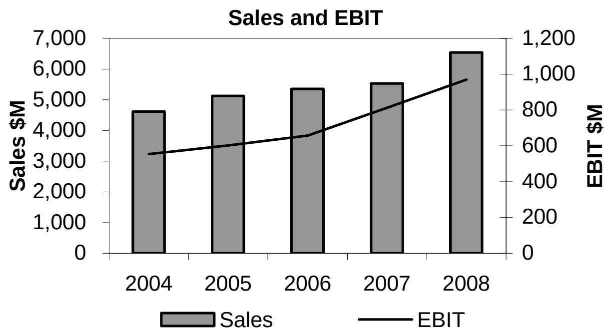
- net profit after tax (before individually material items) has grown at a compound rate of 16.2% per annum over the five years;
- the share price has increased 75% over that period;
- an average of 79.2 cents per ordinary share has been paid to shareholders under the Company's dividend policy;
- additional returns to shareholders have been made through share buy-backs; and
- total shareholder return (TSR) over the past five years has been 159.3%.

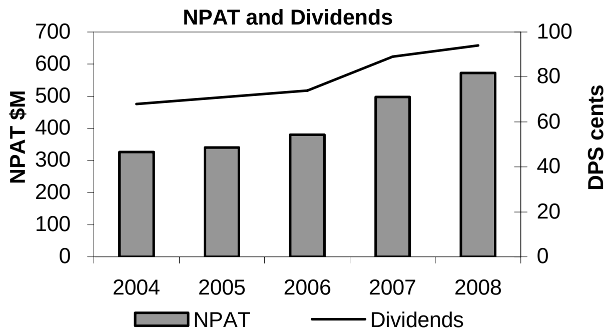
As a result, for the past five years, executives have generally earned rewards at or above target levels.

The Board believes that directly linking executive rewards to performance targets has been a key driver in the achievement of the strong results shown in the charts below. Note that financial data prior to 2005 is stated under accounting standards used prior to the adoption of International Financial Reporting Standards.









Further information about this year's performance is set out in the Managing Director's report on page 3 and throughout the annual report.

Over the past five years, Orica has conducted a series of on-market share buy-backs as part of its capital management strategy. These buy-backs have resulted in a total buy-back of 19,413,021 ordinary shares, with $377.5 million returned to shareholders.

C.2 Link to performance

All of the at-risk component of executive remuneration is tied to performance.

Executive **short term incentives** are linked to overall performance measures for Orica and specific measures for businesses in the areas of financial performance (net profit after tax (before individually material items) (NPAT), earnings before interest and tax before individually material items (EBIT) and cash flow) and safety. The specific measures and their weightings vary depending on the seniority and role of the executive. Each year, a performance contract specifying target, stretch and threshold performance measures is set and agreed with each executive, by that executive's manager. The performance contract of the Managing Director is set and agreed with the Chairman. The Chairman and the Board's Remuneration and Appointments Committee review executive performance targets to ensure they are appropriately challenging.

Executive **long term incentives** (delivered through the Long Term Equity Incentive Plan) are linked to growth in Orica's share price and growth in Total Shareholder Return (TSR).

The table below shows how specific measures of Company performance and shareholder value link to executive at-risk rewards.

These measures are directly linked to short term incentives. A minimum level of NPAT must be achieved before any incentives are paid.

Executive long term incentives are directly linked to share price and TSR growth.

	2003	2004	2005	2006	2007	2008
External Sales ($m)	3,958.6	4,610.5	5,126.7	5,359.2	5,527.2	6,544.1
Cash flow from operating activities ($m)	500.4	587.9	375.8	413.9	524.3	736.9
EBIT ($m)	442.3	553.3	600.9	657.7	812.7	970.1
NPAT - Net profit after tax (before individually material items) ($m)	270.3	325.6	339.9	380.3	497.8	572.3
All Workers Recordable Case Rate	1.08	0.74	0.85	0.57	0.60	0.72
Dividends per ordinary share (cents)	52.0	68.0	71.0	74.0	89.0	94.0
Return of capital ($m)	49.2	127.5	53.7	81.5	114.8	-
Year end share price ($)	12.00	17.30	21.00	22.47	30.10	20.95
Cumulative TSR - Orica (%)		42.57	78.55	120.90	187.70	159.33
Cumulative TSR - ASX 100 (%)		17.64	52.74	81.28	131.46	93.31

Table 4

D. Executive remuneration – driving a performance culture

D.1 Board policy on remuneration

The Remuneration and Appointments Committee has recommended, and the Board has adopted, a policy that remuneration for Executives will:

- reinforce the short, medium and long term objectives of Orica;
- link the rewards for management to the creation of shareholder value and returns; and
- be competitive in the markets in which Orica operates in order to attract, motivate and retain high calibre employees.

Details of the composition and responsibilities of the Remuneration and Appointments Committee are set out on page 16. The Committee and senior management receive external advice on matters relating to remuneration.

The Board considers it desirable for remuneration packages of Executives to include both a *fixed* component and an *at-risk* or *performance-related* component (comprising both short term and long term incentives). The Board views the at-risk component as an essential driver of Orica's high performance culture. The mix between fixed remuneration and at-risk remuneration is designed to reflect market conditions at each job and seniority level. For the Managing Director, the split is broadly 35% fixed and 65% at-risk, whilst the split for other Executives is broadly 50% fixed and 50% at-risk, as shown in the table below:

	% of Total Annual Remuneration		
	Fixed	**At-risk**	
		Short term incentive (1)	Long term incentive
Managing Director	35%	20%	45%
Other Executives	50%	20%	30%

Table 5

(1) Target STI is set at 50% of the maximum STI.

The percentages in table 5 represent the remuneration mix for the Executives where target performance is achieved. The actual remuneration mix for the Executive will vary depending on the level of performance achieved at a Group, business and individual level. Where stretch targets for short term and long term incentives are met, then the proportion of total remuneration derived from these at-risk components will be significantly higher than the percentages shown in table 5. This relatively high weighting of at-risk remuneration reflects the Board's commitment to performance-based reward.

For full details of the remuneration paid to executive directors (including the Managing Director) and Executives for the 2008 financial year, refer to section E below.

D.2 Fixed remuneration

All Executives receive a fixed remuneration component. In general, this is expressed as a total amount of salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash and superannuation. Fixed remuneration is reviewed annually and is determined by the scope of the individual's role, their level of knowledge, skills and experience, their individual performance and market benchmarking.

D.3 At-risk remuneration – Short Term Incentive Plan (STI)

Summary of STI	
What is the STI?	An annual cash incentive plan linked to specific annual targets (which are predominantly financial).
Who participates in the STI?	All Executives.
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a large proportion of executive remuneration at-risk against meeting targets linked to Orica's annual business objectives.
Are STIs awarded where performance falls below a minimum threshold performance level?	No STI is awarded if minimum performance across Orica does not meet the required threshold. In recent years, this has been linked to a minimum level of net profit after tax before individually material items that must be achieved before any STI is awarded.
Who assesses the performance of Executives?	The Managing Director, in consultation with the Remuneration and Appointments Committee, assesses the performance of Executives at the end of each financial year.
Who assesses the performance of the Managing Director?	The Remuneration and Appointments Committee sets the targets for the Managing Director and Executive Director Finance at the beginning of each year and assesses performance against those targets at the end of the financial year.
What are the performance conditions?	The performance conditions comprise financial targets relating to: - Net profit after tax (before individually material items); - Business EBIT; and - Cash flow, as well as other targets, including safety, health and environmental performance and talent management. These performance conditions are set at both an Orica level and an individual business level. Achievement of performance conditions may therefore vary between businesses.
Why were these conditions chosen?	The financial targets are set in line with the Group's annual budget and are intended to improve financial performance which results in greater shareholder wealth. Safety, health and environmental targets build Orica's culture and commitment to 'no injuries to anyone, ever' and 'valuing people and the environment'. It is this culture that enables Orica to attract and retain high performing people.
Are both target and stretch performance conditions imposed?	Yes. The STI and the performance conditions set under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI will deliver higher rewards to executives.
Can STI be greater than 100%?	Yes - Executives may achieve greater than 100% of maximum STI where there is uncapped STI for selected significant critical performance items such as EBIT performance.
How well were the performance conditions met in the 2008 financial year?	The performance conditions were generally satisfied above target, with the Group achieving many of its stretch targets.
How would a change of control impact on STI entitlements?	Where there is an actual change of control, the Board would generally be expected to exercise its discretion to pay a proportion of the maximum STI available for that financial year.

Table 6

D.4 At-risk remuneration – Long Term Incentives

D.4.1 Long Term Equity Incentive Plan - (LTEIP)

Summary of LTEIP	
What is the LTEIP?	The Orica Long Term Equity Incentive Plan (LTEIP) is the long term incentive component of remuneration for executives who are able to influence the generation of shareholder wealth by having a direct impact on the Group's performance. The LTEIP is designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value.
Why does the Board consider the structure of the LTEIP appropriate?	The LTEIP facilitates immediate share ownership by the Executives and links a significant proportion of their potential remuneration to Orica's ongoing share price and returns to shareholders over a three year period. The Board believes the LTEIP promotes behaviour that will achieve superior performance over the long term.
What are the key features of the LTEIP?	Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. In order to reward good performance, part of the loan may be forgiven at the end of the three year performance period upon the achievement of specified performance conditions. The loan must be repaid following testing of the performance condition after the three year period or upon the executive ceasing employment with the Group. Under the November 2006 and subsequent

Summary of LTEIP	
	offers, if the executive resigns from or is terminated for cause with the Group during the loan period, the shares are returned to the Group (in full repayment of the loan), and the executive has no further interest in the shares.
How are shares provided to executive directors under the LTEIP?	Whilst the Company has the flexibility under the LTEIP Rules to either acquire shares on-market or issue new shares for allocation to participants in the Plan, shares allocated to the executive directors under the LTEIP are acquired on-market. As the grants to the executive directors do not dilute the holdings of other shareholders, they do not require shareholder approval.
Why introduce a loan based plan?	The Board approved the design of the LTEIP (as a loan based plan) after consideration of its relative merits against other performance share based equity plans in the market. This position was supported by a PWC review. The Board considers the LTEIP to be a cost effective plan aligned to the creation of shareholder value.
Why is the loan interest free?	The interest waived on the loan is part of the remuneration value to executives of participation in the LTEIP, and is taken into consideration when determining the amount of the loan offered to each executive.
Why is a non-recourse loan provided?	If the loan exceeds the value of the shares, the Board believes the loss of any remuneration value from the LTEIP is a sufficient penalty to the senior executives. The performance condition necessary for partial forgiveness of their loan would not be satisfied, and senior executives would derive no value from the shares.
As the loans are non-recourse do executives have to repay their loans?	Yes, the executives must repay their loans either at the earlier of the end of the three year performance period or following the cessation of their employment with the Group. Where an executive does not discharge their loan within the prescribed period, the Company will sell or otherwise realise the value of their shares and apply the proceeds in satisfaction of the loan.
Is the benefit to executives of participation in the LTEIP affected by changes in the share price?	Yes, executives who participate in the LTEIP will be affected in the same way as all other shareholders by changes in Orica's share price. The remuneration value executives receive through participation in the LTEIP will be reduced if the share price falls during the loan period, and will increase if the share price rises over this period.
What is the forgiveness amount?	Part of the loan (the forgiveness amount) may be forgiven upon the achievement of specified performance conditions at the end of the three year period. The amount of the loan which may be forgiven is calculated by reference to a percentage of the executives' fixed annual remuneration. No forgiveness amount is earned if the executive resigns or is terminated for cause before the end of the loan period.
What is the performance measurement testing period?	Three years.
What are the performance hurdles?	The performance hurdle is based on Orica's Total Shareholder Return (TSR). For the performance condition to be satisfied at target, compounded growth in Orica's TSR must be 20% per annum over the three year period.
What is TSR?	Broadly, TSR is the percentage increase in the Company's share price over the three year performance period, plus the value of dividends paid being treated as if they were reinvested.
Why did the Board select an absolute TSR performance hurdle rather than a relative TSR hurdle?	Orica's diversified business mix means there is no logical comparator group for the Company. The Board sets a TSR growth target for executives against which they can regularly monitor performance by comparing changes in the Company's share price over the three year performance period. This was felt to be superior to using a relative hurdle that would only be calculated and made available periodically.
What is the TSR performance condition vesting schedule?	In order to ensure that the performance condition is not an "all or nothing" target, 90% of the forgiveness amount will be awarded for compound TSR growth which exceeds 15% per annum. The percentage of the forgiveness amount increases proportionately in line with the level of TSR growth achieved, with 100% of the forgiveness amount awarded for TSR growth of 20% per annum (compound), up to a maximum of 110% of the forgiveness amount awarded for TSR growth of 25% per annum (compound) or more. No amount will be forgiven for TSR growth below the 15% threshold.
Does the Board consider the satisfaction in full of the TSR hurdle a sufficient "stretch" for management?	Yes. After reviewing the Company's rate of cumulative growth in TSR over the past few years, the Board believes that 20% per annum is a clear, certain and absolute target for management. The Board believes it is an aggressive target to maintain TSR growth at 20% per annum over the three year performance period. The Board also had reference to the general performance of the market over the three years and noted that a TSR of 20% per annum generally reflects top quartile performance within the ASX 100.
Is the performance hurdle re-tested?	No, the performance condition is only tested once at the end of the three year performance period.
Do participants get access to entitlements in the case of redundancy?	The Board has absolute discretion over payments to participants, but as a general rule, if an executive is terminated as a result of a bona fide redundancy, pro-rata LTEIP entitlement will be paid to the executive on exit.
How would a change of control impact on LTEIP entitlements?	The LTEIP Rules provide that the loan becomes immediately repayable upon a change of control, with the outstanding loan balance reduced by the forgiveness amount, except where the Board determines otherwise. The Board's current intention is that it would not exercise its discretion to vary this default position in the event of an actual change of control.

Table 7

D.4.2 Legacy plans

In the period 2001 to 2004, Orica used a Senior Executive Share Loan Plan (SESLP) as the long term incentive for the Group Executive and an Executive Share Option Plan (ESOP) for other senior executives. Prior to this, the Company used a Share Option Plan (SOP) and Share Acquisition Plan (SAP) for senior executives. Further details regarding the legacy share plans that are still active at 30 September 2008 are contained in note 36 to the financial statements.

D.5 Retention Arrangements for the Executives

The Board entered into agreements with the Executives during 2007 to participate in the Key Executive Retention Programme (KERP). The Managing Director does not participate in the KERP.

In return for participating in the KERP, participants agreed to changes to the terms of their service agreements. The relevant changes comprise an extension of the notice the executive must give to Orica upon termination to six months, as well as an undertaking not to compete with Orica for a period of six months following termination.

The KERP has the following key elements:

- participants are eligible to receive a lump sum retention payment equal to 50% of their Fixed Annual Remuneration plus their maximum STI (determined by reference to their remuneration as at 1 January 2007). The amount of the payment is not linked to, or dependent upon, Group performance; and
- participants must be employed with Orica on 31 March 2009 to receive the retention payment, although in exceptional circumstances (e.g. where there is an actual change of control before 31 March 2009 or the employee is made redundant) the Board may elect to make retention payments prior to 31 March 2009.

E. Details of remuneration

E.1 Executives Remuneration

Particulars of Executives' qualifications, experience and special responsibilities are detailed on page 13 of the annual report. Details of the nature and amount of each element of remuneration of Executives for the current reporting period and also for the previous reporting period are included in the tables below:

For the year to 30 September 2008	Short term employee benefits			Post Employment Benefits				
	Fixed Salary $000	STI Payment [1] $000	Other Benefits [2] $000	Super-annuation Benefits $000	Termination Benefits [3] $000	Share Based Payments [4] $000	Other Long Term Benefits [5] $000	Total Remuneration $000
Current Executive Directors								
G R Liebelt [7]	2,099.2	2,095.0	(16.7)	13.3	-	858.5	82.2	5,131.5
N A Meehan	931.7	646.7	25.5	13.3	-	190.7	544.5	2.352.4
Total Current Executive Directors	3,030.9	2,741.7	8.8	26.6	-	1,049.2	626.7	7,483.9
Current Executives								
A J P Larke	694.2	1,312.3	115.1	13.3	-	201.8	545.1	2,881.8
P G Etienne [7]	981.7	800.7	(6.8)	13.3	-	203.0	588.2	2,580.1
J R Beevers	624.2	655.2	109.2	13.3	-	135.3	376.3	1,913.5
G J Witcombe	736.7	370.3	25.2	13.3	-	165.0	448.8	1,759.3
C B Elkington [8]	511.5	375.7	223.5	13.3	-	149.0	283.2	1,556.2
P W Houlihan	563.0	453.4	9.4	13.3	-	85.4	280.6	1,405.1
M Reich [8]	489.2	306.7	201.4	-	-	88.7	6.6	1,092.6
Total Current Executives	4,600.5	4,274.3	677.0	79.8	-	1,028.2	2,528.8	13,188.6
Former Executives								
B K Karcz [6]	467.8	262.1	6.2	11.0	729.5	123.5	476.7	2,076.8
A R Coleman	510.0	441.9	16.9	13.3	464.7	83.6	-	1,530.4
Total Former Executives	977.8	704.0	23.1	24.3	1,194.2	207.1	476.7	3,607.2
Total Executives	5,578.3	4,978.3	700.1	104.1	1,194.2	1,235.3	3,005.5	16,795.8
Total Executive Key Management Personnel	8,609.2	7,720.0	708.9	130.7	1,194.2	2,284.5	3,632.2	24,279.7

Table 8

(1) STI Payment includes payments relating to 2008 performance accrued but not paid.

(2) These benefits include relocation costs, car parking, medical costs, movement in annual leave accrual, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax).

(3) Represents contractual payments upon termination and payment of statutory leave to the Executive on cessation of his employment.

(4) Includes the value to executives under the November 2006 and December 2007 LTEIP which vest over three years.

(5) This benefit includes the movement in long service leave accrual and the accrual for the KERP.

(6) B K Karcz will remain eligible for payment under the KERP in return for an extended restraint provided at the time of cessation of employment.

(7) G R Liebelt's and P G Etienne's annual leave accruals reduced during the year.

(8) Includes remuneration for the period during the year before joining the Group Executive.

Executives remuneration (continued)

For the year to 30 September 2007	Short term employee benefits			Post Employment Benefits				
	Fixed Salary $000	STI Payment [1] $000	Other Benefits [2] $000	Super-annuation Benefits $000	Termination Benefits [3] $000	Share Based Payments [4] $000	Other Long Term Benefits [5] $000	Total Remuneration $000
Current Executive Directors								
G R Liebelt	1,850.0	2,277.6	174.8	12.8	-	289.8	208.7	4,813.7
N A Meehan	855.0	683.3	111.5	12.8	-	69.5	427.4	2,159.5
Total Current Executive Directors	2,705.0	2,960.9	286.3	25.6	-	359.3	636.1	6,973.2
Current Executives								
P G Etienne	906.3	737.2	47.1	12.8	-	74.9	490.2	2,268.5
A J P Larke	532.5	865.0	61.2	12.8	-	92.7	402.4	1,966.6
G J Witcombe [6]	710.8	516.7	(24.0)	12.8	-	66.0	342.0	1,624.3
J R Beevers	590.5	471.8	115.8	12.8	-	53.1	306.0	1,550.0
B K Karcz	537.5	228.2	6.3	12.8	-	48.3	251.6	1,084.7
P W Houlihan [7]	389.7	256.6	78.8	12.8	-	16.6	298.9	1,053.4
A R Coleman	385.2	245.6	28.2	12.8	-	20.0	218.2	910.0
Total Current Executives	4,052.5	3,321.1	313.4	89.6	-	371.6	2,309.3	10,457.5
Former Executives								
P G Bailey	255.0	-	1.2	5.3	651.3	-	19.1	931.9
Total Executives	4,307.5	3,321.1	314.6	94.9	651.3	371.6	2,328.4	11,389.4
Total Executive Key Management Personnel	7,012.5	6,282.0	600.9	120.5	651.3	730.9	2,964.5	18,362.6

Table 9

[1] STI Payment includes payments relating to 2007 performance accrued but not paid.

[2] These benefits include relocation costs, car parking, medical costs, movement in annual leave accrual, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax).

[3] Represents contractual payments upon termination and payment of statutory leave to the executive on cessation of his employment.

[4] Includes the value to executives under the November 2006 LTEIP which vests over three years. The amounts for the 2007 financial year do not include any expense from previous LTEIP offers which vested immediately.

[5] This benefit includes the movement in long service leave accrual and the accrual for the KERP.

[6] G J Witcombe's annual leave accrual reduced during the year.

[7] Includes remuneration for the period during the year before joining the Group Executive.

E.2 Executives STI

Specific information relating to the percentage of the STI which is payable and the percentage that was forfeited for the Executives of the Company and the Group is set out in the table below:

For the year to 30 September 2008	Actual STI payment ($) [1] [2]	Actual STI payment as % of maximum STI [3]	% of maximum STI payment forfeited
Current Executives			
G R Liebelt	2,095.0	81.2	18.8
N A Meehan	646.7	84.2	15.8
A J P Larke	1,312.3	107.9	-
P G Etienne	800.7	99.1	0.9
J R Beevers	655.2	126.0	-
G J Witcombe	370.3	60.9	39.1
C B Elkington	375.7	88.1	11.9
P W Houlihan	453.4	96.9	3.1
M Reich	306.7	63.9	36.1
Former Executives			
B K Karcz	262.1	56.0	44.0
A R Coleman	441.9	101.3	-

Table 10

[1] STI constitutes a cash incentive earned during 2008, and is expected to be paid in December 2008.

[2] A minimum level of net profit after tax must be achieved before any STI is paid. Therefore the minimum potential value of the STI for the financial year was nil.

[3] Executives may achieve greater than 100% of maximum STI where there is uncapped STI for selected significant critical performance items such as EBIT performance.

E.3 Equity instruments granted to and exercised by Executives

The value of options granted during the year and the value of any options granted in a previous year that were exercised during the year relating to Executives is set out below. The value of the options granted, as valued by PWC, is the fair value calculated at grant date using an adjusted form of the Black Scholes option pricing model.

For the year to 30 September 2008	Options Granted Number	Options Granted (1) (2) (3) ($)	Options Exercised (4) Number	Options Exercised (4) ($)
Current Executive Directors				
G R Liebelt	193,639	2,042,891	71,194	924,500
N A Meehan	40,664	429,005	6,624	86,027
Total Current Executive Directors	234,303	2,471,896	77,818	1,010,527
Current Executives				
A J P Larke	34,338	362,266	16,676	216,566
P G Etienne	42,923	452,838	13,874	227,945
J R Beevers	27,109	286,000	12,292	160,148
G J Witcombe	32,531	343,202	45,840	595,298
C B Elkington	24,082	254,065	12,487	208,615
P W Houlihan	24,850	262,168	4,975	80,927
M Reich	27,109	286,000	-	-
Total Current Executives	212,942	2,246,539	106,144	1,489,499
Former Executives				
B K Karcz	24,850	262,168	15,075	195,775
A R Coleman	22,591	238,335	5,592	66,977
Total Former Executives	47,441	500,503	20,667	262,752
Total Executives	494,686	5,218,938	204,629	2,762,778

Table 11

(1) Under the LTEIP, eligible Executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executives must apply net cash dividends to the repayment of the loan balance and may not deal with the shares while the loan remains outstanding. Australian Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements. Further details are set out in sections D.4.1, E.4 and G of this report.

(2) The options have been valued by PWC at $10.55 per option. The benefit of the options granted under the November 06 and subsequent LTEIP offers will lapse during future years if the Executive ceases employment with the Group before the end of the three year performance period.

(3) The grants made to Executives under the LTEIP during the year constituted 100% of the grants available for the year. The minimum potential value of grants made during the year under LTEIP is nil.

(4) Options exercised relate to the December 2004 LTEIP issue. No options were forfeited during the year. The value of each option exercised is the market value of Orica shares on the date of exercise, less the exercise price paid.

E.4 Loans to Executives under Group long term incentive plans

For the year to 30 September 2008	Opening balance $	Advances during the year (1) $	Forgiveness during the year (2) $	Repayments during the year (2) $	Closing balance $	Interest free value $	Highest indebtedness $
Current Executive Directors							
G R Liebelt	7,526,458	6,149,975	333,590	1,206,071	12,136,772	748,582	13,266,880
N A Meehan	2,134,781	1,291,489	31,048	148,762	3,246,460	200,538	3,369,714
Total Current Executive Directors	9,661,239	7,441,464	364,638	1,354,833	15,383,232	949,120	16,636,594
Current Executives							
A J P Larke	1,996,293	1,090,575	78,155	284,551	2,724,162	172,433	2,988,454
P G Etienne	2,429,300	1,363,234	65,025	259,808	3,467,701	216,136	3,700,053
J R Beevers	1,631,853	860,982	57,611	214,715	2,220,509	139,220	2,435,224
G J Witcombe	2,785,156	1,033,185	214,832	715,102	2,888,407	194,439	3,579,319
C B Elkington	1,566,284	764,844	58,521	214,359	2,058,248	129,956	2,256,509
P W Houlihan	447,993	789,236	23,315	84,881	1,129,033	65,459	1,209,567
M Reich	132,662	860,982	-	7,417	986,227	53,563	993,644
Total Current Executives	10,989,541	6,763,038	497,459	1,780,833	15,474,287	971,206	17,162,770
Former Executives							
B K Karcz	1,614,932	789,236	70,652	287,026	2,046,490	114,894	2,318,609
A R Coleman	524,953	717,490	26,211	94,769	1,121,463	65,882	1,129,782
Total Former Executives	2,139,885	1,506,726	96,863	381,795	3,167,953	180,776	3,448,391
Total Executives	22,790,665	15,711,228	958,960	3,517,461	34,025,472	2,101,102	37,247,755

Table 12

(1) Under the LTEIP, eligible Executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executives must apply net cash dividends to the repayment of the loan balance, and executives may not deal with the shares while the loan remains outstanding. Australian Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements.

(2) Constitutes repayments including after tax dividends paid on the shares applied against the loan. Loans were forgiven during the year relating to the December 2004 LTEIP offer.

F. Executives service agreements

Remuneration and other terms of employment for the Executives are formalised in service agreements. Specific information relating to the terms of the service agreements of the current Executives are set out in the table below:

F.1 Summary of specific terms

Name	Term of Agreement	Fixed Annual Remuneration [1]	Retention Entitlements	Notice Period by Executive	Termination Payment [2]
Current Executive Directors					
G R Liebelt	31 Aug 2010	2,150,000	-	6 months	1.5 times fixed annual remuneration [3]
N A Meehan	Open	960,000	1,170,000	6 months	1.0 times fixed annual remuneration
Current Executive					
A J P Larke	Open	760,000	1,155,000	6 months	1.0 times fixed annual remuneration
P G Etienne	Open	1,010,000	1,235,000	6 months	1.3 times fixed annual remuneration [4]
J R Beevers	Open	650,000	780,000	6 months	1.28 times fixed annual remuneration [4]
G J Witcombe	Open	760,000	936,000	6 months	1.68 times fixed annual remuneration [4]
C B Elkington	Open	533,000	600,000	6 months	1.0 times fixed annual remuneration
P W Houlihan	Open	585,000	585,000	6 months	1.0 times fixed annual remuneration
M Reich	Open	600,000	-	6 months	1.0 times fixed annual remuneration

Table 13

[1] Fixed salary, inclusive of superannuation, is reviewed annually by the Remuneration and Appointments Committee following the end of each financial year. Accordingly, the amounts set out in the table above are the Executive's fixed annual remuneration as at 30 September 2008. As part of the normal annual review of remuneration, fixed annual remuneration for all Executives will be reviewed and, where appropriate, adjusted during the 2009 financial year.

[2] Termination payment if Orica terminates the Executive's employment other than for cause.

[3] The termination benefits in respect of G R Liebelt were set following external professional remuneration advice in 2007 at a level reflective of the termination benefits effected by the Company's peers and which were considered to be reasonable in the context of G R Liebelt and his previous contractual entitlement and in the context of the Group.

[4] The termination benefits in respect of these Executives reflect grandfathering of entitlements, under previous service agreements and employment terms, recognising their past service in the Group, as part of new remuneration arrangements.

Orica makes provision for employee entitlements in accordance with applicable Australian Accounting Standards. In addition, Orica has policies in relation to relocation, consistent with its expectation that all executives are mobile, as required by the needs of the business.

F.2 Non-compete

Each of the Executives has agreed to restraints as part of their service agreements, which will apply upon cessation of their employment to protect the legitimate business interests of Orica.

As a term of their participation in the KERP, the Executive Director Finance and other Executives consented to their service agreements being amended to incorporate a six month non-compete period. In addition, the service agreements for each of the Executives provide for a twelve month non-solicitation period following termination of their employment.

F.3 Sign-on payments

No payment was made to the executive directors or any of the named Executives before they took office as part consideration for them agreeing to hold office.

G. Equity instruments held by Executives

The number of equity instruments held by Executives is shown in the following table:

For the year to 30 September 2008	Grant date	Granted during the year	Exercised during the year (1) (5)	Other (2)	Outstanding at year end	Exercise price $	Value of options at grant date (3) $	Value of options included in compensation for the year (3) $
Current Executive Directors								
G R Liebelt	22 Dec 04	-	71,194	-	-	N/A	426,452	- (1)
	23 Dec 05	-	-	-	97,194	N/A	600,659	- (1)
	20 Nov 06	-	-	-	181,110	N/A	1,043,194	347,731 (4)
	18 Dec 07	193,639	-	-	193,639	N/A	2,042,891	510,723 (4)
N A Meehan	22 Dec 04	-	6,624	-	-	N/A	39,678	- (1)
	23 Dec 05	-	-	-	49,985	N/A	308,907	- (1)
	20 Nov 06	-	-	-	43,466	N/A	250,364	83,455 (4)
	18 Dec 07	40,664	-	-	40,664	N/A	429,005	107,251 (4)
Current Executives				-				
A J P Larke	22 Dec 04	-	16,676	-	-	N/A	99,989	- (1)
	23 Dec 05	-	-	-	16,265	N/A	100,518	- (1)
	20 Nov 06	-	-	-	57,955	N/A	333,821	111,274 (4)
	18 Dec 07	34,338	-	-	34,338	N/A	362,266	90,566 (4)
P G Etienne	22 Dec 04	-	13,874	-	-	N/A	83,105	- (1)
	23 Dec 05	-	-	-	53,803	N/A	332,503	- (1)
	20 Nov 06	-	-	-	46,786	N/A	269,487	89,829 (4)
	18 Dec 07	42,923	-	-	42,923	N/A	452,838	113,209 (4)
J R Beevers	22 Dec 04	-	12,292	-	-	N/A	73,629	- (1)
	23 Dec 05	-	-	-	31,240	N/A	193,063	- (1)
	20 Nov 06	-	-	-	33,203	N/A	191,249	63,750 (4)
	18 Dec 07	27,109	-	-	27,109	N/A	286,000	71,500 (4)
G J Witcombe	22 Dec 04	-	45,840	-	-	N/A	274,582	- (1)
	23 Dec 05	-	-	-	47,391	N/A	292,876	- (1)
	20 Nov 06	-	-	-	41,232	N/A	237,496	79,165 (4)
	18 Dec 07	32,531	-	-	32,531	N/A	343,202	85,801 (4)
C B Elkington	22 Dec 04	-	12,487	-	-	N/A	74,797	- (1)
	23 Dec 05	-	-	-	14,479	N/A	89,480	- (1)
	20 Nov 06	-	-	-	44,501	N/A	256,326	85,442 (4)
	18 Dec 07	24,082	-	-	24,082	N/A	254,065	63,516 (4)
P W Houlihan	22 Dec 04	-	4,975	-	-	N/A	32,188	- (1)
	23 Dec 05	-	-	-	5,578	N/A	36,201	- (1)
	20 Nov 06	-	-	-	10,349	N/A	59,610	19,870 (4)
	18 Dec 07	24,850	-	-	24,850	N/A	262,168	65,542 (4)
M Reich	11 May 07	-	-	-	4,162	N/A	51,526	17,175 (4)
	18 Dec 07	27,109	-	-	27,109	N/A	286,000	71,500 (4)
Former Executives								
B K Karcz	22 Dec 04	-	15,075	-	-	N/A	90,299	- (1)
	23 Dec 05	-	-	-	31,240	N/A	193,063	- (1)
	20 Nov 06	-	-	-	30,185	N/A	173,866	57,955 (4)
	18 Dec 07	24,850	-	-	24,850	N/A	262,168	65,542 (4)
A R Coleman	22 Dec 04	-	5,592	-	-	N/A	36,180	- (1)
	23 Dec 05	-	-	-	6,322	N/A	41,030	- (1)
	20 Nov 06	-	-	12,505	-	N/A	72,029	24,010 (4)
	18 Dec 07	22,591	-	22,591	-	N/A	238,335	59,584 (4)

Table 14

Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure.

(1) Related to the LTEIP grants in the 2005 and 2006 financial years. The combination of shares, and the loan provided to fund those shares constitutes an option under AASB 2. These options vest immediately. Under the terms of the LTEIP, the loan must be repaid before the Executive can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition (typically in November after the annual results announcement) and continues through to 31 January of the following year. The options expire if the loan is not repaid within the repayment window.

(2) Options lapsed during the year.

(3) The option valuation prepared by PWC uses methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2008 and 30 September 2007.

(4) Related to the LTEIP grants in the 2007 and 2008 financial years. The combination of shares, and the loan provided to fund those shares constitutes an option under AASB 2. These options vest over three years. Under the terms of the LTEIP, the loan must be repaid before the Executive can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition (typically in November after the annual results announcement) and continues through to 31 January of the following year. The options expire if the loan is not repaid within the repayment window.

(5) There were no amounts outstanding on shares issued as a result of the exercise of the options.

Equity instruments held by executives (continued)

The number of option (LTEIP) issues, values and related executive loan information in relation to Orica executives is shown in the following table:

Grant date	Number of options issued	Number of options held at 30 Sep	Number of participants	Total loan at grant date $	Total loan at 30 Sep $	Maximum loan waiver opportunity over full loan period $	Loan repayments through dividends during year $	Value of options at grant date [(1)] $
As at 30 September 2008								
18 Dec 07	1,464,237	**1,348,983**	**305**	**46,504,167**	42,573,383	11,816,286	**275,447**	15,447,700
11 May 07	64,405	**61,393**	**22**	**2,064,824**	1,927,778	821,822	**29,440**	797,334
20 Nov 06	1,633,960	**1,428,730**	**241**	**38,839,229**	32,666,708	10,511,599	**716,454**	9,411,610
13 Jun 06	20,911	**16,171**	**2**	**461,715**	340,232	210,997	**9,908**	180,880
23 Dec 05	1,467,744	**1,024,517**	**189**	**30,338,268**	19,868,999	9,197,061	**516,190**	9,525,659
18 Nov 05	5,282	**-**	-	**109,443**	-	50,298	**-**	43,365
22 Dec 04	1,827,184	**-**	-	**36,836,029**	-	11,192,533	**-**	11,821,880
	6,483,723	**3,879,794**		**155,153,675**	**97,377,100**	**43,800,596**	**1,547,439**	**47,228,428**

Table 15

[(1)] The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Average value per option $
18 Dec 07	$31.76	28%	Nil	6.79%	10.55
11 May 07	$33.50	28%	Nil	6.29%	12.38
20 Nov 06	$22.39	24%	Nil	5.93%	5.76
13 Jun 06	$22.08	22%	4.0%	5.24%	8.65
23 Dec 05	$20.67	22%	4.0%	5.24%	6.49
18 Nov 05	$20.72	30%	5.0%	4.99%	8.21
22 Dec 04	$20.16	30%	5.0%	4.99%	6.47

Table 16

The option valuation prepared by PWC uses methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2008. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The share based payments expense recognised in the Income Statement for LTEIP in 2008 was $6.5 million (2007 $2.7 million).

Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, they are measured at fair value at the date of grant using an option valuation model which generates possible future share prices based on similar assumptions that underpin the Black Scholes option pricing model and reflects the value (as at grant date) of options granted. The amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised and any shares purchased on-market are recognised as a share buy-back and deducted from shareholders equity. LTEIP is administered by Link Market Services Limited.

Rounding

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

Signed on behalf of the Board in accordance with a resolution of the directors of Orica Limited.

D P Mercer
Chairman

Dated at Melbourne this 10th day of November 2008.

Lead Auditor's Independence Declaration

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Alison Kitchen
Partner
Melbourne, 10 November 2008

Income Statements
For the year ended 30 September

	Notes	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Sales revenue	(3)	**6,544.1**	5,527.2	**-**	-
Other income	(3)	**53.8**	61.5	**524.1**	-
Expenses					
Changes in inventories of finished goods and work in progress		**101.6**	1.7	**-**	**-**
Raw materials and consumables used and finished goods purchased for resale		**(3,448.5)**	(2,793.3)	**-**	**-**
Share based payments		**(6.5)**	(2.7)	**-**	**-**
Other employee benefits expense		**(1,106.6)**	(959.8)	**-**	**-**
Depreciation expense	(4c)	**(177.6)**	(153.3)	**(0.2)**	(0.2)
Amortisation expense	(4c)	**(41.1)**	(29.9)	**-**	-
Purchased services		**(404.3)**	(374.5)	**(1.8)**	(1.0)
Repairs and maintenance		**(133.3)**	(115.0)	**-**	-
Impairment of intangibles		**-**	(15.4)	**-**	-
Outgoing freight		**(270.6)**	(256.6)	**-**	-
Lease payments - operating leases		**(83.3)**	(77.8)	**-**	-
Cost of cancellation of cumulative non-redeemable preference shares		**(7.5)**	-	**(7.5)**	-
Other expenses from ordinary activities including individually material items		**(119.8)**	(52.9)	**(0.1)**	-
Share of net profits of associates accounted for using the equity method	(11)	**28.1**	31.2	**-**	-
		(5,669.4)	(4,798.3)	**(9.6)**	(1.2)
Profit/(loss) from operations		**928.5**	790.4	**514.5**	(1.2)
Net financing costs					
Financial income	(4a)	**68.1**	34.8	**53.9**	41.9
Financial expenses	(4b)	**(225.8)**	(157.4)	**(73.6)**	(82.3)
Net financing costs		**(157.7)**	(122.6)	**(19.7)**	(40.4)
Profit/(loss) before income tax expense		**770.8**	667.8	**494.8**	(41.6)
Income tax (expense)/benefit	(5)	**(203.5)**	(154.4)	**2.9**	13.9
Profit/(loss) for the year		**567.3**	513.4	**497.7**	(27.7)
Net profit/(loss) for the year attributable to:					
Shareholders of Orica Limited		**539.6**	487.7	**497.7**	(27.7)
Minority interest		**27.7**	25.7	**-**	-
Net profit/(loss) for the year		**567.3**	513.4	**497.7**	(27.7)

		cents	cents
Earnings per share			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
Basic	(6)	**159.8**	146.3
Diluted	(6)	**158.0**	144.4

The Income Statements are to be read in conjunction with the notes to the financial statements set out on pages 43 to 120.

Statements of Recognised Income and Expense

For the year ended 30 September

		Consolidated		Company	
		2008	2007	**2008**	2007
	Notes	**$m**	$m	**$m**	$m
Net loss on hedge of net investments in foreign subsidiaries		**(35.9)**	(14.3)	**-**	-
Cash flow hedges					
- Effective portion of changes in fair value		**(6.3)**	18.0	**-**	-
- Transferred to carrying value of non current assets		**18.7**	-	**-**	-
- Transferred to Income Statement		**1.4**	(28.9)	**-**	-
Exchange differences on translation of foreign operations		**301.3**	(119.1)	**-**	-
Actuarial (loss)/gain on defined benefit plans	(38)	**(45.3)**	11.9	**-**	-
Income tax on income and expense recognised directly through equity	(5)	**7.5**	(1.1)	**-**	-
Net income and expense recognised directly in equity		**241.4**	(133.5)	**-**	-
Profit/(loss) for the year		**567.3**	513.4	**497.7**	(27.7)
Total recognised income and expense for the year		**808.7**	379.9	**497.7**	(27.7)
Attributable to:					
Shareholders of Orica Limited		**781.0**	354.2	**497.7**	(27.7)
Minority interest		**27.7**	25.7	**-**	-
Total recognised income and expense for the year		**808.7**	379.9	**497.7**	(27.7)

The Statements of Recognised Income and Expense are to be read in conjunction with the notes to the financial statements set out on pages 43 to 120.

Balance Sheets
As at 30 September

		Consolidated		Company	
		2008	2007	**2008**	2007
	Notes	**$m**	$m	**$m**	$m
Current assets					
Cash and cash equivalents	(7)	**321.3**	370.7	**-**	-
Trade and other receivables	(8)	**1,147.4**	915.9	**971.6**	767.1
Other financial assets - derivative assets	(12)	**96.3**	28.1	**-**	-
Inventories	(9)	**824.3**	604.3	**-**	-
Other assets	(10)	**68.9**	36.2	**0.1**	-
Total current assets		**2,458.2**	1,955.2	**971.7**	767.1
Non-current assets					
Trade and other receivables	(8)	**111.0**	109.5	**100.0**	100.0
Investments accounted for using the equity method	(11)	**208.3**	124.5	**-**	-
Other financial assets	(12)	**1.0**	1.1	**1,915.1**	1,915.0
Property, plant and equipment	(13)	**2,052.3**	1,742.9	**26.0**	26.2
Intangible assets	(14)	**3,012.6**	2,055.5	**-**	-
Deferred tax assets	(15)	**164.1**	222.5	**5.5**	5.2
Other assets	(10)	**0.3**	3.2	**-**	-
Total non-current assets		**5,549.6**	4,259.2	**2,046.6**	2,046.4
Total assets		**8,007.8**	6,214.4	**3,018.3**	2,813.5
Current liabilities					
Trade and other payables	(16)	**1,372.7**	921.6	**-**	8.4
Other financial liabilities - derivative liabilities	(16)	**138.7**	121.1	**-**	-
Interest bearing liabilities	(17)	**266.4**	582.7	**72.6**	1,218.1
Current tax liabilities	(18)	**28.3**	62.6	**37.3**	40.6
Provisions	(19)	**273.5**	269.7	**-**	-
Total current liabilities		**2,079.6**	1,957.7	**109.9**	1,267.1
Non-current liabilities					
Trade and other payables	(16)	**31.8**	4.9	**-**	-
Interest bearing liabilities	(17)	**1,075.4**	1,093.7	**-**	2.0
Deferred tax liabilities	(20)	**83.8**	117.6	**-**	-
Provisions	(19)	**418.8**	412.9	**1.1**	1.1
Total non-current liabilities		**1,609.8**	1,629.1	**1.1**	3.1
Total liabilities		**3,689.4**	3,586.8	**111.0**	1,270.2
Net assets		**4,318.4**	2,627.6	**2,907.3**	1,543.3
Equity					
Ordinary shares	(21)	**1,881.3**	702.4	**1,881.3**	702.4
Reserves	(22)	**91.3**	(188.5)	**-**	-
Retained earnings	(22)	**1,758.9**	1,562.8	**536.0**	350.9
Total equity attributable to ordinary shareholders of Orica		**3,731.5**	2,076.7	**2,417.3**	1,053.3
Equity attributable to Step-Up Preference Securities holders	(21)	**490.0**	490.0	**490.0**	490.0
Minority interest in controlled entities	(23)	**96.9**	60.9	**-**	-
Total equity	(24)	**4,318.4**	2,627.6	**2,907.3**	1,543.3

The Balance Sheets are to be read in conjunction with the notes to the financial statements set out on pages 43 to 120.

Statements of Cash Flows

For the year ended 30 September

	Notes	Consolidated 2008 $m Inflows/ (Outflows)	Consolidated 2007 $m Inflows/ (Outflows)	Company 2008 $m Inflows/ (Outflows)	Company 2007 $m Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		**6,946.8**	6,025.2	**-**	-
Payments to suppliers and employees		**(5,929.8)**	(5,307.4)	**(1.8)**	(4.1)
Interest received		**69.3**	37.0	**52.9**	42.0
Borrowing costs		**(217.8)**	(145.3)	**(82.0)**	(79.2)
Dividends received		**20.4**	21.0	**524.1**	82.6
Other operating revenue received		**38.0**	35.2	**-**	-
Net income taxes (paid)/refund		**(190.0)**	(141.4)	**5.6**	(30.8)
Net cash flows from operating activities	(26)	**736.9**	524.3	**498.8**	10.5
Cash flows from investing activities					
Payments for property, plant and equipment		**(414.4)**	(304.8)	**-**	-
Payments for intangibles		**(11.9)**	(32.2)	**-**	-
Payments for purchase of investments		**-**	(20.1)	**(0.1)**	-
Payments for minorities' share of controlled entities	(27)	**(3.0)**	(20.5)	**-**	-
Payments for purchase of businesses/controlled entities	(27)	**(866.2)**	(917.7)	**-**	-
Proceeds from sale of property, plant and equipment		**19.6**	23.9	**-**	2.7
Proceeds from sale of investments		**-**	10.8	**-**	-
Proceeds from sale of businesses/controlled entities	(28)	**5.9**	88.8	**-**	-
Net cash flows (used in)/from investing activities		**(1,270.0)**	(1,171.8)	**(0.1)**	2.7
Cash flows from financing activities					
Cancellation of cumulative non-redeemable preference shares		**(9.5)**	-	**(9.5)**	-
Net movement in short term financing		**(376.9)**	459.0	**(1,342.1)**	403.4
Payments for finance leases		**(3.1)**	-	**-**	-
Proceeds from issue of ordinary shares		**900.6**	26.3	**900.6**	26.3
Proceeds from issue of ordinary shares - underwritten DRP		**156.5**	-	**156.5**	-
Payments for buy-back of ordinary shares		**-**	(114.8)	**-**	(114.8)
Payments for buy-back of ordinary shares - LTEIP		**(7.5)**	(39.2)	**(7.5)**	(39.2)
Proceeds from issue of shares to minority interests		**12.2**	-	**-**	-
Dividends paid - Orica ordinary shares		**(155.2)**	(244.5)	**(155.2)**	(244.5)
Distributions paid - Step-Up Preference Securities		**(41.5)**	(44.4)	**(41.5)**	(44.4)
Dividends paid - minority interests		**(10.4)**	(17.6)	**-**	-
Net cash flows from/(used in) financing activities		**465.2**	24.8	**(498.7)**	(13.2)
Net decrease in cash held		**(67.9)**	(622.7)	**-**	-
Cash at the beginning of the period		**367.7**	1,008.2	**-**	-
Effects of exchange rate changes on cash		**12.5**	(17.8)	**-**	-
Cash at the end of the year	(26)	**312.3**	367.7	**-**	-

The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements set out on pages 43 to 120.

Notes to the Financial Statements

For the year ended 30 September 2008

1. Accounting policies

The significant accounting policies adopted in preparing the financial report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the consolidated entity' or 'the Group') are stated below to assist in a general understanding of this financial report.

(i) Basis of preparation

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets (other than controlled entities and associates) which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair value attributable to the risks that are being hedged.

(ii) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of applicable Australian Accounting Standards including Australian Interpretations and the Corporations Act 2001 and complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 10 November 2008.

The financial report is presented in Australian dollars which is Orica's functional and presentation currency.

This financial report has been prepared on the basis of Australian Accounting Standards and Interpretations on issue that are effective, or early adopted by Orica as at 30 September 2008.

Except as described below, the accounting policies applied by the Group in the financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 September 2007. The standards relevant to Orica that have been adopted during the year are:

- AASB 7 Financial Instruments: Disclosures.
- AASB 2005-10 Amendments to Australian Accounting Standards amending AASB 132 Financial Instruments: Presentation and Disclosure, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 1038 Life Insurance Contracts.
- AASB 2008-4 Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities.
- AASB 2008-7 Amendments to Australian Accounting Standards

The standards relevant to Orica that have been early adopted during the year are:

- AASB 2008-1 Amendments to Australian Accounting Account Standard – Share based payments: Vesting Conditions and Cancellations.
- AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation.

These standards have had no significant impact on the financial statements or impacts only disclosure.

The standards and interpretations relevant to Orica that have not been early adopted are:

- AASB 8 Operating Segments – applicable from annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 1023 General Insurance Contracts, and AASB 1038 Life Insurance Contracts] – applicable from annual reporting periods beginning on or after 1 January 2009. These amendments arise from the issuance of AASB 8 Operating Segments.
- AASB Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – applicable from annual reporting periods beginning on or after 1 January 2008.
- AASB 101 Presentation of Financial Statements – applicable from annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 – applicable from annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101 – applicable from annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 – applicable from annual reporting periods beginning on or after 1 July 2009.
- AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements – applicable from annual reporting periods beginning on or after 1 July 2009.
- AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items – applicable for annual reporting periods beginning on or after 1 July 2009.
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project - applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project - applicable for annual reporting periods beginning on or after 1 July 2009.

The consolidated entity expects to adopt these standards and interpretations in the 2009 and subsequent financial reports - however they are not expected to have a significant impact on the financial results of the Company or the consolidated entity.

1. Accounting policies (continued)

(iii) Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to the Income Statement in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities and contingent liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances, transactions and unrealised profits arising within the consolidated entity are eliminated in full.

(iv) Revenue recognition

Sales revenue

External sales are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. External sales are recognised when the significant risks and rewards of ownership are transferred to the purchaser, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Other income

Profits and losses from sale of businesses, controlled entities and other non-current assets are recognised when there is a signed unconditional contract of sale. Dividends are recognised in the Income Statements when declared.

Construction contracts

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated. Stage of completion is measured by reference to an assessment of total costs incurred to date as a percentage of estimated total costs for each contract. Revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

(v) Financial income & borrowing costs

Financial income

Financial income includes interest income on funds invested and the non designated portion of the net investment hedging derivatives. These are recognised in the Income Statement as accrued.

Borrowing costs

Borrowing costs include interest, unwinding of the effect of discounting on provisions, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings, including lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average interest rate.

(vi) Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred except when it is probable that future economic benefits associated with the item will flow to the consolidated entity, in which case they are capitalised.

(vii) Share based payments

Equity settled share based payments are externally measured at fair value at the date of grant using an option valuation model. This valuation model generates possible future share prices based on similar assumptions that underpin relevant option pricing models and reflects the value (as at grant date) of options granted. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares and (f) the risk-free interest rate for the life of the option.

The fair value determined at the grant date of the equity settled share based payments is expensed in the Income Statement on a straight-line basis over the relevant vesting period.

The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised and any shares purchased on-market are recognised as a share buy-back and deducted from shareholders equity.

(viii) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax and is recognised in the Income Statements.

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

1. Accounting policies (continued)

Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheets and their associated tax bases. Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will be 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 will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Orica Limited is the parent entity in the tax consolidated group comprising all wholly-owned Australian entities. Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the parent entity recognises the tax effects of its own transactions and the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary entities.

Current tax income/expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation. In accordance with the tax sharing agreement, the subsidiary entities are compensated for the assets and liabilities assumed by the parent entity as intercompany receivables and payables and for amounts which equal the amounts initially recognised by the subsidiary entities. There is no adjustment for tax consolidation contribution by (or distribution to) equity participants.

(ix) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. Cost is based on the first-in, first-out or weighted average method based on the type of inventory. For manufactured goods, cost includes direct material and fixed overheads based on normal operating capacity. For merchanted goods, cost is net cost into store.

(x) Construction work in progress

Where the Group manufactures equipment for sale, the work in progress is carried at cost plus profit recognised to date based on the value of work completed less progress billings and less provision for foreseeable losses allocated between amounts due from customers and amounts due to customers.

(xi) Trade and other receivables

Trade and other receivables are recognised at their cost less any impairment losses.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables.

Derecognition

A number of customers use bank facilities that are guaranteed or partially guaranteed by Orica. Where the entire risks and rewards relating to these facilities have been transferred to the financial institution, the receivable is derecognised. Where this has not occurred, the receivable and the equivalent interest bearing liability have been recognised in the Balance Sheet.

(xii) Investments accounted for using the equity method

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Associates are those entities over which the consolidated entity exercises significant influence, but does not control.

(xiii) Other financial assets

The consolidated entity’s interests in financial assets other than controlled entities and associates are stated at market value.

Investments in subsidiaries and associates are accounted for in the Company’s financial statements at their cost of acquisition.

(xiv) Non-current assets held for sale and disposal groups

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is reassessed in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the Income Statement. The same applies to gains and losses on subsequent remeasurement.

Classification as a disposal group occurs when the operation meets the criteria to be classified as held for sale.

(xv) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset to the consolidated entity.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

1. Accounting policies (continued)

Estimated useful lives of each class of asset are as follows:

Buildings and improvements	25 to 40 years
Machinery, plant and equipment	3 to 30 years

Profits and losses on disposal of property, plant and equipment are taken to the Income Statements.

(xvi) Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Assets under finance lease are capitalised at the present value of the minimum lease payments and amortised on a straight-line basis over the period during which benefits are expected to flow from the use of the leased assets.

A corresponding liability is established and each lease payment is allocated between finance charges and reduction of the liability.

Operating leases are not capitalised and lease rental payments are taken to the Income Statement on a straight-line basis.

(xvii) Intangible assets

Identifiable intangibles

Amounts paid for the acquisition of identifiable intangible assets are capitalised at the fair value of consideration paid determined by reference to independent valuations.

Identifiable intangible assets with a finite life (customer contracts, patents, software, brand names, trademarks and licences) are amortised on a straight-line basis over their expected useful life to the consolidated entity, being up to thirty years.

Identifiable intangible assets with an indefinite life (brand names and trademarks) are not amortised but the recoverable amount of these assets is tested for impairment at least annually as explained under impairment of assets (see note XXV).

Unidentifiable intangibles

Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is treated as goodwill. Goodwill is not amortised but the recoverable amount is tested for impairment at least annually as explained under impairment of assets (see note XXV).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(xviii) Interest-bearing liabilities

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

Amortised cost is calculated by taking into account any issue costs and any discount or premium on issuance. Gains and losses are recognised in the Income Statement in the event that the liabilities are derecognised.

(xix) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the effect of discounting on provisions is recognised as a borrowing cost.

Environmental

Estimated costs for the remediation of soil, groundwater and untreated waste that have arisen as a result of past events are provided for where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed.

However, where the cost relates to land held for resale then, to the extent that the expected realisation exceeds both the book value of the land and the estimated cost of remediation, the cost is capitalised as part of the holding value of that land.

For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been capitalised, expensed or provided for.

Decommissioning

The present value of the estimated costs of dismantling and removing an asset and restoring the site on which it is located are recognised as an asset within property, plant and equipment which is depreciated on a straight line basis over its estimated useful life and a corresponding provision is raised where a legal or constructive obligation exists. At each reporting date, the liability is remeasured in line with changes in discount rates, timing and estimated cash flows. Any changes in the liability are added or deducted from the related asset, other than the unwinding of the discount which is recognised as borrowing costs in the Income Statement.

Self insurance

The Group self-insures for certain insurance risks. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims.

Employee entitlements

Provisions are made for liabilities to employees for annual leave, sick leave and other current employee entitlements that represent the amount for which the consolidated entity has a present obligation. These have been calculated at nominal amounts based on the wage and salary rates that the consolidated entity expects to pay as at each reporting date and include related on-costs.

Liabilities for employee entitlements which are not expected to be settled within twelve months of balance date, such as long service leave, are accrued at the present value of future amounts expected to be paid. The present value is determined using interest rates applicable to government guaranteed securities with maturities approximating the terms of the consolidated entity's obligations.

1. Accounting policies (continued)

A liability is recognised for bonus plans on the achievement of predetermined bonus targets and the benefit calculations are formally documented and determined before signing the financial report.

Contingent liabilities on acquisition of controlled entities

A provision is recognised on acquisition of a business for contingent liabilities of that business.

Superannuation

Contributions to defined contribution superannuation funds are taken to the Income Statement in the year in which the expense is incurred.

For each defined benefit scheme, the cost of providing pensions is charged to the Income Statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets.

All actuarial gains and losses are recognised directly in equity.

The consolidated entity's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Restructuring and employee termination benefits

Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination has either commenced or been publicly announced, or firm contracts related to the restructuring or termination benefits have been entered into. Costs related to ongoing activities are not provided for.

Onerous contracts

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

(xx) Trade and other payables

Dividends

A liability for dividends payable (including distributions on the Step-Up Preference Securities) is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash. A liability for dividends payable on cumulative non-redeemable preference shares was recognised on an accruals basis and included in trade and other payables.

(xxi) Foreign currency

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the entity at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated the functional currency of the entity at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date.

The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. The revenues and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Prior to translating the financial statements of foreign operations in hyperinflationary economies, the financial statements, including comparatives, are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the balance sheet date.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the translation reserve. They are released into the Income Statement upon disposal.

(xxii) Financial instruments

The consolidated entity uses financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue financial instruments for trading purposes. However, financial instruments that do not qualify for hedge accounting, but remain economically effective, are accounted for as trading instruments.

Financial instruments are recognised initially at cost. Subsequent to initial recognition, financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement.

However, where financial instruments qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

1. Accounting policies (continued)

Hedging

Cash flow hedges

Where a financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Income Statement.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects the Income Statement.

The ineffective part of any gain or loss is recognised immediately in the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

Fair value hedges

The consolidated entity uses fair value hedges to mitigate the risk of changes in the fair value of its foreign currency borrowings from foreign currency and interest rate fluctuations over the hedging period.

Under a fair value hedge gains or losses from remeasuring the fair value of the hedging instrument are recognised in the Income Statement, together with gains or losses in relation to the hedged item.

Hedge of monetary assets and liabilities

When a financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the Income Statement.

Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

Other financial instruments held by the consolidated entity classified as being available-for-sale are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Income Statement.

Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Income Statement. The fair value of financial instruments classified as held for trading and available for sale is their quoted market price at the balance sheet date.

Financial instruments classified as held for trading or available for sale investments are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments. Securities held to maturity are recognised/ derecognised on the day they are transferred to/by the consolidated entity.

Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in the foreign currency translation reserve in equity. The ineffective portion is recognised immediately in the Income Statement.

Anticipated transactions

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables and payables outstanding at balance date are translated at the exchange rates current at that date. Exchange gains and losses on retranslation of outstanding receivables and payables are taken to the Income Statement.

Where a hedge transaction is designated as a hedge of the anticipated purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, gains and losses on the hedge, arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the Income Statement.

The net amount receivable or payable under open swaps, forward rate agreements and futures contracts and the associated deferred gains or losses are not recorded in the Income Statement until the hedged transaction matures. The net receivables or payables are then revalued using the foreign currency, interest or commodity rates current at balance date.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the Income Statement.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains and losses are recognised immediately in the Income Statement.

(xxiii) Cash and cash equivalents

Cash includes cash at bank, cash on hand and deposits at call which are readily convertible to cash on hand and which are used in the cash management function and are disclosed for the purposes of the Statement of Cash Flows, net of bank overdrafts.

1. Accounting policies (continued)

(xxiv) Share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Cumulative non-redeemable preference shares

Cumulative non-redeemable preference shares were included in liabilities in 2007 as they were, in substance, borrowings. Dividends payable on these shares were recognised in the Income Statements as borrowing costs on an accruals basis.

Step-Up Preference Securities

Step-Up Preference Securities are included in equity. A provision for distributions payable is recognised in the reporting period in which the distributions are declared (refer to note 21).

(xxv) Impairment of assets

The carrying amount of Orica's and the Group's non-current assets excluding defined benefit fund assets, deferred tax assets, goodwill and indefinite life intangible assets is reviewed at each reporting date to determine whether there is any indicators of impairment. If such indicators exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount. Goodwill and indefinite life intangible assets are tested for impairment annually.

The recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use.

The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the cash generating unit to which the asset belongs.

A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets with each cash generating unit being no larger than a segment.

In calculating recoverable amount, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit.

Cash flows are estimated for the asset in its present condition and therefore do not include cash inflows or outflows that improve or enhance the asset's performance or that may arise from future restructuring.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit.

Reversals of impairment

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(xxvi) Goods and services tax

Revenues, expenses, assets and liabilities other than receivables and payables, are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the relevant taxation authorities. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the relevant taxation authorities is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authorities are classified as operating cash flows.

(xxvii) Rounding

The amounts shown in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

(xxviii) Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

2. Segment report

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format is business segments. The consolidated entity's operations have been divided into five business segments comprising Mining Services, Minova, Consumer Products, Chemicals and Other.

On 26 October 2007 Orica acquired Excel Mining Systems LLC and it is included in the Minova business segment.

The Minova group was acquired on 1 January 2007.

Following changes to the operation of the consolidated entity during the year, the former Chemnet and Chemical Services operations have been merged to form one Chemicals operation. Prior year comparatives have been restated accordingly.

The consolidated entity's policy is to transfer products internally at negotiated commercial prices. Other income includes royalties, profit on sale of property, plant and equipment and profit from the sale of businesses and controlled entities.

The consolidated entity's geographical segments are determined based on the location of the Group's assets.

The major products and services from which the above segments derive revenue are:

Defined business segments	Products/services
Mining Services	Manufacture and supply of explosives and mining services, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries.
Minova	Manufacture and supply of specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.
Consumer Products	Manufacture and supply of paints and other surface coatings to the decorative and technical markets and a range of home handyman, car care and garden care products.
Chemicals	Manufactures, distributes and trades a broad range of industrial and speciality chemicals for use in a wide range of industries, which include water treatment, pulp and paper, food and beverage, construction and mining.
Other	Minor activities, operation of the Botany Groundwater Recycling Business, non-operating assets, corporate and support costs and financial items such as foreign currency gains/losses.

2 Segment report (continued)

Primary reporting
Business segments
2008
$m

	Mining Services	Minova	Consumer Products	Chemicals	Other	Eliminations	Consolidated
Revenue							
External sales	3,540.0	794.2	875.2	1,334.2	0.5	-	6,544.1
Inter-segment sales	12.1	-	0.2	71.9	-	(84.2)	-
Total sales revenue	3,552.1	794.2	875.4	1,406.1	0.5	(84.2)	6,544.1
Other income	38.2	0.4	1.0	2.3	11.9	-	53.8
Total revenue and other income	3,590.3	794.6	876.4	1,408.4	12.4	(84.2)	6,597.9
Results							
Profit/(loss) before individually material items, net financing costs and income tax expense	635.6	150.1	122.6	146.1	(84.3)	-	970.1
Individually material items	(9.6)	(12.0)	-	(20.0)	-	-	(41.6)
Profit/(loss) from operations	626.0	138.1	122.6	126.1	(84.3)	-	928.5
Net financing costs							(157.7)
Profit before income tax expense							770.8
Income tax expense							(203.5)
Profit after income tax expense							567.3
Minority interests in profit after income tax							(27.7)
Net profit for the period relating to shareholders of Orica Limited							539.6
Segment assets	3,656.6	2,068.1	473.0	1,058.0	752.1	-	8,007.8
Segment liabilities	1,121.5	197.3	202.0	288.5	1,880.1	-	3,689.4
Investments accounted for using the equity method	206.6	-	1.6	0.1	-	-	208.3
Acquisitions of PPE and intangibles	299.7	13.3	37.3	75.1	22.9	-	448.3
Net impairment of inventories	3.3	0.6	2.1	1.2	-	-	7.2
Net impairment of trade receivables	4.8	0.7	1.1	1.1	-	-	7.7
Depreciation	118.3	7.9	11.3	31.6	8.5	-	177.6
Amortisation	14.0	21.9	2.4	0.5	2.3	-	41.1
Non-cash expenses other than depreciation and amortisation: - share based payments	2.7	0.6	0.5	0.6	2.1	-	6.5
Share of associates net profit equity accounted	27.8	-	0.2	0.1	-	-	28.1

2 Segment report (continued)

Primary reporting
Business segments
2007
$m

	Mining Services	Minova	Consumer Products	Chemicals	Other	Eliminations	Consolidated
Revenue							
External sales	3,099.5	332.1	826.2	1,269.0	0.4	-	5,527.2
Inter-segment sales	11.7	-	0.1	60.5	-	(72.3)	-
Total sales revenue	3,111.2	332.1	826.3	1,329.5	0.4	(72.3)	5,527.2
Other income	25.8	-	0.4	28.2	7.1	-	61.5
Total revenue and other income	3,137.0	332.1	826.7	1,357.7	7.5	(72.3)	5,588.7
Results							
Profit/(loss) before individually material items, net financing costs and income tax expense	575.1	61.6	101.6	127.4	(53.0)	-	812.7
Individually material items	(44.7)	-	-	6.4	16.0	-	(22.3)
Profit/(loss) from operations	530.4	61.6	101.6	133.8	(37.0)	-	790.4
Net financing costs							(122.6)
Profit before income tax expense							667.8
Income tax expense							(154.4)
Profit after income tax expense							513.4
Minority interests in profit after income tax							(25.7)
Net profit for the period relating to shareholders of Orica Limited							487.7
Segment assets	3,292.6	1,020.2	432.3	953.5	515.8	-	6,214.4
Segment liabilities	978.9	125.6	187.0	198.6	2,096.7	-	3,586.8
Investments accounted for using the equity method	122.5	-	1.5	0.5	-	-	124.5
Acquisitions of PPE and intangibles	200.3	10.0	41.5	72.3	17.7	-	341.8
Net impairment of intangibles	-	-	-	15.4	-	-	15.4
Net impairment of inventories	1.5	0.9	1.2	4.0	-	-	7.6
Net impairment of trade receivables	6.1	0.5	1.8	2.2	-	-	10.6
Depreciation	107.4	4.3	11.4	26.3	3.9	-	153.3
Amortisation	15.4	9.2	3.3	0.5	1.5	-	29.9
Non-cash expenses other than depreciation and amortisation: - share based payments	1.1	0.2	0.2	0.3	0.9	-	2.7
Share of associates net profit/(loss) equity accounted	31.4	-	(0.2)	-	-	-	31.2

2 Segment report (continued)

Secondary reporting
Geographical segments
2008
$m

	Australia	New Zealand	Asia	North America	Latin America	Europe	Other	Eliminations	Consolidated
Revenue									
External sales	2,703.4	376.2	527.2	1,219.5	809.0	847.8	61.0	-	6,544.1
Inter-segment sales	241.3	12.9	17.7	58.2	22.5	65.5	5.9	(424.0)	-
Total sales revenue	2,944.7	389.1	544.9	1,277.7	831.5	913.3	66.9	(424.0)	6,544.1
Other income	15.0	1.0	1.6	9.5	15.0	11.7	-	-	53.8
Total revenue and other income	2,959.7	390.1	546.5	1,287.2	846.5	925.0	66.9	(424.0)	6,597.9
Results									
Profit before individually material items, net financing costs and income tax expense	434.7	44.0	70.9	172.5	91.8	148.4	7.8	-	970.1
Individually material items	(24.2)	-	(1.0)	(9.0)	(5.6)	(1.0)	(0.8)	-	(41.6)
Profit from operations	410.5	44.0	69.9	163.5	86.2	147.4	7.0	-	928.5
Net financing costs									(157.7)
Profit before income tax expense									770.8
Income tax expense									(203.5)
Profit after income tax expense									567.3
Minority interests in profit after income tax									(27.7)
Net profit for the period relating to shareholders of Orica Limited									539.6
Segment assets	3,030.3	259.9	570.2	1,800.5	592.7	1,707.0	47.2	-	8,007.8
Segment liabilities	2,031.5	538.1	142.5	405.1	192.4	368.5	11.3	-	3,689.4
Investments accounted for using the equity method	1.7	-	62.2	127.5	2.8	14.1	-	-	208.3
Acquisitions of PPE and intangibles	189.3	14.7	85.2	72.6	31.8	51.4	3.3	-	448.3
Net impairment of inventories	4.4	0.6	1.2	0.3	0.3	0.4	-	-	7.2
Net impairment of trade receivables	1.6	0.1	0.7	2.3	0.4	2.5	0.1	-	7.7
Depreciation	101.7	5.0	8.9	24.6	14.1	22.4	0.9	-	177.6
Amortisation	13.2	0.4	0.6	13.1	2.1	11.7	-	-	41.1
Non-cash expenses other than depreciation and amortisation: - share based payments	4.6	0.1	0.1	0.7	0.4	0.6	-	-	6.5
Share of associates net profit equity accounted	0.8	-	5.9	19.2	1.0	1.2	-	-	28.1

2 Segment report (continued)

Secondary reporting
Geographical segments
2007
$m

	Australia	New Zealand	Asia	North America	Latin America	Europe	Other	Eliminations	Consolidated
Revenue									
External sales	2,428.1	405.4	439.8	817.9	677.5	714.4	44.1	-	5,527.2
Inter-segment sales	141.1	13.4	14.8	42.5	20.4	53.2	4.7	(290.1)	-
Total sales revenue	2,569.2	418.8	454.6	860.4	697.9	767.6	48.8	(290.1)	5,527.2
Other income	(0.4)	36.5	3.3	2.5	11.7	7.9	-	-	61.5
Total revenue and other income	2,568.8	455.3	457.9	862.9	709.6	775.5	48.8	(290.1)	5,588.7
Results									
Profit before individually material items, net financing costs and income tax expense	369.5	50.1	75.6	97.2	87.7	129.8	2.8	-	812.7
Individually material items [1]	(13.0)	32.2	(1.9)	(1.0)	(25.8)	(12.8)	-	-	(22.3)
Profit from operations	356.5	82.3	73.7	96.2	61.9	117.0	2.8	-	790.4
Net financing costs									(122.6)
Profit before income tax expense									667.8
Income tax expense									(154.4)
Profit after income tax expense									513.4
Minority interests in profit after income tax									(25.7)
Net profit for the period relating to shareholders of Orica Limited									487.7
Segment assets	2,856.6	233.4	416.3	651.6	541.3	1,482.7	32.5	-	6,214.4
Segment liabilities	2,104.3	619.4	79.1	295.9	130.4	350.0	7.7	-	3,586.8
Investments accounted for using the equity method	2.0	-	52.7	55.0	2.0	12.8	-	-	124.5
Acquisitions of PPE and intangibles	175.6	11.2	18.5	66.3	23.4	46.1	0.7	-	341.8
Net impairment of intangibles	15.4	-	-	-	-	-	-	-	15.4
Net impairment of inventories	4.9	0.5	0.6	0.3	0.3	0.8	0.2	-	7.6
Net impairment of trade receivables	2.5	0.7	1.6	1.0	3.2	1.6	-	-	10.6
Depreciation	83.5	5.4	9.8	19.7	13.7	20.1	1.1	-	153.3
Amortisation	12.3	0.6	0.7	2.9	2.0	11.4	-	-	29.9
Non-cash expenses other than depreciation and amortisation:									
- share based payments	2.0	0.1	-	0.3	0.1	0.2	-	-	2.7
Share of associates net profit/(loss) equity accounted	(0.6)	-	7.9	18.2	1.6	4.1	-	-	31.2

(1) On disposal of the Adhesives and Resins business assets, a gain was realised in the New Zealand segment and a loss in the Australian segment.

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m

3. Sales revenue and other income

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Sales revenue	**6,544.1**	5,527.2	**-**	-
Other income				
Royalty income	**1.9**	3.0	**-**	-
Dividend income:				
controlled entities	**-**	-	**524.1**	-
Other income	**46.5**	32.3	**-**	-
Profit from sale of businesses/controlled entities	**-**	26.2	**-**	-
Profit on sale of property, plant and equipment	**5.4**	-	**-**	-
Total other income	**53.8**	61.5	**524.1**	-

4. Specific profit and loss income and expenses

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
a) Financial income:				
Interest income received/receivable from:				
controlled entities	**-**	-	**53.4**	41.9
income of Excel net investment hedge (see note 34)	**24.2**	-	**-**	-
associated companies	**0.6**	0.8	**-**	-
external parties – banks	**43.3**	34.0	**0.5**	-
Total financial income	**68.1**	34.8	**53.9**	41.9
b) Financial expenses:				
Borrowing costs paid/payable to:				
controlled entities	**-**	-	**73.6**	82.2
external parties - banks	**216.2**	146.2	**-**	0.1
unwinding of discount on provisions	**8.1**	11.0	**-**	-
finance charges – finance leases	**1.5**	0.2	**-**	-
Total financial expenses	**225.8**	157.4	**73.6**	82.3
Net financing costs	**157.7**	122.6	**19.7**	40.4
c) Profit/(loss) before income tax expense is arrived at after charging/(crediting):				
Currency (gains)/losses	**(11.9)**	0.4	**-**	-
Loss on sale of property, plant and equipment	**-**	4.3	**-**	-
Depreciation on property, plant and equipment:				
buildings and improvements	**15.6**	16.8	**0.2**	0.1
machinery, plant and equipment	**162.0**	136.5	**-**	0.1
Total depreciation on property, plant and equipment	**177.6**	153.3	**0.2**	0.2
Amortisation of intangibles	**41.1**	29.9	**-**	-
Amounts provided for:				
trade receivables impairment	**7.7**	6.0	**-**	-
doubtful debts – other receivables	**0.2**	-	**-**	-
employee entitlements	**40.5**	38.5	**-**	-
environmental liabilities	**5.2**	4.5	**-**	-
inventory impairment	**7.2**	7.6	**-**	-
restructuring and rationalisation provisions	**21.1**	17.3	**-**	-
decommissioning	**-**	4.7	**-**	-
onerous contracts	**-**	4.4	**-**	-
other provisions	**1.8**	35.3	**-**	-
Bad debts written off to impairment allowance	**4.1**	4.6	**-**	-
Lease payments – operating leases	**83.3**	77.8	**-**	-
Loss on disposal of businesses/controlled entities	**1.7**	-	**-**	-
Research and development	**37.0**	31.5	**-**	-

4. Specific profit and loss income and expenses (continued)

	2008 Gross $m	2008 Tax $m	2008 Net $m	2007 Gross $m	2007 Tax $m	2007 Net $m
d) Profit after income tax includes the following individually material items of (expense)/income:						
Consolidated						
Restructuring and rationalisation costs: [1]						
Chemicals business	**(20.0)**	**5.3**	**(14.7)**	-	-	-
Marplex business	**-**	**-**	**-**	(16.9)	0.5	(16.4)
Integration costs - (expenditure)/income: [2]						
Dyno Nobel	**(9.6)**	**0.1**	**(9.5)**	(44.7)	10.9	(33.8)
Minova/Excel	**(12.0)**	**3.0**	**(9.0)**	-	-	-
Profit on disposal of:						
Adhesives and Resins (A&R) [3]	**-**	**-**	**-**	23.3	0.4	23.7
Tax indemnity - Cropcare [4]	**-**	**-**	**-**	16.0	-	16.0
Individually material items	**(41.6)**	**8.4**	**(33.2)**	(22.3)	11.8	(10.5)
Minority interests in individually material items	**(0.5)**	**-**	**(0.5)**	(0.4)	-	(0.4)
Individually material items attributable to shareholders of Orica	**(41.1)**	**8.4**	**(32.7)**	(21.9)	11.8	(10.1)

[1] Costs including asset write downs and provisions relating to restructuring and merging of the Chemicals business in 2008 and restructuring of the Marplex (Victoria, Australia) business in 2007.

[2] Costs including asset write downs and provisions relating to the integration and restructuring of the Mining Services and Minova segments following the purchase the Dyno Nobel, Excel and Minova businesses.

[3] Profit on sale of Adhesives and Resins business assets in Australia and New Zealand.

[4] The Cropcare business was sold to Nufarm Limited in October 2002 and Orica provided a tax indemnity. A tax assessment was received by Nufarm Limited in 2006 and Orica provided for this amount and disputed the claim. In 2007, the Australian Tax Office refunded amounts paid and the expense previously recognised was reversed.

	Consolidated	
	2008	2007
	$m	$m
5. Income tax expense		
a) Income tax expense recognised in the income statement		
Current tax expense		
Current year	**172.9**	163.4
Deferred tax	**36.9**	5.4
Over provided in prior years	**(6.3)**	(14.4)
Total income tax expense in income statements	**203.5**	154.4
b) Reconciliation of income tax expense to prima facie tax payable		
Income tax expense attributable to operating profit before individually material items		
Prima facie income tax expense calculated at 30% on profit before individually material items	**243.7**	207.0
Tax effect of items which (reduce)/increase tax expense:		
variation in tax rates of foreign controlled entities	**(1.6)**	(7.4)
tax over provided in prior years	**(6.3)**	(14.4)
non allowable share based payment	**1.9**	0.8
other foreign deductions	**(32.6)**	(25.4)
sundry items	**6.8**	5.6
Income tax expense attributable to profit before individually material items	**211.9**	166.2
Income tax (benefit)/expense attributable to individually material items		
Prima facie income tax (benefit)/expense calculated at 30% on (loss)/profit from individually material items	**(12.5)**	(6.7)
Tax effect of items which (reduce)/increase tax expense:		
variation in tax rates of foreign controlled entities	**(0.2)**	(1.1)
individually material items:		
non allowable Dyno Nobel integration costs	**2.8**	3.8
non allowable Minova integration costs	**0.8**	-
non allowable Chemicals restructuring costs	**0.7**	-
non taxable profit on sale (A&R)	**-**	(7.7)
non taxable writeback (Cropcare)	**-**	(4.8)
non allowable impairment writedown (Marplex)	**-**	4.7
Income tax benefit attributable to (loss)/profit from individually material items	**(8.4)**	(11.8)
Income tax expense reported in the income statement	**203.5**	154.4

5. Income tax expense (continued)

	Company	
	2008	2007
c) Income tax expense recognised in the income statement	**$m**	$m
Current tax benefit		
Current year	**(3.2)**	(14.1)
Deferred tax	**1.5**	2.5
Over provided in prior years	**(1.2)**	(2.3)
Total income tax benefit in income statement	**(2.9)**	(13.9)
d) Reconciliation of income tax expense to prima facie tax payable		
Income tax benefit attributable to operating profit before individually material items		
Prima facie income tax expense calculated at 30% on profit before individually material items	**148.4**	(12.5)
Tax effect of items which (reduce)/increase tax expense:		
rebateable and exempt dividends	**(157.2)**	-
tax over provided in prior years	**(1.2)**	(2.3)
sundry items	**7.1**	0.9
Income tax benefit reported in the income statement	**(2.9)**	(13.9)

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
e) Deferred income tax related to items charged or credited to equity:				
Net loss on hedge of net investments in foreign subsidiary	**(2.8)**	0.5	**-**	-
Cash flow hedges - effective portion of changes in fair value	**(4.1)**	3.3	**-**	-
Actuarial losses/(benefits) on defined benefit plans	**14.4**	(4.9)	**-**	-
Deferred income tax related to items charged or credited to statements of recognised income and expense	**7.5**	(1.1)	**-**	-
Deductible share issue costs	**2.1**	-	**-**	-
Deferred income tax related to items charged or credited to equity	**9.6**	(1.1)	**-**	-

5. Income tax expense (continued)

f) Recognised deferred tax assets and liabilities

		Balance Sheet		Income Statement	
		2008	2007	**2008**	2007
Consolidated	Notes	**$m**	$m	**$m**	$m
Deferred tax assets					
Trade and other receivables		**4.3**	4.2	**0.7**	3.1
Inventories		**11.6**	8.3	**(2.5)**	(0.1)
Property, plant and equipment		**21.0**	26.4	**5.4**	13.2
Intangible assets		**18.5**	18.8	**0.3**	0.1
Trade and other payables		**59.4**	41.7	**(17.2)**	(2.7)
Interest bearing liabilities		**0.2**	30.7	**23.5**	(14.2)
Provision for employee entitlements		**30.2**	27.1	**(2.8)**	0.1
Provision for retirement benefit obligations		**38.4**	29.9	**6.1**	-
Provisions for restructuring and rationalisation		**4.2**	4.9	**0.8**	5.4
Provisions for environmental		**67.4**	74.7	**7.4**	8.4
Provisions for decommissioning		**4.4**	5.2	**0.8**	1.5
Foreign tax credits		**-**	-	**-**	11.2
Tax losses		**67.6**	25.6	**(42.0)**	(10.0)
Other items		**7.4**	3.6	**(1.6)**	0.4
Deferred tax assets		**334.6**	301.1		
less set-off against deferred tax liabilities		**(170.5)**	(78.6)		
Net deferred tax assets	(15)	**164.1**	222.5		
Deferred tax liabilities					
Inventories		**5.4**	5.4	**-**	(0.4)
Property, plant and equipment		**99.5**	94.9	**5.4**	(3.7)
Intangible assets		**81.7**	70.0	**11.7**	2.1
Interest bearing liabilities		**40.4**	6.1	**34.2**	(8.7)
Undistributed profits of foreign subsidiaries		**11.1**	9.1	**2.0**	3.0
Other items		**16.2**	10.7	**4.7**	(3.3)
Deferred tax liabilities		**254.3**	196.2		
less set-off against deferred tax assets		**(170.5)**	(78.6)		
Net deferred tax liabilities	(20)	**83.8**	117.6		
Deferred tax expense				**36.9**	5.4

Company					
Deferred tax assets					
Property, plant and equipment		**0.6**	0.7	**0.1**	-
Provisions for other		**0.3**	0.3	**-**	-
Other items		**4.6**	4.2	**1.4**	2.5
Deferred tax assets	(15)	**5.5**	5.2		
Deferred tax expense				**1.5**	2.5

5. Income tax expense (continued)

g) Unrecognised deferred tax assets and liabilities

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Tax losses not booked	**11.6**	10.5	**-**	-
Capital losses not booked	**27.5**	17.6	**-**	-
Temporary differences not booked	**0.9**	0.9	**-**	-

Geographic analysis of tax losses not booked at 30 September 2008:	Tax losses	Capital losses	Expiry date
	$m	**$m**	
Australia	**1.3**	**24.1**	Indefinite
Other	**10.3**	**3.4**	Between 2009 and 2020
	11.6	**27.5**	

h) Unrecognised temporary differences

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised	**973.9**	816.7	**19.2**	22.4
Unrecognised deferred tax liabilities relating to the above temporary differences	**130.8**	116.2	**3.3**	3.8

	Consolidated 2008 $m	Consolidated 2007 $m

6. Earnings per share (EPS)

(i) As reported in the income statement

	2008	2007
Reconciliation of earnings used in the calculation of EPS attributable to ordinary shareholders of Orica		
Net profit for the year from operations	**567.3**	513.4
Net profit for the year from operations attributable to minority interests	**(27.7)**	(25.7)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	**(28.1)**	(30.5)
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica	**511.5**	457.2
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)	**28.1**	-
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica	**539.6**	457.2
	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	**320,040,216**	306,306,087
Effect of executive share options	**3,520,965**	4,080,147
Effect of Orica Step-Up Preference Securities	**18,041,197**	-
Number for diluted earnings per share	**341,602,378**	310,386,234
The following Orica Long Term Equity Incentive Plan has not been included in the calculation for diluted EPS as it is not dilutive:		
- issue date 11 May 2007	**61,393**	64,405
- issue date 18 Dec 2007	**1,348,983**	-
Effect of Orica Step-Up Preference Securities	**-**	19,138,369
Full details of these options are set out in the remuneration report.		
	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica		
Basic earnings per share	**159.8**	146.3
Diluted earnings per share	**158.0**	144.4
2007 basic earnings per share before adjustment for effect of rights issue		149.3

(ii) Adjusted for individually material items

	$m	$m
Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica		
Net profit for the year from operations	**567.3**	513.4
Net profit for the year from operations attributable to minority interests	**(27.7)**	(25.7)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	**(28.1)**	(30.5)
Adjusted for individually material items from operations	**32.7**	10.1
Earnings used in calculation of EPS attributable to ordinary shareholders of Orica	**544.2**	467.3
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)	**28.1**	-
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica	**572.3**	467.3
	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica before individually material items		
Basic earnings per share	**170.0**	149.5
Diluted earnings per share	**167.5**	147.6
2007 basic earnings per share before adjustment for effect of rights issue		152.6

7. Cash and cash equivalents

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Cash at bank and on hand	**243.5**	155.8	**-**	-
Deposits at call				
external	**77.8**	214.9	**-**	-
	321.3	370.7	**-**	-

(i) Fair values

The directors consider the net carrying amount of cash and cash equivalents to approximate their fair value due to their short term to maturity.

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m

8. Trade and other receivables

Current				
Trade receivables (i)				
external [1]	**1,025.7**	789.2	**-**	-
associated companies	**20.3**	25.6	**-**	-
Less allowance for impairment (i) (ii)				
external	**(22.4)**	(19.5)	**-**	-
	1,023.6	795.3	**-**	-
Other receivables (iii)				
external	**124.2**	122.5	**-**	-
controlled entities	**-**	-	**971.6**	767.1
Less allowance for impairment (iii) (iv)				
external	**(0.4)**	(1.9)	**-**	-
	123.8	120.6	**971.6**	767.1
	1,147.4	915.9	**971.6**	767.1
Non-current				
Other receivables (iii)				
external [2]	**108.1**	104.7	**100.0**	100.0
retirement benefit surplus	**2.9**	4.8	**-**	-
	111.0	109.5	**100.0**	100.0

[1] Trade receivables includes $13.4 million (2007 $14.3 million) of receivables that have effectively been transferred from Orica but do not qualify for derecognition under AASB 139 due to the consolidated entity's exposure to the relevant debtors via guarantees provided to financial institutions should they not pay. A corresponding liability is recognised in note 17.

[2] This includes $100.0 million (2007 $100.0 million) that was paid during the financial year ended 30 September 2005 to the Australian Tax Office in relation to the sale of the pharmaceuticals business to Zeneca in September 1998 (see note 33). Orica has lodged an appeal with the Federal Court and the directors are of the opinion that the amount paid and recognised as a non-current receivable is recoverable.

(i) Trade receivables and allowance for impairment

The ageing of trade receivables and allowance for impairment is detailed below:

	Consolidated		Consolidated	
	2008	**2008**	2007	2007
	Gross	**Allowance**	Gross	Allowance
	$m	**$m**	$m	$m
Not past due	**860.7**	**(0.2)**	634.9	-
Past due 0 - 30 days	**90.5**	**(0.4)**	97.5	-
Past due 31 - 60 days	**32.6**	**(3.3)**	25.3	(0.2)
Past due 61 - 90 days	**10.2**	**(0.6)**	8.4	(0.1)
Past due 91 - 120 days	**10.5**	**(0.8)**	7.6	(0.1)
Past 120 days	**41.5**	**(17.1)**	41.1	(19.1)
	1,046.0	**(22.4)**	814.8	(19.5)

Trade receivables are carried at amounts due. Receivables that are not past due and not impaired are considered recoverable. Payment terms are generally 30 days. A risk assessment process is used for all accounts, with a stop credit process in place for most long overdue accounts. Credit insurance cover is obtained where appropriate.

The collectability of trade receivables is assessed continuously and at balance date specific allowances are made for any doubtful trade receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

The following basis has been used to assess the allowance for doubtful trade receivables:
- a statistical approach to determine the historical allowance rate for various tranches of receivables;
- an individual account by account assessment based on past credit history; and
- prior knowledge of debtor insolvency or other credit risk.

No material security is held over trade receivables.
Trade receivables have been aged according to their due date in the above ageing analysis.
There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

8. Trade and other receivables (continued)

(ii) Movement in allowance for impairment of trade receivables

The movement in the allowance for impairment in respect of trade receivables is detailed below:

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Opening balance	**(19.5)**	(35.3)	**-**	-
Allowances made during the year	**(7.7)**	(6.0)	**-**	-
Additions through acquisition of entities	**(2.3)**	(4.5)	**-**	-
Reductions through disposal of entities	**-**	2.7	**-**	-
Allowances utilised during the year	**4.1**	4.6	**-**	-
Allowances written back during the year	**4.5**	17.4	**-**	-
Foreign currency exchange differences	**(1.5)**	1.6	-	-
Closing balance	**(22.4)**	(19.5)	**-**	-

(iii) Current other receivables and allowance for impairment

	Consolidated		Consolidated	
	2008	**2008**	2007	2007
	Gross	**Allowance**	Gross	Allowance
	$m	**$m**	$m	$m
Not past due	**68.6**	**-**	57.5	-
Past due 0 - 30 days	**19.4**	**-**	2.6	-
Past due 31 - 60 days	**1.1**	**-**	0.8	-
Past due 61 - 90 days	**4.2**	**-**	1.1	-
Past due 91 - 120 days	**1.5**	**-**	6.0	-
Past 120 days	**29.4**	**(0.4)**	54.5	(1.9)
	124.2	**(0.4)**	122.5	(1.9)

	Company		Company	
	2008	**2008**	2007	2007
	Gross	**Allowance**	Gross	Allowance
	$m	**$m**	$m	$m
Not past due	**971.6**	**-**	767.1	**-**

Other receivables generally arise from transactions outside the usual operating activities of the consolidated entity.
Interest may be charged where the terms of repayment exceed agreed terms.
Other receivables are carried at amounts due. Payment terms vary. A risk assessment process is used for all accounts, with a stop credit and follow up process in place for most long overdue accounts.
Other receivables have been aged according to their due date in the above ageing analysis.

The collectability of other receivables is assessed at balance date and specific allowances are made for any doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off to the Income Statement during the year in which they are identified.
There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

8. Trade and other receivables (continued)

(iv) Movement in allowance for impairment of current other receivables
The movement in the allowance for impairment in respect of current other receivables is detailed below:

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Opening balance	**(1.9)**	(3.8)	**-**	-
Allowances made during the year	**(0.2)**	-	**-**	-
Allowances written back during the year	**1.8**	1.8	**-**	-
Foreign currency exchange differences	**(0.1)**	0.1	**-**	-
Closing balance	**(0.4)**	(1.9)	**-**	-

(v) Fair values
The net carrying amount of trade and other receivables approximates their fair values. For receivables with a remaining life of less than one year, carrying value reflects fair value. All other significant receivables are discounted to determine carrying value and fair value.
The maximum exposure to credit risk is the carrying value of receivables. No material collateral is held as security over any of the receivables.

(vi) Concentrations of credit risk
The consolidated entity is exposed to the following concentrations of credit risk in regards to its current trade and other receivables:

	2008	2007
	%	**%**
Mining Services	**53.6**	53.1
Chemicals	**18.1**	20.1
Minova	**13.7**	8.5
Consumer Products	**12.2**	14.0
Corporate	**2.4**	4.3
	100.0	100.0

	2008	2007
	%	**%**
Australia	**34.8**	41.4
New Zealand	**4.7**	5.6
Asia	**13.1**	11.3
North America	**13.7**	9.3
Latin America	**15.5**	15.5
Europe	**16.7**	15.8
Other	**1.5**	1.1
	100.0	100.0

The Company is exposed to credit risk through the financial assets it holds. This is concentrated with related parties.

(vii) Non current receivables
All non current receivables are carried at amounts that approximate their fair value. As at 30 September none are past due. None are considered impaired.

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m

9. Inventories

	2008 $m	2007 $m	**2008 $m**	2007 $m
Raw materials and stores	**332.5**	225.9	**-**	-
Work in progress	**35.7**	15.2	**-**	-
Finished goods	**456.1**	363.2	**-**	-
	824.3	604.3	**-**	-

10. Other assets

	2008 $m	2007 $m	**2008 $m**	2007 $m
Current				
Prepayments and other assets	**68.9**	36.2	**0.1**	-
	68.9	36.2	**0.1**	-
Non-current				
Prepayments and other assets	**0.3**	3.2	**-**	-
	0.3	3.2	**-**	-

11. Investments accounted for using the equity method

Name	Principal activity	Balance date	Ownership 2008 %	Ownership 2007 %	Carrying amount 2008 $m	Carrying amount 2007 $m
Australian Plantations Pty Ltd	Tea tree oil production	30 Jun	**50.0**	50.0	**0.1**	0.5
Botany Industrial Park Pty Limited	Facility management service	30 Sep	**33.4**	33.4	**-**	-
BXL Bulk Explosives Limited (1)	Manufacture and sale of explosives	31 Oct	**50.0**	50.0	**0.7**	0.3
Controladora DNS de RL de CV (2)	Manufacture and sale of explosives	30 Sep	**49.0**	49.0	**0.1**	0.1
Dyno Nobel Petrolera (2)	Manufacture and sale of explosives	31 Dec	**47.0**	47.0	**-**	-
Dyno Nobel UMMC LLC (3)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**-**	-
Emirates Explosives L.L.C. (4) *	Manufacture and sale of explosives	31 Dec	**-**	-	**-**	-
Exor Explosives Limited (5)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**1.4**	1.2
Geneva Nitrogen LLC (6)	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**7.9**	5.9
Geodynamics B.V. (7)	Manufacture and sale of explosives	31 Dec	**27.3**	27.3	**5.4**	4.7
Irish Mining Emulsion Systems Ltd (8)	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**-**	-
Makina Kimya Nitro Nobel Kimya Sanayii A.S (9) **	Manufacture and sale of explosives	30 Sep	**-**	-	**-**	-
MicroCoal Inc.(6)	Development and commercialisation of coal dewatering process	31 Dec	**50.0**	50.0	**3.7**	5.0
MSW-Chemie GmbH (10)	Manufacture and sale of explosives	31 Dec	**31.5**	31.5	**0.7**	0.6
Nelson Brothers, LLC (6)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**28.4**	24.5
Nelson Brothers Mining Services LLC (6)	Supply of explosives	31 Dec	**50.0**	50.0	**20.8**	18.2
Norabel Ignition Systems AB (11)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**0.5**	0.4
Northwest Energetic Services, LLC (6) *	Manufacture and sale of explosives	31 Dec	**-**	33.3	**-**	1.0
Orica Camel Coatings Ltd (12)	Manufacture and sale of powder coatings	31 Dec	**50.0**	50.0	**-**	-
OY Forcit (13)	Manufacture and sale of explosives	31 Dec	**20.0**	20.0	**5.1**	4.8
Pigment Manufacturers of Australia Limited	Non-operating company	31 Dec	**50.0**	50.0	**-**	-
Pinegro Products Pty Ltd	Manufacture and sale of garden products	30 Jun	**50.0**	50.0	**1.6**	1.5
PIIK Limited Partnership (1)	Sale of explosives	30 Sep	**49.0**	49.0	**-**	-
Southwest Energy LLC (6)	Sale of explosives	30 Sep	**50.0**	-	**66.0**	-
Sprewa Sprengmittel GmbH (10)	Sale of explosives	31 Dec	**24.0**	24.0	**0.8**	0.9
SVG&FNS Philippines Holdings Inc (14)	Investment company	31 Dec	**40.0**	40.0	**-**	-
Thai Nitrate Company Ltd (15)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**62.2**	52.8
Troisdorf GmbH (10)	Holder of operating permits	30 Sep	**50.0**	50.0	**-**	-
Ulaex SA (16)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**2.8**	2.0
Wurgendorf GmbH (10)	Holder of operating permits	30 Sep	**50.0**	50.0	**0.1**	0.1
					208.3	124.5

Entities are incorporated in Australia except: (1) Canada, (2) Mexico, (3) Russia, (4) United Arab Emirates, (5) UK, (6) USA, (7) Holland, (8) Ireland, (9) Turkey, (10) Germany, (11) Sweden, (12) Hong Kong, (13) Finland, (14) Philippines, (15) Thailand, (16) Cuba.

* Consolidated as a subsidiary: Emirates Explosives L.L.C. from 6 November 2006, Northwest Energetic Services, LLC from 1 December 2007.

** Disposed of - Makina Kimya Nitro Nobel Kimya Sanayii A.S on 3 May 2007.

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

	Consolidated 2008 $m	Consolidated 2007 $m
Results of associates		
Share of associates' profit from ordinary activities before income tax	**30.4**	33.4
Share of associates' income tax expense relating to profit from ordinary activities	**(2.3)**	(2.2)
Share of associates' net profit equity accounted	**28.1**	31.2
Share of post-acquisition accumulated losses and reserves attributable to associates		
Share of associates' accumulated losses at the beginning of the year	**(30.7)**	(40.9)
Share of associates' net profit equity accounted	**28.1**	31.2
Less dividends from associates	**(20.3)**	(21.0)
Share of associates' accumulated losses at the end of the year	**(22.9)**	(30.7)
Movements in carrying amounts of investments		
Carrying amount of investments in associates at the beginning of the year	**124.5**	122.2
Investments in associates acquired during the year	**66.5**	14.8
Fair value adjustment on prior year acquisitions	**-**	(9.3)
Investments in associates now controlled	**(1.2)**	(3.6)
Share of associates' net profit equity accounted	**28.1**	31.2
Less dividends from associates	**(20.3)**	(21.0)
Effects of exchange rate changes	**10.7**	(9.8)
Carrying amount of investments in associates at the end of the year	**208.3**	124.5
Summary of profit and loss and balance sheets of associates on a 100% basis		
The aggregate net profit, assets and liabilities of associates are:		
Revenue	**555.1**	499.3
Net profit after tax	**48.2**	42.4
Assets	**434.9**	290.5
Liabilities	**189.0**	106.4

The Company does not have any associates.

12. Other financial assets

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Current				
Derivative assets (i)				
forward foreign exchange contracts	**82.8**	1.7	**-**	-
Interest rate swaps	**13.1**	24.1	**-**	-
foreign exchange options	**0.4**	2.3	**-**	-
	96.3	28.1	**-**	-
Non-current				
Interest in unlisted entities				
at fair value	**1.0**	1.1	**-**	-
Interest in unlisted controlled entities				
at cost	**-**	-	**1,915.1**	1,915.0
	1.0	1.1	**1,915.1**	1,915.0

(i) Derivative assets
Refer to note 34 for details on the financial risk management and use of derivative financial instruments.

13. Property, plant and equipment

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Land, buildings and improvements				
at cost	**586.8**	523.0	**39.1**	41.7
accumulated depreciation	**(199.4)**	(154.2)	**(13.2)**	(15.6)
Total carrying value	**387.4**	368.8	**25.9**	26.1
Machinery, plant and equipment				
Gross book value				
at cost	**2,919.0**	2,568.0	**3.2**	3.6
under finance lease	**26.1**	0.5	**-**	-
	2,945.1	2,568.5	**3.2**	3.6
Accumulated depreciation				
at cost	**(1,279.2)**	(1,194.1)	**(3.1)**	(3.5)
under finance lease	**(1.0)**	(0.3)	**-**	-
	(1,280.2)	(1,194.4)	**(3.1)**	(3.5)
Net carrying value				
at cost	**1,639.8**	1,373.9	**0.1**	0.1
under finance lease	**25.1**	0.2	**-**	-
Total carrying value	**1,664.9**	1,374.1	**0.1**	0.1
Total net carrying value of property, plant and equipment	**2,052.3**	1,742.9	**26.0**	26.2

(i) Capitalised borrowing costs

Interest amounting to $2.0 million (2007 $1.4 million) was capitalised to property, plant and equipment, calculated at the rate of 7.4% (2007 7.2%).

13. Property, plant and equipment (continued)

(ii) Reconciliations

Reconciliations of the carrying values of property, plant and equipment at the beginning and end of the years are set out below:

Consolidated		Land, buildings and improvements $m	Machinery, plant and equipment $m	Total $m
2007				
Carrying amount at the beginning of the year	01-Oct-2006	351.1	1,252.0	1,603.1
Additions		35.7	273.9	309.6
Disposals		(11.4)	(14.0)	(25.4)
Additions through acquisition of entities (see note 27)		19.5	36.9	56.4
Fair value adjustment on 2006 acquisitions		-	(0.5)	(0.5)
Disposals through disposal of entities (see note 28)		(5.0)	(35.2)	(40.2)
Depreciation expense (see note 4)		(16.8)	(136.5)	(153.3)
Foreign currency exchange differences		(4.3)	(2.5)	(6.8)
Carrying amount at the end of the year	30-Sep-2007	**368.8**	**1,374.1**	**1,742.9**
2008				
Additions		**42.6**	**393.8**	**436.4**
Disposals		**-**	**(14.5)**	**(14.5)**
Additions through acquisition of entities (see note 27)		**3.9**	**31.0**	**34.9**
Disposals through disposal of entities (see note 28)		**-**	**(0.5)**	**(0.5)**
Depreciation expense (see note 4)		**(15.6)**	**(162.0)**	**(177.6)**
Foreign currency exchange differences		**(12.3)**	**43.0**	**30.7**
Carrying amount at the end of the year	30-Sep-2008	**387.4**	**1,664.9**	**2,052.3**

Company		Land, buildings and improvements $m	Machinery, plant and equipment $m	Total $m
2007				
Carrying amount at the beginning of the year	01-Oct-2006	28.8	0.3	29.1
Disposals		(2.6)	(0.1)	(2.7)
Depreciation expense (see note 4)		(0.1)	(0.1)	(0.2)
Carrying amount at the end of the year	30-Sep-2007	**26.1**	**0.1**	**26.2**
2008				
Depreciation expense (see note 4)		**(0.2)**	-	**(0.2)**
Carrying amount at the end of the year	30-Sep-2008	**25.9**	**0.1**	**26.0**

14. Intangible assets

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Goodwill	**2,599.0**	1,789.5	**-**	-
Less impairment losses	**(26.0)**	(26.0)	**-**	-
Total net book value of goodwill	**2,573.0**	1,763.5	**-**	-
Patents, trademarks and rights	**137.2**	135.8	**-**	-
Less accumulated amortisation	**(53.4)**	(48.9)	**-**	-
Total net book value of patents, trademarks and rights	**83.8**	86.9	**-**	-
Brand names	**65.0**	62.4	**-**	-
Less accumulated amortisation	**(5.2)**	(2.8)	**-**	-
Total net book value of brand names	**59.8**	59.6	**-**	-
Software	**63.0**	52.9	**-**	-
Less accumulated amortisation	**(36.4)**	(26.0)	**-**	-
Total net book value of software	**26.6**	26.9	**-**	-
Customer contracts and relationships	**308.7**	131.5	**-**	-
Less accumulated amortisation	**(39.3)**	(12.9)	**-**	-
Total net book value of customer contracts and relationships	**269.4**	118.6	**-**	-
Total net book value of intangibles	**3,012.6**	2,055.5	**-**	-

Reconciliations of the carrying values of intangible assets at the beginning and end of the years are set out below:

Consolidated	Goodwill $m	Patents trademarks and rights $m	Brand names $m	Software $m	Customer contracts $m	Total $m
2007						
Carrying amount at the beginning of the year	1,004.9	41.6	26.0	29.3	39.5	1,141.3
Additions	-	1.0	23.5	7.7	-	32.2
Disposals	-	-	-	(3.0)	-	(3.0)
Additions through acquisition of entities (see note 27)	758.4	55.1	15.0	2.7	92.8	924.0
Fair value adjustment on 2006 acquisitions	77.0	-	-	-	-	77.0
Amortisation expense (see note 4)	-	(9.3)	(1.9)	(7.2)	(11.5)	(29.9)
Impairment expense (see note 29) (1)	(15.4)	-	-	-	-	(15.4)
Foreign currency exchange differences	(61.4)	(1.5)	(3.0)	(2.6)	(2.2)	(70.7)
Carrying amount at the end of the year	**1,763.5**	**86.9**	**59.6**	**26.9**	**118.6**	**2,055.5**
2008						
Additions	**-**	**2.8**	**-**	**9.1**	**-**	**11.9**
Additions through acquisition of entities (see note 27)	**659.4**	**0.9**	**-**	**0.2**	**155.8**	**816.3**
Disposals through disposal of entities (see note 28)	**(0.7)**	**-**	**-**	**-**	**-**	**(0.7)**
Amortisation expense (see note 4)	**-**	**(6.9)**	**(2.2)**	**(7.6)**	**(24.4)**	**(41.1)**
Foreign currency exchange differences	**150.8**	**0.1**	**2.4**	**(2.0)**	**19.4**	**170.7**
Carrying amount at the end of the year	**2,573.0**	**83.8**	**59.8**	**26.6**	**269.4**	**3,012.6**

There are no intangible assets held by the Company.

(1) Impairment of goodwill is related to the writedown of Marplex goodwill in 2007.

15. Deferred tax assets

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Deferred tax assets (see note 5)	**164.1**	222.5	**5.5**	5.2

16. Trade and other payables

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Current				
Trade payables				
external	**1,004.0**	652.0	**-**	-
associated companies	**17.6**	8.6	**-**	-
Other payables				
external	**351.1**	261.0	**-**	0.1
controlled entities	**-**	-	**-**	8.3
	1,372.7	921.6	**-**	8.4
Derivative Financial Instruments				
Derivative financial instruments				
cross currency interest rate swaps	**56.7**	95.4	**-**	-
forward foreign exchange contracts	**78.6**	24.0	**-**	-
Interest rate swaps	**0.1**	0.5	**-**	-
foreign exchange options	**3.3**	1.2	**-**	-
	138.7	121.1	**-**	-
Non-current				
Other payables				
external	**31.8**	4.9	**-**	-
	31.8	4.9	**-**	-

(i) Significant terms and conditions
Trade and other payables, including expenditures not yet billed, are recognised when the consolidated entity becomes obliged to make future payments as a result of a purchase of goods or services. Trade payables are normally settled within 60 days from invoice date or within the agreed payment terms with the supplier.

(ii) Fair values
The carrying amount of trade and other payables approximate their fair values due to their short term nature.

(iii) Derivative financial instruments
Refer to note 34 for details on the financial risk management of derivative financial instruments.

17. Interest bearing liabilities

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Current				
Unsecured				
bank overdrafts	**9.0**	3.0	**-**	-
bank loans	**-**	172.1	**-**	-
fixed term notes [(2)]	**75.0**	-	**-**	-
commercial paper	**138.3**	307.1	**-**	-
other short term borrowings	**25.4**	7.9	**-**	-
trade bills and trade cards [(1)]	**13.4**	14.3	**-**	-
other loans				
private placement [(4)]	**-**	78.0	**-**	-
controlled entities	**-**	-	**72.6**	1,218.1
Lease liabilities (see note 30)	**5.3**	0.3	**-**	-
	266.4	582.7	**72.6**	1,218.1
Non-current				
Unsecured				
fixed term notes [(2)]	**-**	75.0	**-**	-
cumulative non-redeemable preference shares [(3)]	**-**	2.0	**-**	2.0
other loans				
private placement [(4)]	**1,052.9**	1,016.2	**-**	-
other	**10.0**	-	**-**	-
Lease liabilities (see note 30)	**12.5**	0.5	**-**	-
	1,075.4	1,093.7	**-**	2.0

[(1)] **Trade bills and trade cards**

Under AASB 139, trade bills and trade cards used by customers to finance trade debts which are partially guaranteed by Orica are included in both trade receivables and interest bearing liabilities.

[(2)] **Fixed term notes**

These notes mature in June 2009, with interest reset quarterly.

[(3)] **Cumulative non-redeemable preference shares**

Under AASB 139, the 5% cumulative non-redeemable preference shares in 2007 were treated as non-current interest bearing liabilities. They were cancelled on 14 January 2008.

[(4)] **Private placement**

Orica Limited guaranteed senior notes issued in the US private placement market in 2000, 2003 and 2005. The notes have maturities between 2010 and 2018 (2007 between 2008 and 2018).

(i) Fair values

The carrying amounts of the consolidated entity's and the Company's current and non-current interest bearing liabilities approximate their fair values. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates as at 30 September 2008 varying from 2.1% to 5.7% (2007 5.0% to 6.5%) depending on the type of borrowing.

(ii) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Finance leases				
Property, plant and equipment	**25.1**	0.2	**-**	-
	25.1	0.2	**-**	**-**

In the event of default by Orica, the rights to the leased assets transfer to the lessor.

(iii) Defaults and breaches

During the current and prior year, there were no defaults or breaches of covenants on any loans.

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m

18. Current tax liabilities

Provision for income tax	**28.3**	62.6	**37.3**	40.6

19. Provisions

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Current				
Employee entitlements	**87.3**	78.7	**-**	-
Restructuring and rationalisation	**32.3**	39.0	**-**	-
Environmental	**113.0**	101.2	**-**	-
Decommissioning	**2.8**	2.7	**-**	-
Contingent liabilities on acquisition of controlled entities (see note 27)	**2.3**	-	**-**	-
Onerous contracts	**6.8**	5.2	**-**	-
Other	**29.0**	42.9	**-**	-
	273.5	269.7	**-**	-
Non-current				
Employee entitlements	**40.4**	36.9	**-**	-
Retirement benefit obligations (see note 38)	**181.4**	142.1	**-**	-
Restructuring and rationalisation	**-**	0.6	**-**	-
Environmental	**144.2**	175.2	**-**	-
Decommissioning	**12.4**	16.4	**-**	-
Contingent liabilities on acquisition of controlled entities	**21.5**	21.1	**-**	-
Onerous contracts	**-**	3.2	**-**	-
Other	**18.9**	17.4	**1.1**	1.1
	418.8	412.9	**1.1**	1.1
Aggregate employee entitlements				
Current	**87.3**	78.7	**-**	-
Non-current	**221.8**	179.0	**-**	-
	309.1	257.7	**-**	-

Employees at year end

	Number	Number	**Number**	Number
Full-time equivalent	**15,268**	14,174	**-**	-

Reconciliations

Reconciliations of the consolidated carrying amounts of provisions at the beginning and end of the current financial year are set out below:

Current provision - restructuring and rationalisation	Consolidated **$m**	Company **$m**
Carrying amount at the beginning of the year	**39.0**	**-**
Provisions made during the year	**21.1**	**-**
Provisions written back during the year	**(3.0)**	**-**
Payments made during the year	**(26.3)**	**-**
Provisions transferred from non-current	**1.3**	**-**
Foreign currency exchange differences	**0.2**	**-**
Carrying amount at the end of the year	**32.3**	**-**

19. Provisions (continued)

	Consolidated	Company
Current provision - environmental	**$m**	**$m**
Carrying amount at the beginning of the year	**101.2**	**-**
Additions through acquisition of entities (see note 27)	**2.2**	**-**
Provisions made during the year	**3.6**	**-**
Provisions written back during the year	**(0.8)**	**-**
Payments made during the year	**(39.0)**	**-**
Provision transferred from non-current	**40.8**	**-**
Foreign currency exchange differences	**5.0**	**-**
Carrying amount at the end of the year	**113.0**	**-**
Current provision - decommissioning		
Carrying amount at the beginning of the year	**2.7**	**-**
Payments made during the year	**(1.8)**	**-**
Provision transferred from non-current	**1.9**	**-**
Carrying amount at the end of the year	**2.8**	**-**
Current provision - contingent liabilities on acquisition of controlled entities		
Carrying amount at the beginning of the year	**-**	**-**
Additions through acquisition of entities (see note 27)	**2.1**	**-**
Provisions written back during the year	**0.3**	**-**
Foreign currency exchange differences	**(0.1)**	**-**
Carrying amount at the end of the year	**2.3**	**-**
Current provision - onerous contracts		
Carrying amount at the beginning of the year	**5.2**	**-**
Payments made during the year	**(1.6)**	**-**
Provision transferred from non-current	**3.2**	**-**
Carrying amount at the end of the year	**6.8**	**-**
Current provision - other		
Carrying amount at the beginning of the year	**42.9**	**-**
Provisions made during the year	**1.4**	**-**
Payments made during the year	**(15.5)**	**-**
Provision transferred from non-current	**1.8**	**-**
Foreign currency exchange differences	**(1.6)**	**-**
Carrying amount at the end of the year	**29.0**	**-**
Non-current provision - restructuring and rationalisation		
Carrying amount at the beginning of the year	**0.6**	**-**
Provision transferred to current	**(1.3)**	**-**
Foreign currency exchange differences	**0.7**	**-**
Carrying amount at the end of the year	**-**	**-**
Non-current provision - environmental		
Carrying amount at the beginning of the year	**175.2**	**-**
Provisions made during the year	**1.6**	**-**
Provisions written back during the year	**(0.6)**	**-**
Payments made during the year	**(0.2)**	**-**
Unwinding of discount on provisions (see note 4)	**8.1**	**-**
Provision transferred to current	**(40.8)**	**-**
Foreign currency exchange differences	**0.9**	**-**
Carrying amount at the end of the year	**144.2**	**-**

19. Provisions (continued)

Non-current provision - decommissioning	Consolidated $m	Company $m
Carrying amount at the beginning of the year	**16.4**	**-**
Provision transferred to current	**(1.9)**	**-**
Foreign currency exchange differences	**(2.1)**	**-**
Carrying amount at the end of the year	**12.4**	**-**

Non-current provision - contingent liabilities on acquisition of controlled entities		
Carrying amount at the beginning of the year	**21.1**	**-**
Foreign currency exchange differences	**0.4**	**-**
Carrying amount at the end of the year	**21.5**	**-**

Non-current provision - onerous contracts		
Carrying amount at the beginning of the year	**3.2**	**-**
Provision transferred to current	**(3.2)**	**-**
Carrying amount at the end of the year	**-**	**-**

Non-current provision - other		
Carrying amount at the beginning of the year	**17.4**	**1.1**
Provisions made during the year	**0.4**	**-**
Provision transferred to current	**(1.8)**	**-**
Foreign currency exchange differences	**2.9**	**-**
Carrying amount at the end of the year	**18.9**	**1.1**

Restructuring and rationalisation provision
Provisions made during the year related to restructure of the Chemicals business.

Environmental provision
Estimated costs for the remediation of soil, groundwater and untreated waste that have arisen as a result of past events which have been provided where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed.
Refer also to notes 32 and 33.

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Total environmental provision comprises:				
Botany Groundwater remediation	**44.8**	53.0	**-**	-
Hexachlorobenzene (HCB) waste remediation	**104.8**	113.0	**-**	-
Dyno Nobel sites remediation	**34.2**	37.2	**-**	-
Seneca remediation	**20.4**	21.9	**-**	-
Villawood remediation	**29.3**	31.0	**-**	-
Minova sites remediation	**9.3**	6.0	**-**	-
Other environmental provisions	**14.4**	14.3	**-**	-
Total environmental provisions	**257.2**	276.4	**-**	-

Decommissioning provision
A provision is recognised for the present value of the estimated costs of dismantling and removing an asset and restoring the site on which it is located where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed (refer also to note 32).

Contingent liabilities on acquisition of controlled entities
A provision is recognised on acquisition of a business for contingent liabilities of that business.

Onerous contracts provision
A provision is recognised for rental of land and buildings which are not able to be fully used or sublet by the consolidated entity and for non-cancellable loss making sales contracts. The provision reflects only the onerous element of these commitments.

Other provision
The Group self-insures for certain insurance risks. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims.

20. Deferred tax liabilities

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Deferred income tax	**83.8**	117.6	**-**	-

21. Contributed equity

	Company	
	2008	2007
	$m	$m
Issued and fully paid:		
Cumulative non-redeemable 5% preference shares - nil (2007 2,000,000) (1)	**-**	-
Step-Up Preference Securities - 5,000,000 (2007 5,000,000) (2)	**490.0**	490.0
Ordinary shares - 359,196,325 (2007 307,912,707)	**1,881.3**	702.4

(1) On 14 January 2008, the 5% cumulative non-redeemable 5% preference shares were cancelled for a cash payment of $4.75 for each cancelled 5% preference share. The $7.5 million excess over the face value has been charged to the income statement. Under AASB 139, the 5% cumulative non-redeemable preference shares were treated as non-current interest bearing liabilities.

(2) The Group issued Step-Up Preference Securities (SPS) via a prospectus dated 17 February 2006. The SPS are stapled securities comprising a fully paid Preference Share and a fully paid unsecured note. The SPS have no fixed repayment date, but Orica has the right to repurchase them for cash or convert the SPS into a variable number of ordinary shares in Orica from November 2011 or earlier in certain circumstances. Holders rank ahead of ordinary shares but ranked behind cumulative non-redeemable preference shares and creditors. Distributions payable on the SPS are discretionary, payable semi-annually, non-cumulative, unfranked and payable based on the 180 day bill swap rate plus a margin of 1.35% per annum. Should the credit rating of SPS fall below Standard and Poor's BBB- or equivalent, or no longer be rated, then an additional 1% will be added to the distribution rate. Distributions are payable in priority to distributions on Orica shares, but ranked behind existing Orica preference shares. Where a distribution on SPS is not paid, Orica may not declare or pay any dividends, pay any interest, or distribute any income or capital on any security that ranks behind the SPS until Orica has paid SPS distributions scheduled for the twelve months following the missed distribution or Orica has paid an amount equivalent to the unpaid distributions in the last twelve months, or all SPS have been repurchased or converted, or a special resolution of the SPS holders has been passed approving such payment. Orica SPS holders do not have voting rights in shareholder meetings except in limited circumstances.

Under a Deed of Undertaking and Indemnity between Orica Limited and Australian Stock Exchange Limited (ASX), the ASX reserves the right (but without limiting its absolute discretion) to remove either or both of the Company and Orica New Zealand Securities Ltd (Orica NZ) from the official list if a) any of the SPS Preference Shares of the Company and Notes of Orica NZ cease to be stapled together, or b) if any SPS Preference Share or Notes are issued by either of the Company or Orica NZ which are not stapled to corresponding securities in the other entity.

21. Contributed equity (continued)

Movements in issued and fully paid shares of the Company since 1 October 2006 were as follows:

Details	Date	Number of shares	Issue price $	$m
Cumulative non-redeemable 5% preference shares				
Opening balance	1-Oct-06	2,000,000		
Balance at end of the year	**30-Sep-07**	**2,000,000**		**-**
Shares cancelled	14-Jan-08	(2,000,000)		**-**
Balance at end of the year	**30-Sep-08**	**-**		**-**
Step-Up Preference Securities				
Opening balance - gross [1]	1-Oct-2006	5,000,000	100.00	500.0
Opening balance - costs [1]				(10.0)
Balance at end of the year	**30-Sep-07**	**5,000,000**		**490.0**
Balance at end of the year	**30-Sep-08**	**5,000,000**		**490.0**
Ordinary shares				
Opening balance of ordinary shares issued	1-Oct-06	309,217,777		815.3
Shares issued under the Orica executive option plans [6]		1,926,006		14.6
Shares issued under the Orica dividends reinvestment plan (note 25)		491,901		14.8
Share movements under the Orica LTEIP plan (Remuneration Report) [7]		-		(31.4)
Shares issued under the Orica SESLP plan (note 36) [8]		-		2.2
Shares issued under the Orica GEESP plan (note 36) [2]		20,502		1.7
Share buy-back [3]		(3,743,479)	30.67	(114.8)
Balance at end of the year	**30-Sep-07**	**307,912,707**		**702.4**
Shares issued under the Orica executive option plans [6]		**62,802**		**0.4**
Shares issued under the Orica dividend reinvestment plan (note 25)	14-Dec-07	**3,021,980**	**27.08**	**81.9**
Shares issued under the Orica dividend reinvestment plan (note 25)	4-Jul-08	**1,630,562**	**29.12**	**47.5**
Shares issued under the Orica dividend reinvestment plan underwriting agreement	14-Dec-07	**2,922,919**	**27.78**	**81.2**
Shares issued under the Orica dividend reinvestment plan underwriting agreement	4-Jul-08	**2,519,795**	**29.88**	**75.3**
Share movements under the Orica LTEIP plan (Remuneration Report) [7]		**1,192,412**		**5.5**
Shares issued under the Orica Rights issue [4]	6-Aug-08	**26,860,076**		**604.3**
Shares issued under the Orica Rights issue [5]	28-Aug-08	**13,073,072**		**294.0**
Expenses related to the Orica Rights Issue [4] [5]		**-**		**(13.1)**
Shares issued under the Orica GEESP plan (note 36) [2]		**-**		**1.9**
Balance at end of the year	**30-Sep-08**	**359,196,325**		**1,881.3**

(1) Shares issued and costs incurred in 2006 pursuant to the Step-Up Preference Securities issued in accordance with the prospectus dated 17 February 2006.

(2) Shares issued under the Orica general employee exempt share plan.

(3) Shares bought back and cancelled over a period from May 2007 to July 2007.

(4) Shares issued under the Orica Rights issue prospectus dated 28 July 2008 - Institutional Offer.

(5) Shares issued under the Orica Rights issue prospectus dated 28 July 2008 - Retail Offer.

21. Contributed equity (continued)

Details	Date	Number of shares	Issue price $	$m
[6] **Shares issued under the Orica executive option plan (note 36)**				
2006/2007		10,000	5.09	0.1
		1,767,688	7.33	13.0
		5,500	7.73	-
		12,191	8.44	0.1
		15,066	8.66	0.1
		41,168	9.60	0.4
		26,844	9.77	0.3
		10,000	9.78	0.1
		16,504	12.80	0.2
		21,045	16.77	0.3
Movement for the year	**30-Sep-07**	**1,926,006**		**14.6**
2007/2008		**22,000**	**5.09**	**0.1**
		19,802	**7.33**	**0.2**
		21,000	**5.14**	**0.1**
Movement for the year	**30-Sep-08**	**62,802**		**0.4**

The options have been exercised at various times during the year. The weighted average of the fair value of shares issued was $28.40 (2007 $24.32).

Details	Date	Number of shares	Issue price $	$m
[7] **Share movements under the Orica LTEIP plan (Remuneration Report section G)**				
2006/2007				
Shares bought back	Various			(39.2)
Shares issued - loan repayment	Various			7.8
Movement for the year	**30-Sep-07**	**-**		**(31.4)**
2007/2008				
Shares issued	29-Jan-08	**1,192,412**	**31.76**	**-**
Shares bought back	Various			**(7.5)**
Shares issued - loan repayment	Various			**13.0**
Movement for the year	**30-Sep-08**	**1,192,412**		**5.5**
[8] **Shares issued under the Orica SESLP plan (note 36)**				
2006/2007				
Shares issued - loan repayment	Various			2.2
Movement for the year	**30-Sep-07**	**-**		**2.2**

Under the SESLP (2007) and LTEIP, eligible executives are provided with a three year, interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. The shares issued to the executives are either purchased on market or issued by Orica. Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Shares issued under the plans are recognised as shares issued at nil value, with a share based payments expense recognised in the income statement based on the value of the options. Shares purchased on-market under the plans are recognised as a share buy-back. Repayments of share loans are recognised as share capital. Under the November 2006 and December 2007 LTEIP executive allocations, executives who leave Orica within three years are not entitled to deal with the shares. The shares are returned to Orica.

The amounts recognised in the financial statements of the Company in relation to executive share options exercised during the financial year were:

	Company	
	2008	2007
	$m	$m
Issued/(bought back) ordinary share capital	**5.9**	(14.6)

21. Contributed equity (continued)

Options over unissued shares (see note 36):

Exercisable between		Balance 30 Sep 06	Issued/ reinstated during period	Exercised during period	Lapsed during period	Balance 30 Sep 07	**Exercised during period**	**Lapsed during period**	**Balance 30 Sep 08**
01 Jan 03	31 Dec 09	16,500	-	(5,500)	-	11,000	**-**	**-**	**11,000**
01 Jan 04	31 Dec 10	34,600	-	-	-	34,600	**(21,000)**	**-**	**13,600**
31 Dec 04	31 Dec 06	59,000	-	(10,000)	-	49,000	**(22,000)**	**-**	**27,000**
31 Oct 05	31 Oct 07 [1]	1,787,490	-	(1,767,688)	-	19,802	**(19,802)**	**-**	**-**
31 Oct 05	31 Oct 07 [1]	15,066	-	(15,066)	-	-	**-**	**-**	**-**
31 Oct 05	31 Oct 07 [1]	12,191	-	(12,191)	-	-	**-**	**-**	**-**
31 Oct 05	31 Oct 07 [1]	26,845	-	(26,844)	-	1	**-**	**(1)**	**-**
31 Oct 05	31 Oct 07 [1]	10,000	-	(10,000)	-	-	**-**	**-**	**-**
31 Oct 05	31 Oct 07 [1]	41,168	-	(41,168)	-	-	**-**	**-**	**-**
10 Nov 05	31 Oct 07 [1]	16,504	-	(16,504)	-	-	**-**	**-**	**-**
10 Nov 06	31 Oct 07 [1]	21,045	-	(21,045)	-	-	**-**	**-**	**-**
Total		2,040,409	-	(1,926,006)	-	114,403	**(62,802)**	**(1)**	**51,600**

[1] Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure. Refer to note 36 for specific terms and conditions.

Pursuant to the terms on which they were granted, the exercise price of outstanding ESOP and SOP options were reduced by 58 cents in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

	Notes	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m

22. Reserves and retained earnings

	Notes	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
(a) Reserves					
Share based payments		**28.1**	21.6	**-**	-
Cash flow hedging		**5.2**	(4.5)	**-**	-
Foreign currency translation		**64.0**	(198.6)	**-**	-
Equity - arising from purchase of minorities		**(6.0)**	(7.0)	**-**	-
Balance at end of year		**91.3**	(188.5)	**-**	-
Movement in reserves during the year					
Share based payments					
Balance at beginning of year		**21.6**	18.9	**-**	-
Share based payments expense		**6.5**	2.7	**-**	-
Balance at end of year		**28.1**	21.6	**-**	-
Cash flow hedging					
Balance at beginning of year		**(4.5)**	3.1	**-**	-
Movement for period		**9.7**	(7.6)	**-**	-
Balance at end of the year		**5.2**	(4.5)	**-**	-
Foreign currency translation					
Balance at beginning of year		**(198.6)**	(68.6)	**-**	-
Transfer to income statement on disposal of foreign subsidiaries		**-**	2.9	**-**	-
Translation of overseas controlled entities at the end of the financial year		**262.6**	(132.9)	**-**	-
Balance at end of the year		**64.0**	(198.6)	**-**	-
Equity - arising from purchase of minorities					
Balance at beginning of year		**(7.0)**	-	**-**	-
Purchase of minority interests		**1.0**	(7.0)	**-**	-
Balance at end of the year		**(6.0)**	(7.0)	**-**	-
(b) Retained earnings					
Retained earnings at the beginning of the year		**1,562.8**	1,357.9	**350.9**	668.4
Operating profit/(loss) after income tax attributable to shareholders of Orica		**539.6**	487.7	**497.7**	(27.7)
Defined benefit fund superannuation movement (net of tax)		**(30.9)**	7.0	**-**	-
Dividends/distributions paid:	(25)				
Step-Up Preference Securities distributions		**(41.5)**	(44.4)	**(41.5)**	(44.4)
Less tax credit on Step-Up Preference Securities distributions		**13.4**	13.9	**13.4**	13.9
Ordinary dividends – interim		**(122.1)**	(111.3)	**(122.1)**	(111.3)
Ordinary dividends – final		**(162.4)**	(148.0)	**(162.4)**	(148.0)
Retained earnings at end of the year		**1,758.9**	1,562.8	**536.0**	350.9

Share based payments reserve
The amount charged to the share based payments reserve each year represents the share based payments expense.

Cash flow hedging reserve
The amount in the cash flow hedging reserve represents the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign currency translation reserve
The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a foreign operation.

Equity reserve arising from purchase of minorities
The equity reserve represents the excess of cost of investment in purchasing minority interests in subsidiaries over the net assets acquired and minority share of goodwill at the date of original acquisition of the subsidiary.

	Consolidated		Consolidated	
	2008	2007	**2008**	2007
	%	%	**$m**	$m

23. Minority interests in controlled entities

	2008 %	2007 %	**2008 $m**	2007 $m
Ordinary share capital of controlled entities held by minority interests in:				
ACN 099 090 267 Pty Ltd (formerly Welvic Australia Pty Ltd) (1)	**-**	-	**-**	-
Active Chemicals Chile S.A. (2)	**-**	-	**-**	-
Altona Properties Pty Ltd	**37.4**	37.4	**-**	-
Ammonium Nitrate Development and Production Limited	**0.1**	0.1	**-**	-
Andean Mining & Chemicals Limited (2)	**-**	-	**-**	-
ASA Organizacion Industrial S.A. De C.V. (2)	**-**	-	**-**	-
Bamble Mekaniske Industri AS	**40.0**	40.0	**0.3**	0.3
Beijing Ruichy Minova Synthetic Material Company Limited (3)	**45.0**	45.0	**1.5**	1.2
Bronson & Jacobs International Co. Ltd	**51.0**	51.0	**-**	-
Deco-Pro China Limited (4) (6)	**-**	-	**-**	-
CJSC (ZAO) Carbo-Zakk (3) (4)	**6.3**	12.5	**0.1**	0.1
Dyno NitroMed AD	**40.0**	40.0	**2.6**	2.6
Dyno Nobel Samex S.A.	**49.5**	49.5	**4.1**	4.1
Dyno Nobel VH Company LLC	**49.0**	49.0	**0.8**	0.2
Dyno Nobel (Zimbabwe) (Pty) Limited (6)	**-**	-	**-**	-
Emirates Explosives L.L.C. (2)	**35.0**	35.0	**2.1**	2.1
Explosivos de Mexico SA de CV	**1.3**	1.3	**-**	-
GeoNitro Limited	**40.0**	40.0	**0.3**	0.3
Minova Ksante Sp. z o.o. (3)	**30.0**	30.0	**0.6**	0.6
Minova MineTek Private Limited (3)	**24.0**	24.0	**0.2**	0.2
Minova Ukraine (5)	**10.0**	-	**0.3**	-
Nitro Asia Company Inc.	**41.6**	41.6	**0.1**	0.1
Northwest Energetic Services LLC (5)	**48.7**	-	**1.8**	-
OOO Minova TPS (3) (4)	**6.3**	12.5	**-**	-
Orica Blast & Quarry Surveys Ltd (3)	**25.0**	25.0	**0.6**	0.6
Orica-CCM Energy Systems Sdn Bhd	**45.0**	45.0	**0.6**	0.6
Orica-GM Holdings Ltd	**49.0**	49.0	**12.6**	-
Orica Chemicals Chile S.A. (2)	**-**	-	**-**	-
Orica Chemicals Peru S.A.C. (2)	**-**	-	**-**	-
Orica Colombia S.A.	**8.0**	8.0	**-**	-
Orica Eesti OU	**35.0**	35.0	**2.6**	2.6
Orica Kazakhstan Closed Joint Stock Company	**23.0**	23.0	**2.2**	2.2
Orica Nitrates Philippines	**4.0**	4.0	**0.2**	0.2
Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi, A.S.	**49.0**	49.0	**1.7**	1.7
Orica Philippines Inc (2)	**9.9**	9.9	**0.2**	0.2
Orica (Weihai) Explosives Co Ltd	**20.0**	20.0	**6.1**	6.1
PT Kaltim Nitrate Indonesia	**10.0**	10.0	**1.1**	1.1
Sprengmittelvertrieb in Bayern GmbH	**49.0**	49.0	**0.1**	0.1
TOO "Minova Kasachstan" (3)	**40.0**	40.0	**0.5**	0.5
Teradoran Pty Ltd	**33.0**	33.0	**-**	-
			43.3	27.7
Minority interests in shareholders' equity at balance date is as follows:				
Contributed equity			**43.3**	27.7
Reserves			**15.5**	5.9
Retained earnings			**38.1**	27.3
			96.9	60.9

(1) Liquidated during the year 2007.
(2) Minority interests purchased during the year 2007.
(3) Minority interests acquired through new acquisitions during the year 2007.
(4) Minority interests purchased during the year 2008.
(5) Minority interests acquired through new acquisitions during the year 2008.
(6) Disposed of: Deco-Pro China Limited - 30 September 2008 and Dyno Nobel (Zimbabwe) (Pty) Limited - 30 September 2007.

24. Total equity reconciliation

	Notes	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Total equity at the beginning of the year		**2,627.6**	2,668.2	**1,543.3**	1,973.7
Total changes recognised in statement of recognised income and expense		**781.0**	354.2	**497.7**	(27.7)
Transactions with owners as owners					
Dividends paid	(25)	**(284.5)**	(259.3)	**(284.5)**	(259.3)
Distributions paid	(25)	**(41.5)**	(44.4)	**(41.5)**	(44.4)
Less tax credit on Step-Up Preference Securities distributions		**13.4**	13.9	**13.4**	13.9
Share based payments reserve movements		**6.5**	2.7	**-**	-
Transfer of reserves to income statement on disposal of foreign subsidiaries		**-**	2.9	**-**	-
Equity reserve arising from purchase of minorities		**1.0**	(7.0)	**-**	-
Disposal of minorities		**-**	-	**-**	-
Total changes in contributed equity	(21)	**1,178.9**	(112.9)	**1,178.9**	(112.9)
Total changes in minority interest	(23)	**36.0**	9.3	**-**	-
Total equity at end of year		**4,318.4**	2,627.6	**2,907.3**	1,543.3

25. Dividends and distributions

	Company 2008 $m	Company 2007 $m
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary shares		
interim dividend of 36 cents per share, 38.9% franked at 30%, paid 6 Jul 2007	**-**	111.3
interim dividend of 39 cents per share, 35.9% franked at 30%, paid 4 Jul 2008	**122.1**	-
final dividend of 48 cents per share, 43.75% franked at 30%, paid 15 Dec 2006	**-**	148.0
final dividend of 53 cents per share, 32.08% franked at 30%, paid 14 Dec 2007	**162.4**	-
Cumulative non-redeemable 5% preference shares [1]		
interim dividend of 2.5 cents per share, 38.9 % franked at 30%, paid 31 Jul 2007	**-**	0.05
final dividend of 2.5 cents per share, 43.75% franked at 30%, paid 12 Jan 2007	**-**	0.05
final dividend of 2.5 cents per share, 32.08% franked at 30%, paid 18 Jan 2008	**0.05**	-
Distributions paid in respect of the year ended 30 September were:		
Step-Up Preference Securities		
distribution at 6.995% per annum, per share, unfranked, paid 30 November 2006 for the period from 15 March 2006 to 30 November 2006	**-**	24.9
distribution at 7.820% per annum, per share, unfranked, paid 31 May 2007 for the period from 1 December 2006 to 30 May 2007	**-**	19.5
distribution at 7.8133% per annum, per share, unfranked, paid 30 November 2007 for the period from 31 May 2007 to 29 November 2007	**19.6**	-
distribution at 8.7317% per annum, per share, unfranked, paid 2 June 2008 for the period from 30 November 2007 to 31 May 2008	**21.9**	-
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the period were as follows:		
paid in cash	**155.2**	218.5
satisfied by issue of shares	**129.4**	14.8
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan [2]	**-**	26.1
Distributions paid in cash	**41.5**	44.4
No distributions were satisfied by the issue/purchase of shares.		

[1] Dividends on these shares were charged to the Income Statement as borrowing costs as the shares are classified as liabilities. The shares were cancelled during the year.

[2] During the year 2007 the Company bought 1,089,528 shares on market to satisfy shareholders dividend reinvestment plan (DRP) requirements. The transaction costs were charged directly against contributed equity.

Subsequent events

Since the end of the financial year, the directors declared the following dividend:
Final dividend on ordinary shares of 55 cents per share, 36.36% franked at 30%, payable 5 December 2008.

The financial effect of the final dividend on ordinary shares has not been brought to account in the financial statements for the year ended 30 September 2008 and will be recognised in the 2009 annual financial statements.

Franking credits

Franking credits available at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the final dividend for 2008 is nil (2007 nil).

26. Notes to the statements of cash flows

	Notes	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Reconciliation of cash					
Cash at the end of the year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:					
Cash	(7)	**321.3**	370.7	**-**	-
Bank overdraft	(17)	**(9.0)**	(3.0)	**-**	-
		312.3	367.7	**-**	-
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities					
Profit/(loss) from ordinary activities after income tax expense		**567.3**	513.4	**497.7**	(27.7)
Depreciation and amortisation		**218.7**	183.2	**0.2**	0.2
Share based payments expense		**6.5**	2.7	**-**	-
Cost of cancellation of cumulative non-redeemable preference shares		**7.5**	-	**7.5**	-
Share of associates' net (profit)/loss after adding back dividends received		**(7.8)**	(10.2)	**-**	-
(Decrease)/increase/in net interest payable		**(2.0)**	4.7	**(8.4)**	3.1
Increase/(decrease) in net interest receivable		**1.3**	-	**(1.0)**	-
Decrease/(increase) in dividend income receivable		**-**	-	**-**	82.6
Impairment of intangibles		**-**	15.4	**-**	-
Net loss/(profit) on sale of businesses and controlled entities		**1.7**	(26.2)	**-**	-
Net (profit)/loss on sale of property, plant and equipment		**(5.4)**	4.3	**-**	-
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities					
(increase)/decrease in trade and other receivables		**(199.6)**	(2.1)	**(0.1)**	(44.8)
(increase)/decrease in inventories		**(185.2)**	3.5	**-**	-
increase/(decrease) in deferred taxes payable		**29.7**	5.5	**(0.3)**	-
increase/(decrease) in payables and provisions		**338.5**	(164.1)	**0.1**	(0.5)
(decrease)/increase in income taxes payable		**(34.3)**	(5.8)	**3.1**	(2.4)
Net cash flows from operating activities		**736.9**	524.3	**498.8**	10.5

27. Businesses acquired

Consolidated - 2008
Acquisition of businesses and controlled entities
The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

Excel Mining
On 24 September 2007, Orica announced that it had signed an agreement to acquire all of Excel Mining Systems LLC. The acquisition was completed on 26 October 2007.

Other entities
Southern Blasting Services, Inc., on 1 October 2007.
Deco-Pro China Limited, on 7 November 2007.
Intermountain West Energy, Inc. on 1 December 2007.
Northwest Energetic Service LLC shareholding increased to 51.3% (2007 33.3%), on 1 December 2007.
Evolutia Chemicals SA, on 17 December 2007.
BWZ Berg - und Industrietechnik GmbH, on 1 January 2008.
Explozia Slovakia s.r.o., on 1 April 2008.
D.C. Guelich Explosive Company, on 9 May 2008.
Arnall Poland Sp z o.o., on 4 September 2008.

Businesses
Business assets of: CHC Resources, on 1 March 2008; Enviro Solutions Pty Ltd, on 17 March 2008; Strata Control Systems, on 23 May 2008; Cyantific Instruments Pty Ltd, on 1 May 2008; Iron Chemicals Australia, on 28 February 2008; Sindile Mining Supplies, on 15 July 2008.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date.

2008	Book values $m	Fair value adjustments $m	Total $m
Consideration [1]			
cash paid	**895.5**	**-**	**895.5**
net cash acquired	**(26.3)**	**-**	**(26.3)**
deferred settlement	**12.2**	**-**	**12.2**
Total consideration	**881.4**	**-**	**881.4**
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	**46.1**	**-**	**46.1**
inventories	**35.3**	**0.9**	**36.2**
property, plant and equipment	**34.9**	**-**	**34.9**
intangibles including purchased goodwill	**308.5**	**-**	**308.5**
other assets	**4.2**	**0.2**	**4.4**
payables and interest bearing liabilities	**(47.6)**	**-**	**(47.6)**
provision for employee entitlements	**(2.3)**	**-**	**(2.3)**
provision for environmental	**(0.7)**	**(1.5)**	**(2.2)**
provision for taxation	**(0.8)**	**-**	**(0.8)**
contingent liabilities	**-**	**(2.1)**	**(2.1)**
	377.6	**(2.5)**	**375.1**
Less minority interest at date of acquisition	**(1.5)**	**-**	**(1.5)**
	376.1	**(2.5)**	**373.6**
Goodwill on acquisition			**507.8**

[1] The total consideration includes $866.2 million for newly controlled entities, and $3 million for the partial purchase of the minority share in controlled entities.

Results contributed by acquired entities since acquisition date:	**$m**
Revenue for the period	**345.9**
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	**72.3**

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 12 months to 30 September 2008 are as follows:

	$m
Operating revenue	**452.4**
EBITDA	**83.0**

The unaudited information was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses.

27. Businesses acquired (continued)

Consolidated - 2007
Acquisition of businesses and controlled entities
The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

Minova entities
In October 2006, Orica agreed to acquire the Minova group. The acquisition was completed on 1 January 2007.

Other entities
BST Manufacturing Inc on 1 February 2007.
Blast & Quarry Surveys Ltd on 28 September 2007.
Emirates Explosives LLC shareholding increased to 65% (2006 49%) on 6 November 2006.

Businesses
Business assets of: Detacorp and SEC Holdings on 1 October 2006; Chlor-alkali assets of CSBP Limited on 5 December 2006; Ultraviolet Technology of Australasia Pty Ltd on 20 February 2007; Wendouree Water Treatment Pty Ltd on 1 August 2007.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date.

2007	Book values $m	Fair value adjustments $m	Total $m
Consideration [1]			
cash paid	931.5	-	931.5
acquisition costs	14.3	-	14.3
net cash acquired	(10.8)	-	(10.8)
deferred settlement	18.8	-	18.8
Total consideration	953.8	-	953.8
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	126.6	1.5	128.1
inventories	39.9	6.6	46.5
property, plant and equipment	56.4	-	56.4
intangibles including purchased goodwill	-	170.9	170.9
other assets	5.5	0.9	6.4
payables and interest bearing liabilities	(118.9)	-	(118.9)
provision for dividends	(1.1)	-	(1.1)
provision for employee entitlements	(2.6)	-	(2.6)
provision for environmental	(0.3)	(6.3)	(6.6)
provision for taxation	(10.6)	(56.3)	(66.9)
contingent liabilities	-	(2.0)	(2.0)
other provisions	(5.3)	-	(5.3)
	89.6	115.3	204.9
Less minority interest at date of acquisition	(3.9)	(0.3)	(4.2)
	85.7	115.0	200.7
Goodwill on acquisition			753.1

[1] The total consideration includes $914.5 million for newly controlled entities, Dyno costs of $3.2 million, and $20.5 million for the buy-out of the minority share in controlled entities.

Results contributed by acquired entities since acquisition date:	$m
Revenue for the period	372.1
EBITDA for the period	79.9

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 12 months to 30 September 2007 are as follows:

	$m
Operating revenue	500.4
EBITDA	91.2

The unaudited information was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses.

28. Businesses disposed

Disposal of businesses/controlled entities
The following businesses and controlled entities were disposed of:
2008:
On 23 October 2007, Essential Oils of Tasmania business in Australia.
On 30 September 2008, Orica decided to dissolve Deco-Pro China Limited.

2007:
On 31 October 2006, Welvic PVC business in Australia.
On 1 December 2006, B&J Perlite and Vermiculite business in Australia.
On 8 December 2006, Adhesives and Resins business in Indonesia.
On 31 January 2007, Adhesives and Resins business assets in Australia and New Zealand.
On 9 February 2007, Bridestowe lavender farm in Australia.
On 30 June 2007, High Energy Materials business in Norway.

	Consolidated	
	2008	2007
	$m	$m
Consideration		
cash received	**5.9**	97.8
disposal costs	**-**	(9.0)
Inflow of cash	**5.9**	88.8
deferred settlement	**-**	2.7
Net consideration	**5.9**	91.5
Carrying value of net assets of businesses/controlled entities disposed		
trade and other receivables	**11.5**	21.4
inventories	**1.4**	17.3
property, plant and equipment	**0.5**	40.2
intangibles	**0.7**	-
other assets	**-**	2.5
investment	**-**	4.3
payables and interest bearing liabilities	**(0.3)**	(14.8)
provision for employee entitlements	**-**	(5.7)
provision for income tax	**(0.1)**	0.1
	13.7	65.3
Less minority interests at date of disposal	**(6.1)**	-
	7.6	65.3
(Loss)/profit on sale of business/controlled entities	**(1.7)**	26.2

29. Impairment testing of goodwill and intangibles with indefinite lives

Impairment testing is conducted annually at the individual cash generating unit (CGU) level where goodwill and intangibles with indefinite lives are allocated and monitored for management purposes.

The carrying amounts of goodwill and brand names with indefinite lives are as follows:

	Consolidated			
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
	Goodwill		Brand Names	
Mining Services	**973.3**	911.5	**-**	-
Minova	**1,414.2**	673.6	**-**	-
Consumer Products	**28.5**	26.9	**40.3**	37.8
Chemicals	**157.0**	151.5	**-**	-
Total	**2,573.0**	1,763.5	**40.3**	37.8

The recoverable amount of both goodwill and brand names with indefinite lives is assessed based on value in use. The value in use calculations use cash flow projections based on actual operating results and the business four year forecast approved by the Board of Directors. Cash flow projections beyond the four year period were calculated using the forecast cash flow of the fourth year to the life of the asset with steady growth rates going forward.

The discount rates for each CGU were estimated using pre-tax rates based on the Group's post tax weighted average cost of capital in conjunction with risk specific factors to the countries in which the CGUs operate. The pre-tax discount rates applied in the discounted cash flow model range between 6% and 20% (2007 7% - 19%).

The Minova segment includes in their USA CGU an amount of goodwill and intangibles with indefinite lives of $796.9m (2007 $146.4m). There are no other individual CGU's that have significant goodwill and intangibles with indefinite lives.

Impairment charged during the year

	Consolidated	
	2008	2007
	$m	$m
Goodwill	**-**	15.4

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m

30. Commitments

Capital expenditure commitments				
Capital expenditure on property, plant and equipment and business acquisitions contracted but not provided for and payable:				
no later than one year	**140.9**	82.5	**-**	-
	140.9	82.5	**-**	-
Lease commitments				
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:				
no later than one year	**76.4**	73.7	**-**	-
later than one, no later than five years	**125.0**	112.9	**-**	-
later than five years	**38.9**	28.3	**-**	-
	240.3	214.9	**-**	-
Representing:				
cancellable operating leases	**101.4**	86.6	**-**	-
non-cancellable operating leases	**138.9**	128.3	**-**	-
	240.3	214.9	**-**	-
Non-cancellable operating lease commitments payable:				
no later than one year	**37.3**	43.9	**-**	-
later than one, no later than five years	**68.7**	63.3	**-**	-
later than five years	**32.9**	21.1	**-**	-
	138.9	128.3	**-**	-
Finance lease commitments payable:				
no later than one year	**5.3**	0.3	**-**	-
later than one, no later than five years	**17.0**	0.5	**-**	-
	22.3	0.8	**-**	-
Less future finance charges	**(4.5)**	-	**-**	-
Present value of minimum lease payments provided for as a liability	**17.8**	0.8	**-**	-
Representing lease liabilities: (see note 17)				
current	**5.3**	0.3	**-**	-
non-current	**12.5**	0.5	**-**	-
	17.8	0.8	**-**	-

31. Auditors' remuneration

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Total remuneration received, or due and receivable, by the auditors for:				
Audit services				
Auditors of the Company – KPMG Australia				
– Audit and review of financial reports	**4,914**	4,560	**56**	50
Other regulatory audit services [(1)]				
Auditors of the Company – overseas KPMG firms				
– Audit and review of financial reports	**1,207**	1,128	**-**	-
Auditors of the Company – KPMG Australia				
– Audit and review of financial reports	**-**	50	**-**	-
Other 2006 audit services	**-**	278	**-**	-
	6,121	6,016	**56**	50
Other services [(2)]				
Auditors of the Company – KPMG Australia				
– other assurance services [(3)]	**477**	-	**-**	-
Auditors of the Company – overseas firms				
– taxation services [(4)]	**222**	-	**-**	-
	699	-	**-**	-
	6,820	6,016	**56**	50

From time to time, KPMG the auditors of the Company provide other services to the Group, which are subject to strict corporate governance procedures adopted by the Company which encompass the selection of service providers and the setting of their remuneration.

[(1)] Other regulatory audit services are fees paid or payable for overseas subsidiaries' local lodgement purposes and other regulatory compliance requirements.
[(2)] The Board Audit and Risk Committee must approve any other services provided by KPMG above a value of $20,000 per assignment and it also reviews and approves at year end other services provided by KPMG below a value of $20,000. The guidelines adopted by KPMG for the provision of other services ensure their statutory independence is not compromised.

[(3)] These services are related to the Due Diligence associated with the Right Issue equity raising and proposed demerger of Orica Consumer Products.

[(4)] These services relate to tax compliance services.

32. Critical accounting judgements and estimates

Management determines the development, selection and disclosure of the consolidated entity's critical accounting policies, estimates and accounting judgements and the application of these policies and estimates. Management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable and in accordance with accounting standards. Changes in the assumptions underlying the estimates could result in a significant impact on the financial statements. The most critical of these assumptions and judgements are:

Contingent liabilities

In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with our current or former sites. Where we believe that potential liabilities have a low probability of crystallising or it is not possible to quantify them reliably, we disclose them as contingent liabilities. These are not provided for in the financial statements but are disclosed in note 33. In view of the significance of environmental issues associated with Botany Groundwater (New South Wales, Australia), Botany Hexachlorobenzene (HCB) Waste and Botany Car Park Encapsulation they continue to be disclosed as contingent liabilities even though estimated costs have been recognised in the financial statements. Further details regarding contingent liabilities are set out in note 33.

Environmental and decommissioning provisions

The business of the Group is subject to a variety of laws and regulations in the jurisdictions in which it operates or maintains properties. Provisions for expenses that may be incurred in complying with such laws and regulations are set aside if environmental inquiries or remediation measures are probable and the costs can be reliably estimated. For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been provided for. It is also assumed that the methods planned for environmental clean up will be able to treat the issues within the expected timeframe.

32. Critical accounting judgements and estimates (continued)

With regard to the HCB Waste clean up, it is assumed that a licence to export waste for destruction overseas will be obtained. German authorities have rejected Orica's application to import the waste into Germany for treatment. Orica has lodged objections against these rejections. It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the status of laws, regulations and the information available about conditions in the various countries and at the individual sites. Significant factors in estimating the costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and new developments affecting costs, management's interpretation of current environmental laws and regulations, the number and financial position of third parties that may become obligated to participate in any remediation costs on the basis of joint liability, and the remediation methods which are likely to be deployed.

Environmental costs are estimated using either the work of external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs could impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated. In respect to the Botany Groundwater contamination, a provision was established in 2004 to cover the estimated costs associated with remediation until 2014. Costs are expected to be incurred after this date, but it is not possible to predict the timeframe over which remediation will be required or the form the remediation will take and therefore it is not possible to reliably estimate any associated costs. The discount rate used for environmental provisioning is Orica's weighted average cost of capital and this may vary from year to year.

Legal proceedings

The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could significantly impact the business and results of operations of the Group. Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the Group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Group could be materially affected by the unfavourable outcome of litigation. Litigation and administrative proceedings are evaluated on a case-by-case basis considering the available information, including that from legal counsel, to assess potential outcomes. Where it is considered probable that a future obligation will result in an outflow of resources, a provision is recorded in the amount of the present value of the expected cash outflows if these are deemed to be reliably measurable.

In the course of acquisitions and disposals of businesses and assets, Orica routinely negotiates warranties and indemnities across a range of commercial issues and risks, including environmental risks associated with real property. Management uses the information available and exercises judgement in the overall context of these transactions, in determining the scope and extent of these warranties and indemnities. In assessing Orica's financial position, management relies on warranties and indemnities received, and considers potential exposures on warranties and indemnities provided. It is possible that the financial position, results of operations and cash flows of the Group could be materially affected if circumstances arise where warranties and indemnities received are not honoured, or for those provided, circumstances change adversely.

Defined benefit superannuation fund obligations

The expected costs of providing post-retirement benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the consolidated statement of recognised income and expense. In all cases, the pension costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary and pension increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings of the Group (refer note 38).

Property, plant and equipment and definite life intangible assets

The Group's property, plant and equipment and intangible assets, other than indefinite life intangible assets, are depreciated/amortised on a straight line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives of assets at least annually but any changes to useful economic lives could affect prospective depreciation rates and asset carrying values.

32. Critical accounting judgements and estimates (continued)

Financial instruments at fair value

The Group measures a number of financial instruments at fair value. These fair values are based on observable market data which is used to estimate future cash flows and discount them to present value. Management's aim is to use and source this data consistently from period to period. While management believes these assumptions used are appropriate, a change in assumptions would impact the fair value calculations.

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell and value in use. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGUs. The determination of value in use requires the estimation and discounting of future cashflows. The estimation of the cashflows considers all the information available at balance date which may deviate from actual developments. This includes, among other things, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows could impact the carrying value of the respective assets.

The carrying value of the Botany Groundwater Treatment Plant is based on the assumption that sufficient groundwater can be sourced and treated. It also assumes that treated water from the plant will be of sufficient quality for sale to industrial customers for prices based on those currently charged by Sydney Water. While some sales are already being made, ongoing testing of water quality is required to meet the needs of some customers and there is no guarantee that the outcome of this testing will be successful. Should the testing ultimately not prove successful, or sufficient groundwater not be available, an impairment expense may arise which would have an adverse impact on earnings. The carrying value of the Groundwater Treatment Plant included in property, plant and equipment at 30 September 2008 is $62.9 million.

Current asset provisions

In the course of normal trading activities, management uses its judgement in establishing the net realisable value of various elements of working capital – principally inventory and accounts receivable. Provisions are established for obsolete or slow moving inventories, bad or doubtful receivables and product warranties. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Group.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recorded on the Balance Sheet and the amount of tax losses and timing differences not yet recognised. In these circumstances, the carrying amount of deferred tax assets and liabilities may change, resulting in an impact on the earnings of the Group.

33. Contingent liabilities and contingent assets

Environmental

(i) General

A number of sites within the Group have been identified as requiring environmental remediation or review. Appropriate implementation of remediation actions to meet Orica’s obligations for these sites is continuing.

In accordance with the current accounting policy, provisions have been created for all known environmental liabilities that can be reliably estimated. For sites where the requirements have been assessed and are capable of reliable measurement, estimated regulatory and remediation costs have been capitalised, expensed as incurred or provided for. For environmental matters where there are significant uncertainties with respect to Orica’s remediation obligations or the remediation techniques that might be approved, no reliable estimate can presently be made of regulatory and remediation costs. Any costs are expensed as incurred.

33. Contingent liabilities and contingent assets (continued)

There can be no assurance that new information or regulatory requirements with respect to known sites or the identification of new remedial obligations at other sites will not require additional future provisions for environmental remediation and such provisions could be material.

Orica has entered into arrangements with the relevant regulatory authorities for a number of sites to investigate possible land and groundwater contamination and, where appropriate, undertake voluntary remediation activities on these sites. Where reliable estimates are possible and remediation techniques have been identified for these sites, provisions have been established in accordance with the current accounting policy.

(ii) Significant environmental matters which are in progress at the date of this report are as follows:

Botany Groundwater (New South Wales, Australia)

Orica is continuing to conduct extensive remediation activities, including the operation of a Groundwater Treatment Plant, to treat the groundwater at Botany, which is contaminated with pollutants from historical operations. The Groundwater Treatment Plant has been commissioned and a portion of the treated water is sold by Orica to other corporations to replace town drinking water in industrial uses. Testing of the quality of the recycled water is ongoing.

Orica is also investigating suitable remediation options for Dense Non-Aqueous Phase Liquid (DNAPL) source areas. No provision has been established for remediation activities in respect of DNAPL as a reliable estimate is not possible at this stage.

Orica has received preliminary results indicating elevated concentrations of mercury in soil and groundwater at the southern end of the Botany site and at adjacent offsite locations. An environmental consultant has been commissioned to assess and report on these concentrations of mercury. No provision has been established for remediation activities in respect of this matter as the extent of contamination is unknown.

Botany Hexachlorobenzene (HCB) Waste Clean Up (New South Wales, Australia)

In August 2006, Orica submitted its application for export approval of HCB waste to the Federal Government. In its application, Orica sought permission to export the HCB waste for final destruction at high temperature incinerators in Germany. In May 2007, the Federal Government issued a duly motivated statement of fact that Australia does not have the technical capability to treat Orica's HCB waste. In June 2007, German authorities rejected Orica's application to import the HCB waste into Germany. Orica has lodged objections against these rejections. In the event that Orica does not obtain the necessary regulatory approvals to export the waste overseas for destruction, it will continue to ensure the safe storage of the HCB waste at Botany. Orica provided for the estimated costs associated with export and treatment of the waste in 2006 (refer note 19).

Botany Car Park Waste Encapsulation (New South Wales, Australia)

Soil and ash contaminated with low level chlorinated materials (including hexachlorobutadiene and HCB) are stored in an approved and licensed encapsulation on the Botany site, known as the Car Park Waste Encapsulation. Orica has investigated technologies that may be suitable to treat this material and has evaluated conventional destruction methods and has determined that direct thermal treatment of this waste is the preferred treatment technology. As required under the Botany site environmental licence conditions, Orica has submitted an application for planning approval of the proposed remediation. Orica has provided for estimated costs of treatment of the soil using thermal desorption technology (refer note 19).

Taxation

(i) Tax investigations and audits

Consistent with other companies of the size and diversity of Orica, the Group is the subject of periodic information requests, investigations and audit activities by the Australian Taxation Office ("ATO") and tax authorities in other jurisdictions in which Orica operates.

(ii) Brazilian Tax Action

The Brazilian Taxation authority is claiming unpaid taxes relating to the 1997 financial year of approximately $25 million. ICI Plc, the vendor of the business to Orica, has been notified to preserve Orica's rights under the tax indemnity obtained upon acquisition of the business. The Brazilian Taxation authority has been granted security over the Lorena site in relation to these matters.

(iii) Tax Audit – 1998 Sale of Pharmaceuticals Business

On 13 October 2004, Orica Limited received a notice of amended assessment from the ATO for $210.3 million (primary tax of $95.3 million, penalties of $23.8 million and interest of $91.2 million). The amended assessment relates to the sale of the pharmaceuticals business to Zeneca in September 1998.

On 9 November 2004, Orica lodged an objection against the amended assessment. On 10 March 2005, the ATO disallowed the objection and, in March 2005, Orica applied to have the matter dealt with by the Federal Court.

After due consideration, the directors are of the opinion the ATO's case has no merit and accordingly no liability is recognised.

In accordance with the ATO administrative practice, Orica has paid 50% of the amended assessment, which has been recognised as a non-current receivable.

On 28 March 2006, the ATO advised Orica of an error with the interest calculation in relation to the amended assessment, reducing the interest component by $10.2 million. On the basis of the 50% arrangement, Orica Limited received a refund of $5.1 million from the ATO.

33. Contingent liabilities and contingent assets (continued)

The ATO has indicated that if it is unsuccessful in defending the amended assessment against Orica, it may consider issuing an amended assessment for a similar amount to Orica Australia Pty Ltd in respect of the same transaction. The ATO considers that it is not in a position to decide if the second assessment should be issued until the outcome of the dispute with Orica Limited is known. Orica would also contest this matter.

Guarantees, indemnities and warranties

- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but in all cases the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.
- The consolidated entity has entered into various sales contracts where minimum savings are guaranteed to customers and such savings are expected to be achieved in the ordinary course of business.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial warranties and indemnities to the purchasers.

The Company

Under the terms of a Deed of Cross Guarantee entered into in accordance with the ASIC Class Order 98/1418 dated 13 August 1998 (as amended), each company which is a party to the Deed has covenanted with the Trustee of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies. The closed group of entities which are party to the Deed are disclosed in note 39. A consolidated balance sheet and income statement for this closed group is shown in note 40.

34. Financial and capital management

Capital management

Orica's objectives when managing capital (net debt and shareholders equity) are to safeguard the consolidated entity's ability to continue as a going concern and to ensure that the capital structure enhances, protects and balances financial flexibility against minimising the cost of capital.

In order to maintain the appropriate capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, utilise a dividend reinvestment plan, return capital to shareholders or issue new equity, in addition to incurring an appropriate mix of long and short term borrowings. Currently, Orica's dividend policy is to pay a progressive dividend and accordingly to increase its declared dividend per share each year.

Orica monitors capital on the basis of the accounting gearing ratio (which is calculated as net debt divided by net debt plus shareholders equity) and an adjusted gearing ratio (which is calculated by notionally reclassifying $250m of the $500m Orica Step-Up Preference Securities (SPS) from equity to debt). In addition, Orica monitors various other credit metrics, principally an interest cover ratio (EBIT divided by net financing costs) and funds from operations (FFO) divided by total debt measure.

The target level for adjusted gearing is 35% to 45% and for interest cover is 5 times or greater. These, together with an appropriate FFO/total debt measure, are targeted to maintain a strong investment grade credit profile, which should facilitate access to borrowings from a diverse range of sources. Ratios may move outside of these target ranges for relatively short periods of time after major acquisitions or other significant transactions, such as the Rights Issue during 2008.

The gearing level and interest cover are also monitored to ensure an adequate buffer against covenant levels under various facilities.

34. Financial and capital management (continued)

The net debt to gearing ratios are calculated as follows:

	Consolidated		Company	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Interest bearing borrowings	**1,341.8**	1,676.4	**72.6**	1,220.1
Less: cash and cash equivalents	**(321.3)**	(370.7)	**-**	-
Net debt	**1,020.5**	1,305.7	**72.6**	1,220.1
Notional adjustment for SPS	**250.0**	250.0	**250.0**	250.0
Adjusted net debt	**1,270.5**	1,555.7	**322.6**	1,470.1
Total equity	**4,318.4**	2,627.6	**2,907.3**	1,543.3
Notional adjustment for SPS	**(250.0)**	(250.0)	**(250.0)**	(250.0)
Adjusted equity	**4,068.4**	2,377.6	**2,657.3**	1,293.3
Adjusted net debt & adjusted equity	**5,338.9**	3,933.3	**2,979.8**	2,763.5
Gearing ratio (%)	**19.1%**	33.2%	**2.4%**	44.2%
Adjusted Gearing ratio (%)	**23.8%**	39.6%	**10.8%**	53.2%

The interest cover ratio is calculated as follows:

	2008	2007
	$m	$m
EBIT (1)	**970.1**	812.7
Net financing costs	**157.7**	122.6
Capitalised borrowing costs	**2.0**	1.4
	159.7	124.0
Interest cover ratio (times)	**6.1**	6.6

(1) Before individually material items

The consolidated entity self-insures for certain insurance risks and under the Australian General Insurance Reform Act 2001 and related Prudential Standards, all authorised general insurers, including Curasalus Insurance Pty Ltd (the Orica self-insurance company) are required to maintain a minimum capital ratio ("MCR") of 120% as calculated by the Australian Prudential Regulation Authority (APRA). The MCR of Curasalus Insurance was in excess of 120% in both 2008 and 2007.

Consistent with the consolidated entity's policy a Rights Issue was undertaken during the year.

Financial risk factors

The consolidated entity and the Company's principal financial risks are associated with foreign exchange, interest rate, liquidity and credit risk.

The consolidated entity and the Company's overall risk management program seeks to mitigate these risks and reduce volatility of Orica's financial performance. Financial risk management is carried out centrally by the Treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management and policies covering specific areas, such as foreign exchange, interest rate and credit risk as well as the use of derivative and non-derivative financial instruments and the investment of excess liquidity. Orica enters into derivative instruments for risk management purposes only. Derivative transactions are entered into to hedge the risks relating to underlying physical positions arising from business activities. Derivative transactions to hedge risks such as interest rate and foreign currency movements principally include interest rate swaps, cross currency interest rate swaps, forward exchange contracts and vanilla European option contracts.

Classification of financial assets and financial liabilities

The consolidated entity and the Company's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing liabilities and derivatives.

For measurement purposes the Company and the consolidated entity classify financial assets and financial liabilities into the following categories: (a) financial assets and liabilities at fair value through profit and loss, (b) loans and other receivables and (c) financial liabilities at amortised cost. Neither the Company nor the consolidated entity has financial assets categorised as held-to-maturity or as available-for-sale.

34. Financial and capital management (continued)

Financial assets and liabilities at fair value through profit and loss

This category combines financial assets and liabilities "held for trading" and those designated at "fair value" through profit and loss at inception. A financial asset or liability is classified in this category if it is acquired principally for the purpose of selling in the short term or if it is so designated by management. The consolidated entity holds a number of derivative instruments for economic hedging purposes under Board approved risk management policies, which do not meet the criteria for hedge accounting under Australian Accounting Standards. These derivatives are required to be categorised as "held for trading". Assets and liabilities in this category are classified as current if they are either "held for trading" or are expected to be realised within 12 months of the balance sheet date (refer notes 12 and 16).

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where maturities are greater than 12 months after the balance sheet date when they are classified as non-current. Loans and receivables are classified as 'receivables' in the balance sheet (refer note 8).

Amortised cost

Financial liabilities measured in this category are initially recognised at their fair value and are then subsequently re-measured at amortised cost using the effective interest rate method. This includes the Company and the consolidated entity's short-term non-derivative financial instruments (refer note 16) and its interest bearing liabilities (refer note 17).

Risks and mitigation

The risks associated with the financial instruments and the policies for minimising these risks are detailed below:

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The consolidated entity is primarily exposed to interest rate risk on outstanding interest bearing liabilities. Non-derivative interest bearing assets are predominately short-term liquid assets. Interest bearing liabilities issued at fixed rates expose the consolidated entity to fair value interest risk while borrowings issued at a variable rate give rise to cash flow interest rate risk.

Interest rate risk on long-term interest bearing liabilities is managed by adjusting the ratio of fixed interest debt to variable interest debt. This is managed within policies determined by the Orica Board of Directors via the use of interest rate swaps and cross currency interest rate swaps. Under the policy, a maximum of between 50% and 90% of debt with a maturity of less than five years can be fixed and a maximum 50% of debt with a maturity of between five and ten years can be fixed. Debt issuance with fixed interest payments can exceed ten years but requires Board approval. The consolidated entity operated within this range during both the current year and the prior year. The effective interest rate on average gross debt for the year ended 30 September 2008 was 7.3% (2007 7.2%).

34. Financial and capital management (continued)

The consolidated entity's exposure to interest rate risk and the weighted average effective interest rates on financial assets and liabilities at balance date are:

Consolidated Entity	Note	2008 $m	2008 % p.a.	2007 $m	2007 % p.a.
30 September 2008					
Cash	**(7)**	**321.3**	**3.5**	370.7	5.4
Trade and other receivables	**(8)**	**1,255.5**	**-**	1,020.6	-
Other financial assets	**(12)**	**97.3**	**-**	29.2	-
Total financial assets		**1,674.1**		1,420.5	
Trade and other payables	**(16)**	**1,404.5**	**-**	926.5	-
Bank overdrafts	**(17)**	**9.0**	**9.9**	3.0	6.9
Short term borrowings	**(17)**	**252.1**	**8.2**	579.4	7.3
Lease liabilities	**(17)**	**17.8**	**8.6**	0.8	8.1
Long term borrowings	**(17)**	**1,000.9**	**7.9**	1,014.7	7.2
Interest rate swaps		**-**	**(2.6)**	-	(0.5)
Cross currency interest rate swaps	**(17)**	**62.0**	**3.0**	78.5	3.0
Total financial liabilities		**2,746.3**		2,602.9	
Net financial assets/(liabilities)		**(1,072.2)**		(1,182.4)	

The Company's exposure to interest rate risk and the weighted average effective interest rate on financial asset and liabilities at balance date are:

Company	Note	2008 $m	2008 % p.a.	2007 $m	2007 % p.a.
30 September 2008					
Trade and other receivables	**(8)**	**1,071.6**	6.8	867.1	5.5
Total financial assets		**1,071.6**		867.1	
Trade and other payables	**(16)**	**-**	-	8.4	-
Long term borrowings	**(17)**	**72.6**	8.2	1,220.1	7.7
Total financial liabilities		**72.6**		1,228.5	
Net financial assets/(liabilities)		**999.0**		(361.4)	

Interest Rate Sensitivity

The table below shows the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower based on the relevant interest rate yield curve applicable to the underlying currency the borrowings are denominated in (including Australian dollars, Euros, Canadian dollars, New Zealand dollars and United States dollars) with all other variables held constant, taking into account all underlying exposures and related hedges. A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. Directors cannot nor do not seek to predict movements in interest rates. These sensitivities are shown for illustrative purposes only.

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Effect on profit increase/(decrease)				
If interest rates were 10% higher, with all other variables held constant	**(2.0)**	(0.9)	**(2.0)**	(4.0)
If interest rates were 10% lower, with all other variables held constant	**1.4**	1.1	**2.0**	4.0
Effect on profit after tax increase/(decrease)				
If interest rates were 10% higher, with all other variables held constant	**(1.4)**	(0.7)	**(1.4)**	(2.8)
If interest rates were 10% lower, with all other variables held constant	**1.0**	0.8	**1.4**	2.8
Effect on shareholders' equity increase/(decrease)				
If interest rates were 10% higher, with all other variables held constant	**9.4**	7.5	**(1.4)**	(2.8)
If interest rates were 10% lower, with all other variables held constant	**(10.3)**	(8.0)	**1.4**	2.8

34. Financial and capital management (continued)

Foreign currency risk - transactional

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability or cash flow will fluctuate due to changes in foreign currency rates.

The consolidated entity is exposed to foreign exchange risk primarily due to significant sales and/or purchases denominated, either directly or indirectly, in currencies other than the functional currencies of the consolidated entity's subsidiaries.

In regard to foreign currency risk relating to sales and purchases, the consolidated entity hedges up to 100 per cent of committed exposures. Anticipated exposures are hedged by applying a declining percentage of cover the further the time to the transaction date. Only exposures that can be forecast with highly probable forecast accuracy are hedged. Transactions can be hedged for up to five years on a rolling monthly basis. The derivative instruments used for hedging purchase and sales exposures are bought vanilla option contracts and forward exchange contracts. Forward exchange contracts may be used only under Board policy for committed exposures and anticipated exposures expected to occur within 12 months. Bought vanilla option contracts may be used for all exposures. These contracts are designated as cash flow hedges and are recognised at their fair value. The currencies giving rise to this risk are primarily U.S. Dollar (USD), New Zealand Dollar (NZD), Euro (EUR), Canadian Dollar (CAD), Norwegian Kroner (NOK), Great Britain Pound (GBP) and Swedish Kronor (SEK).

Exchange rate sensitivity

The table below shows the effect on profit and equity of the consolidated entity if exchange rates as at 30 September had been 10% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges. A sensitivity of 10% has been selected, as this is considered reasonably possible given the current level of exchange rates and the volatility of exchange rates based on an historical analysis. Directors cannot nor do not seek to predict movements in exchange rates. These sensitivities are shown for illustrative purposes only. However, it should be noted that it is extremely unlikely that all currencies would move in the same direction and by the same percentage. Major exposures are against the USD, CAD, NZD, NOK, SEK, EUR, and GBP.

The consolidated entity's exposure to foreign currency risk including both external balances and internal balances (eliminated on consolidation) at the reporting date was as follows (Australian dollar equivalents):

2008	**USD $m**	**CAD $m**	**NZD $m**	**NOK $m**	**SEK $m**	**EUR $m**	**GBP $m**
Cash	**1,946.4**	**42.2**	**-**	**701.6**	**134.8**	**477.4**	**241.5**
Trade and other receivables	**310.5**	**-**	**1.2**	**49.8**	**-**	**32.2**	**2.2**
Trade and other payables	**(382.8)**	**(3.1)**	**(10.4)**	**(2.5)**	**(15.8)**	**(34.8)**	**(0.7)**
Interest bearing liabilities	**(2,054.5)**	**(0.6)**	**(475.0)**	**(3.9)**	**(51.4)**	**(108.3)**	**(411.8)**
Net derivatives	**266.9**	**(0.1)**	**(44.2)**	**0.2**	**(0.1)**	**(77.8)**	**(2.5)**
Net exposure	**86.5**	**38.4**	**(528.4)**	**745.2**	**67.5**	**288.7**	**(171.3)**

2007	USD $m	CAD $m	NZD $m	NOK $m	SEK $m	EUR $m	GBP $m
Cash	1,976.3	7.2	299.2	729.5	81.1	392.3	226.3
Trade and other receivables	309.5	-	5.3	49.2	0.4	22.6	1.6
Trade and other payables	(253.6)	(14.1)	(3.3)	(1.8)	(5.3)	(21.2)	(1.8)
Interest bearing liabilities	(2,373.1)	(0.7)	(561.9)	(0.3)	(44.8)	(76.7)	(246.3)
Net derivatives	39.0	(28.5)	(17.3)	(0.3)	0.1	(77.8)	-
Net exposure	(301.9)	(36.1)	(278.0)	776.3	31.5	239.2	(20.2)

34. Financial and capital management (continued)

A 10% sensitivity would move year-end rates as follows (against the Australian Dollar):

	2008			2007		
	10% lower	**As reported**	**10% higher**	10% lower	As reported	10% higher
U.S. Dollar	**0.721**	**0.801**	**0.881**	0.796	0.884	0.972
Canadian Dollar	**0.758**	**0.842**	**0.926**	0.796	0.885	0.973
New Zealand Dollar	**1.078**	**1.198**	**1.317**	1.053	1.170	1.287
Norwegian Kroner	**4.181**	**4.645**	**5.110**	4.311	4.790	5.269
Swedish Kronor	**4.899**	**5.444**	**5.988**	5.166	5.740	6.314
Euro	**0.502**	**0.558**	**0.613**	0.562	0.624	0.686
Great Britain Pound	**0.394**	**0.438**	**0.482**	0.393	0.437	0.480

The effect on profit/(loss) from operations, net profit after tax and shareholders' equity of a movement in individual exchange rates with all other variables held constant is as follows (there is no impact on the Company):

	2008		2007	
	-10% $m	**10% $m**	-10% $m	10% $m
Effect on profit/(loss) from operations from a movement in:				
U.S. Dollar	**(27.4)**	**16.4**	1.6	(1.5)
Canadian Dollar	**(4.8)**	**3.3**	(1.6)	1.3
New Zealand Dollar	**(2.9)**	**2.7**	0.7	(0.7)
Norwegian Kroner	**5.3**	**(4.3)**	6.4	(5.7)
Swedish Kronor	**(1.7)**	**1.4**	(0.3)	0.2
Euro	**0.5**	**(0.4)**	0.7	(0.6)
Great Britain Pound	**(8.9)**	**8.9**	(0.9)	1.1
Effect on net profit after tax from a movement in:				
U.S. Dollar	**(19.2)**	**11.5**	1.1	(1.0)
Canadian Dollar	**(3.3)**	**2.3**	(1.1)	0.9
New Zealand Dollar	**(2.0)**	**1.9**	0.5	(0.5)
Norwegian Kroner	**3.7**	**(3.0)**	4.5	(4.0)
Swedish Kronor	**(1.2)**	**1.0**	(0.2)	0.2
Euro	**0.3**	**(0.3)**	0.5	(0.4)
Great Britain Pound	**(6.2)**	**6.3**	(0.6)	0.8
Increase/(decrease) on shareholders' equity from a movement in:				
U.S. Dollar	**36.5**	**(43.7)**	73.8	(68.0)
Canadian Dollar	**(3.6)**	**3.2**	(1.1)	1.1
New Zealand Dollar	**(52.9)**	**48.0**	(23.5)	19.1
Norwegian Kroner	**58.0**	**(47.4)**	62.5	(51.4)
Swedish Kronor	**5.3**	**(4.3)**	2.0	(1.6)
Euro	**26.7**	**(21.8)**	19.8	(16.2)
Great Britain Pound	**(15.4)**	**12.6**	(2.3)	2.1

34. Financial and capital management (continued)

Foreign currency risk - translational

Foreign currency earnings translation risk arises primarily as a result of earnings in USD, NZD, SEK, EUR, GBP and CAD being translated into AUD and from the location of a number of other individually minor foreign currency earnings. Derivatives contracts to hedge earnings exposures do not qualify for hedge accounting under Australian Accounting Standards. However, Board approved policy allows hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates. At 30 September 2008 the fair value of these derivatives was a $0.2 million loss (2007 $Nil).

Foreign currency net investment translation risk is managed within policies determined by the Board of Directors. Hedging of exposures is undertaken centrally by the consolidated entity's Treasury department primarily through originating debt in the currency of the asset or by raising debt in a different currency and effectively swapping the debt to the currency of the asset (see below "cross currency interest rate swaps" under "interest rate risk management"). The remaining translation exposure is managed, where considered appropriate, through forward foreign exchange derivative instruments. Gains and losses resulting from these hedging activities are recorded in the foreign currency translation reserve within the equity section of the balance sheet and offset against the foreign exchange impact resulting from the translation of the net assets of foreign operations. Ten percent of the consolidated entity's investment in foreign operations was hedged in this manner as at 30 September 2008. A foreign exchange loss of $2.7 million (2007 $3.4 million gain) was recognised in the foreign currency translation reserve during the period.

As at reporting date, the following derivative instruments hedging net investment exposures had a fair value of:

	2008 **$m**	2007 $m
Forward foreign exchange contracts	**(4.0)**	-
Cross currency interest rate swaps	**(113.6)**	(107.1)

Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under a contract or arrangement. The Company and the consolidated entity have exposure to credit risk on all financial assets included within the balance sheets. For discussion on how this risk in relation to receivables is managed refer to note 8. In regards to credit risk arising from derivatives and cash, this is the credit exposure to financial institutions that are counterparties to derivative contracts and cash deposits, with a positive fair value from Orica's perspective (refer note 7). As at 30 September 2008, the sum of all contracts with a positive fair value was $27.2 million (2007 $31.4 million).

To manage this risk the consolidated entity restricts dealings to highly rated counterparties approved within its credit limit policy. The higher the credit rating of the counterparty, the higher the consolidated entity's allowable exposure is to that counterparty under the policy. The consolidated entity does not hold any credit derivatives to offset its credit exposures.

34. Financial and capital management (continued)

Liquidity risk management

Liquidity risk arises from the possibility that there will be insufficient funds available to make payment as and when required.
The consolidated entity manages this risk via:

- maintaining an adequate level of undrawn committed facilities in various currencies that can be drawn upon at short notice;
- generally uses instruments that are readily tradable in the financial markets;
- monitors duration of long term debt;
- spreads, to the extent practicable, the maturity dates of long-term debt facilities; and
- a comprehensive analysis of all inflows and outflows that relate to financial assets and liabilities.

Facilities available and the amounts drawn and undrawn are as follows:

	Consolidated		**Company**	
	2008	2007	2008	2007
	$m	$m	**$m**	$m
Unsecured bank overdraft facilities				
Unsecured bank overdraft facilities available	**104.7**	100.6	**-**	-
Amount of facilities unused	**95.7**	97.6	**-**	-
Committed standby and loan facilities				
Committed standby and loan facilities available	**3,377.9**	2,294.2	**-**	-
Amount of facilities unused	**2,325.0**	1,120.0	**-**	-

The unsecured bank overdraft facilities are provided by banks. The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed standby and loan facilities range from 1 October 2009 to 24 October 2018 (2007 19 December 2008 to 24 October 2018).

The contractual maturity of the consolidated entities' fixed and floating rate financial instruments and derivatives are shown in the table below. The amounts shown represent the future undiscounted principal and interest cash flows:

Consolidated	**As at 30 September 2008**				As at 30 September 2007			
	Less than 1 year $m	**1 to 2 years $m**	**2 to 5 years $m**	**Over 5 years $m**	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m
Non-derivative financial assets								
Cash	**321.3**	**-**	**-**	**-**	370.7	-	-	-
Trade and other receivables [1]	**1,147.4**	**108.1**	**-**	**-**	915.9	104.7	-	-
Derivative financial assets	**850.9**	**1,709.2**	**137.2**	**386.5**	1,254.7	25.5	113.1	402.2
Financial assets	**2,319.6**	**1,817.3**	**137.2**	**386.5**	2,541.3	130.2	113.1	402.2
Non-derivative financial liabilities								
Trade and other payables [1]	**1,372.7**	**31.8**	**-**	**-**	921.6	4.9	-	-
Bank overdrafts	**9.0**	**-**	**-**	**-**	3.0	-	-	-
Bank loans	**-**	**-**	**-**	**-**	172.1	-	-	-
Commercial paper	**140.0**	**-**	**-**	**-**	308.7	-	-	-
Other short term borrowings	**25.4**	**-**	**-**	**-**	7.9	-	-	-
Trade bills and trade cards	**13.4**	**-**	**-**	**-**	14.3	-	-	-
Private placement	**81.8**	**78.8**	**445.7**	**980.6**	223.0	72.7	379.5	1,040.5
Other long term borrowings	**0.8**	**5.2**	**5.8**	**-**	-	-	-	-
Fixed term notes	**79.6**	**-**	**-**	**-**	6.2	79.6	-	-
Cumulative non-redeemable preference shares [2]	**-**	**-**	**-**	**-**	0.1	0.1	0.3	2.1
Lease liabilities	**6.4**	**5.4**	**9.7**	**-**	0.3	0.5	-	-
Derivative financial liabilities	**841.7**	**1,707.3**	**162.7**	**443.4**	1,284.2	28.7	138.5	474.9
Financial liabilities	**2,570.8**	**1,828.5**	**623.9**	**1,424.0**	2,941.4	186.5	518.3	1,517.5
Net (outflow)/inflow	**(251.2)**	**(11.2)**	**(486.7)**	**(1,037.5)**	(400.1)	(56.3)	(405.2)	(1,115.3)

[1] Excludes derivative financial instruments but includes the $100 million ATO receivable (refer note 8).

[2] No settlement date, interest only included for year five. Repurchased during 2008.

34. Financial and capital management (continued)

Company	As at 30 September 2008				As at 30 September 2007			
	Less than 1 year $m	**1 to 2 years $m**	**2 to 5 years $m**	**Over 5 years $m**	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m
Non-derivative financial assets								
Trade and other receivables [1]	**971.6**	**100.0**	**-**	**-**	767.1	100.0	-	-
Other financial assets	**-**	**-**	**-**	**1,915.1**	-	-	-	1,915.0
Financial assets	**971.6**	**100.0**	**-**	**1,915.1**	767.1	100.0	-	1,915.0
Non-derivative financial liabilities								
Trade and other payables	**-**	**-**	**-**	**-**	8.4	-	-	-
Other loans - controlled entities	**72.6**	**-**	**-**	**-**	1,218.1	-	-	-
Cumulative non-redeemable preference shares [2]	**-**	**-**	**-**	**-**	0.1	0.1	0.3	2.1
Financial liabilities	**72.6**	**-**	**-**	**-**	1,226.6	0.1	0.3	2.1
Net inflow/(outflow)	**899.0**	**100.0**	**-**	**1,915.1**	(459.5)	99.9	(0.3)	1,912.9

[1] Includes $100 million receivable from the ATO (refer note 8).
[2] No settlement date, interest only included for year five. Repurchased during 2008.

Cash flow hedges

Cash flow hedges are used to hedge exposures relating to borrowings and ongoing business activities, where there is a highly probable sale, purchase or settlement commitment in foreign currencies.

Foreign exchange transactions

The hedging of foreign exchange transactions is described under foreign currency risk above.

The fair value of forward exchange contracts used as hedges of foreign exchange transactions at 30 September 2008 was a net $7.9 million gain (2007 $2.9 million loss), comprising assets of $13.8 million (2007 $1.7 million) and liabilities of $5.9 million (2007 $4.6 million). The fair value of currency options used as hedges of foreign exchange transactions at 30 September 2008 was $2.9 million loss (2007 $5.5 million gain), comprising assets of $1.6 million (2007 $5.6 million) and liabilities of $4.5 million (2007 $0.1 million).

The following table shows the maturities of the receipts/payments of derivative instruments designated as cash flow hedges:

Foreign Exchange Contracts	Weighted average rate **2008**	2007	**million 2008**	million 2007
Buy US dollars/sell Australian dollars				
Not later than one year	**0.8361**	0.8547	**USD 133.8**	USD 35.6
Buy US dollars/sell New Zealand dollars				
Not later than one year	**0.6696**	0.7132	**USD 27.5**	USD 21.3
Buy Australian dollars/sell New Zealand dollars				
Not later than one year	**1.2240**	1.1454	**NZD 3.7**	NZD 9.6
Buy Australian dollars/sell Canadian dollars				
Not later than one year	**0.8567**	0.8569	**CAD 37.7**	CAD 6.0
Buy Australian dollars/sell Swedish Kronor				
Not later than one year	**-**	5.6403	**-**	SEK 42.7
Buy Swedish Kronor/sell Norwegian Kroner				
Not later than one year	**1.1731**	1.1768	**NOK 88.5**	NOK 133.4
Buy Euro/sell Australian dollars				
Not later than one year	**0.5621**	0.5975	**EUR 18.1**	EUR 4.3
Later than one year but not later than two years	**0.5698**	-	**EUR 11.7**	-
Buy Colombian Peso/sell US dollars				
Not later than one year	**1,948.8**	-	**USD 7.0**	-
Buy British Pounds/sell Australian dollars				
Not later than one year	**0.4784**	-	**GBP 7.6**	-

34. Financial instruments (continued)

Vanilla European Option Contracts	Weighted average rate 2008	2007	million 2008	million 2007
Buy US dollars/sell Australian dollars				
Not later than one year	**0.7962**	0.7818	**USD 4.1**	USD 52.1
Later than one year but not later than two years	**0.7877**	0.7877	**USD 0.3**	USD 4.1
Buy US dollars/sell Canadian dollars				
Not later than one year	**0.9850**	-	**CAD 6.0**	-
Later than one year but not later than two years	**0.9850**	-	**CAD 5.0**	-
Later than two years but not later than three years	**0.9850**	-	**CAD 3.0**	-
Later than three years but not later than five years	**0.9850**	-	**CAD 1.6**	-
Buy Mexican Peso/sell US dollars				
Not later than one year	**10.5545**	-	**USD 34.2**	-
Later than one year but not later than two years	**10.5545**	-	**USD 2.9**	-
Buy Chilean Peso/sell US dollars				
Not later than one year	**509.367**	-	**USD 64.6**	-
Later than one year but not later than two years	**512.000**	-	**USD 4.8**	-
Buy Australian dollars/sell Canadian dollars				
Not later than one year	**0.8643**	-	**CAD 8.6**	-
Later than one year but not later than two years	**0.8463**	-	**CAD 1.0**	-
Buy US dollars/sell New Zealand dollars				
Not later than one year	**0.7374**	0.6227	**USD 6.2**	USD 12.5
Later than one year but not later than two years	**0.7333**	0.7248	**USD 0.5**	USD 4.5

Gains and losses recognised in the cash flow hedge reserve on all foreign currency hedges of anticipated purchases, sales and interest and the timing of their anticipated recognition as part of sales or purchases are:

Term	Net deferred (loss)/gains 2008 $m	2007 $m
Not later than one year	**(0.6)**	2.2
Later than one year but not later than two years	**(0.5)**	0.4
Later than two year but no later than five years	**0.3**	-
Total	**(0.8)**	2.6

The terms of the forward exchange contracts have been negotiated to match the terms of the commitments.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the asset or liability affects the Income Statement, the consolidated entity transfers the related amount deferred in equity into the Income Statement.

In September 2007, Orica announced that it had signed an agreement to acquire all of Excel Mining Systems LLC. The purchase price was denominated in US dollars, and the entity entered into forward foreign exchange contracts to hedge the resultant currency exposure as detailed below:

Foreign Exchange Contracts	Weighted average rate 2008	2007	million 2008	million 2007
Buy US dollars/sell Australian dollars				
Not later than one year	**-**	0.8618	**-**	USD 680

As at 30 September 2007, the fair value of this hedge was a loss of $18.8 million. On payment of the purchase price this was capitalised as part of the cost of investment.

Due to the acquisition of Excel in October 2007 the consolidated entity entered into a forward foreign exchange contract to hedge the translational exposure arising from movements in the USD.

In accordance with the revised policy, during August 2008 this contract was closed out resulting in a gain of $24.2 million within the Income Statement (in financial income) reflecting the non designated portion (forward points) of the net investment hedge.

34. Financial instruments (continued)

Interest rate swap contracts

Interest rate or cross currency interest rate swaps are classified as cash flow hedges if they are used to transfer floating rate debt into fixed rate debt and are stated at fair value. All gains and losses attributable to the hedged risk are taken directly to equity and reclassified into the Income Statement when the interest expense is recognised. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. There was a derivative asset of $6.2 million as at 30 September 2008 (2007 $19.1 million asset).

The notional amounts of interest rate swaps as summarised below represent the contract or face values of these derivatives. The notional amounts do not represent amounts exchanged by the parties. The amounts to be exchanged are net settled and will be calculated with reference to the notional amounts and the pay and receive interest rates determined under the terms of the derivative contracts. Each contract involves quarterly or semi-annual payment or receipt of the net amount of interest:

	2008 $m	2007 $m
Floating to fixed swaps		
One to five years	**391.8**	389.5
More than five years	**100.0**	100.0
Fixed interest rate range p.a.	**5.2% to 8.3%**	5.2% to 8.3%

Fair value hedges

Cross currency interest rate swap contracts

During the period the consolidated entity held cross currency interest rate swaps to mitigate the consolidated entity's exposure to changes in the fair value of foreign denominated debt from fluctuations in foreign currency and interest rates. The hedged items designated were a portion of the consolidated entity's foreign currency denominated borrowings. The changes in the fair values of the hedged items resulting from movements in exchange rates and interest rates are offset against the changes in the value of the cross currency interest rate swaps. The objective of this hedging is to convert foreign currency borrowings to floating rate Australian dollar borrowings.

For the consolidated entity, re-measurement of the hedged items resulted in a loss before tax of $42.8 million (2007 $20.6 million gain) and the changes in the fair value of the hedging instruments resulted in a gain before tax of $45.3 million (2007 $20.9 million loss) resulting in a net gain before tax of $2.5 million (2007 $0.3 million loss) recorded in finance costs.

The fair value of these swaps at 30 September 2008 was $75.5 million (2007 $31.9 million), comprising assets of $106.6 million (2007 $88.1 million) and liabilities of $31.1 million (2007 $56.2 million).

From the cross currency interest rate swaps as at 30 September 2008 there was a derivative asset of $68.6 million (2007 $107.1 million liability). During 2007, the entity sold assets that were based in New Zealand and as a result, the entity closed out some cross currency interest rate swaps that were designated as a hedge of NZD assets. The accumulated deferred losses associated with hedging the sold assets of $2.5 million, after tax were transferred from the foreign currency translation reserve and included in the calculation of the profit on sale in that year.

Derivatives not designated in a hedging relationship

Certain derivative instruments do not qualify for hedge accounting, despite being commercially valid economic hedges of the relevant risks. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement (for example, changes in the fair value of any economic hedge not qualifying for hedge accounting or in the value of vanilla bought European options used to hedge translation of foreign earnings).

Interest rate swaps

The change in fair value of swaps executed as economic hedges for which hedge accounting was not applied was a $0.1 million gain for the financial year ending 30 September 2008 (2007 $1.3 million gain). This relates to two interest rate swaps with a notional principal amount of $31.8 million (2007 $29.5 million).

Fair values of derivatives

The carrying value of derivatives disclosed in notes 12 and 16 equal their fair values. Valuation techniques include where applicable, reference to prices quoted in active markets, discounted cash flow analysis, fair value of recent arm's length transactions involving the same instruments or other instruments that are substantially the same, and option pricing models.

The fair value of forward exchange contracts are calculated by reference to forward exchange market rates for contracts within similar maturity profiles at the time of valuation.

The fair values of cross currency interest rate swaps and interest rate swaps and other financial liabilities measured at fair value are determined using valuation techniques which utilise data from observable markets. Assumptions are based on market conditions existing at each balance date. The fair value is calculated as the present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived and representative of Orica's cost of borrowings.

35. Events subsequent to balance date

On 10 November 2008, the directors declared a final dividend of 55 cents per ordinary share payable on 2 December 2008. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2008 and will be recognised in the 2009 financial statements.

On 7 November 2008, Orica acquired Opel Chemical (Singapore) Private Limited which owns a decorative coatings business in China.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2008, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

36. Employee share plans

Employees' options entitlement

The names of persons who currently hold options in the share option plans are entered in the registers of options kept by the Company pursuant to Section 170 of the Corporations Act 2001. The registers may be inspected free of charge. Options granted to and exercised by executives under SOP and ESOP to the date of this report are shown below. The exercise price of options issued under SOP and ESOP was set at the market value of an Orica share at the time of issue of the option. Market value is defined as the average of the closing price at which Orica shares were traded on the ASX during the three calendar months preceding the date of issue. The ability to exercise these options is conditional on the Company achieving prescribed performance hurdles. All options refer to ordinary shares of Orica Limited and the options are provided at no cost to the recipient until their exercisable date. No person entitled to exercise an option in the Company has, by virtue of the option, a right to participate in a share issue of any other consolidated entity of the Group. 62,802 ordinary shares were issued during the financial year as a consequence of the exercise of options issued in prior years. As at balance date, there are 51,600 unissued ordinary shares under option.

(a) Executive Share Option Plan

The Executive Share Option Plan (ESOP) was introduced as part of the new executive compensation arrangements introduced during 2002 and operated between 2002 and 2004. It was the Board's intention that the plan would be used only once to reflect the particular circumstances of the Company at the time to support the introduction of its new compensation policy. ESOP is administered by the Plan Manager, Link Market Services Limited.

Eligible executives, as determined by the Board, who agreed to participate in the new compensation arrangements were invited to apply for options in three tranches to acquire shares in Orica at a specified exercise price subject to the achievement of a performance hurdle based on Orica's share price. Options that vest upon achievement of the performance hurdles may be exercised from one day after the release of the annual results to 31 October of the following year subject to the company's guidelines for dealing in securities. The plan performance periods and hurdles reflect those put in place for the Executive Key Management Personnel under SESLP. The second price hurdle was reached during 2005 and the third price hurdle was reached during 2006. Pursuant to the terms on which they were granted, the exercise price of outstanding ESOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

There are no options over ordinary shares of the Company under the ESOP as at 30 September 2008. The table below discloses options over ordinary shares of the Company under the ESOP at 30 September 2007:

36. Employee share plans (continued)

Grant date	Options issued	Options held at 30 Sep	Number of participants at 30 Sep	Exercise price $	First Tranche Exercise date [1]	Price Hurdle $	Second Tranche Exercise date [1]	Price Hurdle $	Third Tranche Exercise date [1]	Price Hurdle $	Value of options at grant date [2] $
As at 30 September 2007											
24 Apr 02	9,061,385	19,802	3	7.33	2004	8.00	2005	10.00	2006	12.00	16,854,176
11 Nov 02	115,421	1	1	9.77	2004	10.35	2005	10.00	2006	12.00	216,991
	9,176,806	19,803									17,071,167

[1] Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure.

[2] The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option $
24 Apr 02	8.72	30%	5.4%	5.89%	1.86
11 Nov 02	10.24	30%	4.5%	4.74%	1.88

The option valuation prepared by PWC uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2007. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The share based payments expense recognised in the Income Statement for ESOP's in 2008 was $nil (2007 $nil).

(b) Share Option Plan

The Share Option Plan (SOP) operated between 1999 and 2002. SOP is administered by the Plan Manager, Link Market Services Limited. Eligible executives, as determined by the Board, who achieved an agreed performance rating were invited to apply for options to acquire shares in Orica at a specified exercise price subject to the achievement of a performance hurdle based on Orica's Total Shareholder Return (TSR) relative to the TSR of the other companies in the ASX 100 index after three, four and five years. The proportion of options that vest and become exercisable is determined by comparing Orica's TSR with the other companies. No options vest where Orica's TSR score is below 50% of the other companies. Where the score is equal to or greater than 75% of other companies, all options granted will vest. Options that vest may be exercised for a period up to 10 years from the grant date. Pursuant to the terms on which they were granted, the exercise price of outstanding SOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

36. Employee share plans (continued)

The options were granted in three tranches, with an exercise price and exercise period as follows:

Grant date	Options issued over plan life	**Number of participants at 30 September**	**Options held at 30 September**	Exercise price $	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of options at grant date (1) $
As at 30 September 2008								
1 Jan 00	1,505,000	**2**	**11,000**	7.73	Expired	Expired	Expired	2,979,900
1 Jan 01	1,969,800	**2**	**13,600**	5.14	Expired	Expired	Expired	2,147,082
1 Jan 02	1,202,000	**3**	**27,000**	5.09	Expired	Expired	Expired	2,367,940
	4,676,800		**51,600**					**7,494,922**
As at 30 September 2007								
1 Jan 00	1,505,000	2	11,000	7.73	Expired	Expired	Expired	2,979,900
1 Jan 01	1,969,800	3	34,600	5.14	Expired	Expired	Expired	2,147,082
1 Jan 02	1,202,000	5	49,000	5.09	Expired	Expired	Expired	2,367,940
	4,676,800		94,600					7,494,922

(1) The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option $
1 Jan 00	8.20	30%	5.0%	6.88%	1.98
1 Jan 01	5.76	30%	6.6%	5.42%	1.09
1 Jan 02	7.19	30%	5.4%	5.68%	1.97

The option valuation prepared by PWC uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2008 and 30 September 2007. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option.

(c) Employee Share Plan

The Employee Share Plan (ESP) operated between 1987 and 2002. The ESP is administered by Link Market Services Limited.

Eligible employees, as determined by the Board, were invited to purchase shares in Orica funded by the provision of an interest free loan repayable over ten years. The balance of loans receivable from employees participating in the ESP at 30 September 2008 was $0.1 million (2007 $0.2 million).

Grant date	Date shares become unrestricted	**Number of participants 2008**	Number of participants 2007	Average issue price $	**Shares held at 30 September 2008**	Shares held at 30 September 2007
Pre 1 Oct 2001	-	**83**	268	-	**29,800**	89,633
31 Dec 01	31 Dec 11	**1**	3	7.32	**400**	1,200
05 Jul 02	05 Jul 12	**45**	54	9.48	**18,900**	23,600
					49,100	114,433

(d) (i) General Employee Exempt Share Plan - Australia

The General Employee Exempt Share Plan (GEESP) has operated since 1998. It is administered by the Plan Manager, Link Market Services Limited. Invitations are made to eligible employees as determined by the Board on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market;
- employees are each entitled to acquire shares with a market value of approximately $1,000 per year;
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 June the following year;
- employees who leave the consolidated entity must salary sacrifice any remaining amount prior to departure; and
- employees cannot dispose of the shares for a period of three years from date of acquisition or until they leave their employment with the consolidated entity, whichever occurs first.

Grant date	Date shares become unrestricted	**Number of participants at 30 September 2008**	Number of participants at 30 September 2007	**Shares held at 30 September 2008**	Shares held at 30 September 2007
1 Jul 05	30 Jun 08	**-**	1,011	**-**	57,627
3 Jul 06	30 Jun 09	**1,325**	1,451	**56,975**	62,393
2 Jul 07	2 Jul 10	**1,588**	1,718	**52,404**	56,694
1 Jul 08	1 Jul 11	**1,888**	-	**64,192**	-
				173,571	176,714

36. Employee share plans (continued)

(e) (ii) General Employee Exempt Share Plan - New Zealand

A separate GEESP has operated for New Zealand employees since 1999. It is administered internally. Invitations are made to eligible employees as determined by the Board on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market;
- employees are each entitled to acquire shares with a market value of approximately NZ$780 per year;
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 September the following year;
- employees who leave the consolidated entity because of redundancy, retirement or sickness, have the option to salary sacrifice any remaining amounts prior to departure, if they wish to retain their shares;
- employees who leave the consolidated entity because of resignation, will be paid the market value of the shares in proportion to their contributions to date; and
- employees cannot dispose of the shares for a period of three years from date of acquisition or until they leave their employment with the consolidated entity and they are entitled to retain their shares, whichever occurs first.

Grant date	Date shares become unrestricted	**Number of participants at 30 September 2008**	Number of participants at 30 September 2007	**Shares held at 30 September 2008**	Shares held at 30 September 2007
1 Oct 03	30 Sept 06	**20**	33	**1,120**	1,854
1 Oct 04	30 Sept 07	**40**	84	**1,640**	3,444
1 Oct 05	30 Sept 08	**87**	113	**3,045**	3,955
1 Oct 06	30 Sept 09	**99**	128	**3,069**	3,968
1 Oct 07	30 Sept 10	**119**	-	**2,737**	-
				11,611	13,221

37. Related party disclosures

(a) Key Management Personnel compensation summary

As deemed under AASB 124, Key Management Personnel include non-executive directors and members of the Group Executive Team (executive directors and the most highly remunerated executives) who have authority and responsibility for planning, directing and controlling the activities of Orica. In this report, “Executives” refers to executive Key Management Personnel. However non–executive directors have had no day to day involvement in the management of the business during the financial year.

A summary of the Key Management Personnel compensation is set out in the following table:

	Consolidated		Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Short term employee benefits	**18,799.4**	15,299.6	**-**	-
Other long term benefits	**3,632.2**	2,964.5	**-**	-
Post employment benefits	**289.3**	242.2	**-**	-
Share-based payments	**2,284.5**	730.9	**-**	-
Termination benefits	**1,194.2**	651.3	**-**	-
	26,199.6	19,888.5	**-**	-

Information regarding individual directors and executives compensation and some equity instruments disclosure as permitted by Corporation Regulation 2M.3.03 is provided in the remuneration report section of the directors’ report.

37. Related party disclosures (continued)

(b) Key Management Personnel's transactions in shares and options

The relevant interests of Key Management Personnel in the share capital of the Company are:

As at 30 September 2008	Balance 1 October 2007	Acquired (1)	Net change other (2)	Fully paid ordinary shares held at 30 September 2008 (3)
Non-Executive Directors				
D P Mercer	22,500	3,654	-	26,154
M E Beckett	57,188	11,567	-	68,755
R R Caplan	-	2,325	-	2,325
P J Duncan	14,165	1,771	-	15,936
G A Hounsell	12,888	2,048	-	14,936
P M Kirby	24,230	3,029	-	27,259
N L Scheinkestel	9,538	3,119	-	12,657
M Tilley	5,625	704	-	6,329
C M Walter	11,250	1,785	-	13,035
	157,384	30,002	-	187,386

R R Caplan was appointed a director on 1 October 2007. He did not hold any shares at that date.

As at 30 September 2008	Balance 1 October 2007	Acquired (1)	Net change other (2)	Fully paid ordinary shares held at 30 September 2008 (3)	Options for fully paid ordinary shares held at 30 September 2008 (4)
Executive Directors and Senior Executives					
G R Liebelt	413,900	201,158	-	615,058	471,943
N A Meehan	37,136	12,347	-	49,483	134,115
P G Etienne	-	13,874	(13,874)	-	143,512
M Reich	-	-	-	-	31,271
A J P Larke *	-	32,331	-	32,331	108,558
G J Witcombe	94,462	78,523	(29,450)	143,535	121,154
J Beevers	-	12,292	(12,292)	-	91,552
C B Elkington	-	12,487	(12,487)	-	83,062
P W Houlihan	2,122	5,098	(2,122)	5,098	40,777
B Karcz	5,035	15,351	-	20,386	86,275
A R Coleman	6,000	6,459	(2,972)	9,487	6,322
	558,655	389,920	(73,197)	875,378	1,318,541

* In addition, A J P Larke holds 2,000 Orica Step-Up Preference shares.

As at 30 September 2007	Balance 1 October 2006	Acquired (1)	Net change other (2)	Fully paid ordinary shares held at 30 September 2007 (3)
Non-Executive Directors				
D P Mercer	22,500	-	-	22,500
M E Beckett	50,805	6,383	-	57,188
P J Duncan	14,165	-	-	14,165
G A Hounsell	11,701	1,187	-	12,888
P M Kirby	24,230	-	-	24,230
N L Scheinkestel	6,575	2,963	-	9,538
M Tilley	5,625	-	-	5,625
C M Walter	11,250	-	-	11,250
	146,851	10,533	-	157,384

37. Related party disclosures (continued)

As at 30 September 2007	Balance 1 October 2006	Acquired [1]	Net change other [2]	Fully paid ordinary shares held at 30 September 2007 [3]	Options for fully paid ordinary shares held at 30 September 2007 [4]
Executive Directors and Senior Executives					
G R Liebelt	413,900	-	-	413,900	349,498
N A Meehan	22,281	14,855	-	37,136	100,075
P G Etienne	16,779	35,967	(52,746)	-	114,463
A J P Larke *	-	50,000	(50,000)	-	90,896
G J Witcombe	33,340	151,122	(90,000)	94,462	134,463
J Beevers	-	29,014	(29,014)	-	76,735
P W Houlihan	2,122	7,671	(7,671)	2,122	20,902
B Karcz	8,940	36,158	(40,063)	5,035	76,500
A R Coleman	-	15,250	(9,250)	6,000	24,419
P G Bailey	-	171,416	(171,416)	-	-
	497,362	511,453	(450,160)	558,655	987,951

[1] Includes shares acquired through the Dividend Reinvestment Plan (DRP) and purchases and exercise of options during the year by Executive Key Management Personnel.

[2] Net change other includes changes resulting from sales during the year by Non-Executive Directors and Executive Key Management Personnel.

[3] Includes trust shares for Executive Key Management Personnel.

[4] These interests include shares acquired under a loan agreement. A general description of these agreements (LTEIP) is provided in the Remuneration Report. Under AASB 2 Share-based Payment, LTEIP plans are deemed to be option plans for compensation purposes and the amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised. The LTEIP before November 2006 is deemed to vest at grant date whilst the LTEIP from November 2006 onwards vests after three years.

(c) Parent entity

The ultimate parent entity within the Group is Orica Limited, which is domiciled and incorporated in Australia.

(d) Controlled entities

Interests in subsidiaries are set out in note 39.

(e) Transactions with controlled entities

Transactions between Orica and entities in the Group during the year included:

- Rental revenue received by Orica for the use of land and buildings;
- Management fees received and paid by Orica for accounting and administrative assistance;
- Interest revenue received and paid by Orica for money deposited with or borrowed from Orica Finance Limited;
- Dividend revenue received by Orica;
- Indemnity fees paid to Orica; and
- Purchases and sales of products and services.

All the above transactions with controlled entities are made on normal commercial terms and conditions and in the ordinary course of business. Transactions with the parent entity are disclosed in the Orica Limited parent entity financial statements.

(f) Transactions with other related parties

All transactions with other related parties are made on normal commercial terms and conditions and in the ordinary course of business. Transactions during the year with associated companies were:

	Consolidated		Company	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Sales of goods to associates	**260.2**	209.6	**-**	-
Purchases of goods from associates	**71.3**	73.5	**-**	-
Dividend income received from associates	**20.3**	21.0	**-**	-
Interest income received from associates	**0.6**	0.8	**-**	-

37. Related party disclosures (continued)

Additional related party disclosures

Additional relevant related party disclosures are shown throughout the notes to the financial statements as follows:

• Dividend income	note 3
• Financial income and expenses	note 4
• Trade and other receivables	note 8
• Investments	note 11, 39
• Trade and other payables	note 16
• Interest bearing liabilities	note 17
• Options	note 21

38. Superannuation commitments

(a) Superannuation plans

The consolidated entity contributes to a number of superannuation plans that exist to provide benefits for employees and their dependants on retirement, disability or death. The superannuation plans cover company sponsored plans, other qualifying plans and multi-employer industry/union plans.

Company sponsored plans

- The principal benefits are pensions or lump sum payments for members on resignation, retirement, disability or death. The benefits are provided on either a defined benefit basis or a defined contribution basis.
- Employee contribution rates are either fixed by the rules of the plans or selected by members from time to time from a specified range of rates. The employer entities contribute the balance of the cost required to fund the defined benefits or, in the case of defined contribution plans, the amounts required by the rules of the plan.
- The contributions made by the employer entities to defined contribution plans are in accordance with the requirements of the governing rules of such plans or are required to avoid a liability under law.

Government plans

- Some controlled entities participate in government plans on behalf of certain employees, which provide pension benefits. There exists a legally enforceable obligation on employer entities to contribute as required by legislation.

Industry plans

- Some controlled entities participate in industry plans on behalf of certain employees.
- These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement, disability or death.
- The employer entities have a legally enforceable obligation to contribute a regular amount for each employee member of these plans.
- The employer entities have no other legal liability to contribute to the plans.

(b) Defined contribution pension plans

The consolidated entity contributes to several defined contribution pension plans on behalf of its employees. The amount recognised as an expense for the financial year ended 30 September 2008 was $28.8 million (2007 $24.2 million).

(c) Defined benefit pension plans

The consolidated entity participates in several local and overseas defined benefit post-employment plans that provide benefits to employees upon retirement. Plan funding is carried out in accordance with the requirements of trust deeds and the advice of actuaries. During the year, the consolidated entity made employer contributions of $31.0 million (2007 $27.0 million) to defined benefit plans. The Group’s actuaries have forecast total employer contributions to defined benefit plans of $30.5 million for 2009.

The Company has no employees and therefore does not support any defined benefit post-employment plans. Accordingly, the disclosures detailed below relate to the consolidated entity.

38. Superannuation commitments (continued)

(c) (i) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	2008 $m	2007 $m
Present value of the defined benefit obligations	**701.3**	691.4
Fair value of defined benefit plan assets	**(613.4)**	(635.3)
Deficit in plan	**87.9**	56.1
Present value of unfunded defined benefit obligation at end of year	**86.9**	81.2
Deficit	**174.8**	137.3
Restriction on assets recognised	**3.7**	-
Net liability in the balance sheet	**178.5**	137.3
Amounts in balance sheet:		
Liabilities	**181.4**	142.1
Assets	**(2.9)**	(4.8)
Net liability recognised in balance sheet at end of year	**178.5**	137.3

(c) (ii) Categories of plan assets

The major categories of plan assets are as follows:

	2008 $m	2007 $m
Cash and net current assets	**56.1**	57.0
Equity instruments	**299.5**	310.1
Fixed interest securities	**158.8**	166.9
Property	**60.4**	58.5
Other assets	**38.6**	42.8
	613.4	635.3

(c) (iii) Reconciliations

	2008 $m	2007 $m
Reconciliation of present value of the defined benefit obligation:		
Balance at the beginning of the year	**772.6**	746.1
Current service cost	**20.9**	21.7
Interest cost	**44.1**	40.5
Actuarial (gains)/losses	**(25.8)**	20.6
Contributions by plan participants	**7.3**	7.0
Benefits paid	**(41.3)**	(60.8)
Distributions	**(4.0)**	(3.6)
Settlements	**(1.1)**	(7.9)
Liabilities assumed in business combinations	**-**	26.9
Exchange differences on foreign funds	**15.5**	(17.9)
Balance at the end of the year	**788.2**	772.6
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	**635.3**	589.7
Expected return on plan assets	**45.0**	40.6
Actuarial (losses)/gains	**(67.4)**	32.5
Contributions by plan participants	**7.3**	7.0
Contributions by employer	**31.0**	27.0
Benefits paid	**(41.3)**	(60.8)
Distributions	**(4.0)**	(3.6)
Settlements	**(1.1)**	(3.2)
Assets acquired in business combinations	**-**	17.5
Exchange differences on foreign funds	**8.6**	(11.4)
Balance at the end of the year	**613.4**	635.3

The fair value of plan assets does not include any amounts relating to the consolidated entity's own financial instruments, property occupied by, or other assets used by, the consolidated entity.

38. Superannuation commitments (continued)

(c) (iv) Amounts recognised in the income statement

The amounts recognised in the income statement are as follows:

	2008 $m	2007 $m
Current service cost	**20.9**	21.7
Interest cost	**44.1**	40.5
Expected return on plan assets	**(45.0)**	(40.6)
Curtailment or settlement gains	**-**	(4.7)
Total included in employee benefits expense	**20.0**	16.9

(c) (v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2008	2007
Discount rate	**4.10% - 11.29%**	4.25% - 8.75%
Expected return on plan assets	**0.00% - 11.60%**	0.00% - 8.75%
Future salary increases	**2.75% - 8.68%**	2.50% - 7.00%
Future inflation	**2.00% - 4.50%**	2.00% - 4.00%
Future pension increases	**2.00% - 5.00%**	0.00% - 3.15%
Healthcare cost trend rates (ultimate)	**4.80% - 5.00%**	4.80% - 5.00%
Pension increases in deferment	**2.00% - 5.00%**	2.00% - 3.15%

A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase $m	One percentage point decrease $m
Effect on the aggregate of the service cost and interest cost	**0.3**	**(0.2)**
Effect on the defined benefit obligation	**3.1**	**(2.5)**

(c) (vi) Historic summary

Amounts for the current and previous periods are as follows:

	2008 $m	2007 $m	2006 $m	2005 $m
Defined benefit plan obligation	**788.2**	772.6	746.1	692.3
Plan assets	**(613.4)**	(635.3)	(589.7)	(584.0)
Restriction on assets recognised	**3.7**	-	-	-
Deficit	**178.5**	137.3	156.4	108.3
Experience adjustments arising on plan liabilities	**(16.6)**	26.7	(0.3)	(8.1)
Experience adjustments arising on plan assets	**(67.4)**	32.5	14.2	42.2
Actual return on plan assets	**(22.4)**	73.1	53.2	78.3

The consolidated entity has used the AASB 1 exemption and disclosed amounts under AASB 1 above for each annual reporting period prospectively from the transition date (1 October 2004).

(c) (vii) Amounts included in the statement of recognised income and expense

	2008 $m	2007 $m
Net actuarial (losses)/gains	**(41.6)**	11.9
Change in the effect of asset ceiling	**(3.7)**	-
Total (losses)/gains recognised via the Statement of Recognised Income and Expenses	**(45.3)**	11.9

The consolidated entity has elected under AASB 119, to recognise all actuarial gains/losses in the statement of recognised income and expense. The cumulative amount of net actuarial losses/gains included in the statement of recognised income and expense as at 30 September 2008 is $5.6 million - loss (2007 $36.0 million - gain).

38. Superannuation commitments (continued)

(c) (viii) Expected rate of return on assets assumption

The overall expected rate of return on assets assumption is determined by weighting the expected long-term rate of return for each asset class by the target allocation of plan assets to each class. The rates of return used for each class are net of investment tax and investment fees.

(c) (ix) Surplus/(deficit) for major defined benefit plans

30 September 2008 **Plan**	**Accrued Benefits**	**Fund Assets**	**Accrued (deficit)/ surplus**	**Current contribution recommendation**	**Discount rate**	**Expected return on plan assets**	**Future salary increases**
	$m	**$m**	**$m**		%	%	%
The Flexible Benefits Super Fund [4(a)]	414.1	382.6	(31.5)	13.0% of salaries	4.85	7.50	4.50
Pension Plan for Employees of Orica Canada Inc [4(b)]	88.9	72.8	(16.1)	7.4% of pensionable earnings	6.00	7.00	3.75
Post Retirement Benefits (Canada) [4(c)]	15.1	-	(15.1)	Based on benefit payments	6.00	n/a	n/a
Orica Pension Scheme (UK) [4(b)]	37.6	31.2	(6.4)	20.8% of pensionable earnings	6.40	7.39	4.00
Dyno Nobel Sweden AB [4(d)]	40.8	-	(40.8)	Based on benefit payments	4.25	n/a	3.50
Dyno DNE (Norway) [4(e)]	40.9	26.5	(14.4)	Insurance premiums	5.00	5.75	4.50
Dyno Defence (Norway) [4(e)]	7.6	5.8	(1.8)	Insurance premiums	5.00	5.75	4.50
Dynea HK (Norway) [4(e)]	12.0	7.0	(5.0)	Insurance premiums	5.00	5.75	4.50
Orica New Zealand Ltd Retirement Plan [4(b)]	33.4	24.7	(8.7)	14.4% of salaries	4.10	6.40	3.50
Orica USA Inc. Retirement Income Plan [4(b)]	23.2	21.0	(2.2)	Set in accordance with local annual funding requirements	6.50	8.25	n/a
Minova USA Retirement Plans [4(b)]	19.5	14.8	(4.7)	Set in accordance with local annual funding requirements	6.50	8.25	3.50
Other [(3)]	55.1	27.0	(28.1)	Various	Various	Various	Various
	788.2	613.4	(174.8)				
Restriction on assets recognised			(3.7)				
			(178.5)				

30 September 2007 Plan	Accrued Benefits	Fund Assets	Accrued (deficit)/ surplus	Current contribution recommendation	Discount rate	Expected return on plan assets	Future salary increases
	$m	$m	$m		%	%	%
The Flexible Benefits Super Fund [4(a)]	413.5	403.7	(9.8)	12.5% of salaries	5.00	7.00	4.00
Pension Plan for Employees of Orica Canada Inc [4(b)]	83.1	66.0	(17.1)	6.2% of pensionable earnings	5.60	7.25	3.75
Post Retirement Benefits (Canada) [4(c)]	14.3	-	(14.3)	Based on benefit payments	5.60	n/a	n/a
Orica Pension Scheme (UK) [4(b)]	38.7	32.7	(6.0)	24.8% of pensionable earnings	6.00	7.07	5.05
Dyno Nobel Sweden AB [4(d)]	38.9	-	(38.9)	Based on benefit payments	4.25	n/a	3.50
Dyno DNE (Norway) [4(e)]	40.4	26.0	(14.4)	Insurance premiums	5.25	6.25	4.50
Dyno Defence (Norway) [(2) 4(e)]	7.8	6.2	(1.6)	Insurance premiums	5.25	6.25	4.50
Dynea HK (Norway) [4(e)]	12.3	7.1	(5.2)	Insurance premiums	5.25	6.25	4.50
Orica New Zealand Ltd Retirement Plan [4(b)]	33.5	31.3	(2.2)	15.7% of salaries	4.30	6.20	3.50
Orica USA Inc. Retirement Income Plan [4(b)]	21.2	21.3	0.1	Set in accordance with local annual funding requirements	6.25	8.25	n/a
Minova USA Retirement Plans [(1) 4(b)]	17.5	15.5	(2.0)	Set in accordance with local annual funding requirements	6.25	8.00	3.50
Other [(3)]	51.4	25.5	(25.9)	Various	Various	Various	Various
	772.6	635.3	(137.3)				

[(1)] The Minova USA Retirement Plans were acquired on 1 January 2007 as part of the Minova acquisition.

[(2)] The Dyno Defence (Norway) accrued deficit balance was reduced by $4.7 million due to the transfer of employees in relation to the sale of the High Energy Materials business on 30 June 2007.

38. Superannuation commitments (continued)

[3] Other international plans comprise the following:

Dyno Nobel HK (Norway)	Indian Explosives Limited Non-Management Staff Leave Encashment Scheme
Dyno Nobel Retirement Plan (Philippines)	International Pension Plan (Canada)
Dyno Nobel Retirement Plans (Mexico)	Jubilee (Europe)
Eurodyn (Europe)	Minova Carbotech Pension Plans (Germany)
Excess Plan (Canada)	Minova Holding Pension Plans (Germany)
Orica Germany	Nitro Consult (Sweden)
High Income Earners Arrangement (Canada)	Old Age Part-time Program (Incentives for Early Retirement) (Europe)
Indian Explosives Limited Employees Management Staff Superannuation	Orica Brasil Ltda.
Indian Explosives Limited Employees Superannuation Fund	Orica USA Inc. Retiree Medical Plan
Indian Explosives Limited Gratuity Fund	Philippine Explosives Corporation Factory Workers Retirement Plan
Indian Explosives Limited Management Staff Leave Encashment Scheme	Philippine Explosives Corporation Monthly-Paid Employees Retirement Plan
Indian Explosives Limited Management Staff Pension (DB) Fund	Self-insured Long-Term Disability (LTD) plan (Canada)

[4] The major defined benefit plans of the consolidated entity are categorised as follows:

(a) Funded lump sum retirement benefits based on final average pensionable earnings;

(b) Funded pension retirement benefits based on final average pensionable earnings;

(c) Post retirement life, dental and medical coverage;

(d) Unfunded pension retirement benefits based on final average pensionable earnings; and

(e) Arrangements for each Norway entity are a combination of funded and unfunded pension benefits based on final average pensionable earnings.

39. Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2007 and 2008:

Name of Entity	Place of incorporation if other than Australia
Company	
Orica Limited	
Controlled Entities	
Accesorios para Explosivos Problast Ltda	Chile
ACF and Shirleys Pty Ltd (g)	
Active Chemicals Chile S.A.	Chile
Altona Properties Pty Ltd (g)	
Ammonium Nitrate Development and Production Limited	Thailand
Anbao Insurance Pte Ltd (c)	Singapore
Andean Mining & Chemicals Limited	Jersey
Arboleda S.A	Panama
ASA Organizacion Industrial S.A. De C.V.	Mexico
Australian Fertilizers Pty Ltd (g)	
A.C.N. 009 556 218 Pty Ltd (d) (g) (formerly Essential Oils of Tasmania Pty Ltd)	
Bamble Mekaniske Industri AS	Norway
Barbara Limited	UK
Beijing Ruichy Minova Synthetic Material Company Limited	China
BHZ Ekochem Sp. z o.o.	Poland
Brasex Participacoes Ltda	Brazil
Bronson and Jacobs (H.K.) Limited	Hong Kong
Bronson and Jacobs (Shanghai) International Trading Co. Ltd	China
Bronson & Jacobs (GZFTZ) Ltd	China
Bronson & Jacobs International Co. Ltd	Thailand
Bronson & Jacobs (Malaysia) Sdn Bhd	Malaysia
Bronson & Jacobs (NZ) Limited	NZ
Bronson & Jacobs Pty Ltd	
Bronson & Jacobs (S.E. Asia) Pte Limited	Singapore
BST Manufacturing, Inc.	USA
BWZ Berg - und Industrietechnik GmbH (b)	Germany
Carbo Tech-Australia Pty Limited (g)	
Carbo Tech Australia Cement Investments Pty Limited (g)	
Carbo Tech Polonia Sp. z o.o. (g)	Poland
Chemnet Pty Limited (g)	
CJSC Dyno Nobel Russia (formerly Zao Dyno Nobel Russia)	Russia
CJSC (ZAO) Carbo-Zakk	Russia
CJSC (ZAO) Carbo & Krep	Ukraine
Compania Aragonesa de Explosivos, S.A. (i) (merged with Orica Explosivos Industriales, S.A.)	Spain
Curasalus Insurance Limited (e)	
Curasalus Insurance Pty Limited	
Cyantific Instruments Pty Ltd (b)	
Deco-Pro China Limited (b) (f)	Hong Kong
DENASA Argentina (d)	Argentina
Dulux Holdings Pty Ltd (g)	
Dyno Consult AS	Norway
Dyno NitroMed AD	Bulgaria
Dyno Nobel AS (formerly Dyno Nobel ASA)	Norway
Dyno Nobel Bolivia SA	Bolivia
Dyno Nobel Brasil Ltda	Brazil
Dyno Nobel Chile SA	Chile
Dyno Nobel Latin America S.A.	Peru
Dyno Nobel Nitrogen AB (d)	Sweden
Dyno Nobel Samex SA	Peru
Dyno Nobel Schweiz AG (d)	Switzerland
Dyno Nobel Slovakia a.s.	Slovakia
Dyno Nobel Sweden AB	Sweden
Dyno Nobel (Thailand) Limited	Thailand
Dyno Nobel VH Company LLC	USA
Dyno Nobel Venezuela CA (i) (merged with Orica Venezuela C.A.)	Venezuela
Dyno Nobel Zambia Limited	Zambia
D.C. Guelich Explosive Company (b)	USA
Eastern Nitrogen Pty Ltd (g)	
Emirates Explosives LLC	United Arab Emirates
Engineering Polymers Pty Ltd	
Eurodyn Sprengmittel GmbH	Germany
Excel Mining Systems LLC (b)	USA
Explosivos de Mexico SA de CV	Mexico
Explosivos Mexicanos S.A. de C.V.	Mexico
FA Sig Pty Limited (g)	
Fortune Properties (Alrode) (Pty) Limited	South Africa
FS Resin (Pty) Limited	South Africa
Geobolt s.r.o.	Czech Republic
GeoNitro Limited	Georgia
Ground Consolidation Pty Limited (g)	
Hallowell Manufacturing LLC	USA
Hebben & Fischbach Chemietechnik GmbH	Germany
Indian Explosives Limited	India
Initiating Explosives Systems Pty Ltd (a)	
Inversiones Dyno Nobel Chile Ltda (d)	Chile
Intermountain West Energy, Inc. (b)	USA
Joplin Manufacturing Inc.	USA
Karochem International Limited (e)	UK
LLC Orica Logistics	Russia
Marplex Australia (Holdings) Pty Ltd (g)	
Marplex Australia Pty Ltd	
Mining Concepts Pty Limited (g)	
Mining Systems Holding LLC (b)	USA
Minova AG	Switzerland
Minova Arnall Sp. z.o.o. (b) (formerly Arnall Poland Sp. z.o.o.)	Poland
Minova Australia Pty Limited	
Minova Bohemia s.r.o. (b)	Czech Republic
Minova Botswana (Pty) Ltd	Botswana
Minova CarboTech GmbH	Germany
Minova Codiv S.L.	Spain
Minova Ekochem S.A.	Poland
Minova Holding GmbH	Germany
Minova Holding Inc	USA
Minova International Limited	UK
Minova Ksante Sp. z o.o.	Poland
Minova MineTek Private Limited	India
Minova Nordic AB	Sweden
Minova Slovakia s.r.o. (e)	Slovak Republic
Minova Operations (QLD) Pty Limited (formerly Ventmine (QLD) Pty Limited)	
Minova UK Limited	UK
Minova Ukraine OOO (b)	Ukraine
Minova US Inc	USA

39. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia
Mintun Australia Pty Ltd	
Mintun 1 Limited (b)	UK
Mintun 2 Limited (b)	UK
Mintun 3 Limited (b)	UK
Mintun 4 Limited (b)	UK
Nitedals Krudtvaerk AS	Norway
Nitro Asia Company Inc	Philippines
Nitro Consult AB	Sweden
Nitroamonia de Mexico S.A de C.V.	Mexico
Nobel Industrier AS	Norway
Nobeltax S.A. (e)	Spain
Nordenfjeldske Spraengstof AS	Norway
Northwest Energetic Services L.L.C. (h)	USA
Nutnim 1 Limited (b)	UK
Nutnim 2 Limited (b)	UK
OOO Minova (b)	Russia
OOO Minova TPS (b)	Russia
Orica-CCM Energy Systems Sdn Bhd	Malaysia
Orica-GM Holdings Ltd	UK
Orica Advanced Water Technologies Pty Ltd (g)	
Orica Argentina S.A.I.C.	Argentina
Orica Australia Pty Ltd (a)	
Orica Australia Securities Pty Limited	
Orica Blast & Quarry Surveys Ltd (b)	UK
Orica Brasil Ltda	Brazil
Orica Brasil Produtos Quimicos Ltda	Brazil
Orica Caledonie SAS	New Caledonia
Orica Canada Inc	Canada
Orica Centroamerica SA (formerly Dyno Nobel Centroamerica SA)	Costa Rica
Orica Chemicals Argentina S.A. (c)	Argentina
Orica Chemicals Chile S.A.	Chile
Orica Chemicals Colombia SA (b) (formerly Evolutia Chemicals SA)	Columbia
Orica Chemicals Peru S.A.C.	Peru
Orica Chile S.A.	Chile
Orica Clarendon NZ Limited (c)	New Zealand
Orica Clarendon Pty Ltd (c)	
Orica Coatings (Shenzhen) Limited	China
Orica Colombia S.A. (formerly Dyno Nobel Colombia SA)	Colombia
Orica Czech Republic s.r.o. (formerly Dyno Nobel Czech Republic)	Czech Republic
Orica Denmark A/S (formerly Dyno Nobel Danmark A/S)	Denmark
Orica CP Limited (c)	
Orica CP Australia Pty Ltd (c)	
Orica CP Investments Pty Ltd (c)	
Orica CP Finance Pty Ltd (c)	
Orica CP Holdings Pty Ltd (c)	
Orica Dominicana S.A.	Dominican Republic
Orica Eesti OU	Estonia
Orica Engineering Pty Ltd (d) (g)	
Orica Europe FT Pty Ltd (g) (formerly Orica Investments (China Paints) Pty Ltd)	
Orica Europe Investments Pty Ltd (g)	
Orica Explosives Holdings Pty Ltd	
Orica Explosives Holdings No 2 Pty Ltd (formerly Orica International GP Pty Ltd)	
Orica Explosives Holdings No 3 Pty Ltd (g)	
Orica Europe Management GmbH	Germany
Orica Europe Pty Ltd & Co KG	Germany
Orica Explosives Research Pty Ltd (g)	
Orica Explosives (Thailand) Co Ltd	Thailand
Orica Explosives Technology Pty Ltd	
Orica Explosivos Industriales, S.A.	Spain
Orica Export Inc.	USA
Orica Fiji Ltd	Fiji
Orica Finance Limited	
Orica GEESP Pty Ltd (g)	
Orica Germany GmbH	Germany
Orica Ghana Limited	Ghana
Orica Grace US Holdings Inc.	USA
Orica Guyana Inc.	Guyana
Orica Holdings Pty Ltd (g)	
Orica Hong Kong Limited	Hong Kong
Orica IC Assets Holdings Limited Partnership	
Orica IC Assets Pty Ltd (a)	
Orica IC Investments Pty Ltd (g)	
Orica International IP Holdings Inc.	USA
Orica International Pte Ltd (c)	Singapore
Orica Investments (Indonesia) Pty Limited (g)	
Orica Investments (NZ) Limited	NZ
Orica Investments (Thailand) Pty Limited (g)	
Orica Investments Pty Ltd (a)	
Orica Japan Co. Ltd	Japan
Orica Kazakhstan Closed Joint Stock Company	Kazakhstan
Orica Malaysia Sdn Bhd	Malaysia
Orica Mining Services (Hong Kong) Ltd (formerly Dyno Nobel Hong Kong Ltd)	Hong Kong
Orica Mongolia LLC	Mongolia
Orica Nelson Quarry Services Inc.	USA
Orica Netherlands Finance B.V.	Holland
Orica New Zealand Finance Limited	NZ
Orica New Zealand Ltd	NZ
Orica New Zealand Securities Limited	NZ
Orica New Zealand Superfunds Securities Ltd	NZ
Orica Nitrates Philippines inc (formerly Dyno Nobel Philippines Inc)	Philippines
Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi A.S. (formerly Orica Nitro Patlayici Maddeler Ticaret ve Sanayi A.S.)	Turkey
Orica Nitrogen LLC	USA
Orica Nominees Pty Ltd (g)	
Orica Norway Holdings AS	Norway
Orica Panama, S.A.(c)	Panama
Orica Papua New Guinea Limited	PNG
Orica Peru S.A.	Peru
Orica Philippines Inc	Philippines
Orica Poland Sp. z.o.o. (formerly Dyno Nobel Poland Sp. z.o.o.)	Poland
Orica Puerto Rico Inc. (d)	Puerto Rico
Orica Securities (UK) Limited	UK
Orica Share Plan Pty Limited (g)	
Orica Singapore Pte Ltd	Singapore
Orica Slovakia s.r.o. (b) (formerly Explozia Slovakia s.r.o.)	Slovakia
Orica South Africa (Proprietary) Limited	South Africa
Orica St. Petersburg LLC	Russia
Orica Sweden Holdings AB	Sweden
Orica Tanzania Limited (c)	Tanzania
Orica UK Limited	UK
Orica USA Holdings General Partnership	USA
Orica USA Inc.	USA
Orica U.S. Services Inc.	USA
Orica Venezuela C.A.	Venezuela
Orica Watercare Inc.	USA
Oricorp Comercial S.A. de C.V.	Mexico

39. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia
Oricorp Mexico S.A. de C.V.	Mexico
Orica (Weihai) Explosives Co Ltd	China
Penlon Pty Limited (g)	
Project Grace Holdings Limited	UK
Project Grace Incorporated	USA
Project Grace Limited	UK
PT Baktijala Kencana Citra	Indonesia
PT Kalimantan Mining Services (formerly PT Dyno Nobel Indonesia)	Indonesia
PT Kaltim Nitrate Indonesia	Indonesia
PT Orica Mining Services	Indonesia
Retec Pty Ltd (g)	
Sarkem Pty Ltd (g)	
Selleys Pty Limited (a)	
Southern Blasting Services, Inc. (b)	USA
Sprengmittelvertrieb in Bayern GmbH	Germany
Sprengstoff-Verwertungs GmbH	Germany
Stratabolt Products (Pty) Limited	South Africa
Stratabolt (Proprietary) Ltd	South Africa
Tec Harseim Do Brazil Ltda	Brazil
Tecrete Industries Pty Limited (g)	
Teradoran Pty Ltd	
TOO "Minova Kasachstan"	Kazakhstan
UPEX S.A. (d)	Peru
Ventmine Pty Limited	
White Lightning Holding Co Inc	Philippines
Willich Fosroc Technika Gornicza i Budowlana Sp z o.o.	Poland
Woods & Woods Pty Limited (e)	

Notes:

All entities are owned 100% except as set out in note 23.

(a) These controlled entities have each entered into a Deed of Cross Guarantee with Orica in respect of relief granted from specific accounting and financial reporting requirements in accordance with the ASIC Class Order 98/1418.
(b) Acquired in 2008.
(c) Incorporated in 2008.
(d) In liquidation.
(e) Liquidated in 2008.
(f) Dissolved in 2008.
(g) Small proprietary company - no separate statutory accounts are prepared.
(h) Associate acquired as a subsidiary in 2008.
(i) Merged with another entity in 2008.

40 Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 dated 13 August 1998 (as amended), are disclosed in note 39. A consolidated income statement and consolidated balance sheet for this closed group is shown below.

Summarised balance sheet

	Closed Group 2008 $m	Closed Group 2007 $m
Current assets		
Cash and cash equivalents	**1,321.0**	1,593.2
Trade and other receivables	**457.5**	373.5
Inventories	**313.0**	234.2
Other assets	**12.7**	7.5
Total current assets	**2,104.2**	2,208.4
Non-current assets		
Trade and other receivables	**103.1**	103.0
Investments accounted for using the equity method	**1.6**	1.3
Other financial assets	**3,068.3**	2,057.0
Property, plant and equipment	**1,261.9**	1,121.8
Intangible assets	**435.5**	426.7
Deferred tax assets	**141.8**	134.6
Other assets	**-**	1.3
Total non-current assets	**5,012.2**	3,845.7
Total assets	**7,116.4**	6,054.1
Current liabilities		
Trade and other payables	**647.6**	462.5
Interest bearing liabilities	**2,489.6**	2,479.2
Current tax liabilities	**45.4**	44.0
Provisions	**130.1**	120.8
Total current liabilities	**3,312.7**	3,106.5
Non-current liabilities		
Trade and other payables	**58.7**	11.5
Interest bearing liabilities	**11.7**	313.4
Deferred tax liabilities	**86.4**	78.7
Provisions	**97.3**	88.8
Total non-current liabilities	**254.1**	492.4
Total liabilities	**3,566.8**	3,598.9
Net assets	**3,549.6**	2,455.2
Equity		
Ordinary shares	**1,881.3**	702.4
Reserves	**443.4**	435.7
Retained profits	**734.9**	827.1
Total equity attributable to ordinary shareholders of Orica	**3,059.6**	1,965.2
Equity attributable to Step-Up Preference Securities holders	**490.0**	490.0
Total equity	**3,549.6**	2,455.2

Summarised income statement and retained profits

	Closed Group 2008 $m	Closed Group 2007 $m
Profit before income tax expense	**306.7**	178.5
Income tax expense	**(69.2)**	(56.3)
Profit from continuing operations	**237.5**	122.2
Retained profits at the beginning of the year	**827.1**	992.7
Actuarial gains/losses recognised directly in equity	**(17.1)**	2.0
Dividends/distributions paid:		
Step-Up Preference Securities distributions	**(41.5)**	(44.4)
Less tax credit on Step-Up Preference Securities distributions	**13.4**	13.9
Ordinary dividends – interim	**(122.1)**	(111.3)
Ordinary dividends – final	**(162.4)**	(148.0)
Retained profits at the end of the year	**734.9**	827.1

Directors' Declaration on the Financial Report set out on pages 39 to 120

I, Donald Penn Mercer, being a director of Orica Limited, do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

(a) the financial statements and notes, set out on pages 39 to 120, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 September 2008 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the controlled entities identified in note 39 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Executive Director Finance for the financial year ended 30 September 2008.

D P Mercer

Chairman

Dated at Melbourne this 10th day of November 2008.

Independent auditor's report to the members of Orica Limited

Report on the financial report

We have audited the accompanying financial report of Orica Limited (the Company), which comprises the balance sheets as at 30 September 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 40 and the directors' declaration set out on pages 39 to 121 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor’s Report

For the year ended 30 September 2008

Auditor’s opinion

In our opinion:

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

  (i) giving a true and fair view of the Company’s and the Group’s financial position as at 30 September 2008 and of their 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.

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 24 to 37 of the directors’ report for the year ended 30 September 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor’s opinion

In our opinion, the remuneration report of Orica Limited for the year ended 30 September 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Alison Kitchen

Alison M Kitchen

Partner

Dated at Melbourne this 10th day of November 2008.

Shareholders' Statistics

As at 14 October 2008

Distribution of ordinary shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	37,459	62.03%	15,979,048	4.45%
1,001	–	5,000	20,002	33.13%	40,349,804	11.23%
5,001	–	10,000	1,894	3.14%	12,781,507	3.56%
10,001	–	100,000	921	1.53%	17,804,187	4.96%
100,001 and over			100	0.17%	272,281,779	75.80%
Total			60,376	100.00%	359,196,325	100.00%

Included in the above total are 2,363 shareholders holding less than a marketable parcel of 25 shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 65.89% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
HSBC Custody Nominees (Australia) Limited	54,577,925	15.19%
J P Morgan Nominees Australia Limited	53,836,130	14.99%
National Nominees Limited	45,410,310	12.64%
Citicorp Nominees Pty Limited	19,173,066	5.34%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	15,533,008	4.32%
ANZ Nominees Limited <CASH INCOME A/C>	8,953,118	2.49%
Cogent Nominees Pty Limited	8,084,701	2.25%
Citicorp Nominees Pty Limited <CFS WSLE GEARED SHR FND A/C>	4,375,297	1.22%
Queensland Investment Corporation	3,348,173	0.93%
Citicorp Nominees Pty Limited <CFS WSLE IMPUTATION FND A/C>	2,785,766	0.78%
UBS Wealth Management Australia Nominees Pty Ltd	2,582,079	0.72%
Australian Foundation Investment Company Limited	2,509,072	0.70%
Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 4 A/C>	2,036,909	0.57%
UBS Nominees Pty Ltd	2,005,932	0.56%
CS Third Nominees Pty Ltd <37 T A/C>	2,002,571	0.56%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	1,983,115	0.55%
ARGO Investments Limited	1,945,863	0.54%
Citicorp Nominees Pty Limited <CFS IMPUTATION FUND A/C>	1,895,218	0.53%
AMP Life Limited	1,880,148	0.52%
Perpetual Trustee Company Limited	1,769,919	0.49%
Total	236,688,320	65.89%

Register of substantial shareholders

The names of substantial shareholders in the company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates, are as follows:

29 August 2008	Perpetual Limited and Subsidiaries	27,196,053	7.57%
9 September 2008	Commonwealth Bank of Australian and Subsidiaries	17,993,396	5.01%

Shareholders' Statistics

As at 14 October 2008

Distribution of Orica Step-Up Preference Securities shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	2,622	91.76%	690,146	13.81%
1,001	–	5,000	177	6.20%	384,182	7.68%
5,001	–	10,000	28	0.98%	206,897	4.14%
10,001	–	100,000	21	0.74%	819,685	16.39%
100,001 and over			9	0.32%	2,899,090	57.98%
Total			2,857	100.00%	5,000,000	100.00%

Included in the above total is 1 shareholder holding less than a marketable parcel of 5 shares.
The holdings of the 20 largest holders of the Orica Step-Up Preference Securities represent 71.34% of that class of shares.

Twenty largest Orica Step-Up Preference securities shareholders

	Shares	% of total
J P Morgan Nominees Australia Limited	1,411,941	28.24%
National Nominees Limited	281,123	5.62%
Cogent Nominees Pty Limited <SMP Accounts>	230,801	4.62%
HSBC Custody Nominees (Australia) Limited	210,573	4.21%
Citicorp Nominees Pty Limited	196,126	3.92%
RBC Dexia Investor Services Australia Nominees Pty Limited <GSENIP A/C>	154,592	3.09%
ANZ Nominees Limited <Cash Income A/C>	153,346	3.07%
UBS Nominees Pty Ltd	148,588	2.97%
Goldman Sachs JBWere Capital Markets Ltd <CREDIT 3 A/C>	112,000	2.24%
Queensland Investment Corporation	94,460	1.89%
ANZ Nominees Limited <SL CASH INCOME A/C>	89,766	1.80%
Suncorp General Insurance Limited	85,000	1.70%
Elise Nominees Pty Limited	81,367	1.63%
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	79,903	1.60%
GIO General Ltd	65,000	1.30%
M F Custodians Ltd	38,885	0.78%
Flight Centre Limited	32,150	0.64%
Australian Executor Trustees Limited <NO 1 ACCOUNT>	26,691	0.53%
Suncorp Custodian Services Pty Limited <AFT>	25,000	0.50%
Souls Private Equity Limited	25,000	0.50%
Cogent Nominees Pty Limited	24,580	0.49%
Total	3,566,892	71.34%

Voting rights

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:
(a) on a show of hands, one vote only; and
(b) on a poll, one vote for every fully paid ordinary share held.
No voting rights attach to the Orica Step-Up Preference Securities except as defined in the Constitution.

Ten Year Financial Statistics

Orica consolidated		**2008**	2007	2006	2005	2004
		$m	$m	$m	$m	$m
Sales		**6,544.1**	**5,527.2**	**5,359.2**	**5,126.7**	**4,610.5**
Earnings before depreciation, amortisation, net borrow ing costs and tax		1,188.8	995.9	814.6	741.3	724.2
Depreciation and amortisation (excluding goodw ill)		(218.7)	(183.2)	(156.9)	(140.4)	(137.7)
Goodw ill amortisation		-	-	-	-	(33.2)
Earnings before net borrow ing costs and tax (EBIT)		**970.1**	**812.7**	**657.7**	**600.9**	**553.3**
Net borrow ing costs		(157.7)	(122.6)	(92.2)	(102.5)	(72.3)
Individually material items before tax		(41.6)	(22.3)	70.8	(187.7)	(46.6)
Taxation expense		(203.5)	(154.4)	(74.9)	(88.8)	(80.9)
Minority interests		(27.7)	(25.7)	(22.3)	(13.6)	(25.7)
Profit/(loss) after tax and individually material items		**539.6**	**487.7**	**539.1**	**208.3**	**327.8**
Individually material items after tax attributable to members of Orica		**(32.7)**	**(10.1)**	**158.8**	**(131.6)**	**2.2**
Profit after tax before individually material items (net of tax)		**572.3**	**497.8**	**380.3**	**339.9**	**325.6**
Dividends/distributions		326.0	303.7	207.1	190.6	156.6
Current assets		2,458.2	1,955.2	2,479.7	1,781.6	1,699.6
Property, plant and equipment		2,052.3	1,742.9	1,603.1	1,593.7	1,514.4
Investments		209.3	125.6	125.9	49.1	48.4
Intangibles		3,012.6	2,055.5	1,141.3	634.3	588.3
Other non-current assets		275.4	335.2	362.8	252.5	335.2
Total assets		**8,007.8**	**6,214.4**	**5,712.8**	**4,311.2**	**4,185.9**
Current borrow ings and payables		1,777.8	1,625.4	981.0	958.9	1,165.4
Current provisions		301.8	332.3	319.1	218.7	215.1
Non current borrow ings and payables		1,107.2	1,098.6	1,272.5	1,287.2	755.7
Non current provisions		502.6	530.5	472.0	326.9	510.3
Total liabilities		**3,689.4**	**3,586.8**	**3,044.6**	**2,791.7**	**2,646.5**
Net assets		**4,318.4**	**2,627.6**	**2,668.2**	**1,519.5**	**1,539.4**
Equity attributable to ordinary shareholders of Orica		3,731.5	2,076.7	2,126.6	1,327.9	1,334.5
Equity attributable to Step-Up Preference Securities holders		490.0	490.0	490.0	-	-
Equity attributable to minority interests		96.9	60.9	51.6	191.6	204.9
Total shareholders' equity		**4,318.4**	**2,627.6**	**2,668.2**	**1,519.5**	**1,539.4**
Number of ordinary shares on issue at year end	millions	359.2	307.9	309.2	273.1	270.1
Weighted average number of ordinary shares on issue	millions	320.0	306.3	300.8	272.8	273.5
Basic earnings per ordinary share						
before individually material items	**cents**	**170.0**	**149.5**	**126.4**	**124.6**	**119.0**
including individually material items	**cents**	**159.8**	**146.3**	**179.2**	**76.3**	**119.8**
Dividends per ordinary share	**cents**	**94.0**	**89.0**	**74.0**	**71.0**	**68.0**
Dividend franking	**%**	**36.2**	**34.8**	**40.5**	**32.4**	**41.2**
Dividend yield (based on year end share price)	**%**	4.5	3.0	3.3	3.4	3.9
Closing share price range – High		**$32.18**	**$33.90**	**$26.45**	**$21.55**	**$17.55**
– Low		**$20.95**	**$21.78**	**$17.78**	**$14.32**	**$11.92**
– Year End		**$20.95**	**$30.10**	**$22.47**	**$21.00**	**$17.30**
Stockmarket capitalisation at year end	$m	7,525.2	9,268.2	6,948.1	5,735.2	4,672.0
Net tangible assets per share	**$**	**2.00**	**0.07**	**3.19**	**2.53**	**2.76**
Profit margin (earnings before net borrow ing costs and tax/sales)	**%**	**14.8**	**14.7**	**12.3**	**11.7**	**12.0**
Net debt		**1,020.5**	**1,305.7**	**302.1**	**1,112.1**	**977.3**
Gearing (net debt/net debt plus equity)	**%**	**19.1**	**33.2**	**10.2**	**42.3**	**38.8**
Interest cover (earnings before net borrow ing costs and tax/net borrow ing costs)	**times**	**6.1**	**6.6**	**7.1**	**5.9**	**7.7**
Net capital expenditure on plant and equipment (Cash Flow)		**(394.8)**	**(280.9)**	**(329.2)**	**(234.9)**	**(126.9)**
Capital expenditure on acquisitions (Cash Flow)		**(866.2)**	**(917.7)**	**(875.6)**	**(59.2)**	**(253.9)**
Return on average shareholders' funds						
before individually material items	**%**	**16.9**	**19.2**	**19.3**	**25.5**	**23.9**
including individually material items	**%**	**15.9**	**18.8**	**27.3**	**15.6**	**24.1**

Note: Income statements prior to 2005 and balance sheets prior to 2004 are stated under accounting standards used prior to the adoption of International financial Reporting Standards.

Ten Year Financial Statistics

Orica consolidated		2003	2002	2001	2000	1999
		$m	$m	$m	$m	$m
Sales		**3,958.6**	**4,085.2**	**4,041.9**	**3,672.7**	**3,959.8**
Earnings before depreciation, amortisation, net borrow ing costs and tax		617.5	581.8	349.7	442.5	479.7
Depreciation and amortisation (excluding goodw ill)		(155.1)	(161.3)	(161.2)	(145.5)	(160.2)
Goodw ill amortisation		(20.1)	(10.5)	(14.1)	(15.9)	(15.9)
Earnings before net borrow ing costs and tax (EBIT)		**442.3**	**410.0**	**174.4**	**281.1**	**303.6**
Net borrow ing costs		(60.7)	(59.5)	(64.0)	(46.0)	(45.2)
Individually material items before tax		(208.7)	(48.1)	(280.4)	(46.7)	(33.7)
Taxation expense		(59.3)	(72.5)	(36.6)	(65.1)	(26.7)
Minority interests		(12.9)	(16.3)	13.9	(9.6)	(11.8)
Profit/(loss) after tax and individually material items		**100.7**	**213.6**	**(192.7)**	**113.7**	**186.2**
Individually material items after tax attributable to members of Orica		**(169.6)**	**(25.5)**	**(255.0)**	**(33.3)**	**29.8**
Profit after tax before individually material items (net of tax)		**270.3**	**239.1**	**62.3**	**147.0**	**156.4**
Dividends/distributions		50.0	122.9	44.3	96.4	100.8
Current assets		1,282.6	1,270.3	1,433.9	1,364.7	1,377.8
Property, plant and equipment		1,436.8	1,414.1	1,621.4	1,484.0	1,444.3
Investments		86.4	234.2	244.2	264.6	239.4
Intangibles		441.7	135.5	155.0	249.6	258.4
Other non-current assets		307.8	311.1	276.0	216.4	209.7
Total assets		**3,555.3**	**3,365.2**	**3,730.5**	**3,579.3**	**3,529.6**
Current borrow ings and payables		683.3	640.0	887.4	845.0	811.4
Current provisions		169.6	248.2	303.8	266.3	312.3
Non current borrow ings and payables		812.7	727.8	869.2	552.3	534.0
Non current provisions		309.2	255.1	267.4	271.9	274.7
Total liabilities		**1,974.8**	**1,871.1**	**2,327.8**	**1,935.5**	**1,932.4**
Net assets		**1,580.5**	**1,494.1**	**1,402.7**	**1,643.8**	**1,597.2**
Equity attributable to ordinary shareholders of Orica		1,384.9	1,373.0	1,283.2	1,511.4	1,476.7
Equity attributable to Step-Up Preference Securities holders		-	-	-	-	-
Equity attributable to minority interests		195.6	121.1	119.5	132.4	120.5
Total shareholders' equity		**1,580.5**	**1,494.1**	**1,402.7**	**1,643.8**	**1,597.2**
Number of ordinary shares on issue at year end	millions	277.6	279.1	277.3	275.8	273.2
Weighted average number of ordinary shares on issue	millions	277.9	278.0	275.9	274.6	270.6
Basic earnings per ordinary share						
before individually material items	**cents**	**97.2**	**86.0**	**22.5**	**53.5**	**57.8**
including individually material items	**cents**	**36.2**	**76.8**	**(70.0)**	**41.4**	**68.8**
Dividends per ordinary share	**cents**	**52.0**	**44.0**	**16.0**	**35.0**	**37.0**
Dividend franking	**%**	**21.1**	**34.0**	**100.0**	**32.0**	**37.9**
Dividend yield (based on year end share price)	**%**	4.3	4.6	3.7	6.1	4.5
Closing share price range – High		**$12.47**	**$9.85**	**$6.08**	**$8.66**	**$9.60**
– Low		**$8.15**	**$4.22**	**$4.04**	**$5.58**	**$7.97**
– Year End		**$12.00**	**$9.52**	**$4.34**	**$5.73**	**$8.25**
Stockmarket capitalisation at year end	$m	3,331.2	2,656.9	1,203.3	1,580.1	2,253.5
Net tangible assets per share	**$**	**3.40**	**4.43**	**4.07**	**4.58**	**4.46**
Profit margin (earnings before net borrow ing costs and tax/sales)	**%**	**11.2**	**10.0**	**4.3**	**7.7**	**7.7**
Net debt		**877.0**	**679.7**	**984.1**	**777.4**	**709.8**
Gearing (net debt/net debt plus equity)	**%**	**35.7**	**31.3**	**41.2**	**32.1**	**30.8**
Interest cover (earnings before net borrow ing costs and tax/net borrow ing costs)	**times**	**7.3**	**6.9**	**2.7**	**6.1**	**6.7**
Net capital expenditure on plant and equipment (Cash Flow)		**(43.6)**	**(15.3)**	**(213.8)**	**(241.5)**	**(221.5)**
Capital expenditure on acquisitions (Cash Flow)		**(415.7)**	**(1.3)**	**(131.7)**	**144.9**	**12.5**
Return on average shareholders' funds						
before individually material items	**%**	**19.6**	**18.0**	**4.5**	**9.8**	**10.9**
including individually material items	**%**	**7.3**	**16.1**	**(13.8)**	**7.6**	**13.0**

Note: Income statements prior to 2005 and balance sheets prior to 2004 are stated under accounting standards used prior to the adoption of International financial Reporting Standards.

Shareholder Information

Annual General Meeting
10.30am Friday 30 January 2009, Mayfair Room, Grand Hyatt, 123 Collins Street, Melbourne.

Stock Exchange Listing
Orica's shares are listed on the Australian Stock Exchange (ASX) and are traded under the code ORI and ORIPB.

Orica Share Registry
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

Locked Bag A14
Sydney NSW 1235

Telephone: 1300 301 253
(for callers within Australia)
International: +612 8280 7754

Facsimile: +612 9287 0309

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au/orica

Tax and Dividend Payments
For Australian registered shareholders who have not quoted their Tax File Number (TFN) or Australian Business Number (ABN), the company is obliged to deduct tax at the top marginal rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already quoted your TFN/ABN, you may do so by contacting the Share Registrar or by registering your TFN/ABN at Orica's website at: www.orica.com/registry to access the shareholder information page.

Dividend Payments
Your dividends will be paid in Australian dollars by cheque, mailed to the address recorded on the share register.

Why not have us bank your dividend payments for you?
How would you like to have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Dividends paid by direct credit appear in your account as cleared funds, thus allowing you to access them on payment date.

You may elect to receive your dividends by way of direct credit by completing an application form available by contacting the Share Registrar or enter the details at Orica's website at www.orica.com/registry.

Shareholders should be aware that any cheques that remain uncashed after approximately two years from a dividend payment, are required to be handed over to State Trustees under the Unclaimed Monies Act. Shareholders are encouraged to cash cheques promptly or to have their dividends directly deposited into their bank accounts.

Dividend Reinvestment Plan
The Dividend Reinvestment Plan (DRP) enables Orica's fully paid ordinary shareholders having a registered address or being resident in Australia or New Zealand to reinvest all or part of their dividends in additional Orica fully paid ordinary shares. Applications are available from the Share Registrar.

Consolidation of Multiple Holdings
If you have multiple issuer sponsored holdings that you wish to consolidate into a single account, please notify the Share Registrar in writing, quoting your full registered names and Securityholder Reference Number (SRN) for these accounts and nominating the account to which the holdings are to be consolidated.

Change of Name and/or Address
For issuer-sponsored holdings: please notify the Share Registrar in writing if you change your name and/or address (please supply details of your new/previous name, your new/previous address and your SRN), or change the details online at Orica's website at www.orica.com/registry.

For CHESS/broker sponsored holdings: please notify your broker in writing if you change your name and/or address.

Share Enquiries
Shareholders seeking information about their shareholding or dividends should contact Orica's Share Registrar, Link Market Services Limited. Contact details are above. Callers within Australia can obtain information on their investments with Orica by calling the InvestorLine on 1300 301 253. This is a 24 hour, seven days a week service. Before you call, make sure you have your Securityholder Reference Number (SRN) or holder identification number (HIN) handy.

You can do so much more online via the internet
Visit Orica's website: www.orica.com/registry.

Access a wide variety of holding information, make some changes online or download forms.

You can:
- Check your current and previous holding balances.
- Choose your preferred annual report options.
- Update your address details.
- Update your bank details.
- Confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN) exemption.
- Register your TFN/ABN.
- Check transaction and dividend history.
- Enter your email address.
- Check the share prices and graphs.
- Download a variety of instruction forms.
- Subscribe to email announcements.

You can access this information via a security login using your Security Holder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

Orica Communications
Orica's website: www.orica.com offers shareholder publications, news releases, announcements to the ASX, and the text of the Chairman's and Managing Director's addresses at the AGM. The website provides essential information about the company and offers insights into Orica's businesses.

Orica's printed communications for shareholders includes the Annual Report and Business Overview.
The Sustainability Report is now available on the Orica website (www.orica.com/sustainability), it provides a review of the company's performance in the twelve months to 30 September.

Shareholders may elect to receive the annual report, or notification by email when the annual report is available online at www.orica.com. If you do not make an annual report election you will not receive the annual report. If you wish to change your annual report election please contact the Share Registrar or visit Orica's website.

We can now provide electronic dividend statements, notices of meeting and proxy forms. Electronic transmission enhances shareholder communication, results in significant cost savings for the Company and is more environmentally friendly.

Shareholders wishing to receive all communications electronically should visit the Orica Limited website www.orica.com/registry to register their preference. Copies of publications are available on request.

Telephone: (03) 9665 7111
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Facsimile: (03) 9665 7937
International: +61 3 9665 7937
Email: companyinfo@orica.com

Auditors
KPMG

Orica Limited
ABN 24 004 145 868

Registered address and head office: Level 3, 1 Nicholson Street East Melbourne Victoria 3002 Australia

Postal address: GPO Box 4311 Melbourne Victoria 3001

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Website: www.orica.com

Investor Relations
Telephone: +613 9665 7111
Email: companyinfo@orica.com

Shareholder Timetable*

30 January 2009	2008 Annual General Meeting
31 March 2009	**Orica Half Year End**
4 May 2009	Half year profit and interim dividend announced
15 May 2009	Books close for Step Up Preference distribution
1 June 2009	Step Up Preference distribution paid
16 June 2009	Books close for 2009 interim ordinary dividend
3 July 2009	Interim ordinary dividend paid
30 September 2009	**Orica Year End**
9 November 2009	Full year profit and final dividend announced
13 November 2009	Books close for Step Up Preference distribution
17 November 2009	Books close for 2009 final ordinary dividend
30 November 2009	Step Up Preference distribution paid
4 December 2009	Final ordinary dividend paid
16 December 2009	2009 Annual General Meeting

* Timing of events is subject to change

Orica Limited
ABN 24 004 145 868
Registered address and head-office:
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East Melbourne Victoria 3002
Australia

Postal address:
GPO Box 4311
Melbourne Victoria 3001
Telephone: +613 9665 7111
Facsimile: +613 9665 7937
Email: companyinfo@orica.com
Website: www.orica.com

We are committed to keeping all our shareholders well-informed and regularly update our website at orica.com with:

- Orica Share Price – updated every 15 minutes
- ASX Releases
- Investor presentations
- Financial performance
- Half-yearly and annual results webcasts
- Annual Reports
- Sustainability strategy

Annual Report 2009

Contents

Orica Limited
ABN 24 004 145 868

About Orica

Orica Mining Services

World's leading supplier of commercial explosives and blasting systems.

Chemicals

Leading manufacturer, trader and distributor of chemicals to the mining, water treatment and other industrial markets.

Minova

Manufacturer and marketer of high quality speciality chemicals and bolts to support underground mining and tunnel operations.

DuluxGroup

Marketer and manufacturer of premium branded products supported by world class innovation capability.

The way we do business

Orica's journey to become a market leader across all of its business platforms has been very deliberate. Begun more than a decade ago, this has seen us divest dozens of businesses and gradually acquire others to position ourselves in a world where demand for our products and expertise will continue to steadily grow. This portfolio reshaping combined with financial and strategic discipline has been important to our success. Guiding Orica through this gradual evolution has been what we consider to be three critical enablers to our success, namely Growth, Productivity and Culture.

Growth

Our growth has come from building and consolidating leadership around the core things we do well and is guided by three criteria:

- Market leadership – our aim is to be the market leader in each business and to ensure that we have the competitive advantage to sustain that position.
- Grow 'close to the core' – we pursue opportunities in related businesses where we can use our knowledge and expertise and achieve synergies.
- Invest in the 'winners' – we only grow our best performing businesses that meet financial performance targets and have earned the right to grow.

Productivity

Improving productivity, measured by Orica as the ratio of total fixed costs to gross margin, is a key element to how we do business. We aim to improve productivity year-on-year by way of efficiency, effectiveness or leveraging our fixed cost base.

A keen focus on manufacturing and supply chain improvements and adoption of Six Sigma methodology is important in achieving our productivity improvement targets.

Culture

Orica's 15,000 employees are located in more than 50 countries, reflecting diverse cultural, language and workplace relations backgrounds. They are united by a strong culture and common understanding about the way we do business, which is essential to our continued success. The 'Deliver the Promise' culture program, adopted by all employees, supports the performance based environment upon which we are measured. It revolves around four key principles: Safety, Health and the Environment; Commercial Ownership; Creative Customer Solutions; and Working together. These principles empower employees to strive for excellence and achieve long-term, sustainable results.

Chairman’s Report

I am pleased to report that this year your company continued to perform well, achieving double digit profit growth and delivering its eighth consecutive year of profit improvement.

Despite very challenging market conditions and a generally subdued global economy, your company’s underlying earnings for the year improved with net profit after tax before individually material items up 13% on the full year result for 2008 to a record $646 million. Net profit after tax and significant items was up by 0.4% to $542 million from the previous year.

The Board has declared a final dividend of 57 cents per ordinary share, franked at 20 cents per share, representing an increase of 2 cents on the 2008 final dividend.

The fallout from the crisis in global financial markets has tested all companies and Orica has not been immune. Through strategic portfolio reshaping and a strong culture of financial discipline, Orica has been deliberately designed to withstand tougher tests than those presented by the market in recent times. In a year of extreme volatility in global markets, Orica’s strategy of pursuing leadership positions in markets offering long term, sustainable growth with limited exposure to the vagaries of commodity price cycles has been tested and reaffirmed.

That strategy has seen your company become increasingly focussed on the mining and infrastructure sectors which offer long term, resilient earnings. An important part of that journey was the Board’s decision to demerge the consumer products business, now known as DuluxGroup. Although the separation has been deferred due to uncertainty in financial markets, the strategic rationale behind that decision remains sound and we intend to proceed with it when market stability returns. DuluxGroup is a very different business to the remainder of the Orica portfolio. A market leader with privileged brand assets, it is a quality business, the true worth of which is probably not adequately reflected while it remains a relatively minor part of a larger Orica.

That quality has again shone through this year, with the business achieving record profits and increasing its market share despite declining markets. DuluxGroup’s continued investment in brands, innovation and customer relationship management saw it achieve record sales and continue to receive customer service awards. It has completed the acquisition of Sopel, a premium woodcare company based in Shanghai. This provides a platform for growth in the region through the expansion of paints and introduction of Selleys products.

The newest addition to the Orica portfolio, Minova, has performed well in the face of very difficult market conditions this year. With the increasing trend towards underground mining and a greater focus on safety in emerging mining regions, the business is complementary to the larger Orica Mining Services business. They share some common customers but do not have complete geographic overlap. With its roots in North America, the business this year has extended its footprint in Eastern Europe and its Chinese business has achieved record volume and sales growth. Taking advantage of the market penetration achieved by Mining Services, we see terrific growth potential in South America and elsewhere.

Orica Mining Services achieved record profits and sales this year and secured a number of new contracts. Ammonium nitrate volumes showed considerable resilience with volume growth in gold and thermal coal markets, in large part offsetting declines in other sectors – an endorsement of the clear strategy to expose the business to the volume side of mining rather than the inconsistency of commodity prices. This very good result was assisted by cost and productivity efficiencies.

Chemicals achieved record profit reflecting strong demand for sodium cyanide. With a strong competitive position as a global leader in the supply of this product to the gold mining sector, the business also achieved record sales in 2009. We anticipate this strong demand continuing and have progressed with feasibility work for the uprate of the sodium cyanide plant at Gladstone in Australia. This plant is also benefiting from a large scale bulk caustic soda terminal commissioned on site this year. During 2009 Chemicals further expanded export sales with new agreements signed in Latin America and Africa.

After some very active years pursuing acquisitive growth, 2009 has been a year of consolidation in which good progress was made on effective integration of businesses purchased in previous years with resulting synergies contributing to overall 2009 company performance. Orica remains focussed on capturing the long term growth opportunities before it and our attention is very much on pursuing organic growth through some significant brownfield projects. A worldscale ammonium nitrate plant in Bontang Indonesia is progressing well. Feasibility work has continued for the uprate of our ammonia plant at Kooragang Island along with assessing the feasibility for ammonium nitrate expansion opportunities in Australia and Latin America. Minova has very recently opened a new coal bolt facility at its Arndell Park site in New South Wales and DuluxGroup will benefit from a new powder coatings plant opened in Australia this year. DuluxGroup has begun work on a new protective coatings plant in Australia and an upgrade of the water-based paints plant in New Zealand.

Orica pursues these growth plans with the confidence that comes from having shaped a portfolio of businesses that are each leaders in markets where demand for its products and services will steadily grow. That confidence is supported by a prudently managed balance sheet. The board remains committed to a BBB+ rating. This year the company successfully renegotiated $2 billion in debt facilities and received great support in financial markets.

In 2009 earnings per share (EPS) before individually material items increased 3% over the 2008 full year to 174.6 cents. This is the eighth consecutive year of EPS growth.

It has been my pleasure to serve as Chairman of the Orica Board for the past eight years and I welcome Peter Duncan as the incoming Chairman. On behalf of the Board I would like to thank each of the Orica employees around the world who have worked hard, demonstrating great skill and discipline to deliver an eighth year of earnings growth in the face of some very difficult market conditions. They do so within a culture that encourages excellence and rewards success.

It is the calibre of our people, combined with a resilient growth strategy and strong financial discipline, that is at the core of your company’s performance this year and it is this that gives your Board confidence that we will continue to provide superior rewards to our shareholders over time.

Don Mercer
Chairman

Managing Director's Report

This year Orica delivered its eighth consecutive year of underlying profit growth with most businesses delivering record results despite generally subdued global markets. This earnings resilience is the result of both a strong strategic position and a well established culture of financial discipline that has seen all of our businesses respond quickly and effectively to the market environment.

Orica Mining Services achieved a record result with earnings before interest and tax (EBIT) up 16% to $737 million. This strong result reflects significant productivity and efficiency improvements, improved ammonium nitrate pricing and strong volumes in global gold markets and thermal coal markets in Australia and Indonesia – offsetting weak volumes in other sectors. Despite mixed global market conditions, the business delivered double digit earnings growth across all regions except Europe where EBIT was down on the 2008 full year as a result of a significant downturn in infrastructure markets.

The Minova business achieved earnings of $145 million, down 3% on the 2008 full year, due largely to difficult trading conditions in Eastern Europe and the US. Elsewhere pricing and volumes remained reasonably steady and the underlying performance of the Minova business in most other market segments was pleasing. The business achieved steady growth in tunnelling and continued penetration of the Chinese market with strong volume and sales growth. It has responded quickly and effectively to manage the fundamentals of cost and productivity. An important part of this has been the ongoing integration of Minova into Orica which has delivered synergies of $26 million. As Minova has extended into new geographies this productivity focus is being maintained and bolt-on acquisitions in all regions are delivering to expectations.

Chemicals achieved record earnings of $170 million, an increase of 17%. This very good performance included record profits for Mining Chemicals reflecting strong demand for sodium cyanide by the global gold mining sector and some favourable impact from a weaker Australian dollar. The Watercare business benefitted from higher than average global caustic prices. Pleasingly, the Bronson & Jacobs business saw significant improvement with sales up 4%. During the year, the merger of the former Chemical Services and Chemnet businesses was completed and delivered synergies of $12 million. This was an important productivity initiative for the business and it combined with general cost control and restructuring initiatives across all business segments in contributing to the overall result.

The newly named DuluxGroup delivered another record result with EBIT up 5% to $129 million. Importantly, the business achieved a sales increase of 7% despite market decline and increased competition. Earnings growth in the paints business was driven by increased market share and the Selleys business grew earnings through new product and category growth. The new name capitalises on the brand strength of this iconic business and is consistent with the intention, at the right time and in the right market environment, to proceed with our plan to demerge the business. Its results reinforce DuluxGroup's strength and bright future as a stand alone business when the time comes.

In a year when our strategy and business model were put to perhaps their sternest test to date, Orica's business has delivered overall excellent results. At their core is a relentless drive for productivity supported by a high performance culture which rewards people for finding more efficient, innovative and effective ways to deliver superior solutions to our customers. Each of our businesses is accountable for delivering year-on-year productivity improvements and this year has been no exception with productivity and synergy benefits contributing $101 million to EBIT.

Particularly pleasing in a year of general financial market uncertainty, has been an increase in the current cash flow from operating activities of 16% to $855 million as a result of business profit growth and very good discipline across all of our businesses in managing working capital. Orica employees understand that strict financial discipline provides the flexibility to respond to market challenges and to take advantage of market growth opportunities as they arise.

Orica employs more than 15,000 people across approximately 50 countries and our commitment to an injury-free workplace is consistent and without compromise. We continue to work towards the goal of 'no injuries to anyone, ever'. I am sad to report that this year we fell well short of that goal with the deaths of four colleagues in four separate incidents each in different parts of the world. This is clearly unacceptable and has an untold impact on friends, family and colleagues. We have thoroughly investigated each of these incidents and implemented important improvements from what was learnt.

Caring for the environment is consistent with Orica's goal to become a company that does 'zero harm'. Many of our operations are energy and resource intensive and not only is it part of our commitment to ensuring a sustainable environment, it makes good business sense to reduce our environmental footprint as much as possible. We monitor greenhouse gas emissions, water use, waste generation and energy use. We further reduced our energy consumption this year and, pleasingly, have already reached our Challenge 2010 targets in terms of greenhouse gas emissions, water use and waste generation.

An important part of our environmental commitment is cleaning up legacy contamination at our sites caused by past manufacturing. The groundwater treatment plant at Botany continues to operate at a level required to contain the contaminated plume. We continue to pursue options to export the store of hexachlorobenzene to specialised destruction facilities in Europe.

Orica's ongoing success would not be possible without the talented and committed people working at all levels of the organisation and I thank them for their very important contribution. The depth of skills the business has to draw on is reflected in the performance of each business and is supported by strong recruitment, professional development and talent management programmes.

Since my last report there have been two changes within the Group Executive team. We welcome John Beevers, former General Manager of Orica Mining Services Australia/Asia, to the position of Chief Executive Officer of Orica Mining Services. John replaces Philippe Etienne who retired from Orica in July this year. I am also pleased to welcome Trisha McEwan who was appointed to the role of General Manager Human Resources and Communications in May this year. Trisha brings to Orica a wealth of experience in human resources roles in large companies, predominantly in New Zealand.

I would like to thank Don Mercer for his invaluable contribution as Chairman of the Orica Board for the past eight years, a period of significant change for the company which has resulted in considerable growth and which reflects a very tight strategic focus. I welcome Peter Duncan as incoming Chairman and look forward to working with him in his new role.

In a year of general global market uncertainty, Orica has continued to deliver record results. This resilience reflects a long established strategy of building and consolidating leadership positions around the core of things we know and execute well in markets offering relatively stable earnings and steady growth. This strategy, supported by a strong culture of financial discipline, gives us confidence that we can continue to achieve success and deliver superior results to our shareholders.

Graeme Liebelt
Managing Director and
Chief Executive Officer

Review of Operations and Financial Performance

Net profit after tax (NPAT) and individually material items for the year ended 30 September 2009 was up $2M to $542M, compared with the previous corresponding period (pcp) of $540M.

Orica's NPAT before individually material items of $646M was up 13% compared with the pcp ($572M).

Operating cash flow improved by 16% to $855M.

Financial Highlights

- Sales revenue up 13% to $7.4B;
- EBIT up 12% to $1.1B;
- Earnings per ordinary share [1] at 174.6 cents, up 3% from the pcp;
- Gearing [2] at 21.6%, up from 19.1% in the pcp;
- Interest cover at 7.8 times; and
- Final ordinary dividend is 57 cents per share (cps) - franked at 20 cps, an increase of 2 cents over the pcp (55 cps).

Business Highlights

- Record results for Mining Services, Chemicals and DuluxGroup, assisted by productivity and efficiency initiatives, despite deteriorating market conditions;
- Strong cash flow performance and improvement in trade working capital over the pcp;
- Record result in Mining Services with EBIT up 16% to $737M, reflecting margin improvement from pricing and productivity initiatives;
- Minova EBIT down 3% on the pcp negatively impacted by the under-recovery of steel input prices in the US market in the first half;
- Record result for Chemicals with EBIT at $170M, 17% ahead of last year, reflecting strong demand for sodium cyanide, higher caustic prices and the delivery of synergies; and
- Record result in DuluxGroup with EBIT up 5% to $129M driven by market share gains and productivity improvements.

Outlook - 2010

- Orica expects earnings growth to continue in 2010. In light of the shape of the economic decline experienced in 2009, we anticipate first half conditions to be more difficult than those of the previous corresponding period. Subject to the rate of global economic recovery and the extent of further adverse movements in exchange rates, we expect Group net profit after tax (pre individually material items) in 2010 to be higher than that reported in 2009.

Revenue

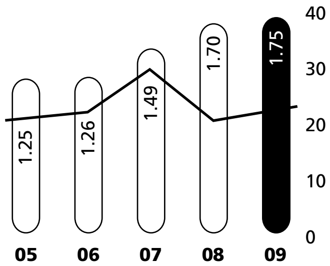
- Sales revenue of $7.4B increased by $867M (+13%), driven primarily by:
  - Higher AN pricing;
  - Stronger demand for sodium cyanide in Mining Chemicals and higher average prices for caustic;
  - Market share increases in DuluxGroup;
  - The recovery of higher input costs across most business segments; and
  - Favourable foreign exchange movements ($693M).
- Other income was down on the pcp by $9M (-17%), mainly due to a reduction in currency gains in the current year ($8M).

(1) Before individually material items.

(2) Net debt/(net debt + book equity).

Shareholder Scorecard

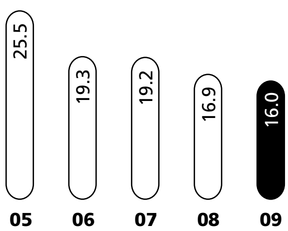
Earnings per Share* ($) and Year End Share price ($)



EPS — Year End Share Price

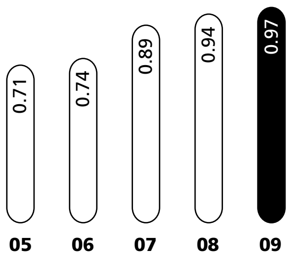
*Before individually material items

Return on Shareholders' Funds* (%)



*Before individually material items

Dividends per Share ($)



Earnings Before Interest And Tax (EBIT)

- EBIT increased by 12% to $1.1B (pcp: $970M) primarily due to:
  - Productivity and synergy benefits of $101M;
  - Favourable impact of foreign exchange movements of $68M; and
  - Favourable ammonia lag of $33M.

  Partly offset by:
  - Under-recovery in the market of US steel input prices of $15M;
  - Net change of $3M due to volume and price. Pricing improved largely due to improved ammonium nitrate pricing and higher average caustic prices, offset by lower volumes across most business segments due to slowdown in demand;
  - Inflationary effect on fixed costs of $57M; and
  - Increased Corporate and Support costs of $14M (refer below).

Interest

- Net interest expense of $134M decreased by $24M from the pcp, mainly due to lower average net debt levels post the 2008 Rights Issue and lower average interest rates; and
- Interest cover was 7.8 times (pcp 6.1 times).

Corporate Centre & Support Costs

- Corporate centre costs of $41M were $5M lower than the pcp predominantly due to the costs associated with the cancellation of the 5% preference shares in the pcp ($7.5M); and
- Other Support costs of $57M were $19M higher than the pcp, primarily due an increase in Botany related expenses ($12M).

Tax Expense

- Tax expense was $263M with an effective tax rate of 27.7% (pcp: 26.1%). The higher effective rate was primarily a result of a decrease in foreign deductions.

Net Profit

- Net profit after tax before individually material items increased 13% to $646M (pcp: $572M), and
- Net profit after tax and individually material items was up 0.4% to $542M (pcp: $540M).

Individually Material Items

- Individually material items for the period was a loss after tax of $104M (pcp: loss of $33M). This included costs related to restructuring and rationalisation activities within Mining Services ($24M); impairment of the Marplex business as a result of the deterioration in business performance driven by adverse market conditions ($14M); write down of the Botany Groundwater Treatment plant ($43M); the ongoing integration of Minova/Excel ($9M); finalisation of the Dyno Nobel integration ($13M); and expenses relating to the indefinitely deferred demerger of DuluxGroup ($15M); offset by a gain on derivatives of $14M relating to the purchase of minority interests during the period.

Dividend

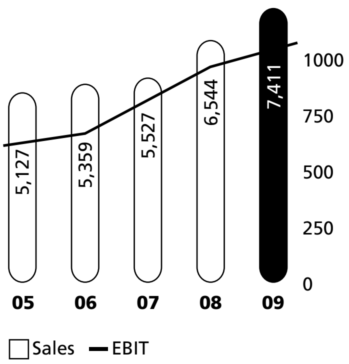
- The directors have increased the final ordinary dividend by 2 cents to 57 cps (pcp: 55 cps) - franked at 20 cps; and
- Franking capacity in the near term is unlikely to exceed 40%.

Bank Debt Facilities

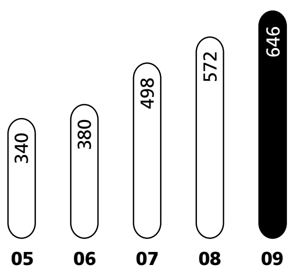
- In September 2009 Orica successfully extended existing facilities for 1, 2, 3, 4 and 5 years ($50M in 1 year);
- The average term of the bank debt facilities is approximately 3 years;
- Bank debt facilities total $2.1B of which $0.2B was drawn at 30 September 2009;
- The facilities are multi currency, flexible and cancellable at Orica's option; and
- On average, margins on the bank facilities have increased by 190 basis points (bps) in line with current market conditions.

Financial Summary

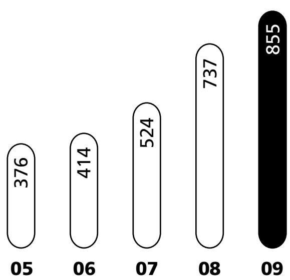
Sales ($M) and EBIT ($M)



Net Profit After Tax Before Significant/ Individually Material Items ($M)



Cash Flow from Operating Activities ($M)



Review of Operations and Financial Performance

Balance Sheet

- Key balance sheet movements since September 2008 were:
  - Trade working capital (TWC) has decreased by $104M compared to the pcp as a result of an underlying improvement of $51M, combined with a favourable foreign exchange impact of $53M;
  - Rolling TWC to sales[1] has remained at 14.5% (pcp: 14.5%);
  - Net property, plant and equipment (PP&E) is $23M up on the pcp due to spend on growth projects ($212M), sustenance capital ($159M) and PP&E from acquired businesses ($5M); offset by depreciation ($203M), asset write downs ($70M), foreign exchange translation ($66M) and disposals ($10M). Significant capital spend during the period included Mining Services growth projects including Bontang ($72M), Kooragang Island upgrade ($15M), the Russian Olkon Bulk emulsion plant ($11M), Brownsburg EBS plant ($9M) and Nanling ($6M) and Gladstone caustic soda storage tanks ($8M) within Chemicals. Spend on smaller growth projects make up the residual capital expenditure;
  - Intangible assets are down $256M due to the impact of foreign exchange translation on intangible assets ($275M), amortisation ($45M) and impairment ($9M); partly offset by acquisition of businesses/entities and buyout of minorities ($52M) and additions of intangibles ($21M);
  - Net other liabilities decreased by $66M mainly due to an increase in net tax balance sheet accounts ($46M) and a reduction in provisions ($63M), partly offset by a decrease in investments in associates ($41M);
  - Net debt increased by $74M mainly as a result of adverse foreign exchange movements ($90M);
  - Orica shareholders' equity decreased by $361M, mainly due to a decrease in the foreign currency translation reserve of $433M, partly offset by earnings net of dividends paid; and
  - Minority interests have increased by $15M due to higher business profits, partly offset by minority interest buyouts.

Gearing

- Accounting gearing (net debt/(net debt + equity)) increased to 21.6% from 19.1% in September 2008. In accordance with accounting standards, the Step-up Preference Securities (SPS) are recognised as equity; and
- Adjusted gearing, which treats the SPS securities as 50% equity and 50% debt (Standard & Poors credit rating treatment), was 26.5% (pcp 23.8%).

Cash Flow

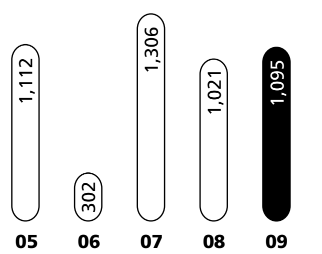
- Net operating cash inflows increased by $118M to $855M, compared with the pcp mainly due to:
  - Earnings before interest, tax, depreciation and amortisation (EBITDA) growth of $141M to $1,330M (pcp $1,189M);
  - $12M reduction in interest paid, mainly due to lower interest rates and lower average net debt level compared to the same period last year; and
  - A significant improvement in trade working capital management resulting in a cash inflow of $104M (compared to an outflow of $30M in the pcp).

  Offset by:
  - An increase in non-trade working capital outflows of $124M largely due to $82M spend on Mining Services restructuring activities, integration expenses in the Mining Services and Minova businesses and indefinitely deferred DuluxGroup demerger costs, and foreign exchange movements; and
  - $45M increase in income tax paid due to earnings growth and the timing of payments.
- Net investing cash outflows of $516M decreased by $754M from $1,270M in the pcp. The decrease was mainly due to:
  - A reduction in acquisitions of $702M. In the pcp, $781M of acquisition spend related to Excel; and

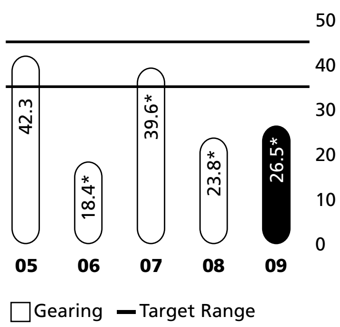
(1) Rolling 12-month average TWC/Rolling 12-month total sales

Financial Leverage

Net Debt ($M)

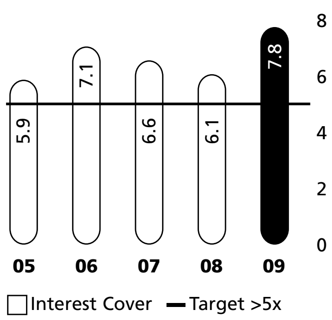


Adjusted Gearing (%)



*Adjusted gearing, which treats the Step-up Preference Securities (SPS) as 50% equity and 50% debt.

Interest Cover (Times)



– $48M reduction in sustenance capital spending.

- Net financing cash inflows decreased by $796M to $331M outflow (pcp inflow $465M) mainly due to:
  – A reduction in proceeds from share issues of $1,066M. The pcp contained proceeds from the Rights Issue along with proceeds received from the fully underwritten Dividend Reinvestment Plan (DRP);
  – A net increase in outflows of $24M to acquire shares on market for the LTEIP program; and
  – An increase in dividends and distributions paid of $174M due to the absence in the current year of the fully underwritten DRP.

  Partly offset by:
  – An increase in inflows from borrowings of $467M (outflow of $390M in the pcp).

Orica SPS

- Two further instalments totalling $38M on the SPS securities were paid during the period; and
- The distributions were unfranked and the distribution rate was calculated as the sum of the 180 Bank Bill Swap Rate (BBSW) plus a margin of 1.35%. The distribution rate for the current period ending 29 November 2009 is 4.57%.

Mergers & Acquisitions

Given economic uncertainty and general slowdown in demand in most of our market segments, 2009 has been a period of consolidation and integration of recent acquisitions. This included:

- The continued integration of Minova/Excel, which is on-track with synergies of $26M now delivered;
- The successful integration of bolt-on acquisitions in Mining Services, Minova and DuluxGroup, with acquisitions delivering to or above expectations. This includes, the acquisitions of Strata Control Systems, BWZ and Arnall in Minova, South West Energy in Mining Services and Sopel in DuluxGroup, among other smaller acquisitions; and
- The acquisition of an additional 49% interest (taking Orica's interest to 99%) in Samex, an explosives distribution business in Peru, which was completed in November 2008.

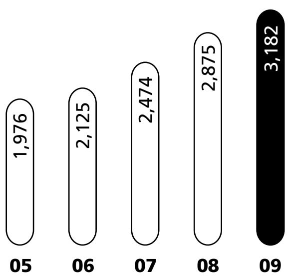
Business Development

During the year, work progressed on a number of growth projects within our mining businesses. This included:

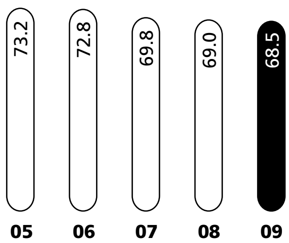
- The continued development of the 300ktpa AN facility in Bontang, Indonesia. Cumulative spend to date is $148M. The Engineering, Procurement and Construction contract was signed in May 2009 and site piling work commenced in August 2009. The overall project is tracking to plan with commissioning expected in 2011;
- The continuation of feasibility work on AN expansion opportunities in Australia and Latin America. Orica's proposed Latin American AN project in Marcona, Peru, was granted state significance by the Ministry of Production in September 2009, an important step in the planning approval process. The optimal timing of these projects is dependent on market conditions and an improvement in demand;
- Feasibility work on an ammonia plant expansion project at Kooragang Island for a proposed uprate of 65ktpa to the existing ammonia plant, with a target completion date of late 2011;
- The commencement of engineering design work for a non-electric detonator initiating systems facility in Nanling, China, commissioning of which is expected early 2011. Orica has entered a Joint Venture arrangement for the construction and operation of the plant, with 51% ownership; and
- Feasibility work on a sodium cyanide plant expansion project at Yarwun for a proposed uprate of 15ktpa, increasing capacity to 95ktpa, with a target commissioning date of 2011.

Efficiency

Gross Margin Growth ($M)



Productivity (%)



Productivity is measured as total fixed costs (incl. depreciation and amortisation) as a percentage of gross margin.

Review of Business Segment Performance

Orica Mining Services

Record result with sales up 14% to $4.1B and EBIT up 16% to $737M.

Highlights

- Significant productivity and efficiency improvements along with restructuring activities delivered a record result with EBIT up $101M, despite difficult trading conditions and soft demand;
- Benefits of improved AN pricing continued;
- Strong volumes in global gold markets and thermal coal markets in Australia and Indonesia, partly offset weak demand in base metal, infrastructure and US thermal coal markets;
- Strong Electronic Blasting Systems (EBS) revenue growth period on period;
- Benefit of falling input costs, with favourable lag impact on cost pass-throughs of approximately $33M; and
- Foreign exchange movements, net of hedging costs, positively impacted earnings by $49M.

Business Summaries

Australia/Asia

- EBIT of $408M, up 17% on the pcp, achieved mostly through improved AN pricing and productivity benefits from disciplined cost management;
- Favourable lag impact on ammonia cost recovery;
- AN volumes generally flat with strong demand from thermal coal markets in Australia and Indonesia offset by softer demand in base metal and metallurgical coal markets; and
- Negative impact from foreign exchange of $5M (transactional impact).

North America

- EBIT of $123M, up 26% on the pcp, despite difficult market conditions;
- Favourable impact from foreign exchange on earnings net of hedging costs of $20M;
- AN volumes down 6% due to significant slowdown in infrastructure markets and US thermal coal markets;
- Impact to earnings of volume slowdown mostly offset by the benefits of productivity programs implemented swiftly in response to slowdown in demand; and
- Acquisitions delivered to expectations.

Latin America

- EBIT of $117M, up 24% on the pcp;
- Favourable impact of foreign exchange on earnings of $25M (mostly transactional); and
- Generally flat market conditions with volumes slightly down in base metal markets.

Europe, Middle East and Africa (EMEA)

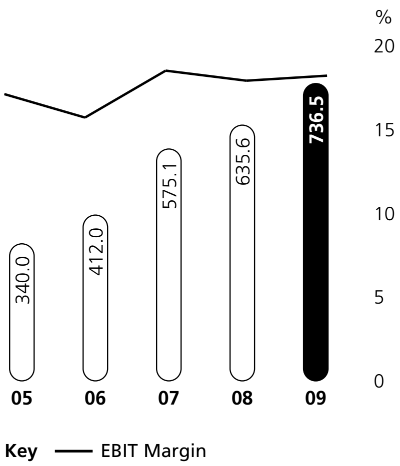
- EBIT of $90M, down 8% on the pcp;
- Favourable foreign exchange benefit of $9M (mostly translational);
- Volume down on the pcp due to significant downturn in infrastructure markets, with volumes in that segment down between 20-30%; offset mostly by
- Cost reductions from productivity initiatives and improved recovery of input cost changes.

Perspectives For 2010

- Slow recovery in base metal, infrastructure and US thermal coal markets;
- Continued growth in EBS and Blast Based Services (BBS);
- Further productivity benefits to be delivered from restructuring initiatives; and
- Negative earnings impact of a stronger Australian dollar.

Record result with sales up 14% to $4.1B and EBIT up 16% to $737M.

EBIT ($M) and EBIT Margin (%)



Financial Performance $M

Year ended September	2009	2008	Change F/(U)*
Sales Revenue	**4,057.8**	3,552.1	14%
EBIT	**736.5**	635.6	16%
Operating Net Assets	**2,541.5**	2,675.8	(5%)
EBIT:			
Australia/Asia	**407.6**	347.1	17%
North America	**122.6**	97.2	26%
Latin America	**116.5**	93.6	24%
EMEA	**89.8**	97.7	(8%)

* F – Favourable, (U) – Unfavourable

Minova

EBIT down by 3%.

Highlights

- Integration activity is on plan with $26M EBIT synergies delivered;
- Softer volumes due to difficult trading conditions in the US and Eastern Europe, however volumes in most other markets remained steady despite the global slowdown;
- Prices remained reasonably steady in most markets except the US steel business, where earnings were significantly impacted in the first half by the under-recovery in the market of steel input prices ($15M) and increased competitor activity;
- Tunnelling activity showed steady growth with contribution up 18% on the pcp;
- Bolt-on acquisitions, including Strata Control Systems (Australia), BWZ (Germany) and Arnall (Poland), delivered to expectations; and
- Foreign exchange movements, net of hedging costs, positively impacted earnings by $11M.

Business Summaries

Minova Americas:

- EBIT significantly impacted by the under-recovery in the market of steel input costs;
- Bolt volumes down 10% and resin capsules down 4% due to a significant reduction in coal production volumes and market share losses in 2008;
- Subdued pricing for bolts and resins due to increased competitor activity;
- Net benefit of foreign exchange movements after hedging costs; and
- Productivity and restructuring initiatives are delivering benefits.

Minova Europe:

- Contribution from bolt-on acquisitions of Arnall and BWZ delivering to expectations;
- Steady volumes into coal markets in Poland, Germany, the UK and the Czech Republic;
- Stronger tunnelling activity period on period;
- Volume declines in Russia and the Ukraine due mainly to slowdown in metallurgical coal markets; and
- Net unfavourable EBIT impact of foreign exchange due to significant devaluation of currencies in Eastern Europe.

Australia, Pacific and Africa (APA):

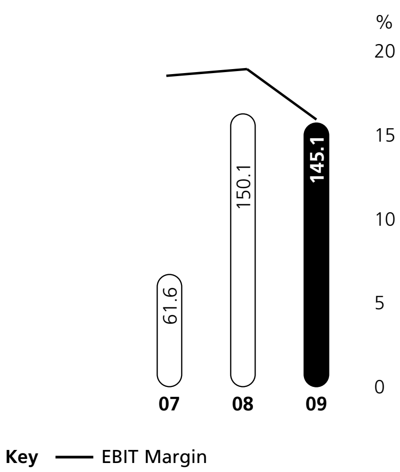
- Market conditions in Australia were reasonably firm with volumes in line with prior period despite some temporary mine closures;
- Contribution from the Strata Control Systems acquisition in 2008 delivering to expectations;
- Favourable product mix in Australia, with an increase in contribution from emergency services;
- Penetration of the Chinese market continues with strong volume and sales growth in firm market conditions; and
- Market share maintained in South Africa despite softer market conditions. Small bolt-on acquisitions are delivering in line with expectations.

Perspectives For 2010

- Increasing investment and resources in China;
- Geographic and technology expansion through small bolt-on acquisitions;
- Slow recovery in mining markets across most regions and steady demand in civil engineering markets;
- Negative earnings impact of a stronger Australian dollar;
- Tight cost control and productivity focus; and
- Continued progress on the integration of acquisitions.

Integration activity is on plan with $26M EBIT synergies delivered.

EBIT ($M) and EBIT Margin (%)



Financial Performance $M

Year ended September	**2009**	2008	Change F/(U)*
Sales Revenue	**940.9**	794.2	18%
EBIT	**145.1**	150.1	(3%)
Operating Net Assets	**1,701.0**	1,873.8	(9%)

* F – Favourable, (U) – Unfavourable

Review of Business Segment Performance

Chemicals

Record result with sales up 10% to $1.5B and EBIT up 17% to $170M.

Highlights

- Record result from Mining Chemicals;
- Merger of Chemnet and Chemical Services is complete and synergies tracking to expectations with EBIT benefits of $12M delivered in the period;
- Additional productivity benefits delivered through tight cost control and restructuring initiatives across all business segments in response to economic conditions and slowdown in demand;
- Higher average global caustic price; and
- Performance turnaround in Bronson & Jacobs.

Business Summaries

General Chemicals

- General Chemicals sales up 7% on the pcp due mainly to the recovery of cost increases (impacted mostly by foreign exchange) which offset the impact of lower volume;
- Significant improvement in Bronson & Jacobs with sales up 4% on the pcp reflecting improved customer service and increased market share in the food and nutrition market segments;
- The Latin American business achieved significant volume growth period on period, though experienced margin pressure from rising input costs; and
- Significant volume declines in Marplex (-25%); Chemnet Australia (-15%) and Chemnet NZ (-10%) due to slowdown in the automotive, mining, construction and manufacturing sectors in Australia and New Zealand, partly offset by new volumes associated with the Shell lubricants business in New Zealand.

Watercare

- Sales in Watercare were up 13% on the pcp reflecting higher global caustic prices; and
- Volumes down compared to the pcp due to slowdown in demand for all major product groups.

Mining Chemicals

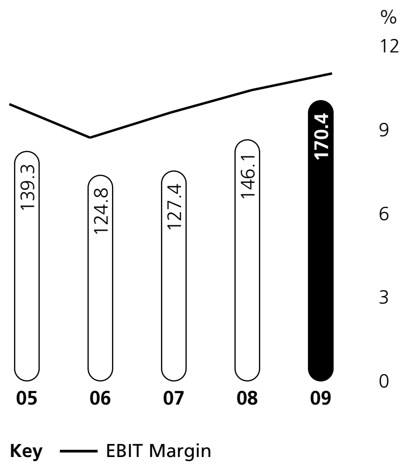
- Sales in Mining Chemicals up 11% on the pcp, primarily attributable to stronger demand for sodium cyanide and the favourable impact of a weaker Australian dollar.

Perspectives For 2010

- Sodium cyanide demand expected to remain firm;
- Expected decline in average caustic prices;
- Slow recovery in demand in automotive and general manufacturing sectors;
- Negative earnings impact of a stronger Australian dollar;
- Synergies from the Chemicals merger will continue to flow through; and
- Continued focus on productivity and cost control.

Record result with sales up 10% to $1.5B and EBIT up 17% to $170M.

EBIT ($M) and EBIT Margin (%)



Financial Performance $M

Year ended September	2009	2008	Change F/(U)*
Sales Revenue	**1,548.3**	1,406.1	10%
EBIT	**170.4**	146.1	17%
Operating Net Assets	**789.7**	791.6	0%
Business Sales:			
General Chemicals	**1,046.3**	979.4	7%
Watercare	**253.3**	223.8	13%
Mining Chemicals	**257.2**	231.7	11%

* F – Favourable, (U) – Unfavourable

DuluxGroup

Record result with sales up 7% on the pcp to $940M, and EBIT up 5% on the pcp to $129M.

Highlights

- Sales revenue increased by 7% on the pcp despite market decline and increased competition;
- Earnings growth for Paints driven by market share growth;
- Earnings growth for Selleys driven by new products and category growth;
- Yates restructuring complete with focus now on brand investment and innovation; and
- Strong productivity focus across all business segments in response to soft market conditions and rising input costs.

Business Summaries

Coatings

- Sales revenue growth of 8% on the pcp;
- Australian Retail earnings were ahead of last year primarily due to market share increases (which offset the impact of overall market decline) and continuing marketing investment in key brands;
- Australian trade paint earnings were down on last year due to weaker market conditions which offset the benefit of market share gains and improved productivity;
- New Zealand earnings were down on lower market volumes;
- Texture Coatings earnings were in line with the pcp;
- Woodcare earnings were marginally above the pcp;
- Powder coatings ANZ business delivered earnings well below pcp due to significant decline in market demand;
- Strong performance from PNG, driven by volume growth; and
- Sales growth in China following acquisition of Sopel business in November 2008.

Home Improvement and Garden Care

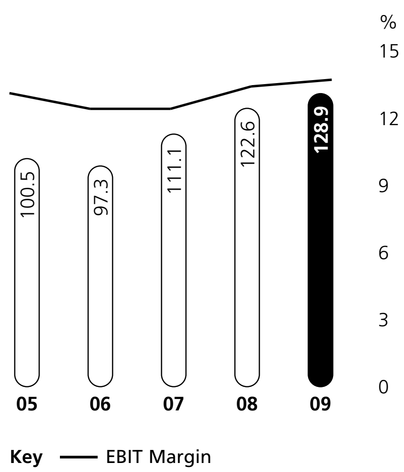
- Earnings growth for Selleys driven by revenue and productivity improvements; and
- Continued earnings improvement by Yates, delivering productivity benefits from the recently completed restructuring program and ongoing marketing initiatives.

Perspectives For 2010

- Market softness expected to continue, particularly in Powders and New Zealand;
- Continued development of China business platform; and
- Continued focus on productivity and cost control.

Record result with sales up 7% on the pcp to $940M, and EBIT up 5% on the pcp to $129M.

EBIT ($M) and EBIT Margin (%)(2)



Financial Performance $M

Year ended September	2009	2008	Change F/(U)*
Sales Revenue	**940.2**	875.4	7%
EBIT	**128.9**	122.6	5%
Operating Net Assets	**290.1**	279.0	4%
Business Sales:			
Coatings	**699.9**	650.9	8%
Home Improvement and Garden Care(1)	**240.3**	224.5	7%

(1) Selleys & Yates
(2) Excludes the $9.5M Yates restructuring provision in 2007
* F – Favourable, (U) – Unfavourable

Board Members

Donald P Mercer
BSc (Hons) MA (Econ)

Chairman, Non-Executive Director since October 1997, appointed Chairman since May 2001. Chair of the Corporate Governance and Nominations Committee.

Chairman of Newcrest Mining Limited, Air Liquide Australia Limited and Orchestra Victoria Limited. Former Chairman of Australian Institute of Company Directors Ltd. Former Managing Director and Chief Executive Officer of ANZ Banking Group.

Graeme R Liebelt
BEc (Hons)

Managing Director and Chief Executive Officer (CEO) since September 2005. Executive Director since July 1997. Member of Corporate Governance and Nominations Committee.

Director of Melbourne Business School Limited. Board member of The Global Foundation. Former CEO of Orica Mining Services, Chairman and Director of Incitec Limited, General Manager of Plastics and Managing Director of Dulux.

Noel A Meehan
BSc (Hons), CPA

Executive Director Finance since September 2005. Former Chief Financial Officer of Orica Chemicals, Orica Group Investor Relations Manager and Corporate Reporting Manager.

Prior to joining Orica, he held a variety of finance roles both within Qantas Airways Limited and Australian Airlines Limited.

Michael E Beckett
BSc, FIMM, FRSA

Non-Executive Director since July 2002. Member of the Corporate Governance and Nominations Committee and the Safety, Health & Environment Committee.

Chairman of Thomas Cook Group plc and Endeavour Financial Corporation. Director of Northam Platinum Limited (South Africa), Mvelaphanda Resources Limited (South Africa), Egypt Trust Limited and Endeavour Mining Capital Corp.

Peter J B Duncan
BChE (Hons) GradDip (Bus)

Non-Executive Director since June 2001. Member of the Human Resources and Compensation Committee.

Chairman of Cranlana Programme Foundation and Scania Australia. Former director of National Australia Bank Limited, GasNet Australia Limited and CSIRO and former member of Siemens Australia Advisory Board. Former Chief Executive Officer of the Shell Group of Companies in Australia.

Garry A Hounsell
BBus (Accounting) FCA, CPA, FAICD

Non-Executive Director since September 2004. Member of the Audit and Risk Committee and Human Resources and Compensation Committee.

Chairman of PanAust Limited and Deputy Chairman of Mitchell Communication Group Limited. Director of Qantas Airways Limited and Nufarm Limited. He is also Chairman of Investec Global Aircraft Fund, and a Director of Ingeus Limited. Board Member of law firm Freehills. Former Chief Executive Officer and Country Managing Partner of Arthur Andersen and former Senior Partner of Ernst & Young.

Peter M Kirby
BEc (Hons), MA (Econ) MBA

Non-Executive Director since July 2003. Chairman of the Safety, Health & Environment Committee. Member of the Corporate Governance and Nominations Committee.

Director of Macquarie Bank Limited. Former Chairman of Medibank Private Limited and Director of the Business Council of Australia. Former Managing Director and Chief Executive Officer of CSR Limited and former Chief Executive Officer of ICI Paints and member of the Executive Board of ICI plc.

Nora Scheinkestel
Ph D, LLB (Hons), FAICD, Centenary Medal

Non-Executive Director since August 2006. Chairman of the Audit and Risk Committee. Member of the Corporate Governance and Nominations Committee.

Director of AMP Limited, Pacific Brands Limited and PaperlinX Limited. Associate Professor Melbourne Business School. Former director of Newcrest Mining Limited, Mayne Group Ltd, Mayne Pharma Limited, North Ltd, MBF Health Fund, Docklands Authority, IOOF Funds Management and a number of utilities across the gas, water and electricity sector. Also former Chairman of South East Water Limited and the Energy 21 and Stratus Group.

Michael Tilley
GradDip, BA

Non-Executive Director since November 2003. Member of the Audit and Risk Committee and the Safety, Health & Environment Committee.

Former Managing Director and Chief Executive Officer of Challenger Financial Services Group Limited. Former member of the Takeovers Panel. Former Non-Executive Director of Incitec Ltd and former Chairman and Chief Executive Officer of Merrill Lynch Australasia.

Russell R Caplan
LLB, FAICD

Non-Executive Director since October 2007. Chairman of the Human Resources and Compensation Committee. Member of the Corporate Governance and Nominations Committee.

Chairman of the Shell Group of Companies in Australia and the Melbourne and Olympic Parks Trust. Director of the Australian Institute of Petroleum. Former Director of Woodside Petroleum Limited.

Annette M Cook
Dip Bus (Accounting), Dip Bus (Data Processing), CPA

Company Secretary of Orica Limited since 16 February 2005 and prior to that was assistant Company Secretary from August 2002. Joined Orica in July 1987 and has had a variety of roles in Business Services, IT and Finance.

Group Executive

Graeme R Liebelt
BEc (Hons)
Managing Director

Graeme has held a variety of key positions within the Orica Group since joining in 1989 including Chief Executive of ICI Paints Pacific, General Manager Plastics and Advanced Sciences Groups and Chief Executive Officer Orica Mining Services.

Prior to joining Orica Graeme held a number of senior positions including Marketing Director Repco (Australia), Marketing Director Philip Morris (Australia) and Consultant for Pappas Carter (now Boston Consulting Group).

Noel Meehan
BSc (Hons), CPA
Executive Director Finance

Noel joined Orica in April 1999 as Corporate Reporting Manager. Since then, he as held a number of other senior finance roles within the Group, including CFO for Chemicals and Orica Group Investor Relations Manager. Noel was appointed to the role of Chief Financial Officer in May 2005 and Executive Director Finance in September 2005.

John Beevers
BEng (Mining), M.Bus
Chief Executive Officer, Orica Mining Services

Since joining Orica in 1985, John has held a variety of positions in Mining Services with leadership roles in Technology, Operations and Business. In 2005 he was appointed General Manager, Chemical Services, returning to Mining Services as General Manager Australia/Asia in 2006. John was appointed to his current position in November 2008.

Craig Elkington
BBus (Acc), CPA
President, Orica Mining Services, North America

Craig joined Orica in 1994 initially with corporate accounting responsibilities before moving into several senior finance roles across the Group's business platforms. In 1998 he moved to Denver, Colorado to join the North American Mining Services business following the acquisition of ICI's explosives operations.

In recent years he has held the CFO positions of the Company's former subsidiary Incitec Ltd, the Chemicals Division and most recently as CFO of the global Mining Services Group. Craig was appointed to the role of President Orica Mining Services North America in December 2007.

Patrick Houlihan
BSc (Hons), MBA
Chief Executive Officer, DuluxGroup

Patrick joined the Dulux business in 1989 as a research chemist and has since accumulated extensive experience across all facets of DuluxGroup division. He has progressed through a succession of technical, commercial and senior leadership roles including Dulux Director of Marketing, Selleys Sales Director and Yates General Manager. Patrick was appointed to his current role in February 2007.

Andrew Larke
LLB, BComm, Grad Dip
(Corporations & Securities Law)
Group General Manager, Mergers and Acquisitions, Strategy and Technology

Andrew has spent more than 15 years in mergers, acquisitions, divestments and corporate advisory. He joined Orica in April 2002 as General Manager, Mergers and Acquisitions and has been responsible for leading Orica's M&A activities since that time, including the merger of Incitec and Pivot in 2003, the subsequent divestment of Orica's shareholding in the merged Incitec Pivot entity in 2006 and the acquisition of Dyno Nobel in 2005.

Trisha McEwan
Dip Bus (Admin)
General Manager, Human Resources and Communications

Trisha joined Orica in June 2009 and has had a broad career spanning roles within a number of industry sectors, mainly within New Zealand. Trisha recently spent seven years as Group Director Human Resources with Telecom NZ, helping build people and organisational capability as the business underwent a period of major change.

Michael Reich
B Mining Eng
Chief Executive Officer, Minova

Michael was appointed to the role of Chief Executive Officer Minova in December 2007.

Prior to his appointment, Michael was CEO of Minova's European business for five years.

Michael has extensive experience in the mining industry particularly in the area of underground coal mining operations. Throughout his career he has as held a number of positions including sales and operations management.

Greg Witcombe
BSc
Group General Manager, Chemicals

Greg joined the company in 1977 as a research chemist with the Agricultural Products business before moving into a series of commercial roles in the Chemicals business. His senior management positions have included General Manager of Trading (Chemnet) and Mining Chemicals, General Manager of the Polyethylene Group, Manager Director of Incitec Ltd and Managing Director of Incitec Pivot Limited.

Prior to his current appointment, Greg was General Manager People and Community with responsibility for Human Resources, Safety Health and Environment, Corporate Affairs, Six Sigma and Group Procurement.

Corporate Governance

Orica's directors and management are committed to conducting the company's business ethically and in accordance with high standards of corporate governance.

This statement describes Orica's approach to corporate governance. The Board believes that Orica's policies and practices comply with the Australian Stock Exchange (ASX) Corporate Governance Council Principles and Recommendations. The company's corporate governance policies can be viewed on the company's website at www.orica.com.

Integrity of Reporting

The company has controls in place that are designed to safeguard the company's interests and integrity of its reporting. These include accounting, financial reporting, safety, health and environment and other internal control policies and procedures, which are directed at monitoring whether the company complies with regulatory requirements and community standards.

Both the Managing Director and Executive Director Finance are required to state in writing to the Board that:

- the company's financial reports represent a true and fair view of the group's financial condition and operational results and are in accordance with relevant accounting standards; and
- these statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

These assurances are based on a financial letter of assurance that cascades down through management and includes sign-off by business general managers and business chief financial officers.

Comprehensive practices have been adopted to monitor:

- that capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- financial exposures including the use of derivatives;
- safety, health and environment standards and management systems to achieve high standards of performance and compliance; and
- that business transactions are properly authorised and executed.

Internal audit has a mandate for reviewing and recommending improvements to controls, processes and procedures used by the company across its corporate and business activities. The company's internal audit is managed by the Chief Sustainability and Risk Officer and supported by an independent external firm of accountants.

The company's financial statements are subject to an annual audit by an independent, professional auditor who also reviews the company's half-yearly financial statements. The Board Audit and Risk Committee oversees this process on behalf of the Board.

Risk Identification and Management

Orica believes that effective risk management supports the company's ability to grow. Orica recognises the importance of risk management practices across all businesses and operations. Effective risk management highlights for management's attention the risks of loss of value and provides a framework to achieve and deliver the company's strategy.

The Board establishes the policies for the oversight and management of material business risks and internal control. The design and implementation of the risk management and internal control systems to manage the company's material business risks is the responsibility of management. The Board satisfies itself that management has developed and implemented a sound system of risk management and internal control.

The key elements of the policies for the oversight and management of material business risks are:

- Material financial and non-financial business risks are systematically and formally identified and assessed by the Board, Group Executive and business platforms on (at least) an annual basis.
- Risk assessments are also performed for individual material projects, capital expenditure, products and country risks.
- Internal controls are identified and where appropriate, management plans are established for each significant identified risk outlining the mitigation strategy and tasks, and the management responsible for the action.
- Formal risk reporting is provided to the Board on an ongoing basis including information in relation to whether material business risks are being managed effectively – this includes information relating to risk profiles and progress against plans.

The Managing Director and Executive Director Finance have provided a report to the Board that the risk management and internal control systems have been designed and implemented to manage the company's material business risks, and management has reported to the Board as to the effectiveness of the company's and consolidated entity's management of its material business risks.

A separate role of Chief Sustainability and Risk Officer exists, reporting to the Executive Director Finance and liaising directly with the Board Audit and Risk Committee, to manage the company's risk management and internal audit program.

An independent external firm of accountants assists the Chief Sustainability and Risk Officer in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the risk management and internal control systems, and periodically provides assistance and input when undertaking risk assessments.

The Board Role

The Board of Orica Limited sees its primary role as the protection and enhancement of long term shareholder value. The Board is accountable to shareholders for the performance of the company. It directs and monitors the business and affairs of the company on behalf of shareholders and is responsible for the company's overall corporate governance.

The Board responsibilities include appointing the Managing Director and succession planning, approving major strategic plans, monitoring the integrity and consistency of management's control of risk, agreeing business plans and budgets, approving major capital expenditure, acquisitions and divestments, approving funding plans and capital raisings, agreeing corporate goals and reviewing performance against approved plans.

Responsibility for managing, directing and promoting the profitable operation and development of the company, consistent with the primary objective of enhancing long term shareholder value, is delegated to the Managing Director, who is accountable to the Board.

The Board recognises the respective roles and responsibilities of the Board and management in the charters prepared for the Board, Managing Director and Chairman and in the company's reserved authorities approved by the Board.

Composition

The Board considers that its structure, size, focus, experience and use of committees enables it to operate effectively and add value to the company.

Orica maintains a majority of non-executive directors on its Board and separates the role of Chairman and Managing Director.

The Board currently comprises ten directors: eight independent non-executive directors, including the Chairman, and two executive directors, being the Managing Director and the Executive Director Finance.

Details of the directors as at the date of this report, including their qualifications and experience are set out on page 12.

The composition of the Board seeks to provide an appropriate range of experience, skills, knowledge and perspective to enable it to carry out its obligations and responsibilities. In reviewing the Board's composition and in assessing nominations for appointment as non-executive directors, the Board uses external professional advice as well as its own resources to identify candidates for appointment as directors.

The balance of skills and experience of the Board is critically and regularly reviewed by the Corporate Governance and Nominations Committee.

Independence

The Board recognises the special responsibility of non-executive directors for monitoring executive management and the importance of independent views.

The Chairman and all non-executive directors are independent of executive management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment or compromise their ability to act in the best interests of the company.

The independence of each director is considered on a case by case basis from the perspective of both the company and the director. Materiality is assessed by reference to each director's individual circumstances, rather than by applying general materiality thresholds. Each director is obliged to immediately inform the company of any fact or circumstance, which may affect the director's independence.

If a conflict of interest arises, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Directors must keep the Board advised, on an ongoing basis of any interests that could potentially conflict with those of the company.

Selection and Appointment of Directors

The directors are conscious of the need for Board members to possess the diversity of skill and experience required to fulfil the obligations of the Board. In considering membership of the Board, directors take into account the appropriate characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the company.

Nominations for appointment to the Board are considered by the Corporate Governance and Nominations Committee and approved by the Board as a whole.

Non-executive directors are subject to shareholder re-election by rotation at least every three years, and normally do not serve more than 10 years.

All directors must obtain the Chairman's prior approval before accepting directorships or other significant appointments.

An orientation program is offered to new directors including a program of site visits and briefings on Orica's businesses and operations and key policies and controls.

Board Meetings

The Board has eight scheduled meetings per year, of which six are two days duration. Additional meetings are held as the business of the company may require. Directors receive comprehensive Board papers in advance of the Board meetings. As well as holding regular Board meetings, the Board sets aside at least two days annually to comprehensively review business plans and company strategy. Directors also receive regular exposure to Orica's businesses and the major regulatory controls relevant to the company. Directors also undertake site visits to a range of Orica operations to meet with employees, customers and other stakeholders.

In those months that Board meetings are not scheduled directors receive financial and safety, health and environment reports and an update from the Managing Director on the performance of the company and any issues that have arisen since the last Board meeting.

In conjunction with or in addition to scheduled Board meetings, the non-executive directors meet together without the presence of management and the executive directors to discuss company matters.

To aid the effectiveness of Board meetings each scheduled Board meeting is subject to a critical review evaluating the standard of information and material presented to the Board and the quality of the contribution made by directors to the consideration of issues on the agenda.

Board and Executive Performance

Orica has in place a range of formal processes to evaluate the performance of the Board, Board Committees and executives. These processes can be viewed on the Orica website at www.orica.com.

At the conclusion of the year, the Board carries out a review of its performance. Directors standing for re-election are subject to a performance review conducted by the Board. In addition, each Board Committee reviews its effectiveness. An independent review of Board, Committee and director performance is undertaken periodically. During the year the annual Board and committee reviews were conducted in respect of the previous financial year in accordance with the process set out above.

The non-executive directors are responsible for regularly evaluating the performance of the Managing Director. The evaluation is based on specific criteria, including the company's business performance, short and long term strategic objectives and the achievement of personal objectives agreed annually with the Managing Director.

All Orica executives are subject to an annual performance review. The review involves an executive being evaluated by their immediate superior by reference to their specific performance contract for the year, including the completion of key performance indicators and contribution to specific business and company plans. All Orica executives, including the Chief Executive Officer, have had their performance evaluated during the year in accordance with the process set out above.

Access to Information and Independent Advice

Each director has the right of access to all relevant company information and to the company's executives and, subject to prior consultation with the Chairman, or with the approval of a majority of the board, may seek independent professional advice at the company's expense. Pursuant to a deed executed by the company and each director, a director also has the right to have access to all documents which have been presented to meetings or made available whilst in office, or made available in relation to their position as director for a term of ten years after ceasing to be a director or such longer period as is necessary to determine relevant legal proceedings that commenced during this term.

Shareholdings of Directors and Employees

The Board has approved guidelines for dealing in securities. Directors and employees must not, directly or indirectly, buy or sell the shares or other securities of Orica, excluding participation in the Dividend Reinvestment Plan, when in possession of unpublished price sensitive information, which could materially affect the value of those securities. Subject to this restriction, directors and employees may buy or sell Orica shares during the following trading windows:

- in the 28 day period commencing 24 hours after the announcement of the Orica half-year results; and
- in the period commencing 24 hours after the announcement of the full-year results and ending 31 January.

Directors and employees must receive clearance from the Chairman or Company Secretary for any proposed dealing in Orica shares outside of a trading window.

Directors and employees must not deal in Orica securities on a short-term basis

or enter into short-term derivative arrangements in any circumstances.
Directors and employees may deal in securities via a margin loan arrangement in relation to their Orica securities where:

- the Orica securities are not held "at risk" or subject to restrictions under an Orica employee, executive or director plan;
- the margin lending arrangement does not, of itself, trigger a transfer in the legal or beneficial ownership of the underlying securities;
- the arrangement is entered into during a trading window; and
- the Company Secretary is notified prior to the margin lending arrangement being entered into.

Directors and employees may create or enter into a derivative arrangement in relation to Orica securities where:

- the Orica securities are not held "at risk" or subject to restrictions under an Orica employee, executive or director plan;
- the derivative arrangement would not be considered a short term derivative arrangement; and
- the Company Secretary is notified prior to the derivative arrangement being entered into.

Any transaction conducted by directors in Orica securities is notified to the Australian Stock Exchange. Each director has entered into an agreement with the company to provide information to allow the company to notify the ASX of any transaction within 5 business days. The current shareholdings are shown in Note 37.

Directors' Fees and Executive Remuneration

The remuneration report on page 24 sets out details regarding the company's remuneration policy, fees paid to directors for the past financial year, and specific details of executive remuneration.

Board Committees

The Board has charters for each of its committees. Charters are reviewed annually and objectives set for each committee. The committees report back to the Board and do not have formal delegation of decision making authority. The Committee Chairmen report on the committees as a standing item of the Board agenda. Additionally any director is welcome to attend any committee, and minutes of the committees are circulated to the Board. The charters may be viewed on the Orica website at www.orica.com.

Board Audit and Risk Committee

The Board Audit and Risk Committee comprises three independent non-executive directors with relevant financial, commercial and risk management experience.
The Chairman of the Board Audit and Risk Committee is separate from the Chairman of the Board. Nora Scheinkestel is the current Chairman of the Board Audit and Risk Committee and the other members are Garry Hounsell and Michael Tilley. The Chairman, Managing Director and Executive Director Finance attend ex officio.

The committee is charged with assessing the adequacy of the company's financial and operating controls, oversight of risk management systems and compliance with legal requirements affecting the company. The committee meets at least four times per year.

Details of directors' attendance at meetings of the Audit and Risk Committee are set out in the Directors' Report on page 21.

The committee assesses and reviews external and internal audits and risk reviews and any material issues arising from these audits or reviews. It also assesses and reviews the accounting policies and practices of the group as an integral part of reviewing the half yearly and full year accounts for recommendation to the Board. It also makes recommendations to the Board regarding the appointment of external auditors and the level of their fees and provides a facility, if necessary, to convey any concerns raised by the internal and external auditors independent of management influence. The external and internal auditors attend committee meetings and meet privately with the committee at least twice per year.

The Board Audit and Risk Committee monitors the level of any other services provided by the external auditor for compatibility in maintaining auditor independence. Restrictions are placed on other services performed by the external auditor and projects outside the scope of the approved audit program require the approval of the Chairman of the Board Audit and Risk committee. Any other services with a value of greater than $20,000 must be submitted to the Committee for approval in advance of the work being undertaken. The committee is asked to ratify any other services less than $20,000 in value. The fees paid to the company's external auditors for audit and other services are set out in Note 31.

Human Resources & Compensation Committee

During 2009 the Board considered it was appropriate to expand the remit for the Remuneration and Appointments Committee to include a broader and deeper focus on human resources issues. This resulted in a name change for the committee to, Human Resources & Compensation Committee.
The committee comprises Russell Caplan (Chairman), Garry Hounsell and Peter Duncan. The Chairman attends ex officio and the Managing Director and Executive Director Finance attend by invitation.

Details of directors' attendance at meetings of the Human Resources & Compensation Committee are set out in the Directors' Report on page 21.

The Committee assists the Board in the effective discharge of its responsibilities for the oversight of management process and performance in the provision of human resources necessary to effectively execute the company's strategy over the long term. The Committee recommends to the Board on the company's recruitment, organisational and people development, retention, employee relations, policies and workplace capability, including the capability of candidates considered for succession to Managing Director and Group Executive positions.

Remuneration arrangements and termination payments for the Managing Director, Executive Directors and executives reporting to the Managing Director, including short term incentive payments, performance targets and bonus payments, remain matters for all non-executive directors. Remuneration is set by reference to independent data, external professional advice, the company's circumstances and the requirement to attract and retain high calibre management.

Corporate Governance and Nominations Committee

The Corporate Governance and Nominations Committee comprises Don Mercer (Chairman), Graeme Liebelt, Nora Scheinkestel, Peter Kirby, Russell Caplan and Michael Beckett. The committee monitors new developments in corporate governance practices and evaluates the company's policies and practices in response to changing external and internal factors and the ethical guidelines affecting the company.

This committee also deals with the nomination of directors and considers the most appropriate processes for review of the Board's composition and performance. The committee evaluates the composition of the Board and the annual program of matters considered by the Board to determine whether the appropriate mix of members and business exists to enable the Board to discharge its responsibilities to shareholders.

Details of directors' attendance at meetings of the Corporate Governance and Nominations Committee are set out in the Directors' Report on page 21.

Safety, Health and Environment Committee

The Safety, Health and Environment Committee comprises Peter Kirby (Chairman), Michael Beckett and Michael Tilley. The Chairman, Managing Director and Executive Director Finance attend ex officio. The committee assists the Board in the effective discharge of its responsibilities in relation to safety, health and environmental matters arising out of activities within the company as they affect employees, contractors, visitors and the communities in which it operates. The committee also reviews the company's compliance with the environment policy and legislation and reviews safety, health and environmental objectives, targets and due diligence processes adopted by the company.

A Letter of Assurance for SH&E is written by the Managing Director and presented to the SH&E Committee on an annual basis after a thorough process of assessment by each business.

Details of directors' attendance at meetings of the Safety, Health and Environment Committee are set out in the Directors' Report on page 21.

Executive and Special Committees

In addition, there is a standing Executive Committee comprising the Chairman, the Managing Director, the Executive Director Finance and any other non-executive director who is available (but at least one), which is convened as required, to deal with matters that need to be dealt with between board meetings. From time to time special committees may be formed on an as-needs basis to deal with specific matters.

Continuous Disclosure and Keeping Shareholders Informed

The company seeks to provide relevant and timely information to its shareholders and is committed to fulfilling its obligations to the broader market for continuous disclosure and enabling equal access to material information about the company.

The Board has approved a continuous disclosure policy so that the procedures for identifying and disclosing material and price sensitive information in accordance with the Corporations Act and ASX Listing Rules are clearly articulated. This policy sets out the obligations of employees and guidelines relating to the type of information that must be disclosed and may be viewed on the Orica website at www.orica.com.

Information provided to and discussions with analysts are subject to the continuous disclosure policy. Material information must not be selectively disclosed prior to being announced to the Australian Stock Exchange.

The Company Secretary is the person responsible for communication with the Australian Stock Exchange.

The www.orica.com website contains copies of the annual and half year reports, ASX announcements, investor relations publications, briefings and presentations given by executives, (including webcasts), plus links to information on our products and services. Shareholders may elect to receive electronic notification of releases of information by the company and receive their notice of meeting and proxy form by email. Electronic submission of proxy appointments and power of attorney are also available to shareholders. Page 128 of this report contains details of how information provided to shareholders may be obtained.

The Board encourages full participation of shareholders at the Annual General Meeting. Important issues are presented to the shareholders as single resolutions. The external auditor attends annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

Code of Conduct

Orica acknowledges the need for directors, executives, employees and contractors to observe the highest ethical standards of corporate and business behaviour. Orica has adopted a Code of Conduct (entitled: Your Guide To How We Do Business) which applies to all countries in which Orica operates. The Code of Conduct sets out the standards of business conduct required of all employees and contractors of the company. It is aimed at ensuring the company maximises its good reputation and that its business is conducted with integrity and in an environment of openness.

The Code of Conduct provides clear direction and guidance with regard to expected standards of behaviour and conduct with respect to (amongst other things):

- safety, health and environment;
- protection of information and the company's resources;
- competition law and trade practices compliance;
- privacy;
- conflict of interest;
- insider trading and dealing in securities;
- equal employment opportunity and harassment;
- gifts and benefits;
- prevention of bribery and facilitation payments; and
- prevention of, and dealing with, fraud.

The Code of Conduct is periodically reviewed and approved by the Corporate Governance and Nominations Committee and processes are in place to promote and communicate the Code of Conduct and relevant company policies and procedures. An Integrity Hotline (the "Speak Up" line) and associated website and email facility have been established to enable employees to report (on an anonymous basis) breaches of the Code of Conduct. If a report is made, it is escalated as appropriate for investigation and action.

The Code of Conduct is overseen by the Orica Business Conduct Committee comprising the Executive Director Finance, General Manager Human Resources and Communications, the Group General Counsel and the Chief Risk Officer, who review compliance with the Code of Conduct over the relevant reporting period and make recommendations to the Corporate Governance and Nominations Committee to address any systemic issues.

The Code of Conduct has been translated into Orica's family of languages. It may be viewed on the Orica website at www.orica.com.

Donations

The equivalent of dividends payable on a shareholding of approximately 0.5% of the company's ordinary issued capital is allocated for donation at the direction of the Corporate Governance and Nominations Committee.

From the amount allocated for corporate donations, Orica matches employee 'Dare to Share' contributions and may support worthwhile causes overseas. The amount remaining is allocated to the Orica Community Program and is distributed to selected Australian charitable organisations in accordance with published criteria.

In addition Orica's operations contribute to their local communities with donations, sponsorship and practical support.

Orica does not make political donations.

Safety, Health & Environment

Orica considers the successful management of safety, health and environment issues as a vital issue for our employees, customers, communities and business success. At each Board meeting the directors receive a report on current safety, health and environment issues and performance in the group. The Board receives more detailed presentations on safety, health and environment every six months. A separate Board Safety, Health and Environment Committee reviews and monitors environmental issues at Board level.

For more in-depth information on our SH&E and Sustainability commitments in 2009, visit the Orica website: www.orica.com/sustainability.

The Sustainability section of this Annual Report details the actions being undertaken by the company to improve its environmental performance.

Sustainability

Orica's success is underpinned by a commitment to take care of the safety of the people we work with and the communities in which we work. Our guiding principles are to:

- Value people and the environment; and to achieve
- No injuries to anyone, ever.

We are striving to be carbon and water neutral, approach zero waste and be environmentally friendly in a commercially responsible way.

No Injuries to Anyone, Ever

We are sad to report the tragic deaths of four employees in separate incidents in October and November 2008. The incidents occurred in Malaysia, Poland, China and Mexico. Each fatality has been fully investigated and lessons learned have been shared across the organisation.

In 2009 we increased our emphasis on the preparation of Job Safety and Environment Risk Assessments particularly for Permits to Work[1] (PTW). We have been pleased to note a significant decrease in the number of PTW incidents during the reporting period.

Expert Panels have been established to define the requirements for the design and control of major hazard processes. In 2009 our Expert Panels worked with customers to improve our underground mine safety performance; addressed risks with transportation of explosive materials as well as with chlorine and sodium cyanide operations.

Our businesses have developed Process Safety Scorecards and participated in benchmarking between the sites as well as with external industry associations.

Our All Worker Recordable Case Rate has reduced to 0.69 compared with 0.72 in 2008.

Value People and the Environment

It is with regret that we report a greater number of distribution incidents this year. Seventeen incidents involved vehicle rollovers and there were two significant losses of containment from ships in heavy seas. There were five fatalities to members of the public, including a contract driver, in four separate incidents across the globe. In response to these incidents, our Chemicals business has implemented a training program across its logistics and commercial team to address the *"Chain of Responsibility"* legislation that impacts the whole supply chain from producer to transporters to customer.

Three minor site losses of containment occurred on our sites during the reporting period.

Carbon Neutral

Climate change is a serious global issue that presents challenges and opportunities for Orica. The risk of extreme weather events is considered in our risk management, emergency response planning and business continuity planning processes.

Shadow prices for carbon emissions and water consumption are now required in our key capital expenditure proposals.

Illustrating our commitment to reducing our impact on the climate, we have embraced several opportunities for our company, including:

- Understanding carbon abatement opportunities in the Clean Development Mechanism countries where we operate;
- Achieving significant energy savings identified through our participation in the Australian Government's Energy Efficiency Opportunities program; and
- Creating products and services that minimise carbon emissions from the provision of better blasting services to our global mining customers.

We have improved our energy efficiency by 12.7 per cent and reduced our greenhouse gas emissions by 37.2 per cent compared to our 2004 baseline.

In 2008 we commenced our nitrous oxide abatement program by installing technology at our operation in Carseland, Canada. This has reduced the facility's emissions by 53 per cent. In July 2009 similar technology was installed at our operation in Bacong, the Philippines. This project was implemented as part of the Clean Development Mechanism (defined in article 12 of the Kyoto Protocol) and has reduced the facilities' emissions by over 75 per cent, equal to 28,000 tonnes of carbon dioxide equivalent per annum.

In Australia we are preparing to participate in the pending national emissions trading scheme and have commenced reporting in accordance with the National Greenhouse and Energy Reporting Act (2007).

Water Neutral

Orica has implemented, and continues to develop, measures to mitigate the impact of various levels of water restrictions around Australia.

Water use at our facilities reduced by 32.2 per cent in 2009 compared to our 2004 baseline, again achieving our Challenge 2010 target of a 15 per cent reduction in water consumed per tonne of product.

Zero Waste

We have reduced our waste generation per tonne of production by 60.9 per cent in 2009 compared to our 2004 baseline, achieving our Challenge 2010 target of a 50 per cent reduction for the third consecutive year.

Various initiatives contributed to this continued success. New procedures for waste Cereclor reprocessing eliminated more than 185 tonnes of waste at our operation in Laverton, Australia. Our Minova business in the United States worked with a major customer to significantly reduce packaging on a range of products.

Environmentally Friendly

We are committed to ensuring that our operations, products and services have no unintended consequences to the environment and the community.

Orica was fined $5,000 for breaches relating to nitrate discharges at our Yarwun, Australia, facility.

In 2009 we made further improvements to our on site controls to protect land and waterways, revised product transfer and monitoring protocols and increased our focus on recycling our products' packaging. We also introduced various sustainable products to the marketplace. For example:

- Orica Mining Chemicals has developed a collapsible transport container that can be easily disassembled for reuse;
- Dulux Envirosolutions™ Envirowash and Waste Paint Hardener products continue to open up new markets in Australia, New Zealand, South Africa, Mozambique and the United States; and
- Orica Mining Services conducted Argentina's first electronic blasting by remote control this year using our 'Surface Remote Blasting System'. The system ensures that the operator is able to activate the detonation well away from any safety hazards such as flying rock and other blast effects.

Read more about how we delivered on our SH&E and sustainability commitments in 2009 in our Sustainability Report at: **www.orica.com/sustainability**

1 'Permit to Work' is formal written system used to control certain types of potentially hazardous work.

Financial Report

Directors' Report

The directors of Orica Limited ('the Company' or 'Orica') present the financial report of the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group') for the year ended 30 September 2009 and the auditor's report thereon.

Directors

The directors of the Company during the financial year and up to the date of this report are:

D P Mercer, Chairman
G R Liebelt, Managing Director
N A Meehan, Executive Director Finance
M E Beckett
R R Caplan
P J Duncan
G A Hounsell
P M Kirby
N L Scheinkestel
M Tilley
C M Walter (retired 21 December 2008)

Particulars of directors' qualifications, experience and special responsibilities are detailed on page 12 of the annual report.

A Cook (Dip Bus (Accounting), Dip Bus (Data Processing), CPA) has been a Company Secretary of Orica Limited since 16 February 2005 and prior to that was Assistant Company Secretary from August 2002, following a series of roles in Orica over 21 years.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are listed below:

Director	Scheduled Board Meetings [1]		Audit and Risk Committee [1]		Human Resources and Compensation Committee [1]		Corporate Governance and Nominations Committee [1]		Safety, Health and Environment Committee [1]		Remuneration and Appointments Committee [1] [2]	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
D P Mercer	7	7	-	-	-	-	4	4	-	-	2	2
G R Liebelt	7	7	-	-	-	-	4	4	-	-	-	-
N A Meehan	7	7	-	-	-	-	-	-	-	-	-	-
M E Beckett	7	7	-	-	-	-	4	4	4	4	2	2
R R Caplan	7	7	-	-	2	2	2	2	2	2	2	2
P J Duncan	7	7	3	3	2	2	2	2	-	-	2	2
G A Hounsell	7	7	4	4	2	2	-	-	-	-	2	1
P M Kirby	7	7	-	-	-	-	4	4	4	4	2	2
N L Scheinkestel	7	7	4	4	-	-	2	2	-	-	2	2
M Tilley	7	7	3	3	-	-	-	-	3	3	2	2
C M Walter	1	1	-	-	-	-	-	-	1	1	1	1

(1) Shows the number of meetings held and attended by each director during the period the director was a member of the Board or Committee.
(2) The Remuneration and Appointments Committee was replaced with the Human Resources and Compensation Committee in February 2009.
In addition to the Board meetings referred to in the above table, available directors attended three meetings during the year to address business matters arising between scheduled Board meetings.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at the date of this report is disclosed in note 37. Directors' interests shown in this note are as at 30 September 2009, however there has been no change in holdings to the date of this report.

Principal activities

The principal activities of the consolidated entity in the course of the financial year were the manufacture and distribution of mining products and services, consumer products and chemical products and services.

Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the review of operations and financial performance of the consolidated entity on pages 4 to 11 of the annual report. Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the directors, disclosure would be likely to result in unreasonable prejudice to the consolidated entity.

Review and results of operations

A review of the operations of the consolidated entity during the financial year and of the results of those operations is contained on pages 4 to 11 of the annual report.

Dividends

Dividends paid or declared since the end of the previous financial year were:	**$m**
Final dividend at the rate of 55 cents per share on ordinary shares, franked to 36.36% (20.0 cents) at the 30% corporate tax rate, paid 5 December 2008.	198.0
Interim dividend declared at the rate of 40 cents per share on ordinary shares, franked to 35.0% (14 cents) at the 30% corporate tax rate, paid 3 July 2009.	142.5
Total dividends paid	340.5

Since the end of the financial year, the directors have declared a final dividend to be paid at the rate of 57 cents per share on ordinary shares. This dividend will be franked to 35.09% (20.0 cents) at the 30% corporate tax rate.

Distributions on Step-Up Preference Securities

Distributions paid since the end of the previous financial year were:	**$m**
Distribution at the rate of 9.38% per annum, per security, unfranked paid 1 December 2008 for the period from 31 May 2008 to 29 November 2008.	23.5
Distribution at the rate of 5.63% per annum, per security, unfranked paid 1 June 2009 for the period from 30 November 2008 to 31 May 2009.	14.0
Total distributions paid	37.5

Changes in the state of affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the year ended 30 September 2009 are as follows:

Acquisitions

- On 7 November 2008, Orica acquired OPEL Chemical (Singapore) Private Limited which owns a decorative coatings business in China.
- On 28 November 2008, Orica acquired an additional 48.6% interest in Orica Mining Services Peru S.A..

On 4 September 2009, Orica announced that it had successfully renegotiated and extended bilateral debt facilities with its existing bank debt providers. A total amount of $2.1billion in facilities was committed by Orica's bank debt providers, with tranche maturity dates in each of 1, 2, 3, 4 and 5 years.

Events subsequent to balance date

On 9 November 2009, the directors declared a final dividend of 57 cents per ordinary share payable on 4 December 2009. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2009 and will be recognised in the 2010 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2009, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Environmental regulations

Safety, health and environment are cornerstones of Orica culture and Orica has set itself high standards. More specific details about Orica's sustainability initiatives and performance, including safety, health and environment, can be found on the Orica website – www.orica.com/sustainability.

Where applicable, manufacturing licences and consents are in place at each Orica site, often in consultation with local environmental regulatory authorities. The measurement of compliance with conditions of licences and consents involves collection of monitoring data. Any breach of licence limits is reported to authorities as required and is investigated to determine cause and ensure the risk of recurrence is minimised.

Greenhouse gas and energy data reporting requirements

The Group is subject to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007*.

The *Energy Efficiency Opportunities Act 2006* requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. As required under this Act, the Group has registered with the Department of Resources, Energy and Tourism as a participant entity and reported the results from its initial assessments before 31 December 2008.

The *National Greenhouse and Energy Reporting Act 2007* requires the Group to report its annual greenhouse gas emissions and energy use. The first measurement period for this Act ran from 1 July 2008 to 30 June 2009. The Group has implemented systems and processes for the collection and calculation of the data required and, in compliance with the legislation, submitted its initial report to the Greenhouse and Energy data Officer before 31 October 2009.

Environmental prosecutions

On 17 December 2008, the Queensland Environmental Protection Agency (EPA) prosecuted a subsidiary of the Company in relation to nitrate discharges in July 2007 that allegedly exceeded the Yarwun site environmental licence conditions. In December 2008 the Queensland Magistrates' Court fined the subsidiary $5,000, without recording a conviction, and acknowledged the Group's undertaking to pay $15,000 towards an EPA water quality and sampling project in Gladstone, Queensland.

Orica continues to devote considerable resources to cleaning up legacy sites and is committed to dealing with environmental issues from the past in an honest and practical way.

Indemnification of officers

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the directors, the secretaries and other executive officers, against liabilities incurred whilst acting as such officers to the extent permitted by law.

In accordance with the Company's Constitution, the Company has entered into a Deed of Access, Indemnity and Insurance with each of the Company's Directors and in a few cases specific indemnities have been provided. No director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the year.

The Company has paid a premium in respect of a contract insuring officers of the Company and of controlled entities, against a liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid. Executives and officers of Orica and directors of major subsidiaries have made a contribution to the insurance contract premium.

Non-audit services

During the year, KPMG, the Company's auditor, has performed certain other services in addition to its audit responsibilities.

The Board is satisfied that the provision of non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

No officer of the Company was a former partner or director of KPMG. A copy of the lead auditor's independence declaration as required under Section 307C of the Corporations Act is contained on page 40 of the annual report and forms part of this Directors' report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are disclosed in note 31.

Remuneration Report – audited

The directors of Orica Limited present the Remuneration Report (which forms part of the Directors' Report) prepared in accordance with section 300A of the Corporations Act for the Company and its controlled entities for the year ended 30 September 2009.

A. Remuneration Report Summary

A.1 Remuneration strategy

Orica is a company that enjoys a strong performance based culture and aims to deliver above average returns to its shareholders. The remuneration strategy adopted by the Company has been a key factor in achieving this success. The Company's remuneration framework is aligned with the Company's business strategy. It aims to attract, motivate, reward and retain executives through a remuneration system that is globally relevant, adaptable, sustainable, performance driven, competitive, shareholder aligned, differentiated, retentive and transparent and has a high perceived value. The key elements of the strategy are fixed salary at the market median with the ability to earn top quartile total remuneration based on achievement of clear short and long term performance targets.

Orica has a policy on the use of financial products (e.g. derivatives, margin loans or similar products) by directors and employees to limit the risk attached to equity instruments (commonly referred to as 'hedging') where those instruments are granted to them as part of their remuneration. Under this policy, Orica securities must not be hedged prior to vesting (i.e. prior to the relevant performance hurdles being met) or while they are subject to restriction under a long-term incentive plan. Any Orica securities that have vested and are no longer subject to restriction under a long-term incentive plan may be subject to hedging arrangements provided the Company is notified in advance of the employee/director entering into the relevant arrangement and the arrangements are put in place in a trading window.

Consistent with this policy, the Company's equity plans prohibit hedging of unvested securities. Orica treats compliance with this policy as a serious issue and takes appropriate measures to ensure the policy is adhered to. Breaches of the policy will be subject to appropriate sanctions, which could include disciplinary action or termination of employment.

A.2 Overview of elements of remuneration

As deemed under AASB 124 *Related Party Disclosures*, Key Management Personnel (KMP) include non-executive directors and members of the Group Executive Team (executive directors and the most highly remunerated executives) who have authority and responsibility for planning, directing and controlling the activities of Orica. In this report, "Executive KMP" refers to Executive Key Management Personnel. Non–executive directors have no involvement in the day to day management of the business.

Non-Executive Directors

Non-executive directors fees are set at levels which reflect the responsibilities and time commitments required of non-executive directors to discharge their duties. In order to maintain independence and impartiality, these fees are not linked to the performance of Orica.

Executive Directors and Senior Executives

Executive directors and senior executives remuneration comprises both a fixed component and an at-risk component. Fixed remuneration provides a guaranteed level of reward based on the executive's role, skills, knowledge, experience, individual performance and the employment market. At-risk remuneration rewards Executive KMP for achieving financial and business targets and increasing shareholder value. The mix between fixed remuneration and at-risk remuneration depends on the level of seniority of the Executive KMP.

	Elements of Remuneration	Directors		Executive KMP	Discussion in Remuneration Report
		Non-Executive	Executive		
Fixed remuneration	Fees	✓	×	×	B2
	Salary	×	✓	✓	E1
	Compulsory Statutory Superannuation	✓ (1)	✓	✓	B2/E1
	Other benefits	✓	✓	✓	B2/E1
At-risk remuneration	Short Term Incentive (STI)	×	✓	✓	D3
	Long Term Equity Incentive Plan	×	✓	✓	D4/G/H
Other	Retention arrangements	×	✓ (2)	✓	D5
Post-employment	Service Agreements	×	✓	✓	F1
	Termination payments – former Executive	×	✓	✓	E1

Table 1

(1) Retirement allowances for non-executive directors have been discontinued and directors appointed prior to 1 July 2002 preserved their retirement allowances as at 1 July 2004, with no indexation. The allowances will be paid to eligible directors on retirement.

(2) The Managing Director did not participate in the retention arrangements.

A.3 Key Management Personnel

Particulars of Key Management Personnel qualifications, experience and special responsibilities are detailed on pages 12 to 13 of the annual report.

All current Executive KMP other than Patricia McEwan were promoted internally from other roles within the Group. This reflects Orica's commitment to succession planning and development of key talent.

The Key Management Personnel to whom this Report applies are:

Name	Role	Commencement Date in current role
Non-Executive		
Donald Mercer	Non-Executive Director	1 October 1997
Michael Beckett	Non-Executive Director	15 July 2002
Russell Caplan	Non-Executive Director	1 October 2007
Peter Duncan	Non-Executive Director	1 June 2001
Garry Hounsell	Non-Executive Director	21 September 2004
Peter Kirby	Non-Executive Director	22 July 2003
Nora Scheinkestel	Non-Executive Director	1 August 2006
Michael Tilley	Non-Executive Director	10 November 2003
Former		**Retirement Date**
Catherine Walter	Non-Executive Director	21 December 2008
Executives		
Current		
Graeme Liebelt	Managing Director	1 September 2005
Noel Meehan	Executive Director Finance	1 May 2005
Michael Reich	Chief Executive Officer, Minova	1 February 2008
Andrew Larke	Group General Manager, Mergers and Acquisitions, Strategy and Technology	1 June 2006
Greg Witcombe	Group General Manager, Chemicals	22 September 2008
John Beevers (1)	Chief Executive Officer, Orica Mining Services	13 November 2008
Craig Elkington	President, Orica Mining Services, North America	1 April 2008
Patrick Houlihan	Chief Executive Officer, DuluxGroup	1 February 2007
Patricia McEwan	General Manager, Human Resources and Communications	1 June 2009
Former		**Leaving Date**
Philippe Etienne (2)	General Manager, Business Development	31 July 2009

Table 2

The Company Secretary is not considered Key Management Personnel. Accordingly, the Company Secretary has not been included in any Key Management Personnel totals.

(1) On 13 November 2008, John Beevers commenced as Chief Executive Officer, Orica Mining Services. Prior to this, John Beevers was General Manager, Orica Mining Services Australia/Asia.

(2) From 13 November 2008, Philippe Etienne was General Manager Business Development. Prior to this, Philippe Etienne was Chief Executive Officer, Orica Mining Services.

This Remuneration Report is signed in accordance with a resolution of the directors of Orica Limited.

D P Mercer
Chairman

9th November 2009.

B. Non-Executive Directors' Remuneration

B.1 Policy – independence and impartiality

Non-Executive directors' fees, excluding committee fees, are set by the Board within the maximum aggregate amount of $1,800,000 approved by shareholders at the 2005 Annual General Meeting. These fees exclude superannuation benefits and other payments in accordance with rule 48.1 of Orica's constitution. These fees are set at levels which reflect the time commitments and responsibilities of non-executive directors. In order to maintain independence and impartiality, non-executive directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance. In setting fees, the Board takes into consideration the Company's existing remuneration policies, external professional advice, survey data on fees paid by comparable companies and the level of remuneration required to attract and retain directors of the appropriate calibre. From 1 April 2009, non-executive directors receive a fee of $154,000 in relation to their service as a director of the Board, and the Chairman, taking into account the greater commitment required, receives a fee of $462,000. The Chairman's fees include payment for service on the Corporate Governance and Nominations Committee. From 1 April 2009, directors who sit on the Board's Audit and Risk Committee and Safety, Health and Environment Committee (SH&E) and Human Resources and Compensation Committee (HR&C) receive an additional fee of $20,000 per annum, other than Chairs of these Board committees who receive an additional fee of $40,000 per annum. Superannuation contributions are also made. In addition, the Board may pay additional remuneration for significant extra workload of non-executive directors. Non-Executive directors are also entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by the director while engaged on the business of the Company, in accordance with rule 50.2 of Orica's constitution.

Orica has discontinued retirement allowances for all Non-Executive directors. Directors appointed prior to 1 July 2002 have had their retirement allowance preserved (as at 1 July 2004) with no indexation and the allowance will be paid to the eligible directors upon retirement. In accordance with rule 48.1 of Orica's constitution, those retirement benefits do not fall within the maximum aggregate fee cap for Non-Executive directors.

B.2 Remuneration

Details of Non-Executive Directors' remuneration is set out in the following table:

		Committee Fees (1)						
For the year to 30 September 2009	Directors Fees (1)	Audit and Risk	SH&E	HR&C	Due Diligence (2)	Super-annuation (3)	Other Benefits (1) (4)	Total
	$000	$000	$000	$000	$000	$000	$000	$000
D P Mercer, Chairman (5)	441.0	-	-	-	-	39.7	-	480.7
M E Beckett	147.0	-	17.5	-	-	14.8	-	179.3
R R Caplan	147.0	-	7.5	20.0	-	15.7	-	190.2
P J Duncan (5)	147.0	17.1	-	10.0	-	15.7	-	189.8
G A Hounsell (4)	147.0	17.5	-	10.0	-	17.5	20.0	212.0
P M Kirby (4)	147.0	-	35.0	-	-	18.6	25.0	225.6
N L Scheinkestel	147.0	28.8	-	-	-	15.8	-	191.6
M Tilley	147.0	11.2	12.5	-	-	15.4	-	186.1
Former								
C M Walter (5)	30.9	-	3.3	-	-	3.1	-	37.3
Total Non-Executive Directors	**1,500.9**	**74.6**	**75.8**	**40.0**	**-**	**156.3**	**45.0**	**1,892.6**
For the year to 30 September 2008								
D P Mercer, Chairman (5)	420.0	-	-	-	-	37.8	-	457.8
M E Beckett	140.0	-	15.0	-	-	14.0	-	169.0
R R Caplan	140.0	-	11.3	-	-	13.6	-	164.9
P J Duncan (5)	140.0	30.0	-	-	-	15.3	-	185.3
G A Hounsell (2)	140.0	15.0	-	-	25.0	16.2	-	196.2
P M Kirby (2)	140.0	-	30.0	-	20.0	17.1	-	207.1
N L Scheinkestel (2)	140.0	15.0	-	-	20.0	15.8	-	190.8
M Tilley	140.0	-	-	-	-	12.6	-	152.6
C M Walter (2) (5)	140.0	-	15.0	-	25.0	16.2	-	196.2
Total Non-Executive Directors	1,540.0	60.0	71.3	-	90.0	158.6	-	1,919.9

Table 3

(1) Represents actual directors' remuneration paid during the financial year.

(2) C Walter chaired and P Kirby was a member of the Rights Issue Committee. G Hounsell chaired and N Scheinkestel was a member of the Demerger Committee.

(3) Company superannuation benefits contributions made on behalf of Non-Executive directors.

(4) Remuneration for additional workload involved in the proposed demerger of the DuluxGroup.

(5) If each eligible Non-Executive director had ceased to be a director on 30 September in each year, the following benefits would have been payable under the grandfathered Directors' Retirement Scheme: D P Mercer $664,000 (2008 $664,000), P J Duncan $154,800 (2008 $154,800), C M Walter $nil (paid in full in 2009) (2008 $228,700) (refer Non-Executive directors' remuneration policy above). These benefits have been fully provided for in the financial statements.

C. Company performance – the link to reward

C.1 Five year performance

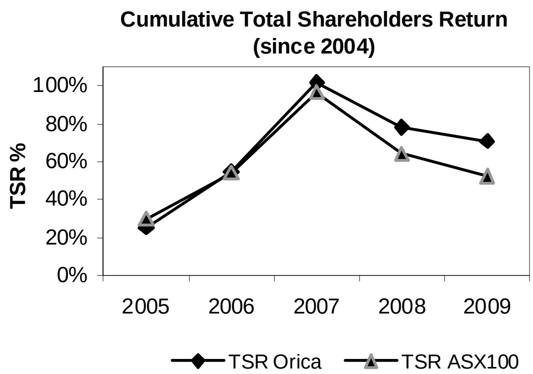
Over the past five financial years, the Board has set challenging financial performance targets for management and has directly aligned Executive KMP incentives to the achievement of those targets. The link is clear: when target performance is achieved, target Executive KMP rewards are earned, and when above target performance is achieved, Executive KMP earn above target rewards.

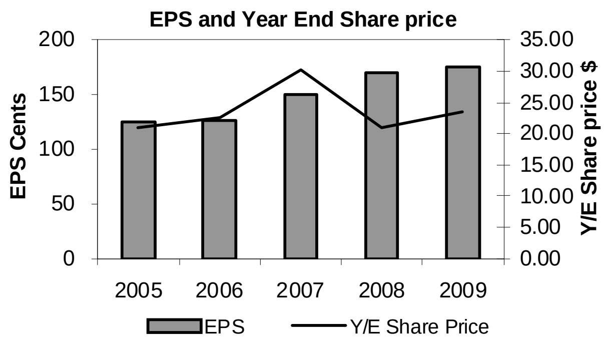
Orica has enjoyed strong performance over the past five years:

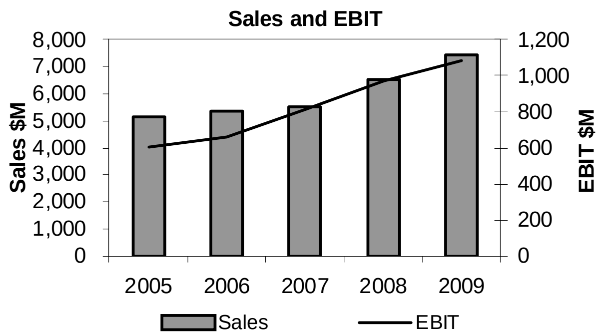
- net profit after tax (before individually material items) has grown at a compound rate of 14.7% per annum over the five years;
- the share price has increased 36% over that period;
- an average of 85.0 cents per ordinary share per annum has been paid to shareholders under the Company's dividend policy;
- additional returns to shareholders have been made through share buy-backs; and
- total shareholder return (TSR) over the past five years has been 71%.

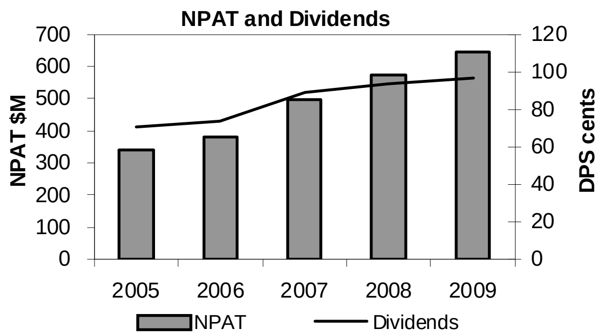
As a result, for the past five years, Executive KMP have generally earned rewards at or above target levels.

The Board believes that directly linking Executive KMP rewards to performance targets has been a key driver in the achievement of the strong results (before individually material items) shown in the charts below.









Further information about this year's performance is set out in the Managing Director's report on page 3 and throughout the annual report.

Over the past five years, Orica has conducted a series of on-market share buy-backs as part of its capital management strategy. These buy-backs have resulted in a total buy-back of 10,304,800 ordinary shares, with $250 million returned to shareholders.

C.2 Link to performance

All of the at-risk component of Executive KMP remuneration is tied to performance.

Executive KMP **short term incentives** are paid annually in cash and are linked to overall performance measures for Orica, as well as specific measures for businesses in the areas of financial performance (net profit after tax (before individually material items) (NPAT), earnings before interest and tax before individually material items (EBIT) and cash flow) and safety. The specific measures and their weightings vary depending on the seniority and role of the Executive KMP. Each year, a performance contract specifying target, stretch and threshold performance measures is set and agreed with each Executive KMP, by that Executive KMP's manager. The performance contract of the Managing Director is set and agreed with the Chairman. The Chairman and the Human Resources and Compensation Committee review Executive KMP performance targets to ensure they are appropriately challenging.

Executive KMP **long term incentives** (delivered through the Long Term Equity Incentive Plan) are linked to growth in Orica's share price and growth in Total Shareholder Return (TSR).

The table below shows how specific measures of Company performance and shareholder value link to Executive KMP at-risk rewards. Note that financial data prior to 2005 is stated under accounting standards used prior to the adoption of International Financial Reporting Standards.

These measures are directly linked to short term incentives. A minimum level of NPAT must be achieved before any incentives are paid.

Executive long term incentives are directly linked to share price and TSR growth.

	2004	2005	2006	2007	2008	2009
External Sales ($m)	4,610.5	5,126.7	5,359.2	5,527.2	6,544.1	7,411.0
Cash flow from operating activities ($m)	587.9	375.8	413.9	524.3	736.9	854.9
EBIT ($m)	553.3	600.9	657.7	812.7	970.1	1,082.5
NPAT ($m)	325.6	339.9	380.3	497.8	572.3	646.1
All Workers Recordable Case Rate	0.74	0.85	0.57	0.60	0.72	0.69
Dividends per ordinary share (cents)	68.0	71.0	74.0	89.0	94.0	97.0
Return of capital ($m)	127.5	53.7	81.5	114.8	-	-
Year end share price ($)	17.30	21.00	22.47	30.10	20.95	23.50
Cumulative TSR - Orica (%)		25.24	54.94	101.79	78.24	70.96
Cumulative TSR - ASX 100 (%)		29.83	54.10	96.75	64.32	52.28

Table 4

D. Executive remuneration – driving a performance culture

D.1 Board policy on remuneration

The Human Resources and Compensation Committee has recommended, and the Board has adopted, a policy that remuneration for Executive KMP will:

- reinforce the short, medium and long term objectives of Orica;
- link the rewards for management to the creation of shareholder value and returns; and
- be competitive in the markets in which Orica operates in order to attract, motivate and retain high calibre employees.

Details of the composition and responsibilities of the Human Resources and Compensation Committee are set out on page 16. The Committee and senior management receive external advice on matters relating to remuneration.

The Board considers it desirable for remuneration packages of Executive KMP to include both a *fixed* component and an *at-risk* or *performance-related* component (comprising both short term and long term incentives). The Board views the at-risk component as an essential driver of Orica's high performance culture. The mix between fixed remuneration and at-risk remuneration is designed to reflect market conditions at each job and seniority level. For the Managing Director, the split is broadly 45% fixed and 55% at-risk, whilst the split for other Executive KMP is broadly 55% fixed and 45% at-risk, as shown in the table below. These splits have been updated from the 2008 report, and represent the annual grant value of Executive Long Term Incentives.

	% of Total Annual Remuneration		
	Fixed (1)	**At-risk**	
		Short term incentive (2) (3)	Long term incentive (4)
Managing Director	45%	25%	30%
Other Executive KMP	55%	25%	20%

Table 5

(1) Fixed Annual Remuneration as per table 13 in section F1.

(2) Target STI is set at 50% of the maximum STI. Executive KMP may achieve greater than 100% of maximum STI where there is an uncapped STI for selected significant critical performance items such as EBIT performance.

(3) Maximum STI (%) as per table 10 in section E2.

(4) LTEIP granted ($) as per table 11 in section E3.

The percentages in table 5 represent the remuneration mix for the Executive KMP where target performance is achieved. The actual remuneration mix for the Executive KMP will vary depending on the level of performance achieved at a Group, business and individual level. Where stretch targets for short term and long term incentives are met, then the proportion of total remuneration derived from these at-risk components will be significantly higher than the percentages shown in table 5. This relatively high weighting of at-risk remuneration reflects the Board's commitment to performance-based reward.

For full details of the remuneration paid to executive directors (including the Managing Director) and Executive KMP for the 2009 financial year, refer to section E below.

D.2 Fixed remuneration

All Executive KMP receive a fixed remuneration component. In general, this is expressed as a total amount of salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash and superannuation. Fixed remuneration is reviewed annually and is determined by the scope of the individual's role, their level of knowledge, skills and experience, individual performance and market benchmarking.

Against the background of the global financial crisis and the resultant impact on the Australian economy, Executive KMP will receive no increase to their fixed remuneration as part of the fiscal 2010 remuneration review process except where they have been promoted into a new position or have had a significant increase in the scope of their responsibilities.

D.3 At-risk remuneration – Short Term Incentive Plan (STI)

Summary of STI for 2009	
What is the STI?	An annual cash incentive plan linked to specific annual targets (which are predominantly financial).
Who participates in the STI?	All Executive KMP.
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a large proportion of executive remuneration at-risk against meeting targets linked to Orica's annual business objectives.
Are STIs awarded where performance falls below a minimum threshold performance level?	No STI is awarded if minimum performance across Orica does not meet the required threshold. In recent years, this has been linked to a minimum level of net profit after tax before individually material items that must be achieved before any STI is awarded.
Who assesses the performance of Executive KMP?	The Managing Director, in consultation with the Orica Board, assesses the performance of Executive KMP at the end of each financial year.
Who assesses the performance of the Managing Director?	Orica's non-executive directors approve the targets for the Managing Director and Executive Director Finance at the beginning of each year and assess performance against those targets at the end of the financial year.
What are the performance conditions?	The performance conditions comprise financial targets relating to: - Net profit after tax (before individually material items); - Business EBIT; and - Cash flow, as well as other targets, including safety, health and environmental performance and talent management. These performance conditions are set at both an Orica level and an individual business level. Achievement of performance conditions may therefore vary between businesses.
Why were these conditions chosen?	The targets are set to reinforce and align with the Group's annual budget and four year plan and are intended to improve financial performance which results in greater shareholder wealth.
Are both target and stretch performance conditions imposed?	Yes. The STI and the performance conditions set under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI will deliver higher rewards to Executive KMP.
Can STI be greater than 100%?	Yes. Executive KMP may achieve greater than 100% of maximum STI where there is an uncapped STI for selected significant critical performance items such as EBIT performance.
How well were the performance conditions met in the 2009 financial year?	The performance conditions were generally satisfied, although some Board discretion was applied in individual circumstances.
How would a change of control impact on STI entitlements?	Where there is an actual change of control, the Board would generally be expected to exercise its discretion to pay a proportion of the STI available for that financial year.

Table 6

D.4 At-risk remuneration – Long Term Incentives

D.4.1 Long Term Equity Incentive Plan - (LTEIP)

The terms of the LTEIP apply equally to Executive KMP and other eligible executives of the Company.

Summary of LTEIP for 2009	
What is the LTEIP?	The Orica Long Term Equity Incentive Plan is the long term incentive component of remuneration for executives who are able to influence the generation of shareholder wealth by having a direct impact on the Group's performance. The LTEIP is designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value.
Why does the Board consider the structure of the LTEIP appropriate?	The LTEIP facilitates immediate share ownership by the executives and links a significant proportion of their potential remuneration to Orica's ongoing share price and returns to shareholders over a three year period. The Board believes the LTEIP promotes behaviour that will achieve superior performance over the long term.
What are the key features of the LTEIP?	Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. In order to reward good performance, part of the loan may be forgiven at the end of the performance period upon the achievement of specified performance conditions. The loan must be repaid following testing of the performance condition and after the three year vesting period. Under the November 2006 and subsequent offers, if the executive resigns from the Group or is terminated for cause during the loan period, the shares are returned to the Group (in full repayment of the loan) and the executive has no further interest in the shares.
When is the performance measurement tested?	Performance is tested over the five days immediately following the announcement of annual results in the third year after a grant is made.
How are shares provided to executive directors under the LTEIP?	Whilst the Company has the flexibility under the LTEIP Rules to either acquire shares on-market, issue new shares, or reissue unvested shares to participants in the Plan, shares allocated to the executive directors under the LTEIP are acquired on-market. As the grants to the executive directors do not dilute the holdings of other shareholders, they do not require shareholder approval.
Why continue with a loan based plan?	The Board approved the design of the LTEIP (as a loan based plan) after consideration of its relative merits against other performance share based equity plans in the market. The Board considers the LTEIP to be a cost effective plan aligned to the creation of shareholder value.
Is the loan interest free?	Whilst the loan is interest free, any loan forgiveness will incur an interest charge as part of the calculation of the forgiveness amount. Orica's effective interest rate in 2009 is 6.5% (as per note 34).
Why is a non-recourse loan provided?	If the loan exceeds the value of the shares, the Board believes the loss of any remuneration value from the LTEIP is a sufficient penalty to the executives. The performance condition necessary for partial forgiveness of their loan would not be satisfied and executives would derive no value from the shares.
As the loans are non-recourse do executives have to repay their loans?	Yes, the executives must repay their loans either at the earlier of the end of the performance period or following the cessation of their employment with the Group. Where an executive does not discharge their loan within the prescribed period, the Company will sell or otherwise realise the value of their shares and apply the proceeds in satisfaction of the loan.
What happens if the value of the shares is less than the outstanding loan balance?	If the value of the shares is less than the outstanding loan balance at the end of the performance period, the executive returns the shares to Orica in full settlement of the loan balance and no benefit accrues to the executive.
Is the benefit to executives of participation in the LTEIP affected by changes in the share price?	Yes, executives who participate in the LTEIP will be affected in the same way as all other shareholders by changes in Orica's share price. The remuneration value executives receive through participation in the LTEIP will be reduced if the share price falls during the loan period, and will increase if the share price rises over this period.
Is the performance hurdle re-tested?	No, the performance condition is only tested once at the end of the performance period.
Do participants get access to entitlements in the case of redundancy?	The Board has absolute discretion over entitlements to participants.
What is TSR?	Broadly, TSR is the percentage increase in the Company's share price over the performance period, plus the value of dividends paid being treated as if they were reinvested.
Why did the Board select an absolute TSR performance hurdle rather than a relative TSR hurdle?	Orica's diversified business mix means there is no logical comparator group for the Company. The Board sets a TSR growth target for executives against which they can regularly monitor performance by comparing changes in the Company's share price over the performance period. This was felt to be superior to using a relative hurdle that would only be calculated and made available periodically.

What is the forgiveness amount?	Part of the loan (the forgiveness amount) may be forgiven upon the achievement of specified conditions at the end of the performance period. The amount of the loan which may be forgiven is calculated by reference to a percentage of the executives' fixed annual remuneration. No forgiveness amount is earned if the executive resigns or is terminated for cause before the end of the loan period.
What are the performance hurdles?	The performance hurdle is based on Orica's Total Shareholder Return (TSR). For the performance condition to be satisfied at target, compound growth in Orica's TSR must be 20% per annum over the three year period. In order to ensure that the performance condition is not "all or nothing", there is a range for loan forgiveness linked to Company TSR performance.
What is the TSR performance condition vesting schedule?	This vesting condition has been widened for the 2009 financial year offer as a result of recommendations stemming from the 2008 Remuneration Strategy review. TSR rates must hit a minimum target for loan forgiveness to apply. (see table below) The percentage of loan forgiveness increases on a straight line basis between the minimum and maximum TSR growth targets. [1] Part of the loan (the forgiveness amount) may be forgiven upon the achievement of specified conditions at the end of the performance period. The amount of the potential loan forgiveness is a percentage of the executives' fixed annual remuneration and will vary depending on the country of residence of the executive.
Does the Board consider the satisfaction in full of the TSR hurdle a sufficient "stretch" for management?	Yes. After reviewing the Company's rate of cumulative growth in TSR over the past few years, the Board believes that 20% per annum is a clear, certain and absolute target for management. The Board believes it is an aggressive target to maintain TSR growth at 20% per annum over the performance period. When selecting this target, the Board also had reference to the general performance of the market and noted that a TSR of 20% per annum generally reflects top quartile performance within the ASX 100.
How would a change of control impact on LTEIP entitlements?	The LTEIP Rules provide that the loan becomes immediately repayable upon a change of control, with the outstanding loan balance reduced by the forgiveness amount, except where the Board determines otherwise. The Board's current intention is that it would not exercise its discretion to vary this default position in the event of an actual change of control.

Previous LTEIP Offers		**2009 Financial Year Offers**	
TSR growth	Loan forgiveness [1] %	TSR growth	Loan forgiveness [1] %
Less than 15%	0%	Less than 10%	0 %
15%	90%	10%	50%
20%	100%	20%	100%
25% +	110%	30% +	150%

Table 7

D.4.2 Illustrative example of how LTEIP works

The following example is based on an executive located in Australia with a fixed annual remuneration of $700,000 and assumes that:

- Initial share price is $20 and 50,000 shares are allocated
- Retained dividends assume gross dividends of $140,000, less 48.5%* to cover participant's individual tax obligations.
- Case A -Target TSR performance of 20% (inclusive of dividends) is reached at the end of 3 year vesting period i.e. share price increases to $31.
- Case B -Target TSR performance of 20% (inclusive of dividends) is not reached at the end of 3 year vesting period i.e. share price falls to $15.

	Case A $	Case B $
Initial Loan	1,000,000	1,000,000
Less loan repayments via retained dividends	(72,000)	(72,000)
Loan balance at end of Year 3 (date of vesting)	928,000	928,000
Less Loan Forgiveness (net of interest charge) [1] [2] [3]	(220,000)	-
Outstanding Loan Balance	708,000	928,000
Value of Shares at Vesting	1,550,000	750,000
Less Outstanding Loan Balance	(708,000)	(928,000)
Value of LTEIP to Executive	842,000	0**

* This global rate is set to take into account tax rates applying across all jurisdictions covered by the Plan.

** Non recourse loan condition applies and the shares are returned to Orica in full satisfaction of the loan balance.

[1] Calculated by reference to a percentage of the executives' fixed annual remuneration and will vary depending on the country of residence of the executive.

[2] Interest charge based on Orica's effective interest rate.

[3] In addition, the Company incurs fringe benefits tax on loan forgiveness.

D.4.3 Legacy plans

In the period 2001 to 2004, Orica used a number of long term incentive plans for executives. Further details regarding the legacy share plans that are still active at 30 September 2009 are contained in note 36 to the financial statements.

D.5 Retention arrangements for the Executive KMP – expired 31 March 2009

The Board entered into agreements with the Executive KMP during 2007 to participate in the Key Executive Retention Programme (KERP). The KERP expired on 31 March 2009 and payments were made to eligible Executive KMP in April 2009. The Managing Director did not participate in the KERP.

In return for participating in the KERP, participants agreed to changes to the terms of their service agreements. The relevant changes comprised an extension of the notice the Executive KMP must give to Orica upon termination to six months, as well as an undertaking not to compete with Orica for a period of six months following termination.

The KERP had the following key elements:

- participants were eligible to receive a lump sum retention payment equal to 50% of their Fixed Annual Remuneration plus their maximum STI (determined by reference to their remuneration as at 1 January 2007). The amount of the payment was not linked to, or dependent upon, Group performance; and
- participants needed to be employed with Orica on 31 March 2009 to receive the retention payment, although in exceptional circumstances (e.g. if the employee had been made redundant prior to 31 March 2009) the Board could have elected to make retention payments prior to that date.

Amounts paid to Executive KMP KERP participants in 2009 were N A Meehan $1,170,000, A J P Larke $1,155,000, P G Etienne $1,235,000, J R Beevers $780,000, G J Witcombe $936,000, C B Elkington $600,000 and P W Houlihan $585,000.

E. Details of remuneration

E.1 Executive KMP Remuneration

Particulars of Executive KMP qualifications, experience and special responsibilities are detailed on page 13 of the annual report. Details of the nature and amount of each element of remuneration of Executive KMP for the current reporting period and also for the previous reporting period are included in the tables below:

For the year ended 30 September 2009	Short term employee benefits			Post Employment Benefits					
	Fixed Salary $000	STI Payment (1) $000	Other Benefits (2) $000	Superannuation Benefits $000	Termination Benefits (3) $000	Other Long Term Benefits (4) $000	Total excluding SBP * Expense $000	Share Based Payments Expense (5) $000	Total $000
Current Executive Directors									
G R Liebelt	2,248.6	1,537.3	19.6	13.9	-	87.1	3,906.5	1,425.2	5,331.7
N A Meehan	991.1	541.8	44.8	13.9	-	286.4	1,878.0	309.1	2,187.1
Total Current Executive Directors	3,239.7	2,079.1	64.4	27.8	-	373.5	5,784.5	1,734.3	7,518.8
Current Executive KMP									
J R Beevers	899.9	590.5	275.0	13.9	-	307.1	2,086.4	240.9	2,327.3
G J Witcombe	779.8	624.7	51.5	13.9	-	244.8	1,714.7	259.0	1,973.7
A J P Larke	779.8	486.4	48.1	13.9	-	274.9	1,603.1	297.4	1,900.5
C B Elkington	543.1	345.8	255.1	13.9	-	154.9	1,312.8	216.0	1,528.8
P W Houlihan	615.3	463.2	1.8	13.9	-	160.0	1,254.2	157.6	1,411.8
M Reich	675.0	250.0	133.3	-	-	12.8	1,071.1	166.9	1,238.0
P McEwan (6)	188.6	85.1	27.5	4.8	-	3.2	309.2	33.0	342.2
Total Current Executive KMP	4,481.5	2,845.7	792.3	74.3	-	1,157.7	9,351.5	1,370.8	10,722.3
Former Executive KMP									
P G Etienne	876.8	150.0	23.8	11.5	1,421.8	320.9	2,804.8	327.7	3,132.5
Total Executive KMP	5,358.3	2,995.7	816.1	85.8	1,421.8	1,478.6	12,156.3	1,698.5	13,854.8
Total Executive Key Management Personnel	8,598.0	5,074.8	880.5	113.6	1,421.8	1,852.1	17,940.8	3,432.8	21,373.6

Table 8

* Share Based Payments (SBP).

(1) STI Payment includes payments relating to 2009 performance accrued but not paid.

(2) These benefits include relocation costs, car parking, medical costs, movement in annual leave accrual, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax).

(3) Represents contractual payments upon termination and payment of statutory leave to the Executive KMP on cessation of his employment.

(4) This benefit includes the movement in long service leave accrual and the 2009 accrual for the KERP (refer section D.5).

(5) Includes the value calculated under AASB 2 *Share Based Payments* to Executive KMP under the November 2006, May 2007, December 2007, December 2008 and June 2009 LTEIP which vest over three years. Value only accrues to the KMP when performance conditions have been met.

(6) Commenced 1 June 2009.

The amounts that appear under the heading Share Based Payments Expense are the amounts required under Accounting Standards to be expensed by Orica in respect of the allocation of long term incentives to Executive KMP. Each year, the Board may decide to allocate long term incentives to Executive KMP. Currently, these long term incentives are expensed over the three year vesting period. The Share Based Payments expense in Table 8 represents the expense incurred during the year in respect of current and past incentive allocations to Executive KMP. These amounts are therefore not amounts actually received by Executive KMP during the year. Whether Executive KMP receive any value from the allocation of long term incentives in the future will depend on the performance of Orica shares. The mechanism which determines whether or not long term incentives vest in the future is described in Section D.4.1.

Executive KMP remuneration (continued)

For the year ended 30 September 2008	Short term employee benefits			Post Employment Benefits					
	Fixed Salary $000	STI Payment [1] $000	Other Benefits [2] $000	Superannuation Benefits $000	Termination Benefits [3] $000	Other Long Term Benefits [4] $000	Total excluding SBP * Expense $000	Share Based Payments Expense [5] $000	Total $000
Current Executive Directors									
G R Liebelt [7]	2,099.2	2,095.0	(16.7)	13.3	-	372.1	4,562.9	858.5	5,421.4
N A Meehan	931.7	646.7	25.5	13.3	-	571.5	2,188.7	190.7	2,379.4
Total Current Executive Directors	3,030.9	2,741.7	8.8	26.6	-	943.6	6,751.6	1,049.2	7,800.8
Current Executive KMP									
A J P Larke	694.2	1,312.3	115.1	13.3	-	613.0	2,747.9	201.8	2,949.7
P G Etienne [7]	981.7	800.7	(6.8)	13.3	-	644.7	2,433.6	203.0	2,636.6
J R Beevers	624.2	655.2	109.2	13.3	-	426.4	1,828.3	135.3	1,963.6
G J Witcombe	736.7	370.3	25.2	13.3	-	635.5	1,781.0	165.0	1,946.0
C B Elkington [8]	511.5	375.7	223.5	13.3	-	334.1	1,458.1	149.0	1,607.1
P W Houlihan	563.0	453.4	9.4	13.3	-	300.9	1,340.0	85.4	1,425.4
M Reich [8]	489.2	306.7	201.4	-	-	6.6	1,003.9	88.7	1,092.6
Total Current Executive KMP	4,600.5	4,274.3	677.0	79.8	-	2,961.2	12,592.8	1,028.2	13,621.0
Former Executive KMP									
B K Karcz [6]	467.8	262.1	6.2	11.0	729.5	538.1	2,014.7	123.5	2,138.2
A R Coleman	510.0	441.9	16.9	13.3	464.7	22.8	1,469.6	83.6	1,553.2
Total Former Executive KMP	977.8	704.0	23.1	24.3	1,194.2	560.9	3,484.3	207.1	3,691.4
Total Executive KMP	5,578.3	4,978.3	700.1	104.1	1,194.2	3,522.1	16,077.1	1,235.3	17,312.4
Total Executive Key Management Personnel	8,609.2	7,720.0	708.9	130.7	1,194.2	4,465.7	22,828.7	2,284.5	25,113.2

Table 9

* Share Based Payments (SBP).

(1) STI Payment includes payments relating to 2008 performance accrued but not paid.

(2) These benefits include relocation costs, car parking, medical costs, movement in annual leave accrual, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax).

(3) Represents contractual payments upon termination and payment of statutory leave to the Executive KMP on cessation of their employment.

(4) This benefit includes the movement in long service leave accrual, fringe benefits tax on LTEIP loan forgiveness and the 2008 accrual for the KERP (refer section D.5).

(5) Includes the value calculated under AASB 2 *Share Based Payments* to Executive KMP under the November 2006, May 2007 and December 2007 LTEIP which vest over three years. Value only accrues to the Executive KMP when performance conditions have been met.

(6) B K Karcz remained eligible for payment under the KERP in return for an extended restraint provided at the time of cessation of employment.

(7) G R Liebelt's and P G Etienne's annual leave accruals reduced during the year.

(8) Includes remuneration for the period during the year before joining the Group Executive.

The amounts that appear under the heading Share Based Payments Expense are the amounts required under Accounting Standards to be expensed by Orica in respect of the allocation of long term incentives to Executive KMP. Each year, the Board may decide to allocate long term incentives to Executive KMP. Currently, these long term incentives are expensed over the three year vesting period. The Share Based Payments expense in Table 8 represents the expense incurred during the year in respect of current and past incentive allocations to Executive KMP. These amounts are therefore not amounts actually received by Executive KMP during the year. Whether Executive KMP receive any value from the allocation of long term incentives in the future will depend on the performance of Orica shares. The mechanism which determines whether or not long term incentives vest in the future is described in Section D.4.1.

E.2 Executive KMP STI's

Specific information relating to the percentage of the STI which is payable and the percentage that was forfeited for the Executive KMP of the Company and the Group is set out in the table below:

For the year ended 30 September 2009	Maximum STI $000 [3]	Actual STI payment $000 [1] [2]	Actual STI payment as % of maximum STI [3]	% of maximum STI payment forfeited
Current Executive KMP				
G R Liebelt	2,760.0	1,537.3	55.7	44.3
N A Meehan	816.0	541.8	66.4	33.6
J R Beevers	760.0	590.5	77.7	22.3
G J Witcombe	644.0	624.7	97.0	3.0
A J P Larke	1,288.0	486.4	37.8	62.2
C B Elkington	464.8	345.8	74.4	25.6
P W Houlihan	515.2	463.2	89.9	10.1
M Reich	560.0	250.0	44.6	55.4
P McEwan	154.7	85.1	55.0	45.0
Former Executive KMP				
P G Etienne	726.7	150.0	20.6	79.4

Table 10

[1] STI constitutes a cash incentive earned during 2009, which is expected to be paid in December 2009 to current Executive KMP and was paid during the year to former Executive KMP.

[2] A minimum level of net profit after tax must be achieved before any STI is paid. Therefore the minimum potential value of the STI for the financial year was nil.

[3] Executive KMP may achieve greater than 100% of maximum STI where there is an uncapped STI for selected significant critical performance items such as EBIT performance.

E.3 Equity instruments granted to and exercised by Executive KMP

The Company has a plan (LTEIP) under which it allocates shares to executives; while these are shares for legal and taxation purposes, Australian Accounting Standards require they be treated as options for accounting purposes.

The value of options granted during the year and the value of any options granted in a previous year that were exercised during the year relating to Executive KMP is set out below. The value of the options granted, as valued by PricewaterhouseCoopers (PWC), is the fair value calculated at grant date using an adjusted form of the Black Scholes option pricing model.

For the year ended 30 September 2009	Options Granted Number	Options Granted [1] [2] [3] ($)	Options Exercised [4] Number	Options Exercised [4] ($)
Current Executive Directors				
G R Liebelt	409,872	1,586,205	-	-
N A Meehan	85,406	330,521	-	-
Total Current Executive Directors	495,278	1,916,726	-	-
Current Executive KMP				
J R Beevers	84,516	327,077	-	-
G J Witcombe	67,613	261,662	-	-
A J P Larke	67,613	261,662	-	-
C B Elkington	47,418	183,508	-	-
P W Houlihan	52,044	201,410	-	-
M Reich	53,378	206,573	-	-
P McEwan	40,580	330,321	-	-
Total Current Executive KMP	413,162	1,772,213	-	-
Former Executive KMP				
P G Etienne	89,854	347,735	-	-
Total Executive KMP	503,016	2,119,948	-	-

Table 11

[1] Under the LTEIP, eligible Executive KMP are provided with a non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executive KMP must apply net cash dividends to the repayment of the loan balance and may not deal with the shares while the loan remains outstanding. Australian Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements. Further details are set out in sections D.4.1, E.4, G and H of this report.

[2] The options have been valued by PWC at $8.14 per option for P McEwan and $3.87 per option for all other Executive KMP. The benefit of the options granted under the November 2006 and subsequent LTEIP offers will lapse during future years if the Executive KMP cease employment with the Group before the end of the three year performance period.

[3] The grants made to Executive KMP under the LTEIP during the year constituted 100% of the grants available for the year. The minimum potential value of grants made during the year under LTEIP is nil.

[4] No options were exercised or forfeited during the year. Options related to the December 2005 and June 2006 LTEIP issues lapsed during the year. The value of each option exercised is the market value of Orica shares on the date of exercise, less the exercise price paid.

E.4 Loans to Executive KMP under Group long term incentive plans

For the year ended 30 September 2009	Opening balance $	Advances during the year [1] $	Other repayments during the year [2] $	Cash repayments during the year [3] $	Closing balance $	Interest free value $	Highest indebtedness $
Current Executive Directors							
G R Liebelt	12,136,772	6,611,235	1,857,334	295,310	16,595,363	1,051,417	18,614,330
N A Meehan	3,246,460	1,377,599	955,191	72,912	3,595,956	237,540	4,586,070
Total Current Executive Directors	15,383,232	7,988,834	2,812,525	368,222	20,191,319	1,288,957	23,200,400
Current Executive KMP							
J R Beevers	2,220,509	1,363,243	596,982	55,767	2,931,003	188,047	3,557,819
G J Witcombe	2,888,407	1,090,598	905,621	63,440	3,009,944	208,289	3,944,688
A J P Larke	2,724,162	1,090,598	310,817	63,690	3,440,253	219,801	3,784,011
C B Elkington	2,058,248	764,852	276,687	47,424	2,498,989	160,803	2,799,574
P W Houlihan	1,129,033	839,470	106,593	29,522	1,832,388	113,265	1,956,953
M Reich	986,227	860,987	-	26,295	1,820,919	160,806	1,838,356
P McEwan	-	832,296	-	-	832,296	13,587	832,296
Total Current Executive KMP	12,006,586	6,842,044	2,196,700	286,138	16,365,792	1,064,598	18,713,697
Former Executive KMP							
P G Etienne	3,467,701	1,449,345	1,028,151	77,640	3,811,255	248,625	4,876,396
Total Executive KMP	30,857,519	16,280,223	6,037,376	732,000	40,368,366	2,602,180	46,790,493

Table 12

(1) Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executives must apply net cash dividends to the repayment of the loan balance, and executives may not deal with the shares while the loan remains outstanding. Australian Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements.

(2) Shares handed back to Orica in settlement of the non-recourse loan in accordance with the terms of the LTEIP (refer section D.4.1).

(3) Constitutes repayments including after tax dividends paid on the shares applied against the loan. No loans were forgiven during the year.

F. Executive KMP service agreements

Remuneration and other terms of employment for the Executive KMP are formalised in service agreements. Specific information relating to the terms of the service agreements of the current Executive KMP are set out in the table below:

F.1 Summary of specific terms

Name	Term of Agreement	Fixed Annual Remuneration [1]	Notice Period by Executive	Termination Payment [2]
Current Executive Directors				
G R Liebelt	30 Sep 2012	2,300,000	6 months	1.5 times fixed annual remuneration [3]
N A Meehan	Open	1,020,000	6 months	1.0 times fixed annual remuneration
Current Executive KMP				
J R Beevers	Open	950,000	6 months	1.28 times fixed annual remuneration [4]
G J Witcombe	Open	805,000	6 months	1.68 times fixed annual remuneration [4]
A J P Larke	Open	805,000	6 months	1.0 times fixed annual remuneration
C B Elkington	Open	581,000	6 months	1.0 times fixed annual remuneration
P W Houlihan	Open	644,000	6 months	1.0 times fixed annual remuneration
M Reich	Open	700,000	6 months	1.0 times fixed annual remuneration
P McEwan	Open	580,000	6 months	1.0 times fixed annual remuneration

Table 13

(1) Fixed salary, inclusive of superannuation, is reviewed annually by Orica's non-executive directors following the end of each financial year. Accordingly, the amounts set out in the table above are the Executive KMPs' fixed annual remuneration as at 30 September 2009. As part of the normal annual review of remuneration, fixed annual remuneration for all Executive KMP will be reviewed and, where appropriate, adjusted during the 2010 financial year. Against the background of the global financial crisis and the resultant impact on the Australian economy, Executive KMP will receive no increase to their fixed remuneration as part of the fiscal 2010 remuneration review process except where they have been promoted into a new position or have had a significant increase in the scope of their responsibilities.

(2) Termination payment if Orica terminates the Executive KMP employment other than for cause.

(3) The termination benefits in respect of G R Liebelt were confirmed following external professional remuneration advice in 2007 at a level reflective of the termination benefits of the Company's peers and which were considered to be reasonable in the context of G R Liebelt and his previous contractual entitlement and in the context of the Orica Group.

(4) The termination benefits in respect of these Executive KMP reflect grandfathering of entitlements, under previous service agreements and employment terms, recognising their past service in the Group, as part of new remuneration arrangements.

Orica makes provision for employee entitlements in accordance with applicable Australian Accounting Standards. In addition, Orica has policies in relation to relocation, consistent with its expectation that all Executive KMP are mobile, as required by the needs of the business.

F.2 Non-compete

Each of the Executive KMP has agreed to restraints as part of their service agreements, which will apply upon cessation of their employment to protect the legitimate business interests of Orica.

As a term of their participation in the KERP, the Executive Director Finance and other Executive KMP consented to their service agreements being amended to incorporate a six month non-compete period. In addition, the service agreements for each of the Executive KMP provide for a twelve month non-solicitation period following termination of their employment.

F.3 Sign-on payments

No payment was made to the executive directors or any of the named Executive KMP before they took office as part consideration for them agreeing to hold office.

G. Equity instruments held by Executive KMP

The number of equity instruments held by Executive KMP is shown in the following table:

For the year ended 30 September 2009	Grant date	Granted during the year	Exercised during the year [1] [5]	Other [2]	Outstanding at year end	Exercise price $	Value of options at grant date [3] $	Value of options included in compensation for the year [3] $
Current Executive Directors								
G R Liebelt	23 Dec 05	-	-	97,194	-	N/A	600,659	- [1]
	20 Nov 06	-	-	-	181,110	N/A	1,043,194	347,731 [4]
	18 Dec 07	-	-	-	193,639	N/A	2,042,891	680,964 [4]
	19 Dec 08	409,872	-	-	409,872	N/A	1,586,205	396,551 [4]
N A Meehan	23 Dec 05	-	-	49,985	-	N/A	308,907	- [1]
	20 Nov 06	-	-	-	43,466	N/A	250,364	83,455 [4]
	18 Dec 07	-	-	-	40,664	N/A	429,005	143,002 [4]
	19 Dec 08	85,406	-	-	85,406	N/A	330,521	82,630 [4]
Current Executive KMP								
J R Beevers	23 Dec 05	-	-	31,240	-	N/A	193,063	- [1]
	20 Nov 06	-	-	-	33,203	N/A	191,249	63,750 [4]
	18 Dec 07	-	-	-	27,109	N/A	286,000	95,333 [4]
	19 Dec 08	84,516	-	-	84,516	N/A	327,077	81,769 [4]
G J Witcombe	23 Dec 05	-	-	47,391	-	N/A	292,876	- [1]
	20 Nov 06	-	-	-	41,232	N/A	237,496	79,165 [4]
	18 Dec 07	-	-	-	32,531	N/A	343,202	114,401 [4]
	19 Dec 08	67,613	-	-	67,613	N/A	261,662	65,416 [4]
A J P Larke	23 Dec 05	-	-	16,265	-	N/A	100,518	- [1]
	20 Nov 06	-	-	-	57,955	N/A	333,821	111,274 [4]
	18 Dec 07	-	-	-	34,338	N/A	362,266	120,755 [4]
	19 Dec 08	67,613	-	-	67,613	N/A	261,662	65,416 [4]
C B Elkington	23 Dec 05	-	-	14,479	-	N/A	89,480	- [1]
	20 Nov 06	-	-	-	44,501	N/A	256,326	85,442 [4]
	18 Dec 07	-	-	-	24,082	N/A	254,065	84,688 [4]
	19 Dec 08	47,418	-	-	47,418	N/A	183,508	45,877 [4]
P W Houlihan	23 Dec 05	-	-	5,578	-	N/A	36,201	- [1]
	20 Nov 06	-	-	-	10,349	N/A	59,610	19,870 [4]
	18 Dec 07	-	-	-	24,850	N/A	262,168	87,389 [4]
	19 Dec 08	52,044	-	-	52,044	N/A	201,410	50,353 [4]
M Reich	11 May 07	-	-	-	4,162	N/A	51,526	19,946 [4]
	18 Dec 07	-	-	-	27,109	N/A	286,000	95,333 [4]
	19 Dec 08	53,378	-	-	53,378	N/A	206,573	51,643 [4]
P McEwan	26 Jun 09	40,580	-	-	40,580	N/A	330,321	33,032 [4]
Former Executive KMP								
P G Etienne	23 Dec 05	-	-	53,803	-	N/A	332,503	- [1]
	20 Nov 06	-	-	-	46,786	N/A	269,487	89,829 [4]
	18 Dec 07	-	-	-	42,923	N/A	452,838	150,946 [4]
	19 Dec 08	89,854	-	-	89,854	N/A	347,735	86,934 [4]

Table 14

[1] Related to the LTEIP grants in the 2006 financial year. The combination of shares, and the loan provided to fund those shares constitutes an option under AASB 2. These options vest immediately. Under the terms of the LTEIP, the loan must be repaid before the Executive KMP can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition typically in November after the annual results announcement and continues through to 31 January of the following year. The options expire if the loan is not repaid within the repayment window.

[2] Options lapsed during the year.

[3] The option valuation prepared by PWC uses methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2009.

[4] Related to the LTEIP grants in the 2007, 2008 and 2009 financial years. The combination of shares, and the loan provided to fund those shares constitutes an option under AASB 2. These options vest over three years. Under the terms of the LTEIP, the loan must be repaid before the Executive KMP can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition typically in November after the annual results announcement and continues through to 31 January of the following year. The options expire if the loan is not repaid within the repayment window.

[5] There were no amounts outstanding on shares issued as a result of the exercise of the options.

H. Equity instruments held by executives

The number of option (LTEIP) issues, values and related executive loan information in relation to Orica executives is shown in the following table:

Grant date	Number of options issued	Number of options held at 30 Sep	Number of participants at 30 Sep	Total loan at grant date $	Total loan at 30 Sep $	Maximum loan waiver opportunity over full loan period $	Loan repayments through dividends during year $	Value of options at grant date [1] $
As at 30 September 2009								
26 Jun 09	40,580	**40,580**	**1**	**832,296**	832,296	186,040	**-**	330,321
19 Dec 08	2,937,558	**2,843,331**	**315**	**47,382,811**	45,278,225	12,943,288	**592,852**	11,368,349
18 Dec 07	1,464,237	**1,206,357**	**266**	**46,504,167**	37,482,872	11,816,286	**632,802**	15,447,700
11 May 07	64,405	**33,464**	**17**	**2,064,824**	1,034,415	821,822	**37,323**	797,334
20 Nov 06	1,633,960	**1,274,699**	**210**	**38,839,229**	28,522,495	10,511,599	**670,371**	9,411,610
	6,140,740	**5,398,431**		**135,623,327**	**113,150,303**	**36,279,035**	**1,933,348**	**37,355,314**

Table 15

[1] The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Average value per option $
26 Jun 09	$21.05	37%	Nil	4.66%	8.14
19 Dec 08	$13.85	37%	Nil	3.17%	3.87
18 Dec 07	$31.76	28%	Nil	6.79%	10.55
11 May 07	$33.50	28%	Nil	6.29%	12.38
20 Nov 06	$22.39	24%	Nil	5.93%	5.76
13 Jun 06	$22.08	22%	4.0%	5.24%	8.65
23 Dec 05	$20.67	22%	4.0%	5.24%	6.49

Table 16

The terms of the LTEIP Plan apply equally to Executive KMP and other eligible executives of the Company.

The option valuation prepared by PWC uses methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2009. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The share based payments expense recognised in the Income Statement for LTEIP in 2009 was $8.1 million (2008 $6.5 million).

Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, they are measured at fair value at the date of grant using an option valuation model which generates possible future share prices based on similar assumptions that underpin the Black Scholes option pricing model and reflects the value (as at grant date) of options granted. The amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised and any shares purchased on-market are recognised as a share buy-back and deducted from shareholders equity. LTEIP is administered by Link Market Services Limited.

Rounding

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

Signed on behalf of the Board in accordance with a resolution of the directors of Orica Limited.

D P Mercer
Chairman

Dated at Melbourne this 9th day of November 2009.

Lead Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Alison Kitchen
Partner
Melbourne, 9th November 2009

Income Statements

For the year ended 30 September

	Notes	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Sales revenue	(3)	**7,411.0**	6,544.1	**-**	-
Other income	(3)	**44.5**	53.8	**289.1**	524.1
Expenses					
Changes in inventories of finished goods and work in progress		**(100.2)**	101.6	**-**	-
Raw materials and consumables used and finished goods purchased for resale		**(3,723.2)**	(3,448.5)	**-**	-
Share based payments		**(8.1)**	(6.5)	**-**	-
Other employee benefits expense		**(1,190.3)**	(1,106.6)	**-**	-
Depreciation expense	(4c)	**(202.7)**	(177.6)	**(0.1)**	(0.2)
Amortisation expense	(4c)	**(45.0)**	(41.1)	**-**	-
Purchased services		**(405.4)**	(404.3)	**(2.5)**	(1.8)
Repairs and maintenance		**(136.0)**	(133.3)	**-**	-
Impairment of property, plant & equipment		**(69.7)**	-	**-**	-
Impairment of intangibles		**(9.2)**	-	**-**	-
Outgoing freight		**(310.3)**	(270.6)	**-**	-
Lease payments - operating leases		**(92.5)**	(83.3)	**-**	-
Cost of cancellation of cumulative non-redeemable preference shares		**-**	(7.5)	**-**	(7.5)
Other expenses from ordinary activities including individually material items		**(281.1)**	(119.8)	**(1.1)**	(0.1)
Share of net profits of associates accounted for using the equity method	(11)	**61.1**	28.1	**-**	-
		(6,512.6)	(5,669.4)	**(3.7)**	(9.6)
Profit from operations		**942.9**	928.5	**285.4**	514.5
Net financing (costs)/income					
Financial income	(4a)	**50.8**	68.1	**45.3**	53.9
Financial expenses	(4b)	**(184.3)**	(225.8)	**(3.6)**	(73.6)
Net financing (costs)/income		**(133.5)**	(157.7)	**41.7**	(19.7)
Profit before income tax expense		**809.4**	770.8	**327.1**	494.8
Income tax (expense)/benefit	(5)	**(228.0)**	(203.5)	**(15.3)**	2.9
Profit for the year		**581.4**	567.3	**311.8**	497.7
Net profit for the year attributable to:					
Shareholders of Orica Limited		**541.8**	539.6	**311.8**	497.7
Minority interest		**39.6**	27.7	**-**	-
Net profit for the year		**581.4**	567.3	**311.8**	497.7

	Notes	**cents**	cents
Earnings per share			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
Basic	(6)	**145.2**	159.8
Diluted	(6)	**140.8**	158.0

The Income Statements are to be read in conjunction with the notes to the financial statements set out on pages 45 to 120.

Statements of Recognised Income and Expense

For the year ended 30 September

	Notes	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Net loss on hedge of net investments in foreign subsidiaries		**(99.3)**	(35.9)	**-**	-
Cash flow hedges					
- Effective portion of changes in fair value		**(20.6)**	(6.3)	**-**	-
- Transferred to carrying value of non current assets		**(8.0)**	18.7	**-**	-
- Transferred to Income Statement		**20.7**	1.4	**-**	-
Exchange differences on translation of foreign operations		**(353.3)**	301.3	**-**	-
Actuarial (loss)/benefit on defined benefit plans	(38)	**(27.9)**	(45.3)	**-**	-
Income tax on income and expense recognised directly through equity	(5)	**30.8**	7.5	**-**	-
Net income and expense recognised directly in equity		**(457.6)**	241.4	**-**	-
Profit for the year		**581.4**	567.3	**311.8**	497.7
Total recognised income and expense for the year		**123.8**	808.7	**311.8**	497.7
Attributable to:					
Shareholders of Orica Limited		**84.2**	781.0	**311.8**	497.7
Minority interest		**39.6**	27.7	**-**	-
Total recognised income and expense for the year		**123.8**	808.7	**311.8**	497.7

The Statements of Recognised Income and Expense are to be read in conjunction with the notes to the financial statements set out on pages 45 to 120.

Balance Sheets
As at 30 September

		Consolidated		Company	
		2009	2008	**2009**	2008
	Notes	**$m**	$m	**$m**	$m
Current assets					
Cash and cash equivalents	(7)	**308.5**	321.3	**-**	-
Trade and other receivables	(8)	**964.9**	1,147.4	**958.4**	971.6
Other financial assets - derivative assets	(12)	**45.3**	96.3	**-**	-
Inventories	(9)	**619.8**	824.3	**-**	-
Other assets	(10)	**55.9**	68.9	**0.1**	0.1
Total current assets		**1,994.4**	2,458.2	**958.5**	971.7
Non-current assets					
Trade and other receivables	(8)	**103.4**	111.0	**100.0**	100.0
Investments accounted for using the equity method	(11)	**167.4**	208.3	**-**	-
Other financial assets	(12)	**0.9**	1.0	**1,914.0**	1,915.1
Property, plant and equipment	(13)	**2,075.0**	2,052.3	**25.9**	26.0
Intangible assets	(14)	**2,756.5**	3,012.6	**-**	-
Deferred tax assets	(15)	**253.2**	164.1	**4.0**	5.5
Other assets	(10)	**3.4**	0.3	**-**	-
Total non-current assets		**5,359.8**	5,549.6	**2,043.9**	2,046.6
Total assets		**7,354.2**	8,007.8	**3,002.4**	3,018.3
Current liabilities					
Trade and other payables	(16)	**1,057.9**	1,372.7	**-**	-
Other financial liabilities - derivative liabilities	(16)	**98.8**	138.7	**-**	-
Interest bearing liabilities	(17)	**160.2**	266.4	**100.7**	72.6
Current tax liabilities	(18)	**78.7**	28.3	**66.0**	37.3
Provisions	(19)	**220.1**	273.5	**-**	-
Total current liabilities		**1,615.7**	2,079.6	**166.7**	109.9
Non-current liabilities					
Trade and other payables	(16)	**37.0**	31.8	**-**	-
Interest bearing liabilities	(17)	**1,242.8**	1,075.4	**-**	-
Deferred tax liabilities	(20)	**76.2**	83.8	**-**	-
Provisions	(19)	**409.7**	418.8	**0.9**	1.1
Total non-current liabilities		**1,765.7**	1,609.8	**0.9**	1.1
Total liabilities		**3,381.4**	3,689.4	**167.6**	111.0
Net assets		**3,972.8**	4,318.4	**2,834.8**	2,907.3
Equity					
Ordinary shares	(21)	**1,865.6**	1,881.3	**1,865.6**	1,881.3
Reserves	(22)	**(408.0)**	91.3	**-**	-
Retained earnings	(22)	**1,913.1**	1,758.9	**479.2**	536.0
Total equity attributable to ordinary shareholders of Orica		**3,370.7**	3,731.5	**2,344.8**	2,417.3
Equity attributable to Step-Up Preference Securities' holders	(21)	**490.0**	490.0	**490.0**	490.0
Minority interest in controlled entities	(23)	**112.1**	96.9	**-**	-
Total equity	(24)	**3,972.8**	4,318.4	**2,834.8**	2,907.3

The Balance Sheets are to be read in conjunction with the notes to the financial statements set out on pages 45 to 120.

Statements of Cash Flows

For the year ended 30 September

	Notes	Consolidated 2009 $m Inflows/ (Outflows)	Consolidated 2008 $m Inflows/ (Outflows)	Company 2009 $m Inflows/ (Outflows)	Company 2008 $m Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		**8,026.2**	6,946.8	**-**	-
Payments to suppliers and employees		**(6,890.5)**	(5,929.8)	**(2.8)**	(1.8)
Interest received		**51.2**	69.3	**45.8**	52.9
Borrowing costs		**(187.7)**	(217.8)	**(3.6)**	(82.0)
Dividends received		**66.7**	20.4	**289.1**	524.1
Other operating revenue received		**24.4**	38.0	**-**	-
Net income taxes (paid)/refund		**(235.4)**	(190.0)	**(1.1)**	5.6
Net cash flows from operating activities	(26)	**854.9**	736.9	**327.4**	498.8
Cash flows from investing activities					
Payments for property, plant and equipment		**(357.5)**	(414.4)	**-**	-
Payments for intangibles		**(13.4)**	(11.9)	**-**	-
Payments for purchase of investments		**(34.0)**	-	**-**	(0.1)
Payments for minorities' share of controlled entities	(27)	**(80.4)**	(3.0)	**-**	-
Payments for purchase of businesses/controlled entities	(27)	**(26.9)**	(866.2)	**-**	-
Payments of deferred consideration from prior acquisitions		**(25.7)**	-	**-**	-
Proceeds from sale of property, plant and equipment		**11.9**	19.6	**-**	-
Proceeds from sale of investments		**9.7**	-	**-**	-
Proceeds from sale of businesses/controlled entities	(28)	**-**	5.9	**-**	-
Net cash flows used in investing activities		**(516.3)**	(1,270.0)	**-**	(0.1)
Cash flows from financing activities					
Proceeds from long term borrowings		**3,242.3**	-	**-**	-
Repayment of long term borrowings		**(3,052.7)**	-	**-**	-
Cancellation of cumulative non-redeemable preference shares		**-**	(9.5)	**-**	(9.5)
Net movement in short term financing		**(107.9)**	(376.9)	**66.3**	(1,342.1)
Payments for finance leases		**(4.2)**	(3.1)	**-**	-
Proceeds from issue of ordinary shares		**-**	900.6	**-**	900.6
Proceeds from issue of ordinary shares - underwritten Dividend Reinvestment Plan (DRP)		**-**	156.5	**-**	156.5
Payments for buy-back of ordinary shares - LTEIP		**(31.3)**	(7.5)	**(31.3)**	(7.5)
Proceeds from issue of shares to minority interests		**3.4**	12.2	**-**	-
Dividends paid - Orica ordinary shares		**(294.7)**	(155.2)	**(294.7)**	(155.2)
Dividends satisfied by on market buy-back - DRP		**(30.2)**	-	**(30.2)**	-
Distributions paid - Step-Up Preference Securities		**(37.5)**	(41.5)	**(37.5)**	(41.5)
Dividends paid - minority interests		**(18.3)**	(10.4)	**-**	-
Net cash flows (used in)/from financing activities		**(331.1)**	465.2	**(327.4)**	(498.7)
Net increase/(decrease) in cash held		**7.5**	(67.9)	**-**	-
Cash at the beginning of the period		**312.3**	367.7	**-**	-
Effects of exchange rate changes on cash		**(23.2)**	12.5	**-**	-
Cash at the end of the year	(26)	**296.6**	312.3	**-**	-

The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements set out on pages 45 to 120.

Notes to the Financial Statements

For the year ended 30 September 2009

1. Accounting policies

The significant accounting policies adopted in preparing the financial report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the consolidated entity' or 'the Group') are stated below to assist in a general understanding of this financial report.

(i) Basis of preparation

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets (other than controlled entities and associates) which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair value attributable to the risks that are being hedged.

(ii) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of applicable Australian Accounting Standards including Australian Interpretations and the Corporations Act 2001 and complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 9 November 2009. The financial report is presented in Australian dollars which is Orica's functional and presentation currency.

This financial report has been prepared on the basis of Australian Accounting Standards and Interpretations on issue that are effective, or early adopted by Orica as at 30 September 2009.

Except as described below, the accounting policies applied by the Group in the financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 September 2008.The standards relevant to Orica that have been adopted during the year are:

- AASB Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- AASB 2008-12 Amendments to Australian Accounting Standards - reclassification of financial assets - effective date and transition [AASB 7, AASB 139 & AASB 2008 - 10].
- AASB 2009-3 – Amendments to Australian Accounting Standards – Embedded Derivatives - applicable for annual reporting periods ending on or after 30 June 2009.

The standards relevant to Orica that have been early adopted during the year are:

- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.
- AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items.
- AASB 2009-4 – Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16].
- AASB 2009-5 – Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139].
- AASB 2009-7 – Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17].

These standards have had no significant impact on the financial statements or impacts disclosure only.

The standards and interpretations relevant to Orica that have not been early adopted are:

- AASB 8 Operating Segments – applicable from annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 1023 General Insurance Contracts, and AASB 1038 Life Insurance Contracts] – applicable from annual reporting periods beginning on or after 1 January 2009. These amendments arise from the issuance of AASB 8 Operating Segments.
- AASB 101 Presentation of Financial Statements – applicable from annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 – applicable from annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101 – applicable from annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 – applicable from annual reporting periods beginning on or after 1 July 2009.
- AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements – applicable from annual reporting periods beginning on or after 1 July 2009.
- AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners - applicable for annual reporting periods beginning on or after 1 July 2009.
- AASB 2009-2 – Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB4, AASB7, AASB1023 & AASB1038] - applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 2009-6 – Amendments to Australian Accounting Standards - applicable for annual reporting periods beginning on or after 1 January 2009 that end on or after 30 June 2009.

1. Accounting policies (continued)

- AASB Interpretation 17 – Distributions of non-cash assets to owners - applicable for annual reporting periods beginning on or after 1 July 2009.
- AASB 2009-8 – Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] - applicable for annual reporting periods beginning on or after 1 January 2010.

The consolidated entity expects to adopt these standards and interpretations in the 2010 and subsequent financial reports - however they are not expected to have a significant impact on the financial results of the Company or the consolidated entity.

(iii) Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to the Income Statement in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities and contingent liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances, transactions and unrealised profits arising within the consolidated entity are eliminated in full.

(iv) Revenue recognition

Sales revenue

External sales are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. External sales are recognised when the significant risks and rewards of ownership are transferred to the purchaser, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Other income

Profits and losses from sale of businesses, controlled entities and other non-current assets are recognised when there is a signed unconditional contract of sale. Dividends are recognised in the Income Statements when declared.

Construction contracts

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated. Stage of completion is measured by reference to an assessment of total costs incurred to date as a percentage of estimated total costs for each contract. Revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

(v) Financial income & borrowing costs

Financial income

Financial income includes interest income on funds invested and the non designated portion of the net investment hedging derivatives. These are recognised in the Income Statement as accrued.

Borrowing costs

Borrowing costs include interest, unwinding of the effect of discounting on provisions, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings, including lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average interest rate.

(vi) Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred except when it is probable that future economic benefits associated with the item will flow to the consolidated entity, in which case they are capitalised.

(vii) Share based payments

Equity settled share based payments are externally measured at fair value at the date of grant using an option valuation model. This valuation model generates possible future share prices based on similar assumptions that underpin relevant option pricing models and reflects the value (as at grant date) of options granted. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares and (f) the risk-free interest rate for the life of the option.

The fair value determined at the grant date of the equity settled share based payments is expensed in the Income Statement on a straight-line basis over the relevant vesting period.

The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised and any shares purchased on-market are recognised as a share buy-back and deducted from shareholders equity.

1. Accounting policies (continued)

(viii) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax and is recognised in the Income Statements.

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

Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheets and their associated tax bases. Current and deferred taxes attributable to amounts recognised directly in equity are also recognised in equity.

The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will be 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 will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Orica Limited is the parent entity in the tax consolidated group comprising all wholly-owned Australian entities. Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the parent entity recognises the tax effects of its own transactions and the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary entities.

Current tax income/expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation. In accordance with the tax sharing agreement, the subsidiary entities are compensated for the assets and liabilities assumed by the parent entity as intercompany receivables and payables and for amounts which equal the amounts initially recognised by the subsidiary entities. There is no adjustment for tax consolidation contribution by (or distribution to) equity participants.

(ix) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. Cost is based on the first-in, first-out or weighted average method based on the type of inventory. For manufactured goods, cost includes direct material and fixed overheads based on normal operating capacity. For merchanted goods, cost is net cost into store.

(x) Construction work in progress

Where the Group manufactures equipment for sale, the work in progress is carried at cost plus profit recognised to date based on the value of work completed less progress billings and less provision for foreseeable losses allocated between amounts due from customers and amounts due to customers.

(xi) Trade and other receivables

Trade and other receivables are recognised at their cost less any impairment losses.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables.

Derecognition

A number of customers use bank facilities that are guaranteed or partially guaranteed by Orica. Where the entire risks and rewards relating to these facilities have been transferred to the financial institution, the receivable is derecognised. Where this has not occurred, the receivable and the equivalent interest bearing liability have been recognised in the Balance Sheet.

(xii) Investments accounted for using the equity method

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Associates are those entities over which the consolidated entity exercises significant influence, but does not control.

(xiii) Other financial assets

The consolidated entity’s interests in financial assets other than controlled entities and associates are stated at market value.

Investments in subsidiaries and associates are accounted for in the Company’s financial statements at their cost of acquisition.

(xiv) Non-current assets held for sale and disposal groups

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is reassessed in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the Income Statement. The same applies to gains and losses on subsequent remeasurement.

Classification as a disposal group occurs when the operation meets the criteria to be classified as held for sale.

(xv) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. Property, plant and equipment, other than freehold land, is depreciated on a

1. Accounting policies (continued)

straight-line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset to the consolidated entity.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Estimated useful lives of each class of asset are as follows:

Buildings and improvements	25 to 40 years
Machinery, plant and equipment	3 to 30 years

Profits and losses on disposal of property, plant and equipment are taken to the Income Statements.

(xvi) Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Assets under finance lease are capitalised at the present value of the minimum lease payments and amortised on a straight-line basis over the period during which benefits are expected to flow from the use of the leased assets.

A corresponding liability is established and each lease payment is allocated between finance charges and reduction of the liability.

Operating leases are not capitalised and lease rental payments are taken to the Income Statement on a straight-line basis.

(xvii) Intangible assets

Identifiable intangibles

Amounts paid for the acquisition of identifiable intangible assets are capitalised at the fair value of consideration paid determined by reference to independent valuations.

Identifiable intangible assets with a finite life (customer contracts, patents, software, brand names, trademarks and licences) are amortised on a straight-line basis over their expected useful life to the consolidated entity, being up to thirty years.

Identifiable intangible assets with an indefinite life (brand names and trademarks) are not amortised but the recoverable amount of these assets is tested for impairment at least annually as explained under impairment of assets (see note xxv).

Unidentifiable intangibles

Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is treated as goodwill. Goodwill is not amortised but the recoverable amount is tested for impairment at least annually as explained under impairment of assets (see note xxv).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(xviii) Interest-bearing liabilities

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

Amortised cost is calculated by taking into account any issue costs and any discount or premium on issuance. Gains and losses are recognised in the Income Statement in the event that the liabilities are derecognised.

(xix) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the effect of discounting on provisions is recognised as a borrowing cost.

Environmental

Estimated costs for the remediation of soil, groundwater and untreated waste that have arisen as a result of past events are provided for where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed.

However, where the cost relates to land held for resale then, to the extent that the expected realisation exceeds both the book value of the land and the estimated cost of remediation, the cost is capitalised as part of the holding value of that land.

For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been capitalised, expensed or provided for.

Decommissioning

The present value of the estimated costs of dismantling and removing an asset and restoring the site on which it is located are recognised as an asset within property, plant and equipment which is depreciated on a straight line basis over its estimated useful life and a corresponding provision is raised where a legal or constructive obligation exists. At each reporting date, the liability is remeasured in line with changes in discount rates, timing and estimated cash flows. Any changes in the liability are added or deducted from the related asset, other than the unwinding of the discount which is recognised as borrowing costs in the Income Statement.

Self insurance

The Group self-insures for certain insurance risks. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims.

Employee entitlements

Provisions are made for liabilities to employees for annual leave, sick leave and other current employee entitlements that represent the amount for which the consolidated entity has a present obligation. These have been calculated at nominal amounts based on the wage and salary rates that the consolidated entity expects to pay as at each reporting date and include related on-costs.

1. Accounting policies (continued)

Liabilities for employee entitlements which are not expected to be settled within twelve months of balance date, such as long service leave, are accrued at the present value of future amounts expected to be paid. The present value is determined using interest rates applicable to government guaranteed securities with maturities approximating the terms of the consolidated entity's obligations.

A liability is recognised for bonus plans on the achievement of predetermined bonus targets and the benefit calculations are formally documented and determined before signing the financial report.

Contingent liabilities on acquisition of controlled entities

A provision is recognised on acquisition of a business for contingent liabilities of that business.

Superannuation

Contributions to defined contribution superannuation funds are taken to the Income Statement in the year in which the expense is incurred.

For each defined benefit scheme, the cost of providing pensions is charged to the Income Statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets.

All actuarial gains and losses are recognised directly in equity.

The consolidated entity's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds or in countries where there is no deep market in such bonds, the market yields on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Restructuring and employee termination benefits

Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination has either commenced or been publicly announced, or firm contracts related to the restructuring or termination benefits have been entered into. Costs related to ongoing activities are not provided for.

Onerous contracts

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

(xx) Trade and other payables

Dividends

A liability for dividends payable (including distributions on the Step-Up Preference Securities) is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash. A liability for dividends payable on cumulative non-redeemable preference shares was recognised on an accruals basis and included in trade and other payables.

(xxi) Foreign currency

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the entity at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency of the entity at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date.

The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. The revenues and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Prior to translating the financial statements of foreign operations in hyperinflationary economies, the financial statements, including comparatives, are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the balance sheet date.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the translation reserve. They are released into the Income Statement upon disposal.

(xxii) Financial instruments

The consolidated entity uses financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue financial instruments for trading purposes. However, financial instruments that do not qualify for hedge accounting, but remain economically effective, are accounted for as trading instruments.

1. Accounting policies (continued)

Financial instruments are recognised initially at cost. Subsequent to initial recognition, financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement.

However, where financial instruments qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Hedging

Cash flow hedges

Where a financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Income Statement.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects the Income Statement.

The ineffective part of any gain or loss is recognised immediately in the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

Fair value hedges

The consolidated entity uses fair value hedges to mitigate the risk of changes in the fair value of its foreign currency borrowings from foreign currency and interest rate fluctuations over the hedging period.

Under a fair value hedge gains or losses from remeasuring the fair value of the hedging instrument are recognised in the Income Statement, together with gains or losses in relation to the hedged item.

Hedge of monetary assets and liabilities

When a financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the Income Statement.

Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

Other financial instruments held by the consolidated entity classified as being available-for-sale are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Income Statement.

Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Income Statement. The fair value of financial instruments classified as held for trading and available for sale is their quoted market price at the balance sheet date.

Financial instruments classified as held for trading or available for sale investments are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments. Securities held to maturity are recognised/derecognised on the day they are transferred to/by the consolidated entity.

Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in the foreign currency translation reserve in equity. The ineffective portion is recognised immediately in the Income Statement.

Anticipated transactions

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables and payables outstanding at balance date are translated at the exchange rates current at that date. Exchange gains and losses on retranslation of outstanding receivables and payables are taken to the Income Statement.

Where a hedge transaction is designated as a hedge of the anticipated purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, gains and losses on the hedge, arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the Income Statement.

The net amount receivable or payable under open swaps, forward rate agreements and futures contracts and the associated deferred gains or losses are not recorded in the Income Statement until the hedged transaction matures. The net receivables or payables are then revalued using the foreign currency, interest or commodity rates current at balance date.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the Income Statement.

1. Accounting policies (continued)

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains and losses are recognised immediately in the Income Statement.

(xxiii) Cash and cash equivalents

Cash includes cash at bank, cash on hand and deposits at call which are readily convertible to cash on hand and which are used in the cash management function and are disclosed for the purposes of the Statement of Cash Flows, net of bank overdrafts.

(xxiv) Share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Cumulative non-redeemable preference shares

Cumulative non-redeemable preference shares were included in liabilities in 2007 as they were, in substance, borrowings. Dividends payable on these shares were recognised in the Income Statements as borrowing costs on an accruals basis.

Step-Up Preference Securities

Step-Up Preference Securities are included in equity. A provision for distributions payable is recognised in the reporting period in which the distributions are declared (refer to note 21).

(xxv) Impairment of assets

The carrying amount of Orica's and the Group's non-current assets excluding defined benefit fund assets, deferred tax assets, goodwill and indefinite life intangible assets is reviewed at each reporting date to determine whether there are any indicators of impairment. If such indicators exist, the asset is tested for impairment by comparing its recoverable amount to its carrying amount. Goodwill and indefinite life intangible assets are tested for impairment annually.

The recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use.

The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the cash generating unit to which the asset belongs.

A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets with each cash generating unit being no larger than a segment.

In calculating recoverable amount, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit.

Cash flows are estimated for the asset in its present condition and therefore do not include cash inflows or outflows that improve or enhance the asset's performance or that may arise from future restructuring.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit.

Reversals of impairment

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(xxvi) Goods and services tax

Revenues, expenses, assets and liabilities other than receivables and payables, are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the relevant taxation authorities. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the relevant taxation authorities is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authorities are classified as operating cash flows.

(xxvii) Rounding

The amounts shown in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

(xxviii) Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

2. Segment report

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format is business segments. The consolidated entity's operations have been divided into five business segments comprising Mining Services, Minova, DuluxGroup, Chemicals and Other.

The consolidated entity's policy is to transfer products internally at negotiated commercial prices. Other income includes royalties, profit on sale of property, plant and equipment and profit from the sale of businesses and controlled entities.

The consolidated entity's geographical segments are determined based on the location of the Group's assets.

The major products and services from which the above segments derive revenue are:

Defined business segments	Products/services
Mining Services	Manufacture and supply of explosives and mining services, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries.
Minova	Manufacture and supply of specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.
DuluxGroup *	Manufacture and supply of paints and other surface coatings to the decorative and technical markets and a range of home handyman, car care and garden care products.
Chemicals	Manufacture, distribution and trading of a broad range of industrial and specialty chemicals for use in a wide range of industries, which include water treatment, pulp and paper, food and beverage, construction and mining.
Other	Minor activities, operation of the Botany Groundwater Recycling Business, non-operating assets, corporate and support costs.

* Previously referred to as Consumer Products.

2. Segment report (continued)

Primary reporting
Business segments
2009
$m

	Mining Services	Minova	DuluxGroup	Chemicals	Other	Eliminations	Consolidated
Revenue							
External sales	4,042.7	940.9	940.1	1,486.5	0.8	-	7,411.0
Inter-segment sales	15.1	-	0.1	61.8	0.2	(77.2)	-
Total sales revenue	4,057.8	940.9	940.2	1,548.3	1.0	(77.2)	7,411.0
Other income [1]	34.1	(1.9)	0.9	(1.3)	12.7	-	44.5
Total revenue and other income	4,091.9	939.0	941.1	1,547.0	13.7	(77.2)	7,455.5
Results							
Profit/(loss) before individually material items, net financing costs and income tax expense	736.5	145.1	128.9	170.4	(98.4)	-	1,082.5
Individually material items	(48.4)	(12.8)	-	(16.5)	(61.9)	-	(139.6)
Profit/(loss) from operations	688.1	132.3	128.9	153.9	(160.3)	-	942.9
Net financing costs							(133.5)
Profit before income tax expense							809.4
Income tax expense							(228.0)
Profit after income tax expense							581.4
Minority interests in profit after income tax							(39.6)
Net profit for the period relating to shareholders of Orica Limited							541.8
Segment assets	3,238.1	1,799.0	503.2	976.7	837.2	-	7,354.2
Segment liabilities	815.6	139.5	233.8	225.4	1,967.1	-	3,381.4
Investments accounted for using the equity method	165.5	-	1.7	0.2	-	-	167.4
Acquisitions of PPE and intangibles	273.3	14.6	19.0	53.7	26.3	-	386.9
Impairment of PPE	0.9	-	-	7.7	61.1	-	69.7
Impairment of intangibles	1.0	-	-	8.2	-	-	9.2
Impairment of inventories	4.4	2.4	1.6	7.2	-	-	15.6
Impairment of trade receivables	5.2	0.8	1.4	0.9	0.9	-	9.2
Impairment of investments	-	-	-	-	1.4	-	1.4
Depreciation	137.9	9.8	15.3	33.2	6.5	-	202.7
Amortisation	14.2	26.1	1.7	0.6	2.4	-	45.0
Non-cash expenses other than depreciation and amortisation: - share based payments	3.3	0.9	0.8	0.9	2.2	-	8.1
Share of associates net profit equity accounted	60.1	-	0.9	0.1	-	-	61.1

[1] Includes foreign exchange gains/losses in various business segments.

2. Segment report (continued)

Primary reporting
Business segments
2008
$m

	Mining Services	Minova	DuluxGroup	Chemicals	Other	Eliminations	Consolidated
Revenue							
External sales	3,540.0	794.2	875.2	1,334.2	0.5	-	6,544.1
Inter-segment sales	12.1	-	0.2	71.9	-	(84.2)	-
Total sales revenue	3,552.1	794.2	875.4	1,406.1	0.5	(84.2)	6,544.1
Other income	38.2	0.4	1.0	2.3	11.9	-	53.8
Total revenue and other income	3,590.3	794.6	876.4	1,408.4	12.4	(84.2)	6,597.9
Results							
Profit/(loss) before individually material items, net financing costs and income tax expense	635.6	150.1	122.6	146.1	(84.3)	-	970.1
Individually material items	(9.6)	(12.0)	-	(20.0)	-	-	(41.6)
Profit/(loss) from operations	626.0	138.1	122.6	126.1	(84.3)	-	928.5
Net financing costs							(157.7)
Profit before income tax expense							770.8
Income tax expense							(203.5)
Profit after income tax expense							567.3
Minority interests in profit after income tax							(27.7)
Net profit for the period relating to shareholders of Orica Limited							539.6
Segment assets	3,599.3	2,037.0	465.9	1,049.6	856.0	-	8,007.8
Segment liabilities	1,121.5	197.3	202.0	288.5	1,880.1	-	3,689.4
Investments accounted for using the equity method	206.6	-	1.6	0.1	-	-	208.3
Acquisitions of PPE and intangibles	299.7	13.3	37.3	75.1	22.9	-	448.3
Impairment of inventories	3.3	0.6	2.1	1.2	-	-	7.2
Impairment of trade receivables	4.8	0.7	1.1	1.1	-	-	7.7
Depreciation	118.3	7.9	11.3	31.6	8.5	-	177.6
Amortisation	14.0	21.9	2.4	0.5	2.3	-	41.1
Non-cash expenses other than depreciation and amortisation: - share based payments	2.7	0.6	0.5	0.6	2.1	-	6.5
Share of associates net profit equity accounted	27.8	-	0.2	0.1	-	-	28.1

2. Segment report (continued)

Secondary reporting
Geographical segments
2009
$m

	Australia	New Zealand	Asia	North America	Latin America	Europe	Other	Eliminations	Consolidated
Revenue									
External sales	2,891.4	392.8	786.0	1,326.6	1,057.3	874.3	82.6	-	7,411.0
Inter-segment sales	277.8	12.4	14.1	96.8	16.9	23.9	5.6	(447.5)	-
Total sales revenue	3,169.2	405.2	800.1	1,423.4	1,074.2	898.2	88.2	(447.5)	7,411.0
Other income (1)	5.1	2.2	(1.0)	3.3	25.7	9.2	-	-	44.5
Total revenue and other income	3,174.3	407.4	799.1	1,426.7	1,099.9	907.4	88.2	(447.5)	7,455.5
Results									
Profit before individually material items, net financing costs and income tax expense	467.3	46.7	99.3	186.2	126.9	143.7	12.4	-	1,082.5
Individually material items	(86.0)	-	(0.6)	(18.1)	(10.6)	(24.1)	(0.2)	-	(139.6)
Profit from operations	381.3	46.7	98.7	168.1	116.3	119.6	12.2	-	942.9
Net financing costs									(133.5)
Profit before income tax expense									809.4
Income tax expense									(228.0)
Profit after income tax expense									581.4
Minority interests in profit after income tax									(39.6)
Net profit for the period relating to shareholders of Orica Limited									541.8
Segment assets	3,067.9	162.8	589.3	1,496.4	499.8	1,490.4	47.6	-	7,354.2
Segment liabilities	1,872.0	573.8	279.8	242.7	130.0	275.6	7.5	-	3,381.4
Investments accounted for using the equity method	1.9	-	35.2	116.8	2.8	10.7	-	-	167.4
Acquisitions of PPE and intangibles	157.1	12.9	107.4	33.8	33.1	40.2	2.4	-	386.9
Impairment of PPE	68.8	-	-	-	-	0.9	-	-	69.7
Impairment of intangibles	9.2	-	-	-	-	-	-	-	9.2
Impairment of inventories	9.3	0.8	1.2	2.6	0.6	1.0	0.1	-	15.6
Impairment of trade receivables	3.6	-	1.4	0.1	0.8	3.1	0.2	-	9.2
Impairment of investments	1.4	-	-	-	-	-	-	-	1.4
Depreciation	109.2	5.4	12.1	34.5	15.5	24.9	1.1	-	202.7
Amortisation	12.9	0.1	0.8	17.5	2.0	11.7	-	-	45.0
Non-cash expenses other than depreciation and amortisation:									
- share based payments	5.9	0.1	0.1	1.0	0.3	0.6	0.1	-	8.1
Share of associates net profit equity accounted	1.0	-	5.9	42.7	1.3	10.2	-	-	61.1

(1) Includes foreign exchange gains/losses in various geographical segments.

2. Segment report (continued)

Secondary reporting
Geographical segments
2008
$m

	Australia	New Zealand	Asia	North America	Latin America	Europe	Other	Eliminations	Consolidated
Revenue									
External sales	2,703.4	376.2	527.2	1,219.5	809.0	847.8	61.0	-	6,544.1
Inter-segment sales	241.3	12.9	17.7	58.2	22.5	65.5	5.9	(424.0)	-
Total sales revenue	2,944.7	389.1	544.9	1,277.7	831.5	913.3	66.9	(424.0)	6,544.1
Other income	15.0	1.0	1.6	9.5	15.0	11.7	-	-	53.8
Total revenue and other income	2,959.7	390.1	546.5	1,287.2	846.5	925.0	66.9	(424.0)	6,597.9
Results									
Profit before individually material items, net financing costs and income tax expense	434.7	44.0	70.9	172.5	91.8	148.4	7.8	-	970.1
Individually material items	(24.2)	-	(1.0)	(9.0)	(5.6)	(1.0)	(0.8)	-	(41.6)
Profit from operations	410.5	44.0	69.9	163.5	86.2	147.4	7.0	-	928.5
Net financing costs									(157.7)
Profit before income tax expense									770.8
Income tax expense									(203.5)
Profit after income tax expense									567.3
Minority interests in profit after income tax									(27.7)
Net profit for the period relating to shareholders of Orica Limited									539.6
Segment assets	3,030.3	259.9	570.2	1,800.5	592.7	1,707.0	47.2	-	8,007.8
Segment liabilities	2,031.5	538.1	142.5	405.1	192.4	368.5	11.3	-	3,689.4
Investments accounted for using the equity method	1.7	-	62.2	127.5	2.8	14.1	-	-	208.3
Acquisitions of PPE and intangibles	189.3	14.7	85.2	72.6	31.8	51.4	3.3	-	448.3
Impairment of inventories	4.4	0.6	1.2	0.3	0.3	0.4	-	-	7.2
Impairment of trade receivables	1.6	0.1	0.7	2.3	0.4	2.5	0.1	-	7.7
Depreciation	101.7	5.0	8.9	24.6	14.1	22.4	0.9	-	177.6
Amortisation	13.2	0.4	0.6	13.1	2.1	11.7	-	-	41.1
Non-cash expenses other than depreciation and amortisation: - share based payments	4.6	0.1	0.1	0.7	0.4	0.6	-	-	6.5
Share of associates net profit equity accounted	0.8	-	5.9	19.2	1.0	1.2	-	-	28.1

3. Sales revenue and other income

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Sales revenue	**7,411.0**	6,544.1	**-**	-
Other income				
Royalty income	**1.4**	1.9	**-**	-
Dividend income:				
controlled entities	**-**	-	**289.1**	524.1
external parties	**0.1**	-	**-**	-
Other income	**23.9**	34.6	**-**	-
Currency gains [1]	**3.8**	11.9	**-**	-
Profit from sale of businesses/controlled entities/investments	**13.5**	-	**-**	-
Profit on sale of property, plant and equipment	**1.8**	5.4	**-**	-
Total other income	**44.5**	53.8	**289.1**	524.1

[1] Includes $20 million relating to a gain on derivative instruments used to economically hedge the purchase of minority interests during the period.

4. Specific profit and loss income and expenses

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
a) Financial income:				
Interest income received/receivable from:				
controlled entities	**-**	-	**45.3**	53.4
income on Excel net investment hedge (refer note 34)	**-**	24.2	**-**	-
associated companies	**-**	0.6	**-**	-
external parties – banks	**50.8**	43.3	**-**	0.5
Total financial income	**50.8**	68.1	**45.3**	53.9
b) Financial expenses:				
Borrowing costs paid/payable to:				
controlled entities	**-**	-	**3.6**	73.6
external parties - banks	**175.5**	216.2	**-**	-
unwinding of discount on provisions	**7.0**	8.1	**-**	-
finance charges – finance leases	**1.8**	1.5	**-**	-
Total financial expenses	**184.3**	225.8	**3.6**	73.6
Net financing costs/(income)	**133.5**	157.7	**(41.7)**	19.7
c) Profit before income tax expense is arrived at after charging/(crediting):				
Depreciation on property, plant and equipment:				
buildings and improvements	**12.8**	15.6	**-**	0.2
machinery, plant and equipment	**189.9**	162.0	**0.1**	-
Total depreciation on property, plant and equipment	**202.7**	177.6	**0.1**	0.2
Amortisation of intangibles	**45.0**	41.1	**-**	-
Amounts provided for:				
trade receivables impairment	**9.2**	7.7	**-**	-
doubtful debts – other receivables	**3.2**	0.2	**-**	-
employee entitlements	**39.2**	40.5	**-**	-
environmental liabilities	**16.6**	5.2	**-**	-
inventory impairment	**15.6**	7.2	**-**	-
restructuring and rationalisation provisions	**24.3**	21.1	**-**	-
decommissioning	**0.2**	-	**-**	-
onerous contracts	**4.0**	-	**-**	-
other provisions	**14.6**	1.8	**-**	-
Bad debts written off to impairment allowance	**3.6**	4.1	**-**	-
Lease payments – operating leases	**92.5**	83.3	**-**	-
Loss on disposal of businesses/controlled entities	**-**	1.7	**1.1**	-
Research and development	**42.4**	37.0	**-**	-

4. Specific profit and loss income and expenses (continued)

d) Profit after income tax includes the following individually material items of (expense)/income:
Consolidated

	2009 Gross $m	2009 Tax $m	2009 Net $m	2008 Gross $m	2008 Tax $m	2008 Net $m
Restructuring and rationalisation costs: [1]						
Mining Services	**(32.1)**	**7.4**	**(24.7)**	-	-	-
Chemicals business	**-**	**-**	**-**	(20.0)	5.3	(14.7)
DuluxGroup demerger costs [2]	**(20.8)**	**5.5**	**(15.3)**	-	-	-
Asset impairment writedowns:						
Marplex	**(16.5)**	**2.5**	**(14.0)**	-	-	-
Botany Groundwater Treatment Plant [3]	**(61.1)**	**18.3**	**(42.8)**	-	-	-
Integration costs [4]						
Dyno Nobel	**(16.3)**	**3.7**	**(12.6)**	(9.6)	0.1	(9.5)
Minova/Excel	**(12.8)**	**3.6**	**(9.2)**	(12.0)	3.0	(9.0)
Net gain on derivatives [5]	**20.0**	**(6.0)**	**14.0**	-	-	-
Individually material items	**(139.6)**	**35.0**	**(104.6)**	(41.6)	8.4	(33.2)
Minority interests in individually material items	**(0.3)**	**-**	**(0.3)**	(0.5)	-	(0.5)
Individually material items attributable to shareholders of Orica	**(139.3)**	**35.0**	**(104.3)**	(41.1)	8.4	(32.7)

[1] Costs including asset write downs and provisions relating to restructuring of the Mining Services business in 2009 and restructuring and merging of the Chemicals business in 2008.

[2] Costs associated with the proposed DuluxGroup demerger which has been indefinately deferred.

[3] During the year due to a deterioration of the business performance, Orica reviewed the recoverability of the Botany Groundwater Treatment Plant assets resulting in the assets being written down from $61.1 million to nil.

[4] Costs including asset write downs and provisions relating to the integration and restructuring of the Mining Services and Minova segments following the purchase of the Dyno Nobel, Minova and Excel businesses.

[5] Gain on derivative instruments used to economically hedge the purchase of minority interests during the period. Such transactions do not qualify for hedge accounting and accordingly the gain on the derivative instruments has been recognised in the income statement.

	Consolidated 2009 $m	2008 $m
5. Income tax expense		
a) Income tax expense recognised in the income statement		
Current tax expense		
Current year	**292.9**	172.9
Deferred tax	**(66.0)**	36.9
Under/(over) provided in prior years	**1.1**	(6.3)
Total income tax expense in income statement	**228.0**	203.5
b) Reconciliation of income tax expense to prima facie tax payable		
Income tax expense attributable to profit before individually material items		
Prima facie income tax expense calculated at 30% on profit before individually material items	**284.7**	243.7
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	**(1.1)**	(1.6)
tax under/(over) provided in prior years	**1.1**	(6.3)
non allowable share based payment	**2.4**	1.9
non taxable profit on sale of investments	**(3.6)**	-
other foreign deductions	**(27.4)**	(32.6)
sundry items	**6.9**	6.8
Income tax expense attributable to profit before individually material items	**263.0**	211.9
Income tax (benefit)/expense attributable to individually material items		
Prima facie income tax (benefit)/expense calculated at 30% on (loss)/profit from individually material items	**(41.9)**	(12.5)
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	**(1.3)**	(0.2)
individually material items:		
non allowable Mining Services integration costs	**2.8**	-
non allowable Marplex impairment writedown	**2.4**	-
non allowable Dyno Nobel integration costs	**1.3**	2.8
non allowable Minova integration costs	**0.9**	0.8
non allowable DuluxGroup demerger costs	**0.8**	-
non allowable Chemicals restructuring costs	**-**	0.7
Income tax benefit attributable to loss from individually material items	**(35.0)**	(8.4)
Income tax expense reported in the income statement	**228.0**	203.5

5. Income tax expense (continued)

	Company	
	2009	2008
c) Income tax expense/(benefit) recognised in the income statement	**$m**	$m
Current tax benefit		
Current year	**14.0**	(3.2)
Deferred tax	**1.5**	1.5
Over provided in prior years	**(0.2)**	(1.2)
Total income tax expense/(benefit) in income statement	**15.3**	(2.9)
d) Reconciliation of income tax expense/(benefit) to prima facie tax payable		
Income tax expense/(benefit) attributable to profit before individually material items		
Prima facie income tax expense calculated at 30% on profit before individually material items	**98.1**	148.4
Tax effect of items which (decrease)/increase tax expense:		
rebateable and exempt dividends	**(86.7)**	(157.2)
tax over provided in prior years	**(0.2)**	(1.2)
sundry items	**4.1**	7.1
Income tax expense/(benefit) reported in the income statement	**15.3**	(2.9)

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
e) Deferred income tax related to items charged or credited to equity:				
Net loss on hedge of net investments in foreign subsidiary	**19.5**	(2.8)	**-**	-
Cash flow hedges - effective portion of changes in fair value	**2.4**	(4.1)	**-**	-
Actuarial losses/(benefits) on defined benefit plans	**8.9**	14.4	**-**	-
Deferred income tax related to items charged or credited to statements of recognised income and expense	**30.8**	7.5	**-**	-
Deductible share issue costs	**-**	2.1	**-**	-
Deferred income tax related to items charged or credited to equity	**30.8**	9.6	**-**	-

5. Income tax expense (continued)

f) Recognised deferred tax assets and liabilities

		Balance Sheet		Income Statement	
		2009	2008	**2009**	2008
Consolidated	Notes	**$m**	$m	**$m**	$m
Deferred tax assets					
Trade and other receivables		**4.9**	4.3	**(0.6)**	0.7
Inventories		**12.4**	11.6	**(0.8)**	(2.5)
Property, plant and equipment		**41.7**	21.0	**(20.7)**	5.4
Intangible assets		**15.1**	18.5	**3.4**	0.3
Trade and other payables		**25.0**	59.4	**34.3**	(17.2)
Interest bearing liabilities		**36.5**	0.2	**(14.4)**	23.5
Provision for employee entitlements		**31.7**	30.2	**(1.5)**	(2.8)
Provision for retirement benefit obligations		**40.1**	38.4	**7.2**	6.1
Provisions for restructuring and rationalisation		**3.9**	4.2	**0.3**	0.8
Provisions for environmental		**63.4**	67.4	**4.0**	7.4
Provisions for decommissioning		**3.8**	4.4	**0.6**	0.8
Tax losses		**82.8**	67.6	**(15.2)**	(42.0)
Other items		**10.8**	7.4	**(3.4)**	(1.6)
Deferred tax assets		**372.1**	334.6		
Less set-off against deferred tax liabilities		**(118.9)**	(170.5)		
Net deferred tax assets	(15)	**253.2**	164.1		
Deferred tax liabilities					
Inventories		**4.9**	5.4	**(0.5)**	-
Property, plant and equipment		**81.6**	99.5	**(17.9)**	5.4
Intangible assets		**79.6**	81.7	**(2.1)**	11.7
Interest bearing liabilities		**1.3**	40.4	**(39.1)**	34.2
Undistributed profits of foreign subsidiaries		**9.8**	11.1	**(1.3)**	2.0
Other items		**17.9**	16.2	**1.7**	4.7
Deferred tax liabilities		**195.1**	254.3		
Less set-off against deferred tax assets		**(118.9)**	(170.5)		
Net deferred tax liabilities	(20)	**76.2**	83.8		
Deferred tax (benefit)/expense				**(66.0)**	36.9

Company					
Deferred tax assets					
Property, plant and equipment		**0.6**	0.6	**-**	0.1
Provisions for other		**0.2**	0.3	**0.1**	-
Other items		**3.2**	4.6	**1.4**	1.4
Deferred tax assets	(15)	**4.0**	5.5		
Deferred tax expense				**1.5**	1.5

5. Income tax expense (continued)

g) Unrecognised deferred tax assets and liabilities

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
Tax losses not booked	**12.6**	11.6	**-**	-
Capital losses not booked	**27.5**	27.5	**-**	-
Temporary differences not booked	**0.9**	0.9	**-**	-

Geographical analysis of tax losses not booked at 30 September 2009:	Tax losses	Capital losses	Expiry date
	$m	**$m**	
Australia	**0.6**	**24.8**	Indefinite
Other	**12.0**	**2.7**	Between 2010 and 2020
	12.6	**27.5**	

h) Unrecognised temporary differences

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised	**954.8**	973.9	**11.9**	19.2
Unrecognised deferred tax liabilities relating to the above temporary differences	**124.8**	130.8	**2.0**	3.3

	Consolidated 2009 $m	2008 $m

6. Earnings per share (EPS)

(i) As reported in the income statement

	2009 $m	2008 $m
Reconciliation of earnings used in the calculation of EPS attributable to ordinary shareholders of Orica		
Net profit for the year from operations	**581.4**	567.3
Net profit for the year from operations attributable to minority interests	**(39.6)**	(27.7)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	**(28.1)**	(28.1)
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica	**513.7**	511.5
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)	**28.1**	28.1
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica	**541.8**	539.6

	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	**353,879,570**	320,040,216
Effect of executive share options	**2,311,094**	3,520,965
Effect of Orica Step-Up Preference Securities	**28,583,380**	18,041,197
Number for diluted earnings per share	**384,774,044**	341,602,378
The following Orica Long Term Equity Incentive Plans have not been included in the calculation for diluted EPS as they are not dilutive:		
- issue date 20 Nov 2006	**1,274,699**	**-**
- issue date 11 May 2007	**33,464**	61,393
- issue date 18 Dec 2007	**1,206,357**	1,348,983
- issue date 26 Jun 2009	**40,580**	-

	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica		
Basic earnings per share	**145.2**	159.8
Diluted earnings per share	**140.8**	158.0

(ii) Adjusted for individually material items

	$m	$m
Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica		
Net profit for the year from operations	**581.4**	567.3
Net profit for the year from operations attributable to minority interests	**(39.6)**	(27.7)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	**(28.1)**	(28.1)
Adjusted for individually material items from operations	**104.3**	32.7
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica	**618.0**	544.2
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)	**28.1**	28.1
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica	**646.1**	572.3

	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica before individually material items		
Basic earnings per share	**174.6**	170.0
Diluted earnings per share	**167.9**	167.5

7. Cash and cash equivalents

	Consolidated **2009 $m**	2008 $m	Company **2009 $m**	2008 $m
Cash at bank and on hand	**249.4**	243.5	**-**	-
Deposits at call				
external	**59.1**	77.8	**-**	-
	308.5	321.3	**-**	-

(i) Fair values

The directors consider the net carrying amount of cash and cash equivalents to approximate their fair value due to their short term to maturity.

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m

8. Trade and other receivables

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Current				
Trade receivables (i)				
external [1]	**882.0**	1,025.7	**-**	-
associated companies	**6.6**	20.3	**-**	-
Less allowance for impairment (i) (ii)				
external	**(23.4)**	(22.4)	**-**	-
	865.2	1,023.6	**-**	-
Other receivables (iii)				
external	**103.2**	124.2	**-**	-
controlled entities	**-**	-	**958.4**	971.6
Less allowance for impairment (iii) (iv)				
external	**(3.5)**	(0.4)	**-**	-
	99.7	123.8	**958.4**	971.6
	964.9	1,147.4	**958.4**	971.6
Non-current				
Other receivables (vii)				
external [2]	**103.1**	108.1	**100.0**	100.0
retirement benefit surplus	**0.3**	2.9	**-**	-
	103.4	111.0	**100.0**	100.0

[1] Trade receivables includes $12.7 million (2008 $13.4 million) of receivables that have effectively been transferred from Orica but do not qualify for derecognition under AASB 139 due to the consolidated entity's exposure to the relevant debtors via guarantees provided to financial institutions should they not pay. A corresponding liability is recognised in note 17.

[2] This includes $100.0 million (2008 $100.0 million) that was paid during the financial year ended 30 September 2005 to the Australian Tax Office in relation to the sale of the pharmaceuticals business to Zeneca in September 1998. Orica has lodged an appeal with the Federal Court and the directors are of the opinion that the amount paid and recognised as a non-current receivable is recoverable (refer note 33).

(i) Trade receivables and allowance for impairment

The ageing of trade receivables and allowance for impairment is detailed below:

	Consolidated		Consolidated	
	2009	**2009**	2008	2008
	Gross	**Allowance**	Gross	Allowance
	$m	**$m**	$m	$m
Not past due	**735.9**	**(0.1)**	860.7	(0.2)
Past due 0 - 30 days	**76.0**	**(0.5)**	90.5	(0.4)
Past due 31 - 60 days	**26.4**	**(0.3)**	32.6	(3.3)
Past due 61 - 90 days	**12.5**	**(0.5)**	10.2	(0.6)
Past due 91 - 120 days	**10.2**	**(2.1)**	10.5	(0.8)
Past 120 days	**27.6**	**(19.9)**	41.5	(17.1)
	888.6	**(23.4)**	1,046.0	(22.4)

Trade receivables are carried at amounts due. Receivables that are not past due and not impaired are considered recoverable. Payment terms are generally 30 days from end of month of invoice date. A risk assessment process is used for all accounts, with a stop credit process in place for most long overdue accounts. Credit insurance cover is obtained where appropriate.

The collectability of trade receivables is assessed continuously and at balance date specific allowances are made for any doubtful trade receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

The following basis has been used to assess the allowance for doubtful trade receivables:
- a statistical approach to determine the historical allowance rate for various tranches of receivables;
- an individual account by account assessment based on past credit history; and
- prior knowledge of debtor insolvency or other credit risk.

No material security is held over trade receivables.
Trade receivables have been aged according to their due date in the above ageing analysis.
There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

8. Trade and other receivables (continued)

(ii) Movement in allowance for impairment of trade receivables

The movement in the allowance for impairment in respect of trade receivables is detailed below:

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
Opening balance	**(22.4)**	(19.5)	**-**	-
Allowances made during the year	**(9.2)**	(7.7)	**-**	-
Additions through acquisition of entities	**(1.3)**	(2.3)	**-**	-
Allowances utilised during the year	**3.5**	4.1	**-**	-
Allowances written back during the year	**3.3**	4.5	**-**	-
Foreign currency exchange differences	**2.7**	(1.5)	-	-
Closing balance	**(23.4)**	(22.4)	**-**	-

(iii) Current other receivables and allowance for impairment

	Consolidated		Consolidated	
	2009	**2009**	2008	2008
	Gross	**Allowance**	Gross	Allowance
	$m	**$m**	$m	$m
Not past due	**76.8**	**-**	68.6	-
Past due 0 - 30 days	**2.1**	**-**	19.4	-
Past due 31 - 60 days	**0.8**	**-**	1.1	-
Past due 61 - 90 days	**1.5**	**-**	4.2	-
Past due 91 - 120 days	**1.2**	**-**	1.5	-
Past 120 days	**20.8**	**(3.5)**	29.4	(0.4)
	103.2	**(3.5)**	124.2	(0.4)

	Company		Company	
	2009	**2009**	2008	2008
	Gross	**Allowance**	Gross	Allowance
	$m	**$m**	$m	$m
Not past due	**958.4**	**-**	971.6	**-**

Other receivables generally arise from transactions outside the usual operating activities of the consolidated entity.
Interest may be charged where the terms of repayment exceed agreed terms.
Other receivables are carried at amounts due. Payment terms vary. A risk assessment process is used for all accounts, with a stop credit and follow up process in place for most long overdue accounts.
Other receivables have been aged according to their due date in the above ageing analysis.

The collectability of other receivables is assessed at balance date and specific allowances are made for any doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off to the Income Statements during the year in which they are identified.
There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

8. Trade and other receivables (continued)

(iv) Movement in allowance for impairment of current other receivables

The movement in the allowance for impairment in respect of current other receivables is detailed below:

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
Opening balance	**(0.4)**	(1.9)	**-**	-
Allowances made during the year	**(3.2)**	(0.2)	**-**	-
Allowances utilised during the year	**0.1**	-	**-**	-
Allowances written back during the year	**-**	1.8	**-**	-
Foreign currency exchange differences	**-**	(0.1)	**-**	-
Closing balance	**(3.5)**	(0.4)	**-**	-

(v) Fair values

The net carrying amount of trade and other receivables approximates their fair values. For receivables with a remaining life of less than one year, carrying value reflects fair value. All other significant receivables are discounted to determine carrying value and fair value.

The maximum exposure to credit risk is the carrying value of receivables. No material collateral is held as security over any of the receivables.

(vi) Concentrations of credit risk

The consolidated entity is exposed to the following concentrations of credit risk in regards to its current trade and other receivables:

	2009	2008
	%	**%**
Mining Services	**48.4**	53.6
Minova	**14.7**	13.7
DuluxGroup	**16.0**	12.2
Chemicals	**19.5**	18.1
Corporate	**1.4**	2.4
	100.0	100.0

	2009	2008
	%	**%**
Australia	**38.1**	34.8
New Zealand	**4.8**	4.7
Asia	**14.5**	13.1
North America	**9.1**	13.7
Latin America	**13.0**	15.5
Europe	**19.1**	16.7
Other	**1.4**	1.5
	100.0	100.0

The Company is exposed to credit risk through the financial assets it holds. This is concentrated with related parties.

(vii) Non current receivables

All non current receivables are carried at amounts that approximate their fair value. As at 30 September none are past due. None are considered impaired.

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m

9. Inventories

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Raw materials and stores	**228.2**	332.5	**-**	-
Work in progress	**16.6**	35.7	**-**	-
Finished goods	**375.0**	456.1	**-**	-
	619.8	824.3	**-**	-

10. Other assets

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Current				
Prepayments and other assets	**55.9**	68.9	**0.1**	0.1
	55.9	68.9	**0.1**	0.1
Non-current				
Prepayments and other assets	**3.4**	0.3	**-**	-
	3.4	0.3	**-**	-

11. Investments accounted for using the equity method

Name	Principal activity	Balance date	Ownership 2009 %	Ownership 2008 %	Carrying amount 2009 $m	Carrying amount 2008 $m
Australian Plantations Pty Ltd	Tea tree oil production	30 Jun	**50.0**	50.0	**0.2**	0.1
Botany Industrial Park Pty Limited	Facility management service	30 Sep	**33.4**	33.4	**-**	-
BXL Bulk Explosives Limited [1]	Manufacture and sale of explosives	31 Oct	**50.0**	50.0	**1.0**	0.7
Controladora DNS de RL de CV [2]	Manufacture and sale of explosives	30 Sep	**49.0**	49.0	**0.1**	0.1
Dyno Nobel UMMC LLC [3]	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**1.6**	-
Exor Explosives Limited [4]	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**0.9**	1.4
Geneva Nitrogen LLC [5]	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**7.5**	7.9
Geodynamics B.V. [6]	Manufacture and sale of explosives	31 Dec	**27.3**	27.3	**5.8**	5.4
Irish Mining Emulsion Systems Ltd [7]	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**0.1**	-
MicroCoal Inc.[5]	Development and commercialisation of coal dewatering process	31 Dec	**50.0**	50.0	**-**	3.7
MSW-Chemie GmbH [8]	Manufacture and sale of explosives	31 Dec	**31.5**	31.5	**0.6**	0.7
Nelson Brothers, LLC [5]	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**26.0**	28.4
Nelson Brothers Mining Services LLC [5]	Supply of explosives	31 Dec	**50.0**	50.0	**19.8**	20.8
Norabel Ignition Systems AB [9]	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**0.7**	0.5
Northwest Energetic Services, LLC [5] *	Manufacture and sale of explosives	31 Dec	**-**	-	**-**	-
Orica Camel Coatings Ltd [10]	Manufacture and sale of powder coatings	31 Dec	**50.0**	50.0	**-**	-
OY Forcit [11] **	Manufacture and sale of explosives	31 Dec	**-**	20.0	**-**	5.1
Pigment Manufacturers of Australia Limited	Non-operating company	31 Dec	**50.0**	50.0	**-**	-
Pinegro Products Pty Ltd	Manufacture and sale of garden products	30 Jun	**50.0**	50.0	**1.7**	1.6
PIIK Limited Partnership [1]	Sale of explosives	30 Sep	**49.0**	49.0	**-**	-
Servicios Petroleros Oricorp Mexico, SA de CV [2]	Manufacture and sale of explosives	31 Dec	**47.0**	47.0	**0.1**	-
Southwest Energy LLC [5]	Sale of explosives	30 Sep	**50.0**	50.0	**62.5**	66.0
Sprewa Sprengmittel GmbH [8]	Sale of explosives	31 Dec	**24.0**	24.0	**0.8**	0.8
SVG&FNS Philippines Holdings Inc [12]	Investment company	31 Dec	**40.0**	40.0	**-**	-
Thai Nitrate Company Ltd [13]	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**35.2**	62.2
Troisdorf GmbH [8]	Holder of operating permits	30 Sep	**50.0**	50.0	**-**	-
Ulaex SA [14]	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**2.7**	2.8
Wurgendorf GmbH [8]	Holder of operating permits	30 Sep	**50.0**	50.0	**0.1**	0.1
					167.4	208.3

Entities are incorporated in Australia except: [1] Canada, [2] Mexico, [3] Russia, [4] UK, [5] USA, [6] Holland, [7] Ireland, [8] Germany, [9] Sweden, [10] Hong Kong, [11] Finland, [12] Philippines, [13] Thailand, [14] Cuba.

* Consolidated as a subsidiary: Northwest Energetic Services, LLC from 1 December 2007.

* * Disposed of in 2009.

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

	Consolidated	
	2009	2008
	$m	$m
Results of associates		
Share of associates' profit from ordinary activities before income tax	**64.3**	30.4
Share of associates' income tax expense relating to profit from ordinary activities	**(3.2)**	(2.3)
Share of associates' net profit equity accounted	**61.1**	28.1
Share of post-acquisition accumulated losses and reserves attributable to associates		
Share of associates' accumulated losses at the beginning of the year	**(22.9)**	(30.7)
Share of associates' net profit equity accounted	**61.1**	28.1
Less dividends from associates	**(66.6)**	(20.3)
Share of associates' accumulated losses at the end of the year	**(28.4)**	(22.9)
Movements in carrying amounts of investments		
Carrying amount of investments in associates at the beginning of the year	**208.3**	124.5
Investments in associates acquired during the year	**0.9**	66.5
Investments in associates disposed of during the year	**(10.9)**	(1.2)
Adjustment to deferred consideration	**(2.0)**	-
Impairment of investments	**(1.4)**	-
Share of associates' net profit equity accounted	**61.1**	28.1
Less dividends from associates	**(66.6)**	(20.3)
Effects of exchange rate changes	**(22.0)**	10.7
Carrying amount of investments in associates at the end of the year	**167.4**	208.3
Summary of profit and loss and balance sheets of associates on a 100% basis		
The aggregate net profit, assets and liabilities of associates are:		
Revenue	**790.3**	555.1
Net profit after tax	**92.8**	48.2
Assets	**505.6**	434.9
Liabilities	**132.3**	189.0

The Company does not have any associates.

12. Other financial assets

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
Current				
Derivative assets (i)				
forward foreign exchange contracts	**33.9**	82.8	**-**	-
interest rate swaps	**6.8**	13.1	**-**	-
foreign exchange options	**4.6**	0.4	**-**	-
	45.3	96.3	**-**	-
Non-current				
Interest in unlisted entities				
at fair value	**0.9**	1.0	**-**	-
Interest in unlisted controlled entities				
at cost	**-**	-	**1,914.0**	1,915.1
	0.9	1.0	**1,914.0**	1,915.1

(i) Derivative assets
Refer to note 34 for details on the financial risk management and use of derivative financial instruments.

13. Property, plant and equipment

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Land, buildings and improvements				
at cost	**588.6**	586.8	**39.1**	39.1
accumulated depreciation	**(215.3)**	(199.4)	**(13.2)**	(13.2)
Total carrying value	**373.3**	387.4	**25.9**	25.9
Machinery, plant and equipment				
Gross book value				
at cost	**2,988.1**	2,919.0	**3.2**	3.2
under finance lease	**26.8**	26.1	**-**	-
	3,014.9	2,945.1	**3.2**	3.2
Accumulated depreciation				
at cost	**(1,310.3)**	(1,279.2)	**(3.2)**	(3.1)
under finance lease	**(2.9)**	(1.0)	**-**	-
	(1,313.2)	(1,280.2)	**(3.2)**	(3.1)
Net carrying value				
at cost	**1,677.8**	1,639.8	**-**	0.1
under finance lease	**23.9**	25.1	**-**	-
Total carrying value	**1,701.7**	1,664.9	**-**	0.1
Total net carrying value of property, plant and equipment	**2,075.0**	2,052.3	**25.9**	26.0

Capitalised borrowing costs

Interest amounting to $5.0 million (2008 $2.0 million) was capitalised to property, plant and equipment, calculated at the rate of 5.1% (2008 7.4%).

Significant assets under construction

Included in Property, Plant and Equipment is an amount of $148.1 million (2008 $76.1 million) of assets under construction relating to the Bontang, Indonesia Ammonium Nitrate plant.

13. Property, plant and equipment (continued)

(ii) Reconciliations

Reconciliations of the carrying values of property, plant and equipment at the beginning and end of the years are set out below:

Consolidated		Land, buildings and improvements $m	Machinery, plant and equipment $m	Total $m
2008				
Carrying amount at the beginning of the year	01-Oct-2007	368.8	1,374.1	1,742.9
Additions		42.6	393.8	436.4
Disposals		-	(14.5)	(14.5)
Additions through acquisition of entities (see note 27)		3.9	31.0	34.9
Disposals through disposal of entities (see note 28)		-	(0.5)	(0.5)
Depreciation expense (see note 4)		(15.6)	(162.0)	(177.6)
Foreign currency exchange differences		(12.3)	43.0	30.7
Carrying amount at the end of the year	30-Sep-2008	**387.4**	**1,664.9**	**2,052.3**
2009				
Additions		**39.2**	**326.5**	**365.7**
Disposals		**(3.5)**	**(6.4)**	**(9.9)**
Additions through acquisition of entities (see note 27)		**-**	**4.8**	**4.8**
Depreciation expense (see note 4)		**(12.8)**	**(189.9)**	**(202.7)**
Impairment of property, plant and equipment		**(1.5)**	**(68.2)**	**(69.7)**
Foreign currency exchange differences		**(35.5)**	**(30.0)**	**(65.5)**
Carrying amount at the end of the year	30-Sep-2009	**373.3**	**1,701.7**	**2,075.0**

Company				
2008				
Carrying amount at the beginning of the year	01-Oct-2007	26.1	0.1	26.2
Depreciation expense (see note 4)		(0.2)	-	(0.2)
Carrying amount at the end of the year	30-Sep-2008	**25.9**	**0.1**	**26.0**
2009				
Depreciation expense (see note 4)		**-**	(0.1)	**(0.1)**
Carrying amount at the end of the year	30-Sep-2009	**25.9**	**-**	**25.9**

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m

14. Intangible assets

	2009 $m	2008 $m	**2009 $m**	2008 $m
Goodwill	**2,398.4**	2,599.0	**-**	-
Less impairment losses	**(34.2)**	(26.0)	**-**	-
Total net book value of goodwill	**2,364.2**	2,573.0	**-**	-
Patents, trademarks and rights	**130.3**	137.2	**-**	-
Less accumulated amortisation	**(43.6)**	(53.4)	**-**	-
Total net book value of patents, trademarks and rights	**86.7**	83.8	**-**	-
Brand names	**61.6**	65.0	**-**	-
Less accumulated amortisation	**(6.7)**	(5.2)	**-**	-
Total net book value of brand names	**54.9**	59.8	**-**	-
Software	**73.1**	63.0	**-**	-
Less accumulated amortisation	**(42.3)**	(36.4)	**-**	-
Total net book value of software	**30.8**	26.6	**-**	-
Customer contracts and relationships	**280.7**	308.7	**-**	-
Less accumulated amortisation	**(60.8)**	(39.3)	**-**	-
Total net book value of customer contracts and relationships	**219.9**	269.4	**-**	-
Total net book value of intangibles	**2,756.5**	3,012.6	**-**	-

Reconciliations of the carrying values of intangible assets at the beginning and end of the years are set out below:

Consolidated	Goodwill $m	Patents trademarks and rights $m	Brand names $m	Software $m	Customer contracts $m	Total $m
2008						
Carrying amount at the beginning of the year	1,763.5	86.9	59.6	26.9	118.6	2,055.5
Additions	-	2.8	-	9.1	-	11.9
Additions through acquisition of entities (see note 27)	656.4	0.9	-	0.2	155.8	813.3
Additions through acquisition of minorities (see note 27)	3.0	-	-	-	-	3.0
Disposals through disposal of entities (see note 28)	(0.7)	-	-	-	-	(0.7)
Amortisation expense (see note 4)	-	(6.9)	(2.2)	(7.6)	(24.4)	(41.1)
Foreign currency exchange differences	150.8	0.1	2.4	(2.0)	19.4	170.7
Carrying amount at the end of the year	**2,573.0**	**83.8**	**59.8**	**26.6**	**269.4**	**3,012.6**
2009						
Additions	**-**	**7.9**	**-**	**13.3**	**-**	**21.2**
Disposals	**-**	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Additions through acquisition of entities (see note 27)	**36.7**	**-**	**2.0**	**-**	**0.4**	**39.1**
Additions through acquisition of minorities (see note 27)	**12.5**	**-**	**-**	**-**	**-**	**12.5**
Amortisation expense (see note 4)	**-**	**(4.8)**	**(2.8)**	**(7.2)**	**(30.2)**	**(45.0)**
Impairment expense (see note 29)	**(8.2)**	**-**	**-**	**(1.0)**	**-**	**(9.2)**
Foreign currency exchange differences	**(249.8)**	**(0.2)**	**(4.1)**	**(0.8)**	**(19.7)**	**(274.6)**
Carrying amount at the end of the year	**2,364.2**	**86.7**	**54.9**	**30.8**	**219.9**	**2,756.5**

There are no intangible assets held by the Company.

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
15. Deferred tax assets				
Deferred tax assets (see note 5)	**253.2**	164.1	**4.0**	5.5

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
16. Trade and other payables				
Current				
Trade payables				
external	**760.7**	1,004.0	**-**	-
associated companies	**2.4**	17.6	**-**	-
Other payables				
external	**294.8**	351.1	**-**	-
	1,057.9	1,372.7	**-**	-
Derivative financial instruments				
cross currency interest rate swaps	**53.7**	56.7	**-**	-
forward foreign exchange contracts	**39.1**	78.6	**-**	-
interest rate swaps	**4.5**	0.1	**-**	-
foreign exchange options	**1.5**	3.3	**-**	-
	98.8	138.7	**-**	-
Non-current				
Other payables				
external	**37.0**	31.8	**-**	-
	37.0	31.8	**-**	-

Significant terms and conditions

Trade and other payables, including expenditures not yet billed, are recognised when the consolidated entity becomes obliged to make future payments as a result of a purchase of goods or services. Trade payables are normally settled within 60 days from invoice date or within the agreed payment terms with the supplier.

Fair values

The carrying amount of trade and other payables approximate their fair values due to their short term nature.

Derivative financial instruments

Refer to note 34 for details on the financial risk management of derivative financial instruments.

17. Interest bearing liabilities

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Current				
Unsecured				
bank overdrafts	**11.9**	9.0	**-**	-
fixed term notes (1)	**-**	75.0	**-**	-
commercial paper	**114.1**	138.3	**-**	-
other short term borrowings	**16.8**	25.4	**-**	-
trade bills and trade cards (2)	**12.7**	13.4	**-**	-
other loans				
controlled entities	**-**	-	**100.7**	72.6
Lease liabilities (see note 30)	**4.7**	5.3	**-**	-
	160.2	266.4	**100.7**	72.6
Non-current				
Unsecured				
bank loans	**195.0**	-	**-**	-
other loans				
private placement (3)	**1,026.8**	1,052.9	**-**	-
other	**4.6**	10.0	**-**	-
Lease liabilities (see note 30)	**16.4**	12.5	**-**	-
	1,242.8	1,075.4	**-**	-

(1) **Fixed term notes**
These notes matured in June 2009.

(2) **Trade bills and trade cards**
Under AASB 139, trade bills and trade cards used by customers to finance trade debts which are partially guaranteed by Orica are included in both trade receivables and interest bearing liabilities.

(3) **Private placement**
Orica Limited guaranteed senior notes issued in the US private placement market in 2000, 2003 and 2005. The notes have maturities between 2010 and 2018 (2008: between 2010 and 2018).

Fair values
The carrying amounts of the consolidated entity's and the Company's current and non-current interest bearing liabilities approximate their fair values. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates as at 30 September 2009 varying from 0.2% to 5.8% (2008 2.1% to 6.3%) depending on the type of borrowing.

Assets pledged as security
The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Finance leases				
Property, plant and equipment	**23.9**	25.1	**-**	-
	23.9	25.1	**-**	-

In the event of default by Orica, the rights to the leased assets transfer to the lessor.

Defaults and breaches
During the current and prior year, there were no defaults or breaches of covenants on any loans.

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m

18. Current tax liabilities

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Provision for income tax	**78.7**	28.3	**66.0**	37.3

19. Provisions

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Current				
Employee entitlements	**80.3**	87.3	**-**	-
Restructuring and rationalisation	**17.6**	32.3	**-**	-
Environmental	**90.7**	113.0	**-**	-
Decommissioning	**4.0**	2.8	**-**	-
Contingent liabilities on acquisition of controlled entities	**2.6**	2.3	**-**	-
Onerous contracts	**0.8**	6.8	**-**	-
Other	**24.1**	29.0	**-**	-
	220.1	273.5	**-**	-
Non-current				
Employee entitlements	**45.6**	40.4	**-**	-
Retirement benefit obligations (see note 38)	**173.1**	181.4	**-**	-
Environmental	**142.7**	144.2	**-**	-
Decommissioning	**9.8**	12.4	**-**	-
Contingent liabilities on acquisition of controlled entities	**21.7**	21.5	**-**	-
Other	**16.8**	18.9	**0.9**	1.1
	409.7	418.8	**0.9**	1.1
Aggregate employee entitlements				
Current	**80.3**	87.3	**-**	-
Non-current	**218.7**	221.8	**-**	-
	299.0	309.1	**-**	-

Employees at year end

	Number	Number	**Number**	Number
Full-time equivalent	**15,140**	15,268	**-**	-

Reconciliations

Reconciliations of the consolidated carrying amounts of provisions at the beginning and end of the current financial year are set out below:

Current provision - restructuring and rationalisation	Consolidated **$m**	Company **$m**
Carrying amount at the beginning of the year	**32.3**	**-**
Provisions made during the year	**24.3**	**-**
Provisions written back during the year	**(2.5)**	**-**
Payments made during the year	**(33.7)**	**-**
Foreign currency exchange differences	**(2.8)**	**-**
Carrying amount at the end of the year	**17.6**	**-**

19. Provisions (continued)

	Consolidated	Company
Current provision - environmental	**$m**	**$m**
Carrying amount at the beginning of the year	**113.0**	**-**
Provisions made during the year	**5.0**	**-**
Provisions written back during the year	**(3.3)**	**-**
Payments made during the year	**(36.3)**	**-**
Provision transferred from non-current	**13.6**	**-**
Foreign currency exchange differences	**(1.3)**	**-**
Carrying amount at the end of the year	**90.7**	**-**
Current provision - decommissioning		
Carrying amount at the beginning of the year	**2.8**	**-**
Provisions made during the year	**0.2**	**-**
Payments made during the year	**(1.4)**	**-**
Provision transferred from non-current	**2.5**	**-**
Foreign currency exchange differences	**(0.1)**	**-**
Carrying amount at the end of the year	**4.0**	**-**
Current provision - contingent liabilities on acquisition of controlled entities (see note 27)		
Carrying amount at the beginning of the year	**2.3**	**-**
Additions through acquisition of entities	**0.5**	**-**
Foreign currency exchange differences	**(0.2)**	**-**
Carrying amount at the end of the year	**2.6**	**-**
Current provision - onerous contracts		
Carrying amount at the beginning of the year	**6.8**	**-**
Provisions made during the year	**4.0**	**-**
Payments made during the year	**(10.0)**	**-**
Carrying amount at the end of the year	**0.8**	**-**
Current provision - other		
Carrying amount at the beginning of the year	**29.0**	**-**
Provisions made during the year	**9.9**	**-**
Provisions written back during the year	**(6.3)**	**-**
Payments made during the year	**(7.8)**	**-**
Foreign currency exchange differences	**(0.7)**	**-**
Carrying amount at the end of the year	**24.1**	**-**
Non-current provision - environmental		
Carrying amount at the beginning of the year	**144.2**	**-**
Provisions made during the year	**11.6**	**-**
Provisions written back during the year	**(0.4)**	**-**
Unwinding of discount on provisions (see note 4)	**7.0**	**-**
Provision transferred to current	**(13.6)**	**-**
Foreign currency exchange differences	**(6.1)**	**-**
Carrying amount at the end of the year	**142.7**	**-**

19. Provisions (continued)

Non-current provision - decommissioning	Consolidated $m	Company $m
Carrying amount at the beginning of the year	**12.4**	**-**
Provision transferred to current	**(2.5)**	**-**
Foreign currency exchange differences	**(0.1)**	**-**
Carrying amount at the end of the year	**9.8**	**-**

Non-current provision - contingent liabilities on acquisition of controlled entities (see note 27)		
Carrying amount at the beginning of the year	**21.5**	**-**
Additions through acquisition of entities	**1.8**	**-**
Foreign currency exchange differences	**(1.6)**	**-**
Carrying amount at the end of the year	**21.7**	**-**

Non-current provision - other		
Carrying amount at the beginning of the year	**18.9**	**1.1**
Provisions made during the year	**4.7**	**-**
Provisions written back during the year	**(3.7)**	**-**
Payments made during the period	**(0.3)**	**(0.2)**
Foreign currency exchange differences	**(2.8)**	**-**
Carrying amount at the end of the year	**16.8**	**0.9**

Restructuring and rationalisation provision

Provisions made during the year related to restructure of the Mining Services business.

Environmental provision

Estimated costs for the remediation of soil, groundwater and untreated waste that have arisen as a result of past events have been provided where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed. Refer also to notes 32 and 33.

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
Total environmental provision comprises:				
Botany Groundwater remediation	**46.3**	44.8	**-**	-
Hexachlorobenzene (HCB) waste remediation	**95.2**	104.8	**-**	-
Dyno Nobel sites remediation	**26.6**	34.2	**-**	-
Seneca remediation	**17.1**	20.4	**-**	-
Villawood remediation	**26.2**	29.3	**-**	-
Minova sites remediation	**5.1**	9.3	**-**	-
Other environmental provisions	**16.9**	14.4	**-**	-
Total environmental provisions	**233.4**	257.2	**-**	-

Decommissioning provision

A provision is recognised for the present value of the estimated costs of dismantling and removing an asset and restoring the site on which it is located where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed (refer also to note 32).

Contingent liabilities on acquisition of controlled entities

A provision is recognised on acquisition of a business for contingent liabilities of that business.

Onerous contracts provision

A provision is recognised for rental of land and buildings which are not able to be fully used or sublet by the consolidated entity and for non-cancellable loss-making sales contracts. The provision reflects only the onerous element of these commitments.

Other provision

The Group self-insures for certain insurance risks. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims.

20. Deferred tax liabilities

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Deferred income tax	**76.2**	83.8	**-**	-

21. Contributed equity

	Company 2009 $m	Company 2008 $m
Issued and fully paid:		
Cumulative non-redeemable 5% preference shares - nil (2008 nil) [1]	**-**	-
Step-Up Preference Securities - 5,000,000 (2008 5,000,000) [2]	**490.0**	490.0
Ordinary shares - 359,955,579 (2008 359,196,325)	**1,865.6**	1,881.3

[1] On 14 January 2008, the 5% cumulative non-redeemable 5% preference shares were cancelled for a cash payment of $4.75 for each cancelled 5% preference share. The excess of $7.5 million over the face value was charged to the income statement. Under AASB 139, the 5% cumulative non-redeemable preference shares were treated as non-current interest bearing liabilities.

[2] The Group issued Step-Up Preference Securities (SPS) via a prospectus dated 17 February 2006. The SPS are stapled securities comprising a fully paid Preference Share and a fully paid unsecured note. The SPS have no fixed repayment date, but Orica has the right to repurchase them for cash or convert the SPS into a variable number of ordinary shares in Orica from November 2011 or earlier in certain circumstances. Holders rank ahead of ordinary shares but rank behind creditors (and behind cumulative non-redeemable preference shares in 2008). Distributions payable on the SPS are discretionary, payable semi-annually, non-cumulative, unfranked and payable based on the 180 day bill swap rate plus a margin of 1.35% per annum. Should the credit rating of the SPS fall below Standard and Poor's BBB- or equivalent, or no longer be rated, then an additional 1% will be added to the distribution rate. Distributions are payable in priority to distributions on Orica shares, but ranked behind pre-existing Orica preference shares (which were cancelled on 14 January 2008). Where a distribution on SPS is not paid, Orica may not declare or pay any dividends, pay any interest, or distribute any income or capital on any security that ranks behind the SPS until Orica has paid SPS distributions scheduled for the twelve months following the missed distribution or Orica has paid an amount equivalent to the unpaid distributions in the last twelve months or all SPS have been repurchased or converted, or a special resolution of the SPS holders has been passed approving such payment. Orica SPS holders do not have voting rights in shareholder meetings except in limited circumstances.

Under a Deed of Undertaking and Indemnity between Orica Limited and Australian Stock Exchange Limited (ASX), the ASX reserves the right (but without limiting its absolute discretion) to remove either or both of the Company and Orica New Zealand Securities Ltd (Orica NZ) from the official list if a) any of the SPS Preference Shares of the Company and Notes of Orica NZ cease to be stapled together, or b) if any SPS Preference Share or Notes are issued by either of the Company or Orica NZ which are not stapled to corresponding securities in the other entity.

21. Contributed equity (continued)

Movements in issued and fully paid shares of the Company since 1 October 2007 were as follows:

Details	Date	Number of shares	Issue price $	$m
Cumulative non-redeemable 5% preference shares				
Opening balance	1-Oct-07	2,000,000		
Shares cancelled	14-Jan-08	(2,000,000)		
Balance at end of the year	**30-Sep-08**	**-**		**-**
Balance at end of the year	**30-Sep-09**	**-**		**-**
Step-Up Preference Securities				
Opening balance - gross [1]	1-Oct-2007	5,000,000	100.00	500.0
Opening balance - costs [1]				(10.0)
Balance at end of the year	**30-Sep-08**	**5,000,000**		**490.0**
Balance at end of the year	**30-Sep-09**	**5,000,000**		**490.0**
Ordinary shares				
Opening balance of ordinary shares issued	1-Oct-07	307,912,707		702.4
Shares issued under the Orica executive option plans [5]		62,802		0.4
Shares issued under the Orica dividend reinvestment plan (note 25)	14-Dec-07	3,021,980	27.08	81.9
Shares issued under the Orica dividend reinvestment plan (note 25)	4-Jul-08	1,630,562	29.12	47.5
Shares issued under the Orica dividend reinvestment plan underwriting agreement	14-Dec-07	2,922,919	27.78	81.2
Shares issued under the Orica dividend reinvestment plan underwriting agreement	4-Jul-08	2,519,795	29.88	75.3
Share movements under the Orica LTEIP plan (Remuneration Report) [6]		1,192,412		5.5
Shares issued under the Orica Rights issue [3]	6-Aug-08	26,860,076		604.3
Shares issued under the Orica Rights issue [4]	28-Aug-08	13,073,072		294.0
Expenses related to the Orica Rights Issue [3] [4]		-		(13.1)
Shares issued under the Orica GEESP plan (note 36) [2]		-		1.9
Balance at end of the year	**30-Sep-08**	**359,196,325**		**1,881.3**
Shares issued under the Orica dividend reinvestment plan (note 25)		**759,254**	**20.58**	**15.6**
Share movements under the Orica LTEIP plan (Remuneration Report) [6]				**(31.3)**
Balance at end of the year	**30-Sep-09**	**359,955,579**		**1,865.6**

(1) Shares issued and costs incurred in 2006 pursuant to the Step-Up Preference Securities issued in accordance with the prospectus dated 17 February 2006.

(2) Shares issued under the Orica general employee exempt share plan.

(3) Shares issued under the Orica Rights issue prospectus dated 28 July 2008 - Institutional Offer.

(4) Shares issued under the Orica Rights issue prospectus dated 28 July 2008 - Retail Offer.

21. Contributed equity (continued)

Details	Date	Number of shares	Issue price $	$m
[5] Shares issued under the Orica executive option plan (note 36(b))				
2007/2008		22,000	5.09	0.1
		19,802	7.33	0.2
		21,000	5.14	0.1
Movement for the year	**30-Sep-08**	**62,802**		**0.4**
2008/2009				
		-		**-**
Movement for the year	**30-Sep-09**	**-**		**-**

The options were exercised at various times during 2008. The weighted average of the fair value of shares issued in 2008 was $28.40.

Details	Date	Number of shares	Issue price $	$m
[6] Share movements under the Orica LTEIP plan (Remuneration Report section H)				
2007/2008				
Shares issued	29-Jan-08	1,192,412	31.76	-
Shares bought back	Various	-		(7.5)
Shares issued - loan repayment	Various	-		13.0
Movement for the year	**30-Sep-08**	**1,192,412**		**5.5**
2008/2009				
Shares bought back	Various	-		**(31.3)**
Movement for the year	**30-Sep-09**	**-**		**(31.3)**

Under the LTEIP, eligible executives are provided with a three year, interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. The shares issued to the executives are either purchased on market, issued new shares by Orica or reissued unvested shares by Orica. Shares issued under this plan in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Shares issued under this plan are recognised as shares issued at nil value, with a share based payments expense recognised in the income statement based on the value of the options. Shares purchased on-market under the plans are recognised as a share buy-back. Repayments of share loans are recognised as share capital. Under the November 2006 and subsequent LTEIP executive allocations, the shares are returned to Orica if the executives leave Orica within three years.

The amounts recognised in the financial statements of the Company in relation to executive share options exercised during the financial year were:

	Company	
	2009	2008
	$m	$m
(Bought back)/issued ordinary share capital	**(31.3)**	5.9

Options over unissued shares (see note 36(b)):

Exercisable between		Balance 30 Sep 07	Issued/ reinstated during year	Exercised during year	Lapsed during year	Balance 30 Sep 08	**Exercised during year**	**Lapsed during year**	**Balance 30 Sep 09**
01 Jan 03	31 Dec 09	11,000	-	-	-	11,000	**-**	**-**	**11,000**
01 Jan 04	31 Dec 10	34,600	-	(21,000)	-	13,600	-	**-**	**13,600**
31 Dec 04	31 Dec 06	49,000	-	(22,000)	-	27,000	-	**-**	**27,000**
31 Oct 05	31 Oct 07 [1]	19,802	-	(19,802)	-	-	**-**	**-**	**-**
31 Oct 05	31 Oct 07 [1]	1	-	-	(1)	-	**-**	**-**	**-**
Total		114,403	-	(62,802)	(1)	51,600	**-**	**-**	**51,600**

[1] Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure. Refer to note 36(b) for specific terms and conditions.

22. Reserves and retained earnings

	Notes	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
(a) Reserves					
Share based payments		**36.2**	28.1	**-**	-
Cash flow hedging		**(0.3)**	5.2	**-**	-
Foreign currency translation		**(369.1)**	64.0	**-**	-
Equity - arising from purchase of minorities		**(74.8)**	(6.0)	**-**	-
Balance at end of the year		**(408.0)**	91.3	**-**	-
Movement in reserves during the year					
Share based payments					
Balance at beginning of year		**28.1**	21.6	**-**	-
Share based payments expense		**8.1**	6.5	**-**	-
Balance at end of the year		**36.2**	28.1	**-**	-
Cash flow hedging					
Balance at beginning of year		**5.2**	(4.5)	**-**	-
Movement for period		**(7.9)**	13.8	**-**	-
Tax effect of movement in cash flow hedge reserve		**2.4**	(4.1)		
Balance at end of the year		**(0.3)**	5.2	**-**	-
Foreign currency translation					
Balance at beginning of year		**64.0**	(198.6)	**-**	-
Translation of overseas controlled entities at the end of the financial year		**(452.6)**	270.0	**-**	-
Tax effect of translation of overseas controlled entities at the end of the financial year		**19.5**	(7.4)	**-**	-
Balance at end of the year		**(369.1)**	64.0	**-**	-
Equity - arising from purchase of minorities					
Balance at beginning of year		**(6.0)**	(7.0)	**-**	-
Purchase of minority interests (see note 27)		**(68.8)**	1.0	**-**	-
Balance at end of the year		**(74.8)**	(6.0)	**-**	-
(b) Retained earnings					
Retained earnings at the beginning of the year		**1,758.9**	1,562.8	**536.0**	350.9
Profit after income tax attributable to shareholders of Orica		**541.8**	539.6	**311.8**	497.7
Defined benefit fund superannuation movement (net of tax)	(38)	**(19.0)**	(30.9)	**-**	-
Dividends/distributions paid:	(25)				
Step-Up Preference Securities distributions		**(37.5)**	(41.5)	**(37.5)**	(41.5)
Less tax credit on Step-Up Preference Securities distributions		**9.4**	13.4	**9.4**	13.4
Ordinary dividends – interim		**(142.5)**	(122.1)	**(142.5)**	(122.1)
Ordinary dividends – final		**(198.0)**	(162.4)	**(198.0)**	(162.4)
Retained earnings at end of the year		**1,913.1**	1,758.9	**479.2**	536.0

Share based payments reserve
The amount charged to the share based payments reserve each year represents the share based payments expense.

Cash flow hedging reserve
The amount in the cash flow hedging reserve represents the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign currency translation reserve
The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a foreign operation.

Equity reserve arising from purchase of minorities
The equity reserve represents the excess of the cost of investment in purchasing minority interests in subsidiaries over the net assets acquired and minority share of goodwill at the date of original acquisition of the subsidiary. The movement for the year ending 30 September 2009 relates to purchase of minority interests in Orica Mining Services Peru S.A., Orica Kazakhstan Joint Stock Company and Minova Ksante Sp.z o.o..

23. Minority interests in controlled entities

	Consolidated 2009 %	Consolidated 2008 %	Consolidated 2009 $m	Consolidated 2008 $m
Ordinary share capital of controlled entities held by minority interests in:				
Altona Properties Pty Ltd	**37.4**	37.4	**-**	-
Ammonium Nitrate Development and Production Limited	**0.1**	0.1	**-**	-
Bamble Mekaniske Industri AS	**40.0**	40.0	**0.3**	0.3
Beijing Ruichy Minova Synthetic Material Company Limited	**45.0**	45.0	**1.5**	1.5
Bronson & Jacobs International Co. Ltd	**51.0**	51.0	**-**	-
CJSC (ZAO) Carbo-Zakk (1)	**6.3**	6.3	**0.1**	0.1
Deco-Pro China Limited (3)	**-**	-	**-**	-
Dyno NitroMed AD	**40.0**	40.0	**2.6**	2.6
Dyno Nobel VH Company LLC	**49.0**	49.0	**1.0**	0.8
Emirates Explosives LLC	**35.0**	35.0	**2.1**	2.1
Explosivos de Mexico S.A. de C.V.	**1.3**	1.3	**-**	-
GeoNitro Limited	**40.0**	40.0	**0.3**	0.3
Hunan Orica Nanling Civil Explosives Co., Ltd (4)	**49.0**	-	**9.0**	-
Minova Ksante Sp. z o.o. (2)	**-**	30.0	**-**	0.6
Minova MineTek Private Limited	**24.0**	24.0	**0.2**	0.2
Minova Ukraine OOO (1) (3)	**10.0**	10.0	**0.3**	0.3
Nitro Asia Company Inc.	**41.6**	41.6	**0.1**	0.1
Northwest Energetic Services LLC (1)	**48.7**	48.7	**1.8**	1.8
OOO Minova TPS (1)	**6.3**	6.3	**-**	-
Orica Blast & Quarry Surveys Ltd	**25.0**	25.0	**0.6**	0.6
Orica-CCM Energy Systems Sdn Bhd	**45.0**	45.0	**0.6**	0.6
Orica-GM Holdings Ltd	**49.0**	49.0	**12.6**	12.6
Orica Colombia S.A.	**8.0**	8.0	**-**	-
Orica Eesti OU	**35.0**	35.0	**2.6**	2.6
Orica Kazakhstan Joint Stock Company (2)	**-**	23.0	**-**	2.2
Orica Mining Services Peru S.A. (2)	**0.9**	49.5	**-**	4.1
Orica Nitrates Philippines Inc	**4.0**	4.0	**0.2**	0.2
Orica Nitro Patlayici Maddeler Sanayi ve Ticaret Anonim Sirketi	**49.0**	49.0	**1.7**	1.7
Orica Philippines Inc	**9.9**	9.9	**0.2**	0.2
Orica (Weihai) Explosives Co Ltd	**20.0**	20.0	**6.1**	6.1
PT Kaltim Nitrate Indonesia	**10.0**	10.0	**2.9**	1.1
Sprengmittelvertrieb in Bayern GmbH	**49.0**	49.0	**0.1**	0.1
Teradoran Pty Ltd	**33.0**	33.0	**-**	-
TOO "Minova Kasachstan"	**40.0**	40.0	**0.5**	0.5
			47.4	43.3
Minority interests in shareholders' equity at balance date is as follows:				
Contributed equity			**47.4**	43.3
Reserves			**0.5**	15.5
Retained earnings			**64.2**	38.1
			112.1	96.9

(1) Minority interests purchased by Orica during the 2008 year.
(2) Minority interests purchased by Orica during the 2009 year.
(3) Minority interests acquired through new acquisitions by Orica during the 2008 year.
(4) Entity commenced in 2009.

24. Total equity reconciliation

	Notes	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Total equity at the beginning of the year		**4,318.4**	2,627.6	**2,907.3**	1,543.3
Total changes recognised in statements of recognised income and expense		**84.2**	781.0	**311.8**	497.7
Transactions with owners as owners					
Dividends paid	(25)	**(340.5)**	(284.5)	**(340.5)**	(284.5)
Distributions paid	(25)	**(37.5)**	(41.5)	**(37.5)**	(41.5)
Less tax credit on Step-Up Preference Securities distributions		**9.4**	13.4	**9.4**	13.4
Share based payments reserve movements		**8.1**	6.5	**-**	-
Equity reserve arising from purchase of minorities		**(68.8)**	1.0	**-**	-
Total changes in contributed equity	(21)	**(15.7)**	1,178.9	**(15.7)**	1,178.9
Total changes in minority interest	(23)	**15.2**	36.0	**-**	-
Total equity at end of year		**3,972.8**	4,318.4	**2,834.8**	2,907.3

	Company 2009 $m	Company 2008 $m
25. Dividends and distributions		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary shares		
interim dividend of 39 cents per share, 35.9% franked at 30%, paid 4 Jul 2008		122.1
interim dividend of 40 cents per share, 35% franked at 30%, paid 3 Jul 2009	**142.5**	
final dividend of 53 cents per share, 32.08% franked at 30%, paid 14 Dec 2007		162.4
final dividend of 55 cents per share, 36.36% franked at 30%, paid 5 Dec 2008	**198.0**	
Cumulative non-redeemable 5% preference shares [1]		
final dividend of 2.5 cents per share, 32.08% franked at 30%, paid 18 Jan 2008		0.05
Distributions paid in respect of the year ended 30 September were:		
Step-Up Preference Securities		
distribution at 7.8133% per annum, per security, unfranked, paid 30 Nov 2007 for the period from 31 May 2007 to 29 Nov 2007		19.6
distribution at 8.7317% per annum, per security, unfranked, paid 2 Jun 2008 for the period from 30 Nov 2007 to 31 May 2008		21.9
distribution at 9.38% per annum, per security, unfranked, paid 1 Dec 2008 for the period from 31 May 2008 to 29 Nov 2008	**23.5**	
distribution at 5.63% per annum, per security, unfranked, paid 1 Jun 2009 for the period from 30 Nov 2008 to 31 May 2009	**14.0**	
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the period were as follows:		
paid in cash	**294.7**	155.2
satisfied by issue of shares	**15.6**	129.4
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan [2]	**30.2**	-
Distributions paid in cash	**37.5**	41.5
No distributions were satisfied by the issue/purchase of shares.		

[1] Dividends on these shares were charged to the Income Statement as borrowing costs as the shares were classified as liabilities. The shares were cancelled on 14 January 2008.

[2] During the 2009 year, the Company bought 1,943,577 shares on market to satisfy shareholders dividend reinvestment plan (DRP) requirements.

Subsequent events

Since the end of the financial year, the directors declared the following dividend:

Final dividend on ordinary shares of 57 cents per share, 35.09% franked at 30%, payable 4 December 2009.

The financial effect of the final dividend on ordinary shares has not been brought to account in the financial statements for the year ended 30 September 2009 and will be recognised in the 2010 annual financial statements.

Franking credits

Franking credits available at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the final dividend for 2009 are $54.3 million (2008 $11.6 million).

	Notes	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m

26. Notes to the statements of cash flows

Reconciliation of cash

Cash at the end of the year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

	Notes	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Cash	(7)	**308.5**	321.3	**-**	-
Bank overdraft	(17)	**(11.9)**	(9.0)	**-**	-
		296.6	312.3	**-**	-

Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Profit from ordinary activities after income tax expense	**581.4**	567.3	**311.8**	497.7
Depreciation and amortisation	**247.7**	218.7	**0.1**	0.2
Share based payments expense	**8.1**	6.5	**-**	-
Cost of cancellation of cumulative non-redeemable preference shares	**-**	7.5	**-**	7.5
Share of associates' net (profit)/loss after adding back dividends received	**5.5**	(7.8)	**-**	-
(Decrease)/increase in net interest payable	**(5.5)**	(2.0)	**-**	(8.4)
Increase/(decrease) in net interest receivable	**0.4**	1.3	**0.5**	(1.0)
Net gain on derivatives [(1)]	**(20.0)**	-	**-**	-
Impairment of intangibles	**9.2**	-	**-**	-
Impairment of property, plant and equipment	**69.7**	-	**-**	-
Impairment of investments	**1.4**	-	**1.1**	-
Net loss on sale of businesses and controlled entities	**-**	1.7	**-**	-
Net profit on sale of investments	**(13.5)**	-	**-**	-
Net profit on sale of property, plant and equipment	**(1.8)**	(5.4)	**-**	-
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities				
decrease/(increase) in trade and other receivables	**213.6**	(199.6)	**(0.1)**	(0.1)
decrease/(increase) in inventories	**209.4**	(185.2)	**-**	-
(decrease)/increase in deferred taxes payable	**(85.0)**	29.7	**1.6**	(0.3)
(decrease)/increase in payables and provisions	**(415.1)**	338.5	**(0.3)**	0.1
increase/(decrease) in income taxes payable	**49.4**	(34.3)	**12.7**	3.1
Net cash flows from operating activities	**854.9**	736.9	**327.4**	498.8

[(1)] Gain on derivative instruments used to economically hedge the purchase of minority interests during the period. Such transactions do not qualify for hedge accounting and accordingly the gain on the derivative instruments has been recognised in the income statement.

27. Businesses and minority interests acquired

Consolidated - 2009

Acquisition of businesses and controlled entities

The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

On 7 November 2008, Orica acquired OPEL Chemical (Singapore) Private Limited which owns a decorative coatings business in China.

Other entities

Minova Ksante Sp. z o.o.: Orica acquired an additional 30% shareholding on 6 November 2008.
Orica Mining Services Peru S.A.: Orica acquired an additional 48.6% shareholding on 28 November 2008.
Orica Kazakhstan Joint Stock Company: Orica acquired an additional 23% shareholding on 23 December 2008.

Businesses

Business assets of Hillmark Industries Pty Ltd, on 13 November 2008.
Business assets of Energy Enterprises, Inc., on 14 August 2009.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date.

	Book values	Fair value adjustments	Total
2009	**$m**	**$m**	**$m**
Consideration			
cash paid	**26.5**	**-**	**26.5**
net overdraft acquired	**0.4**	**-**	**0.4**
deferred settlement	**19.2**	**-**	**19.2**
Total consideration	**46.1**	**-**	**46.1**
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	**12.5**	**-**	**12.5**
inventories	**5.2**	**-**	**5.2**
property, plant and equipment	**4.8**	**-**	**4.8**
intangibles including purchased goodwill	**13.2**	**-**	**13.2**
other assets	**0.1**	**-**	**0.1**
payables and interest bearing liabilities	**(13.1)**	**-**	**(13.1)**
provisions	**(0.2)**	**-**	**(0.2)**
contingent liabilities	**-**	**(2.3)**	**(2.3)**
	22.5	**(2.3)**	**20.2**
Goodwill on acquisition			**25.9**

Acquisition of minority interests:

	Total
2009	**$m**
Goodwill acquired	**12.5**
Decrease in minority interests	**19.1**
Net gain on derivatives	**(20.0)**
Equity reserve	**68.8**
Total consideration	**80.4**

Results contributed by acquired entities since acquisition date:	**$m**
Revenue for the period	**38.5**
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	**2.3**

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 12 months to 30 September 2009 are as follows:

	$m
Operating revenue	**45.1**
EBITDA	**1.7**

The unaudited information was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces.

27. Businesses and minority interests acquired (continued)

Consolidated - 2008

Acquisition of businesses and controlled entities

The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

Excel Mining

On 24 September 2007, Orica announced that it had signed an agreement to acquire all of Excel Mining Systems LLC. The acquisition was completed on 26 October 2007.

Other entities

Southern Blasting Services, Inc., on 1 October 2007; Deco-Pro China Limited, on 7 November 2007; Intermountain West Energy, Inc. on 1 December 2007; Northwest Energetic Service LLC shareholding increased to 51.3% (2007 33.3%), on 1 December 2007; Evolutia Chemicals SA, on 17 December 2007; BWZ - und Industrietechnik GmbH, on 1 January 2008; Explozia Slovakia s.r.o., on 1 April 2008; D.C Guelich Explosives Company, on 9 May 2008; Arnall Poland Sp z o.o., on 4 September 2008.

Businesses

Business assets of: CHC Resources, on 1 March 2008; Enviro Solutions Pty Ltd, on 17 March 2008; Strata Control Systems, on 23 May 2008; Cyantific Instruments Pty Ltd, on 1 May 2008; Iron Chemicals Australia, on 28 February 2008; Sindile Mining Supplies, on 15 July 2008.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date.

2008	Book values $m	Fair value adjustments $m	Total $m
Consideration			
cash paid	892.5	-	892.5
net cash acquired	(26.3)	-	(26.3)
deferred settlement	12.2	-	12.2
Total consideration	878.4	-	878.4
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	46.1	-	46.1
inventories	35.3	0.9	36.2
property, plant and equipment	34.9	-	34.9
intangibles including purchased goodwill	308.5	-	308.5
other assets	4.2	0.2	4.4
payables and interest bearing liabilities	(47.6)	-	(47.6)
provision for employee entitlements	(2.3)	-	(2.3)
provision for environmental	(0.7)	(1.5)	(2.2)
provision for taxation	(0.8)	-	(0.8)
contingent liabilities	-	(2.1)	(2.1)
	377.6	(2.5)	375.1
Less minority interest at date of acquisition	(1.5)	-	(1.5)
	376.1	(2.5)	373.6
Goodwill on acquisition			504.8

Acquisition of minority interests:

2008	Total $m
Goodwill acquired	3.0
Decrease in minority interests	1.0
Equity reserve	(1.0)
Total consideration	3.0

Results contributed by acquired entities since acquisition date:	$m
Revenue for the period	345.9
EBITDA for the period	72.3

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 12 months to 30 September 2008 are as follows:

	$m
Operating revenue	452.4
EBITDA	83.0

The unaudited information was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses.

28. Businesses disposed

Disposal of businesses/controlled entities

The following businesses and controlled entities were disposed of:

2009:

Nil

2008:

On 23 October 2007, Essential Oils of Tasmania business in Australia.

	Consolidated	
	2009	2008
	$m	$m
Consideration		
cash received	**-**	5.9
Inflow of cash	**-**	5.9
Net consideration	**-**	5.9
Carrying value of net assets of businesses/controlled entities disposed		
trade and other receivables	**-**	11.5
inventories	**-**	1.4
property, plant and equipment	**-**	0.5
intangibles	**-**	0.7
payables and interest bearing liabilities	**-**	(0.3)
provision for income tax	**-**	(0.1)
	-	13.7
Less minority interests at date of disposal	**-**	(6.1)
	-	7.6
Loss on sale of business/controlled entities	**-**	(1.7)

29. Impairment testing of goodwill and intangibles with indefinite lives

Impairment testing is conducted annually at the individual cash generating unit (CGU) level where goodwill and intangibles with indefinite lives are allocated and monitored for management purposes.

The carrying amounts of goodwill and brand names with indefinite lives are as follows:

	Consolidated			
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
	Goodwill		Brand Names	
Mining Services	**895.0**	973.3	**-**	-
Minova	**1,273.9**	1,414.2	**-**	-
DuluxGroup	**47.4**	28.5	**40.5**	40.3
Chemicals	**147.9**	157.0	**-**	-
Total	**2,364.2**	2,573.0	**40.5**	40.3

The recoverable amount of both goodwill and brand names with indefinite lives is assessed based on value in use. The value in use calculations use cash flow projections based on actual operating results and the business four year plan approved by the Board of Directors. Cash flow projections beyond the four year period were calculated using the plan cash flow of the fourth year to the life of the asset with steady growth rates going forward which are not expected to exceed the long term average growth rates in the applicable markets.

The discount rates for each CGU were estimated using pre-tax rates based on an external assessment of the Group's post tax weighted average cost of capital in conjunction with risk specific factors to the countries in which the CGUs operate. The pre-tax discount rates applied in the discounted cash flow model range between 9% and 25% (2008 6% - 20%). Foreign currency cash flows are discounted using the functional currency of the CGUs and then translated to Australian Dollars using the closing exchange rate.

The Minova segment includes in their USA CGU an amount of goodwill and intangibles with indefinite lives of $725.2 million (2008 $796.9 million). There are no other individual CGU's that have significant goodwill and intangibles with indefinite lives.

The value in use calculations are sensitive to changes in interest rates, earnings and foreign exchange rates varying from the assumptions and forecast data used in the impairment testing. As such, sensitivity analysis was undertaken to examine the effect of a change in a variable on each CGU. For the Orica Group, a one percentage point change in discount rates would affect overall value in use by an estimated $700 million while a 10% change in earnings or foreign exchange rates would affect value in use by $1.3 billion and $700 million respectively.

Impairment charged during the year

Goodwill of the Marplex business (included in the Chemicals segment) was written down to nil during the year as a result of the deterioration in business performance driven by adverse market conditions.

	Consolidated	
	2009	2008
	$m	$m
Goodwill	**8.2**	-

30. Commitments

	Consolidated 2009 $m	Consolidated 2008 $m	Company 2009 $m	Company 2008 $m
Capital expenditure commitments				
Capital expenditure on property, plant and equipment and business acquisitions contracted but not provided for and payable:				
no later than one year	**215.0**	140.9	**-**	-
later than one, no later than five years	**37.8**	-	**-**	-
	252.8	140.9	**-**	-
Lease commitments				
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:				
no later than one year	**82.3**	76.4	**-**	-
later than one, no later than five years	**138.6**	125.0	**-**	-
later than five years	**51.3**	38.9	**-**	-
	272.2	240.3	**-**	-
Representing:				
cancellable operating leases	**100.3**	101.4	**-**	-
non-cancellable operating leases	**171.9**	138.9	**-**	-
	272.2	240.3	**-**	-
Non-cancellable operating lease commitments payable:				
no later than one year	**40.7**	37.3	**-**	-
later than one, no later than five years	**86.7**	68.7	**-**	-
later than five years	**44.5**	32.9	**-**	-
	171.9	138.9	**-**	-
Finance lease commitments payable:				
no later than one year	**4.7**	5.3	**-**	-
later than one, no later than five years	**14.8**	17.0	**-**	-
later than five years	**6.6**	-	**-**	-
	26.1	22.3	**-**	-
Less future finance charges	**(5.0)**	(4.5)	**-**	-
Present value of minimum lease payments provided for as a liability	**21.1**	17.8	**-**	-
Representing lease liabilities: (see note 17)				
current	**4.7**	5.3	**-**	-
non-current	**16.4**	12.5	**-**	-
	21.1	17.8	**-**	-

31. Auditors' remuneration

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Total remuneration received, or due and receivable, by the auditors for:				
Audit services				
Auditors of the Company – KPMG Australia				
– Audit and review of financial reports	**4,836**	4,914	**59**	56
Other regulatory audit services [(1)]				
Auditors of the Company – overseas KPMG firms				
– Audit and review of financial reports	**1,826**	1,207	**-**	-
	6,662	6,121	**59**	56
Other services [(2)]				
Auditors of the Company – KPMG Australia				
– other assurance services [(3)]	**381**	477	**-**	-
Auditors of the Company – overseas firms				
– taxation services [(4)]	**-**	222	**-**	-
	381	699	**-**	-
	7,043	6,820	**59**	56

From time to time, KPMG the auditors of the Company provide other services to the Group, which are subject to strict corporate governance procedures adopted by the Company which encompass the selection of service providers and the setting of their remuneration.

[(1)] Other regulatory audit services are fees paid or payable for overseas subsidiaries' local lodgement purposes and other regulatory compliance requirements.
[(2)] The Board Audit and Risk Committee must approve any other services provided by KPMG above a value of $20,000 per assignment and it also reviews and approves at year end other services provided by KPMG below a value of $20,000. The guidelines adopted by KPMG for the provision of other services ensure their statutory independence is not compromised.
[(3)] These services are related to the Due Diligence associated with the Rights Issue equity raising in 2008 and proposed demerger of the DuluxGroup.
[(4)] These services relate to tax compliance services.

32. Critical accounting judgements and estimates

Management determines the development, selection and disclosure of the consolidated entity's critical accounting policies, estimates and accounting judgements and the application of these policies and estimates. Management necessarily makes estimates and judgements that have a significant effect on the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable and in accordance with accounting standards. Changes in the assumptions underlying the estimates may result in a significant impact on the financial statements. The most critical of these assumptions and judgements are:

Contingent liabilities

In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with our current or former sites. Where we believe that potential liabilities have a low probability of crystallising or it is not possible to quantify them reliably, we disclose them as contingent liabilities. These are not provided for in the financial statements but are disclosed in note 33. In view of the significance of environmental issues associated with Botany Groundwater (New South Wales, Australia), Botany Hexachlorobenzene (HCB) Waste and Botany Car Park Encapsulation they continue to be disclosed as contingent liabilities even though estimated costs have been recognised in the financial statements. Further details regarding contingent liabilities are set out in note 33.

Environmental and decommissioning provisions

The business of the Group is subject to a variety of laws and regulations in the jurisdictions in which it operates or maintains properties. Provisions for expenses that may be incurred in complying with such laws and regulations are set aside if environmental inquiries or remediation measures are probable and the costs can be reliably estimated. For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been provided for. It is also assumed that the methods planned for environmental clean up will be able to treat the issues within the expected time frame.

32. Critical accounting judgements and estimates (continued)

It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the status of laws, regulations and the information available about conditions in the various countries and at the individual sites. Significant factors in estimating the costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and new developments affecting costs, management's interpretation of current environmental laws and regulations, the number and financial position of third parties that may become obligated to participate in any remediation costs on the basis of joint liability, and the remediation methods which are likely to be deployed.

Environmental costs are estimated using either the work of external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs may impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

In respect to the Botany Groundwater contamination, a provision was established in 2004 to cover the estimated costs associated with remediation until 2014. Costs are expected to be incurred after this date, but it is not possible to predict the time frame over which remediation will be required or the form the remediation will take and therefore it is not possible to reliably estimate any associated costs. In light of ongoing discussions with regulatory authorities and following an assessment of currently available technologies to treat the contamination, Orica intends to maintain a provision at current levels that takes into account the estimated costs associated with remediation commitments. The provision will continue to be re-evaluated based on future regulatory assessments and advancements in appropriate technologies. The discount rate used for environmental provisioning is Orica's weighted average cost of capital and this may vary from year to year.

With regard to the HCB Waste Clean Up, it is assumed that a licence to export waste for destruction overseas will be obtained. German authorities have rejected Orica's application to import the waste into Germany for treatment. Orica lodged objections against these rejections but has subsequently withdrawn these objections, preferring to pursue other alternatives for destruction of the waste overseas.

Legal proceedings

The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could significantly impact the business and results of operations of the Group. Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the Group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Group could be materially affected by the unfavourable outcome of litigation. Litigation and administrative proceedings are evaluated on a case-by-case basis considering the available information, including that from legal counsel, to assess potential outcomes. Where it is considered probable that a future obligation will result in an outflow of resources, a provision is recorded in the amount of the present value of the expected cash outflows if these are deemed to be reliably measurable.

In the course of acquisitions and disposals of businesses and assets, Orica routinely negotiates warranties and indemnities across a range of commercial issues and risks, including environmental risks associated with real property. Management uses the information available and exercises judgement in the overall context of these transactions, in determining the scope and extent of these warranties and indemnities. In assessing Orica's financial position, management relies on warranties and indemnities received, and considers potential exposures on warranties and indemnities provided. It is possible that the financial position, results of operations and cash flows of the Group could be materially affected if circumstances arise where warranties and indemnities received are not honoured, or for those provided, circumstances change adversely.

Defined benefit superannuation fund obligations

The expected costs of providing post-retirement benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the consolidated statement of recognised income and expense. In all cases, the superannuation costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary and superannuation increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used may impact the earnings and equity of the Group (refer note 38).

Property, plant and equipment and definite life intangible assets

The Group's property, plant and equipment and intangible assets, other than indefinite life intangible assets, are depreciated/amortised on a straight line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives of assets at least annually but any changes to useful economic lives may affect prospective depreciation rates and asset carrying values.

32. Critical accounting judgements and estimates (continued)

Financial instruments at fair value

The Group measures a number of financial instruments at fair value. These fair values are based on observable market data which is used to estimate future cash flows and discount them to present value. Management's aim is to use and source this data consistently from period to period. While management believes the assumptions used are appropriate, a change in assumptions would impact the fair value calculations.

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell and value in use. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGUs.

The determination of value in use requires the estimation and discounting of future cashflows. The estimation of the cashflows considers all the information available at balance date which may deviate from actual developments. This includes, among other things, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows may impact the carrying value of the respective assets.

Current asset provisions

In the course of normal trading activities, management uses its judgement in establishing the net realisable value of various elements of working capital – principally inventory and accounts receivable. Provisions are established for obsolete or slow moving inventories, bad or doubtful receivables and product warranties. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Group.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recorded on the Balance Sheet and the amount of tax losses and timing differences not yet recognised. In these circumstances, the carrying amount of deferred tax assets and liabilities may change, resulting in an impact on the earnings of the Group.

Carbon Pollution Reduction Scheme

The Australian Federal Government has proposed introducing a Carbon Pollution Reduction Scheme (CPRS) in July 2011. The introduction of the CPRS has the potential to significantly impact the assumptions used in determining the future cash flows generated from the Group's assets for the purpose of impairment testing. The Group has not yet incorporated the impact of the CPRS at 30 September 2009 as insufficient market information existed. The CPRS is not targeted to come into effect until July 2011 and the relevant legislation has yet to be passed. There are uncertainties around the future level of emissions the Group will emit as these are dependent on production output and abatement opportunities. In addition, the costs of implementing abatement opportunities, the prices of emission permits, the number of permits to be purchased, the impact of costs incurred by our suppliers and their ability to pass on these costs to Orica and the ability of Orica to pass on any costs incurred to its customers are currently unknown.

33. Contingent liabilities and contingent assets

Environmental

(i) General

A number of sites within the Group have been identified as requiring environmental remediation or review. Appropriate implementation of remediation actions to meet Orica’s obligations for these sites is continuing.

In accordance with the current accounting policy, provisions have been created for all known environmental liabilities that can be reliably estimated. For sites where the requirements have been assessed and are capable of reliable measurement, estimated regulatory and remediation costs have been capitalised, expensed as incurred or provided for. For environmental matters where there are significant uncertainties with respect to Orica’s remediation obligations or the remediation techniques that might be approved, no reliable estimate can presently be made of regulatory and remediation costs. Any costs are expensed as incurred.

33. Contingent liabilities and contingent assets (continued)

There can be no assurance that new information or regulatory requirements with respect to known sites or the identification of new remedial obligations at other sites will not require additional future provisions for environmental remediation and such provisions could be material.

Orica has entered into arrangements with the relevant regulatory authorities for a number of sites to investigate possible land and groundwater contamination and, where appropriate, undertake voluntary remediation activities on these sites. Where reliable estimates are possible and remediation techniques have been identified for these sites, provisions have been established in accordance with the current accounting policy.

(ii) Significant environmental matters which are in progress at the date of this report are as follows:

Botany Groundwater (New South Wales, Australia)

Orica is continuing to conduct extensive remediation activities, including the operation of a Groundwater Treatment Plant, to treat the groundwater at Botany, which is contaminated with pollutants from historical operations. The Groundwater Treatment Plant has been commissioned and a portion of the treated water is sold by Orica to other corporations to replace town drinking water in industrial uses. Testing of the quality of the recycled water is ongoing.

Orica is also investigating suitable remediation options for Dense Non-Aqueous Phase Liquid (DNAPL) source areas. No provision has been established for remediation activities in respect of DNAPL as a reliable estimate is not possible at this stage.

Orica has received preliminary results indicating elevated concentrations of mercury in soil and groundwater at the southern end of the Botany site and at adjacent offsite locations. An environmental consultant has been commissioned to assess and report on these concentrations of mercury. No provision has been established for remediation activities in respect of this matter as the extent of contamination is unknown.

Botany Hexachlorobenzene (HCB) Waste Clean Up (New South Wales, Australia)

In August 2006, Orica submitted its application for export approval of HCB waste to the Federal Government. In its application, Orica sought permission to export the HCB waste for final destruction at high temperature incinerators in Germany. In May 2007, the Federal Government issued a duly motivated statement of fact that Australia does not have the technical capability to treat Orica's HCB waste. In June 2007, German authorities rejected Orica's application to import the HCB waste into Germany. Orica lodged objections against these rejections but has subsequently withdrawn these objections, preferring to pursue other alternatives for destruction of the waste overseas. In the event that Orica does not obtain the necessary regulatory approvals to export the waste overseas for destruction, it will continue to ensure the safe storage of the HCB waste at Botany. Orica provided for the estimated costs associated with export and treatment of the waste in 2006 (refer note 19).

Botany Car Park Waste Encapsulation (New South Wales, Australia)

Soil and ash contaminated with low level chlorinated materials (including hexachlorobutadiene and HCB) are stored in an approved and licensed encapsulation on the Botany site, known as the Car Park Waste Encapsulation. Orica has investigated technologies that may be suitable to treat this material and has evaluated conventional destruction methods and has determined that direct thermal treatment of this waste is the preferred treatment technology. As required under the Botany site environmental licence conditions, Orica has submitted an application for planning approval of the proposed remediation. Orica has provided for estimated costs of treatment of the soil using thermal desorption technology (refer note 19).

Taxation

(i) Tax investigations and audits

Consistent with other companies of the size and diversity of Orica, the Group is the subject of periodic information requests, investigations and audit activities by the Australian Taxation Office (ATO) and tax authorities in other jurisdictions in which Orica operates.

(ii) Brazilian Tax Action

The Brazilian Taxation authority is claiming unpaid taxes relating to the 1997 financial year of approximately $25 million. ICI Plc, the vendor of the business to Orica, has been notified to preserve Orica's rights under the tax indemnity obtained upon acquisition of the business. The Brazilian Taxation authority has been granted security over the Lorena site in relation to these matters. Some additional security may be given as the matter progresses through to the civil courts of law.

(iii) Tax Audit – 1998 Sale of Pharmaceuticals Business

On 13 October 2004, Orica Limited received a notice of amended assessment from the ATO for $210.3 million (primary tax of $95.3 million, penalties of $23.8 million and interest of $91.2 million). The amended assessment relates to the sale of the pharmaceuticals business to Zeneca in September 1998.

On 9 November 2004, Orica lodged an objection against the amended assessment. On 10 March 2005, the ATO disallowed the objection and, in March 2005, Orica applied to have the matter dealt with by the Federal Court.

On 28 March 2006, the ATO advised Orica of an error with the interest calculation in relation to the amended assessment, reducing the interest component by $10.2 million. On the basis of the 50% arrangement, Orica Limited received a refund of $5.1 million from the ATO.

After due consideration, the directors are of the opinion the ATO's case has no merit and accordingly no liability is recognised.

In accordance with the ATO administrative practice, Orica has paid 50% of the amended assessment, which has been recognised as a non-current receivable.

33. Contingent liabilities and contingent assets (continued)

The ATO has indicated that if it is unsuccessful in defending the amended assessment against Orica, it may consider issuing an amended assessment for a similar amount to Orica Australia Pty Ltd in respect of the same transaction. The ATO considers that it is not in a position to decide if the second assessment should be issued until the outcome of the dispute with Orica Limited is known. Orica would also contest this matter.

The Federal Court heard the case from 5 to 6 October 2009 before Justice Sunberg. Judgment was reserved.

Guarantees, indemnities and warranties

- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.
- The consolidated entity has entered into various sales contracts where minimum savings are guaranteed to customers and such savings are expected to be achieved in the ordinary course of business.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial warranties and indemnities to the purchasers.

The Company

Under the terms of a Deed of Cross Guarantee entered into in accordance with the ASIC Class Order 98/1418 dated 13 August 1998 (as amended), each company which is a party to the Deed has covenanted with the Trustee of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies. The closed group of entities which are party to the Deed are disclosed in note 39. A consolidated balance sheet and income statement for this closed group is shown in note 40.

34. Financial and capital management

Capital management

Orica's objectives when managing capital (net debt and total equity) are to safeguard the consolidated entity's ability to continue as a going concern and to ensure that the capital structure enhances, protects and balances financial flexibility against minimising the cost of capital.

In order to maintain the appropriate capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, utilise a dividend reinvestment plan, return capital to shareholders or issue new equity, in addition to incurring an appropriate mix of long and short term borrowings. Consistent with the consolidated entity's policy, a Rights Issue was undertaken during 2008. Currently, Orica's dividend policy is to pay a progressive dividend and accordingly to increase its declared dividend per share each year.

Orica monitors capital on the basis of the accounting gearing ratio (which is calculated as net debt divided by net debt plus shareholders equity) and an adjusted gearing ratio (which is calculated by notionally reclassifying $250 million of the $500 million Orica Step-Up Preference Securities (SPS) from equity to debt). In addition, Orica monitors various other credit metrics, principally an interest cover ratio (EBIT excluding individual material items, divided by net financing costs) and funds from operations (FFO) divided by total debt measure.

The current target level for adjusted gearing is 35% to 45% and for interest cover is 5 times or greater. These, together with an appropriate FFO/total debt measure, are targeted to maintain a strong investment grade credit profile, which should facilitate access to borrowings from a diverse range of sources. Ratios may move outside of these target ranges for relatively short periods of time after major acquisitions or other significant transactions, such as the Rights Issue during 2008.

The gearing level and interest cover are also monitored to ensure an adequate buffer against covenant levels under various facilities.

The net debt to gearing ratios are calculated as follows:	Consolidated		Company	
	2009 $m	2008 $m	**2009 $m**	2008 $m
Interest bearing borrowings	**1,403.0**	1,341.8	**100.7**	72.6
Less cash and cash equivalents	**(308.5)**	(321.3)	**-**	-
Net debt	**1,094.5**	1,020.5	**100.7**	72.6
Notional adjustment for SPS	**250.0**	250.0	**250.0**	250.0
Adjusted net debt	**1,344.5**	1,270.5	**350.7**	322.6
Total equity	**3,973.8**	4,318.4	**2,834.8**	2,907.3
Notional adjustment for SPS	**(250.0)**	(250.0)	**(250.0)**	(250.0)
Adjusted equity	**3,723.8**	4,068.4	**2,584.8**	2,657.3
Adjusted net debt and adjusted equity	**5,068.3**	5,338.9	**2,935.5**	2,979.8
Gearing ratio (%)	**21.6%**	19.1%	**3.4%**	2.4%
Adjusted gearing ratio (%)	**26.5%**	23.8%	**11.9%**	10.8%

The interest cover ratio is calculated as follows:	**2009 $m**	2008 $m
EBIT [1]	**1,082.5**	970.1
Net financing costs	**133.5**	157.7
Capitalised borrowing costs	**5.0**	2.0
	138.5	159.7
Interest cover ratio (times)	**7.8**	6.1

[1] Before individually material items

The consolidated entity self-insures for certain insurance risks under the *Australian General Insurance Reform Act 2001* and the *Singapore Insurance Act*. Under these Acts, authorised general insurers, including Curasalus Insurance Pty Ltd and Anbao Insurance Pte Ltd (the Orica self-insurance companies), are required to maintain a minimum amount of capital. For the financial year ended 30 September 2009, Curasalus Insurance Pty Ltd and Anbao Insurance Pte Ltd maintained capital in excess of the minimum requirements prescribed under these Acts, respectively.

Financial risk factors

The consolidated entity and the Company's principal financial risks are associated with foreign exchange, interest rate, liquidity and credit risk.

34. Financial and capital management (continued)

The consolidated entity and the Company's overall risk management program seeks to mitigate these risks and reduce volatility of Orica's financial performance. Financial risk management is carried out centrally by the Treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management and policies covering specific areas, such as foreign exchange, interest rate and credit risk as well as the use of derivative and non-derivative financial instruments and the investment of excess liquidity. Orica enters into derivative instruments for risk management purposes only. Derivative transactions are entered into to hedge the risks relating to underlying physical positions arising from business activities. Derivative transactions to hedge risks such as interest rate and foreign currency movements principally include interest rate swaps, cross currency interest rate swaps, forward exchange contracts and vanilla European option contracts.

Classification of financial assets and financial liabilities

The consolidated entity and the Company's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing liabilities and derivatives.

For measurement purposes the Company and the consolidated entity classify financial assets and financial liabilities into the following categories: (a) financial assets and liabilities at fair value through profit and loss, (b) loans and other receivables and (c) financial liabilities at amortised cost. Neither the Company nor the consolidated entity has financial assets categorised as held-to-maturity or as available-for-sale.

Financial assets and liabilities at fair value through profit and loss

This category combines financial assets and liabilities that are held for trading and those designated at fair value through profit and loss at inception. A financial asset or liability is classified in this category if it is acquired principally for the purpose of selling in the short term or if it is so designated by management. The consolidated entity holds a number of derivative instruments for economic hedging purposes under Board approved risk management policies, which do not meet the criteria for hedge accounting under Australian Accounting Standards. These derivatives are required to be categorised as held for trading. Assets and liabilities in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date (refer notes 12 and 16). The fair value of those derivatives that meet the accounting criteria as cash flow hedges and are designated as such are transferred from the Income Statement to the cash flow hedge reserve in equity.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where maturities are greater than 12 months after the balance sheet date when they are classified as non-current. Loans and receivables are classified as 'receivables' in the balance sheet (refer note 8).

Amortised cost

Financial liabilities measured in this category are initially recognised at their fair value and are then subsequently re-measured at amortised cost using the effective interest rate method. This includes the Company and the consolidated entity's short-term non-derivative financial instruments (refer note 16) and its interest bearing liabilities (refer note 17).

Risks and mitigation

The risks associated with the financial instruments and the policies for minimising these risks are detailed below:

Interest rate risk management

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The consolidated entity is primarily exposed to interest rate risk on outstanding interest bearing liabilities. Non-derivative interest bearing assets are predominately short-term liquid assets. Interest bearing liabilities issued at fixed rates expose the consolidated entity to fair value interest risk while borrowings issued at a variable rate give rise to cash flow interest rate risk.

Interest rate risk on long-term interest bearing liabilities is managed by adjusting the ratio of fixed interest debt to variable interest debt. This is managed within policies determined by the Orica Board of Directors via the use of interest rate swaps and cross currency interest rate swaps. Under the policy, a maximum of between 50% and 90% of debt with a maturity of less than five years can be fixed and a maximum 50% of debt with a maturity of between five and ten years can be fixed. Debt issuance with fixed interest payments can exceed ten years but requires Board approval. The consolidated entity operated within this range during both the current year and the prior year. The effective interest rate on average gross debt for the year ended 30 September 2009 was 6.5% (2008 7.3%).

34. Financial and capital management (continued)

The consolidated entity's exposure to interest rate risk and the weighted average effective interest rates on financial assets and liabilities at balance date are:

Consolidated Entity	Note	2009 $m	2009 % p.a.	2008 $m	2008 % p.a.
Cash	(7)	308.5	0.3	321.3	3.5
Trade and other receivables	(8)	1,068.0	-	1,255.5	-
Other financial assets	(12)	46.2	-	97.3	-
Total financial assets		1,422.7		1,674.1	
Trade and other payables	(16)	1,193.7	-	1,543.2	-
Bank overdrafts	(17)	11.9	3.8	9.0	9.9
Short term borrowings	(17)	143.6	4.2	252.1	8.2
Lease liabilities	(17)	21.1	8.4	17.8	8.6
Long term borrowings	(17)	1,159.5	5.2	1,000.9	7.9
Interest rate swaps		-	2.0	-	(2.6)
Cross currency interest rate swaps	(17)	66.9	(2.0)	62.0	3.0
Total financial liabilities		2,596.7		2,885.0	
Net financial liabilities		(1,174.0)		(1,210.9)	

The Company's exposure to interest rate risk and the weighted average effective interest rate on financial asset and liabilities at balance date are:

Company	Note	2009 $m	2009 % p.a.	2008 $m	2008 % p.a.
Trade and other receivables	(8)	1,058.4	5.0	1,071.6	6.8
Total financial assets		1,058.4		1,071.6	
Short term borrowings	(17)	100.7	2.1	72.6	8.2
Total financial liabilities		100.7		72.6	
Net financial assets		957.7		999.0	

Interest Rate Sensitivity

The table below shows the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower based on the relevant interest rate yield curve applicable to the underlying currency the borrowings are denominated in (including Australian dollars, Euros, Canadian dollars, New Zealand dollars and United States dollars) with all other variables held constant, taking into account all underlying exposures and related hedges and does not include the impact of any management action that might take place if these events occurred. A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. Directors cannot nor do not seek to predict movements in interest rates.

	Consolidated		Company	
	2009 $m	2008 $m	2009 $m	2008 $m
Effect on profit increase/(decrease)				
If interest rates were 10% higher, with all other variables held constant	(1.1)	(2.0)	4.2	(2.0)
If interest rates were 10% lower, with all other variables held constant	1.1	1.4	(4.2)	2.0
Effect on profit after tax increase/(decrease)				
If interest rates were 10% higher, with all other variables held constant	(0.8)	(1.4)	2.9	(1.4)
If interest rates were 10% lower, with all other variables held constant	0.7	1.0	(2.9)	1.4
Effect on shareholders' equity increase/(decrease)				
If interest rates were 10% higher, with all other variables held constant	8.6	9.4	2.9	(1.4)
If interest rates were 10% lower, with all other variables held constant	(8.9)	(10.3)	(2.9)	1.4

34. Financial and capital management (continued)

Foreign exchange risk management

Foreign exchange risk - transactional

Foreign exchange risk refers to the risk that the value of a financial commitment, recognised asset or liability or cash flow will fluctuate due to changes in foreign currency rates.

The consolidated entity is exposed to foreign exchange risk primarily due to significant sales and/or purchases denominated, either directly or indirectly, in currencies other than the functional currencies of the consolidated entity's subsidiaries.

In regard to foreign currency risk relating to sales and purchases, the consolidated entity hedges up to 100% of committed exposures. Anticipated exposures are hedged by applying a declining percentage of cover the further the time to the transaction date. Only exposures that can be forecast with highly probable forecast accuracy are hedged. Transactions can be hedged for up to five years on a rolling monthly basis. The derivative instruments used for hedging purchase and sale exposures are bought vanilla option contracts and forward exchange contracts. Forward exchange contracts may be used only under Board policy for committed exposures and anticipated exposures expected to occur within 12 months. Bought vanilla option contracts may be used for all exposures. These contracts are designated as cash flow hedges and are recognised at their fair value. The currencies giving rise to this risk are primarily U.S. Dollar (USD), Euro (EUR), Canadian Dollar (CAD), New Zealand Dollar (NZD), Norwegian Kroner (NOK), Swedish Kronor (SEK) and Great Britain Pound (GBP).

Exchange rate sensitivity

The table below shows the effect on profit and equity of the consolidated entity if exchange rates as at 30 September had been 10% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges and does not include the impact of any management actions that might take place if these events occurred. A sensitivity of 10% has been selected, as this is considered reasonably possible given the current level of exchange rates and the volatility of exchange rates based on an historical analysis. Directors cannot nor do not seek to predict movements in exchange rates. However, it should be noted that it is extremely unlikely that all currencies would move in the same direction and by the same percentage. Major exposures are against the USD, CAD, NZD, NOK, SEK, EUR and GBP.

The Group's exposure to foreign currency risk including both external balances and internal balances (eliminated on consolidation) at the reporting date was as follows (Australian dollar equivalents):

				2009			
	USD	**CAD**	**NZD**	**NOK**	**SEK**	**EUR**	**GBP**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Cash	**1,951.4**	**4.9**	**0.1**	**526.7**	**142.6**	**453.9**	**203.0**
Trade and other receivables	**196.6**	**-**	**0.9**	**0.2**	**0.4**	**44.4**	**2.1**
Trade and other payables	**(307.5)**	**(1.9)**	**(0.6)**	**(1.9)**	**(11.5)**	**(33.0)**	**(0.9)**
Interest bearing liabilities	**(1,985.4)**	**-**	**(691.6)**	**(0.2)**	**(58.4)**	**(111.9)**	**(32.6)**
Net derivatives	**245.6**	**0.4**	**(43.1)**	**0.2**	**(0.1)**	**(78.1)**	**0.1**
Net exposure	**100.7**	**3.4**	**(734.3)**	**525.0**	**73.0**	**275.3**	**171.7**

				2008			
	USD	CAD	NZD	NOK	SEK	EUR	GBP
	$m	$m	$m	$m	$m	$m	$m
Cash	1,946.4	42.2	-	701.6	134.8	477.4	241.5
Trade and other receivables	310.5	-	1.2	49.8	-	32.2	2.2
Trade and other payables	(382.8)	(3.1)	(10.4)	(2.5)	(15.8)	(34.8)	(0.7)
Interest bearing liabilities	(2,054.5)	(0.6)	(475.0)	(3.9)	(51.4)	(108.3)	(411.8)
Net derivatives	266.9	(0.1)	(44.2)	0.2	(0.1)	(77.8)	(2.5)
Net exposure	86.5	38.4	(528.4)	745.2	67.5	288.7	(171.3)

34. Financial and capital management (continued)

A 10% sensitivity would move year end rates as follows (against the Australian Dollar):

	2009			2008		
	10% lower	**As reported**	**10% higher**	10% lower	As reported	10% higher
U.S. Dollar	**0.7924**	**0.8804**	**0.9684**	0.7211	0.8012	0.8813
Canadian Dollar	**0.8565**	**0.9517**	**1.0469**	0.7579	0.8421	0.9263
New Zealand Dollar	**1.1012**	**1.2235**	**1.3459**	1.0778	1.1976	1.3174
Norwegian Kroner	**4.6105**	**5.1228**	**5.6351**	4.1805	4.6450	5.1095
Swedish Kronor	**5.5317**	**6.1463**	**6.7609**	4.8992	5.4436	5.9880
Euro	**0.5420**	**0.6022**	**0.6624**	0.5019	0.5577	0.6135
Great Britain Pound	**0.4945**	**0.5494**	**0.6043**	0.3945	0.4383	0.4821

The effect on profit from operations, net profit after tax and shareholders' equity of a movement in individual exchange rates with all other variables held constant is as follows (there is no impact on the Company):

	2009		2008	
	-10% $m	**10% $m**	-10% $m	10% $m
Effect on profit/(loss) from operations from a movement in:				
U.S. Dollar	**(6.6)**	**5.4**	(27.4)	16.4
Canadian Dollar	**(0.4)**	**0.3**	(4.8)	3.3
New Zealand Dollar	**(0.9)**	**0.7**	(2.9)	2.7
Norwegian Kroner	**(0.3)**	**0.3**	5.3	(4.3)
Swedish Kronor	**(1.3)**	**1.1**	(1.7)	1.4
Euro	**1.1**	**(1.0)**	0.5	(0.4)
Great Britain Pound	**(0.1)**	**0.1**	(8.9)	8.9
Effect on net profit after tax from a movement in:				
U.S. Dollar	**(4.6)**	**3.8**	(19.2)	11.5
Canadian Dollar	**(0.3)**	**0.2**	(3.3)	2.3
New Zealand Dollar	**(0.7)**	**0.5**	(2.0)	1.9
Norwegian Kroner	**(0.2)**	**0.2**	3.7	(3.0)
Swedish Kronor	**(0.9)**	**0.8**	(1.2)	1.0
Euro	**0.8**	**(0.7)**	0.3	(0.3)
Great Britain Pound	**(0.1)**	**0.1**	(6.2)	6.3
Increase/(decrease) on shareholders' equity from a movement in:				
U.S. Dollar	**34.8**	**(37.0)**	36.5	(43.7)
Canadian Dollar	**(0.9)**	**0.7**	(3.6)	3.2
New Zealand Dollar	**(59.3)**	**49.3**	(52.9)	48.0
Norwegian Kroner	**40.6**	**(33.2)**	58.0	(47.4)
Swedish Kronor	**6.0**	**(4.9)**	5.3	(4.3)
Euro	**25.1**	**(20.4)**	26.7	(21.8)
Great Britain Pound	**13.4**	**(11.0)**	(15.4)	12.6

34. Financial and capital management (continued)

Foreign currency risk - translational

Foreign currency earnings translation risk arises primarily as a result of earnings in USD, NZD, NOK, SEK, Chilean Peso (CLP), Mexican Peso (MXN) and CAD being translated into AUD and from the location of a number of other individually minor foreign currency earnings. Derivative contracts to hedge earnings exposures do not qualify for hedge accounting under Australian Accounting Standards. However, Board approved policy allows hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates. At 30 September 2009, the fair value of these derivatives was a $0.9 million gain (2008 $0.2 million loss).

Foreign currency net investment translation risk is managed within policies determined by the Board of Directors. Hedging of exposures is undertaken centrally by the consolidated entity's Treasury department primarily through originating debt in the currency of the asset or by raising debt in a different currency and effectively swapping the debt to the currency of the asset (see below cross currency interest rate swaps under interest rate risk management). The remaining translation exposure is managed, where considered appropriate, through forward foreign exchange derivative instruments. Gains and losses resulting from these hedging activities are recorded in the foreign currency translation reserve within the equity section of the balance sheet and offset against the foreign exchange impact resulting from the translation of the net assets of foreign operations. Eight percent of the consolidated entity's investment in foreign operations was hedged in this manner as at 30 September 2009 (2008 10%). A foreign exchange gain of $4.7 million (2008 $2.7 million loss) was recognised in the foreign currency translation reserve during the period.

As at reporting date, the following derivative instruments hedging net investment exposures had a fair value of:

	2009 **$m**	2008 $m
Forward foreign exchange contracts	**-**	(4.0)
Cross currency interest rate swaps	**(107.5)**	(113.6)

Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under a contract or arrangement. The Company and the consolidated entity have exposure to credit risk on all financial assets included within the balance sheets. For discussion on how this risk in relation to receivables is managed refer to note 8. In regards to credit risk arising from derivatives and cash, this is the credit exposure to financial institutions that are counterparties to derivative contracts and cash deposits, with a positive fair value from Orica's perspective (refer note 7). As at 30 September 2009, the sum of all contracts with a positive fair value was $45.3 million (2008 $27.2 million).

To manage this risk, the consolidated entity restricts dealings to highly rated counterparties approved within its credit limit policy. The higher the credit rating of the counterparty, the higher the consolidated entity's allowable exposure is to that counterparty under the policy. The consolidated entity does not hold any credit derivatives to offset its credit exposures.

34. Financial and capital management (continued)

Liquidity risk management

Liquidity risk arises from the possibility that there will be insufficient funds available to make payment as and when required.
The consolidated entity manages this risk via:

- maintaining an adequate level of undrawn committed facilities in various currencies that can be drawn upon at short notice;
- generally uses instruments that are readily tradeable in the financial markets;
- monitors duration of long term debt;
- spreads, to the extent practicable, the maturity dates of long-term debt facilities; and
- a comprehensive analysis of all inflows and outflows that relate to financial assets and liabilities.

Facilities available and the amounts drawn and undrawn are as follows:

	Consolidated		Company	
	2009 $m	2008 $m	**2009 $m**	2008 $m
Unsecured bank overdraft facilities				
Unsecured bank overdraft facilities available	**117.9**	104.7	**-**	-
Amount of facilities undrawn	**106.0**	95.7	**-**	-
Committed standby and loan facilities				
Committed standby and loan facilities available	**3,089.4**	3,377.9	**-**	-
Amount of facilities unused	**1,867.6**	2,325.0	**-**	-

The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed standby and loan facilities range from 3 September 2010 to 24 October 2018 (2008 1 October 2009 to 24 October 2018).
The contractual maturity of the consolidated entities' fixed and floating rate financial instruments and derivatives are shown in the table below. The amounts shown represent the future undiscounted principal and interest cash flows:

Consolidated	**As at 30 September 2009**				As at 30 September 2008			
	Less than 1 year $m	**1 to 2 years $m**	**2 to 5 years $m**	**Over 5 years $m**	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m
Non-derivative financial assets								
Cash	**308.5**	**-**	**-**	**-**	321.3	-	-	-
Trade and other receivables [1]	**964.9**	**103.1**	**-**	**-**	1,147.4	108.1	-	-
Derivative financial assets	**2,018.7**	**62.3**	**70.2**	**337.7**	850.9	1,709.2	137.2	386.5
Financial assets	**3,292.1**	**165.4**	**70.2**	**337.7**	2,319.6	1,817.3	137.2	386.5
Non-derivative financial liabilities								
Trade and other payables [1]	**1,057.9**	**37.0**	**-**	**-**	1,372.7	31.8	-	-
Bank overdrafts	**11.9**	**-**	**-**	**-**	9.0	-	-	-
Bank loans	**11.5**	**81.5**	**132.4**	**-**	-	-	-	-
Commercial paper	**115.0**	**-**	**-**	**-**	140.0	-	-	-
Other short term borrowings	**16.8**	**-**	**-**	**-**	25.4	-	-	-
Trade bills and trade cards	**12.7**	**-**	**-**	**-**	13.4	-	-	-
Private placement	**51.5**	**234.9**	**193.1**	**882.9**	81.8	78.8	445.7	980.6
Other long term borrowings	**0.3**	**3.8**	**0.1**	**0.3**	0.8	5.2	5.8	-
Fixed term notes	**-**	**-**	**-**	**-**	79.6	-	-	-
Lease liabilities	**5.8**	**6.5**	**7.3**	**6.6**	6.4	5.4	9.7	-
Derivative financial liabilities	**2,013.8**	**77.3**	**77.1**	**397.0**	841.7	1,707.3	162.7	443.4
Financial liabilities	**3,297.2**	**441.0**	**410.0**	**1,286.8**	2,570.8	1,828.5	623.9	1,424.0
Net outflow	**(5.1)**	**(275.6)**	**(339.8)**	**(949.1)**	(251.2)	(11.2)	(486.7)	(1,037.5)

[1] Excludes derivative financial instruments but includes the $100 million ATO receivable (refer note 8).

34. Financial and capital management (continued)

Company	As at 30 September 2009				As at 30 September 2008			
	Less than 1 year $m	**1 to 2 years[1] $m**	**2 to 5 years $m**	**Over 5 years $m**	Less than 1 year $m	1 to 2 years[1] $m	2 to 5 years $m	Over 5 years $m
Non-derivative financial assets								
Trade and other receivables	**958.4**	**100.0**	**-**	**-**	971.6	100.0	-	-
Other financial assets	**-**	**-**	**-**	**1,914.0**	-	-	-	1,915.1
Financial assets	**958.4**	**100.0**	**-**	**1,914.0**	971.6	100.0	-	1,915.1
Non-derivative financial liabilities								
Other loans - controlled entities	**100.7**	**-**	**-**	**-**	72.6	-	-	-
Financial liabilities	**100.7**	**-**	**-**	**-**	72.6	-	-	-
Net inflow/(outflow)	**857.7**	**100.0**	**-**	**1,914.0**	899.0	100.0	-	1,915.1

[1] Includes $100 million receivable from the ATO (refer note 8).

Cash flow hedges

Cash flow hedges are used to hedge exposures relating to borrowings and ongoing business activities, where there is a highly probable sale, purchase or settlement commitment in foreign currencies.

Foreign exchange transactions

The hedging of foreign exchange transactions is described under foreign currency risk above.

The fair value of forward exchange contracts used as hedges of foreign exchange transactions at 30 September 2009 was a net $5.2 million loss (2008 $7.9 million gain), comprising assets of $33.9 million (2008 $13.8 million) and liabilities of $39.1 million (2008 $5.9 million). The fair value of currency options used as hedges of foreign exchange transactions at 30 September 2009 was $2.2 million gain (2008 $2.9 million loss), comprising assets of $3.7 million (2008 $1.6 million) and liabilities of $1.5 million (2008 $4.5 million).

The following table shows the maturities of the receipts/payments of derivative instruments designated as cash flow hedges:

Foreign Exchange Contracts	Weighted average rate **2009**	2008	**million 2009**	million 2008
Buy US dollars/sell Australian dollars				
Not later than one year	**0.8728**	0.8361	**USD 56.3**	USD 133.8
Buy US dollars/sell New Zealand dollars				
Not later than one year	**0.6685**	0.6696	**USD 14.3**	USD 27.5
Buy Australian dollars/sell New Zealand dollars				
Not later than one year	**1.2292**	1.2240	**NZD 2.3**	NZD 3.7
Buy Australian dollars/sell Canadian dollars				
Not later than one year	**0.9451**	0.8567	**CAD 13.1**	CAD 37.7
Buy Swedish Kronor/sell Norwegian Kroner				
Not later than one year	**1.1761**	1.1731	**NOK 20.2**	NOK 88.5
Buy Euro/sell Australian dollars				
Not later than one year	**0.5593**	0.5621	**EUR 29.3**	EUR 18.1
Later than one year but not later than two years	**-**	0.5698	**-**	EUR 11.7
Buy Colombian Pesos/sell US dollars				
Not later than one year	**-**	1,948.8	**-**	USD 7.0
Buy Great Britain Pounds/sell Australian dollars				
Not later than one year	**0.6046**	0.4784	**GBP 0.9**	GBP 7.6
Buy Canadian dollars/sell US dollars				
Not later than one year	**1.0851**	-	**CAD 14.0**	-

34. Financial and capital management (continued)

Vanilla European Option Contracts	Weighted average rate 2009	Weighted average rate 2008	million 2009	million 2008
Buy US dollars/sell Australian dollars				
Not later than one year	**-**	0.7962	**-**	USD 4.1
Later than one year but not later than two years	**-**	0.7877	**-**	USD 0.3
Buy Australian dollars/sell US dollars				
Not later than one year	**0.8127**	-	**USD 60.3**	-
Later than one year but not later than two years	**0.7776**	-	**USD 2.5**	-
Buy US dollars/sell New Zealand dollars				
Not later than one year	**0.7114**	0.7374	**USD 1.1**	USD 6.2
Later than one year but not later than two years	**-**	0.7333	**-**	USD 0.5
Buy US dollars/sell Canadian dollars				
Not later than one year	**-**	0.9850	**-**	CAD 6.0
Later than one year but not later than two years	**0.9885**	0.9850	**CAD 3.0**	CAD 5.0
Later than two years but not later than three years	**0.9885**	0.9850	**CAD 1.4**	CAD 3.0
Later than three years but not later than five years	**0.9885**	0.9850	**CAD 0.2**	CAD 1.6
Buy Canadian dollars/sell US dollars				
Not later than one year	**1.1007**	-	**USD 17.4**	-
Buy Australian dollars/sell Canadian dollars				
Not later than one year	**0.8463**	0.8643	**CAD 0.7**	CAD 8.6
Later than one year but not later than two years	**-**	0.8463	**-**	CAD 1.0
Buy Mexican Pesos/sell US dollars				
Not later than one year	**13.1280**	10.5545	**USD 9.8**	USD 34.2
Later than one year but not later than two years	**-**	10.5545	**-**	USD 2.9
Buy Chilean Pesos/sell US dollars				
Not later than one year	**513.198**	509.367	**USD 17.6**	USD 64.6
Later than one year but not later than two years	**-**	512.000	**-**	USD 4.8

Gains and losses recognised in the cash flow hedge reserve on all foreign currency hedges of anticipated purchases, sales and interest and the timing of their anticipated recognition as part of sales or purchases are:

Term	Net deferred (gains)/losses 2009 $m	Net deferred (gains)/losses 2008 $m
Not later than one year	**(1.2)**	(0.6)
Later than one year but not later than two years	**(0.5)**	(0.5)
Later than two year but no later than five years	**(0.1)**	0.3
Total	**(1.8)**	(0.8)

The terms of the forward exchange contracts have been negotiated to match the terms of the commitments.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the asset or liability affects the Income Statement, the consolidated entity transfers the related amount deferred in equity into the Income Statement.

Due to the acquisition of Excel in October 2007 the consolidated entity entered into a forward foreign exchange contract to hedge the translational exposure arising from movements in the USD. In accordance with the revised policy, during August 2008 this contract was closed out resulting in a gain of $24.2 million within the Income Statement (financial income) reflecting the non designated portion (forward points) of the net investment hedge.

Interest rate swap contracts

Interest rate or cross currency interest rate swaps are classified as cash flow hedges if they are used to transfer floating rate debt into fixed rate debt and are stated at fair value. All gains and losses attributable to the hedged risk are taken directly to equity and reclassified into the Income Statement when the interest expense is recognised. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. There was a derivative liability of $3.0 million as at 30 September 2009 (2008 $6.2 million asset).

34. Financial and capital management (continued)

The notional amounts of interest rate swaps as summarised below represent the contract or face values of these derivatives. The notional amounts do not represent amounts exchanged by the parties. The amounts to be exchanged are net settled and will be calculated with reference to the notional amounts and the pay and receive interest rates determined under the terms of the derivative contracts. Each contract involves quarterly or semi-annual payment or receipt of the net amount of interest:

	2009 $m	**2008 $m**
Floating to fixed swaps		
One to five years	**389.7**	391.8
More than five years	**100.0**	100.0
Fixed interest rate range p.a.	**5.2% to 8.3%**	5.2% to 8.3%

Fair value hedges

Cross currency interest rate and interest rate swap contracts

During the period the consolidated entity held cross currency interest rate and interest rate swaps to mitigate the consolidated entity's exposure to changes in the fair value of foreign denominated debt from fluctuations in foreign currency and interest rates. The hedged items designated were a portion of the consolidated entity's foreign currency denominated borrowings. The changes in the fair values of the hedged items resulting from movements in exchange rates and interest rates are offset against the changes in the value of the cross currency interest rate and interest rate swaps. The objective of this hedging is to convert foreign currency borrowings to floating rate Australian dollar borrowings.

For the consolidated entity, re-measurement of the hedged items resulted in a gain before tax of $1.7 million (2008 $42.8 million loss) and the changes in the fair value of the hedging instruments resulted in a loss before tax of $0.8 million (2008 $45.3 million gain) resulting in a net gain before tax of $0.9 million (2008 $2.5 million gain) recorded in finance costs.

The fair value of these swaps at 30 September 2009 was $75.3 million (2008 $75.5 million), comprising assets of $100.5 million (2008 $106.6 million) and liabilities of $25.2 million (2008 $31.1 million).

From the cross currency interest rate swaps as at 30 September 2009 there was a derivative asset of $62.4 million (2008 $68.6 million).

Derivatives not designated in a hedging relationship

Certain derivative instruments do not qualify for hedge accounting, despite being commercially valid economic hedges of the relevant risks. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement (for example, changes in the fair value of any economic hedge not qualifying for hedge accounting or in the value of vanilla bought European options used to hedge translation of foreign earnings).

Interest rate swaps

The change in fair value of swaps executed as economic hedges for which hedge accounting was not applied was a $1.4 million loss for the financial year ending 30 September 2009 (2008 $0.1 million gain). This relates to two interest rate swaps with a notional principal amount of $29.7 million (2008 $31.8 million).

Fair values of derivatives

The carrying value of derivatives disclosed in notes 12 and 16 equal their fair values. Valuation techniques include where applicable, reference to prices quoted in active markets, discounted cash flow analysis, fair value of recent arm's length transactions involving the same instruments or other instruments that are substantially the same, and option pricing models.

The fair value of forward exchange contracts are calculated by reference to forward exchange market rates for contracts within similar maturity profiles at the time of valuation.

The fair values of cross currency interest rate swaps and interest rate swaps and other financial liabilities measured at fair value are determined using valuation techniques which utilise data from observable markets. Assumptions are based on market conditions existing at each balance date. The fair value is calculated as the present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived and representative of Orica's cost of borrowings.

35. Events subsequent to balance date

On 9 November 2009, the directors declared a final dividend of 57 cents per ordinary share payable on 4 December 2009. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2009 and will be recognised in the 2010 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2009, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

36. Employee share plans

Employees' options entitlement

The names of persons who currently hold options in the share option plans are entered in the registers of options kept by the Company pursuant to Section 170 of the Corporations Act 2001. The registers may be inspected free of charge. Options granted to and exercised by executives under SOP to the date of this report are shown below. The exercise price of options issued under SOP was set at the market value of an Orica share at the time of issue of the option. Market value is defined as the average of the closing price at which Orica shares were traded on the ASX during the three calendar months preceding the date of issue. The ability to exercise these options is conditional on the Company achieving prescribed performance hurdles. All options refer to ordinary shares of Orica Limited and the options are provided at no cost to the recipient until their exercisable date. No person entitled to exercise an option in the Company has, by virtue of the option, a right to participate in a share issue of any other consolidated entity of the Group. No ordinary shares were issued during the financial year as a consequence of the exercise of options issued in prior years. As at balance date, there are 51,600 unissued ordinary shares under option.

(a) Executive Share Option Plan

The Executive Share Option Plan (ESOP) was introduced as part of new executive compensation arrangements introduced during 2002 and operated between 2002 and 2004. It was the Board's intention that the plan would be used only once to reflect the particular circumstances of the Company at the time to support the introduction of its new compensation policy. ESOP is administered by the Plan Manager, Link Market Services Limited.

Eligible executives, as determined by the Board, who agreed to participate in the new compensation arrangements were invited to apply for options in three tranches to acquire shares in Orica at a specified exercise price subject to the achievement of a performance hurdle based on Orica's share price. Options that vest upon achievement of the performance hurdles may be exercised from one day after the release of the annual results to 31 October of the following year subject to the Company's guidelines for dealing in securities. The second price hurdle was reached during 2005 and the third price hurdle was reached during 2006. Pursuant to the terms on which they were granted, the exercise price of outstanding ESOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

There are no options over ordinary shares of the Company under the ESOP as at 30 September 2008 and 30 September 2009.

(b) Share Option Plan

The Share Option Plan (SOP) operated between 1999 and 2002. SOP is administered by the Plan Manager, Link Market Services Limited. Eligible executives, as determined by the Board, who achieved an agreed performance rating were invited to apply for options to acquire shares in Orica at a specified exercise price subject to the achievement of a performance hurdle based on Orica's Total Shareholder Return (TSR) relative to the TSR of the other companies in the ASX 100 index after three, four and five years. The proportion of options that vest and become exercisable is determined by comparing Orica's TSR with the other companies. No options vest where Orica's TSR score is below 50% of the other companies. Where the score is equal to or greater than 75% of other companies, all options granted will vest. Options that vest may be exercised for a period up to 10 years from the grant date. Pursuant to the terms on which they were granted, the exercise price of outstanding SOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

All options have vested as at 30 September 2009 and 30 September 2008. Details are shown in the table below:

36. Employee share plans (continued)

The options were granted in three tranches, with an exercise price and exercise period as follows:

Grant date	Options issued over plan life	**Number of participants at 30 September**	**Options held at 30 September**	Exercise price $	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of options at grant date [1] $
As at 30 September 2009								
1 Jan 00	1,505,000	**2**	**11,000**	7.73	Expired	Expired	Expired	2,979,900
1 Jan 01	1,969,800	**2**	**13,600**	5.14	Expired	Expired	Expired	2,147,082
1 Jan 02	1,202,000	**3**	**27,000**	5.09	Expired	Expired	Expired	2,367,940
	4,676,800		**51,600**					**7,494,922**
As at 30 September 2008								
1 Jan 00	1,505,000	2	11,000	7.73	Expired	Expired	Expired	2,979,900
1 Jan 01	1,969,800	2	13,600	5.14	Expired	Expired	Expired	2,147,082
1 Jan 02	1,202,000	3	27,000	5.09	Expired	Expired	Expired	2,367,940
	4,676,800		51,600					7,494,922

[1] The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option $
1 Jan 00	8.20	30%	5.0%	6.88%	1.98
1 Jan 01	5.76	30%	6.6%	5.42%	1.09
1 Jan 02	7.19	30%	5.4%	5.68%	1.97

The option valuation prepared by PWC uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2009 and 30 September 2008. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option.

(c) Employee Share Plan

The Employee Share Plan (ESP) operated between 1987 and 2002. The ESP is administered by Link Market Services Limited.

Eligible employees, as determined by the Board, were invited to purchase shares in Orica funded by the provision of an interest free loan repayable over ten years. The balance of loans receivable from employees participating in the ESP at 30 September 2009 was $0.1 million (2008 $0.1 million).

Grant date	Date shares become unrestricted	**Number of participants 2009**	Number of participants 2008	Average issue price $	**Shares held at 30 September 2009**	Shares held at 30 September 2008
Pre 1 Oct 2001	-	**48**	83	-	**17,400**	29,800
31 Dec 01	31 Dec 11	**1**	1	7.32	**400**	400
05 Jul 02	05 Jul 12	**43**	45	9.48	**18,400**	18,900
					36,200	49,100

(d) (i) General Employee Exempt Share Plan - Australia

The General Employee Exempt Share Plan (GEESP) has operated since 1998. It is administered by the Plan Manager, Link Market Services Limited. Invitations are made to eligible employees as determined by the Board on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market;
- employees are each entitled to acquire shares with a market value of approximately $1,000 per year;
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 June the following year;
- employees who leave the consolidated entity must salary sacrifice any remaining amount prior to departure; and
- employees cannot dispose of the shares for a period of three years from date of acquisition or until they leave their employment with the consolidated entity, whichever occurs first.

Grant date	Date shares become unrestricted	**Number of participants at 30 September 2009**	Number of participants at 30 September 2008	**Shares held at 30 September 2009**	Shares held at 30 September 2008
3 Jul 06	30 Jun 09	**-**	1,325	**-**	56,975
2 Jul 07	2 Jul 10	**1,467**	1,588	**48,411**	52,404
1 Jul 08	1 Jul 11	**1,749**	1,888	**59,466**	64,192
				107,877	173,571

No invitations were made to employees in 2009.

36. Employee share plans (continued)

(d) (ii) General Employee Exempt Share Plan - New Zealand

A separate GEESP has operated for New Zealand employees since 1999. It is administered internally. Invitations are made to eligible employees as determined by the Board on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market;
- employees are each entitled to acquire shares with a market value of approximately NZ$780 per year;
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 September the following year;
- employees who leave the consolidated entity because of redundancy, retirement or sickness, have the option to salary sacrifice any remaining amounts prior to departure, if they wish to retain their shares;
- employees who leave the consolidated entity because of resignation, will be paid the market value of the shares in proportion to their contributions to date; and
- employees cannot dispose of the shares for a period of three years from date of acquisition or until they leave their employment with the consolidated entity and they are entitled to retain their shares, whichever occurs first.

Grant date	Date shares become unrestricted	**Number of participants at 30 September 2009**	Number of participants at 30 September 2008	**Shares held at 30 September 2009**	Shares held at 30 September 2008
1 Oct 03	30 Sept 06	**14**	20	**784**	1,120
1 Oct 04	30 Sept 07	**27**	40	**1,107**	1,640
1 Oct 05	30 Sept 08	**52**	87	**1,820**	3,045
1 Oct 06	30 Sept 09	**80**	99	**2,480**	3,069
1 Oct 07	30 Sept 10	**99**	119	**2,277**	2,737
1 Oct 08	30 Sept 11	**143**	-	**4,004**	-
				12,472	11,611

37. Related party disclosures

(a) Key Management Personnel compensation summary

As deemed under AASB 124 *Related Parties Disclosures*, Key Management Personnel (KMP) include non-executive directors and members of the Group Executive Team (executive directors and the most highly remunerated executives) who have authority and responsibility for planning, directing and controlling the activities of Orica. In this report, “Executive KMP” refers to Executive Key Management Personnel. Non–executive directors have had no day to day involvement in the management of the business.

A summary of the Key Management Personnel compensation is set out in the following table:

	Consolidated		Company	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Short term employee benefits	**16,289.6**	18,799.4	**-**	-
Other long term benefits	**1,852.1**	4,465.7	**-**	-
Post employment benefits	**269.9**	289.3	**-**	-
Share-based payments	**3,432.8**	2,284.5	**-**	-
Termination benefits	**1,421.8**	1,194.2	**-**	-
	23,266.2	27,033.1	**-**	-

Information regarding individual directors and executives compensation and some equity instruments disclosure as permitted by Corporation Regulation 2M.3.03 is provided in the remuneration report section of the directors’ report.

37. Related party disclosures (continued)

(b) Key Management Personnel's transactions in shares and options

The relevant interests of Key Management Personnel in the share capital of the Company are:

As at 30 September 2009	Balance 1 October 2008	Acquired (1)	Net change other (2)	Fully paid ordinary shares held at 30 September 2009 (3)
Non-Executive Directors				
D P Mercer	**26,154**	**-**	**-**	**26,154**
M E Beckett	**68,755**	**3,935**	**-**	**72,690**
R R Caplan	**2,325**	**87**	**-**	**2,412**
P J Duncan	**15,936**	**-**	**-**	**15,936**
G A Hounsell	**14,936**	**829**	**(225)**	**15,540**
P M Kirby	**27,259**	**-**	**-**	**27,259**
N L Scheinkestel	**12,657**	**2,969**	**-**	**15,626**
M Tilley	**6,329**	**-**	**-**	**6,329**
C M Walter *	**13,035**	**437**	**-**	**13,472**
	187,386	**8,257**	**(225)**	**195,418**

* Closing balance is at cessation of directorship.

As at 30 September 2009	Balance 1 October 2008	Acquired (1)	Net change other (2)	Fully paid ordinary shares held at 30 September 2009 (3)	Options for fully paid ordinary shares held at 30 September 2009 (4)
Executive KMP					
G R Liebelt **	**615,058**	**-**	**-**	**615,058**	**784,621**
N A Meehan	**49,483**	**-**	**-**	**49,483**	**169,536**
J Beevers	**-**	**2,250**	**-**	**2,250**	**144,828**
G J Witcombe	**143,535**	**-**	**-**	**143,535**	**141,376**
A J P Larke **	**32,331**	**-**	**-**	**32,331**	**159,906**
C B Elkington	**-**	**-**	**-**	**-**	**116,001**
P W Houlihan	**5,098**	**-**	**-**	**5,098**	**87,243**
M Reich **	**-**	**-**	**-**	**-**	**84,649**
P McEwan	**-**	**-**	**-**	**-**	**40,580**
P G Etienne	**-**	**-**	**-**	**-**	**179,563**
	845,505	**2,250**	**-**	**847,755**	**1,908,303**

** In addition, as at 30 September 2009 the following Executive KMP hold Orica Step-Up Preference securities: M Reich 6,400, A J P Larke 3,000, G R Liebelt 427.

As at 30 September 2008	Balance 1 October 2007	Acquired (1)	Net change other (2)	Fully paid ordinary shares held at 30 September 2008 (3)
Non-Executive Directors				
D P Mercer	22,500	3,654	-	26,154
M E Beckett	57,188	11,567	-	68,755
R R Caplan	-	2,325		2,325
P J Duncan	14,165	1,771	-	15,936
G A Hounsell	12,888	2,048	-	14,936
P M Kirby	24,230	3,029	-	27,259
N L Scheinkestel	9,538	3,119	-	12,657
M Tilley	5,625	704	-	6,329
C M Walter	11,250	1,785	-	13,035
	157,384	30,002	-	187,386

37. Related party disclosures (continued)

As at 30 September 2008	Balance 1 October 2007	Acquired (1)	Net change other (2)	Fully paid ordinary shares held at 30 September 2008 (3)	Options for fully paid ordinary shares held at 30 September 2008 (4)
Executive KMP					
G R Liebelt	413,900	201,158	-	615,058	471,943
N A Meehan	37,136	12,347	-	49,483	134,115
P G Etienne	-	13,874	(13,874)	-	143,512
M Reich	-	-	-	-	31,271
A J P Larke ***	-	32,331	-	32,331	108,558
G J Witcombe	94,462	78,523	(29,450)	143,535	121,154
J Beevers	-	12,292	(12,292)	-	91,552
C B Elkington	-	12,487	(12,487)	-	83,062
P W Houlihan	2,122	5,098	(2,122)	5,098	40,777
	547,620	368,110	(70,225)	845,505	1,225,944

*** In addition, A J P Larke held 2,000 Orica Step-Up Preference securities as at 30 September 2008.

(1) Includes shares acquired through the Dividend Reinvestment Plan (DRP) and purchases and exercise of options during the year by Non-Executive directors and Executive KMP.

(2) Net change other includes changes resulting from sales during the year by Non-Executive directors and Executive KMP.

(3) Includes trust shares for Executive KMP.

(4) These interests include shares acquired under a loan agreement. A general description of these agreements (LTEIP) is provided in the Remuneration Report. Under AASB 2 Share-based Payment, LTEIP plans are deemed to be option plans for compensation purposes and the amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised. The LTEIP before November 2006 is deemed to vest at grant date whilst the LTEIP from November 2006 onwards vests after three years.

(c) Parent entity

The ultimate parent entity within the Group is Orica Limited, which is domiciled and incorporated in Australia.

(d) Controlled entities

Interests in subsidiaries are set out in note 39.

(e) Transactions with controlled entities

Transactions between Orica and entities in the Group during the year included:

- Rental revenue received by Orica for the use of land and buildings;
- Management fees received and paid by Orica for accounting and administrative assistance;
- Interest revenue received and paid by Orica for money deposited with or borrowed from Orica Finance Limited;
- Dividend revenue received by Orica;
- Indemnity fees paid to Orica; and
- Purchases and sales of products and services.

All the above transactions with controlled entities are made on normal commercial terms and conditions and in the ordinary course of business. Transactions with the parent entity are disclosed in the Orica Limited parent entity financial statements.

(f) Transactions with other related parties

All transactions with other related parties are made on normal commercial terms and conditions and in the ordinary course of business. Transactions during the year with associates were:

	Consolidated		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
Sales of goods to associates	**247.9**	260.2	**-**	-
Purchases of goods from associates	**71.0**	71.3	**-**	-
Dividend income received from associates	**66.6**	20.3	**-**	-
Interest income received from associates	**-**	0.6	**-**	-

37. Related party disclosures (continued)

Additional related party disclosures

Additional relevant related party disclosures are shown throughout the notes to the financial statements as follows:

- Dividend income — note 3
- Financial income and expenses — note 4
- Trade and other receivables — note 8
- Investments — note 11, 39
- Trade and other payables — note 16
- Interest bearing liabilities — note 17
- Options — note 21

38. Superannuation commitments

(a) Superannuation plans

The consolidated entity contributes to a number of superannuation plans that exist to provide benefits for employees and their dependants on retirement, disability or death. The superannuation plans cover company sponsored plans, other qualifying plans and multi-employer industry/union plans.

Company sponsored plans

- The principal benefits are pensions or lump sum payments for members on resignation, retirement, disability or death. The benefits are provided on either a defined benefit basis or a defined contribution basis.
- Employee contribution rates are either fixed by the rules of the plans or selected by members from time to time from a specified range of rates. The employer entities contribute the balance of the cost required to fund the defined benefits or, in the case of defined contribution plans, the amounts required by the rules of the plan.
- The contributions made by the employer entities to defined contribution plans are in accordance with the requirements of the governing rules of such plans or are required under law.

Government plans

- Some controlled entities participate in government plans on behalf of certain employees, which provide pension benefits. There exists a legally enforceable obligation on employer entities to contribute as required by legislation.

Industry plans

- Some controlled entities participate in industry plans on behalf of certain employees.
- These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement, disability or death.
- The employer entities have a legally enforceable obligation to contribute a regular amount for each employee member of these plans.
- The employer entities have no other legal liability to contribute to the plans.

(b) Defined contribution pension plans

The consolidated entity contributes to several defined contribution pension plans on behalf of its employees. The amount recognised as an expense for the financial year ended 30 September 2009 was $31.8 million (2008 $28.8 million).

(c) Defined benefit pension plans

The consolidated entity participates in several local and overseas defined benefit post-employment plans that provide benefits to employees upon retirement. Plan funding is carried out in accordance with the requirements of trust deeds and the advice of actuaries. During the year, the consolidated entity made employer contributions of $38.5 million (2008 $31.0 million) to defined benefit plans. The Group's external actuaries have forecast total employer contributions to defined benefit plans of $35.0 million for 2010.

The Company has no employees and therefore does not support any defined benefit post-employment plans. Accordingly, the disclosures detailed below relate to the consolidated entity.

38. Superannuation commitments (continued)

(c) (i) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	2009 $m	2008 $m
Present value of the funded defined benefit obligations	**638.9**	701.3
Fair value of defined benefit plan assets	**(545.8)**	(613.4)
Deficit in plan	**93.1**	87.9
Present value of unfunded defined benefit obligations	**76.8**	86.9
Deficit	**169.9**	174.8
Restriction on assets recognised	**2.9**	3.7
Net liability in the balance sheet	**172.8**	178.5
Amounts in balance sheet:		
Liabilities	**173.1**	181.4
Assets	**(0.3)**	(2.9)
Net liability recognised in balance sheet at end of year	**172.8**	178.5

(c) (ii) Categories of plan assets

The major categories of plan assets are as follows:

	2009 $m	2008 $m
Cash and net current assets	**66.7**	56.1
Equity instruments	**241.9**	299.5
Fixed interest securities	**142.9**	158.8
Property	**58.8**	60.4
Other assets	**35.5**	38.6
	545.8	613.4

(c) (iii) Reconciliations

	2009 $m	2008 $m
Reconciliation of present value of the defined benefit obligations:		
Balance at the beginning of the year	**788.2**	772.6
Current service cost	**21.2**	20.9
Interest cost	**42.3**	44.1
Actuarial (gains)/losses	**(32.8)**	(25.8)
Contributions by plan participants	**6.2**	7.3
Benefits paid	**(64.3)**	(41.3)
Distributions	**(5.3)**	(4.0)
Settlements/curtailments	**(0.6)**	(1.1)
Exchange differences on foreign funds	**(39.2)**	15.5
Balance at the end of the year	**715.7**	788.2
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	**613.4**	635.3
Expected return on plan assets	**42.1**	45.0
Actuarial (losses)/gains	**(61.4)**	(67.4)
Contributions by plan participants	**6.2**	7.3
Contributions by employer	**38.5**	31.0
Benefits paid	**(64.3)**	(41.3)
Distributions	**(5.3)**	(4.0)
Settlements/curtailments	**-**	(1.1)
Exchange differences on foreign funds	**(23.4)**	8.6
Balance at the end of the year	**545.8**	613.4

The fair value of plan assets does not include any amounts relating to the consolidated entity's own financial instruments, property occupied by, or other assets used by, the consolidated entity.

38. Superannuation commitments (continued)

(c) (iv) Amounts recognised in the income statement

The amounts recognised in the income statement are as follows:

	2009 $m	2008 $m
Current service cost	**21.2**	20.9
Interest cost	**42.3**	44.1
Expected return on plan assets	**(42.1)**	(45.0)
Curtailment or settlement gains	**(0.6)**	-
Total included in employee benefits expense	**20.8**	20.0

(c) (v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	**4.20% - 10.77%**	4.10% - 11.29%
Expected return on plan assets	**0.00% - 11.60%**	0.00% - 11.60%
Future salary increases	**2.50% - 8.00%**	2.75% - 8.68%
Future inflation	**2.00% - 4.50%**	2.00% - 4.50%
Future pension increases	**1.70% - 4.50%**	2.00% - 5.00%
Healthcare cost trend rates (ultimate)	**4.80% - 5.00%**	4.80% - 5.00%
Pension increases in deferment	**1.70% - 4.50%**	2.00% - 5.00%

A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase $m	One percentage point decrease $m
Effect on the aggregate of the service cost and interest cost	**0.3**	**(0.2)**
Effect on the defined benefit obligation	**2.1**	**(1.7)**

(c) (vi) Historic summary

Amounts for the current and previous periods are as follows:

	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m
Defined benefit plan obligation	**715.7**	788.2	772.6	746.1	692.3
Plan assets	**(545.8)**	(613.4)	(635.3)	(589.7)	(584.0)
Restriction on assets recognised	**2.9**	3.7	-	-	-
Deficit	**172.8**	178.5	137.3	156.4	108.3
Experience adjustments arising on plan liabilities	**(7.5)**	(16.6)	26.7	(0.3)	(8.1)
Experience adjustments arising on plan assets	**(61.4)**	(67.4)	32.5	14.2	42.2
Actual return on plan assets	**(19.2)**	(22.4)	73.1	53.2	78.3

(c) (vii) Amounts included in the statement of recognised income and expense

	2009 $m	2008 $m
Net actuarial losses	**(28.6)**	(41.6)
Change in the effect of asset ceiling	**0.7**	(3.7)
Total losses recognised via the Statement of Recognised Income and Expense	**(27.9)**	(45.3)
Tax credit on total losses recognised via the Statement of Recognised Income and Expense	**8.9**	14.4
Total losses after tax recognised via the Statement of Recognised Income and Expense	**(19.0)**	(30.9)

The consolidated entity has elected under AASB 119 *Employee Benefits*, to recognise all actuarial gains/losses in the Statement of Recognised Income and Expense. The cumulative amount of net actuarial losses/gains (before tax) included in the Statement of Recognised Income and Expense as at 30 September 2009 is $34.2 million - loss (2008 $5.6 million - loss).

38. Superannuation commitments (continued)

(c) (viii) Expected rate of return on assets assumption

The overall expected rate of return on assets assumption is determined by weighting the expected long-term rate of return for each asset class by the target allocation of plan assets to each class. The rates of return used for each class are net of investment tax and investment fees.

(c) (ix) Surplus/(deficit) for major defined benefit plans

30 September 2009 Plan	**Accrued Benefits**	**Fund Assets**	**Accrued (deficit)/ surplus**	**Current contribution recommendation**	**Discount rate**	**Expected return on plan assets**	**Future salary increases**
	$m	**$m**	**$m**		%	%	%
The Flexible Benefits Super Fund [2a]	388.5	351.3	(37.2)	13.0% of salaries	4.90	7.25	3.25
Pension Plan for Employees of Orica Canada Inc [2b]	67.3	62.3	(5.0)	Set in accordance with local annual funding requirements	7.25	7.00	3.25
Post Retirement Benefits (Canada) [2c]	11.9	-	(11.9)	Based on benefit payments	7.25	n/a	n/a
Orica Pension Scheme (UK) [2b]	32.6	23.3	(9.3)	20.8% of pensionable earnings	6.00	7.40	3.80
Dyno Nobel Sweden AB [2d]	36.0	-	(36.0)	Based on benefit payments	4.25	n/a	3.50
Nitro Consult AB (Sweden) [2d]	9.3	-	(9.3)	Based on benefit payments	4.25	n/a	3.50
Dyno DNE (Norway) [2e]	37.7	23.2	(14.5)	Insurance premiums	4.20	5.80	3.75
Dyno Defence (Norway) [2e]	6.5	5.1	(1.4)	Insurance premiums	4.20	5.80	3.75
Dynea HK (Norway) [2e]	10.8	5.3	(5.5)	Insurance premiums	4.20	5.80	3.75
Orica New Zealand Ltd Retirement Plan [2b]	31.1	24.2	(6.9)	15.5% of salaries	4.40	6.30	3.50
Orica USA Inc. Retirement Income Plan [2b]	22.4	14.8	(7.6)	Set in accordance with local annual funding requirements	6.25	8.00	n/a
Minova USA Retirement Plans [2b]	16.7	10.0	(6.7)	Set in accordance with local annual funding requirements	6.25	8.00	n/a
Orica's Benefit Plan (Brazil) [2b]	15.7	18.3	2.6	Set in accordance with local annual funding requirements	10.77	10.95	6.59
Other [1]	29.2	8.0	(21.2)	Various	Various	Various	Various
	715.7	545.8	(169.9)				
Restriction on assets recognised			(2.9)				
			(172.8)				

30 September 2008 Plan	Accrued Benefits	Fund Assets	Accrued (deficit)/ surplus	Current contribution recommendation	Discount rate	Expected return on plan assets	Future salary increases
	$m	$m	$m		%	%	%
The Flexible Benefits Super Fund [2a]	414.1	382.6	(31.5)	13.0% of salaries	4.85	7.50	4.50
Pension Plan for Employees of Orica Canada Inc [2b]	88.9	72.8	(16.1)	Set in accordance with local annual funding requirements	6.00	7.00	3.75
Post Retirement Benefits (Canada) [2c]	15.1	-	(15.1)	Based on benefit payments	6.00	n/a	n/a
Orica Pension Scheme (UK) [2b]	37.6	31.2	(6.4)	20.8% of pensionable earnings	6.40	7.39	4.00
Dyno Nobel Sweden AB [2d]	40.8	-	(40.8)	Based on benefit payments	4.25	n/a	3.50
Nitro Consult AB (Sweden) [2d]	9.4	-	(9.4)	Based on benefit payments	4.25	n/a	3.50
Dyno DNE (Norway) [2e]	40.9	26.5	(14.4)	Insurance premiums	5.00	5.75	4.50
Dyno Defence (Norway) [2e]	7.6	5.8	(1.8)	Insurance premiums	5.00	5.75	4.50
Dynea HK (Norway) [2e]	12.0	7.0	(5.0)	Insurance premiums	5.00	5.75	4.50
Orica New Zealand Ltd Retirement Plan [2b]	33.4	24.7	(8.7)	14.4% of salaries	4.10	6.40	3.50
Orica USA Inc. Retirement Income Plan [2b]	23.2	21.0	(2.2)	Set in accordance with local annual funding requirements	6.50	8.25	n/a
Minova USA Retirement Plans [2b]	19.5	14.8	(4.7)	Set in accordance with local annual funding requirements	6.50	8.25	3.50
Orica's Benefit Plan (Brazil) [2b]	13.3	18.2	4.9	Set in accordance with local annual funding requirements	11.29	11.6	8.68
Other [1]	32.4	8.8	(23.6)	Various	Various	Various	Various
	788.2	613.4	(174.8)				
Restriction on assets recognised			(3.7)				
			(178.5)				

38. Superannuation commitments (continued)

[(1)] Other international plans comprise the following:

Dyno Nobel HK (Norway)
Dyno Nobel Retirement Plan (Philippines)
Dyno Nobel Retirement Plans (Mexico)
Eurodyn (Europe)
Excess Plan (Canada)
High Income Earners Arrangement (Canada)
Indian Explosives Limited Employees Management Staff Superannuation
Indian Explosives Limited Employees Superannuation Fund
Indian Explosives Limited Gratuity Fund
Indian Explosives Limited Management Staff Leave Encashment Scheme
Indian Explosives Limited Management Staff Pension (DB) Fund
Indian Explosives Limited Non-Management Staff Leave Encashment Scheme
International Pension Plan (Canada & Australia)
Jubilee (Europe)
Minova Carbotech Pension Plans (Germany)
Minova Holding Pension Plans (Germany)
Old Age Part-time Program (Incentives for Early Retirement) (Europe)
Orica Europe GmbH & Co. KG
Orica Germany
Orica USA Inc. Retiree Medical Plan
Philippine Explosives Corporation Factory Workers Retirement Plan
Philippine Explosives Corporation Monthly-Paid Employees Retirement Plan
Self-insured Long-Term Disability (LTD) plan (Canada)

[(2)] The major defined benefit plans of the consolidated entity are categorised as follows:

(a) Funded lump sum retirement benefits based on final average pensionable earnings;
(b) Funded pension retirement benefits based on final average pensionable earnings;
(c) Post retirement life, dental and medical coverage;
(d) Unfunded pension retirement benefits based on final average pensionable earnings; and
(e) Arrangements for each Norway entity are a combination of funded and unfunded pension benefits based on final average pensionable earnings.

39. Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2008 and 2009:

Name of Entity	Place of incorporation if other than Australia
Company	
Orica Limited	
Controlled Entities	
Accesorios para Explosivos Problast Ltda (e)	Chile
ACF and Shirleys Pty Ltd (g)	
Active Chemicals Chile S.A.	Chile
Altona Properties Pty Ltd (g)	
Ammonium Nitrate Development and Production Limited	Thailand
Anbao Insurance Pte Ltd	Singapore
Andean Mining & Chemicals Limited	Jersey
Arboleda S.A	Panama
ASA Organizacion Industrial S.A. de C.V.	Mexico
Australian Fertilizers Pty Ltd (g)	
A.C.N. 009 556 218 Pty Ltd (e) (g)	
A.C.N. 133 404 261 Pty Ltd (g)	
Bamble Mekaniske Industri AS	Norway
Barbara Limited	UK
Beijing Ruichy Minova Synthetic Material Company Limited	China
Brasex Participacoes Ltda	Brazil
Bronson and Jacobs (H.K.) Limited	Hong Kong
Bronson and Jacobs (Shanghai) International Trading Co. Ltd	China
Bronson & Jacobs (GZFTZ) Ltd	China
Bronson & Jacobs International Co. Ltd	Thailand
Bronson & Jacobs (Malaysia) Sdn Bhd	Malaysia
Bronson & Jacobs (NZ) Limited (e)	NZ
Bronson & Jacobs Pty Ltd	
Bronson & Jacobs (S.E. Asia) Pte Limited	Singapore
BST Manufacturing, Inc.	USA
Carbo Tech Australia Pty Limited (g)	
Carbo Tech Australia Cement Investments Pty Limited (g)	
Carbo Tech Polonia Sp. z o.o.	Poland
Chemnet Pty Limited (g)	
CJSC Dyno Nobel Russia	Russia
CJSC (ZAO) Carbo-Zakk	Russia
CJSC (ZAO) Carbo & Krep	Ukraine
Curasalus Insurance Pty Limited	
Cyantific Instruments Pty Ltd (g)	
Deco-Pro China Limited	Hong Kong
Dulux Holdings Pty Ltd (g)	
Dyno Consult AS	Norway
Dyno NitroMed AD	Bulgaria
Dyno Nobel AS	Norway
Dyno Nobel Latin America S.A.	Peru
Dyno Nobel Nitrogen AB (d)	Sweden
Dyno Nobel Schweiz AG (e)	Switzerland
Dyno Nobel Slovakia a.s.	Slovakia
Dyno Nobel Sweden AB	Sweden
Dyno Nobel (Thailand) Limited	Thailand
Dyno Nobel VH Company LLC	USA
Dyno Nobel Zambia Limited	Zambia
D.C. Guelich Explosive Company	USA
Eastern Nitrogen Pty Ltd (g)	
Emerald Holdings Company S.A.	Colombia
Emirates Explosives LLC	United Arab Emirates
Engineering Polymers Pty Ltd (g)	
Eurodyn Sprengmittel GmbH	Germany
Excel Mining Systems LLC (h) (merged with Minova USA Inc)	USA
Explosivos de Mexico S.A. de C.V.	Mexico
Explosivos Mexicanos S.A. de C.V.	Mexico
FA Sig Pty Limited (g)	
Fortune Properties (Alrode) (Pty) Limited	South Africa
FS Resin (Pty) Limited	South Africa
Geobolt s.r.o.	Czech Republic
GeoNitro Limited	Georgia
Ground Consolidation Pty Limited (g)	
Hallowell Manufacturing LLC	USA
Hebben & Fischbach Chemietechnik GmbH	Germany
Hunan Orica Nanling Civil Explosives Co., Ltd (c)	China
Indian Explosives Limited	India
Initiating Explosives Systems Pty Ltd (a)	
Intermountain West Energy, Inc.	USA
Inversiones Dyno Nobel Chile Ltda (d)	Chile
Joplin Manufacturing Inc.	USA
LLC Orica Logistics	Russia
Marplex Australia (Holdings) Pty Ltd	
Marplex Australia Pty Ltd	
Mining Concepts Pty Limited (g)	
Mining Systems Holding LLC (h) (merged with Minova USA Inc)	USA
Minova AG	Switzerland
Minova Arnall Sp. z o.o.	Poland
Minova Asia Pacific Ltd (c)	Taiwan
Minova Australia Pty Limited	
Minova Bohemia s.r.o.	Czech Republic
Minova (Botswana) (Proprietary) Limited	Botswana
Minova BWZ GmbH (formerly BWZ Berg - und Industrietechnik GmbH)	Germany
Minova CarboTech GmbH	Germany
Minova Codiv S.L.	Spain
Minova Ekochem S.A.	Poland
Minova GmbH (c)	Austria
Minova Holding GmbH	Germany
Minova Holding Inc	USA
Minova International Limited	UK
Minova Ksante Sp. z o.o.	Poland
Minova MineTek Private Limited	India
Minova Nordic AB	Sweden
Minova Operations (QLD) Pty Limited (g)	
Minova Romania S.R.L. (c)	Romania
Minova UK Limited	UK
Minova Ukraine OOO	Ukraine
Minova USA Inc	USA
Mintun Australia Pty Ltd	
Mintun 1 Limited	UK
Mintun 2 Limited	UK
Mintun 3 Limited	UK
Mintun 4 Limited	UK
MMTT Limited	UK
Nitedals Krudtvaerk AS	Norway
Nitro Asia Company Inc.	Philippines
Nitro Consult AB	Sweden

39. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Nitroamonia de Mexico S.A de C.V.	Mexico	Orica Finance Limited	
Nobel Industrier AS	Norway	Orica Finance Trust	
Nordenfjeldske Spraengstof AS	Norway	Orica GEESP Pty Ltd (g)	
Northwest Energetic Services LLC	USA	Orica Germany GmbH	Germany
Nutnim 1 Limited	UK	Orica Ghana Limited	Ghana
Nutnim 2 Limited	UK	Orica Grace US Holdings Inc.	USA
OOO Minova	Russia	Orica Guyana Inc (e)	
OOO Minova TPS	Russia	Orica Holdings Pty Ltd (g)	
OPEL Chemical (Singapore) Private Limited (b)	Singapore	Orica Hong Kong Limited	Hong Kong
Orica-CCM Energy Systems Sdn Bhd	Malaysia	Orica IC Assets Holdings Limited Partnership	
Orica-GM Holdings Ltd	UK	Orica IC Assets Pty Ltd (i)	
Orica Advanced Water Technologies Pty Ltd (g)		Orica IC Investments Pty Ltd (g)	
Orica Argentina S.A.I.C.	Argentina	Orica International IP Holdings Inc.	USA
Orica Australia Pty Ltd (a)		Orica International Pte Ltd	Singapore
Orica Australia Securities Pty Limited (g)		Orica Investments (Indonesia) Pty Limited (g)	
Orica Blast & Quarry Surveys Ltd	UK	Orica Investments (NZ) Limited	NZ
Orica Bolivia S.A. (formerly Dyno Nobel Bolivia S.A.)	Bolivia	Orica Investments (Thailand) Pty Limited (g)	
		Orica Investments Pty Ltd (a)	
Orica Brasil Ltda	Brazil	Orica Japan Co. Ltd	Japan
Orica Brasil Produtos Quimicos Ltda	Brazil	Orica Kazakhstan Joint Stock Company	Kazakhstan
Orica Caledonie SAS	New Caledonia	Orica Malaysia Sdn Bhd	Malaysia
Orica Canada Inc	Canada	Orica Mining Services (Hong Kong) Ltd	Hong Kong
Orica Centroamerica S.A.	Costa Rica	Orica Mining Services Peru S.A. (formerly Dyno Nobel Samex S.A.)	Peru
Orica Chemicals Argentina S.A.	Argentina		
Orica Chemicals Chile S.A.	Chile	Orica Mining Services (PNG) Limited (b)	Papua New Guinea
Orica Chemicals Colombia S.A.	Columbia	Orica Mongolia LLC	Mongolia
Orica Chemicals Peru S.A.C.	Peru	Orica Nelson Quarry Services Inc.	USA
Orica Chile Distribution S.A. (formerly Dyno Nobel Chile S.A.)	Chile	Orica Netherlands Finance B.V.	Holland
		Orica New Zealand Finance Limited	NZ
Orica Chile S.A.	Chile	Orica New Zealand Ltd	NZ
Orica Clarendon NZ Limited	New Zealand	Orica New Zealand Securities Limited	NZ
Orica Clarendon Pty Ltd (g)		Orica New Zealand Superfunds Securities Ltd	NZ
Orica Coatings (Shanghai) Co., Ltd (b)	China	Orica Nitrates Philippines Inc	Philippines
Orica Coatings (Shenzhen) Co., Ltd	China	Orica Nitratos Peru S.A. (c)	Peru
Orica Colombia S.A.	Colombia	Orica Nitro Patlayici Maddeler Sanayi ve Ticaret Anonim Sirketi	Turkey
Orica Consumer Products Singapore Pte Ltd (c)	Singapore		
Orica CP Australia Pty Ltd (g)		Orica Nitrogen LLC	USA
Orica CP Investments Pty Ltd (g)		Orica Nominees Pty Ltd (g)	
Orica CP Finance Pty Ltd (g)		Orica Norway Holdings AS	Norway
Orica CP Holdings Pty Ltd (g)		Orica Panama, S.A.	Panama
Orica CP Limited		Orica Papua New Guinea Limited	PNG
Orica Czech Republic s.r.o.	Czech Republic	Orica Peru S.A.	Peru
Orica Denmark A/S	Denmark	Orica Philippines Inc	Philippines
Orica Dominicana S.A.	Dominican Republic	Orica Poland Sp. z.o.o.	Poland
		Orica Securities (UK) Limited	UK
Orica Eesti OU	Estonia	Orica Servicos de Mineracao Ltda (formerly Dyno Nobel Brasil Ltda)	Brazil
Orica Engineering Pty Ltd (e)			
Orica Europe FT Pty Ltd (g)		Orica Share Plan Pty Limited (g)	
Orica Europe Investments Pty Ltd (g)		Orica Singapore Pte Ltd	Singapore
Orica Europe Management GmbH	Germany	Orica Slovakia s.r.o.	Slovakia
Orica Europe Pty Ltd & Co KG	Germany	Orica South Africa (Proprietary) Limited	South Africa
Orica Explosives Holdings Pty Ltd		Orica St. Petersburg LLC	Russia
Orica Explosives Holdings No 2 Pty Ltd		Orica Sweden Holdings AB	Sweden
Orica Explosives Holdings No 3 Pty Ltd (g)		Orica Tanzania Limited	Tanzania
Orica Explosives Research Pty Ltd (g)		Orica UK Limited	UK
Orica Explosives Technology Pty Ltd		Orica US Holdings General Partnership	USA
Orica Explosives (Thailand) Co Ltd	Thailand	Orica USA Inc.	USA
Orica Explosivos Industriales, S.A.	Spain	Orica U.S. Services Inc.	USA
Orica Export Inc.	USA	Orica Venezuela C.A.	Venezuela
Orica Fiji Ltd	Fiji	Orica Watercare Inc.	USA

39. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Orica (Weihai) Explosives Co Ltd	China	Southern Blasting Services, Inc.	USA
Oricorp Comercial S.A. de C.V.	Mexico	Sprengmittelvertrieb in Bayern GmbH	Germany
Oricorp Mexico S.A. de C.V.	Mexico	Sprengstoff-Verwertungs GmbH	Germany
Oricorp Servicios S.A. de C.V.	Mexico	Stratabolt Products (Pty) Limited	South Africa
Penlon Pty Limited (g)		Stratabolt (Pty) Ltd	South Africa
Project Grace Holdings (formerly Project Grace Holdings Limited)	UK	Taian Ruichy Minova Ground Control Technology Co., Ltd (c)	China
Project Grace Incorporated	USA	Tec Harseim Do Brazil Ltda	Brazil
Project Grace (formerly Project Grace Limited)	UK	Tecrete Industries Pty Limited (g)	
		Teradoran Pty Ltd (g)	
PT Baktijala Kencana Citra	Indonesia	TOO "Minova Kasachstan"	Kazakhstan
PT Kalimantan Mining Services	Indonesia	UPEX S.A. (e)	Peru
PT Kaltim Nitrate Indonesia	Indonesia	Ventmine Pty Limited	
PT Orica Mining Services	Indonesia	White Lightning Holding Co Inc	Philippines
Retec Pty Ltd (g)		Willich Fosroc Technika Gornicza i Budowlana Sp. z o.o.	Poland
Sarkem Pty Ltd (g)			
Selleys Pty Limited (a)			

Notes:

All entities are owned 100% except as set out in note 23.

(a) These controlled entities have each entered into a Deed of Cross Guarantee with Orica in respect of relief granted from specific accounting and financial reporting requirements in accordance with the ASIC Class Order 98/1418.

(b) Acquired in 2009.

(c) Incorporated in 2009.

(d) In liquidation.

(e) Liquidated in 2009.

(f) Dissolved in 2009.

(g) Small proprietary company - no separate statutory accounts are prepared.

(h) Merged with another entity in 2009.

(i) Left Deed of Cross Guarantee in 2009.

40. Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 dated 13 August 1998 (as amended), are disclosed in note 39. A consolidated income statement and consolidated balance sheet for this closed group is shown below.

Summarised balance sheet

	Closed Group 2009 $m	Closed Group 2008 $m
Current assets		
Cash and cash equivalents	**2,463.5**	1,321.0
Trade and other receivables	**455.5**	457.5
Inventories	**226.3**	313.0
Other assets	**10.8**	12.7
Total current assets	**3,156.1**	2,104.2
Non-current assets		
Trade and other receivables	**101.6**	103.1
Investments accounted for using the equity method	**1.7**	1.6
Other financial assets	**3,369.0**	3,068.3
Property, plant and equipment	**1,042.2**	1,261.9
Intangible assets	**169.5**	435.5
Deferred tax assets	**161.6**	141.8
Other assets	**0.4**	-
Total non-current assets	**4,846.0**	5,012.2
Total assets	**8,002.1**	7,116.4
Current liabilities		
Trade and other payables	**531.9**	647.6
Interest bearing liabilities	**1,257.8**	2,489.6
Current tax liabilities	**24.4**	45.4
Provisions	**164.0**	130.1
Total current liabilities	**1,978.1**	3,312.7
Non-current liabilities		
Trade and other payables	**64.2**	58.7
Interest bearing liabilities	**2,530.2**	11.7
Deferred tax liabilities	**89.2**	86.4
Provisions	**168.4**	97.3
Total non-current liabilities	**2,852.0**	254.1
Total liabilities	**4,830.1**	3,566.8
Net assets	**3,172.0**	3,549.6
Equity		
Ordinary shares	**1,865.6**	1,881.3
Reserves	**332.0**	443.4
Retained profits	**484.4**	734.9
Total equity attributable to ordinary shareholders of Orica	**2,682.0**	3,059.6
Equity attributable to Step-Up Preference Securities holders	**490.0**	490.0
Total equity	**3,172.0**	3,549.6

Summarised income statement and retained profits

	Closed Group 2009 $m	Closed Group 2008 $m
Profit before income tax expense	**384.5**	306.7
Income tax expense	**(46.3)**	(69.2)
Profit from continuing operations	**338.2**	237.5
Retained profits at the beginning of the year	**734.9**	827.1
Retained profits of companies leaving the Deed	**(213.5)**	-
Actuarial losses recognised directly in equity	**(6.6)**	(17.1)
Dividends/distributions paid:		
Step-Up Preference Securities distributions	**(37.5)**	(41.5)
Less tax credit on Step-Up Preference Securities distributions	**9.4**	13.4
Ordinary dividends – interim	**(142.5)**	(122.1)
Ordinary dividends – final	**(198.0)**	(162.4)
Retained profits at the end of the year	**484.4**	734.9

Directors' Declaration on the Financial Report set out on pages 41 to 120

I, Donald Penn Mercer, being a director of Orica Limited, do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

(a) the financial statements and notes, set out on pages 41 to 120, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 September 2009 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the controlled entities identified in note 39 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Executive Director Finance for the financial year ended 30 September 2009.

D P Mercer

Chairman

Dated at Melbourne this 9th day of November 2009.

Independent auditor's report to the members of Orica Limited

Report on the financial report

We have audited the accompanying financial report of Orica Limited (the Company), which comprises the balance sheets as at 30 September 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 40 and the directors' declaration set out on pages 41 to 121 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor’s Report

For the year ended 30 September 2009

Auditor’s opinion

In our opinion:

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

(i) giving a true and fair view of the Company’s and the Group’s financial position as at 30 September 2009 and of their 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.

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 24 to 39 of the directors’ report for the year ended 30 September 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor’s opinion

In our opinion, the remuneration report of Orica Limited for the year ended 30 September 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Alison Kitchen
Partner

Dated at Melbourne this 9th day of November 2009.

Shareholders' Statistics

As at 14 October 2009

Distribution of ordinary shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	40,988	63.07%	17,402,410	4.83%
1,001	–	5,000	21,042	32.38%	42,796,783	11.89%
5,001	–	10,000	1,916	2.95%	12,992,104	3.61%
10,001	–	100,000	950	1.46%	19,106,539	5.31%
100,001 and over			88	0.14%	267,657,743	74.36%
Total			64,984	100.00%	359,955,579	100.00%

Included in the above total are 2,085 shareholders holding less than a marketable parcel of 21 shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 66.96% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
HSBC Custody Nominees (Australia) Limited	63,951,483	17.77%
J P Morgan Nominees Australia Limited	51,808,407	14.39%
National Nominees Limited	45,806,124	12.73%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	15,966,808	4.44%
Citicorp Nominees Pty Limited	14,524,962	4.04%
Cogent Nominees Pty Limited	9,102,211	2.53%
ANZ Nominees Limited <CASH INCOME A/C>	7,926,812	2.20%
Pacific Custodians Pty Limited ORICA EMPLOYEE SHARE FPO	5,542,173	1.54%
AMP Life Limited	2,865,364	0.80%
Queensland Investment Corporation	2,819,241	0.78%
Australian Foundation Investment Company Limited	2,509,072	0.70%
Warnford Nominees Pty Limited <NO 1 ACCOUNT>	2,300,000	0.64%
UBS Wealth Management Australia Nominees Pty Ltd	2,091,883	0.58%
Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 4 A/C>	2,083,576	0.58%
ARGO Investments Limited	2,064,698	0.57%
UBS Nominees Pty Ltd	2,000,079	0.56%
CS Third Nominees Pty Ltd <37 T A/C>	1,994,391	0.55%
Perpetual Trustee Company Limited	1,976,136	0.55%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	1,864,388	0.52%
Citicorp Nominees Pty Limited <CFS WSLE IMPUTATION FND A/C>	1,757,163	0.49%
Total	240,954,971	66.96%

Register of substantial shareholders

The names of substantial shareholders in the company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates, are as follows:

18 August 2009	Perpetual Limited and Subsidiaries	35,169,105	9.77%
26 June 2009	Barclays Group	18,140,963	5.05%

Shareholders' Statistics

As at 14 October 2009

Distribution of Orica Step-Up Preference Securities shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	3,068	90.41%	829,917	16.60%
1,001	–	5,000	269	7.93%	553,591	11.07%
5,001	–	10,000	24	0.71%	189,336	3.79%
10,001	–	100,000	23	0.68%	806,035	16.12%
100,001 and over			9	0.27%	2,621,121	52.42%
Total			3,393	100.00%	5,000,000	100.00%

Included in the above total is nil shareholder holding less than a marketable parcel of 5 shares.
The holdings of the 20 largest holders of the Orica Step-Up Preference Securities represent 65.08% of that class of shares.

Twenty largest Orica Step-Up Preference securities shareholders

	Shares	% of total
J P Morgan Nominees Australia Limited	1,285,837	25.71%
National Nominees Limited	243,569	4.87%
HSBC Custody Nominees (Australia) Limited	224,060	4.48%
Cogent Nominees Pty Limited <SMP ACCOUNTS>	197,364	3.95%
Citicorp Nominees Pty Limited	179,327	3.59%
ANZ Nominees Limited <CASH INCOME A/C>	155,663	3.11%
UBS Nominees Pty Ltd	130,037	2.60%
UBS Wealth Management Australia Nominees Pty Ltd	105,013	2.10%
Goldman Sachs JBWere Capital Markets Ltd <CREDIT 3 A/C>	100,251	2.01%
Queensland Investment Corporation	94,460	1.89%
M F Custodians Ltd	87,447	1.75%
RBC Dexia Investor Services Australia Nominees Pty Limited MLCI	82,798	1.66%
RBC Dexia Investor Services Australia Nominees Pty Limited <GSENIP A/C>	78,571	1.57%
Avanteos Investments Limited <ENCIRCLE IMA A/C>	66,376	1.33%
Buttonwood Nominees Pty Ltd	60,762	1.22%
UCA Cash Management Fund Ltd	50,000	1.00%
Brispot Nominees Pty Ltd <HOUSE HEAD NOMINEE NO 1 A/C>	32,700	0.65%
Flight Centre Limited	32,150	0.64%
Australian Executor Trustees Limited <NO 1 ACCOUNT>	24,701	0.49%
Equity Trustees Limited	22,950	0.46%
Total	3,254,036	65.08%

Voting rights

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:
(a) on a show of hands, one vote only; and
(b) on a poll, one vote for every fully paid ordinary share held.
No voting rights attach to the Orica Step-Up Preference Securities except as defined in the Constitution.

Ten Year Financial Statistics

Orica consolidated		**2009**	**2008**
		$m	**$m**
Sales		**7,411.0**	**6,544.1**
Earnings before depreciation, amortisation, net borrowing costs and tax		1,330.2	1,188.8
Depreciation and amortisation (excluding goodwill)		(247.7)	(218.7)
Goodwill amortisation		-	-
Earnings before net borrowing costs and tax (EBIT)		**1,082.5**	**970.1**
Net borrowing costs		(133.5)	(157.7)
Individually material items before tax		(139.6)	(41.6)
Taxation expense		(228.0)	(203.5)
Minority interests		(39.6)	(27.7)
Profit/(loss) after tax and individually material items		**541.8**	**539.6**
Individually material items after tax attributable to members of Orica		**(104.3)**	**(32.7)**
Profit after tax before individually material items (net of tax)		**646.1**	**572.3**
Dividends/distributions		378.0	326.0
Current assets		1,994.4	2,458.2
Property, plant and equipment		2,075.0	2,052.3
Investments		168.3	209.3
Intangibles		2,756.5	3,012.6
Other non-current assets		360.0	275.4
Total assets		**7,354.2**	**8,007.8**
Current borrowings and payables		1,316.9	1,777.8
Current provisions		298.8	301.8
Non current borrowings and payables		1,279.8	1,107.2
Non current provisions		485.9	502.6
Total liabilities		**3,381.4**	**3,689.4**
Net assets		**3,972.8**	**4,318.4**
Equity attributable to ordinary shareholders of Orica		3,370.7	3,731.5
Equity attributable to Step-Up Preference Securities holders		490.0	490.0
Equity attributable to minority interests		112.1	96.9
Total shareholders' equity		**3,972.8**	**4,318.4**
Number of ordinary shares on issue at year end	millions	360.0	359.2
Weighted average number of ordinary shares on issue	millions	353.9	320.0
Basic earnings per ordinary share			
before individually material items	**cents**	**174.6**	**170.0**
including individually material items	**cents**	**145.2**	**159.8**
Dividends per ordinary share	**cents**	**97.0**	**94.0**
Dividend franking	**%**	**35.1**	**36.2**
Dividend yield (based on year end share price)	**%**	4.1	4.5
Closing share price range – High		**$24.15**	**$32.18**
Low		**$11.30**	**$20.95**
Year end		**$23.50**	**$20.95**
Stockmarket capitalisation at year end	$m	8,459.0	7,525.2
Net tangible assets per share	**$**	**1.71**	**2.00**
Profit margin (earnings before net borrowing costs and tax/sales)	**%**	**14.6**	**14.8**
Net debt		**1,094.5**	**1,020.5**
Gearing (net debt/net debt plus equity)	**%**	**21.6**	**19.1**
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	**times**	**8.1**	**6.1**
Net capital expenditure on plant and equipment (Cash Flow)		**(345.6)**	**(394.8)**
Capital expenditure on acquisitions (Cash Flow)		**(107.3)**	**(866.2)**
Return on average shareholders' funds			
before individually material items	**%**	**16.0**	**16.9**
including individually material items	**%**	**13.4**	**15.9**

Note: Income statements prior to 2005 and balance sheets prior to 2004 are stated under accounting standards used prior to the adoption of International Financial Reporting Standards.

Ten Year Financial Statistics

	2007	2006	2005	2004	2003	2002	2001	2000
	$m	$m	$m	$m	$m	$m	$m	$m
	5,527.2	**5,359.2**	**5,126.7**	**4,610.5**	**3,958.6**	**4,085.2**	**4,041.9**	**3,672.7**
	995.9	814.6	741.3	724.2	617.5	581.8	349.7	442.5
	(183.2)	(156.9)	(140.4)	(137.7)	(155.1)	(161.3)	(161.2)	(145.5)
	-	-	-	(33.2)	(20.1)	(10.5)	(14.1)	(15.9)
	812.7	**657.7**	**600.9**	**553.3**	**442.3**	**410.0**	**174.4**	**281.1**
	(122.6)	(92.2)	(102.5)	(72.3)	(60.7)	(59.5)	(64.0)	(46.0)
	(22.3)	70.8	(187.7)	(46.6)	(208.7)	(48.1)	(280.4)	(46.7)
	(154.4)	(74.9)	(88.8)	(80.9)	(59.3)	(72.5)	(36.6)	(65.1)
	(25.7)	(22.3)	(13.6)	(25.7)	(12.9)	(16.3)	13.9	(9.6)
	487.7	**539.1**	**208.3**	**327.8**	**100.7**	**213.6**	**(192.7)**	**113.7**
	(10.1)	**158.8**	**(131.6)**	**2.2**	**(169.6)**	**(25.5)**	**(255.0)**	**(33.3)**
	497.8	**380.3**	**339.9**	**325.6**	**270.3**	**239.1**	**62.3**	**147.0**
	303.7	207.1	190.6	156.6	50.0	122.9	44.3	96.4
	1,955.2	2,479.7	1,781.6	1,699.6	1,282.6	1,270.3	1,433.9	1,364.7
	1,742.9	1,603.1	1,593.7	1,514.4	1,436.8	1,414.1	1,621.4	1,484.0
	125.6	125.9	49.1	48.4	86.4	234.2	244.2	264.6
	2,055.5	1,141.3	634.3	588.3	441.7	135.5	155.0	249.6
	335.2	362.8	252.5	335.2	307.8	311.1	276.0	216.4
	6,214.4	**5,712.8**	**4,311.2**	**4,185.9**	**3,555.3**	**3,365.2**	**3,730.5**	**3,579.3**
	1,625.4	981.0	958.9	1,165.4	683.3	640.0	887.4	845.0
	332.3	319.1	218.7	215.1	169.6	248.2	303.8	266.3
	1,098.6	1,272.5	1,287.2	755.7	812.7	727.8	869.2	552.3
	530.5	472.0	326.9	510.3	309.2	255.1	267.4	271.9
	3,586.8	**3,044.6**	**2,791.7**	**2,646.5**	**1,974.8**	**1,871.1**	**2,327.8**	**1,935.5**
	2,627.6	**2,668.2**	**1,519.5**	**1,539.4**	**1,580.5**	**1,494.1**	**1,402.7**	**1,643.8**
	2,076.7	2,126.6	1,327.9	1,334.5	1,384.9	1,373.0	1,283.2	1,511.4
	490.0	490.0	-	-	-	-	-	-
	60.9	51.6	191.6	204.9	195.6	121.1	119.5	132.4
	2,627.6	**2,668.2**	**1,519.5**	**1,539.4**	**1,580.5**	**1,494.1**	**1,402.7**	**1,643.8**
	307.9	309.2	273.1	270.1	277.6	279.1	277.3	275.8
	306.3	300.8	272.8	273.5	277.9	278.0	275.9	274.6
	149.5	**126.4**	**124.6**	**119.0**	**97.2**	**86.0**	**22.5**	**53.5**
	146.3	**179.2**	**76.3**	**119.8**	**36.2**	**76.8**	**(70.0)**	**41.4**
	89.0	**74.0**	**71.0**	**68.0**	**52.0**	**44.0**	**16.0**	**35.0**
	34.8	**40.5**	**32.4**	**41.2**	**21.1**	**34.0**	**100.0**	**32.0**
	3.0	3.3	3.4	3.9	4.3	4.6	3.7	6.1
	$33.90	**$26.45**	**$21.55**	**$17.55**	**$12.47**	**$9.85**	**$6.08**	**$8.66**
	$21.78	**$17.78**	**$14.32**	**$11.92**	**$8.15**	**$4.22**	**$4.04**	**$5.58**
	$30.10	**$22.47**	**$21.00**	**$17.30**	**$12.00**	**$9.52**	**$4.34**	**$5.73**
	9,268.2	6,948.1	5,735.2	4,672.0	3,331.2	2,656.9	1,203.3	1,580.1
	0.07	**3.19**	**2.53**	**2.76**	**3.40**	**4.43**	**4.07**	**4.58**
	14.7	**12.3**	**11.7**	**12.0**	**11.2**	**10.0**	**4.3**	**7.7**
	1,305.7	**302.1**	**1,112.1**	**977.3**	**877.0**	**679.7**	**984.1**	**777.4**
	33.2	**10.2**	**42.3**	**38.8**	**35.7**	**31.3**	**41.2**	**32.1**
	6.6	**7.1**	**5.9**	**7.7**	**7.3**	**6.9**	**2.7**	**6.1**
	(280.9)	**(329.2)**	**(234.9)**	**(126.9)**	**(43.6)**	**(15.3)**	**(213.8)**	**(241.5)**
	(917.7)	**(875.6)**	**(59.2)**	**(253.9)**	**(415.7)**	**(1.3)**	**(131.7)**	**144.9**
	19.2	**19.3**	**25.5**	**23.9**	**19.6**	**18.0**	**4.5**	**9.8**
	18.8	**27.3**	**15.6**	**24.1**	**7.3**	**16.1**	**(13.8)**	**7.6**

Shareholder Information

Annual General Meeting

10.30am Wednesday, 16 December 2009

Touring Hall, Melbourne Museum, 11 Nicholson Street, Carlton

Stock Exchange Listing

Orica's shares are listed on the Australian Stock Exchange (ASX) and are traded under the code ORI and ORIPB.

Orica Share Registry

Link Market Services Limited
Level 12, 680 George Street,
Sydney NSW 2000
Locked Bag A14
Sydney South, NSW, 1235

Telephone: 1300 301 253
(for callers within Australia)
International: +612 8280 7111

Facsimile: +612 9287 0303

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au/orica

Tax and Dividend Payments

For Australian registered shareholders who have not quoted their Tax File Number (TFN) or Australian Business Number (ABN), the company is obliged to deduct tax at the top marginal rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already quoted your TFN/ABN, you may do so by contacting the Share Registrar or by registering your TFN/ABN at Orica's website at: www.orica.com/registry to access the shareholder information page.

Dividend Payments

Your dividends will be paid in Australian dollars by cheque, mailed to the address recorded on the share register.

Why not have us bank your dividend payments for you?

How would you like to have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Dividends paid by direct credit appear in your account as cleared funds, thus allowing you to access them on payment date. You may elect to receive your dividends by way of direct credit by completing an application form available by contacting the Share Registrar or enter the details at Orica's website at www.orica.com/registry.

Shareholders should be aware that any cheques that remain uncashed after approximately two years from a dividend payment are required to be handed over to State Trustees under the Unclaimed Monies Act. Shareholders are encouraged to cash cheques promptly or to have their dividends directly deposited into their bank accounts.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) enables Orica's fully paid ordinary shareholders having a registered address or being resident in Australia or New Zealand to reinvest all or part of their dividends in additional Orica fully paid ordinary shares. Applications are available from the Share Registrar.

Consolidation of Multiple Holdings

If you have multiple issuer sponsored holdings that you wish to consolidate into a single account, please notify the Share Registrar in writing, quoting your full registered names and Securityholder Reference Number (SRN) for these accounts and nominating the account to which the holdings are to be consolidated.

Change of Name and/or Address

For issuer-sponsored holdings: please notify the Share Registrar in writing if you change your name and/or address (please supply details of your new/previous name, your new/previous address and your SRN), or change the details online at Orica's website at www.orica.com/registry. For CHESS/broker sponsored holdings: please notify your broker in writing if you change your name and/or address.

Share Enquiries

Shareholders seeking information about their shareholding or dividends should contact Orica's Share Registrar, Link Market Services Limited. Contact details are above. Callers within Australia can obtain information on their investments with Orica by calling the InvestorLine on 1300 301 253. This is a 24 hour, seven days a week service. Before you call, make sure you have your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) handy.

You can do so much more online via the internet
Visit Orica's website: www.orica.com/registry.

Access a wide variety of holding information, make some changes online or download forms.

You can:

- Check your current and previous holding balances.
- Choose your preferred annual report options.
- Update your address details.
- Update your bank details.
- Confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN) exemption.
- Register your TFN/ABN.
- Check transaction and dividend history.
- Enter your email address.
- Check the share prices and graphs.
- Download a variety of instruction forms.
- Subscribe to email announcements.

You can access this information via a security login using your SRN or HIN as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

Orica Communications

Orica's website www.orica.com offers shareholders details of the latest share price, announcements to the ASX, investor and analyst presentations, webcasts and the Chairman's and Managing Director's AGM addresses. The website also provides further information about the company and offers insights into Orica's businesses.

Orica's printed communications include the Annual Report and the Business Overview report.

We can now provide electronic dividend statements, notices of meeting and proxy forms. Electronic transmission enhances shareholder communication, results in significant cost savings for the Company and is more environmentally friendly. Shareholders wishing to receive all communications electronically should visit the Orica website www.orica.com/registry to register their preference.

Shareholders may elect to receive a copy of the Annual Report or notification by email when the Annual Report is available online at www.orica.com. If you do not make an Annual Report election you will not receive a copy of the Annual Report. If you wish to change your Annual Report election, please contact the Share Registrar or visit Orica's website www.orica.com/registry.

Copies of reports are available on request.

Telephone: +613 9665 7111
Facsimile: +613 9665 7937
Email: companyinfo@orica.com

The Sustainability Report is now available online on the Orica website www.orica.com/sustainability, it provides a review of the company's performance in the twelve months to 30 September.

Auditors

KPMG

Orica Limited

ABN 24 004 145 868

Registered address and head office:

Level 3, 1 Nicholson Street
East Melbourne, Victoria, 3002
Australia

Postal address:
GPO Box 4311
Melbourne, Victoria, 3001
Telephone: +613 9665 7111
Facsimile: +613 9665 7937

Email: companyinfo@orica.com
Website: www.orica.com

Investor Relations

Telephone: +613 9665 7111
Email: companyinfo@orica.com

Shareholder Timetable*

31 March 2010	**Orica Half Year End**
3 May 2010	Half year profit and interim dividend announced
14 May 2010	Books close for Step-Up Preference distribution
31 May 2010	Step-Up Preference distribution paid
1 June 2010	Books close for 2010 interim ordinary dividend
2 July 2010	Interim ordinary dividend paid
30 September 2010	**Orica Year End**
8 November 2010	Full year profit and final dividend announced
15 November 2010	Books close for Step-Up Preference distribution
16 November 2010	Books close for 2010 final ordinary dividend
30 November 2010	Step-Up Preference distribution paid
10 December 2010	Final ordinary dividend paid
16 December 2010	**Annual General Meeting 2010**

* Timing of events is subject to change

Orica Limited
ABN 24 004 145 868

Registered address and head-office:
Level 3, 1 Nicholson Street
East Melbourne Victoria 3002
Australia

Postal address:
GPO Box 4311
Melbourne Victoria 3001

Telephone: +613 9665 7111
Facsimile: +613 9665 7937

Email: companyinfo@orica.com
Website: www.orica.com

Shareholder updates

We are committed to keeping all our shareholders well-informed and regularly update our website at orica.com with:

- Orica Share Price – updated every 15 minutes
- ASX Releases
- Investor presentations
- Financial performance
- Half-yearly and annual results webcasts
- Annual Reports
- Sustainability and SHE

Orica Limited
ABN 24 004 145 868

Strong first half for Orica

Orica today announced a net profit after tax and individually material items of $55 million for the half year ended 31 March 2010, down $165 million compared with the previous half year. Excluding individually material items, net profit after tax was $293 million, up 11% on 2009.

The Board has declared an interim dividend of 41 cents per share, franked at 16 cents per share, representing an increase of 3 per cent on the 2009 interim dividend.

Orica also announced that it will proceed with the demerger of DuluxGroup to create a stand-alone, ASX-listed company. Orica expects the demerger to occur in July 2010, subject to shareholder, court and other approvals. (Please see separate ASX announcement about the demerger.)

Orica Managing Director Graeme Liebelt said the strong first half result demonstrated the resilience of Orica's core strategic position and the company's tight control of costs, cash and margins.

"We knew the first half would be tough compared with 2009 and that has proven to be the case, with year on year softness in volumes. But the work we've done on the fundamentals in terms of controlling our costs, cash and margins – combined with an ongoing focus on strategic growth priorities – has us very well placed to capitalise on the market recovery we see ahead, based on our customers' plans," Mr Liebelt said.

"All four Orica business platforms achieved record earnings, despite significant headwinds in the form of generally subdued volumes across the globe and the negative impact of the strong Australian dollar," Mr Liebelt said.

"There's a great deal of self help in this result. Net operating cash inflows increased by 24% reflecting, in part, further improvement in trade working capital management.

"Orica Mining Services increased earnings before interest and tax (EBIT) by 4% compared with the 2009 first half to $331 million, largely due to productivity improvements and the continued benefits of improved ammonium nitrate (AN) pricing as contracts rolled over.

"Markets were generally soft except in Latin America and Asia which saw improved conditions. In Australia the business saw weakened demand from thermal and metallurgical coal markets, in part due to severe rain in Queensland. The US volume decline was mostly due to softer demand from thermal coal markets and a subdued quarry and construction sector.

"While responding to the immediate market conditions, we continue to invest in long term growth opportunities and have progressed the 300ktpa AN plant in Bontang Indonesia which is due to come online in 2011. Expansion of the ammonia plant at Kooragang Island in New South Wales has commenced and feasibility work continues on the expansion of ammonium nitrate capacity at that site. Further progress was also made towards the 2011 commissioning of an initiating systems facility in Nanling China.

“Minova had a very good first half with EBIT up 13% to $66 million, driven by strong volumes in China and significantly improved margins in the US steel business. This was despite continued difficult trading conditions in the US, Western and Central Europe and negative foreign exchange impacts.

“Orica Chemicals increased EBIT by 8% to $94 million due mostly to a 24% increase in sodium cyanide volumes compared with the 2009 first half and some recovery in general chemicals volumes. This volume growth combined with disciplined cost management to offset lower average global caustic prices and negative foreign exchange impacts.

“DuluxGroup had a very pleasing first half with sales up 4% and EBIT up 6% compared with the 2009 first half. Profit growth in paints and Selleys benefited from continued investment in marketing and product development. The Australian and New Zealand paints group increased its market share.

“The quality of both DuluxGroup and the core Orica business is evident in Orica’s financial performance and the proposed demerger of DuluxGroup is a natural evolution of Orica’s strategy and should create two even better companies, each free to capitalise on its strategic strengths.

“Orica would then comprise three business platforms: Orica Mining Services, Minova and the Chemicals Group. Together they generate approximately 90% of their earnings from the mining and construction sectors. Orica will be largely focused on its core business where we are the global leaders in the supply of business-critical consumables and services to these sectors.

“We see a very strong outlook in long term demand for our products driven by increased mining and development volumes, linked to the continuing urbanisation and industrialisation of China, India and other rapidly developing countries. Higher strip ratios, lower ore grades and increasing safety and security regulations are all important underlying growth drivers for Orica’s core businesses.

“Orica businesses have continued to deliver earnings growth in generally subdued markets. Importantly, continued investment in long term growth projects, marketing, research and development, combined with a very strong balance sheet, have us well placed to take advantage of opportunities anticipated from improved market conditions.

There are some early signs of recovery in demand in a number of the markets in which we operate and our businesses are performing well. We continue to expect Group net profit after tax (before individually material items) in 2010 to be higher than that reported in 2009, on a comparable basis.

3 May 2010

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ORICA LIMITED PROFIT REPORT

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2010

Net profit after tax (NPAT) and individually material items for the half year ended 31 March 2010 was down $165M to $55M, compared with the previous corresponding period (pcp) of $220M.

Orica's NPAT before individually material items of $293M was up 11% compared with the pcp of $264M.

Return on shareholders' funds (1) up 3.1 percentage points to 15.7% and EPS (1) up 17% on the pcp to 80.6 cents.

Operating cash flow improved by 24% to $269M.

FINANCIAL HIGHLIGHTS [1]

- EBIT up 6% to $496M;
- Productivity benefits of $34M;
- Rolling TWC to sales (4) improved to 13.5% (pcp: 14.6%) and cash conversion improved to 86.2% (pcp: 73.4%);
- Gearing (2) at 24.9%, down from 25.7% in the pcp;
- Interest cover at 7.0 times; and
- Interim ordinary dividend is 41 cents per share (cps) - franked at 16 cps, an increase of 3% over the pcp (40 cps).

BUSINESS HIGHLIGHTS [1]

- Record first half results for all businesses, assisted by improved pricing and productivity, disciplined cost management and a slow recovery in volumes across some of our markets, which more than offset a $56M adverse foreign exchange movement;
- Excellent operating cash flow performance and improvement in trade working capital over the pcp;
- Record result for Mining Services with EBIT up 4% to $331M, reflecting pricing and productivity benefits;
- Minova EBIT up 13% to $66M, driven by strong volumes in China and improved margins in the US;
- Record result for Chemicals with EBIT at $94M, 8% ahead of last year, reflecting stronger volumes in some market segments, partly offset by lower average caustic prices; and
- Record earnings in DuluxGroup with EBIT up 6% to $65M, driven by market share gains and margin improvement.

	Six Months Ended March		
A$M	**2010**	**2009**	**Change F/(U)**
Sales Revenue	3,226.0	3,960.2	(19%)
Underlying Results			
EBIT	495.9	469.4	6%
Net interest expense	(70.6)	(71.5)	1%
Tax expense	(115.2)	(113.8)	(1%)
Non controlling interests	(16.9)	(19.9)	15%
NPAT and non controlling interests	**293.2**	**264.2**	**11%**
Earnings per ordinary share (cents)	80.6	68.6	17%
Return on shareholders' funds	15.7%	12.6%	
Results including individually material items:			
Individually material items after tax and non controlling interests	(238.1)	(43.8)	
NPAT and non controlling interests	**55.1**	**220.4**	**(75%)**
Earnings per ordinary share (cents)	13.5	56.4	(76%)
Return on shareholders' funds	3.0%	10.5%	
Financial Items			
Interim ordinary dividend per share (cents)	41.0	40.0	3%
Payout Ratio	50.5%	54.4%	
Net debt	1,228.9	1,477.0	17%
Gearing (2)	24.9%	25.7%	
Gearing (adjusted) (3)	29.9%	30.0%	
Interest cover (times)	7.0	6.6	
Average exchange rate (A$/US$)	90.5	66.7	(36%)

OUTLOOK - 2010

- There are some early signs of recovery in demand in a number of the markets in which we operate and our businesses are performing well. We continue to expect Group net profit after tax (before individually material items) in 2010 to be higher than that reported in 2009, on a comparable basis.

(1) Before individually material items.
(2) Net debt/(net debt + book equity).
(3) Calculation as per Note (2) with Step-Up Preference Securities (SPS) notionally treated as 50% Debt and 50% equity.
(4) Rolling 12-month average TWC / Rolling 12-month total sales.

Note: numbers in this report are subject to rounding.

REVENUE

- Sales revenue of $3.2B decreased by $734M (-19%), driven primarily by:
  - Unfavourable foreign exchange movements ($647M);
  - Adverse weather conditions in Australia and Asia;
  - Soft conditions in US coal markets negatively impacting volumes in Mining Services and Minova; and
  - Lower average caustic prices.

  Partly offset by:
  - Improvements in AN pricing in Australia;
  - Higher volumes due to a recent modest recovery in demand in some market segments, particularly the industrial, automotive and mining markets within Chemicals, construction markets in the Nordics and mining markets in Turkey, Africa and Latin America; and
  - Market share increases in DuluxGroup.

EARNINGS BEFORE INTEREST AND TAX (EBIT)

- EBIT increased by 6% to $496M (pcp: $469M) primarily due to:
  - Net volume and margin improvements of $57M, reflecting improved AN pricing in Australia, improved margin recovery in some businesses that were negatively impacted by volatility in input price changes in the pcp, and a recovery in volumes in some market segments;
  - Productivity and synergy improvements of $34M from the continued benefit of restructuring activities undertaken in the prior period in Mining Services and synergy benefits in Minova and Chemicals; and
  - Non-recurrence of the under-recovery of steel input costs in Minova's US business (included in the pcp).

  Partly offset by:
  - Unfavourable impact of foreign exchange movements of $56M;
  - Inflationary impact on fixed costs of $14M;
  - Unfavourable ammonia lag of $5M; and
  - Increased Corporate and Support costs of $4M (refer below).

INTEREST

- Net interest expense of $71M was in line with the pcp ($72M), and
- Interest cover was 7.0 times (pcp 6.6 times).

Revenue Summary

	Six Months Ended March		
A$M	**2010**	**2009**	**Change F/(U)**
Mining Services	1,661.2	2,215.6	(25%)
Minova	395.4	503.2	(21%)
Chemicals	711.0	810.8	(12%)
DuluxGroup	486.2	469.2	4%
Other & Eliminations	(27.8)	(38.6)	28%
Total sales revenue	**3,226.0**	**3,960.2**	**(19%)**
Other income	16.0	12.7	26%
Total	**3,242.0**	**3,972.9**	**(18%)**

Earnings Summary

	Six Months Ended March		
A$M	**2010**	**2009**	**Change F/(U)**
EBIT			
Mining Services	331.2	319.0	4%
Minova	66.1	58.5	13%
Chemicals	93.6	86.3	8%
DuluxGroup	64.9	61.1	6%
Corporate Centre	(23.9)	(23.0)	(4%)
Other Support Costs	(36.0)	(32.5)	(11%)
Total EBIT	**495.9**	**469.4**	**6%**
Net Interest	(70.6)	(71.5)	1%
Tax expense	(115.2)	(113.8)	(1%)
Non controlling interests	(16.9)	(19.9)	15%
NPAT and non controlling interests	**293.2**	**264.2**	**11%**
Individually material items after tax	(238.1)	(43.8)	
NPAT and individually material items	**55.1**	**220.4**	**(75%)**

CORPORATE CENTRE & SUPPORT COSTS

- Corporate centre costs of $24M was in line with the pcp; and
- Other Support costs of $36M were $4M higher than the pcp, primarily due to an increase in the Botany Groundwater environmental provision of $5M and additional insurance claims of $9M, partially offset by the reduction in mark-to-market losses on EBIT hedges (included in the pcp) of $10M.

TAX EXPENSE

- Tax expense was $115M with an effective tax rate of 27.1% (pcp: 28.6%). The lower effective rate was primarily a result of increased profits in overseas jurisdictions with lower tax rates.

NET PROFIT

- Net profit after tax before individually material items increased 11% to $293M (pcp: $264M); and
- Net profit after tax and individually material items was down 75% to $55M (pcp: $220M).

INDIVIDUALLY MATERIAL ITEMS

- Total individually material items for the period were a loss after tax of $238M (pcp: loss of $44M). This included the Pharmaceuticals tax case ($192M); the establishment of a provision for the remediation of mercury contamination at Botany, New South Wales ($32M); an increase in environmental provisions for HCB waste disposal ($13M) and the ongoing integration of Minova/Excel ($2M).

Individually material items after tax and non controlling interests	**Six Months Ended March**	
A$M	**2010**	**2009**
Restructuring & Rationalisation		
Mining Services	-	(17.4)
Pharmaceuticals tax case	(191.8)	-
Environmental provisions		
Mercury remediation	(31.5)	-
HCB remediation	(12.7)	-
Asset Impairment Writedowns		
Marplex	-	(14.0)
Integration Expenses		
Dyno Nobel and Minova	(2.1)	(11.1)
Demerger Expenses		
DuluxGroup	-	(15.3)
Gain on derivatives	-	14.0
Total	(238.1)	(43.8)

DIVIDEND

- The directors have increased the interim ordinary dividend by 3% to 41 cps (pcp: 40 cps) - franked at 16 cps; and
- Franking capacity in the near term is unlikely to exceed 40%.

Ordinary dividend	**Six Months Ended March**		**Change**
	2010	**2009**	**F/(U)**
Interim Ordinary Dividend			
- CPS	41.0	40.0	3%
- Franking %	39.0%	35.0%	

BANK DEBT FACILITIES

- The average term of the bank debt facilities is approximately 3 years;
- Bank debt facilities total $2.3B of which $0.2B was drawn at 31 March 2010;
- The facilities are multi currency, flexible and cancellable at Orica's option; and
- Effective interest rate for the period was 7.7% (pcp 6.6%).

BALANCE SHEET

- **Key balance sheet movements since March 2009 were:**
  - Trade working capital (TWC) has decreased by $167M from the pcp as a result of an underlying improvement of $66M, combined with a favourable foreign exchange impact of $101M;
  - Rolling TWC to sales (2) has improved to 13.5% (pcp: 14.6%);
  - Net property, plant and equipment (PP&E) is $21M up on the pcp, mainly due to spend on growth projects ($273M), sustenance capital ($135M) and PP&E from acquired businesses ($1M); offset by depreciation ($200M), foreign exchange translation ($119M), asset write downs ($62M) and disposals ($9M). Significant capital spend since the pcp included Bontang ($145M), Kooragang Island ammonia upgrade ($21M), Nanling ($11M), and the Russian Olkon bulk emulsion plant ($7M) within Mining Services; the Yarwun 95k sodium cyanide uprate ($3M) within Chemicals and the upgrade to the Gracefield plant ($3M) within DuluxGroup;
  - Intangible assets are down $548M mainly due to the impact of foreign exchange translation on intangible assets ($545M). Amortisation of intangibles ($42M) was offset by the acquisition of businesses/entities ($25M) and additions of intangibles ($14M) during the period;
  - Net other liabilities increased by $116M mainly due to the write-off of the tax receivable and recognition of a tax provision in relation to the Pharmaceuticals tax case ($192M), a reduction in investments ($76M), partly offset by a reduction in non current provisions ($73M) and an increase in deferred tax assets ($71M);
  - Net debt decreased by $248M mainly as a result of strong operating cash flow and lower spend on acquisitions;
  - Orica shareholders' equity decreased by $570M, mainly due to a decrease in the foreign currency translation reserve of $685M, partly offset by earnings net of dividends paid and an increase in shares on issue as a result of the Dividend Reinvestment Plan (DRP); and
  - Non controlling interests have increased by $9M due to share capital introduced by new subsidiaries, offset by buy-outs of non-controlling interests.

Balance Sheet

A$M	March 2010	Sept 2009	March 2009
Inventories	634.8	619.8	834.8
Trade Debtors	874.2	865.2	954.5
Trade Creditors	(770.5)	(763.0)	(883.9)
Total Trade working capital	738.5	722.0	905.4
Net property, plant & equipment	2,161.8	2,075.0	2,141.1
Intangible assets	2,626.6	2,756.5	3,174.2
Net other liabilities	(587.6)	(486.2)	(471.8)
Net debt	(1,228.9)	(1,094.5)	(1,477.0)
Net Assets	**3,710.4**	**3,972.8**	**4,271.9**
Orica shareholders' equity	3,589.6	3,860.7	4,159.8
Non controlling interests	120.8	112.1	112.1
Equity	**3,710.4**	**3,972.8**	**4,271.9**
Gearing	**24.9%**	**21.6%**	**25.7%**
Gearing (adjusted) (1)	**29.9%**	**26.5%**	**30.0%**

(1) Gearing recalculated with SPS Securities notionally reclassified as 50% equity and 50% debt.

- **Key balance sheet movements since September 2009 were:**
  - TWC increased by $17M due to an increase in inventories and trade debtors, partly offset by favourable foreign exchange translation of $11M;
  - Net property, plant and equipment was up $87M mainly due to capital spending ($210M), offset by depreciation ($99M) and foreign exchange translation impacts ($21M);
  - Intangible assets decreased by $130M, due to the impact of foreign exchange translation ($122M) and amortisation ($21M), partly offset by acquisitions ($13M); and
  - Net debt increased by $134M largely due to dividends paid in the first half of the year ($198M), income tax and interest paid ($180M) and growth capital and acquisition spend ($171M). This was partly offset by operating cash inflows (excluding tax and interest paid) in the first half of $449M.

GEARING

- Accounting gearing (net debt/(net debt + equity)) decreased to 24.9% from 25.7% in March 2009. In accordance with accounting standards, the SPS securities are recognised as equity; and
- Adjusted gearing, which treats the SPS securities as 50% equity and 50% debt (Standard & Poors credit rating treatment), was 29.9% (pcp 30.0%).

(2) Rolling 12-month average TWC / Rolling 12-month total sales.

CASH FLOW

- Net operating cash inflows increased by $52M to $269M, compared with the pcp mainly due to:
  - EBITDA growth of $21M to $616M (pcp $595M);
  - $3M reduction in interest paid, largely attributable to lower average net debt levels compared to the same period last year;
  - $11M reduction in income tax paid due to the timing of payments; and
  - An improvement in working capital management resulting in a cash outflow of $12M (compared to $78M in the pcp).

  Partly offset by:
  - An increase in non-trade working capital outflows of $50M largely due to movements in non trade creditors ($31M) and increases in prepayments ($14M), and foreign exchange movements.
- Net investing cash outflows of $225M decreased by $97M from $321M in the pcp. The decrease was mainly due to:
  - A reduction in acquisition spend of $115M;
  - An increase in the proceeds from sale of investments in the current period of $12M; and
  - An $8M reduction in sustenance capital spending.

  Partly offset by:
  - Increased spending on growth capital projects of $38M, mainly due to increased spend on Bontang.
- Net financing cash flows decreased by $172M to $65M outflow (pcp inflow $107M) mainly due to:
  - A reduction in inflows from borrowings of $237M; and
  - An increase in dividends paid to non controlling interests of $5M.

  Partly offset by:
  - A decrease in cash dividends paid to Orica Limited shareholders of $22M, due to shares being issued to satisfy the DRP requirements, rather than shares being bought back on market (as occurred in the pcp);
  - A reduction in SPS distributions paid of $12M, due to a lower distribution rate; and
  - A reduction in payments for LTEIP shares of $29M, due to an increase in the repayment of loans by eligible employees.

Statement of Cash Flows	**Six Months Ended March**		
			Change
A$M	**2010**	**2009**	**F/(U)**
Net operating cash flows			
EBIT	495.9	469.4	6%
Add: Depreciation	99.1	102.0	3%
Add: Amortisation	20.6	23.1	11%
EBITDA	615.6	594.5	4%
Net interest paid	(65.5)	(68.7)	5%
Net income tax paid	(114.5)	(125.4)	9%
Trade Working Capital mvt	(12.3)	(78.4)	
Non Trade Working capital mvt	(154.5)	(104.7)	
	268.8	217.3	
Net investing cash flows			
Capital spending			
Sustenance capital [(1)]	(72.4)	(80.0)	9%
Growth capital	(129.1)	(90.9)	(42%)
Total Capital Spending	(201.5)	(170.9)	(18%)
Acquisitions	(42.2)	(157.3)	73%
Proceeds from surplus asset sales, investments and businesses	19.2	7.1	170%
	(224.5)	(321.1)	
Net financing cash flows			$M
Net proceeds from share issues (inclusive of non controlling interests)	9.3	1.6	7.7
Net (payments)/proceeds from LTEIP [(2)]	(2.3)	(31.3)	29.0
Movement in borrowings	126.3	363.8	(237.5)
Dividends paid - Orica Limited	(176.0)	(198.0)	22.0
Distributions paid - SPS securities	(11.5)	(23.5)	12.0
Dividends paid - NCI shareholders	(10.6)	(5.8)	(4.8)
	(64.8)	106.8	(171.6)
[(1)] Sustenance capital			
Routine	(72.4)	(80.0)	
Major shutdown/turnaround	-	-	
Total	(72.4)	(80.0)	

[(2)] LTEIP - long term employee equity incentive plans

ORICA SPS

- A distribution of $12M on the SPS securities was paid during the period; and
- The distribution was unfranked and the distribution rate was calculated as the sum of the 180 Bank Bill Swap Rate (BBSW) plus a margin of 1.35%. The distribution rate for the current period ending 30 May 2010 is 5.77% pa.

Record result with EBIT up 4% to $331M.

HIGHLIGHTS

- Productivity and efficiency improvements with an incremental EBIT benefit of $28M delivered in the period;
- Benefits of improved AN pricing as contracts rollover;
- Strong growth in Electronic Blasting Systems (EBS) with volumes up 17% period on period;
- AN volumes down 4% compared to the pcp due to soft conditions in US thermal coal markets and lower volumes in Australia/Asia, in part due to rain; and
- Foreign exchange movements, net of hedging costs, negatively impacted earnings.

BUSINESS SUMMARIES

Australia/Asia

- EBIT of $190M, up 11% ($19M) on the pcp, achieved mostly through improved AN pricing and productivity benefits from disciplined cost management;
- Unfavourable lag impact on ammonia cost recovery; and
- AN volumes down 5% with softer demand from thermal and metallurgical coal markets in Australia and Asia, partly impacted by rain.

North America

- EBIT of $50M, down 13% ($7M) on the pcp due to unfavourable foreign exchange movements of $16M;
- AN volumes down 11% due mainly to softer demand from US thermal coal markets; and
- Tight cost control and productivity initiatives continued to deliver benefits and offset the impact of difficult market conditions.

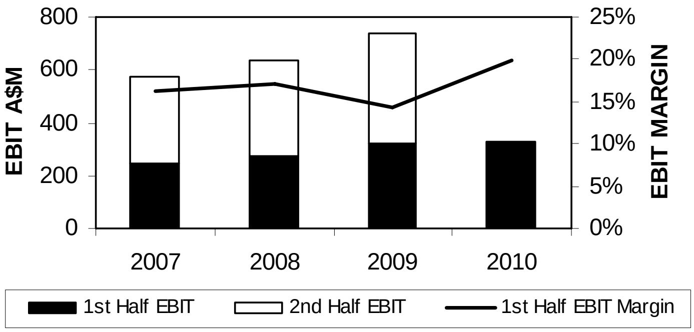
Latin America

- EBIT of $59M, down 7% ($5M) on the pcp due mainly to unfavourable foreign exchange movements of $19M;
- AN volumes up 4% with improved conditions in metals markets; and
- EBIT benefits delivered through tight cost control and productivity initiatives.

EARNINGS

	Six Months Ended March		
A$M	2010	2009	Change F/(U)
Sales Revenue	1,661.2	2,215.6	(25%)
EBIT	331.2	319.0	4%
Operating Net Assets	2,680.3	2,847.6	(6%)
EBIT:			
Australia/Asia	190.1	170.9	11%
North America	49.7	56.8	(13%)
Latin America	59.4	63.9	(7%)
EMEA	32.0	27.4	17%

EBIT TREND



Europe, Middle East and Africa (EMEA)

- EBIT of $32M, up 17% ($5M) on the pcp;
- Productivity initiatives and improved recovery of input cost changes continued to deliver benefits;
- Improving demand in the Nordics, Turkey and Africa. Demand conditions in most other markets remained soft; and
- Unfavourable foreign exchange impact on EBIT of $5M.

PERSPECTIVES FOR SECOND HALF 2010

- Recovery in infrastructure and US thermal coal markets;
- Improving demand in base metals as well as Asian and Australian thermal and metallurgical coal markets;
- Ongoing growth in EBS and Blast Based Services (BBS);
- Continued firm ammonia prices; and
- Strong AUD will continue to negatively impact EBIT.

Record result with EBIT up 13% at $66M.

HIGHLIGHTS

- Improved margins in the US steel bolts business;
- Continued penetration of the Chinese market, with strong volume growth, and a steady recovery in Russia;
- Volumes adversely impacted by difficult trading conditions in Western and Central Europe, and ongoing softness in US coal markets;
- Bolt-on acquisitions completed in the UK and Chile, developing our presence in these markets;
- Integration activity progressing to plan; and
- Foreign exchange movements negatively impacted earnings by $14M and sales by $98M.

BUSINESS SUMMARIES

Minova Americas:

- Margins significantly improved in the US business due to improved steel base pricing and the non-recurrence of the under-recovery of steel input costs incurred in the prior period;
- Lower bolt and resin volumes due to ongoing softness in US coal markets;
- EBIT negatively impacted by foreign exchange movements; and
- Disciplined cost management continues to deliver underlying earnings improvement.

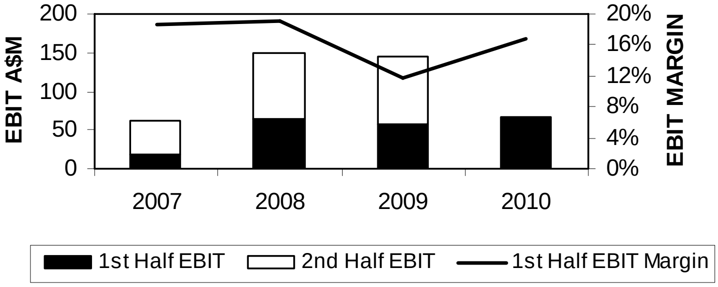
Minova Europe:

- Steady recovery in demand in Russia;
- Difficult trading conditions in Western and Central Europe;
- Softer tunnelling activity, period on period, due to extreme winter weather conditions;
- Acquisition of Weldgrip, complementing existing UK operations;
- Acquisition of 25% share in FiReP, a leading manufacturer of glass reinforced plastic products; and
- Net unfavourable EBIT impact of foreign exchange movements.

EARNINGS

A$M	Six Months Ended March 2010	2009	Change F/(U)
Sales Revenue	395.4	503.2	(21%)
EBIT	66.1	58.5	13%
Operating Net Assets	1,641.6	2,039.3	(20%)

EBIT TREND



Australia, Pacific and Africa:

- Lower volumes and price for resin and steel products in Australia due to increased competitor activity; and
- Slow recovery in demand in South Africa.

China:

- Continued market penetration with strong volume growth; and
- Expansion of manufacturing capacity to support growth progressed, with the commissioning of the Daxing resins plant uprate and completion of the new Taian bolt plant during the period.

PERSPECTIVES FOR SECOND HALF 2010

- Continued growth in China;
- Further geographic expansion through bolt-on acquisitions;
- Recovery in mining markets across most regions and steady demand in civil engineering markets;
- Tight cost control and productivity focus; and
- Continued progress on integration activities.

Record result with EBIT up 8% to $94M.

HIGHLIGHTS

- Record first half result for Mining Chemicals;
- Steady recovery in automotive, industrial and mining markets in Australia;
- Improved business performance in Latin America;
- Disciplined cost management and delivery of incremental synergy benefits;
- Lower average global caustic price; and
- Negative impact to EBIT from movements in foreign exchange rates.

BUSINESS SUMMARIES

General Chemicals

- General Chemicals sales down 13% on the pcp due mainly to the impact of foreign exchange movements;
- Australian trading volumes up 3%, with a steady recovery in industrial and mining markets. Agricultural and construction markets remain soft;
- Volume growth in Marplex from improving automotive and general plastics market segments and growth in infrastructure projects;
- Improved margins in the Latin American business following significant input price rises in the prior period;
- Steady performance from Bronson & Jacobs;
- Difficult trading conditions and ongoing soft demand in New Zealand; and
- Negative impact of a stronger AUD on trading margins (in absolute dollars).

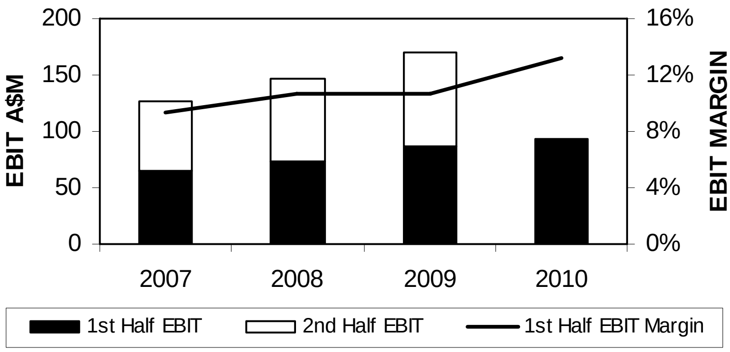
Watercare

- Sales flat versus the pcp, with the impact of lower average global caustic prices and unfavourable foreign exchange movements offset by higher volumes; and
- Volumes up 7% versus the pcp due mainly to new business.

EARNINGS

A$M	Six Months Ended March		
	2010	**2009**	**Change F/(U)**
Sales Revenue	711.0	810.8	(12%)
EBIT	93.6	86.3	8%
Operating Net Assets	780.4	829.5	(6%)
Business Sales:			
General Chemicals	475.1	548.7	(13%)
Watercare	115.8	116.0	(0%)
Mining Chemicals	119.4	137.8	(13%)

EBIT TREND



Mining Chemicals

- Sales in Mining Chemicals down 13% on the pcp, primarily due to the unfavourable impact of a stronger AUD and the pass through of lower raw material input costs, offset partly by higher volumes; and
- Volumes for sodium cyanide were up 24% versus the pcp due to strong demand from gold markets.

PERSPECTIVES FOR SECOND HALF 2010

- Sodium cyanide demand expected to remain firm;
- Steady conditions in most markets in Australia and Latin America;
- New Zealand market not expected to deteriorate further;
- Global caustic prices to remain soft;
- Negative earnings impact of a stronger Australian dollar; and
- Continued focus on productivity and cost control.

Record result with EBIT up 6% on the pcp to $65M.

HIGHLIGHTS

- Sales revenue increased by 4% on the pcp;
- Earnings growth for Decorative Paints driven by market and share growth;
- Investment in marketing and product development driving earnings growth for Selleys;
- Improved market conditions for Powder & Industrial Coatings;
- Margin recovery after input cost rises in the prior period; and
- Yates adversely impacted by soft market conditions.

BUSINESS SUMMARIES

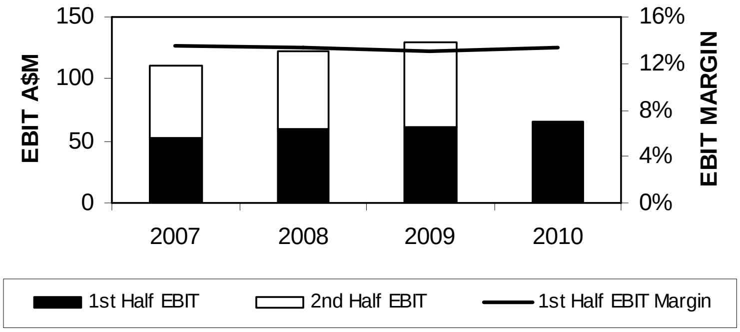
Coatings

- Sales revenue growth of 6% on the pcp;
- Australian decorative coatings earnings grew strongly versus the pcp due to revenue growth. Trade channels were especially strong due to market share gains, as was the Cabot's woodcare business which benefited from another successful marketing campaign. Revenue also increased in the Retail channel;
- New Zealand decorative coatings EBIT was in line with the prior year in a relatively flat market;
- Powder & Industrial Coatings business delivered earnings well above the pcp due mainly to a rebound in market demand;
- Continued solid performance from the PNG business; and
- Earnings in China in line with the pcp as volume increases were offset by rising input prices.

EARNINGS

A$M	Six Months Ended March		
	2010	**2009**	**Change F/(U)**
Sales Revenue	486.2	469.2	4%
EBIT	64.9	61.1	6%
Operating Net Assets	287.0	311.5	(8%)
Business Sales:			
Coatings	372.5	352.6	6%
Home and Garden (Selleys & Yates)	113.7	116.6	(2%)

EBIT TREND (1)



Home Improvement and Garden Care

- Earnings increase for Selleys driven by revenue growth and sustained productivity focus; and
- Yates adversely impacted by the flow-on effect of softer than expected market conditions experienced during the peak Spring season.

PERSPECTIVES FOR SECOND HALF 2010

- Australian markets continuing to recover, following a decline in 2009;
- New Zealand markets remain volatile but appear to have bottomed;
- Continued investment in marketing, innovation and sales, supported by sustained focus on productivity and cost control; and
- Ongoing development of China business platform.

(1) Excludes the $9.5M Yates restructuring provision in 2007.

SAFETY

Orica is committed to eliminating all work related injuries and illnesses from our workplaces.

The Company is continuing to implement preventative measures and learnings arising from injuries and other serious incidents, and participating in external benchmarking.

The Company achieved an all worker recordable case rate (number of injuries and illnesses per 200,000 hours worked) of 0.73, compared with 0.63 for the previous period. Whilst the overall rate has slipped slightly there has been a greater focus to ensure all incidents are reported, particularly across recently acquired sites in more remote regions. This has resulted in an increase in the recordable case rate. The overall severity or impact of the injuries sustained has reduced compared to past years and the Company continues the ongoing focus on safety in all the businesses as we strive for the goal of "no injuries to anyone, ever".

The number of significant distribution incidents year to date has decreased to 13 compared to 17 in the previous period. There continues to be an ongoing focus on reducing distribution incidents and process safety related events as the Company implements enhanced and consistent safety procedures and reporting across the Group and with its transport service providers.

SUSTAINABILITY

Progress continues to be made towards meeting the Challenge 2010 goals, which are the targets the Company has set itself to reduce environmental impact and improve safety, health and environmental performance. In comparison to actual 2009 levels, energy consumption, greenhouse gas emissions, water consumption and waste generation parameters have all decreased. Greenhouse gas reductions are due to on-going improvements in nitrous oxide abatement at Carseland (Canada) and Bacong (the Philippines) whilst energy, water and waste reductions are due in part to slightly lower production as well as improvements from efficiency gains.

In October 2009, Orica submitted its first National Greenhouse and Energy Report (NGER) to the Australian Federal Government's Department of Climate Change in response to the enactment of the NGER legislation.

Orica continues to devote considerable resources to cleaning up legacy sites and is committed to dealing with environmental issues from the past in an honest and practical way. The Botany Groundwater Treatment Plant continues to operate at a level in excess of that required to contain the groundwater plume and treated water is being sold to industrial customers in the Botany precinct, including Orica's ChlorAlkali plant. Progress continues to be made in exploring options to export Hexachlorobenzene (HCB) waste for destruction in dedicated facilities in Europe.

BUSINESS DEVELOPMENT

During the period, work continued on a number of growth projects. This included:

- The ongoing development of the 300ktpa AN facility in Bontang, Indonesia. Cumulative spend to 31 March 2010 is $223M. Site piling work is almost complete with preparation work underway for erection of the absorber and prill tower. The overall project is tracking to plan with commissioning expected in 2011;
- Feasibility work on an ammonium nitrate capacity expansion at Kooragang Island Australia. All statutory approvals have been received for the proposed expansion, with timing of the project dependent on market and demand conditions;
- The ammonia plant expansion project at Kooragang Island, for a capacity uprate of 65ktpa. The uprate has received all statutory approvals and Orica Board sanction, with a target completion date of late 2011. All major equipment has been ordered and site work has commenced;
- The continuation of feasibility work on AN expansion opportunities in Latin America;
- Construction of a non-electric detonator initiating systems facility in Nanling, China, commissioning of which is expected early 2011. Orica has entered a Joint Venture arrangement for the construction and operation of the plant, with 51% ownership; and
- The sodium cyanide plant expansion project at Yarwun which will uprate the plant by 15kt, increasing capacity to 95kt, with a target commissioning date of 2011.

MERGERS & ACQUISITIONS

The period saw continued activity within Minova with further geographic and technological expansion through bolt-on acquisitions. This included:

- Acquisition of 25% share in FiReP, a Swiss based leading manufacturer of glass reinforced plastic products;
- Acquisition of Weldgrip, a UK based leading supplier of high quality strata and ground stabilisation products, tools and equipment, supplying the civil engineering, tunnelling and mining industries, which complements our existing UK operations; and
- Acquisition of 51% of a Chilean bolt manufacturer, strengthening Minova's presence in the Latin American market.

Further Information

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Appendix 4D
Half Year Report

Name of entity:	**ORICA LIMITED**
ABN:	**24 004 145 868**

Half year ended ('current period')	Half year ended ('previous corresponding period')
31 March 2010	31 March 2009

Results for announcement to the market

				$m
Consolidated revenue from operations	down	(18.5)%	to	3,226.0
Profit after tax attributable to shareholders	down	(75.0)%	to	55.1
Net profit for the period attributable to shareholders before individually material items	up	11.0%	to	293.2

Dividends		Amount per security	Franked amount per security at 30% tax
Interim dividend - Ordinary	Cents	41.00	16.00
Previous corresponding period Interim dividend - Ordinary	Cents	40.00	14.00

Record date for determining entitlements to the dividend:	Ordinary Shares	1-Jun-10
Payment date of dividend:	Ordinary Shares	2-Jul-10

	Current period	Previous corresponding period
	Cents	Cents
Net tangible asset backing per ordinary security	131.0	138.0

For the profit commentary and any other significant information needed by an investor to make an informed assessment of Orica's results please refer to the accompanying Orica Limited Profit Report.

Contents:

Consolidated Income Statements

For the period ended 31 March:

	Notes	**2010 $m**	2009 $m
Sales revenue	(3)	**3,226.0**	3,960.2
Other income	(3)	**16.0**	12.7
Expenses			
Changes in inventories of finished goods and work in progress		**(0.9)**	22.9
Raw materials and consumables used and finished goods purchased for resale		**(1,507.5)**	(2,055.9)
Share based payments		**(5.8)**	(9.8)
Other employee benefits expense		**(565.1)**	(625.4)
Depreciation expense		**(99.1)**	(102.0)
Amortisation expense		**(20.6)**	(23.1)
Purchased services		**(202.1)**	(213.4)
Repairs and maintenance		**(71.8)**	(68.7)
Impairment of property, plant & equipment		**-**	(7.7)
Impairment of intangibles		**-**	(8.2)
Outgoing freight		**(157.0)**	(161.7)
Lease payments - operating leases		**(45.0)**	(48.5)
Other expenses from ordinary activities including individually material items		**(158.1)**	(293.5)
Share of net profit of associates accounted for using the equity method	(9)	**20.1**	33.8
		(2,812.9)	(3,561.2)
Profit from operations		**429.1**	411.7
Net financing (costs)/income			
Financial income		**18.7**	26.9
Financial expenses		**(89.3)**	(98.4)
Net financing costs		**(70.6)**	(71.5)
Profit before income tax expense		**358.5**	340.2
Income tax expense	(12)	**(286.5)**	(100.1)
Profit for the period		**72.0**	240.1
Net profit for the period attributable to:			
Shareholders of Orica Limited		**55.1**	220.4
Non-controlling interests		**16.9**	19.7
Net profit for the period		**72.0**	240.1
		cents	cents
Earnings per share			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
Basic	(2)	**13.5**	56.4
Diluted	(2)	**13.4**	56.1

The Consolidated Income Statements are to be read in conjunction with the accompanying notes.

Consolidated Statements of Other Comprehensive Income

For the period ended 31 March

	2010 $m	2009 $m
Profit for the period	**72.0**	240.1
Net (loss)/profit on hedge of net investments in foreign subsidiaries	**(75.3)**	163.3
Cash flow hedges		
- Effective portion of changes in fair value	**7.6**	(41.3)
- Transferred to carrying value of non current assets	**-**	(8.0)
- Transferred to income statement	**1.6**	1.7
Exchange differences on translation of foreign operations	**(89.0)**	14.3
Actuarial (loss)/benefit on defined benefit plans	**(18.5)**	(91.2)
Income tax on income and expense recognised directly through equity	**25.7**	(9.7)
Other comprehensive income for the period, net of income tax	**(147.9)**	29.1
Total comprehensive income for the period	**(75.9)**	269.2
Attributable to:		
Shareholders of Orica Limited	**(87.4)**	239.3
Non-controlling interests	**11.5**	29.9
Total recognised income and expense for the period	**(75.9)**	269.2

The Consolidated Statements of Other Comprehensive Income are to be read in conjunction with the accompanying notes.

Consolidated Balance Sheets

as at:

	Notes	31 March 2010 $m	30 September 2009 $m	31 March 2009 $m
Current assets				
Cash and cash equivalents	(13)	**273.6**	308.5	329.6
Trade and other receivables		**963.0**	964.9	1,063.2
Other financial assets - derivative assets		**21.7**	45.3	38.4
Inventories		**634.8**	619.8	834.8
Other assets		**103.7**	55.9	91.8
Total current assets		**1,996.8**	1,994.4	2,357.8
Non-current assets				
Trade and other receivables		**3.4**	103.4	110.1
Investments accounted for using the equity method		**171.1**	167.4	246.7
Other financial assets		**0.9**	0.9	0.9
Property, plant and equipment		**2,161.8**	2,075.0	2,141.1
Intangible assets		**2,626.6**	2,756.5	3,174.2
Deferred tax assets		**256.9**	253.2	186.3
Other assets		**8.1**	3.4	5.4
Total non-current assets		**5,228.8**	5,359.8	5,864.7
Total assets		**7,225.6**	7,354.2	8,222.5
Current liabilities				
Trade and other payables		**1,031.0**	1,057.9	1,169.4
Other financial liabilities - derivative liabilities		**68.1**	98.8	67.0
Interest bearing liabilities	(13)	**523.9**	160.2	200.2
Current tax liabilities		**108.9**	78.7	27.2
Provisions		**248.0**	220.1	242.3
Total current liabilities		**1,979.9**	1,615.7	1,706.1
Non-current liabilities				
Trade and other payables		**30.5**	37.0	44.1
Interest bearing liabilities	(13)	**978.6**	1,242.8	1,606.4
Deferred tax liabilities		**91.0**	76.2	85.9
Provisions		**435.2**	409.7	508.1
Total non-current liabilities		**1,535.3**	1,765.7	2,244.5
Total liabilities		**3,515.2**	3,381.4	3,950.6
Net assets		**3,710.4**	3,972.8	4,271.9
Equity				
Ordinary shares	(7)	**1,893.1**	1,865.6	1,850.0
Reserves	(8)	**(538.2)**	(408.0)	120.1
Retained earnings	(8)	**1,744.8**	1,913.1	1,699.7
Total equity attributable to ordinary shareholders of Orica		**3,099.7**	3,370.7	3,669.8
Equity attributable to Step-Up Preference Securities' holders	(7)	**490.0**	490.0	490.0
Non-controlling interests in controlled entities		**120.7**	112.1	112.1
Total equity		**3,710.4**	3,972.8	4,271.9

The Consolidated Balance Sheets are to be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity

For the period ended 31 March 2010

	Consolidated									
	Ordinary shares	Retained earnings	Share based payments reserve	Cash flow hedging reserve	Foreign currency translation reserve	Equity reserve arising from purchase of non-controlling interests	Total	Step-Up Preference Securities	Non-controlling interests	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 1 Oct 2009	1,865.6	1,913.1	36.2	(0.3)	(369.1)	(74.8)	3,370.7	490.0	112.1	3,972.8
Profit for the period	-	55.1	-	-	-	-	55.1	-	16.9	72.0
Other comprehensive income	-	(12.6)	-	6.4	(136.3)	-	(142.5)	-	(5.4)	(147.9)
Total comprehensive income for the period	-	42.5	-	6.4	(136.3)	-	(87.4)	-	11.5	(75.9)
Transactions with owners, recorded directly in equity										
Total changes in contributed equity	27.5	-	-	-	-	-	27.5	-	9.5	37.0
Share-based payments expense	-	-	5.8	-	-	-	5.8	-	-	5.8
Acquisition of non-controlling interests	-	-	-	-	-	(6.1)	(6.1)	-	(1.2)	(7.3)
Dividends/distributions paid	-	(210.8)	-	-	-	-	(210.8)	-	-	(210.8)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	-	-	(11.2)	(11.2)
Balance at the end of the period	1,893.1	1,744.8	42.0	6.1	(505.4)	(80.9)	3,099.7	490.0	120.7	3,710.4

The Consolidated Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity (continued)

For the period ended 31 March 2009

Consolidated

	Ordinary shares	Retained earnings	Share based payments reserve	Cash flow hedging reserve	Foreign currency translation reserve	Equity reserve arising from purchase of non-controlling interests	Total	Step-Up Preference Securities	Non-controlling interests	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 1 Oct 2008	1,881.3	1,758.9	28.1	5.2	64.0	(6.0)	3,731.5	490.0	96.9	4,318.4
Profit for the period	-	220.4	-	-	-	-	220.4	-	19.7	240.1
Other comprehensive income	-	(63.7)	-	(33.3)	115.9	-	18.9	-	10.2	29.1
Total comprehensive income for the period	-	156.7	-	(33.3)	115.9		239.3	-	29.9	269.2
Transactions with owners, recorded directly in equity										
Total changes in contributed equity	(31.3)	-	-	-	-	-	(31.3)	-	11.5	(19.8)
Share-based payments expense	-	-	9.8	-	-	-	9.8	-	-	9.8
Acquisition of non-controlling interests	-	-	-	-	-	(63.6)	(63.6)	-	(18.1)	(81.7)
Dividends/distributions paid	-	(215.9)	-	-	-	-	(215.9)	-	-	(215.9)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	-	-	(8.1)	(8.1)
Balance at the end of the period	1,850.0	1,699.7	37.9	(28.1)	179.9	(69.6)	3,669.8	490.0	112.1	4,271.9

The Consolidated Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

Consolidated Statements of Cash Flows

For the period ended 31 March:

	Notes	2010 $m Inflows/ (Outflows)	2009 $m Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**3,477.7**	4,417.6
Payments to suppliers and employees		**(3,055.5)**	(4,040.9)
Interest received		**18.7**	27.2
Borrowing costs		**(84.2)**	(95.9)
Dividends received		**10.6**	22.9
Other operating revenue received		**16.0**	11.8
Net income taxes paid		**(114.5)**	(125.4)
Net cash flows from operating activities		**268.8**	217.3
Cash flows from investing activities			
Payments for property, plant and equipment		**(199.4)**	(169.0)
Payments for intangibles		**(2.1)**	(1.9)
Payments for purchase of investments		**(3.4)**	(33.0)
Payments for purchase of non-controlling interests	(10)	**(7.3)**	(80.4)
Payments for purchase of businesses/controlled entities	(10)	**(18.0)**	(22.6)
Payments of deferred consideration from prior acquisitions		**(13.5)**	(21.3)
Proceeds from sale of property, plant and equipment		**4.1**	7.1
Proceeds from sale of investments		**14.7**	-
Proceeds from sale of businesses/controlled entities	(11)	**0.4**	-
Net cash flows used in investing activities		**(224.5)**	(321.1)
Cash flows from financing activities			
Proceeds from long term borrowings		**1,955.0**	1,200.8
Repayment of long term borrowings		**(2,014.0)**	(772.2)
Net movement in short term financing		**187.5**	(63.1)
Payments for finance leases		**(2.2)**	(1.7)
Proceeds from issue of ordinary shares		**31.3**	-
Proceeds from issue of shares to non-controlling interests		**7.2**	1.6
Payments for buy-back of ordinary shares - LTEIP	(7)	**(31.6)**	(31.3)
Dividends paid - Orica ordinary shares		**(175.9)**	(167.8)
Dividends satisfied by on market buy-back - DRP		**-**	(30.2)
Distributions paid - Step-Up Preference Securities	(6)	**(11.5)**	(23.5)
Dividends paid - non-controlling interests		**(10.6)**	(5.8)
Net cash flows (used in)/from financing activities		**(64.8)**	106.8
Net increase/(decrease) in cash held		**(20.5)**	3.0
Cash at the beginning of the period		**296.6**	312.3
Effects of exchange rate changes on cash		**(8.6)**	6.2
Cash at the end of the period		**267.5**	321.5

Reconciliation of cash

Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Notes	2010	2009
Cash	(13)	**273.6**	329.6
Bank overdraft		**(6.1)**	(8.1)
		267.5	321.5

The Consolidated Statements of Cash Flows are to be read in conjunction with the accompanying notes.

Condensed notes to the consolidated half year report for the period ended 31 March 2010

1. Accounting policies

The significant accounting policies adopted in preparing the financial report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the consolidated entity' or 'the Group') are stated below to assist in a general understanding of this financial report.

(i) Basis of preparation

This general purpose financial report for the half year reporting period ended 31 March 2010 has been prepared in accordance with the requirements of applicable Accounting Standards including AASB 134 "Interim Financial Reporting", the Corporations Act 2001 and other mandatory professional reporting requirements.

The half year financial report has been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets (other than controlled entities and associates) which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair value attributable to the risks that are being hedged.

The financial report is presented in Australian dollars which is Orica's functional and presentation currency. Orica is domiciled in Australia.

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2009 prepared under Australian Accounting Standards including Australian Interpretations and the Corporations Act 2001, changes in accounting policy for accounting standard requirements summarised below and any public announcements made by Orica during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Except as described below, the accounting policies applied by the Group in the consolidated half year financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 September 2009.

The amounts shown in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

(ii) Statement of compliance

This financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards (IFRS).

(iii) Changes in accounting policies

The following changes in accounting policies have been implemented for the period – however they have had no significant financial impact on the Orica Group or have impacted disclosures only.

- AASB 8 Operating Segments.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 1023 General Insurance Contracts, and AASB 1038 Life Insurance Contracts]. These amendments arise from the issuance of AASB 8 Operating Segments.
- AASB 101 Presentation of Financial Statements.
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.
- AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101.
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127.
- AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements.
- AASB 2009-2 Amendments to Australian Accounting Standards-Improving Disclosures about Financial Instruments.
- AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners.
- AASB Interpretation 17-Distribution of non-cash assets to owners.

The adoption of AASB 8 Operating Segments has resulted in a revision of the Groups' reportable segments. AASB 8 Operating Segments requires a management approach under which operating segments are presented on the same basis as that used for internal reporting. Comparatives have been restated.

AASB 101 has impacted the presentation of the Statement of Comprehensive Income and the Statement of Changes in Equity. There has been no impact on earnings per share.

Acquisitions subsequent to 1 October 2009 are now accounted for under the revised AASB 3 Business Combinations. Acquisitions prior to this date have not been restated. Significant changes included the expensing of transaction costs and movements in contingent consideration subsequent

1. Accounting policies (continued)

to initial measurement are recognised in the Income Statement.

AASB 127 Consolidated and Separate Financial Statements replaces the term minority interest with non-controlling interest and requires changes in the parent's ownership of subsidiaries to be accounted for as a transaction with owners and included in equity.

(iv) Recently issued or amended accounting standards

The following Australian Accounting Standards have recently been issued but are not yet effective and have not been adopted in the reporting period:

- AASB 2009-8 – Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] - applicable for annual reporting periods beginning on or after 1 January 2010.
- AASB 2009-12 Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052].
- AASB 9 – Financial Instruments - applicable for annual reporting periods beginning on or after 1 January 2013.

The consolidated entity expects to adopt these standards in the 2011 and subsequent financial reports - however they are not expected to have a significant impact on the financial results of the consolidated entity.

(v) Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

2. Earnings per share (EPS)

(i) As reported in Income Statements	Notes	2010 $m	2009 $m
Reconciliation of earnings used in the calculation of EPS attributable to ordinary shareholders of Orica			
Net profit for the period from operations		**72.0**	240.1
Net profit for the period from operations attributable to non-controlling interests		**(16.9)**	(19.7)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)		**(7.1)**	(17.9)
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica		**48.0**	202.5
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)*		**-**	17.9
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica		**48.0**	220.4

* Step-Up Preference Securities were not dilutive at 31 March 2010.

	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	**354,936,036**	359,196,325
Effect of executive share options	**2,851,622**	32,516
Effect of Orica Step-Up Preference Securities	**-**	33,453,003
Number for diluted earnings per share	**357,787,658**	392,681,844
The following Orica Long Term Equity Incentive Plans have not been included in the calculation for diluted earnings per share as they are not dilutive:		
- issue date 11 May 2007	**22,419**	-
- issue date 18 Dec 2007	**1,202,122**	-
- issue date 21 Dec 2009	**1,149,672**	-

	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica		
Basic earnings per share	**13.5**	56.4
Diluted earnings per share	**13.4**	56.1

(ii) Adjusted for individually material items	Notes	$m	$m
Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica			
Net profit for the period from operations		**72.0**	240.1
Net profit for the period from operations attributable to non-controlling interests		**(16.9)**	(19.7)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)		**(7.1)**	(17.9)
Adjusted for individually material items from operations	(4)	**238.1**	43.8
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica		**286.1**	246.3
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)*		**-**	17.9
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica		**286.1**	264.2

	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica before individually material items		
Basic earnings per share	**80.6**	68.6
Diluted earnings per share	**80.0**	67.3

3. Sales revenue and other income

	2010 $m	2009 $m
Sales revenue	**3,226.0**	3,960.2
Other income		
Royalty income	**0.6**	0.6
Other income	**7.9**	11.2
Currency gains	**7.5**	-
Profit on sale of property, plant and equipment	**-**	0.9
Total other income	**16.0**	12.7

4. Specific income and expenses

	2010			2009		
	Gross $m	Tax $m	Net $m	Gross $m	Tax $m	Net $m
Profit after income tax includes the following individually material items of (expense)/income:						
Restructuring and rationalisation costs: [1]						
Mining Services	**-**	**-**	**-**	(25.0)	7.4	(17.6)
Pharmaceuticals tax case [2]	**-**	**(191.8)**	**(191.8)**	-	-	-
Environmental provisions: [3]						
Mercury remediation	**(45.0)**	**13.5**	**(31.5)**	-	-	-
HCB remediation	**(18.1)**	**5.4**	**(12.7)**	-	-	-
DuluxGroup demerger costs [4]	**-**	**-**	**-**	(20.7)	5.4	(15.3)
Asset impairment writedowns:						
Marplex	**-**	**-**	**-**	(16.5)	2.5	(14.0)
Integration costs [5]						
Dyno Nobel	**-**	**-**	**-**	(10.3)	2.9	(7.4)
Minova/Excel	**(3.7)**	**1.6**	**(2.1)**	(5.2)	1.5	(3.7)
Net gain on derivatives [6]	**-**	**-**	**-**	20.0	(6.0)	14.0
Individually material items	**(66.8)**	**(171.3)**	**(238.1)**	(57.7)	13.7	(44.0)
Non-controlling interests in individually material items	**-**	**-**	**-**	(0.2)	-	(0.2)
Individually material items attributable to shareholders of Orica	**(66.8)**	**(171.3)**	**(238.1)**	(57.5)	13.7	(43.8)

[1] Costs including asset write downs and provisions relating to restructuring of the Mining Services business in 2009.

[2] Tax, penalties and interest in relation to the sale of the pharmaceutical business to Zeneca BV in 1998 (see note 15).

[3] Environmental provision relating to HCB export and remediation of mercury contamination at Botany, New South Wales.

[4] Costs in 2009 associated with the proposed DuluxGroup demerger.

[5] Costs including asset write downs and provisions relating to the integration and restructuring of the Mining Services and Minova segments following the purchase of the Dyno Nobel, Minova and Excel businesses.

[6] Gain on derivative instruments used to economically hedge the purchase of non-controlling interests during 2009. Such transactions do not qualify for hedge accounting and accordingly the gain on the derivative instruments were recognised in the income statement.

5. Segment report

Segment information is presented in respect of the consolidated entity's internal management structure as reported to the Group's Chief Operating Decision Maker (CODM). CODM for the Group has been assessed as the Group's Managing Director.

The consolidated entity's operations have been divided into eight reportable segments comprising: Mining Services: Australia/Asia, North America, Latin America and EMEA (Europe, Middle East & Africa); Minova; DuluxGroup; Chemicals and Other.

The consolidated entity's policy is to transfer products internally at negotiated commercial prices. Other income includes royalties, profit on sale of property, plant and equipment, profit from the sale of businesses and controlled entities and foreign exchange gain.

The consolidated entity's geographical segments are determined based on the location of the Group's assets except where otherwise stated.

The major products and services from which the above segments derive revenue are:

Defined reportable segments	Products/services
Mining Services: - Australia/Asia - North America - Latin America - EMEA	Manufacture and supply of explosives and mining services, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries.
Minova	Manufacture and supply of specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.
DuluxGroup	Manufacture and supply of paints and other surface coatings to the decorative and technical markets and a range of home handyman, car care and garden care products.
Chemicals	Manufacture, distribution and trading of a broad range of industrial and specialty chemicals for use in a wide range of industries, which include water treatment, pulp and paper, food and beverage, construction and mining.
Other	Minor activities, operation of the Botany Groundwater Recycling Business, non-operating assets, corporate and support costs and financial items such as foreign currency gains/losses.

Prior year comparative segment information has been restated.

5. Segment report (continued)

Reportable segments 2010 $m	Mining Services Australia/Asia	Mining Services North America	Mining Services Latin America	Mining Services EMEA	Minova	DuluxGroup	Chemicals	Other	Eliminations	Consolidated
Revenue										
External sales	690.8	345.2	361.3	256.8	395.3	486.1	689.8	0.7	-	3,226.0
Inter-segment sales	6.1	64.7	7.8	3.6	0.1	0.1	21.2	0.1	(103.7)	-
Total sales revenue	696.9	409.9	369.1	260.4	395.4	486.2	711.0	0.8	(103.7)	3,226.0
Other income [1]	(1.7)	1.2	9.1	2.2	(0.4)	1.1	4.0	0.5	-	16.0
Total revenue and other income	695.2	411.1	378.2	262.6	395.0	487.3	715.0	1.3	(103.7)	3,242.0
Results										
Profit/(loss) before individually material items, net financing costs and income tax expense	190.1	49.7	59.4	32.0	66.1	64.9	93.6	(59.9)	-	495.9
Individually material items	-	-	-	-	(3.7)	-	-	(63.1)	-	(66.8)
Profit/(loss) from operations	190.1	49.7	59.4	32.0	62.4	64.9	93.6	(123.0)	-	429.1
Financial income										18.7
Financial expense										(89.3)
Profit before income tax expense										358.5
Income tax expense										(286.5)
Profit after income tax expense										72.0
Non-controlling interests in profit after income tax										(16.9)
Net profit for the period relating to shareholders of Orica Limited										55.1
Segment assets	1,439.9	497.4	602.3	799.4	1,738.8	486.9	972.3	688.6	-	7,225.6
Segment liabilities	265.8	181.1	127.8	196.5	130.3	219.5	215.9	2,178.3	-	3,515.2
Investments accounted for using the equity method	37.2	120.8	2.8	5.3	3.1	1.7	0.2	-	-	171.1
Acquisitions of PPE and intangibles	129.6	9.8	15.5	12.6	9.6	8.5	15.7	10.5	-	211.8
Impairment of inventories	0.8	0.1	-	0.2	-	1.7	(1.0)	-	-	1.8
Impairment of trade receivables	0.2	-	-	0.7	0.3	0.9	0.9	-	-	3.0
Depreciation	35.9	13.8	6.9	9.8	4.5	8.4	17.7	2.1	-	99.1
Amortisation	2.5	-	1.2	3.1	10.8	1.1	0.3	1.6	-	20.6
Non-cash expenses other than depreciation and amortisation:										
- share based payments	2.0	1.3	0.5	0.9	1.1	1.1	1.0	(2.1)	-	5.8
Share of associates net profit equity accounted	3.3	14.9	0.5	0.9	-	0.5	-	-	-	20.1

[1] Includes foreign exchange gains/losses in various reportable segments.

5. Segment report (continued)

Reportable segments 2009 $m	Mining Services Australia/Asia	Mining Services North America	Mining Services Latin America	Mining Services EMEA	Minova	DuluxGroup	Chemicals	Other	Eliminations	Consolidated
Revenue										
External sales	881.1	521.5	503.6	300.5	503.2	469.2	780.8	0.3	-	3,960.2
Inter-segment sales	8.7	66.8	11.5	7.8	-	-	30.0	-	(124.8)	-
Total sales revenue	889.8	588.3	515.1	308.3	503.2	469.2	810.8	0.3	(124.8)	3,960.2
Other income	0.1	0.4	8.0	2.0	0.2	0.2	0.8	1.0	-	12.7
Total revenue and other income	889.9	588.7	523.1	310.3	503.4	469.4	811.6	1.3	(124.8)	3,972.9
Results										
Profit/(loss) before individually material items, net financing costs and income tax expense	170.9	56.8	63.9	27.4	58.5	61.1	86.3	(55.5)	-	469.4
Individually material items	(6.4)	(4.2)	(4.8)	(19.9)	(5.2)	-	(16.5)	(0.7)	-	(57.7)
Profit/(loss) from operations	164.5	52.6	59.1	7.5	53.3	61.1	69.8	(56.2)	-	411.7
Financial income										26.9
Financial expense										(98.4)
Profit before income tax expense										340.2
Income tax expense										(100.1)
Profit after income tax expense										240.1
Non-controlling interests in profit after income tax										(19.7)
Net profit for the period relating to shareholders of Orica Limited										220.4
Segment assets	1,385.6	647.5	682.3	924.4	2,167.5	514.3	1,051.8	849.1	-	8,222.5
Segment liabilities	319.2	226.9	127.5	234.0	171.8	231.1	265.6	2,374.5	-	3,950.6
Investments accounted for using the equity method	68.0	163.7	3.6	9.7	-	1.6	0.1	-	-	246.7
Acquisitions of PPE and intangibles	50.4	22.9	19.1	18.2	6.8	7.9	29.2	15.1	-	169.6
Impairment of PPE	-	-	-	-	-	-	7.7	-	-	7.7
Impairment of intangibles	-	-	-	-	-	-	8.2	-	-	8.2
Impairment of inventories	1.0	1.4	-	0.1	2.1	1.4	0.7	-	-	6.7
Impairment of trade receivables	0.6	0.1	0.1	0.9	0.6	1.9	0.3	-	-	4.5
Depreciation	34.7	15.8	8.1	11.2	5.1	7.6	16.2	3.3	-	102.0
Amortisation	2.1	-	1.3	3.6	14.0	0.7	0.3	1.1	-	23.1
Non-cash expenses other than depreciation and amortisation:										
- share based payments	1.5	1.1	0.7	0.4	0.9	0.8	0.9	3.5	-	9.8
Share of associates net profit equity accounted	4.3	27.3	0.8	1.2	-	0.2	-	-	-	33.8

5. Segment report (continued)

Geographical segments (A)
The presentation of the geographical segment (A) is based on geographical location of the businesses.

2010 **$m**	Australia	New Zealand	Asia	North America	Latin America	Europe	Other	Eliminations	Consolidated
Revenue									
External sales	1,371.0	183.8	309.7	494.6	448.5	376.0	42.4	-	3,226.0
Inter-segment sales	118.1	5.9	19.8	64.7	7.8	7.1	2.9	(226.3)	-
Total sales revenue	1,489.1	189.7	329.5	559.3	456.3	383.1	45.3	(226.3)	3,226.0
Other income [1]	(0.1)	(0.6)	1.8	2.2	10.1	2.6	-	-	16.0
Total revenue and other income	1,489.0	189.1	331.3	561.5	466.4	385.7	45.3	(226.3)	3,242.0
Results									
Profit before individually material items, net financing costs and income tax expense	210.5	21.6	57.7	79.9	64.7	55.6	5.9	-	495.9
Individually material items	(64.3)	-	(0.3)	(1.9)	-	(0.1)	(0.2)	-	(66.8)
Profit from operations	146.2	21.6	57.4	78.0	64.7	55.5	5.7	-	429.1
Financial income									18.7
Financial expense									(89.3)
Profit before income tax expense									358.5
Income tax expense									(286.5)
Profit after income tax expense									72.0
Non-controlling interests in profit after income tax									(16.9)
Net profit for the period relating to shareholders of Orica Limited									55.1
Segment assets	2,920.3	162.0	719.5	1,429.2	563.3	1,384.5	46.8	-	7,225.6
Segment liabilities	2,032.0	563.2	280.7	233.0	156.0	244.2	6.1	-	3,515.2
Investments accounted for using the equity method	1.9	-	37.2	120.8	2.8	8.4	-	-	171.1
Acquisitions of PPE and intangibles	66.9	6.7	93.1	10.7	15.7	16.2	2.5	-	211.8
Impairment of inventories	0.8	0.2	0.5	0.1	-	0.2	-	-	1.8
Impairment of trade receivables	1.3	0.1	0.5	-	0.3	0.6	0.2	-	3.0
Depreciation	56.2	3.4	5.1	15.2	7.2	11.2	0.8	-	99.1
Amortisation	7.2	0.1	0.4	7.0	0.9	5.0	-	-	20.6
Non-cash expenses other than depreciation and amortisation:									
- share based payments	2.1	0.1	1.1	1.1	0.5	0.9	-	-	5.8
Share of associates net profit equity accounted	0.5	-	3.3	14.9	0.5	0.9	-	-	20.1

[1] Includes foreign exchange gains/losses in various geographical segments.

5. Segment report (continued)

Geographical segments (A)
The presentation of the geographical segment (A) is based on geographical location of the businesses.

2009 $m	Australia	New Zealand	Asia	North America	Latin America	Europe	Other	Eliminations	Consolidated
Revenue									
External sales	1,465.4	219.3	428.7	744.9	600.2	462.7	39.0	-	3,960.2
Inter-segment sales	146.5	7.7	10.7	66.8	11.4	15.7	2.8	(261.6)	-
Total sales revenue	1,611.9	227.0	439.4	811.7	611.6	478.4	41.8	(261.6)	3,960.2
Other income	0.6	-	0.7	0.6	8.8	2.0	-	-	12.7
Total revenue and other income	1,612.5	227.0	440.1	812.3	620.4	480.4	41.8	(261.6)	3,972.9
Results									
Profit before individually material items, net financing costs and income tax expense	189.3	29.7	42.6	81.5	67.5	53.7	5.1	-	469.4
Individually material items	(17.4)	(0.5)	(1.0)	(10.7)	(7.9)	(20.0)	(0.2)	-	(57.7)
Profit from operations	171.9	29.2	41.6	70.8	59.6	33.7	4.9	-	411.7
Financial income									26.9
Financial expense									(98.4)
Profit before income tax expense									340.2
Income tax expense									(100.1)
Profit after income tax expense									240.1
Non-controlling interests in profit after income tax									(19.7)
Net profit for the period relating to shareholders of Orica Limited									220.4
Segment assets	3,168.5	176.8	638.2	1,910.7	642.1	1,633.5	52.7	-	8,222.5
Segment liabilities	2,312.5	581.8	282.8	304.7	164.5	292.1	12.2	-	3,950.6
Investments accounted for using the equity method	1.7	-	68.0	157.9	3.5	15.6	-	-	246.7
Acquisitions of PPE and intangibles	82.4	8.5	13.7	23.8	19.3	20.9	1.0	-	169.6
Impairment of PPE	7.7	-	-	-	-	-	-	-	7.7
Impairment of intangibles	8.2	-	-	-	-	-	-	-	8.2
Impairment of inventories	2.0	0.3	1.0	2.5	-	0.9	-	-	6.7
Impairment of trade receivables	1.1	0.1	1.6	0.1	0.1	1.5	-	-	4.5
Depreciation	53.3	2.7	6.2	17.6	8.4	13.1	0.7	-	102.0
Amortisation	6.2	-	0.2	9.5	1.0	6.2	-	-	23.1
Non-cash expenses other than depreciation and amortisation:									
- share based payments	7.2	0.1	0.1	1.0	0.7	0.6	0.1	-	9.8
Share of associates net profit equity accounted	0.5	-	4.0	27.3	0.8	1.2	-	-	33.8

5. Segment report (continued)

Geographical segments (B)

The presentation of the geographical segments (B) is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

2010 **$m**	Australia	United States of America	Other *	Eliminations	Consolidated
Revenue from external customers					
External sales	1,282.6	375.9	1,567.5	-	3,226.0
Location of non-current assets					
Non-current assets **	1,733.0	1,095.9	2,141.4	-	4,970.3

2009 $m	Australia	United States of America	Other *	Eliminations	Consolidated
Revenue from external customers					
External sales	1,374.0	597.9	1,988.3	-	3,960.2
Location of non-current assets					
Non-current assets **	1,866.1	1,478.9	2,329.1	-	5,674.1

* Sales to other countries are individually less than 10% of the total external sales.

** Excluding 'other' financial assets, deferred tax assets and post-employment benefit assets.

6. Dividends and distributions

	2010 $m	2009 $m
Dividends and distributions		
Dividends paid or declared in respect of the period ended 31 March were:		
Ordinary shares		
final dividend of 55 cents per share, 36.36% franked at 30%, paid 5 Dec 2008		198.0
final dividend of 57 cents per share, 35.09% franked at 30%, paid 4 Dec 2009	**203.7**	
Distributions paid in respect of the period ended 31 March were:		
Step-Up Preference Securities		
distribution at 9.38% per annum, per security, unfranked, paid 1 Dec 2008 for the period from 31 May 2008 to 29 Nov 2008		23.5
distribution at 4.57% per annum, per security, unfranked, paid 30 Nov 2009 for the period from 1 Jun 2009 to 29 Nov 2009	**11.5**	
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the period were as follows:		
paid in cash	**175.9**	167.8
satisfied by issue of shares	**27.8**	-
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan [1]	**-**	30.2
Distributions paid in cash	**11.5**	23.5

[1] During the current period, the Company bought nil (2009 1,943,577) shares on market to satisfy shareholders dividend reinvestment plan (DRP) requirements.

Subsequent events
Since the end of the half year, the directors declared the following dividend:
Interim dividend on ordinary shares of 41 cents per share, 39.02% franked at 30%, payable 2 Jul 2010.

The financial effect of the interim dividend on ordinary shares has not been brought to account in the financial statements for the period ended 31 March 2010 and will be recognised in the 2010 annual financial statements.

The Company's DRP continues to be available to eligible shareholders. For the interim dividend, shares will be allocated based on the arithmetic average of the daily volume weighted average market price of all shares sold through a normal trade on the ASX for a period of 7 days from 4 to 15 June (inclusive). The last date for receipt of election notices for participation in the interim dividend under the DRP is Tuesday 1 June 2010. Shares issued pursuant to the DRP will rank equal to all other ordinary shares. No discount applies to the DRP.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year
It is anticipated that dividends will be partly franked at a rate of no more than 40%.

Conduit foreign income (CFI) component:

Interim dividend:				Interim dividend:			
Current period	-	Ordinary	Nil	Previous period	-	Ordinary	Nil

7. Contributed equity

	2010 $m	2009 $m
Issued and fully paid:		
Step-Up Preference Securities - 5,000,000 (2009 5,000,000) [1]	**490.0**	490.0
Ordinary shares - 361,088,962 (2009 359,196,325)	**1,893.1**	1,850.0

[1] The Group issued Step-Up Preference Securities (SPS) via a prospectus dated 17 February 2006. The SPS are stapled securities comprising a fully paid Preference Share and a fully paid unsecured note. The SPS have no fixed repayment date, but Orica has the right to repurchase them for cash or convert the SPS into a variable number of ordinary shares in Orica from November 2011 or earlier in certain circumstances. Holders rank ahead of ordinary shares but rank behind creditors. Distributions payable on the SPS are discretionary, payable semi-annually, non-cumulative, unfranked and payable based on the 180 day bill swap rate plus a margin of 1.35% per annum. Should the credit rating of the SPS fall below Standard and Poor's BBB- or equivalent, or no longer be rated, then an additional 1% will be added to the distribution rate. Distributions are payable in priority to distributions on Orica shares.
Where a distribution on SPS is not paid, Orica may not declare or pay any dividends, pay any interest, or distribute any income or capital on any security that ranks behind the SPS until Orica has paid SPS distributions scheduled for the twelve months following the missed distribution or Orica has paid an amount equivalent to the unpaid distributions in the last twelve months, or all SPS have been repurchased or converted, or a special resolution of the SPS holders has been passed approving such payment.
Orica SPS holders do not have voting rights in shareholder meetings except in limited circumstances.
Under a Deed of Undertaking and Indemnity between Orica Limited and Australian Stock Exchange Limited (ASX), the ASX reserves the right (but without limiting its absolute discretion) to remove either or both of the Company and Orica New Zealand Securities Ltd (Orica NZ) from the official list if a) any of the SPS Preference Shares of the Company and Notes of Orica NZ cease to be stapled together, or b) if any SPS Preference Share or Notes are issued by either of the Company or Orica NZ which are not stapled to corresponding securities in the other entity.

7. Contributed equity (continued)

Movements in issued and fully paid shares of the Company since 1 October 2008 were as follows:

Details	Date	Number of shares	Issue price $	$m
Step-Up Preference Securities				
Opening balance - gross [1]	1-Oct-08	5,000,000		500.0
Opening balance - costs [1]				(10.0)
Balance at end of the period	**31-Mar-09**	**5,000,000**		**490.0**
Balance at end of the period	**30-Sep-09**	**5,000,000**		**490.0**
Balance at end of the period	**31-Mar-10**	**5,000,000**		**490.0**
Ordinary shares				
Opening balance of ordinary shares issued	1-Oct-08	359,196,325		1,881.3
Share movements under the Orica LTEIP plan [4]		-		(31.3)
Balance at end of the period	**31-Mar-09**	**359,196,325**		**1,850.0**
Shares issued under the Orica dividend reinvestment plan		759,254	20.58	15.6
Balance at end of the period	**30-Sep-09**	**359,955,579**		**1,865.6**
Shares issued under the Orica executive option plans [3]		**11,000**		**0.1**
Shares issued under the Orica dividend reinvestment plan		**1,098,700**	**25.23**	**27.8**
Share movements under the Orica LTEIP plan [4]		**23,683**		**(2.3)**
Shares issued under the Orica GEESP plan [2]		**-**		**1.9**
Balance at end of the period	**31-Mar-10**	**361,088,962**		**1,893.1**

[1] Shares issued and costs incurred in 2006 pursuant to the Step-Up Preference Securities issued in accordance with the prospectus dated 17 February 2006.

[2] Shares issued under the Orica general employee exempt share plan.

7. Contributed equity (continued)

Details	Date	Number of shares	Issue price $	$m
[3] Shares issued under the Orica executive option plans				
2008/2009				
Movement for the period	**31-Mar-09**	**-**		**-**
2008/2009				
Movement for the period	**30-Sep-09**	**-**		**-**
2009/2010				
		11,000	**7.73**	**0.1**
Movement for the period	**31-Mar-10**	**11,000**		**0.1**

The options were exercised at various times during 2010. The weighted average of the fair value of shares issued in 2010 was $25.25.

Details	Date	Number of shares	Issue price $	$m
[4] Share movements under the Orica LTEIP plan				
2008/2009				
Shares bought back	Various	-		(31.3)
Movement for the period	**31-Mar-09**	**-**		**(31.3)**
2008/2009				
Movement for the period	**30-Sep-09**	**-**		**-**
2009/2010				
Shares issued	29-Jan-10	**23,683**	**24.79**	**-**
Shares bought back	Various	**-**		**(31.6)**
Shares issued - loan repayment	Various	**-**		**29.3**
Movement for the period	**31-Mar-10**	**23,683**		**(2.3)**

Under the LTEIP, eligible executives are provided with a three year, interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. The shares issued to the executives are either purchased on market, issued new shares by Orica or reissued unvested shares by Orica. Shares issued under this plan in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Shares issued under this plan are recognised as shares issued at nil value, with a share based payments expense recognised in the income statement based on the value of the options. Shares purchased on-market under the plans are recognised as a share buy-back.
Repayments of share loans are recognised as share capital. Under the November 2006 and subsequent LTEIP executive allocations, the shares are returned to Orica if the executives leave Orica within three years.

7. Contributed equity (continued)

Options over unissued shares [1] :

Exercisable between		Balance 30 Sep 08	Issued/ reinstated during the period	Exercised during the period	Lapsed during the period	Balance 31 Mar 09	Exercised during the period	Lapsed during the period	Balance 30 Sep 09
01 Jan 03	31 Dec 09	11,000	-	-	-	11,000	-	-	11,000
01 Jan 04	31 Dec 10	13,600	-	-	-	13,600	-	-	13,600
31 Dec 04	31 Dec 06	27,000	-	-	-	27,000	-	-	27,000
Total		51,600	-	-	-	51,600	-	-	51,600

Exercisable between		**Balance 30 Sep 09**	**Issued/ reinstated during the period**	**Exercised during the period**	**Lapsed during the period**	**Balance 31 Mar 10**
01 Jan 03	**31 Dec 09**	**11,000**	**-**	**(11,000)**	**-**	**-**
01 Jan 04	**31 Dec 10**	**13,600**	**-**	**-**	**-**	**13,600**
31 Dec 04	**31 Dec 11**	**27,000**	**-**	**-**	**-**	**27,000**
Total		**51,600**	**-**	**(11,000)**	**-**	**40,600**

[1] Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Orica Corporate Governance practices disclosure.

8. Reserves and retained earnings

	2010 $m	2009 $m
Reserves and retained earnings		
(a) Reserves		
Share based payments	**42.0**	37.9
Cash flow hedging	**6.1**	(28.1)
Foreign currency translation	**(505.4)**	179.9
Equity - arising from purchase of non-controlling interests	**(80.9)**	(69.6)
Balance at end of the period	**(538.2)**	120.1
Movement in reserves during the period		
Share based payments		
Balance at beginning of period	**36.2**	28.1
Share based payments expense	**5.8**	9.8
Balance at end of the period	**42.0**	37.9
Cash flow hedging		
Balance at beginning of period	**(0.3)**	5.2
Movement for the period	**9.2**	(19.0)
Tax effect of movement in cash flow hedge reserve	**(2.8)**	(14.3)
Balance at end of the period	**6.1**	(28.1)
Foreign currency translation		
Balance at beginning of period	**(369.1)**	64.0
Translation of overseas controlled entities at the end of the period	**(158.9)**	167.4
Tax effect of translaton of overseas controlled entities at the end of the period	**22.6**	(51.5)
Balance at end of the period	**(505.4)**	179.9
Equity - arising from purchase of non-controlling interests		
Balance at beginning of period	**(74.8)**	(6.0)
Purchase of non-controlling interests [1]	**(6.1)**	(63.6)
Balance at end of the period	**(80.9)**	(69.6)
(b) Retained earnings		
Retained earnings at the beginning of the period	**1,913.1**	1,758.9
Operating profit after income tax attributable to shareholders of Orica	**55.1**	220.4
Defined benefit fund superannuation movement (net of tax) [2]	**(12.6)**	(63.7)
Dividends/distributions paid:		
Step-Up Preference Securities distributions	**(11.5)**	(23.5)
Less tax credit on Step-Up Preference Securities distributions	**4.4**	5.6
Ordinary dividends – final	**(203.7)**	(198.0)
Retained earnings at end of the period	**1,744.8**	1,699.7

[1] The equity reserve arising from purchase of non-controlling interests represents the excess of cost of investment in purchasing non-controlling interests in subsidiaries over the net assets acquired and non-controlling interests share of goodwill at the date of original acquisition of the subsidiary. The movement for the period ending 31 March 2010 relates to purchase of Orica Colombia S.A.. The movement for the period ending 31 March 2009 relates to the purchase of non-controlling interests in Orica Mining Services Peru S.A., Orica Kazakhstan Joint Stock Company and Minova Ksante Sp.z o.o..

[2] Orica has engaged its Group actuary to liaise with major fund actuaries in updating material assumptions of Orica's funds as at 31 March 2010. These assumptions relate primarily to actual asset returns and discount rates as at 31 March 2010. The Group actuary has used this information to evaluate the aggregate defined benefit superannuation fund obligations. This has resulted in the consolidated entity increasing the retirement benefit obligation by $18.5m (2009 $91.2m) ($12.6 after tax, 2009 $63.7m) which has been recognised directly in equity in accordance with the consolidated entity's accounting policy for the treatment of actuarial gains and losses.

9. Investments accounted for using the equity method

The consolidated entity has an interest in the following entities:

Name of entity:	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit	
	31-Mar-10	31-Mar-09	**31-Mar-10**	31-Mar-09
	%	%	**$m**	$m
Thai Nitrate Company Ltd	**50.0**	50.0	**3.3**	4.3
Nelson Brothers, LLC	**50.0**	50.0		
Nelson Brothers Mining Services, LLC	**50.0**	50.0	**13.8**	27.5
Southwest Energy LLC	**50.0**	50.0		
Australian Plantations Pty Ltd	**50.0**	50.0		
Botany Industrial Park Pty Limited	**33.4**	33.4		
BXL Bulk Explosives Limited	**50.0**	50.0		
Controladora DNS de RL de CV	**49.0**	49.0		
Dyno Nobel UMMC LLC	**50.0**	50.0		
Exor Explosives Limited	**50.0**	50.0		
FiReP Holding AG (2)	**25.0**	-		
Geneva Nitrogen LLC	**50.0**	50.0		
Geodynamics B.V.	**27.3**	27.3		
Irish Mining Emulsion Systems Ltd	**50.0**	50.0		
MicroCoal Inc.	**50.0**	50.0		
MSW-Chemie GmbH	**31.5**	31.5	**Individually**	Individually
Norabel Ignition Systems AB	**50.0**	50.0	**not material.**	not material.
Orica Camel Coatings Ltd	**50.0**	50.0	**In aggregate**	In aggregate
OY Forcit (1)	**-**	20.0	**3.0**	2.0
PIIK Limited Partnership	**49.0**	49.0		
Pigment Manufacturers of Australia Limited	**50.0**	50.0		
Pinegro Products Pty Ltd	**50.0**	50.0		
Servicios Petroleros Oricorp Mexico, SA de CV	**47.0**	47.0		
Sprewa Sprengmittel GmbH	**24.0**	24.0		
SVG&FNS Philippines Holdings Inc	**40.0**	40.0		
Troisdorf GmbH	**50.0**	50.0		
Ulaex SA	**50.0**	50.0		
Wurgendorf GmbH	**50.0**	50.0		
Total			**20.1**	33.8

(1) Disposed of in 2009.

(2) Acquired in 2010.

10. Businesses acquired

Consolidated - 2010
Acquisition of businesses and controlled entities
The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

Jiangsu Orica Banqiao Mining Machinery Company Limited on 29 October 2009 (51%).
Orica Colombia S.A. on 30 November 2009, Orica acquired an additional 8% shareholding.
Minova Mining Services, S.A. on 25 March 2010 (51%).

Businesses
Business assets of Weldgrip Geotechnical on 5 November 2009.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date.

2010	Book Values $m	Fair Value Adjustments $m	Total $m
Consideration			
cash paid	18.6	-	18.6
net overdraft acquired	(0.6)	-	(0.6)
Outflow of cash	18.0	-	18.0
deferred settlement	0.9	-	0.9
Total consideration	18.9	-	18.9
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	2.3	-	2.3
inventories	3.6	-	3.6
property, plant and equipment	1.7	-	1.7
intangibles including purchased goodwill	0.8	-	0.8
other assets	0.1	-	0.1
payables and interest bearing liabilities	(1.4)	-	(1.4)
	7.1	-	7.1
Less non-controlling interests at date of acquisition	(2.3)	-	(2.3)
	4.8	-	4.8
Goodwill on acquisition			14.1

Acquisition of non-controlling interest:

2010	Total $m
Decrease in non-controlling interests	1.2
Equity reserve	6.1
Total consideration	7.3

Results contributed by acquired entities since acquisition date:	$m
Revenue for the period	4.4
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	0.1

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 6 months to 31 March 2010 are as follows:

	$m
Operating revenue	11.1
EBITDA	1.3

The unaudited information was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces.

10. Businesses acquired (continued)

Consolidated - 2009
Acquisition of businesses and controlled entities
The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

On 7 November 2008, Orica acquired OPEL Chemical (Singapore) Private Limited which owns a decorative coatings business in China.

Other entities
Minova Ksante Sp. z o.o.: Orica acquired an additional 30% shareholding on 6 November 2008.
Orica Mining Services Peru S.A.: Orica acquired an additional 48.6% shareholding on 28 November 2008.
Orica Kazakhstan Joint Stock Company: Orica acquired an additional 23% shareholding on 23 December 2008.

Businesses
Business assets of Hillmark Industries Pty Ltd, on 13 November 2008.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date.

2009	Book Values $m	Fair Value Adjustments $m	Total $m	Amended Acquisitions * $m	Total $m
Consideration					
cash paid	24.1	-	24.1	-	24.1
net cash acquired	(1.5)	-	(1.5)	-	(1.5)
Outflow of cash	22.6	-	22.6	-	22.6
deferred settlement	5.6	-	5.6	(1.6)	4.0
Total consideration	28.2	-	28.2	(1.6)	26.6
Fair value of net assets of businesses/controlled entities acquired					
trade and other receivables	9.9	-	9.9	-	9.9
inventories	5.3	-	5.3	-	5.3
property, plant and equipment	4.5	-	4.5	-	4.5
intangibles including purchased goodwill	2.5	-	2.5	-	2.5
other assets	0.1	-	0.1	-	0.1
payables and interest bearing liabilities	(11.9)	-	(11.9)	-	(11.9)
provision for dividends	(5.2)	-	(5.2)	-	(5.2)
provision for taxation	0.2	-	0.2	-	0.2
provision for deferred tax	-	-	-	(0.2)	(0.2)
contingent liabilities	-	(2.3)	(2.3)	-	(2.3)
	5.4	(2.3)	3.1	(0.2)	2.9
Less non-controlling interests at date of acquisition	-	-	-	-	-
	5.4	(2.3)	3.1	(0.2)	2.9
Goodwill on acquisition			25.1	(1.4)	23.7

* Deferred settlements accrued for prior period acquisitions have been reversed against goodwill due to a reduction in earnouts payable.

Acquisition of non-controlling interest:

2009	Total $m
Goodwill acquired	12.5
Decrease in non-controlling interests	19.1
Net gain on derivatives	(20.0)
Equity reserve	68.8
Total consideration	80.4

10. Businesses acquired (continued)

Results contributed by acquired entities since acquisition date:

	$m
Revenue for the period	13.1
EBITDA for the period	(0.4)

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 6 months to 31 March 2009 are as follows:

	$m
Operating revenue for the period	18.3
EBITDA	(1.1)

The unaudited information was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses.

11. Businesses disposed

Disposal of businesses/controlled entities
The following businesses and controlled entities were disposed of:

2010
Business assets of Sydney Galvanizing Services on 22 December 2009.

2009
Nil

	Consolidated	
	2010	2009
	$m	$m
Consideration		
cash received	**0.4**	-
Inflow of cash	**0.4**	-
Net consideration	**0.4**	-
Carrying value of net assets of businesses/controlled entities disposed		
inventories	**0.2**	-
property, plant and equipment	**0.3**	-
other assets	**0.1**	-
provision for employee entitlements	**(0.1)**	-
	0.5	-
Loss on sale of business/controlled entities	**(0.1)**	-

12. Income tax expense

	2010 $m	2009 $m
a) Income tax expense recognised in the income statement		
Current tax expense		
Current year	**58.0**	104.8
Deferred tax	**36.6**	(5.8)
Under/(over) provided in prior years	**0.1**	1.1
Under/(over) Pharmaceuticals tax case	**191.8**	-
Total income tax expense in income statement	**286.5**	100.1
b) Reconciliation of income tax expense to prima facie tax payable		
Income tax expense attributable to profit before individually material items		
Prima facie income tax expense calculated at 30% on profit before individually material items	**127.6**	119.4
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	**(3.5)**	(0.1)
tax under/(over) provided in prior years	**0.1**	1.1
non allowable share based payments	**1.7**	3.0
other foreign deductions	**(13.6)**	(13.6)
sundry items	**2.9**	4.0
Income tax expense attributable to profit before individually material items	**115.2**	113.8
Income tax expense/(benefit) attributable to individually material items		
Prima facie income tax (benefit)/expense calculated at 30% on loss from individually material items	**(20.0)**	(17.3)
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	**(0.5)**	(0.1)
individually material items:		
non allowable Mining Services integration costs	**-**	0.1
non allowable Marplex impairment writedown	**-**	2.4
non allowable Dyno Nobel integration costs	**-**	0.4
non allowable DuluxGroup demerger costs	**-**	0.8
Pharmaceuticals tax case	**191.8**	-
Income tax benefit attributable to loss from individually material items	**171.3**	(13.7)
Income tax expense reported in the income statement	**286.5**	100.1

13. Standby arrangements and credit facilities

Reconciliation of net debt:

	March 2010 $m	Sep 2009 $m	March 2009 $m
Current interest bearing liabilities	**523.9**	160.2	200.2
Non current interest bearing liabilities	**978.6**	1,242.8	1,606.4
Less cash and cash equivalents	**(273.6)**	(308.5)	(329.6)
Net debt	**1,228.9**	1,094.5	1,477.0

Credit facilities:

	March 2010 $m	Sep 2009 $m	March 2009 $m
Unsecured bank overdraft facilities available	**113.0**	117.9	114.0
Amount of facilities undrawn	**106.9**	106.0	105.9
Committed standby and loan facilities available	**3,346.7**	3,089.4	3,486.0
Amount of facilities unused	**2,150.3**	1,867.6	1,805.1

The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed standby and loan facilities range from 3 September 2010 to 24 October 2018 (2009 11 June 2009 to 24 October 2018).

14. Critical accounting judgements and estimates

Management determines the development, selection and disclosure of the consolidated entity's critical accounting policies, estimates and accounting judgements and the application of these policies and estimates. Management necessarily makes estimates and judgements that have a significant effect on the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable and in accordance with accounting standards. Changes in the assumptions underlying the estimates may result in a significant impact on the financial statements. The most critical of these assumptions and judgements are:

Contingent liabilities

In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with our current or former sites. Where we are of the view that potential liabilities have a low probability of crystallising or it is not possible to quantify them reliably, we disclose them as contingent liabilities. These are not provided for in the financial statements but are disclosed in note 15. In view of the significance of environmental issues associated with Botany Groundwater (New South Wales, Australia), Botany Hexachlorobenzene (HCB) Waste, Botany Mercury and Botany Car Park Encapsulation they continue to be disclosed as contingent liabilities even though estimated costs have been recognised in the financial statements. Further details regarding contingent liabilities are set out in note 15.

Environmental and decommissioning provisions

The business of the Group is subject to a variety of laws and regulations in the jurisdictions in which it operates or maintains properties. Provisions for expenses that may be incurred in complying with such laws and regulations are set aside if environmental inquiries or remediation measures are probable and the costs can be reliably estimated. For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been provided for. It is also assumed that the methods planned for environmental clean up will be able to treat the issues within the expected time frame.

It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the status of laws, regulations and the information available about conditions in the various countries and at the individual sites. Significant factors in estimating the costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and new developments affecting costs, management's interpretation of current environmental laws and regulations, the number and financial position of third parties that may become obligated to participate in any remediation costs on the basis of joint liability, and the remediation methods which are likely to be deployed.

Environmental costs are estimated using either the work of external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs may impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of

14. Critical accounting judgements and estimates (continued)

these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

In respect to the Botany Groundwater contamination, a provision exists to cover the estimated costs associated with remediation until 2015. Costs are expected to be incurred after this date, but it is not possible to predict the time frame over which remediation will be required or the form the remediation will take and therefore it is not possible to reliably estimate any associated costs. In light of ongoing discussions with regulatory authorities and following an assessment of currently available technologies to treat the contamination, Orica intends to maintain a provision at current levels that takes into account the estimated costs associated with remediation commitments over this period. The provision will continue to be re-evaluated based on future regulatory assessments and advancements in appropriate technologies. The discount rate used for environmental provisioning is Orica's weighted average cost of capital and this may vary from year to year.

With regard to the HCB Waste Clean Up, it is assumed that a licence to export waste for destruction overseas will be obtained. German authorities have rejected Orica's application to import the waste into Germany for treatment. Orica lodged objections against these rejections but has subsequently withdrawn these objections, preferring to pursue other alternatives for destruction of the waste overseas.

Legal proceedings

The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could significantly impact the business and results of operations of the Group. Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the Group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Group could be materially affected by the unfavourable outcome of litigation. Litigation and administrative proceedings are evaluated on a case-by-case basis considering the available information, including that from legal counsel, to assess potential outcomes. Where it is considered probable that a future obligation will result in an outflow of resources, a provision is recorded in the amount of the present value of the expected cash outflows if these are deemed to be reliably measurable.

In the course of acquisitions and disposals of businesses and assets, Orica routinely negotiates warranties and indemnities across a range of commercial issues and risks, including environmental risks associated with real property. Management uses the information available and exercises judgement in the overall context of these transactions, in determining the scope and extent of these warranties and indemnities. In assessing Orica's financial position, management relies on warranties and indemnities received, and considers potential exposures on warranties and indemnities provided. It is possible that the financial position, results of operations and cash flows of the Group could be materially affected if circumstances arise where warranties and indemnities received are not honoured, or for those provided, circumstances change adversely.

Defined benefit superannuation fund obligations

The expected costs of providing post-retirement benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the consolidated statement of other comprehensive income. In all cases, the superannuation costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary and superannuation increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used may impact the earnings and equity of the Group.

Property, plant and equipment and definite life intangible assets

The Group's property, plant and equipment and intangible assets, other than indefinite life intangible assets, are depreciated/amortised on a straight line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives of assets at least annually but any changes to useful economic lives may affect prospective depreciation rates and asset carrying values.

Financial instruments at fair value

The Group measures a number of financial instruments at fair value. These fair values are based on observable market data which is used to estimate future cash flows and discount them to present value. Management's aim is to use and source this data consistently from period to period. While management believes the assumptions used are appropriate, a change in assumptions would impact the fair value calculations.

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell and value in use. Management necessarily applies its judgement in allocating assets that

14. Critical accounting judgements and estimates (continued)

do not generate independent cash flows to appropriate CGUs.

The determination of value in use requires the estimation and discounting of future cashflows. The estimation of the cashflows considers all the information available at balance date which may deviate from actual developments. This includes, among other things, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows may impact the carrying value of the respective assets.

Current asset provisions

In the course of normal trading activities, management uses its judgement in establishing the net realisable value of various elements of working capital – principally inventory and accounts receivable. Provisions are established for obsolete or slow moving inventories, bad or doubtful receivables and product warranties. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Group.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recorded on the Balance Sheet and the amount of tax losses and timing differences not yet recognised. In these circumstances, the carrying amount of deferred tax assets and liabilities may change, resulting in an impact on the earnings of the Group.

Carbon Pollution Reduction Scheme

The Australian Federal Government had proposed introducing a Carbon Pollution Reduction Scheme (CPRS) in July 2011. The introduction of the CPRS has the potential to significantly impact the assumptions used in determining the future cash flows generated from the Group's assets for the purpose of impairment testing. The Group did not incorporate the impact of the CPRS at 31 March 2010 as insufficient market information existed. The Government has announced that CPRS has been delayed until at least 2012 and the relevant legislation has been withdrawn from Parliament. There are uncertainties around the future level of emissions the Group will emit as these are dependent on production output and abatement opportunities. In addition, the costs of implementing abatement opportunities, the prices of emission permits, the number of permits to be purchased, the impact of costs incurred by our suppliers and their ability to pass on these costs to Orica and the ability of Orica to pass on any costs incurred to its customers are currently unknown.

15. Contingent liabilities and contingent assets

Contingent liabilities

Environmental

(i) General

A number of sites within the Group have been identified as requiring environmental remediation or review. Appropriate implementation of remediation actions to meet Orica's obligations for these sites is continuing.

In accordance with the current accounting policy, provisions have been created for all known environmental liabilities that can be reliably estimated. For sites where the requirements have been assessed and are capable of reliable measurement, estimated regulatory and remediation costs have been capitalised, expensed as incurred or provided for. For environmental matters where there are significant uncertainties with respect to Orica's remediation obligations or the remediation techniques that might be approved, no reliable estimate can presently be made of regulatory and remediation costs. Any costs are expensed as incurred.

There can be no assurance that new information or regulatory requirements with respect to known sites or the identification of new remedial obligations at other sites will not require additional future provisions for environmental remediation and such provisions could be material.

Orica has entered into arrangements with the relevant regulatory authorities for a number of sites to investigate possible land and groundwater contamination and, where appropriate, undertake voluntary remediation activities on these sites. Where reliable estimates are possible and remediation techniques have been identified for these sites, provisions have been established in accordance with current accounting policy.

15. Contingent liabilities and contingent assets (continued)

(ii) Significant environmental matters which are in progress at the date of this report are as follows:

Botany Groundwater (New South Wales, Australia)

Orica is continuing to conduct extensive remediation activities, including the operation of a Groundwater Treatment Plant, to treat the groundwater at Botany, which is contaminated with pollutants from historical operations. The Groundwater Treatment Plant has been commissioned and a portion of the treated water is sold by Orica to other corporations to replace town drinking water in industrial uses.

Orica is also investigating suitable remediation options for Dense Non-Aqueous Phase Liquid (DNAPL) source areas. No provision has been established for remediation activities in respect of DNAPL as a reliable estimate is not possible at this stage.

Orica has received results indicating elevated concentrations of mercury in soil and groundwater at the southern end of the Botany site and at adjacent offsite locations. A provision of $45 million has been established in March 2010 for remediation activities in respect of this matter.

Botany Hexachlorobenzene (HCB) Waste Clean Up (New South Wales, Australia)

In August 2006, Orica submitted its application for export approval of HCB waste to the Federal Government. In its application, Orica sought permission to export the HCB waste for final destruction at high temperature incinerators in Germany. In May 2007, the Federal Government issued a duly motivated statement of fact that Australia does not have the technical capability to treat Orica's HCB waste. In June 2007, German authorities rejected Orica's application to import the HCB waste into Germany. Orica lodged objections against these rejections but has subsequently withdrawn these objections, preferring to pursue other alternatives for destruction of the waste overseas. In the event that Orica does not obtain the necessary regulatory approvals to export the waste overseas for destruction, it will continue to ensure the safe storage of the HCB waste at Botany. Orica has provided for the estimated costs associated with export and treatment of the waste in 2006.

Botany Car Park Waste Encapsulation (New South Wales, Australia)

Soil and ash contaminated with low level chlorinated materials (including hexachlorobutadiene and HCB) are stored in an approved and licensed encapsulation on the Botany site, known as the Car Park Waste Encapsulation. Orica has investigated technologies that may be suitable to treat this material and has evaluated conventional destruction methods and has determined that direct thermal treatment of this waste is the preferred treatment technology. As required under the Botany site environmental licence conditions, Orica has submitted an application for planning approval of the proposed remediation. Orica has provided for estimated costs of treatment of the soil using thermal desorption technology.

Taxation

(i) Tax investigations and audits

Consistent with other companies of the size, financing complexity and diversity of Orica, the Group is the subject of periodic information requests, investigations and audit activities by the Australian Taxation Office (ATO) and tax authorities in other jurisdictions in which Orica operates.

(ii) Brazilian Tax Action

The Brazilian Taxation authority is claiming unpaid taxes relating to the 1997 financial year of approximately $25 million. ICI Plc, the vendor of the business to Orica, has been notified to preserve Orica's rights under the tax indemnity obtained upon acquisition of the business. The Brazilian Taxation authority has been granted security over the Lorena site in relation to these matters. Some additional security may be given as the matter progresses through to the civil courts of law.

(iii) Norway Tax Action

In August 2009, the Central Tax Office for Large Enterprises (CTO) sent a letter to Dyno Nobel AS in Norway regarding a possible reassessment of that company's tax return for the 2005 income year relating to a transfer of the Dyno Nobel house brand in conjunction with Orica's acquisition of Dyno Nobel's explosives business. The amount of the possible reassessment is approximately $50 million. Orica has been advised that there is no legal basis under the Norwegian Tax Code for such a reassessment.

Guarantees, indemnities and warranties

- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.
- The consolidated entity has entered into various sales contracts where minimum savings are guaranteed to customers and such savings are expected to be achieved in the ordinary course of business.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial

15. Contingent liabilities and contingent assets (continued)

Other

Sale of Pharmaceuticals Business

On 13 October 2004, Orica Limited received a notice of amended assessment from the ATO in relation to the sale of the pharmaceuticals business to Zeneca in September 1998. In accordance with the ATO administrative practice, Orica paid 50% of the amended assessment.

The Federal Court heard the case from 5 to 6 October 2009 and judgement was handed down on 10 March 2010. The Federal Court only partially allowed Orica's appeal against that amended assessment. The effect of the Federal Court judgement was that the ATO's claim was, for the most part, upheld. Orica has appealed the decision.

As a result of the court decision, Orica has recognised $191.8 million as an individually material item for the half year ending 31 March 2010 (see note 4).

16. Events subsequent to balance date

On 3 May 2010, the directors declared an interim dividend of 41 cents per ordinary share payable on 2 July 2010. The financial effect of this dividend is not included in the financial statements for the period ended 31 March 2010 and will be recognised in the annual 2010 financial statements.

On 3 May 2010 Orica announced its intention to demerge the DuluxGroup to create a premier branded consumer goods company, with its own name, separately listed on the ASX. Orica expects the demerger to occur in mid 2010, subject to shareholder and court approvals.

The directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2010, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Compliance statement

This report is based on information which has been subject to review by KPMG.

The entity has a formally constituted audit committee.

Annette Cook
Company Secretary
3rd May 2010

Orica Limited and its Controlled Entities

Directors' Declaration on the Financial Report set out on pages 3 to 34

I, Peter John Duncan, being a director of Orica Limited, do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

(a) the financial statements and notes, set out on pages 3 to 34, are in accordance with the Corporations Act 2001, including:

> (i) giving a true and fair view of the financial position of the consolidated entity as at 31 March 2010 and of its performance for the half year ended on that date; and
>
> (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

P J Duncan
Chairman

Dated at Melbourne this 3rd day of May 2010.

Orica Limited and its Controlled Entities
Directors' Report

The directors of Orica Limited (Orica) present the consolidated financial report in the form of Appendix 4D of the Australian Stock Exchange (ASX) Listing Rules, for the period ended 31 March 2010 and the auditor's review report thereon.

Directors
The directors of the Company during or since the end of the half year are:
P J Duncan, Chairman (appointed 16 December 2009)
D P Mercer, Chairman (retired 16 December 2009)
G R Liebelt, Managing Director
N A Meehan, Executive Director Finance
M E Beckett
R R Caplan
P J Duncan
G A Hounsell
P M Kirby
N L Scheinkestel
M Tilley

The office of company secretary is held by A Cook.

Review and results of operations
A review of the operations of the consolidated entity during the period and of the results of those operations is contained in the accompanying Orica Limited Profit Report.

Events subsequent to balance date
The directors have not become aware of any significant matter or circumstance (other than referred to in note 16) that has arisen since 31 March 2010, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Lead Auditor's Independence Declaration
A copy of the lead auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 37.

Rounding
The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

Signed on behalf of the board in accordance with a resolution of the directors of Orica Limited.

P J Duncan
Chairman

Dated at Melbourne this 3rd day of May 2010.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 March 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Gordon Sangster
Partner

Melbourne, 3 May 2010

Independent auditor's review report to the members of Orica Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Orica Limited, which comprises the consolidated balance sheet as at 31 March 2010, consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 16 and the directors' declaration set out on pages 3 to 35 of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As auditor of Orica Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Orica Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 March 2010 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Gordon Sangster
Partner

Dated at Melbourne the 3rd day of May 2010