

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 2009	30 September 2008

Results for announcement to the market

\$m

Consolidated revenue from operations	up	13.2%	to	7,411.0
Profit after tax attributable to shareholders	up	0.4%	to	541.8
Net profit for the period attributable to shareholders before individually material items	up	12.9%	to	646.1
Dividends				
		Amount per security		Franked amount per security at 30% tax
Final dividend - Ordinary	Cents	57.00		20.00
Interim dividend - Ordinary	Cents	40.00		14.00
Previous corresponding period				
Final dividend - Ordinary	Cents	55.00		20.00
Interim dividend - Ordinary	Cents	39.00		14.00

Record date for determining entitlements to the dividend:

Ordinary Shares

17-Nov-09

Payment date of dividend:

Ordinary Shares

4-Dec-09

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	Cents 170.6	Cents 200.1

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 Statements

For the year ended 30 September:

	Notes	2009 \$m	2008 \$m
Sales revenue	(3)	7,411.0	6,544.1
Other income	(3)	44.5	53.8
Expenses			
Changes in inventories of finished goods and work in progress		(100.2)	101.6
Raw materials and consumables used and finished goods purchased for resale		(3,723.2)	(3,448.5)
Share based payments		(8.1)	(6.5)
Other employee benefits expense		(1,190.3)	(1,106.6)
Depreciation expense		(202.7)	(177.6)
Amortisation expense		(45.0)	(41.1)
Purchased services		(405.4)	(404.3)
Repairs and maintenance		(136.0)	(133.3)
Impairment of property, plant & equipment		(69.7)	-
Impairment of intangibles		(9.2)	-
Outgoing freight		(310.3)	(270.6)
Lease payments - operating leases		(92.5)	(83.3)
Cost of cancellation of cumulative non-redeemable preference shares		-	(7.5)
Other expenses from ordinary activities including individually material items		(281.1)	(119.8)
Share of net profits of associates accounted for using the equity method	(8)	61.1	28.1
		(6,512.6)	(5,669.4)
Profit from operations		942.9	928.5
Net financing (costs)/income			
Financial income		50.8	68.1
Financial expenses		(184.3)	(225.8)
Net financing costs		(133.5)	(157.7)
Profit before income tax expense			
Income tax expense	(11)	(228.0)	(203.5)
Profit for the year		581.4	567.3
Net profit for the period attributable to:			
Shareholders of Orica Limited		541.8	539.6
Minority interest		39.6	27.7
Net profit for the year		581.4	567.3
		cents	cents
Earnings per share			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
Basic	(1)	145.2	159.8
Diluted	(1)	140.8	158.0

The Consolidated Income Statements are to be read in conjunction with the accompanying notes.

Consolidated Statements of Recognised Income and Expense

For the year ended 30 September:

	2009	2008
	\$m	\$m
Net loss on hedge of net investments in foreign subsidiaries	(99.3)	(35.9)
Cash flow hedges		
- Effective portion of changes in fair value	(20.6)	(6.3)
- Transferred to carrying value of non current assets	(8.0)	18.7
- Transferred to Income Statement	20.7	1.4
Exchange differences on translation of foreign operations	(353.3)	301.3
Actuarial (loss)/benefit on defined benefit plans	(27.9)	(45.3)
Income tax on income and expense recognised directly through equity	30.8	7.5
Net income and expense recognised directly in equity	(457.6)	241.4
Profit for the year	581.4	567.3
Total recognised income and expense for the year	123.8	808.7
Attributable to:		
Shareholders of Orica Limited	84.2	781.0
Minority interest	39.6	27.7
Total recognised income and expense for the year	123.8	808.7

The Consolidated Statements of Recognised Income and Expense are to be read in conjunction with the accompanying notes.

Consolidated Balance Sheets

as at:

	Notes	30 September 2009 \$m	31 March 2009 \$m	30 September 2008 \$m
Current assets				
Cash and cash equivalents	(12)	308.5	329.6	321.3
Trade and other receivables		964.9	1,063.2	1,147.4
Other financial assets - derivative assets		45.3	38.4	96.3
Inventories		619.8	834.8	824.3
Other assets		55.9	91.8	68.9
Total current assets		1,994.4	2,357.8	2,458.2
Non-current assets				
Trade and other receivables		103.4	110.1	111.0
Investments accounted for using the equity method		167.4	246.7	208.3
Other financial assets		0.9	0.9	1.0
Property, plant and equipment		2,075.0	2,141.1	2,052.3
Intangible assets		2,756.5	3,174.2	3,012.6
Deferred tax assets		253.2	186.3	164.1
Other assets		3.4	5.4	0.3
Total non-current assets		5,359.8	5,864.7	5,549.6
Total assets		7,354.2	8,222.5	8,007.8
Current liabilities				
Trade and other payables		1,057.9	1,169.4	1,372.7
Other financial liabilities - derivative liabilities		98.8	67.0	138.7
Interest bearing liabilities	(12)	160.2	200.2	266.4
Current tax liabilities		78.7	27.2	28.3
Provisions		220.1	242.3	273.5
Total current liabilities		1,615.7	1,706.1	2,079.6
Non-current liabilities				
Trade and other payables		37.0	44.1	31.8
Interest bearing liabilities	(12)	1,242.8	1,606.4	1,075.4
Deferred tax liabilities		76.2	85.9	83.8
Provisions		409.7	508.1	418.8
Total non-current liabilities		1,765.7	2,244.5	1,609.8
Total liabilities		3,381.4	3,950.6	3,689.4
Net assets		3,972.8	4,271.9	4,318.4
Equity				
Ordinary shares	(6)	1,865.6	1,850.0	1,881.3
Reserves	(7)	(408.0)	120.1	91.3
Retained earnings	(7)	1,913.1	1,699.7	1,758.9
Total equity attributable to ordinary shareholders of Orica		3,370.7	3,669.8	3,731.5
Equity attributable to Step-Up Preference Securities' holders	(6)	490.0	490.0	490.0
Minority interest in controlled entities		112.1	112.1	96.9
Total equity		3,972.8	4,271.9	4,318.4

The Consolidated Balance Sheets are to be read in conjunction with the accompanying notes.

Consolidated Statements of Cash Flows

For the year ended 30 September:

	2009	2008
	\$m	\$m
	Inflows/ Notes (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities		
Receipts from customers	8,026.2	6,946.8
Payments to suppliers and employees	(6,890.5)	(5,929.8)
Interest received	51.2	69.3
Borrowing costs	(187.7)	(217.8)
Dividends received	66.7	20.4
Other operating revenue received	24.4	38.0
Net income taxes paid	(235.4)	(190.0)
Net cash flows from operating activities	854.9	736.9
Cash flows from investing activities		
Payments for property, plant and equipment	(357.5)	(414.4)
Payments for intangibles	(13.4)	(11.9)
Payments for purchase of investments	(34.0)	-
Payments for minorities' share of controlled entities	(9) (80.4)	(3.0)
Payments for purchase of businesses/controlled entities	(9) (26.9)	(866.2)
Payments of deferred consideration from prior acquisitions	(25.7)	-
Proceeds from sale of property, plant and equipment	11.9	19.6
Proceeds from sale of investments	9.7	-
Proceeds from sale of businesses/controlled entities	(10) -	5.9
Net cash flows used in investing activities	(516.3)	(1,270.0)
Cash flows from financing activities		
Proceeds from long term borrowings	3,242.3	-
Repayment of long term borrowings	(3,052.7)	-
Cancellation of cumulative non-redeemable preference shares	-	(9.5)
Net movement in short term financing	(107.9)	(376.9)
Payments for finance leases	(4.2)	(3.1)
Proceeds from issue of ordinary shares	-	900.6
Proceeds from issue of ordinary shares - underwritten Dividend Reinvestment Plan (DRP)	-	156.5
Proceeds from issue of shares to minority interests	3.4	12.2
Payments for buy-back of ordinary shares - LTEIP	(6) (31.3)	(7.5)
Dividends paid - Orica ordinary shares	(294.7)	(155.2)
Dividends satisfied by on market buy-back - DRP	(30.2)	-
Distributions paid - Step-Up Preference Securities	(5) (37.5)	(41.5)
Dividends paid - minority interests	(18.3)	(10.4)
Net cash flows (used in)/from financing activities	(331.1)	465.2
Net increase/(decrease) in cash held	7.5	(67.9)
Cash at the beginning of the period	312.3	367.7
Effects of exchange rate changes on cash	(23.2)	12.5
Cash at the end of the year	296.6	312.3
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:		
Cash	308.5	321.3
Bank overdraft	(11.9)	(9.0)
	296.6	312.3

The Consolidated Statements of Cash Flows are to be read in conjunction with the accompanying notes.

1. Earnings per share (EPS)

(i) As reported in Income Statements	Notes	2009 \$m	2008 \$m
Reconciliation of earnings used in the calculation of EPS attributable to ordinary shareholders of Orica			
Net profit for the year from operations		581.4	567.3
Net profit for the year from operations attributable to minority interests		(39.6)	(27.7)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)		(28.1)	(28.1)
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica		513.7	511.5
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)		28.1	28.1
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica		541.8	539.6
		Number	Number
Weighted average number of shares used as the denominator:			
Number for basic earnings per share		353,879,570	320,040,216
Effect of executive share options		2,311,094	3,520,965
Effect of Orica Step-Up Preference Securities		28,583,380	18,041,197
Number for diluted earnings per share		384,774,044	341,602,378
The following Orica Long Term Equity Incentive Plan has not been included in the calculation for diluted earnings per share as it is not dilutive:			
- issue date 20 Nov 2006		1,274,699	-
- issue date 11 May 2007		33,464	61,393
- issue date 18 Dec 2007		1,206,357	1,348,983.0
- issue date 26 Jun 2009		40,580	-
		Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica			
Basic earnings per share		145.2	159.8
Diluted earnings per share		140.8	158.0
(ii) Adjusted for individually material items			
		\$m	\$m
Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica			
Net profit for the year from operations		581.4	567.3
Net profit for the year from operations attributable to minority interests		(39.6)	(27.7)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)		(28.1)	(28.1)
Adjusted for individually material items from operations	(4)	104.3	32.7
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica		618.0	544.2
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)		28.1	28.1
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica		646.1	572.3
		Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica before individually material items			
Basic earnings per share		174.6	170.0
Diluted earnings per share		167.9	167.5

2. Segment report

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format is business segments. The consolidated entity's operations have been divided into five business segments comprising Mining Services, Minova, DuluxGroup, Chemicals and Other.

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

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

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

Defined business segments	Products/services
Mining Services	Manufacture and supply of explosives and mining services, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries.
Minova	Manufacture and supply of specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.
DuluxGroup *	Manufacture and supply of paints and other surface coatings to the decorative and technical markets and a range of home handyman, car care and garden care products.
Chemicals	Manufacture, distribution and trading of a broad range of industrial and specialty chemicals for use in a wide range of industries, which include water treatment, pulp and paper, food and beverage, construction and mining.
Other	Minor activities, operation of the Botany Groundwater Recycling Business, non-operating assets, corporate and support costs.

* Previously referred to as Consumer Products.

2. Segment report (continued)

Primary reporting
Business segments
2009
\$m

	<i>Mining Services</i>	<i>Minova</i>	<i>DuluxGroup</i>	<i>Chemicals</i>	<i>Other</i>	<i>Eliminations</i>	<i>Consolidated</i>
Revenue							
External sales	4,042.7	940.9	940.1	1,486.5	0.8	-	7,411.0
Inter-segment sales	15.1	-	0.1	61.8	0.2	(77.2)	-
Total sales revenue	4,057.8	940.9	940.2	1,548.3	1.0	(77.2)	7,411.0
Other income ⁽¹⁾	34.1	(1.9)	0.9	(1.3)	12.7	-	44.5
Total revenue and other income	4,091.9	939.0	941.1	1,547.0	13.7	(77.2)	7,455.5
Results							
Profit/(loss) before individually material items, net financing costs and income tax expense	736.5	145.1	128.9	170.4	(98.4)	-	1,082.5
Individually material items	(48.4)	(12.8)	-	(16.5)	(61.9)	-	(139.6)
Profit/(loss) from operations	688.1	132.3	128.9	153.9	(160.3)	-	942.9
Net financing costs							(133.5)
Profit before income tax expense							809.4
Income tax expense							(228.0)
Profit after income tax expense							581.4
Minority interests in profit after income tax							(39.6)
Net profit for the period relating to shareholders of Orica Limited							541.8
Segment assets	3,238.1	1,799.0	503.2	976.7	837.2	-	7,354.2
Segment liabilities	815.6	139.5	233.8	225.4	1,967.1	-	3,381.4
Investments accounted for using the equity method	165.5	-	1.7	0.2	-	-	167.4
Acquisitions of PPE and intangibles	273.3	14.6	19.0	53.7	26.3	-	386.9
Impairment of PPE	0.9	-	-	7.7	61.1	-	69.7
Impairment of intangibles	1.0	-	-	8.2	-	-	9.2
Impairment of inventories	4.4	2.4	1.6	7.2	-	-	15.6
Impairment of trade receivables	5.2	0.8	1.4	0.9	0.9	-	9.2
Impairment of investments	-	-	-	-	1.4	-	1.4
Depreciation	137.9	9.8	15.3	33.2	6.5	-	202.7
Amortisation	14.2	26.1	1.7	0.6	2.4	-	45.0
Non-cash expenses other than depreciation and amortisation:							
- share based payments	3.3	0.9	0.8	0.9	2.2	-	8.1
Share of associates net profit equity accounted	60.1	-	0.9	0.1	-	-	61.1

⁽¹⁾ Includes foreign exchange gains/losses in various business segments.

2. Segment report (continued)

Primary reporting
Business segments
2008
\$m

	<i>Mining Services</i>	<i>Minova</i>	<i>DuluxGroup</i>	<i>Chemicals</i>	<i>Other</i>	<i>Eliminations</i>	<i>Consolidated</i>
Revenue							
External sales	3,540.0	794.2	875.2	1,334.2	0.5	-	6,544.1
Inter-segment sales	12.1	-	0.2	71.9	-	(84.2)	-
Total sales revenue	3,552.1	794.2	875.4	1,406.1	0.5	(84.2)	6,544.1
Other income	38.2	0.4	1.0	2.3	11.9	-	53.8
Total revenue and other income	3,590.3	794.6	876.4	1,408.4	12.4	(84.2)	6,597.9
Results							
Profit/(loss) before individually material items, net financing costs and income tax expense	635.6	150.1	122.6	146.1	(84.3)	-	970.1
Individually material items	(9.6)	(12.0)	-	(20.0)	-	-	(41.6)
Profit/(loss) from operations	626.0	138.1	122.6	126.1	(84.3)	-	928.5
Net financing costs							(157.7)
Profit before income tax expense							770.8
Income tax expense							(203.5)
Profit after income tax expense							567.3
Minority interests in profit after income tax							(27.7)
Net profit for the period relating to shareholders of Orica Limited							539.6
Segment assets	3,599.3	2,037.0	465.9	1,049.6	856.0	-	8,007.8
Segment liabilities	1,121.5	197.3	202.0	288.5	1,880.1	-	3,689.4
Investments accounted for using the equity method	206.6	-	1.6	0.1	-	-	208.3
Acquisitions of PPE and intangibles	299.7	13.3	37.3	75.1	22.9	-	448.3
Impairment of inventories	3.3	0.6	2.1	1.2	-	-	7.2
Impairment of trade receivables	4.8	0.7	1.1	1.1	-	-	7.7
Depreciation	118.3	7.9	11.3	31.6	8.5	-	177.6
Amortisation	14.0	21.9	2.4	0.5	2.3	-	41.1
Non-cash expenses other than depreciation and amortisation:							
- share based payments	2.7	0.6	0.5	0.6	2.1	-	6.5
Share of associates net profit equity accounted	27.8	-	0.2	0.1	-	-	28.1

2. Segment report (continued)

Secondary reporting

Geographical segments

2009

\$m

	Australia	New Zealand	Asia	North America	Latin America	Europe	Other	Eliminations	Consolidated
Revenue									
External sales	2,891.4	392.8	786.0	1,326.6	1,057.3	874.3	82.6	-	7,411.0
Inter-segment sales	277.8	12.4	14.1	96.8	16.9	23.9	5.6	(447.5)	-
Total sales revenue	3,169.2	405.2	800.1	1,423.4	1,074.2	898.2	88.2	(447.5)	7,411.0
Other income ⁽¹⁾	5.1	2.2	(1.0)	3.3	25.7	9.2	-	-	44.5
Total revenue and other income	3,174.3	407.4	799.1	1,426.7	1,099.9	907.4	88.2	(447.5)	7,455.5
Results									
Profit before individually material items, net financing costs and income tax expense	467.3	46.7	99.3	186.2	126.9	143.7	12.4	-	1,082.5
Individually material items	(86.0)	-	(0.6)	(18.1)	(10.6)	(24.1)	(0.2)	-	(139.6)
Profit from operations	381.3	46.7	98.7	168.1	116.3	119.6	12.2	-	942.9
Net financing costs									(133.5)
Profit before income tax expense									809.4
Income tax expense									(228.0)
Profit after income tax expense									581.4
Minority interests in profit after income tax									(39.6)
Net profit for the period relating to shareholders of Orica Limited									541.8
Segment assets	3,067.9	162.8	589.3	1,496.4	499.8	1,490.4	47.6	-	7,354.2
Segment liabilities	1,872.0	573.8	279.8	242.7	130.0	275.6	7.5	-	3,381.4
Investments accounted for using the equity method	1.9	-	35.2	116.8	2.8	10.7	-	-	167.4
Acquisitions of PPE and intangibles	157.1	12.9	107.4	33.8	33.1	40.2	2.4	-	386.9
Impairment of PPE	68.8	-	-	-	-	0.9	-	-	69.7
Impairment of intangibles	9.2	-	-	-	-	-	-	-	9.2
Impairment of inventories	9.3	0.8	1.2	2.6	0.6	1.0	0.1	-	15.6
Impairment of trade receivables	3.6	-	1.4	0.1	0.8	3.1	0.2	-	9.2
Impairment of investments	1.4	-	-	-	-	-	-	-	1.4
Depreciation	109.2	5.4	12.1	34.5	15.5	24.9	1.1	-	202.7
Amortisation	12.9	0.1	0.8	17.5	2.0	11.7	-	-	45.0
Non-cash expenses other than depreciation and amortisation:									
- share based payments	5.9	0.1	0.1	1.0	0.3	0.6	0.1	-	8.1
Share of associates net profit equity accounted	1.0	-	5.9	42.7	1.3	10.2	-	-	61.1

⁽¹⁾ Includes foreign exchange gains/losses in various geographical segments.

2. Segment report (continued)

Secondary reporting
Geographical segments
2008
\$m

	Australia	New Zealand	Asia	North America	Latin America	Europe	Other	Eliminations	Consolidated
Revenue									
External sales	2,703.4	376.2	527.2	1,219.5	809.0	847.8	61.0	-	6,544.1
Inter-segment sales	241.3	12.9	17.7	58.2	22.5	65.5	5.9	(424.0)	-
Total sales revenue	2,944.7	389.1	544.9	1,277.7	831.5	913.3	66.9	(424.0)	6,544.1
Other income	15.0	1.0	1.6	9.5	15.0	11.7	-	-	53.8
Total revenue and other income	2,959.7	390.1	546.5	1,287.2	846.5	925.0	66.9	(424.0)	6,597.9
Results									
Profit before individually material items, net financing costs and income tax expense	434.7	44.0	70.9	172.5	91.8	148.4	7.8	-	970.1
Individually material items	(24.2)	-	(1.0)	(9.0)	(5.6)	(1.0)	(0.8)	-	(41.6)
Profit from operations	410.5	44.0	69.9	163.5	86.2	147.4	7.0	-	928.5
Net financing costs									(157.7)
Profit before income tax expense									770.8
Income tax expense									(203.5)
Profit after income tax expense									567.3
Minority interests in profit after income tax									(27.7)
Net profit for the period relating to shareholders of Orica Limited									539.6
Segment assets	3,030.3	259.9	570.2	1,800.5	592.7	1,707.0	47.2	-	8,007.8
Segment liabilities	2,031.5	538.1	142.5	405.1	192.4	368.5	11.3	-	3,689.4
Investments accounted for using the equity method	1.7	-	62.2	127.5	2.8	14.1	-	-	208.3
Acquisitions of PPE and intangibles	189.3	14.7	85.2	72.6	31.8	51.4	3.3	-	448.3
Impairment of inventories	4.4	0.6	1.2	0.3	0.3	0.4	-	-	7.2
Impairment of trade receivables	1.6	0.1	0.7	2.3	0.4	2.5	0.1	-	7.7
Depreciation	101.7	5.0	8.9	24.6	14.1	22.4	0.9	-	177.6
Amortisation	13.2	0.4	0.6	13.1	2.1	11.7	-	-	41.1
Non-cash expenses other than depreciation and amortisation:									
- share based payments	4.6	0.1	0.1	0.7	0.4	0.6	-	-	6.5
Share of associates net profit equity accounted	0.8	-	5.9	19.2	1.0	1.2	-	-	28.1

3. Sales revenue and other income

	2009 \$m	2008 \$m
Sales revenue	7,411.0	6,544.1
Other income		
Royalty income	1.4	1.9
Dividend income:		
external parties	0.1	-
Other income	23.9	34.6
Currency gains ⁽¹⁾	3.8	11.9
Profit from sale of businesses/controlled entities	13.5	-
Profit on sale of property, plant and equipment	1.8	5.4
Total other income	44.5	53.8

⁽¹⁾ Includes \$20 million relating to a gain on derivative instruments used to economically hedge the purchase of minority interests during the period.

4. Specific income and expenses

	2009			2008		
	Gross \$m	Tax \$m	Net \$m	Gross \$m	Tax \$m	Net \$m
Profit after income tax includes the following individually material items of (expense)/income:						
Restructuring and rationalisation costs: ⁽¹⁾						
Mining Services	(32.1)	7.4	(24.7)	-	-	-
Chemicals business	-	-	-	(20.0)	5.3	(14.7)
DuluxGroup demerger costs ⁽²⁾	(20.8)	5.5	(15.3)	-	-	-
Asset impairment writedowns:						
Marplex	(16.5)	2.5	(14.0)	-	-	-
Botany Groundwater Treatment Plant ⁽³⁾	(61.1)	18.3	(42.8)	-	-	-
Integration costs ⁽⁴⁾						
Dyno Nobel	(16.3)	3.7	(12.6)	(9.6)	0.1	(9.5)
Minova/Excel	(12.8)	3.6	(9.2)	(12.0)	3.0	(9.0)
Net gain on derivatives ⁽⁵⁾	20.0	(6.0)	14.0	-	-	-
Individually material items	(139.6)	35.0	(104.6)	(41.6)	8.4	(33.2)
Minority interests in individually material items	(0.3)	-	(0.3)	(0.5)	-	(0.5)
Individually material items attributable to shareholders of Orica	(139.3)	35.0	(104.3)	(41.1)	8.4	(32.7)

⁽¹⁾ Costs including asset write downs and provisions relating to restructuring of the Mining Services business in 2009 and restructuring and merging of the Chemicals business in 2008.

⁽²⁾ Costs associated with the proposed DuluxGroup demerger which has been indefinitely deferred.

⁽³⁾ During the year due to a deterioration of the business performance, Orica reviewed the recoverability of the Botany Groundwater Treatment Plant assets resulting in the assets being written down from \$61.1 million to nil.

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

⁽⁵⁾ Gain on derivative instruments used to economically hedge the purchase of minority interests during the period. Such transactions do not qualify for hedge accounting and accordingly the gain on the derivative instruments has been recognised in the income statement.

5. Dividends and distributions

	2009	2008
	\$m	\$m
Dividends and distributions		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary shares		
interim dividend of 39 cents per share, 35.9% franked at 30%, paid 4 Jul 2008		122.1
interim dividend of 40 cents per share, 35% franked at 30%, paid 3 Jul 2009	142.5	
final dividend of 53 cents per share, 32.08% franked at 30%, paid 14 Dec 2007		162.4
final dividend of 55 cents per share, 36.36% franked at 30%, paid 5 Dec 2008	198.0	
Cumulative non-redeemable 5% preference shares ⁽¹⁾		
final dividend of 2.5 cents per share, 32.08% franked at 30%, paid 18 Jan 2008		0.05
Distributions paid in respect of the year ended 30 September were:		
Step-Up Preference Securities		
distribution at 7.8133% per annum, per security, unfranked, paid 30 Nov 2007 for the period from 31 May 2007 to 29 Nov 2007		19.6
distribution at 8.7317% per annum, per security, unfranked, paid 2 Jun 2008 for the period from 30 Nov 2007 to 31 May 2008		21.9
distribution at 9.38% per annum, per security, unfranked, paid 1 Dec 2008 for the period from 31 May 2008 to 29 Nov 2008	23.5	
distribution at 5.63% per annum, per security, unfranked, paid 1 Jun 2009 for the period from 30 Nov 2008 to 31 May 2009	14.0	
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the period were as follows:		
paid in cash	294.7	155.2
satisfied by issue of shares	15.6	129.4
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan ⁽²⁾	30.2	-
Distributions paid in cash	37.5	41.5
No distributions were satisfied by the issue/purchase of shares.		

⁽¹⁾ Dividends on these shares have been charged to the Income Statement as borrowing costs as the shares were classified as liabilities. The shares were cancelled on 14 January 2008.

⁽²⁾ During the 2009 year, the Company bought 1,943,577 shares on market to satisfy shareholders dividend reinvestment plan (DRP) requirements.

Subsequent events

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

Final dividend on ordinary shares of 57 cents per share, 35.09% franked at 30%, payable 4 December 2009.

The financial effect of the final dividend on ordinary shares has not been brought to account in the financial statements for the year ended 30 September 2009 and will be recognised in the 2010 annual financial statements.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

It is anticipated that dividends will be partly franked at a rate of no more than 40%.

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 25 cents	Previous period - Ordinary 25 cents

6. Contributed equity

	2009 \$m	2008 \$m
Issued and fully paid:		
Cumulative non-redeemable 5% preference shares - nil (2008 nil) ⁽¹⁾	-	-
Step-Up Preference Securities - 5,000,000 (2008 5,000,000) ⁽²⁾	490.0	490.0
Ordinary shares - 359,955,579 (2008 359,196,325)	1,865.6	1,881.3

⁽¹⁾ On 14 January 2008, the 5% cumulative non-redeemable 5% preference shares were cancelled for a cash payment of \$4.75 for each cancelled 5% preference share. The excess of \$7.5 million over the face value was charged to the income statement. Under AASB 139, the 5% cumulative non-redeemable preference shares were treated as non-current interest bearing liabilities.

⁽²⁾ The Group issued Step-Up Preference Securities (SPS) via a prospectus dated 17 February 2006. The SPS are stapled securities comprising a fully paid Preference Share and a fully paid unsecured note. The SPS have no fixed repayment date, but Orica has the right to repurchase them for cash or convert the SPS into a variable number of ordinary shares in Orica from November 2011 or earlier in certain circumstances. Holders rank ahead of ordinary shares but rank behind creditors (and behind cumulative non-redeemable preference shares in 2008). Distributions payable on the SPS are discretionary, payable semi-annually, non-cumulative, unfranked and payable based on the 180 day bill swap rate plus a margin of 1.35% per annum. Should the credit rating of the SPS fall below Standard and Poor's BBB- or equivalent, or no longer be rated, then an additional 1% will be added to the distribution rate. Distributions are payable in priority to distributions on Orica shares, but ranked behind pre-existing Orica preference shares (which were cancelled on 14 January 2008). Where a distribution on SPS is not paid, Orica may not declare or pay any dividends, pay any interest, or distribute any income or capital on any security that ranks behind the SPS until Orica has paid SPS distributions scheduled for the twelve months following the missed distribution or Orica has paid an amount equivalent to the unpaid distributions in the last twelve months, or all SPS have been repurchased or converted, or a special resolution of the SPS holders has been passed approving such payment. Orica SPS holders do not have voting rights in shareholder meetings except in limited circumstances. Under a Deed of Undertaking and Indemnity between Orica Limited and Australian Stock Exchange Limited (ASX), the ASX reserves the right (but without limiting its absolute discretion) to remove either or both of the Company and Orica New Zealand Securities Ltd (Orica NZ) from the official list if a) any of the SPS Preference Shares of the Company and Notes of Orica NZ cease to be stapled together, or b) if any SPS Preference Share or Notes are issued by either of the Company or Orica NZ which are not stapled to corresponding securities in the other entity.

6. Contributed equity (continued)

Movements in issued and fully paid shares of the Company since 1 October 2007 were as follows:

Details	Date	Number of shares	Issue price \$	\$m
Cumulative non-redeemable 5% preference shares				
Opening balance	1-Oct-07	2,000,000		
Shares cancelled	14-Jan-08	(2,000,000)		
Balance at end of the year	30-Sep-08	-		-
Balance at end of the year	30-Sep-09	-		-
Step-Up Preference Securities				
Opening balance - gross ⁽¹⁾	1-Oct-07	5,000,000		500.0
Opening balance - costs ⁽¹⁾				(10.0)
Balance at end of the year	30-Sep-08	5,000,000		490.0
Balance at end of the year	30-Sep-09	5,000,000		490.0
Ordinary shares				
Opening balance of ordinary shares issued	1-Oct-07	307,912,707		702.4
Shares issued under the Orica executive option plans ⁽⁵⁾		62,802		0.4
Shares issued under the Orica dividend reinvestment plan	14-Dec-07	3,021,980	27.08	81.9
Shares issued under the Orica dividend reinvestment plan	4-Jul-08	1,630,562	29.12	47.5
Shares issued under the Orica dividend reinvestment plan underwriting agreement	14-Dec-07	2,922,919	27.78	81.2
Shares issued under the Orica dividend reinvestment plan underwriting agreement	4-Jul-08	2,519,795	29.88	75.3
Share movements under the Orica LTEIP plan ⁽⁶⁾		1,192,412		5.5
Shares issued under the Orica Rights issue ⁽³⁾	6-Aug-08	26,860,076		604.3
Shares issued under the Orica Rights issue ⁽⁴⁾	28-Aug-08	13,073,072		294.0
Expenses related to the Orica Rights Issue ^{(3) (4)}		-		(13.1)
Shares issued under the Orica GEESP plan ⁽²⁾		-		1.9
Balance at end of the year	30-Sep-08	359,196,325		1,881.3
Shares issued under the Orica dividend reinvestment plan		759,254	20.58	15.6
Share movements under the Orica LTEIP plan ⁽⁶⁾				(31.3)
Balance at end of the year	30-Sep-09	359,955,579		1,865.6

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

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

⁽³⁾ Shares issued under the Orica Rights issue prospectus dated 28 July 2008 - Institutional Offer.

⁽⁴⁾ Shares issued under the Orica Rights issue prospectus dated 28 July 2008 - Retail Offer.

6. Contributed equity (continued)

Details	Date	Number of shares	Issue price \$	\$m
(5) Shares issued under the Orica executive option plans				
2007/2008				
		22,000	5.09	0.1
		19,802	7.33	0.2
		21,000	5.14	0.1
Movement for the year	30-Sep-08	62,802		0.4

2008/2009

Movement for the year	30-Sep-09	-		-
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The options were exercised at various times during 2008. The weighted average of the fair value of shares issued in 2008 was \$28.40.

(6) Share movements under the Orica LTEIP plan

2007/2008				
Shares issued	29-Jan-08	1,192,412	31.76	-
Shares bought back	Various	-		(7.5)
Shares issued - loan repayment	Various	-		13.0
Movement for the year	30-Sep-08	1,192,412		5.5

2008/2009

Shares bought back	Various	-		(31.3)
Movement for the year	30-Sep-09	-		(31.3)

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

Repayments of share loans are recognised as share capital. Under the November 2006 and subsequent LTEIP executive allocations, the shares are returned to Orica if the executives leave Orica within three years.

6. Contributed equity (continued)

Options over unissued shares:

Exercisable between	Balance 30 Sep 07	Issued/ reinstated during the year	Exercised during the year	Lapsed during the year	Balance 30 Sep 08	Exercised during the year	Lapsed during the period	Balance 30 Sep 09
01 Jan 03 31 Dec 09	11,000	-	-	-	11,000	-	-	11,000
01 Jan 04 31 Dec 10	34,600	-	(21,000)	-	13,600	-	-	13,600
31 Dec 04 31 Dec 06	49,000	-	(22,000)	-	27,000	-	-	27,000
31 Oct 05 31 Oct 07 ⁽¹⁾	19,802	-	(19,802)	-	-	-	-	-
31 Oct 05 31 Oct 07 ⁽¹⁾	1	-	-	(1)	-	-	-	-
Total	114,403	-	(62,802)	(1)	51,600	-	-	51,600

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

	2009	2008
	\$m	\$m
Total equity reconciliation		
Total equity at the beginning of the year	4,318.4	2,627.6
Total changes recognised in statements of recognised income and expense	84.2	781.0
Transactions with owners as owners		
Dividends paid	(340.5)	(284.5)
Distributions paid	(37.5)	(41.5)
Less tax credit on Step-Up Preference Securities distributions	9.4	13.4
Share based payments reserve movements	8.1	6.5
Equity reserve arising from purchase of minorities	(68.8)	1.0
Total changes in contributed equity	(15.7)	1,178.9
Total changes in minority interest	15.2	36.0
Total equity at the end of the year	3,972.8	4,318.4

7. Reserves and retained earnings

	2009 \$m	2008 \$m
Reserves and retained earnings		
(a) Reserves		
Share based payments	36.2	28.1
Cash flow hedging	(0.3)	5.2
Foreign currency translation	(369.1)	64.0
Equity - arising from purchase of minorities	(74.8)	(6.0)
Balance at end of the year	(408.0)	91.3
Movement in reserves during the year		
Share based payments		
Balance at beginning of year	28.1	21.6
Share based payments expense	8.1	6.5
Balance at end of the year	36.2	28.1
Cash flow hedging		
Balance at beginning of year	5.2	(4.5)
Movement for the period	(7.9)	13.8
Tax effect of movement in cash flow hedge reserve	2.4	(4.1)
Balance at end of the year	(0.3)	5.2
Foreign currency translation		
Balance at beginning of year	64.0	(198.6)
Translation of overseas controlled entities at the end of the financial year	(452.6)	270.0
Tax effect of translation of overseas controlled entities at the end of the financial year	19.5	(7.4)
Balance at end of the year	(369.1)	64.0
Equity - arising from purchase of minorities		
Balance at beginning of year	(6.0)	(7.0)
Purchase of minority interests ⁽¹⁾	(68.8)	1.0
Balance at end of the year	(74.8)	(6.0)
(b) Retained earnings		
Retained earnings at the beginning of the year	1,758.9	1,562.8
Operating profit after income tax attributable to shareholders of Orica	541.8	539.6
Defined benefit fund superannuation movement (net of tax)	(19.0)	(30.9)
Dividends/distributions paid:		
Step-Up Preference Securities distributions	(37.5)	(41.5)
Less tax credit on Step-Up Preference Securities distributions	9.4	13.4
Ordinary dividends – interim	(142.5)	(122.1)
Ordinary dividends – final	(198.0)	(162.4)
Retained earnings at end of the year	1,913.1	1,758.9

⁽¹⁾ The equity reserve arising from purchase of minorities represents the excess of cost of investment in purchasing minority interests in subsidiaries over the net assets acquired and minority share of goodwill at the date of original acquisition of the subsidiary. The movement for the year ending 30 September 2009 relates to purchase of minority interests in Orica Mining Services Peru S.A., Orica Kazakhstan Joint Stock Company and Minova Ksante Sp.z o.o..

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-Sep-09	30-Sep-08	30-Sep-09	30-Sep-08
	%	%	\$m	\$m
OY Forcit ⁽²⁾	-	20.0	8.2	0.9
Thai Nitrate Company Ltd	50.0	50.0	5.9	6.4
Nelson Brothers, LLC	50.0	50.0	43.5	19.2
Nelson Brothers Mining Services, LLC	50.0	50.0		
Southwest Energy LLC	50.0	50.0		
Australian Plantations Pty Ltd	50.0	50.0	Individually not material. In aggregate 3.5	Individually not material. In aggregate 1.6
Botany Industrial Park Pty Limited	33.4	33.4		
BXL Bulk Explosives Limited	50.0	50.0		
Controladora DNS de RL de CV	49.0	49.0		
Dyno Nobel UMMC LLC	50.0	50.0		
Exor Explosives Limited	50.0	50.0		
Geneva Nitrogen LLC	50.0	50.0		
Geodynamics B.V.	27.3	27.3		
Irish Mining Emulsion Systems Ltd	50.0	50.0		
MicroCoal Inc.	50.0	50.0		
MSW-Chemie GmbH	31.5	31.5		
Norabel Ignition Systems AB	50.0	50.0		
Northwest Energetic Services, LLC ⁽¹⁾	-	-		
Orica Camel Coatings Ltd	50.0	50.0		
PIIK Limited Partnership	49.0	49.0		
Pigment Manufacturers of Australia Limited	50.0	50.0		
Pinegro Products Pty Ltd	50.0	50.0		
Servicios Petroleros Oricorp Mexico, SA de CV	47.0	47.0		
Sprewa Sprengmittel GmbH	24.0	24.0		
SVG&FNS Philippines Holdings Inc	40.0	40.0		
Troisdorf GmbH	50.0	50.0		
Ulaex SA	50.0	50.0		
Wurgendorf GmbH	50.0	50.0		
Total			61.1	28.1

⁽¹⁾ Consolidated as a subsidiary: Northwest Energetic Services, LLC from 1 December 2007.

⁽²⁾ Disposed of in 2009.

9. Businesses acquired

Consolidated - 2009

Acquisition of businesses and controlled entities

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

On 7 November 2008, Orica acquired OPEL Chemical (Singapore) Private Limited which owns a decorative coatings business in China.

Other entities

Minova Ksante Sp. z o.o.: Orica acquired an additional 30% shareholding on 6 November 2008.

Orica Mining Services Peru S.A.: Orica acquired an additional 48.6% shareholding on 28 November 2008.

Orica Kazakhstan Joint Stock Company: Orica acquired an additional 23% shareholding on 23 December 2008.

Businesses

Business assets of Hillmark Industries Pty Ltd, on 13 November 2008.

Business assets of Energy Enterprises, Inc., on 14 August 2009.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date.

	Book Values \$m	Fair Value Adjustments \$m	Total \$m
2009			
Consideration			
cash paid	26.5	-	26.5
net overdraft acquired	0.4	-	0.4
deferred settlement	19.2	-	19.2
Total consideration	46.1	-	46.1
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	12.5	-	12.5
inventories	5.2	-	5.2
property, plant and equipment	4.8	-	4.8
intangibles including purchased goodwill	13.2	-	13.2
other assets	0.1	-	0.1
payables and interest bearing liabilities	(13.1)	-	(13.1)
provisions	(0.2)	-	(0.2)
contingent liabilities	-	(2.3)	(2.3)
	22.5	(2.3)	20.2
Goodwill on acquisition			25.9

Acquisition of minority interests:

	Total \$m
2009	
Goodwill acquired	12.5
Decrease in minority interests	19.1
Net gain on derivatives	(20.0)
Equity reserve	68.8
Total consideration	80.4

Results contributed by acquired entities since acquisition date:

	\$m
Revenue for the period	38.5
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	2.3

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 12 months to 30 September 2009 are as follows:

	\$m
Operating revenue	45.1
EBITDA	1.7

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

9. Businesses acquired (continued)

Consolidated - 2008

Acquisition of businesses and controlled entities

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

Excel Mining

On 24 September 2007, Orica announced that it had signed an agreement to acquire all of Excel Mining Systems LLC. The acquisition was completed on 26 October 2007.

Other entities

Southern Blasting Services, Inc., on 1 October 2007; Deco-Pro China Limited, on 7 November 2007; Intermountain West Energy, Inc. on 1 December 2007; Northwest Energetic Service LLC shareholding increased to 51.3% (2007 33.3%), on 1 December 2007; Evolutia Chemicals SA, on 17 December 2007; BWZ - und Industrietechnik GmbH, on 1 January 2008; Explozia Slovakia s.r.o., on 1 April 2008; D.C Guelich Explosives Company, on 9 May 2008; Arnall Poland Sp z o.o., on 4 September 2008.

Businesses

Business assets of: CHC Resources, on 1 March 2008; Enviro Solutions Pty Ltd, on 17 March 2008; Strata Control Systems, on 23 May 2008; Cyantific Instruments Pty Ltd, on 1 May 2008; Iron Chemicals Australia, on 28 February 2008; Sindile Mining Supplies, on 15 July 2008.

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for accounting to be finalised following the acquisition date.

	Book Values \$m	Fair Value Adjustments \$m	Total \$m
2008			
Consideration			
cash paid	892.5	-	892.5
net cash acquired	(26.3)	-	(26.3)
deferred settlement	12.2	-	12.2
Total consideration	878.4	-	878.4
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	46.1	-	46.1
inventories	35.3	0.9	36.2
property, plant and equipment	34.9	-	34.9
intangibles including purchased goodwill	308.5	-	308.5
other assets	4.2	0.2	4.4
payables and interest bearing liabilities	(47.6)	-	(47.6)
provision for employee entitlements	(2.3)	-	(2.3)
provision for environmental	(0.7)	(1.5)	(2.2)
provision for taxation	(0.8)	-	(0.8)
contingent liabilities	-	(2.1)	(2.1)
	377.6	(2.5)	375.1
Less minority interest at date of acquisition	(1.5)	-	(1.5)
	376.1	(2.5)	373.6
Goodwill on acquisition			504.8

Acquisition of minority interests:

	Total \$m
2008	
Goodwill acquired	3.0
Decrease in minority interests	1.0
Equity reserve	(1.0)
Total consideration	3.0

9. Businesses acquired (continued)

Results contributed by acquired entities since acquisition date:

	\$m
Revenue for the period	345.9
EBITDA for the period	72.3

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the 12 months to 30 September 2008 are as follows:

	\$m
Operating revenue for the period	452.4
EBITDA	83.0

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

10. Businesses disposed

Disposal of businesses/controlled entities

The following businesses and controlled entities were disposed of:

2009

Nil

2008

On 23 October 2007, Essential Oils of Tasmania business in Australia.

	Consolidated	
	2009	2008
	\$m	\$m
Consideration		
cash received	-	5.9
Inflow of cash	-	5.9
Net consideration	-	5.9
Carrying value of net assets of businesses/controlled entities disposed		
trade and other receivables	-	11.5
inventories	-	1.4
property, plant and equipment	-	0.5
intangibles	-	0.7
payables and interest bearing liabilities	-	(0.3)
provision for income tax	-	(0.1)
	-	13.7
Less minority interest at date of disposal	-	(6.1)
	-	7.6
Loss on sale of business/controlled entities	-	(1.7)

11. Income tax expense

	2009	2008
	\$m	\$m
a) Income tax expense recognised in the income statement		
Current tax expense		
Current year	292.9	172.9
Deferred tax	(66.0)	36.9
Under/(over) provided in prior years	1.1	(6.3)
Total income tax expense in income statement	228.0	203.5
b) Reconciliation of income tax expense to prima facie tax payable		
Income tax expense attributable to profit before individually material items		
Prima facie income tax expense calculated at 30% on profit before individually material items	284.7	243.7
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	(1.1)	(1.6)
tax under/(over) provided in prior years	1.1	(6.3)
non allowable share based payment	2.4	1.9
non taxable profit on sale of investments	(3.6)	-
other foreign deductions	(27.4)	(32.6)
sundry items	6.9	6.8
Income tax expense attributable to profit before individually material items	263.0	211.9
Income tax expense/(benefit) attributable to individually material items		
Prima facie income tax (benefit)/expense calculated at 30% on loss from individually material items	(41.9)	(12.5)
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities individually material items:	(1.3)	(0.2)
non allowable Mining Services integration costs	2.8	-
non allowable Marplex impairment writedown	2.4	-
non allowable Dyno Nobel integration costs	1.3	2.8
non allowable Minova integration costs	0.9	0.8
non allowable DuluxGroup demerger costs	0.8	-
non allowable Chemicals restructuring costs	-	0.7
Income tax benefit attributable to loss from individually material items	(35.0)	(8.4)
Income tax expense reported in the income statement	228.0	203.5

12. Standby arrangements and credit facilities

Reconciliation of net debt:

	Sep 2009 \$m	March 2009 \$m	Sep 2008 \$m
Current interest bearing liabilities	160.2	200.2	266.4
Non current interest bearing liabilities	1,242.8	1,606.4	1,075.4
Less cash and cash equivalents	(308.5)	(329.6)	(321.3)
Net debt	1,094.5	1,477.0	1,020.5

Credit facilities:

	Sep 2009 \$m	March 2009 \$m	Sep 2008 \$m
Unsecured bank overdraft facilities available	117.9	114.0	104.7
Amount of facilities undrawn	106.0	105.9	95.7
Committed standby and loan facilities available	3,089.4	3,486.0	3,377.9
Amount of facilities unused	1,867.6	1,805.1	2,325.0

The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed standby and loan facilities range from 3 September 2010 to 24 October 2018 (2008 1 October 2009 to 24 October 2018).

13. Critical accounting judgements and estimates

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

Contingent liabilities

In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with our current or former sites. Where we believe that potential liabilities have a low probability of crystallising or it is not possible to quantify them reliably, we disclose them as contingent liabilities. These are not provided for in the financial statements but are disclosed in note 14. In view of the significance of environmental issues associated with Botany Groundwater (New South Wales, Australia), Botany Hexachlorobenzene (HCB) Waste and Botany Car Park Encapsulation they continue to be disclosed as contingent liabilities even though estimated costs have been recognised in the financial statements. Further details regarding contingent liabilities are set out in note 14.

Environmental and decommissioning provisions

The business of the Group is subject to a variety of laws and regulations in the jurisdictions in which it operates or maintains properties. Provisions for expenses that may be incurred in complying with such laws and regulations are set aside if environmental inquiries or remediation measures are probable and the costs can be reliably estimated. For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been provided for. It is also assumed that the methods planned for environmental clean up will be able to treat the issues within the expected time frame.

It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the status of laws, regulations and the information available about conditions in the various countries and at the individual sites. Significant factors in estimating the costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and new developments affecting costs, management's interpretation of current environmental laws and regulations, the number and financial position of third parties that may become obligated to participate in any remediation costs on the basis of joint liability, and the remediation methods which are likely to be deployed. Environmental costs are estimated using either the work of external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs may impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require

13. Critical accounting judgements and estimates (continued)

expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

In respect to the Botany Groundwater contamination, a provision was established in 2004 to cover the estimated costs associated with remediation until 2014. Costs are expected to be incurred after this date, but it is not possible to predict the time frame over which remediation will be required or the form the remediation will take and therefore it is not possible to reliably estimate any associated costs. In light of ongoing discussions with regulatory authorities and following an assessment of currently available technologies to treat the contamination, Orica intends to maintain a provision at current levels that takes into account the estimated costs associated with remediation commitments. The provision will continue to be re-evaluated based on future regulatory assessments and advancements in appropriate technologies. The discount rate used for environmental provisioning is Orica's weighted average cost of capital and this may vary from year to year.

With regard to the HCB Waste Clean Up, it is assumed that a licence to export waste for destruction overseas will be obtained. German authorities have rejected Orica's application to import the waste into Germany for treatment. Orica lodged objections against these rejections but has subsequently withdrawn these objections, preferring to pursue other alternatives for destruction of the waste overseas.

Legal proceedings

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

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

Defined benefit superannuation fund obligations

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

Property, plant and equipment and definite life intangible assets

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

Financial instruments at fair value

The Group measures a number of financial instruments at fair value. These fair values are based on observable market data which is used to estimate future cash flows and discount them to present value. Management's aim is to use and source this data consistently from period to period. While management believes the assumptions used are appropriate, a change in assumptions would impact the fair value calculations.

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell and value in use. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGUs.

13. Critical accounting judgements and estimates (continued)

The determination of value in use requires the estimation and discounting of future cashflows. The estimation of the cashflows considers all the information available at balance date which may deviate from actual developments. This includes, among other things, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows may impact the carrying value of the respective assets.

Current asset provisions

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

Taxation

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

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

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

Carbon Pollution Reduction Scheme

The Australian Federal Government has proposed introducing a Carbon Pollution Reduction Scheme (CPRS) in July 2011. The introduction of the CPRS has the potential to significantly impact the assumptions used in determining the future cash flows generated from the Group's assets for the purpose of impairment testing. The Group has not yet incorporated the impact of the CPRS at 30 September 2009 as insufficient market information existed. The CPRS is not targeted to come into effect until July 2011 and the relevant legislation has yet to be passed. There are uncertainties around the future level of emissions the Group will emit as these are dependent on production output and abatement opportunities. In addition, the costs of implementing abatement opportunities, the prices of emission permits, the number of permits to be purchased, the impact of costs incurred by our suppliers and their ability to pass on these costs to Orica and the ability of Orica to pass on any costs incurred to its customers are currently unknown.

14. Contingent liabilities and contingent assets

Environmental

(i) General

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

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

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.

14. Contingent liabilities and contingent assets (continued)

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

Botany Groundwater (New South Wales, Australia)

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

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

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

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

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

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

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

Taxation

(i) Tax investigations and audits

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

(ii) Brazilian Tax Action

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

(iii) Tax Audit – 1998 Sale of Pharmaceuticals Business

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

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

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

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

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

14. Contingent liabilities and contingent assets (continued)

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

The Federal Court heard the case from 5 to 6 October 2009 before Justice Sunberg. Judgment was reserved.

Guarantees, indemnities and warranties

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

15. Events subsequent to balance date

On 9 November 2009, the directors declared a final dividend of 57 cents per ordinary share payable on 4 December 2009. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2009 and will be recognised in the annual 2010 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2009, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Compliance statement

This report is based on information which has been subject to audit by KPMG.

The entity has a formally constituted audit committee.

Annette Cook
Company Secretary
9th November 2009