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 2006	31 March 2005

Results for announcement to the market

				$m
Revenue	up	9.0%	to	2,598.6
Profit after tax attributable to members	down	(1.4)%	to	123.0
Net profit for the period attributable to members before individually significant items	up	13.8%	to	145.8

Dividends/distributions			Amount per security	Franked amount per security at 30% tax
Interim dividend	- Ordinary	Cents	26.00	9.00
	- Preference	Cents	2.50	0.87
Previous corresponding period				
Interim dividend	- Ordinary	Cents	25.00	8.00
	- Preference	Cents	2.50	0.80

Record date for determining entitlements to the dividend:	Ordinary	14-Jun-06
	Preference	14-Jul-06
Payment dates of dividends:	Ordinary	7-Jul-06
	Preference	31-Jul-06

Net tangible assets per security:

	Current period	Previous corresponding period
	Cents	Cents
Net tangible asset backing per ordinary security	574	249

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.

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Condensed consolidated interim income statement:

For the period ended 31 March:

	Notes	2006 $m	2005 $m
Revenue	(3)	**2,598.6**	2,384.3
Other income	(3)	**39.0**	17.7
Operating expenses			
Changes in inventories of finished goods and work in progress		**122.9**	176.9
Raw materials and consumables used and finished goods purchased for resale		**(1,515.6)**	(1,483.1)
Employee expenses		**(408.6)**	(371.7)
Share based payments		**(9.6)**	(9.8)
Depreciation and amortisation expense		**(74.2)**	(67.5)
Borrowing costs		**(65.0)**	(50.8)
Purchased services		**(193.9)**	(169.8)
Repairs and maintenance		**(93.1)**	(70.7)
Outgoing freight		**(113.9)**	(105.4)
Lease payments - operating leases		**(28.8)**	(31.6)
Other expenses from ordinary activities including significant items		**(78.9)**	(28.4)
Share of net profits of associates accounted for using the equity method	(9)	**4.8**	2.9
		(2,453.9)	(2,209.0)
Profit before income tax expense		**183.7**	193.0
Income tax expense	(11)	**(53.3)**	(59.2)
Profit for the period		**130.4**	133.8
Net Profit for the period attributable to:			
Equity holders of Orica Limited		**123.0**	124.7
Minority interest		**7.4**	9.1
Net Profit for the period		**130.4**	133.8

		cents	cents
Earnings per share			
Basic earnings per share:			
Ordinary shares	(5)	**41.7**	45.7
Diluted earnings per share:			
Ordinary shares	(5)	**41.4**	45.0

The Condensed consolidated interim income statement is to be read in conjunction with the accompanying notes.
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 October 2005 and has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139 as permitted on the first time adoption of AIFRS and has not restated comparative information.

Condensed consolidated interim balance sheet

as at:	Notes	**31 March 2006 $m**	30 September 2005 $m	31 March 2005 $m
Current assets				
Cash and cash equivalents		**167.1**	214.7	172.6
Trade and other receivables		**859.6**	671.0	760.9
Other financial assets		**5.0**	12.3	2.9
Inventories		**943.6**	826.3	955.6
Non-current assets classified as held for sale		**4.7**	-	-
Other assets		**99.2**	57.3	80.0
Total current assets		**2,079.2**	1,781.6	1,972.0
Non-current assets				
Trade and other receivables [1]		**1,067.3**	99.7	107.5
Investments accounted for using the equity method		**50.7**	49.1	46.9
Property, plant and equipment		**1,774.0**	1,605.5	1,560.5
Intangible assets		**637.3**	622.5	622.3
Deferred tax assets		**271.0**	293.9	263.5
Other assets		**29.3**	22.5	26.4
Total non-current assets		**3,829.6**	2,693.2	2,627.1
Total assets		**5,908.8**	4,474.8	4,599.1
Current liabilities				
Trade and other payables		**1,019.9**	909.4	792.2
Interest bearing liabilities		**287.8**	49.5	847.9
Current tax liabilities		**4.8**	21.4	24.7
Provisions		**170.7**	197.3	141.3
Total current liabilities		**1,483.2**	1,177.6	1,806.1
Non-current liabilities				
Trade and other payables		**1.2**	9.9	13.2
Interest bearing liabilities		**1,302.3**	1,277.3	766.0
Retirement benefit obligations		**75.6**	74.2	86.2
Deferred tax liabilities		**181.2**	195.3	179.6
Provisions		**246.9**	221.0	247.0
Total non-current liabilities		**1,807.2**	1,777.7	1,292.0
Total liabilities		**3,290.4**	2,955.3	3,098.1
Net assets		**2,618.4**	1,519.5	1,501.0
Equity				
Parent entity interest				
Contributed equity	(7)	**1,379.1**	329.3	342.0
Reserves	(8)	**36.2**	(20.8)	(28.3)
Retained earnings	(8)	**1,016.3**	1,019.4	992.7
Total parent entity interest		**2,431.6**	1,327.9	1,306.4
Minority interest in controlled entities		**186.8**	191.6	194.6
Total equity		**2,618.4**	1,519.5	1,501.0

The Condensed consolidated interim balance sheet is to be read in conjunction with the accompanying notes.
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 October 2005 and has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139 as permitted on the first time adoption of AIFRS and has not restated comparative information.

[1] The amount includes receivable of $960.7 million in relation to the Dyno Nobel Group acquisitions representing the purchase price of the Dyno Nobel Group.

Condensed consolidated interim statement of recognised income and expenses

For the period ended 31 March:

	Notes	2006 $m	2005 $m
Net gain on hedge of net investments in foreign subsidiary		**2.7**	36.7
Cash flow hedges			
- Effective portion of changes in fair value		**52.9**	-
Exchange differences on translation of foreign operations		**32.5**	(50.5)
Income tax on items taken directly to or transferred directly from equity		**(18.1)**	(21.8)
Adjustments to Reserves on transition to AASB 139		**(20.7)**	-
Net income recognised directly in equity		**49.3**	(35.6)
Profit for the period		**130.4**	133.8
Total recognised income and expense for the period		**179.7**	98.2

Attributable to:		
Members of Orica Limited	**172.3**	89.1
Minority interest	**7.4**	9.1
Total recognised income and expense for the period	**179.7**	98.2

The Condensed consolidated interim statement of recognised income and expenses is to be read in conjunction with the accompanying notes.

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 October 2005 and has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139 as permitted on the first time adoption of AIFRS and has not restated comparative information.

Condensed consolidated interim statement of cash flows

For the period ended 31 March:	Notes	2006 $m Inflows/ (Outflows)	2005 $m Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**2,661.3**	2,584.7
Payments to suppliers and employees		**(2,603.7)**	(2,535.4)
Interest received		**8.8**	4.3
Borrowing costs		**(57.8)**	(48.2)
Dividends received		**6.3**	4.2
Royalties and other operating revenue received		**19.6**	12.1
Net income taxes paid		**(51.5)**	(154.4)
Net cash flows used in operating activities		**(17.0)**	(132.7)
Cash flows from investing activities			
Payments for property, plant and equipment		**(280.9)**	(136.3)
Payments for purchase of investments		**-**	(1.5)
Payment for Dyno Nobel acquisition receivable (1)		**(884.4)**	-
Payment for minorities' share of controlled entities		**(6.6)**	-
Payments for purchase of businesses/controlled entities (1)		**(17.9)**	(50.7)
Proceeds from sale of property, plant and equipment		**30.3**	22.1
Proceeds from sale of investments		**7.0**	-
Proceeds from sale of businesses/controlled entities		**1.6**	-
Net cash flows used in investing activities		**(1,150.9)**	(166.4)
Cash flows from financing activities			
Proceeds from long term borrowings		**-**	50.0
Net movement in short term financing		**205.1**	400.3
Proceeds from issue of ordinary shares		**539.9**	26.3
Proceeds from issue of Orica Step-Up Preference Securities		**486.9**	-
Payments for buy-back of shares		**(3.2)**	(12.5)
Dividends paid - Orica shareholders		**(105.3)**	(122.5)
Dividends paid - minority interest		**(11.8)**	(19.4)
Net cash flows from financing activities		**1,111.6**	322.2
Net (decrease)/increase in cash held		**(56.3)**	23.1
Cash at the beginning of the financial period		**211.9**	147.3
Effects of exchange rate changes on cash		**3.1**	(2.7)
Cash at the end of the financial period		**158.7**	167.7

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:

	2006	2005
Cash	**167.1**	172.6
Bank overdraft	**(8.4)**	(4.9)
	158.7	167.7

The Condensed consolidated interim statement of cash flows is to be read in conjunction with the accompanying notes.
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 October 2005 and has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139 as permitted on the first time adoption of AIFRS and has not restated comparative information.

(1) Total cash paid in relation to the Dyno Nobel Group acquisitions. The amount of $884.4 million represents the purchase price attributable to entities that the Group will gain control over subject to anti-trust approval. The balance relates to those entities that have been acquired and are currently controlled.

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 2006 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.

This is the consolidated entity's first interim financial report under Australian Equivalents to International Financial Reporting Standards (AIFRS) for part of the period covered by the first AIFRS annual financial report. 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 2005 prepared under Australian GAAP (AGAAP), changes in accounting policy for AIFRS requirements summarised in these Financial Statements and any announcements made by Orica Limited.

(ii) Changes in accounting policies

Basis of preparation

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

The consolidated entity changed its accounting policies on 1 October 2005 to comply with AIFRS. The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 October 2004 as the date of transition. An explanation of how the transition from superseded policies to AIFRS has affected the consolidated entity's balance sheet, income statement and cash flows is discussed in note 14.

The accounting policies set out below have been applied in preparing the Financial Statements for the half year ended 31 March 2006, the comparative information presented in these Financial Statements, and in the preparation of the opening AIFRS balance sheet at 1 October 2004, the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the lodged 2005 annual financial report. The impact of changes in these accounting policies on 1 October 2005, the date of transition for financial instruments is disclosed in note 14.

This interim financial report has been prepared on the basis of AIFRS on issue that are effective, or available for early adoption in Orica's first AIFRS annual reporting date, 30 September 2006. Based on these AIFRS, the directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year ending 30 September 2006. Orica has elected to early adopt all Australian Accounting Standards, and interpretations which permit early adoption. The decision to early adopt those standards and interpretations ensures that policy elections described below, including AIFRS transition exemptions, are available. The principal standards and interpretations that have been early adopted are:

- Revised AASB 119 Employee Benefits
- AASB 6 Exploration for and Evaluation of Mineral Resources
- AASB 7 Financial Instruments: Disclosures
- AASB 1039 Concise Financial Reports
- AASB 124 Related Party Disclosures
- AASB 2004-2 Amendments to Australian Accounting Standards amending AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 131 Joint Ventures, AASB 134 Interim Financial Reporting, AASB 139 Financial Instruments: Recognition and Measurement, AASB 141 Agriculture
- AASB 2004-3 Amendments to Australian Accounting Standards amending AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards, AASB 101 Presentation of Financial Instruments, AASB 124 Related Party Disclosures
- AASB 2005-1 Amendments to Australian Accounting Standards amending AASB 139 Financial Instruments: Recognition and Measurement
- AASB 2005-2 Amendments to Australian Accounting Standards amending AASB 1023 General Insurance Contracts
- AASB 2005-3 Amendments to Australian Accounting Standards amending AASB 119 Employee Benefits
- AASB 2005-4 Amendments to Australian Accounting Standards amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure, AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards, AASB 1023 General Insurance Contracts, AASB 1038 Life Insurance Contracts
- AASB 2005-5 Amendments to Australian Accounting Standards amending AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards, AASB 139 Financial Instruments: Recognition and Measurement
- AASB 2005-6 Amendments to Australian Accounting Standards amending AASB 3 Business Combinations

1. Accounting policies (continued)

- AASB 2005-7 Amendments to Australian Accounting Standards amending AASB 134 Interim Financial Reporting
- AASB 2005-8 Amendments to Australian Accounting Standards amending AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards
- AASB 2005-9 Amendments to Australian Accounting Standards·amending AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure
- AASB 2005-10 Amendments to Australian Accounting Standards amending AASB 132 Financial Instruments: Disclosure, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB117 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 2005-11 Amendments to Australian Accounting Standards amending AASB 101 Presentation of Financial Statements, AASB 112 Income taxes, AASB 132 Financial Instruments: Disclosure, AASB 133 Earnings per share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 141Agriculture
- AASB 2006-1 Amendments to Australian Accounting Standards amending AASB 121 The Effects of Changes in Foreign Exchange Rates
- AASB 2006-2 Amendments to Australian Accounting Standards amending AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards
- AASB1048 Interpretation and Application of Standards
- UIG 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- UIG 2 Members Shares in Co-operative Entities and Similar Instruments
- UIG 3 Emission Rights
- UIG 4 Determining whether an Arrangement contains a Lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 6 Liabilities arising from participating in a Specific Waste Electrical and Electronic Equipment
- UIG 1001 Consolidated Financial Reports in relation to Pre-Date of Transition Dual Listed Company Arrangements
- UIG 1002 Post Date of Transition Stapling Arrangements
- UIG 1013 Consolidated Financial Reports in relation to Pre Date of Transition Stapling Arrangements

(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 and until such time as the company ceases to control such entity. In preparing the consolidated Financial Statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(iv) Revenue recognition

External sales and other income are recognised when the risks and rewards of ownership are transferred to the purchaser. Interest income is recognised as it accrues. Proceeds 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 Statement 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. Profit recognition does not normally commence until a contract is at least 40% complete. Stage of completion is measured by reference to an assessment of total labour hours and other 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, 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. Qualifying assets are assets that take more than twelve months to get ready for their intended use or sale. 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.

1. Accounting policies (continued)

(vii) Share based payments

Equity settled share based payments granted after 7 November 2002 but not vested before 1 January 2005 are 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 the Black Scholes option pricing model 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.

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

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. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

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

Current tax is the expected tax 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. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. Orica Limited is the parent entity in the tax consolidated group comprising all wholly-owned Australian entities. The implementation date for the tax-consolidated group was 28 August 2003.

Due to the effect of applying UIG 1052 on tax consolidation accounting and 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 by the subsidiary entities. 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 equals 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 first-in, first-out or weighted average method. For manufactured goods, cost includes direct material and fixed overheads. For merchanted goods, cost is net cost into store.

(x) Construction work in progress

Construction 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.
Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which 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.

1. Accounting policies (continued)

(xiii) Other financial assets

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

Investment income includes dividends which are recognised in the Income Statement when declared.

(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. The assets' residual values, useful lives and amortisation 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

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 October 2004, the date of transition to AIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

(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.

Finance leases 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, trademarks and licences) are amortised on a straight-line basis over their expected useful life to the consolidated entity, being up to twelve years.

Land rights purchased in China are amortised over the period of tenure (fifty years).

Identifiable intangible assets with an indefinite life are not amortised but the recoverable amount of these assets is reviewed as explained under impairment of assets in note 1 xxiv.

Unidentifiable intangibles

Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets and liabilities and contingent liabilities acquired, the difference is treated as goodwill. Goodwill is not amortised, recoverable amount is reviewed as explained under impairment of assets.

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 borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings 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 provision is recognised as a borrowing cost.

1. Accounting policies (continued)

Environmental

Estimated costs relating to the remediation of soil, groundwater and untreated waste that have arisen as a result of past events are usually taken to the Income Statement as soon as the need is identified 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 and as a provision 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.

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 to 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.

Superannuation

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

For defined benefit schemes, 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 as at 1 October 2004, the date of transition to AIFRS, were recognised in retained earnings.

The consolidated entity has early adopted the revised AASB 119 Employee Benefits and all actuarial gains and losses that arise subsequent to 1 October 2004 will be 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.

Dividends

A provision for dividends payable (including distributions on Orica Step Up Preference Shares) 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 provision for dividends payable on Orica Cumulative non-redeemable Preference Shares is recognised on an accruals basis and included in trade and other payables.

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) 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 in terms of 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 stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

1. Accounting policies (continued)

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 to 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.

(xxi) Derivative financial instruments

The consolidated entity uses derivative 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 derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative 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 derivatives 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 derivative 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 derivative 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 derivative 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 operation

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 equity. The ineffective portion is recognised immediately in the Income Statement.

1. Accounting policies (continued)

Comparative period policy

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 October 2005. The Group has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139. The accounting policies applied in the comparative period are as follows:
Derivative financial instruments are used to hedge interest rate and foreign currency exposures. Accordingly, hedge accounting principles are applied, under which gains and losses on derivatives are brought to account on the same basis as the gains and losses on the underlying physical exposures. Derivative financial instruments are not held for speculative purposes.

The effect of interest received, paid or accrued under interest rate swap and forward rate agreements is included in the calculation of net interest expense. The amount receivable or payable at balance date is included in assets or liabilities respectively.

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 receivable and payables are taken to the Income Statement.

Where hedge transactions are 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.

(xxii) Cash flows

For the purposes of the Statement of Cash Flows, 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, net of bank overdrafts.

(xxiii) 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.

Redeemable preference shares

Redeemable preference shares which provide for mandatory redemption are included in liabilities as they are, in substance, borrowings. Dividends payable on these shares are recognised in the Income Statement as borrowing costs on an accruals basis.

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 Statement as borrowing costs on an accruals basis.

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 October 2005. The Group has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139. Under accounting policies applied in the comparative period, Cumulative non-redeemable preference shares were included in share capital.

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.

(xxiv) 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 will be tested for impairment annually.

The recoverable amount of an asset is determined as the higher of net selling price 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.

1. Accounting policies (continued)

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.

(xxv) 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.

(xxvi) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

2. Segment Report

Reports for business

The consolidated entity's operations have been divided into six segments comprising Mining Services, Fertilisers, Consumer Products, Chemnet, Chemical Services, and Other Operations and Corporate & Support Services.

The consolidated entity's policy is to transfer products internally at negotiated commercial prices. Revenue includes royalties and profit on sale of property, plant and equipment.

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

Reports for business and geographical segments

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

Defined business areas	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.
Fertilisers	Manufacture, import and supply of a broad range of fertilisers including nitrogen, phosphate and other fertilisers for the agricultural industry.
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 in Australia, New Zealand, Asia and South America.
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 and related chemicals for watercare, food, timber and general industrial purposes, and sodium cyanide to the gold mining industry.
Other Operations, and Corporate & Support Services	Discontinued and divested businesses, minor activities, non-operating assets, corporate costs, financial items (such as interest and foreign currency gains/losses on borrowings) and profit/loss on sale of businesses.

2. Segment report (continued)

Primary reporting Business segments	Mining Services	Fertilisers	Consumer Products	Chemnet	Chemical Services	Other Operations and Corporate & Support	Eliminations	Consolidated
2006								
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Revenue								
External sales	**1,124.2**	**376.9**	**401.7**	**481.8**	**214.0**	**-**	**-**	**2,598.6**
Inter-segment sales	**10.0**	**18.6**	**0.1**	**23.1**	**17.3**	**-**	**(69.1)**	**-**
Total sales revenue	**1,134.2**	**395.5**	**401.8**	**504.9**	**231.3**	**-**	**(69.1)**	**2,598.6**
Other income	**20.1**	**11.1**	**-**	**1.9**	**0.7**	**5.2**	**-**	**39.0**
Total revenue and other income	**1,154.3**	**406.6**	**401.8**	**506.8**	**232.0**	**5.2**	**(69.1)**	**2,637.6**
Results								
Profit before significant items and income tax expense	**150.9**	**41.9**	**47.7**	**28.7**	**31.5**	**(80.1)**	**-**	**220.6**
Individually significant items	**(9.3)**	**(28.3)**	**-**	**-**	**-**	**0.7**	**-**	**(36.9)**
Segment results post significant items	**141.6**	**13.6**	**47.7**	**28.7**	**31.5**	**(79.4)**	**-**	**183.7**
Income tax expense								**(53.3)**
Profit after income tax expense								**130.4**
Minority interests in (profit) after income tax								**(7.4)**
Net profit for the period relating to members of Orica Limited								**123.0**
Segment assets	**3,055.4**	**1,103.7**	**413.1**	**581.9**	**463.3**	**291.4**	**-**	**5,908.8**
Segment liabilities	**640.0**	**382.3**	**174.8**	**140.2**	**58.6**	**1,894.5**	**-**	**3,290.4**
Investment in equity method associates included in segment assets	**47.9**	**-**	**0.5**	**1.5**	**-**	**0.8**	**-**	**50.7**
Capital expenditure	**215.7**	**28.3**	**3.6**	**4.5**	**11.1**	**8.9**	**-**	**272.1**
Depreciation and amortisation	**37.5**	**15.2**	**7.2**	**4.3**	**8.5**	**1.5**	**-**	**74.2**
Non-cash expenses other than depreciation and amortisation	**3.4**	**0.4**	**1.1**	**0.7**	**0.6**	**3.4**	**-**	**9.6**
Share of associates net profit equity accounted	**5.0**	**-**	**(0.2)**	**-**	**-**	**-**	**-**	**4.8**
2005								
Revenue								
External sales	910.5	423.3	390.6	472.0	187.9	-	-	2,384.3
Inter-segment sales	9.9	16.4	0.1	30.8	13.1	-	(70.3)	-
Total sales revenue	920.4	439.7	390.7	502.8	201.0	-	(70.3)	2,384.3
Other income	6.9	3.5	(0.3)	2.3	-	5.3	-	17.7
Total revenue and other income	927.3	443.2	390.4	505.1	201.0	5.3	(70.3)	2,402.0
Results								
Profit before significant items and income tax expense	131.5	27.6	49.4	38.1	24.9	(73.7)	-	197.8
Individually significant items	-	-	-	-	-	(4.8)	-	(4.8)
Segment results post significant items	131.5	27.6	49.4	38.1	24.9	(78.5)	-	193.0
Income tax expense								(59.2)
Profit after income tax expense								133.8
Minority interests in (profit) after income tax								(9.1)
Net profit for the period relating to members of Orica Limited								124.7
Segment assets	1,767.3	1,059.7	399.9	659.3	456.2	256.7	-	4,599.1
Segment liabilities	513.0	285.8	146.2	157.0	47.4	1,948.7	-	3,098.1
Investment in equity method associates included in segment assets	41.5	-	1.5	3.3	-	0.6	-	46.9
Capital expenditure	82.5	14.3	7.9	4.8	9.5	15.3	-	134.3
Depreciation and amortisation	33.6	13.0	6.2	3.9	9.2	1.6	-	67.5
Non-cash expenses other than depreciation and amortisation	3.2	0.2	0.9	0.4	0.7	4.4	-	9.8
Share of associates net profit equity accounted	2.8	-	-	0.1	-	-	-	2.9

2. Segment report (continued)

Secondary reporting Geographical segments	Australia	New Zealand	Americas	Other	Eliminations	Consolidated
2006						
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Revenue						
External sales	**1,476.8**	**245.9**	**587.4**	**288.5**	**-**	**2,598.6**
Inter-segment sales	**62.8**	**6.1**	**4.4**	**23.0**	**(96.3)**	**-**
Total sales revenue	**1,539.6**	**252.0**	**591.8**	**311.5**	**(96.3)**	**2,598.6**
Other income	**30.8**	**0.4**	**6.5**	**1.3**	**-**	**39.0**
Total revenue and other income	**1,570.4**	**252.4**	**598.3**	**312.8**	**(96.3)**	**2,637.6**
Results						
Profit before significant items and income tax expense	**108.3**	**32.5**	**43.3**	**36.5**	**-**	**220.6**
Individually significant items	**(39.1)**	**-**	**(1.7)**	**3.9**	**-**	**(36.9)**
Segment results post significant items	**69.2**	**32.5**	**41.6**	**40.4**	**-**	**183.7**
Income tax expense						**(53.3)**
Profit after income tax expense						**130.4**
Minority interests in (profit) after income tax						**(7.4)**
Net profit for the period relating to members of Orica Limited						**123.0**
Segment assets	**4,377.6**	**263.4**	**825.2**	**442.6**	**-**	**5,908.8**
Segment liabilities	**2,073.6**	**599.6**	**451.6**	**165.6**	**-**	**3,290.4**
Investment in equity method associates included in segment assets	**3.4**	**-**	**37.4**	**9.9**	**-**	**50.7**
Capital expenditure	**229.7**	**2.8**	**20.8**	**18.8**	**-**	**272.1**
Depreciation and amortisation	**50.5**	**3.2**	**12.6**	**7.9**	**-**	**74.2**
Non cash expenses other than depreciation and amortisation	**7.6**	**0.1**	**1.3**	**0.6**	**-**	**9.6**
Share of associates net profit equity accounted	**(0.1)**	**-**	**4.1**	**0.8**	**-**	**4.8**

2005						
	$m	$m	$m	$m	$m	$m
Revenue						
External sales	1,444.1	251.9	422.7	265.6	-	2,384.3
Inter-segment sales	52.3	5.6	8.0	26.0	(91.9)	-
Total sales revenue	1,496.4	257.5	430.7	291.6	(91.9)	2,384.3
Other income	8.3	-	7.8	1.6	-	17.7
Total revenue and other income	1,504.7	257.5	438.5	293.2	(91.9)	2,402.0
Results						
Profit before significant items and income tax expense	84.7	34.8	41.2	37.1	-	197.8
Individually significant items	(4.6)	-	-	(0.2)	-	(4.8)
Segment results post significant items	80.1	34.8	41.2	36.9	-	193.0
Income tax expense						(59.2)
Profit after income tax expense						133.8
Minority interests in (profit) after income tax						(9.1)
Net profit for the period relating to members of Orica Limited						124.7
Segment assets	3,161.1	285.9	783.2	368.9	-	4,599.1
Segment liabilities	2,446.7	136.9	350.4	164.1	-	3,098.1
Investment in equity method associates included in segment assets	3.7	-	32.2	11.0	-	46.9
Capital expenditure	107.7	2.3	14.8	9.5	-	134.3
Depreciation and amortisation	45.0	3.0	12.6	6.9	-	67.5
Non-cash expenses other than depreciation and amortisation	8.2	0.1	1.3	0.2	-	9.8
Share of associates net profit equity accounted	0.1	-	2.1	0.7	-	2.9

3. Revenue and other income

	2006 $m	2005 $m
External sales revenue	**2,598.6**	2,384.3
Other income		
Royalty income	**0.7**	0.4
Interest income:		
external parties – banks	**9.4**	3.8
Other income	**10.1**	9.4
Profit from sale of businesses/controlled entities	**0.4**	-
Profit on sale of property, plant and equipment	**9.6**	1.8
Profit from sale and mark-to-market of investments (1)	**8.8**	2.3
Total other income	**39.0**	17.7

(1) Profit from sale and mark-to-market of shares in Queensland Gas Corporation.

4. Individually significant items

	2006			2005		
	Gross $m	**Tax $m**	**Net $m**	Gross $m	Tax $m	Net $m
Profit after income tax expense includes the following individually significant items of revenues and expenses:						
Environmental provision - Cockle Creek (2)	**(28.3)**	**8.5**	**(19.8)**	-	-	-
Restructuring and rationalisation costs	**-**	**-**	**-**	(4.8)	1.4	(3.4)
Dyno Nobel income/(expenditure)						
Integration costs	**(9.3)**	**1.4**	**(7.9)**	-	-	-
Net Financing costs	**0.7**	**(1.8)**	**(1.1)**	-	-	-
	(36.9)	**8.1**	**(28.8)**	(4.8)	1.4	(3.4)
Minority interests in individually significant items	**(8.5)**	**2.5**	**(6.0)**	-	-	-
Individually significant items attributable to members of Orica	**(28.4)**	**5.6**	**(22.8)**	(4.8)	1.4	(3.4)

(2) Environmental provision related to Cockle Creek remediation.

5. Earnings per share (EPS)

	2006	2005
	Cents per share	Cents per share
As reported in income statement		
Basic earnings per share	**41.7**	45.7
Diluted earnings per share	**41.4**	45.0
Adjusted for effect of rights issue	**41.7**	44.3

	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	**294,773,292**	272,850,471
Effect of Executive Shares Options	**2,155,233**	4,131,559
Effect of Award Rights	**-**	174,200
Effect of Orica Step-Up Preference Securities	**10,302**	-
Number for diluted earnings per share	**296,938,827**	277,156,230

The following Orica long term equity incentive plan options have not been included in the calculation for diluted EPS as they are not dilutive:

- issue date 22 December 2004	**-**	1,096,702
- issue date 23 December 2005	**1,208,392**	-

	$m	$m
Reconciliation of earnings used in the calculation of basic and diluted earnings per share:		
Net profit for the period	**123.0**	124.7
Less preference share dividends appropriated	**-**	(0.1)
Earnings used in calculation of EPS	**123.0**	124.6

6. Dividends and distributions

	2006 $m	2005 $m
Dividends		
Dividends paid or declared in respect of the period to 31 March were:		
Ordinary		
final dividend of 45 cents per share, 46.7% franked at 30%, paid 8 Dec 2004	**-**	122.4
final dividend of 46 cents per share, 32.6% franked at 30%, paid 16 Dec 2005	**126.1**	-
Preference		
final dividend of 2.5 cents per share, 46.7% franked at 30%, paid 31 Jan 2005	**-**	0.05
final dividend of 2.5 cents per share, 32.6% franked at 30%, paid 31 Jan 2006 (1)	**0.05**	-
Redeemable Preference (2)		
quarterly dividend at 5.36% per annum, per share, unfranked, paid 27 November 2004	**-**	0.7
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	**105.4**	89.9
satisfied by issue of shares	**20.8**	-
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan (3)	**-**	32.6

Distributions

Subsequent events
Since the end of the financial year, the directors declared the following dividend:
Ordinary
interim dividend of 26 cents per share, 34.6% franked at 30%, payable 7 July 2006

The financial effect of the interim ordinary dividend has not been brought to account in the financial statements for the period ended 31 March 2006 and will be recognised in subsequent financial reports.

(1) Dividends on these shares have been charged to the Income Statement as borrowing costs because the shares are classified as liabilities.
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 October 2005. The Group has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139. Under accounting policies applied in the comparative period, Cumulative non-redeemable preference shares were included in share capital and distributions disclosed as dividends.
(2) Dividends on these shares have been charged to the Income Statement as borrowing costs because the shares are classified as liabilities.
(3) During the period, the Company bought nil (2005 697,854) shares on market to satisfy shareholders' Dividend Reinvestment Plan (DRP) requirements and the transaction costs have been charged directly against contributed equity.

Amount per security of foreign source dividend:

			Cents				Cents
Interim dividend:				Interim dividend:			
Current period	-	Ordinary	Nil	Previous period	-	Ordinary	Nil

The dividend or distribution plans shown below are in operation.

A dividend reinvestment plan for ordinary securities and a share acquisition scheme have operated since 30 April 1998. No discount will be applied for shares acquired under both plans for the time being.

The last date(s) for receipt of election notices for the dividend or distribution plans	Ordinary	14-Jun-06
	Preference	14-Jul-06

7. Contributed equity

	2006 $m	2005 $m
Contributed equity		
Issued and fully paid:		
Cumulative non-redeemable 5% preference shares - 2,000,000 (2005 2,000,000)	-	2.0
Orica Step-Up Preference Securities - 5,000,000 (2005 nil)	490.9	-
Ordinary shares - 312,360,105 (2005 273,895,530)	888.2	340.0
Balance at end of the period	**1,379.1**	342.0

Details	Date	Number of shares	Issue price $	$m
Cumulative non-redeemable 5% preference shares (i)				
Opening balance	1-Oct-05	2,000,000	1.00	2.0
Reclassification under AASB 139	1-Oct-05	-		(2.0)
Balance	**31-Mar-06**	**2,000,000**		**-**

(i) 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 Statement as borrowing costs on an accruals basis.

Details	Date	Number of shares	Issue price $	$m
Step-Up Preference Securities				
Opening balance	1-Oct-05	-		-
Step-Up Preference Securities issued (7)	16-Mar-06	5,000,000	100.00	500.0
Step-Up Preference Securities issued - costs (7)	16-Mar-06			(9.1)
Balance	**31-Mar-06**	**5,000,000**		**490.9**
Ordinary Shares				
Opening balance of ordinary shares issued	1-Oct-04	270,057,893		345.9
Shares issued under the Orica executive option plans (A)		3,814,913	-	26.4
Share buy-back (5)		(1,073,978)	18.90	(20.3)
Share movements under the Orica LTEIP plan (B)		1,096,702	-	(13.6)
Share movements under the Orica SESLP plan (C)		-	-	1.6
Balance	31-Mar-05	273,895,530		340.0
Shares issued under the Orica GEESP plan (2)		72,561	17.53	1.3
Shares issued under the Orica executive option plans (A)		156,653	-	1.3
Shares issued under the Orica SESLP plan (C)		151,122	-	5.8
Shares issued under the Orica dividends reinvestment plan		697,854	17.68	12.3
Share buy-back (5)		(1,869,440)	17.87	(33.4)
Balance	30-Sep-05	273,104,280		327.3
Shares issued under the Orica executive option plans (A)		2,581,918	-	20.3
Shares issued under the Orica dividends reinvestment plan		1,038,688	20.06	20.8
Shares issued under the Orica LTEIP plan (B)		1,208,392	-	7.7
Shares issued under the Orica Rights Issue (6)		34,426,827	15.00	516.4
Expenses related to issue the Orica Rights Issue (6)		-	-	(8.0)
Shares issued under the Orica SESLP plan (C)		-	-	3.7
Balance	**31-Mar-06**	**312,360,105**		**888.2**

7. Contributed equity (continued)

Details	Date	Number of shares	Issue price $	$m
(A) Shares issued under the Orica executive option plans (1)				
Shares issued under the Orica executive option plan		174,200	-	-
Shares issued under the Orica executive option plan		6,380	8.31	0.1
Shares issued under the Orica executive option plan		159,400	5.72	0.9
Shares issued under the Orica executive option plan		998,000	5.67	5.7
Shares issued under the Orica executive option plan		2,437,842	7.91	19.3
Shares issued under the Orica executive option plan		8,127	9.02	0.1
Shares issued under the Orica executive option plan		10,044	9.24	0.1
Shares issued under the Orica executive option plan		20,920	10.35	0.2
Balance	31-Mar-05	3,814,913		26.4
Shares issued under the Orica executive option plan		10,000	5.67	0.1
Shares issued under the Orica executive option plan		146,653	7.91	1.2
Balance	30-Sep-05	156,653		1.3
Shares issued under the Orica executive option plan		**23,380**	**8.31**	**0.2**
Shares issued under the Orica executive option plan		**14,900**	**5.72**	**0.1**
Shares issued under the Orica executive option plan		**6,800**	**5.14**	**-**
Shares issued under the Orica executive option plan		**27,000**	**5.67**	**0.2**
Shares issued under the Orica executive option plan		**25,000**	**5.09**	**0.1**
Shares issued under the Orica executive option plan		**1,982,007**	**7.91**	**15.7**
Shares issued under the Orica executive option plan		**373,407**	**7.33**	**2.7**
Shares issued under the Orica executive option plan		**15,066**	**9.24**	**0.1**
Shares issued under the Orica executive option plan		**12,191**	**9.02**	**0.1**
Shares issued under the Orica executive option plan		**5,908**	**9.77**	**0.1**
Shares issued under the Orica executive option plan		**41,015**	**10.35**	**0.4**
Shares issued under the Orica executive option plan		**10,000**	**10.36**	**0.1**
Shares issued under the Orica executive option plan		**34,241**	**10.18**	**0.3**
Shares issued under the Orica executive option plan		**7,319**	**13.38**	**0.1**
Shares issued under the Orica executive option plan		**3,684**	**13.88**	**0.1**
Balance	**31-Mar-06**	**2,581,918**		**20.3**
(B) Orica Long Term Executive Incentive Plan (LTEIP) (3) (8)				
Shares issued under the Orica LTEIP		1,096,702	20.16	-
Shares bought back under Orica LTEIP		-		(13.6)
Balance	31-Mar-05	1,096,702		(13.6)
Shares issued under the Orica LTEIP		-		-
Balance	30-Sep-05	-		-
Shares issued under the Orica LTEIP		**1,208,392**	**20.67**	**-**
Shares bought back under Orica LTEIP		**-**		**(0.1)**
Shares bought back under Orica LTEIP		**-**		**(2.9)**
Shares issued under the Orica LTEIP		**-**		**10.7**
Balance	**31-Mar-06**	**1,208,392**		**7.7**
(C) Orica Senior Executive Share Loan Plan (SESLP) (4) (8)				
Shares issued under the Orica SESLP		-		1.6
Balance	31-Mar-05	-		1.6
Shares issued under the Orica SESLP		151,122	16.05	-
Shares issued under the Orica SESLP		-		5.8
Balance	30-Sep-05	151,122		5.8
Shares issued under the Orica SESLP		**-**		**3.7**
Balance	**31-Mar-06**	**-**		**3.7**

(1) The options and award rights have been exercised at various times during the year. The weighted average of the fair value of shares issued in the current period was $20.84.

(2) Shares issued under the Orica general employee exempt share plan.

(3) Shares issued under the Orica employees long term equity incentive plan.

(4) Shares issued under the Orica senior employee share loan plan.

(5) Shares bought back and cancelled over a period from January 2005 to June 2005**.**

(6) Shares issued and costs incurred pursuant to rights issue prospectus dated 21 November 2005.

(7) Shares issued and costs incurred pursuant to Hybrid issue prospectus dated 17 February 2006.

(8) Under the SESLP and LTEIP, eligible employees are provided with a 3 year, interest free, non-recourse loan from the Company for the sole purpose of acquiring shares in Orica. Employees 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 employees 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 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.

7. Contributed equity (continued)

	2006 **$m**	2005 $m
Total equity reconciliation		
Total equity at the beginning of the period	**1,519.5**	1,539.4
Total changes recognised in statement of recognised income and expense	**172.3**	89.1
Transactions with owners as owners		
Dividends provided for or paid	**(126.1)**	(122.5)
Writeback dividends re share based payments	**-**	1.4
Share based payments reserve movements	**9.6**	9.8
Purchase of minorities	**(1.9)**	-
Contribution of equity	**1,051.8**	(5.9)
Adjustments to Share Capital on transition to AASB 139	**(2.0)**	-
Total changes in minority interest	**(4.8)**	(10.3)
Total equity at the end of the period	**2,618.4**	1,501.0

7. Contributed equity (continued)

Options over unissued ordinary shares:

Exercisable between		Balance 30 Sep 04	Issued/ Reinstated During Period	Exercised During Period	Lapsed During Period	Balance 31 Mar 05	Issued/ Reinstated During Period	Exercised During Period	Lapsed During Period	Balance 30 Sep 05
01 Jan 03	31 Dec 09	61,880	-	(6,380)	-	55,500	-	-	(11,000)	44,500
01 Jan 04	31 Dec 10	215,700	-	(159,400)	-	56,300	-	-	-	56,300
31 Dec 04	31 Dec 06	1,116,000	10,000	(998,000)	-	128,000	-	(10,000)	-	118,000
31 Oct 05	31 Oct 07 [1]	7,492,067	-	(2,437,842)	-	5,054,225	42,397	(146,653)	(72,307)	4,877,662
31 Oct 05	31 Oct 07 [1]	40,176	-	(10,044)	-	30,132	-	-	-	30,132
31 Oct 05	31 Oct 07 [1]	32,509	-	(8,127)	-	24,382	-	-	-	24,382
31 Oct 05	31 Oct 07 [1]	115,421	-	(20,920)	-	94,501	-	-	(13,882)	80,619
31 Oct 05	31 Oct 07 [1]	20,000	-	-	-	20,000	-	-	-	20,000
31 Oct 05	31 Oct 07 [1]	84,576	-	-	-	84,576	-	-	(9,167)	75,409
10 Nov 05	31 Oct 07 [1]	27,507	-	-	-	27,507	-	-	-	27,507
10 Nov 06	31 Oct 07 [1]	21,045	-	-	-	21,045	-	-	-	21,045
Total		9,226,881	10,000	(3,640,713)	-	5,596,168	42,397	(156,653)	(106,356)	5,375,556

[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.

Exercisable between		Balance 30 Sep 05	Issued/ Reinstated During Period	Exercised During Period	Lapsed During Period	**Balance 31 Mar 06**
01 Jan 03	31 Dec 09	44,500	-	(23,380)	-	**21,120**
01 Jan 04	31 Dec 10	56,300	-	(21,700)	-	**34,600**
31 Dec 04	31 Dec 06	118,000	-	(52,000)	-	**66,000**
31 Oct 05	31 Oct 07 [1]	4,877,662	-	(2,355,414)	-	**2,522,248**
31 Oct 05	31 Oct 07 [1]	30,132	-	(15,066)	-	**15,066**
31 Oct 05	31 Oct 07 [1]	24,382	-	(12,191)	-	**12,191**
31 Oct 05	31 Oct 07 [1]	80,619	-	(46,923)	-	**33,696**
31 Oct 05	31 Oct 07 [1]	20,000	-	(10,000)	-	**10,000**
31 Oct 05	31 Oct 07 [1]	75,409	-	(34,241)	-	**41,168**
10 Nov 05	31 Oct 07 [1]	27,507	-	(11,003)	-	**16,504**
10 Nov 06	31 Oct 07 [1]	21,045	-	-	-	**21,045**
Total		5,375,556	-	(2,581,918)	-	**2,793,638**

Award Rights over unissued shares: [2]

	Balance 30 Sep 04	Issued/ Reinstated During Period	Exercised During Period	Lapsed During Period	Balance 31 Mar 05	Issued/ Reinstated During Period	Exercised During Period	Lapsed During Period	Balance 30-Sep-05
31 Dec 04	172,200	2,000	(174,200)	-	-	-	-	-	-
Total	172,200	2,000	(174,200)	-	-	-	-	-	-

[2] The balance of Award Rights over unissued shares at March 2006 was nil.

8. Statement of reserves and retained earnings

	2006 $m	2005 $m
Reserves and retained earnings		
(a) Reserves		
Share Based Payments	**18.7**	7.3
Cash flow hedging	**18.2**	-
Foreign currency translation	**1.2**	(35.6)
Equity reserve	**(1.9)**	-
Balance at end of the period	**36.2**	(28.3)
Movement in reserves during the period		
Share Based Payments		
Balance at beginning of year	**9.1**	(2.5)
Share based payments expense	**9.6**	9.8
Balance at end of the period	**18.7**	7.3
Cash flow hedging		
Balance at beginning of year	**-**	-
Transition adjustments	**(19.0)**	-
Movement for the period	**37.2**	-
Balance at end of the period	**18.2**	-
Foreign currency translation		
Balance at beginning of year	**(29.9)**	-
Transition adjustments re AASB 139	**6.5**	-
Translation of overseas controlled entities at the end of the period	**24.6**	(35.6)
Balance at end of the period	**1.2**	(35.6)
Equity reserve		
Balance at beginning of year	**-**	-
Purchase of minority interests	**(1.9)**	-
Balance at end of the period	**(1.9)**	-
(b) Retained earnings		
Retained earnings at the beginning of the period	**1,019.4**	989.1
Operating profit after income tax attributable to members of Orica	**123.0**	124.7
Writeback dividends re share based payments	**-**	1.4
Dividends:		
Preference – declared/paid	**-**	(0.1)
Ordinary – final prior year declared/paid	**(126.1)**	(122.4)
Retained earnings at the end of the period	**1,016.3**	992.7

9. Investments accounted for using the equity method

The economic 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 March 2006	31 March 2005	**31 March 2006**	31 March 2005
	%	%	**$m**	$m
Qenos Holdings Pty Limited (Disposed 16 February 2006)	**-**	50.0	**-**	-
Nelson Brothers, LLC	**50.0**	50.0	**4.8**	3.3
Nelson Brothers Mining Services, LLC	**27.7**	27.7		
Emirates Explosives LLC	**49.0**	49.0		
Pigment Manufacturers of Australia Limited	**50.0**	50.0	**Individually not material In aggregate nil**	Individually not material In aggregate loss of 0.4
BXL Bulk Explosives Limited	**50.0**	50.0		
Northwest Energetic Services, LLC	**33.3**	33.3		
Botany Industrial Park Pty Limited	**50.0**	50.0		
Geneva Nitrogen LLC	**50.0**	50.0		
Geodynamics B.V. (Acquired 15 July 2005)	**29.0**	-		
Sprewa Sprengmittel GmbH	**24.0**	24.0		
MSW-Chemie GmbH	**31.5**	31.5		
Troisdorf GmbH	**50.0**	50.0		
Wurgendorf GmbH	**50.0**	50.0		
Pinegro Products Pty Ltd	**50.0**	50.0		
Orica Camel Coatings Ltd	**50.0**	50.0		
Australian Plantations Pty Ltd	**50.0**	50.0		
Tasmannia Lanceolata Plantation	**50.0**	50.0		
Exor Explosives Limited	**50.0**	50.0		
PIIK Limited Partnership	**49.0**	49.0		
Total			**4.8**	2.9

10. Acquisition and disposal of businesses/controlled entities

	2006 $m	2005 $m
Consideration		
cash paid	**17.9**	53.6
acquisition costs	**9.8**	-
net cash acquired	**(9.8)**	(2.9)
	17.9	50.7
Fair value of net assets of businesses/controlled entities acquired		
receivables	**6.1**	12.0
inventories	**7.5**	9.1
property, plant and equipment	**1.8**	5.1
other assets	**10.9**	2.2
payables and interest bearing liabilities	**(7.6)**	(11.3)
provision for employee entitlements	**-**	(0.4)
provision for taxation	**(0.5)**	(0.4)
other provisions	**(0.8)**	-
	17.4	16.3
Less minority interest at date of acquisition	**(1.4)**	(2.4)
	16.0	13.9
Goodwill on acquisition	**1.9**	36.8
Disposal of businesses/controlled entities		
Consideration		
cash received	**1.8**	-
cash disposed	**(0.1)**	-
disposal costs	**(0.1)**	-
	1.6	-
Carrying value of net assets of businesses/controlled entities disposed		
receivables	**1.1**	-
inventories	**1.2**	-
property, plant and equipment	**0.5**	-
other assets	**0.2**	-
payables and interest bearing liabilities	**(1.3)**	-
provision for income tax	**(0.3)**	-
	1.4	-
Less outside equity interests at date of disposal	**(0.2)**	-
	1.2	-
Profit on sale of business/controlled entities	**0.4**	

Disposal/acquisition of controlled entities
The following controlled entities were acquired or disposed of:

Acquisitions:
During the half year, the consolidated entity acquired the following Dyno Nobel entities (100% unless stated otherwise):
(1) In December 2005, the purchases of Dyno Nobel (Thailand) Limited, Dyno Nobel Slovakia AS, Dyno Nobel Schweiz AG and Ensign-Bickford Venezuela C.A. (51%), were completed.
(2) During March 2006, the purchases of Dyno Nobel Philippines Inc. and Nitro Asia Company Inc. were completed.
Due to the complexity and timing of the Dyno Group acquisitions, the fair values of the assets and liabilities acquired (detailed above) are provisional and subject to change following completion of the acquisition of Dyno.

Disposals:
During the half year, the consolidated entity disposed of its 88.3% share in Orica Paints (Fiji) Limited.

11. Income tax

	2006 $m	2005 $m
Income tax expense		
The amount of income tax attributable to the half year differs from the amount prima facie payable on the operating profit. The differences are reconciled as follows:		
Income tax expense attributable to operating profit before significant items		
Prima facie income tax expense calculated at 30% on profit before significant items	**66.2**	59.3
Tax effect of permanent differences which (reduce)/increase tax expense:		
variation in tax rates of foreign controlled entities	**1.7**	2.6
tax under provided in prior years	**0.5**	0.4
non allowable share based payment	**2.7**	2.9
non-taxable profit on sale of investments	**(1.8)**	-
other foreign deductions	**(10.7)**	(10.3)
sundry items	**2.8**	5.7
Income tax expense attributable to operating profit before significant items	**61.4**	60.6
Income tax expense attributable to significant items		
Prima facie income tax expense calculated at 30% on loss from significant items	**(11.1)**	(1.4)
Tax effect of permanent differences related to indivdually significant items which increase tax expense:		
individually significant items – non-allowable Dyno Nobel Integration cost	**1.3**	-
individually significant items – non-allowable Dyno Nobel Financing cost	**1.7**	-
Income tax benefit attributable to operating profit from significant items	**(8.1)**	(1.4)
Income tax expense attributable to operating profit	**53.3**	59.2
Income tax expense comprises:		
current tax	**32.6**	36.9
deferred tax	**20.2**	21.9
tax under provided in prior years	**0.5**	0.4
	53.3	59.2

12. Contingent liabilities and contingent assets

Contingent Liabilities

Environmental

(i) General

A number of sites within the Orica 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 current accounting policy (see note 1 xix) 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 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.

(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 commissioning and operation of a Groundwater Treatment Plant, to treat the groundwater at Botany, which is contaminated with pollutants from historical operations. The continuing operation of the Groundwater Treatment Plant will also enable the recycling of treated water for industrial uses. Orica is also investigating suitable remediation options for Dense Non-Aqueous Phase Liquid (DNAPL) source areas.

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

Orica is implementing the recommendations of the New South Wales (NSW) Government Panel of Inquiry. In collaboration with the NSW Government, Orica is in the process of identifying whether a suitable NSW host location exists for the destruction of this material. In the event that a suitable host site cannot be located, the NSW government will consider the merits of other options including the export to existing registered destruction facilities in Europe. In the meantime, Orica will continue to ensure the safe storage of the HCB waste at Botany. In addition, soil and ash contaminated with low level chlorinated materials (including hexachlorobutadiene and HCB) is stored in an approved encapsulation on the Botany site. Orica is investigating technologies that may be suitable to treat this material and is evaluating conventional destruction methods, such as thermal desorption, in addition to funding research into novel technologies, including in-situ bioremediation.

Other Matters

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. The sites that Orica is responsible for are located in Australia at: Kooragang Island (NSW), Chester Hill (NSW), and in the USA at; Seneca (Illinois) and Geneva (Utah) (50% owned). The voluntary environmental investigation underway at Yarraville (Victoria, Australia) has been formalised in a statutory audit under the direction of the Environmental Protection Authority (EPA) of Victoria and the remediation activities at the Villawood (NSW, Australia) site has been formalised into a Remediation Order from the NSW Department of Environment and Conservation. Also, remediation activities are being performed by Incitec Pivot Limited at: Cockle Creek (NSW), Parafield Gardens (South Australia) and Wallaroo (South Australia).

Superannuation – The Flexible Benefits Super Fund

The consolidated entity has covenanted to ensure the solvency of the Flexible Benefits Super Fund. In accordance with the Fund's Trust Deed, the consolidated entity must fund any payment obligations unable to be met by the Fund, as and when they fall due. As at the Balance Date, the Flexible Benefit Superannuation Fund is able to meet all payment obligations as and when they fall due.

Taxation

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.

Brazilian Tax Action

The Brazilian Taxation authority is claiming unpaid taxes relating to the 1997 financial year of approximately $25 million. Orica's external legal counsel considers the exposure remote. ICI, the vendor, 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.

12. Contingent liabilities and contingent assets (continued)

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.

The directors are of the opinion, based on Queen's Counsel advice, that no liability should be 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.

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 issue until the outcome of the dispute with Orica Limited is known. Orica would also contest this matter.

Tax Audit – 2000 Termination of Crop Care Distribution Agreement

On 1 May 2006, Orica Limited was advised that the Australian Taxation Office had issued an amended assessment to its former subsidiary Crop Care Australasia Pty Ltd (a joint venture company with Incitec) with respect to the termination of Crop Care's distribution agreement with Syngenta (formerly Zeneca) in December 2000. The amended assessment is for an amount of $15.9 million, representing primary tax of $9.6 million and interest of $6.3 million.

The shares in Crop Care Australasia Pty Ltd were sold to Nufarm Limited on the 31 October 2002. Under the terms of the share sale agreement, Orica agreed to reimburse Nufarm Limited for any loss arising from tax payable in relation to the termination of the distribution agreement. Orica has carriage of any dispute with the ATO in relation to this matter. It is proposed that Crop Care will enter into an agreement with the ATO to pay 50% of the amended assessment pending final resolution and Orica will recognise this amount as a non-current receivable.

On Crop Care's behalf, Orica intends to lodge an objection against the amended assessment and vigorously defend the claim. Orica believes that Crop Care's tax position will ultimately prevail in this matter and accordingly it is expected that any amounts paid would be recovered by Crop Care and reimbursed to Orica.

Discounted bills of exchange

A discounted bill of exchange facility is in place with a bank and is utilised by a number of customers for the purpose of trade finance. The majority of these discounted bills of exchange are issued for periods less than 120 days.

The adoption of AIFRS has meant the full amount of this trade finance facility has been brought onto the balance sheet. Prior to the adoption of AIFRS, the facility was disclosed as a contingent liability. The total amount of the facility outstanding at 31 March 2006, recognised on the balance sheet as a current interest bearing liability and also as current trade receivables, amounted to $36.1 million (September 2005 $166.0 million, March 2005 $102.0 million).

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.
- Letters of credit totalling USD51.7 million have been issued in connection with the proposed Dyno Nobel acquisition.
- 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 a number of other 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. In the opinion of the directors, any further information about these matters would be prejudicial to the interests of the Company.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- A controlled entity (Incitec Pivot Limited) has guaranteed seasonal borrowings of certain customers. A $70 million facility historically has been in place with Suncorp Metway, however has not been renewed for the 2006 / 2007 season. The amount guaranteed by Incitec Pivot is 4% of the total facility or $2.8 million. In the event that customers default on the borrowing, there is recourse to the Company of up to a maximum of $2.8 million. The amount would be written off if the Company was unsuccessful in collecting the underlying debt. As reported in note 13 "Events subsequent to balance date", Orica's controlling interest in Incitec Pivot Limited has been sold post balance date.

12. Contingent liabilities and contingent assets (continued)

The adoption of AIFRS has meant the full amount of this trade finance facility has been brought onto the balance sheet. Prior to the adoption of AIFRS the guaranteed portion of the facility was disclosed as a contingent liability. The total amount of the facility outstanding at 31 March 2006, recognised on the balance sheet as a current interest bearing liability and also as current trade receivables, amounted to $8.4 million (30 September 2005 $25.6 million, 31 March 2005 $9.1 million).

13. Events subsequent to balance date

On 11 April 2006, Orica announced that it had completed a review of the cost base and structure of its Chemnet business. The review has been necessary as a result of the slower market conditions being faced by the business and loss of market share in some sectors such as automotive, building and construction, and health and nutrition. The total cost of the restructure is estimated at $36 million after tax ($48 million before tax) and will be disclosed as an individually significant item in the financial report for the year ended 30 September 2006. This is expected to comprise cash costs of $13 million after tax ($18 million before tax) and asset writedowns in the vicinity of $23 million after tax ($30 million before tax). The asset writedowns relate to the exit of various product lines, excess warehouse space and manufacturing asset rationalisation.

On 10 May 2006, Orica announced the sale of a 56.5% stake in listed company Incitec Pivot Limited (IPL), via an institutional placement underwritten by Macquarie Equity Capital Markets Limited at a price of $21.00 per share. This will result in gross proceeds for a 56.5% stake in IPL being $692 million. The balance of Orica's holding in IPL (13.5% of IPL's issued ordinary shares) is intended to be sold to IPL under a selective share buy-back, also at a price of $21.00 per share, giving rise to further proceeds of $165 million. The selective share buy back is subject to approval by IPL shareholders. As a result of the sale of its total stake in IPL, it is estimated that Orica will recognise an after tax gain of approximately $399 million as an individually significant item in its full year 2006 results.

Since the end of the half year, the directors declared an interim dividend of 26 cents per share payable on 7 July 2006. The financial effect of this dividend is not included in the financial statements for the half year ended 31 March 2006 and will be recognised in the full year 2006 financial statements.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2006, 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.

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 approximately 30%.

14. Impact of adopting AASB equivalents to IASB standards

This is the Group's first interim financial report prepared in accordance with the requirements of AIFRS which Orica is required to adopt from 1 October 2005. The Group's first fully AIFRS compliant financial statements will be presented for the year ended 30 September 2006. The rules for first time adoption of AIFRS are set out in AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards ("AASB 1"). In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 October 2004 with the exception of the requirements of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement which is only applicable from 1 October 2005 and for which no comparative information is required. AASB1 also allows a number of exemptions and exceptions to this general principle to assist in the transition to reporting under AIFRS, which are set out in this note to the extent they are relevant to Orica.

Presented below are the restated balance sheets at 1 October 2004, 31 March 2005, 30 September 2005 and 1 October 2005, together with the restated income statements for the periods ending 31 March 2005 and 30 September 2005. There are no changes to the cash flow statement identified as part of AIFRS transition.

Balance Sheets under AIFRS

The following table sets out the adjustments to the balance sheet of the Group at transition to AIFRS on 1 October 2004:

	Notes	AGAAP 2004 $m	Adj $m	AIFRS 2004 $m
Current assets				
Cash and cash equivalents		148.9	-	148.9
Receivables		754.4	-	754.4
Other financial assets		-	-	-
Inventories		744.7	-	744.7
Other assets	(a)	61.6	(10.0)	51.6
Total current assets		1,709.6	(10.0)	1,699.6
Non-current assets				
Receivables	(g)	21.3	(20.1)	1.2
Investments accounted for using the equity method	(e)	65.7	(17.3)	48.4
Other financial assets		-	-	-
Property, plant and equipment	(a)(c)(e)	1,518.0	(3.6)	1,514.4
Intangible assets	(c)(d)(f)	581.8	6.5	588.3
Deferred tax assets	(b)(e)(j)	216.8	91.7	308.5
Other assets	(a)	40.1	(14.6)	25.5
Total non-current assets		2,443.7	42.6	2,486.3
Total assets		4,153.3	32.6	4,185.9
Current liabilities				
Payables		779.7	-	779.7
Interest bearing liabilities		385.7	-	385.7
Current tax liabilities	(j)	28.2	3.5	31.7
Provisions	(f)	193.2	(9.8)	183.4
Total current liabilities		1,386.8	(6.3)	1,380.5
Non-current liabilities				
Payables		14.8	0.4	15.2
Interest bearing liabilities		740.5	-	740.5
Deferred tax liabilities	(j)	151.7	26.4	178.1
Retirement benefit obligations	(b)	-	86.9	86.9
Provisions	(k)	221.6	23.7	245.3
Total non-current liabilities		1,128.6	137.4	1,266.0
Total liabilities		2,515.4	131.1	2,646.5
Net assets		1,637.9	(98.5)	1,539.4
Equity				
Parent entity interest				
Contributed equity		369.3	(21.4)	347.9
Reserves	(a)(g)	108.1	(110.6)	(2.5)
Retained profits	(a)	951.2	37.9	989.1
Total parent entity interest		1,428.6	(94.1)	1,334.5
Minority interest	(g)(j)	209.3	(4.4)	204.9
Total equity		1,637.9	(98.5)	1,539.4

Balance Sheets under AIFRS

The following table sets out the adjustments to the balance sheet of the Group at 31 March 2005:

	Notes	AGAAP 2005 $m	Adj $m	AIFRS 2005 $m
Current assets				
Cash and cash equivalents		172.6	-	172.6
Receivables		763.4	(2.5)	760.9
Other financial assets		2.9	-	2.9
Inventories		955.6	-	955.6
Other assets	(a)	89.5	(9.5)	80.0
Total current assets		1,984.0	(12.0)	1,972.0
Non-current assets				
Receivables	(g)	160.2	(52.7)	107.5
Investments accounted for using the equity method	(e)	61.2	(14.3)	46.9
Other financial assets		-	-	-
Property, plant and equipment	(a)(c)(e)	1,567.2	(6.7)	1,560.5
Intangible assets	(c)(d)(f)	598.0	24.3	622.3
Deferred tax assets	(b)(e)(j)	185.4	78.1	263.5
Other assets	(a)	37.2	(10.8)	26.4
Total non-current assets		2,609.2	17.9	2,627.1
Total assets		4,593.2	5.9	4,599.1
Current liabilities				
Payables		792.2	-	792.2
Interest bearing liabilities		847.9	-	847.9
Current tax liabilities	(j)	22.7	2.0	24.7
Provisions	(f)	146.3	(5.0)	141.3
Total current liabilities		1,809.1	(3.0)	1,806.1
Non-current liabilities				
Payables		12.7	0.5	13.2
Interest bearing liabilities		766.0	-	766.0
Deferred tax liabilities	(j)	148.3	31.3	179.6
Retirement benefit obligations	(b)	-	86.2	86.2
Provisions	(k)	225.2	21.8	247.0
Total non-current liabilities		1,152.2	139.8	1,292.0
Total liabilities		2,961.3	136.8	3,098.1
Net assets		1,631.9	(130.9)	1,501.0
Equity				
Parent entity interest				
Contributed equity		397.4	(55.4)	342.0
Reserves	(a)(g)	77.6	(105.9)	(28.3)
Retained profits	(a)	959.4	33.3	992.7
Total parent entity interest		1,434.4	(128.0)	1,306.4
Minority interest	(g)(j)	197.5	(2.9)	194.6
Total equity		1,631.9	(130.9)	1,501.0

Balance Sheets under AIFRS

The following table sets out the adjustments to the balance sheet of the Group as at 30 September 2005.

	Notes	AGAAP 2005 $m	Adj $m	AIFRS 2005 $m
Current assets				
Cash and cash equivalents		214.7	-	214.7
Receivables		673.6	(2.6)	671.0
Other financial assets		12.3	-	12.3
Inventories		826.3	-	826.3
Other assets	(a)	65.6	(8.3)	57.3
Total current assets		1,792.5	(10.9)	1,781.6
Non-current assets				
Receivables	(g)	144.0	(44.3)	99.7
Investments accounted for using the equity method	(e)	64.1	(15.0)	49.1
Other financial assets		-	-	-
Property, plant and equipment	(a)(c)(e)	1,651.3	(45.8)	1,605.5
Intangible assets	(c)(d)(f)	576.5	46.0	622.5
Deferred tax assets	(b)(e)(j)	208.6	85.3	293.9
Other assets	(a)	33.1	(10.6)	22.5
Total non-current assets		2,677.6	15.6	2,693.2
Total assets		4,470.1	4.7	4,474.8
Current liabilities				
Payables		909.4	-	909.4
Interest bearing liabilities		49.5	-	49.5
Current tax liabilities	(j)	16.5	4.9	21.4
Provisions	(f)	197.3	-	197.3
Total current liabilities		1,172.7	4.9	1,177.6
Non-current liabilities				
Payables		9.1	0.8	9.9
Interest bearing liabilities		1,277.3	-	1,277.3
Deferred tax liabilities	(j)	160.6	34.7	195.3
Retirement benefit obligations	(b)	-	74.2	74.2
Provisions	(k)	197.3	23.7	221.0
Total non-current liabilities		1,644.3	133.4	1,777.7
Total liabilities		2,817.0	138.3	2,955.3
Net assets		1,653.1	(133.6)	1,519.5
Equity				
Parent entity interest				
Contributed equity		381.2	(51.9)	329.3
Reserves	(a)(g)	82.2	(103.0)	(20.8)
Retained profits	(a)	996.9	22.5	1,019.4
Total parent entity interest		1,460.3	(132.4)	1,327.9
Minority interest	(g)(j)	192.8	(1.2)	191.6
Total equity		1,653.1	(133.6)	1,519.5

Balance Sheets under AIFRS

The following table sets out the adjustments to the balance sheet of the Group as at 1 October 2005.
The impact of AASB 132 and 139 is disclosed below:

	Notes	AIFRS 2005 $m	Adj $m	AIFRS 2005 $m
Current assets				
Cash and cash equivalents		214.7	-	214.7
Receivables	(m)	671.0	191.6	862.6
Other financial assets		12.3	-	12.3
Inventories		826.3	-	826.3
Other assets	(m)	57.3	17.5	74.8
Total current assets		1,781.6	209.1	1,990.7
Non-current assets				
Receivables		99.7	-	99.7
Investments accounted for using the equity method		49.1	-	49.1
Other financial assets		-	-	-
Property, plant and equipment		1,605.5	-	1,605.5
Intangible assets		622.5	-	622.5
Deferred tax assets	(m)	293.9	8.1	302.0
Other assets		22.5	-	22.5
Total non-current assets		2,693.2	8.1	2,701.3
Total assets		4,474.8	217.2	4,692.0
Current liabilities				
Payables	(m)	909.4	60.4	969.8
Interest bearing liabilities	(m)	49.5	175.6	225.1
Current tax liabilities		21.4	-	21.4
Provisions		197.3	-	197.3
Total current liabilities		1,177.6	236.0	1,413.6
Non-current liabilities				
Payables		9.9	-	9.9
Interest bearing liabilities	(m)	1,277.3	2.0	1,279.3
Deferred tax liabilities		195.3	-	195.3
Retirement benefit obligations		74.2	-	74.2
Provisions		221.0	-	221.0
Total non-current liabilities		1,777.7	2.0	1,779.7
Total liabilities		2,955.3	238.0	3,193.3
Net assets		1,519.5	(20.8)	1,498.7
Equity				
Parent entity interest				
Contributed equity	(m)	329.3	(2.0)	327.3
Reserves	(m)	(20.8)	(12.5)	(33.3)
Retained profits	(m)	1,019.4	(6.3)	1,013.1
Total parent entity interest		1,327.9	(20.8)	1,307.1
Minority interest	(m)	191.6	-	191.6
Total equity		1,519.5	(20.8)	1,498.7

Impact of AIFRS on Retained Earnings

The impact of the transition to AIFRS on retained earnings at 1 October 2004 is summarised below:

	Notes	$m
Retained earnings at 1 October 2004 under AGAAP		951.2
AIFRS Reconciliation		
- Transfer from realisation and revaluation of assets reserve	(c)	75.6
- Transfer from general and other reserve	(a)	157.0
- Transfer from foreign currency translation reserve	(a)	(124.5)
- Impairment losses	(e)	(28.0)
- Impact of decommissioning and restoration provisions	(k)	(16.6)
- Impact of taxation	(j)	30.2
- Defined benefit superannuation plans (deficits)/surpluses	(b)	(60.2)
- Expensing of share based payments	(g)	4.8
- Minority effect of reconciliation items		(0.4)
Retained earnings at 1 October 2004 under AIFRS		989.1

The impact of the transition to AIFRS on retained earnings at 31 March and 30 September 2005 is summarised below:

	Notes	$m
Retained earnings at 1 October 2004 under AGAAP		951.2
Movements under AGAAP 2004/05		8.2
Retained earnings at 31 March 2005 under AGAAP		**959.4**
1 October 2004 AIFRS adjustments		
- Transfer from realisation and revaluation of assets reserve	(c)	75.6
- Transfer from general and other reserve	(a)	157.0
- Transfer from foreign currency translation reserve	(a)	(124.5)
- Impairment losses	(e)	(28.0)
- Impact of decommissioning and restoration provisions	(k)	(16.6)
- Impact of taxation	(j)	30.2
- Defined benefit superannuation plans (deficits)/surpluses	(b)	(60.2)
- Expensing of share based payments	(g)	4.8
- Expensing of lease payments		(0.4)
Sub total		997.3
31 March 2005 AIFRS adjustments		
- Impairment losses	(e)	-
- Impact of taxation	(j)	(7.8)
- Defined benefit superannuation plans surpluses/(deficits)	(b)	-
- Expensing of share based payments	(g)	(9.8)
- Write back of dividends not paid re share based payments	(g)	1.4
- Writeback of goodwill amortisation	(d)	17.8
- Restructuring provisions on acquisition	(f)	(4.8)
- Minority effect of reconciliation items		(1.4)
- Writeback of imputed goodwill amortisation		-
Retained earnings at 31 March 2005 under AIFRS		**992.7**
Movements under AGAAP 2004/05		37.5
Retained earnings at 30 September 2005 under AGAAP		
30 September 2005 AIFRS adjustments		
- Impairment losses	(e)	(26.2)
- Impact of decommissioning and restoration provisions	(k)	-
- Impact of taxation	(j)	(8.2)
- Defined benefit superannuation plans surpluses/(deficits)	(b)	9.3
- Expensing of share based payments	(g)	(2.0)
- Write back of dividends not paid re share based payments	(g)	1.8
- Writeback of goodwill amortisation	(d)	17.7
- Restructuring provisions on acquisition	(f)	(2.0)
- Writeback of imputed goodwill amortisation		0.7
- Expensing of lease payments		(0.2)
- Minority effect of reconciliation items		(1.7)
Retained earnings at 30 September 2005 under AIFRS		**1,019.4**
- Recognition of AASB 139 adjustments	(m)	(6.3)
Retained earnings at 1 October 2005 under AIFRS		**1,013.1**

Income Statements under AIFRS

The following table sets out the adjustments to the income statement of the Group for the six months ended 31 March 2005

	Notes	2005 AGAAP $m	Adj $m	2005 AIFRS $m
Revenue		2,384.3	-	2,384.3
Other income	(c)	25.6	(7.9)	17.7
Operating expenses				
Changes in inventories of finished goods and work in progress		176.9	-	176.9
Raw materials and consumables used and finished goods purchased for resale		(1,483.1)	-	(1,483.1)
Employee expenses	(g)	(371.7)	(9.8)	(381.5)
Depreciation and amortisation expense	(d)	(85.3)	17.8	(67.5)
Borrowing costs		(50.8)	-	(50.8)
Purchased services		(169.8)	-	(169.8)
Repairs and maintenance		(70.7)	-	(70.7)
Property, plant & equipment retired/disposed	(c)	(7.9)	7.9	-
Property, plant & equipment/Investments written down	(e)	-	-	-
Outgoing freight		(105.4)	-	(105.4)
Lease payments - operating leases		(31.6)	-	(31.6)
Other expenses from ordinary activities including significant items		(23.6)	(4.8)	(28.4)
Share of associates' net profit equity accounted	(d)	2.9	-	2.9
		(2,220.1)	11.1	(2,209.0)
Profit from ordinary activities before income tax expense		189.8	3.2	193.0
Income tax expense attributable to profit from ordinary activities	(k)	(51.4)	(7.8)	(59.2)
Profit from ordinary activities after income tax expense		138.4	(4.6)	133.8
Outside equity interests in (profit) from ordinary activities after income tax		(7.7)	(1.4)	(9.1)
Profit from ordinary activities after income tax relating to members of Orica Limited		130.7	(6.0)	124.7

	cents	cents	cents
Earnings per share			
Basic earnings per share:			
Ordinary shares	47.9	(2.2)	45.7
Diluted earnings per share:			
Ordinary shares	47.1	(2.2)	45.0

Income Statements under AIFRS

The following table sets out the adjustments to the income statement of the Group for the year ended 30 September 2005

	Notes	2005 AGAAP $m	Adj $m	2005 AIFRS $m
Revenue		5,126.7	-	5,126.7
Other income	(c)	134.9	(64.2)	70.7
Operating expenses				
Changes in inventories of finished goods and work in progress		51.9	-	51.9
Raw materials and consumables used and		-	-	-
finished goods purchased for resale		(2,880.8)	-	(2,880.8)
Employee expenses		(769.8)	-	(769.8)
Share Based Payments	(g)	-	(11.6)	(11.6)
Depreciation and amortisation expense	(d)	(175.9)	35.5	(140.4)
Borrowing costs		(109.5)	0.6	(108.9)
Purchased services		(351.6)	-	(351.6)
Repairs and maintenance		(144.0)	-	(144.0)
Property, plant & equipment retired/disposed	(c)	(64.2)	64.2	-
Property, plant & equipment/Investments written down	(e)	(14.8)	(37.8)	(52.6)
Outgoing freight		(221.2)	-	(221.2)
Lease payments - operating leases		(68.2)	-	(68.2)
Other expenses from ordinary activities including significant items		(184.8)	(10.7)	(195.5)
Share of associates' net profit equity accounted	(d)	5.3	0.7	6.0
		(4,927.6)	40.9	(4,886.7)
Profit from ordinary activities before income tax expense		334.0	(23.3)	310.7
Income tax expense attributable to profit from ordinary activities	(k)	(87.2)	(1.6)	(88.8)
Profit from ordinary activities after income tax expense		246.8	(24.9)	221.9
Outside equity interests in (profit) from ordinary activities after income tax		(10.5)	(3.1)	(13.6)
Profit from ordinary activities after income tax relating to members of Orica Limited		236.3	(28.0)	208.3

	cents	cents	cents
Earnings per share			
Basic earnings per share:			
Ordinary shares	86.6	(10.3)	76.3
Diluted earnings per share:			
Ordinary shares	85.3	(10.1)	75.2

Impact of transition to AIFRS

The significant changes in accounting policies adopted in preparing the AIFRS reconciliations and the elections made under AASB 1 are set out below.

a) Reclassifications

On the initial application of AIFRS, Orica elected to apply the exemption in AASB 1 relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve was deemed to be zero at the date of transition to AIFRS. As a result of this exemption, the balance of the foreign currency translation reserve of the Group at 30 September 2004 was reset to zero with retained earnings decreasing by $124.5 million.

On the initial application of AIFRS, Orica transferred the balance of general and other reserves to retained earnings. The balance of general and other reserves decreased by $157.0 million and retained earnings increased by the same amount.

On the initial application of AIFRS, Orica reclassified expenditure on major cyclical maintenance from other assets to property, plant and equipment. It will then be depreciated over the life of those assets capitalised. As a result of this, current other assets of the Group decreased by $10.0 million, non current other assets of the Group decreased by $14.6 million and property, plant and equipment of the Group increased by $24.6 million.

In March 2005, Orica reclassified expenditure on major cyclical maintenance from other assets to property, plant and equipment. It will then be depreciated over the life of those assets capitalised. As a result of this, current other assets of the Group decreased from September 2004 to 31 March 2005 by $9.5 million, non current other assets of the Group decreased by $10.9 million and property, plant and equipment of the Group increased by $20.4 million.

In September 2005, Orica reclassified expenditure on major cyclical maintenance from other assets to property, plant and equipment. It will then be depreciated over the life of those assets capitalised. As a result of this, the incremental increase over September 2004 to current other assets of the Group at 30 September 2005 was $2.1 million, non current other assets of the Group increased by $4.0 million and property, plant and equipment of the Group decreased by $6.1 million.

b) Employee Benefits

Under AASB 119 - Employee Benefits, employer sponsors are required to recognise the net surplus or deficit in their employer sponsored defined benefit funds as an asset or liability respectively. This resulted in a change in the Group's current accounting policy which requires defined benefit plans to be accounted for on a cash basis, with no defined benefit obligations or plan assets recognised on balance sheet. Under the new policy, Orica is required to recognise an asset/liability of the defined benefit funds for the net surplus/deficit based on an actuarial calculation of the position of the funds. On transition, the net deficit of the defined benefit funds was a decrease to retained earnings. Subsequent to transition, Orica elected to recognise actuarial gains and losses directly to retained earnings.

On transition, superannuation liabilities of the Group increased $86.9 million, deferred tax assets increased by $26.7 million and retained earnings decreased by $60.2 million.

For the period ended 31 March 2005, the adjustments were those as at 30 September 2004.

For the financial year ended 30 September 2005, the incremental adjustment for the Group to recognise the decrease in superannuation liability was $12.6 million, deferred tax assets decreased by $3.3 million and retained earnings increased by $9.3 million.

c) Property, Plant and Equipment

Property, plant and equipment is measured at cost under AIFRS. However, as permitted by the election available under AASB 1, at transition date certain items of property, plant and equipment were recognised at deemed cost, being a revalued amount prior to transition date that approximates the fair value as at the date of transition.

The realisation and revaluation of assets reserve at 30 September 2004 was decreased by $75.6 million. Retained earnings increased by the same amount.

Under AIFRS, the profit or loss on disposal of property, plant and equipment is recognised on a net basis in the income statement rather than separately recognising the consideration as revenue. There is no profit and loss effect of this change. However revenue of the Group for the six months to 31 March 2005 decreased by $7.9 million and revenue of the Group for the year to 30 September 2005 decreased by $64.2 million.

Computer software assets included in property, plant and equipment under AGAAP have been reclassified under AIFRS to intangible assets on transition to AIFRS. This resulted in a decrease in the net book value of property, plant and equipment of $13.3 million at transition date, a reduction of $13.3 million at 31 March 2005 and a reduction of $14.9 million at 30 September 2005 with a corresponding increase in intangible assets.

d) Business Combinations

An election is available in AASB 1 which provided Orica with the ability to choose whether the acquisition accounting of business combinations prior to transition date is restated under AIFRS. Entities could choose to restate all prior business combinations; only those after a certain date; or none at all. The Group has elected not to restate business combinations prior to transition date.

Under AASB 3 - Business Combinations, amortisation of goodwill (including imputed goodwill on acquisition of investments accounted for using the equity method) is prohibited, and is replaced by annual impairment testing. This resulted in a change in the Group's accounting policy which amortised goodwill over its useful life but not exceeding 20 years. As a result of not amortising goodwill, the goodwill amortisation expense of the Group decreased by $17.8 million in the period to 31 March 2005 and decreased by $35.5 million for the year to 30 September 2005 and the share of associates' net profit/(loss) equity accounted increased by $0.7 million (period ending 31 March nil).

e) Impairment of Assets

Under AASB 136 - Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This resulted in a change in the Group's existing accounting policy which determined the recoverable amount of an asset on the basis of discounted cash flows. Under AIFRS, the carrying amount of 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 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 assets performance or that may arise from future restructuring.

At the date of transition, due to changes in requirements, a writedown of assets of $28.0 million was expensed to retained earnings with property, plant and equipment being written down by $14.9 million, investments in associates by $17.3 million and deferred tax assets increased by $4.2 million. For the six months to 31 March 2005, there was no incremental adjustment for the Group.

For the financial year ended 30 September 2005, the incremental adjustment for the Group was a further writedown of assets of $25.3 million with property, plant and equipment being written down by $35.0 million, intangibles written down by $2.8 million and deferred tax assets increased by $11.6 million.

f) Provisions

Under AASB 3 - Business Combinations, provisions for restructuring on acquisition of businesses may only be created when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets. The restructuring provisions recognised as part of acquisition accounting under AGAAP and outstanding at 30 September 2004 are not allowable under AIFRS. These provisions have been written back against goodwill at 30 September 2004 (net $6.8 million after a tax benefit of $3.0 million). The spending on these provisions of $4.8 million to 31 March 2005 and $6.8 million has been expensed in 2005.

g) Share Based Payments

Under AASB 2 Share based payments, Orica is required to determine the fair value of share based payments issued to employees as remuneration and recognise an expense in the income statement with a corresponding increase in equity. This applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. The impact on Orica was to decrease retained earnings at date of transition by $4.8 million, decrease minority interests by $1.0 million and increase shareholders equity. For the six months ended 31 March 2005, the expense relating to share based payments is $9.8 million with a corresponding increase in contributed equity.

For the financial year ended 30 September 2005, the expense relating to share based payments is $11.6 million with a corresponding increase in contributed equity.

AASB 2 also requires 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 been deducted from contributed equity on transition to AIFRS amounting to $20.1 million.

At March 2005, the incremental amounts receivable from employees in relation to these loans has been deducted from shareholders equity amounting to $32.6 million. At September 2005, the incremental amounts from 30 September 2004 receivable from employees in relation to these loans has deducted from contributed equity amount of $25.0 million.

In addition, as the dividends on these shares are returned to the Company to reduce the loans, the dividends on these shares are treated as if they were not paid and reversed to retained earnings. The effect of this in 2005 was to increase retained earnings by $3.2 million (March 2005 $1.4 million).

h) Intangible Assets

Under AASB 138 Intangible Assets, internally generated intangible assets (except development phase expenditure in certain circumstances) will not be recognised and intangible assets can only be revalued if there is an active market. There are no adjustments required regarding internally generated intangible assets.

i) Earnings Per Share

Under AASB 133 Earnings Per Share, earnings per share are calculated using the profit or loss from continuing operations attributable to ordinary shareholders. The basic and diluted earnings per share for the discontinued operations are calculated and disclosed separately. Orica did not have any discontinued operations in 2005.

The restated earnings per share for the year to 31 March 2005 due to the restatement to AIFRS results are:

Basic EPS from continuing operations: 45.7 cents

Diluted EPS from continuing operations: 45.0 cents

The restated earnings per share for the year to 30 September 2005 due to the restatement to AIFRS results are:

Basic EPS from continuing operations: 76.3 cents

Diluted EPS from continuing operations: 75.2 cents

j) Income Taxes

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. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

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. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences will not be provided for: goodwill for which amortisation is not tax deductible, the initial recognition of assets and liabilities that affect neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

As a result there was a change to the AGAAP accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes are recognised only if realisation of the benefit can be regarded as being assured beyond any reasonable doubt.

Tax Consolidation

Legislation to allow Groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. Orica Limited is the parent entity in the tax consolidated Group comprising all wholly-owned Australian entities. The implementation date for the tax-consolidated Group was 28 August 2003.

Due to the effect of applying UIG 1052 issued in June 2005 on tax consolidation accounting and 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 by the subsidiary entities. 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 equals the amounts initially recognised by the subsidiary entities. There is no adjustment for tax consolidation contribution by (or distribution to) equity participants.

Apart from tax changes arising from other AIFRS changes in this note, the impact of the change in basis and the transition adjustments on the deferred tax balances and the previously reported tax expense at 1 October 2004 is an increase in deferred tax assets of $91.7 million, an increase in provision for income tax payable of $3.5 million, an increase in deferred tax liabilities of $26.4 million, a decrease in minority interests of $3.4 million and an increase in retained earnings of $58.4 million.

For the six months to 31 March 2005, the incremental adjustment for the Group was a decrease in deferred tax assets of $13.6 million, a decrease in provision for income tax payable of $1.5 million, an increase in deferred tax liabilities of $2.0 million and an increase in tax expense of $7.8 million.

For the financial year to 30 September 2005, the incremental adjustment over 30 September 2004 for the Group was a decrease in deferred tax assets of $6.4 million, an increase in deferred tax liabilities of $1.6 million, a decrease in foreign currency translation reserve of $0.9 million and an increase in tax expense of $16.0 million.

k) Decommissioning and Restoration Costs of Long Lived Assets

AGAAP did not require the recognition of provisions associated with the retirement or disposal of long-lived assets. However, AASB 137 Provisions, Contingent Liabilities and Contingent Assets requires that a provision be recognised when:

- an entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- and a reliable estimate can be made of the amount of the obligation.

Where the Group is required to recognise the provision, the decommissioning, restoration or similar liability to be added to the cost of the asset to which it relates and the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. This change resulted in an increase in provisions at 1 October 2004 of $23.7 million and with no incremental change in 2005.

l) Borrowing Costs

AGAAP required borrowing costs relating to qualifying assets to be capitalised as part of the cost of that asset. Under AIFRS, there is an option to either expense borrowing costs in the period in which they are incurred or to capitalise them as part of the cost of the asset.

Orica will elect to continue its current policy and capitalise borrowing costs as part of the cost of assets. Therefore there is no change to the current treatment.

m) Classification of Financial Instruments and Hedge Accounting

Orica has taken advantage of the election available in AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 October 2005. This allows the Group to apply previous AGAAP to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the September 2006 Financial Report.

Classification

Under AASB 139 Financial Instruments Recognition and Measurement: Financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are:

- loans and receivables - measured at amortised cost;
- held to maturity - measured at amortised cost;
- held for trading - measured at fair value with fair value changes charged to net profit or loss;
- available for sale - measured at fair value with fair value changes taken to equity; and
- non-trading liabilities - measured at amortised cost.

This resulted in a change to the AGAAP accounting policy which does not classify financial instruments and where measurement was at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The effect at 1 October 2005 was to increase derivative assets by $17.5 million, increase deferred tax assets by $8.1 million, increase deferred derivative liabilities by $60.4 million, decrease borrowings by $16.0 million, decrease cash flow hedging reserve by $19.0 million, increase foreign currency translation reserve by $6.5 million, reduce minority interests by $1.7 million and reduce retained earnings by $6.3 million. In addition preference shares of $2 million have been reclassified to borrowings.

Recognition of assets and liabilities

Under AASB 139, certain trade finance facilities organised for Orica customers have been brought back onto balance sheet as Orica has guaranteed a portion of those facilities. This has resulted in an increase in receivables and an increase in borrowings for the Group of $191.6 million at 1 October 2005.

Hedge Accounting

Under AASB 139, in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge - fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This resulted in a change in the entity's existing accounting policy where hedge transactions are 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, were deferred under AGAAP and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Under AIFRS, hedge accounting may no longer be able to be applied to such contracts, and gains and losses on the contracts will be recognised in the income statement.

n) Changes in Accounting Policies

Under AIFRS, changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments, with note disclosure of prior year effects as was the practice under AGAAP.

Compliance statement

This report has been subject to review.

The entity has a formally constituted audit committee.

Sign here: .... Date: 23 May 2006
(~~Director~~/Company Secretary)

Print name: JANICE VAN NEK

Orica Limited and its Controlled Entities

Directors' Declaration on the Financial Report set out on pages 3 to 42

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,

1. (a) the financial statements and notes, set out on pages 3 to 42, 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 2006 and of its performance, as represented by the results of its operations and cash flows, 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.

D P Mercer
Chairman
Dated at Melbourne this 23rd day of May 2006.

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 2006 and the auditor's review report thereon.

Directors

The directors of the company during or since the end of the half-year are:
D P Mercer, Chairman
G R Liebelt, Managing Director
N A Meehan, Executive Director Finance
M E Beckett
P J Duncan
G A Hounsell
P M Kirby
M Tilley
C M Walter
The office of company secretary is held by J van Reyk.

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 in the accompanying 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 13) that has arisen since 31 March 2006, 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 45.

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 23rd day of May 2006.

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 2006 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

Alison Kitchen
Partner

Melbourne

23rd of May 2006

Independent review report to the members of Orica Limited

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim statement of income, consolidated balance sheet, statement of recognised income and expense, statement of cash flows, accompanying notes 1 to 14 to the financial statements, and the directors' declaration set out on page 3 to 43 for the Orica Limited Group ("the Consolidated Entity"), for the half-year ended 31 March 2006. The Consolidated Entity comprises Orica Limited ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Orica Limited is not in accordance with:

a) the Corporations Act 2001, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 31 March 2006 and of its performance for the half-year ended on that date; and

   ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

Alison Kitchen
Partner

Place: Melbourne

Date: 23rd of May 2006