

Appendix 4E Preliminary final report

Name of entity:	ORICA LIMITED
ABN:	24 004 145 868

Year ended (‘current period’)	Year ended (‘previous corresponding period’)
30 September 2007	30 September 2006

Results for announcement to the market

\$m

Consolidated Revenue from operations	up	3.1%	to	5,527.2
Profit after tax attributable to members	down	(9.5)%	to	487.7
Net profit for the period attributable to members before individually material items	up	30.9%	to	497.8
Dividends				
		Amount per security		Franked amount per security at 30% tax
Final dividend - Ordinary	Cents	53.00		17.00
- Preference	Cents	2.50		0.80
Interim dividend - Ordinary	Cents	36.00		14.00
- Preference	Cents	2.50		0.97
Previous corresponding period				
Final dividend - Ordinary	Cents	48.00		21.00
- Preference	Cents	2.50		1.09
Interim dividend - Ordinary	Cents	26.00		9.00
- Preference	Cents	2.50		0.87

Record date for determining entitlements to the dividend:

Ordinary Shares
Cumulative Preference Shares

20-Nov-07

14-Jan-08

Payment dates of dividends:

Ordinary Shares
Cumulative Preference Shares

14-Dec-07

No later than 31-Jan-2008

Net tangible assets per security:

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	Cents 6.9	Cents 318.6

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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Consolidated income statement

For the year ended 30 September:

	Notes	2007 \$m	2006 \$m
From continuing operations:			
This statement should be read in conjunction with note 10, discontinued operations and businesses disposed.			
Sales revenue	(3)	5,527.2	4,745.6
Other income	(3)	61.5	57.8
Expenses			
Changes in inventories of finished goods and work in progress		1.7	(13.2)
Raw materials and consumables used and finished goods purchased for resale		(2,793.3)	(2,473.5)
Share based payments		(2.7)	(9.4)
Other employee benefits expense		(959.8)	(780.5)
Depreciation expense		(153.3)	(124.9)
Amortisation expense		(29.9)	(13.0)
Purchased services		(374.5)	(354.6)
Repairs and maintenance		(115.0)	(119.4)
Impairment of property, plant & equipment		-	(18.4)
Impairment of intangibles		(15.4)	(16.6)
Outgoing freight		(256.6)	(238.9)
Lease payments - operating leases		(77.8)	(59.7)
Other expenses from ordinary activities including individually material items		(52.9)	(339.9)
Share of net profits of associates accounted for using the equity method	(8)	31.2	12.4
		(4,798.3)	(4,549.6)
Profit from operations		790.4	253.8
Net financing costs			
Financial income		34.8	64.7
Financial expenses		(157.4)	(151.6)
Net financing costs		(122.6)	(86.9)
Profit before income tax expense			
Income tax expense	(11)	(154.4)	(46.4)
Profit after tax but before profit and loss of discontinued operation and gain on disposal of discontinued operations		513.4	120.5
Profit of discontinued operation and gain on disposal of discontinued operation, net of tax	(10)	-	440.9
Profit for the year		513.4	561.4
Net profit for the year attributable to:			
Shareholders of Orica Limited		487.7	539.1
Minority interest		25.7	22.3
Net profit for the year		513.4	561.4
		cents	cents
Earnings per share			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
From continuing operations:			
Basic	(1)	149.3	35.9
Diluted	(1)	147.1	35.3
Total attributable to ordinary shareholders of Orica Limited:			
Basic	(1)	149.3	179.2
Diluted	(1)	147.1	176.5

The consolidated income statement is to be read in conjunction with the accompanying notes.

Consolidated statement of recognised income and expense

For the year ended 30 September:

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

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

**Consolidated balance sheet
as at:**

		30 September 2007 \$m	31 March 2007 \$m	30 September 2006 \$m
	Notes			
Current assets				
Cash and cash equivalents		370.7	253.6	1,009.1
Trade and other receivables		915.9	857.9	810.1
Other financial assets		18.0	20.1	16.7
Inventories		604.3	632.4	579.1
Non-current assets classified as held for sale	(10)	-	-	30.3
Other assets		36.2	49.7	34.4
Total current assets		1,945.1	1,813.7	2,479.7
Non-current assets				
Trade and other receivables		109.5	107.8	107.4
Investments accounted for using the equity method		124.5	131.7	122.2
Other financial assets		1.1	3.8	3.7
Property, plant and equipment		1,742.9	1,663.9	1,603.1
Intangible assets		2,055.5	2,026.3	1,141.3
Deferred tax assets		222.5	211.4	221.5
Other assets		3.2	6.6	33.9
Total non-current assets		4,259.2	4,151.5	3,233.1
Total assets		6,204.3	5,965.2	5,712.8
Current liabilities				
Trade and other payables		1,032.6	959.0	935.4
Interest bearing liabilities		582.7	273.7	45.6
Current tax liabilities		62.6	80.2	56.5
Provisions		269.7	238.9	262.6
Total current liabilities		1,947.6	1,551.8	1,300.1
Non-current liabilities				
Trade and other payables		4.9	5.5	6.9
Interest bearing liabilities		1,093.7	1,212.9	1,265.6
Deferred tax liabilities		117.6	94.6	41.8
Provisions		412.9	438.0	430.2
Total non-current liabilities		1,629.1	1,751.0	1,744.5
Total liabilities		3,576.7	3,302.8	3,044.6
Net assets		2,627.6	2,662.4	2,668.2
Equity				
Ordinary shares	(6)	702.4	796.5	815.3
Reserves	(7)	(188.5)	(80.5)	(46.6)
Retained earnings	(7)	1,562.8	1,395.4	1,357.9
Total equity attributable to ordinary shareholders of Orica		2,076.7	2,111.4	2,126.6
Equity attributable to Step-Up Preference Securities holders	(6)	490.0	490.0	490.0
Minority interest in controlled entities		60.9	61.0	51.6
Total equity		2,627.6	2,662.4	2,668.2

The consolidated balance sheet is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
For the year ended 30 September:

	2007	2006
	\$m	\$m
	Inflows/ (Outflows)	Inflows/ (Outflows)
	Notes	
Cash flows from operating activities		
Receipts from customers	6,025.2	5,519.0
Payments to suppliers and employees	(5,307.4)	(4,973.9)
Interest received	37.0	77.2
Borrowing costs	(145.3)	(167.5)
Dividends received	21.0	13.8
Royalties and other operating revenue received	35.2	46.9
Net income taxes paid	(141.4)	(101.6)
Net cash flows from operating activities	524.3	413.9
Cash flows from investing activities		
Payments for property, plant and equipment	(304.8)	(385.7)
Payments for intangibles	(32.2)	(1.3)
Payments for purchase of investments	(20.1)	(6.8)
Payment for minorities' share of controlled entities	(9) (20.5)	(6.6)
Payments for purchase of businesses/controlled entities	(9) (917.7)	(875.6)
Proceeds from sale of property, plant and equipment	23.9	56.5
Proceeds from sale of investments	10.8	23.9
Proceeds from sale of businesses/controlled entities	(10) 88.8	819.5
Net cash flows used in investing activities	(1,171.8)	(376.1)
Cash flows from financing activities		
Net movement in short term financing	459.0	-
Proceeds from issue of ordinary shares	16.3	527.1
Proceeds from issue of Step-Up Preference Securities	(6) -	490.0
Payments for buy-back of ordinary shares	(114.8)	(84.7)
Net (payments)/proceeds from LTEIP/SESLP	(6) (29.2)	16.9
Dividends paid - Orica ordinary shares	(244.5)	(186.2)
Distributions paid - Step-Up Preference Securities	(44.4)	-
Dividends paid - minority interest	(17.6)	(5.9)
Net cash flows from financing activities	24.8	757.2
Net (decrease)/increase in cash held	(622.7)	795.0
Cash at the beginning of the year	1,008.2	211.9
Effects of exchange rate changes on cash	(17.8)	1.3
Cash at the end of the year	367.7	1,008.2

Reconciliation of cash

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash	370.7	1,009.1
Bank overdraft	(3.0)	(0.9)
	367.7	1,008.2

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

1. Earnings per share (EPS)

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

	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	306,306,087	300,771,193
Effect of executive share options	4,080,147	4,375,049
Effect of Orica Step-Up Preference Securities	478,913	317,892
Number for diluted earnings per share	310,865,147	305,464,134

The following Orica Long Term Equity Incentive Plan has not been included in the calculation for diluted earnings per share as it is not dilutive:

- issue date 11 May 2007	64,405	-
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	Cents per share	Cents per share
From continuing operations		
Basic earnings per share	149.3	35.9
Diluted earnings per share	147.1	35.3
From discontinued operations		
Basic earnings per share	-	143.3
Diluted earnings per share	-	141.2
Total attributable to ordinary shareholders of Orica		
Basic earnings per share	149.3	179.2
Diluted earnings per share	147.1	176.5

(ii) Adjusted for individually material items

	\$m	\$m
Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica		
Net profit for the year from continuing operations	513.4	120.5
Net profit for the year from continuing operations attributable to minority interests	(25.7)	(12.6)
Orica Step-Up Preference Securities (net of tax benefit)	(30.5)	-
Adjusted for individually material items from continuing operations	10.1	236.3
Net profit for the year from continuing operations attributable to ordinary shareholders	467.3	344.2
Net profit for the year from discontinued operations	-	440.9
Net profit for the year from discontinued operations attributable to minority interests	-	(9.7)
Less individually material items from discontinued operations	-	(395.1)
Earnings used in calculation of EPS attributable to ordinary shareholders of Orica	467.3	380.3
	Cents per share	Cents per share
From continuing operations		
Basic earnings per share	152.6	114.4
Diluted earnings per share	150.3	112.7
From discontinued operations		
Basic earnings per share	-	12.0
Diluted earnings per share	-	11.8
Total attributable to ordinary shareholders of Orica		
Basic earnings per share	152.6	126.4
Diluted earnings per share	150.3	124.5

2. Segment report

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

The Minova group was acquired on 1 January 2007.

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

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

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

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

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

2. Segment report (continued)

Primary reporting
Business segments
2007
\$m

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

2. Segment report (continued)

Primary reporting
Business segments
2006
\$m

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

2. Segment report (continued)

Secondary reporting
Geographical segments
2007
\$m

	Australia	New Zealand	Asia	Americas	Europe	Other	Eliminations	Consolidated
Revenue								
External sales	2,428.1	405.4	439.8	1,495.4	714.4	44.1	-	5,527.2
Inter-segment sales	141.1	13.4	14.8	13.5	53.2	4.7	(240.7)	-
Total sales revenue	2,569.2	418.8	454.6	1,508.9	767.6	48.8	(240.7)	5,527.2
Other income ⁽¹⁾	(0.4)	36.5	3.3	14.2	7.9	-	-	61.5
Total revenue and other income	2,568.8	455.3	457.9	1,523.1	775.5	48.8	(240.7)	5,588.7
Results								
Profit before individually material items, net financing costs and income tax expense	369.5	50.1	75.6	184.9	129.8	2.8	-	812.7
Individually material items ⁽¹⁾	(13.0)	32.2	(1.9)	(26.8)	(12.8)	-	-	(22.3)
Profit from operations	356.5	82.3	73.7	158.1	117.0	2.8	-	790.4
Net financing costs								(122.6)
Profit before income tax expense								667.8
Income tax expense								(154.4)
Profit after income tax expense								513.4
Minority interests in profit after income tax								(25.7)
Net profit for the period relating to shareholders of Orica Limited								487.7
Segment assets	2,712.2	237.8	420.8	1,297.2	1,503.0	33.3	-	6,204.3
Segment liabilities	2,012.7	626.0	87.9	466.1	376.2	7.8	-	3,576.7
Investments accounted for using the equity method	2.0	-	52.7	57.0	12.8	-	-	124.5
Acquisitions of PPE, intangibles and other non-current assets	175.6	11.2	18.5	89.7	46.1	0.7	-	341.8
Impairment of intangibles	15.4	-	-	-	-	-	-	15.4
Impairment of inventories	4.9	0.5	0.6	0.6	0.8	0.2	-	7.6
Impairment of trade receivables	2.5	0.7	1.6	4.2	1.6	-	-	10.6
Depreciation	83.5	5.4	9.8	33.4	20.1	1.1	-	153.3
Amortisation	12.3	0.6	0.7	4.9	11.4	-	-	29.9
Non-cash expenses other than depreciation and amortisation:								
- share based payments	2.0	0.1	-	0.4	0.2	-	-	2.7
Share of associates net profit equity accounted	17.4	-	3.7	9.5	0.6	-	-	31.2

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

2. Segment report (continued)

Secondary reporting
Geographical segments
2006
\$m

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

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

3. Sales revenue and other income from continuing operations

This note should be read in conjunction with note 10, discontinued operations and businesses disposed.

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

4. Specific profit and loss income and expenses

This note should be read in conjunction with note 10, discontinued operations and businesses disposed.

	2007			2006		
	Gross	Tax	Net	Gross	Tax	Net
	\$m	\$m	\$m	\$m	\$m	\$m
Profit after income tax includes the following individually material items of income/(expense):						
Profit on disposal of:						
Adhesives and Resins (A&R) ⁽¹⁾	23.3	0.4	23.7	-	-	-
Incitec Pivot Limited	-	-	-	428.6	(19.8)	408.8
Environmental provisions:						
Botany HCB (NSW) ⁽²⁾	-	-	-	(70.1)	21.0	(49.1)
Villawood (NSW)	-	-	-	(33.0)	9.9	(23.1)
Seneca (North America)	-	-	-	(30.5)	11.7	(18.8)
Cockle Creek (NSW)	-	-	-	(28.2)	8.5	(19.7)
Restructuring and rationalisation costs: ⁽³⁾						
Marplex business	(16.9)	0.5	(16.4)	-	-	-
Chemnet business	-	-	-	(49.1)	14.0	(35.1)
Seneca (North America)	-	-	-	(13.3)	5.1	(8.2)
Dyno Nobel (expenditure)/income:						
Integration costs ⁽⁴⁾	(44.7)	10.9	(33.8)	(114.8)	36.1	(78.7)
Net financing income ⁽⁵⁾	-	-	-	7.3	(5.0)	2.3
Impairment writedowns: ⁽⁶⁾						
Adhesives and Resins	-	-	-	(10.1)	-	(10.1)
Tax indemnity - Cropcare ⁽⁷⁾	16.0	-	16.0	(16.0)	-	(16.0)
Individually material items	(22.3)	11.8	(10.5)	70.8	81.5	152.3
Minority interests in individually material items	(0.4)	-	(0.4)	(9.0)	2.5	(6.5)
Individually material items attributable to members of Orica	(21.9)	11.8	(10.1)	79.8	79.0	158.8

⁽¹⁾ Profit on sale of Adhesives and Resins business assets in Australia and New Zealand.

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

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

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

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

⁽⁶⁾ Impairment writedown of assets of Indonesian Adhesives and Resins business.

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

5. Dividends and distributions

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

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

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

Subsequent events

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

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

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

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

Franking credits 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 around 35%.

Amount per security of foreign source dividend:

Interim dividend:		Interim dividend:	
Current period - Ordinary	Nil	Previous period - Ordinary	Nil
Final dividend:		Final dividend:	
Current period - Ordinary	20 cents	Previous period - Ordinary	10 cents

The last date(s) for receipt of election notices for the dividend	Ordinary	20-Nov-07
	Preference	14-Jan-08

6. Contributed equity

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

⁽¹⁾ Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of issued shares.

⁽²⁾ Under AASB 139, the 5% cumulative non-redeemable preference shares are treated as non-current interest bearing liabilities.

⁽³⁾ The Group issued Step-Up Preference Securities (SPS) via a prospectus dated 17 February 2006. The SPS are stapled securities comprising a fully paid Preference Share and a fully paid unsecured note. The SPS have no fixed repayment date, but Orica has the right to repurchase them for cash or convert the SPS into a variable number of ordinary shares in Orica from November 2011 or earlier in certain circumstances. Holders rank ahead of ordinary shares but behind cumulative non-redeemable preference shares and creditors. Distributions payable on the SPS are discretionary, payable semi-annually, non-cumulative, unfranked and payable based on the 180 day bill swap rate plus a margin of 1.35% per annum. Should the credit rating of SPS fall below Standard and Poor's BBB- or equivalent, or no longer be rated, then an additional 1% will be added to the distribution rate. Distributions are payable in priority to distributions on Orica shares, but behind existing Orica preference shares. Where a distribution on SPS is not paid, Orica may not declare or pay any dividends, pay any interest, or distribute any income or capital on any security that ranks behind the SPS until Orica has paid SPS distributions scheduled for the twelve months following the missed distribution or Orica has paid an amount equivalent to the unpaid distributions in the last twelve months, or all SPS have been repurchased or converted, or a special resolution of the SPS holders has been passed approving such payment. Orica SPS holders do not have voting rights in shareholder meetings except in limited circumstances.

Under a Deed of Undertaking and Indemnity between Orica Limited and Australian Stock Exchange Limited (ASX), the ASX reserves the right (but without limiting its absolute discretion) to remove either or both of the Company and Orica New Zealand Securities Ltd (Orica NZ) from the official list if a) any of the SPS Preference Shares of the Company and Notes of Orica NZ cease to be stapled together, or b) if any SPS Preference Share or Notes are issued by either of the Company or Orica NZ which are not stapled to corresponding securities in the other entity.

6. Contributed equity (continued)

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

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

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

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

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

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

6. Contributed equity (continued)

Details	Date	Number of shares	Issue price \$	\$m
(5) Shares issued under the Orica executive option plan				
2005/2006				
		32,000	5.09	0.2
		6,800	5.14	-
		27,000	5.67	0.2
		14,900	5.72	0.1
		830,511	7.33	6.1
		4,620	7.73	-
		1,982,007	7.91	15.7
		23,380	8.31	0.2
		12,191	9.02	0.1
		15,066	9.24	0.1
		12,759	9.77	0.1
		34,241	10.18	0.3
		41,015	10.35	0.4
		10,000	10.36	0.1
		11,003	13.38	0.1
Movement for the year	30-Sep-06	3,057,493		23.7
2006/2007				
		10,000	5.09	0.1
		1,767,688	7.33	13.0
		5,500	7.73	-
		12,191	8.44	0.1
		15,066	8.66	0.1
		41,168	9.60	0.4
		26,844	9.77	0.3
		10,000	9.78	0.1
		16,504	12.80	0.2
		21,045	16.77	0.3
Movement for the year	30-Sep-07	1,926,006		14.6
The options have been exercised at various times during the year. The weighted average of the fair value of shares issued was \$24.32 (2006 \$21.92).				
(6) Shares issued/bought back under the Orica LTEIP plan				
2005/2006				
Shares issued	23-Dec-05	1,208,392	20.67	-
Shares bought back	23-Dec-05	-		(3.2)
Shares issued - loan repayment	Various			16.4
Movement for the year	30-Sep-06	1,208,392		13.2
2006/2007				
Shares bought back	Various			(39.2)
Shares issued - loan repayment	Various			7.8
Movement for the year	30-Sep-07			(31.4)
(7) Shares issued under the Orica SESLP plan				
2005/2006				
Shares issued - loan repayment	Various			3.7
Movement for the year	30-Sep-06			3.7
2006/2007				
Shares issued - loan repayment	Various			2.2
Movement for the year	30-Sep-07			2.2

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

Under the November 2006 LTEIP executive allocations, executives who leave Orica within three years are not entitled to deal with the shares. The shares are returned to Orica.

6. Contributed equity (continued)

Options over unissued shares:

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

⁽¹⁾ Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure.

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

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

7. Consolidated statement of reserves and retained earnings

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

8. Investments accounted for using the equity method

The consolidated entity has an interest in the following entities:

Name of entity:	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit			
	30 September 2007	30 September 2006	30 September 2007	30 September 2006		
	%	%	\$m	\$m		
Emirates Explosives LLC ⁽¹⁾	-	49.0	} 24.9	} 10.1		
Nelson Brothers, LLC	50.0	50.0				
Nelson Brothers Mining Services, LLC	50.0	27.7				
Thai Nitrate Company Ltd *	50.0	50.0	} Individually not material in aggregate	} Individually not material in aggregate		
Australian Plantations Pty Ltd	50.0	50.0				
Botany Industrial Park Pty Limited	33.4	33.4				
BXL Bulk Explosives Limited	50.0	50.0				
Controladora DNS de RL de CV *	49.0	49.0				
Dyno Nobel Petrolera *	47.0	47.0				
Dyno Nobel UMMC LLC *	50.0	50.0				
Exor Explosives Limited	50.0	50.0				
Geneva Nitrogen LLC	50.0	50.0				
Geodynamics B.V.	29.0	29.0				
Irish Mining Emulsion Systems Ltd *	50.0	50.0				
Makina Kimya Nitro Nobel Kimya Sanayii A.S * (Disposed 3 May 2007)	-	25.0				
MicroCoal Inc.	50.0	50.0				
MSW-Chemie GmbH	31.5	31.5				
Norabel Ignition Systems AB *	50.0	50.0				
Northwest Energetic Services, LLC	33.3	33.3				
Orica Camel Coatings Ltd	50.0	50.0			} 6.3	} 2.3
OY Forcit *	20.0	20.0				
PIIK Limited Partnership	49.0	49.0	} 31.2	} 12.4		
Pigment Manufacturers of Australia Limited	50.0	50.0				
Pinegro Products Pty Ltd	50.0	50.0				
Qenos Holdings Limited (Disposed 16 February 2006)	-	-				
Sprewa Sprengmittel GmbH	24.0	24.0				
SVG&FNS Philippines Holdings Inc *	40.0	40.0				
Troisdorf GmbH	50.0	50.0				
Ulaex SA *	50.0	50.0				
Wurgendorf GmbH	50.0	50.0				
Total					31.2	12.4

⁽¹⁾ Consolidated as a subsidiary from 6 November 2006.

* Acquired on 1 June 2006 with purchase of Dyno Nobel entities.

9. Businesses acquired

Consolidated - 2007

Acquisition of businesses and controlled entities

The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

Minova entities

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

Other entities

BST Manufacturing Inc on 1 February 2007.

Blast & Quarry Surveys Ltd on 28 September 2007.

Emirates Explosives LLC shareholding increased to 65% (2006 49%) on 6 November 2006.

Businesses

Business assets of Detacorp and SEC Holdings on 1 October 2006.

Chlor-alkali assets of CSBP Limited on 5 December 2006.

Business assets of Ultraviolet Technology of Australasia Pty Ltd on 20 February 2007.

Business assets of Wendouree Water Treatment Pty Ltd on 1 August 2007.

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

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

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

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

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

	\$m
Operating revenue	500.4
EBITDA	91.2

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

9. Businesses acquired (continued)

Consolidated - 2006

Acquisition of businesses and controlled entities

The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):

Dyno Nobel entities

In September 2005, Orica announced that it had signed an agreement with a Macquarie led consortium ("Macquarie consortium") to acquire substantially all of the European, Middle Eastern, African, Asian and Latin American businesses of Dyno Nobel.

The agreement followed the Macquarie consortium's acquisition of 100% of Dyno Nobel from Industri Kapital which was subject to regulatory approvals and which was completed in late November 2005.

Approximately US\$685 million (A\$902 million) was paid to the Macquarie consortium under the purchase agreement and this amount was initially recognised by the Group as a receivable, pending the completion of the acquisition of the identified individual entities. As regulatory approvals were obtained, the businesses were acquired on a country by country basis and the receivable was progressively reduced. The acquisition of entities under the agreement was completed on 1 June 2006, at which time the receivable was reduced to nil.

The Dyno entities were acquired as follows:

⁽¹⁾ On 31 December 2005, Dyno Nobel (Thailand) Limited, Dyno Nobel Slovakia AS, Dyno Nobel Schweiz AG and Ensign-Bickford Venezuela C.A. (51%).

⁽²⁾ On 8 March 2006, Orica Dyno Nobel Philippines Inc. (96.1%) and Nitro Asia Company Inc.

⁽³⁾ On 10 May 2006, 56% of Dyno Nobel Chile and Industriales Chile.

⁽⁴⁾ On 1 June 2006, the remainder of Dyno Nobel Chile and Industriales Chile.

⁽⁵⁾ On 1 June 2006, the remaining Dyno entities in Asia, Latin America, Europe, the Middle East and Africa.

Other entities

During December 2005, Orica purchased the remaining 49% minority interest in Orica Kimit Explosives AB and Orica Kimit Norge AS.

On 31 May 2006, 60% GeoNitro Limited was purchased.

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

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

9. Businesses acquired (continued)

Results contributed by acquired entities since acquisition date	<u>\$m</u>
Revenue for the period	247.7
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	35.0

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

	<u>\$m</u>
Operating revenue	537.3
EBITDA	82.0

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

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

Businesses acquired subsequent to 30 September 2007

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

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

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

Balance sheet as at 31 July 2007

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

10. Discontinued operations and businesses disposed

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

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

10. Discontinued operations and businesses disposed (continued)

Reconciliation of net profit after tax

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

	Consolidated	
	2007 \$m	2006 \$m

Assets/liabilities held for sale ⁽¹⁾

Trade and other receivables	-	19.0
Inventories	-	12.4
Other assets	-	0.4
Total current assets held for sale	-	31.8
Property, plant and equipment	-	30.3
Total non-current assets held for sale	-	30.3
Trade and other payables	-	20.5
Provision for income tax	-	0.1
Provision for environmental	-	2.7
Provision for employee benefits	-	1.1
Total current liabilities held for sale	-	24.4

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

10. Discontinued operations and businesses disposed (continued)

Disposal of businesses/controlled entities

The following businesses/controlled entities were disposed of:

2007

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

2006

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

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

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

Cash flows from discontinued operations

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

11. Income tax expense

For the year ended 30 September:

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

12. Critical accounting judgements and estimates

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

Contingent liabilities

In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with our current or former sites. Where we believe that potential liabilities have a low probability of crystallising or it is not possible to quantify reliably, we disclose them as contingent liabilities. These are not provided for in the financial statements but are disclosed in the notes. In view of the significance of environmental issues associated with Botany (NSW, Australia) Groundwater, Botany Hexachlorobenzene (HCB) Waste, Botany Car Park Encapsulation, Villawood (NSW, Australia) and Seneca (Illinois, USA) they continue to be disclosed as contingent liabilities even though estimated costs have been recognised in the financial statements. Further details regarding contingent liabilities are set out in note 13.

Environmental and decommissioning provisions

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

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

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

Legal proceedings

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

12. Critical accounting judgements and estimates (continued)

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

Defined benefit superannuation fund obligations

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

Property, plant and equipment and definite life intangible assets

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

Foreign exchange movements

The 2007 annual report gives a detailed analysis of the foreign exchange exposure of the consolidated entity and risks in relation to foreign exchange movements.

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell and value in use. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGUs. The determination of value in use requires the estimation and discounting of cashflows. The estimation of the cashflows considers all the information available at balance date which may deviate from actual developments. This includes, among other things, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing of cash flows could impact the carrying value of the respective assets. Impairment testing of the Botany Groundwater Treatment Plant has assumed that the treated water from this plant will be sold to industrial customers for the assumed prices (using Sydney Water prices as a guide). The carrying value of the Groundwater Treatment Plant included in property, plant and equipment at 30 September 2007 is \$63.6 million.

Current asset provisions

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

Taxation

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

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

12. Critical accounting judgements and estimates (continued)

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

Acquisition accounting

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

13. Contingent liabilities and contingent assets

Environmental

(i) General

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

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

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

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

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

Botany Groundwater (New South Wales, Australia)

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

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

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

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

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

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

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

13. Contingent liabilities and contingent assets (continued)

submitted an application for planning approval of the proposed remediation. Orica has provided for estimated costs of treatment of the soil using thermal desorption technology.

Taxation

(i) Tax investigations and audits

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

(ii) Brazilian Tax Action

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

(iii) Tax Audit – 1998 Sale of Pharmaceuticals Business

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

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

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

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

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

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

Guarantees, indemnities and warranties

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

14. Events subsequent to balance date

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

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

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

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

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

Compliance statement

This report has been subject to audit by KPMG.

The entity has a formally constituted audit committee.

Annette Cook
Company Secretary
12 November 2007