STRATEGY DELIVERS

ANNUAL REPORT 2011

CONTENTS

ORICA LIMITED
ABN 24 004 145 868

ABOUT ORICA

ORICA MINING SERVICES

The world's largest supplier of commercial explosives, blasting systems and blast-based services to the mining, quarrying and infrastructure sections.

MINOVA

A leading manufacturer and supplier of chemical-based consumables, bolts, equipment, accessories and services for ground consolidation, roof support, ventilation and water control to the underground mining, tunnelling and civil construction markets.

ORICA CHEMICALS

A leading global supplier of sodium cyanide for use in gold extraction, and Australia and New Zealand's largest supplier of chemical products to the mining and water treatment sectors, as well as other industrial markets.

CORE PURPOSE

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

Orica has a performance-based culture driven by personal accountability for delivering results; a culture that rewards success. It is underpinned by its core purpose which drives what we do.

Clever solutions – Orica adds value for our customers through product and service innovation.

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

Harness natural resources – the industries Orica works with focus on making the most of natural resources. These include not only mining and infrastructure, but also industries such as agriculture and water treatment.

Improve people's lives – the ultimate outcome of Orica's activities is to help our customers improve people's lives, whether through the generation of electricity or through the manufacture of products. We are committed to sustainability and the communities in which we operate, as well as the creation of value for our employees and shareholders.

BUSINESS STRATEGY AND EXECUTION

Orica's core strategy is to be the global leader in the provision of high service critical consumables to the mining, construction and infrastructure markets, leveraged to long-term increases in production and development volumes.

Orica's strategic positioning within the mining sector has allowed the Company to maintain a strong position despite continued global economic uncertainty. The mining and processing segments of the commodities value chain on which Orica focuses are largely influenced by production volumes which tend to demonstrate low volatility, even at times of economic slow-down.

Our businesses are, therefore, well positioned to weather variable market conditions, an outcome demonstrated by our solid financial performance and ability to deliver a decade of underlying profit growth.

Orica focuses on four criteria which guide our success and growth:

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

CULTURE – DELIVER THE PROMISE

Orica's employees are guided in how they deliver the core purpose by the Deliver the Promise principles. These principles empower and motivate Orica's people to achieve long-term, sustainable results.

The four Deliver the Promise principles are:

Safety, Health and Environment – Ensuring our Future
No injuries to anyone ever. Value people and the environment

Commercial Ownership
Run the business as if it's your own – Act responsibly and ethically

Clever Customer Solutions
Think differently, deliver swiftly and capture the value

Working Together
Success through collaboration

CHAIRMAN'S REPORT

It has been another year of global economic uncertainty and, in this difficult environment, I am very pleased to report that your Company has continued its strong financial performance, with Orica now having achieved a decade of underlying profit growth.

Net profit after tax before individually material items from continuing operations was up 4 percent to $642 million compared to $619 million in 2010. The Board is pleased to declare a final dividend of 53 cents per ordinary share, which will be fully franked.

Orica continues its drive to become more international. We continually work to take advantage of the opportunities presented in existing markets and in developing countries, and more than half of the business is now conducted outside Australia. Our ownership is also increasingly international with non-Australian shareholders accounting for almost a third of the total. We welcome this and recognise our responsibilities to all owners – either individuals or via superannuation funds.

Over the past decade, Orica has systematically aligned itself with the mining and infrastructure industries, resulting in a business that is now 90 percent focused on the delivery of products and services to these growth sectors. The success of this strategy is reflected in the strength of the balance sheet and our financial performance. Orica's gearing is at a conservative 26.6 percent, up from 22.4 percent in the previous corresponding period. Interest cover is a healthy 6.4 times.

It could be argued that the world economy has not seen such ongoing instability and uncertainty since the 1930s, and indications are that this situation will continue, at least in the short term. The strong demand for resources from growth economies, such as India and China, has helped Australia retain its relative strength, and our alignment to mining has allowed us to do the same.

Our challenge is to take advantage of the many opportunities this industry offers, while retaining the strength of the balance sheet. We have taken a conservative and measured approach and we will continue to do so. This includes making difficult choices, maintaining financial discipline in assessing capital projects, as well as actively raising capital when required.

A key to taking advantage of the many opportunities for growth is to leverage the diversity of talent in Orica. As we become more international, we continue to make progress on diversity within the management ranks and at the Board level. We have set ourselves aspirational goals, including significant internationalisation of senior management with more than 20 percent being women. The details of the progress we have made can be found in the corporate governance statement.

Orica continues to address legacy issues at its sites. The largest legacy site is in Botany, Australia. It was disappointing to have the shipments of hexachlorobenzene (HCB) to Denmark for destruction cancelled by the Danish Government in December 2010. The HCB is continuing to be stored in a safe manner under licensed conditions while we explore alternative options for safe destruction.

Also at the Botany site, a Mercury Remediation project has been halted due to unsatisfactory results from the pilot soil washing program. In conjunction with the regulatory authorities we are assessing alternative approaches to managing the contamination, and in the meantime, the area continues to be enclosed within a sealed shed to contain any vapours.

At Orica, we aspire to no injuries to anyone, ever, and to cause no harm to people and the environment. The incident at Kooragang Island in August of this year was, therefore, a major disappointment to the Board and the Company. We have expressed deep regret for the incident and support for the outcomes of the independent reviews that have been undertaken in its wake. We are working to address the learnings from the investigations and to rebuild the trust of the local community. While it may be little consolation to a justifiably concerned community, the incident resulted in no health impacts and no long-term damage to the environment.

Orica has had a year of solid performance against a backdrop of some difficult conditions and I believe that it is the strength of our people that makes the difference. It is not only the Board and management that believe this – our people believe it as well. An Employee Engagement Survey has provided employees with a means to express their views and they have done so enthusiastically. There was an 86 percent response rate to this year's survey with an overall engagement score of 68 percent against an industry norm of 64 percent. I think these figures speak for themselves.

I would like to thank the Orica management and our more than 14,000 employees for another year of dedicated performance. The Board believes that the strategy that has delivered a decade of underlying profit growth will continue to serve us well and we look forward to the coming year.

P J B Duncan
Chairman

MANAGING DIRECTOR'S REPORT

In July 2010, Orica took a critical step to increase its focus on the mining and infrastructure sectors, with the demerger of DuluxGroup. Following the demerger, the business is approximately 90 percent oriented to the provision of high service, critical consumables to the mining and infrastructure sectors. The success of this strategy has been demonstrated by the delivery of Orica's tenth year of record underlying profit growth.

We are now starting to see some of the significant investments in growing manufacturing capacity come to fruition. During the year we saw the completion of the uprate to increase sodium cyanide capacity at Yarwun and the completion of the Kooragang Island ammonia plant uprate, the commissioning of which is expected in the first half of 2012.

The ammonium nitrate plant in Bontang, Indonesia is now being commissioned and will reach full production in 2012. This project has been a highlight for Orica, having achieved an outstanding safety record during its construction and serving as an example of the benefits of utilising local suppliers and employing local people.

Investments include a further uprate of Kooragang Island, with planning underway for expansion of the ammonium nitrate plant to take total capacity to 750ktpa. In Nanling, China, although it is behind schedule, work on the fully integrated electric detonator facility continues, with commissioning expected late in the 2012 calendar year.

Also in the pipeline are the Company's first bulk ammonium nitrate emulsion plant in the Pilbara region at Port Hedland, Australia, and an ammonium nitrate plant in Peru.

Our businesses have generally performed well under some mixed conditions. Orica Mining Services (OMS) delivered a solid result with EBIT up 6 percent to $817 million. This outcome reflects stronger volumes and pricing, and productivity benefits, offsetting the adverse impacts from a plant shutdown. OMS also achieved solid growth in Electronic Blasting Systems, with sales volumes up 19 percent.

Minova has experienced a very difficult year due to heightened competitor activity and increased input costs, particularly in North America, Poland and other areas of Europe; volumes in China were disappointing and the strong Australian exchange rate has caused adverse translation variances. The division achieved an EBIT of $105 million, down 29 percent from the previous corresponding period. While this is a disappointing result, we believe the changes made this year will result in improvement in Minova's performance in the coming year.

Orica Chemicals achieved a record result with EBIT of $196 million. Sales in Mining Chemicals were up 6 percent and volumes in the remainder of the Chemicals business improved. The opening of a new emulsifier raw material plant at Deer Park, Australia will improve Orica Chemical's global competitiveness in the specialty emulsifier business. The momentum will be carried forward into the next year, particularly in Mining Chemicals where the benefit of the uprate of the cyanide plant at Yarwun will be apparent in 2012.

Safety and the environment are two of Orica's highest priorities. We aspire to 'no injuries to anyone, ever' and to cause 'no harm to people and the environment'. Each breach of safety or environmental standards is reported to the Board and is investigated fully to understand the causes.

Sadly, there was one fatality and another employee was seriously injured in a road traffic accident in Ningxia, China. A full investigation was conducted into the incident.

In 2011, the Company achieved its best ever safety outcome with its All Worker Recordable Case Rate at a world-class 0.47 injuries per 200,000 hours worked. In sustainability, as part of the Challenge 2010 program, we reduced greenhouse gas emissions per tonne of production from 1.31 tonnes of CO_2 equivalent in 2004 to 0.64 in 2010 – an improvement of over 50 percent – as well as improving energy efficiency by 17 percent compared to the 2004 baseline. In the same period, water usage per tonne of production was reduced by 35 percent. This year we have achieved a further reduction in our greenhouse gas emissions per tonne of production of approximately 15 percent and a reduction in water consumption per tonne of production of around 20 percent.

As governments around the world move to put in place measures to impact on climate change, such as Australia's Clean Energy Future legislation, Orica is working to adapt to the additional requirements these regulations will bring. Opportunities to improve the environmental performance of existing manufacturing facilities are being examined, while world-class plant design and operating standards are applied to new facilities. We regret the incident at Kooragang Island, Australia in August which occurred in a restart of the ammonia plant and we are determined to minimise the chances of such incidents occurring at any of our plants in the future.

Orica's core purpose is to provide 'Clever solutions to help our customers harness natural resources to improve people's lives'. Central to this are the Company's technology programs.

In OMS, the technology program has been developing novel blasting techniques, utilising advancements in the range of bulk explosives and Electronic Blasting Systems, to deliver greater productivity, safety and environmental outcomes to our customers. Orica has significant investment in research and development, both in our own facilities and via collaborative research and development arrangements with over a dozen universities and research bodies internationally, including a five-year, $25 million partnership with the Australian Commonwealth Scientific and Industrial Research Organisation.

The management team would like to extend a special thanks to all our employees. Their dedication and commitment has been at the core of the Company's continued success in the face of some very challenging circumstances during the year. While global economic conditions remain uncertain, the general outlook for our businesses remains positive and we believe that Orica is well positioned to continue to deliver strong returns to shareholders.

Graeme Liebelt
Managing Director & CEO

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Statutory net profit after tax and individually material items for the year ended 30 September 2011 was $642M. The previous corresponding period (pcp) including DuluxGroup (DLX) was $1.3B[1].

Net profit after tax (NPAT) and individually material items from continuing operations was $642M (pcp: $468M).

NPAT from continuing operations before individually material items was $642M, up 4% compared with the pcp of $619M.

Earnings per share[2] from continuing operations up 2% on the pcp to 173.5 cents.

FINANCIAL HIGHLIGHTS[2]

- Earnings before interest and tax from continuing operations up 2%;
- NPAT from continuing operations up 4%;
- Operating cash flows excluding DLX up 2%;
- Rolling trade working capital to sales[3] at 13.2%;
- Gearing[4] was 26.6%, up from 22.4% in the pcp;
- Interest cover was 6.4 times[5]; and
- Final ordinary dividend is 53 cents per share (cps) – franked at 53 cps.

BUSINESS HIGHLIGHTS[2]

- Improved EBIT results for most business units due to improved volumes across some markets and some improvements in pricing and productivity which more than offset a $60M adverse foreign exchange movement net of hedging benefits;
- Record result for Mining Services with EBIT up 6% to $817M, reflecting stronger volumes and some pricing and productivity benefits, which more than offset the continued shutdown of the Kooragang Island ammonia plant;
- Minova EBIT down 29% to $105M due to continued margin pressure from competitors and weak volumes in China, offset partly by stronger volumes in most regions and productivity benefits;
- Record Chemicals EBIT of $196M, 4% ahead of the pcp, reflecting improved margins and stronger demand in mining markets, offset partly by adverse foreign exchange movements and lower manufactured sodium cyanide volumes due to the planned plant shutdown at Yarwun to uprate capacity; and
- Negative first half impact of Queensland floods $21M.

OUTLOOK – 2012

- We expect Group net profit after tax (pre individually material items) in 2012 to be higher than that reported in 2011, subject to global economic conditions.

REVENUE

- Sales revenue from continuing operations of $6.2B increased by $370M (6%), driven primarily by:
  - Improved underlying demand in some market segments;
  - Some improvements in AN pricing as contracts rolled over;
  - Higher average caustic and sodium cyanide prices; and
  - Revenues from minor acquisitions.

Partly offset by:

- Unfavourable foreign exchange movements ($462M);
- Aggressive pricing competition in Minova North America and Europe; and
- Adverse weather during the first half in Australia and Asia and severe winter conditions in Europe and North America, which negatively impacted volumes.

EARNINGS BEFORE INTEREST AND TAX (EBIT)

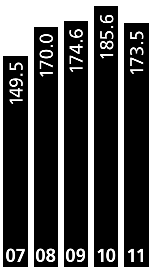
- EBIT from continuing operations increased by 2% to $1,028M (pcp: $1,009M) primarily due to:
  - Net volume and margin improvements of $132M reflecting strong underlying demand in some market segments, real price increases, stronger caustic and sodium cyanide prices and favourable product mix; and
  - Productivity and synergy improvements of $36M resulting from cost control initiatives across all business platforms.

Partly offset by:

- Unfavourable foreign exchange movements of $60M;
- Higher fixed costs of $55M, impacted by inflationary factors, higher depreciation and amortisation and plant closure costs in Mining Services;
- Unfavourable lag impact on the recovery of ammonia and AN cost increases ($17M); and
- Continued shutdown of the Kooragang Island ammonia plant ($21M).

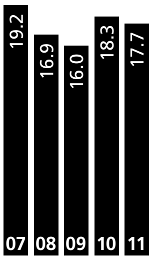
1 2010 includes the contribution from DuluxGroup (demerged 9 July 2010).
2 Before individually material items.
3 Rolling 12 month average TWC/12 month total sales – excluding DuluxGroup.
4 Net debt/(net debt + book equity).
5 Interest cover (times) net of capitalised interest is 8.3 (pcp: 8.4).

SHAREHOLDER SCORECARD*

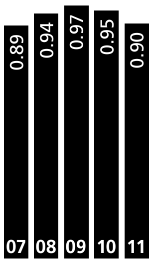


Earnings per share (c)
(Before individually material items)

Year end share price ($)

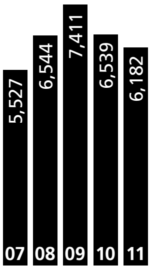


Return on shareholders funds (%)
(Including individually material items)

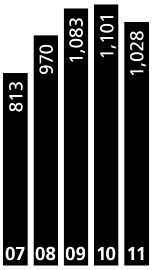


Dividends per share ($)

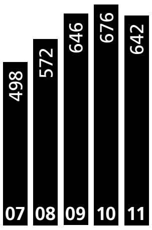
FINANCIAL SUMMARY*



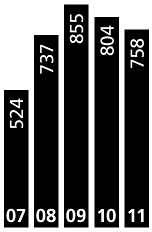
Sales ($M)



EBIT ($M)



Net profit after tax before individually material items net of tax ($M)



Cash flow from operating activities ($M)

* Not adjusted for demerger of DuluxGroup on 9 July 2010 unless otherwise stated.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

INTEREST

- Net interest expense of $124M was 3% higher than the pcp ($120M);
- Capitalised interest for the year was $37M (pcp $19M); and
- Interest cover was 6.4 times (pcp 7.3 times).

CORPORATE CENTRE AND SUPPORT COSTS

- Corporate Centre costs of $42M were in line with the pcp; and
- Other Support costs of $48M were $4M (7%) lower than the pcp, due to a lower environmental expense, insurance settlements and mark-to-market valuation of hedging options.

TAX EXPENSE

- Tax expense was $241M with an effective tax rate of 26.7% (pcp: 26.4%) from continuing operations.

NET PROFIT

- NPAT from continuing operations before individually material items increased 4% to $642M (pcp: $619M).

INDIVIDUALLY MATERIAL ITEMS

- There were no individually material items for the period (pcp: net gain of $643M).
- The pcp net gain included the profit on the DLX demerger ($794M); offset by the Pharmaceuticals tax case loss ($98M); the establishment of a provision for the remediation of mercury contamination at Botany, New South Wales ($32M); an increase in environmental provisions for hexachlorobenzene (HCB) waste disposal ($13M); and Minova integration costs ($9M).

DIVIDEND

- The directors have declared a final ordinary dividend of 53 cps – franked at 53cps;
- Adjusting for the impact of the DLX demerger[1], the final 2011 ordinary dividend represents a 1 cps increase; and
- It is anticipated that next year dividends will be partly franked at a rate of no more than 40%.

DEBT FACILITIES

- The weighted average tenor of drawn debt facilities is approximately 7.1 years;
- Total US Private Placement debt is $1.4B. USD40M is maturing in October 2012;
- Drawn debt under bilateral bank facilities and export credit agency funding was $185M and $102M respectively, with a total facility size of $2.3B;
- In July 2011, Orica refinanced $2.1B of existing bilateral bank facilities across 1,2,3,4 and 5 year maturity dates. The weighted average tenor of bilateral bank facilities is now approximately 3.1 years; and
- Average funding cost (including fees for undrawn facilities) for the period was 7.1% (pcp: 7.9%).

BALANCE SHEET

- Key balance sheet movements since September 2010 were:
  - Trade working capital (TWC) has increased by $5M from the pcp as a result of an underlying increase of $8M, and acquisitions of $8M; offset by a favourable foreign exchange impact of $11M;
  - Rolling TWC to sales[2] is comparable to 2010 at 13.2% (pcp: 13.0%);
  - Net property, plant and equipment (PP&E) is $475M up on the pcp, mainly due to spend on growth projects ($433M), sustenance capital ($230M) including $33M turnaround spend on the Kooragang Island ammonia plant, capitalised interest ($37M) and PP&E from acquired businesses ($5M). These were offset by depreciation ($188M), foreign exchange translation ($24M) and disposals ($17M). Significant growth spend since the pcp within Mining Services included Bontang ($133M), Kooragang Island ($95M) and Nanling ($29M). Chemicals spend included the Yarwun sodium cyanide uprate ($17M);
  - Intangible assets are down $6M since pcp mainly due to the impact of foreign exchange translation ($41M) and amortisation ($37M), offset by the acquisition of businesses/entities ($45M) and capital expenditure ($30M) including $19M on the global SAP upgrade;
  - Net other liabilities decreased by $125M due predominantly to environmental spend ($82M);
  - Net debt increased by $357M due to dividend payments and increased capital expenditure, offset by operating cash flows; and
  - Orica shareholders' equity increased by $232M, mainly due to increased earnings net of dividends declared and an increase in shares on issue for settlement of dividends under the Dividend Reinvestment Plan, offset by a decrease in the foreign currency translation reserve ($59M).

1 Calculated as continuing EBIT/EBIT x total dividend.
2 Rolling 12 month average TWC/12 month total sales – excluding DuluxGroup.

GEARING

- Accounting gearing[1] increased to 26.6% from 22.4% at September 2010. In accordance with accounting standards, the Orica Step-Up Preference Securities (SPS) are recognised as equity; and
- Adjusted gearing, which treats the SPS as 50% equity and 50% debt (Standard & Poor's credit rating treatment), was 31.4% (pcp 27.8%).

CASH FLOW

- Net operating cash inflows decreased by $46M to $758M, compared with the pcp mainly due to:
  - EBITDA reduction of $88M, due in part to the demerger of DLX ($107M);
  - A lower cash inflow from the movement in trade working capital of $3M ($54M pcp);
  - Increased outflows from NTWC of $17M; and
  - Reduced 'Other' cash outflows of $46M.
- Net operating cash inflows excluding DLX increased $16M.
- Net investing cash outflows increased by $68M to $766M, compared with the pcp due to:
  - Higher sustenance capital of $49M including turnaround spend at the Kooragang Island ammonia plant;
  - Increased spending on current growth capital projects of $101M, being the Bontang, Kooragang Island and Nanling projects; and
  - A reduction in spend on acquisitions of $89M from the pcp.
- Net financing cash flows increased by $59M to an inflow of $19M, mainly due to:
  - A net increase in proceeds from external borrowings of $55M (net of the debt disposed of in the DLX demerger);
  - Lower dividends paid of $25M; and
  - The pcp included an $18M outflow on shares purchased on market for Long Term Executive Incentive Plan (LTEIP) holders.

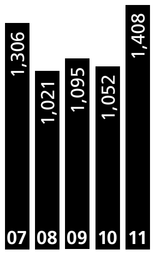
Partly offset by:

  - An additional $30M of proceeds from eligible employees for repayment of LTEIP loans in the pcp; and
  - An increase in SPS distributions paid of $6M due to a higher distribution rate.

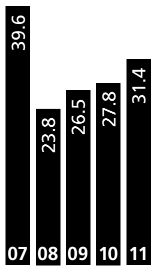
ORICA SPS

- Two distributions totalling $32M on the SPS were paid during the period;
- The distribution was unfranked and the distribution rate was calculated as the sum of the 180 day Bank Bill Swap Rate (BBSW) plus a margin of 1.35%. The distribution rate for the current period ending 29 November 2011 is 6.52% pa;
- On 13 October 2011 Orica notified holders of the SPS that it would repurchase the SPS with effect from 29 November 2011;
- The repurchase amount is $500M plus pro rata unfranked distributions and interest expense totalling $16.3M; and
- Orica will use existing bilateral bank facilities to fund the repurchase.

FINANCIAL LEVERAGE*

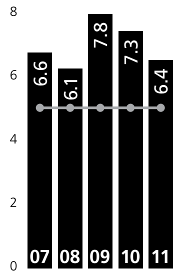


Net Debt ($M)



Adjusted Gearing (%)

(Before individually material items with Orica (SPS) treated as 50% debt and 50% equity)



Interest Cover (times)

Target >5x

1 Net debt/(net debt + equity).
* Not adjusted for demerger of DuluxGroup on 9 July 2010 unless otherwise stated.

MERGERS AND ACQUISITIONS

Orica Mining Services completed the acquisition of Titanobel Belgique S.A.(subsequently renamed as Orica Belgium S.A.) and its two subsidiaries, Cefor- Cetramin SPRL and Transmate S.A.

These companies are leading suppliers of explosives, drilling and blasting services to the Belgian quarry market.

The business also completed the acquisition of Sociedade Explosivos Civis S.A. (SEC) (subsequently renamed as Orica Mining Services Portugal S.A.), the leading supplier of explosives to the Portuguese mining and quarrying markets.

Both acquisitions strengthen Orica's presence in Western Europe and provide for expansion opportunities into French and Portuguese speaking Africa.

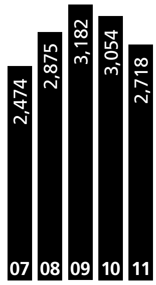
In addition, a number of further small acquisitions were undertaken throughout the world to expand Orica's presence in key markets.

BUSINESS DEVELOPMENT

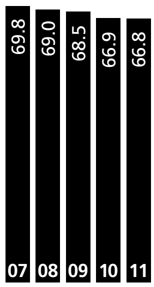
During the period, work continued on a number of growth projects, including:

- Currently commissioning the ammonium nitrate plant in Bontang, Indonesia, with initial production expected at the end of the first half of the next financial year;
- Ongoing planning and delivery for the expansion of the ammonium nitrate plant at Kooragang Island, Australia, to bring total capacity to 750ktpa;
- Continued investment in the fully integrated non-electric detonator facility at Nanling, Hunan Province, China;
- Secured town council approval in Port Hedland, Australia, to establish the first bulk emulsion plant in the Pilbara region with up to 150ktpa capacity. Commissioning is expected in the second half of 2012;
- Established ammonium nitrate supply chain into the Pilbara with Port Authority approvals for dangerous goods storage at Port Hedland and Broome;
- Commissioning of a new emulsion plant at Kurri Kurri, Australia; and
- Continued planning for an ammonium nitrate plant in Peru.

EFFICIENCY*



Gross Margin ($M)



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

Productivity (%)

* Not adjusted for demerger of DuluxGroup on 9 July 2010 unless otherwise stated.

REVIEW OF BUSINESS PERFORMANCE

ORICA MINING SERVICES

RECORD RESULT WITH EBIT UP 6% TO $817M.

HIGHLIGHTS

- Continuing strong demand conditions in coal and metals markets in North America, Australia and Latin America. Slow recovery in quarry markets in North America, Nordics, Europe, and CIS;
- AN volumes up 9% compared to the pcp, with improved conditions in most mining markets;
- Strong growth in Electronic Blasting Systems (EBS) with volumes up 19% versus the pcp;
- Improved, but more difficult, pricing environment due in part to the appreciation of the AUD;
- Continued work on productivity with benefits of $25M versus the pcp; and
- Hedging benefits mostly offset the impact of unfavourable foreign exchange movements.

BUSINESS SUMMARIES

AUSTRALIA/ASIA

- EBIT of $467M, up 7% ($31M) on the pcp, achieved mostly through improved pricing, stronger volumes in south-eastern and Western Australia and productivity benefits;
- AN volumes up 9% due to coal and metals mining demand and the strong recovery in the second half from heavy rain in north-eastern Australia during the first half. This was partly offset by ongoing rain in Indonesia;
- Continued shutdown of the Kooragang Island ammonia plant due to loss of containment;
- Negative lag in recovery of ammonia input costs; and
- Second half results included Queensland flood insurance recoveries of $15M.

NORTH AMERICA

- EBIT of $103M, down 2% ($2M) on the pcp due to the transfer of specific commercial functions to the Global Hub, offset partly by an improvement in underlying business conditions;
- Improved pricing and disciplined cost management;
- Stronger underlying demand in coal and metals markets; and
- AN volumes up 7% on the pcp.

LATIN AMERICA

- EBIT of $112M, down 6% ($7M) on the pcp due to Monclova plant closure costs (net of gains on land sales) and the transfer of specific commercial functions to the Global Hub;
- AN volumes up 14% versus pcp; and
- Steady pricing conditions and cost management in all markets.

EUROPE, MIDDLE EAST AND TURKEY (EMET)

- EBIT of $59M, down 19% ($14M) on the pcp; and
- Some improved demand in most regions offset by continued strong competition in some markets negatively impacting margins.

OTHER (GLOBAL HUB)

- EBIT of $77M, up 116% ($41M) in the pcp; as the OMS Global Hub in Singapore continues to support the drive for business optimisation, with centralisation of procurement, manufacturing, supply chain and marketing.

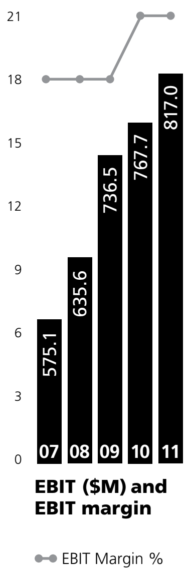
PERSPECTIVES FOR 2012

- Firm demand in Australian and Asian thermal, metallurgical coal and metals markets;
- Improved demand and pricing in coal and metals markets in North America and Latin America;
- Slow recovery in infrastructure markets in North America and Europe;
- Commissioning of Kooragang Island ammonia uprate and initial production from Bontang, Indonesia in the first half; and
- Continued firm ammonia prices.

Orica Mining Services

YEAR ENDED SEPTEMBER (A$M)	2011	2010	CHANGE F/(U)*
Sales Revenue	**3,938.0**	3,610.7	9%
EBIT	**817.0**	767.7	6%
Operating Net Assets	**3,271.1**	2,807.1	17%
EBIT:			
Australia/Asia	**466.5**	435.2	7%
North America	**102.9**	105.1	(2%)
Latin America	**111.6**	118.4	(6%)
EMET	**59.4**	73.6	(19%)
Other	**76.6**	35.4	116%

*F-favourable, (U)-Unfavourable



EBIT ($M) and EBIT margin

REVIEW OF BUSINESS PERFORMANCE

MINOVA

EBIT DOWN 29% TO $105M.

HIGHLIGHTS

- Heightened competitor activity and increased input costs negatively impacted margins in North America, Poland and other areas of Europe;
- Volumes in China negatively affected by customers experiencing favourable mining conditions;
- Strong performance from the Australian business reflecting improved volumes from coal and hard-rock mining markets;
- Solid volumes in North America due to coal market conditions;
- Efficiency programs established across all regions; and
- Foreign exchange movements negatively impacted EBIT by $22M.

BUSINESS SUMMARIES

AMERICAS

- Improved demand resulting in higher volumes of both steel and chemical products; and
- Aggressive pricing pressure in the market and higher input costs significantly impacted margins.

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

- Steady volumes continuing in Russia and strong demand from the mining sectors in Kazakhstan and Czech Republic. Lower mining volumes in Poland and parts of Western Europe (including Germany);
- Strong competition and higher input costs negatively impacted margins, particularly in Poland, Russia and Western Europe;
- Steady demand from German tunnelling, offset by generally subdued tunnelling market conditions in Western/Southern Europe;
- Strong growth in South Africa from penetration of the wider African steel market; and
- Cost efficiency programs driven in response to margin pressures.

AUSTRALIA

- Strong volume growth in the coal and hard-rock mining markets; and
- Margins positively impacted by increased sales of injection chemical products.

CHINA

- Volumes down in the second half due to favourable mining conditions reducing demand for injection chemical products;
- Competition from new market entrants placing pressure on margins; and
- Reorganised businesses to penetrate growing Asian tunnelling and civil markets.

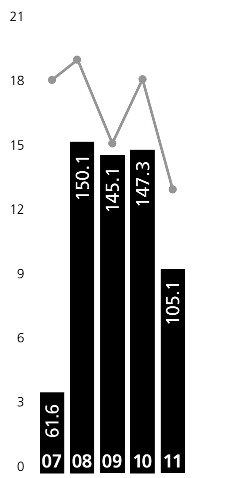
PERSPECTIVES FOR 2012

- Mining volumes expected to remain generally stable in the majority of EMEA, with some growth in Australia and to a lesser extent in North America;
- Difficult market conditions in tunnelling expected to continue in parts of Western/Southern Europe due to European economic conditions. Market penetration in Asia to gain momentum;
- Focus on margin improvement across all regions;
- Increased returns from product innovation and differentiation of market offers; and
- Continue to pursue operational efficiencies and cost reductions across all regions.

Minova

YEAR ENDED SEPTEMBER (A$M)	**2011**	2010	CHANGE F/(U)
Sales Revenue	**821.9**	835.5	(2%)
EBIT	**105.1**	147.3	(29%)
Operating Net Assets	**1,508.0**	1,519.0	(1%)

*F-favourable, (U)-Unfavourable



EBIT ($M) and EBIT margin

ORICA CHEMICALS

RECORD RESULT WITH EBIT OF $196M.

HIGHLIGHTS

- Strong demand from mining markets, particularly for sodium cyanide;
- Improved performance in general chemicals in both Australia and New Zealand;
- Growth in all market segments in Latin America;
- Higher global caustic prices resulted in improved margins for manufactured caustic;
- Disciplined cost management and delivery of productivity benefits; and
- Negative impact to EBIT from movements in foreign exchange rates ($20M).

BUSINESS SUMMARIES

GENERAL CHEMICALS

- Sales were up 6% on the pcp due mainly to higher commodity prices and volumes, although impacted by foreign exchange movements, floods in Queensland and Victoria and earthquakes in Christchurch;
- Australian trading volumes improved with strong growth in mining markets, whilst results for general chemicals were mixed;
- Latin America sales were up 16% versus the pcp, resulting from improvements in both the mining and industrial sectors;
- A good dairy season in New Zealand combined with efficiency gains resulted in improved performance; and
- Bronson and Jacobs volumes improved marginally, partially offset by the strong Australian Dollar.

WATERCARE

- Sales were up by 4% on the pcp due to higher caustic prices and additional flocculent demand following the floods in Australia, offset by lower volumes due to milder summer conditions.

MINING CHEMICALS

- Sales were up 6% on the pcp due to improved pricing. Sodium cyanide volumes in the early part of the year were lower following the planned Yarwun plant shutdown as part of the 95ktpa uprate and reduced availability of traded sodium cyanide;
- Specialty emulsions achieved record sales volumes due to higher explosives demand;
- Emulsion input costs were reduced following the installation of new raw material manufacturing capability; and
- Results were unfavourably impacted by a stronger Australian Dollar.

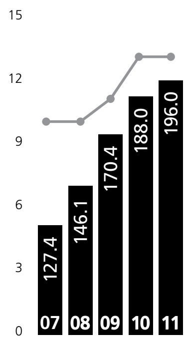
PERSPECTIVES FOR 2012

- Sodium cyanide demand expected to remain high;
- Full year benefit from Yarwun capacity uprate;
- Continued strength in mining markets in Australia, Latin America and Africa;
- Volumes in general chemicals are expected to improve across the regions; and
- Global caustic prices are currently above the long term average.

Orica Chemicals

YEAR ENDED SEPTEMBER (A$M)	2011	2010	CHANGE F/(U)
Sales Revenue	**1,510.0**	1,427.4	6%
EBIT	**196.0**	188.0	4%
Operating Net Assets	**834.9**	785.8	6%
Business Sales:			
General Chemicals	**1,018.2**	961.7	6%
Watercare	**224.6**	215.8	4%
Mining Chemicals	**313.3**	296.6	6%

*F-favourable, (U)-Unfavourable



EBIT ($M) and EBIT margin

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 A MEEHAN
BSc (Hons), FCPA

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 retiring 1 December 2011. Chairman of Endeavour Mining Corporation. Director of Northam Platinum Limited (South Africa) and Egypt Trust Limited. Former Chairman of Ashanti Gold Fields Company Limited.

GARRY 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.

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 Limited. Chairman of CRC CARE Limited. Former Chairman of the Shell Group of Companies in Australia. Former Director of Woodside Petroleum Limited.

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
Ph D, LLB (Hons), FAICD,

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 numerous companies including PaperlinX Limited, Newcrest Mining Limited, Mayne Group Ltd, Mayne Pharma Limited and North Ltd, former Chairman of South East Water Limited and the Energy 21 and Stratus Group.

Member of the Takeovers Panel and Associate Professor, Melbourne Business School. Awarded the centenary medal for services to business leadership.

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 Petmin Limited. Chairman of Hummingbird Resources Plc. Former Chief Executive Officer of Anglo Coal and Gold Fields Limited. Former executive with AngloGold Ashanti and Anglo American 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 International Adviser to Singbridge Private Limited. Former member of the Singaporean parliament and served as Political Secretary in the Ministry of Science and Technology.

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), FCPA
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 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
Chief Executive Officer, Minova

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 Orica Mining Services.

Craig returned to the USA in 2008 as President, Orica Mining Services, North America, before being appointed to his current position in April 2011 based in Melbourne.

ANDREW LARKE

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

Andrew has approximately 20 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 corporate 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 STATEMENT

Orica's directors and management are committed to conducting the Company's business ethically and in accordance with highest 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. These controls and procedures are also 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, revenue and expense commitments above a certain limit 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 year 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 and effective 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 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.

Orica recognises that events do not always turn out as planned and when this happens seeks to learn from these and continuously improve its performance.

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 oversees 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, capital raisings and setting dividends; agreeing corporate goals and reviewing performance against approved plans; and taking all reasonable steps to ensure that reporting to shareholders and other stakeholders is true and fair.

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 the necessary competences as well as a diversity of perspective through a range of experience, skills, knowledge and backgrounds. 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 two most recently appointed non-executive directors have extensive international business experience and are domiciled outside Australia. The Board has had continued female representation since 1998. The 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.

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 significant 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.

CORPORATE GOVERNANCE STATEMENT

SELECTION AND APPOINTMENT OF DIRECTORS

The directors are conscious of the need for members to possess the 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 to maximise 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 four are two days duration and one is three days. 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 agreement 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 when in possession of price sensitive information which is not publicly available, 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.

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 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 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 28 sets out details regarding the Company's remuneration policy, fees paid to directors for the past financial year, and specific details of executive remuneration.

BOARD COMMITTEES

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

BOARD AUDIT AND RISK COMMITTEE

The Board Audit and Risk Committee comprises three independent non-executive directors with relevant experience and financial literacy. 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 and the Code of Conduct 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, risk reviews and any material issues arising from these audits or reviews. It 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 to ensure auditor independence is maintained. 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 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 skills and experience 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, customers, visitors and the communities in which it operates. The committee also reviews the Company's compliance with 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.orica.com.

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

The www.orica.com website contains copies of the Annual Report and Business Overview, 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 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 maintains 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.

CORPORATE GOVERNANCE STATEMENT

DIVERSITY

The Orica Board approved a formal diversity strategy in 2009 as a critical component of the Company's global growth strategy. There are four key pillars underpinning the diversity strategy:

- Gender – increasing the number of women in Orica at all levels and specifically at Board, executive and graduate level.
- Internationalisation – increasing the cultural diversity of executives in management and leadership roles to reflect our growing global business.
- Leadership – developing leaders with a global mindset and the ability to lead diverse teams.
- Culture – fostering an inclusive culture that supports diversity of perspective.

Orica has an employee population of over 14,000 and approximately 18 percent of the population are women. The representation of women in senior roles has increased from a low of 5 percent in 2009 to 9 percent in 2010 and 12 percent in 2011. The Board has set improvement targets and the results to date reflect targets set by the Board. The Company has an aspiration to increase the percentage of women in senior management roles to greater than 20 percent.

At the graduate level Orica has close to one hundred graduates working as part of a development program on assignments globally. The percentage of female graduates has increased from 24 percent in 2010 to 29 percent in 2011. The Company's aim is to maintain a 30 percent minimum number of female graduates.

A range of partnerships and programs has been designed and implemented to ensure that Orica can attract, engage, develop and reward a diverse range of talented people from around the world. The percentage of international employees in management and leadership roles has increased from 40 percent in 2009 to 57 percent in 2011 meeting targets set by the Board.

Senior executives in Orica participate in a program to develop leadership capability including; global mindset, leading diverse teams and fostering diversity of perspective. In addition a series of complementary programs are run that ensure shared values across our global population.

Employee engagement and enablement is measured annually through an employee survey which goes to all our employees and is translated into 20 languages. The response rate has been very strong and reached 86 percent in 2011. Employee engagement has increased year on year and indicates positive progress towards creating a more inclusive and global culture. A particular area of focus this year has been the introduction of a series of targeted initiatives in several countries that form part of the Company's three year Global Indigenous People strategy.

Through applying the same approach to achieving diversity outcomes as we would to any other business situation (i.e. plan, implement, measure, improve) we have made steady progress and achieved some positive results. The approach of tightly aligning the diversity strategy with the business strategy and seeking greater diversity of perspective will enable Orica to positively impact the quality of customer outcomes and long-term sustainability of the 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. The amount remaining is distributed to selected community and 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 vital 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 2011, 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 strives to operate its assets to the highest possible standards and in accordance with legal requirements. Regrettably, in August an incident occurred at the ammonia plant at Kooragang Island, Australia, which resulted in an amount of sodium chromate containing hexavalent chromium being released, traces of which were found in northern parts of the adjacent Stockton neighbourhood. Independent toxicology studies concluded that there was no threat to human health. The Company is working with authorities and the community to rebuild trust around its Kooragang Island operations and to enhance its communications with stakeholders at other major sites.

Environmental monitoring is standard practice across all major operations. Where licence non-compliances are detected, they are reported to authorities and corrective action plans put in place. Due to the nature of some operations, implementation of these plans can be complex and lengthy. Orica remains committed to continuously improving all aspects of its environmental performance.

SUSTAINABILITY AT ORICA

At Orica, sustainability means the capacity to deliver acceptable and continuously improving outcomes in the following areas:

- Sustainability Governance;
- Safety, Health & Environment;
- Product Stewardship;
- People & Community; and
- Engagement & Communication.

With the successful achievement of the Company's Challenge 2010 targets last year, the Board has approved the Company's updated sustainability strategy. The strategy aims to better align the Company's efforts with customers' and stakeholders expectations, further engage with employees and continue to improve sustainability performance.

SUSTAINABILITY GOVERNANCE

The Company aims to have sound business and risk management processes that deliver solid financial returns whilst meeting social and environmental expectations.

In 2011, Orica applied its risk assessment methodology to review the key sustainability challenges. Following the approval of the revised sustainability strategy, the Company has set challenging corporate targets and is working to develop business level implementation plans. The Safety, Health and Environment (SH&E) Committee of the Board approved the strategy and will be monitoring performance against objectives.

The Company has retained its inclusion in the Dow Jones Sustainability Index (Chemicals sector) and the FTSE4Good Index; and Orica participated in mandatory greenhouse gas emission reporting and trading schemes in several regions where they operate.

Orica has consistently applied its plant design and operating standards to new investments such as Bontang, Indonesia and Nanling, China. The Company is proud of its role in encouraging and training local businesses involved in these major projects. The majority of employees at these sites are nationals. A large number of Bontang employees undertook extensive training at Orica's Yarwun, Queensland, facility in preparation for the plant's commissioning.

SAFETY, HEALTH AND ENVIRONMENT (SH&E)

Orica strives to achieve its vision of no injuries to anyone, ever, and to do no harm to people and the environment.

In 2011, Orica achieved its lowest ever All Worker Recordable Case Rate, at 0.47 per 200,000 hours worked. Sadly, there was one fatality and another employee was seriously injured in a road traffic accident whilst travelling to a customer site for a product trial at the Minova business in Ningxia, China. There were seven fatalities to members of the public in four distribution incidents that involved company contracted carriers. Serious learning incident reports decreased by 25 percent compared to 2010.

Orica has Expert Panels set up to manage the most critical process safety risks. In 2011, the Company established the Explosives Transport Expert Panel covering packaged and bulk explosives and commenced the global roll-out of the formalised Underground Basis of Safety across Orica Mining Services and Minova.

Orica's Groundwater Treatment Plant in Botany, Australia, recycled 1,250 million litres of contaminated groundwater in 2011. The recycled water was sold to industrial customers at the Botany Industrial Park, replacing the use of potable town water.

The Orica Chemicals site in Morrinsville, New Zealand, has implemented environmental initiatives that have reduced water consumption by 16 million litres and reduced waste to landfill by more than 66,000 kilograms.

Orica Watercare was awarded the prestigious "Green Ribbon" for Sustainability by the American Water Works Association. Orica was recognised for two sustainable equipment options, the ENviroPak™ System for removal of nitrates from drinking water sources and the EcoRegen™ ultra low-waste regeneration system.

PRODUCT STEWARDSHIP

Orica aims to adopt life cycle thinking in the creation and delivery of its products and services and engage with customers to understand and respond to their evolving needs.

Given Orica's leading role in supplying explosives to the global mining industry, the Company is committed to the responsible management of its ammonium nitrate products. The Company endorses the Security Sensitive Ammonium Nitrate principles and works with major customers to support their compliance with regulatory changes. This year, as part of Orica's role in the global Explosives Safety Group, SAFEX, the Company led an industry team in developing a Code of Best Practice for the storage of ammonium nitrate prill.

Orica Mining Chemicals is a signatory to the International Management Cyanide Code as a producer and transporter, which acknowledges the Company's capabilities in the safe handling of its cyanide product. Certification of Orica Mining Chemicals supply chain was achieved this year for Papua New Guinea, Asia, Africa and Latin America.

This year, Orica also developed a new process, called ONYX, to replace unused oil with recycled oil in emulsion explosives. The initiative supports sustainable mine development, assisting Orica customers to achieve their sustainability objectives in areas such as reducing greenhouse gas emissions.

PEOPLE AND COMMUNITY

In 2011 Orica launched a new Global Graduate Strategy to align the existing regional programs. Of the 96 graduates working on projects around the world approximately 31 percent are women. Two Latin American graduates are currently on one year rotations in Australia. A graduate-led Sustainability Committee was also established.

Orica introduced its first Global Indigenous People Strategy focusing on increasing cultural awareness, building relationships with local communities and creating sustainable opportunities for these communities. Action plans have commenced in three regions and are being led by Orica's Indigenous Advisory Council.

Orica donated A$470,000 this year to the Nature Conservancy for biodiversity conservation programs in Peru, Chile and Australia.

Orica Mining Services partnered with the Indian Institute of Technology, Bombay and the Melbourne Monash University, Australia to sponsor a world-leading research academy based in Powaii, India. Orica is currently supporting two PhD students, one in the area of sustainability and the other in nanotechnology.

ENGAGEMENT AND COMMUNICATION

Orica aims to engage and communicate with its employees, customers, business partners, shareholders and the communities in order to build their trust and support for the Company's operations.

The Company is a signatory to the Responsible Care® "Community Right to Know" Code of Practice. Major sites communicate their SH&E performance to their neighbours on a regular basis.

For more information, please read the 2011 Sustainability Report online at www.orica.com/sustainability.

Financial Report

Directors' Report

The directors of Orica Limited ('the Company' or 'Orica') present the financial report of the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group') for the year ended 30 September 2011 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	I D Cockerill
G R Liebelt, Managing Director	G A Hounsell
N A Meehan, Executive Director Finance	Lim C O
M E Beckett	N L Scheinkestel
R R Caplan	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 23 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	-	-	-	-	6	6	-	-
G R Liebelt	7	7	-	-	-	-	6	6	-	-
N A Meehan	7	7	-	-	-	-	6	6	-	-
M E Beckett	7	7	-	-	-	-	6	6	6	6
R R Caplan	7	7	-	-	5	5	6	6	-	-
I D Cockerill	7	7	-	-	-	-	6	6	6	6
G A Hounsell	7	7	4	4	5	5	6	6	-	-
Lim C O	7	6	-	-	-	-	6	5	6	5
N L Scheinkestel	7	7	4	4	5	5	6	6	-	-
M Tilley	7	7	4	4	-	-	6	6	6	6

[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 two meetings during the year to address business matters arising between scheduled Board meetings.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at the date of this report is disclosed in note 37. Directors' interests shown in this note are as at 30 September 2011, 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 and chemical products and services.

Likely developments

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

Review and results of operations

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

Dividends

Dividends paid or declared since the end of the previous financial year were:	$m
Final dividend at the rate of 54.0 cents per share on ordinary shares, franked to 100% (54.0 cents) at the 30% corporate tax rate, paid 10 December 2010.	194.1
Interim dividend declared at the rate of 37.0 cents per share on ordinary shares, franked to 48.6% (18.0 cents) at the 30% corporate tax rate, paid 1 July 2011.	133.2
Total dividends paid	327.3

Since the end of the financial year, the directors have declared a final dividend to be paid at the rate of 53.0 cents per share on ordinary shares. This dividend will be franked to 100% (53.0 cents) at the 30% corporate tax rate.

Distributions on Step-Up Preference Securities

Distributions paid since the end of the previous financial year were:	$m
Distribution at the rate of 6.30% per annum, per security, unfranked paid 30 November 2010 for the period from 31 May 2010 to 29 November 2010.	15.8
Distribution at the rate of 6.60% per annum, per security, unfranked paid 31 May 2011 for the period from 30 November 2010 to 30 May 2011.	16.4
Total distributions paid	32.2

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 2011 are as follows:

Acquisitions

- Orica acquired 100% of Titanobel Belgique S.A. and its subsidiaries on 1 April 2011.
- Orica acquired 100% of Sociedade de Explosivos Civis, S.A. on 2 June 2011.

Events subsequent to balance date

On 13 October 2011, Orica Limited announced that all Orica Step-Up Preference Securities (SPS) will be repurchased in accordance with their terms of issue on 29 November 2011. The SPS were reclassified to debt from 13 October 2011.

On 7 November 2011, the directors declared a final dividend of 53.0 cents per ordinary share payable on 9 December 2011. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2011 and will be recognised in the 2012 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2011, 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.

The incident at Kooragang Island in August of this year was, therefore, a major disappointment. The Company has expressed deep regret for the incident and support for the outcomes of the independent reviews that have been undertaken in its wake and are working to address the learnings from the investigations and to rebuild the trust of the local community. While it may be little consolation to a justifiably concerned community, the incident resulted in no health impacts and no long term damage to the environment.

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 as required under this Act.

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 Group has implemented new systems and processes for the collection and reporting of the data required and, in compliance with the legislation, has submitted its reports as required under this Act.

Environmental prosecutions

On 2 September 2010, the Victorian Environmental Protection Agency (EPA) issued a Pollution Abatement Notice against Orica Australia Pty Ltd in relation to the inappropriate storage of chemicals and Cereclor waste at the Laverton, Victoria site following an EPA compliance audit. The notice was complied with and subsequently revoked. On 9 June 2011, as a result of inspection, the EPA issued a fine of $5,973 for breaching the terms of its EPA Victoria licence by creating a risk of chemicals leaking into stormwater.

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 of $705,000 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.

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.

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 2011.

A. Remuneration Report Summary

A.1 Executive remuneration strategy

Orica's Executive remuneration strategy covers approximately three hundred and fifty 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 Key Management Personnel (KMP) and some 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 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 Executives

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

	Elements of Remuneration	Directors		Executive KMP	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
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.

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.

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
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 (1)	Chief Executive Officer, Minova	4 April 2011
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
Greg Witcombe	Chief Executive Officer, Chemicals	22 September 2008
Former		**Leaving Date**
Michael Reich	Chief Executive Officer, Minova	4 April 2011

Table 2

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

(1) On 4 April 2011, Craig Elkington commenced as Chief Executive Officer, Minova. Prior to this, Craig Elkington was President, Orica Mining Services, North America.

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 $2,500,000 approved by shareholders at the 2010 Annual General Meeting. Under rule 48.1 of Orica's constitution, these fees should exclude superannuation benefits and other payments. Notwithstanding rule 48.1 of the constitution, the Company does, in practice, pay both Superannuation and Committee fees to the non-executive directors out of the maximum aggregate fee pool approved by shareholders of $2,500,000. 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, advice from Orica human resource professionals, survey data sourced from external specialists, fees paid by comparable companies and the level of remuneration required to attract and retain directors of the appropriate calibre. From 1 April 2011, non-executive directors receive a fee of $170,000 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 $510,000. From 1 April 2011, Chairs of the Board's Audit and Risk Committee, Safety, Health and Environment Committee (SH&E) and Human Resources and Compensation Committee (HR&C) receive committee chair fees of $45,000 per annum. The directors who sit on these committees receive committee fees of $22,500 per annum. Company Superannuation contributions are also made and capped at the statutory limit. In addition, the Board may pay additional remuneration for significant extra workload of non-executive directors. Effective 1 January 2011, non-executive directors receive a travel allowance based on the hours required to travel to a board meeting. If travel to attend a meeting takes between 3 hours and 12 hours, the allowance paid is $2,500 per meeting. If travel time exceeds 12 hours, the allowance paid is $5,000 per meeting. 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.

B.2 Remuneration

Details of non-executive directors' remuneration is set out in the following table:

		Committee Fees [1]						
For the year to 30 September 2011	Directors Fees [1]	Audit and Risk	SH&E	HR&C	DuluxGroup Demerger	Super-annuation [4]	Other Benefits [5]	Total
	$000	$000	$000	$000	$000	$000	$000	$000
P J B Duncan, Chairman [6]	486.0	-	-	-	-	15.3	2.5	503.8
M E Beckett	162.0	-	21.3	-	-	15.3	20.0	218.6
R R Caplan	162.0	-	-	42.5	-	15.3	2.5	222.3
I D Cockerill [2]	162.0	-	21.3	-	-	15.3	37.5	236.1
G A Hounsell	162.0	21.3	-	21.3	-	15.3	2.5	222.4
Lim C O	162.0	-	21.3	-	-	15.3	7.5	206.1
N L Scheinkestel	162.0	42.5	-	21.3	-	15.3	2.5	243.6
M Tilley	162.0	21.3	42.5	-	-	15.3	2.5	243.6
Total non-executive directors	**1,620.0**	**85.1**	**106.4**	**85.1**	**-**	**122.4**	**77.5**	**2,096.5**
For the year to 30 September 2010								
P J B Duncan, Chairman [6]	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 [6]	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

Table 3

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

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

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

(4) Company superannuation benefits contributions made on behalf of non-executive directors.

(5) These benefits include travel allowances payable to non-executive directors.

(6) 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 (2010 $154,800), D P Mercer $nil (paid in full in financial year 2010). These benefits have been fully provided for in the financial statements.

C. Company performance – the link to reward

C.1 Five year performance

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

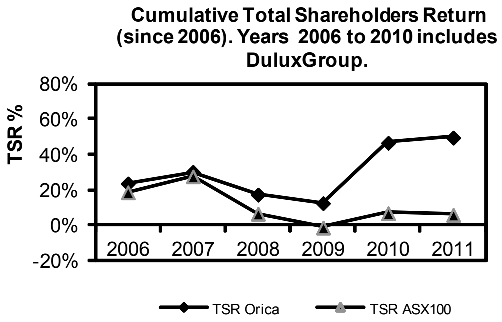
Orica has achieved strong performance over the past five years:

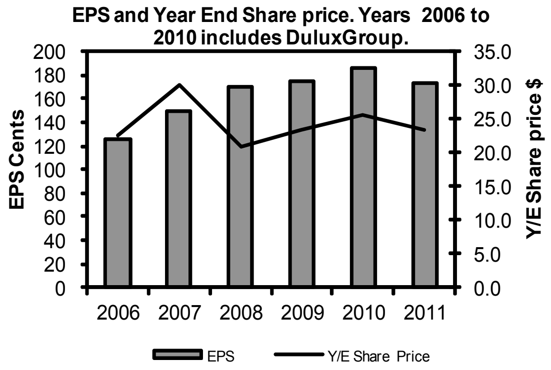
(The statistics and graphs below have not been adjusted to exclude DuluxGroup (unless otherwise noted) from the 2010 and prior year results).

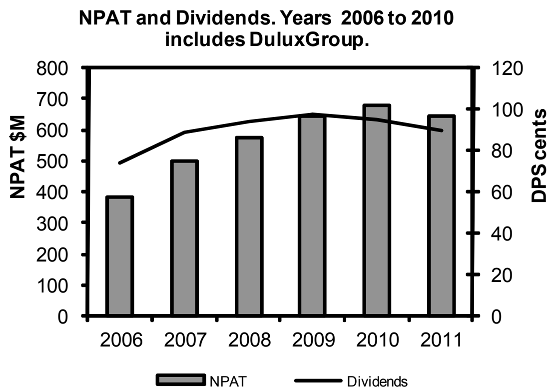
- net profit after tax (NPAT) (before individually material items) has grown at a compound rate of 11.1% per annum over the five years;
- the share price has increased 4.5% from 1 Oct 2006;
- an average of 93.4 cents per ordinary share per annum has been paid to shareholders under the Company's dividend policy;
- additional returns to shareholders have been made through share buy-backs; and
- average Annual Earnings Per Share (EPS) growth over the past five years has been 6.9%.

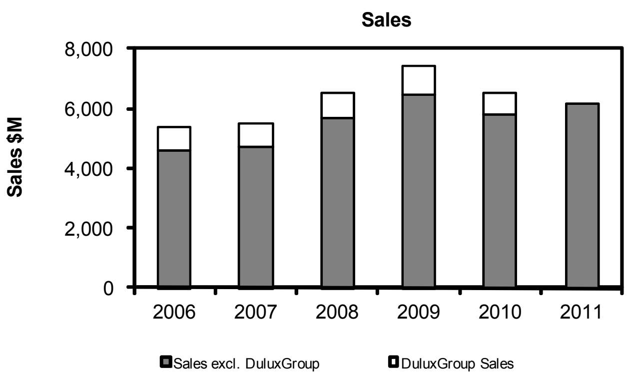
As a result, for the past five years, Executive KMP have generally earned short term incentive rewards at or above target levels.

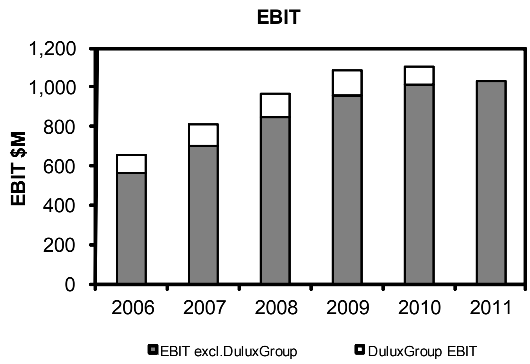
The Board believes that directly linking Executive KMP rewards to performance targets has been a key driver in the achievement of the strong results shown in the charts below. EBIT is defined as earnings before interest, tax and individually material items.











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

In terms of total shareholder return Orica has periodically 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 3,743,479 ordinary shares or 1.1% of the five year average of ordinary shares on issue, with $114.8 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, diversity and some specific other projects. 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 agreement specifying target, stretch and threshold performance measures is set and agreed with each Executive KMP, by the Managing Director. The performance agreement of the Managing Director is set and agreed with the Chairman and signed off by non-executive directors. 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 LTEIP) are linked to growth in Orica's share price and growth in Earnings Per Share (EPS) from the December 2010 LTEIP grant onwards. For LTEIP grants prior to this date, long term incentives were linked to growth in absolute Total Shareholder Return (TSR).

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

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 EPS [2] growth.

	2006 [1]	2007 [1]	2008 [1]	2009 [1]	2010 [1]	2011
Including DuluxGroup						
External Sales ($m)	5,359.2	5,527.2	6,544.1	7,411.0	6,539.3	6,182.3
Cash flow from operating activities ($m)	413.9	524.3	736.9	854.9	803.7	758.2
EBIT ($m)	657.7	812.7	970.1	1,082.5	1,101.4	1,028.3
NPAT ($m)	380.3	497.8	572.3	646.1	675.8	642.3
All Workers Recordable Case Rate	0.57	0.60	0.72	0.69	0.73	0.47
Excluding DuluxGroup						
External Sales ($m)	4,574.3	4,701.0	5,668.9	6,470.9	5,812.1	6,182.3
EBIT ($m)	560.4	711.1	847.5	953.6	1,009.0	1,028.3
Dividends per ordinary share (cents)	74.0	89.0	94.0	97.0	95.0	90.0
Return of capital ($m)	81.5	114.8	-	-	-	-
Year end share price ($)	22.47	30.10	20.95	23.50	25.71	23.48
EPS growth – Orica (%) [3]	-	18.28	13.71	2.71	6.30	(6.52) [4]
Cumulative TSR - Orica (%)	-	30.24	17.40	12.61	46.61	49.58
Cumulative TSR - ASX 100 (%)	-	27.68	6.63	(1.18)	6.91	6.03

Table 4

[1] 2010 and prior years includes DuluxGroup until its demerger on 9 July 2010.

[2] For grants prior to December 2010 long term incentives were linked to growth in absolute TSR.

[3] EPS growth – Orica (%) before individually material items.

[4] EPS growth – Orica (%) for 2011 excluding DuluxGroup was 2%.

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 receives data and external advice on matters relating to remuneration.

The Board considers it desirable for remuneration packages of Executive KMP to include both a *fixed* component and an *at-risk* or *performance-related* component (comprising both short term and long term incentives). The Board views the at-risk component as an essential driver of Orica's high performance culture. The mix between fixed remuneration and at-risk remuneration, 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 40% fixed and 60% at-risk, whilst the split for other Executive KMP is broadly 55% fixed and 45% at-risk, as shown in the table below.

	Target % of Total Annual Remuneration		
	Fixed (1)	**At-risk**	
		Short term incentive (2)	Long term incentive (3)
Managing Director	40%	20%	40%
Other Executive KMP	55%	20%	25%

Table 5

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

(2) Target STI is set at 50% of the maximum STI. For Executive KMP there is an opportunity to earn up to 150% of maximum STI for selected significant critical performance items such as Economic Profit. Maximum STI (%) as per table 10 in section E2.

(3) 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 2011 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.

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

Summary of STI for financial year 2011 (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. A minimum level of economic profit must be achieved before any STI is awarded. Economic profit was chosen as it takes into account the use of capital resources and shows less impact from 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 at the beginning of each year and assess performance against those targets at the end of the financial year.
What are the performance conditions?	The performance conditions comprise financial targets relating to: - Economic profit; and - Cash flow, as well as other targets, such as 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.

Summary of STI for financial year 2011	
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 opportunity to earn up to 150% of maximum STI for selected significant critical performance items such as economic profit performance.
How well were the performance conditions met in the 2011 financial year?	As reflected in Section E.2, a number of performance conditions were not satisfied for the 2011 financial year.
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

As was disclosed in last year's report, the absolute TSR hurdle was replaced by growth in absolute Earnings Per Share for the loan forgiveness element of grants from the December 2010 LTEIP grant onwards. This change was made as the directors believe that this measure maintains a strong correlation with long term Total Shareholder Return while reducing the plan's susceptibility to short term share market volatility.

The Directors believe that LTEIP continues to be an effective instrument for Orica as it aligns the Executive KMP with shareholders and motivates and rewards these key executives for long term performance. However, as the Company has had to deal with increasing complexities and compliance costs in running the existing long term incentive plan for executives in a significant number of countries, an alternative LTI plan consisting of EPS hurdled rights will be introduced for non-KMP executives from December 2011 onwards.

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

Summary of LTEIP for financial year 2011 (for Executive KMP and other eligible Executives)	
What is the LTEIP?	The Orica LTEIP administered by Link Market Services Limited 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. In general, 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, the calculated amount of the potential benefit to the executive includes the interest benefit and any loan forgiveness will include an interest charge as part of the calculation of the forgiveness amount. Orica's effective interest rate in 2011 is 7.1% (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.
As the loans are non-recourse do executives have to repay their loans?	Yes, in general, the executives 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.

Summary of LTEIP for financial year 2011 (for Executive KMP and other eligible Executives)

What happens if the value of the shares is less than the outstanding loan balance?	If the value of the shares is less than the outstanding loan balance at the end of the performance period, the executive returns the shares to Orica in full settlement of the loan balance and no benefit accrues to the executive.
Is the benefit to executives of participation in the LTEIP affected by changes in the share price?	Yes, executives who participate in the LTEIP will be affected in the same way as all other shareholders by changes in Orica's share price. The remuneration value executives receive through participation in the LTEIP will be reduced if the share price falls during the loan period, and will increase if the share price rises over this period.
Is the performance hurdle re-tested?	No, the performance condition is only tested once at the end of the performance period.
Do participants get access to entitlements in the case of redundancy?	The Board has absolute discretion over entitlements to participants.
How is EPS calculated?	Earnings Per Share is calculated by dividing Orica's profit after tax (before individually material items) by the undiluted weighted average number of ordinary shares on issue.
Why has the Board opted to move to an EPS performance hurdle to replace the existing absolute TSR hurdle?	The absolute TSR hurdle has been replaced by a growth in Earnings Per Share measure for the loan forgiveness element of grants, as the directors believe that this measure maintains a strong correlation with long term Total Shareholder Return 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' loan amount. In general, 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 EPS growth. For the performance condition to be satisfied at target, compound growth in Orica's EPS must be 10% 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 EPS performance (see below).
What is the EPS 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. EPS rates must hit a minimum target for this loan forgiveness to apply. Compound EPS growth per annum / Percentage of target loan forgiveness [(1)] %: Less than 5% – 0% 5% – 50% 10% – 100% 15% – 150% The percentage of loan forgiveness increases on a straight line basis between the minimum and maximum EPS growth targets. (1) For an executive located in Australia, target loan forgiveness for 10% compound EPS 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.
Does the Board consider the satisfaction in full of the EPS growth hurdle a sufficient "stretch" for management?	Yes. After reviewing the Company's rate of cumulative growth in EPS over the past few years, the Board believes that 10% per annum is a clear, certain and absolute target for management. The Board believes it is an aggressive target to maintain EPS growth at 10% 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 an EPS growth of 10% per annum generally reflects high end 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 Orica employees received one DuluxGroup share for every one Orica share held previously under the 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). The performance 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

D.4.2 Illustrative example of how the 2011 LTEIP offer 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 (approximately) 48.5%(1) to cover participant's individual tax obligations.
- Case A - Target EPS growth performance of 10% per annum is reached at the end of 3 year vesting period. At the same time, the Orica share price increases to $31.
- Case B - Hurdle EPS growth performance of 5% per annum is not reached at the end of 3 year vesting period. At the same time, the Orica 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) (3) (4) (5)	(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 (2)

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

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

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

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

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

D.4.3 LTEIP for offers made prior to the 2011 financial year

As indicated above, offers made prior to 2011, differed in that loan forgiveness was based on the achievement of a minimum level of TSR growth. Below is a summary of previous LTEIP schemes where different to the 2011 scheme:

<table>
<tr><td>What is TSR?</td><td>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.</td></tr>
<tr><td>What are the performance hurdles?</td><td>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.</td></tr>
<tr><td>What is the TSR performance condition vesting schedule?</td><td>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>
<tr><th>TSR growth per annum</th><th>Percentage of target loan forgiveness (1)
%</th></tr>
<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>
</table>
The percentage of loan forgiveness increases on a straight line basis between the minimum and maximum TSR growth targets.
(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.</td></tr>
<tr><td>Did the Board consider the satisfaction in full of the TSR hurdle a sufficient “stretch” for management?</td><td>Yes. After reviewing the Company's rate of cumulative growth in TSR over the past few years, the Board believed that 20% per annum was a clear, certain and absolute target for management. The Board believed it was 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.</td></tr>
</table>

Table 7

D.4.4 Illustrative example of how LTEIP works for offers made prior to the 2011 financial year

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 (approximately) 48.5%(1) 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 - Hurdle TSR performance of 10% (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) (3) (4) (5)	(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 (2)

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

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

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

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

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

D.4.5 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 2011 are contained in note 36 to the financial statements.

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 2011	Short term employee benefits			Post Employment Benefits					
	Fixed Salary $000	STI Payment (1) $000	Other Benefits (2) $000	Superannuation Benefits $000	Termination Benefits (3) $000	Other Long Term Benefits (4) $000	Total excluding SBP * Expense $000	Share Based Payments Expense (5) $000	Total $000
Current Executive Directors									
G R Liebelt	2,407.0	1,096.6	44.1	15.3	-	66.2	3,629.2	2,213.0	5,842.2
N A Meehan	1,067.1	546.5	29.9	15.3	-	26.3	1,685.1	459.3	2,144.4
Total Current Executive Directors	3,474.1	1,643.1	74.0	30.6	-	92.5	5,314.3	2,672.3	7,986.6
Current Executive KMP									
J R Beevers (6)	929.2	470.7	488.6	10.1	-	6.6	1,905.2	416.7	2,321.9
C B Elkington (6)	662.1	308.7	248.3	15.3	-	55.2	1,289.6	260.8	1,550.4
A J P Larke	832.4	635.0	46.3	15.3	-	17.7	1,546.7	364.7	1,911.4
P McEwan	599.8	305.4	32.5	15.3	-	-	953.0	310.3	1,263.3
G J Witcombe	826.5	474.3	(3.6)	15.3	-	23.4	1,335.9	363.1	1,699.0
Total Current Executive KMP	3,850.0	2,194.1	812.1	71.3	-	102.9	7,030.4	1,715.6	8,746.0
Former Executive KMP									
M Reich (6)	363.8	-	101.2	8.1	811.2	-	1,284.3	307.7	1,592.0
Total Executive KMP	4,213.8	2,194.1	913.3	79.4	811.2	102.9	8,314.7	2,023.3	10,338.0
Total	7,687.9	3,837.2	987.3	110.0	811.2	195.4	13,629.0	4,695.6	18,324.6

Table 8

* Share Based Payments (SBP).

(1) STI Payment includes payments relating to 2011 performance accrued but not paid.

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

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

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

(5) Includes the value calculated under AASB 2 *Share Based Payments* to Executive KMP under the November 2007 to December 2010 offers which vest over three years. Value only accrues to the KMP when performance conditions have been met. 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 and D.4.3.

(6) For overseas based executives (C B Elkington until 1 July 2011), other benefits 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.

Executive KMP remuneration (continued)

For the year ended 30 September 2010	Short term employee benefits			Post Employ-ment Benefits				
	Fixed Salary $000	STI Payment (1) $000	Other Benefits (2) $000	Super-annuation Benefits $000	Other Long Term Benefits (3) $000	Total excluding SBP * Expense $000	Share Based Payments Expense (4) $000	Total $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	8,208.2	8,332.8	1,081.1	123.2	201.9	17,947.2	4,689.9	22,637.1

Table 9

* 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. 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 and D.4.3.

(5) For overseas based executives, other benefits 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.

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 2011	Maximum STI $000 (1)	Actual STI payment $000 (2) (3)	Actual STI payment as % of maximum STI (1)	% of maximum STI payment forfeited
Current Executive KMP				
G R Liebelt	2,928.1	1,096.6	37.5	62.5
N A Meehan	874.4	546.5	62.5	37.5
J R Beevers	748.8	470.7	62.9	37.1
C B Elkington	548.8	308.7	56.3	43.7
A J P Larke	1,366.4	635.0	46.5	53.5
P McEwan	496.8	305.4	61.5	38.5
G J Witcombe	676.8	474.3	70.1	29.9

Table 10

(1) Executive KMP may achieve greater than 100% of maximum STI where there is an opportunity to earn up to 150% of maximum STI for selected significant critical performance items such as Economic Profit.

(2) STI constitutes a cash incentive earned during 2011, which is expected to be paid in December 2011 to current Executive KMP.

(3) 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.

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 2011	Options Granted Number	Options Granted (1) (2) (3) ($)	Options Exercised (4) Number	Options Exercised (4) ($)
Current Executive Directors				
G R Liebelt	288,730	2,670,753	-	-
N A Meehan	59,754	552,725	-	-
Total Current Executive Directors	348,484	3,223,478	-	-
Current Executive KMP				
J R Beevers	53,224	492,322	-	-
C B Elkington	34,036	314,833	-	-
A J P Larke	47,159	436,221	-	-
P McEwan	33,978	314,297	-	-
G J Witcombe	47,159	436,221	-	-
Total Current Executive KMP	215,556	1,993,894	-	-
Former Executive KMP				
M Reich	41,008	379,324	134,906	692,856
Total Executive KMP	256,564	2,373,218	134,906	692,856
Total	605,048	5,596,696	134,906	692,856

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, D.4.3, E.4, G and H of this report.

(2) The options have been valued by PWC at $9.25 per option for all Executive KMP. The benefit of the options granted under the November 2007 and subsequent LTEIP offers may 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.

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

For the year ended 30 September 2011	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	19,250,800	7,284,658	5,861,772	475,242	20,198,444	1,467,620	26,274,550
N A Meehan	4,011,014	1,507,593	1,230,966	98,830	4,188,811	304,745	5,464,267
Total Current Executive Directors	23,261,814	8,792,251	7,092,738	574,072	24,387,255	1,772,365	31,738,817
Current Executive KMP							
J R Beevers	3,463,453	1,342,842	821,053	89,855	3,895,387	277,217	4,758,133
C B Elkington	2,293,833	858,728	729,002	55,921	2,367,638	172,874	3,121,702
A J P Larke	3,237,418	1,189,822	1,039,468	78,767	3,309,005	242,225	4,383,633
P McEwan	1,637,025	857,265	-	45,237	2,449,053	162,585	2,472,522
G J Witcombe	3,182,187	1,189,822	984,767	78,237	3,309,005	241,026	4,328,932
Total Current Executive KMP	13,813,916	5,438,479	3,574,290	348,017	15,330,088	1,095,927	19,064,922
Former Executive KMP							
M Reich	2,647,579	1,034,632	3,646,689	35,522	-	119,205	3,646,689
Total Executive KMP	16,461,495	6,473,111	7,220,979	383,539	15,330,088	1,215,132	22,711,611
Total	39,723,309	15,265,362	14,313,717	957,611	39,717,343	2,987,497	54,450,428

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.

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	March 2012 (3)	2,440,070	6 months	1.5 times fixed annual remuneration (4)
N A Meehan	Open	1,093,000	6 months	1.0 times fixed annual remuneration
Current Executive KMP				
J R Beevers	Open	945,519	6 months	1.28 times fixed annual remuneration (5)
C B Elkington	Open	750,000	6 months	1.0 times fixed annual remuneration
A J P Larke	Open	854,000	6 months	1.0 times fixed annual remuneration
P McEwan	Open	621,000	6 months	1.0 times fixed annual remuneration
G J Witcombe	Open	846,000	6 months	1.68 times fixed annual remuneration (5)

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 2011. 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 2012 financial year.

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

(3) As announced on 24 October 2011, the Company has, with G R Liebelt's agreement, given notice to end his contract on 31 March, six months earlier than otherwise provided for under his agreement.

(4) Upon cessation of his employment, G R Liebelt will receive his contractual entitlements including the termination payment set out in the table above. No additional amount is payable to G R Liebelt in lieu of notice. G R Liebelt service agreement was entered into in September 2005, and is not subject to the new limits on termination payments introduced into the Corporations Act in November 2009.

(5) 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.

As announced on 24 October 2011, Orica has appointed Ian Smith as Managing Director and Chief Executive Officer as from 27 February 2012. Ian Smith's service agreement is for a term of 5 years and contains an option to extend, which may be exercised by mutual agreement in the last six months of the term. His fixed annual remuneration for 2011/2012 year will be $2.5 million. His contract provides that the Company may terminate this agreement other than for cause upon providing six months notice (which may be paid in lieu) at the end of which period he will receive a six months severance payment. Ian Smith must give six months notice if he wishes to resign.

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.

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.

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 2011	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	18 Dec 07	-	-	193,639	-	N/A	2,042,891	170,241
	19 Dec 08	-	-	-	409,872	N/A	1,586,205	528,735
	21 Dec 09	-	-	-	285,296	N/A	2,539,134	846,378
	16 Dec 10	288,730	-	-	288,730	N/A	2,670,753	667,688
N A Meehan	18 Dec 07	-	-	40,664	-	N/A	429,005	35,750
	19 Dec 08	-	-	-	85,406	N/A	330,521	110,174
	21 Dec 09		-	-	59,043	N/A	525,483	175,161
	16 Dec 10	59,754	-	-	59,754	N/A	552,725	138,181
Current Executive KMP								
J R Beevers	18 Dec 07	-	-	27,109	-	N/A	286,000	23,833
	19 Dec 08	-	-	-	84,516	N/A	327,077	109,026
	21 Dec 09	-	-	-	54,180	N/A	482,202	160,734
	16 Dec 10	53,224	-	-	53,224	N/A	492,322	123,081
C B Elkington	18 Dec 07	-	-	24,082	-	N/A	254,065	21,172
	19 Dec 08	-	-	-	47,418	N/A	183,508	61,169
	21 Dec 09	-	-	-	33,631	N/A	299,316	99,772
	16 Dec 10	34,036	-	-	34,036	N/A	314,833	78,708
A J P Larke	18 Dec 07	-	-	34,338	-	N/A	362,266	30,189
	19 Dec 08	-	-	-	67,613	N/A	261,662	87,221
	21 Dec 09	-	-	-	46,598	N/A	414,722	138,241
	16 Dec 10	47,159	-	-	47,159	N/A	436,221	109,055
P McEwan	26 Jun 09	-	-	-	40,580	N/A	330,321	132,128
	21 Dec 09	-	-	-	33,574	N/A	298,809	99,603
	16 Dec 10	33,978	-	-	33,978	N/A	314,297	78,574
G J Witcombe	18 Dec 07	-	-	32,531	-	N/A	343,202	28,600
	19 Dec 08	-	-	-	67,613	N/A	261,662	87,221
	21 Dec 09	-	-	-	46,598	N/A	414,722	138,241
	16 Dec 10	47,159	-	-	47,159	N/A	436,221	109,055
Former Executive KMP								
M Reich	18 Dec 07	-	-	27,109	-	N/A	286,000	23,833
	19 Dec 08	-	53,378	-	-	N/A	206,573	68,858
	21 Dec 09	-	40,520	-	-	N/A	360,628	120,209
	16 Dec 10	41,008	41,008	-	-	N/A	379,324	94,831

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 2011.

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 2011								
16 Dec 10	1,886,701	**1,799,507**	**304**	**47,601,466**	45,058,798	13,753,036	**350,189**	17,451,984
21 Dec 09	1,973,965	**1,634,031**	**258**	**48,934,592**	39,270,984	13,560,090	**896,685**	17,568,289
26 Jun 09	40,580	**40,580**	**1**	**832,296**	790,603	186,040	**21,212**	330,321
19 Dec 08	2,937,558	**2,270,963**	**244**	**47,382,811**	33,496,033	12,943,288	**1,240,006**	11,368,349
	6,838,804	**5,745,081**	**807**	**144,751,165**	118,616,418	40,442,454	**2,508,092**	46,718,943

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 [2] $
16 Dec 10	$25.20	25%	Nil	5.19%	9.25
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

Table 16

(2) Under the December 2010 scheme, a portion of the loan is forgiven based on Orica's compound growth in earnings per share over a pre-determined performance period. Under accounting standards, the share based payments expense (fair value per option) is adjusted to an expense based on the actual EPS growth achieved. The share based payments expense of $9.25 per option for the December 2010 scheme has been based on achieving an EPS growth of 10% per annum. If less than 5% EPS growth per annum is achieved, the expense per option would be $6.10. If 5% EPS growth per annum is achieved, the expense per option would be $7.50 whereas if EPS growth of 15% or higher per annum is achieved, the expense per option would be $11.10.

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 was 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 valuations prepared by PWC use methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflect the value (as at grant date) of options held at 30 September 2011. The assumptions underlying the option 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 2011 was $15.1 million (2010 $14.1 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.

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 7th day of November 2011.

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 2011 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, 7 November 2011

Income Statement

For the year ended 30 September

From continuing operations:	Notes	Consolidated 2011 $m	2010 $m

The 2010 financial year includes DuluxGroup earnings up until the demerger date (9 July 2010).

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

	Notes	2011 $m	2010 $m
Sales revenue	(3)	**6,182.3**	5,812.1
Other income	(3)	**85.7**	47.9
Expenses			
Changes in inventories of finished goods and work in progress		**43.1**	16.9
Raw materials and consumables used and finished goods purchased for resale		**(3,007.4)**	(2,613.4)
Share based payments		**(15.1)**	(9.4)
Other employee benefits expense		**(1,041.8)**	(982.4)
Depreciation expense	(4c)	**(187.5)**	(185.6)
Amortisation expense	(4c)	**(36.7)**	(39.4)
Purchased services		**(262.0)**	(279.0)
Repairs and maintenance		**(157.8)**	(148.0)
Outgoing freight		**(276.1)**	(271.5)
Lease payments - operating leases		**(65.9)**	(65.7)
Other expenses from ordinary activities including individually material items		**(271.4)**	(389.7)
Share of net profit of associates accounted for using the equity method	(11)	**38.9**	40.8
		(5,239.7)	(4,926.4)
Profit from operations		**1,028.3**	933.6
Net financing costs			
Financial income	(4a)	**32.4**	28.9
Financial expenses	(4b)	**(155.9)**	(148.5)
Net financing costs		**(123.5)**	(119.6)
Profit before income tax expense		**904.8**	814.0
Income tax expense	(5)	**(241.4)**	(310.1)
Profit after tax but before profit and loss from discontinued operations		**663.4**	503.9
Profit from discontinued operations	(28)	**-**	850.8
Net profit for the year		**663.4**	1,354.7
Net profit for the year attributable to:			
Shareholders of Orica Limited		**642.3**	1,318.7
Non-controlling interests		**21.1**	36.0
Net profit for the year		**663.4**	1,354.7

	Notes	**cents**	cents
Earnings per share			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
From continuing operations:			
Basic	(6)	**173.5**	127.1
Diluted	(6)	**169.8**	124.1
Total attributable to ordinary shareholders of Orica Limited [1] :			
Basic	(6)	**173.5**	366.4
Diluted	(6)	**169.8**	349.8

[1] The 2010 financial year includes profit on the demerger of DuluxGroup (refer note 4(d)).

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

Statement of Comprehensive Income

For the year ended 30 September

		Consolidated	
		2011	2010
	Notes	**$m**	$m
Profit for the year		**663.4**	1,354.7
Net (loss) on hedge of net investments in foreign subsidiaries	(5c)	**(38.5)**	(48.9)
Cash flow hedges			
- Effective portion of changes in fair value	(5c)	**2.3**	10.1
- Transferred to carrying value of non current assets	(5c)	**0.1**	4.9
- Transferred to income statement	(5c)	**(43.0)**	9.6
Exchange differences on translation of foreign operations	(5c)	**(38.9)**	(241.4)
Actuarial benefits/(losses) on defined benefit plans	(38)	**(37.4)**	(67.0)
Income tax on income and expense in other comprehensive income	(5c)	**37.1**	(8.0)
Other comprehensive income for the year, net of income tax		**(118.3)**	(340.7)
Total comprehensive income for the year		**545.1**	1,014.0
Attributable to:			
Shareholders of Orica Limited		**529.6**	989.4
Non-controlling interests		**15.5**	24.6
Total comprehensive income for the year		**545.1**	1,014.0

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 2011 $m	2010 $m
Current assets			
Cash and cash equivalents	(7)	**346.9**	347.3
Trade and other receivables	(8)	**941.6**	860.1
Inventories	(9)	**614.5**	541.3
Other assets	(10)	**75.2**	66.4
Other financial assets - derivative assets	(12)	**7.0**	16.8
Total current assets		**1,985.2**	1,831.9
Non-current assets			
Trade and other receivables	(8)	**1.8**	3.0
Investments accounted for using the equity method	(11)	**172.1**	162.6
Other financial assets - derivative assets	(12)	**4.6**	9.3
Other financial assets	(12)	**0.6**	0.9
Property, plant and equipment	(13)	**2,709.7**	2,235.2
Intangible assets	(14)	**2,505.4**	2,510.9
Deferred tax assets	(15)	**241.7**	230.3
Other assets	(10)	**7.1**	5.3
Total non-current assets		**5,643.0**	5,157.5
Total assets		**7,628.2**	6,989.4
Current liabilities			
Trade and other payables	(16)	**1,141.0**	1,005.9
Other financial liabilities - derivative liabilities	(16)	**11.5**	21.7
Interest bearing liabilities	(17)	**76.5**	187.9
Current tax liabilities	(18)	**30.4**	75.5
Provisions	(19)	**198.0**	267.9
Total current liabilities		**1,457.4**	1,558.9
Non-current liabilities			
Trade and other payables	(16)	**25.6**	51.7
Other financial liabilities - derivative liabilities	(16)	**65.2**	42.4
Interest bearing liabilities	(17)	**1,678.5**	1,211.0
Deferred tax liabilities	(20)	**95.3**	78.5
Provisions	(19)	**430.6**	414.3
Total non-current liabilities		**2,295.2**	1,797.9
Total liabilities		**3,752.6**	3,356.8
Net assets		**3,875.6**	3,632.6
Equity			
Ordinary shares	(21)	**1,749.9**	1,709.1
Reserves	(22)	**(849.0)**	(772.6)
Retained earnings	(22)	**2,363.4**	2,096.2
Total equity attributable to ordinary shareholders of Orica		**3,264.3**	3,032.7
Equity attributable to Step-Up Preference Securities' holders	(21)	**490.0**	490.0
Non-controlling interests in controlled entities	(23)	**121.3**	109.9
Total equity		**3,875.6**	3,632.6

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

Statement of Changes in Equity

As at 30 September

	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
2010										
Balance at 1 Oct 2009	1,865.6	1,913.1	36.2	(0.3)	(369.1)	(74.8)	3,370.7	490.0	112.1	3,972.8
Profit for the year	-	1,318.7	-	-	-	-	1,318.7	-	36.0	1,354.7
Other comprehensive income	-	(47.0)	-	17.2	(299.5)	-	(329.3)	-	(11.4)	(340.7)
Total comprehensive income for the year	-	1,271.7	-	17.2	(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)	-	(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
Balance at the end of the year	1,709.1	2,096.2	50.3	16.9	(656.8)	(183.0)	3,032.7	490.0	109.9	3,632.6
2011										
Balance at 1 Oct 2010	**1,709.1**	**2,096.2**	**50.3**	**16.9**	**(656.8)**	**(183.0)**	**3,032.7**	**490.0**	**109.9**	**3,632.6**
Profit for the year	**-**	**642.3**	**-**	**-**	**-**	**-**	**642.3**	**-**	**21.1**	**663.4**
Other comprehensive income	**-**	**(25.6)**	**-**	**(28.4)**	**(58.7)**	**-**	**(112.7)**	**-**	**(5.6)**	**(118.3)**
Total comprehensive income for the year	**-**	**616.7**	**-**	**(28.4)**	**(58.7)**	**-**	**529.6**	**-**	**15.5**	**545.1**
Transactions with owners, recorded directly in equity										
Total changes in contributed equity	**40.8**	**-**	**-**	**-**	**-**	**-**	**40.8**	**-**	**5.8**	**46.6**
Share-based payments expense	**-**	**-**	**15.1**	**-**	**-**	**-**	**15.1**	**-**	**-**	**15.1**
Acquisition of non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(4.4)**	**(4.4)**	**-**	**0.2**	**(4.2)**
Dividends/distributions	**-**	**(349.5)**	**-**	**-**	**-**	**-**	**(349.5)**	**-**	**-**	**(349.5)**
Dividends declared/paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10.1)**	**(10.1)**
Balance at the end of the year	**1,749.9**	**2,363.4**	**65.4**	**(11.5)**	**(715.5)**	**(187.4)**	**3,264.3**	**490.0**	**121.3**	**3,875.6**

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 2011 $m Inflows/ (Outflows)	2010 $m Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**6,494.3**	7,132.9
Payments to suppliers and employees		**(5,418.0)**	(6,015.9)
Interest received		**31.8**	29.2
Borrowing costs		**(175.6)**	(165.8)
Dividends received		**30.1**	29.2
Other operating revenue received		**25.3**	31.3
Net income taxes paid		**(229.7)**	(237.2)
Net cash flows from operating activities	(26)	**758.2**	803.7
Cash flows from investing activities			
Payments for property, plant and equipment		**(663.3)**	(527.4)
Payments for intangibles		**(29.3)**	(15.3)
Payments for purchase of investments		**(0.6)**	(3.8)
Payments for purchase of non-controlling interests	(27)	**(4.4)**	(84.5)
Payments for purchase of businesses/controlled entities	(27)	**(56.5)**	(77.6)
Payments of deferred consideration from prior acquisitions		**(30.2)**	(14.7)
Proceeds from sale of property, plant and equipment		**16.7**	10.1
Proceeds from sale of investments		**1.6**	14.7
Proceeds from sale of businesses/controlled entities	(28)	**-**	0.7
Net cash flows used in investing activities		**(766.0)**	(697.8)
Cash flows from financing activities			
Proceeds from long term borrowings		**1,265.9**	3,448.4
Repayment of long term borrowings		**(738.3)**	(3,272.5)
Net movement in short term financing		**(174.6)**	(120.2)
Debt disposal from the DuluxGroup demerger, net of cash disposed	(28)	**-**	245.0
Payments for finance leases		**(5.4)**	(8.0)
Proceeds from issue of ordinary shares		**7.9**	38.6
Payments for buy-back of ordinary shares - LTEIP		**(14.1)**	(31.6)
Proceeds from issue of shares to non-controlling interests		**5.8**	7.2
Dividends paid - Orica ordinary shares		**(280.3)**	(298.1)
Distributions paid - Step-Up Preference Securities		**(32.2)**	(25.9)
Dividends paid - non-controlling interests		**(15.8)**	(22.5)
Net cash from/(used) flows used in financing activities		**18.9**	(39.6)
Net increase in cash held		**11.1**	66.3
Cash at the beginning of the year		**345.3**	296.6
Effects of exchange rate changes on cash		**(13.1)**	(17.6)
Cash at the end of the year	(26)	**343.3**	345.3

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.
The financial year 2010 includes DuluxGroup cash flows up until the demerger date (9 July 2010).

Notes to the Financial Statements

For the year ended 30 September 2011

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 7 November 2011. 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 2011.

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 2010. The standards relevant to Orica that have been adopted during the year are:

- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2].
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132].

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

- AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042].
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7].
- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax Recovery of Underlying Assets.
- AASB 2010-9 Amendments to Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.
- AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project.
- AASB 1054 Australian Additional Disclosures.
- AASB 2011-12 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced disclosure requirements.

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 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income - applicable for annual reporting periods beginning on or after 1 July 2012.
- AASB 9 Financial Instruments - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 – [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 – applicable for annual reporting periods on or after 1 January 2013.
- AASB 10 Consolidated Financial Statements – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 11 Joint Arrangements – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 12 Disclosure of Interests in Other Entities – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 127 Separate Financial Statements – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 128 Investments in Associates and Joint Ventures – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 119 Employee Benefits – applicable for annual reporting periods on or after 1 January 2013.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements – applicable for annual reporting periods on or after 1 July 2013.
- AASB 13 Fair Value Measurement – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) - applicable for annual reporting periods beginning on or after 1 January 2013.

1. Accounting policies (continued)

- AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements - applicable for annual reporting periods beginning on or after 1 July 2013.

The consolidated entity expects to adopt these standards and interpretations in the 2012 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 vesting conditions not being met.

For the December 2010 scheme, the share based payment expense will be adjusted to an expense based on actual EPS growth achieved.

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.

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.

(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 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

1. Accounting policies (continued)

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

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

1. Accounting policies (continued)

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

Contingent liabilities on acquisition of controlled entities

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

Superannuation

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

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

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

1. Accounting policies (continued)

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.

(xxiii) Cash and cash equivalents

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

1. Accounting policies (continued)

(xxiv) Share capital

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

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

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 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.

An impairment loss in respect of goodwill is not reversed.

(xxvi) Goods and services tax

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

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

(xxvii) Rounding

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

(xxviii) Comparatives

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

2. Segment report

Segment information is presented in respect of the consolidated entity's 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 nine reportable segments comprising: Mining Services: Australia/Asia, North America, Latin America, EMET (Europe, Middle East & Turkey) and Other; 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 currency 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 - EMET - Other *	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.

* Mining Services Other segment includes Mining Services global head office, research and development and global purchasing and supply chain and Commonwealth of Independent States (CIS), Mongolia, Africa and China regions (CISMAC). The Mining Services business was reorganised during the year for internal reporting purposes and the CISMAC region was moved to the Mining Services Other segment.

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 2011 $m	Mining Services Australia/Asia	Mining Services North America	Mining Services Latin America	Mining Services EMET	Mining Services Other	Eliminations	Total Mining Services	Minova	Chemicals	Other	Eliminations	Total Continuing Operations	DuluxGroup [2]	Eliminations	Consolidated
Revenue															
External sales	1,638.1	842.8	831.2	445.2	173.5	-	3,930.8	821.7	1,427.6	2.2	-	6,182.3	-	-	6,182.3
Inter-segment sales	16.8	175.3	34.0	20.2	570.6	(809.7)	7.2	0.2	82.4	0.3	(90.1)	-	-	-	-
Total sales revenue	1,654.9	1,018.1	865.2	465.4	744.1	(809.7)	3,938.0	821.9	1,510.0	2.5	(90.1)	6,182.3	-	-	6,182.3
Other income [1]	20.7	17.8	36.3	9.0	(7.0)	-	76.8	1.0	4.4	3.5	-	85.7	-	-	85.7
Total revenue and other income	1,675.6	1,035.9	901.5	474.4	737.1	(809.7)	4,014.8	822.9	1,514.4	6.0	(90.1)	6,268.0	-	-	6,268.0
Results															
Profit/(loss) before individually material items, net financing costs and income tax expense	466.5	102.9	111.6	59.4	76.6	-	817.0	105.1	196.0	(89.8)	-	1,028.3	-	-	1,028.3
Individually material items	-	-	-	-	-	-	-		-	-	-	-		-	-
Profit/(loss) from operations	466.5	102.9	111.6	59.4	76.6	-	817.0	105.1	196.0	(89.8)	-	1,028.3	-	-	1,028.3
Financial income															32.4
Financial expense															(155.9)
Profit before income tax expense															904.8
Income tax expense															(241.4)
Profit after income tax expense															663.4
Non-controlling interests in profit after income tax															(21.1)
Net profit for the period relating to shareholders of Orica Limited															642.3
Segment assets	1,852.5	602.4	518.1	705.1	508.3	-	4,186.4	1,650.6	1,061.4	729.8	-	7,628.2	-	-	7,628.2
Segment liabilities	367.6	147.6	151.9	177.2	112.6	-	956.9	155.8	250.2	2,389.7	-	3,752.6	-	-	3,752.6
Investments accounted for using the equity method	30.5	129.4	3.2	2.3	3.4	-	168.8	2.9	0.4	-	-	172.1	-	-	172.1
Acquisitions of PPE and intangibles	416.0	48.0	53.2	37.0	57.6	-	611.8	22.7	79.8	17.1	-	731.4	-	-	731.4
Impairment of PPE	0.7	-	-	-	-	-	0.7	-	-	1.2	-	1.9	-	-	1.9
Impairment of intangibles	-	-	-	-	-	-	-	-	-	2.2	-	2.2	-	-	2.2
Impairment of inventories	0.8	2.3	0.2	0.2	0.2	-	3.7	0.4	1.5	-	-	5.6	-	-	5.6
Impairment of trade receivables	-	0.3	0.4	1.4	0.1	-	2.2	1.2	0.4	-	-	3.8	-	-	3.8
Impairment of investments	-	-	-	-	-	-	-	-	-	0.2	-	0.2	-	-	0.2
Depreciation	68.8	30.0	15.4	15.0	6.5	-	135.7	9.1	38.7	4.0	-	187.5	-	-	187.5
Amortisation	4.1	0.5	1.7	3.3	3.4	-	13.0	19.4	0.7	3.6	-	36.7	-	-	36.7
Non-cash expenses other than depreciation and amortisation:															
- share based payments	1.7	1.2	0.8	0.8	1.6	-	6.1	1.3	1.2	6.5	-	15.1	-	-	15.1
Share of associates net profit equity accounted	3.6	33.8	1.1	0.1	0.5	-	39.1	-	(0.2)	-	-	38.9	-	-	38.9

[1] Includes foreign currency gains/losses in various reportable segments.

[2] DuluxGroup was demerged on 9 July 2010.

2. Segment report (continued)

Reportable segments 2010 $m	Mining Services Australia/Asia	Mining Services North America	Mining Services Latin America	Mining Services EMET	Mining Services Other	Eliminations	Total Mining Services	Minova	Chemicals	Other	Eliminations	Total Continuing Operations	DuluxGroup [2]	Eliminations	Consolidated
Revenue															
External sales	1,457.7	799.4	765.0	455.8	117.7	-	3,595.6	835.4	1,379.4	1.7	-	5,812.1	727.2	-	6,539.3
Inter-segment sales	17.1	158.4	17.1	17.6	222.0	(417.1)	15.1	0.1	48.0	0.2	(56.4)	7.0	0.1	(7.1)	-
Total sales revenue	1,474.8	957.8	782.1	473.4	339.7	(417.1)	3,610.7	835.5	1,427.4	1.9	(56.4)	5,819.1	727.3	(7.1)	6,539.3
Other income [1]	3.0	4.1	29.3	3.4	0.8	-	40.6	7.7	8.2	(8.6)	-	47.9	791.4	-	839.3
Total revenue and other income	1,477.8	961.9	811.4	476.8	340.5	(417.1)	3,651.3	843.2	1,435.6	(6.7)	(56.4)	5,867.0	1,518.7	(7.1)	7,378.6
Results															
Profit/(loss) before individually material items, net financing costs and income tax expense	435.2	105.1	118.4	73.6	35.4	-	767.7	147.3	188.0	(94.0)	-	1,009.0	92.4	-	1,101.4
Individually material items	-	-	-	-	-	-	-	(12.3)	-	(63.1)	-	(75.4)	791.0	-	715.6
Profit/(loss) from operations	435.2	105.1	118.4	73.6	35.4	-	767.7	135.0	188.0	(157.1)	-	933.6	883.4	-	1,817.0
Financial income															29.1
Financial expense															(156.7)
Profit before income tax expense															1,689.4
Income tax expense															(334.7)
Profit after income tax expense															1,354.7
Non-controlling interests in profit after income tax															(36.0)
Net profit for the period relating to shareholders of Orica Limited															1,318.7
Segment assets	1,474.9	561.6	491.4	619.2	412.9	-	3,560.0	1,665.7	970.2	793.5	-	6,989.4	-	-	6,989.4
Segment liabilities	283.8	203.8	142.2	197.7	86.4	-	913.9	190.7	224.7	2,027.5	-	3,356.8	-	-	3,356.8
Investments accounted for using the equity method	31.7	118.8	3.1	2.8	3.1	-	159.5	2.9	0.2	-	-	162.6	-	-	162.6
Acquisitions of PPE and intangibles	323.4	35.2	42.3	18.2	33.6	-	452.7	17.1	59.0	15.4	-	544.2	19.4	-	563.6
Impairment of inventories	2.1	1.8	1.1	0.2	-	-	5.2	0.2	(1.9)	-	-	3.5	1.9	-	5.4
Impairment of trade receivables	1.1	0.1	0.7	0.4	-	-	2.3	-	1.7	-	-	4.0	1.4	-	5.4
Depreciation	72.5	29.4	14.2	15.5	5.8	-	137.4	8.9	35.3	4.0	-	185.6	13.0	-	198.6
Amortisation	4.0	-	1.8	3.5	4.7	-	14.0	21.5	0.7	3.2	-	39.4	1.5	-	40.9
Non-cash expenses other than depreciation and amortisation:															
- share based payments	1.4	1.0	0.7	0.6	1.0	-	4.7	1.1	1.0	2.6	-	9.4	4.7	-	14.1
Share of associates net profit equity accounted	5.2	32.7	1.1	(0.1)	1.9	-	40.8	-	-	-	-	40.8	0.6	-	41.4

[1] Includes foreign currency gains/losses in various reportable segments.
[2] DuluxGroup was demerged on 9 July 2010.

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.

2011 $m	Australia	United States of America	Other *	Consolidated
Revenue from external customers				
External sales from continuing operations	**2,145.8**	**851.2**	**3,185.3**	**6,182.3**
Location of non-current assets				
Non-current assets **	**1,883.1**	**1,024.9**	**2,492.1**	**5,400.1**

2010 $m	Australia	United States of America	Other *	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 **	1,612.2	1,033.9	2,279.2	4,925.3

* 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.

	Consolidated 2011 $m	Consolidated 2010 $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.

	2011 $m	2010 $m
Sales revenue	**6,182.3**	5,812.1
Other income		
Royalty income	**0.3**	0.8
Dividend income	**0.2**	0.3
Other income	**25.0**	30.2
Net foreign currency gains	**48.4**	15.6
Profit from sale of businesses/controlled entities/investments	**1.0**	0.1
Profit on sale of property, plant and equipment	**10.8**	0.9
Total other income	**85.7**	47.9

4. Specific profit and loss income and expenses

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

	2011 $m	2010 $m
a) Financial income:		
Interest income received/receivable from:		
controlled entities	**-**	(0.1)
external parties	**32.4**	29.0
Total financial income	**32.4**	28.9
b) Financial expenses:		
Borrowing costs paid/payable to:		
controlled entities	**-**	(7.0)
external parties	**179.5**	165.5
capitalised interest	**(37.4)**	(19.4)
unwinding of discount on provisions	**12.7**	6.2
finance charges – finance leases	**1.1**	3.2
Total financial expenses	**155.9**	148.5
Net financing costs	**123.5**	119.6
c) Profit before income tax expense is arrived at after charging/(crediting):		
Loss on sale of property, plant and equipment	**-**	(0.1)
Depreciation on property, plant and equipment:		
buildings and improvements	**11.8**	10.3
machinery, plant and equipment	**175.7**	175.3
Total depreciation on property, plant and equipment	**187.5**	185.6
Amortisation of intangibles	**36.7**	39.4
Amounts provided for:		
trade receivables impairment	**3.8**	4.0
doubtful debts – other receivables	**0.3**	4.4
employee entitlements	**36.9**	33.1
environmental liabilities	**16.1**	86.0
inventory impairment	**5.6**	3.5
investment impairment	**0.2**	1.4
restructuring and rationalisation provisions	**4.4**	8.5
other provisions	**22.1**	14.1
Bad debts written off to impairment allowance	**1.9**	3.5
Bad debts written off in respect of other receivables	**0.3**	2.6
Lease payments – operating leases	**65.9**	65.7
Research and development	**47.6**	38.6

	2011 Gross $m	2011 Tax $m	2011 Net $m	2010 Gross $m	2010 Tax $m	2010 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:

	2011 Gross $m	2011 Tax $m	2011 Net $m	2010 Gross $m	2010 Tax $m	2010 Net $m
DuluxGroup demerger [1]	-	-	-	791.0	2.8	793.8
Pharmaceuticals tax case [2]	-	-	-	-	(97.8)	(97.8)
Environmental provisions: [3]						
Mercury remediation	-	-	-	(45.0)	13.5	(31.5)
HCB remediation	-	-	-	(18.1)	5.4	(12.7)
Integration costs [4]						
Minova/Excel	-	-	-	(12.3)	3.3	(9.0)
Individually material items	-	-	-	715.6	(72.8)	642.8
Non-controlling interests in individually material items	-	-	-	(0.1)	-	(0.1)
Individually material items attributable to shareholders of Orica	-	-	-	715.7	(72.8)	642.9

[1] Net profit on demerger of DuluxGroup on 9 July 2010. 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] Tax, penalties, interest and costs in relation to the sale of the pharmaceutical business to Zeneca BV in 1998.

[3] Environmental provision relating to HCB export and remediation of mercury contamination at Botany, New South Wales.

[4] Costs including asset write downs and provisions relating to the integration and restructuring of Minova following the purchase of the Minova and Excel businesses.

5. Income tax expense

	Continuing 2011 $m	Discontinued 2011 $m	Consolidated 2011 $m	Continuing 2010 $m	Discontinued 2010 $m	Consolidated 2010 $m
a) Income tax expense recognised in the income statement						
Current tax expense						
Current year	**201.2**	**-**	**201.2**	217.7	27.4	245.1
Deferred tax	**45.7**	**-**	**45.7**	(7.0)	(2.7)	(9.7)
Pharmaceuticals tax case	**-**	**-**	**-**	97.8	-	97.8
(Over)/under provided in prior years	**(5.5)**	**-**	**(5.5)**	1.6	(0.1)	1.5
Total income tax expense in income statement	**241.4**	**-**	**241.4**	310.1	24.6	334.7
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	**271.4**	**-**	**271.4**	266.8	25.3	292.1
Tax effect of items which (decrease)/increase tax expense:						
variation in tax rates of foreign controlled entities	**(8.1)**	**-**	**(8.1)**	(7.9)	-	(7.9)
tax (over)/under provided in prior years	**(5.5)**	**-**	**(5.5)**	1.6	(0.1)	1.5
non allowable share based payments	**4.5**	**-**	**4.5**	2.8	1.4	4.2
non taxable profit on sale of investments	**-**	**-**	**-**	(0.1)	-	(0.1)
other foreign deductions	**(30.5)**	**-**	**(30.5)**	(30.4)	-	(30.4)
sundry items	**9.6**	**-**	**9.6**	1.7	0.8	2.5
Income tax expense attributable to profit before individually material items	**241.4**	**-**	**241.4**	234.5	27.4	261.9
Income tax (benefit)/expense attributable to individually material items						
Prima facie income tax (benefit)/expense calculated at 30% on (loss)/profit from individually material items	**-**	**-**	**-**	(22.6)	237.3	214.7
Tax effect of items which (decrease)/increase tax expense:						
variation in tax rates of foreign controlled entities	**-**	**-**	**-**	-	0.7	0.7
individually material items:						
non allowable/(taxable) items on the DuluxGroup demerger	**-**	**-**	**-**	-	(240.8)	(240.8)
Pharmaceuticals tax case	**-**	**-**	**-**	97.8	-	97.8
non allowable Minova integration costs	**-**	**-**	**-**	0.4	-	0.4
Income tax expense/(benefit) attributable to loss from individually material items	**-**	**-**	**-**	75.6	(2.8)	72.8
Income tax expense reported in the income statement	**241.4**	**-**	**241.4**	310.1	24.6	334.7

5. Income tax expense (continued)

c) Income tax recognised in comprehensive income:

	Consolidated					
	2011			2010		
	$m	**$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 subsidiaries	**(38.5)**	**13.1**	**(25.4)**	(48.9)	(20.6)	(69.5)
Cash flow hedges						
- effective portion of changes in fair value	**2.3**	**(0.7)**	**1.6**	10.1	(3.0)	7.1
- transferred to carrying value of non current assets	**0.1**	**-**	**0.1**	4.9	(1.5)	3.4
- transferred (loss)/income to Income Statement	**(43.0)**	**12.9**	**(30.1)**	9.6	(2.9)	6.7
Exchange differences on translation of foreign operations	**(38.9)**	**-**	**(38.9)**	(241.4)	-	(241.4)
Actuarial (losses)/benefits on defined benefit plans	**(37.4)**	**11.8**	**(25.6)**	(67.0)	20.0	(47.0)
	(155.4)	**37.1**	**(118.3)**	(332.7)	(8.0)	(340.7)

d) Recognised deferred tax assets and liabilities

		Balance Sheet		Income Statement	
		2011	2010	**2011**	2010
Consolidated	Notes	**$m**	$m	**$m**	$m
Deferred tax assets					
Trade and other receivables		**2.0**	3.6	**1.6**	0.4
Inventories		**13.8**	11.7	**(2.1)**	(1.3)
Property, plant and equipment		**27.3**	35.1	**7.8**	2.0
Intangible assets		**12.9**	12.0	**2.4**	3.2
Trade and other payables		**35.5**	59.2	**23.7**	(38.5)
Interest bearing liabilities		**101.0**	65.4	**(10.3)**	(56.7)
Provision for employee entitlements		**26.6**	26.8	**0.2**	(2.6)
Provision for retirement benefit obligations		**47.5**	39.0	**3.3**	16.8
Provisions for restructuring and rationalisation		**1.7**	2.4	**0.7**	1.2
Provisions for environmental		**64.1**	76.5	**12.4**	(14.2)
Provisions for decommissioning		**3.2**	3.8	**0.6**	0.1
Tax losses		**73.2**	51.9	**(21.3)**	30.8
Other items		**5.3**	5.7	**0.4**	1.6
Deferred tax assets		**414.1**	393.1		
Less set-off against deferred tax liabilities		**(172.4)**	(162.8)		
Net deferred tax assets	(15)	**241.7**	230.3		
Deferred tax liabilities					
Inventories		**4.9**	4.8	**0.1**	-
Property, plant and equipment		**128.8**	122.8	**6.0**	41.4
Intangible assets		**88.5**	78.8	**9.7**	(4.6)
Interest bearing liabilities		**20.8**	10.8	**10.0**	9.5
Undistributed profits of foreign subsidiaries		**10.5**	9.4	**1.1**	(0.4)
Other items		**14.2**	14.7	**(0.6)**	1.6
Deferred tax liabilities		**267.7**	241.3		
Less set-off against deferred tax assets		**(172.4)**	(162.8)		
Net deferred tax liabilities	(20)	**95.3**	78.5		
Deferred tax expense/(benefit)				**45.7**	(9.7)

5. Income tax expense (continued)

e) Unrecognised deferred tax assets and liabilities

	Consolidated 2011 $m	2010 $m
Tax losses not booked	**8.3**	10.9
Capital losses not booked	**37.8**	27.1
Temporary differences not booked	**0.9**	0.9

Geographical analysis of tax losses not booked at 30 September 2011:	Tax losses $m	Capital losses $m
Australia	**0.6**	**35.6**
Other	**7.7**	**2.2**
	8.3	**37.8**

f) Unrecognised temporary differences

	Consolidated 2011 $m	2010 $m
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised	**722.3**	570.0
Unrecognised deferred tax liabilities relating to the above temporary differences	**71.6**	59.2

6. Earnings per share (EPS)

(i) As reported in the income statement

	Consolidated 2011 $m	2010 $m
Reconciliation of earnings used in the calculation of EPS attributable to ordinary shareholders of Orica		
Net profit for the period from continuing operations	**663.4**	503.9
Net profit for the period from operations attributable to non-controlling interests	**(21.1)**	(36.0)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	**(22.2)**	(16.2)
Net profit for the period from continuing operations attributable to ordinary shareholders	**620.1**	451.7
Net profit for the period from discontinued operations	**-**	850.8
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica	**620.1**	1,302.5
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)	**22.2**	16.2
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica	**642.3**	1,318.7

	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	**357,493,869**	355,474,771
Effect of executive share options	**706,144**	1,169,383
Effect of Orica Step-Up Preference Securities	**20,113,815**	20,297,030
Number for diluted earnings per share	**378,313,828**	376,941,184
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 18 Dec 2007	**-**	1,041,353
- issue date 26 Jun 2009	**40,580**	40,580
- issue date 21 Dec 2009	**1,634,031**	1,785,616
- issue date 16 Dec 2010	**1,799,507**	-

6. Earnings per share (EPS) (continued)

	Consolidated 2011 Cents per share	2010 Cents per share
From continuing operations		
Basic earnings per share	**173.5**	127.1
Diluted earnings per share	**169.8**	124.1
From discontinued operations		
Basic earnings per share	**-**	239.3
Diluted earnings per share	**-**	225.7
Total attributable to ordinary shareholders of Orica		
Basic earnings per share	**173.5**	366.4
Diluted earnings per share	**169.8**	349.8

(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 period from continuing operations	**663.4**	503.9
Net profit for the period from operations attributable to non-controlling interests	**(21.1)**	(36.0)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	**(22.2)**	(16.2)
Adjusted for individually material items from continuing operations	**-**	150.9
Net profit for the period from continuing operations attributable to ordinary shareholders	**620.1**	602.6
Net profit for the period from discontinued operations	**-**	850.8
Less individually material items from discontinued operations	**-**	(793.8)
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica	**620.1**	659.6
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)	**22.2**	16.2
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica	**642.3**	675.8

	Cents per share	Cents per share
From continuing operations		
Basic earnings per share	**173.5**	169.5
Diluted earnings per share	**169.8**	164.2
From discontinued operations		
Basic earnings per share	**-**	16.1
Diluted earnings per share	**-**	15.1
Total attributable to ordinary shareholders of Orica before individually material items		
Basic earnings per share	**173.5**	185.6
Diluted earnings per share	**169.8**	179.3

7. Cash and cash equivalents

	Consolidated 2011 $m	Consolidated 2010 $m
Cash at bank and on hand	**320.1**	317.2
Deposits at call		
external	**26.8**	30.1
	346.9	347.3

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

8. Trade and other receivables

	Consolidated 2011 $m	Consolidated 2010 $m
Current		
Trade receivables (i)		
external	**838.7**	752.3
associated companies	**20.1**	7.2
Less allowance for impairment (i) (ii)		
external	**(12.9)**	(15.0)
	845.9	744.5
Other receivables (iii)		
external	**96.9**	120.9
Less allowance for impairment (iii) (iv)		
external	**(1.2)**	(5.3)
	95.7	115.6
	941.6	860.1
Non-current		
Other receivables (vii)		
external	**1.2**	2.0
retirement benefit surplus	**0.6**	1.0
	1.8	3.0

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	
	2011	**2011**	2010	2010
	Gross	**Allowance**	Gross	Allowance
	$m	**$m**	$m	$m
Not past due	**736.1**	**-**	649.0	-
Past due 0 - 30 days	**57.8**	**(0.1)**	56.9	(0.2)
Past due 31 - 60 days	**23.1**	**-**	20.5	(0.5)
Past due 61 - 90 days	**9.3**	**(0.2)**	6.7	(0.3)
Past due 91 - 120 days	**8.6**	**(0.1)**	7.9	(0.4)
Past 120 days	**23.9**	**(12.5)**	18.5	(13.6)
	858.8	**(12.9)**	759.5	(15.0)

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	
	2011	2010
	$m	$m
Opening balance	**(15.0)**	(23.4)
Allowances made during the year	**(3.8)**	(5.4)
Additions through acquisition of entities	**(0.4)**	(0.2)
Reductions through disposal/demerger of entities	**-**	3.3
Allowances utilised during the year	**1.9**	4.7
Allowances written back during the year	**4.3**	4.0
Foreign currency exchange differences	**0.1**	2.0
Closing balance	**(12.9)**	(15.0)

8. Trade and other receivables (continued)

(iii) Current other receivables and allowance for impairment

	Consolidated		Consolidated	
	2011	**2011**	2010	2010
	Gross	**Allowance**	Gross	Allowance
	$m	**$m**	$m	$m
Not past due	**90.0**	**-**	111.7	-
Past due 0 - 30 days	**2.4**	**-**	1.4	-
Past due 31 - 60 days	**0.6**	**-**	1.0	-
Past due 61 - 90 days	**0.6**	**-**	0.4	-
Past due 91 - 120 days	**0.5**	**-**	0.5	-
Past 120 days	**2.8**	**(1.2)**	5.9	(5.3)
	96.9	**(1.2)**	120.9	(5.3)

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 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	
	2011	2010
	$m	$m
Opening balance	**(5.3)**	(3.5)
Allowances made during the year	**(0.3)**	(4.4)
Reductions through disposal/demerger of entities	**-**	0.1
Allowances utilised during the year	**0.3**	0.7
Allowances written back during the year	**3.7**	-
Foreign currency exchange differences	**0.4**	1.8
Closing balance	**(1.2)**	(5.3)

(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.

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	
	2011	2010
	%	%
Mining Services:		
- Australia/Asia	**21.3**	21.1
- North America	**9.3**	9.4
- Latin America	**13.5**	13.8
- EMEA	**11.8**	12.1
- Other	**6.3**	3.7
Minova	**14.7**	16.8
Chemicals	**21.0**	20.7
Corporate	**2.1**	2.4
	100.0	100.0

	2011	2010
	%	%
Australia	**26.8**	25.9
New Zealand	**2.9**	3.0
Asia	**18.2**	18.6
North America	**12.3**	12.4
Latin America	**18.3**	17.8
Europe	**18.6**	20.6
Other	**2.9**	1.7
	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	
	2011	2010
	$m	$m

9. Inventories

	2011 $m	2010 $m
Raw materials and stores	**247.4**	217.3
Work in progress	**28.6**	23.3
Finished goods	**338.5**	300.7
	614.5	541.3

10. Other assets

	2011 $m	2010 $m
Current		
Prepayments and other assets	**75.2**	66.4
	75.2	66.4
Non-current		
Prepayments and other assets	**7.1**	5.3
	7.1	5.3

11. Investments accounted for using the equity method

Name	Principal activity	Balance date	Ownership 2011 %	Ownership 2010 %	Carrying amount 2011 $m	Carrying amount 2010 $m
Australian Plantations Pty Ltd [e]	Tea tree oil production	30 Jun	**-**	-	**-**	-
Beijing Sino-Australia Orica Watercare Technology and Equipment Co. Ltd [1] [a]	Sale of water treatment equipment and resin	30 Sep	**45.0**	45.0	**0.4**	0.2
Botany Industrial Park Pty Limited	Facility management service	30 Sep	**33.4**	33.4	**-**	-
BXL Bulk Explosives Limited [2] [d]	Manufacture and sale of explosives	31 Oct	**-**	-	**-**	-
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	**3.4**	3.1
Exor Explosives Limited [5]	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**0.7**	0.8
FiReP Holding AG [11] [a]	Manufacture and sale of strata support and ventilation products	31 Dec	**25.0**	25.0	**2.9**	2.9
Geneva Nitrogen LLC [6]	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**7.3**	7.2
Geodynamics B.V. [7]	Manufacture and sale of explosives	31 Dec	**27.3**	27.3	**6.2**	5.4
Irish Mining Emulsion Systems Ltd [8]	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**0.2**	0.1
Kitikmeot Explosives Limited [2] [a]	Explosives service provider	31 Oct	**49.0**	49.0	**0.5**	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**	0.5
Nelson Brothers, LLC [6]	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**26.7**	26.4
Nelson Brothers Mining Services LLC [6]	Supply of explosives	31 Dec	**50.0**	50.0	**22.1**	18.8
Norabel Ignition Systems AB [10] [c]	Manufacture and sale of explosives	31 Dec	**-**	50.0	**-**	0.6
Orica Camel Coatings Ltd [12] [b]	Manufacture and sale of powder coatings	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	**-**	-	**-**	-
PIIK Limited Partnership [2]	Sale of explosives	30 Sep	**49.0**	49.0	**-**	-
Sahtu Explosives Limited [2] [a]	Explosives service provider	31 Oct	**49.0**	49.0	**-**	-
Servicios Petroleros Oricorp Mexico, SA de CV [3] [c]	Manufacture and sale of explosives	31 Dec	**-**	47.0	**-**	-
Southwest Energy LLC [6]	Sale of explosives	30 Sep	**50.0**	50.0	**66.5**	60.7
Sprewa Sprengmittel GmbH [9]	Sale of explosives	31 Dec	**24.0**	24.0	**0.8**	0.7
SVG&FNS Philippines Holdings Inc [13]	Investment company	31 Dec	**40.0**	40.0	**-**	-
Thai Nitrate Company Ltd [14] [f]	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**30.5**	31.7
Tli Cho Explosives Limited [2] [a]	Explosives service provider	31 Oct	**49.0**	49.0	**0.1**	0.2
Troisdorf GmbH [9]	Holder of operating permits	30 Sep	**50.0**	50.0	**-**	-
Ulaex SA [15]	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**3.1**	3.0
Wurgendorf GmbH [9]	Holder of operating permits	30 Sep	**50.0**	50.0	**0.1**	0.1
					172.1	162.6

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

[a] Acquired in 2010.

[b] Disposed of in 2010 due to the DuluxGroup demerger.

[c] Disposed of in 2011.

[d] Consolidated as a subsidiary: BXL Bulk Explosives Limited from 1 July 2010.

[e] Dissolved in 2010.

[f] Orica holds its 50% equity interest in Thai Nitrate Company Ltd (TNC) through two subsidiary companies, Orica Norway AS (39%) and Ammonium Nitrate Development and Production Limited (11%). The remaining 50% equity interest in TNC is held by TPI Polene PLC (TPIP), an entity listed on the Thailand Stock Exchange, and four Thailand nationals. The South Bangkok Civil Court issued a judgement on 5 October 2011 that Orica Norway AS transfer its 39% shareholding in TNC to TPIP for a consideration equal to the relevant portion of TNC's net asset value at June 2006, less dividends paid since that date. This equates to approximately $17 million less than the carrying value of those shares. Orica has received legal advice to the effect that this judgement is without merit and is vigorously pursuing its legal appeal rights in the Thailand courts against this decision.

On 1 November 2011 the Court granted a temporary stay of execution of its earlier judgement.

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

	Consolidated 2011 $m	2010 $m
Results of associates		
Share of associates' profit from ordinary activities before income tax	**40.0**	43.9
Share of associates' income tax expense relating to profit from ordinary activities	**(1.1)**	(2.5)
Share of associates' net profit equity accounted	**38.9**	41.4
Attributable to:		
Continuing operations	**38.9**	40.8
Discontinued operations	**-**	0.6
Share of post-acquisition accumulated losses and reserves attributable to associates		
Share of associates' accumulated losses at the beginning of the year	**(15.9)**	(28.4)
Share of associates' net profit equity accounted	**38.9**	41.4
Less dividends from associates	**(29.9)**	(28.9)
Share of associates' accumulated losses at the end of the year	**(6.9)**	(15.9)
Movements in carrying amounts of investments		
Carrying amount of investments in associates at the beginning of the year	**162.6**	167.4
Investments in associates acquired during the year	**3.2**	3.8
Investments in associates disposed of/demerged during the year	**(0.6)**	(3.6)
Impairment of investments	**(0.2)**	-
Share of associates' net profit equity accounted	**38.9**	41.4
Less dividends from associates	**(29.9)**	(28.9)
Effects of exchange rate changes	**(1.9)**	(17.5)
Carrying amount of investments in associates at the end of the year	**172.1**	162.6
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	**675.8**	630.1
Net profit after tax	**77.0**	78.3
Assets	**370.5**	325.7
Liabilities	**132.6**	98.0

12. Other financial assets

	2011 $m	2010 $m
Current - other financial assets - derivative assets (i)		
cross currency interest rate swaps - net investment	**0.2**	-
forward rate exchange agreements	**0.1**	-
forward foreign exchange contracts/options	**6.7**	16.8
	7.0	16.8
Non-current - other financial assets - derivative assets (i)		
cross currency interest rate swaps - debt principal	**-**	2.4
cross currency interest rate swaps - net investment	**0.2**	-
interest rate swaps	**4.4**	6.9
	4.6	9.3
Non-current - other financial assets		
Interest in unlisted entities		
at fair value	**0.6**	0.9
	0.6	0.9

(i) Derivative assets
Refer to note 34 for details on the financial risk management and use of derivative financial instruments.

	Consolidated 2011 $m	2010 $m
13. Property, plant and equipment		
Land, buildings and improvements		
at cost	**610.8**	555.9
accumulated depreciation	**(212.6)**	(200.2)
Total carrying value	**398.2**	355.7
Machinery, plant and equipment		
Gross book value		
at cost	**3,770.3**	3,195.0
under finance lease	**35.3**	33.6
	3,805.6	3,228.6
Accumulated depreciation		
at cost	**(1,491.3)**	(1,347.0)
under finance lease	**(2.8)**	(2.1)
	(1,494.1)	(1,349.1)
Net carrying value		
at cost	**2,279.0**	1,848.0
under finance lease	**32.5**	31.5
Total carrying value	**2,311.5**	1,879.5
Total net carrying value of property, plant and equipment	**2,709.7**	2,235.2

(i) Capitalised borrowing costs
Interest amounting to $37.0 million (2010 $19.4 million) was capitalised to property, plant and equipment, calculated at the average rate of 6.2% (2010 6.7%).

(ii) Significant assets under construction
Included in Property, Plant and Equipment is an amount of $678.6 million (2010 $424.0 million) of assets under construction relating to:

	Consolidated 2011 $m	2010 $m
Bontang, Indonesia, Ammonium Nitrate plant	**468.9**	339.3
Kooragang Island plant uprate	**154.2**	59.2
Nanling detonator plant	**55.5**	25.5
	678.6	424.0

Note that the assets under construction balances are translated at year end foreign exchange rates and include capitalised interest on the projects.

13. Property, plant and equipment (continued)

(iii) Reconciliations

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

Consolidated		Land, buildings and improvements $m	Machinery, plant and equipment $m	Total $m
2010				
Carrying amount at the beginning of the year	01-Oct-2009	373.3	1,701.7	2,075.0
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 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**
2011				
Additions		**57.0**	**643.0**	**700.0**
Disposals		**(3.5)**	**(13.1)**	**(16.6)**
Additions through acquisition of entities (see note 27)		**3.2**	**3.8**	**7.0**
Fair value adjustment on prior year acquisitions (see note 27)		**-**	**(2.1)**	**(2.1)**
Depreciation expense		**(11.8)**	**(175.7)**	**(187.5)**
Impairment of property, plant and equipment		**-**	**(1.9)**	**(1.9)**
Foreign currency exchange differences		**(2.4)**	**(22.0)**	**(24.4)**
Carrying amount at the end of the year	30-Sep-2011	**398.2**	**2,311.5**	**2,709.7**

14. Intangible assets

	Consolidated 2011 $m	2010 $m
Goodwill	**2,249.1**	2,240.6
Less impairment losses	**(34.2)**	(34.2)
Total net book value of goodwill	**2,214.9**	2,206.4
Patents, trademarks and rights	**123.7**	123.1
Less accumulated amortisation	**(49.4)**	(45.2)
Total net book value of patents, trademarks and rights	**74.3**	77.9
Brand names	**18.6**	19.0
Less accumulated amortisation	**(9.9)**	(7.9)
Total net book value of brand names	**8.7**	11.1
Software	**89.9**	64.8
Less accumulated amortisation	**(40.8)**	(33.3)
Total net book value of software	**49.1**	31.5
Customer contracts and relationships	**258.1**	262.0
Less accumulated amortisation	**(99.7)**	(78.0)
Total net book value of customer contracts and relationships	**158.4**	184.0
Total net book value of intangibles	**2,505.4**	2,510.9

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

Consolidated	Goodwill $m	Patents trademarks and rights $m	Brand names $m	Software $m	Customer contracts $m	Total $m
2010						
Carrying amount at the beginning of the year	2,364.2	86.7	54.9	30.8	219.9	2,756.5
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	(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**
2011						
Additions	**-**	**2.0**	**-**	**27.8**	**-**	**29.8**
Additions through acquisition of entities (see note 27)	**43.4**	**-**	**-**	**-**	**0.2**	**43.6**
Fair value adjustment on prior year acquisitions (see note 27)	**1.0**	**-**	**-**	**-**	**-**	**1.0**
Amortisation expense	**-**	**(4.7)**	**(2.1)**	**(7.6)**	**(22.3)**	**(36.7)**
Impairment expense	**-**	**-**	**-**	**(2.2)**	**-**	**(2.2)**
Foreign currency exchange differences	**(35.9)**	**(0.9)**	**(0.3)**	**(0.4)**	**(3.5)**	**(41.0)**
Carrying amount at the end of the year	**2,214.9**	**74.3**	**8.7**	**49.1**	**158.4**	**2,505.4**

Capitalised borrowing costs
Interest amounting to $0.4 million (2010 nil) was capitalised to intangibles assets, calculated at the average rate of 7.1%.

	Consolidated 2011 $m	2010 $m
15. Deferred tax assets		
Net deferred tax assets (see note 5)	**241.7**	230.3

16. Trade and other payables

	2011 $m	2010 $m
Current		
Trade payables		
external	**834.3**	673.9
associated companies	**25.5**	16.5
Other payables		
external	**281.2**	315.5
	1,141.0	1,005.9
Current - other financial liabilities - derivative liabilities		
Derivative financial instruments		
cross currency interest rate swaps - debt principal	**-**	15.6
cross currency interest rate swaps - net investment	**2.9**	-
forward foreign exchange contracts	**8.4**	5.5
interest rate swaps	**0.2**	0.6
	11.5	21.7
Non-current		
Other payables		
external	**25.6**	51.7
	25.6	51.7
Non-current - other financial liabilities - derivative liabilities		
Derivative financial instruments		
cross currency interest rate swaps - debt principal	**40.1**	25.8
cross currency interest rate swaps - net investment	**7.2**	7.6
interest rate swaps	**17.9**	9.0
	65.2	42.4

Significant terms and conditions

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

Fair values

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

Derivative financial instruments

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

17. Interest bearing liabilities

	Consolidated 2011 $m	2010 $m
Current		
Unsecured		
bank overdrafts	**3.6**	2.0
bank loans	**61.5**	-
other short term borrowings	**6.0**	10.2
other loans		
private placement [1]	**-**	170.4
Lease liabilities (see note 30)	**5.4**	5.3
	76.5	187.9
Non-current		
Unsecured		
bank loans	**123.1**	279.1
other loans		
private placement [1]	**1,443.4**	824.4
export finance facility [2]	**102.4**	95.2
other	**3.0**	1.2
Lease liabilities (see note 30)	**6.6**	11.1
	1,678.5	1,211.0

[1] **Private placement**
Orica Limited guaranteed senior notes issued in the US private placement market in 2000, 2003, 2005 and 2010.
The notes have maturities between 2012 and 2030 (2010: 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 occured in October 2010.

[2] **Export finance facility**
Ten year loans provided to Orica Limited in financial year 2010 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 2011 varying from 0.1% to 4.9% (2010 0.3% to 5.7%) 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 2011 $m	2010 $m
Finance leases		
Property, plant and equipment	**32.5**	31.5
	32.5	31.5

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

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

	Consolidated 2011 $m	2010 $m
18. Current tax liabilities		
Provision for income tax	**30.4**	75.5

19. Provisions

	Consolidated 2011 $m	2010 $m
Current		
Employee entitlements	**70.3**	68.3
Restructuring and rationalisation	**5.8**	8.4
Environmental	**83.7**	151.3
Decommissioning	**5.7**	4.3
Other	**32.5**	35.6
	198.0	267.9
Non-current		
Employee entitlements	**41.7**	37.2
Retirement benefit obligations (see note 38)	**206.6**	198.7
Environmental	**143.0**	133.2
Decommissioning	**6.9**	9.1
Contingent liabilities on acquisition of controlled entities	**18.9**	19.2
Other	**13.5**	16.9
	430.6	414.3
Aggregate employee entitlements		
Current	**70.3**	68.3
Non-current	**248.3**	235.9
	318.6	304.2

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

Current provision - restructuring and rationalisation	Consolidated $m
Carrying amount at the beginning of the year	**8.4**
Provisions made during the year	**4.4**
Provisions written back during the year	**(2.7)**
Payments made during the year	**(4.2)**
Foreign currency exchange differences	**(0.1)**
Carrying amount at the end of the year	**5.8**

19. Provisions (continued)

Current provision - environmental	Consolidated $m
Carrying amount at the beginning of the year	**151.3**
Provisions made during the year	**14.9**
Provisions written back during the year	**(2.1)**
Payments made during the year	**(81.7)**
Provision transferred from non-current	**1.6**
Foreign currency exchange differences	**(0.3)**
Carrying amount at the end of the year	**83.7**

Current provision - decommissioning	
Carrying amount at the beginning of the year	**4.3**
Payments made during the year	**(0.8)**
Provision transferred from non-current	**2.2**
Carrying amount at the end of the year	**5.7**

Current provision - other	
Carrying amount at the beginning of the year	**35.6**
Provisions made during the year	**22.1**
Provisions written back during the year	**(6.3)**
Payments made during the year	**(21.5)**
Provision transferred from non-current	**2.8**
Foreign currency exchange differences	**(0.2)**
Carrying amount at the end of the year	**32.5**

Non-current provision - environmental	
Carrying amount at the beginning of the year	**133.2**
Additions through acquisition of entities	**1.4**
Provisions made during the year	**1.2**
Provisions written back during the year	**(1.3)**
Unwinding of discount on provisions (see note 4)	**12.7**
Provision transferred to current	**(1.6)**
Foreign currency exchange differences	**(2.6)**
Carrying amount at the end of the year	**143.0**

19. Provisions (continued)

Non-current provision - decommissioning	Consolidated $m
Carrying amount at the beginning of the year	**9.1**
Provision transferred to current	**(2.2)**
Carrying amount at the end of the year	**6.9**

Non-current provision - contingent liabilities on acquisition of controlled entities	
Carrying amount at the beginning of the year	**19.2**
Foreign currency exchange differences	**(0.3)**
Carrying amount at the end of the year	**18.9**

Non-current provision - other	
Carrying amount at the beginning of the year	**16.9**
Provision transferred to current	**(2.8)**
Foreign currency exchange differences	**(0.6)**
Carrying amount at the end of the year	**13.5**

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 to notes 32 and 33).

	Consolidated 2011 $m	Consolidated 2010 $m
Total environmental provision comprises:		
Botany Groundwater remediation	**51.4**	45.2
Hexachlorobenzene (HCB) waste remediation	**64.8**	101.0
Botany Mercury remediation	**22.5**	44.8
Dyno Nobel sites remediation	**25.3**	23.6
Seneca remediation	**12.8**	14.0
Villawood remediation	**29.5**	30.3
Minova sites remediation	**2.8**	4.4
Other environmental provisions	**17.6**	21.2
Total environmental provisions	**226.7**	284.5

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 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.

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

20. Deferred tax liabilities

	Consolidated 2011 $m	Consolidated 2010 $m
Net deferred tax liabilities (see note 5)	**95.3**	78.5

	Consolidated 2011 $m	2010 $m

21. Contributed equity

	2011 $m	2010 $m
Issued and fully paid:		
Step-Up Preference Securities - 5,000,000 (2010 5,000,000) (1)	**490.0**	490.0
Ordinary shares - 363,966,570 (2010 362,100,430)	**1,749.9**	1,709.1
Balance at end of year	**2,239.9**	2,199.1

(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. However, prior to 30 November 2011, Orica may (a) seek the SPS holder approval to revise certain terms of the SPS, including the margin, with the revised SPS remaining on issue from 30 November 2011, (b) convert the SPS into Orica shares at a 2.5% discount to the Orica share price, (c) repurchase the SPS, or (d) do nothing with the SPS, leaving them on issue and pay an additional 2.25% step-up margin per annum on the SPS. 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 Shares or Notes are issued by either of Orica or Orica NZ which are not stapled to corresponding securities in the other entity.
The SPS are currently treated as equity for accounting purposes. Subsequent to year end Orica decided to repurchase the SPS (refer to note 35). The SPS were reclassified to debt from 13 October 2011.

Movements in issued and fully paid shares of Orica since 1 October 2009 were as follows:

Details	**Date**	**Number of shares**	**Issue price $**	**$m**
Step-Up Preference Securities				
Opening balance - gross (1)	1-Oct-2009	5,000,000	100.00	500.0
Opening balance - costs (1)				(10.0)
Balance at end of the year	**30-Sep-10**	**5,000,000**		**490.0**
Balance at end of the year	**30-Sep-11**	**5,000,000**		**490.0**
Ordinary shares				
Opening balance of ordinary shares issued	1-Oct-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 37) (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**
Shares issued under the Orica executive option plans (3)		**-**		**-**
Shares issued under the Orica dividend reinvestment plan (note 25)	**10-Dec-10**	**1,089,406**	**25.62**	**27.9**
Shares issued under the Orica dividend reinvestment plan (note 25)	**1-Jul-11**	**742,803**	**25.77**	**19.1**
Share movements under the Orica LTEIP plan (Remuneration Report) (4)		**33,931**		**(7.5)**
Shares issued under the Orica GEESP plan (note 36) (2)		**-**		**1.3**
Balance at end of the year	**30-Sep-11**	**363,966,570**		**1,749.9**

(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.

21. Contributed equity (continued)

Details	Date	Number of shares	Issue price * $	$m
[3] **Shares issued under the Orica executive option plan (note 36(a))**				
2009/2010				
Shares issued		11,000	7.73	0.1
Shares issued		40,600	4.65	0.2
Movement for the year	**30-Sep-10**	**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. There are no options exercised in 2011.

Details	Date	Number of shares	Issue price * $	$m
[4] **Share movements under the Orica LTEIP plan (Remuneration Report section H)**				
2009/2010				
Shares issued	29-Jan-10	23,683	24.79	-
Shares bought back	Various	-		(31.6)
Shares issued - loan repayment	Various			36.5
Movement for the year	**30-Sep-10**	**23,683**		**4.9**
2010/2011				
Shares issued	**31-Jan-11**	**33,931**	**25.23**	**-**
Shares bought back	**Various**	**-**		**(14.1)**
Shares issued - loan repayment	**Various**			**6.6**
Movement for the year	**30-Sep-11**	**33,931**		**(7.5)**

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.

* Issue price was based on VWAP (volume-weighted average price) at the time of issue.

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

	Consolidated 2011 $m	Consolidated 2010 $m
Bought back ordinary share capital	**(14.1)**	(31.6)

21. Contributed equity (continued)

Options over unissued shares:

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

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

Exercisable between	Balance 30 Sep 09	Issued during year	Exercised during year*	Lapsed during year	Balance 30 Sep 10	**Issued during year**	**Exercised during year**	**Lapsed during year**	**Balance 30 Sep 11**
19 Nov 13 23 Jan 14	-	-	-	-	-	**1,886,701**	**(41,008)**	**(46,186)**	**1,799,507**
19 Nov 12 23 Jan 13	-	1,973,965	(170,949)	(17,400)	1,785,616		**(48,740)**	**(102,845)**	**1,634,031**
18 Nov 11 23 Jan 12	40,580	-	-	-	40,580	**-**	**-**	**-**	**40,580**
18 Nov 11 23 Jan 12	2,843,331	-	(321,829)	(66,235)	2,455,267	**-**	**(66,540)**	**(117,764)**	**2,270,963**
17 Nov 10 21 Jan 11	1,206,357	-	(101,525)	(63,479)	1,041,353	-	**(3,789)**	**(1,037,564)**	**-**
18 Nov 09 22 Jan 10	33,464	-	(4,091)	(29,373)	-	-	**-**	**-**	**-**
18 Nov 09 22 Jan 10	1,274,699	-	(1,268,377)	(6,322)	-	-	**-**	**-**	**-**
Total	5,398,431	1,973,965	(1,866,771)	(182,809)	5,322,816	**1,886,701**	**(160,077)**	**(1,304,359)**	**5,745,081**

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

22. Reserves and retained earnings

	Notes	Consolidated 2011 $m	2010 $m
(a) Reserves			
Share based payments		**65.4**	50.3
Cash flow hedging		**(11.5)**	16.9
Foreign currency translation		**(715.5)**	(656.8)
Equity - arising from purchase of non-controlling interests		**(187.4)**	(183.0)
Balance at end of the year		**(849.0)**	(772.6)
Movement in reserves during the year			
Share based payments			
Balance at beginning of year		**50.3**	36.2
Share based payments expense		**15.1**	14.1
Balance at end of the year		**65.4**	50.3
Cash flow hedging			
Balance at beginning of year		**16.9**	(0.3)
Movement for period		**(40.6)**	24.6
Tax effect of movement in cash flow hedge reserve		**12.2**	(7.4)
Balance at end of the year		**(11.5)**	16.9
Foreign currency translation			
Balance at beginning of year		**(656.8)**	(369.1)
Transfer to income statement on demerger of foreign subsidiaries		**-**	11.8
Translation of overseas controlled entities at the end of the year		**(71.8)**	(278.9)
Tax effect of translation of overseas controlled entities at the end of the year		**13.1**	(20.6)
Balance at end of the year		**(715.5)**	(656.8)
Equity - arising from purchase of non-controlling interests			
Balance at beginning of year		**(183.0)**	(74.8)
Purchase of non-controlling interests (see note 27)		**(4.4)**	(108.2)
Balance at end of the year		**(187.4)**	(183.0)
(b) Retained earnings			
Retained earnings at the beginning of the year		**2,096.2**	1,913.1
Profit after income tax attributable to shareholders of Orica		**642.3**	1,318.7
Defined benefit fund superannuation movement (net of tax)	(38)	**(25.6)**	(47.0)
Dividends/distributions:	(25)		
Step-Up Preference Securities distributions		**(32.2)**	(25.9)
Less tax credit on Step-Up Preference Securities distributions		**10.0**	9.7
Ordinary dividends – interim		**(133.2)**	(146.8)
Ordinary dividends – final		**(194.1)**	(203.7)
DuluxGroup demerger dividend		**-**	(721.9)
Retained earnings at end of the year		**2,363.4**	2,096.2

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 2011 relates to purchase of non-controlling interests in Minería, Explosivos y Servicios, S.A. and Orica Philippines Inc.
The movement for the year ended 30 September 2010 relates to the purchase of non-controlling interests in Orica Colombia S.A., Beijing Ruichy Minova Synthetic Material Company Limited and Sprengmittelvertrieb in Bayern GmbH.

23. Non-controlling interests in controlled entities

	Consolidated 2011 %	Consolidated 2010 %	Consolidated 2011 $m	Consolidated 2010 $m
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 [1]	**-**	-	**-**	-
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	**0.5**	0.3
Hunan Orica Nanling Civil Explosives Co., Ltd	**49.0**	49.0	**14.6**	9.0
Jiangsu Orica Banqiao Mining Machinery Company Limited [1]	**49.0**	49.0	**0.9**	0.9
Minería, Explosivos y Servicios, S.A. [2] [3]	**40.0**	44.0	**0.5**	-
Minova MineTek Private Limited	**24.0**	24.0	**0.2**	0.2
Minova Mining Services S.A. [1]	**49.0**	49.0	**1.4**	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. [1]	**-**	-	**-**	-
Orica Eesti OU	**35.0**	35.0	**2.6**	2.6
Orica Mining Services Peru S.A.	**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 [1] [2]	**5.5**	9.9	**0.1**	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**	9.8
Sprengmittelvertrieb in Bayern GmbH [1]	**-**	-	**-**	-
Teradoran Pty Ltd	**33.0**	33.0	**-**	-
Transmate S.A. [4]	**29.8**	-	**-**	-
TOO "Minova Kasachstan"	**40.0**	40.0	**0.5**	0.5
			61.2	55.0
Non-controlling interests in shareholders' equity at balance date is as follows:				
Contributed equity			**61.2**	55.0
Reserves			**(15.0)**	(10.0)
Retained earnings			**75.1**	64.9
			121.3	109.9

[1] Non-controlling interests purchased by Orica during the 2010 year.
[2] Non-controlling interests purchased by Orica during the 2011 year.
[3] Minority interest acquired through new acquisitions by Orica during the 2010 year.
[4] Minority interest acquired through new acquisitions by Orica during the 2011 year.

	Notes	Company 2011 $m	2010 $m

24. Parent Company disclosure - Orica Limited

	Notes	2011 $m	2010 $m
Total current assets		**969.7**	828.1
Total assets		**2,915.3**	2,776.8
Total current liabilities		**186.1**	211.2
Total liabilities		**186.2**	211.5
Equity			
Ordinary shares		**1,749.9**	1,709.1
Retained earnings		**489.2**	366.2
Total equity attributable to ordinary shareholders of Orica		**2,239.1**	2,075.3
Equity attributable to Step-Up Preference Securities' holders		**490.0**	490.0
Total equity		**2,729.1**	2,565.3
Net profit for the year		**472.5**	975.6

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 w ith the ASIC Class Order 98/1418 dated 13 August 1998 (as amended), each company w hich is a party to the Deed has covenanted w ith the Trustee of the Deed to guarantee the payment of any debts of the other companies w hich are party to the Deed w hich might arise on the w inding up of those companies. The closed group of entities w hich are party to the Deed are disclosed in note 40. A consolidated balance sheet and income statement for this closed group is show n in note 40.
DuluxGroup (Australia) Pty Ltd left the Deed of Cross Guarantee on 28 May 2010. Orica provided guarantees for its liabilities until 28 November 2010.

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

Orica Limited guaranteed senior notes issued in the US private placement market in 2000, 2003, 2005 and 2010. The notes have maturities betw een 2012 and 2030 (2010: betw een 2010 and 2018) (see note 17).

Orica Limited Statement of Changes in Equity

	Ordinary shares $m	Retained earnings $m	Total $m	Step-Up Preference Securities $m	Total equity $m
2010					
Balance at 1 Oct 2009	1,865.6	479.2	2,344.8	490.0	2,834.8
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 paid	-	(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
2011					
Profit for the year	**-**	**472.5**	**472.5**	**-**	**472.5**
Transactions with owners, recorded directly in equity					
Total changes in contributed equity	**40.8**	**-**	**40.8**	**-**	**40.8**
Dividends/distributions	**-**	**(349.5)**	**(349.5)**	**-**	**(349.5)**
Balance at the end of the year	**1,749.9**	**489.2**	**2,239.1**	**490.0**	**2,729.1**

	Consolidated 2011 $m	2010 $m
25. Dividends and distributions		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary shares		
interim dividend of 41 cents per share, 39.02% franked at 30%, paid 2 Jul 2010		146.8
interim dividend of 37 cents per share, 48.6% franked at 30%, paid 1 Jul 2011	**133.2**	
final dividend of 57 cents per share, 35.09% franked at 30%, paid 4 Dec 2009		203.7
final dividend of 54 cents per share, 100% franked at 30%, paid 10 Dec 2010	**194.1**	
Distributions paid in respect of the year ended 30 September were:		
Step-Up Preference Securities		
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
distribution at 6.30% per annum, per security, unfranked, paid 30 Nov 2010 for the period from 31 May 2010 to 29 Nov 2010	**15.8**	
distribution at 6.60% per annum, per security, unfranked, paid 31 May 2011 for the period from 30 Nov 2010 to 30 May 2011	**16.4**	
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.

	2011 $m	2010 $m
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	**280.3**	298.1
satisfied by issue of shares	**47.0**	52.4
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan [2]	**-**	-
Distributions paid in cash	**32.2**	25.9
No distributions were satisfied by the issue/purchase of shares.		

[2] During the 2011 year, Orica bought nil shares on market (2010 nil) 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 53 cents per share, 100% franked at 30%, payable 9 Dec 2011.
Total franking credits related to this dividend are $82.7 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 2011 and will be recognised in the 2012 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 2011 are $49.5 million (2010 $71.6 million).

26. Notes to the statement of cash flows

	Notes	Consolidated 2011 $m	2010 $m
Reconciliation of cash			
Cash at the end of the year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash	(7)	**346.9**	347.3
Bank overdraft	(17)	**(3.6)**	(2.0)
		343.3	345.3

	2011 $m	2010 $m
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities		
Profit from ordinary activities after income tax expense	**663.4**	1,354.7
Depreciation and amortisation	**224.2**	239.5
Share based payments expense	**15.1**	14.1
Share of associates' net (profit)/loss after adding back dividends received	**(9.0)**	(12.5)
Finance charges - finance leases	**1.1**	3.2
Unwinding of discount on provisions	**12.7**	6.2
Increase in net interest payable	**6.2**	1.1
Non cash profit on DuluxGroup demerger	**-**	(849.8)
Pharmaceuticals tax case	**-**	97.8
Decrease in net interest receivable	**(0.6)**	-
Impairment of intangibles	**2.2**	-
Impairment of property, plant and equipment	**1.9**	-
Impairment of inventories	**5.6**	5.4
Impairment of investments	**0.2**	-
Net profit on sale of businesses and controlled entities/investments	**(1.0)**	(0.1)
Net profit on sale of property, plant and equipment	**(10.8)**	(0.9)
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities		
increase in trade and other receivables	**(76.8)**	(27.6)
increase in inventories	**(78.2)**	(22.3)
increase/(decrease) in deferred taxes payable	**32.7**	(22.2)
increase in payables and provisions	**4.5**	5.9
(decrease)/increase in income taxes payable	**(35.2)**	11.2
Net cash flows from operating activities	**758.2**	803.7

27. Businesses and non-controlling interests acquired

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 w hich acquisition accounting can be finalised follow ing the acquisition date. The measurement period shall not exceed one year from the acquisition date.

Consolidated - 2011
Acquisition of businesses and controlled entities
The consolidated entity acquired the follow ing businesses and entities (100% unless stated otherw ise):

Forbusi Importadora e Exportadora Ltda on 1 October 2010.
Mineria, Explosivos y Servicios, S.A. on 12 October 2010, Orica acquired an additional 4% shareholding.
Orica Philippines Inc, at various times, Orica acquired an additional 4.4% shareholding.
Titanobel Belgique S.A. and its subsidiaries on 1 April 2011.
Sociedade de Explosivos Civis, S.A. on 2 June 2011.

Businesses
Business assets of 1723416 Ontario Limited "MHA" on 21 October 2010.
Business assets of Rajahdysainepalvelu Kiviniemi Oy on 14 April 2011.

2011	Book values $m	Fair value adjustments $m	Total $m
Consideration			
cash paid	**54.5**	**-**	**54.5**
net overdraft acquired	**2.0**	**-**	**2.0**
Outflow of cash	**56.5**	**-**	**56.5**
deferred settlement	**0.3**	**-**	**0.3**
Total consideration	**56.8**	**-**	**56.8**
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	**14.1**	**(0.4)**	**13.7**
inventories	**3.2**	**-**	**3.2**
property, plant and equipment	**7.0**	**-**	**7.0**
intangibles	**0.2**	**-**	**0.2**
other assets	**0.1**	**0.5**	**0.6**
trade and other payables	**(7.9)**	**-**	**(7.9)**
provision for employee entitlements	**(0.9)**	**(1.1)**	**(2.0)**
provision for environmental	**(1.4)**	**-**	**(1.4)**
	14.4	**(1.0)**	**13.4**
Goodw ill on acquisition			**43.4**

Acquisition of non-controlling interest: 2011	Total $m
Equity reserve	**4.4**
Total consideration	**4.4**

Results contributed by acquired entities since acquisition date:	$m
Revenue for the period	**19.4**
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	**3.4**

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 2011 are as follow s:

	$m
Operating revenue	**43.1**
EBITDA	**8.0**

The unaudited information at the time of acquisition w as compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions betw een Orica and the acquired businesses. Goodw ill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' w ork forces and the synergies expected to be achieved from integrating these businesses. None of the goodw ill recognised is expected to be deductible for income tax purposes.

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

Consolidated - 2010

Acquisition of businesses and controlled entities

The consolidated entity acquired the follow ing businesses and entities (100% unless stated otherw ise):

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% shareholding.
Alaska Pacific Pow der 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.
Mineria, Explosivos y Servicios, S.A. on 7 September 2010 (56%).
Sprengmittelvertrieb in Bayern 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., Yellow knife Mine on 1 July 2010.

2010	Book values $m	Fair value adjustments $m	Total $m	Amended Acquisitions $m	Total $m
Consideration					
cash paid	79.9	-	79.9	0.1	80.0
net cash acquired	(2.3)	-	(2.3)	-	(2.3)
Outflow of cash	77.6	-	77.6	0.1	77.7
deferred settlement	2.6	-	2.6	-	2.6
non-cash consideration	13.7	-	13.7		13.7
Total consideration	93.9	-	93.9	0.1	94.0
Fair value of net assets of businesses/controlled entities acquired					
trade and other receivables	18.5	-	18.5	(2.0)	16.5
inventories	18.1	-	18.1	(2.6)	15.5
property, plant and equipment	12.8	-	12.8	(2.1)	10.7
intangibles	3.1	4.5	7.6	-	7.6
other assets	3.3	-	3.3	2.5	5.8
payables and interest bearing liabilities	(11.1)	-	(11.1)	2.9	(8.2)
provision for employee entitlements	(0.4)	-	(0.4)	0.1	(0.3)
provision for environmental	-	(9.2)	(9.2)	0.3	(8.9)
other provisions	(0.7)	-	(0.7)	-	(0.7)
	43.6	(4.7)	38.9	(0.9)	38.0
Less non-controlling interests at date of acquisition	(2.8)	-	(2.8)	-	(2.8)
	40.8	(4.7)	36.1	(0.9)	35.2
Goodw ill on acquisition			57.8	1.0	58.8

Acquisition of non-controlling interest:

2010	Total $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
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 follow s:

	$m
Operating revenue	65.7
EBITDA	7.1

The unaudited information at the time of acquisition w as compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions betw een Orica and the acquired businesses. Goodw ill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' w ork forces and the synergies expected to be achieved from integrating these businesses. None of the goodw ill recognised is expected to be deductible for income tax purposes.

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
	2011	**2011**	**2011**	2010	2010	2010
	$m	**$m**	**$m**	$m	$m	$m
Sales revenue	**6,182.3**	**-**	**6,182.3**	5,812.1	727.2	6,539.3
Other income	**85.7**	**-**	**85.7**	47.9	791.4	839.3
Expenses						
Changes in inventories of finished goods and work in progress	**43.1**	**-**	**43.1**	16.9	5.9	22.8
Raw materials and consumables used and finished goods purchased for resale	**(3,007.4)**	**-**	**(3,007.4)**	(2,613.4)	(298.0)	(2,911.4)
Share based payments	**(15.1)**	**-**	**(15.1)**	(9.4)	(4.7)	(14.1)
Other employee benefits expense	**(1,041.8)**	**-**	**(1,041.8)**	(982.4)	(141.6)	(1,124.0)
Depreciation expense	**(187.5)**	**-**	**(187.5)**	(185.6)	(13.0)	(198.6)
Amortisation expense	**(36.7)**	**-**	**(36.7)**	(39.4)	(1.5)	(40.9)
Purchased services	**(262.0)**	**-**	**(262.0)**	(279.0)	(101.3)	(380.3)
Repairs and maintenance	**(157.8)**	**-**	**(157.8)**	(148.0)	(5.6)	(153.6)
Outgoing freight	**(276.1)**	**-**	**(276.1)**	(271.5)	(29.7)	(301.2)
Lease payments - operating leases	**(65.9)**	**-**	**(65.9)**	(65.7)	(17.2)	(82.9)
Transfer from reserves on disposal of foreign subsidiaries	**-**	**-**	**-**	-	(11.8)	(11.8)
Other expenses from ordinary activities including individually material items	**(271.4)**	**-**	**(271.4)**	(389.7)	(17.3)	(407.0)
Share of net profits of associates accounted for using the equity method	**38.9**	**-**	**38.9**	40.8	0.6	41.4
	(5,239.7)	**-**	**(5,239.7)**	(4,926.4)	(635.2)	(5,561.6)
Profit from operations	**1,028.3**	**-**	**1,028.3**	933.6	883.4	1,817.0
Net financing costs *						
Financial income	**32.4**	**-**	**32.4**	28.9	0.2	29.1
Financial expenses	**(155.9)**	**-**	**(155.9)**	(148.5)	(8.2)	(156.7)
Net financing costs	**(123.5)**	**-**	**(123.5)**	(119.6)	(8.0)	(127.6)
Profit before income tax expense	**904.8**	**-**	**904.8**	814.0	875.4	1,689.4
Income tax expense *	**(241.4)**	**-**	**(241.4)**	(310.1)	(24.6)	(334.7)
Net profit after tax	**663.4**	**-**	**663.4**	503.9	850.8	1,354.7
Net profit for the year attributable to:						
Shareholders of Orica Limited	**642.3**	**-**	**642.3**	467.9	850.8	1,318.7
Non-controlling interests	**21.1**	**-**	**21.1**	36.0	-	36.0
Net profit for the year	**663.4**	**-**	**663.4**	503.9	850.8	1,354.7

* 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 2010 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.

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

Sales revenue and other income

	Continuing 2011 $m	Discontinued 2011 $m	Consolidated 2011 $m	Continuing 2010 $m	Discontinued 2010 $m	Consolidated 2010 $m
Sales revenue	**6,182.3**	**-**	**6,182.3**	5,812.1	727.2	6,539.3
Other income						
Royalty income	**0.3**	**-**	**0.3**	0.8	0.3	1.1
Dividend income	**0.2**	**-**	**0.2**	0.3	-	0.3
Other income	**25.0**	**-**	**25.0**	30.2	1.2	31.4
Net foreign currency gains/(losses)	**48.4**	**-**	**48.4**	15.6	(1.1)	14.5
Profit from the DuluxGroup demerger	**-**	**-**	**-**	-	791.0	791.0
Profit from sale of businesses/controlled entities/investments	**1.0**	**-**	**1.0**	0.1	-	0.1
Profit on sale of property, plant and equipment	**10.8**	**-**	**10.8**	0.9	-	0.9
Total other income	**85.7**	**-**	**85.7**	47.9	791.4	839.3
Financial income:						
Interest income received/receivable from:						
controlled entities	**-**	**-**	**-**	(0.1)	0.1	-
external parties – banks	**32.4**	**-**	**32.4**	29.0	0.1	29.1
Total financial income	**32.4**	**-**	**32.4**	28.9	0.2	29.1
Financial expense:						
Borrowing costs paid/payable to:						
controlled entities	**-**	**-**	**-**	(7.0)	7.0	-
external parties	**179.5**	**-**	**179.5**	165.5	1.2	166.7
capitalised interest	**(37.4)**	**-**	**(37.4)**	(19.4)	-	(19.4)
unwinding of discount on provisions	**12.7**	**-**	**12.7**	6.2	-	6.2
finance charges – finance leases	**1.1**	**-**	**1.1**	3.2	-	3.2
Total borrowing costs	**155.9**	**-**	**155.9**	148.5	8.2	156.7
Net financing costs	**123.5**	**-**	**123.5**	119.6	8.0	127.6
Profit/(loss) before income tax expense is arrived at after charging/(crediting):						
Loss on sale of property, plant and equipment	**-**	**-**	**-**	(0.1)	0.1	-
Depreciation on property, plant and equipment:						
buildings and improvements	**11.8**	**-**	**11.8**	10.3	1.3	11.6
machinery, plant and equipment	**175.7**	**-**	**175.7**	175.3	11.7	187.0
Total depreciation on property, plant and equipment	**187.5**	**-**	**187.5**	185.6	13.0	198.6
Amortisation of intangibles	**36.7**	**-**	**36.7**	39.4	1.5	40.9
Amounts provided for:						
trade receivables impairment	**3.8**	**-**	**3.8**	4.0	1.4	5.4
doubtful debts – other receivables	**0.3**	**-**	**0.3**	4.4	-	4.4
employee entitlements	**36.9**	**-**	**36.9**	33.1	6.0	39.1
environmental liabilities	**16.1**	**-**	**16.1**	86.0	-	86.0
inventory impairment	**5.6**	**-**	**5.6**	3.5	1.9	5.4
investments impairment	**0.2**	**-**	**0.2**	1.4	-	1.4
restructuring and rationalisation provisions	**4.4**	**-**	**4.4**	8.5	-	8.5
other provisions	**22.1**	**-**	**22.1**	14.1	-	14.1
Bad debts written off to impairment allowance	**1.9**	**-**	**1.9**	3.5	1.3	4.8
Bad debts written off in respect of other receivables	**0.3**	**-**	**0.3**	2.6	-	2.6
Lease payments – operating leases	**65.9**	**-**	**65.9**	65.7	17.2	82.9
Research and development	**47.6**	**-**	**47.6**	38.6	6.1	44.7

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

Reconciliation of net profit after tax	Continuing 2011 $m	Discontinued 2011 $m	Consolidated 2011 $m	Continuing 2010 $m	Discontinued 2010 $m	Consolidated 2010 $m
Before individually material items						
Profit from operations [(1)]	**1,028.3**	**-**	**1,028.3**	1,009.0	92.4	1,101.4
Net financing costs	**(123.5)**	**-**	**(123.5)**	(119.6)	(8.0)	(127.6)
Profit before income tax expense	**904.8**	**-**	**904.8**	889.4	84.4	973.8
Income tax expense	**(241.4)**	**-**	**(241.4)**	(234.5)	(27.4)	(261.9)
Profit after tax before non-controlling interests	**663.4**	**-**	**663.4**	654.9	57.0	711.9
Non-controlling interests	**21.1**	**-**	**21.1**	36.1	-	36.1
Profit after tax before individually material items	**642.3**	**-**	**642.3**	618.8	57.0	675.8
Individually material items						
(Loss)/profit before income tax expense	**-**	**-**	**-**	(75.4)	791.0	715.6
Income tax benefit/(expense)	**-**	**-**	**-**	(75.6)	2.8	(72.8)
(Loss) after tax before non-controlling interests	**-**	**-**	**-**	(151.0)	793.8	642.8
Non-controlling interests	**-**	**-**	**-**	(0.1)	-	(0.1)
(Loss) after tax from individually material items	**-**	**-**	**-**	(150.9)	793.8	642.9
Net profit after tax						
Profit before income tax expense	**904.8**	**-**	**904.8**	814.0	875.4	1,689.4
Income tax expense	**(241.4)**	**-**	**(241.4)**	(310.1)	(24.6)	(334.7)
Profit after tax before non-controlling interests	**663.4**	**-**	**663.4**	503.9	850.8	1,354.7
Non-controlling interests	**21.1**	**-**	**21.1**	36.0	-	36.0
Net profit after tax	**642.3**	**-**	**642.3**	467.9	850.8	1,318.7
Net profit for the year attributable to:						
Shareholders of Orica Limited	**642.3**	**-**	**642.3**	467.9	850.8	1,318.7
Non-controlling interests	**21.1**	**-**	**21.1**	36.0	-	36.0
Net profit for the year	**663.4**	**-**	**663.4**	503.9	850.8	1,354.7

[(1)] The $92.4 million profit from operations (for DuluxGroup w ithin Discontinued operations) is for the period from 1 October 2009 to 9 July 2010.

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

Disposal of businesses/controlled entities
The follow ing businesses and controlled entities w ere disposed of/demerged:
2011:
Taiko Trucking Inc. on 1 January 2011.

2010:
Business assets of Sydney Galvanizing Services on 22 December 2009.
The DuluxGroup business w as demerged on 9 July 2010 and is reported as a discontinued operation.

	Consolidated	
	2011	2010
	$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	**0.2**	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	**(0.5)**	(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 income tax	**0.1**	-
provision for environmental	**-**	(3.8)
contingent liabilities on acquisition of controlled entities	**-**	(1.9)
	(0.2)	311.5
Profit on sale of business/controlled entities	**0.2**	791.1

Cash flows from discontinued operations		
Cash flow s from operating activities	**-**	61.1
Cash flow s from investing activities	**-**	(135.9)
Cash flow s from financing activities	**-**	(13.9)
Net cash from discontinued operations	**-**	(88.7)

29. Impairment testing of goodwill and intangibles with indefinite lives

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

The carrying amounts of goodwill with indefinite lives are as follows:

	Consolidated	
	2011 $m	2010 $m
Mining Services:	Goodwill	
- Australia/Asia	**132.4**	132.3
- North America	**69.5**	68.9
- Latin America	**120.9**	130.0
- EMET	**373.8**	336.0
- Other	**215.6**	216.3
Minova	**1,156.0**	1,175.7
Chemicals	**146.7**	147.2
Total	**2,214.9**	2,206.4

The recoverable amount of goodwill 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 and industry growth rates going forward.

The discount rates for each CGU were estimated using rates based on an external assessment of the Group's post tax weighted average cost of capital in conjunction with risk specific factors to the countries in which the CGUs operate. The pre-tax discount rates applied in the discounted cash flow model range between 9% and 24% (2010 7% - 21%). 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 value in use calculations are sensitive to changes in discount 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 $550 million while a 10% change in earnings or foreign exchange rates would affect value in use by $1.2 billion and $226 million respectively which should be compared to the market capitalisation of Orica at balance date of $8.5 billion.

The Minova segment includes in their USA CGU an amount of goodwill of $655.2 million (2010 $662.4 million). There are no other individual CGU's that have significant goodwill and intangibles with indefinite lives. For the Minova USA CGU, based on the latest budget for 2012, a post-tax discount rate of 9% and a terminal growth rate of 3%, the estimated recoverable value exceeds its carrying amount. Management has estimated that discount rates would have to increase by 0.75% or the growth rate would have to fall by 0.8% pa in order for the estimated recoverable earnings to be equal to the carrying value.

There have been no impairment charges of intangibles with indefinite lives during the year.

	Consolidated 2011 $m	Consolidated 2010 $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	**55.1**	130.3
later than one, no later than five years	**5.0**	1.7
	60.1	132.0
Lease commitments		
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:		
no later than one year	**63.8**	62.4
later than one, no later than five years	**132.2**	123.5
later than five years	**58.5**	68.8
	254.5	254.7
Representing:		
cancellable operating leases	**150.2**	146.5
non-cancellable operating leases	**104.3**	108.2
	254.5	254.7
Non-cancellable operating lease commitments payable:		
no later than one year	**23.3**	20.9
later than one, no later than five years	**54.1**	56.3
later than five years	**26.9**	31.0
	104.3	108.2
Finance lease commitments payable:		
no later than one year	**5.4**	5.3
later than one, no later than five years	**5.0**	8.8
later than five years	**3.1**	4.1
	13.5	18.2
Less future finance charges	**(1.5)**	(1.8)
Present value of minimum lease payments provided for as a liability	**12.0**	16.4
Representing lease liabilities: (see note 17)		
current	**5.4**	5.3
non-current	**6.6**	11.1
	12.0	16.4

31. Auditors' remuneration

	Consolidated 2011 $000	Consolidated 2010 $000
Total remuneration received, or due and receivable, by the auditors for:		
Audit services		
Auditors of the Company – KPMG Australia		
– Audit and review of financial reports	**4,636**	4,727
– Other regulatory audit services	**116**	95
Auditors of the Company – overseas KPMG firms		
– Audit and review of financial reports (1)	**2,017**	1,896
	6,769	6,718
Other services (2)		
Auditors of the Company – KPMG Australia		
– other assurance services (3)	**-**	357
	-	357
	6,769	7,075

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) Fees paid or payable for overseas subsidiaries' local lodgement purposes.

(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 in 2010.

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 33.

Environmental and decommissioning provisions

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

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 the work of external consultants and/or internal experts, 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 activities on the basis of joint liability, and the remediation methods which are likely to be deployed.

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.

32. Critical accounting judgements and estimates (continued)

In respect of the Botany Groundwater (New South Wales, Australia) contamination, 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. A provision exists (refer note 19) to cover the estimated costs associated with remediation until 2016. 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.

On 18 August 2010, the Australian Federal 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 to the Kommunekemi plant in Nyborg, Denmark for environmentally sound destruction. On 24 December 2010, the Danish Government stated that for political reasons it would not accept shipments of HCB waste from Orica. Orica is committed to finding a solution for destruction of the HCB waste. There are no facilities to treat the HCB waste locally or in Australia and Orica's export applications have been unsuccessful. Given the complex technical, social and political aspects of the HCB Waste, Orica is now considering its next steps. A provision has been established for remediation activities in respect of this matter (refer note 19).

In respect of Botany Car Park Waste Encapsulation, 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 evaluated conventional destruction methods and has determined that direct thermal treatment of this waste is the preferred treatment technology. Remediation works commenced during 2011 with completion expected in early 2012. A provision has been established for remediation activities in respect of this matter (refer note 19).

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 has been established for remediation activities in respect of this matter (refer note 19). Orica started remediating the site in May 2011 using a soil washing technology to remove mercury. The soil washing plant has not been able to sustain adequate reliable operation and Orica has decided to suspend the works. Orica remains committed to achieving the remediation objectives agreed with the NSW Environment Protection Authority and is currently evaluating alternative ways to meet those objectives.

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 an 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.
Refer to note 11 regarding litigation of Thai Nitrate Company Ltd.

Warranties and Indemnities

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.

32. Critical accounting judgements and estimates (continued)

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.

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 and any changes to useful economic lives may affect prospective depreciation rates and asset carrying values.

Financial instruments at fair value

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

Impairment of assets

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

In July 2011, the Australian Federal Government announced its Clean Energy Plan including the introduction of a Carbon Price Scheme which is expected to commence in July 2012. The introduction of the Carbon Price Scheme has the potential to impact the assumptions used in determining the future cash flows generated from the Group's Australian assets for the purpose of impairment testing – however based on Orica's initial review of the proposals, it is not expected that those assets will be impaired based on the anticipated level of emissions, production schedules, abatement opportunities and anticipated carbon price.

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, 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 the extent of Orica's remediation obligations or the remediation techniques that might be approved, no reliable estimate can presently be made of regulatory and remediation costs. Any costs are expensed as incurred.

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

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

Orica is investigating suitable remediation options for Dense Non-Aqueous Phase Liquid (DNAPL) source areas at Botany which give rise to the groundwater contamination which is being remediated by the Groundwater Treatment Plant. No provision has been established for remediation activities in respect of DNAPL as a reliable estimate is not possible at this time.

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 as well as a bank guarantee of up to approximately $38m.

(iii) Norway Tax Action

In August 2009, the Central Tax Office for Large Enterprises (CTO) sent a letter to Dyno Nobel AS (now Orica Norway AS) in Norway regarding a possible reassessment of that company's tax return for the 2005 income year relating to a transfer of the Dyno Nobel house brand in conjunction with Orica's acquisition of Dyno Nobel's explosives business. The amount of the possible reassessment is approximately $50 million. Orica has been advised that there is no legal basis under the Norwegian Tax Code for such a reassessment.

Guarantees, indemnities and warranties

- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.
- The consolidated entity has entered into various sales contracts where minimum savings are guaranteed to customers and such savings are expected to be achieved in the ordinary course of business.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial warranties and indemnities to the purchasers.
- Orica Limited guaranteed senior notes issued in the US private placement market in 2000, 2003, 2005 and 2010. The notes have maturities between 2012 and 2030 (2010: between 2010 and 2018).

34. Financial and capital management

Capital management

Orica's objectives when managing capital (net debt and total equity) are to safeguard the Group'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 Group may adjust the amount of dividends paid to shareholders, utilise a dividend reinvestment plan, return capital to shareholders or issue new equity, in addition to incurring an appropriate mix of long and short term borrowings. Currently, Orica's dividend policy is to pay a progressive dividend.

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 Group's 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.

The net debt to gearing ratios are calculated as follows:

	Consolidated	
	2011 $m	2010 $m
Interest bearing borrowings	**1,755.0**	1,398.9
Less cash and cash equivalents	**(346.9)**	(347.3)
Net debt	**1,408.1**	1,051.6
Notional adjustment for SPS	**250.0**	250.0
Adjusted net debt	**1,658.1**	1,301.6
Total equity	**3,875.6**	3,632.6
Notional adjustment for SPS	**(250.0)**	(250.0)
Adjusted equity	**3,625.6**	3,382.6
Adjusted net debt and adjusted equity	**5,283.7**	4,684.2
Gearing ratio (%)	**26.6%**	22.4%
Adjusted gearing ratio (%)	**31.4%**	27.8%

The interest cover ratio is calculated as follows:

	2011 $m	2010 $m
EBIT [(1)]	**1,028.3**	1,101.4
Net financing costs	**123.5**	127.6
Capitalised borrowing costs	**37.4**	19.4
	160.9	147.0
Interest cover ratio (times)	**6.4**	7.5

[(1)] Before individually material items

The Group self-insures for certain insurance risks under the *Singapore Insurance Act*. Under this Act, authorised general insurers, including Anbao Insurance Pte Ltd (the Orica self-insurance company), are required to maintain a minimum amount of capital. For the financial year ended 30 September 2011, Anbao Insurance Pte Ltd maintained capital in excess of the minimum requirements prescribed under this Act.

34. Financial and capital management (continued)

Financial risk factors

The Group's principal financial risks are associated with foreign exchange, interest rate, liquidity and credit risk.

The Group'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 Group'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 Group's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing liabilities and derivatives.

For measurement purposes the Group 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 Group 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 Group 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 Group'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 Group 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 Group to fair value interest rate 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 Group 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 2011 was 7.1% (2010 7.9%).

34. Financial and capital management (continued)

The Group'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	2011 $m	2011 % p.a.	2010 $m	2010 % p.a.
Cash	(7)	346.9	1.0	347.3	0.5
Trade and other receivables	(8)	942.8	-	862.1	-
Other financial assets	(12)	12.2	-	27.0	-
Total financial assets		1,301.9		1,236.4	
Trade and other payables	(16)	1,243.3	-	1,121.7	-
Bank overdrafts	(17)	3.6	8.7	2.0	1.7
Short term borrowings	(17)	67.5	2.2	180.6	7.9
Lease liabilities	(17)	12.0	7.7	16.4	8.3
Long term borrowings (1)	(17)	1,671.9	5.3	1,199.9	4.7
Total financial liabilities		2,998.3		2,520.6	
Net financial liabilities		(1,696.4)		(1,284.2)	

(1) Weighted average effective interest rate includes the impact of interest rate and cross currency interest rate swaps.

Interest Rate Sensitivity

The table below shows the effect on profit and equity after tax if interest rates at year end 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 2011 $m	2010 $m
Effect on profit before tax increase/(decrease)		
If interest rates were 10% higher, with all other variables held constant	(2.6)	(1.9)
If interest rates were 10% lower, with all other variables held constant	2.8	1.7
Effect on profit after tax increase/(decrease)		
If interest rates were 10% higher, with all other variables held constant	(1.9)	(1.3)
If interest rates were 10% lower, with all other variables held constant	2.0	1.2
Effect on shareholders' equity increase/(decrease)		
If interest rates were 10% higher, with all other variables held constant	2.5	1.2
If interest rates were 10% lower, with all other variables held constant	(1.9)	(1.0)

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 Group 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 Group's subsidiaries.

In regard to foreign currency risk relating to sales and purchases, the Group 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 Kronor (SEK) and Great Britain Pound (GBP).

Exchange rate sensitivity

The table below shows the effect on profit and equity of the Group 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 and 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 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):

				2011			
	USD $m	**CAD $m**	**NZD $m**	**NOK $m**	**SEK $m**	**EUR $m**	**GBP $m**
Cash [(1)]	**2,864.1**	**47.4**	**2.8**	**62.5**	**162.3**	**746.5**	**306.4**
Trade and other receivables	**240.1**	**31.4**	**1.3**	**0.3**	**0.8**	**36.6**	**0.8**
Trade and other payables	**(318.6)**	**(27.2)**	**(1.0)**	**(0.3)**	**(11.6)**	**(53.9)**	**(1.1)**
Interest bearing liabilities [(1)]	**(2,706.2)**	**4.7**	**(34.5)**	**(13.3)**	**(83.1)**	**(523.5)**	**(60.5)**
Net derivatives	**432.6**	**-**	**(39.6)**	**-**	**-**	**(90.8)**	**-**
Net exposure	**512.0**	**56.3**	**(71.0)**	**49.2**	**68.4**	**114.9**	**245.6**

				2010			
	USD $m	CAD $m	NZD $m	NOK $m	SEK $m	EUR $m	GBP $m
Cash [(1)]	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 [(1)]	(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

[(1)] Includes internal deposits and interest bearing liabilities used for Group cash management purposes.

34. Financial and capital management (continued)

A 10% sensitivity would move year end rates as follows (against the Australian Dollar):

	2011			2010		
	10% lower	**As reported**	**10% higher**	10% lower	As reported	10% higher
U.S. Dollar	**0.8784**	**0.9760**	**1.0736**	0.8689	0.9654	1.0619
Canadian Dollar	**0.9134**	**1.0149**	**1.1164**	0.8982	0.9980	1.0978
New Zealand Dollar	**1.1513**	**1.2792**	**1.4071**	1.1831	1.3145	1.4460
Norwegian Kroner	**5.1145**	**5.6828**	**6.2511**	5.0958	5.6620	6.2282
Swedish Kronor	**6.0026**	**6.6696**	**7.3366**	5.8497	6.4997	7.1497
Euro	**0.6493**	**0.7214**	**0.7935**	0.6390	0.7100	0.7810
Great Britain Pound	**0.5635**	**0.6261**	**0.6887**	0.5487	0.6097	0.6707

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:

	2011		2010	
	(10%) $m	**10% $m**	(10%) $m	10% $m
Effect on profit/(loss) from operations from a movement in:				
U.S. Dollar	**(6.3)**	**4.5**	9.7	(4.1)
Canadian Dollar	**1.2**	**(0.9)**	2.1	(1.7)
New Zealand Dollar	**(0.7)**	**0.5**	(0.4)	0.3
Norwegian Kroner	**0.2**	**(0.2)**	(0.1)	0.1
Swedish Kronor	**(1.2)**	**1.0**	(1.1)	1.0
Euro	**(2.5)**	**1.9**	(1.7)	1.3
Great Britain Pound	**-**	**-**	0.2	(0.2)
Effect on net profit after tax from a movement in:				
U.S. Dollar	**(4.4)**	**3.1**	6.8	(2.8)
Canadian Dollar	**0.8**	**(0.7)**	1.5	(1.2)
New Zealand Dollar	**(0.5)**	**0.4**	(0.3)	0.2
Norwegian Kroner	**0.1**	**(0.1)**	(0.1)	0.1
Swedish Kronor	**(0.9)**	**0.7**	(0.8)	0.7
Euro	**(1.7)**	**1.4**	(1.2)	0.9
Great Britain Pound	**-**	**-**	0.2	(0.1)
Increase/(decrease) on shareholders' equity from a movement in:				
U.S. Dollar	**52.0**	**(38.7)**	(4.5)	7.5
Canadian Dollar	**0.5**	**(0.4)**	5.2	(4.2)
New Zealand Dollar	**(5.4)**	**4.4**	(45.4)	37.1
Norwegian Kroner	**(1.8)**	**1.5**	3.6	(2.9)
Swedish Kronor	**5.3**	**(4.3)**	4.8	(3.9)
Euro	**7.9**	**(8.3)**	12.5	(10.2)
Great Britain Pound	**19.1**	**(15.6)**	18.0	(14.7)

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 2011, the fair value of these derivatives was a $nil (2010 $nil).

Foreign currency net investment translation risk is managed within policies determined by the Board of Directors. Hedging of exposures is undertaken centrally by the Group'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. Twenty three percent of the Group's investment in foreign operations was hedged in this manner as at 30 September 2011 (2010 14.0%). A foreign exchange loss of $1.2 million (2010 $9.8 million gain) was recognised in the foreign currency translation reserve during the period.

As at reporting date, derivative instruments designated as hedging net investment exposures had a fair value of $95.4 million loss (2010 $93.5 million loss). Some cross currency swaps, partly designated in fair value hedges of debt principal, are shown as debt principal hedges in notes 12 and 16 and have a fair value of $45.6 million gain (2010 $46.9 million gain).

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 Group 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 2011, the sum of all contracts with a positive fair value was $11.6 million (2010 $26.1 million).

To manage this risk, the Group restricts dealings to highly rated counterparties approved within its credit limit policy. The higher the credit rating of the counterparty, the higher the Group's allowable exposure is to that counterparty under the policy. The Group does not hold any credit derivatives to offset its credit exposures.

34. Financial and capital management (continued)

Liquidity risk management
Liquidity risk arises from the possibility that there will be insufficient funds available to make payment as and when required.
The Group 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:

	2011 $m	2010 $m
Unsecured bank overdraft facilities		
Unsecured bank overdraft facilities available	**109.7**	110.3
Amount of facilities undrawn	**106.1**	108.3
Committed standby and loan facilities		
Committed standby and loan facilities available	**3,809.1**	3,442.9
Amount of facilities unused	**2,078.7**	2,073.8

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 28 February 2012 to 25 October 2030 (2010 24 October 2010 to 31 May 2020).
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 occured in October 2010.
The contractual maturity of the Groups' 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 2011**				As at 30 September 2010			
	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	**346.9**	**-**	**-**	**-**	347.3	-	-	-
Trade and other receivables [(1)]	**941.6**	**1.2**	**-**	**-**	860.1	2.0	-	-
Derivative financial assets	**539.1**	**65.1**	**183.6**	**434.8**	389.5	28.9	88.5	552.8
Financial assets	**1,827.6**	**66.3**	**183.6**	**434.8**	1,596.9	30.9	88.5	552.8
Non-derivative financial liabilities								
Trade and other payables [(1)]	**1,141.0**	**25.6**	**-**	**-**	1,005.9	51.7	-	-
Bank overdrafts	**3.6**	**-**	**-**	**-**	2.0	-	-	-
Bank loans	**70.3**	**141.9**	**-**	**-**	14.6	292.1	-	-
Export finance facility	**1.7**	**1.7**	**5.1**	**110.4**	2.0	2.0	6.0	109.1
Other short term borrowings	**6.0**	**-**	**-**	**-**	10.2	-	-	-
Private placement	**76.3**	**116.9**	**575.5**	**1,260.7**	223.5	50.5	457.5	552.9
Other long term borrowings	**-**	**2.1**	**0.9**	**-**	-	0.8	0.5	-
Lease liabilities	**5.8**	**1.3**	**3.3**	**3.1**	5.3	5.0	3.3	4.1
Derivative financial liabilities	**546.3**	**73.5**	**240.0**	**518.6**	383.3	32.9	117.1	662.8
Financial liabilities	**1,851.0**	**363.0**	**824.8**	**1,892.8**	1,646.8	435.0	584.4	1,328.9
Net outflow	**(23.4)**	**(296.7)**	**(641.2)**	**(1,458.0)**	(49.9)	(404.1)	(495.9)	(776.1)

[(1)] Excludes derivative financial instruments.

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 and options used as hedges of foreign exchange transactions at 30 September 2011 was a net $1.7 million loss (2010 $11.3 million gain), comprising assets of $6.7 million (2010 $16.8 million) and liabilities of $8.4 million (2010 $5.5 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**	million
	2011	2010	**2011**	2010
Buy US dollars/sell Australian dollars				
Not later than one year	**1.0165**	0.9243	**USD 61.9**	USD 60.4
Buy US dollars/sell New Zealand dollars				
Not later than one year	**0.8152**	0.7086	**USD 21.5**	USD 17.1
Buy Australian dollars/sell New Zealand dollars				
Not later than one year	**1.2322**	1.2640	**NZD 1.3**	NZD 2.9
Buy Swedish Kronor/sell Norwegian Kroner				
Not later than one year	**-**	1.0406	**-**	NOK 0.2
Buy Euro/sell Australian dollars				
Not later than one year	**0.7211**	0.6864	**EUR 22.7**	EUR 12.1

34. Financial and capital management (continued)

Vanilla European Option Contracts	Weighted average rate **2011**	2010	**million 2011**	million 2010
Buy Peruvian sol/sell US dollars				
Not later than one year	**2.7835**	2.8480	**USD 13.1**	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	**1.0511**	0.8435	**USD 218.4**	USD 191.3
Buy US dollars/sell Canadian dollars				
Not later than one year	**0.9885**	0.9885	**CAD 1.4**	CAD 3.0
Later than one year but not later than two years	**0.9885**	0.9885	**CAD 0.2**	CAD 1.4
Later than two years but not later than three years	**-**	0.9885	**-**	CAD 0.2
Buy Mexican pesos/sell US dollars				
Not later than one year	**11.7000**	12.7740	**USD 42.4**	USD 24.6
Buy Chilean pesos/sell US dollars				
Not later than one year	**-**	526.000	**-**	USD 27.0
Buy Singapore dollars/sell US dollars				
Not later than one year	**1.2325**	-	**USD 11.9**	-

Gains and losses recognised in the cash flow hedge reserve on all foreign currency hedges of anticipated purchases and sales and the timing of their anticipated recognition as part of sales or purchases are:

Term	Net deferred (gains)/losses **2011 $m**	2010 $m
Not later than one year	**(3.7)**	(19.6)
Later than one year but not later than two years	**-**	(0.1)
Later than two year but no later than five years	**-**	-
Total	**(3.7)**	(19.7)

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 Group 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 $18.1 million as at 30 September 2011 (2010 $9.6 million).

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:

	2011 $m	2010 $m
Floating to fixed swaps		
One to five years	**511.5**	429.1
Fixed interest rate range p.a.	**2.9% to 6.1%**	5.2% to 8.3%

Fair value hedges

Cross currency interest rate and interest rate swap contracts

During the period the Group held cross currency interest rate and interest rate swaps to mitigate the Group'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 Group'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 Group, re-measurement of the hedged items resulted in a loss before tax of $6.3 million (2010 $9.8 million gain) and the changes in the fair value of the hedging instruments resulted in a gain before tax of $5.5 million (2010 $12.9 million loss) resulting in a net loss before tax of $0.8 million (2010 $3.1 million loss) recorded in finance costs.

The fair value of these swaps at 30 September 2011 was $57.2 million (2010 $56.3 million), comprising assets of $92.2 million (2010 $93.8 million) and liabilities of $35.0 million (2010 $37.5 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 gain for the financial year ending 30 September 2011 (2010 $0.4 million loss). This relates to one interest rate swap which matured in April 2011 with a notional principal amount of $16.6 million (2010 $16.9 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.

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).

30 September 2011	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Derivative financial assets	**-**	**11.6**	**-**	**11.6**
Financial liabilities designated at fair value through profit or loss	**-**	**(447.6)**	**-**	**(447.6)**
Derivative financial liabilities	**-**	**(76.7)**	**-**	**(76.7)**
	-	**(512.7)**	**-**	**(512.7)**
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)

During the current and previous year there were no transfers between the fair value hierarchy levels.

35. Events subsequent to balance date

On 13 October 2011, Orica Limited announced that all Orica Step-Up Preference Securities (SPS) will be repurchased in accordance with their terms of issue on 29 November 2011. The SPS were reclassified to debt from 13 October 2011.

On 7 November 2011, the directors declared a final dividend of 53.0 cents per ordinary share payable on 9 December 2011. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2011 and will be recognised in the 2012 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2011, 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

Other than the LTEIP shares which are treated as options for accounting purposes, there are no options over Orica shares outstanding at 30 September 2010 or 30 September 2011.

(a) 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 2011 was $0.1 million (2010 $0.1 million).

Grant date	Date shares become unrestricted	**Number of participants 2011**	Number of participants 2010	Average issue price $	**Shares held at 30 September 2011**	Shares held at 30 September 2010
Pre 1 Oct 2001	-	**3**	10	-	**900**	3,500
31 Dec 01	31 Dec 11	**1**	1	7.32	**400**	400
05 Jul 02	05 Jul 12	**23**	25	9.48	**10,300**	11,300
					11,600	15,200

(b) (i) General Employee Exempt Share Plan - Australia

The General Employee Exempt Share Plan (GEESP) has operated since 1998. It is administered by 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 2011**	Number of participants at 30 September 2010	**Shares held at 30 September 2011**	Shares held at 30 September 2010
1 Jul 08	1 Jul 11	**-**	1,165	**-**	39,610
8 Jan 10	8 Jan 13	**1,131**	1,234	**42,978**	46,892
10 Jan 11	10 Jan 14	**1,323**	-	**51,597**	-
				94,575	86,502

No invitations were made to employees in 2009.

(b) (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.

36. Employee share plans (continued)

Grant date	Date shares become unrestricted	**Number of participants at 30 September 2011**	Number of participants at 30 September 2010	**Shares held at 30 September 2011**	Shares held at 30 September 2010
1 Oct 07	30 Sept 10	**35**	53	**805**	1,219
1 Oct 08	30 Sept 11	**59**	69	**1,652**	1,932
1 Oct 09	30 Sept 12	**64**	72	**1,664**	1,872
1 Oct 10	30 Sept 13	**77**	-	**1,771**	-
				5,892	5,023

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	
	2011 $000	2010 $000
Short term employee benefits	**14,486.5**	19,514.5
Other long term benefits	**195.4**	201.9
Post employment benefits	**232.4**	291.6
Share-based payments	**4,695.6**	4,689.9
Termination benefits	**811.2**	-
	20,421.1	24,697.9

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 2011	**Balance 1 October 2010**	**Acquired (1)**	**Net change other (2)**	**Fully paid ordinary shares held at 30 September 2011 (3)**
Non-Executive Directors				
P J Duncan	**15,936**	**-**	**-**	**15,936**
M E Beckett	**75,536**	**2,699**	**-**	**78,235**
R R Caplan	**2,752**	**6,073**	**-**	**8,825**
I Cockerill	**-**	**6,000**	**-**	**6,000**
G A Hounsell	**16,138**	**4,870**	**(9,090)**	**11,918**
Lim C O	**-**	**1,000**	**-**	**1,000**
N L Scheinkestel	**16,827**	**1,205**	**-**	**18,032**
M Tilley	**6,329**	**-**	**-**	**6,329**
	133,518	**21,847**	**(9,090)**	**146,275**

As at 30 September 2011	**Balance 1 October 2010**	**Acquired (1)**	**Net change other (2)**	**Fully paid ordinary shares held at 30 September 2011 (3)**	**Options for fully paid ordinary shares held at 30 September 2011 (4)**
Executive KMP					
G R Liebelt **	**639,548**	**-**	**-**	**639,548**	**983,898**
N A Meehan	**54,949**	**-**	**-**	**54,949**	**204,203**
J Beevers	**4,750**	**-**	**-**	**4,750**	**191,920**
C B Elkington	**-**	**-**	**-**	**-**	**115,085**
A J P Larke **	**-**	**-**	**-**	**-**	**161,370**
P McEwan	**-**	**-**	**-**	**-**	**108,132**
G J Witcombe	**143,535**	**-**	**-**	**143,535**	**161,370**
Former					
M Reich *	**-**	**-**	**-**	**-**	**134,906**
	842,782	**-**	**-**	**842,782**	**2,060,884**

* Closing balance is at cessation of employment with Orica.

** In addition, as at 30 September 2011 the following Executive KMP held Orica Step-Up Preference Securities: A J P Larke 3,000, G R Liebelt 427.

37. Related party disclosures (continued)

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 held 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.

(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.

	2011 $000	2010 $000
Interest revenue/(expense) received and paid by Orica for money deposited with or borrowed from Orica Finance Limited	**8,990**	34,076
Dividend revenue received by Orica	**450,000**	337,527

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:

	2011 $000	2010 $000
Sales of goods to associates	**277,782**	221,778
Purchases of goods from associates	**42,866**	55,837
Dividend income received from associates	**29,940**	28,936

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 benefit 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 2011 was $40.8 million (2010 $36.0 million).

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 $35.6 million (2010 $33.6 million) to defined benefit plans. The Group's external actuaries have forecast total employer contributions and benefit payments to defined benefit plans of $28.1 million for 2012.

(c) (i) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	2011 $m	2010 $m
Present value of the funded defined benefit obligations	**562.3**	548.0
Present value of unfunded defined benefit obligations	**79.9**	83.8
Fair value of defined benefit plan assets	**(437.3)**	(439.0)
Deficit	**204.9**	192.8
Restriction on assets recognised	**1.1**	4.9
Net liability in the balance sheet	**206.0**	197.7
Amounts in balance sheet:		
Liabilities	**206.6**	198.7
Assets	**(0.6)**	(1.0)
Net liability recognised in balance sheet at end of year	**206.0**	197.7

(c) (ii) Categories of plan assets

The major categories of plan assets are as follows:

	2011 $m	2010 $m
Cash and net current assets	**48.5**	27.0
Equity instruments	**206.7**	202.5
Fixed interest securities	**117.8**	148.3
Property	**36.4**	35.9
Other assets	**27.9**	25.3
	437.3	439.0

(c) (iii) Reconciliations

	2011 $m	2010 $m
Reconciliation of present value of the defined benefit obligations:		
Balance at the beginning of the year	**631.8**	715.7
Current service cost	**14.4**	16.6
Interest cost	**30.2**	37.2
Actuarial (gains)/losses	**20.4**	56.6
Contributions by plan participants	**3.5**	5.4
Benefits paid	**(35.9)**	(40.2)
Acquisitions	**3.1**	-
Settlements/curtailments	**(19.6)**	(134.3)
Exchange differences on foreign funds	**(5.7)**	(25.2)
Balance at the end of the year	**642.2**	631.8
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	**439.0**	545.8
Expected return on plan assets	**29.8**	35.2
Actuarial (losses)/gains	**(20.8)**	(8.4)
Contributions by plan participants	**3.5**	5.4
Contributions by employer	**35.6**	33.6
Benefits paid	**(35.9)**	(40.2)
Acquisitions	**2.0**	-
Settlements/curtailments	**(12.9)**	(118.7)
Exchange differences on foreign funds	**(3.0)**	(13.7)
Balance at the end of the year	**437.3**	439.0

The fair value of plan assets does not include any amounts relating to the consolidated entity's own financial instruments, property occupied by, or other assets used by, the consolidated entity.

38. Superannuation commitments (continued)

(c) (iv) Amounts recognised in the income statement

The amounts recognised in the income statement are as follows:

	2011 $m	2010 $m
Current service cost	**14.4**	16.6
Interest cost	**30.2**	37.2
Expected return on plan assets	**(29.8)**	(35.2)
Curtailment or settlement gains	**(6.7)**	(15.6)
Total included in employee benefits expense	**8.1**	3.0

(c) (v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2011	2010
Discount rate	**3.20% - 10.88%**	3.40% - 11.00%
Expected return on plan assets	**4.00% - 12.32%**	5.70% - 11.15%
Future salary increases	**2.25% - 7.00%**	2.25% - 8.00%
Future inflation	**1.75% - 4.50%**	1.75% - 4.50%
Future pension increases	**1.30% - 4.50%**	2.00% - 4.50%
Healthcare cost trend rates (ultimate)	**4.40% - 5.00%**	4.40% - 5.00%
Pension increases in deferment	**1.75% - 4.50%**	1.75% - 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	**3.0**	**(2.4)**

(c) (vi) Historic summary

Amounts for the current and previous periods are as follows:

	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m
Defined benefit plan obligation	**642.2**	631.8	715.7	788.2	772.6
Plan assets	**(437.3)**	(439.0)	(545.8)	(613.4)	(635.3)
Restriction on assets recognised	**1.1**	4.9	2.9	3.7	-
Deficit	**206.0**	197.7	172.8	178.5	137.3
Experience adjustments arising on plan liabilities	**(4.7)**	8.8	(7.5)	(16.6)	26.7
Experience adjustments arising on plan assets	**(20.8)**	(8.4)	(61.4)	(67.4)	32.5
Actual return on plan assets	**9.0**	26.8	(19.2)	(22.4)	73.1

(c) (vii) Amounts included in the statement of comprehensive income

	2011 $m	2010 $m
Net actuarial losses	**(41.2)**	(65.0)
Change in the effect of asset ceiling	**3.8**	2.0
Total losses recognised via the Statement of Comprehensive Income	**(37.4)**	(67.0)
Tax credit on total losses recognised via the Statement of Comprehensive Income	**11.8**	20.0
Total losses after tax recognised via the Statement of Comprehensive Income	**(25.6)**	(47.0)

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 2011 is $140.4 million - loss (2010 $99.2 million - loss).

38. Superannuation commitments (continued)

(c) (viii) Expected rate of return on assets assumption

The overall expected rate of return on assets assumption is determined by weighting the expected long-term rate of return for each asset class by the target allocation of plan assets to each class. The rates of return used for each class are net of investment tax and investment fees.

(c) (ix) Surplus/(deficit) for major defined benefit plans

30 September 2011 Plan	Accrued Benefits	Fund Assets	Accrued (deficit)/ surplus	Current contribution recommendation	Discount rate	Expected return on plan assets	Future salary increases
	$m	$m	$m		%	%	%
The Flexible Benefits Super Fund (2a)	302.8	239.2	(63.6)	13.0% of salaries	4.00	7.25	3.75
Pension Plan for Employees of Orica Canada Inc (2b)	97.6	75.9	(21.7)	Set in accordance with local annual funding requirements	5.50	6.70	3.75
Post Retirement Benefits (Canada) (2c)	17.1	-	(17.1)	Based on benefit payments	5.50	n/a	n/a
Orica Pension Scheme (UK) (2b)	37.6	30.0	(7.6)	25.0% of pensionable earnings	5.05	7.05	3.55
Dyno Nobel Sweden AB (2d)	33.9	-	(33.9)	Based on benefit payments	3.90	n/a	3.50
Nitro Consult AB (Sweden) (2d)	10.9	-	(10.9)	Based on benefit payments	3.90	n/a	3.50
Dyno DNE (Norway) (2e)	21.4	19.3	(2.1)	Insurance premiums	3.30	5.60	3.75
Dyno Defence (Norway) (2e)	3.9	3.6	(0.3)	Insurance premiums	3.30	5.60	3.75
Dynea HK (Norway) (2e)	8.6	4.3	(4.3)	Insurance premiums	3.30	5.60	3.75
Orica New Zealand Ltd Retirement Plan (2b)	27.3	17.8	(9.5)	15.8% of salaries	3.20	5.90	3.50
Orica USA Inc. Retirement Income Plan (2b)	25.1	16.5	(8.6)	Set in accordance with local annual funding requirements	5.25	8.00	n/a
Minova USA Retirement Plans (2b)	18.4	12.9	(5.5)	Set in accordance with local annual funding requirements	5.25	7.50	n/a
Orica's Benefit Plan (Brazil) (2b)	6.1	7.1	1.0	Set in accordance with local annual funding requirements	10.88	12.32	6.59
Other (1)	31.5	10.7	(20.8)	Various	Various	Various	Various
	642.2	437.3	(204.9)				
Restriction on assets recognised			(1.1)				
			(206.0)				

38. Superannuation commitments (continued)

30 September 2010 **Plan**	Accrued Benefits	Fund Assets	Accrued (deficit)/ surplus	Current contribution recommendation	Discount rate	Expected return on plan assets	Future salary increases
	$m	$m	$m		%	%	%
The Flexible Benefits Super Fund (2a)	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)				

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 Belgium
Orica Europe GmbH & Co. KG
Orica Germany
Orica USA Inc. Retiree Medical Plan
Philippine Explosives Corporation Factory Workers Retirement Plan
Philippine Explosives Corporation Monthly-Paid Employees Retirement Plan
Self-insured Long-Term Disability (LTD) plan (Canada)

(2) The major defined benefit plans of the consolidated entity are categorised as follows:

(a) Funded lump sum retirement benefits based on final average pensionable earnings;
(b) Funded pension retirement benefits based on final average pensionable earnings;
(c) Post retirement life, dental and medical coverage;
(d) Unfunded pension retirement benefits based on final average pensionable earnings; and
(e) Arrangements for each Norway entity are a combination of funded and unfunded pension benefits based on final average pensionable earnings.

39. Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2010 and 2011:

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)		International Project Advisors Pty Ltd	
Active Chemicals Chile S.A.	Chile	(formerly Orica CP Australia Pty Ltd) (g)	
Alaska Pacific Powder Company	Canada	Jiangsu Orica Banqiao Mining Machinery	China
Altona Properties Pty Ltd (g)		Company Limited	
Aminova International Limited	Hong Kong	Joplin Manufacturing Inc.	USA
Ammonium Nitrate Development and	Thailand	LLC Orica Logistics	Russia
Production Limited		Marplex Australia (Holdings) Pty Ltd	
Anbao Insurance Pte Ltd	Singapore	Marplex Australia Pty Ltd	
Andean Mining & Chemicals Limited	Jersey	Minería, Explosivos y Servicios, S.A.	Panama
Arboleda S.A	Panama	Mining Quarry Services SPRL (b)	Belgium
ASA Organizacion Industrial S.A. de C.V.	Mexico	Minova AG	Switzerland
Australian Fertilizers Pty Ltd (g)		Minova Arnall Sp. z o.o.	Poland
Bamble Mekaniske Industri AS	Norway	Minova Asia Pacific Ltd	Taiwan
Barbara Limited	UK	Minova Australia Pty Ltd	
Beijing Ruichy Minova Synthetic	China	Minova Bohemia s.r.o.	Czech Republic
Material Company Limited		Minova (Botswana) (Proprietary) Limited	Botswana
Brasex Participacoes Ltda	Brazil	Minova BWZ GmbH	Germany
Bronson and Jacobs (H.K.) Limited	Hong Kong	(formerly BWZ Berg - und Industrietechnik GmbH)	
Bronson and Jacobs (Shanghai) International	China	Minova CarboTech GmbH	Germany
Trading Co. Ltd		Minova Carbotech Tunnelling Engineering	China
Bronson & Jacobs (GZFTZ) Ltd	China	(Shanghai) Company Limited	
Bronson & Jacobs International Co. Ltd	Thailand	Minova Codiv S.L.	Spain
Bronson & Jacobs (Malaysia) Sdn Bhd	Malaysia	Minova Ekochem S.A.	Poland
Bronson & Jacobs Pty Ltd		Minova GmbH	Austria
Bronson & Jacobs (S.E. Asia) Pte Limited	Singapore	Minova Holding GmbH	Germany
Bronson & Jacobs (Shanghai) Chemical	China	Minova Holding Inc	USA
Trading Co., Ltd (c)		Minova International Limited	UK
BST Manufacturing, Inc.	USA	Minova Ksante Sp. z o.o.	Poland
BXL Bulk Explosives Limited (h)	Canada	Minova Mexico S.A. de C.V.	Mexico
Carbo Tech Australia Pty Limited (f)		(formerly Oricorp Servicios S.A. de C.V.)	
Carbo Tech Polonia Sp. z o.o.	Poland	Minova MineTek Private Limited	India
Chemnet Pty Limited (g)		Minova Mining Services SA	Chile
CJSC (ZAO) Carbo-Zakk	Russia	Minova Nordic AB	Sweden
Curasalus Insurance Pty Ltd		Minova Romania S.R.L.	Romania
Cyantific Instruments Pty Ltd (g)		Minova Ukraina OOO	Ukraine
Dansel Business Corporation	Panama	Minova (Tianjin) Co., Ltd. (c)	China
Dyno Nobel Latin America S.A. (d)	Peru	Minova USA Inc	USA
Dyno Nobel Nitrogen AB (d)	Sweden	Minova Weldgrip Limited	UK
Dyno Nobel Slovakia a.s. (d)	Slovakia	(formerly Minova UK Limited)	
Dyno Nobel VH Company LLC	USA	Mintun Australia Pty Ltd (f)	
D.C. Guelich Explosive Company	USA	Mintun 1 Limited	UK
Eastern Nitrogen Pty Ltd (g)		Mintun 2 Limited	UK
Emerald Holdings Company S.A. (e)	Colombia	Mintun 3 Limited	UK
Emirates Explosives LLC	UAE	Mintun 4 Limited	UK
Emrick & Hill, Inc	Canada	MMTT Limited	UK
Engineering Polymers Pty Ltd (g)		Nitedals Krudtvaerk AS	Norway
Eurodyn Sprengmittel GmbH	Germany	Nitro Asia Company Inc.	Philippines
Explosivos de Mexico S.A. de C.V.	Mexico	Nitro Consult AB	Sweden
Explosivos Mexicanos S.A. de C.V.	Mexico	Nitro Consult AS	Norway
FA Sig Pty Limited (f)		(formerly Dyno Consult AS)	
Forbusi Importadora e Exportadora Ltda (b)	Brazil	Nitroamonia de Mexico S.A de C.V.	Mexico
GeoNitro Limited	Georgia	Nobel Industrier AS	Norway
Ground Consolidation Pty Limited (f)		Nordenfjeldske Spraengstof AS	Norway
Hallowell Manufacturing LLC	USA	Northwest Energetic Services LLC	USA
Hebben & Fischbach Chemietechnik GmbH	Germany	Nutnim 1 Limited	UK
Hunan Orica Nanling Civil Explosives Co., Ltd	China	Nutnim 2 Limited	UK
Indian Explosives Limited	India	OOO Minova	Russia
Industry Project Consultants Pty Ltd		OOO Minova TPS	Russia
(formerly A.C.N. 133 404 261 Pty Ltd) (g)		Orica-CCM Energy Systems Sdn Bhd	Malaysia
Initiating Explosives Systems Pty Ltd (a)		Orica-GM Holdings Limited	UK

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 Advanced Water Technologies Pty Ltd (f)		Orica Investments (NZ) Limited	NZ
Orica Argentina S.A.I.C.	Argentina	Orica Investments (Thailand) Pty Limited (g)	
Orica Australia Pty Ltd (a)		Orica Investments Pty Ltd (a)	
Orica Australia Securities Pty Ltd (g)		Orica Japan Co. Ltd	Japan
Orica Belgium S.A. (b)	Belgium	Orica Kazakhstan Joint Stock Company	Kazakhstan
Orica Blast & Quarry Surveys Limited	UK	Orica Logistics Canada Inc.	Canada
Orica Bolivia S.A.	Bolivia	Orica Med Bulgaria AD	Bulgaria
(formerly Dyno Nobel Bolivia S.A.)		(formerly Dyno NitroMed AD)	
Orica Brasil Ltda	Brazil	Orica Mining Services (Hong Kong) Ltd	Hong Kong
Orica Brasil Produtos Quimicos Ltda	Brazil	Orica Mining Services Peru S.A.	Peru
Orica Caledonie SAS	New Caledonia	(formerly Dyno Nobel Samex S.A.)	
Orica Canada Inc	Canada	Orica Mining Services (PNG) Limited (f)	Papua New Guinea
Orica Canada Investments ULC	Canada	Orica Mining Services (Thailand) Limited	Thailand
Orica Caribe, S.A.	Panama	(formerly Dyno Nobel (Thailand) Limited)	
(formerly Orica Panama, S.A.)		Orica Mongolia LLC	Mongolia
Orica Centroamerica S.A.	Costa Rica	Orica Mountain West Inc.	USA
Orica Chemicals Argentina S.A.	Argentina	(formerly Intermountain West Energy, Inc.)	
Orica Chemicals Chile S.A.	Chile	Orica Mozambique Limitada (c)	Mozambique
Orica Chemicals Colombia S.A.S.	Colombia	Orica Nelson Quarry Services Inc.	USA
Orica Chemicals Peru S.A.C.	Peru	Orica Netherlands Finance B.V.	Holland
Orica Chemicals Trading Agency (Beijing)	China	Orica New Zealand Finance Limited	NZ
Co., Ltd. (c)		Orica New Zealand Ltd	NZ
Orica Chile Distribution S.A.	Chile	Orica New Zealand Securities Limited	NZ
(formerly Dyno Nobel Chile S.A.)		Orica New Zealand Superfunds Securities Ltd	NZ
Orica Chile S.A.	Chile	Orica Nitrates Philippines Inc	Philippines
Orica CIS CJSC	Russia	Orica Nitratos Peru S.A.	Peru
(formerly CJSC Dyno Nobel Russia)		Orica Nitro Patlayici Maddeler Sanayi ve	Turkey
Orica Clarendon NZ Limited	New Zealand	Ticaret Anonim Sirketi	
Orica Clarendon Pty Ltd (g)		Orica Nitrogen LLC	USA
Orica Colombia S.A.	Colombia	Orica Nominees Pty Ltd (g)	
Orica Czech Republic s.r.o.	Czech Republic	Orica Norway AS	Norway
Orica Denmark A/S	Denmark	(formerly Dyno Nobel AS)	
Orica Dominicana S.A.	Dominican	Orica Norway Holdings AS	Norway
	Republic	Orica Peru S.A.	Peru
Orica Eesti OU	Estonia	Orica Philippines Inc	Philippines
Orica Europe FT Pty Ltd (g)		Orica Poland Sp. z.o.o.	Poland
Orica Europe Investments Pty Ltd (g)		Orica Portugal, S.G.P.S., S.A. (c)	Portugal
Orica Europe Management GmbH	Germany	Orica Securities (UK) Limited	UK
Orica Europe Pty Ltd & Co KG	Germany	Orica Servicos de Mineracao Ltda	Brazil
Orica Explosives Holdings Pty Ltd		(formerly Dyno Nobel Brasil Ltda)	
Orica Explosives Holdings No 2 Pty Ltd		Orica Share Plan Pty Limited (g)	
Orica Explosives Holdings No 3 Pty Ltd (g)		Orica Senegal SARL (c)	Senegal
Orica Explosives Research Pty Ltd (g)		Orica Singapore Pte Ltd	Singapore
Orica Explosives Technology Pty Ltd		Orica Slovakia s.r.o.	Slovakia
Orica Explosives (Thailand) Co Ltd	Thailand	Orica Solomon Islands Pty Limited (c)	Solomon Islands
Orica Explosivos Industriales, S.A.	Spain	Orica South Africa (Proprietary) Limited	South Africa
Orica Export Inc.	USA	Orica St. Petersburg LLC	Russia
Orica Fiji Ltd	Fiji	Orica Sweden AB	Sweden
Orica Finance Limited		(formerly Dyno Nobel Sweden AB)	
Orica Finance Trust		Orica Sweden Holdings AB	Sweden
Orica Finland OY	Finland	Orica Tanzania Limited	Tanzania
Orica GEESP Pty Ltd (g)		Orica UK Limited	UK
Orica Germany GmbH	Germany	Orica US Holdings General Partnership	USA
Orica Ghana Limited	Ghana	Orica USA Inc.	USA
Orica Grace US Holdings Inc.	USA	Orica U.S. Services Inc.	USA
Orica Holdings Pty Ltd (g)		Orica Venezuela C.A.	Venezuela
Orica Ibéria, S.A. (c)	Portugal	Orica Watercare Inc.	USA
Orica IC Assets Holdings Limited Partnership		Orica (Weihai) Explosives Co Ltd	China
Orica IC Assets Pty Ltd		Orica Zambia Limited	Zambia
Orica IC Investments Pty Ltd (g)		(formerly Dyno Nobel Zambia Limited)	
Orica International IP Holdings Inc.	USA	Oricorp Comercial S.A. de C.V.	Mexico
Orica International Pte Ltd	Singapore	Oricorp Mexico S.A. de C.V.	Mexico
Orica Investments (Indonesia) Pty Limited (g)		Oricorp Servicios S.A. de C.V.	Mexico

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
Penlon Proprietary Limited (g)		Sociedade de Explosivos Civis, S.A. (b)	Portugal
Project Grace Holdings	UK	Southern Blasting Services, Inc.	USA
(formerly Project Grace Holdings Limited)		Sprengmittelvertrieb in Bayern GmbH	Germany
Project Grace Incorporated	USA	Sprengstoff-Verw ertungs GmbH	Germany
Project Grace	UK	Stratabolt (Pty) Limited	South Africa
(formerly Project Grace Limited)		Taian Ruichy Minova Ground Control	China
PT Baktijala Kencana Citra	Indonesia	Technology Co., Ltd	
PT Kalimantan Mining Services	Indonesia	Taiko Trucking Inc. (i)	Canada
PT Kaltim Nitrate Indonesia	Indonesia	Tec Harseim Do Brazil Ltda	Brazil
PT Orica Mining Services	Indonesia	Teradoran Pty Ltd (g)	
Retec Pty Ltd (g)		TOO "Minova Kasachstan"	Kazakhstan
Rui Jade International Limited	Hong Kong	Transmate S.A. (b)	Belgium
Sarkem Pty Ltd (g)		White Lightning Holding Co Inc	Philippines

(a) These controlled entities have each entered into a Deed of Cross Guarantee w ith Orica in respect of relief granted from specific accounting and financial reporting requirements in accordance w ith the ASIC Class Order 98/1418.
(b) Acquired in 2011.
(c) Incorporated in 2011.
(d) In liquidation.
(e) Liquidated in 2011.
(f) Dissolved in 2011.
(g) Small proprietary company - no separate statutory accounts are prepared.
(h) Merged in 2011.
(i) Divested in 2011.

40. Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 dated 13 August 1998 (as amended), are disclosed in note 39. A consolidated income statement and consolidated balance sheet for this closed group is shown below.

Summarised balance sheet

	Closed Group 2011 $m	Closed Group 2010 $m
Current assets		
Cash and cash equivalents	**2,367.2**	2,101.2
Trade and other receivables	**374.3**	327.7
Inventories	**149.4**	130.7
Other assets	**19.0**	22.9
Total current assets	**2,909.9**	2,582.5
Non-current assets		
Investments accounted for using the equity method	**1.5**	1.3
Other financial assets	**3,222.6**	3,408.9
Property, plant and equipment	**1,000.9**	884.1
Intangible assets	**76.4**	75.4
Deferred tax assets	**135.1**	163.0
Other assets	**0.1**	0.1
Total non-current assets	**4,436.6**	4,532.8
Total assets	**7,346.5**	7,115.3
Current liabilities		
Trade and other payables	**534.2**	518.2
Interest bearing liabilities	**450.1**	745.8
Current tax liabilities	**16.1**	22.1
Provisions	**137.1**	217.1
Total current liabilities	**1,137.5**	1,503.2
Non-current liabilities		
Trade and other payables	**67.4**	65.7
Interest bearing liabilities	**2,589.0**	2,287.4
Deferred tax liabilities	**89.7**	96.5
Provisions	**156.2**	144.2
Total non-current liabilities	**2,902.3**	2,593.8
Total liabilities	**4,039.8**	4,097.0
Net assets	**3,306.7**	3,018.3
Equity		
Ordinary shares	**1,749.9**	1,709.1
Reserves	**349.2**	345.5
Retained profits	**717.6**	473.7
Total equity attributable to ordinary shareholders of Orica	**2,816.7**	2,528.3
Equity attributable to Step-Up Preference Securities holders	**490.0**	490.0
Total equity	**3,306.7**	3,018.3

Summarised income statement and retained profits

	Closed Group 2011 $m	Closed Group 2010 $m
Profit before income tax expense	**701.4**	1,320.5
Income tax expense	**(88.3)**	(141.1)
Profit from operations	**613.1**	1,179.4
Retained profits at the beginning of the year	**473.7**	484.4
Retained profits of companies leaving the Deed	**-**	(84.2)
Actuarial losses recognised directly in equity	**(19.7)**	(17.3)
Dividends/distributions:		
Step-Up Preference Securities distributions	**(32.2)**	(25.9)
Less tax credit on Step-Up Preference Securities distributions	**10.0**	9.7
DuluxGroup demerger dividend	**-**	(721.9)
Ordinary dividends – interim	**(133.2)**	(146.8)
Ordinary dividends – final	**(194.1)**	(203.7)
Retained profits at the end of the year	**717.6**	473.7

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 28 to126, 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 2011 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 2011.

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 7th day of November 2011.

Independent auditor's report to the members of Orica Limited

Report on the financial report

We have audited the accompanying financial report of Orica Limited (the company), which comprises the consolidated balance sheet as at 30 September 2011, 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, notes 1 to 40 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair 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.

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 2011 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 the directors' report for the year ended 30 September 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Gordon Sangster
Partner

Melbourne

7 November 2011

Shareholders' Statistics

As at 12 October 2011

Distribution of ordinary shareholders and shareholdings

Size of holding	Number of holders		Number of shares	
1 – 1,000	42,061	64.45%	17,494,380	4.81%
1,001 – 5,000	20,347	31.18%	41,677,183	11.45%
5,001 – 10,000	1,910	2.93%	13,086,657	3.60%
10,001 – 100,000	863	1.32%	17,085,514	4.69%
100,001 and over	77	0.12%	274,622,836	75.45%
Total	65,258	100.00%	363,966,570	100.00%

Included in the above total are 2,017 shareholders holding less than a marketable parcel of 21 shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 69.73% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
HSBC Custody Nominees (Australia) Limited	73,414,046	20.17%
J P Morgan Nominees Australia Limited	58,275,087	16.01%
National Nominees Limited	48,109,357	13.22%
Citicorp Nominees Pty Limited	20,244,255	5.56%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	13,752,540	3.78%
Cogent Nominees Pty Limited	7,458,902	2.05%
J P Morgan Nominees Australia Limited <CASH INCOME A/C>	6,273,837	1.72%
Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	5,772,151	1.59%
Australian Foundation Investment Company Limited	2,659,126	0.73%
Argo Investments Limited	2,237,983	0.61%
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	2,042,779	0.56%
CS Third Nominees Pty Ltd <37 T A/C>	2,011,933	0.55%
Perpetual Trustee Company Limited	1,934,292	0.53%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	1,765,486	0.49%
AMP Life Limited	1,744,587	0.48%
Queensland Investment Corporation	1,339,259	0.37%
UBS Wealth Management Australia Nominees Pty Ltd	1,332,346	0.37%
Tasman Asset Management Ltd <TYNDALL AUSTRALIAN SHARE WHOLESALE PORT. A/C>	1,156,270	0.32%
RBC Dexia Investor Services Australia Nominees Pty Ltd <PISELECT A/C>	1,152,643	0.32%
Australian Reward Investment Alliance	1,100,215	0.30%
Total	253,777,094	69.73%

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:

27 September 2011	Perpetual Limited and Subsidiaries	32,009,139	8.79%

Shareholders' Statistics

As at 12 October 2011

Distribution of Orica Step-Up Preference Securities shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	3,331	89.30%	964,105	19.28%
1,001	–	5,000	331	8.87%	677,726	13.55%
5,001	–	10,000	35	0.94%	260,662	5.21%
10,001	–	100,000	26	0.70%	868,196	17.36%
100,001 and over			7	0.19%	2,229,311	44.60%
Total			3,730	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 58.30% of that class of shares.

Twenty largest Orica Step-Up Preference Securities shareholders

	Shares	% of total
J P Morgan Nominees Australia Limited	1,285,984	25.72%
National Nominees Limited	182,642	3.65%
HSBC Custody Nominees (Australia) Limited	174,948	3.50%
UBS Wealth Management Australia Nominees Pty Ltd	170,900	3.42%
UBS Nominees Pty Ltd	152,169	3.04%
Citicorp Nominees Pty Limited	146,383	2.93%
Brispot Nominees Pty Ltd <HOUSE HEAD NOMINEE NO 1 A/C>	116,285	2.33%
Buttonw ood Nominees Pty Ltd	100,000	2.00%
Avanteos Investments Limited <ENCIRCLE IMA A/C>	91,708	1.83%
UCA Cash Management Fund Ltd	69,623	1.39%
Cogent Nominees Pty Limited	65,700	1.31%
Queensland Investment Corporation	64,460	1.29%
Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	53,037	1.06%
RBC Dexia Investor Services Australia Nominees Pty Limited <PICREDIT A/C>	46,962	0.94%
RBC Dexia Investor Services Australia Nominees Pty Ltd <PISELECT A/C>	38,581	0.77%
Navigator Australia Ltd <NAVIGATION PERS PLAN SETT A/C>	34,609	0.69%
JP Morgan Nominees Australia Limited <CASH INCOME A/C>	33,723	0.67%
Flight Centre Limited	32,150	0.64%
Mutual Trust Pty Ltd	28,656	0.57%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	27,500	0.55%
Total	2,916,020	58.30%

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		2011 $m	2010 $m
Sales		**6,182.3**	**6,539.3**
Earnings before depreciation, amortisation, net borrowing costs and tax		1,252.5	1,340.9
Depreciation and amortisation (excluding goodwill)		(224.2)	(239.5)
Goodwill amortisation		-	-
Earnings before net borrowing costs and tax (EBIT)		**1,028.3**	**1,101.4**
Net borrowing costs		(123.5)	(127.6)
Individually material items before tax		-	715.6
Taxation expense		(241.4)	(334.7)
Minority interests		(21.1)	(36.0)
Profit/(loss) after tax and individually material items		**642.3**	**1,318.7**
Individually material items after tax attributable to members of Orica		**-**	**642.9**
Profit after tax before individually material items net of tax		**642.3**	**675.8**
Dividends/distributions		359.5	1,098.3
Current assets		1,985.2	1,831.9
Property, plant and equipment		2,709.7	2,235.2
Investments		172.1	162.6
Intangibles		2,505.4	2,510.9
Other non-current assets		255.8	248.8
Total assets		**7,628.2**	**6,989.4**
Current borrowings and payables		1,229.0	1,215.5
Current provisions		228.4	343.4
Non current borrowings and payables		1,769.3	1,305.1
Non current provisions		525.9	492.8
Total liabilities		**3,752.6**	**3,356.8**
Net assets		**3,875.6**	**3,632.6**
Equity attributable to ordinary shareholders of Orica		3,264.3	3,032.7
Equity attributable to Step-Up Preference Securities holders		490.0	490.0
Equity attributable to minority interests		121.3	109.9
Total shareholders' equity		**3,875.6**	**3,632.6**
Number of ordinary shares on issue at year end	millions	364.0	362.1
Weighted average number of ordinary shares on issue	millions	357.5	355.5
Basic earnings per ordinary share			
before individually material items	**cents**	**173.5**	**185.6**
including individually material items	**cents**	**173.5**	**366.4**
Dividends per ordinary share	**cents**	**90.0**	**95.0**
Dividend franking	**%**	**78.9**	**73.7**
Dividend yield (based on year end share price)	**%**	3.8	3.7
Closing share price range – High		**$27.75**	**$27.75**
Low		**$21.44**	**$21.95**
Year end		**$23.48**	**$25.71**
Stockmarket capitalisation at year end	$m	8,546.7	9,310.0
Net tangible assets per share	**$**	**2.08**	**1.44**
Profit margin (earnings before net borrowing costs and tax/sales)	**%**	**16.6**	**16.8**
Net debt		**1,408.1**	**1,051.6**
Gearing (net debt/net debt plus equity)	**%**	**26.6**	**22.4**
Interest cover (EBIT/net borrowing costs excluding capitalised interest)	**times**	**6.4**	**7.5**
Net capital expenditure on plant and equipment (Cash Flow)		**(646.6)**	**(517.3)**
Capital expenditure on acquisitions (Cash Flow)		**(60.9)**	**(162.1)**
Return on average shareholders' funds			
before individually material items	**%**	**17.7**	**18.3**
including individually material items	**%**	**17.7**	**35.7**

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

2009	2008	2007	2006	2005	2004	2003	2002
$m	$m	$m	$m	$m	$m	$m	$m
7,411.0	**6,544.1**	**5,527.2**	**5,359.2**	**5,126.7**	**4,610.5**	**3,958.6**	**4,085.2**
1,330.2	1,188.8	995.9	814.6	741.3	724.2	617.5	581.8
(247.7)	(218.7)	(183.2)	(156.9)	(140.4)	(137.7)	(155.1)	(161.3)
-	-	-	-	-	(33.2)	(20.1)	(10.5)
1,082.5	**970.1**	**812.7**	**657.7**	**600.9**	**553.3**	**442.3**	**410.0**
(133.5)	(157.7)	(122.6)	(92.2)	(102.5)	(72.3)	(60.7)	(59.5)
(139.6)	(41.6)	(22.3)	70.8	(187.7)	(46.6)	(208.7)	(48.1)
(228.0)	(203.5)	(154.4)	(74.9)	(88.8)	(80.9)	(59.3)	(72.5)
(39.6)	(27.7)	(25.7)	(22.3)	(13.6)	(25.7)	(12.9)	(16.3)
541.8	**539.6**	**487.7**	**539.1**	**208.3**	**327.8**	**100.7**	**213.6**
(104.3)	**(32.7)**	**(10.1)**	**158.8**	**(131.6)**	**2.2**	**(169.6)**	**(25.5)**
646.1	**572.3**	**497.8**	**380.3**	**339.9**	**325.6**	**270.3**	**239.1**
378.0	326.0	303.7	207.1	190.6	156.6	50.0	122.9
1,994.4	2,458.2	1,955.2	2,479.7	1,781.6	1,699.6	1,282.6	1,270.3
2,075.0	2,052.3	1,742.9	1,603.1	1,593.7	1,514.4	1,436.8	1,414.1
168.3	209.3	125.6	125.9	49.1	48.4	86.4	234.2
2,756.5	3,012.6	2,055.5	1,141.3	634.3	588.3	441.7	135.5
360.0	275.4	335.2	362.8	252.5	335.2	307.8	311.1
7,354.2	**8,007.8**	**6,214.4**	**5,712.8**	**4,311.2**	**4,185.9**	**3,555.3**	**3,365.2**
1,316.9	1,777.8	1,625.4	981.0	958.9	1,165.4	683.3	640.0
298.8	301.8	332.3	319.1	218.7	215.1	169.6	248.2
1,279.8	1,107.2	1,098.6	1,272.5	1,287.2	755.7	812.7	727.8
485.9	502.6	530.5	472.0	326.9	510.3	309.2	255.1
3,381.4	**3,689.4**	**3,586.8**	**3,044.6**	**2,791.7**	**2,646.5**	**1,974.8**	**1,871.1**
3,972.8	**4,318.4**	**2,627.6**	**2,668.2**	**1,519.5**	**1,539.4**	**1,580.5**	**1,494.1**
3,370.7	3,731.5	2,076.7	2,126.6	1,327.9	1,334.5	1,384.9	1,373.0
490.0	490.0	490.0	490.0	-	-	-	-
112.1	96.9	60.9	51.6	191.6	204.9	195.6	121.1
3,972.8	**4,318.4**	**2,627.6**	**2,668.2**	**1,519.5**	**1,539.4**	**1,580.5**	**1,494.1**
360.0	359.2	307.9	309.2	273.1	270.1	277.6	279.1
353.9	320.0	306.3	300.8	272.8	273.5	277.9	278.0
174.6	**170.0**	**149.5**	**126.4**	**124.6**	**119.0**	**97.2**	**86.0**
145.2	**159.8**	**146.3**	**179.2**	**76.3**	**119.8**	**36.2**	**76.8**
97.0	**94.0**	**89.0**	**74.0**	**71.0**	**68.0**	**52.0**	**44.0**
35.1	**36.2**	**34.8**	**40.5**	**32.4**	**41.2**	**21.1**	**34.0**
4.1	4.5	3.0	3.3	3.4	3.9	4.3	4.6
$24.15	**$32.18**	**$33.90**	**$26.45**	**$21.55**	**$17.55**	**$12.47**	**$9.85**
$11.30	**$20.95**	**$21.78**	**$17.78**	**$14.32**	**$11.92**	**$8.15**	**$4.22**
$23.50	**$20.95**	**$30.10**	**$22.47**	**$21.00**	**$17.30**	**$12.00**	**$9.52**
8,459.0	7,525.2	9,268.2	6,948.1	5,735.2	4,672.0	3,331.2	2,656.9
1.71	**2.00**	**0.07**	**3.19**	**2.53**	**2.76**	**3.40**	**4.43**
14.6	**14.8**	**14.7**	**12.3**	**11.7**	**12.0**	**11.2**	**10.0**
1,094.5	**1,020.5**	**1,305.7**	**302.1**	**1,112.1**	**977.3**	**877.0**	**679.7**
21.6	**19.1**	**33.2**	**10.2**	**42.3**	**38.8**	**35.7**	**31.3**
7.8	**6.1**	**6.6**	**7.1**	**5.9**	**7.7**	**7.3**	**6.9**
(345.6)	**(394.8)**	**(280.9)**	**(329.2)**	**(234.9)**	**(126.9)**	**(43.6)**	**(15.3)**
(107.3)	**(866.2)**	**(917.7)**	**(875.6)**	**(59.2)**	**(253.9)**	**(415.7)**	**(1.3)**
16.0	**16.9**	**19.2**	**19.3**	**25.5**	**23.9**	**19.6**	**18.0**
13.4	**15.9**	**18.8**	**27.3**	**15.6**	**24.1**	**7.3**	**16.1**

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

10.30AM THURSDAY, 15 DECEMBER 2011
THE AUDITORIUM, LEVEL 2, MELBOURNE EXHIBITION CENTRE
2 CLARENDON STREET, SOUTH WHARF

STOCK EXCHANGE LISTING

Orica's shares are listed on the Australian Securities Exchange (ASX) and are traded under the code ORI.

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 their website at: www.linkmarketservices.com.au/orica.

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 their website at www.linkmarketservices.com.au/orica.

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 their website at www.linkmarketservices.com.au/orica. For CHESS/broker sponsored holdings: please notify your broker in writing if you change your name and/or address.

SHARE ENQUIRIES

Shareholders seeking information about their shareholding or dividends should contact Orica's Share Registrar, Link Market Services Limited. Contact details are above. Callers within Australia can obtain information on their investments with Orica by calling the Investor Line 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 their website: www.linkmarketservices.com.au/orica.

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 Share Registrar's website: www.linkmarketservices.com.au/orica 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 their website: www.linkmarketservices.com.au/orica.

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

Postal address:
GPO Box 4311
Melbourne, Victoria 3001
Telephone: +61 3 9665 7111
Facsimile: +61 3 9665 7937
Email: companyinfo@orica.com
Website: www.orica.com

INVESTOR RELATIONS

Telephone: +61 3 9665 7111
Email: companyinfo@orica.com

SHAREHOLDER TIMETABLE*

31 MARCH 2012	**ORICA HALF YEAR END**
7 MAY 2012	**HALF YEAR PROFIT AND INTERIM DIVIDEND ANNOUNCED**
1 JUNE 2012	**BOOKS CLOSE FOR 2012 INTERIM ORDINARY DIVIDEND**
2 JULY 2012	**INTERIM ORDINARY DIVIDEND PAID**
30 SEPTEMBER 2012	**ORICA YEAR END**
12 NOVEMBER 2012	**FULL YEAR PROFIT AND FINAL DIVIDEND ANNOUNCED**
22 NOVEMBER 2012	**BOOKS CLOSE FOR 2012 FINAL ORDINARY DIVIDEND**
10 DECEMBER 2012	**FINAL ORDINARY DIVIDEND PAID**
20 DECEMBER 2012	**ANNUAL GENERAL MEETING 2012**

* Timing of events is subject to change

ORICA LIMITED

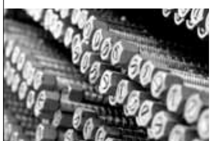
ABN 24 004 145 868

Registered address and head office:
Level 3, 1 Nicholson Street
East Melbourne, Victoria 3002
Australia

Postal address:
GPO Box 4311
Melbourne, Victoria 3001

Telephone: +61 3 9665 7111
Facsimile: +61 3 9665 7937

Email: companyinfo@orica.com
Website: www.orica.com



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