

ON SOLID GROUND

2010 ANNUAL REPORT



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Changes to the Orica portfolio in recent years has sharpened our focus on mining and infrastructure markets. Mining and infrastructure now accounts for more than 90 percent of our earnings, with all three business platforms significantly exposed to these markets.

ABOUT ORICA



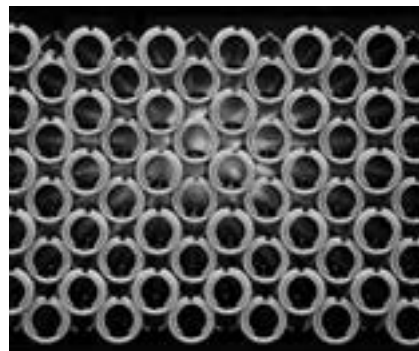
ORICA MINING SERVICES

Global market leader in the supply and servicing of commercial explosives and blasting systems to the mining, quarrying and infrastructure sectors.



MINOVA

Global leading manufacturer and supplier of strata support systems, ventilation, water control and geotechnical solutions to underground mining and tunnelling markets.



ORICA CHEMICALS

Leading global supplier of sodium cyanide for use in gold extraction and Australia and New Zealand's largest supplier and trader of chemical products to mining, water treatment and other industrial markets.



CORE PURPOSE

Now, more than anytime before, we are able to clearly articulate Orica's core purpose – a statement which explains WHY Orica exists and what makes us an important company in achieving society's aims. After extensive consideration of Orica's characteristics and beliefs, our Core Purpose has been defined as:

"Clever solutions to help our customers harness natural resources to improve people's lives"

"Clever solutions" – these words refer to the way in which Orica adds value for our customers through product and service innovation.

"Help our customers" – acknowledges that Orica is a customer focused, service based organisation, providing solutions at a business-to-business level.

"Harness natural resources" – speaks about the industries that we work with – mainly mining and infrastructure, but including others, such as agriculture.

"Improve people's lives" – these words are about the ultimate outcome of our activities, whether through the generation of electricity or through the manufacture of products. They reflect our commitment to environmental sustainability and the communities in which we operate, as well as the creation of economic value for our employees and shareholders.

The Core Purpose is complementary to our strategy and the "Deliver the Promise" principles.

BUSINESS STRATEGY AND EXECUTION

Orica's core strategy is to be the global leader in the provision of high service consumables to the mining and infrastructure markets, leveraged to long-term increases in production and development volumes. This is WHAT we do. In executing this strategy we focus on four criteria which guide our success and growth:

- Market leadership – we aim to be a market leader in each of our chosen global and regional businesses.
- Invest in the "winners" – we grow our best performing businesses that meet financial performance targets and have earned the right to grow.
- Grow "close to the core" – we pursue opportunities in related businesses where we can leverage our knowledge and expertise and achieve synergies.
- We have relentless focus on growth and productivity in all of our businesses.

CULTURE – DELIVERING THE PROMISE

Central to Orica's success are its people and culture. At Orica, we have established a high-performance culture that empowers and motivates our people to achieve long-term sustainable results. This is HOW we go about our business. Orica's culture is guided by the "Deliver The Promise" principles – four key principles that embody the attitudes, behaviours and ethics that are common to all employees.

- SH&E – Ensuring our Future
- Commercial Ownership
- Creative Customer Solutions
- Working Together

Orica's 14,000 employees are diverse in culture, language, geography and gender. Our company has a long history of supporting diversity and is a foundation member of the Diversity Council of Australia. A formal objective was established by the Orica Board in 2009 and this has helped to guide a strategic approach to enhancing the benefits of diversity across our global business.

With a core purpose, clear strategy and strong culture, Orica is well positioned to deliver value to our key stakeholders – our employees, our shareholders, our customers and the communities in which we operate.

CHAIRMAN'S REPORT



I am pleased to deliver my first report to shareholders as Chairman of Orica. Your company is performing extremely well and importantly we have achieved our ninth consecutive year of underlying profit growth.

Net profit after tax before individually material items was a record \$676 million in 2010, up 5 percent compared with \$646 million in 2009. Excluding DuluxGroup, net profit before individually material items was up 11 percent to \$619 million.

Given the healthy state of the company, the Board has declared a final dividend of 54 cents per ordinary share. Allowing for the separation of DuluxGroup this continues our progressive dividend policy. The dividend will be fully franked due to the impact of the settlement of the pharmaceuticals tax case. However, franking capacity is expected to revert back in the near term to approximately 40 percent.

This excellent result has been achieved in tough economic times across the globe and of particular note for our company, in spite of the dramatic rise in value of the Australian dollar (60 percent of Orica's earnings are made in currencies other than the Australian and New Zealand dollars).

The Board made the decision last year to demerge DuluxGroup, but put the demerger on hold due to the state of global markets. This year we were able to go ahead and DuluxGroup is now trading as an independent entity on the Australian Securities Exchange. DuluxGroup is a quality business and we believe it will flourish.

The demerger is part of the reshaping of the Orica portfolio that began some years ago. Orica is now 90 percent exposed to the mining and infrastructure markets. Your Directors believe that this reshaping

will provide the platform for solid growth going forward.

Orica now comprises three divisions, Orica Mining Services, Minova, and Orica Chemicals.

Orica Mining Services again achieved a record result with EBIT up 4 percent to \$768 million. The business has a global market leadership position and is well placed to take advantage of any upturn in the global economy. The Board has approved a number of significant capital investments in new plant that will ensure our ability to meet rising demand. These plants include the new 300,000 tonnes per annum ammonium nitrate plant in Bontang, Indonesia and the 40 million unit detonator plant in Hunan Province, China.

Minova saw an increase in EBIT of 2 percent to \$147 million in a tough trading and currency environment. The important Chinese market has been growing steadily and as safety standards improve in this vast market we expect to improve market penetration and grow Minova China. Importantly, margins in the US steel bolts business have improved and we are seeing a steady recovery in Russia, the Czech Republic and South Africa, while conditions have remained soft in Western Europe, Poland and the USA.

The Chemicals business achieved a record result with EBIT, up 10 percent to \$188 million. It is pleasing that there has been a steady recovery in the Australian Chemicals market and that our business in Latin America is performing very strongly.

The Mining Chemicals business has seen demand for sodium cyanide remain high, and the Board has approved a further uprate of the sodium cyanide manufacturing facility at Yarwun, Australia from 80,000 tonnes per annum to 95,000 tonnes per annum.

The people of Orica are its real strength. The Board is very keen to continue to further develop our people and to improve both our cultural and gender diversity. We have some way to go in this journey and have pursued a diversity program during the year which continues to gain momentum.

The Board is extremely conscious of the legacy issues that we are dealing with, particularly at the Botany,

Australia site, and has supported significant remediation expenditure. The groundwater treatment plant is working well, and in an important development approval has been received for a first shipment of Hexachlorobenzene (HCB) waste to Denmark for destruction. Progress is also being made in other areas.

The Orica balance sheet is strong; our gearing at 22.4 percent and interest cover at 7.5 are well placed. Whilst this year has been one of consolidation of the three businesses and the demerger of DuluxGroup, Orica is well positioned to take advantage of any opportunities that may become available in the mergers and acquisitions market.

Our earnings per share (EPS) before individually material items was 185.6 cents, up 6 percent on the previous corresponding period.

I would like to take this opportunity to thank Orica management and all Orica employees for their outstanding contribution during this year. To deliver a ninth year of consecutive profit growth is an excellent achievement. Safety is also a very high priority for all Directors and we will continue to give strong support to the Company's aspiration of "No Injuries to Anyone, Ever". With the demerger of DuluxGroup, Peter Kirby left the Orica Board to become DuluxGroup chairman. I would like to thank Peter for his invaluable contribution. I would also like to welcome Lim Chee Onn and Ian Cockerill to the Board. They add important international insights to our deliberations.

Orica is ready for the challenges of the future. We have outstanding people, and a strategy that has been tested and has come through with flying colours. The Board looks forward to the year ahead.

Finally, I would like to acknowledge the contribution of my predecessor, Don Mercer, who led the board for most of the past decade and was key to Orica's recovery at the beginning of his tenure and to its outstanding success since then.

A handwritten signature in black ink, appearing to read "P J B Duncan".

P J B Duncan
Chairman

MANAGING DIRECTOR'S REPORT



SOLID GROWTH

This year has seen Orica focus clearly on the mining and infrastructure sectors. It has been a year of change where we demerged DuluxGroup and maintained our commitment to deliver profit growth for shareholders. For the ninth year in a row we are reporting record underlying profits.

Our strategy is clear:

- We seek to achieve leadership positions in each of our chosen businesses;
- We ensure our businesses earn the right to grow; and
- We stay close to our core businesses.

Orica is now well positioned, being exposed to the volume side of the mining cycle and, to a great extent, the GDP growth of the emerging economies of the world. This means that our exposure to the price volatility of the mining cycle has been greatly reduced.

Orica's core purpose is to provide "Clever solutions to help our customers harness natural resources to improve people's lives". This purpose focuses all our people on better serving our customers and in the process delivering top quartile profit returns for our shareholders.

A key challenge going forward will be exploiting the growth opportunities in front of us. We are well positioned with a healthy balance sheet and relatively low gearing to take advantage of acquisition opportunities that meet our hurdle rates.

DEMERGER OF DULUXGROUP

During the year we demerged DuluxGroup and thereby set it free to navigate its own course. DuluxGroup is an excellent business, but one that is very different from the remaining Orica portfolio. It has a completely different value creation model, different capital requirements, a different growth profile, different staffing requirements and, ultimately, a different shareholder profile to Orica. The demerger will be good for both companies and we wish DuluxGroup every success.

SOLID MANUFACTURING GROWTH

Growing and renewing our manufacturing base for the future is a key focus for the company. The construction of a new 300,000 tonne per year ammonium nitrate plant at Bontang, Indonesia, is broadly on time and within budget and will open in late 2011. At Kooragang Island, Australia, we have approved the uprating of our ammonia plant and pre-sanction work is underway to uprate ammonium nitrate capacity. In China, we are building a new world scale detonator plant in Hunan Province. At Yarwun, Australia, sodium cyanide capacity is being increased by 15,000 tonnes per annum.

Orica continues to look for capital growth opportunities. Where a project is strategically sensible and meets our financial hurdle rates we have the financial capacity and resources to move quickly and prudently.

In research and development we continue to invest in the future. Our investment is seven to eight times that of our competitors and keeps us one step ahead in efficiency, productivity and importantly, safety. We are always striving to offer our customers better solutions that will improve their business.

GREAT PEOPLE

Our people are our greatest strength. We have 14,000 employees in over 50 countries. All of our employees are dedicated to the "Deliver the Promise" culture and to serving the business' stakeholders with the highest standards of integrity.

As a truly global company, having a diverse workforce is one of the key ways that we will attain our growth targets and improve productivity and efficiency. We have launched a global diversity program to take advantage of these business drivers.

Safety and the environment are a key focus of the group. Ensuring that every Orica employee who comes to work healthy goes home the same way is paramount. We are striving for two aspirational goals, "No Injuries to Anyone, Ever" and "No Harm to People and the Environment".

Operational sustainability is becoming an increasingly important aspect of doing business. Reducing our environmental footprint is vital to our continuing operations. We have reduced our water, electricity, waste and greenhouse gas used or generated per tonne of production and will continue to strive for best practice in all our activities.

We continue to work to remediate environmental issues caused by past practices, particularly at the Botany, Australia site. The groundwater treatment plant is operating effectively ensuring that the polluted groundwater is contained and treated. We hope to export the first shipment of Hexachlorobenzene (HCB) waste for destruction in Europe before the end of 2010.

During a year of great change we are proud of the way our people have managed the business. We have achieved another year of record profit while continuing to position the business for future sustainable growth. As the global economy recovers, Orica is well placed to continue to provide superior returns to our shareholders.

A handwritten signature in black ink, appearing to read "Graeme Liebelt". The signature is fluid and cursive.

Graeme Liebelt
Managing Director & CEO

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Net profit after tax (NPAT) and individually material items for the year ended 30 September 2010 was up \$777m to \$1,319m, compared with the previous corresponding period (pcp) of \$542m. Individually material items in 2010 were a profit after tax of \$643m.

NPAT before individually material items was \$676m, up 5% compared with the pcp of \$646m.

NPAT from continuing operations before individually material items¹ was \$619m, up 11% on the pcp of \$557m.

Return on shareholders' funds² up 2.3 percentage points to 18.3% and EPS² up 6% on the pcp to 185.6 cents.

Successful demerger of DuluxGroup (DLX).

FINANCIAL HIGHLIGHTS²

- EBIT up 2% to \$1.1b;
- EBIT from continuing operations up 6% to \$1b;
- Productivity benefits of \$64m;
- Rolling trade working capital to sales⁴ improved to 13.0% (pcp: 14.5%);
- Gearing³ at 22.4%, up from 21.6% in the pcp;
- Interest cover at 7.5 times; and
- Final ordinary dividend is 54 cents per share (cps) – franked at 54 cps.

BUSINESS HIGHLIGHTS²

- Improved results for all businesses, assisted by improvements in pricing and productivity and a gradual recovery in volumes across some of our markets, which more than offset a \$75m (pre tax) adverse foreign exchange movement;
- Good operating cash flow performance and improvement in trade working capital over the pcp;
- Record result for Mining Services with EBIT up 4% to \$768m, reflecting pricing and productivity benefits;
- Minova EBIT up 2% to \$147m, driven by strong volumes in China, improved margins in the US and delivery of synergies; and
- Record result for Chemicals with EBIT at \$188m, 10% ahead of last year, reflecting stronger volumes in most

market segments, partly offset by lower average caustic prices.

OUTLOOK – 2011

- We expect Group net profit after tax (pre individually material items) in 2011 to be higher than that reported in 2010, on a comparable basis, subject to the rate of global economic recovery and extent of further adverse movements in exchange rates.

REVENUE

- Sales revenue from continuing operations (i.e. excluding DuluxGroup) of \$5.8b decreased by \$659m (-10%), driven primarily by:
 - Unfavourable foreign exchange movements (\$799m);
 - Pass through of lower input costs in revenue; and
 - Lower average caustic prices.

Partly offset by:

- Improvements in AN pricing as contracts roll over; and
- Higher volumes in some market segments, particularly the industrial, automotive and mining markets within Chemicals, construction markets in the Nordics and mining markets in Turkey, Africa and Latin America.
- Other income includes profit from the DuluxGroup (DLX) demerger of \$791m.

EARNINGS BEFORE INTEREST AND TAX (EBIT)

- EBIT from continuing operations increased by 6% to \$1.0b (pcp: \$954m) primarily due to:
 - Net volume and margin improvements of \$110m, reflecting improved AN pricing in Australia, improved margin management and a recovery in volumes in some market segments;
 - Productivity and synergy improvements of \$64m from the full year benefit of restructuring activities undertaken in the prior period in Mining Services and synergy benefits in Minova and Chemicals; and
 - Non-recurrence of the under-recovery of steel input costs in Minova's North American business in the pcp.

Partly offset by:

- Unfavourable impact of foreign exchange movements of \$75m;
- Inflationary impact on fixed costs of \$45m; and
- Non-recurrence of the favourable lag impact on ammonia cost recovery in the prior period of \$17m.

1 Calculated as consolidated NPAT before individually material items (\$675.8m) less discontinued NPAT \$57.0m (pcp \$89.3m) as disclosed in note 10 of the ASX Appendix 4E.

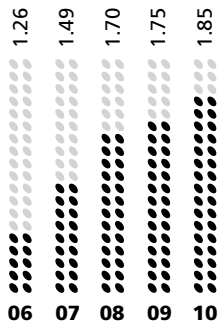
2 Before individually material items.

3 Net debt/(net debt + book equity).

4 Rolling 12-month average TWC/Rolling 12-month total sales – 2010 excluding DLX.

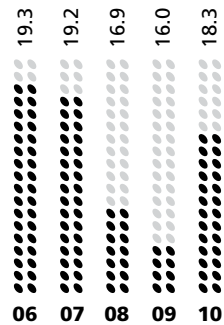
SHAREHOLDER SCORECARD

EARNINGS PER SHARE* (\$) AND YEAR END SHARE PRICE (\$)



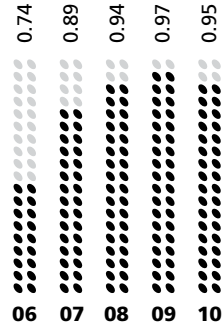
*Before individually material items

RETURN ON SHAREHOLDERS' FUNDS* (%)



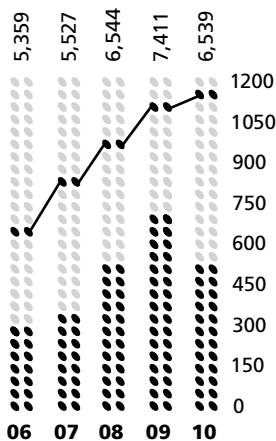
*Before individually material items

DIVIDENDS PER SHARE (\$)



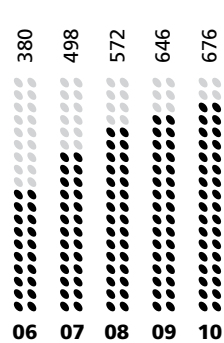
FINANCIAL SUMMARY

SALES (\$m) AND EBIT (\$m)

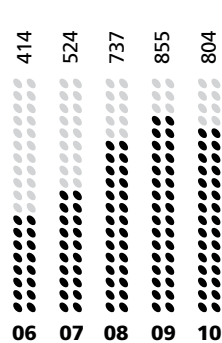


EBIT

NET PROFIT AFTER TAX BEFORE SIGNIFICANT ITEMS/ INDIVIDUALLY MATERIAL ITEMS (\$m)



CASH FLOW FROM OPERATING ACTIVITIES (\$m)



REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

INTEREST

- Net interest expense of \$128m was 4% lower than the pcp (\$134m), and
- Interest cover was 7.5 times (pcp 7.8 times).

CORPORATE CENTRE AND SUPPORT COSTS

- Corporate centre costs of \$42m were in line with the pcp; and
- Other Support costs of \$52m were \$6m (10%) lower than the pcp.

TAX EXPENSE

- Tax expense was \$262m with an effective tax rate of 26.9% (pcp: 27.7%). The lower effective rate was primarily a result of increased profits in overseas jurisdictions with lower tax rates and other foreign deductions.

NET PROFIT

- NPAT before individually material items increased 5% to \$676m (pcp: \$646m);
- NPAT and individually material items was up 143% to \$1.3b (pcp: \$542m); and
- NPAT from continuing operations before individually material items¹ was \$619m, up 11% (pcp: \$557m).

INDIVIDUALLY MATERIAL ITEMS

- Individually material items for the period were a profit after tax of \$643m (pcp: loss of \$104m). This included profit on the DLX demerger (\$794m), the loss on the Pharmaceuticals tax case (\$98m); the establishment of a provision for the remediation of mercury contamination at Botany, Australia (\$32m); an increase in environmental provision for HCB waste disposal (\$13m) and the ongoing integration of Minova/Excel (\$9m).

- The DLX demerger profit includes after tax costs of \$64m and net foreign exchange losses of \$12m transferred from the foreign currency translation reserve to the Income Statement. The balance (\$870m) is the difference between the DLX market value of \$938m (VWAP \$2.59) less the net assets of DLX of \$68m.

DIVIDEND

- The directors have declared a final ordinary dividend of 54 cps – franked at 54 cps. Franking for the final ordinary dividend at 100% is due to the settlement of the Pharmaceuticals tax case.
- Adjusting for the impact of the DLX demerger², the 2010 dividend represents an 2 cps increase; and
- Franking capacity is expected to reduce back to approximately 40% in the near term.

DEBT FACILITIES

- The average term of drawn debt facilities is approximately 4.4 years;
- Bank debt facilities total \$2.3b of which \$0.3b was drawn at 30 September 2010; and
- The facilities are multi currency, flexible and cancellable at Orica's option.

Average funding cost (including fees for undrawn facilities) for the period was 7.9% (pcp 6.5%).

BALANCE SHEET

- Key balance sheet movements since September 2009 were:
 - Trade working capital (TWC) has decreased by \$126m from the pcp as a result of an underlying improvement of \$46m, combined with a favourable foreign exchange impact of \$10m and the reduction from the DLX demerger of \$97m

offset by TWC acquired of \$27m;

- Rolling TWC to sales³ has improved to 13.0% (pcp: 14.5%);
- Net property, plant and equipment (PP&E) is \$160m up on the pcp, mainly due to spend on growth projects (\$353m), sustenance capital (\$176m), capitalised interest (\$19m) and PP&E from acquired businesses (\$13m); offset by depreciation (\$199m), the demerger of DLX (\$148m), foreign exchange translation (\$45m) and disposals (\$9m). Significant capital spend since the pcp included Bontang (\$191m), Kooragang Island uprate (\$38m) and Nanling (\$20m) within Mining Services; and the Yarwun 95kt sodium cyanide uprate (\$11m) within Chemicals;
- Intangible assets are down \$246m since pcp mainly due to the impact of foreign exchange translation (\$192m) and the demerger of DLX (\$92m). Amortisation of intangibles (\$41m) was offset by the acquisition of businesses/entities (\$65m) and capital expenditure on identifiable intangibles (\$15m);
- Net other liabilities increased by \$171m mainly due to the write-off of the tax receivable in relation to the settlement of the Pharmaceuticals tax case (\$100m), and environmental provisions raised relating to Mercury remediation (\$32m) and HCB remediation (\$13m);
- Net debt decreased by \$43m mainly as a result of strong operating cash flows and the reduction of debt (\$245m) on demerger of DLX partially offset by capital expenditure; and
- Orica shareholders' equity decreased by \$338m, mainly due to a decrease in the foreign currency translation reserve of \$288m partly offset by earnings net of dividends paid and an increase in shares on issue as settlement of dividends under the Dividend Reinvestment Plan.

1 Calculated as consolidated NPAT before individually material items (\$675.8m) less discontinued NPAT \$57.0m (pcp \$89.3m) as disclosed in note 10 of the ASX Appendix 4E.

2 Calculated as continuing EBIT/EBIT x total dividend.

3 Rolling 12-month average TWC/Rolling 12-month total sales – 2010 excluding DLX.

GEARING

- Accounting gearing (net debt/(net debt + equity)) increased to 22.4% from 21.6% in September 2009. In accordance with accounting standards, the SPS securities are recognised as equity; and
- Adjusted gearing, which treats the SPS securities as 50% equity and 50% debt (Standard & Poors credit rating treatment), was 27.8% (pcp 26.5%).

CASH FLOW

- Net operating cash inflows decreased by \$51m to \$804m, compared with the pcp mainly due to:
 - A lower cash inflow from the movement in trade working capital of \$54m (pcp \$104m);
 - Increased cash outflows from NTWC of \$37m; and
 - \$2m increase in income tax paid.

Partly offset by:

- EBITDA growth of \$11m to \$1,341m (pcp \$1,330m); and
- Foreign exchange movements.
- Net investing cash outflows increased by \$182m to \$698m, compared with the pcp due to:
 - Higher sustenance capital spend of \$33m;
 - Increased spending on growth capital projects of \$139m, mainly due to spend on Bontang, the Kooragang Island uprate and Nanling; and
 - A marginal increase in spend on acquisitions of \$14m.
- Net financing cash outflows decreased by \$292m to \$40m compared with the pcp from:
 - A reduction in debt of \$245m following the DLX demerger;
 - Proceeds from eligible employees for repayment of LTEIP loans \$37m;
 - A cash saving from pcp of \$30m due to the issue of shares to satisfy the DRP requirements in the current year, rather than shares being bought on-market; and
 - A reduction in SPS distributions paid of \$12m, due to a lower distribution rate.

Partly offset by:

- A lower inflow of other borrowings of \$48m (pcp inflow \$78m).

ORICA SPS

- Two further instalments totalling \$26m on the SPS securities were paid during the period; and
- The distribution was unfranked and the distribution rate was calculated as the sum of the 180 Bank Bill Swap Rate (BBSW) plus a margin of 1.35%. The distribution rate for the current period ending 29 November 2010 is 6.30% pa.

MERGERS & ACQUISITIONS

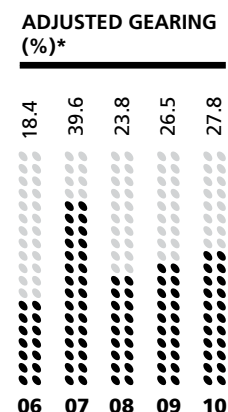
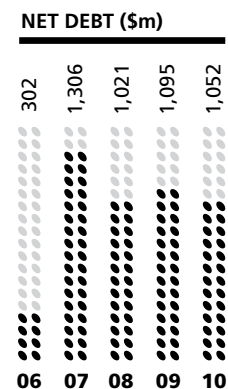
Orica Mining Services completed the acquisition of GL Black Holdings during the period, providing increased access to high growth metals markets in Western Canada and Alaska, and a number of other small acquisitions.

Minova purchased its joint venture partner's 45% interest in the Ruichy Minova joint venture in Beijing, China, bringing its total ownership to 100%.

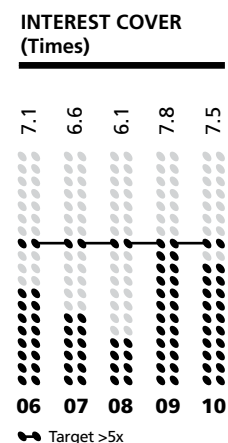
During the period Minova also undertook further geographic and technological expansion through small acquisitions. This included:

- Acquisition of 25% share in FiReP, a Swiss based leading manufacturer of glass reinforced plastic products;
- Acquisition of Weldgrip, a UK based leading supplier of high quality strata and ground stabilisation products, tools and equipment, supplying the civil engineering, tunnelling and mining industries, which complements our existing UK operations;
- Acquisition of 51% of a Chilean bolt manufacturer, strengthening Minova's presence in the Latin American market; and
- Acquisition of Canadian metal plate manufacturer, Tomco, which will facilitate the introduction of the full Minova product offering into the Canadian hard rock market.

FINANCIAL LEVERAGE



*Adjusted gearing, which treats the Step-up Preference Securities (SPS) as 50% equity and 50% debt.



REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

BUSINESS DEVELOPMENT

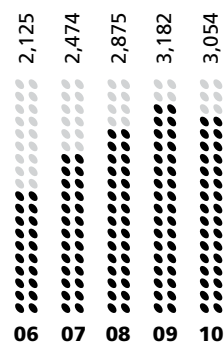
During the period, work continued on a number of growth projects, including:

- The ongoing development of the 300ktpa AN facility in Bontang, Indonesia. Cumulative spend to 30 September 2010 is \$339m. Onsite construction is 40% complete including the prill tower and absorber. Erection of the nitric acid plant and AN plant is underway. The project is on track for commissioning late 2011;
- Work on a 320ktpa ammonium nitrate capacity expansion at Kooragang Island, Australia, which will bring total ammonium nitrate capacity at the plant to 750ktpa. The Orica Board has approved \$75m for the completion of engineering plans and for ordering long lead items. Expected total cost of the project is in the range A\$600m-\$750m. Based on forward demand growth rates of approximately 8% per annum likely timing of the project would be 2014/2015. There is flexibility to delay the project if market conditions soften. All statutory approvals have been received for the proposed expansion;

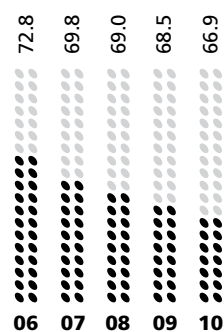
- The ammonia plant expansion project at Kooragang Island, for a capacity uprate of 65ktpa. The uprate has received all statutory approvals and Orica Board sanction, with a target completion date of late 2011. All major equipment has been ordered and site work is progressing to plan;
- The continuation of feasibility work on AN opportunities in Latin America;
- Construction of a fully integrated non-electric detonator facility in Hunan Province, China, commissioning of which is expected in late 2011. Orica has entered a Joint Venture arrangement with Nanling Explosives for the construction and operation of the plant, with 51% ownership by Orica; and
- The sodium cyanide plant expansion project at Yarwun, Australia which will uprate the plant by 15ktpa, increasing capacity to 95ktpa, which is expected to be operational in 2011.

EFFICIENCY

GROSS MARGIN GROWTH (\$m)



PRODUCTIVITY (%)



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

REVIEW OF BUSINESS PERFORMANCE

ORICA MINING SERVICES

RECORD RESULT WITH EBIT UP 4% TO \$768m.

HIGHLIGHTS

- Productivity and efficiency improvements with an incremental EBIT benefit of \$51m delivered in the period;
- Benefits of improved AN pricing as contracts rollover;
- Strong growth in Electronic Blasting Systems (EBS) with volumes up 32% period on period;
- AN volumes flat compared to the pcp, with improved volumes in Latin America offset by lower volumes in Asia;
- New Orica Mining Services global head-office established in Singapore; and
- Foreign exchange movements, net of hedging, negatively impacted EBIT.

BUSINESS SUMMARIES

AUSTRALIA/ASIA

- EBIT of \$436m, up 7% (\$29m) on the pcp, achieved mostly through improved AN pricing and productivity benefits;
- Non-recurrence of the favourable lag impact on ammonia cost recovery in the prior period;
- AN volumes down 3% due in part to heavy rain and some market share loss in Indonesia; and
- Foreign exchange benefits of \$26m mostly arising from USD raw material purchases.

NORTH AMERICA

- EBIT of \$128m, up 4% (\$5m) on the pcp, achieved through disciplined margin management and productivity benefits;
- Unfavourable foreign exchange movements of \$21m;
- AN volumes generally in line with the prior year.

LATIN AMERICA

- EBIT of \$121m, up 3% (\$4m) on the pcp; with improvements from stronger underlying business conditions partly offset by negative foreign exchange movements of \$25m;
- AN volumes up 8% with improved conditions in metals markets;
- AN pricing improvement positively impacted margins; and
- Productivity benefits delivered from various procurement, logistics and manufacturing efficiency programs.

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

- EBIT of \$83m, down 7% (\$6m) on the pcp;
- Improving demand in the Nordics, Estonia, Turkey, CIS and Africa partly offset by soft market conditions in other regions of Europe; and
- Unfavourable foreign exchange impact on EBIT of \$16m.

PERSPECTIVES FOR 2011

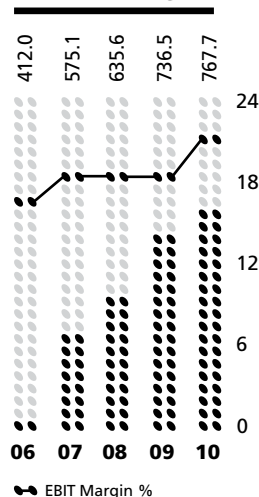
- Market recovery in infrastructure and US thermal coal markets;
- Improving demand in base metals as well as Asian and Australian thermal and metallurgical coal markets;
- Ongoing growth in EBS and Blast Based Services (BBS);
- Continued firm ammonia prices; and
- Strong AUD negatively impacting translated EBIT.

ORICA MINING SERVICES (\$m)

YEAR ENDED SEPTEMBER	2010	2009	CHANGE F/(U)*
Sales Revenue	3,610.7	4,057.8	(11%)
EBIT	767.7	736.5	4%
Operating Net Assets	2,807.1	2,541.5	10%
EBIT:			
Australia/Asia	436.1	407.8	7%
North America	127.8	122.9	4%
Latin America	120.6	116.8	3%
EMEA	83.2	89.0	(7%)

* F – Favourable, (U) – Unfavourable

EBIT AND EBIT MARGIN



REVIEW OF BUSINESS PERFORMANCE

MINOVA

EBIT UP 2% AT \$147m.

HIGHLIGHTS

- Improved margins in the North American business;
- Continued penetration of the Chinese market, with strong volume growth. Product expansion has also commenced with the introduction of steel bolts;
- Steady recovery in Russia, Czech Republic and South Africa. Soft trading conditions in some parts of Western Europe, Poland and the USA;
- Active competition in the Australian and North American markets adversely impacted volumes and price;
- Bolt-on acquisitions completed in the UK, Chile and Canada, developing our presence in these markets;
- Integration activities progressed to plan; and
- Foreign exchange movements negatively impacted sales by \$144m and EBIT by \$15m.

BUSINESS SUMMARIES

MINOVA AMERICAS:

- Margins significantly improved in the US business due to improved steel base pricing and the non-recurrence of the under-recovery of steel input costs incurred in the prior period;
- Lower bolt and resin volumes due largely to ongoing softness in US coal markets and impact of loss in market share;
- Bolt-on acquisitions in Chile and Canada, providing a platform for entry into these markets; and
- Disciplined cost management delivered underlying EBIT improvement.

MINOVA EUROPE, MIDDLE EAST AND AFRICA (EMEA):

- Steady recovery of demand in Russia;
- Difficult trading conditions in most markets in Western and Central Europe;
- Softer tunnelling activity, period on period, due to extreme Northern European weather conditions;

- Acquisition of Weldgrip, complementing existing UK operations;
- Acquisition of 25% share in FiReP, a leading manufacturer of glass reinforced plastic products (sold globally); and
- Improved demand in South Africa.

AUSTRALIA:

- Volumes and price for resin and steel products in the Australian market negatively impacted by increased competition; and
- Lower demand for emergency services work versus the pcp.
- From 1 October, 2010 Australia will operate as a stand-alone business and South Africa will now be managed within the EMEA region.

CHINA:

- Continued market penetration with strong volume growth;
- Acquisition of remaining 45% of Ruichy Minova; and
- Expansion of manufacturing capacity to support growth, with the commissioning of the Daxing resins plant uprate and completion of the new Taian bolt plant during the period.

PERSPECTIVES FOR 2011

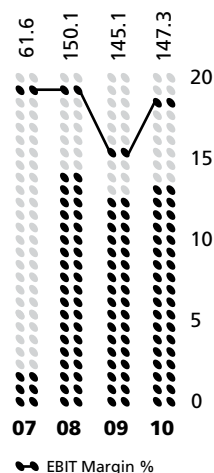
- Continued growth in China;
- Recovery in mining markets across most regions and steady demand in civil engineering markets;
- Tight cost control and productivity focus;
- Continued progress on integration activities; and
- Strong AUD will negatively impact translated EBIT.

MINOVA (\$m)

YEAR ENDED SEPTEMBER	2010	2009	CHANGE F/(U)*
Sales Revenue	835.5	940.9	(11%)
EBIT	147.3	145.1	2%
Operating Net Assets	1,519.0	1,701.0	(11%)

* F – Favourable, (U) – Unfavourable

EBIT AND EBIT MARGIN



ORICA CHEMICALS

RECORD RESULT WITH EBIT UP 10% TO \$188m.

HIGHLIGHTS

- Record result for Mining Chemicals;
- Steady recovery in industrial, automotive and mining markets in Australia;
- Significantly improved business performance in Latin America;
- Disciplined cost management and delivery of incremental synergy benefits;
- Subdued market conditions in New Zealand;
- Lower average global caustic price; and
- Negative impact to EBIT from movements in foreign exchange rates.

BUSINESS SUMMARIES

GENERAL CHEMICALS

- General Chemicals sales down 8% on the pcp due mainly to the impact of foreign exchange movements;
- Australian trading volumes improved with a steady recovery in industrial and mining markets. Agricultural and construction markets remain soft;
- Volume growth in Marplex from improving automotive and general plastics market segments and growth in infrastructure projects;
- Stronger volumes and improved margins in Latin America;
- Steady performance from Bronson & Jacobs;
- Difficult trading conditions and ongoing soft demand in New Zealand; and
- Negative impact of a stronger AUD on trading margins (in absolute dollars).

WATERCARE

- Sales down 4% versus the pcp, with the impact of lower average global caustic prices and unfavourable foreign exchange movements offset by higher volumes; and
- Volumes up 2% versus the pcp due mainly to new business.

MINING CHEMICALS

- Sales in Mining Chemicals were down 5% on the pcp, due to the unfavourable impact of a stronger AUD and the pass through of lower raw material input costs, offset partly by higher volumes; and
- Volumes for sodium cyanide were up 17% versus the pcp, supported by record manufacturing volumes and an increase in traded volumes ahead of the 2011 uprate of the Yarwun plant. Demand from gold markets remains strong.

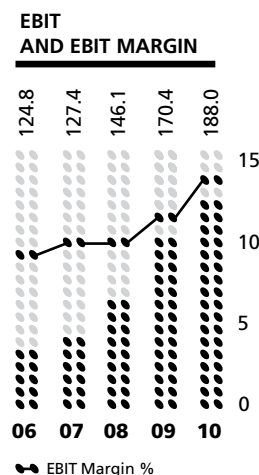
PERSPECTIVES FOR 2011

- Sodium cyanide demand expected to remain firm;
- Steady conditions in most markets in Australia and Latin America;
- New Zealand market not expected to deteriorate further;
- Global caustic prices to remain subdued; and
- Negative earnings impact of a stronger AUD.

ORICA CHEMICALS (\$m)

YEAR ENDED SEPTEMBER	2010	2009	CHANGE F/(U)*
Sales Revenue	1,427.4	1,548.3	(8%)
EBIT	188.0	170.4	10%
Operating Net Assets	785.8	789.7	(0%)
Business Sales			
General Chemicals	961.7	1,046.3	(8%)
Watercare	215.8	224.4	(4%)
Mining Chemicals	296.6	311.4	(5%)

* F – Favourable, (U) – Unfavourable



BOARD MEMBERS



P J B DUNCAN
BChE (Hons) GradDip (Bus)

Chairman, Non-Executive Director since June 2001, appointed Chairman in December 2009. Chairman of the Corporate Governance and Nominations Committee.

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



GRAEME R LIEBELT
BEC (Hons)

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

Director of Melbourne Business School Limited and Business Council of Australia. Board member of The Global Foundation. Former CEO of Orica Mining Services, Chairman and Director of Incitec Limited, General Manager of Plastics and Managing Director of Dulux.



NOEL MEEHAN
Bsc (Hons), CPA

Executive Director Finance since September 2005. Member of Corporate Governance and Nominations Committee. Former Chief Financial Officer of Orica Chemicals, Orica Group Investor Relations Manager and Corporate Reporting Manager.

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



MICHAEL E BECKETT
BSc, FIMM, FRSA

Non-Executive Director since July 2002. Member of the Safety, Health & Environment Committee and the Corporate Governance and Nominations Committee.

Chairman of Thomas Cook Group plc and Endeavour Mining Corporation. Director of Northam Platinum Limited (South Africa), Mvelaphanda Resources Limited (South Africa), Egypt Trust Limited.



RUSSELL R CAPLAN
LLB, FAICD

Non-Executive Director since October 2007. Chairman of the Human Resources and Compensation Committee. Member of the Corporate Governance and Nominations Committee.

Director of QR National. Former Chairman of the Shell Group of Companies in Australia. Former Director of Woodside Petroleum Limited.



GARY A HOUNSELL
BBus (Accounting), FCA, CPA, FAICD

Non-Executive Director since September 2004. Member of the Audit and Risk Committee, Human Resources and Compensation Committee and the Corporate Governance and Nominations Committee.

Chairman of PanAust Limited. Director of Qantas Airways Limited, Nufarm Limited and DuluxGroup Limited. Former Chief Executive Officer and Country Managing Partner of Arthur Andersen and former Senior Partner of Ernst & Young.



MICHAEL TILLEY
GradDip, BA

Non-Executive Director since November 2003. Chairman of the Safety, Health & Environment Committee. Member of the Audit and Risk Committee and the Corporate Governance and Nominations Committee.

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



NORA SCHEINKESTEL
PhD, LLB (Hons), FAICD, Centenary Medal

Non-Executive Director since August 2006. Chairman of the Audit and Risk Committee. Member of the Human Resources and Compensation Committee and the Corporate Governance and Nominations Committee.

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



LIM CHEE ONN
BSc (Hons), MPA, D.Eng (Honorary)

Non-Executive Director since July 2010. Member of the Safety, Health & Environment Committee and the Corporate Governance and Nominations Committee.

Senior adviser to Keppel Corporation Limited. Former Executive Chairman of Keppel Corporation Limited. Former member of the Singaporean parliament and served as Political Secretary in the Ministry of Science and Technology.



IAN COCKERILL
BSc (Hons) Geology, MSc (Mining), MDP, AMP

Non-Executive Director since July 2010. Member of the Safety, Health & Environment Committee and the Corporate Governance and Nominations Committee.

Chairman of the Petmin Limited. Former Chief Executive Officer of Anglo Coal and Gold Fields Limited. Former executive with AngloGold Ashanti and Anglo American Group.



ANNETTE M COOK
Dip Bus (Accounting), Dip Bus (Data Processing), CPA

Company Secretary of Orica Limited since 16 February 2005 and prior to that was assistant Company Secretary from August 2002. Joined Orica in July 1987 and has had a variety of roles in Business Services, IT and Finance.

GROUP EXECUTIVE



GRAEME R LIEBELT
BEc (Hons)

Managing Director

Graeme has held a variety of key positions within the Orica Group since joining in 1989 including Chief Executive of ICI Paints Pacific, General Manager Plastics and Advanced Sciences Groups and Chief Executive Officer Orica Mining Services. Prior to joining Orica, Graeme held a number of senior positions including Marketing Director Repco (Australia), Marketing Director Philip Morris (Australia) and Consultant for Pappas Carter (now Boston Consulting Group).



NOEL MEEHAN
BSc (Hons), CPA

Executive Director Finance

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



TRISHA MCEWAN
Dip Bus (Admin)

General Manager, Human Resources and Communications

Trisha joined Orica in June 2009 and has had a broad HR career spanning a number of industry sectors, mainly within New Zealand and Australia. Trisha recently spent seven years as Group Director Human Resources with Telecom NZ, helping build people and organisational capability as the business underwent a period of major change.



JOHN BEEVERS
BEng (Mining), M.Bus

Chief Executive Officer, Orica Mining Services

Since joining Orica in 1985, John has held a variety of positions in Mining Services with leadership roles in Technology, Operations and Business. In 2005 he was appointed General Manager, Chemical Services, returning to Mining Services as General Manager Australia/Asia in 2006. John was appointed to his current position in November 2008.



CRAIG ELKINGTON
BBus (Acc), CPA

President, Orica Mining Services, North America

Craig joined Orica in 1994 initially with corporate accounting responsibilities before moving into several senior finance roles across the Group's business platforms. In 1998 he moved to Denver, Colorado to join the North American mining services business following the acquisition of ICI's explosives operations. In recent years he has held the CFO positions of the company's former subsidiary Incitec Ltd, the Chemicals Division and most recently as CFO of the global mining services Group. Craig was appointed to his current position in December 2007.



MICHAEL REICH
B Mining Eng

Chief Executive Officer, Minova

Michael was appointed to the role of Chief Executive Officer Minova in December 2007. Prior to his appointment, he was CEO of Minova's European business for five years. Michael has extensive experience in the mining industry, particularly in the area of underground coal mining operations. Throughout his career he has held a number of positions, including sales and operations management.



ANDREW LARKE
LLB, BComm, Grad Dip
(Corporations & Securities Law)

Group General Manager, Mergers and Acquisitions, Strategy and Technology

Andrew has more than 18 years experience in corporate strategy, mergers and acquisitions, divestments and corporate advisory. He joined Orica in 2002 and has been responsible for leading Orica's corporate strategy and mergers and acquisitions program, including the merger of Incitec and Pivot and the subsequent divestment of Orica's shareholding, the acquisitions of Dyno Nobel and Minova and the demerger of DuluxGroup. Andrew is also responsible for Orica's SH&E, procurement, engineering and technology activities. Prior to joining Orica, Andrew was head of Mergers and Acquisitions at resources company North Limited and prior to that was a Mergers and Acquisitions lawyer at Blake Dawson Waldron.



GREG WITCOMBE
BSc

Chief Executive Officer, Chemicals

Greg joined the company in 1977 as a research chemist with the Agricultural Products business before moving into a series of commercial roles in the Chemicals business. His senior management positions have included, General Manager of Trading (Chemnet) and Mining Chemicals, General Manager of the Polyethylene Group, Manager Director of Incitec Ltd and Managing Director of Incitec Pivot Limited. Prior to his current appointment, Greg was General Manager People and Community with responsibility for Human Resources, Safety Health and Environment, Corporate Affairs, Six Sigma and Group Procurement.

CORPORATE GOVERNANCE

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

The Board believes that Orica's policies and practices comply with the Australian Securities Exchange (ASX) Corporate Governance Council Principles and Recommendations. The Company's corporate governance policies can be viewed on the Company's website at www.orica.com.

INTEGRITY OF REPORTING

The Company has controls in place that are designed to safeguard the Company's interests and integrity of its reporting. These include accounting, financial reporting, safety, health and environment and other internal control policies and procedures, which are directed at monitoring whether the Company complies with regulatory requirements and community standards: At each reporting period, both the Managing Director and Executive Director Finance are required to state in writing to the Board that:

- the Company's financial statements and associated notes give a true and fair view of the Group's financial position and performance and are in accordance with relevant accounting standards; and
- these statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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

Comprehensive practices have been adopted to monitor:

- that capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- financial exposures including the use of derivatives;

- safety, health and environment standards and management systems to achieve high standards of performance and compliance; and
- that business transactions are properly authorised and executed.

Internal audit has a mandate for reviewing and recommending improvements to controls, processes and procedures used by the Company across its corporate and business activities. The Company's internal audit is managed by the Chief Risk Officer and supported by an independent external firm of accountants.

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

RISK IDENTIFICATION AND MANAGEMENT

Orica recognises the importance of risk management practices across all businesses and operations. Effective risk management highlights for management's attention the risks of loss of value, reputation or opportunity and provides a framework to achieve and deliver the Company's strategy.

Orica aims to maintain a consistent organisation-wide approach to the management of risks by:

- maintaining a Risk Management Framework that provides a transparent approach to managing risk across Orica;
- understanding the environment that the Company is operating in;

- clear communication and consultation across the business;
- using a structured, systematic and explicit risk assessment process. The process requires four core components:
 - a comprehensive structured risk identification and assessment process that identifies material financial and non-financial business risks and develops an understanding of the risks;
 - a decision making process, based on the outcomes of the risk analysis, about the risks needing treatment and treatment priorities;
 - a risk register which records risks identified across businesses, operations, functions and projects; and
 - planned management actions to mitigate or eliminate the risk through the establishment of mitigation plans.
- reviewing the risk profile and treatment plans on an ongoing basis to ensure that the risks reflect the prevailing circumstances; and
- regular reporting to management and the Board of risks for the Company.

The Board establishes the policies for the oversight and management of material business risks and internal controls. The design and implementation of the risk management and internal control systems to manage the Company's material business risks is the responsibility of management.

The Board, through the Board Audit and Risk Committee, satisfies itself that management has developed and implemented a sound system of risk management and internal control.

The Managing Director and Executive Director Finance have provided a report to the Board that the risk management and internal control systems have been designed and implemented to manage

the Company's material business risks, and management has reported to the Board as to the effectiveness of the Company's and consolidated entity's management of its material business risks.

A separate role of Chief Risk Officer exists, reporting to the Executive Director Finance and with direct access to the Board Audit and Risk Committee, to manage the Company's risk management and internal audit program.

One or more independent external firm(s) of accountants assists the Chief Risk Officer in ensuring compliance with internal controls and risk management programs by reviewing the effectiveness of the risk management and internal control systems, and periodically provides assistance and input when undertaking risk assessments.

THE BOARD ROLE

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

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

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

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

COMPOSITION

The Board considers that its structure, size, focus, experience and use of committees enables it to operate effectively and add value to the Company. Orica maintains a majority of non-executive directors on its Board and separates the role of Chairman and Managing Director.

The Board currently comprises ten directors: eight independent non-executive directors, including the Chairman, and two executive directors, being the Managing Director and the Executive Director Finance. Details of the directors as at the date of this report, including their qualifications and experience, are set out on page 12.

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

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

INDEPENDENCE

The Board recognises the special responsibility of non-executive directors for monitoring executive management and the importance of independent views. The Chairman and all non-executive directors are independent of executive management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment or compromise their ability to act in the best interests of the Company. The independence of each director is considered on a case by case

basis from the perspective of both the Company and the director. Materiality is assessed by reference to each director's individual circumstances, rather than by applying general materiality thresholds. Each director is obliged to immediately inform the Company of any fact or circumstance, which may affect the director's independence.

If a conflict of interest arises, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of the Company.

SELECTION AND APPOINTMENT OF DIRECTORS

The directors are conscious of the need for Board members to possess the diversity of skill and experience required to fulfil the obligations of the Board. In considering membership of the Board, directors take into account the appropriate characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the Company. Nominations for appointment to the Board are considered by the Corporate Governance and Nominations Committee and approved by the Board as a whole. Non-executive directors are subject to shareholder re-election by rotation at least every three years, and normally do not serve more than 10 years.

All directors must obtain the Chairman's prior approval before accepting directorships or other significant appointments. An orientation program is offered to new directors including a program of site visits and briefings on Orica's businesses and operations and key policies and controls.

BOARD MEETINGS

The Board has seven scheduled meetings per year, of which five are two days duration. Additional meetings are held as the business of the Company may require. Directors receive comprehensive Board papers in advance of the Board meetings. Regular Board meetings are held to review business plans, performance and strategic issues, in addition to a dedicated meeting to comprehensively review Company strategy. Directors receive regular exposure to Orica's businesses and the major regulatory controls relevant to the Company. In addition directors undertake site visits to a range of Orica operations to meet with employees, customers and other stakeholders.

In those months that Board meetings are not scheduled directors receive financial and safety, health and environment reports and an update from the Managing Director on the performance of the Company and any issues that have arisen since the last Board meeting. In conjunction with or in addition to scheduled Board meetings, the non-executive directors meet together without the presence of management and the executive directors to discuss Company matters.

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

BOARD AND EXECUTIVE PERFORMANCE

Orica has in place a range of formal processes to evaluate the performance of the Board, Board Committees and executives. These processes can be viewed on the Orica website at www.orica.com.

At the conclusion of the year, the Board carries out a review of its performance. Directors standing for re-election are subject to a performance review conducted by the Board. In addition, each Board Committee reviews its effectiveness. An independent review of Board, Committee and director performance is undertaken periodically. During the year the annual Board and committee reviews were conducted in respect of the previous financial year in accordance with the process set out above. The non-executive directors are responsible for regularly evaluating the performance of the Managing Director. The evaluation is based on specific criteria, including the Company's business performance, short- and long term strategic objectives and the achievement of personal objectives agreed annually with the Managing Director.

All Orica executives are subject to an annual performance review. The review involves an executive being evaluated by their immediate superior by reference to their specific performance contract for the year, including the completion of key performance indicators and contributions to specific business and Company plans. All Orica executives, including the Managing Director, have had their performance evaluated during the year in accordance with the process set out above.

ACCESS TO INFORMATION AND INDEPENDENT ADVICE

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

SHAREHOLDINGS OF DIRECTORS AND EMPLOYEES

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

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

Directors and employees must receive clearance from the Chairman or Company Secretary for any proposed dealing in Orica shares outside of a trading window.

As a result of the extensive information provided to the market in connection with the demerger of DuluxGroup Limited in July this year, the Board approved a “special” trading window during the 30 days following the demerger to enable continuing Orica employees to buy or sell Orica or DuluxGroup Shares and for employees of DuluxGroup to buy or sell Orica Shares (and to sell DuluxGroup Shares to the extent necessary to meet obligations arising under Orica’s Long Term Equity Incentive Plan following transfer of their employment to the DuluxGroup). None of Orica’s directors sold any Orica shares during this special trading window.

In addition to observing the procedures set out above, directors and Group Executive members are prohibited from trading in Orica securities during the following periods:

- between 1 April and the opening of the next “window” (which will be one day after announcement of Orica’s half-yearly results); and
- between 1 October and the opening of the next “window” (which will be one day after announcement of Orica’s annual results).

Clearance will not be granted during these Blackout Periods.

Directors and employees must not deal in Orica securities on a short-term basis or enter into short-term derivative arrangements in any circumstances. Directors and employees may deal in securities via a margin loan arrangement in relation to their Orica securities where:

- the Orica securities are not held “at risk” or subject to restrictions under an Orica employee, executive or director plan;
- the margin lending arrangement does not, of itself, trigger a transfer in the legal or beneficial ownership of the underlying securities;

- the arrangement is entered into during a trading window; and
- the Company Secretary is notified prior to the margin lending arrangement being entered into.
- Directors and employees may create or enter into a derivative arrangement in relation to Orica securities where:
 - the Orica securities are not held “at risk” or subject to restrictions under an Orica employee, executive or director plan;
 - the derivative arrangement would not be considered a short-term derivative arrangement; and
 - the Company Secretary is notified prior to the derivative arrangement being entered into.

Any transaction conducted by directors in Orica securities is notified to the ASX. Each director has entered into an agreement with the Company to provide information to allow the Company to notify the ASX of any transaction within five business days. The current shareholdings are shown in Note 37.

DIRECTORS’ FEES AND EXECUTIVE REMUNERATION

The remuneration report on page 29 sets out details regarding the Company’s remuneration policy, fees paid to directors for the past financial year, and specific details of executive remuneration.

BOARD COMMITTEES

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

BOARD AUDIT AND RISK COMMITTEE

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

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

Details of directors’ attendance at meetings of the Board Audit and Risk Committee are set out in the Directors’ Report on page 25.

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

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

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee comprises Russell Caplan (Chairman), Garry Hounsell and Nora Scheinkestel. The Board Chairman attends ex officio and the Managing Director and Executive Director Finance attend by invitation. Details of directors' attendance at meetings of the Human Resources and Compensation Committee are set out in the Directors' Report on page 25.

The committee assists the Board in the effective discharge of its responsibilities for the oversight of management process and performance in the provision of human resources necessary to effectively execute the Company's strategy over the long-term. The committee recommends to the Board on the Company's recruitment, organisational and people development, retention, employee relations, diversity strategy and workplace capability, including the capability and diversity of candidates considered for succession to Managing Director and Group Executive positions. Remuneration arrangements and termination payments

for the Managing Director, executive directors and executives reporting to the Managing Director, including short-term incentive payments, performance targets and bonus payments, remain matters for all non-executive directors.

Remuneration is set by reference to independent data, external professional advice, the Company's circumstances and the requirement to attract and retain high calibre management.

CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

The Corporate Governance and Nominations Committee comprises all directors. The committee monitors new developments in corporate governance practices and evaluates the Company's policies and practices in response to changing external and internal factors and the ethical guidelines affecting the Company. This committee also deals with the nomination of directors and considers the most appropriate processes for review of the Board's composition and performance.

The committee evaluates the composition of the Board and the annual program of matters considered by the Board to determine whether the appropriate mix of members and business exists to enable the Board to discharge its responsibilities to shareholders. Details of directors' attendance at meetings of the Corporate Governance and Nominations Committee are set out in the Directors' Report on page 25.

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

The Safety, Health and Environment (SH&E) Committee comprises Michael Tilley (Chairman), Michael Beckett, Ian Cockerill and Lim Chee Onn. The Board Chairman, Managing Director and Executive Director Finance attend ex officio. The committee assists the Board in the effective discharge of its responsibilities in relation to safety, health and environmental matters arising out of activities within the Company as they affect employees, contractors, visitors and the communities in which it operates. The committee also reviews

the Company's compliance with the environment policy and legislation and reviews safety, health and environmental objectives, targets and due diligence processes adopted by the Company.

A Letter of Assurance for SH&E is written by the Managing Director and presented to the SH&E Committee on an annual basis after a thorough process of assessment by each business.

Details of directors' attendance at meetings of the SH&E Committee are set out in the Directors' Report on page 25.

EXECUTIVE AND SPECIAL COMMITTEES

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

CONTINUOUS DISCLOSURE AND KEEPING SHAREHOLDERS INFORMED

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

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

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

The www.orica.com website contains copies of the annual and half-year reports, ASX announcements, investor relations publications, briefings and presentations given by executives, (including webcasts), plus links to information on the Company's products and services. Shareholders may elect to receive electronic notification of releases of information by the Company and receive their notice of meeting and proxy form by email. Electronic submission of proxy appointments and power of attorney are also available to shareholders. Page 134 of this report contains details of how information provided to shareholders may be obtained.

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

CODE OF CONDUCT

Orica acknowledges the need for directors, executives, employees and contractors to observe the highest ethical standards of corporate and business behaviour. Orica has adopted a Code of Conduct (entitled: Your Guide To How We Do Business) which applies to all countries in which Orica operates.

The Code of Conduct sets out the standards of business conduct required of all employees and contractors of the Company. It is aimed at ensuring the Company maximises its good reputation and that its business is conducted with integrity and in an environment of openness.

The Code of Conduct provides clear direction and guidance with regard to expected standards of behaviour and conduct with respect to (amongst other things):

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

The Code of Conduct is periodically reviewed and approved by the Corporate Governance and Nominations Committee and processes are in place to promote and communicate the Code of Conduct and relevant Company policies and procedures. An Integrity Hotline (the "Speak Up" line) and associated website and email facility have been established to enable employees to report (on an anonymous basis) breaches of the Code of Conduct. If a report is made, it is escalated as appropriate for investigation and action.

The Code of Conduct is overseen by the Orica Business Conduct Committee comprising the Executive Director Finance, General Manager Human

Resources and Communications, the Group General Counsel and the Chief Risk Officer, who review compliance with the Code of Conduct over the relevant reporting period and make recommendations to the Corporate Governance and Nominations Committee to address any systemic issues.

The Code of Conduct has been translated into Orica's family of languages. It may be viewed on the Orica website at www.orica.com.

DIVERSITY

Orica has a long history of supporting diversity, as shown by being a foundation member of the Diversity Council of Australia. The business case to further embrace diversity within a global context is now even more compelling with the employee base spread across fifty plus countries. Accordingly, a formal diversity objective was established by the Orica Board during 2009, and the Company has since commenced a comprehensive strategic initiative to improve diversity across its global business, underpinned by the vision of "embracing diversity to drive sustainable global growth".

Diversity is essential to Orica for a number of reasons, including:

- enhancing long-term sustainability by ensuring the Company is able to attract the best employees from the broadest possible pool of global talent;
- ensuring the Company has the local knowledge and skills required to lead and support growth in emerging markets;
- generating better solutions to problems and greater innovation; and
- enhancing the positive impact the Company has on the communities in which it operates.

Key pillars underpinning the Company's Diversity Strategy are:

- Gender – women in leadership roles;
- Internationalisation – cultural diversity of executives in leadership roles;
- Leadership development – developing leaders who have a global mindset and can operate globally and lead diverse teams; and
- Organisation culture – building an inclusive culture that supports diversity.

The Diversity Strategy includes targets relating to both gender and international diversity. The percentage of female executives increased from 5 percent in October 2009 to 9 percent by mid 2010, meeting the Company's year one target. Overall, the percentage of women in the organisation globally is approximately 25 percent. The percentage of international executives (defined as those from outside of Australia and New Zealand) has increased from the initial baseline of 40 percent in October 2009 to 54 percent, also achieving the Company's year one target.

At the graduate level, Orica has over one hundred graduates, of which approximately 20 percent are women, working as part of a development program on projects around the world. As a result of specific initiatives to increase numbers of female graduates, the percentage of women in the Company's 2010 intake (i.e. those currently on the first year of the program) has improved to 32 percent. With graduate programs now being run in Asia and Latin America, the Company's pipeline of international talent is also increasing.

A recently completed review of gender pay equity at the executive level found no evidence of any systemic gender inequity in executive remuneration. As the number of female executives continues to increase, regular reviews will be conducted to ensure that systemic differences do not arise.

Orica's Board is committed to an ongoing program of Board renewal to ensure refreshed and diverse views continue to be brought to bear on the affairs of the Company. Orica has had continued female representation on its Board since 1998, and for a number of years had two female directors, currently falling to one following a recent retirement. The representation of women on the Board remains a key priority for Orica. Global representation on the Board is also an important aspect of diversity, and during 2010 the Company announced the appointment of two new non-executive directors who are domiciled outside Australia.

Orica is on a journey to create a global, inclusive culture that values diversity of perspective. The initiatives outlined will drive both the quality and the long-term sustainability of Orica's business.

DONATIONS

The equivalent of dividends payable on a shareholding of approximately 0.5 percent of the Company's ordinary issued capital is allocated for donation at the direction of the Corporate Governance and Nominations Committee. From the amount allocated for corporate donations, Orica matches employee "Dare to Share" contributions and may support worthwhile causes overseas. The amount remaining is allocated to the Orica Community Program and is distributed to selected Australian charitable organisations in accordance with published criteria. In addition, Orica's operations contribute to their local communities with donations, sponsorship and practical support.

Orica does not make political donations.

SAFETY, HEALTH & ENVIRONMENT

Orica considers the successful management of safety, health and environment issues as a vital issue for its employees, customers, communities and business success. At each Board meeting the directors receive a report on current safety, health and environment issues and performance in the Group. The Board receives more detailed presentations on safety, health and environment every 6 months. A separate Board SH&E Committee reviews and monitors environmental issues at Board level. For more in-depth information on the Company's SH&E and Sustainability commitments in 2010, visit the Orica website: www.orica.com/sustainability.

The Sustainability section of this Annual Report details the actions being undertaken by the Company to improve its environmental performance.

SUSTAINABILITY

Orica's success is underpinned by a commitment to take care of the safety of the people we work with and the communities in which we work.

Our aspiration to achieve no harm to people and the environment means we are striving to become carbon and water neutral, approach zero waste and be environmentally friendly in a commercially responsible way.

We achieved many of our Challenge 2010 safety, health and environmental targets within a six-year period of major organisational change and external economic uncertainty. A highlight of our Challenge 2010 performance was a 51 percent reduction in greenhouse gas emissions per tonne of production which was achieved by implementing a range of efficiency projects across the Company.

NO INJURIES TO ANYONE, EVER

We are committed to eliminating fatalities and all work related injuries from our workplaces. While there were no fatalities at our operations this year, we are disappointed to report that our headline "All Worker Recordable Case Rate" increased slightly from 0.69 in 2009 to 0.73 in 2010.

We regret to report there were three fatalities to members of the public in separate incidents this year, including two distribution related events. We will maintain our vigilance and rigorously apply our SH&E systems to manage all distribution related risks under the Company's control.

The preparation of Job Safety and Environment Risk Assessments, particularly in conjunction with Permits to Work¹ (PTW), remains a focus and we have seen a continuing decrease in the number of PTW related incidents during the reporting period.

Orica's Expert Panels aim to ensure the design and continued safe operation of our major hazard processes. In 2010 the Company established a new Surface Mining Expert Panel. The Working Underground Expert Panel developed

the Basis of Safety for personnel working underground as this is an important and growing part of the Company's operations and the source of several recent incidents. The Ammonium Nitrate and Explosives Expert Panels worked together to standardise the assessment of risks in pumping ammonium nitrate solution and addressed risks associated with the transport of explosive materials. Expert Panels have also been established to cover the manufacture of chlorine.

VALUE PEOPLE AND THE ENVIRONMENT

While the number of distribution incidents almost halved from last year, we will continue to work hard to minimise these events in the future.

Of the twenty-seven incidents, eight involved vehicle rollovers, three were significant losses of containment from ships in heavy seas and three were related to unloading product at customer sites. There were also three fatalities to members of the public in separate incidents across the globe. In response to these incidents we have reviewed the selection and ongoing monitoring of key transport contractors and worked closely with them in the review of route risk assessments for road transportation.

Nine serious losses of containment occurred on our sites during the reporting period.

CARBON

Climate change is a serious global issue that presents challenges and opportunities for Orica. The risk of extreme weather events is considered in our risk management, emergency response planning and business continuity planning processes.

In response to Challenge 2010 and our carbon neutral aspiration, we have reduced our greenhouse gas emissions per tonne of production from 1.31 tonnes in 2004 to 0.64 tonnes in 2010. This 51 percent reduction far exceeded our 35 percent greenhouse gas reduction target and was the result of nitrous oxide abatement technology and energy efficiency projects at our sites around the world. We also achieved our Challenge 2010 energy target, improving our energy efficiency by 17 percent compared to our 2004 baseline.

Our Nitrous Oxide Abatement Program commenced in 2008 with the installation of technology at our operation in Carseland, Canada. To date this has abated more than 900,000 tonnes of carbon dioxide equivalent. In July 2009 similar technology was installed at our operation in Bacong, the Philippines. This project was implemented as part of the Clean Development Mechanism (defined in article 12 of the Kyoto Protocol) and has abated more than 20,000 tonnes of carbon dioxide equivalent since installation.

In 2010 we implemented a global Environmental Performance Management System to ensure robust capture and monitoring of key environmental measures such as greenhouse gas emissions. In Australia we again reported in accordance with the National Greenhouse and Energy Reporting Act (2007). We are ready to participate in a national emissions trading scheme if it is implemented by the Government.

¹ 'Permit to Work' is a formal written system used to control certain types of potentially hazardous work.

WATER

Orica has implemented, and continues to develop, measures to mitigate the impact of various levels of water restrictions around Australia. Significantly, our Kooragang Island site, Australia, is in negotiations with Hunter Water for the development of a Recycled Water Facility. Kooragang Island would initially be the sole customer of the recycled water, with first off-take of recycled water to Kooragang Island in 2013.

We have reduced our water consumption per tonne of production by 35 percent in 2010 compared to our 2004 baseline, achieving our Challenge 2010 target of a 15 percent reduction for the third consecutive year.

This year our Groundwater Treatment Plant in Botany, Australia, processed 1,200 megalitres of recovered groundwater for reuse in our chlorine plant and by our nearby customers.

WASTE

We have reduced our waste generation per tonne of production by 69 percent in 2010 compared to our 2004 baseline, achieving our Challenge 2010 target of a 50 percent reduction for the fourth consecutive year.

Various initiatives contributed to this continued success. Minova USA began trialling new packaging with a major customer that could reduce packaging waste by 90 percent. Chemnet New Zealand has achieved resource and cost savings by reusing 200 litre drums, stopping 21 tonnes of plastic from being sent to landfill annually.

ENVIRONMENTALLY FRIENDLY

We are committed to ensuring that our operations, products and services have no unintended consequences to the environment and the community. No environmental prosecutions were recorded against Orica in 2010.

In 2010 we continued to focus on the effective stewardship of our products. For example:

- Minova's innovative airflow regulator is helping hard-rock mines to improve their efficiency and reduce their electricity costs;
- Orica Mining Services and Minova are working together in Estonia to assist large underground operations and ensure in-house safety standards to the supply of mining-related materials into the country; and
- Orica Mining Chemicals has worked closely with the International Cyanide Management Code (ICMC) to be recognised as a "consignor", a new designation which recognises Orica Mining Chemicals' close relationship and active management of its carriers in the safe handling of the product. In line with the recommendations of this Code, and with Orica's product stewardship ideals, Orica Mining Chemicals has performed detailed assessments and risk analysis of the routes used to transport Sodium Cyanide. These assessments ensure that the product is transported along the path with the lowest risk to the community and the environment.

Read more about how we delivered on our SH&E and sustainability commitments in 2010 in our Sustainability Report at: www.orica.com/sustainability

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Directors' Report

The directors of Orica Limited ('the Company' or 'Orica') present the financial report of the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group') for the year ended 30 September 2010 and the auditor's report thereon.

Directors

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

P J B Duncan, Chairman (appointed Chairman 16 December 2009)	R R Caplan
D P Mercer, Chairman (retired 16 December 2009)	G A Hounsell
G R Liebelt, Managing Director	P M Kirby (retired 9 July 2010)
N A Meehan, Executive Director Finance	Lim C O (appointed 12 July 2010)
M E Beckett	N L Scheinkestel
I D Cockerill (appointed 12 July 2010)	M Tilley

Particulars of directors' qualifications, experience and special responsibilities are detailed on page 12 of the annual report.

A Cook (Dip Bus (Accounting), Dip Bus (Data Processing), CPA) has been Company Secretary of Orica Limited since 16 February 2005 and prior to that was Assistant Company Secretary from August 2002, following a series of roles in Orica over 22 years.

Directors' meetings

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

Director	Scheduled Board Meetings ⁽¹⁾		Audit and Risk Committee ⁽¹⁾		Human Resources and Compensation Committee ⁽¹⁾		Corporate Governance and Nominations Committee ⁽¹⁾		Safety, Health and Environment Committee ⁽¹⁾	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
P J B Duncan	7	7	-	-	2	2	5	5	-	-
D P Mercer ⁽⁵⁾	1	1	-	-	-	-	1	1	-	-
G R Liebelt	7	7	-	-	-	-	6	6	-	-
N A Meehan ⁽⁴⁾	7	7	-	-	-	-	4	4	-	-
M E Beckett	7	7	-	-	-	-	6	6	4	4
R R Caplan	7	7	-	-	6	6	6	5	-	-
I D Cockerill ⁽³⁾	1	1	-	-	-	-	1	1	1	1
G A Hounsell ⁽⁴⁾	7	7	4	4	6	6	4	4	-	-
P M Kirby ⁽²⁾	6	6	-	-	-	-	5	5	3	3
Lim C O ⁽³⁾	1	1	-	-	-	-	1	1	1	1
N L Scheinkestel ⁽⁴⁾	7	7	4	4	4	4	6	6	-	-
M Tilley	7	7	4	4	-	-	4	4	4	4

⁽¹⁾ Shows the number of meetings held and attended by each director during the period the director was a member of the Board or Committee. In addition to the Board meetings referred to in the above table, available directors attended ten meetings during the year to address business matters arising between scheduled Board meetings.

⁽²⁾ Retired 9 July 2010.

⁽³⁾ Appointed 12 July 2010.

⁽⁴⁾ Also members of the Demerger Due Diligence Committee for the demerger of DuluxGroup during the year.

⁽⁵⁾ Retired on 16 December 2009.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at the date of this report is disclosed in note 37. Directors' interests shown in this note are as at 30 September 2010, however there has been no change in holdings to the date of this report.

Principal activities

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

Directors' Report

Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the review of operations and financial performance of the consolidated entity on pages 4 to 11 of the annual report. Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the directors, disclosure would be likely to result in unreasonable prejudice to the consolidated entity.

Review and results of operations

A review of the operations of the consolidated entity during the financial year and of the results of those operations is contained on pages 4 to 11 of the annual report.

Dividends

Dividends paid or declared since the end of the previous financial year were:	\$m
Final dividend at the rate of 57 cents per share on ordinary shares, franked to 35.09% (20.0 cents) at the 30% corporate tax rate, paid 4 December 2009.	203.7
Interim dividend declared at the rate of 41 cents per share on ordinary shares, franked to 39.02% (16 cents) at the 30% corporate tax rate, paid 2 July 2010.	146.8
Total dividends paid	350.5

Since the end of the financial year, the directors have declared a final dividend to be paid at the rate of 54 cents per share on ordinary shares. This dividend will be franked to 100% (54.0 cents) at the 30% corporate tax rate.

DuluxGroup Demerger Dividend

	\$m
DuluxGroup demerger dividend ⁽¹⁾	937.8

⁽¹⁾Orica declared the Demerger Dividend amount as a dividend to Scheme Participants. The demerger dividend was not paid to Scheme Participants in cash - it was applied by Orica on behalf of Scheme Participants as payment for the DuluxGroup shares.

Distributions on Step-Up Preference Securities

Distributions paid since the end of the previous financial year were:	\$m
Distribution at the rate of 4.57% per annum, per security, unfranked paid 30 November 2009 for the period from 1 June 2009 to 29 November 2009.	11.5
Distribution at the rate of 5.77% per annum, per security, unfranked paid 31 May 2010 for the period from 30 November 2009 to 30 May 2010.	14.4
Total distributions paid	25.9

Changes in the state of affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the year ended 30 September 2010 are as follows:

Demerger

On 9 July 2010 the Supreme Court of Victoria approved the Scheme of Arrangement to demerge DuluxGroup from Orica Limited. DuluxGroup earnings up until 9 July 2010 have been included in this financial report as part of discontinued operations.

The Income Statement, Balance Sheet and Statement of Cash Flows should be read in conjunction with note 28, discontinued operations and businesses disposed/demerger.

Acquisitions

- Orica acquired 51% of Jiangsu Orica Banqiao Mining Machinery Company Limited on 29 October 2009.
- Orica acquired 51% of Minova Mining Services S.A. on 25 March 2010.
- Orica acquired an additional 45% shareholding in Beijing Ruichy Minova Synthetic Material Company Limited on 4 May 2010.
- Orica acquired an additional 50% shareholding in BXL Bulk Explosives Limited on 1 July 2010.
- Orica acquired an additional 49% shareholding in Sprengmittelvertrieb GmbH in Bayern on 28 September 2010.

Divestments

- Business assets of Sydney Galvanizing Services on 22 December 2009.

Directors' Report

Other

- On 13 October 2004, Orica Limited received a notice of amended assessment from the Australian Tax Office (ATO) in relation to the sale of the pharmaceuticals business to Zeneca in September 1998. In accordance with the ATO administrative practice, Orica paid 50% of the amended assessment. The Federal Court heard the case from 5 to 6 October 2009 and judgement was handed down on 10 March 2010. The Federal Court only partially allowed Orica's appeal against that amended assessment. The effect of the Federal Court judgement was that the ATO's claim was, for the most part, upheld. Orica appealed the decision but subsequently settled the case with the ATO.
- On 18 August 2010, the Australian Government and the Danish Government respectively issued export and import permits under the Basel Convention for the shipment of 6,100 tonnes of Hexachlorobenzene (HCB) waste from Orica's Botany site in Sydney to the Kommunekemi plant in Nyborg, Denmark for environmentally sound destruction.

Events subsequent to balance date

In August 2010 Orica completed an issue of US \$600 million guaranteed senior fixed rate 10, 12, 15 and 20 year notes in the US Private Placement debt market. The funding occurred in October 2010.

On 8 November 2010, the directors declared a final dividend of 54 cents per ordinary share payable on 10 December 2010. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2010 and will be recognised in the 2011 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2010, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Environmental regulations

Orica aspires to become a business that does no harm to people and the environment.

To deliver on this aspiration, Orica, as a minimum, seeks to be compliant with all applicable environmental laws and regulatory permissions relevant to its operations. Where instances of non-compliance occur, Orica procedures require that internal investigations are conducted to determine the cause of the non-compliance and to ensure the risk of recurrence is minimised. Orica procedures further require that the relevant governmental authorities are notified in compliance with statutory requirements.

More specific details about Orica's sustainability initiatives and performance, including safety, health and environment, can be found on the Orica website – www.orica.com/sustainability.

Greenhouse gas and energy data reporting requirements

The Group is subject in Australia to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007*.

The *Energy Efficiency Opportunities Act 2006* requires the Group to assess its energy usage in Australia, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. As required under this Act, the Group has registered with the Department of Resources, Energy and Tourism as a participant entity and reported results for the 2009 reporting year. The 2010 report is due before 31 December 2010.

The *National Greenhouse and Energy Reporting Act 2007* requires the Group to report its annual Australian greenhouse gas emissions and energy consumption and production. The second measurement period for this Act ran from 1 July 2009 to 30 June 2010. The Group has implemented new systems and processes for the collection and reporting of the data required and, in compliance with the legislation, submitted its second annual report to the Greenhouse and Energy Data Officer before 31 October 2010.

Environmental prosecutions

There have been no environmental prosecutions in Australia during this financial year.

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

Indemnification of officers

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

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

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

Directors' Report

Non-audit services

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

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

No officer of the Company was a former partner or director of KPMG. A copy of the lead auditor's independence declaration as required under Section 307C of the Corporations Act is contained on page 45 of the annual report and forms part of this Directors' report.

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

Directors' Report – Remuneration Report

Remuneration Report – audited

The directors of Orica Limited present the Remuneration Report (which forms part of the Directors' Report) prepared in accordance with section 300A of the Corporations Act for the Company and its controlled entities for the year ended 30 September 2010.

A. Remuneration Report Summary

A.1 Executive remuneration strategy

Orica's Executive Remuneration Strategy covers approximately four hundred senior executives around the world.

Orica is a company that enjoys a strong performance based culture and aims to deliver above average returns to its shareholders. The remuneration strategy adopted by the Company has been a key factor in achieving this success. The Company's remuneration framework is aligned with the Company's business strategy. It aims to attract, motivate, reward and retain executives through a remuneration approach that is globally relevant, competitive, shareholder aligned and has a high perceived value. The key elements are to set fixed salary midpoints at the market median with the ability to earn top quartile remuneration on achievement of clear short and long term performance targets. Individuals' positions within salary ranges vary according to their seniority, performance and time in role. Remuneration for KMP and some senior executives is at the high end of Orica's range to maintain a competitive global market position.

Orica has a policy on the use of financial products (e.g. derivatives, margin loans or similar products) by directors and employees to limit the risk attached to equity instruments (commonly referred to as 'hedging') where those instruments are granted to them as part of their remuneration. Under this policy, Orica securities must not be hedged prior to vesting (i.e. prior to the relevant performance hurdles being met) or while they are subject to restriction under a long-term incentive plan. Any Orica securities that have vested and are no longer subject to restriction under a long-term incentive plan may be subject to hedging arrangements provided the Company is notified in advance of the employee/director entering into the relevant arrangement and the arrangements are put in place in a trading window.

Consistent with this policy, the Company's equity plans prohibit hedging of unvested securities. Orica treats compliance with this policy as a serious issue and takes appropriate measures to ensure the policy is adhered to. Breaches of the policy will be subject to appropriate sanctions, which could include disciplinary action or termination of employment.

A.2 Overview of elements of remuneration

As deemed under AASB 124 *Related Party Disclosures*, Key Management Personnel (KMP) include non-executive directors and members of the Group Executive Team (executive directors and the most highly remunerated senior executives) who have authority and responsibility for planning, directing and controlling the activities of Orica. In this report, "Executive KMP" refers to Executive Key Management Personnel. Non-executive directors have no involvement in the day to day management of the business.

Non-Executive Directors

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

Executive Directors and Senior Executives

Executive directors and senior executives remuneration comprises both a fixed component and an at-risk component. Fixed remuneration provides a guaranteed level of reward based on the senior executive's role, skills, knowledge, experience, individual performance and the employment market. At-risk remuneration rewards Executive KMP for achieving financial and business targets and increasing shareholder value. The mix between fixed remuneration and at-risk remuneration depends on the level of seniority of the Executive KMP.

	Elements of Remuneration	Directors		Executive KMP	Remuneration Report reference
		Non-Executive	Executive		
Fixed remuneration	Fees	✓	✗	✗	B2
	Salary	✗	✓	✓	E1
	Compulsory Statutory Superannuation	✓ ⁽¹⁾	✓	✓	B2/E1
	Other benefits	✓	✓	✓	B2/E1
At-risk remuneration	Short Term Incentive (STI)	✗	✓	✓	D3
	Long Term Equity Incentive Plan (LTEIP)	✗	✓	✓	D4/G/H
Other	Retention arrangements	✗	✓ ⁽²⁾	✓	D5
Post-employment	Service Agreements	✗	✓	✓	F1
	Termination payments – former Executive	✗	✓	✓	E1

Table 1

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

⁽²⁾ The Managing Director did not participate in the retention arrangements which expired for other Executive KMP in 2009.

Directors' Report – Remuneration Report

A.3 Key Management Personnel

Particulars of Key Management Personnel qualifications, experience and special responsibilities are detailed on pages 12 to 13 of the annual report.

All current Executive KMP other than Patricia McEwan were promoted internally from other roles within the Group. This reflects Orica's commitment to succession planning and development of key talent.

The Key Management Personnel to whom this Report applies are:

Name	Role	Commencement date in current role
Non-Executive		
Peter Duncan	Non-Executive Director	1 June 2001
Michael Beckett	Non-Executive Director	15 July 2002
Russell Caplan	Non-Executive Director	1 October 2007
Ian Cockerill	Non-Executive Director	12 July 2010
Garry Hounsell	Non-Executive Director	21 September 2004
Lim Chee Onn	Non-Executive Director	12 July 2010
Nora Scheinkestel	Non-Executive Director	1 August 2006
Michael Tilley	Non-Executive Director	10 November 2003
Former		
Donald Mercer	Non-Executive Director	16 December 2009
Peter Kirby *	Non-Executive Director	9 July 2010
Executives		
Current		
Graeme Liebelt	Managing Director	1 September 2005
Noel Meehan	Executive Director Finance	1 May 2005
John Beevers	Chief Executive Officer, Orica Mining Services	13 November 2008
Craig Elkington	President, Orica Mining Services, North America	1 April 2008
Andrew Larke	Group General Manager, Mergers and Acquisitions, Strategy and Technology	1 June 2006
Patricia McEwan	General Manager, Human Resources and Communications	1 June 2009
Michael Reich	Chief Executive Officer, Minova	1 February 2008
Greg Witcombe	Chief Executive Officer, Chemicals	22 September 2008
Former		
Patrick Houlihan *	Chief Executive Officer, DuluxGroup	9 July 2010

Table 2

The Company Secretary is not considered Key Management Personnel. Accordingly, the Company Secretary has not been included in any Key Management Personnel totals.

* Departed from the Group as a result of the DuluxGroup demerger.

B. Non-Executive Directors' Remuneration

B.1 Policy – independence and impartiality

Non-Executive directors' fees, excluding committee fees, are set by the Board within the maximum aggregate amount of \$1,800,000 approved by shareholders at the 2005 Annual General Meeting. These fees exclude superannuation benefits and other payments in accordance with rule 48.1 of Orica's constitution. These fees are set at levels which reflect the time commitments and responsibilities of non-executive directors. In order to maintain independence and impartiality, non-executive directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance. In setting fees, the Board takes into consideration the Company's existing remuneration policies, external professional advice, survey data on fees paid by comparable companies and the level of remuneration required to attract and retain directors of the appropriate calibre. From 1 April 2009, non-executive directors receive a fee of \$154,000 in relation to their service as a director of the Board, and the Chairman, taking into account the greater commitment required, receives a fee of \$462,000. From 1 April 2009, directors who sit on the Board's Audit and Risk Committee, Safety, Health and Environment Committee (SH&E) and Human Resources and Compensation Committee (HR&C) receive an additional fee of \$20,000 per annum, other than Chairs of these Board committees who receive an additional fee of \$40,000 per annum. Superannuation contributions are also made. In addition, the Board may pay additional remuneration for significant extra workload of non-executive directors. Non-Executive directors are also entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by the director while engaged on the business of the Company, in accordance with rule 50.2 of Orica's constitution.

Directors' Report – Remuneration Report

B.2 Remuneration

Details of Non-Executive Directors' remuneration is set out in the following table:

For the year to 30 September 2010	Directors Fees ⁽¹⁾	Committee Fees ⁽¹⁾					Super-annuation ⁽⁴⁾	Other Benefits	Total
		Audit and Risk	SH&E	HR&C	DuluxGroup Demerger				
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
P J B Duncan, Chairman ⁽⁵⁾	398.4	-	-	4.1	-	-	36.2	-	438.7
M E Beckett ⁽²⁾	154.0	-	20.0	-	-	-	15.7	21.9	211.6
R R Caplan	154.0	-	-	40.0	-	-	17.5	-	211.5
I D Cockerill	34.4	-	0.7	-	-	-	3.2	-	38.3
G A Hounsell ⁽³⁾	154.0	20.0	-	20.0	50.0	-	25.6	40.0	309.6
Lim C O	34.4	-	0.7	-	-	-	3.2	-	38.3
N L Scheinkestel	154.0	40.0	-	15.0	40.0	-	22.4	-	271.4
M Tilley	154.0	20.0	25.0	-	-	-	17.9	-	216.9
Former									
D P Mercer ⁽⁵⁾	97.1	-	-	-	-	-	8.7	-	105.8
P M Kirby ⁽³⁾	119.6	-	31.1	-	-	-	18.0	50.0	218.7
Total Non-Executive Directors	1,453.9	80.0	77.5	79.1	90.0	168.4	111.9	2,060.8	
For the year to 30 September 2009									
D P Mercer, Chairman ⁽⁵⁾	441.0	-	-	-	-	-	39.7	-	480.7
M E Beckett	147.0	-	17.5	-	-	-	14.8	-	179.3
R R Caplan	147.0	-	7.5	20.0	-	-	15.7	-	190.2
P J B Duncan ⁽⁵⁾	147.0	17.1	-	10.0	-	-	15.7	-	189.8
G A Hounsell ⁽³⁾	147.0	17.5	-	10.0	-	-	17.5	20.0	212.0
P M Kirby ⁽³⁾	147.0	-	35.0	-	-	-	18.6	25.0	225.6
N L Scheinkestel	147.0	28.8	-	-	-	-	15.8	-	191.6
M Tilley	147.0	11.2	12.5	-	-	-	15.4	-	186.1
Former									
C M Walter ⁽⁵⁾	30.9	-	3.3	-	-	-	3.1	-	37.3
Total Non-Executive Directors	1,500.9	74.6	75.8	40.0	-	156.3	45.0	1,892.6	

Table 3

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

⁽²⁾ These benefits include spousal travel (inclusive of any fringe benefits tax).

⁽³⁾ Remuneration for additional workload involved in the demerger of the DuluxGroup.

⁽⁴⁾ Company superannuation benefits contributions made on behalf of Non-Executive directors.

⁽⁵⁾ Orica has discontinued retirement allowances for all Non-Executive directors. Directors appointed prior to 1 July 2002 have had their retirement allowance preserved (as at 1 July 2004) with no indexation and the allowance will be paid to the eligible directors upon retirement. In accordance with rule 48.1 of Orica's constitution, those retirement benefits do not fall within the maximum aggregate fee cap for Non-Executive directors. If each eligible Non-Executive director had ceased to be a director on 30 September in each year, the following benefits would have been payable under the grandfathered Directors' Retirement Scheme: P J B Duncan \$154,800 (2009 \$154,800), D P Mercer \$nil (paid in full in 2010) (2009 \$664,000), C M Walter \$nil (paid in full in 2009 \$228,700). These benefits have been fully provided for in the financial statements.

Directors' Report – Remuneration Report

C. Company performance – the link to reward

C.1 Five year performance

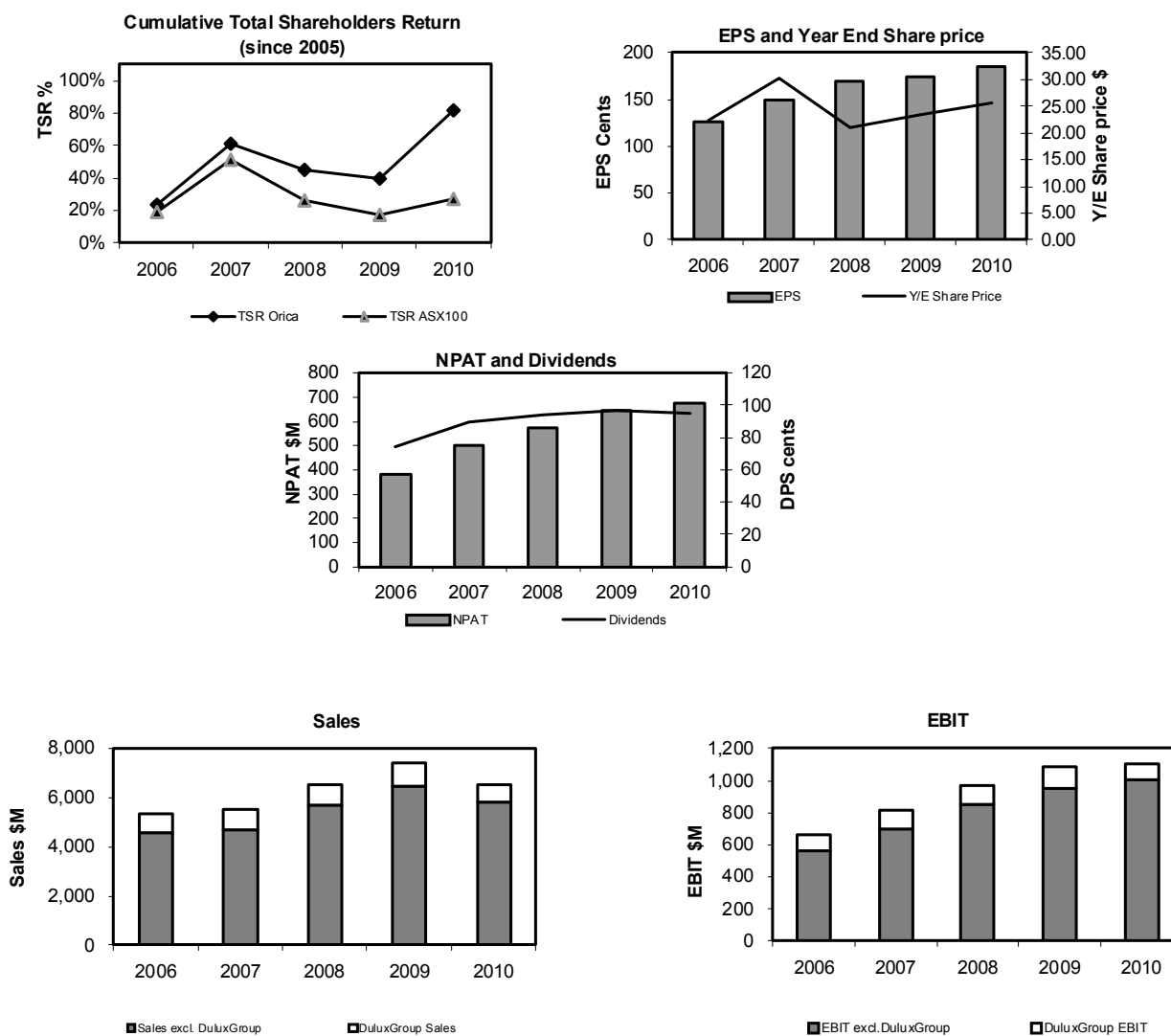
Over the past five financial years, the Board has set challenging financial performance targets for management and has directly aligned Executive KMP incentives to the achievement of those targets. The link is clear: when target performance is achieved, target Executive KMP rewards are earned, and when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

Orica has enjoyed strong performance over the past five years:

- net profit after tax (NPAT) (before individually material items) has grown at a compound rate of 14.7% per annum over the five years;
- the share price has increased 22.4% over that period;
- an average of 89.8 cents per ordinary share per annum has been paid to shareholders under the Company's dividend policy;
- additional returns to shareholders have been made through share buy-backs; and
- total shareholder return (TSR) over the past five years has been 81.38%.

As a result, for the past five years, Executive KMP have generally earned short term incentive rewards at or above target levels.

The Board believes that directly linking Executive KMP rewards to performance targets has been a key driver in the achievement of the strong results shown in the charts below. EBIT is defined as earnings before interest, tax and individually material items.



Directors' Report – Remuneration Report

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

Over the past five years, Orica has conducted a series of on-market share buy-backs as part of its capital management strategy. These buy-backs have resulted in a total buy-back of 7,361,382 ordinary shares, with \$196.3 million returned to shareholders.

C.2 Link to performance

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

Executive KMP **short term incentives** are paid annually in cash and are linked to overall performance measures for Orica, as well as specific measures for businesses in the areas of financial performance (Economic Profit and cash flow) and safety, health and environmental performance and diversity. Economic Profit is defined as EBIT less income tax expense less a funding charge at the weighted average cost of capital for average net operating assets used. The specific measures and their weightings vary depending on the seniority and role of the Executive KMP. Each year, a performance contract specifying target, stretch and threshold performance measures is set and agreed with each Executive KMP, by that Executive KMP's manager. The performance contract of the Managing Director is set and agreed with the Chairman. The Chairman and the Human Resources and Compensation Committee review Executive KMP performance targets to ensure they are appropriately challenging.

Executive KMP **long term incentives** (delivered through the Long Term Equity Incentive Plan) are linked to growth in Orica's share price and growth in absolute Total Shareholder Return (TSR). Capital benefit for recipients will continue to be delivered only where Orica's share price increases, however, growth in absolute Earnings Per Share (EPS) will replace absolute Total Shareholder Return (TSR) as the sole measure to qualify for any loan forgiveness from the December 2010 LTEIP grant onwards.

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

	2005	2006	2007	2008	2009	2010
Including DuluxGroup						
External Sales (\$m)	5,126.7	5,359.2	5,527.2	6,544.1	7,411.0	6,539.3
Cash flow from operating activities (\$m)	375.8	413.9	524.3	736.9	854.9	803.7
EBIT (\$m)	600.9	657.7	812.7	970.1	1,082.5	1,101.4
NPAT (\$m)	339.9	380.3	497.8	572.3	646.1	675.8
All Workers Recordable Case Rate	0.85	0.57	0.60	0.72	0.69	0.73
Excluding DuluxGroup						
External Sales (\$m)	4,358.4	4,574.3	4,701.0	5,668.9	6,470.9	5,812.1
EBIT (\$m)	500.4	560.4	711.1	847.5	953.6	1,009.0
Dividends per ordinary share (cents)	71.0	74.0	89.0	94.0	97.0	95.0
Return of capital (\$m)	53.7	81.5	114.8	-	-	-
Year end share price (\$)	21.00	22.47	30.10	20.95	23.50	25.71
Cumulative TSR - Orica (%)	-	23.72	61.13	45.24	39.31	81.38
Cumulative TSR - ASX 100 (%)	-	18.69	51.54	26.56	17.29	26.89

Table 4

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

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

D. Executive remuneration – driving a performance culture

D.1 Board policy on remuneration

The Human Resources and Compensation Committee has recommended, and the Board has adopted, a policy that remuneration for Executive KMP will:

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

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

Directors' Report – Remuneration Report

The Board considers it desirable for remuneration packages of Executive KMP to include both a *fixed* component and an *at-risk* or *performance-related* component (comprising both short term and long term incentives). The Board views the at-risk component as an essential driver of Orica's high performance culture. The mix between fixed remuneration and at-risk remuneration, including the annual grant value of Executive Long Term Incentives, is designed to reflect market conditions at each job and seniority level. For the Managing Director, the split is broadly 50% fixed and 50% at-risk, whilst the split for other Executive KMP is broadly 60% fixed and 40% at-risk, as shown in the table below.

	% of Total Annual Remuneration		
	Fixed ⁽¹⁾	Short term incentive ^{(2) (3)}	At-risk Long term incentive ⁽⁴⁾
Managing Director	50%	20%	30%
Other Executive KMP	60%	20%	20%

Table 5

⁽¹⁾ Fixed Annual Remuneration as per table 13 in section F1.

⁽²⁾ Target STI is set at 50% of the maximum STI. Executive KMP may achieve greater than 100% of maximum STI where there is an uncapped STI for selected significant critical performance items such as Economic Profit performance.

⁽³⁾ Maximum STI (%) as per table 10 in section E2.

⁽⁴⁾ LTEIP granted (\$) as per table 11 in section E3.

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

For full details of the remuneration paid to executive directors (including the Managing Director) and Executive KMP for the 2010 financial year, refer to section E below.

D.2 Fixed remuneration

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

Executive KMP fixed remuneration was not increased as part of the fiscal 2010 remuneration review process conducted in December 2009. As the year progressed and global economic conditions began to improve, it was decided to increase remuneration from 1 April 2010. No backdating of increases applied.

D.3 At-risk remuneration – Short Term Incentive Plan (STI)

Summary of STI for financial year 2010 (for Executive KMP)

What is the STI?	An annual cash incentive plan linked to specific annual targets (which are predominantly financial).
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a large proportion of executive remuneration at-risk against meeting targets linked to Orica's annual business objectives.
Are STIs awarded where performance falls below a minimum threshold performance level?	No STI is awarded if minimum performance across Orica does not meet the required threshold. This year, this measure was changed from net profit after tax before individually material items, to a minimum level of economic profit that must be achieved before any STI is awarded. Economic profit was chosen as it takes into account the use of capital resources and is not impacted materially by volatility in foreign exchange markets.
Who assesses the performance of Executive KMP?	The Managing Director, in consultation with the Orica Board, assesses the performance of Executive KMP at the end of each financial year.
Who assesses the performance of the Managing Director?	Orica's non-executive directors approve the targets for the Managing Director and Executive Director Finance at the beginning of each year and assess performance against those targets at the end of the financial year.

Directors' Report – Remuneration Report

Summary of STI for financial year 2010	
What are the performance conditions?	The performance conditions comprise financial targets relating to: - Economic profit; and - Cash flow, as well as other targets, including safety, health and environmental performance and diversity. These performance conditions are set at both an Orica level and an individual business level. Achievement of performance conditions may therefore vary between businesses.
Why were these conditions chosen?	The targets are set to reinforce and align with the Group's annual budget and four year plan and are intended to improve financial performance which results in greater shareholder wealth.
Are both target and stretch performance conditions imposed?	Yes. The STI and the performance conditions set under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI will deliver higher rewards to Executive KMP.
Can STI be greater than 100%?	Yes. Executive KMP may achieve greater than 100% of maximum STI where there is an uncapped STI for selected significant critical performance items such as economic profit performance.
How well were the performance conditions met in the 2010 financial year?	The majority of performance conditions were satisfied for the 2010 financial year after adjusting for the demerger of DuluxGroup.
How would a change of control impact on STI entitlements?	Where there is a change of control, the Board has the discretion to pay some or all of the STI available for that financial year.

Table 6

D.4 At-risk remuneration – Long Term Incentives

D.4.1 Long Term Equity Incentive Plan - (LTEIP)

Summary of LTEIP for financial year 2010 (for Executive KMP and other eligible Senior Executives)	
What is the LTEIP?	The Orica Long Term Equity Incentive Plan is the long term incentive component of remuneration for executives who are able to influence the generation of shareholder wealth by having a direct impact on the Group's performance. The LTEIP is designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value.
Why does the Board consider the structure of the LTEIP appropriate?	The LTEIP facilitates immediate share ownership by the executives and links a significant proportion of their potential remuneration to Orica's ongoing share price and returns to shareholders over a three year period. The Board believes the LTEIP promotes behaviour that will achieve superior performance aligned to shareholder interests over the long term and is also a critical retention mechanism.
What are the key features of the LTEIP?	Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. Part of the loan may be forgiven at the end of the performance period for achievement of specified performance outcomes. The loan must be repaid at the end of the three year vesting period. If the executive resigns from the Group or is terminated for cause during the loan period, the shares are returned to the Group (in full repayment of the loan) and the executive has no further interest in the shares.
When is the performance measurement tested?	Performance is tested over the five days immediately following the announcement of annual results in the third year after a grant is made.
How are shares provided to executive directors under the LTEIP?	Whilst the Company has the flexibility under the LTEIP rules to either acquire shares on-market, issue new shares, or reissue unvested shares to participants in the plan, shares allocated to the executive directors under the LTEIP are acquired on-market. As the grants to the executive directors do not dilute the holdings of other shareholders, they do not require shareholder approval.
Why continue with a loan based plan?	The Board approved the design of the LTEIP (as a loan based plan) after consideration of its relative merits against other performance share based equity plans in the market. The Board considers the LTEIP to be a cost effective plan aligned to the creation of shareholder value.
Is the loan interest free?	Whilst the loan is interest free, any loan forgiveness will include an interest charge as part of the calculation of the forgiveness amount. Orica's effective interest rate in 2010 is 7.9% (see note 34).
Why is a non-recourse loan provided?	If the loan exceeds the value of the shares, the Board believes the loss of any remuneration value from the LTEIP is a sufficient penalty to the executives. The performance condition necessary for partial forgiveness of their loan would not be satisfied and executives would derive no value from the shares.
As the loans are non-recourse do executives have to repay their loans?	Yes, the executives must repay their loans at the earlier of the end of the performance period or following the cessation of their employment with the Group. Where an executive does not discharge their loan within the prescribed period, the Company will sell or otherwise realise the value of their shares and apply the proceeds in satisfaction of the loan.
What happens if the value of the shares is less than the outstanding loan balance?	If the value of the shares is less than the outstanding loan balance at the end of the performance period, the executive returns the shares to Orica in full settlement of the loan balance and no benefit accrues to the executive.

Directors' Report – Remuneration Report

Summary of LTEIP for financial year 2010 (for Executive KMP and other eligible Senior Executives)											
Is the benefit to executives of participation in the LTEIP affected by changes in the share price?	Yes, executives who participate in the LTEIP will be affected in the same way as all other shareholders by changes in Orica's share price. The remuneration value executives receive through participation in the LTEIP will be reduced if the share price falls during the loan period, and will increase if the share price rises over this period.										
Is the performance hurdle re-tested?	No, the performance condition is only tested once at the end of the performance period.										
Do participants get access to entitlements in the case of redundancy?	The Board has absolute discretion over entitlements to participants.										
What is TSR?	Broadly, TSR is the percentage increase in the Company's share price over the performance period, plus the value of dividends paid being treated as if they were reinvested.										
Why did the Board select an absolute TSR performance hurdle rather than a relative TSR hurdle?	Orica's diversified business mix means there is no logical comparator group for the Company. The plan operates by the Board setting a TSR growth target against which executives can regularly monitor performance by comparing changes in the Company's share price over the performance period. This was felt to be superior to using a relative hurdle that would only be calculated and made available periodically. The absolute TSR hurdle will be replaced by a growth in absolute Earnings Per Share (EPS) measure for the loan forgiveness element of future grants as the directors believe that this would maintain a strong correlation with long term TSR, while reducing the plan's susceptibility to short term share market volatility.										
What is the forgiveness amount?	Part of the loan (the forgiveness amount) may be forgiven upon the achievement of specified conditions at the end of the performance period. The amount of the loan which may be forgiven is calculated by reference to a percentage of the executives' fixed annual remuneration. No forgiveness amount is earned if the executive resigns or is terminated for cause before the end of the loan period.										
What are the performance hurdles?	The performance hurdle is based on Orica's TSR. For the performance condition to be satisfied at target, compound growth in Orica's TSR must be 20% per annum over the three year period. In order to ensure that the performance condition is not "all or nothing", there is a range for loan forgiveness linked to Company TSR performance.										
What is the TSR performance condition vesting schedule?	Part of the loan (the forgiveness amount) may be forgiven upon the achievement of specified conditions at the end of the performance period. TSR rates must hit a minimum target for this loan forgiveness to apply. <table border="1" data-bbox="448 1025 860 1220"> <thead> <tr> <th>TSR growth</th> <th>Percentage of target loan forgiveness ⁽¹⁾ %</th> </tr> </thead> <tbody> <tr> <td>Less than 10%</td> <td>0%</td> </tr> <tr> <td>10%</td> <td>50%</td> </tr> <tr> <td>20%</td> <td>100%</td> </tr> <tr> <td>30%</td> <td>150%</td> </tr> </tbody> </table> <p>The percentage of loan forgiveness increases on a straight line basis between the minimum and maximum TSR growth targets. An EPS performance condition vesting schedule will replace the TSR schedule from the December 2010 grant onwards.</p> <p>⁽¹⁾ For an executive located in Australia, target loan forgiveness for 20% compound TSR growth is approximately 22% of the loan. Maximum loan forgiveness is 33% of the loan. The amount of the potential loan forgiveness will vary depending on the country of residence of the executive.</p>	TSR growth	Percentage of target loan forgiveness ⁽¹⁾ %	Less than 10%	0%	10%	50%	20%	100%	30%	150%
TSR growth	Percentage of target loan forgiveness ⁽¹⁾ %										
Less than 10%	0%										
10%	50%										
20%	100%										
30%	150%										
Does the Board consider the satisfaction in full of the TSR hurdle a sufficient "stretch" for management?	Yes. After reviewing the Company's rate of cumulative growth in TSR over the past few years, the Board believes that 20% per annum is a clear, certain and absolute target for management. The Board believes it is an aggressive target to maintain TSR growth at 20% per annum over the performance period. When selecting this target, the Board also had reference to the general performance of the market and noted that a TSR of 20% per annum generally reflects top quartile performance within the ASX 100.										
How did the demerger of DuluxGroup affect the LTEIP scheme?	On the demerger of DuluxGroup Limited on 9 July 2010, participating employees of both Orica and DuluxGroup received one DuluxGroup share for every one Orica share held previously under the Orica LTEIP scheme. The sale of these DuluxGroup shares results in the proceeds being applied towards repaying the loan (against which each tranche of shares were granted). DuluxGroup employees were allowed to exercise their LTEIP options in the one month period commencing 12 July 2010, with pro-rata loan forgiveness applying if applicable. For continuing Orica employees, the TSR target of each tranche was proportionately reduced to take account of DuluxGroup no longer being part of the Orica Group.										
How would a change of control impact on LTEIP entitlements?	The LTEIP rules provide that the loan becomes immediately repayable upon a change of control, with the outstanding loan balance reduced by the forgiveness amount, except where the Board determines otherwise. The Board's current intention is that it would not exercise its discretion to vary this default position in the event of an actual change of control.										
How are DuluxGroup shares treated as part of the LTEIP?	Orica LTEIP holders were entitled to receive DuluxGroup shares on a one-for-one basis under the Demerger arrangement. The sale of any DuluxGroup holdings or the after tax amount of dividends received result in the proceeds being applied by Orica towards reducing the employees' outstanding loan balance.										

Table 7

Directors' Report – Remuneration Report

D.4.2 Illustrative example of how LTEIP works

The following example is based on an executive located in Australia with a fixed annual remuneration of \$700,000 and assumes that:

- Initial share price is \$20 and 50,000 shares are allocated.
- Retained dividends assume gross dividends of \$140,000, less 48.5%* to cover participant's individual tax obligations.
- Case A -Target TSR performance of 20% (inclusive of dividends) is reached at the end of 3 year vesting period i.e. share price increases to \$31.
- Case B -Target TSR performance of 20% (inclusive of dividends) is not reached at the end of 3 year vesting period i.e. share price falls to \$15.

	Case A	Case B
	\$	\$
Initial Loan	1,000,000	1,000,000
Less loan repayments via retained dividends	(72,000)	(72,000)
Loan balance at end of Year 3 (date of vesting)	928,000	928,000
Less Loan Forgiveness (net of interest charge) ^{(1) (2) (3)}	(220,000)	-
Outstanding Loan Balance	708,000	928,000
Value of Shares at Vesting	1,550,000	750,000
Less Outstanding Loan Balance	(708,000)	(928,000)
Value of LTEIP to Executive	842,000	0**

* This global rate is set to take into account tax rates applying across all jurisdictions covered by the Plan.

** Non recourse loan condition applies and the shares are returned to Orica in full satisfaction of the loan balance.

⁽¹⁾ Calculated by reference to a percentage of the executives' fixed annual remuneration and will vary depending on the country of residence of the executive.

⁽²⁾ Interest charge based on Orica's effective interest rate.

⁽³⁾ In addition, Orica may incur fringe benefits tax on loan forgiveness.

D.4.3 LTEIP for 2011 and future years

The Board has decided that growth in absolute EPS will replace absolute TSR as the sole measure to qualify for any loan forgiveness from the December 2010 LTEIP grant onwards. Loan forgiveness will be based around a target EPS growth rate of 10% per annum.

It was decided a move to EPS growth would maintain a strong correlation with long term TSR, while reducing the plan's susceptibility to short term share market volatility. The terms of the LTEIP summarised above reflect measures used in all current LTEIP tranches, and apply to Executive KMP and other eligible executives of the Company.

D.4.4 Legacy plans

In the period 2001 to 2004, Orica used a number of long term incentive plans for executives. Further details regarding the legacy share plans that are still active at 30 September 2010 are contained in note 36 to the financial statements.

D.5 Retention arrangements for the Executive KMP – expired 31 March 2009

The Board entered into agreements with the Executive KMP during 2007 to participate in the Key Executive Retention Programme (KERP). The KERP expired on 31 March 2009 and payments were made to eligible Executive KMP in April 2009. The Managing Director did not participate in the KERP.

In return for participating in the KERP, participants agreed to changes to the terms of their service agreements. The relevant changes comprised an extension of the notice the Executive KMP must give to Orica upon termination to six months, as well as an undertaking not to compete with Orica for a period of six months following termination.

The KERP had the following key elements:

- participants were eligible to receive a lump sum retention payment equal to 50% of their Fixed Annual Remuneration plus their maximum STI (determined by reference to their remuneration as at 1 January 2007). The amount of the payment was not linked to, or dependent upon, Group performance; and
- participants needed to be employed with Orica on 31 March 2009 to receive the retention payment, although in exceptional circumstances (e.g. if the employee had been made redundant prior to 31 March 2009) the Board could have elected to make retention payments prior to that date.

Amounts paid to Executive KMP KERP participants in 2009 were N A Meehan \$1,170,000, A J P Larke \$1,155,000, P G Etienne \$1,235,000, J R Beevers \$780,000, G J Witcombe \$936,000, C B Elkington \$600,000 and P W Houlihan \$585,000.

Directors' Report – Remuneration Report

E. Details of remuneration

E.1 Executive KMP Remuneration

Particulars of Executive KMP qualifications, experience and special responsibilities are detailed on page 13 of the annual report. Details of the nature and amount of each element of remuneration of Executive KMP for the current reporting period and also for the previous reporting period are included in the tables below:

For the year ended 30 September 2010	Short term employee benefits			Post Employment Benefits		Total excluding SBP * Expense \$000	Share Based Payments Expense ⁽⁴⁾ \$000	Total \$000
	Fixed Salary \$000	STI Payment ⁽¹⁾ \$000	Other Benefits ⁽²⁾ \$000	Super-annuation Benefits \$000	Other Long Term Benefits ⁽³⁾ \$000			
Current Executive Directors								
G R Liebelt	2,319.9	2,718.8	123.0	14.6	63.1	5,239.4	1,922.0	7,161.4
N A Meehan	1,020.7	828.7	22.6	14.6	22.8	1,909.4	400.7	2,310.1
Total Current Executive Directors	3,340.6	3,547.5	145.6	29.2	85.9	7,148.8	2,322.7	9,471.5
Current Executive KMP								
J R Beevers ⁽⁵⁾	925.6	804.5	468.5	14.6	16.7	2,229.9	340.4	2,570.3
C B Elkington ⁽⁵⁾	570.7	459.9	169.2	14.6	14.6	1,229.0	229.7	1,458.7
A J P Larke	802.4	1,437.0	31.8	14.6	16.8	2,302.6	324.5	2,627.1
P McEwan	574.1	453.2	35.0	14.6	13.3	1,090.2	213.7	1,303.9
M Reich ⁽⁵⁾	700.7	468.6	132.6	9.8	12.6	1,324.3	264.7	1,589.0
G J Witcombe	802.4	764.1	(16.3)	14.6	26.8	1,591.6	318.1	1,909.7
Total Current Executive KMP	4,375.9	4,387.3	820.8	82.8	100.8	9,767.6	1,691.1	11,458.7
Former Executive KMP								
P W Houlihan ⁽⁶⁾	491.7	398.0	114.7	11.2	15.2	1,030.8	676.1	1,706.9
Total Executive KMP	4,867.6	4,785.3	935.5	94.0	116.0	10,798.4	2,367.2	13,165.6
Total Executive Key Management Personnel								
	8,208.2	8,332.8	1,081.1	123.2	201.9	17,947.2	4,689.9	22,637.1

Table 8

* Share Based Payments (SBP).

⁽¹⁾ STI Payment includes payments relating to 2010 performance accrued but not paid.

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

⁽³⁾ This benefit includes the movement in long service leave accrual.

⁽⁴⁾ Includes the value calculated under AASB 2 *Share Based Payments* to Executive KMP under the November 2006 to December 2009 offers which vest over three years. Value only accrues to the KMP when performance conditions have been met.

⁽⁵⁾ For overseas based executives, other benefits will include up to 100% of relocation and travel allowances, reimbursement of accommodation and living away from home expenses, health insurance, family travel and taxation expenses.

⁽⁶⁾ P W Houlihan departed from the Group on the demerger of DuluxGroup. On the demerger of DuluxGroup Limited, DuluxGroup employees were allowed to exercise their LTEIP options in the one month period commencing 12 July 2010, with pro-rata loan forgiveness applying if applicable.

The amounts that appear under the heading Share Based Payments Expense are the amounts required under Accounting Standards to be expensed by Orica in respect of the allocation of long term incentives to Executive KMP. Each year, the Board may decide to allocate long term incentives to Executive KMP. Currently, these long term incentives are expensed over the three year vesting period. The Share Based Payments expense in Table 8 represents the expense incurred during the year in respect of current and past incentive allocations to Executive KMP. These amounts are therefore not amounts actually received by Executive KMP during the year. The mechanism which determines whether or not long term incentives vest in the future is described in Section D.4.1.

Directors' Report – Remuneration Report

Executive KMP remuneration (continued)

For the year ended 30 September 2009	Short term employee benefits			Post Employment Benefits			Total excluding SBP * Expense \$000	Share Based Payments Expense ⁽⁵⁾ \$000	Total \$000
	Fixed Salary \$000	STI Payment ⁽¹⁾ \$000	Other Benefits ⁽²⁾ \$000	Super-annuation Benefits \$000	Termination Benefits ⁽³⁾ \$000	Other Long Term Benefits ⁽⁴⁾ \$000			
Current Executive Directors									
G R Liebelt	2,248.6	1,537.3	19.6	13.9	-	87.1	3,906.5	1,425.2	5,331.7
N A Meehan	991.1	541.8	44.8	13.9	-	286.4	1,878.0	309.1	2,187.1
Total Current Executive Directors	3,239.7	2,079.1	64.4	27.8	-	373.5	5,784.5	1,734.3	7,518.8
Current Executive KMP									
J R Beevers ⁽⁷⁾	899.9	590.5	275.0	13.9	-	307.1	2,086.4	240.9	2,327.3
C B Elkington ⁽⁷⁾	543.1	345.8	255.1	13.9	-	154.9	1,312.8	216.0	1,528.8
P W Houlihan	615.3	463.2	1.8	13.9	-	160.0	1,254.2	157.6	1,411.8
A J P Larke	779.8	486.4	48.1	13.9	-	274.9	1,603.1	297.4	1,900.5
P McEwan ⁽⁶⁾	188.6	85.1	27.5	4.8	-	3.2	309.2	33.0	342.2
M Reich ⁽⁷⁾	675.0	250.0	133.3	-	-	12.8	1,071.1	166.9	1,238.0
G J Witcombe	779.8	624.7	51.5	13.9	-	244.8	1,714.7	259.0	1,973.7
Total Current Executive KMP	4,481.5	2,845.7	792.3	74.3	-	1,157.7	9,351.5	1,370.8	10,722.3
Former Executive KMP									
P G Etienne	876.8	150.0	23.8	11.5	1,421.8	320.9	2,804.8	327.7	3,132.5
Total Executive KMP	5,358.3	2,995.7	816.1	85.8	1,421.8	1,478.6	12,156.3	1,698.5	13,854.8
Total Executive Key Management Personnel									
	8,598.0	5,074.8	880.5	113.6	1,421.8	1,852.1	17,940.8	3,432.8	21,373.6

Table 9

* Share Based Payments (SBP).

⁽¹⁾ STI Payment includes payments relating to 2009 performance accrued but not paid.

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

⁽³⁾ Represents contractual payments upon termination and payment of statutory leave to the Executive KMP on cessation of his employment.

⁽⁴⁾ This benefit includes the movement in long service leave accrual and the 2009 accrual for the KERP (refer section D.5).

⁽⁵⁾ Includes the value calculated under AASB 2 *Share Based Payments* to Executive KMP under the November 2006 to June 2009 LTEIP which vest over three years. Value only accrues to the KMP when performance conditions have been met.

⁽⁶⁾ Commenced 1 June 2009.

⁽⁷⁾ For overseas based executives, other benefits will include up to 100% of relocation and travel allowances, reimbursement of accommodation and living away from home expenses, health insurance, family travel and taxation expenses.

The amounts that appear under the heading Share Based Payments Expense are the amounts required under Accounting Standards to be expensed by Orica in respect of the allocation of long term incentives to Executive KMP. Each year, the Board may decide to allocate long term incentives to Executive KMP. Currently, these long term incentives are expensed over the three year vesting period. The Share Based Payments expense in Table 9 represents the expense incurred during the year in respect of current and past incentive allocations to Executive KMP. These amounts are therefore not amounts actually received by Executive KMP during the year. The mechanism which determines whether or not long term incentives vest in the future is described in Section D.4.1.

Directors' Report – Remuneration Report

E.2 Executive KMP STI's

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

For the year ended 30 September 2010	Maximum STI \$000 ⁽³⁾	Actual STI payment \$000 ⁽¹⁾⁽²⁾	Actual STI payment as % of maximum STI ⁽³⁾	% of maximum STI payment forfeited
Current Executive KMP				
G R Liebelt	2,801.4	2,718.8	97.1	2.9
N A Meehan	828.2	828.7	100.1	-
J R Beevers	739.0	804.5	108.9	-
C B Elkington	471.8	459.9	97.5	2.5
A J P Larke	1,307.3	1,437.0	109.9	-
P McEwan	471.0	453.2	96.2	3.8
M Reich	568.4	468.6	82.4	17.6
G J Witcombe	653.7	764.1	116.9	-
Former Executive KMP				
P W Houlihan	390.3	398.0	102.0	-

Table 10

⁽¹⁾ STI constitutes a cash incentive earned during 2010, which is expected to be paid in December 2010 to current Executive KMP and was paid during the year to the former Executive KMP.

⁽²⁾ A minimum level of economic profit must be achieved before any STI is paid. Therefore the minimum potential value of the STI for the financial year was nil.

⁽³⁾ Executive KMP may achieve greater than 100% of maximum STI where there is an uncapped STI for selected significant critical performance items such as economic profit performance.

E.3 Equity instruments granted to and exercised by Executive KMP

The Company has a plan (LTEIP) under which it allocates shares to executives; while these are shares for legal and taxation purposes, Accounting Standards require they be treated as options for accounting purposes.

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

For the year ended 30 September 2010	Options Granted Number	Options Granted ⁽¹⁾⁽²⁾⁽³⁾ (\$)	Options Exercised ⁽⁴⁾ Number	Options Exercised ⁽⁴⁾ (\$)
Current Executive Directors				
G R Liebelt	285,296	2,539,134	181,110	320,565
N A Meehan	59,043	525,483	43,466	105,995
Total Current Executive Directors	344,339	3,064,617	224,576	426,560
Current Executive KMP				
J R Beevers	54,180	482,202	33,203	49,291
C B Elkington	33,631	299,316	44,501	62,806
A J P Larke	46,598	414,722	57,955	85,002
P McEwan	33,574	298,809	-	-
M Reich	40,520	360,628	-	-
G J Witcombe	46,598	414,722	41,232	114,635
Total Current Executive KMP	255,101	2,270,399	176,891	311,734
Former Executive KMP				
P W Houlihan	37,278	331,774	99,671	468,750
Total Executive Key Management Personnel	292,379	2,602,173	276,562	780,484

Table 11

⁽¹⁾ Under the LTEIP, eligible Executive KMP are provided with a non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executive KMP must apply net cash dividends to the repayment of the loan balance and may not deal with the shares while the loan remains outstanding. Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements. Further details are set out in sections D.4.1, E.4, G and H of this report.

⁽²⁾ The options have been valued by PWC at \$8.90 per option for all Executive KMP. The benefit of the options granted under the November 2007 and subsequent LTEIP offers will lapse during future years if the Executive KMP cease employment with the Group before the end of the three year performance period.

⁽³⁾ The grants made to Executive KMP under the LTEIP during the year constituted 100% of the grants available for the year. The minimum potential value of grants made during the year under LTEIP is nil.

⁽⁴⁾ The value of each option exercised is the market value of Orica shares on the date of exercise, less the exercise price paid.

Directors' Report – Remuneration Report

E.4 Loans to Executive KMP under Group long term incentive plans

For the year ended 30 September 2010	Opening balance \$	Advances during the year ⁽¹⁾ \$	Other repayments during the year \$	Cash repayments during the year ⁽²⁾ \$	Closing balance \$	Interest free value \$	Highest indebtedness \$
Current Executive Directors							
G R Liebelt	16,595,363	7,072,488	-	4,417,051	19,250,800	1,491,302	23,437,525
N A Meehan	3,595,956	1,463,676	-	1,048,618	4,011,014	317,306	5,009,865
Total Current Executive Directors	20,191,319	8,536,164	-	5,465,669	23,261,814	1,808,608	28,447,390
Current Executive KMP							
J R Beevers	2,931,003	1,343,122	-	810,673	3,463,453	298,200	4,231,611
C B Elkington	2,498,989	833,712	-	1,038,868	2,293,833	227,515	3,298,649
A J P Larke	3,440,253	1,155,164	-	1,357,999	3,237,418	315,035	4,548,477
P McEwan	832,296	832,299	-	27,570	1,637,025	116,908	1,652,683
M Reich	1,820,919	1,004,491	127,431	50,399	2,647,579	197,829	2,800,561
G J Witcombe	3,009,944	1,155,164	-	982,921	3,182,187	255,547	4,123,607
Total Current Executive KMP	14,533,404	6,323,952	127,431	4,268,430	16,461,495	1,411,034	20,655,588
Former Executive KMP							
P W Houlihan	1,832,388	924,122	908,097	1,848,413	-	152,418	2,730,899
Total Executive Key Management Personnel	36,557,111	15,784,238	1,035,528	11,582,512	39,233,309	3,372,060	51,833,877

Table 12

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

⁽²⁾ Constitutes repayments including after tax dividends paid on the shares applied against the loan and forfeiture of LTEIP options. Under the terms of the LTEIP, the loan forgiveness for PW Houlihan was \$148,552.

F. Executive KMP service agreements

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

F.1 Summary of specific terms

Name	Term of Agreement	Fixed Annual Remuneration ⁽¹⁾	Notice Period by Executive	Termination Payment ⁽²⁾
Current Executive Directors				
G R Liebelt	30 Sep 2012	2,369,000	6 months	1.5 times fixed annual remuneration ⁽³⁾
N A Meehan	Open	1,050,600	6 months	1.0 times fixed annual remuneration
Current Executive KMP				
J R Beevers	Open	937,464	6 months	1.28 times fixed annual remuneration ⁽⁴⁾
C B Elkington	Open	598,430	6 months	1.0 times fixed annual remuneration
A J P Larke	Open	829,150	6 months	1.0 times fixed annual remuneration
P McEwan	Open	597,400	6 months	1.0 times fixed annual remuneration
M Reich	Open	721,000	6 months	1.0 times fixed annual remuneration
G J Witcombe	Open	829,150	6 months	1.68 times fixed annual remuneration ⁽⁴⁾

Table 13

⁽¹⁾ Fixed salary, inclusive of superannuation, is reviewed annually by Orica's non-executive directors following the end of each financial year. Accordingly, the amounts set out in the table above are the Executive KMPs' fixed annual remuneration as at 30 September 2010. As part of the normal annual review of remuneration, fixed annual remuneration for all Executive KMP will be reviewed and, where appropriate, adjusted during the 2011 financial year. The Executive KMP's fixed remuneration was not increased as part of the fiscal 2010 remuneration review process conducted in December 2009. As the year progressed and global economic conditions began to improve, it was decided to increase remuneration from 1 April 2010. No backdating of increases applied.

⁽²⁾ Termination payment if Orica terminates the Executive KMP employment other than for cause.

⁽³⁾ The termination benefits in respect of G R Liebelt were confirmed following external professional remuneration advice in 2007 at a level reflective of the termination benefits of the Company's peers and which were considered to be reasonable in the context of G R Liebelt and his previous contractual entitlement and in the context of the Orica Group.

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

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

Directors' Report – Remuneration Report

F.2 Non-compete

Each of the Executive KMP has agreed to restraints as part of their service agreements, which will apply upon cessation of their employment to protect the legitimate business interests of Orica.

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

F.3 Sign-on payments

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

G. Equity instruments held by Executive KMP

The number of equity instruments that comprise LTEIP held by Executive KMP is shown in the following table:

For the year ended 30 September 2010	Grant date	Granted during the year	Exercised during the year ⁽¹⁾⁽²⁾	Lapsed	Outstanding at year end	Exercise price \$	Value of options at grant date ⁽³⁾ \$	Value of options included in compensation for the year ⁽³⁾ \$
Current Executive Directors								
G R Liebelt	20 Nov 06	-	181,110	-	-	N/A	1,043,194	-
	18 Dec 07	-	-	-	193,639	N/A	2,042,891	684,998
	19 Dec 08	-	-	-	409,872	N/A	1,586,205	586,800
	21 Dec 09	285,296	-	-	285,296	N/A	2,539,134	650,237
N A Meehan	20 Nov 06	-	43,466	-	-	N/A	250,364	-
	18 Dec 07	-	-	-	40,664	N/A	429,005	143,849
	19 Dec 08	-	-	-	85,406	N/A	330,521	122,273
	21 Dec 09	59,043	-	-	59,043	N/A	525,483	134,569
Current Executive KMP								
J R Beevers	20 Nov 06	-	33,203	-	-	N/A	191,249	-
	18 Dec 07	-	-	-	27,109	N/A	286,000	95,898
	19 Dec 08	-	-	-	84,516	N/A	327,077	120,999
	21 Dec 09	54,180	-	-	54,180	N/A	482,202	123,485
C B Elkington	20 Nov 06	-	44,501	-	-	N/A	256,326	-
	18 Dec 07	-	-	-	24,082	N/A	254,065	85,190
	19 Dec 08	-	-	-	47,418	N/A	183,508	67,887
	21 Dec 09	33,631	-	-	33,631	N/A	299,316	76,651
A J P Larke	20 Nov 06	-	57,955	-	-	N/A	333,821	-
	18 Dec 07	-	-	-	34,338	N/A	362,266	121,471
	19 Dec 08	-	-	-	67,613	N/A	261,662	96,799
	21 Dec 09	46,598	-	-	46,598	N/A	414,722	106,205
P McEwan	26 Jun 09	-	-	-	40,580	N/A	330,321	137,201
	21 Dec 09	33,574	-	-	33,574	N/A	298,809	76,521
M Reich	11 May 07	-	-	4,162	-	N/A	51,526	-
	18 Dec 07	-	-	-	27,109	N/A	286,000	95,898
	19 Dec 08	-	-	-	53,378	N/A	206,573	76,420
	21 Dec 09	40,520	-	-	40,520	N/A	360,628	92,352
G J Witcombe	20 Nov 06	-	41,232	-	-	N/A	237,496	-
	18 Dec 07	-	-	-	32,531	N/A	343,202	115,078
	19 Dec 08	-	-	-	67,613	N/A	261,662	96,799
	21 Dec 09	46,598	-	-	46,598	N/A	414,722	106,205
Former Executive KMP								
P W Houlihan ⁽⁴⁾	20 Nov 06	-	10,349	-	-	N/A	59,610	-
	18 Dec 07	-	-	24,850	-	N/A	262,168	109,236
	19 Dec 08	-	52,044	-	-	N/A	201,410	230,425
	21 Dec 09	37,278	37,278	-	-	N/A	331,774	336,434

Table 14

⁽¹⁾ The combination of shares, and the loan provided to fund those shares, constitutes an option under AASB 2. These options vest over three years. Under the terms of the LTEIP, the loan must be repaid before the Executive KMP can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition typically in November after the annual results announcement and continues through to 31 January of the following year. The options expire if the loan is not repaid within the repayment window.

⁽²⁾ There were no amounts outstanding on shares issued as a result of the exercise of the options.

⁽³⁾ The option valuation prepared by PWC uses methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2010.

⁽⁴⁾ On the demerger of DuluxGroup Limited on 9 July 2010, DuluxGroup employees were allowed to exercise their LTEIP options in the one month period commencing 12 July 2010, with pro-rata loan forgiveness applying if applicable. Further details are set out in section H of this report.

Directors' Report – Remuneration Report

H. Equity instruments held by executives

The number of option (LTEIP) issues, values and related executive loan information in relation to Orica executives is shown in the following table:

Grant date	Number of options issued	Number of options held at 30 Sep	Number of participants at 30 Sep	Total loan at grant date \$	Total loan at 30 Sep \$	Maximum loan waiver opportunity over full loan period \$	Loan repayments through dividends during year \$	Value of options at grant date ⁽¹⁾ \$
As at 30 September 2010								
21 Dec 09	1,973,965	1,785,616	284	48,934,592	43,889,064	13,560,090	415,753	17,568,289
26 Jun 09	40,580	40,580	1	832,296	811,815	186,040	20,481	330,321
19 Dec 08	2,937,558	2,455,267	266	47,382,811	37,850,123	12,943,288	1,404,022	11,368,349
18 Dec 07	1,464,237	1,041,353	225	46,504,167	31,825,934	11,816,286	594,328	15,447,700
	6,416,340	5,322,816	776	143,653,866	114,376,936	38,505,704	2,434,584	44,714,659

Table 15

⁽¹⁾ The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Fair value per option \$
21 Dec 09	\$25.23	35%	Nil	4.53%	8.90
26 Jun 09	\$21.05	37%	Nil	4.66%	8.14
19 Dec 08	\$13.85	37%	Nil	3.17%	3.87
18 Dec 07	\$31.76	28%	Nil	6.79%	10.55
11 May 07	\$33.50	28%	Nil	6.29%	12.38
20 Nov 06	\$22.39	24%	Nil	5.93%	5.76

Table 16

On the demerger of DuluxGroup Limited on 9 July 2010, participating employees of both Orica and DuluxGroup received one DuluxGroup share for every one Orica share held previously under the Orica LTEIP scheme. At demerger date, the price of Orica shares was \$25.68. The sale of these DuluxGroup shares result in the proceeds being applied towards repaying the loan (against which each tranche of shares were granted). DuluxGroup employees were allowed to exercise their LTEIP options in the one month period commencing 12 July 2010, with pro-rata loan forgiveness applying if applicable. For continuing Orica employees, the TSR target of each tranche was proportionately reduced to take account of DuluxGroup no longer being part of the Orica Group.

As a result of modifying the period in which the employees could exercise the options for DuluxGroup employees and the TSR targets for continuing Orica employees, an incremental share based payments expense was incurred. The incremental value per option has been valued by PWC.

The assumptions underlying the options valuations are:

Grant date	Number of options held at 9 July 2010	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Incremental value per option \$
Continuing Orica Employees					
21 Dec 09	1,785,616	30%	Nil	4.50%	0.65
26 Jun 09	40,580	30%	Nil	4.50%	1.50
19 Dec 08	2,455,267	30%	Nil	4.50%	1.70
18 Dec 07	1,041,353	30%	Nil	4.40%	0.25
DuluxGroup Employees					
21 Dec 09	170,949	30%	Nil	4.40%	0.15
26 Jun 09	-	30%	Nil	4.40%	2.30
19 Dec 08	235,721	30%	Nil	4.40%	3.05
18 Dec 07	97,095	30%	Nil	4.40%	0.00

Table 17

The terms of the LTEIP Plan apply equally to Executive KMP and other eligible executives of the Company.

The option valuation prepared by PWC uses methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflects the value (as at grant date) of options held at 30 September 2010. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The share based payments expense recognised in the Income Statement for LTEIP in 2010 was \$14.1 million (2009 \$8.1 million).

Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, they are measured at fair value at the date of grant using an option valuation model which generates possible future share prices based on similar assumptions that underpin the Black Scholes option pricing model and reflects the value (as at grant date) of options granted. The amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised and any shares purchased on-market are recognised as a share buy-back and deducted from shareholders equity. LTEIP is administered by Link Market Services Limited.

Directors' Report

Rounding

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

This Directors' Report is signed on behalf of the Board in accordance with a resolution of the directors of Orica Limited.



P J B Duncan
Chairman

Dated at Melbourne this 8th day of November 2010.

Lead Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Gordon Sangster
Partner
Melbourne, 8th November 2010

Income Statement

For the year ended 30 September

		Consolidated	
		2010	2009
From continuing operations:	Notes	\$m	\$m
The income statement should be read in conjunction with note 28, discontinued operations and businesses disposed/demerged.			
Sales revenue	(3)	5,812.1	6,470.9
Other income	(3)	47.9	43.6
Expenses			
Changes in inventories of finished goods and work in progress		16.9	(97.8)
Raw materials and consumables used and finished goods purchased for resale		(2,855.3)	(3,323.9)
Share based payments		(9.4)	(7.3)
Other employee benefits expense		(982.4)	(1,005.7)
Depreciation expense	(4c)	(185.6)	(187.4)
Amortisation expense	(4c)	(39.4)	(43.3)
Purchased services		(279.0)	(287.1)
Repairs and maintenance		(148.0)	(129.1)
Impairment of property, plant & equipment		-	(69.7)
Impairment of intangibles		-	(9.2)
Outgoing freight		(271.5)	(270.4)
Lease payments - operating leases		(65.7)	(72.3)
Other expenses from ordinary activities including individually material items		(147.8)	(236.7)
Share of net profit of associates accounted for using the equity method	(11)	40.8	60.2
		(4,926.4)	(5,679.7)
Profit from operations		933.6	834.8
Net financing costs			
Financial income	(4a)	76.9	50.1
Financial expenses	(4b)	(196.5)	(182.8)
Net financing costs		(119.6)	(132.7)
Profit before income tax expense		814.0	702.1
Income tax expense	(5)	(310.1)	(194.7)
Profit after tax but before profit and loss from discontinued operations and gain on demerger of DuluxGroup		503.9	507.4
Profit of discontinued operations and gain on demerger of DuluxGroup, net of tax	(28)	850.8	74.0
Profit for the year		1,354.7	581.4
Net profit for the year attributable to:			
Shareholders of Orica Limited		1,318.7	541.8
Non-controlling interests		36.0	39.6
Net profit for the year		1,354.7	581.4
		cents	cents
Earnings per share			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
From continuing operations:			
Basic	(6)	127.1	124.3
Diluted	(6)	124.1	121.6
Total attributable to ordinary shareholders of Orica Limited:			
Basic	(6)	366.4	145.2
Diluted	(6)	349.8	140.8

The Income Statement is to be read in conjunction with the notes to the financial statements set out on pages 51 to 126. DuluxGroup earnings up until the demerger date (9 July 2010) have been included. The 2009 financial year includes twelve months of DuluxGroup earnings.

Statement of Comprehensive Income

For the year ended 30 September

	Notes	Consolidated	
		2010 \$m	2009 \$m
Profit for the year		1,354.7	581.4
Net profit/(loss) on hedge of net investments in foreign subsidiaries	(5c)	(48.9)	(99.3)
Cash flow hedges			
- Effective portion of changes in fair value	(5c)	10.1	(20.6)
- Transferred to carrying value of non current assets	(5c)	4.9	(8.0)
- Transferred to income statement	(5c)	9.6	20.7
Exchange differences on translation of foreign operations	(5c)	(241.4)	(350.7)
Actuarial (losses)/benefits on defined benefit plans	(38)	(67.0)	(27.9)
Income tax on income and expense in other comprehensive income	(5c)	(8.0)	30.8
Other comprehensive income for the year, net of income tax		(340.7)	(455.0)
Total comprehensive income for the year		1,014.0	126.4
Attributable to:			
Shareholders of Orica Limited		989.4	84.2
Non-controlling interests		24.6	42.2
Total comprehensive income for the year		1,014.0	126.4

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 51 to 126.

Balance Sheet

As at 30 September

	Notes	Consolidated	
		2010	2009
		\$m	\$m
Current assets			
Cash and cash equivalents	(7)	347.3	308.5
Trade and other receivables	(8)	860.1	964.9
Other financial assets - derivative assets	(12)	26.1	45.3
Inventories	(9)	541.3	619.8
Other assets	(10)	66.4	55.9
Total current assets		1,841.2	1,994.4
Non-current assets			
Trade and other receivables	(8)	3.0	103.4
Investments accounted for using the equity method	(11)	162.6	167.4
Other financial assets	(12)	0.9	0.9
Property, plant and equipment	(13)	2,235.2	2,075.0
Intangible assets	(14)	2,510.9	2,756.5
Deferred tax assets	(15)	230.3	253.2
Other assets	(10)	5.3	3.4
Total non-current assets		5,148.2	5,359.8
Total assets		6,989.4	7,354.2
Current liabilities			
Trade and other payables	(16)	1,005.9	1,057.9
Other financial liabilities - derivative liabilities	(16)	64.1	98.8
Interest bearing liabilities	(17)	187.9	160.2
Current tax liabilities	(18)	75.5	78.7
Provisions	(19)	267.9	220.1
Total current liabilities		1,601.3	1,615.7
Non-current liabilities			
Trade and other payables	(16)	51.7	37.0
Interest bearing liabilities	(17)	1,211.0	1,242.8
Deferred tax liabilities	(20)	78.5	76.2
Provisions	(19)	414.3	409.7
Total non-current liabilities		1,755.5	1,765.7
Total liabilities		3,356.8	3,381.4
Net assets		3,632.6	3,972.8
Equity			
Ordinary shares	(21)	1,709.1	1,865.6
Reserves	(22)	(772.6)	(408.0)
Retained earnings	(22)	2,096.2	1,913.1
Total equity attributable to ordinary shareholders of Orica		3,032.7	3,370.7
Equity attributable to Step-Up Preference Securities' holders	(21)	490.0	490.0
Non-controlling interests in controlled entities	(23)	109.9	112.1
Total equity		3,632.6	3,972.8

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 51 to 126. DuluxGroup was demerged on 9 July 2010.

Statement of Changes in Equity

As at 30 September 2010

Consolidated

	Ordinary shares		Retained earnings		Share based payments reserve		Cash flow hedging reserve		Foreign currency translation reserve		Equity reserve arising from purchase of non-controlling interests		Total		Step-Up Preference Securities		Non-controlling interests		Total equity		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
2009																					
Balance at 1 Oct 2008	1,881.3	1,758.9	28.1	5.2	64.0	(6.0)								3,731.5	490.0	96.9				4,318.4	
Profit for the year	-	541.8	-	-	-	-	-	-	-	-	-	-	-	541.8	-	391.6	-	-	-	-	581.4
Other comprehensive income	-	(19.0)	-	(5.5)	(433.1)	-	-	-	(433.1)	-	-	-	-	(457.6)	-	2.6	-	-	-	-	(455.0)
Total comprehensive income for the year	-	522.8	-	(5.5)	(433.1)	-	-	-	(433.1)	-	-	-	-	84.2	-	42.2	-	-	-	-	126.4
Transactions with owners, recorded directly in equity																					
Total changes in contributed equity	(15.7)	-	-	-	-	-	-	-	-	-	-	-	-	(15.7)	-	11.1	-	-	-	-	(4.6)
Share-based payments expense	-	-	8.1	-	-	-	-	-	-	-	-	-	-	8.1	-	-	-	-	-	-	8.1
Acquisition of non-controlling interests	-	-	-	-	-	(68.8)	-	-	-	-	(68.8)	-	-	(68.8)	-	(20.2)	-	-	-	-	(89.0)
Dividends/distributions	-	(368.6)	-	-	-	-	-	-	-	-	-	-	-	(368.6)	-	-	-	-	-	-	(368.6)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(368.6)
Balance at the end of the year	1,865.6	1,913.1	36.2	(0.3)	(369.1)	(74.8)	-	-	(369.1)	-	(74.8)	-	-	3,370.7	490.0	112.1	-	-	(17.9)	-	3,972.8
2010																					
Profit for the year	-	1,318.7	-	-	-	-	-	-	-	-	-	-	-	1,318.7	-	36.0	-	-	-	-	1,354.7
Other comprehensive income	-	(47.0)	-	17.2	(299.5)	-	-	-	(299.5)	-	-	-	-	(329.3)	-	(11.4)	-	-	-	-	(340.7)
Total comprehensive income for the year	-	1,271.7	-	17.2	(299.5)	-	-	-	(299.5)	-	-	-	-	989.4	-	24.6	-	-	-	-	1,014.0
Transactions with owners, recorded directly in equity																					
Total changes in contributed equity	59.4	-	-	-	-	-	-	-	-	-	-	-	-	59.4	-	9.5	-	-	-	-	68.9
Share-based payments expense	-	-	14.1	-	-	-	-	-	-	-	-	-	-	14.1	-	-	-	-	-	-	14.1
Acquisition of non-controlling interests	-	-	-	-	-	(108.2)	-	-	-	-	(108.2)	-	-	(108.2)	-	(12.6)	-	-	-	-	(120.8)
Dividends/distributions	-	(366.7)	-	-	-	-	-	-	-	-	-	-	-	(366.7)	-	-	-	-	-	-	(366.7)
DuluxGroup demerger dividend	(215.9)	(721.9)	-	-	-	-	-	-	-	-	-	-	-	(937.8)	-	-	-	-	-	-	(937.8)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(23.7)	-	-	-	-	(23.7)
Transfer to income statement on demerger of foreign subsidiaries	-	-	-	-	11.8	-	-	-	11.8	-	-	-	-	11.8	-	-	-	-	-	-	11.8
Balance at the end of the year	1,709.1	2,096.2	50.3	16.9	(656.8)	(183.0)	-	-	(656.8)	-	(183.0)	-	-	3,032.7	490.0	109.9	-	-	-	-	3,632.6

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out in pages 51 to 126.

Statement of Cash Flows

For the year ended 30 September

	Notes	Consolidated 2010 \$m	2009 \$m
		Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		7,132.9	8,026.2
Payments to suppliers and employees		(6,015.9)	(6,890.5)
Interest received		57.8	51.2
Borrowing costs		(194.4)	(187.7)
Dividends received		29.2	66.7
Other operating revenue received		31.3	24.4
Net income taxes paid		(237.2)	(235.4)
Net cash flows from operating activities	(26)	803.7	854.9
Cash flows from investing activities			
Payments for property, plant and equipment		(527.4)	(357.5)
Payments for intangibles		(15.3)	(13.4)
Payments for purchase of investments		(3.8)	(34.0)
Payments for purchase of non-controlling interests	(27)	(84.5)	(80.4)
Payments for purchase of businesses/controlled entities	(27)	(77.6)	(26.9)
Payments of deferred consideration from prior acquisitions		(14.7)	(25.7)
Proceeds from sale of property, plant and equipment		10.1	11.9
Proceeds from sale of investments		14.7	9.7
Proceeds from sale of businesses/controlled entities	(28)	0.7	-
Net cash flows used in investing activities		(697.8)	(516.3)
Cash flows from financing activities			
Proceeds from long term borrowings		3,448.4	3,242.3
Repayment of long term borrowings		(3,272.5)	(3,052.7)
Net movement in short term financing		(120.2)	(107.9)
Debt disposal from the DuluxGroup demerger, net of cash disposed of	(28)	245.0	-
Payments for finance leases		(8.0)	(4.2)
Proceeds from issue of ordinary shares		38.6	-
Payments for buy-back of ordinary shares - LTEIP		(31.6)	(31.3)
Proceeds from issue of shares to non-controlling interests		7.2	3.4
Dividends paid - Orica ordinary shares		(298.1)	(294.7)
Dividends satisfied by on market buy-back - DRP		-	(30.2)
Distributions paid - Step-Up Preference Securities		(25.9)	(37.5)
Dividends paid - non-controlling interests		(22.5)	(18.3)
Net cash flows used in financing activities		(39.6)	(331.1)
Net increase in cash held		66.3	7.5
Cash at the beginning of the period		296.6	312.3
Effects of exchange rate changes on cash		(17.6)	(23.2)
Cash at the end of the year	(26)	345.3	296.6

The Statement of Cash Flow is to be read in conjunction with the notes to the financial statements set out on pages 51 to 126. DuluxGroup cash flows up until the demerger date (9 July 2010) have been included. The 2009 financial year includes twelve months of DuluxGroup cash flows.

Notes to the Financial Statements

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Notes to the Financial Statements

For the year ended 30 September 2010

1. Accounting policies

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

(i) Basis of preparation

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

(ii) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of applicable Australian Accounting Standards including Australian Interpretations and the Corporations Act 2001 and complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 8 November 2010. The financial report is presented in Australian dollars which is Orica's functional and presentation currency.

This financial report has been prepared on the basis of Australian Accounting Standards and Interpretations on issue that are effective, or early adopted by Orica as at 30 September 2010.

Except as described below, the accounting policies applied by the Group in the financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 September 2009. The standards relevant to Orica that have been adopted during the year are:

- AASB 8 Operating Segments.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038].
- AASB 101 Presentation of Financial Statements.
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.
- AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101.
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127.
- AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements.
- AASB 2009-2 – Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB4, AASB7, AASB1023 & AASB1038].
- AASB 2009-6 – Amendments to Australian Accounting Standards.
- AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners.

- AASB Interpretation 17-Distribution of Non-cash Assets to Owners.
- AASB 7 Financial Instruments: Disclosure.

The adoption of AASB 8 Operating Segments has resulted in a revision of the Groups' reportable segments. AASB 8 Operating Segments requires a management approach under which operating segments are presented on the same basis as that used for internal reporting. Comparatives have been restated.

AASB 101 has impacted the presentation of the Statement of Comprehensive Income and the Statement of Changes in Equity. There has been no impact on earnings per share.

Acquisitions subsequent to 1 October 2009 are now accounted for under the revised AASB 3 Business Combinations.

Acquisitions prior to this date have not been restated.

Significant changes included the expensing of transaction costs and movements in contingent consideration subsequent to initial measurement are recognised in the Income Statement.

AASB 127 Consolidated and Separate Financial Statements replaces the term minority interest with non-controlling interest and requires changes in the parent's ownership of subsidiaries to be accounted for as a transaction with owners and included in equity.

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

- AASB 2009-12 Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052].
- AASB 2009-13 Amendments to Australian Standards arising from Interpretation 19 [AASB 1].
- AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB Interpretation 14.
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139].
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13].
- AASB 124 Related Party Disclosures.
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.

Except where separately disclosed, these standards have had no significant impact on the financial statements or impact disclosure only.

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

- AASB 2009-8 – Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] - applicable for annual reporting periods beginning on or after 1 January 2010.
- AASB 2009-11 Amendments to Accounting Standards – [AASB 1, 3, 4, 5, 7, 101, 108, 112, 118, 121, 127, 128

Notes to the Financial Statements

For the year ended 30 September 2010

1. Accounting policies (continued)

131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] – applicable for annual reporting periods beginning on or after 1 January 2013.

- AASB 9 – Financial Instruments - applicable for annual reporting periods beginning on or after 1 January 2013.

The consolidated entity expects to adopt these standards and interpretations in the 2011 and subsequent financial years - however the financial impact of adopting the new or amended standards has not yet been determined.

(iii) Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to the Income Statement in the period of acquisition.

The non-controlling interest's share of net assets is stated at their proportion of the fair values of the assets and liabilities and contingent liabilities recognised of each subsidiary.

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

(iv) Revenue recognition

Sales revenue

External sales are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. External sales are recognised when the significant risks and rewards of ownership are transferred to the purchaser, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Other income

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

Construction contracts

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified and total contract revenue and costs to complete can be reliably

estimated. Stage of completion is measured by reference to an assessment of total costs incurred to date as a percentage of estimated total costs for each contract. Revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

(v) Financial income & borrowing costs

Financial income

Financial income includes interest income on funds invested and the non designated portion of the net investment hedging derivatives. These are recognised in the Income Statement as accrued.

Borrowing costs

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

(vi) Research and development costs

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

(vii) Share based payments

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

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

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

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

(viii) Taxation

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

Notes to the Financial Statements

For the year ended 30 September 2010

1. Accounting policies (continued)

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

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

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

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Orica Limited is the parent entity in the tax consolidated group comprising all wholly-owned Australian entities.

Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the parent entity recognises the tax effects of its own transactions and the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary entities.

Current tax income/expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation. In accordance with the tax sharing agreement, the subsidiary entities are compensated for the assets and liabilities assumed by the parent entity as intercompany receivables and payables and for amounts which equal the amounts initially recognised by the subsidiary entities. There is no adjustment for tax consolidation contribution by (or distribution to) equity participants.

(ix) Inventories

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

(x) Construction work in progress

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

(xi) Trade and other receivables

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

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

Derecognition

A number of DuluxGroup customers used bank facilities that were guaranteed or partially guaranteed by Orica. Where the entire risks and rewards relating to these facilities were transferred to the financial institution, the receivable was derecognised. Where this had not occurred, the receivable and the equivalent interest bearing liability were recognised in the Balance Sheet.

(xii) Investments accounted for using the equity method

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

(xiii) Other financial assets

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

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

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

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

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

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

(xv) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. Property, plant and equipment, other than freehold land, is depreciated on a

Notes to the Financial Statements

For the year ended 30 September 2010

1. Accounting policies (continued)

straight-line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset to the consolidated entity.

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

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

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

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

(xvi) Leased assets

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

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

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

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

(xvii) Intangible assets

Identifiable intangibles

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

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

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

Unidentifiable intangibles

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

Subsequent expenditure

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

(xviii) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised

cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the liabilities on an effective interest basis.

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

(xix) Provisions

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

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

Environmental

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

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

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

Decommissioning

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

Self insurance

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

Employee entitlements

Provisions are made for liabilities to employees for annual leave, sick leave and other current employee entitlements that represent the amount for which the consolidated entity has a present obligation. These have been calculated at nominal amounts based on the wage and salary rates that the consolidated entity expects to pay as at each reporting date and include related on-costs. Liabilities for employee entitlements which are not expected to be settled within twelve

Notes to the Financial Statements

For the year ended 30 September 2010

1. Accounting policies (continued)

months of balance date, such as long service leave, are accrued at the present value of future amounts expected to be paid.

The present value is determined using interest rates applicable to government guaranteed securities with maturities approximating the terms of the consolidated entity's obligations.

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

Contingent liabilities on acquisition of controlled entities

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

Superannuation

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

For each defined benefit scheme, the cost of providing pensions is charged to the Income Statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets. All actuarial gains and losses are recognised in other comprehensive income. The consolidated entity's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds or in countries where there is no deep market in such bonds, the market yields on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Restructuring and employee termination benefits

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

Onerous contracts

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

(xx) Trade and other payables

Dividends

A liability for dividends payable (including distributions on the Step-Up Preference Securities) is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(xxi) Foreign currency

Functional currency

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

Foreign currency transactions

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

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

Financial statements of foreign operations

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

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

Net investment in foreign operations

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

(xxii) Financial instruments

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

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

Notes to the Financial Statements

For the year ended 30 September 2010

1. Accounting policies (continued)

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

Hedging

Cash flow hedges

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

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

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

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

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

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

Fair value hedges

The consolidated entity uses fair value hedges to mitigate the risk of changes in the fair value of its foreign currency borrowings from foreign currency and interest rate fluctuations over the hedging period.

Under a fair value hedge gains or losses from remeasuring the fair value of the hedging instrument are recognised in the Income Statement, together with gains or losses in relation to the hedged item.

Hedge of monetary assets and liabilities

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

Investments in debt and equity securities

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

Other financial instruments held by the consolidated entity classified as being available-for-sale are stated at fair value,

with any resultant gain or loss recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised in the Income Statement.

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

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

Hedge of net investment in foreign operations

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

Anticipated transactions

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables and payables outstanding at balance date are translated at the exchange rates current at that date.

Exchange gains and losses on retranslation of outstanding receivables and payables are taken to the Income Statement.

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

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

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

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

Notes to the Financial Statements

For the year ended 30 September 2010

1. Accounting policies (continued)

(xxiii) Cash and cash equivalents

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

(xxiv) Share capital

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

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

Step-Up Preference Securities

Step-Up Preference Securities are included in equity. A provision for distributions payable is recognised in the reporting period in which the distributions are declared (refer to note 21).

(xxv) Impairment of assets

The carrying amount of Orica's and the Group's non-current assets excluding defined benefit fund assets and deferred tax assets is reviewed at each reporting date to determine whether there are any indicators of impairment. If such indicators exist, the asset is tested for impairment by comparing its recoverable amount to its carrying amount. The recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use.

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

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

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

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

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

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

Reversals of impairment

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

(xxvi) Goods and services tax

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

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

(xxvii) Rounding

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

(xxviii) Comparatives

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

Notes to the Financial Statements

For the year ended 30 September 2010

2. Segment report

Segment information is presented in respect of the consolidated entity's internal management structure as reported to the Group's Chief Operating Decision Maker (CODM). The CODM for the Group has been assessed as the Group's Managing Director.

The consolidated entity's operations have been divided into eight reportable segments comprising: Mining Services: Australia/Asia, North America, Latin America and EMEA (Europe, Middle East & Africa); Minova; Chemicals, Other and DuluxGroup.

The DuluxGroup business was demerged on 9 July 2010 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, profit from the sale of businesses and controlled entities and foreign exchange gains.

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

Defined reportable segments	Products/services
Mining Services - Australia/Asia - North America - Latin America - EMEA	Manufacture and supply of explosives and mining services, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries.
Minova	Manufacture and supply of specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.
Chemicals	Manufacture, distribution and trading of a broad range of industrial and specialty chemicals for use in a wide range of industries, which include water treatment, pulp and paper, food and beverage, construction and mining.
Other	Minor activities, operation of the Botany Groundwater Recycling Business, non-operating assets, corporate and support costs and financial items such as foreign currency gains/losses.
DuluxGroup (demerged on 9 July 2010)	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.

Prior year comparative segment information has been restated.

Notes to the Financial Statements

For the year ended 30 September

2. Segment report (continued)

Reportable segments 2010 \$m	Mining Services Australia/Asia		Mining Services North America		Mining Services Latin America		Mining Services EMEA		Minova		Chemicals		Other		Eliminations		Total Continuing Operations		DuluxGroup ⁽²⁾		Eliminations		Consolidated		
	1,482.4	803.8	765.0	544.4	835.4	1,379.4	1.7	-	5,812.1	727.2	-	6,539.3	-	6,539.3	-	727.2	-	6,539.3	-	6,539.3	-	727.2	-	6,539.3	
Revenue	1,482.4	803.8	765.0	544.4	835.4	1,379.4	1.7	-	5,812.1	727.2	-	6,539.3	-	6,539.3	-	727.2	-	6,539.3	-	6,539.3	-	727.2	-	6,539.3	
External sales	13.9	89.1	17.1	8.1	0.1	48.0	0.2	(169.5)	7.0	0.1	(7.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Inter-segment sales	1,496.3	892.9	782.1	552.5	835.5	1,427.4	1.9	(169.5)	5,819.1	727.3	(7.1)	6,539.3	-	6,539.3	-	727.3	-	6,539.3	-	6,539.3	-	727.3	-	6,539.3	
Total sales revenue	1,496.3	892.9	782.1	552.5	835.5	1,427.4	1.9	(169.5)	5,819.1	727.3	(7.1)	6,539.3	-	6,539.3	-	727.3	-	6,539.3	-	6,539.3	-	727.3	-	6,539.3	
Other income ⁽¹⁾	-	7.8	27.5	5.3	7.7	8.2	(8.6)	-	47.9	791.4	-	839.3	-	839.3	-	791.4	-	839.3	-	839.3	-	791.4	-	839.3	
Total revenue and other income	1,496.3	900.7	809.6	557.8	843.2	1,435.6	(6.7)	(169.5)	5,867.0	1,518.7	(7.1)	7,378.6	-	7,378.6	-	1,518.7	-	7,378.6	-	7,378.6	-	1,518.7	-	7,378.6	
Results																									
Profit/(loss) before individually material items, net financing costs and income tax expense	436.1	127.8	120.6	83.2	147.3	188.0	(94.0)	-	1,009.0	92.4	-	1,101.4	-	1,101.4	-	92.4	-	1,101.4	-	1,101.4	-	92.4	-	1,101.4	
Individually material items	-	-	-	-	(12.3)	-	(63.1)	-	(75.4)	791.0	-	715.6	-	715.6	-	791.0	-	715.6	-	715.6	-	791.0	-	715.6	
Profit/(loss) from operations	436.1	127.8	120.6	83.2	135.0	188.0	(157.1)	-	933.6	883.4	-	1,817.0	-	1,817.0	-	883.4	-	1,817.0	-	1,817.0	-	883.4	-	1,817.0	
Financial income																									
Financial expense																									
Profit before income tax expense																									
Income tax expense																									
Profit after income tax expense																									
Non-controlling interests in profit after income tax																									
Net profit for the period relating to shareholders of Orica Limited																									
Segment assets	1,582.1	525.2	606.1	846.6	1,665.7	970.2	793.5	-	6,989.4	-	-	6,989.4	-	6,989.4	-	-	-	6,989.4	-	6,989.4	-	-	-	6,989.4	
Segment liabilities	319.3	222.1	154.9	217.6	190.7	224.7	2,027.5	-	3,356.8	-	-	3,356.8	-	3,356.8	-	-	-	3,356.8	-	3,356.8	-	-	-	3,356.8	
Investments accounted for using the equity method																									
Acquisitions of PPE and intangibles	347.0	35.2	42.3	28.2	17.1	59.0	15.4	-	544.2	19.4	-	563.6	-	563.6	-	19.4	-	563.6	-	563.6	-	19.4	-	563.6	
Impairment of inventories	2.1	1.8	1.1	0.2	0.2	(1.9)	-	-	3.5	1.9	-	5.4	-	5.4	-	1.9	-	5.4	-	5.4	-	1.9	-	5.4	
Impairment of trade receivables	1.1	0.1	0.7	0.4	-	1.7	-	-	4.0	1.4	-	5.4	-	5.4	-	1.4	-	5.4	-	5.4	-	1.4	-	5.4	
Depreciation	74.0	29.4	14.2	19.8	8.9	35.3	4.0	-	185.6	13.0	-	198.6	-	198.6	-	13.0	-	198.6	-	198.6	-	13.0	-	198.6	
Amortisation	6.1	-	2.7	5.2	21.5	0.7	3.2	-	39.4	1.5	-	40.9	-	40.9	-	1.5	-	40.9	-	40.9	-	1.5	-	40.9	
Non-cash expenses other than depreciation and amortisation:																									
- share based payments	1.9	1.3	0.8	0.7	1.1	1.0	2.6	-	9.4	4.7	-	14.1	-	14.1	-	4.7	-	14.1	-	14.1	-	4.7	-	14.1	
Share of associates net profit equity accounted	5.2	32.7	1.1	1.8	-	-	-	-	40.8	0.6	-	41.4	-	41.4	-	0.6	-	41.4	-	41.4	-	0.6	-	41.4	

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

⁽²⁾ DuluxGroup earnings up until the demerger date (9 July 2010) have been included. The 2009 financial year includes twelve months of DuluxGroup earnings.

Notes to the Financial Statements

For the year ended 30 September

2. Segment report (continued)

Reportable segments	Mining Services Australia/Asia	Mining Services North America	Mining Services Latin America	Mining Services EMEA	Minova	Chemicals	Other	Eliminations	Total Continuing Operations ⁽²⁾	DuluxGroup ⁽²⁾	Eliminations	Consolidated
Revenue												
External sales	1,672.7	924.6	871.9	573.5	940.9	1,486.5	0.8	-	6,470.9	940.1	-	7,411.0
Inter-segment sales	17.9	96.8	16.9	11.2	-	61.8	0.2	(200.2)	4.6	0.1	(4.7)	-
Total sales revenue	1,690.6	1,021.4	888.8	584.7	940.9	1,548.3	1.0	(200.2)	6,475.5	940.2	(4.7)	7,411.0
Other income ⁽¹⁾	(9.2)	7.7	28.7	69	(1.9)	(1.3)	12.7	-	43.6	0.9	-	44.5
Total revenue and other income	1,681.4	1,029.1	917.5	591.6	939.0	1,547.0	13.7	(200.2)	6,519.1	941.1	(4.7)	7,455.5
Results												
Profit/(loss) before individually material items, net financing costs and income tax expense	407.8	122.9	116.8	89.0	145.1	170.4	(98.4)	-	953.6	128.9	-	1,082.5
Individually material items	(10.2)	(14.0)	(12.4)	(11.8)	(12.8)	(16.5)	(41.1)	-	(118.8)	(20.8)	-	(139.6)
Profit/(loss) from operations	397.6	108.9	104.4	77.2	132.3	153.9	(139.5)	-	834.8	108.1	-	942.9
Financial income												50.8
Financial expense												(184.3)
Profit before income tax expense												809.4
Income tax expense												(228.0)
Profit after income tax expense												581.4
Non-controlling interests in profit after income tax												(39.6)
Net profit for the period relating to shareholders of Orica Limited												541.8
Segment assets	1,313.3	520.5	545.2	859.1	1,799.0	976.7	837.2	-	6,851.0	503.2	-	7,354.2
Segment liabilities	296.3	200.1	114.6	204.6	139.5	225.4	1,967.1	-	3,147.6	233.8	-	3,381.4
Investments accounted for using the equity method	35.2	116.8	2.8	10.7	-	0.2	-	-	165.7	1.7	-	167.4
Acquisitions of PPE and intangibles	172.3	31.6	32.9	36.5	14.6	53.7	26.3	-	367.9	19.0	-	386.9
Impairment of PPE	-	-	-	0.9	-	7.7	61.1	-	69.7	-	-	69.7
Impairment of intangibles	1.0	-	-	-	-	8.2	-	-	9.2	-	-	9.2
Impairment of inventories	2.2	1.4	0.6	0.2	2.4	7.2	-	-	14.0	1.6	-	15.6
Impairment of trade receivables	1.6	0.7	0.8	2.1	0.8	0.9	0.9	-	7.8	1.4	-	9.2
Impairment of investments	-	-	-	-	-	-	1.4	-	1.4	-	-	1.4
Depreciation	70.8	30.9	14.9	21.3	9.8	33.2	6.5	-	187.4	15.3	-	202.7
Amortisation	5.2	-	2.9	6.1	26.1	0.6	2.4	-	43.3	1.7	-	45.0
Non-cash expenses other than depreciation and amortisation: - share based payments	1.6	1.1	0.2	0.4	0.9	0.9	2.2	-	7.3	0.8	-	8.1
Share of associates net profit equity accounted	5.9	42.7	1.3	10.2	-	0.1	-	-	60.2	0.9	-	61.1

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

⁽²⁾ The 2009 financial year includes twelve months of DuluxGroup earnings.

Notes to the Financial Statements

For the year ended 30 September

2. Segment report (continued)

Geographical segments

The presentation of the geographical segments is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

2010 \$m	Australia	United States of America	Other *	Eliminations	Consolidated
Revenue from external customers					
External sales from continuing operations	1,898.3	853.0	3,060.8	-	5,812.1
Location of non-current assets					
Non-current assets **	1,621.4	1,033.9	2,260.7	-	4,916.0

2009 \$m	Australia	United States of America	Other *	Eliminations	Consolidated
Revenue from external customers					
External sales from continuing operations	1,970.5	1,051.7	3,448.7	-	6,470.9
Location of non-current assets					
Non-current assets **	1,829.5	1,144.3	2,131.6	-	5,105.4

* Sales to other countries are individually less than 10% of the total external sales.

** Excluding 'other' financial assets, deferred tax assets and post-employment benefit assets.

Notes to the Financial Statements

For the year ended 30 September

Consolidated
2010 2009
\$m \$m

3. Sales revenue and other income

The note should be read in conjunction with note 28, discontinued operations and businesses disposed/demerged. The numbers below include revenue and other income from continuing operations but excludes DuluxGroup revenue and other income.

Sales revenue	5,812.1	6,470.9
Other income		
Royalty income	0.8	1.4
Dividend income	0.3	0.1
Other income	30.2	23.0
Currency gains ⁽¹⁾	15.6	3.8
Profit from sale of businesses/controlled entities/investments	0.1	13.5
Profit on sale of property, plant and equipment	0.9	1.8
Total other income	47.9	43.6

⁽¹⁾ The 2009 comparative includes \$20 million relating to a gain on derivative instruments used to economically hedge the purchase of non-controlling interests.

4. Specific profit and loss income and expenses

The note should be read in conjunction with note 28, discontinued operations and businesses disposed/demerged.

a) Financial income:

Interest income received/receivable from:		
controlled entities	(0.1)	(0.7)
capitalised interest	19.4	5.0
external parties – banks	57.6	45.8
Total financial income	76.9	50.1

b) Financial expenses:

Borrowing costs paid/payable to:		
controlled entities	(7.0)	(1.5)
external parties - banks	194.1	175.5
unwinding of discount on provisions	6.2	7.0
finance charges – finance leases	3.2	1.8
Total financial expenses	196.5	182.8
Net financing costs	119.6	132.7

c) Profit before income tax expense is arrived at after charging/(crediting):

Loss on sale of property, plant and equipment	(0.1)	(0.3)
Depreciation on property, plant and equipment:		
buildings and improvements	10.3	11.6
machinery, plant and equipment	175.3	175.8
Total depreciation on property, plant and equipment	185.6	187.4
Amortisation of intangibles	39.4	43.3
Amounts provided for:		
trade receivables impairment	4.0	7.8
doubtful debts – other receivables	4.4	3.2
employee entitlements	33.1	31.4
environmental liabilities	86.0	16.6
inventory impairment	3.5	14.0
investment impairment	1.4	-
restructuring and rationalisation provisions	8.5	23.1
decommissioning	-	0.2
onerous contracts	-	4.0
other provisions	14.1	14.6
Bad debts written off to impairment allowance	3.5	2.8
Bad debts written off in respect of other receivables	2.6	0.7
Lease payments – operating leases	65.7	72.3
Research and development	38.6	33.8

Notes to the Financial Statements

For the year ended 30 September

	2010			2009		
	Gross \$m	Tax \$m	Net \$m	Gross \$m	Tax \$m	Net \$m
4. Specific profit and loss income and expenses (continued)						
d) Profit after income tax includes the following individually material items of (expense)/income:						
DuluxGroup demerger ⁽¹⁾	791.0	2.8	793.8	(20.8)	5.5	(15.3)
Restructuring and rationalisation costs: ⁽²⁾						
Mining Services	-	-	-	(32.1)	7.4	(24.7)
Pharmaceuticals tax case ⁽³⁾	-	(97.8)	(97.8)	-	-	-
Environmental provisions: ⁽⁴⁾						
Mercury remediation	(45.0)	13.5	(31.5)	-	-	-
HCB remediation	(18.1)	5.4	(12.7)	-	-	-
Asset impairment writedowns:						
Marplex	-	-	-	(16.5)	2.5	(14.0)
Botany Groundwater Treatment Plant ⁽⁵⁾	-	-	-	(61.1)	18.3	(42.8)
Integration costs ⁽⁶⁾						
Dyno Nobel	-	-	-	(16.3)	3.7	(12.6)
Minova/Excel	(12.3)	3.3	(9.0)	(12.8)	3.6	(9.2)
Net gain on derivatives ⁽⁷⁾	-	-	-	20.0	(6.0)	14.0
Individually material items	715.6	(72.8)	642.8	(139.6)	35.0	(104.6)
Non-controlling interests in individually material items	(0.1)	-	(0.1)	(0.3)	-	(0.3)
Individually material items attributable to shareholders of Orica	715.7	(72.8)	642.9	(139.3)	35.0	(104.3)

⁽¹⁾ Net profit on demerger of DuluxGroup on 9 July 2010 and costs associated with DuluxGroup demerger in 2009. Accounting standards require that where the fair value of net assets distributed is greater than the book value of assets distributed, a profit is recognised in the income statement. This equates to the surplus of the market value of DuluxGroup over the book value of its net assets less demerger costs.

⁽²⁾ Costs including asset write downs and provisions relating to restructuring of the Mining Services business in 2009.

⁽³⁾ Tax, penalties, interest and costs in relation to the sale of the pharmaceutical business to Zeneca BV in 1998.

⁽⁴⁾ Environmental provision relating to HCB export and remediation of mercury contamination at Botany, New South Wales.

⁽⁵⁾ 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 in 2009.

⁽⁶⁾ 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.

⁽⁷⁾ Gain on derivative instruments used to economically hedge the purchase of non-controlling interests in 2009. Such transactions do not qualify for hedge accounting and accordingly the gain on the derivative instruments was recognised in the income statement.

Notes to the Financial Statements

For the year ended 30 September

	Continuing 2010 \$m	Discontinued 2010 \$m	Consolidated 2010 \$m	Continuing 2009 \$m	Discontinued 2009 \$m	Consolidated 2009 \$m
5. Income tax expense						
a) Income tax expense recognised in the income statement						
Current tax expense						
Current year	217.7	27.4	245.1	257.5	35.4	292.9
Deferred tax	(7.0)	(2.7)	(9.7)	(64.0)	(2.0)	(66.0)
Pharmaceuticals tax case	97.8	-	97.8	-	-	-
Under/(over) provided in prior years	1.6	(0.1)	1.5	1.2	(0.1)	1.1
Total income tax expense in income statement	310.1	24.6	334.7	194.7	33.3	228.0
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						
	266.8	25.3	292.1	246.3	38.4	284.7
Tax effect of items which (decrease)/increase tax expense:						
variation in tax rates of foreign controlled entities	(7.9)	-	(7.9)	(1.1)	-	(1.1)
tax under/(over) provided in prior years	1.6	(0.1)	1.5	1.2	(0.1)	1.1
non allowable share based payments	2.8	1.4	4.2	2.2	0.2	2.4
non taxable profit on sale of investments	(0.1)	-	(0.1)	(3.6)	-	(3.6)
other foreign deductions	(30.4)	-	(30.4)	(27.4)	-	(27.4)
sundry items	1.7	0.8	2.5	6.6	0.3	6.9
Income tax expense attributable to profit before individually material items	234.5	27.4	261.9	224.2	38.8	263.0
Income tax (benefit)/expense attributable to individually material items						
Prima facie income tax (benefit)/expense calculated at 30% on (loss)/profit from individually material items						
	(22.6)	237.3	214.7	(35.6)	(6.3)	(41.9)
Tax effect of items which (decrease)/increase tax expense:						
variation in tax rates of foreign controlled entities	-	0.7	0.7	(1.3)	-	(1.3)
individually material items:						
non allowable/(taxable) items on the DuluxGroup demerger	-	(240.8)	(240.8)	-	0.8	0.8
Pharmaceuticals tax case	97.8	-	97.8	-	-	-
non allowable Minova integration costs	0.4	-	0.4	0.9	-	0.9
non allowable Mining Services integration costs	-	-	-	2.8	-	2.8
non allowable Marplex impairment writedown	-	-	-	2.4	-	2.4
non allowable Dyno Nobel integration costs	-	-	-	1.3	-	1.3
Income tax expense/(benefit) attributable to loss from individually material items	75.6	(2.8)	72.8	(29.5)	(5.5)	(35.0)
Income tax expense reported in the income statement	310.1	24.6	334.7	194.7	33.3	228.0

Notes to the Financial Statements

For the year ended 30 September

5. Income tax expense (continued)

c) Income tax recognised in comprehensive income:

	Consolidated					
	2010		2009			
	\$m	\$m	\$m	\$m	\$m	\$m
Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax	
Net loss on hedge of net investments in foreign subsidiary	(48.9)	(20.6)	(69.5)	(99.3)	19.5	(79.8)
Cash flow hedges						
- effective portion of changes in fair value	10.1	(3.0)	7.1	(20.6)	6.2	(14.4)
- transferred to carrying value of non current assets	4.9	(1.5)	3.4	(8.0)	2.4	(5.6)
- transferred to Income Statement	9.6	(2.9)	6.7	20.7	(6.2)	14.5
Exchange differences on translation of foreign operations	(241.4)	-	(241.4)	(350.7)	-	(350.7)
Actuarial (losses)/benefits on defined benefit plans	(67.0)	20.0	(47.0)	(27.9)	8.9	(19.0)
	(332.7)	(8.0)	(340.7)	(485.8)	30.8	(455.0)

d) Recognised deferred tax assets and liabilities

Consolidated	Notes	Balance Sheet		Income Statement	
		2010	2009	2010	2009
		\$m	\$m	\$m	\$m
Deferred tax assets					
Trade and other receivables		3.6	4.9	0.4	(0.6)
Inventories		11.7	12.4	(1.3)	(0.8)
Property, plant and equipment		38.5	41.7	2.0	(20.7)
Intangible assets		12.0	15.1	3.2	3.4
Trade and other payables		55.8	25.0	(38.5)	34.3
Interest bearing liabilities		65.4	36.5	(56.7)	(14.4)
Provision for employee entitlements		26.8	31.7	(2.6)	(1.5)
Provision for retirement benefit obligations		39.0	40.1	16.8	7.2
Provisions for restructuring and rationalisation		2.4	3.9	1.2	0.3
Provisions for environmental		76.5	63.4	(14.2)	4.0
Provisions for decommissioning		3.8	3.8	0.1	0.6
Tax losses		51.9	82.8	30.8	(15.2)
Other items		5.7	10.8	1.6	(3.4)
Deferred tax assets		393.1	372.1		
Less set-off against deferred tax liabilities		(162.8)	(118.9)		
Net deferred tax assets	(15)	230.3	253.2		
Deferred tax liabilities					
Inventories		4.8	4.9	-	(0.5)
Property, plant and equipment		122.8	81.6	41.4	(17.9)
Intangible assets		75.0	79.6	(4.6)	(2.1)
Interest bearing liabilities		10.8	1.3	9.5	(39.1)
Undistributed profits of foreign subsidiaries		9.4	9.8	(0.4)	(1.3)
Other items		18.5	17.9	1.6	1.7
Deferred tax liabilities		241.3	195.1		
Less set-off against deferred tax assets		(162.8)	(118.9)		
Net deferred tax liabilities	(20)	78.5	76.2		
Deferred tax (benefit)/expense				(9.7)	(66.0)

Notes to the Financial Statements

For the year ended 30 September

5. Income tax expense (continued)

e) Unrecognised deferred tax assets and liabilities

	Consolidated	
	2010	2009
	\$m	\$m
Tax losses not booked	10.9	12.6
Capital losses not booked	27.1	27.5
Temporary differences not booked	0.9	0.9

Geographical analysis of tax losses not booked at 30 September 2010:

	Tax losses	Capital losses
	\$m	\$m
Australia	0.6	24.8
Other	10.3	2.3
	10.9	27.1

f) Unrecognised temporary differences

	Consolidated	
	2010	2009
	\$m	\$m
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised	570.0	954.8
Unrecognised deferred tax liabilities relating to the above temporary differences	59.2	124.8

6. Earnings per share (EPS)

(i) As reported in the income statement

Reconciliation of earnings used in the calculation of EPS attributable to ordinary shareholders of Orica

Net profit for the year from continuing operations	503.9	507.4
Net profit for the year from operations attributable to non-controlling interests	(36.0)	(39.6)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	(16.2)	(28.1)
Net profit for the year from continuing operations attributable to ordinary shareholders	451.7	439.7
Net profit for the year from discontinued operations	850.8	74.0
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica	1,302.5	513.7
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)	16.2	28.1
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica	1,318.7	541.8

	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	355,474,771	353,879,570
Effect of executive share options	1,169,383	2,311,094
Effect of Orica Step-Up Preference Securities	20,297,030	28,583,380
Number for diluted earnings per share	376,941,184	384,774,044

The following Orica Long Term Equity Incentive Plans have not been included in the calculation for diluted EPS as they are not dilutive:

- issue date 20 Nov 2006	-	1,274,699
- issue date 11 May 2007	-	33,464
- issue date 18 Dec 2007	1,041,353	1,206,357
- issue date 26 Jun 2009	40,580	40,580
- issue date 21 Dec 2009	1,785,616	-

Notes to the Financial Statements

For the year ended 30 September

6. Earnings per share (EPS) (continued)

	Consolidated	
	Cents per share	Cents per share
From continuing operations		
Basic earnings per share	127.1	124.3
Diluted earnings per share	124.1	121.6
From discontinued operations		
Basic earnings per share	239.3	20.9
Diluted earnings per share	225.7	19.2
Total attributable to ordinary shareholders of Orica		
Basic earnings per share	366.4	145.2
Diluted earnings per share	349.8	140.8

(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	503.9	507.4
Net profit for the year from operations attributable to non-controlling interests	(36.0)	(39.6)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	(16.2)	(28.1)
Adjusted for individually material items from continuing operations	150.9	89.0
Net profit for the year from continuing operations attributable to ordinary shareholders	602.6	528.7
Net profit for the year from discontinued operations	850.8	74.0
Less individually material items from discontinued operations	(793.8)	15.3
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica	659.6	618.0
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)	16.2	28.1
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica	675.8	646.1

	Cents per share	Cents per share
From continuing operations		
Basic earnings per share	169.5	149.4
Diluted earnings per share	164.2	144.7
From discontinued operations		
Basic earnings per share	16.1	25.2
Diluted earnings per share	15.1	23.2
Total attributable to ordinary shareholders of Orica before individually material items		
Basic earnings per share	185.6	174.6
Diluted earnings per share	179.3	167.9

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2010	2009
	\$m	\$m
7. Cash and cash equivalents		
Cash at bank and on hand	317.2	249.4
Deposits at call		
external	30.1	59.1
	347.3	308.5

(i) Fair values

The directors consider the net carrying amount of cash and cash equivalents to approximate their fair value due to their short term to maturity.

	Consolidated	
	2010	2009
	\$m	\$m
8. Trade and other receivables		
Current		
Trade receivables (i)		
external ⁽¹⁾	752.3	882.0
associated companies	7.2	6.6
Less allowance for impairment (i) (ii)		
external	(15.0)	(23.4)
	744.5	865.2
Other receivables (iii)		
external	120.9	103.2
Less allowance for impairment (iii) (iv)		
external	(5.3)	(3.5)
	115.6	99.7
	860.1	964.9
Non-current		
Other receivables (vii)		
external ⁽²⁾	2.0	103.1
retirement benefit surplus	1.0	0.3
	3.0	103.4

⁽¹⁾ Trade receivables includes \$nil million (2009 \$12.7 million) of receivables related to DuluxGroup that have effectively been transferred from Orica but do not qualify for derecognition under AASB 139 due to the consolidated entity's exposure to the relevant debtors via guarantees provided to financial institutions should they not pay. A corresponding liability was recognised in note 17. These receivables have been transferred to DuluxGroup as part of the demerger.

⁽²⁾ This includes in 2009 \$100.0 million that was paid during the financial year ended 30 September 2005 to the Australian Tax Office (ATO) in relation to the sale of the pharmaceuticals business to Zeneca in September 1998. The Federal Court heard the case from 5 to 6 October 2009 and judgement was handed down on 10 March 2010. The Federal Court only partially allowed Orica's appeal against that amended assessment. The effect of the Federal Court judgement was that the ATO's claim was, for the most part, upheld. Orica appealed the decision but agreed with ATO to settle the case on 6 August 2010. As a result of the settlement, Orica has recognised a loss of \$97.8 million as an individually material item for the year ending 30 September 2010.

Notes to the Financial Statements

For the year ended 30 September

8. Trade and other receivables (continued)

(i) Trade receivables and allowance for impairment

The ageing of trade receivables and allowance for impairment is detailed below:

	Consolidated		Consolidated	
	2010	2010	2009	2009
	Gross	Allowance	Gross	Allowance
	\$m	\$m	\$m	\$m
Not past due	649.0	-	735.9	(0.1)
Past due 0 - 30 days	56.9	(0.2)	76.0	(0.5)
Past due 31 - 60 days	20.5	(0.5)	26.4	(0.3)
Past due 61 - 90 days	6.7	(0.3)	12.5	(0.5)
Past due 91 - 120 days	7.9	(0.4)	10.2	(2.1)
Past 120 days	18.5	(13.6)	27.6	(19.9)
	759.5	(15.0)	888.6	(23.4)

Trade receivables are carried at amounts due. Receivables that are not past due and not impaired are considered recoverable. Payment terms are generally 30 days from end of month of invoice date. A risk assessment process is used for all accounts, with a stop credit process in place for most long overdue accounts. Credit insurance cover is obtained where appropriate.

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

The following basis has been used to assess the allowance for doubtful trade receivables:

- a statistical approach to determine the historical allowance rate for various tranches of receivables;
- an individual account by account assessment based on past credit history; and
- prior knowledge of debtor insolvency or other credit risk.

No material security is held over trade receivables.

Trade receivables have been aged according to their due date in the above ageing analysis.

There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

(ii) Movement in allowance for impairment of trade receivables

The movement in the allowance for impairment in respect of trade receivables is detailed below:

	Consolidated	
	2010	2009
	\$m	\$m
Opening balance	(23.4)	(22.4)
Allowances made during the year	(5.4)	(9.2)
Additions through acquisition of entities	(0.2)	(1.3)
Reductions through disposal/demerger of entities	3.3	-
Allowances utilised during the year	4.7	3.5
Allowances written back during the year	4.0	3.3
Foreign currency exchange differences	2.0	2.7
Closing balance	(15.0)	(23.4)

Notes to the Financial Statements

For the year ended 30 September

8. Trade and other receivables (continued)

(iii) Current other receivables and allowance for impairment

	Consolidated		Consolidated	
	2010	2010	2009	2009
	Gross	Allowance	Gross	Allowance
	\$m	\$m	\$m	\$m
Not past due	111.7	-	76.8	-
Past due 0 - 30 days	1.4	-	2.1	-
Past due 31 - 60 days	1.0	-	0.8	-
Past due 61 - 90 days	0.4	-	1.5	-
Past due 91 - 120 days	0.5	-	1.2	-
Past 120 days	5.9	(5.3)	20.8	(3.5)
	120.9	(5.3)	103.2	(3.5)

Other receivables generally arise from transactions outside the usual operating activities of the consolidated entity.

Interest may be charged where the terms of repayment exceed agreed terms.

Other receivables are carried at amounts due. Payment terms vary. A risk assessment process is used for all accounts, with a stop credit and follow up process in place for most long overdue accounts.

Other receivables have been aged according to their due date in the above ageing analysis.

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

There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

(iv) Movement in allowance for impairment of current other receivables

The movement in the allowance for impairment in respect of current other receivables is detailed below:

	Consolidated	
	2010	2009
	\$m	\$m
Opening balance	(3.5)	(0.4)
Allowances made during the year	(4.4)	(3.2)
Reductions through disposal/demerger of entities	0.1	-
Allowances utilised during the year	0.7	0.1
Foreign currency exchange differences	1.8	-
Closing balance	(5.3)	(3.5)

(v) Fair values

The net carrying amount of trade and other receivables approximates their fair values. For receivables with a remaining life of less than one year, carrying value reflects fair value. All other significant receivables are discounted to determine carrying value and fair value.

The maximum exposure to credit risk is the carrying value of receivables. No material collateral is held as security over any of the receivables.

Notes to the Financial Statements

For the year ended 30 September

8. Trade and other receivables (continued)

(vi) Concentrations of credit risk

The consolidated entity is exposed to the following concentrations of credit risk in regards to its current trade and other receivables:

	Consolidated	
	2010	2009
	%	%
Mining Services:		
-Australia/Asia	22.3	19.4
-North America	9.4	6.4
-Latin America	14.0	10.1
-EMEA	14.4	12.5
Minova	16.8	14.7
DuluxGroup	-	16.0
Chemicals	20.7	19.5
Corporate	2.4	1.4
	100.0	100.0

	2010	2009
	%	%
Australia	25.9	38.1
New Zealand	3.0	4.8
Asia	18.6	14.5
North America	12.4	9.1
Latin America	17.8	13.0
Europe	20.6	19.1
Other	1.7	1.4
	100.0	100.0

(vii) Non current receivables

All non current receivables are carried at amounts that approximate their fair value. As at 30 September none are past due. None are considered impaired.

	Consolidated	
	2010	2009
	\$m	\$m
9. Inventories		
Raw materials and stores	217.3	228.2
Work in progress	23.3	16.0
Finished goods	300.7	375.6
	541.3	619.8

10. Other assets

Current		
Prepayments and other assets	66.4	55.9
	66.4	55.9
Non-current		
Prepayments and other assets	5.3	3.4
	5.3	3.4

Notes to the Financial Statements

For the year ended 30 September

			Consolidated		2009	2009
			2010	2009		
			%	%	\$m	\$m
11. Investments accounted for using the equity method						
Name	Principal activity	Balance date	Ownership		Carrying amount	
Australian Plantations Pty Ltd ^(e)	Tea tree oil production	30 Jun	-	50.0	-	0.2
Botany Industrial Park Pty Limited	Facility management service	30 Sep	33.4	33.4	-	-
BXL Bulk Explosives Limited ^{(1)(d)}	Manufacture and sale of explosives	31 Oct	-	50.0	-	1.0
Controladora DNS de RL de CV ⁽³⁾	Manufacture and sale of explosives	30 Sep	49.0	49.0	0.1	0.1
Dyno Nobel UMMC LLC ⁽⁴⁾	Manufacture and sale of explosives	31 Dec	50.0	50.0	3.1	1.6
Exor Explosives Limited ⁽⁵⁾	Manufacture and sale of explosives	31 Dec	50.0	50.0	0.8	0.9
FiReP Holding AG ^{(11)(a)}	Manufacture and sale of strata support and ventilation products	31 Dec	25.0	-	2.9	-
Geneva Nitrogen LLC ⁽⁶⁾	Manufacture and sale of explosives	30 Sep	50.0	50.0	7.2	7.5
Geodynamics B.V. ⁽⁷⁾	Manufacture and sale of explosives	31 Dec	27.3	27.3	5.4	5.8
Irish Mining Emulsion Systems Ltd ⁽⁸⁾	Manufacture and sale of explosives	30 Sep	50.0	50.0	0.1	0.1
Kitikmeot Explosives Limited ^{(1)(a)}	Explosives service provider	31 Oct	49.0	-	0.1	-
MicroCoal Inc. ⁽⁶⁾	Development and commercialisation of coal dewatering process	31 Dec	50.0	50.0	-	-
MSW-Chemie GmbH ⁽⁹⁾	Manufacture and sale of explosives	31 Dec	31.5	31.5	0.5	0.6
Nelson Brothers, LLC ⁽⁶⁾	Manufacture and sale of explosives	31 Dec	50.0	50.0	26.4	26.0
Nelson Brothers Mining Services LLC ⁽⁶⁾	Supply of explosives	31 Dec	50.0	50.0	18.8	19.8
Norabel Ignition Systems AB ⁽¹⁰⁾	Manufacture and sale of explosives	31 Dec	50.0	50.0	0.6	0.7
Orica Camel Coatings Ltd ^{(12)(b)}	Manufacture and sale of powder coatings	31 Dec	-	50.0	-	-
OY Forcit ^{(13)(c)}	Manufacture and sale of explosives	31 Dec	-	-	-	-
Pigment Manufacturers of Australia Limited	Non-operating company	31 Dec	50.0	50.0	-	-
Pinegro Products Pty Ltd ^(b)	Manufacture and sale of garden products	30 Jun	-	50.0	-	1.7
PIIK Limited Partnership ⁽¹⁾	Sale of explosives	30 Sep	49.0	49.0	-	-
Sahtu Explosives Limited ^{(1)(a)}	Explosives service provider	31 Oct	49.0	-	-	-
Servicios Petroleros Oricorp Mexico, SA de CV ⁽³⁾	Manufacture and sale of explosives	31 Dec	47.0	47.0	-	0.1
Sino-Australia Orica Watercare Technology and Equipment Co ^{(2)(a)}	Sale of water treatment equipment and resin	30 Sep	45.0	-	0.2	-
Southwest Energy LLC ⁽⁶⁾	Sale of explosives	30 Sep	50.0	50.0	60.7	62.5
Sprewa Sprengmittel GmbH ⁽⁹⁾	Sale of explosives	31 Dec	24.0	24.0	0.7	0.8
SVG&FNS Philippines Holdings Inc ⁽¹⁴⁾	Investment company	31 Dec	40.0	40.0	-	-
Thai Nitrate Company Ltd ⁽¹⁵⁾	Manufacture and sale of explosives	31 Dec	50.0	50.0	31.7	35.2
Tli Cho Explosives Limited ^{(1)(a)}	Explosives service provider	31 Oct	49.0	-	0.2	-
Troisdorf GmbH ⁽⁹⁾	Holder of operating permits	30 Sep	50.0	50.0	-	-
Ulaex SA ⁽¹⁶⁾	Manufacture and sale of explosives	31 Dec	50.0	50.0	3.0	2.7
Wurgendorf GmbH ⁽⁹⁾	Holder of operating permits	30 Sep	50.0	50.0	0.1	0.1
					162.6	167.4

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

^(a) Acquired in 2010.

^(b) Disposed of in 2010 due to the DuluxGroup demerger.

^(c) Disposed of in 2009.

^(d) Consolidated as a subsidiary: BXL Bulk Explosives Limited from 1 July 2010.

^(e) Dissolved in 2010.

Notes to the Financial Statements

For the year ended 30 September

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

	Consolidated	
	2010	2009
	\$m	\$m
Results of associates		
Share of associates' profit from ordinary activities before income tax	43.9	64.3
Share of associates' income tax expense relating to profit from ordinary activities	(2.5)	(3.2)
Share of associates' net profit equity accounted	41.4	61.1
Attributable to:		
Continuing operations	40.8	60.2
Discontinued operations	0.6	0.9
Share of post-acquisition accumulated losses and reserves attributable to associates		
Share of associates' accumulated losses at the beginning of the year	(28.4)	(22.9)
Share of associates' net profit equity accounted	41.4	61.1
Less dividends from associates	(28.9)	(66.6)
Share of associates' accumulated losses at the end of the year	(15.9)	(28.4)
Movements in carrying amounts of investments		
Carrying amount of investments in associates at the beginning of the year	167.4	208.3
Investments in associates acquired during the year	3.8	0.9
Investments in associates disposed of/demerged during the year	(3.6)	(10.9)
Adjustment to deferred consideration	-	(2.0)
Impairment of investments	-	(1.4)
Share of associates' net profit equity accounted	41.4	61.1
Less dividends from associates	(28.9)	(66.6)
Effects of exchange rate changes	(17.5)	(22.0)
Carrying amount of investments in associates at the end of the year	162.6	167.4
Summary of profit and loss and balance sheets of associates on a 100% basis		
The aggregate revenue, net profit after tax, assets and liabilities of associates are:		
Revenue	630.1	790.3
Net profit after tax	78.3	92.8
Assets	325.7	428.5
Liabilities	98.0	132.3
	Consolidated	
	2010	2009
	\$m	\$m

12. Other financial assets

Current

Derivative assets (i)		
cross currency interest rate swaps	2.4	-
forward foreign exchange contracts	2.3	33.9
interest rate swaps	6.9	6.8
foreign exchange options	14.5	4.6
	26.1	45.3

Non-current

Interest in unlisted entities		
at fair value	0.9	0.9
	0.9	0.9

(i) Derivative assets

Refer to note 34 for details on the financial risk management and use of derivative financial instruments.

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2010	2009
	\$m	\$m
13. Property, plant and equipment		
Land, buildings and improvements		
at cost	555.9	588.6
accumulated depreciation	(200.2)	(215.3)
Total carrying value	355.7	373.3
Machinery, plant and equipment		
Gross book value		
at cost	3,195.0	2,988.7
under finance lease	33.6	26.8
	3,228.6	3,015.5
Accumulated depreciation		
at cost	(1,347.0)	(1,310.9)
under finance lease	(2.1)	(2.9)
	(1,349.1)	(1,313.8)
Net carrying value		
at cost	1,848.0	1,677.8
under finance lease	31.5	23.9
Total carrying value	1,879.5	1,701.7
Total net carrying value of property, plant and equipment	2,235.2	2,075.0

Capitalised borrowing costs

Interest amounting to \$19.4 million (2009 \$5.0 million) was capitalised to property, plant and equipment, calculated at the average rate of 6.7% (2009 5.1%).

Significant assets under construction

Included in Property, Plant and Equipment is an amount of \$424.0 million (2009 \$174.6 million) of assets under construction relating to:

	Consolidated	
	2010	2009
	\$m	\$m
Bontang, Indonesia Ammonium Nitrate plant	339.3	148.1
Kooragang Island plant uprate	59.2	20.8
Nanling detonator plant	25.5	5.7
	424.0	174.6

Notes to the Financial Statements

For the year ended 30 September

13. Property, plant and equipment (continued)

(ii) Reconciliations

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

		Land, buildings and improvements \$m	Machinery, plant and equipment \$m	Total \$m
Consolidated				
2009				
Carrying amount at the beginning of the year	01-Oct-2008	387.4	1,664.9	2,052.3
Additions		39.2	326.5	365.7
Disposals		(3.5)	(6.4)	(9.9)
Additions through acquisition of entities (see note 27)		-	4.8	4.8
Depreciation expense (see note 28)		(11.6)	(175.8)	(187.4)
Impairment of property, plant and equipment		(1.5)	(68.2)	(69.7)
Foreign currency exchange differences		(36.7)	(44.1)	(80.8)
Carrying amount at the end of the year	30-Sep-2009	373.3	1,701.7	2,075.0
2010				
Additions		53.6	494.7	548.3
Disposals		(3.2)	(6.0)	(9.2)
Additions through acquisition of entities (see note 27)		1.9	10.9	12.8
Disposals through disposal/demerger of entities (see note 28)		(52.4)	(96.0)	(148.4)
Depreciation expense (see note 28)		(11.6)	(187.0)	(198.6)
Foreign currency exchange differences		(5.9)	(38.8)	(44.7)
Carrying amount at the end of the year	30-Sep-2010	355.7	1,879.5	2,235.2

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2010	2009
	\$m	\$m
14. Intangible assets		
Goodwill	2,240.6	2,398.4
Less impairment losses	(34.2)	(34.2)
Total net book value of goodwill	2,206.4	2,364.2
Patents, trademarks and rights	123.1	130.3
Less accumulated amortisation	(45.2)	(43.6)
Total net book value of patents, trademarks and rights	77.9	86.7
Brand names	19.0	61.6
Less accumulated amortisation	(7.9)	(6.7)
Total net book value of brand names	11.1	54.9
Software	64.8	73.1
Less accumulated amortisation	(33.3)	(42.3)
Total net book value of software	31.5	30.8
Customer contracts and relationships	262.0	280.7
Less accumulated amortisation	(78.0)	(60.8)
Total net book value of customer contracts and relationships	184.0	219.9
Total net book value of intangibles	2,510.9	2,756.5

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

	Goodwill	Patents trademarks and rights	Brand names	Software	Customer contracts	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Consolidated						
2009						
Carrying amount at the beginning of the year	2,573.0	83.8	59.8	26.6	269.4	3,012.6
Additions	-	7.9	-	13.3	-	21.2
Disposals	-	-	-	(0.1)	-	(0.1)
Additions through acquisition of entities (see note 27)	36.7	-	2.0	-	0.4	39.1
Additions through acquisition of minorities (see note 27)	12.5	-	-	-	-	12.5
Amortisation expense (see note 28)	-	(4.8)	(2.8)	(7.2)	(30.2)	(45.0)
Impairment expense (see note 29)	(8.2)	-	-	(1.0)	-	(9.2)
Foreign currency exchange differences	(249.8)	(0.2)	(4.1)	(0.8)	(19.7)	(274.6)
Carrying amount at the end of the year	2,364.2	86.7	54.9	30.8	219.9	2,756.5
2010						
Additions	-	0.5	-	14.8	-	15.3
Additions through acquisition of entities (see note 27)	57.8	3.0	0.1	-	4.5	65.4
Fair value adjustment on prior year acquisitions (see note 27)	(1.4)	-	-	-	-	(1.4)
Disposals through disposal/demerger of entities (see note 28)	(47.0)	(0.8)	(40.6)	(3.6)	-	(92.0)
Amortisation expense (see note 28)	-	(6.4)	(2.1)	(8.3)	(24.1)	(40.9)
Foreign currency exchange differences	(167.2)	(5.1)	(1.2)	(2.2)	(16.3)	(192.0)
Carrying amount at the end of the year	2,206.4	77.9	11.1	31.5	184.0	2,510.9

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2010	2009
	\$m	\$m
15. Deferred tax assets		
Net deferred tax assets (see note 5)	230.3	253.2

	Consolidated	
	2010	2009
	\$m	\$m
16. Trade and other payables		
Current		
Trade payables		
external	673.9	760.7
associated companies	16.5	2.4
Other payables		
external	315.5	294.8
	1,005.9	1,057.9
Derivative financial instruments		
cross currency interest rate swaps	49.0	53.7
forward foreign exchange contracts	5.5	39.1
interest rate swaps	9.6	4.5
foreign exchange options	-	1.5
	64.1	98.8
Non-current		
Other payables		
external	51.7	37.0
	51.7	37.0

Significant terms and conditions

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

Fair values

The carrying amount of trade and other payables approximate their fair values due to their short term nature.

Derivative financial instruments

Refer to note 34 for details on the financial risk management of derivative financial instruments.

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2010	2009
	\$m	\$m
17. Interest bearing liabilities		
Current		
Unsecured		
bank overdrafts	2.0	11.9
commercial paper	-	114.1
other short term borrowings	10.2	16.8
trade bills and trade cards ⁽¹⁾	-	12.7
other loans		
private placement ⁽²⁾	170.4	-
Lease liabilities (see note 30)	5.3	4.7
	187.9	160.2
Non-current		
Unsecured		
bank loans	279.1	195.0
other loans		
private placement ⁽²⁾	824.4	1,026.8
export finance facility ⁽³⁾	95.2	-
other	1.2	4.6
Lease liabilities (see note 30)	11.1	16.4
	1,211.0	1,242.8

⁽¹⁾ **Trade bills and trade cards**

Under AASB 139, trade bills and trade cards used by DuluxGroup customers to finance trade debts which were partially guaranteed by Orica are included in both trade receivables and interest bearing liabilities. These trade bills and trade cards have been transferred to DuluxGroup as part of the demerger.

⁽²⁾ **Private placement**

Orica Limited guaranteed senior notes issued in the US private placement market in 2000, 2003 and 2005. The notes have maturities between 2010 and 2018 (2009: between 2010 and 2018).

In August 2010 Orica completed an issue of US \$600 million guaranteed senior fixed rate 10, 12, 15 and 20 year notes in the US Private Placement debt market. The funding occurred in October 2010 (refer to note 35).

⁽³⁾ **Export finance facility**

Ten year loans provided to Orica Limited by Australia's export credit agency (Export Finance and Insurance Corporation), and by banks, guaranteed by Germany's export credit agency (Euler Hermes Kreditversicherungs-AG (Hermes)).

Fair values

The carrying amounts of the consolidated entity's current and non-current interest bearing liabilities approximate their fair values. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates as at 30 September 2010 varying from 0.3% to 5.7% (2009 0.2% to 5.8%) depending on the type of borrowing.

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Consolidated	
	2010	2009
	\$m	\$m
Finance leases		
Property, plant and equipment	31.5	23.9
	31.5	23.9

In the event of default by Orica, the rights to the leased assets transfer to the lessor.

Defaults and breaches

During the current and prior year, there were no defaults or breaches of covenants on any loans.

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2010	2009
	\$m	\$m
18. Current tax liabilities		
Provision for income tax	75.5	78.7

19. Provisions

Current

Employee entitlements	68.3	80.3
Restructuring and rationalisation	8.4	17.6
Environmental	151.3	90.7
Decommissioning	4.3	4.0
Contingent liabilities on acquisition of controlled entities	-	2.6
Onerous contracts	-	0.8
Other	35.6	24.1
	267.9	220.1

Non-current

Employee entitlements	37.2	45.6
Retirement benefit obligations (see note 38)	198.7	173.1
Environmental	133.2	142.7
Decommissioning	9.1	9.8
Contingent liabilities on acquisition of controlled entities	19.2	21.7
Other	16.9	16.8
	414.3	409.7

Aggregate employee entitlements

Current	68.3	80.3
Non-current	235.9	218.7
	304.2	299.0

Employees at year end

	Number	Number
Full-time equivalent	14,237	15,140

Reconciliations

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

	Consolidated
	\$m
Current provision - restructuring and rationalisation	
Carrying amount at the beginning of the year	17.6
Reductions through disposal/demerger of entities (see note 28)	(1.1)
Provisions made during the year	8.5
Provisions written back during the year	(4.7)
Payments made during the year	(12.1)
Foreign currency exchange differences	0.2
Carrying amount at the end of the year	8.4

Notes to the Financial Statements

For the year ended 30 September

19. Provisions (continued)

	Consolidated \$m
Current provision - environmental	
Carrying amount at the beginning of the year	90.7
Provisions made during the year	62.3
Provisions written back during the year	(1.0)
Payments made during the year	(39.0)
Provision transferred from non-current	40.4
Foreign currency exchange differences	(2.1)
Carrying amount at the end of the year	151.3
Current provision - decommissioning	
Carrying amount at the beginning of the year	4.0
Provisions written back during the year	(0.2)
Payments made during the year	(0.2)
Provision transferred from non-current	0.7
Carrying amount at the end of the year	4.3
Current provision - contingent liabilities on acquisition of controlled entities	
Carrying amount at the beginning of the year	2.6
Reductions through disposal/demerger of entities (see note 28)	(1.9)
Payments made during the year	(0.8)
Foreign currency exchange differences	0.1
Carrying amount at the end of the year	-
Current provision - onerous contracts	
Carrying amount at the beginning of the year	0.8
Payments made during the year	(0.8)
Carrying amount at the end of the year	-
Current provision - other	
Carrying amount at the beginning of the year	24.1
Additions through acquisition of entities (see note 27)	0.7
Provisions made during the year	12.7
Provisions written back during the year	(1.2)
Payments made during the year	(0.1)
Provision transferred from non-current	0.9
Foreign currency exchange differences	(1.5)
Carrying amount at the end of the year	35.6
Non-current provision - environmental	
Carrying amount at the beginning of the year	142.7
Additions through acquisition of entities (see note 27)	9.2
Reductions through disposal/demerger of entities (see note 28)	(3.8)
Provisions made during the year	23.7
Provisions written back during the year	(1.1)
Unwinding of discount on provisions (see note 4)	6.2
Provision transferred to current	(40.4)
Foreign currency exchange differences	(3.3)
Carrying amount at the end of the year	133.2

Notes to the Financial Statements

For the year ended 30 September

19. Provisions (continued)

	Consolidated
	\$m
Non-current provision - decommissioning	
Carrying amount at the beginning of the year	9.8
Provision transferred to current	(0.7)
Carrying amount at the end of the year	9.1
Non-current provision - contingent liabilities on acquisition of controlled entities	
Carrying amount at the beginning of the year	21.7
Foreign currency exchange differences	(2.5)
Carrying amount at the end of the year	19.2
Non-current provision - other	
Carrying amount at the beginning of the year	16.8
Provisions made during the year	1.4
Provisions written back during the year	(0.1)
Payments made during the period	(0.1)
Provision transferred to current	(0.9)
Foreign currency exchange differences	(0.2)
Carrying amount at the end of the year	16.9

Environmental provision

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

Refer also to notes 32 and 33.

	Consolidated	
	2010	2009
	\$m	\$m
Total environmental provision comprises:		
Botany Groundwater remediation	45.2	46.3
Hexachlorobenzene (HCB) waste remediation	101.0	95.2
Botany Mercury remediation	44.8	-
Dyno Nobel sites remediation	23.6	26.6
Seneca remediation	14.0	17.1
Villawood remediation	30.3	26.2
Minova sites remediation	4.4	5.1
Other environmental provisions	21.2	16.9
Total environmental provisions	284.5	233.4

Decommissioning provision

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

Contingent liabilities on acquisition of controlled entities

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

Onerous contracts provision

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

Other provision

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

	Consolidated	
	2010	2009
	\$m	\$m

20. Deferred tax liabilities

Net deferred tax liabilities (see note 5)	78.5	76.2
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Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2010	2009
	\$m	\$m
21. Contributed equity		
Issued and fully paid:		
Step-Up Preference Securities - 5,000,000 (2009 5,000,000) ⁽¹⁾	490.0	490.0
Ordinary shares - 362,100,430 (2009 359,955,579)	1,709.1	1,865.6
Balance at end of year	2,199.1	2,355.6

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

Movements in issued and fully paid shares of Orica since 1 October 2008 were as follows:

Details	Date	Number of shares	Issue price \$	\$m
Step-Up Preference Securities				
Opening balance - gross ⁽¹⁾	1-Oct-2008	5,000,000	100.00	500.0
Opening balance - costs ⁽¹⁾				(10.0)
Balance at end of the year	30-Sep-09	5,000,000		490.0
Balance at end of the year	30-Sep-10	5,000,000		490.0
Ordinary shares				
Opening balance of ordinary shares issued	1-Oct-08	359,196,325		1,881.3
Shares issued under the Orica dividend reinvestment plan (note 25)		759,254	20.58	15.6
Share movements under the Orica LTEIP plan (Remuneration Report) ⁽⁴⁾				(31.3)
Balance at end of the year	30-Sep-09	359,955,579		1,865.6
Shares issued under the Orica executive option plans ⁽³⁾		51,600		0.3
Shares issued under the Orica dividend reinvestment plan (note 25)	4-Dec-09	1,098,700	25.23	27.8
Shares issued under the Orica dividend reinvestment plan (note 25)	5-Jul-10	970,868	25.32	24.6
Share movements under the Orica LTEIP plan (Remuneration Report) ⁽⁴⁾		23,683		4.9
Shares issued under the Orica GEESP plan (note 36) ⁽²⁾		-		1.8
DuluxGroup demerger dividend-capital reduction (note 25)	9-Jul-10			(215.9)
Balance at end of the year	30-Sep-10	362,100,430		1,709.1

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

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

Notes to the Financial Statements

For the year ended 30 September

21. Contributed equity (continued)

Details	Date	Number of shares	Issue price \$	\$m
(3) Shares issued under the Orica executive option plan (note 36(a))				
2008/2009				
Movement for the year	30-Sep-09	-	-	-
2009/2010				
		11,000	7.73	0.1
Movement for the year	30-Sep-10	40,600	4.65	0.2
		51,600		0.3

The options were exercised at various times during 2010. The weighted average of the fair value of shares issued in 2010 was \$24.77.

(4) Share movements under the Orica LTEIP plan (Remuneration Report section H)

2008/2009				
Shares bought back	Various	-		(31.3)
Movement for the year	30-Sep-09	-		(31.3)
2009/2010				
Shares issued	29-Jan-10	23,683	24.79	-
Shares bought back	Various	-		(31.6)
Shares issued - loan repayment	-	-		36.5
Movement for the year	30-Sep-10	23,683		4.9

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

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

	Consolidated	
	2010	2009
	\$m	\$m
Bought back ordinary share capital	(31.6)	(31.3)

Options over unissued shares (see note 36(a)):

Exercisable between	Balance 30 Sep 08	Exercised during year	Lapsed during year	Balance 30 Sep 09	Exercised during year	Lapsed during year	Balance 30 Sep 10
01 Jan 03 - 31 Dec 09	11,000	-	-	11,000	(11,000)	-	-
01 Jan 04 - 31 Dec 10	13,600	-	-	13,600	(13,600)	-	-
31 Dec 04 - 31 Dec 11	27,000	-	-	27,000	(27,000)	-	-
Total	51,600	-	-	51,600	(51,600)	-	-

(1) Options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure. Refer to note 36(a) for specific terms and conditions.

LTEIP options over unissued shares (refer to Remuneration Report Section H):

Exercisable between	Balance 30 Sep 08	Issued during year	Exercised during year	Lapsed during year	Balance 30 Sep 09	Issued during year	Exercised during year*	Lapsed during year	Balance 30 Sep 10
19 Nov 12 - 23 Jan 13	-	-	-	-	-	1,973,965	(170,949)	(17,400)	1,785,616
18 Nov 11 - 23 Jan 12	-	40,580	-	-	40,580	-	-	-	40,580
18 Nov 11 - 23 Jan 12	-	2,937,558	-	(94,227)	2,843,331	-	(321,829)	(66,235)	2,455,267
17 Nov 10 - 21 Jan 11	1,348,983	-	-	(142,626)	1,206,357	-	(101,525)	(63,479)	1,041,353
18 Nov 09 - 22 Jan 10	61,393	-	-	(27,929)	33,464	-	(4,091)	(29,373)	-
18 Nov 09 - 22 Jan 10	1,428,730	-	-	(154,031)	1,274,699	-	(1,268,377)	(6,322)	-
Total	2,839,106	2,978,138	-	(418,813)	5,398,431	1,973,965	(1,866,771)	(182,809)	5,322,816

(*) Exercised during the year by DuluxGroup employees on demerger of DuluxGroup.

Notes to the Financial Statements

For the year ended 30 September

	Notes	Consolidated	
		2010	2009
		\$m	\$m
22. Reserves and retained earnings			
(a) Reserves			
Share based payments		50.3	36.2
Cash flow hedging		16.9	(0.3)
Foreign currency translation		(656.8)	(369.1)
Equity - arising from purchase of non-controlling interests		(183.0)	(74.8)
Balance at end of the year		(772.6)	(408.0)
Movement in reserves during the year			
Share based payments			
Balance at beginning of year		36.2	28.1
Share based payments expense		14.1	8.1
Balance at end of the year		50.3	36.2
Cash flow hedging			
Balance at beginning of year		(0.3)	5.2
Movement for period		24.6	(7.9)
Tax effect of movement in cash flow hedge reserve		(7.4)	2.4
Balance at end of the year		16.9	(0.3)
Foreign currency translation			
Balance at beginning of year		(369.1)	64.0
Transfer to income statement on demerger of foreign subsidiaries		11.8	-
Translation of overseas controlled entities at the end of the financial year		(278.9)	(452.6)
Tax effect of translation of overseas controlled entities at the end of the financial year		(20.6)	19.5
Balance at end of the year		(656.8)	(369.1)
Equity - arising from purchase of non-controlling interests			
Balance at beginning of year		(74.8)	(6.0)
Purchase of non-controlling interests (see note 27)		(108.2)	(68.8)
Balance at end of the year		(183.0)	(74.8)
(b) Retained earnings			
Retained earnings at the beginning of the year		1,913.1	1,758.9
Profit after income tax attributable to shareholders of Orica		1,318.7	541.8
Defined benefit fund superannuation movement (net of tax)	(38)	(47.0)	(19.0)
Dividends/distributions:	(25)		
Step-Up Preference Securities distributions		(25.9)	(37.5)
Less tax credit on Step-Up Preference Securities distributions		9.7	9.4
Ordinary dividends – interim		(146.8)	(142.5)
Ordinary dividends – final		(203.7)	(198.0)
DuluxGroup demerger dividend		(721.9)	-
Retained earnings at end of the year		2,096.2	1,913.1

Share based payments reserve

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

Cash flow hedging reserve

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

Foreign currency translation reserve

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

Equity reserve arising from purchase of non-controlling interests

The equity reserve represents the excess of the cost of investment in purchasing non-controlling interests in subsidiaries over the net assets acquired and non-controlling interests share of goodwill at the date of original acquisition of the subsidiary. The movement for the year ended 30 September 2010 relates to purchase of non-controlling interests in Orica Colombia S.A., Beijing Ruichy Minova Synthetic Material Company Limited and Sprengmittelvertrieb in Bayern GmbH.

The movement for the year ended 30 September 2009 relates to purchase of non-controlling interests in Orica Mining Services Peru S.A., Orica Kazakhstan Joint Stock Company and Minova Ksante Sp.z o.o..

Notes to the Financial Statements

For the year ended 30 September

	Consolidated		Consolidated	
	2010	2009	2010	2009
	%	%	\$m	\$m
23. Non-controlling interests in controlled entities				
Ordinary share capital of controlled entities held by non-controlling interests in:				
Altona Properties Pty Ltd	37.4	37.4	-	-
Ammonium Nitrate Development and Production Limited	0.1	0.1	-	-
Bamble Mekaniske Industri AS	40.0	40.0	0.3	0.3
Beijing Ruichy Minova Synthetic Material Company Limited ⁽²⁾	-	45.0	-	1.5
Bronson & Jacobs International Co. Ltd	51.0	51.0	-	-
CJSC (ZAO) Carbo-Zakk	6.3	6.3	0.1	0.1
Dyno NitroMed AD	40.0	40.0	2.6	2.6
Dyno Nobel VH Company LLC	49.0	49.0	1.0	1.0
Emirates Explosives LLC	35.0	35.0	2.1	2.1
Explosivos de Mexico S.A. de C.V.	1.3	1.3	-	-
GeoNitro Limited	35.0	35.0	0.3	0.3
Hunan Orica Nanling Civil Explosives Co., Ltd ⁽⁴⁾	49.0	49.0	9.0	9.0
Jiangsu Orica Banqiao Mining Machinery Company Limited ⁽²⁾	49.0	-	0.9	-
Minería, Explosivos y Servicios, S.A. ⁽³⁾	44.0	-	-	-
Minova Ksante Sp. z o.o. ⁽¹⁾	-	-	-	-
Minova MineTek Private Limited	24.0	24.0	0.2	0.2
Minova Mining Services S.A. ⁽²⁾	49.0	-	1.4	-
Minova Ukraine OOO	10.0	10.0	0.3	0.3
Nitro Asia Company Inc.	41.6	41.6	0.1	0.1
Northwest Energetic Services LLC	48.7	48.7	1.8	1.8
OOO Minova TPS	6.3	6.3	-	-
Orica Blast & Quarry Surveys Ltd	25.0	25.0	0.6	0.6
Orica-CCM Energy Systems Sdn Bhd	45.0	45.0	0.6	0.6
Orica-GM Holdings Ltd	49.0	49.0	12.6	12.6
Orica Colombia S.A. ⁽²⁾	-	8.0	-	-
Orica Eesti OU	35.0	35.0	2.6	2.6
Orica Kazakhstan Joint Stock Company ⁽¹⁾	-	-	-	-
Orica Mining Services Peru S.A. ⁽¹⁾	0.9	0.9	-	-
Orica Nitrates Philippines Inc	4.0	4.0	0.2	0.2
Orica Nitro Patlayici Maddeler Sanayi ve Ticaret Anonim Sirketi	49.0	49.0	1.7	1.7
Orica Philippines Inc	9.9	9.9	0.2	0.2
Orica (Weihai) Explosives Co Ltd	20.0	20.0	6.1	6.1
PT Kaltim Nitrate Indonesia	10.0	10.0	9.8	2.9
Sprengmittelvertrieb in Bayern GmbH ⁽²⁾	-	49.0	-	0.1
Teradoran Pty Ltd	33.0	33.0	-	-
TOO "Minova Kasachstan"	40.0	40.0	0.5	0.5
			55.0	47.4
Non-controlling interests in shareholders' equity at balance date is as follows:				
Contributed equity			55.0	47.4
Reserves			(10.0)	0.5
Retained earnings			64.9	64.2
			109.9	112.1

⁽¹⁾ Non-controlling interests purchased by Orica during the 2009 year.

⁽²⁾ Non-controlling interests purchased by Orica during the 2010 year.

⁽³⁾ Minority interest acquired through new acquisitions by Orica during the 2010 year.

⁽⁴⁾ Entity commenced in 2009.

Notes to the Financial Statements

For the year ended 30 September

	Notes	Company	
		2010 \$m	2009 \$m
24. Parent Company disclosure - Orica Limited			
Total current assets		828.1	958.5
Total assets		2,776.8	3,002.4
Total current liabilities		211.2	166.7
Total liabilities		211.5	167.6
Equity			
Ordinary shares		1,709.1	1,865.6
Retained earnings		366.2	479.2
Total equity attributable to ordinary shareholders of Orica		2,075.3	2,344.8
Equity attributable to Step-Up Preference Securities' holders		490.0	490.0
Total equity		2,565.3	2,834.8
<hr/>			
Net profit for the year		975.6	311.8

The Company did not have any contractual commitments for the acquisition of property, plant or equipment in the current or previous years.

Contingent liabilities and contingent assets

Under the terms of a Deed of Cross Guarantee entered into in accordance with the ASIC Class Order 98/1418 dated 13 August 1998 (as amended), each company which is a party to the Deed has covenanted with the Trustee of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies. The closed group of entities which are party to the Deed are disclosed in note 40. A consolidated balance sheet and income statement for this closed group is shown in note 40.

DuluxGroup (Australia) Pty Ltd left the Deed of Cross Guarantee on 28 May 2010. Orica provides guarantees for its liabilities until 28 November 2010.

Orica Limited has provided guarantees to Export Finance and Insurance Corporation and banks for loans re the Bontang Ammonium Nitrate plant (see note 17).

Orica Limited guaranteed senior notes issued in the US private placement market in 2000, 2003 and 2005. The notes have maturities between 2010 and 2018 (2009: between 2010 and 2018).

Orica Limited Statement of Changes in Equity

	Ordinary shares	Retained earnings	Total	Step-Up Preference Securities	Total equity
	\$m	\$m	\$m	\$m	\$m
2009					
Balance at 1 Oct 2008	1,881.3	536.0	2,417.3	490.0	2,907.3
Profit for the year	-	311.8	311.8	-	311.8
Transactions with owners, recorded directly in equity					
Total changes in contributed equity	(15.7)	-	(15.7)	-	(15.7)
Dividends/distributions paid	-	(368.6)	(368.6)	-	(368.6)
Balance at the end of the year	1,865.6	479.2	2,344.8	490.0	2,834.8
2010					
Profit for the year	-	975.6	975.6	-	975.6
Transactions with owners, recorded directly in equity					
Total changes in contributed equity	59.4	-	59.4	-	59.4
DuluxGroup demerger dividend	(215.9)	(721.9)	(937.8)	-	(937.8)
Dividends/distributions	-	(366.7)	(366.7)	-	(366.7)
Balance at the end of the year	1,709.1	366.2	2,075.3	490.0	2,565.3

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2010	2009
	\$m	\$m
25. Dividends and distributions		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary shares		
interim dividend of 40 cents per share, 35% franked at 30%, paid 3 Jul 2009		142.5
interim dividend of 41 cents per share, 39.02% franked at 30%, paid 2 Jul 2010	146.8	
final dividend of 55 cents per share, 36.36% franked at 30%, paid 5 Dec 2008		198.0
final dividend of 57 cents per share, 35.09% franked at 30%, paid 4 Dec 2009	203.7	
Distributions paid in respect of the year ended 30 September were:		
Step-Up Preference Securities		
distribution at 9.38% per annum, per security, unfranked, paid 1 Dec 2008 for the period from 31 May 2008 to 29 Nov 2008		23.5
distribution at 5.63% per annum, per security, unfranked, paid 1 Jun 2009 for the period from 30 Nov 2008 to 31 May 2009		14.0
distribution at 4.57% per annum, per security, unfranked, paid 30 Nov 2009 for the period from 1 Jun 2009 to 29 Nov 2009	11.5	
distribution at 5.77% per annum, per security, unfranked, paid 31 May 2010 for the period from 30 Nov 2009 to 30 May 2010	14.4	
DuluxGroup Demerger Dividend ⁽¹⁾ :	721.9	-
⁽¹⁾ Orica declared the Demerger Dividend amount as a dividend to Scheme Participants. The demerger dividend was not paid to Scheme Participants in cash, it was applied by Orica on behalf of Scheme Participants as payment for the DuluxGroup shares.		
The fair value of DuluxGroup shares of \$937.8 million was allocated between the share capital reduction of \$215.9 million and the demerger dividend of \$721.9 million. The share capital reduction was supported by the ATO ruling obtained as part of the demerger.		
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	298.1	294.7
satisfied by issue of shares	52.4	15.6
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan ⁽²⁾	-	30.2
Distributions paid in cash	25.9	37.5
No distributions were satisfied by the issue/purchase of shares.		
⁽²⁾ During the 2010 year, Orica bought nil shares on market (2009 1,943,577) to satisfy shareholders dividend reinvestment plan (DRP) requirements.		
Subsequent events		
Since the end of the financial year, the directors declared the following dividend:		
Final dividend on ordinary shares of 54 cents per share, 100% franked at 30%, payable 10 Dec 2010.		
Total franking credits related to this dividend are \$83.8 million.		
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 Sep 2010 and will be recognised in the 2011 annual financial statements.		
Franking credits		
Franking credits available at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the final dividend for 2010 are \$71.6 million (2009 \$54.3 million).		

Notes to the Financial Statements

For the year ended 30 September

	Notes	Consolidated	
		2010 \$m	2009 \$m
26. Notes to the statements of cash flows			
Reconciliation of cash			
Cash at the end of the year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash	(7)	347.3	308.5
Bank overdraft	(17)	(2.0)	(11.9)
		345.3	296.6
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities			
Profit from ordinary activities after income tax expense		1,354.7	581.4
Depreciation and amortisation		239.5	247.7
Share based payments expense		14.1	8.1
Share of associates' net (profit)/loss after adding back dividends received		(12.5)	5.5
Increased/(decrease) in net interest payable		1.1	(5.5)
Non cash profit on DuluxGroup demerger		(849.8)	-
Pharmaceuticals tax case		97.8	-
Increase in net interest receivable		-	0.4
Net gain on derivatives ⁽¹⁾		-	(20.0)
Impairment of intangibles		-	9.2
Impairment of property, plant and equipment		-	69.7
Impairment of investments		-	1.4
Net profit on sale of businesses and controlled entities		(0.1)	-
Net profit on sale of investments		-	(13.5)
Net profit on sale of property, plant and equipment		(0.9)	(1.8)
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities			
decrease in trade and other receivables		(27.6)	213.6
(increase)/decrease in inventories		(16.9)	209.4
increase/(decrease) in deferred taxes payable		(22.2)	(85.0)
increase/(decrease) in payables and provisions		15.3	(415.1)
increase in income taxes payable		11.2	49.4
Net cash flows from operating activities		803.7	854.9

⁽¹⁾ Gain on derivative instruments used to economically hedge the purchase of non-controlling interests during 2009. Such transactions do not qualify for hedge accounting and accordingly the gain on the derivative instruments has been recognised in the income statement.

Notes to the Financial Statements

For the year ended 30 September

27. Businesses and non-controlling interests acquired

Consolidated - 2010

Acquisition of businesses and controlled entities

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

Jiangsu Orica Banqiao Mining Machinery Company Limited on 29 October 2009 (51%).

Orica Colombia S.A. on 30 November 2009, Orica acquired an additional 8% shareholding.

Minova Mining Services SA on 25 March 2010 (51%).

Beijing Ruichy Minova Synthetic Material Company Limited on 4 May 2010, Orica acquired an additional 45%

Alaska Pacific Powder Company on 1 July 2010.

BXL Bulk Explosives Limited on 1 July 2010, Orica acquired an additional 50% shareholding.

Emrick & Hill, Inc., Northern Explosives Limited, Yukon Explosives Limited on 1 July 2010.

Minería, Explosivos y Servicios, S.A. on 7 September 2010 (56%).

Sprengmittelvertrieb in Bayem GmbH, on 28 September 2010, Orica acquired an additional 49% shareholding.

Businesses

Business assets of Weldgrip Geotechnical on 5 November 2009.

Tomco Steel business assets of 639157 Ontario Inc on 1 May 2010.

Business assets of MacKenzie Range Supply Limited, Explosives Partnership, Explosives Limited, Taiko Carriers, Inc.,

Yellowknife Mine on 1 July 2010.

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 a measurement period during which acquisition accounting can be finalised following the acquisition date. The measurement period shall not exceed one year from the acquisition date.

	Book values \$m	Fair value adjustments \$m	Total \$m
2010			
Consideration			
cash paid	79.9	-	79.9
net cash acquired	(2.3)	-	(2.3)
Outflow of cash	77.6	-	77.6
deferred settlement	2.6	-	2.6
non-cash consideration	13.7	-	13.7
Total consideration	93.9	-	93.9
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	18.5	-	18.5
inventories	18.1	-	18.1
property, plant and equipment	12.8	-	12.8
intangibles	3.1	4.5	7.6
other assets	3.3	-	3.3
payables and interest bearing liabilities	(11.1)	-	(11.1)
provision for employee entitlements	(0.4)	-	(0.4)
provisions for environmental	-	(9.2)	(9.2)
other provisions	(0.7)	-	(0.7)
	43.6	(4.7)	38.9
Less non-controlling interests at date of acquisition	(2.8)	-	(2.8)
	40.8	(4.7)	36.1
Goodwill on acquisition			57.8
Acquisition of non-controlling interest:			Total
2010			\$m
Decrease in non-controlling interests			12.6
Equity reserve			108.2
Deferred consideration			(36.3)
Total consideration			84.5

Results contributed by acquired entities since acquisition date:

	\$m
Revenue for the year	27.3
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year	3.5

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 2010 are as follows:

	\$m
Operating revenue	65.7
EBITDA	7.1

The unaudited information was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses. None of the goodwill recognised is expected to be deductible for income tax purposes.

Notes to the Financial Statements

For the year ended 30 September

27. Businesses and non-controlling interests acquired (continued)

Consolidated - 2009

Acquisition of businesses and controlled entities

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

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

Other entities

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

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

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

Businesses

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

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 a measurement period during which acquisition accounting can be finalised following the acquisition date. The measurement period shall not exceed one year from the acquisition date.

	Book values	Fair value adjustments	Total	Amended Acquisitions *	Total
	\$m	\$m	\$m	\$m	\$m
2009					
Consideration					
cash paid	26.5	-	26.5	-	26.5
net overdraft acquired	0.4	-	0.4	-	0.4
Outflow of cash	26.9	-	26.9	-	26.9
deferred settlement	19.2	-	19.2	(1.6)	17.6
Total consideration	46.1	-	46.1	(1.6)	44.5
Fair value of net assets of businesses/controlled entities acquired					
trade and other receivables	12.5	-	12.5	-	12.5
inventories	5.2	-	5.2	-	5.2
property, plant and equipment	4.8	-	4.8	-	4.8
intangibles	13.2	-	13.2	-	13.2
other assets	0.1	-	0.1	-	0.1
payables and interest bearing liabilities	(13.1)	-	(13.1)	-	(13.1)
provisions	(0.2)	-	(0.2)	-	(0.2)
provision for deferred tax	-	-	-	(0.2)	(0.2)
contingent liabilities	-	(2.3)	(2.3)	-	(2.3)
	22.5	(2.3)	20.2	(0.2)	20.0
Goodwill on acquisition			25.9	(1.4)	24.5

* Under the version of AASB3 applicable to Orica for acquisitions taking place prior to 1 October 2009.

Acquisition of non-controlling interest:

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

Results contributed by acquired entities since acquisition date:

	\$m
Revenue for the period	38.5
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 and the synergies expected to be achieved from integrating these businesses. None of the goodwill recognised is expected to be deductible for income tax purposes.

Notes to the Financial Statements

For the year ended 30 September

28. Discontinued operations and businesses disposed/demerged

The DuluxGroup business was demerged on 9 July 2010 and is reported as a discontinued operation. DuluxGroup earnings for the period up to the demerger date (9 July 2010) are included in the 2010 Discontinued numbers below. 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
	2010	2010	2010	2009	2009	2009
	\$m	\$m	\$m	\$m	\$m	\$m
Sales revenue	5,812.1	727.2	6,539.3	6,470.9	940.1	7,411.0
Other income	47.9	791.4	839.3	43.6	0.9	44.5
Expenses						
Changes in inventories of finished goods and work in progress	16.9	5.9	22.8	(97.8)	(2.4)	(100.2)
Raw materials and consumables used and finished goods purchased for resale	(2,855.3)	(298.0)	(3,153.3)	(3,323.9)	(399.3)	(3,723.2)
Share based payments	(9.4)	(4.7)	(14.1)	(7.3)	(0.8)	(8.1)
Other employee benefits expense	(982.4)	(141.6)	(1,124.0)	(1,005.7)	(184.6)	(1,190.3)
Depreciation expense	(185.6)	(13.0)	(198.6)	(187.4)	(15.3)	(202.7)
Amortisation expense	(39.4)	(1.5)	(40.9)	(43.3)	(1.7)	(45.0)
Purchased services	(279.0)	(101.3)	(380.3)	(287.1)	(118.3)	(405.4)
Repairs and maintenance	(148.0)	(5.6)	(153.6)	(129.1)	(6.9)	(136.0)
Impairment of property, plant & equipment	-	-	-	(69.7)	-	(69.7)
Impairment of intangibles	-	-	-	(9.2)	-	(9.2)
Outgoing freight	(271.5)	(29.7)	(301.2)	(270.4)	(39.9)	(310.3)
Lease payments - operating leases	(65.7)	(17.2)	(82.9)	(72.3)	(20.2)	(92.5)
Transfer from reserves on disposal of foreign subsidiaries	-	(11.8)	(11.8)	-	-	-
Other expenses from ordinary activities including individually material items	(147.8)	(17.3)	(165.1)	(236.7)	(44.4)	(281.1)
Share of net profits of associates accounted for using the equity method	40.8	0.6	41.4	60.2	0.9	61.1
	(4,926.4)	(635.2)	(5,561.6)	(5,679.7)	(832.9)	(6,512.6)
Profit from operations	933.6	883.4	1,817.0	834.8	108.1	942.9
Net financing costs *						
Financial income	76.9	0.2	77.1	50.1	0.7	50.8
Financial expenses	(196.5)	(8.2)	(204.7)	(182.8)	(1.5)	(184.3)
Net financing costs	(119.6)	(8.0)	(127.6)	(132.7)	(0.8)	(133.5)
Profit before income tax expense	814.0	875.4	1,689.4	702.1	107.3	809.4
Income tax expense *	(310.1)	(24.6)	(334.7)	(194.7)	(33.3)	(228.0)
Profit after tax	503.9	850.8	1,354.7	507.4	74.0	581.4
Net profit for the year attributable to:						
Shareholders of Orica Limited	467.9	850.8	1,318.7	467.8	74.0	541.8
Non-controlling interests	36.0	-	36.0	39.6	-	39.6
Net profit for the year	503.9	850.8	1,354.7	507.4	74.0	581.4

* The net financing costs and income tax expense for discontinued operations are for DuluxGroup when it was part of the Orica Group. The financing arrangements and tax structure under which DuluxGroup operated during the two financial years does not reflect the anticipated financing arrangements and tax structure of DuluxGroup following the Demerger as disclosed in the Demerger Scheme booklet. On the date of demerger, DuluxGroup had a net debt balance of \$245m.

Notes to the Financial Statements

For the year ended 30 September

28. Discontinued operations and businesses disposed/demerged (continued)

Revenue and other income from continuing operations

	Continuing 2010 \$m	Discontinued 2010 \$m	Consolidated 2010 \$m	Continuing 2009 \$m	Discontinued 2009 \$m	Consolidated 2009 \$m
Sales revenue	5,812.1	727.2	6,539.3	6,470.9	940.1	7,411.0
Other income						
Royalty income	0.8	0.3	1.1	1.4	-	1.4
Dividend income	0.3	-	0.3	0.1	-	0.1
Other income	30.2	1.2	31.4	23.0	0.9	23.9
Currency gains/(losses)	15.6	(1.1)	14.5	3.8	-	3.8
Profit from the DuluxGroup demerger	-	791.0	791.0	-	-	-
Profit from sale of businesses/controlled entities/investments	0.1	-	0.1	13.5	-	13.5
Profit on sale of property, plant and equipment	0.9	-	0.9	1.8	-	1.8
Total other income	47.9	791.4	839.3	43.6	0.9	44.5
Financial income:						
Interest income:						
controlled entities	(0.1)	0.1	-	(0.7)	0.7	-
capitalised interest	19.4	-	19.4	5.0	-	5.0
external parties – banks	57.6	0.1	57.7	45.8	-	45.8
Total financial income	76.9	0.2	77.1	50.1	0.7	50.8
Financial expense:						
Borrowing costs paid/payable to:						
controlled entities	(7.0)	7.0	-	(1.5)	1.5	-
external parties	194.1	1.2	195.3	175.5	-	175.5
unwinding of discount on provision	6.2	-	6.2	7.0	-	7.0
finance charges – finance leases	3.2	-	3.2	1.8	-	1.8
Total borrowing costs	196.5	8.2	204.7	182.8	1.5	184.3
Net financing costs	119.6	8.0	127.6	132.7	0.8	133.5
Profit/(loss) before income tax expense is arrived at after charging/(crediting):						
Loss on sale of property, plant and equipment	(0.1)	0.1	-	(0.3)	0.3	-
Depreciation on property, plant and equipment:						
buildings and improvements	10.3	1.3	11.6	11.6	1.2	12.8
machinery, plant and equipment	175.3	11.7	187.0	175.8	14.1	189.9
Total depreciation on property, plant and equipment	185.6	13.0	198.6	187.4	15.3	202.7
Amortisation of intangibles	39.4	1.5	40.9	43.3	1.7	45.0
Amounts provided for:						
trade receivables impairment	4.0	1.4	5.4	7.8	1.4	9.2
doubtful debts – other receivables	4.4	-	4.4	3.2	-	3.2
employee entitlements	33.1	6.0	39.1	31.4	7.8	39.2
environmental liabilities	86.0	-	86.0	16.6	-	16.6
inventory impairment	3.5	1.9	5.4	14.0	1.6	15.6
investments impairment	1.4	-	1.4	-	-	-
restructuring and rationalisation provisions	8.5	-	8.5	23.1	1.2	24.3
decommissioning	-	-	-	0.2	-	0.2
onerous contracts	-	-	-	4.0	-	4.0
other provisions	14.1	-	14.1	14.6	-	14.6
Bad debts written off to impairment allowance	3.5	1.3	4.8	2.8	0.8	3.6
Bad debts written off in respect of other receivables	2.6	-	2.6	0.7	-	0.7
Lease payments – operating leases	65.7	17.2	82.9	72.3	20.2	92.5
Research and development	38.6	6.1	44.7	33.8	8.6	42.4

Notes to the Financial Statements

For the year ended 30 September

28. Discontinued operations and businesses disposed/demerged (continued)

Reconciliation of net profit after tax	Continuing	Discontinued	Consolidated	Continuing	Discontinued	Consolidated
	2010 \$m	2010 \$m	2010 \$m	2009 \$m	2009 \$m	2009 \$m
Before individually material items						
Profit from operations ⁽¹⁾	1,009.0	92.4	1,101.4	953.6	128.9	1,082.5
Net financing costs	(119.6)	(8.0)	(127.6)	(132.7)	(0.8)	(133.5)
Profit before income tax expense	889.4	84.4	973.8	820.9	128.1	949.0
Income tax expense	(234.5)	(27.4)	(261.9)	(224.2)	(38.8)	(263.0)
Profit after tax before non-controlling interests	654.9	57.0	711.9	596.7	89.3	686.0
Non-controlling interests	36.1	-	36.1	39.9	-	39.9
Profit after tax before individually material items	618.8	57.0	675.8	556.8	89.3	646.1
Individually material items						
(Loss)/profit before income tax expense	(75.4)	791.0	715.6	(118.8)	(20.8)	(139.6)
Income tax benefit/(expense)	(75.6)	2.8	(72.8)	29.5	5.5	35.0
(Loss)/profit after tax before non-controlling interests	(151.0)	793.8	642.8	(89.3)	(15.3)	(104.6)
Non-controlling interests	(0.1)	-	(0.1)	(0.3)	-	(0.3)
(Loss)/profit after tax from individually material items	(150.9)	793.8	642.9	(89.0)	(15.3)	(104.3)
Net profit after tax						
Profit before income tax expense	814.0	875.4	1,689.4	702.1	107.3	809.4
Income tax expense	(310.1)	(24.6)	(334.7)	(194.7)	(33.3)	(228.0)
Profit after tax before non-controlling interests	503.9	850.8	1,354.7	507.4	74.0	581.4
Non-controlling interests	36.0	-	36.0	39.6	-	39.6
Profit after tax	467.9	850.8	1,318.7	467.8	74.0	541.8
Net profit for the year attributable to:						
Shareholders of Orica Limited	467.9	850.8	1,318.7	467.8	74.0	541.8
Non-controlling interests	36.0	-	36.0	39.6	-	39.6
Net profit for the year	503.9	850.8	1,354.7	507.4	74.0	581.4

⁽¹⁾ The \$92.4 million profit from operations (for DuluxGroup within Discontinued operations) is for the period from 1 October 2009 to 9 July 2010. The 2009 comparative is for a full twelve month period.

Notes to the Financial Statements

For the year ended 30 September

28. Discontinued operations and businesses disposed/demerged (continued)

Disposal of businesses/controlled entities

The following businesses and controlled entities were disposed of/demerged:

2010:

Business assets of Sydney Galvanizing Services on 22 December 2009.

The DuluxGroup business was demerged on 9 July 2010 and is reported as a discontinued operation.

2009:

Nil

	Consolidated	
	2010	2009
	\$m	\$m
Consideration		
cash received	0.7	-
cash disposed	(8.7)	-
debt disposed	253.7	-
Inflow of cash	245.7	-
settlement of demerger dividend net of costs	856.9	-
Net consideration	1,102.6	-
Carrying value of net assets of businesses/controlled entities disposed		
trade and other receivables	154.0	-
inventories	113.5	-
property, plant and equipment	148.4	-
intangibles	92.0	-
other assets	40.0	-
investment	1.9	-
payables and interest bearing liabilities	(171.2)	-
provision for employee entitlements	(23.7)	-
provision for retirement benefit obligations/curtailments (see note 38)	(15.6)	-
provision for restructuring	(1.1)	-
provision for dividends	(21.0)	-
provision for environmental	(3.8)	-
contingent liabilities on acquisition of controlled entities	(1.9)	-
	311.5	-
Profit on sale/demerger of business/controlled entities	791.1	-
Cash flows from discontinued operations		
Cash flows from operating activities	61.1	122.3
Cash flows from investing activities	(135.9)	(54.2)
Cash flows from financing activities	(13.9)	(17.0)
Net cash from discontinued operations	(88.7)	51.1

Notes to the Financial Statements

For the year ended 30 September

29. Impairment testing of goodwill and intangibles with indefinite lives

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

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

	Consolidated			
	2010	2009	2010	2009
	\$m	\$m	\$m	\$m
Mining Services:				
		Goodwill	Brand Names	
-Australia/Asia	147.4	151.2	-	-
-North America	68.9	34.7	-	-
-Latin America	231.7	237.4	-	-
-EMEA	435.5	471.7	-	-
Minova	1,175.7	1,273.9	-	-
DuluxGroup	-	47.4	-	40.5
Chemicals	147.2	147.9	-	-
Total	2,206.4	2,364.2	-	40.5

The recoverable amount of both goodwill and brand names with indefinite lives is assessed based on value in use. The value in use calculations use cash flow projections based on actual operating results and the business four year plan approved by the Board of Directors. Cash flow projections beyond the four year period were calculated using the plan cash flow of the fourth year to the life of the asset with steady growth rates going forward which are not expected to exceed the long term average growth rates in the applicable markets.

The discount rates for each CGU were estimated using pre-tax rates based on an external assessment of the Group's post tax weighted average cost of capital in conjunction with risk specific factors to the countries in which the CGUs operate. The pre-tax discount rates applied in the discounted cash flow model range between 7% and 21% (2010 9% - 25%). Foreign currency cash flows are discounted using the functional currency of the CGUs and then translated to Australian Dollars using the closing exchange rate.

The Minova segment includes in their USA CGU an amount of goodwill and intangibles with indefinite lives of \$662.4 million (2009 \$725.2 million). There are no other individual CGU's that have significant goodwill and intangibles with indefinite lives.

The value in use calculations are sensitive to changes in interest rates, earnings and foreign exchange rates varying from the assumptions and forecast data used in the impairment testing. As such, sensitivity analysis was undertaken to examine the effect of a change in a variable on each CGU. For the Orica Group, a one percentage point change in discount rates would affect overall value in use by an estimated \$800 million while a 10% change in earnings or foreign exchange rates would affect value in use by \$1.3 billion and \$500 million respectively which should be compared to the market capitalisation of Orica at balance date of \$9.3 billion.

Impairment charged during the year

In 2009 goodwill of the Marplex business (included in the Chemicals segment) was written down to nil in prior year as a result of the deterioration in business performance driven by adverse market conditions.

	Consolidated	
	2010	2009
	\$m	\$m
Goodwill	-	8.2

Notes to the Financial Statements

For the year ended 30 September

Consolidated
2010 2009
\$m \$m

30. Commitments

Capital expenditure commitments

Capital expenditure on property, plant and equipment and business acquisitions contracted but not provided for and payable:

no later than one year	130.3	215.0
later than one, no later than five years	1.7	37.8
	132.0	252.8

Lease commitments

Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:

no later than one year	62.4	82.3
later than one, no later than five years	123.5	138.6
later than five years	68.8	51.3
	254.7	272.2

Representing:

cancellable operating leases	146.5	100.3
non-cancellable operating leases	108.2	171.9
	254.7	272.2

Non-cancellable operating lease commitments

payable:

no later than one year	20.9	40.7
later than one, no later than five years	56.3	86.7
later than five years	31.0	44.5
	108.2	171.9

Finance lease commitments payable:

no later than one year	5.3	4.7
later than one, no later than five years	8.8	14.8
later than five years	4.1	6.6
	18.2	26.1

Less future finance charges

	(1.8)	(5.0)
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Present value of minimum lease payments provided for as a liability

	16.4	21.1
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Representing lease liabilities: (see note 17)

current	5.3	4.7
non-current	11.1	16.4
	16.4	21.1

Notes to the Financial Statements

For the year ended 30 September

Consolidated
2010 2009
\$000 \$000

31. Auditors' remuneration

Total remuneration received, or due and receivable, by the auditors for:

Audit services		
Auditors of the Company – KPMG Australia		
– Audit and review of financial reports	4,822	4,836
Other regulatory audit services ⁽¹⁾		
Auditors of the Company – overseas KPMG firms		
– Audit and review of financial reports	1,896	1,826
	6,718	6,662
Other services ⁽²⁾		
Auditors of the Company – KPMG Australia		
– other assurance services ⁽³⁾	357	381
	357	381
	7,075	7,043

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

⁽¹⁾ Other regulatory audit services are fees paid or payable for overseas subsidiaries' local lodgement purposes and other regulatory compliance requirements.

⁽²⁾ The Board Audit and Risk Committee must approve any other services provided by KPMG above a value of \$20,000 per assignment and it also reviews and approves at year end other services provided by KPMG below a value of \$20,000. The guidelines adopted by KPMG for the provision of other services ensure their statutory independence is not compromised.

⁽³⁾ These services were for the preparation of the Investigating Accountant's Report and attendance at the Scheme Meeting related to the demerger of DuluxGroup.

32. Critical accounting judgements and estimates

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

Contingent liabilities

In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with our current or former sites. Where management are of the view that potential liabilities have a low probability of crystallising or it is not possible to quantify them reliably, management disclose them as contingent liabilities. These are not provided for in the financial statements but are disclosed in note 19. In view of the significance of environmental issues associated with Botany Groundwater (New South Wales, Australia), Botany Hexachlorobenzene (HCB) Waste, Botany Mercury and Botany Car Park Encapsulation they continue to be disclosed as contingent liabilities even though estimated costs have been recognised in the financial statements. Further details regarding contingent liabilities are set out in note 19.

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.

Notes to the Financial Statements

For the year ended 30 September

32. Critical accounting judgements and estimates (continued)

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

Environmental costs are estimated using either the work of external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs may impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

In respect to the Botany Groundwater contamination, a provision exists to cover the estimated costs associated with remediation until 2015. Costs are expected to be incurred after this date, but it is not possible to predict the time frame over which remediation will be required or the form the remediation will take and therefore it is not possible to reliably estimate any associated costs. In light of ongoing discussions with regulatory authorities and following an assessment of currently available technologies to treat the contamination, Orica intends to maintain a provision at current levels that takes into account the estimated costs associated with remediation commitments over this period. The provision will continue to be re-evaluated based on future regulatory assessments and advancements in appropriate technologies. The discount rate used for environmental provisioning may vary from year to year.

On 18 August 2010, the Australian Government and the Danish Government respectively issued export and import permits under the Basel Convention for the shipment of 6,100 tonnes of Hexachlorobenzene (HCB) waste from Orica's Botany site in Sydney to the Kommunekemi plant in Nyborg, Denmark for environmentally sound destruction. The calculation of the related provision is based on the assumption that a permit to export the waste not covered by the existing export permits for destruction overseas will be obtained.

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 statement of comprehensive income. In all cases, the superannuation costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary and superannuation increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used may impact the earnings and equity of the Group (refer note 38).

Property, plant and equipment and definite life intangible assets

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

Notes to the Financial Statements

For the year ended 30 September

32. Critical accounting judgements and estimates (continued)

Financial instruments at fair value

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

Impairment of assets

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

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

Current asset provisions

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

Taxation

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

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

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

Carbon Pollution Reduction Scheme

The Australian Federal Government had proposed introducing a Carbon Pollution Reduction Scheme (CPRS) in July 2011. The introduction of the CPRS has the potential to significantly impact the assumptions used in determining the future cash flows generated from the Group's assets for the purpose of impairment testing. The Group did not incorporate the impact of the CPRS at 30 September 2010 as insufficient market information existed. The Government has announced that CPRS has been delayed and the relevant legislation has been withdrawn from Parliament. There are uncertainties around the future level of emissions the Group will emit as these are dependent on production output and abatement opportunities. In addition, the costs of implementing abatement opportunities, the prices of emission permits, the number of permits to be purchased, the impact of costs incurred by our suppliers and their ability to pass on these costs to Orica and the ability of Orica to pass on any costs incurred to its customers are currently unknown.

33. Contingent liabilities and contingent assets

Contingent liabilities

Environmental

(i) General

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

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

Notes to the Financial Statements

For the year ended 30 September

33. Contingent liabilities and contingent assets (continued)

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

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

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

Orica has received results indicating elevated concentrations of mercury in soil and groundwater at the southern end of the Botany site and at adjacent offsite locations. A provision of \$45 million was established in March 2010 for remediation activities in respect of this matter.

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

On 18 August 2010, the Australian Government and the Danish Government respectively issued export and import permits under the Basel Convention for the shipment of 6,100 tonnes of Hexachlorobenzene (HCB) waste from Orica's Botany site in Sydney to the Kommunekemi plant in Nyborg, Denmark for environmentally sound destruction. In the event that Orica does not obtain the necessary regulatory approvals to export the waste not covered by the existing export permits for destruction overseas, it will continue to ensure the safe storage of the HCB waste at Botany. Orica has provided for the estimated costs associated with export and treatment of the waste (refer note 19).

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

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

Taxation

(i) Tax investigations and audits

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

(ii) Brazilian Tax Action

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

(iii) Norway Tax Action

In August 2009, the Central Tax Office for Large Enterprises (CTO) sent a letter to Dyno Nobel AS in Norway regarding a possible reassessment of that company's tax return for the 2005 income year relating to a transfer of the Dyno Nobel house brand in conjunction with Orica's acquisition of Dyno Nobel's explosives business. The amount of the possible reassessment is approximately \$50 million. Orica has been advised that there is no legal basis under the Norwegian Tax Code for such a reassessment.

Guarantees, indemnities and warranties

- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.

Notes to the Financial Statements

For the year ended 30 September

33. Contingent liabilities and contingent assets (continued)

- 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.

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management

Capital management

Orica's objectives when managing capital (net debt and total equity) are to safeguard the consolidated entity's ability to continue as a going concern and to ensure that the capital structure enhances, protects and balances financial flexibility against minimising the cost of capital.

In order to maintain the appropriate capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, utilise a dividend reinvestment plan, return capital to shareholders or issue new equity, in addition to incurring an appropriate mix of long and short term borrowings. Following the demerger of DuluxGroup, the dividend will be adjusted to a lower level reflecting the previous earnings associated with DuluxGroup. Currently, Orica's dividend policy is to pay a progressive dividend.

Orica monitors capital on the basis of the accounting gearing ratio (which is calculated as net debt divided by net debt plus shareholders equity) and an adjusted gearing ratio (which is calculated by notionally reclassifying \$250 million of the \$500 million Orica Step-Up Preference Securities (SPS) from equity to debt). In addition, Orica monitors various other credit metrics, principally an interest cover ratio (EBIT excluding individually material items, divided by net financing costs) and funds from operations (FFO) divided by total debt measure.

The current target level for adjusted gearing is 35% to 45% and for interest cover is 5 times or greater. These, together with an appropriate FFO/total debt measure, are targeted to maintain a strong investment grade credit profile, which should facilitate access to borrowings from a diverse range of sources. Ratios may move outside of these target ranges for relatively short periods of time after major acquisitions or other significant transactions.

The gearing level and interest cover are also monitored to ensure an adequate buffer against covenant levels under various facilities.

	Consolidated	
	2010 \$m	2009 \$m
The net debt to gearing ratios are calculated as follows:		
Interest bearing borrowings	1,398.9	1,403.0
Less cash and cash equivalents	(347.3)	(308.5)
Net debt	1,051.6	1,094.5
Notional adjustment for SPS	250.0	250.0
Adjusted net debt	1,301.6	1,344.5
Total equity	3,632.6	3,972.8
Notional adjustment for SPS	(250.0)	(250.0)
Adjusted equity	3,382.6	3,722.8
Adjusted net debt and adjusted equity	4,684.2	5,067.3
Gearing ratio (%)	22.4%	21.6%
Adjusted gearing ratio (%)	27.8%	26.5%

The interest cover ratio is calculated as follows:

	2010 \$m	2009 \$m
EBIT ⁽¹⁾	1,101.4	1,082.5
Net financing costs	127.6	133.5
Capitalised borrowing costs	19.4	5.0
Interest cover ratio (times)	7.5	7.8

⁽¹⁾ Before individually material items

The consolidated entity self-insures for certain insurance risks under the *Australian General Insurance Reform Act 2001* and the *Singapore Insurance Act*. Under these Acts, authorised general insurers, including Curasalus Insurance Pty Ltd and Anbao Insurance Pte Ltd (the Orica self-insurance companies), are required to maintain a minimum amount of capital. For the financial year ended 30 September 2010, Curasalus Insurance Pty Ltd and Anbao Insurance Pte Ltd maintained capital in excess of the minimum requirements prescribed under these Acts, respectively.

Financial risk factors

The consolidated entity principal financial risks are associated with foreign exchange, interest rate, liquidity and credit risk.

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

The consolidated entity's overall risk management program seeks to mitigate these risks and reduce volatility of Orica's financial performance. Financial risk management is carried out centrally by the consolidated entity's Treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management and policies covering specific areas, such as foreign exchange, interest rate and credit risk as well as the use of derivative and non-derivative financial instruments and the investment of excess liquidity. Orica enters into derivative instruments for risk management purposes only. Derivative transactions are entered into to hedge the risks relating to underlying physical positions arising from business activities. Derivative transactions to hedge risks such as interest rate and foreign currency movements principally include interest rate swaps, cross currency interest rate swaps, forward exchange contracts and vanilla European option contracts.

Classification of financial assets and financial liabilities

The consolidated entity's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing liabilities and derivatives.

For measurement purposes the consolidated entity classifies financial assets and financial liabilities into the following categories: (a) financial assets and liabilities at fair value through profit and loss, (b) loans and other receivables and (c) financial liabilities at amortised cost. The consolidated entity does not have any financial assets categorised as held-to-maturity or as available-for-sale.

Financial assets and liabilities at fair value through profit and loss

This category combines financial assets and liabilities that are held for trading and those designated at fair value through profit and loss at inception. A financial asset or liability is classified in this category if it is acquired principally for the purpose of selling in the short term or if it is so designated by management. The consolidated entity holds a number of derivative instruments for economic hedging purposes under Board approved risk management policies, which do not meet the criteria for hedge accounting under Accounting Standards. These derivatives are required to be categorised as held for trading. Assets and liabilities in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date (refer notes 12 and 16). Movements in the fair value of those derivatives that meet the accounting criteria as cash flow hedges and are designated as such are transferred from the Income Statement to the cash flow hedge reserve in equity.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where maturities are greater than 12 months after the balance sheet date when they are classified as non-current. Loans and receivables are classified as 'receivables' in the balance sheet (refer note 8).

Amortised cost

Financial liabilities measured in this category are initially recognised at their fair value and are then subsequently re-measured at amortised cost using the effective interest rate method. This includes the consolidated entity's short-term non-derivative financial instruments (refer note 16) and its interest bearing liabilities (refer note 17).

Risks and mitigation

The risks associated with the financial instruments and the policies for minimising these risks are detailed below:

Interest rate risk management

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The consolidated entity is primarily exposed to interest rate risk on outstanding interest bearing liabilities. Non-derivative interest bearing assets are predominantly short-term liquid assets. Interest bearing liabilities issued at fixed rates expose the consolidated entity to fair value interest risk while borrowings issued at a variable rate give rise to cash flow interest rate risk.

Interest rate risk on long-term interest bearing liabilities is managed by adjusting the ratio of fixed interest debt to variable interest debt. This is managed within policies determined by the Orica Board of Directors via the use of interest rate swaps and cross currency interest rate swaps. Under the policy, between 50% and 90% of debt with a maturity of less than five years can be fixed and a maximum 50% of debt with a maturity of between five and ten years can be fixed. Debt issuance with fixed interest payments can exceed ten years but requires Board approval. The consolidated entity operated within this range during both the current year and the prior year. The effective interest rate on average gross debt for the year ended 30 September 2010 was 7.9% (2009 6.5%).

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

The consolidated entity's exposure to interest rate risk and the weighted average effective interest rates on financial assets and liabilities at balance date are:

Consolidated Entity	Note	2010	2010	2009	2009
		\$m	% p.a.	\$m	% p.a.
Cash	(7)	347.3	0.5	308.5	0.3
Trade and other receivables	(8)	862.1	-	1,068.0	-
Other financial assets	(12)	27.0	-	46.2	-
Total financial assets		1,236.4		1,422.7	
Trade and other payables	(16)	1,121.7	-	1,193.7	-
Bank overdrafts	(17)	2.0	1.7	11.9	3.8
Short term borrowings	(17)	180.6	7.9	143.6	4.2
Lease liabilities	(17)	16.4	8.3	21.1	8.4
Long term borrowings	(17)	1,131.2	4.8	1,159.5	5.2
Interest rate swaps		-	0.3	-	2.0
Cross currency interest rate swaps	(17)	68.7	(2.2)	66.9	(2.0)
Total financial liabilities		2,520.6		2,596.7	
Net financial liabilities		(1,284.2)		(1,174.0)	

Interest Rate Sensitivity

The table below shows the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower based on the relevant interest rate yield curve applicable to the underlying currency the borrowings are denominated in (including Australian dollars, Euros, Canadian dollars, New Zealand dollars and United States dollars) with all other variables held constant, taking into account all underlying exposures and related hedges and does not include the impact of any management action that might take place if these events occurred. A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. Directors cannot nor do not seek to predict movements in interest rates.

	Consolidated	
	2010 \$m	2009 \$m
Effect on profit increase/(decrease)		
If interest rates were 10% higher, with all other variables held constant	(1.9)	(1.1)
If interest rates were 10% lower, with all other variables held constant	1.7	1.1
Effect on profit after tax increase/(decrease)		
If interest rates were 10% higher, with all other variables held constant	(1.3)	(0.8)
If interest rates were 10% lower, with all other variables held constant	1.2	0.7
Effect on shareholders' equity increase/(decrease)		
If interest rates were 10% higher, with all other variables held constant	1.2	8.6
If interest rates were 10% lower, with all other variables held constant	(1.0)	(8.9)

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Foreign exchange risk management

Foreign exchange risk - transactional

Foreign exchange risk refers to the risk that the value of a financial commitment, recognised asset or liability or cash flow will fluctuate due to changes in foreign currency rates.

The consolidated entity is exposed to foreign exchange risk primarily due to significant sales and/or purchases denominated, either directly or indirectly, in currencies other than the functional currencies of the consolidated entity's subsidiaries.

In regard to foreign currency risk relating to sales and purchases, the consolidated entity hedges up to 100% of committed exposures. Anticipated exposures are hedged by applying a declining percentage of cover the further the time to the transaction date. Only exposures that can be forecast to a high probability are hedged. Transactions can be hedged for up to five years. The derivative instruments used for hedging purchase and sale exposures are bought vanilla option contracts and forward exchange contracts. Forward exchange contracts may be used only under Board policy for committed exposures and anticipated exposures expected to occur within 12 months. Bought vanilla option contracts may be used for all exposures. These contracts are designated as cash flow hedges and are recognised at their fair value. The currencies giving rise to this risk are primarily U.S. Dollar (USD), Euro (EUR), Canadian Dollar (CAD), New Zealand Dollar (NZD), Norwegian Kroner (NOK), Swedish Kroner (SEK) and Great Britain Pound (GBP).

Exchange rate sensitivity

The table below shows the effect on profit and equity of the consolidated entity if exchange rates as at 30 September had been 10% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges and does not include the impact of any management actions that might take place if these events occurred. A sensitivity of 10% has been selected, as this is considered reasonably possible given the current level of exchange rates and the volatility of exchange rates based on an historical analysis. Directors cannot nor do not seek to predict movements in exchange rates. However, it should be noted that it is extremely unlikely that all currencies would move in the same direction and by the same percentage. Major exposures are against the USD, CAD, NZD, NOK, SEK, EUR and GBP.

The Group's exposure to foreign currency risk including both external balances and internal balances (eliminated on consolidation) at the reporting date was as follows (Australian dollar equivalents):

	2010						
	USD \$m	CAD \$m	NZD \$m	NOK \$m	SEK \$m	EUR \$m	GBP \$m
Cash	2,106.9	44.6	2.6	57.2	148.7	637.4	277.8
Trade and other receivables	246.9	37.3	1.7	0.3	0.6	32.8	2.6
Trade and other payables	(293.6)	(20.5)	(0.1)	(1.5)	(10.7)	(47.9)	(1.3)
Interest bearing liabilities	(2,242.0)	4.6	(550.3)	(9.4)	(76.5)	(412.8)	(45.7)
Net derivatives	275.2	-	(39.3)	-	-	(62.6)	0.1
Net exposure	93.4	66.0	(585.4)	46.6	62.1	146.9	233.5

	2009						
	USD \$m	CAD \$m	NZD \$m	NOK \$m	SEK \$m	EUR \$m	GBP \$m
Cash	1,951.4	4.9	0.1	526.7	142.6	453.9	203.0
Trade and other receivables	196.6	-	0.9	0.2	0.4	44.4	2.1
Trade and other payables	(307.5)	(1.9)	(0.6)	(1.9)	(11.5)	(33.0)	(0.9)
Interest bearing liabilities	(1,985.4)	-	(691.6)	(0.2)	(58.4)	(111.9)	(32.6)
Net derivatives	245.6	0.4	(43.1)	0.2	(0.1)	(78.1)	0.1
Net exposure	100.7	3.4	(734.3)	525.0	73.0	275.3	171.7

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

A 10% sensitivity would move year end rates as follows (against the Australian Dollar):

	2010			2009		
	10% lower	As reported	10% higher	10% lower	As reported	10% higher
U.S. Dollar	0.8689	0.9654	1.0619	0.7924	0.8804	0.9684
Canadian Dollar	0.8982	0.9980	1.0978	0.8565	0.9517	1.0469
New Zealand Dollar	1.1831	1.3145	1.4460	1.1012	1.2235	1.3459
Norwegian Kroner	5.0958	5.6620	6.2282	4.6105	5.1228	5.6351
Swedish Kronor	5.8497	6.4997	7.1497	5.5317	6.1463	6.7609
Euro	0.6390	0.7100	0.7810	0.5420	0.6022	0.6624
Great Britain Pound	0.5487	0.6097	0.6707	0.4945	0.5494	0.6043

The effect on profit from operations, net profit after tax and shareholders' equity of a movement in individual exchange rates with all other variables held constant is as follows:

	2010		2009	
	(10%) \$m	10% \$m	(10%) \$m	10% \$m
Effect on profit/(loss) from operations from a movement in:				
U.S. Dollar	9.7	(4.1)	(6.6)	5.4
Canadian Dollar	2.1	(1.7)	(0.4)	0.3
New Zealand Dollar	(0.4)	0.3	(0.9)	0.7
Norwegian Kroner	(0.1)	0.1	(0.3)	0.3
Swedish Kronor	(1.1)	1.0	(1.3)	1.1
Euro	(1.7)	1.3	1.1	(1.0)
Great Britain Pound	0.2	(0.2)	(0.1)	0.1
Effect on net profit after tax from a movement in:				
U.S. Dollar	6.8	(2.8)	(4.6)	3.8
Canadian Dollar	1.5	(1.2)	(0.3)	0.2
New Zealand Dollar	(0.3)	0.2	(0.7)	0.5
Norwegian Kroner	(0.1)	0.1	(0.2)	0.2
Swedish Kronor	(0.8)	0.7	(0.9)	0.8
Euro	(1.2)	0.9	0.8	(0.7)
Great Britain Pound	0.2	(0.1)	(0.1)	0.1
Increase/(decrease) on shareholders' equity from a movement in:				
U.S. Dollar	(4.5)	7.5	34.8	(37.0)
Canadian Dollar	5.2	(4.2)	(0.9)	0.7
New Zealand Dollar	(45.4)	37.1	(59.3)	49.3
Norwegian Kroner	3.6	(2.9)	40.6	(33.2)
Swedish Kronor	4.8	(3.9)	6.0	(4.9)
Euro	12.5	(10.2)	25.1	(20.4)
Great Britain Pound	18.0	(14.7)	13.4	(11.0)

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Foreign currency risk - translational

Foreign currency earnings translation risk arises primarily as a result of earnings in USD, NZD, NOK, SEK, Chilean Peso (CLP), Mexican Peso (MXN) and CAD being translated into AUD. Derivative contracts to hedge earnings exposures do not qualify for hedge accounting under Accounting Standards. However, Board approved policy allows hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates. At 30 September 2010, the fair value of these derivatives was a \$nil (2009 \$0.9 million gain).

Foreign currency net investment translation risk is managed within policies determined by the Board of Directors. Hedging of exposures is undertaken centrally by the consolidated entity's Treasury department primarily through originating debt in the currency of the asset or by raising debt in a different currency and effectively swapping the debt to the currency of the asset (see below cross currency interest rate swaps under interest rate risk management). The remaining translation exposure is managed, where considered appropriate, through forward foreign exchange derivative instruments. Gains and losses resulting from these hedging activities are recorded in the foreign currency translation reserve within the equity section of the balance sheet and offset against the foreign exchange impact resulting from the translation of the net assets of foreign operations. Fourteen percent of the consolidated entity's investment in foreign operations was hedged in this manner as at 30 September 2010 (2009 8%). A foreign exchange gain of \$9.8 million (2009 \$4.7 million gain) was recognised in the foreign currency translation reserve during the period.

As at reporting date, the following derivative instruments hedging net investment exposures had a fair value of:

	2010 \$m	2009 \$m
Cross currency interest rate swaps	(93.5)	(107.5)

Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under a contract or arrangement. The consolidated entity has exposure to credit risk on all financial assets included within the balance sheets. For discussion on how this risk in relation to receivables is managed refer to note 8. In regards to credit risk arising from derivatives and cash, this is the credit exposure to financial institutions that are counterparties to derivative contracts and cash deposits, with a positive fair value from Orica's perspective. As at 30 September 2010, the sum of all contracts with a positive fair value was \$26.1 million (2009 \$45.3 million).

To manage this risk, the consolidated entity restricts dealings to highly rated counterparties approved within its credit limit policy. The higher the credit rating of the counterparty, the higher the consolidated entity's allowable exposure is to that counterparty under the policy. The consolidated entity does not hold any credit derivatives to offset its credit exposures.

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Liquidity risk management

Liquidity risk arises from the possibility that there will be insufficient funds available to make payment as and when required.

The consolidated entity manages this risk via:

- maintaining an adequate level of undrawn committed facilities in various currencies that can be drawn upon at short notice;
- generally uses instruments that are readily tradeable in the financial markets;
- monitors duration of long term debt;
- spreads, to the extent practicable, the maturity dates of long-term debt facilities; and
- performs a comprehensive analysis of all inflows and outflows that relate to financial assets and liabilities.

Facilities available and the amounts drawn and undrawn are as follows:

	2010 \$m	2009 \$m
Unsecured bank overdraft facilities		
Unsecured bank overdraft facilities available	110.3	117.9
Amount of facilities undrawn	108.3	106.0
Committed standby and loan facilities		
Committed standby and loan facilities available	3,442.9	3,089.4
Amount of facilities unused	2,073.8	1,867.6

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 24 October 2010 to 31 May 2020 (2009 3 September 2010 to 24 October 2018).

In August 2010, Orca completed an issue of US \$600 million guaranteed senior fixed rate 10, 12, 15 and 20 year notes in the US Private Placement debt market. The funding occurred in October 2010.

The contractual maturity of the consolidated entities' fixed and floating rate financial instruments and derivatives are shown in the table below. The amounts shown represent the future undiscounted principal and interest cash flows:

Consolidated	As at 30 September 2010				As at 30 September 2009			
	Less than 1 year \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m	Less than 1 year \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m
Non-derivative financial assets								
Cash	347.3	-	-	-	308.5	-	-	-
Trade and other receivables ⁽¹⁾	860.1	2.0	-	-	964.9	103.1	-	-
Derivative financial assets	389.5	28.9	88.5	552.8	2,018.7	62.3	70.2	337.7
Financial assets	1,596.9	30.9	88.5	552.8	3,292.1	165.4	70.2	337.7
Non-derivative financial liabilities								
Trade and other payables ⁽¹⁾	1,005.9	51.7	-	-	1,057.9	37.0	-	-
Bank overdrafts	2.0	-	-	-	11.9	-	-	-
Bank loans	14.6	292.1	-	-	11.5	81.5	132.4	-
Export finance facility	2.0	2.0	6.0	109.1	-	-	-	-
Commercial paper	-	-	-	-	115.0	-	-	-
Other short term borrowings	10.2	-	-	-	16.8	-	-	-
Trade bills and trade cards	-	-	-	-	12.7	-	-	-
Private placement	223.5	50.5	457.5	552.9	51.5	234.9	193.1	882.9
Other long term borrowings	-	0.8	0.5	-	-	3.9	0.3	0.3
Lease liabilities	5.3	5.0	3.3	4.1	5.8	6.5	7.3	6.6
Derivative financial liabilities	383.3	32.9	117.1	662.8	2,013.8	77.3	77.1	397.0
Financial liabilities	1,646.8	435.0	584.4	1,328.9	3,296.9	441.1	410.2	1,286.8
Net outflow	(49.9)	(404.1)	(495.9)	(776.1)	(4.8)	(275.7)	(340.0)	(949.1)

⁽¹⁾ Excludes derivative financial instruments but in 2009 includes the \$100 million ATO receivable (refer note 8).

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Cash flow hedges

Cash flow hedges are used to hedge exposures relating to borrowings and ongoing business activities, where there is a highly probable sale, purchase or settlement commitment in foreign currencies.

Foreign exchange transactions

The hedging of foreign exchange transactions is described under foreign currency risk above.

The fair value of forward exchange contracts used as hedges of foreign exchange transactions at 30 September 2010 was a net \$3.3 million loss (2009 \$5.2 million loss), comprising assets of \$2.2 million (2009 \$33.9 million) and liabilities of \$5.5 million (2009 \$39.1 million). The fair value of currency options used as hedges of foreign exchange transactions at 30 September 2010 was \$14.5 million gain (2009 \$2.2 million gain), comprising assets of \$14.5 million (2009 \$3.7 million) and liabilities of nil (2009 \$1.5 million).

The following tables show the maturities of the receipts/payments of significant derivative instruments designated as cash flow hedges:

Foreign Exchange Contracts	Weighted average rate		million 2010	million 2009
	2010	2009		
Buy US dollars/sell Australian dollars Not later than one year	0.9243	0.8728	USD 60.4	USD 56.3
Buy US dollars/sell New Zealand dollars Not later than one year	0.7086	0.6685	USD 17.1	USD 14.3
Buy Australian dollars/sell New Zealand dollars Not later than one year	1.2640	1.2292	NZD 2.9	NZD 2.3
Buy Australian dollars/sell Canadian dollars Not later than one year	-	0.9451	-	CAD 13.1
Buy Swedish Kronor/sell Norwegian Kroner Not later than one year	1.0406	1.1761	NOK 0.2	NOK 20.2
Buy Euro/sell Australian dollars Not later than one year	0.6864	0.5593	EUR 12.1	EUR 29.3
Buy Great Britain Pounds/sell Australian dollars Not later than one year	-	0.6046	-	GBP 0.9
Buy Canadian dollars/sell US dollars Not later than one year	-	1.0851	-	CAD 14.0

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Vanilla European Option Contracts	Weighted average rate		million	million
	2010	2009	2010	2009
Buy Peruvian sol/sell US dollars Not later than one year	2.8480	-	USD 11.9	-
Buy Chinese Renminbi/sell Australian dollars Not later than one year	6.0100	-	CNY 72.1	-
Buy Australian dollars/sell US dollars Not later than one year	0.8435	0.8127	USD 191.3	USD 60.3
Later than one year but not later than two years	-	0.7776	-	USD 2.5
Buy US dollars/sell New Zealand dollars Not later than one year	-	0.7114	-	USD 1.1
Buy US dollars/sell Canadian dollars Not later than one year	0.9885	-	CAD 3.0	-
Later than one year but not later than two years	0.9885	0.9885	CAD 1.4	CAD 3.0
Later than two years but not later than three years	0.9885	0.9885	CAD 0.2	CAD 1.4
Later than three years but not later than five years	-	0.9885	-	CAD 0.2
Buy Canadian dollars/sell US dollars Not later than one year	-	1.1007	-	USD 17.4
Buy Australian dollars/sell Canadian dollars Not later than one year	-	0.8463	-	CAD 0.7
Buy Mexican pesos/sell US dollars Not later than one year	12.7740	13.1280	USD 24.6	USD 9.8
Buy Chilean pesos/sell US dollars Not later than one year	526.000	513.198	USD 27.0	USD 17.6

Gains and losses recognised in the cash flow hedge reserve on all foreign currency hedges of anticipated purchases, sales and interest and the timing of their anticipated recognition as part of sales or purchases are:

Term	Net deferred (gains)/losses	
	2010 \$m	2009 \$m
Not later than one year	(19.6)	(1.2)
Later than one year but not later than two years	(0.1)	(0.5)
Later than two year but no later than five years	-	(0.1)
Total	(19.7)	(1.8)

The terms of the forward exchange contracts have been negotiated to match the terms of the commitments.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the asset or liability affects the Income Statement, the consolidated entity transfers the related amount deferred in equity into the Income Statement.

Interest rate swap contracts

Interest rate or cross currency interest rate swaps are classified as cash flow hedges if they are used to transfer floating rate debt into fixed rate debt and they are stated at fair value. All gains and losses attributable to the hedged risk are taken directly to equity and reclassified into the Income Statement when the interest expense is recognised. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. There was a derivative liability of \$9.2 million as at 30 September 2010 (2009 \$3.0 million).

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

The notional amounts of interest rate swaps as summarised below represent the contract or face values of these derivatives. The notional amounts do not represent amounts exchanged by the parties. The amounts to be exchanged are net settled and will be calculated with reference to the notional amounts and the pay and receive interest rates determined under the terms of the derivative contracts. Each contract involves quarterly or semi-annual payment or receipt of the net amount of interest:

	2010 \$m	2009 \$m
Floating to fixed swaps		
One to five years	429.1	389.7
More than five years	-	100.0
Fixed interest rate range p.a.	5.2% to 8.3%	5.2% to 8.3%

Fair value hedges

Cross currency interest rate and interest rate swap contracts

During the period the consolidated entity held cross currency interest rate and interest rate swaps to mitigate the consolidated entity's exposure to changes in the fair value of foreign denominated debt from fluctuations in foreign currency and interest rates. The hedged items designated were a portion of the consolidated entity's foreign currency denominated borrowings. The changes in the fair values of the hedged items resulting from movements in exchange rates and interest rates are offset against the changes in the value of the cross currency interest rate and interest rate swaps. The objective of this hedging is to convert foreign currency borrowings to floating rate Australian dollar borrowings.

For the consolidated entity, re-measurement of the hedged items resulted in a gain before tax of \$9.8 million (2009 \$1.7 million gain) and the changes in the fair value of the hedging instruments resulted in a loss before tax of \$12.9 million (2009 \$0.8 million loss) resulting in a net loss before tax of \$3.1 million (2009 \$0.9 million gain) recorded in finance costs.

The fair value of these swaps at 30 September 2010 was \$56.3 million (2009 \$75.3 million), comprising assets of \$93.8 million (2009 \$100.5 million) and liabilities of \$37.5 million (2009 \$25.2 million).

Derivatives not designated in a hedging relationship

Certain derivative instruments do not qualify for hedge accounting, despite being commercially valid economic hedges of the relevant risks. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement (for example, changes in the fair value of any economic hedge not qualifying for hedge accounting or in the value of vanilla bought European options used to hedge translation of foreign earnings).

Interest rate swaps

The change in fair value of swaps executed as economic hedges for which hedge accounting was not applied was a \$0.4 million loss for the financial year ending 30 September 2010 (2009 \$1.4 million loss). This relates to one interest rate swap with a notional principal amount of \$16.9 million (2009 \$29.7 million).

Fair values of derivatives

The carrying value of derivatives disclosed in notes 12 and 16 equal their fair values. Valuation techniques include where applicable, reference to prices quoted in active markets, discounted cash flow analysis, fair value of recent arm's length transactions involving the same instruments or other instruments that are substantially the same, and option pricing models.

The fair value of forward exchange contracts are calculated by reference to forward exchange market rates for contracts within similar maturity profiles at the time of valuation.

The fair values of cross currency interest rate swaps and interest rate swaps and other financial liabilities measured at fair value are determined using valuation techniques which utilise data from observable markets. Assumptions are based on market conditions existing at each balance date. The fair value is calculated as the present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived and representative of Orica's cost of borrowings.

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
30 September 2010				
Derivative financial assets	-	26.1	-	26.1
Financial liabilities designated at fair value through profit or loss	-	(282.5)	-	(282.5)
Derivative financial liabilities	-	(64.1)	-	(64.1)
	-	(320.5)	-	(320.5)
30 September 2009				
Derivative financial assets	-	45.3	-	45.3
Financial liabilities designated at fair value through profit or loss	-	(301.1)	-	(301.1)
Derivative financial liabilities	-	(98.8)	-	(98.8)
	-	(354.6)	-	(354.6)

During the current and previous year there were no transfers between the fair value hierarchy levels.

Notes to the Financial Statements

For the year ended 30 September

35. Events subsequent to balance date

In August 2010 Orica completed an issue of US \$600 million guaranteed senior fixed rate 10, 12, 15 and 20 year notes in the US Private Placement debt market. The funding occurred in October 2010.

On 8 November 2010, the directors declared a final dividend of 54 cents per ordinary share payable on 10 December 2010. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2010 and will be recognised in the 2011 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2010, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

36. Employee share plans

Employees' options entitlement

The names of persons who currently hold options in the share option plans are entered in the registers of options kept by Orica Limited pursuant to Section 170 of the Corporations Act 2001. The registers may be inspected free of charge. Options granted to and exercised by executives under SOP to the date of this report are shown below. The exercise price of options issued under SOP was set at the market value of an Orica share at the time of issue of the option. Market value is defined as the average of the closing price at which Orica shares were traded on the ASX during the three calendar months preceding the date of issue. The ability to exercise these options is conditional on Orica Limited achieving prescribed performance hurdles. All options refer to ordinary shares of Orica Limited and the options are provided at no cost to the recipient until their exercisable date. No person entitled to exercise an option in Orica Limited has, by virtue of the option, a right to participate in a share issue of any other consolidated entity of the Group. 51,600 ordinary shares were issued during the financial year as a consequence of the exercise of options issued in prior years. As at balance date, there are no unissued ordinary shares under option.

(a) Share Option Plan

The Share Option Plan (SOP) operated between 1999 and 2002. SOP is administered by the Plan Manager, Link Market Services Limited. Eligible executives, as determined by the Board, who achieved an agreed performance rating were invited to apply for options to acquire shares in Orica at a specified exercise price subject to the achievement of a performance hurdle based on Orica's Total Shareholder Return (TSR) relative to the TSR of the other companies in the ASX 100 index after three, four and five years. The proportion of options that vest and become exercisable is determined by comparing Orica's TSR with the other companies. No options vest where Orica's TSR score is below 50% of the other companies. Where the score is equal to or greater than 75% of other companies, all options granted will vest. Options that vest may be exercised for a period up to 10 years from the grant date. Pursuant to the terms on which they were granted, the exercise price of outstanding SOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

All options had vested as at 30 September 2009. Details are shown in the table below:

The options were granted in three tranches, with an exercise price and exercise period as follows:

Grant date	Options issued over plan life	Number of participants at 30 September	Options held at 30 September	Exercise price \$	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of options at grant date ⁽¹⁾ \$
As at 30 September 2010								
1 Jan 00	1,505,000	-	-	7.73	Expired	Expired	Expired	2,979,900
1 Jan 01	1,969,800	-	-	4.68	Expired	Expired	Expired	2,147,082
1 Jan 02	1,202,000	-	-	4.63	Expired	Expired	Expired	2,367,940
	4,676,800		-					7,494,922
As at 30 September 2009								
1 Jan 00	1,505,000	2	11,000	7.73	Expired	Expired	Expired	2,979,900
1 Jan 01	1,969,800	2	13,600	4.68	Expired	Expired	Expired	2,147,082
1 Jan 02	1,202,000	3	27,000	4.63	Expired	Expired	Expired	2,367,940
	4,676,800		51,600					7,494,922

⁽¹⁾ The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option \$
1 Jan 00	8.20	30%	5.0%	6.88%	1.98
1 Jan 01	5.76	30%	6.6%	5.42%	1.09
1 Jan 02	7.19	30%	5.4%	5.68%	1.97

The option valuation prepared by PWC uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2009. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option.

Notes to the Financial Statements

For the year ended 30 September

36. Employee share plans (continued)

(b) Employee Share Plan

The Employee Share Plan (ESP) operated between 1987 and 2002. The ESP is administered by Link Market Services Limited. Eligible employees, as determined by the Board, were invited to purchase shares in Orica funded by the provision of an interest free loan repayable over ten years. The balance of loans receivable from employees participating in the ESP at 30 September 2010 was \$0.1 million (2009 \$0.1 million).

Grant date	Date shares become unrestricted	Number of participants 2010	Number of participants 2009	Average issue price \$	Shares held at 30 September 2010	Shares held at 30 September 2009
Pre 1 Oct 2001	-	10	48	-	3,500	17,400
31 Dec 01	31 Dec 11	1	1	7.32	400	400
05 Jul 02	05 Jul 12	25	43	9.48	11,300	18,400
					15,200	36,200

(c) (i) General Employee Exempt Share Plan - Australia

The General Employee Exempt Share Plan (GEESP) has operated since 1998. It is administered by the Plan Manager, Link Market Services Limited. Invitations are made to eligible employees as determined by the Board on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market;
- employees are each entitled to acquire shares with a market value of approximately \$1,000 per year;
- employees salary sacrifice the value of the shares by equal twelve monthly deductions since the date of acquisition;
- employees who leave the consolidated entity must salary sacrifice any remaining amount prior to departure; and
- employees cannot dispose of the shares for a period of three years from date of acquisition or until they leave their employment with the consolidated entity, whichever occurs first.

Grant date	Date shares become unrestricted	Number of participants at 30 September 2010	Number of participants at 30 September 2009	Shares held at 30 September 2010	Shares held at 30 September 2009
2 Jul 07	2 Jul 10	-	1,467	-	48,411
1 Jul 08	1 Jul 11	1,165	1,749	39,610	59,466
8 Jan 10	8 Jan 13	1,234	-	46,892	-
				86,502	107,877

No invitations were made to employees in 2009.

(c) (ii) General Employee Exempt Share Plan - New Zealand

A separate GEESP has operated for New Zealand employees since 1999. It is administered internally. Invitations are made to eligible employees as determined by the Board on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market;
- employees are each entitled to acquire shares with a market value of approximately NZ\$780 per year;
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 September the following year;
- employees who leave the consolidated entity because of redundancy, retirement or sickness, have the option to salary sacrifice any remaining amounts prior to departure, if they wish to retain their shares;
- employees who leave the consolidated entity because of resignation, will be paid the market value of the shares in proportion to their contributions to date; and
- employees cannot dispose of the shares for a period of three years from date of acquisition or until they leave their employment with the consolidated entity and they are entitled to retain their shares, whichever occurs first.

Grant date	Date shares become unrestricted	Number of participants at 30 September 2010	Number of participants at 30 September 2009	Shares held at 30 September 2010	Shares held at 30 September 2009
1 Oct 03	30 Sept 06	7	14	392	784
1 Oct 04	30 Sept 07	13	27	533	1,107
1 Oct 05	30 Sept 08	20	52	700	1,820
1 Oct 06	30 Sept 09	33	80	1,023	2,480
1 Oct 07	30 Sept 10	53	99	1,219	2,277
1 Oct 08	30 Sept 11	69	143	1,932	4,004
1 Oct 09	30 Sept 12	72	-	1,872	-
				7,671	12,472

Notes to the Financial Statements

For the year ended 30 September

37. Related party disclosures

(a) Key Management Personnel compensation summary

As deemed under AASB 124 *Related Parties Disclosures*, Key Management Personnel (KMP) include non-executive directors and members of the Group Executive Team (executive directors and the most highly remunerated executives) who have authority and responsibility for planning, directing and controlling the activities of Orica. In this report, "Executive KMP" refers to Executive Key Management Personnel. Non-executive directors have had no day to day involvement in the management of the business.

A summary of the Key Management Personnel compensation is set out in the following table:

	Consolidated	
	2010 \$000	2009 \$000
Short term employee benefits	19,514.5	16,289.6
Other long term benefits	201.9	1,852.1
Post employment benefits	291.6	269.9
Share-based payments	4,689.9	3,432.8
Termination benefits	-	1,421.8
	24,697.9	23,266.2

Information regarding individual directors and executives compensation and some equity instruments disclosure as permitted by Corporation Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

(b) Key Management Personnel's transactions in shares and options

The relevant interests of Key Management Personnel in the share capital of the consolidated entity are:

As at 30 September 2010	Balance 1 October 2009	Acquired ⁽¹⁾	Net change other ⁽²⁾	Fully paid ordinary shares held at 30 September 2010 ⁽³⁾
Non-Executive Directors				
P J Duncan	15,936	-	-	15,936
M E Beckett	72,690	2,846	-	75,536
R R Caplan	2,412	340	-	2,752
I Cockerill	-	-	-	-
G A Hounsell	15,540	598	-	16,138
Lim C O	-	-	-	-
N L Scheinkestel	15,626	1,201	-	16,827
M Tilley	6,329	-	-	6,329
Former				
D P Mercer *	26,154	-	-	26,154
P M Kirby *	27,259	-	-	27,259
	181,946	4,985	-	186,931

* Closing balance is at cessation of directorship.

As at 30 September 2010	Balance 1 October 2009	Acquired ⁽¹⁾	Net change other ⁽²⁾	Fully paid ordinary shares held at 30 September 2010 ⁽³⁾	Options for fully paid ordinary shares held at 30 September 2010 ⁽⁴⁾
Executive KMP					
G R Liebelt **	615,058	181,110	(156,620)	639,548	888,807
N A Meehan	49,483	43,466	(38,000)	54,949	185,113
J Beevers	2,250	35,703	(33,203)	4,750	165,805
C B Elkington	-	44,501	(44,501)	-	105,131
A J P Larke **	32,331	57,955	(90,286)	-	148,549
P McEwan	-	-	-	-	74,154
M Reich **	-	-	-	-	121,007
G J Witcombe	143,535	41,232	(41,232)	143,535	146,742
Former					
P W Houlihan***	5,098	10,349	(15,447)	-	114,172
	847,755	414,316	(419,289)	842,782	1,949,480

** In addition, as at 30 September 2010 the following Executive KMP hold Orica Step-Up Preference securities: M Reich 6,410, A J P Larke 3,000, G R Liebelt 427.

*** Departed from Orica Limited as result of DuluxGroup demerger. Closing balance is at cessation of employment with Orica.

Notes to the Financial Statements

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37. Related party disclosures (continued)

As at 30 September 2009	Balance 1 October 2008	Acquired ⁽¹⁾	Net change other ⁽²⁾	Fully paid ordinary shares held at 30 September 2009 ⁽³⁾
Non-Executive Directors				
D P Mercer	26,154	-	-	26,154
M E Beckett	68,755	3,935	-	72,690
R R Caplan	2,325	87	-	2,412
P J Duncan	15,936	-	-	15,936
G A Hounsell	14,936	829	(225)	15,540
P M Kirby	27,259	-	-	27,259
N L Scheinkestel	12,657	2,969	-	15,626
M Tilley	6,329	-	-	6,329
Former				
C M Walter *	13,035	437	-	13,472
	187,386	8,257	(225)	195,418

* Closing balance is at cessation of directorship.

As at 30 September 2009	Balance 1 October 2008	Acquired ⁽¹⁾	Net change other ⁽²⁾	Fully paid ordinary shares held at 30 September 2009 ⁽³⁾	Options for fully paid ordinary shares held at 30 September 2009 ⁽⁴⁾
Executive KMP					
G R Liebelt ****	615,058	-	-	615,058	784,621
N A Meehan	49,483	-	-	49,483	169,536
J Beevers	-	2,250	-	2,250	144,828
C B Elkington	-	-	-	-	116,001
P W Houlihan	5,098	-	-	5,098	87,243
A J P Larke ****	32,331	-	-	32,331	159,906
P McEwan	-	-	-	-	40,580
M Reich ****	-	-	-	-	84,649
G J Witcombe	143,535	-	-	143,535	141,376
Former					
P G Etienne	-	-	-	-	179,563
	845,505	2,250	-	847,755	1,908,303

**** In addition, as at 30 September 2009 the following Executive KMP hold Orica Step-Up Preference securities: M Reich 6,400, A J P Larke 3,000, G R Liebelt 427.

⁽¹⁾ Includes purchase and exercise of options by Executive KMP and shares acquired through the Dividend Reinvestment Plan (DRP) by Non-Executive directors and Executive KMP.

⁽²⁾ Net change other includes changes resulting from sales during the year by Non-Executive directors and Executive KMP.

⁽³⁾ Includes trust shares for Executive KMP under the LTEIP scheme.

⁽⁴⁾ These interests include shares acquired under a loan agreement. A general description of these agreements (LTEIP) is provided in the Remuneration Report. Under AASB 2 Share-based Payment, LTEIP plans are deemed to be option plans for compensation purposes and the amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised. The LTEIP for November 2006 was deemed to vest at grant date whilst the LTEIP from November 2006 onwards vests after three years.

(c) Controlled entities

Interests in subsidiaries are set out in note 39.

(d) Transactions with controlled entities

Transactions between Orica and entities in the Group during the year included:

- Interest revenue received and paid by Orica for money deposited with or borrowed from Orica Finance Limited;
- Dividend revenue received by Orica;

All the above transactions with controlled entities are made on normal commercial terms and conditions and in the ordinary course of business.

	2010 \$m	2009 \$m
Interest revenue/(expense) received and paid by Orica for money deposited with or borrowed from Orica Finance Limited	34.1	(1.4)
Dividend revenue received by Orica	337.5	289.1

Notes to the Financial Statements

For the year ended 30 September

37. Related party disclosures (continued)

(e) Transactions with other related parties

All transactions with other related parties are made on normal commercial terms and conditions and in the ordinary course of business. Transactions during the year with associates were:

	2010	2009
	\$m	\$m
Sales of goods to associates	221.8	247.9
Purchases of goods from associates	55.8	71.0
Dividend income received from associates	28.9	66.6

Additional related party disclosures

Additional relevant related party disclosures are shown throughout the notes to the financial statements as follows:

Dividend income	note 3
Financial income and expenses	note 4
Trade and other receivables	note 8
Investments	note 11, 39
Trade and other payables	note 16
Interest bearing liabilities	note 17
Options	note 21

38. Superannuation commitments

(a) Superannuation plans

The consolidated entity contributes to a number of superannuation plans that exist to provide benefits for employees and their dependants on retirement, disability or death. The superannuation plans cover company sponsored plans, other qualifying plans and multi-employer industry/union plans.

Company sponsored plans

- The principal benefits are pensions or lump sum payments for members on resignation, retirement, disability or death. The benefits are provided on either a defined benefit basis or a defined contribution basis.
- Employee contribution rates are either fixed by the rules of the plans or selected by members from time to time from a specified range of rates. The employer entities contribute the balance of the cost required to fund the defined benefits or, in the case of defined contribution plans, the amounts required by the rules of the plan.
- The contributions made by the employer entities to defined contribution plans are in accordance with the requirements of the governing rules of such plans or are required under law.

Government plans

- Some controlled entities participate in government plans on behalf of certain employees, which provide pension benefits. There exists a legally enforceable obligation on employer entities to contribute as required by legislation.

Industry plans

- Some controlled entities participate in industry plans on behalf of certain employees.
- These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement, disability or death.
- The employer entities have a legally enforceable obligation to contribute a regular amount for each employee member of these plans.
- The employer entities have no other legal liability to contribute to the plans.

(b) Defined contribution pension plans

The consolidated entity contributes to several defined contribution pension plans on behalf of its employees. The amount recognised as an expense for the financial year ended 30 September 2010 was \$36.0 million (2009 \$31.8 million).

Notes to the Financial Statements

For the year ended 30 September

38. Superannuation commitments (continued)

(c) Defined benefit pension plans

The consolidated entity participates in several local and overseas defined benefit post-employment plans that provide benefits to employees upon retirement. Plan funding is carried out in accordance with the requirements of trust deeds and the advice of actuaries. During the year, the consolidated entity made employer contributions of \$33.6 million (2009 \$38.5 million) to defined benefit plans. The Group's external actuaries have forecast total employer contributions to defined benefit plans of \$30.0 million for 2011.

(c) (i) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	2010 \$m	2009 \$m
Present value of the funded defined benefit obligations	548.0	638.9
Present value of unfunded defined benefit obligations	83.8	76.8
Fair value of defined benefit plan assets	(439.0)	(545.8)
Deficit	192.8	169.9
Restriction on assets recognised	4.9	2.9
Net liability in the balance sheet	197.7	172.8
Amounts in balance sheet:		
Liabilities	198.7	173.1
Assets	(1.0)	(0.3)
Net liability recognised in balance sheet at end of year	197.7	172.8

(c) (ii) Categories of plan assets

The major categories of plan assets are as follows:

	2010 \$m	2009 \$m
Cash and net current assets	27.0	66.7
Equity instruments	202.5	241.9
Fixed interest securities	148.3	142.9
Property	35.9	58.8
Other assets	25.3	35.5
	439.0	545.8

(c) (iii) Reconciliations

	2010 \$m	2009 \$m
Reconciliation of present value of the defined benefit obligations:		
Balance at the beginning of the year	715.7	788.2
Current service cost	16.6	21.2
Interest cost	37.2	42.3
Actuarial (gains)/losses	56.6	(32.8)
Contributions by plan participants	5.4	6.2
Benefits paid	(40.2)	(64.3)
Distributions	-	(5.3)
Settlements/curtailments	(134.3)	(0.6)
Exchange differences on foreign funds	(25.2)	(39.2)
Balance at the end of the year	631.8	715.7
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	545.8	613.4
Expected return on plan assets	35.2	42.1
Actuarial (losses)/gains	(8.4)	(61.4)
Contributions by plan participants	5.4	6.2
Contributions by employer	33.6	38.5
Benefits paid	(40.2)	(64.3)
Distributions	-	(5.3)
Settlements/curtailments	(118.7)	-
Exchange differences on foreign funds	(13.7)	(23.4)
Balance at the end of the year	439.0	545.8

The fair value of plan assets does not include any amounts relating to the consolidated entity's own financial instruments, property occupied by, or other assets used by, the consolidated entity.

Notes to the Financial Statements

For the year ended 30 September

38. Superannuation commitments (continued)

(c) (iv) Amounts recognised in the income statement

The amounts recognised in the income statement are as follows:

	2010 \$m	2009 \$m
Current service cost	16.6	21.2
Interest cost	37.2	42.3
Expected return on plan assets	(35.2)	(42.1)
Curtailment or settlement gains (see note 28)	(15.6)	(0.6)
Total included in employee benefits expense	<u>3.0</u>	<u>20.8</u>

(c) (v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2010	2009
Discount rate	3.40% - 11.00%	4.20% - 10.77%
Expected return on plan assets	5.70% - 11.15%	5.70% - 11.60%
Future salary increases	2.25% - 8.00%	2.50% - 8.00%
Future inflation	1.75% - 4.50%	2.00% - 4.50%
Future pension increases	2.00% - 4.50%	1.70% - 4.50%
Healthcare cost trend rates (ultimate)	4.40% - 5.00%	4.80% - 5.00%
Pension increases in deferment	1.75% - 4.50%	1.70% - 4.50%

A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase \$m	One percentage point decrease \$m
Effect on the aggregate of the service cost and interest cost	0.3	(0.2)
Effect on the defined benefit obligation	3.2	(2.6)

(c) (vi) Historic summary

Amounts for the current and previous periods are as follows:

	2010 \$m	2009 \$m	2008 \$m	2007 \$m	2006 \$m
Defined benefit plan obligation	631.8	715.7	788.2	772.6	746.1
Plan assets	(439.0)	(545.8)	(613.4)	(635.3)	(589.7)
Restriction on assets recognised	4.9	2.9	3.7	-	-
Deficit	<u>197.7</u>	<u>172.8</u>	<u>178.5</u>	<u>137.3</u>	<u>156.4</u>
Experience adjustments arising on plan liabilities	8.8	(7.5)	(16.6)	26.7	(0.3)
Experience adjustments arising on plan assets	(8.4)	(61.4)	(67.4)	32.5	14.2
Actual return on plan assets	26.8	(19.2)	(22.4)	73.1	53.2

(c) (vii) Amounts included in the statement of comprehensive income

	2010 \$m	2009 \$m
Net actuarial losses	(65.0)	(28.6)
Change in the effect of asset ceiling	2.0	0.7
Total losses recognised via the Statement of Comprehensive Income	<u>(67.0)</u>	<u>(27.9)</u>
Tax credit on total losses recognised via the Statement of Comprehensive Income	20.0	8.9
Total losses after tax recognised via the Statement of Comprehensive Income	<u>(47.0)</u>	<u>(19.0)</u>

The consolidated entity has elected under AASB 119 *Employee Benefits*, to recognise all actuarial gains/losses in the Statement of Comprehensive Income. The cumulative amount of net actuarial losses/gains (before tax) included in the Statement of Comprehensive Income as at 30 September 2010 is \$99.2 million - loss (2009 \$34.2 million - loss).

Notes to the Financial Statements

For the year ended 30 September

38. Superannuation commitments (continued)

(c) (viii) Expected rate of return on assets assumption

The overall expected rate of return on assets assumption is determined by weighting the expected long-term rate of return for each asset class by the target allocation of plan assets to each class. The rates of return used for each class are net of investment tax and investment fees.

(c) (ix) Surplus/(deficit) for major defined benefit plans

30 September 2010	Accrued Benefits	Fund Assets	Accrued (deficit)/surplus	Current contribution recommendation	Discount rate	Expected return on plan assets	Future salary increases
Plan	\$m	\$m	\$m		%	%	%
The Flexible Benefits Super Fund ^(2a)	283.2	242.8	(40.4)	13.0% of salaries	4.70	7.25	3.75
Pension Plan for Employees of Orica Canada Inc ^(2b)	89.8	67.7	(22.1)	Set in accordance with local annual funding requirements	5.75	7.00	3.50
Post Retirement Benefits (Canada) ^(2c)	17.0	-	(17.0)	Based on benefit payments	5.75	n/a	n/a
Orica Pension Scheme (UK) ^(2b)	35.3	25.4	(9.9)	20.8% of pensionable earnings	5.35	7.20	3.20
Dyno Nobel Sweden AB ^(2d)	37.2	-	(37.2)	Based on benefit payments	3.50	n/a	3.50
Nitro Consult AB (Sweden) ^(2d)	11.5	-	(11.5)	Based on benefit payments	3.50	n/a	3.50
Dyno DNE (Norway) ^(2e)	34.7	20.7	(14.0)	Insurance premiums	3.40	5.70	4.00
Dyno Defence (Norway) ^(2e)	5.2	4.5	(0.7)	Insurance premiums	3.40	5.70	4.00
Dynea HK (Norway) ^(2e)	9.7	4.6	(5.1)	Insurance premiums	3.40	5.70	4.00
Orica New Zealand Ltd Retirement Plan ^(2b)	24.5	18.5	(6.0)	15.5% of salaries	3.90	6.40	3.50
Orica USA Inc. Retirement Income Plan ^(2b)	22.8	15.4	(7.4)	Set in accordance with local annual funding requirements	5.50	8.25	n/a
Minova USA Retirement Plans ^(2b)	16.8	10.8	(6.0)	Set in accordance with local annual funding requirements	5.50	8.00	n/a
Orica's Benefit Plan (Brazil) ^(2b)	15.0	19.8	4.8	Set in accordance with local annual funding requirements	11.00	11.15	6.59
Other ⁽¹⁾	29.1	8.8	(20.3)	Various	Various	Various	Various
	631.8	439.0	(192.8)				
Restriction on assets recognised			(4.9)				
			(197.7)				

30 September 2009	Accrued Benefits	Fund Assets	Accrued (deficit)/surplus	Current contribution recommendation	Discount rate	Expected return on plan assets	Future salary increases
Plan	\$m	\$m	\$m		%	%	%
The Flexible Benefits Super Fund ^(2a)	388.5	351.3	(37.2)	13.0% of salaries	4.90	7.25	3.25
Pension Plan for Employees of Orica Canada Inc ^(2b)	67.3	62.3	(5.0)	Set in accordance with local annual funding requirements	7.25	7.00	3.25
Post Retirement Benefits (Canada) ^(2c)	11.9	-	(11.9)	Based on benefit payments	7.25	n/a	n/a
Orica Pension Scheme (UK) ^(2b)	32.6	23.3	(9.3)	20.8% of pensionable earnings	6.00	7.40	3.80
Dyno Nobel Sweden AB ^(2d)	36.0	-	(36.0)	Based on benefit payments	4.25	n/a	3.50
Nitro Consult AB (Sweden) ^(2d)	9.3	-	(9.3)	Based on benefit payments	4.25	n/a	3.50
Dyno DNE (Norway) ^(2e)	37.7	23.2	(14.5)	Insurance premiums	4.20	5.80	3.75
Dyno Defence (Norway) ^(2e)	6.5	5.1	(1.4)	Insurance premiums	4.20	5.80	3.75
Dynea HK (Norway) ^(2e)	10.8	5.3	(5.5)	Insurance premiums	4.20	5.80	3.75
Orica New Zealand Ltd Retirement Plan ^(2b)	31.1	24.2	(6.9)	15.5% of salaries	4.40	6.30	3.50
Orica USA Inc. Retirement Income Plan ^(2b)	22.4	14.8	(7.6)	Set in accordance with local annual funding requirements	6.25	8.00	n/a
Minova USA Retirement Plans ^(2b)	16.7	10.0	(6.7)	Set in accordance with local annual funding requirements	6.25	8.00	n/a
Orica's Benefit Plan (Brazil) ^(2b)	15.7	18.3	2.6	Set in accordance with local annual funding requirements	10.77	10.95	6.59
Other ⁽¹⁾	29.2	8.0	(21.2)	Various	Various	Various	Various
	715.7	545.8	(169.9)				
Restriction on assets recognised			(2.9)				
			(172.8)				

Notes to the Financial Statements

For the year ended 30 September

38. Superannuation commitments (continued)

⁽¹⁾ Other international plans comprise the following:

- Dyno Nobel HK (Norway)
- Dyno Nobel Retirement Plan (Philippines)
- Dyno Nobel Retirement Plans (Mexico)
- Eurodyn (Europe)
- Excess Plan (Canada)
- High Income Earners Arrangement (Canada)
- Indian Explosives Limited Employees Management Staff Superannuation
- Indian Explosives Limited Employees Superannuation Fund
- Indian Explosives Limited Gratuity Fund
- Indian Explosives Limited Management Staff Leave Encashment Scheme
- Indian Explosives Limited Management Staff Pension (DB) Fund
- Indian Explosives Limited Non-Management Staff Leave Encashment Scheme
- International Pension Plan (Canada & Australia)
- Jubilee (Europe)
- Minova Carbotech Pension Plans (Germany)
- Minova Holding Pension Plans (Germany)
- Old Age Part-time Program (Incentives for Early Retirement) (Europe)
- Orica Europe GmbH & Co. KG
- Orica Germany
- Orica USA Inc. Retiree Medical Plan
- Philippine Explosives Corporation Factory Workers Retirement Plan
- Philippine Explosives Corporation Monthly-Paid Employees Retirement Plan
- Self-insured Long-Term Disability (LTD) plan (Canada)

⁽²⁾ The major defined benefit plans of the consolidated entity are categorised as follows:

- (a) Funded lump sum retirement benefits based on final average pensionable earnings;
- (b) Funded pension retirement benefits based on final average pensionable earnings;
- (c) Post retirement life, dental and medical coverage;
- (d) Unfunded pension retirement benefits based on final average pensionable earnings; and
- (e) Arrangements for each Norway entity are a combination of funded and unfunded pension benefits based on final average pensionable earnings.

Notes to the Financial Statements

For the year ended 30 September

39. Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2009 and 2010:

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Company			
Orica Limited			
Controlled Entities			
ACF and Shirleys Pty Ltd (g)		Dulux Holdings (PNG) Limited (formerly Orica Papua New Guinea Limited) (i)	Papua New Guinea
Active Chemicals Chile S.A.	Chile	Dyno Consult AS	Norway
Alaska Pacific Powder Company (b)	Canada	Dyno NitroMed AD	Bulgaria
Altona Properties Pty Ltd (g)		Dyno Nobel AS	Norway
Aminova International Limited (b)	Hong Kong	Dyno Nobel Latin America S.A. (d)	Peru
Ammonium Nitrate Development and Production Limited	Thailand	Dyno Nobel Nitrogen AB (d)	Sweden
Anbao Insurance Pte Ltd	Singapore	Dyno Nobel Slovakia a.s. (d)	Slovakia
Andean Mining & Chemicals Limited	Jersey	Dyno Nobel Sweden AB	Sweden
Arboleda S.A.	Panama	Dyno Nobel VH Company LLC	USA
ASA Organizacion Industrial S.A. de C.V.	Mexico	Dyno Nobel Zambia Limited	Zambia
Australian Fertilizers Pty Ltd (g)		D.C. Guelich Explosive Company	USA
Bamle Mekaniske Industri AS	Norway	Eastern Nitrogen Pty Ltd (g)	
Barbara Limited	UK	Emerald Holdings Company S.A. (d)	Colombia
Beijing Ruichy Minova Synthetic Material Company Limited	China	Emirates Explosives LLC	United Arab Emirates
Brasex Participacoes Ltda	Brazil	Emrick & Hill., Inc (b)	Canada
Bronson and Jacobs (H.K.) Limited	Hong Kong	Engineering Polymers Pty Ltd (g)	
Bronson and Jacobs (Shanghai) International Trading Co. Ltd	China	Eurodyn Sprengmittel GmbH	Germany
Bronson & Jacobs (GZFTZ) Ltd	China	Explosivos de Mexico S.A. de C.V.	Mexico
Bronson & Jacobs International Co. Ltd	Thailand	Explosivos Mexicanos S.A. de C.V.	Mexico
Bronson & Jacobs (Malaysia) Sdn Bhd	Malaysia	FA Sig Pty Limited (d)	
Bronson & Jacobs Pty Ltd		Fortune Properties (Alrode) (Pty) Limited (f)	South Africa
Bronson & Jacobs (S.E. Asia) Pte Limited	Singapore	FS Resin (Pty) Limited (f)	South Africa
BST Manufacturing, Inc.	USA	Geobolt s.r.o. (e)	Czech Republic
BXL Bulk Explosives Limited (b)	Canada	GeoNitro Limited	Georgia
Carbo Tech Australia Pty Limited (d)		Ground Consolidation Pty Limited (d)	
Carbo Tech Australia Cement Investments Pty Limited (f)		Hallowell Manufacturing LLC	USA
Carbo Tech Polonia Sp. z o.o.	Poland	Hebben & Fischbach Chemietechnik GmbH	Germany
Chemnet Pty Limited (g)		Hunan Orica Nanling Civil Explosives Co., Ltd	China
CJSC (ZAO) Carbo-Zakk	Russia	Indian Explosives Limited	India
Curasalus Insurance Pty Ltd		Industry Project Consultants Pty Ltd (formerly A.C.N. 133 404 261 Pty Ltd) (g)	
Cyantific Instruments Pty Ltd (g)		Initiating Explosives Systems Pty Ltd (a)	
Dansel Business Corporation (b)	Panama	Intermountain West Energy, Inc.	USA
Deco-Pro China Limited (d)	Hong Kong	International Project Advisors Pty Ltd (formerly Orica CP Australia Pty Ltd) (g)	
DGL International (Hong Kong) Limited (formerly Orica Hong Kong Limited) (i)	Hong Kong	Jiangsu Orica Banqiao Mining Machinery Company Limited (b)	China
DGL International (Malaysia) Sdn. Bhd. (formerly Orica Malaysia Sdn Bhd) (i)	Malaysia	Joplin Manufacturing Inc.	USA
DGL International (Singapore) Pte. Ltd (formerly OPEL Chemical (Singapore) Private Limited) (i)	Singapore	LLC Orica Logistics	Russia
DuluxGroup Limited (formerly Orica CP Limited) (i)		Marplex Australia (Holdings) Pty Ltd	
DuluxGroup (Australia) Pty Ltd (formerly Selleys Pty Limited) (h) (i)		Marplex Australia Pty Ltd	
DuluxGroup (Employee Share Plans) Pty Ltd (c) (i)		Mineria, Explosivos y Servicios, S.A. (b)	Panama
DuluxGroup (Finance) Pty Ltd (formerly Orica CP Finance Pty Ltd) (i)		Mining Concepts Pty Limited (f)	
DuluxGroup (Investments) Pty Ltd (formerly Orica CP Investments Pty Ltd) (i)		Minova AG	Switzerland
DuluxGroup (New Zealand) Pty Ltd (formerly Orica CP Holdings Pty Ltd) (i)		Minova Arnall Sp. z o.o.	Poland
DuluxGroup (PNG) Pte. Ltd (formerly Orica Consumer Products Singapore Pte Ltd) (i)	Singapore	Minova Asia Pacific Ltd	Taiwan
Dulux Holdings Pty Ltd (i)		Minova Australia Pty Ltd	
		Minova Bohemia s.r.o.	Czech Republic
		Minova (Botswana) (Proprietary) Limited	Botswana
		Minova BWZ GmbH	Germany
		(formerly BWZ Berg - und Industrietechnik GmbH)	
		Minova CarboTech GmbH	Germany
		Minova Carbotech Tunnelling Engineering (Shanghai) Company Limited (c)	China
		Minova Codiv S.L.	Spain
		Minova Ekochem S.A.	Poland
		Minova GmbH	Austria
		Minova Holding GmbH	Germany

Notes to the Financial Statements

For the year ended 30 September

39. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Minova Holding Inc	USA	Orica Colombia S.A.	Colombia
Minova International Limited	UK	Orica Czech Republic s.r.o.	Czech Republic
Minova Ksante Sp. z o.o.	Poland	Orica Denmark A/S	Denmark
Minova MineTek Private Limited	India	Orica Dominicana S.A.	Dominican Republic
Minova Mining Services SA (b)	Chile		
Minova Nordic AB	Sweden	Orica Eesti OU	Estonia
Minova Operations (QLD) Pty Limited (f)		Orica Europe FT Pty Ltd (g)	
Minova Romania S.R.L.	Romania	Orica Europe Investments Pty Ltd (g)	
Minova Ukraina OOO	Ukraine	Orica Europe Management GmbH	Germany
Minova USA Inc	USA	Orica Europe Pty Ltd & Co KG	Germany
Minova Weldgrip Limited (formerly Minova UK Limited)	UK	Orica Explosives Holdings Pty Ltd	
Mintun Australia Pty Ltd		Orica Explosives Holdings No 2 Pty Ltd	
Mintun 1 Limited	UK	Orica Explosives Holdings No 3 Pty Ltd (g)	
Mintun 2 Limited	UK	Orica Explosives Research Pty Ltd (g)	
Mintun 3 Limited	UK	Orica Explosives Technology Pty Ltd	
Mintun 4 Limited	UK	Orica Explosives (Thailand) Co Ltd	Thailand
MMTT Limited	UK	Orica Explosivos Industriales, S.A.	Spain
Nitedals Krudtvaerk AS	Norway	Orica Export Inc.	USA
Nitro Asia Company Inc.	Philippines	Orica Fiji Ltd	Fiji
Nitro Consult AB	Sweden	Orica Finance Limited	
Nitroamonia de Mexico S.A de C.V.	Mexico	Orica Finance Trust	
Nobel Industrier AS	Norway	Orica Finland OY (c)	Finland
Nordenfjeldske Spraengstof AS	Norway	Orica GEESP Pty Ltd (g)	
Northern Explosives Limited (b)	Canada	Orica Germany GmbH	Germany
Northwest Energetic Services LLC	USA	Orica Ghana Limited	Ghana
Nutnim 1 Limited	UK	Orica Grace US Holdings Inc.	USA
Nutnim 2 Limited	UK	Orica Holdings Pty Ltd (g)	
OOO Minova	Russia	Orica IC Assets Holdings Limited Partnership	
OOO Minova TPS	Russia	Orica IC Assets Pty Ltd	
Orica-CCM Energy Systems Sdn Bhd	Malaysia	Orica IC Investments Pty Ltd (g)	
Orica-GM Holdings Ltd	UK	Orica International IP Holdings Inc.	USA
Orica Advanced Water Technologies Pty Ltd (d)		Orica International Pte Ltd	Singapore
Orica Argentina S.A.I.C.	Argentina	Orica Investments (Indonesia) Pty Limited (g)	
Orica Australia Pty Ltd (a)		Orica Investments (NZ) Limited	NZ
Orica Australia Securities Pty Ltd (g)		Orica Investments (Thailand) Pty Limited (g)	
Orica Blast & Quarry Surveys Ltd	UK	Orica Investments Pty Ltd (a)	
Orica Bolivia S.A. (formerly Dyno Nobel Bolivia S.A.)	Bolivia	Orica Japan Co. Ltd	Japan
Orica Brasil Ltda	Brazil	Orica Kazakhstan Joint Stock Company	Kazakhstan
Orica Brasil Produtos Quimicos Ltda	Brazil	Orica Logistics Canada Inc. (c)	Canada
Orica Caledonie SAS	New Caledonia	Orica Mining Services (Hong Kong) Ltd	Hong Kong
Orica Canada Inc	Canada	Orica Mining Services Peru S.A. (formerly Dyno Nobel Samex S.A.)	Peru
Orica Canada Investments ULC (c)	Canada	Orica Mining Services (PNG) Limited	Papua New Guinea
Orica Caribe, S.A.	Panama	Orica Mining Services (Thailand) Limited	Thailand
(formerly Orica Panama, S.A.)		Orica Mining Services (Thailand) Limited (formerly Dyno Nobel (Thailand) Limited)	
Orica Centroamerica S.A.	Costa Rica	Orica Mongolia LLC	Mongolia
Orica Chemicals Argentina S.A.	Argentina	Orica Nelson Quarry Services Inc.	USA
Orica Chemicals Chile S.A.	Chile	Orica Netherlands Finance B.V.	Holland
Orica Chemicals Colombia S.A.S.	Colombia	Orica New Zealand Finance Limited	NZ
Orica Chemicals Peru S.A.C.	Peru	Orica New Zealand Ltd	NZ
Orica Chile Distribution S.A. (formerly Dyno Nobel Chile S.A.)	Chile	Orica New Zealand Securities Limited	NZ
Orica Chile S.A.	Chile	Orica New Zealand Superfunds Securities Ltd	NZ
Orica CIS CJSC (formerly CJSC Dyno Nobel Russia)	Russia	Orica Nitrates Philippines Inc	Philippines
Orica Clarendon NZ Limited	New Zealand	Orica Nitratos Peru S.A.	Peru
Orica Clarendon Pty Ltd (g)		Orica Nitro Patlayici Maddeler Sanayi ve Ticaret Anonim Sirketi	Turkey
Orica Coatings (Shanghai) Company Limited (i)	China	Orica Nitrogen LLC	USA
Orica Coatings (Shenzhen) Co., Ltd (i)	China	Orica Nominees Pty Ltd (g)	
		Orica Norway Holdings AS	Norway
		Orica Peru S.A.	Peru

Notes to the Financial Statements

For the year ended 30 September

39. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Orica Philippines Inc	Philippines	Project Grace	UK
Orica Poland Sp. z.o.o.	Poland	(formerly Project Grace Limited)	
Orica Securities (UK) Limited	UK	PT Baktijala Kencana Citra	Indonesia
Orica Servicos de Mineracao Ltda (formerly Dyno Nobel Brasil Ltda)	Brazil	PT Kalimantan Mining Services	Indonesia
Orica Share Plan Pty Limited (g)		PT Kaltim Nitrate Indonesia	Indonesia
Orica Singapore Pte Ltd	Singapore	PT Orica Mining Services	Indonesia
Orica Slovakia s.r.o.	Slovakia	Retec Pty Ltd (g)	
Orica South Africa (Proprietary) Limited	South Africa	Rui Jade International Limited (b)	Hong Kong
Orica St. Petersburg LLC	Russia	Sarkem Pty Ltd (g)	
Orica Sweden Holdings AB	Sweden	Southern Blasting Services, Inc.	USA
Orica Tanzania Limited	Tanzania	Sprengmittelvertrieb in Bayern GmbH	Germany
Orica UK Limited	UK	Sprengstoff-Verwertungs GmbH	Germany
Orica US Holdings General Partnership	USA	Stratabolt Products (Pty) Limited (f)	South Africa
Orica USA Inc.	USA	Stratabolt (Pty) Limited	South Africa
Orica U.S. Services Inc.	USA	Taian Ruichy Minova Ground Control Technology Co., Ltd	China
Orica Venezuela C.A.	Venezuela	Taiko Trucking Inc. (c)	Canada
Orica Watercare Inc.	USA	Tec Harseim Do Brazil Ltda	Brazil
Orica (Weihai) Explosives Co Ltd	China	Tecrete Industries Pty Limited (f)	
Oricorp Comercial S.A. de C.V.	Mexico	Teradoran Pty Ltd (g)	
Oricorp Mexico S.A. de C.V.	Mexico	TOO "Minova Kasachstan"	Kazakhstan
Oricorp Servicios S.A. de C.V.	Mexico	Ventmine Pty Limited (f)	
Penlon Proprietary Limited (g)		White Lightning Holding Co Inc	Philippines
Project Grace Holdings (formerly Project Grace Holdings Limited)	UK	Willich Fosroc Technika Gornicza i Budowlana Sp. z o.o. (e)	Poland
Project Grace Incorporated	USA	Yukon Explosives Limited (b)	Canada

(a) These controlled entities have each entered into a Deed of Cross Guarantee with Orica in respect of relief granted from specific accounting and financial reporting requirements in accordance with the ASIC Class Order 98/1418.

(b) Acquired in 2010.

(c) Incorporated in 2010.

(d) In liquidation.

(e) Liquidated in 2010.

(f) Dissolved in 2010.

(g) Small proprietary company - no separate statutory accounts are prepared.

(h) Left Deed of Cross Guarantee with Orica Limited in 2010.

(i) Demerged in 2010.

Notes to the Financial Statements

For the year ended 30 September

Closed Group
2010 2009
\$m \$m

40. Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 dated 13 August 1998 (as amended), are disclosed in note 39. A consolidated income statement and consolidated balance sheet for this closed group is shown below.

Summarised balance sheet

Current assets

Cash and cash equivalents	2,101.2	2,463.5
Trade and other receivables	327.7	455.5
Inventories	130.7	226.3
Other assets	22.9	10.8
Total current assets	2,582.5	3,156.1

Non-current assets

Trade and other receivables	-	101.6
Investments accounted for using the equity method	1.3	1.7
Other financial assets	3,408.9	3,369.0
Property, plant and equipment	884.1	1,042.2
Intangible assets	75.4	169.5
Deferred tax assets	163.0	161.6
Other assets	0.1	0.4
Total non-current assets	4,532.8	4,846.0
Total assets	7,115.3	8,002.1

Current liabilities

Trade and other payables	518.2	531.9
Interest bearing liabilities	745.8	1,257.8
Current tax liabilities	22.1	24.4
Provisions	217.1	164.0
Total current liabilities	1,503.2	1,978.1

Non-current liabilities

Trade and other payables	65.7	64.2
Interest bearing liabilities	2,287.4	2,530.2
Deferred tax liabilities	96.5	89.2
Provisions	144.2	168.4
Total non-current liabilities	2,593.8	2,852.0
Total liabilities	4,097.0	4,830.1
Net assets	3,018.3	3,172.0

Equity

Ordinary shares	1,709.1	1,865.6
Reserves	345.5	332.0
Retained profits	473.7	484.4
Total equity attributable to ordinary shareholders of Orica	2,528.3	2,682.0
Equity attributable to Step-Up Preference Securities holders	490.0	490.0
Total equity	3,018.3	3,172.0

Summarised income statement and retained profits

Profit before income tax expense	1,320.5	384.5
Income tax expense	(141.1)	(46.3)
Profit from operations	1,179.4	338.2
Retained profits at the beginning of the year	484.4	734.9
Retained profits of companies leaving the Deed	(84.2)	(213.5)
Actuarial losses recognised directly in equity	(17.3)	(6.6)
Dividends/distributions:		
Step-Up Preference Securities distributions	(25.9)	(37.5)
Less tax credit on Step-Up Preference Securities distributions	9.7	9.4
DuluxGroup demerger dividend	(721.9)	-
Ordinary dividends – interim	(146.8)	(142.5)
Ordinary dividends – final	(203.7)	(198.0)
Retained profits at the end of the year	473.7	484.4

Directors' Declaration

I, Peter John Benedict Duncan, being a director of Orica Limited, do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

- (a) the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 29 to 126, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 September 2010 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the controlled entities identified in note 39 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Executive Director Finance for the financial year ended 30 September 2010.

The directors draw attention to note 1 (ii) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.



P J B Duncan
Chairman

Dated at Melbourne this 8th day of November 2010.

Auditor's Report

For the year ended 30 September 2010

Independent auditor's report to the members of Orica Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising Orica Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated balance sheet as at 30 September 2010, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 40 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Report

For the year ended 30 September 2010

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 September 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 29 to 43 of the directors' report for the year ended 30 September 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Orica Limited for the year ended 30 September 2010, complies with Section 300A of the *Corporations Act 2001*.



KPMG



Gordon Sangster
Partner

Dated at Melbourne this 8th day of November 2010.

Shareholders' Statistics

As at 12 October 2010

Distribution of ordinary shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	41,384	63.91%	17,235,286	4.76%
1,001	–	5,000	20,486	31.63%	41,813,180	11.55%
5,001	–	10,000	1,904	2.94%	12,996,415	3.59%
10,001	–	100,000	900	1.39%	17,865,105	4.93%
100,001 and over			84	0.13%	272,190,444	75.17%
Total			64,758	100.00%	362,100,430	100.00%

Included in the above total are 1,950 shareholders holding less than a marketable parcel of 19 shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 68.83% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
HSBC Custody Nominees (Australia) Limited	64,531,391	17.82%
J P Morgan Nominees Australia Limited	62,386,353	17.23%
National Nominees Limited	51,860,932	14.32%
Citicorp Nominees Pty Limited	19,652,946	5.43%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	13,789,478	3.81%
Cogent Nominees Pty Limited	9,178,506	2.53%
J P Morgan Nominees Australia Limited <CASH INCOME A/C>	5,005,657	1.38%
AMP Life Limited	2,548,808	0.70%
Australian Foundation Investment Company Limited	2,509,072	0.69%
Argo Investments Limited	2,064,698	0.57%
Perpetual Trustee Company Limited	1,904,848	0.53%
Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 4 A/C>	1,886,364	0.52%
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	1,851,174	0.51%
Citicorp Nominees Pty Limited <CFS WSLE GEARED SHR FND A/C>	1,791,038	0.49%
Tasman Asset Management Ltd <TYNDALL AUSTRALIAN SHARE WHOLESALE PORT. A/C>	1,784,415	0.49%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	1,634,467	0.45%
UBS Wealth Management Australia Nominees Pty Ltd	1,548,407	0.43%
Queensland Investment Corporation	1,209,236	0.33%
RBC Dexia Investor Services Australia Nominees Pty Ltd <PISELECT A/C>	1,142,533	0.32%
Australian United Investment Company Limited	1,000,000	0.28%
Total	249,280,323	68.83%

Register of substantial shareholders

The names of substantial shareholders in the company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates, are as follows:

18 May 2010	Perpetual Limited and Subsidiaries	31,828,290	8.81%
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Shareholders' Statistics

As at 12 October 2010

Distribution of Orica Step-Up Preference Securities shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	3,329	90.23%	935,180	18.70%
1,001	–	5,000	295	8.00%	577,032	11.54%
5,001	–	10,000	29	0.79%	219,697	4.39%
10,001	–	100,000	29	0.79%	1,049,841	21.00%
100,001 and over			7	0.19%	2,218,250	44.37%
Total			3,689	100.00%	5,000,000	100.00%

Included in the above total is nil shareholder holding less than a marketable parcel of 5 shares.

The holdings of the 20 largest holders of the Orica Step-Up Preference Securities represent 60.69% of that class of shares.

Twenty largest Orica Step-Up Preference securities shareholders

	Shares	% of total
J P Morgan Nominees Australia Limited	1,269,158	25.38%
Citicorp Nominees Pty Limited	218,050	4.36%
HSBC Custody Nominees (Australia) Limited	186,883	3.74%
Cogent Nominees Pty Limited <SMP ACCOUNTS>	152,364	3.05%
National Nominees Limited	146,028	2.92%
M F Custodians Ltd	136,732	2.73%
UBS Nominees Pty Ltd	109,035	2.18%
Buttonwood Nominees Pty Ltd	100,000	2.00%
Avanteos Investments Limited <ENCIRCLE IMA A/C>	98,699	1.97%
UBS Wealth Management Australia Nominees Pty Ltd	96,980	1.94%
Queensland Investment Corporation	94,460	1.89%
RBC Dexia Investor Services Australia Nominees Pty Limited <GSENI A/C>	74,371	1.49%
Brispot Nominees Pty Ltd <HOUSE HEAD NOMINEE NO 1 A/C>	66,750	1.34%
RBC Dexia Investor Services Australia Nominees Pty Limited MLC1	60,097	1.20%
UCA Cash Management Fund Ltd	50,000	1.00%
RBC Dexia Investor Services Australia Nominees Pty Limited <PICREDIT A/C>	46,500	0.93%
RBC Dexia Investor Services Australia Nominees Pty Ltd <PISELECT A/C>	38,581	0.77%
Flight Centre Limited	32,150	0.64%
ANZ Nominees Limited <CASH INCOME A/C>	30,450	0.61%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	27,500	0.55%
Total	3,034,788	60.69%

Voting rights

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

- (a) on a show of hands, one vote only; and
- (b) on a poll, one vote for every fully paid ordinary share held.

No voting rights attach to the Orica Step-Up Preference Securities except as defined in the Constitution.

Ten Year Financial Statistics

Orica consolidated		2010 \$m	2009 \$m
Sales		6,539.3	7,411.0
Earnings before depreciation, amortisation, net borrowing costs and tax		1,340.9	1,330.2
Depreciation and amortisation (excluding goodwill)		(239.5)	(247.7)
Goodwill amortisation		-	-
Earnings before net borrowing costs and tax (EBIT)		1,101.4	1,082.5
Net borrowing costs		(127.6)	(133.5)
Individually material items before tax		715.6	(139.6)
Taxation expense		(334.7)	(228.0)
Minority interests		(36.0)	(39.6)
Profit/(loss) after tax and individually material items		1,318.7	541.8
Individually material items after tax attributable to members of Orica		642.9	(104.3)
Profit after tax before individually material items (net of tax)		675.8	646.1
Dividends/distributions		1,098.3	378.0
Current assets		1,841.2	1,994.4
Property, plant and equipment		2,235.2	2,075.0
Investments		162.6	168.3
Intangibles		2,510.9	2,756.5
Other non-current assets		239.5	360.0
Total assets		6,989.4	7,354.2
Current borrowings and payables		1,257.9	1,316.9
Current provisions		343.4	298.8
Non current borrowings and payables		1,262.7	1,279.8
Non current provisions		492.8	485.9
Total liabilities		3,356.8	3,381.4
Net assets		3,632.6	3,972.8
Equity attributable to ordinary shareholders of Orica		3,032.7	3,370.7
Equity attributable to Step-Up Preference Securities holders		490.0	490.0
Equity attributable to minority interests		109.9	112.1
Total shareholders' equity		3,632.6	3,972.8
Number of ordinary shares on issue at year end	millions	362.1	360.0
Weighted average number of ordinary shares on issue	millions	355.5	353.9
Basic earnings per ordinary share			
before individually material items	cents	185.6	174.6
including individually material items	cents	366.4	145.2
Dividends per ordinary share	cents	95.0	97.0
Dividend franking	%	73.7	35.1
Dividend yield (based on year end share price)	%	3.7	4.1
Closing share price range – High		\$27.75	\$24.15
Low		\$21.95	\$11.30
Year end		\$25.71	\$23.50
Stockmarket capitalisation at year end	\$m	9,310.0	8,459.0
Net tangible assets per share	\$	1.44	1.71
Profit margin (earnings before net borrowing costs and tax/sales)	%	16.8	14.6
Net debt		1,051.6	1,094.5
Gearing (net debt/net debt plus equity)	%	22.4	21.6
Interest cover (EBIT and tax/net borrowing costs excluding capitalised interest)	times	7.5	7.8
Net capital expenditure on plant and equipment (Cash Flow)		(517.3)	(345.6)
Capital expenditure on acquisitions (Cash Flow)		(162.1)	(107.3)
Return on average shareholders' funds			
before individually material items	%	18.3	16.0
including individually material items	%	35.7	13.4

Note: Income statements prior to 2005 and balance sheets prior to 2004 are stated under accounting standards used prior to the adoption of International Financial Reporting Standards.

Ten Year Financial Statistics

2008 \$m	2007 \$m	2006 \$m	2005 \$m	2004 \$m	2003 \$m	2002 \$m	2001 \$m
6,544.1	5,527.2	5,359.2	5,126.7	4,610.5	3,958.6	4,085.2	4,041.9
1,188.8	995.9	814.6	741.3	724.2	617.5	581.8	349.7
(218.7)	(183.2)	(156.9)	(140.4)	(137.7)	(155.1)	(161.3)	(161.2)
-	-	-	-	(33.2)	(20.1)	(10.5)	(14.1)
970.1	812.7	657.7	600.9	553.3	442.3	410.0	174.4
(157.7)	(122.6)	(92.2)	(102.5)	(72.3)	(60.7)	(59.5)	(64.0)
(41.6)	(22.3)	70.8	(187.7)	(46.6)	(208.7)	(48.1)	(280.4)
(203.5)	(154.4)	(74.9)	(88.8)	(80.9)	(59.3)	(72.5)	(36.6)
(27.7)	(25.7)	(22.3)	(13.6)	(25.7)	(12.9)	(16.3)	13.9
539.6	487.7	539.1	208.3	327.8	100.7	213.6	(192.7)
(32.7)	(10.1)	158.8	(131.6)	2.2	(169.6)	(25.5)	(255.0)
572.3	497.8	380.3	339.9	325.6	270.3	239.1	62.3
326.0	303.7	207.1	190.6	156.6	50.0	122.9	44.3
2,458.2	1,955.2	2,479.7	1,781.6	1,699.6	1,282.6	1,270.3	1,433.9
2,052.3	1,742.9	1,603.1	1,593.7	1,514.4	1,436.8	1,414.1	1,621.4
209.3	125.6	125.9	49.1	48.4	86.4	234.2	244.2
3,012.6	2,055.5	1,141.3	634.3	588.3	441.7	135.5	155.0
275.4	335.2	362.8	252.5	335.2	307.8	311.1	276.0
8,007.8	6,214.4	5,712.8	4,311.2	4,185.9	3,555.3	3,365.2	3,730.5
1,777.8	1,625.4	981.0	958.9	1,165.4	683.3	640.0	887.4
301.8	332.3	319.1	218.7	215.1	169.6	248.2	303.8
1,107.2	1,098.6	1,272.5	1,287.2	755.7	812.7	727.8	869.2
502.6	530.5	472.0	326.9	510.3	309.2	255.1	267.4
3,689.4	3,586.8	3,044.6	2,791.7	2,646.5	1,974.8	1,871.1	2,327.8
4,318.4	2,627.6	2,668.2	1,519.5	1,539.4	1,580.5	1,494.1	1,402.7
3,731.5	2,076.7	2,126.6	1,327.9	1,334.5	1,384.9	1,373.0	1,283.2
490.0	490.0	490.0	-	-	-	-	-
96.9	60.9	51.6	191.6	204.9	195.6	121.1	119.5
4,318.4	2,627.6	2,668.2	1,519.5	1,539.4	1,580.5	1,494.1	1,402.7
359.2	307.9	309.2	273.1	270.1	277.6	279.1	277.3
320.0	306.3	300.8	272.8	273.5	277.9	278.0	275.9
170.0	149.5	126.4	124.6	119.0	97.2	86.0	22.5
159.8	146.3	179.2	76.3	119.8	36.2	76.8	(70.0)
94.0	89.0	74.0	71.0	68.0	52.0	44.0	16.0
36.2	34.8	40.5	32.4	41.2	21.1	34.0	100.0
4.5	3.0	3.3	3.4	3.9	4.3	4.6	3.7
\$32.18	\$33.90	\$26.45	\$21.55	\$17.55	\$12.47	\$9.85	\$6.08
\$20.95	\$21.78	\$17.78	\$14.32	\$11.92	\$8.15	\$4.22	\$4.04
\$20.95	\$30.10	\$22.47	\$21.00	\$17.30	\$12.00	\$9.52	\$4.34
7,525.2	9,268.2	6,948.1	5,735.2	4,672.0	3,331.2	2,656.9	1,203.3
2.00	0.07	3.19	2.53	2.76	3.40	4.43	4.07
14.8	14.7	12.3	11.7	12.0	11.2	10.0	4.3
1,020.5	1,305.7	302.1	1,112.1	977.3	877.0	679.7	984.1
19.1	33.2	10.2	42.3	38.8	35.7	31.3	41.2
6.1	6.6	7.1	5.9	7.7	7.3	6.9	2.7
(394.8)	(280.9)	(329.2)	(234.9)	(126.9)	(43.6)	(15.3)	(213.8)
(866.2)	(917.7)	(875.6)	(59.2)	(253.9)	(415.7)	(1.3)	(131.7)
16.9	19.2	19.3	25.5	23.9	19.6	18.0	4.5
15.9	18.8	27.3	15.6	24.1	7.3	16.1	(13.8)

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

10.30AM THURSDAY, 16 DECEMBER 2010
TOURING HALL, MELBOURNE MUSEUM,
11 NICHOLSON STREET, CARLTON

STOCK EXCHANGE LISTING

Orica's shares are listed on the Australian Securities Exchange (ASX) and are traded under the code ORI and ORIPB.

ORICA SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street,
Sydney NSW 2000
Locked Bag A14
Sydney South, NSW, 1235

Telephone: 1300 301 253
(for callers within Australia)
International: +61 2 8280 7111
Facsimile: +61 2 9287 0303

Email:
registrars@linkmarketservices.com.au
Website:
www.linkmarketservices.com.au/orica

TAX AND DIVIDEND PAYMENTS

For Australian registered shareholders who have not quoted their Tax File Number (TFN) or Australian Business Number (ABN), the company is obliged to deduct tax at the top marginal rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already quoted your TFN/ABN, you may do so by contacting the Share Registrar or by registering your TFN/ABN at Orica's website at: www.orica.com/registry to access the shareholder information page.

DIVIDEND PAYMENTS

Your dividends will be paid in Australian dollars by cheque, mailed to the address recorded on the share register. Why not have us bank your dividend payments for you? How would you like to have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Dividends paid by direct credit appear in your account as cleared funds, thus allowing you to access them on payment date. You may elect to receive your dividends by way of direct credit by completing an application form available, by contacting the Share Registrar or, enter the details at Orica's website at www.orica.com/registry.

Shareholders should be aware that any cheques that remain uncashed for more than twelve months from a dividend payment are required to be handed over to the State Revenue Office Victoria under the *Unclaimed Money Act*. Shareholders are encouraged to cash cheques promptly or to have their dividends directly deposited into their bank accounts.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan (DRP) enables Orica's fully paid ordinary shareholders having a registered address or being resident in Australia or New Zealand to reinvest all or part of their dividends in additional Orica fully paid ordinary shares. Applications are available from the Share Registrar.

CONSOLIDATION OF MULTIPLE HOLDINGS

If you have multiple issuer sponsored holdings that you wish to consolidate into a single account, please notify the Share Registrar in writing, quoting your full registered names and Securityholder Reference Number (SRN) for these accounts and nominating the account to which the holdings are to be consolidated.

CHANGE OF NAME AND/OR ADDRESS

For issuer-sponsored holdings: please notify the Share Registrar in writing if you change your name and/or address (please supply details of your new/previous name, your new/previous address and your SRN), or change the details online at Orica's website at www.orica.com/registry.

For CHES/broker sponsored holdings: please notify your broker in writing if you change your name and/or address.

SHARE ENQUIRIES

Shareholders seeking information about their shareholding or dividends should contact Orica's Share Registrar, Link Market Services Limited. Contact details are above. Callers within Australia can obtain information on their investments with Orica by calling the InvestorLine on 1300 301 253. This is a 24 hour, seven days a week service. Before you call, make sure you have your SRN or Holder Identification Number (HIN) handy. You can do so much more online via the internet, visit Orica's website: www.orica.com/registry. Access a wide variety of holding information, make some changes online or download forms. You can:

- Check your current and previous holding balances.
- Choose your preferred annual report options.
- Update your address details.
- Update your bank details.
- Confirm whether you have lodged your TFN or ABN exemption.
- Register your TFN/ABN.
- Check transaction and dividend history.
- Enter your email address.
- Check the share prices and graphs.
- Download a variety of instruction forms.
- Subscribe to email announcements.
- You can access this information via a security login using your SRN or HIN as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

ORICA COMMUNICATIONS

Orica's website www.orica.com offers shareholders details of the latest share price, announcements to the ASX, investor and analyst presentations, webcasts and the Chairman's and Managing Director's AGM addresses. The website also provides further information about the company and offers insights into Orica's businesses.

Orica's printed communications include the Annual Report and the Business Overview report.

We can now provide electronic dividend statements, notices of meeting and proxy forms.

Electronic transmission enhances shareholder communication, results in significant cost savings for the company and is more environmentally friendly.

Shareholders wishing to receive all communications electronically should visit the Orica website www.orica.com/registry to register their preference.

Shareholders may elect to receive a copy of the Annual Report or notification by email when the Annual Report is available online at www.orica.com. If you do not make an Annual Report election you will not receive a copy of the Annual Report. If you wish to change your Annual Report election, please contact the Share Registrar or visit Orica's website www.orica.com/registry.

Copies of reports are available on request.

Telephone: +61 3 9665 7111
Facsimile: +61 3 9665 7937
Email: companyinfo@orica.com

The Sustainability Report is now available online on the Orica website www.orica.com/sustainability. It provides a review of the company's performance in the twelve months to 30 September.

AUDITORS

KPMG

ORICA LIMITED

ABN 24 004 145 868

Registered address and head office:
Level 3, 1 Nicholson Street
East Melbourne, Victoria 3002
Australia

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Melbourne, Victoria 3001

Telephone: +61 3 9665 7111

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Email: companyinfo@orica.com

Website: www.orica.com

INVESTOR RELATIONS

Telephone: +61 3 9665 7111

Email: companyinfo@orica.com

SHAREHOLDER TIMETABLE*

31 MARCH 2011	ORICA HALF YEAR END
2 MAY 2011	HALF YEAR PROFIT AND INTERIM DIVIDEND ANNOUNCED
16 MAY 2011	BOOKS CLOSE FOR STEP-UP PREFERENCE DISTRIBUTION
31 MAY 2011	STEP-UP PREFERENCE DISTRIBUTION PAID
1 JUNE 2011	BOOKS CLOSE FOR 2011 INTERIM ORDINARY DIVIDEND
1 JULY 2011	INTERIM ORDINARY DIVIDEND PAID
30 SEPTEMBER	2011 ORICA YEAR END
7 NOVEMBER 2011	FULL YEAR PROFIT AND FINAL DIVIDEND ANNOUNCED
15 NOVEMBER 2011	BOOKS CLOSE FOR STEP-UP PREFERENCE DISTRIBUTION
18 NOVEMBER 2010	BOOKS CLOSE FOR 2011 FINAL ORDINARY DIVIDEND
30 NOVEMBER 2011	STEP-UP PREFERENCE DISTRIBUTION PAID
9 DECEMBER 2011	FINAL ORDINARY DIVIDEND PAID
15 DECEMBER 2011	ANNUAL GENERAL MEETING 2011

* Timing of events is subject to change



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