



CONTENTS

ABOUT ORICA	1
CHAIRMAN'S MESSAGE	2
MANAGING DIRECTOR'S MESSAGE	3
REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE	4
REVIEW OF BUSINESS PERFORMANCE	7
BOARD MEMBERS	10
EXECUTIVE COMMITTEE	11
CORPORATE GOVERNANCE STATEMENT	12
SUSTAINABILITY	18
FINANCIAL REPORT	20
DIRECTORS' REPORT	21
DIRECTORS' REPORT – REMUNERATION REPORT	24
LEAD AUDITOR'S INDEPENDENCE DECLARATION	47
INCOME STATEMENT	48
STATEMENT OF COMPREHENSIVE INCOME	49
BALANCE SHEET	50
STATEMENT OF CHANGES IN EQUITY	51
STATEMENT OF CASH FLOWS	52
NOTES TO THE FINANCIAL STATEMENTS	53
DIRECTORS' DECLARATION	126
INDEPENDENT AUDITOR'S REPORT	127
SHAREHOLDERS' STATISTICS	129
TEN YEAR FINANCIAL STATISTICS	130
SHAREHOLDER INFORMATION	132
SHAREHOLDER TIMETABLE	134



ORICA IS THE WORLD'S LARGEST PROVIDER OF COMMERCIAL EXPLOSIVES AND BLASTING SYSTEMS TO THE MINING AND INFRASTRUCTURE MARKETS, THE GLOBAL LEADER IN THE PROVISION OF GROUND SUPPORT IN MINING AND TUNNELLING AND THE LEADING SUPPLIER OF SODIUM CYANIDE FOR GOLD EXTRACTION.

Orica also supplies general chemicals across a diverse range of markets, including agriculture, building and construction, food and beverage, pharmaceutical and personal care, plastics, pulp and paper and water treatment industries.

Headquartered in Melbourne, Australia, Orica is listed on the Australian Securities Exchange with a diverse workforce of over 15,000 people from more than 130 nationalities and has operations in more than 50 countries and customers in more than 100.

At Orica, we're committed to developing tomorrow's technologies and solving today's challenges for our customers.

CHAIRMAN'S MESSAGE



ORICA CONTINUES TO PURSUE A NUMBER OF VALUE-ACCRETIVE GROWTH INITIATIVES IN ATTRACTIVE MARKETS WHICH WILL DELIVER VALUE FOR SHAREHOLDERS.

**P J B DUNCAN
CHAIRMAN**

In 2012, Orica delivered a modest increase in underlying profit in a year marked by a deteriorating external environment as well as challenges of our own making. In addition, in light of revised forecasts, directors wrote down the carrying value of Minova to a value which is regarded as more realistic.

Statutory net profit after tax and individually material items was \$403 million. Net profit after tax before individually material items was \$650.2 million, up 1 percent. This is a satisfactory performance in the face of market headwinds and operational disruption and illustrates the resilience and underlying strength of your Company's businesses. The Board is pleased to declare a final dividend of 54 cents per share.

Orica strives to achieve "No Accidents Today" or any day. This year we have continued to reduce the number and severity of accidents recorded at Orica workplaces, but the sad death of one employee at our Antofagasta plant in Chile serves as a constant reminder of our obligation to drive further improvements.

In February, we welcomed new leadership to the Company with Ian Smith commencing his role as Managing Director and CEO. Ian has enjoyed a distinguished career, most recently as the CEO of Newcrest Mining. He brings three decades of experience and insight as a senior resources sector executive to the Company. Ian has rapidly taken steps to strengthen Orica's ability to exploit its opportunities.

The success of Orica's strategy to focus on the mining and infrastructure sectors has created a strong underlying business with a commanding global footprint across 50 countries. During 2012, Management, with full Board support, has taken a number of steps to improve the strategic, operational and financial performance of your Company. These have included a move to a functional structure and greater focus on operational excellence, customer intimacy and product innovation. Notwithstanding the economic slowdown, Orica continues to have ample exciting opportunities for profit growth.

The difficult external economic environment will require a disciplined approach to capital allocation and a strong focus on maintaining the strength of the Company's balance sheet. With this in mind, Orica continues to pursue a number of value-accretive growth initiatives in attractive markets which will deliver value for shareholders.

An example of this is Orica's joint venture to build a 330,000 tonnes per annum industrial grade ammonium nitrate plant in Western Australia and a distribution and marketing joint venture for mining customers in the Pilbara iron ore region. Orica will own 45 percent of both joint ventures. These projects, with production expected in 2016, will complement a wider supply chain Orica is establishing in the region.

A significant effort has been directed in 2012 to implementing the lessons learned from the disappointing events of 2011 at Kooragang Island. The Company has made significant investments to re-engineer the production processes at Kooragang Island in order to improve operational efficiency and, in particular, to minimise the risk that the breach of containment events are repeated. While we have made physical changes to the plant, the relationship of trust with the community

will take longer to repair. Orica is making diligent efforts to engage openly and honestly. The community will tell us how successful we are in achieving this goal.

On 1 July, 2012, the Federal Government's carbon tax legislation came into effect. Orica's sustainability policy has set a target for the Company to become carbon neutral, that is, to make no net contribution to greenhouse gases in the atmosphere. Towards this goal, we have over the past 12 months begun to install carbon abatement technology at four of the Company's nitric acid plants; generating a greenhouse gas saving equivalent to removing 150,000 cars from the road each year.

Orica is a truly global company with customers in more than 100 countries and 60 to 65 percent of its operations located outside of Australia. While Australia is our largest single and most important market, many opportunities for growth will be outside of our borders in Africa, South America and Asia. Orica's capacity to service these growth markets represents a unique opportunity for the Company not shared by our competitors.

The globalisation of our business is matched by the diversity of our shareholders. More than one third are now domiciled outside Australia. In setting a progressive dividend policy the Board continues to pay close attention to the dividend aspirations of our shareholders whether retail or institutional, domestic or offshore, as well as the Company's capacity to distribute franking credits.

Since threshold economic performance was not achieved during the year no short-term incentives have been paid to senior executives. Ian Smith's contract, as new CEO, entitled him to receive a short-term incentive, however, as his team is not receiving one, he has chosen to forego the very significant amount which he would have received.

Following the normal review, the decision was taken not to increase salaries of the Executive Committee. The Board has decided that the review of its fees, which would normally have been carried out during 2013, will be postponed until the following year.

On behalf of the Board and all employees I would like to take this opportunity to thank former Managing Director and CEO Graeme Liebelt for his service to the Company. Graeme's strategic vision and distinguished track record of delivering growth and shareholder value have played a fundamental part in creating the strong company that Orica is today.

Michael Beckett retired from the Board at the end of 2011 after ten years. His contribution has been substantial and on behalf of the Board I extend him my thanks.

More than 15,000 people work for Orica each day across many hundreds of sites in more than 50 countries around the world. It is the expertise and commitment of each and every one of our employees that contributes to Orica's ongoing success. This performance has been set against both a difficult market environment and a significant re-orientation of the business which has taken place over the past year to provide greater focus on our customers and operational excellence.

I would like to thank all of our employees and the Orica management team for their significant efforts in a challenging year. The Board believes the energy and focus being directed to unleashing the full potential of our Company, positions Orica for another year of success in 2013.

MANAGING DIRECTOR'S MESSAGE



ORICA'S STRATEGY IS TO PROVIDE DIFFERENTIATED PRODUCTS, SERVICES AND SOLUTIONS WHICH ENHANCE VALUE FOR OUR MINING CUSTOMERS ACROSS THE GLOBE.

**IAN K SMITH
MANAGING DIRECTOR
AND CEO**

Orica is a global leader in the provision of explosives, products and services to the resources sector. The Company enjoys 28 percent market share, sales in over 100 countries, a strong manufacturing position, unrivalled capabilities in research and development and attractive industry fundamentals. It is from this position of strength that the Company is working to capture the opportunities ahead.

To succeed in all market conditions, Orica's strategy is to provide differentiated products, services and solutions which enhance value for our mining customers across the globe. This is achieved through low-cost, multi-source, flexible supply chains of mining inputs to customers in key markets delivered through Orica's own manufacturing capabilities, capital-efficient joint ventures or alliances with supply partners.

At the same time Orica is leveraging its unrivalled research and development expertise to develop game-changing technologies that increase mine productivity and profitability.

Orica is uniquely placed to benefit from the current market environment but will not succeed unless it earns and maintains its social licence to operate. This is why social responsibility underpins Orica's business model. Orica's commitment to this is detailed in the Sustainability Report and has been a significant focus in 2012.

Project Sustain was launched to set Orica on a course to become a global leader and innovator for industry in safety, health, environmental performance, community engagement and risk assessment. This project captures operations at each of Orica's sites around the world and will drive a process of continuous improvement across all of the Company's operations.

Programs are also being deployed across the Company to achieve excellence in manufacturing by focusing on consistent and constant production through process and maintenance excellence and superior understanding of customer demand.

In the course of the year, a number of environmental improvement projects at Kooragang Island and Yarwun were either completed or progressed in accordance with timetables agreed with regulators.

OPERATIONAL HIGHLIGHTS AND GROWTH OPPORTUNITIES

Beneficial production commenced at Orica's Bontang ammonium nitrate plant in July 2012 with 60,000 tonnes of ammonium nitrate produced. The plant has proven its capacity to manufacture to its nameplate capacity and has been completed under budget. The Bontang plant is locally staffed and managed and forms an important part of Orica's unique network of ammonium nitrate production that provides a flexible supply chain across the Australian and Asian markets which deliver 50 percent of the Company's earnings before interest and tax.

KOORAGANG ISLAND

Orica is investing more than \$200 million over three years on projects to improve ammonia management and environmental performance of the Kooragang Island plant following the events of 2011. As a result of the first of these projects, maintenance, safety and environmental performance at Kooragang Island have all improved. The same process of identifying steps to enhance manufacturing operations will be progressively implemented at all of Orica's manufacturing sites.

In 2012, Orica received regulatory approvals for an expansion of the Kooragang Island plant to a capacity of 750,000 tonnes per annum. Feasibility studies and engineering pathways have been completed and most long-lead items have been ordered. Orica will hold discussions with customers to confirm their demand profiles before confirming a construction timetable which, at the earliest, will commence in late 2013 or early 2014.

PILBARA GROWTH

Iron ore production in the Pilbara is expected to exceed 800 million tonnes per annum by the end of 2015. Two projects reinforce Orica's emerging presence in the region. Site work has commenced in preparation for construction of the 330,000 tonnes per annum ammonium nitrate plant on the Burrup Peninsula with joint venture partners Yara and Apache. The parties have also agreed to form a distribution and marketing joint venture to distribute all ammonium nitrate and associated products and services to mining customers in the Pilbara.

Orica's first bulk emulsion plant at Port Hedland, which will have a capacity up to 150,000 tonnes per annum, is nearing commissioning.

HONCE

Production from the HONCE non-electronic detonator facility at Nanling in China is scheduled to commence in 2013, recruitment and training of staff underway. Although completion of this plant has been delayed, it is expected to be completed within the initial budget set aside for the project.

PROJECT OPTIMOVA

Minova is a leading provider of ground support and tunnelling technology to the underground mining and infrastructure sectors. Minova experienced intense competition and soft demand, particularly in the US coal market in the second half of the year and margin pressure in China. Minova's market position in the underground mining sector represents an attractive entry point and growth option for Orica's suite of explosives and mining chemicals and service products. To capture this opportunity Project Optimova will simplify the business, optimise its manufacturing base and reduce costs. Over the next two years Minova's operations around the globe will be progressively integrated into the broader Orica business.

DIVERSITY

Orica continues to make progress to improve the diversity of its workforce to reflect the globalisation of the Company's operations. Since the inception of Orica's Diversity Strategy in 2009 the gender diversity of women in senior management has increased from 5 percent to 16 percent in 2012 while the proportion of non-Australian/New Zealand senior managers has increased from 40 percent to 47 percent over the same period.

OUTLOOK

Orica's low-cost, flexible, secure and reliable supply chain and unique capacity to deliver value enhancing solutions to customers, positions the Company well to capitalise on the opportunities the market will present over the next year.

Subject to global economic conditions, the Orica Board anticipates that net profit after tax (pre individually material items) in 2013 will be higher than reported in 2012.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

STATUTORY NET PROFIT AFTER TAX (NPAT) AND INDIVIDUALLY MATERIAL ITEMS⁽¹⁾ FOR THE FULL YEAR ENDED 30 SEPTEMBER 2012 WAS \$403M. THE PREVIOUS CORRESPONDING PERIOD (PCP) WAS \$642M.

THE INDIVIDUALLY MATERIAL ITEM AFTER TAX WAS A LOSS OF \$247M RELATING TO AN IMPAIRMENT OF GOODWILL IN MINOVA.

STATUTORY NPAT BEFORE INDIVIDUALLY MATERIAL ITEMS⁽²⁾ WAS \$650M (PCP: \$642M).

FINANCIAL HIGHLIGHTS

- Sales revenue up 8% to \$6.7B;
- Earnings before interest and tax⁽³⁾ (EBIT) down 1%;
- Rolling trade working capital to sales⁽⁴⁾ at 13.3%;
- Earnings per ordinary share before individually material items at 177.9c, up from 173.5c in the pcp;
- Gearing⁽⁵⁾ of 41.5%, up from 26.6% in the pcp, due in part to the repurchase of the Step-Up Preference Securities (SPS) and lower statutory net profit;
- Interest cover of 8.0 times⁽⁶⁾; and
- Final ordinary dividend is 54 cents per share (cps) – franked at 24 cps.

BUSINESS HIGHLIGHTS

- Improved demand in most mining markets and improved pricing partly offset the adverse \$90M (pcp \$21M) EBIT impact arising from the loss of containment incidents at Kooragang Island (Australia);
- Foreign exchange movements, net of hedging, adversely impacted EBIT by \$52M;
- Mining Services EBIT down 3% to \$790M. The adverse financial impact of the Kooragang Island incidents was mostly offset by improved volumes in Australia, Asia and Latin America together with some improvement in pricing;
- Minova EBIT up 4% to \$109M reflecting strong demand in Australia and Kazakhstan which offset the impact of lower demand from North American coal markets and lower margins due to competitive pressure in the US, China and Poland; and
- Chemicals EBIT of \$211M, 8% ahead of the prior year. Strong demand from mining markets for emulsifiers and improved pricing for sodium cyanide offset the impact of generally subdued conditions in most industrial markets in Australia and New Zealand.

¹ Equivalent to Net profit for the period attributable to shareholders of Orica Limited disclosed in note 2 to the Orica Annual Report (Segment report).

² Equivalent to Profit after income tax expense before individually material items attributable to shareholders of Orica Limited disclosed in the Segment report.

³ EBIT (equivalent to Profit/loss before individually material items, net financing costs and income tax expense disclosed in the Segment report).

OUTLOOK – 2013

- We expect Group net profit after tax (pre individually material items) in 2013 to be higher than that reported in 2012, subject to global economic conditions.

REVENUE

- Sales revenue of \$6.7B increased by \$492M (8%), driven primarily by:
 - Stronger underlying demand in Australian, Asian and Latin American mining markets;
 - Improved weather conditions in Australia and Asia;
 - Improved ammonium nitrate (AN) pricing conditions, particularly in North America; and
 - Higher average caustic and sodium cyanide prices.

Partly offset by:

- Unfavourable foreign exchange movements (\$109M);
- Pricing pressure in Minova from competitor activity and softer volumes in US coal markets in the second half; and
- Softer demand for chemicals from industrial markets in Australia and New Zealand.
- Other income of \$68M was \$18M below the prior period due mostly to lower currency gains and higher profit from land sales.

EARNINGS BEFORE INTEREST AND TAX (EBIT)

- EBIT decreased by 1% to \$1,023M (pcp \$1,028M). Decreased earnings were attributed to:
 - The shutdown of the Kooragang Island ammonia and AN plants following loss of containment issues (\$69M);
 - Unfavourable foreign exchange movements (\$52M);
 - Higher fixed costs of \$40M due primarily to higher depreciation and inflationary factors; and
 - Unfavourable lag impact on the recovery of ammonia and AN cost increases (\$25M).

Offset by:

- Net volume and margin improvements of \$150M reflecting improved underlying demand in most mining markets, improved weather conditions, higher emulsifier volumes and higher AN, caustic and sodium cyanide prices; and
- Profit from land sales and the non-recurrence of Monclova plant closure costs (\$31M).

⁴ Rolling 12-month average trade working capital / 12-month total sales.

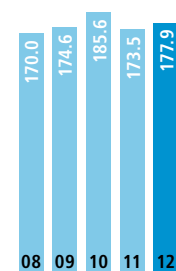
⁵ Net debt / (net debt + book equity).

⁶ EBIT / Net interest expense

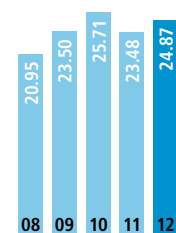
Certain non-IFRS information has been included in this report. This information is considered by management in assessing the operating performance of the business and has not been reviewed by the Group's external auditor. These measures are defined in the footnotes to this report.

Numbers in this report are subject to rounding.

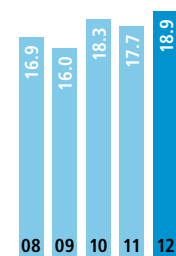
SHAREHOLDER SCORECARD



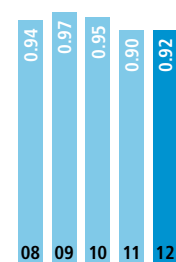
Earnings per share (c)
(Before individually material items)



Year end share price (\$)



Return on shareholders' funds (%)
(Before individually material items)



Dividends per share (\$)

INTEREST

- Net interest expense of \$128M was 4% higher than the pcp (\$124M) due to the impact of higher debt levels following the repurchase of the SPS in November 2011, partially offset by the benefit from a lower average interest rate;
- Capitalised interest was \$38M (pcp: \$37M); and
- Interest cover was 8.0 times (pcp: 8.3 times).

CORPORATE CENTRE AND SUPPORT COSTS

- Corporate centre and other support costs decreased 3% to \$87M (pcp \$90M).

TAX EXPENSE

- An effective underlying tax rate of 25.0% (pcp: 26.7%).

NET PROFIT

- NPAT before individually material items increased 1% to \$650M (pcp: \$642M); and
- NPAT and individually material items decreased 37% to \$403M (pcp: \$642M).

INDIVIDUALLY MATERIAL ITEMS

- The individually material item after tax was a loss of \$247M (pcp: nil), representing an impairment of goodwill in Minova. This reflects challenging market conditions in the US, and continued margin pressure in China.

DIVIDEND

- The directors have declared a final ordinary dividend of 54 cps – franked at 24 cps; and
- It is anticipated that dividends in the near future are unlikely to be franked at a rate of more than 40%.

DEBT FACILITIES

- The weighted average tenor of drawn debt facilities is approximately 5.2 years;
- Total US Private Placement debt is approximately \$1.4B;
- Drawn debt under bilateral bank facilities and export credit agency funding is approximately \$0.7B and \$0.1B respectively. Total facilities are \$2.3B; and
- In July and August 2012, Orica refinanced \$200M of bilateral bank facilities. Weighted average tenor of bilateral bank facilities is approximately 2.2 years.

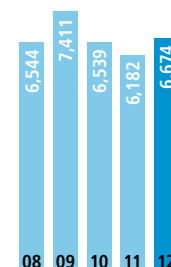
BALANCE SHEET

• Key balance sheet movements since September 2011 were:

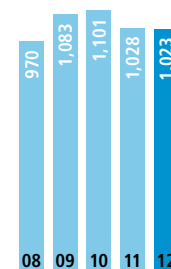
- Trade working capital (TWC) has increased by \$121M from the pcp as a result of an underlying increase of \$152M and acquisitions of \$2M, partially offset by a favourable foreign exchange impact of \$30M and divestments of \$3M;
- The underlying increase in TWC mostly reflects an increase in inventories due to Bontang commissioning, increased contingency stock levels following the Kooragang Island incident and stock build in North America ahead of a planned supplier plant shutdown;
- Rolling TWC to sales⁽¹⁾ is comparable to 2011 at 13.3% (pcp 13.2%);
- Net property, plant and equipment (PP&E) is \$325M up on the pcp due to spend on growth projects (\$368M), sustenance capital (\$226M), capitalised interest (\$35M) and PP&E from acquired businesses (\$5M). These were offset by depreciation (\$215M), foreign exchange translation (\$65M) and disposals (\$30M). Significant growth spend since the pcp within Mining Services included Bontang (\$73M), Kooragang Island (\$87M) and Nanling (\$21M);
- Intangible assets decreased by \$459M pcp due to the impairment of Minova goodwill (\$367M), the impact of foreign exchange translation (\$109M) and amortisation (\$37M), offset by acquisition of businesses/entities (\$9M), capital expenditure (\$42M) and capitalised interest (\$3M);
- Net other liabilities have decreased by \$275M. Major movements include an increased deferred tax asset (\$119M) relating to the impairment of Minova goodwill, earnout payments (\$29M) on prior years' acquisitions, increased deferred receipts from sale of assets (\$45M) and increased net indirect tax receivables (\$33M);
- Net debt increased by \$891M due primarily to the repurchase of the SPS (\$500M) which were previously classified as equity, dividend payments and capital expenditure, offset by operating cash flows; and
- Orica shareholders' equity decreased by \$633M, mainly due to the repurchase of the SPS and a decrease in the foreign currency translation reserve (\$215M) offset by increased earnings net of dividends declared and an increase in shares on issue to satisfy the settlement of dividends under the Dividend Reinvestment Plan.

¹ Rolling 12-month average TWC / 12-month total sales.

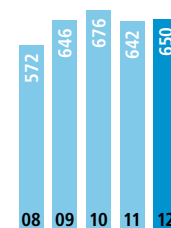
FINANCIAL SUMMARY



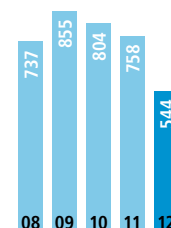
Sales (\$M)



EBIT (\$M)
(Before individually material items)



NPAT (\$M)
(Before individually material items net of tax)



Cash flow from operating activities (\$M)

GEARING

- Gearing⁽¹⁾ increased to 41.5% from 26.6% at 30 September 2011. In accordance with accounting standards, the SPS were previously recognised as equity. The repurchase of the SPS in November 2011 was funded with debt and partly contributed to the increased gearing; and
- Adjusted gearing⁽²⁾ treated the SPS in 2011 as 50% equity and 50% debt (Standard & Poors credit rating treatment). At 30 September 2012, this is equal to gearing of 41.5% (pcp 31.4%).

CASH FLOW

- Net operating cash inflows decreased by \$214M to \$544M, compared with the pcp mainly due to:
 - The earnings impact of Kooragang Island of \$69M;
 - A higher cash outflow from the movement in trade working capital of \$125M, due mainly to increased contingency stock levels following the Kooragang Island incident, a small increase in debtor days, increased payments to ammonia creditors due to the closure of Kooragang Island ammonia plant in 2011, partly offset by the benefit from improved creditor days;
 - Increased outflows from non trade working capital of \$87M; and
 - Adverse FX movements on debt and reserves of \$70M.
- Net investing cash outflows decreased by \$92M to \$674M, compared with the pcp due to:
 - Decreased spending on growth capital projects of \$57M;
 - An increase in the proceeds from sale of surplus assets in the current period of \$21M;
 - Decreased spend on acquisitions of \$8M from the pcp. The current period has included spend of \$41M for Burrup and \$29M of earnout payments relating to prior years' acquisitions; and
 - Lower sustenance capital of \$7M.
- Net financing cash inflows increased by \$14M to \$33M compared with the pcp, mainly due to:
 - Reduced SPS distribution of \$21M;
 - Additional share proceeds of \$12M primarily received for repayment of Long Term Employee Equity Incentive Plan (LTEIP) loans; and
 - Lower dividends paid to Non Controlling Interest shareholders of \$7M.
- Partly offset by:
 - A net decrease in proceeds from external borrowings of \$12M;
 - Higher dividends paid to ordinary shareholders of \$9M; and
 - Increased payments of \$6M for shares purchased on market for the LTEIP plan.

¹ Net debt/(net debt + equity).

² Calculation as per Note (1) with SPS notionally treated as 50% Debt and 50% Equity in 2011.

ORICA SPS

- A distribution of \$16M on the SPS was paid during the period of which \$5M was classified as interest; and
- On 29 November 2011 Orica repurchased the SPS using existing bilateral banking facilities. The repurchased amount was \$500M.

BUSINESS DEVELOPMENT

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

- The commissioning of the AN plant in Bontang, Indonesia. Beneficial operation started on 1 July 2012. The plant produced 60,000 tonnes of AN in the period. The final capital cost (excluding capitalised interest) will be less than US\$500M;
- The expansion of the AN plant at Kooragang Island, Australia, to bring total capacity to 750,000 tonnes per annum. The project team have optimised the design of the plant and confirmed an engineering pathway for construction. Current market conditions are such that further consultation with customers will be undertaken to determine the optimal timing of construction;
- The fully integrated non-electric detonator facility at Nanling, Hunan Province, China;
- The new emulsion plant at Kurri Kurri, Australia, which was commissioned in December 2011. The plant has capacity of 250,000 tonnes per annum; and
- The first bulk emulsion plant in the Pilbara region, Australia. The plant will have up to 150,000 tonnes per annum capacity, and is currently on-track to be commissioned in the 2012 calendar year.

CORPORATE ACTIVITY

In May Orica announced it had agreed to form a joint venture with Yara and Apache to build a 330,000 tonnes per annum industrial grade AN plant on the Burrup peninsula. Construction of the plant is expected to have a capital cost of approximately US\$800M and be completed by the end of 2015.

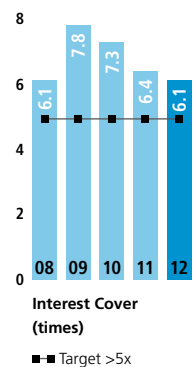
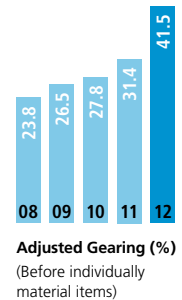
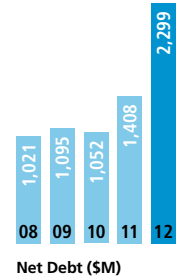
The joint venture will be owned 45% (Orica), 45% (Yara) and 10% (Apache). Yara will manage construction and ongoing operation of the AN plant.

The parties also agreed to form a distribution and marketing joint venture to distribute all AN and associated products and services to mining customers in the Pilbara. This joint venture will be owned in the same proportions as the AN plant joint venture, but will be managed by Orica.

In addition to its share of the construction cost, Orica will also pay approximately US\$110M, to be split between Yara and Apache, payable upon commencement of construction.

In October 2011, Minova purchased the self-drilling anchor business from Atlas Copco MAI GmbH. The acquisition extends Minova's product offering in the tunnelling and civils market.

FINANCIAL LEVERAGE



REVIEW OF BUSINESS PERFORMANCE

ORICA MINING SERVICES

EBIT DOWN 3% TO \$790M

KEY POINTS

- Loss of containment incidents at Kooragang Island and associated plant shutdowns negatively impacted EBIT by \$87M (\$21M in the pcp);
- AN volumes up 2% with improved demand from mining markets in Australia, Asia and Latin America partly offset by weak US coal markets;
- Strong demand from metals markets in North America;
- Strong growth in Electronic Blasting Systems (EBS) with volumes up 14% versus the pcp;
- Improved pricing conditions, particularly in the North American market; and
- Negative impact on EBIT from unfavourable foreign exchange movements, net of hedging, of \$47M.

BUSINESS SUMMARIES

AUSTRALIA/ASIA

- EBIT of \$412M, down 12% (\$54M) on the pcp, due mostly to the shutdown of the Kooragang Island ammonia and AN plants following loss of containment issues;
- AN volumes up 5% with growth in all regions, particularly Western Australia;
- Modest pricing improvements; and
- Negative lag in recovery of ammonia input costs.

NORTH AMERICA

- EBIT of \$111M, up 7% (\$8M) on the pcp due to improved pricing and stronger demand from metals markets, partly offset by weak demand from coal markets; and
- AN volumes down 7% on the pcp.

LATIN AMERICA

- EBIT of \$86M, down 23% (\$26M) on the pcp due to the transfer of specific commercial functions to the Global Hub in the prior year;
- Strong underlying performance reflecting stronger demand with AN volumes up 17% versus pcp; and
- Steady pricing conditions and cost management

EUROPE, MIDDLE EAST AND TURKEY (EMET)

- EBIT of \$74M, up 25% (\$15M) on the pcp;
- Improved volumes in construction markets in Norway and stronger volumes in Estonia more than offset generally soft demand conditions in most other markets;
- Margins negatively impacted by increased competition;
- Favourable EBIT impact from land sales; and
- Negative impact from foreign currency translation.

OTHER (INCLUDING THE GLOBAL HUB)

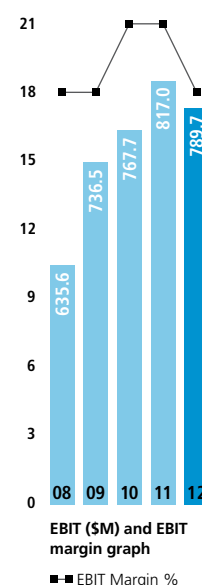
- EBIT of \$107M, up 39% (\$30M) on the pcp due mainly to the transfer of specific commercial functions in Latin America to the Global Hub in the prior year.

PERSPECTIVES FOR 2013

- Steady demand in mining markets in Australia and Latin America;
- Coal markets in North America to remain reasonably weak; and
- Slow recovery in infrastructure markets in North America and most European markets.

A\$M	YEAR ENDED SEPTEMBER		
	2012	2011	CHANGE F/(U)*
Sales Revenue	4,377.1	3,938.0	11%
EBIT	789.7	817.0	(3%)
Operating Net Assets	3,763.0	3,271.1	15%
EBIT			
Australia/Asia	412.3	466.5	(12%)
North America	110.6	102.9	7%
Latin America	85.9	111.6	(23%)
EMET	74.4	59.4	25%
Other	106.5	76.6	39%

*F – Favourable, (U) – Unfavourable



MINOVA

EBIT UP 4% TO \$109M

KEY POINTS

- An impairment of goodwill of \$367M before tax has been recognised in the period;
- Strong demand in Australia and the Commonwealth of Independent States (CIS);
- Lower demand from North American coal markets in the second half;
- Subdued activity in tunnelling markets in many parts of Europe due to difficult economic conditions;
- Steady volumes in most other markets;
- Continued competitive pressure in the US, Poland and China preventing margin recovery; and
- Continued focus on the introduction of new products and efficiency programs.

BUSINESS SUMMARIES

AMERICAS

- Volumes down 7% versus the pcp, mostly due to softer demand from coal markets in the second half of the year;
- Margins down on pcp due to competitor activity, though margins were in line with H2 2011;
- Input costs relatively stable; and
- Efficiency program delivering benefits.

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

- Steady demand in CIS and the Czech Republic;
- Improved contribution from tunnelling markets versus the pcp, though conditions in most civil markets in Western Europe remain weak;
- Softer demand in Germany;
- Margin pressure in Poland due to aggressive competition;
- Steady demand in South Africa despite recent industrial disputes; and
- Efficiency programs established in response to margin pressures.

AUSTRALIA

- Volume growth in the coal and hard-rock mining markets; and
- Margins positively impacted by increased sales of chemical related products and application services.

CHINA

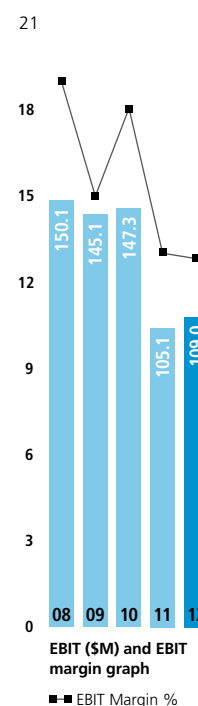
- Volumes in line with the pcp;
- Margin pressure due to increased competition from new market entrants; and
- Continued focus on the introduction of differentiated products.

PERSPECTIVES FOR 2013

- Steady demand in Australian mining markets;
- Continued softness in demand and competitive pressures in North American coal markets;
- Demand from tunnelling expected to remain weak in parts of Western Europe due to difficult economic conditions; and
- Continue to pursue operational efficiencies and differentiated offerings across all regions.

YEAR ENDED SEPTEMBER			
A\$M	2012	2011	CHANGE F/(U)*
Sales Revenue	854.1	821.9	4%
EBIT	109.0	105.1	4%
Operating Net Assets	1,082.5	1,508.0	(28%)

*F – Favourable, (U) – Unfavourable



CHEMICALS

EBIT UP 8% TO \$211M

KEY POINTS

- Strong demand for sodium cyanide and emulsifiers;
- Generally subdued conditions in most industrial markets in Australia and New Zealand, partly impacted by strong local currencies;
- Adverse impact caused by supply disruptions to industrial customers of ammonia and carbon dioxide from Kooragang Island (\$3M);
- Solid growth in the industrial market segments in Latin America; and
- Higher global caustic soda prices.

BUSINESS SUMMARIES

GENERAL CHEMICALS

- Sales up 5% on the pcp due mainly due to stronger trading volumes into mining markets;
- Generally soft demand from manufacturing markets in Australia and New Zealand with customer volumes impacted by strong local currencies;
- Good demand from the dairy market for cleaning chemicals in New Zealand;
- Volume growth in Bronson and Jacobs, though strong competition in some market segments negatively impacted margins; and
- Good growth in industrial and construction markets in Latin America.

WATERCARE

- Sales were down by 4% on the pcp due to unseasonal wet and mild summer conditions on the Australian east coast, offset partly by higher global caustic soda prices; and
- Watercare chemical sales in New Zealand were steady.

MINING CHEMICALS

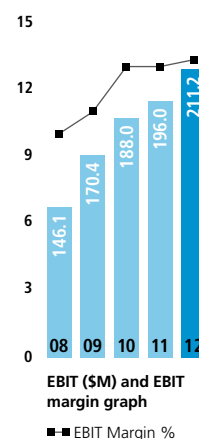
- Sales up 14% on the pcp due to improved pricing for sodium cyanide and stronger demand for emulsifiers and specialty mining chemicals; and
- Record production of emulsifiers with sales up 15% on the pcp.

PERSPECTIVES FOR 2013

- Firm demand from mining markets globally for sodium cyanide and emulsifiers; and
- Conditions in most other market segments in Australia and New Zealand expected to remain difficult.

A\$M	YEAR ENDED SEPTEMBER		
	2012	2011	CHANGE F/(U) *
Sales Revenue	1,592.8	1,510.0	5%
EBIT	211.2	196.0	8%
Operating Net Assets	832.7	830.6	0%
Business Sales			
General Chemicals	1,082.6	1,031.6	5%
Watercare	215.9	224.6	(4%)
Mining Chemicals	342.9	299.8	14%

*F – Favourable, (U) – Unfavourable



BOARD MEMBERS



P J B DUNCAN

BChE (Hons), GradDip (Bus), FIEAust, FAICD

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, Woodside Petroleum Limited and CSIRO and former member of Siemens Australia Advisory Board. Former Chief Executive Officer of the Shell Group of Companies in Australia.



IAN K SMITH

BE Mining (Hons), BFin Admin

Managing Director and Chief Executive Officer since February 2012. Member of Corporate Governance and Nominations Committee. Prior to joining Orica, was the Managing Director and Chief Executive Officer of Newcrest Mining Limited. Former Global Head of Operational and Technical Excellence with Rio Tinto, London and Managing Director – Comalco Aluminium Smelting of Rio Tinto, Brisbane. Director of Transurban Holdings Limited and Transurban International Limited. President of the Australian Mines and Metals Association. Former director of the Australian Chamber of Commerce and Industry.



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, held a variety of finance roles both within Qantas Airways Limited and Australian Airlines 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, DuluxGroup Limited and Treasury Wine Estates Limited. Former director of Nufarm Limited. Former Chief Executive Officer and Country Managing Partner of Arthur Andersen and former Senior Partner of Ernst & Young.



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.



MICHAEL TILLEY

GradDip, BA, FAICD

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.



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.



IAN COCKERILL

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

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

EXECUTIVE COMMITTEE



IAN K SMITH

**BE Mining (Hons), BFin Admin
Managing Director and Chief
Executive Officer (CEO)**

Ian joined Orica as Managing Director and CEO on 27 February, 2012 after five years as Managing Director and CEO with Newcrest Mining Ltd. Ian has 30 years experience in the global mining industry, in operational and project management roles including Global Head of Operational and Technical Excellence with Rio Tinto, London and Managing Director – Comalco Aluminium Smelting of Rio Tinto, Brisbane among other general manager positions.



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 for Chemicals and Orica Group Investor Relations Manager. Noel was appointed to the role of Chief Financial Officer in May 2005 and Executive Director Finance in September 2005.



ANDREW LARKE

**LLB, BComm, Grad
Dip (Corporations and
Securities Law)**

**Executive Global Head, Strategy,
Planning and Mergers and
Acquisitions**

Andrew has more than 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 since that time.

Prior to joining Orica, Andrew was Head of Mergers and Acquisitions at resources company North Limited.



CRAIG ELKINGTON

**BBus (Acc), CPA
Executive Global Head, Mining
Services**

Craig joined Orica in 1994 and has held CFO positions in the Company's former subsidiary Incitec Ltd and Orica Mining Services. In 2008, Craig was appointed President, Orica Mining Services, North America, before returning to Melbourne in the role of Chief Executive Officer, Minova, in 2011.



GAVIN JACKMAN

**MPP, ANU
Executive Global Head,
Corporate Affairs & Social
Responsibility**

Gavin commenced with Orica in July 2012, bringing with him a wide range of private and public sector experience. Most recently he worked as Group Executive Public Affairs for Santos Limited. Prior to that, Gavin was Director of Government Affairs for BP Australia and held senior executive roles in the federal government and public service.



GREG WITCOMBE

**BSc
Executive Global Head,
Chemicals**

Greg joined Orica 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 and Mining Chemicals, General Manager of Polyethylene Group, Manager Director of Incitec Ltd and Managing Director of Incitec Pivot Ltd and General Manager People and Community. Greg has been in his current position since 2008.



JEREMY (JEZ) SMITH

**B.Sc. (Hons.), M.Phil, M. Mktg.
Executive Global Head, Research
and Development (R&D)**

Jez has more than 31 years experience in the fields of R&D, marketing, commercial management, planning and operations which relate to explosives and blasting technology. He joined what was then ICI and which became Orica in 1980 and has worked in South Africa, Canada, Australia and Singapore.

Jez has authored a number of papers relating to his areas of expertise and has been inventor or co-inventor of more than twenty patents.



MOLLY ZHANG

**MChem, PhD in Chemical
Engineering
Manufacturing Executive,
Mining Systems**

Molly joined Orica in September 2011 as General Manager for global manufacturing and supply chain for the mining services business and was appointed to her current position in May 2012. Molly brings to Orica her many years of global leadership experience including roles such as Global Business Vice President, Managing Director for joint ventures, Manufacturing Director for Asia Pacific, and board member in various joint ventures and non profit organisations.



SEAN WINSTONE

**BE (Chem, Hons), Grad
Cert Business Management
(Executive)**

**Manufacturing Executive,
Continuous Plants**

Sean joined Incitec Ltd in 1989 as a graduate engineer. More recently he has held various senior manufacturing positions in Orica including Kooragang Island Site Manager and Global Ammonium Nitrate Manufacturing Manager. Prior to his current position, Sean was the Australia/Asia Sustainability Manager for Orica Mining Services.



RON DOUGLAS

**BEng
Executive Global Head, Projects
(Executive)**

Ron brings to Orica 30 years experience in management of operational performance and capital development throughout Australia, United Kingdom, the United States, South East Asia and Africa across the mineral processing and petrochemical industries.

In his most recent role as Executive General Manager Projects and Development at Newcrest Mining, Ron was accountable for delivery of all studies and capital development for the Newcrest organisation.



RICHARD HOGGARD

**BEng (Sand) Chemical
Engineering
Executive Global Head
Manufacturing**

Richard has more than 25 years manufacturing experience. Since 1987 he has worked for ICI UK, ICI Australia, Incitec and Orica in a variety of manufacturing, engineering and commercial roles. Most recently he completed a four year assignment in Latin America.



TRISHA MCEWAN

**Dip Bus (Admin)
Executive Global Head, Human
Resources**

Trisha joined Orica in June 2009 after seven years as Group HR Director for Telecom NZ. She has over 25 years of cross functional HR experience and has worked largely for industrial multi-national/global companies.

CORPORATE GOVERNANCE STATEMENT

Orica's directors and management are committed to conducting the Company's business ethically and in accordance with the 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.

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.

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.

Due to inherent limitations, internal controls over financial reporting risks can only provide reasonable but not absolute assurance, and may not prevent error or fraud.

These assurances are based on a financial letter of assurance that cascades down through management and includes sign-off by functional global heads 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 designed 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 General Manager Internal Audit, Assurance and Compliance 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 enables the business to identify and understand the potential impact of uncertainty on the realisation of Orica's objectives. Management is then able to develop coordinated responses to control or mitigate known risks and, make risk informed decisions in delivery of 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 consistent with the principles of ISO 31000:2009, including 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.

The risk management and internal control functions in the Company are managed by the General Manager Risk and the General Manager Internal Audit, Assurance and Compliance. Both of these roles have direct access to the Board Audit and Risk Committee.

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.

BOARD COMPOSITION AND PROCESSES

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 nine directors: seven 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 10.

The composition of the Board seeks to achieve the necessary competencies 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.

Two non-executive directors are domiciled outside Australia and the Board has had continued female representation since 1998. The Board is committed to an ongoing program of Board renewal, including increased internationalisation and gender diversity.

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 judgement 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.

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. 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 by an external facilitator. As announced on 24 October 2011 Ian Smith was appointed as Managing Director with effect from 27 February 2012. 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 period of 28 days commencing one day after the announcement of the Orica's half-year results;
- in the period of 28 days commencing one day after the announcement of the Orica's full-year results; and
- in the period of 28 days commencing one day after Orica's annual general meeting.

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 employees 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 full-year 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 24 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 21.

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 21.

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 Executive Committee 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 21.

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

The Safety, Health and Environment (SH&E) Committee comprises Michael Tilley (Chairman), 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 21.

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, 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 132 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, Executive Global Head Human Resources, the Group General Counsel and the General Manager Internal Audit, Assurance and Compliance, who review compliance with the Code of Conduct over the relevant reporting period and make recommendations to the Corporate Governance and Nominations Committee to address any systemic issues.

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

DIVERSITY

Diversity of people and thought is a critical part of Orica's global growth strategy, and as such Orica's Board approved a formal diversity strategy in 2009.

The diversity strategy focuses on gender and international diversity, with leadership and culture as key enablers.

Over the past three years, improvement targets have been set for both gender and internationalisation at senior management levels. These targets, in conjunction with specific diversity initiatives, have seen the representation of women in senior management ranks increase from 5 percent in 2009 to 16 percent in 2012. The Company has an aspiration to increase the percentage of women in senior management positions to greater than 20 percent (Orica has an employee population of over 15,000 and approximately 18 percent of the population are women). The proportion of non-Australian/New Zealand senior managers has increased from 40 percent in 2009 to 47 percent in 2012.

Specific diversity initiatives in relation to graduate recruitment, executive search and selection, women's leadership networks, and leadership development remain in place and continue to deliver improvements to Orica's level of diversity. This strategy will remain a key area of focus for the Company into 2013 and beyond.

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 six 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 2012, 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

INTRODUCTION

Orica values people and the environment. In 2012 the Company continued to work towards its value of 'No Accidents Today', striving to operate its assets to the highest possible standards without harm to people or the environment.

SUSTAINABILITY GOVERNANCE

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

Orica's risk management methodology is used to identify and assess material impacts, risks and opportunities. These challenges may be actual or potential, and consider both the Company's circumstances and global trends.

The views of key stakeholders, including employees and contractors, shareholders, local communities, customers and government, are also considered.

In 2012, Orica launched Project Sustain, a global initiative to review the Company's systems and structures for performance and to develop an organisational approach to a more detailed risk assessment process. When finalised, this approach will be adopted in future assessments of the Company's key challenges.

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

Orica has 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 & ENVIRONMENT (SH&E)

Orica believes that all work related injuries, illnesses and environmental incidents are preventable. The Company is committed to its value of 'No Accidents Today'.

Sadly, there was one fatality at the Company's EHM site in Antofagasta, Chile this year. Orica expresses its sincerest condolences to the employee's family, friends and fellow employees. An investigation has concluded and details, including learnings for the business, will be shared to prevent a recurrence.

In 2012, Orica achieved the same All Worker Recordable Case Rate as 2011, at 0.47 per 200,000 hours worked. While this achievement compares favourably with other global companies across the mining, oil and gas, and chemicals sector, Orica will continue to improve performance.

Orica's Expert Panels manage the Company's most critical process safety risks. The Explosives Expert Panel updated a number of global standards to reduce risks associated with pumping explosive materials and aluminium dust explosion hazards during manufacturing.

Orica's Groundwater Treatment Plant in Botany, Australia, treated 1,800 million litres of contaminated groundwater in 2012, of which 1,105 million litres was recycled and sold to industrial customers at the Botany Industrial Park, reducing reliance on potable water supply.

Orica is continuing to implement energy saving improvements at its sites around the world. For example, steam, energy and lighting use improvements at Chemicals' Deer Park site (Australia) have reduced greenhouse gas emissions by approximately 175 tonnes per year.

Installation of additional nitrous oxide abatement technology in Australian nitric acid plants has begun. An estimated reduction of over 390,000 tonnes of carbon dioxide equivalent per year is expected from new abatement in four of Orica's Australian nitric acid plants, equivalent to the removal of 150,000 cars from the road. New abatement was also installed in Nitric Acid Plant (NAP) 2 at Carseland, Canada in March 2012 and has already achieved a reduction of over 63,000 tonnes of carbon dioxide equivalent in less than seven months.

For the second year in a row, Watercare was awarded the prestigious "Green Ribbon" for Sustainability by the American Water Works Association.

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. The Company's approach is based on the International Chemical Council's Responsible Care® Product Stewardship Code of Practice and is embedded by Product Stewardship coordinators in each Orica business. In 2012 a cross-business Stewardship Group completed an international review of the Company's suite of product stewardship model procedures which will see a new Company-wide model procedure published.

In 2012 Orica's Transportation Expert Panel implemented check point audits to measure and benchmark compliance to Orica's Supply Chain Global Transportation Standards. Mining Services has adopted a Lights On At All Times (LOAT) Policy to enhance vehicle visibility and reduce risks during the movement of Company product.

Fifty-three basic life cycle risk assessments were completed on Bronson & Jacobs, Watercare and Chemicals (Australia and Latin America) products during 2012.

Orica is a member of the global Explosives Safety Group, SAFEX. The Company is contributing to the development of a safety training course for new managers within the industry which will be piloted next year.

Orica is a signatory to the voluntary International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold. Orica Mining Chemicals is classed as a "cosignor", recognising the business' close relationship and active management of its carriers in the safe handling of the product.

PEOPLE & COMMUNITY

Orica supports the principles of Equal Employment Opportunity (EEO) and recruits staff purely on a merit basis. The Company does not tolerate discrimination, harassment and/or bullying of its employees, contractors or members of the general public and appropriate action is taken if its Anti-Harassment Policy is breached.

During the reporting period there were three allegations of discrimination made to the Company's Speak Up line by employees. Full investigations were completed for two of these allegations in the period. The third was still under investigation at the end of the reporting period.

Orica established a Diversity Strategy, with specific initiatives and targets, in 2009. Since this time, the gender diversity of senior management has increased from 5 percent female to 16 percent, while the proportion of non-Australian/New Zealand senior managers has increased from 40 percent to 47 percent.

In 2012 the Orica Women in Leadership network was extended to other regions and now includes two additional groups of Emerging and Senior Female Leaders from a wide range of nationalities and professional backgrounds. In late 2012 a Latin American group was also launched.

Orica has 121 graduates in its global development program, of which 26 percent are female. With graduate programs now being run in Australia, New Zealand, Asia, Latin America and North America, the Company's pipeline of international talent is also increasing. Six graduates were offered international twelve-month assignments this year in Mexico, Brazil, Chile, Colombia and Australia. Orica also offers scholarships to university students in Australia, New Zealand, Asia and Latin America.

Orica's Global Indigenous Council is currently assessing local environmental conditions to tailor action plans to regional needs. For example, this year Orica Canada implemented the Global Indigenous People Strategy that was formed in June 2011. Efforts to develop long term, meaningful relationships with First Nation Groups has seen a joint-venture agreement signed for the supply of explosives and blasting services for any new developments in the Haisla territories, maximising social and economic benefits for the Haisla Nation through opportunities such as employment and training.

Orica's corporate donations program is funded to the equivalent of dividends payable on a shareholding of 0.5 percent of ordinary Orica shares. In 2012 this included a \$445,000 donation to the Nature Conservancy for biodiversity conservation programs in Chile and Australia. In addition, many local and regional activities are supported by Orica sites around the world.

ENGAGEMENT & COMMUNICATION

Orica aims to engage with its employees, customers, business partners, shareholders and, importantly, the communities in which it operates 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. In 2012, Orica's major sites continued to implement their Community Engagement Plans and processes to monitor and respond to local concerns and expectations.

Orica is working with the local community and regulatory authorities to rebuild trust around its Kooragang Island operation following environmental incidents in 2011. In addition to the technical and environmental improvements that were made this year to facilitate start up of the facility, Orica undertook a range of activities with the local community and regulators during the reporting period. Regular Community Reference Group meetings, community information sessions and site tours have been held, as well as emergency response briefings. The site has also improved its website, community newsletter, phone and mobile phone SMS communications. The Company also worked with local residents and regulators to install new air quality monitoring in the area. Data from the air quality station in Stockton is available on a public website to provide more comprehensive information to the local community about air quality impacts from Orica and other local industries.

For more information, please read our 2012 Sustainability Report online at www.orica.com.

FINANCIAL REPORT

DIRECTORS' REPORT	21
DIRECTORS' REPORT – REMUNERATION REPORT	24
LEAD AUDITORS' INDEPENDENCE DECLARATION	47
INCOME STATEMENT	48
STATEMENT OF COMPREHENSIVE INCOME	49
BALANCE SHEET	50
STATEMENT OF CHANGES IN EQUITY	51
STATEMENT OF CASH FLOWS	52
NOTES TO THE FINANCIAL STATEMENTS	53
DIRECTORS' DECLARATION	126
INDEPENDENT AUDITOR'S REPORT	127
SHAREHOLDERS' STATISTICS	129
TEN YEAR FINANCIAL STATISTICS	130

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 2012 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
I K Smith, Managing Director (appointed 27 February 2012)	G A Hounsell
G R Liebelt, Managing Director (retired 27 February 2012)	Lim C O
N A Meehan, Executive Director Finance	N L Scheinkestel
M E Beckett (retired 15 December 2011)	M Tilley
R R Caplan	

Particulars of directors' qualifications, experience and special responsibilities are detailed on page 10 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 24 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	-	-
I K Smith ⁽²⁾	4	4	-	-	-	-	3	3	-	-
G R Liebelt ⁽³⁾	3	3	-	-	-	-	3	3	-	-
N A Meehan	7	7	-	-	-	-	6	6	-	-
M E Beckett ⁽⁴⁾	2	2	-	-	-	-	2	2	-	-
R R Caplan	7	7	-	-	6	6	6	6	-	-
I D Cockerill	7	6	-	-	-	-	6	6	5	5
G A Hounsell	7	7	4	4	6	6	6	6	-	-
Lim C O	7	7	-	-	-	-	6	6	5	5
N L Scheinkestel	7	7	4	4	6	6	6	6	-	-
M Tilley	7	7	4	4	-	-	6	6	5	5

⁽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 five meetings during the year to address business matters arising between scheduled Board meetings.

⁽²⁾ Appointed 27 February 2012.

⁽³⁾ Retired 27 February 2012.

⁽⁴⁾ Retired 15 December 2011.

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 2012, 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.

Directors' Report

Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the review of operations and financial performance of the consolidated entity on pages 4 to 9 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 9 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 53.0 cents per share on ordinary shares, franked to 100% (53.0 cents) at the 30% corporate tax rate, paid 9 December 2011.	192.0
Interim dividend declared at the rate of 38.0 cents per share on ordinary shares, franked to 36.8% (14.0 cents) at the 30% corporate tax rate, paid 2 July 2012.	137.9
<hr/> Total dividends paid	<hr/> 329.9

Since the end of the financial year, the directors have declared a final dividend to be paid at the rate of 54.0 cents per share on ordinary shares. This dividend will be franked to 44.4% (24.0 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 6.52% per annum, per security, unfranked paid 30 November 2011 for the period from 31 May 2011 to 29 November 2011.	11.1

On 13 October 2011 Orica elected to repurchase the Step-Up Preference Securities (SPS) and the SPS were reclassified to interest bearing liabilities from that date. Until 12 October 2011 the SPS were treated as equity for accounting purposes. SPS were repurchased for \$100 per SPS on 29 November 2011.

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 2012 are as follows:

Acquisitions

On 21 May 2012 Orica Ltd announced that it has agreed to form a joint venture with Yara and Apache to build a 330,000 tonnes per annum industrial grade ammonium nitrate plant on the Burrup peninsula in Western Australia. Construction of the plant is expected to have a capital cost of approximately US\$800 million and be completed by the end of 2015.

Events subsequent to balance date

On 12 November 2012, the directors declared a final dividend of 54.0 cents per ordinary share payable on 14 December 2012. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2012 and will be recognised in the 2013 financial statements.

Legal proceedings issued by the Queensland Department of Environment and Heritage Protection against Orica in relation to stormwater and effluent discharges at Orica's Chemical Complex at Yarwun, Queensland have been dealt with in the Gladstone Magistrates Court. Orica was fined \$182,000 and also ordered to pay \$250,000 to three environment projects in the Gladstone area. No convictions were recorded.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2012, 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.

Directors' 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 Company has experienced a series of incidents at its operational facilities in New South Wales and Queensland during the year. The Company has committed major investments, both in terms of capital and resources, to improve its environmental performance at these sites in addition to the maintenance program. The Company is also working closely and co-operatively with regulators and government agencies in relation to these initiatives, as well as enhancing community engagement and consultation.

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

Orica is currently the subject of legal proceedings issued by the New South Wales Environment Protection Authority and the Queensland Department of Environment and Heritage Protection in relation to incidents at its Kooragang Island and Gladstone facilities respectively.

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 \$737,500 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, 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 47 of the annual report and forms part of this Directors' report.

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

Directors' Report – Remuneration Report

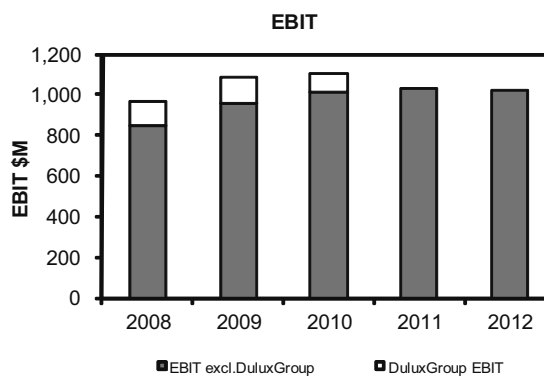
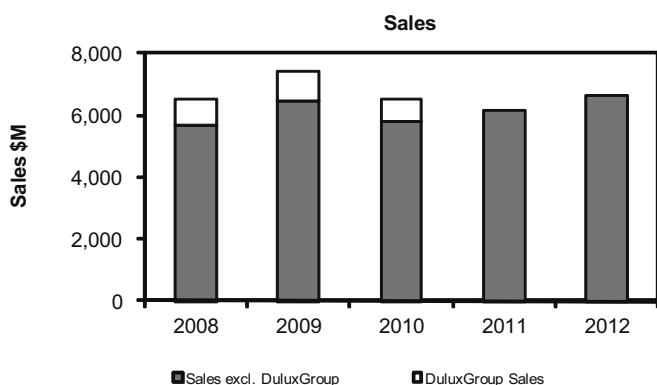
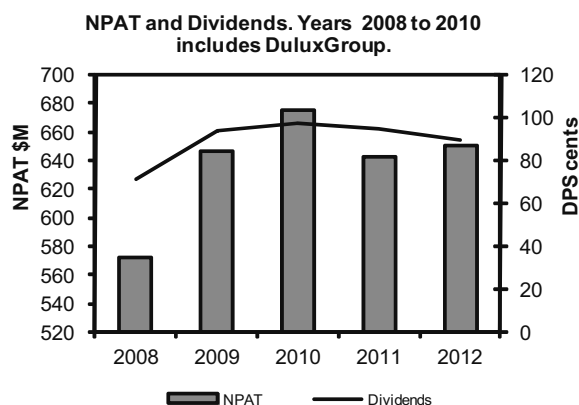
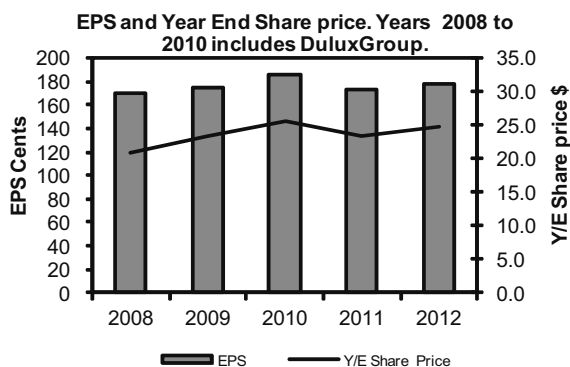
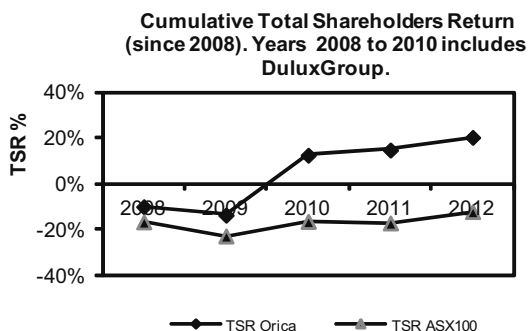
Remuneration Report – audited

The directors of Orica Limited present the Remuneration Report (which forms part of the Directors' Report) prepared in accordance with section 300A of the Corporations Act for the Company and its controlled entities for the year ended 30 September 2012.

Key developments and summary of performance for 2012

Orica is a company that enjoys a strong performance based culture which the Board has sought to foster through rewarding executives for the achievement of the Company's short-term and long-term strategy and business objectives with a view to generating above average returns for shareholders.

This report explains how the Company's performance for the 2012 Financial Year has driven remuneration outcomes for our senior executives. EBIT is defined as earnings before interest, tax and individually material items. NPAT is defined as Net Profit After Tax before individually material items attributable to shareholders of Orica Limited.



Directors' Report – Remuneration Report

The table below summarises key indicators of the performance of the Group and relevant shareholder returns over the past five financial years:

Financial year ended 30 September	2008	2009	2010	2011	2012
EBIT (\$m) ⁽¹⁾⁽³⁾	847.5	953.6	1,009.0	1,028.3	1,022.6
Dividends per ordinary share (cents)	94.0	97.0	95.0	90.0	92.0
Closing share price (\$ as at 30 September)	20.95	23.50	25.71	23.48	24.87
EPS growth (%) ⁽³⁾	13.71%	2.71%	6.30%	(6.52%)	2.54%
NPAT (\$m) ⁽²⁾⁽³⁾	572.3	646.1	675.8	642.3	650.2
External Sales (\$m) ⁽¹⁾	5,668.9	6,470.9	5,812.1	6,182.3	6,674.1
Cumulative TSR (%)	(9.86)	(13.54)	12.57	14.85	20.37

⁽¹⁾ Excluding DuluxGroup which was demerged from Orica on 9 July 2010.

⁽²⁾ Including DuluxGroup which was demerged from Orica on 9 July 2010.

⁽³⁾ Before individually material items.

The Board has set challenging financial and non-financial performance targets for management and has directly aligned Executive Key Management Personnel (KMP) incentives to the achievement of those targets. The link is clear: when target performance is achieved, target rewards are earned, and when above target performance is achieved, Executive KMP earn above target rewards. Where Group performance does not meet the Board's performance targets, Executive KMP will receive reduced or no benefit from their 'at risk' short term or long term incentive components.

Over the past five years:

- cumulative growth in total shareholder return (movement in the Company's share price plus dividends received) was 20.37 per cent;
- an average of 93.6 cents per ordinary share per annum has been paid to shareholders under the Company's dividend policy; and
- compound earnings per share (EPS) growth was 3.54%.

This strong financial performance has however, resulted in highly variable financial outcomes for Executive KMP:

- the actual Short Term Incentive (STI) awards made over the five years (2008 – 2012) varied between 0% and 97.1% of target for the previous Managing Director with an average of 54.3% and between 0% and 96.7% of target for other Executive KMP with an average of 62.3%; and
- the Long Term Equity Incentive Plan (LTEIP) has provided a capital appreciation benefit to Plan participants in three of the past five years and a partial loan forgiveness benefit in two of those years (although in both, the benefit granted was around target and not at maximum).

A summary of the key developments in our remuneration arrangements and key outcomes for the 2012 Financial Year is set out below:

Element of remuneration	Outcomes	Further discussion in Report
Fixed annual remuneration (FAR)	<ul style="list-style-type: none"> ➤ Executive remuneration was reviewed by the Human Resources and Compensation Committee of the Board during the year. The outcomes from this review are set out in section C.1. ➤ As part of the January 2012 salary review, the Executive KMP (excluding the Executive Director Finance) received an average adjustment to their FAR of 4%. ➤ The Executive Director Finance received a one-off 14% adjustment reflecting a review of his role and responsibilities and having regard to remuneration of other ASX 50 Finance Directors. 	Section C.1
Short term incentive (STI)	<ul style="list-style-type: none"> ➤ References to Short Term Incentive within this report (other than for Ian Smith) pertain to the plan framework that the executives, including Graeme Liebelt, worked under throughout the year. ➤ Before executives could be considered for a short term incentive, economic profit for the Group for the 2012 year had to exceed that earned for the 2011 year. The 2012 threshold performance condition for Executive KMP was not satisfied. Accordingly, the performance conditions applicable to these participants were not tested and no STI was awarded for the 2012 year. 	Section C.2

Directors' Report – Remuneration Report

	<ul style="list-style-type: none"> ➤ Following the review of his remuneration, the Executive Director Finance's target STI was increased from 40% of FAR to 50% of FAR, reflecting his role and responsibilities within the Group and relativities with other ASX 50 Finance Directors. ➤ Ian Smith, the Managing Director, whose STI arrangements differed from those of other Executive KMP, was entitled to an STI payment for 2012. In light of the fact that no STIs have been awarded to KMP, Ian Smith has chosen to forego this payment. ➤ A revised Short Term Incentive Plan, consistent with that put in place for the new Managing Director, with different performance conditions and weightings, will be introduced for the 2013 Financial Year. Details of the new Plan terms are set out in section C.2.3. 	
Long term incentive (LTI)	<ul style="list-style-type: none"> ➤ During November 2011, the 2008 long term equity incentive plan (LTEIP) grant was eligible for testing. Compound annual growth rate (CAGR) in Total Shareholders Return (TSR) over the three year performance period was 26.8%. This resulted in above target loan forgiveness. This is the first time in four years that the performance condition giving rise to forgiveness of part of the loan was satisfied. ➤ The 2011 LTEIP grant was made in December 2011, applying a performance hurdle based on CAGR in earnings per share (EPS) over the performance period. ➤ The Board regularly reviews the appropriateness of executive remuneration arrangements. This year the design of the LTEIP was examined. As a result of this review the Board has confirmed that LTEIP remains the preferred vehicle for the long term incentive for the Executive KMP. However, the Board has decided to apply an additional performance hurdle to LTEIP going forward, with loan forgiveness being tested against both EPS growth and relative TSR targets. Details of these changes are set out in section C.3. 	Section C.3
Other changes	<ul style="list-style-type: none"> ➤ As announced on 24 October 2011, Ian Smith was appointed as Managing Director and Chief Executive Officer with effect from 27 February 2012. Details concerning Ian Smith's employment arrangements and remuneration can be found in section C.1 and C.2.2. ➤ In order to secure their ongoing services during the changeover period of Managing Director, the Board approved the offer of retention arrangements to certain executives (excluding the retiring Managing Director) as at 31 December 2011. For all but one of those executives, (Greg Witcombe chose to take his offer in cash) the retention arrangements take the form of share rights (ie rights to be allocated fully paid ordinary shares in Orica) granted in January 2012 equal in value at that time to 0.5 x FAR. In general, the rights vest where the participant's personal performance has been rated satisfactory or better by the Managing Director and, except where departing as a good leaver, the participant is still employed by Orica on 31 March 2013. John Beevers and Greg Witcombe, who will both leave Orica after the end of Financial Year 2012, have satisfied the applicable terms for these incentives and their respective incentives will vest on 31 March 2013. The use of share rights means the ultimate value of the incentive will vary directly in line with changes in share price over the period. In return for these arrangements, each of those executives agreed to a change in their contractual severance payments, bringing them into line with the limits in the laws relating to termination payments. Details of the retention arrangements can be found in section D.2. ➤ There was no increase to Directors' fees in Financial Year 2012 and the Board has chosen to defer a planned Financial Year 2013 review of fees until 2014. 	Section C & Section D

Table 1

Details of the remuneration arrangements for Non-Executive Directors are set out in section E.

Directors' Report – Remuneration Report

Section A. Key management personnel

Key Management Personnel (KMP) include each of the directors, both executive and non-executive, and those members of the Executive Committee who have authority and responsibility for planning, directing and controlling the activities of Orica. In this report, "Executive KMP" refers to the KMP other than the Non-Executive Directors. Non-Executive Directors have oversight of the strategic direction of the Group but no direct involvement in the day to day management of the business.

Particulars of KMP qualifications, experience and special responsibilities are detailed on pages 10 to 11 of the annual report.

The KMP to whom this Report applies are:

Name	Role	Commencement date in current role
Non-Executive		
Current		
Peter Duncan	Non-Executive Director, Chairman	1 June 2001
Russell Caplan	Non-Executive Director	1 October 2007
Ian Cockerill	Non-Executive Director	12 July 2010
Garry Hounsell	Non-Executive Director	21 September 2004
Lim Chee Onn	Non-Executive Director	12 July 2010
Nora Scheinkestel	Non-Executive Director	1 August 2006
Michael Tilley	Non-Executive Director	10 November 2003
Former		
Michael Beckett	Non-Executive Director	15 December 2011
Executives		
Current		
Ian Smith	Managing Director and Chief Executive Officer	27 February 2012
Noel Meehan	Executive Director Finance	1 May 2005
John Beevers ⁽¹⁾	Chief Executive Officer, Orica Mining Services	13 November 2008
Craig Elkington	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 ⁽²⁾	Chief Executive Officer, Chemicals	22 September 2008
Former		
Graeme Liebelt	Managing Director and Chief Executive Officer	27 February 2012

Table 2

⁽¹⁾ As previously announced, John Beevers will leave Orica on 1 October 2012.

⁽²⁾ As previously announced, Greg Witcombe will leave Orica on 24 December 2012.

The table of key management personnel set out above reflects the key management personnel and role titles in place during Financial Year 2012. As announced at the time of Orica's half year results announcement, an organisational restructure has been undertaken during the second half of the year which has resulted in a number of new appointments and progressive changes in responsibilities of some key management personnel. The new structure and changes in responsibilities became effective on 1 October 2012. The new organisational roles are reflected on page 11 of the annual report.

Directors' Report – Remuneration Report

Section B. Executive remuneration – policy and framework

The Human Resources and Compensation Committee is delegated responsibility by the Board for reviewing and making recommendations on remuneration policies for the Group, including in particular, the policies governing the remuneration of executives. The Committee receives survey data sourced from external specialists and received external advice on matters relating to remuneration from Egan & Associates and JWS Consulting. The advice received did not constitute remuneration recommendations for the purpose of the Corporations Act. Further information regarding the objectives and role of the Human Resources and Compensation Committee is contained in its Charter, which is available on the Company's website at www.orica.com.

Orica's remuneration framework is underpinned by the following objective – to attract, motivate, reward and retain executives through a remuneration approach that is globally relevant, competitive, aligns with shareholder interests and has a high perceived value.

The executive remuneration framework for 2012 consisted of the following components:

Base Salary	At-risk component	
Fixed annual remuneration (FAR)	Short term incentive (STI) paid as cash	Long term equity incentive plan (LTEIP)
<p>In setting FAR:</p> <ul style="list-style-type: none"> ➢ FAR is generally set with reference to the market median for listed companies of a comparable market capitalisation to Orica ➢ FAR is set having regard to an individual's responsibilities, performance, qualifications, skills and experience ➢ consideration is given to business and individual performance as well as the ability to retain key talent ➢ additional sector or industry-specific data is taken into consideration in benchmarking the senior executives where appropriate 	<ul style="list-style-type: none"> ➢ a 'threshold' financial performance hurdle, that economic profit for 2012 exceeded that for 2011, had to be met before any reward could be earned ➢ performance conditions: <ul style="list-style-type: none"> ➢ in addition to the 'threshold', included business-specific financial targets; and ➢ non-financial performance measures set to drive leadership performance and behaviours consistent with achieving the Group's long-term objectives 	<ul style="list-style-type: none"> ➢ eligible executives are provided with an interest free, non-recourse loan for the sole purpose of acquiring shares in the Company ➢ any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan ➢ future forgiveness of part of the loan may be granted based on achievement of performance conditions measured over a three year performance period, which in relation to the December 2011 grant was based on EPS growth ➢ maximum rewards under LTEIP arise where there is both strong share price performance and strong EPS growth to ensure a clear link with the creation of shareholder value

Table 3

The Board considers that a significant portion of executive remuneration should be 'at risk' in order to provide a strong alignment with this framework and the interests of the Company's shareholders.

Orica's mix of fixed and at-risk components for each of the Executive KMP, as a percentage of total annual remuneration is as follows:

	Relative components of Total Annual Remuneration		
	Fixed ⁽¹⁾	At-risk	
		Short term incentive ⁽²⁾	Long term incentive ⁽³⁾
Managing Director	35%	20%	45%
Executive Director Finance	45%	25%	30%
Other Executive KMP	50%	20%	30%

Table 4

⁽¹⁾ Fixed annual remuneration for each Executive KMP is set out in table 5 in section C.1.

⁽²⁾ The percentage attributable to the short term incentive is for performance 'at target' against the applicable performance conditions. Actual STI Awards for 2012 and the maximum STI opportunity (%) are set out in table 6 in section C.2.2.

⁽³⁾ The percentage attributable to LTEIP is based on the five year moving average of actual returns to participants. The actual LTEIP loans made and shares acquired are set out in table 9 in section C.3.4 and table 10 in section C.3.5, respectively.

For full details of the remuneration of the Executive KMP for the 2012 Financial Year, refer to section F.

Section C. Executive remuneration components

C.1 Fixed annual remuneration

All executives (including the Executive KMP) receive a fixed remuneration component, the basis for which is set out in section B above. In general, this is expressed as a total amount of base salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash and superannuation.

As a result of a review of executive remuneration by the Human Resources and Compensation Committee during 2012, the Executive KMP (excluding Noel Meehan) received an average adjustment to their FAR of 4% on 1 January 2012.

Noel Meehan received a one-off 14% adjustment to his FAR (effective 1 January 2012) following a review of his role, responsibilities and performance and having regard to FAR levels for other ASX 50 Finance Directors.

Directors' Report – Remuneration Report

In March 2012, a special 10% adjustment was made to the fixed remuneration component of John Beevers. This adjustment was made pursuant to a contractual entitlement to counter the negative currency impact to his FAR since assuming his Singapore-based role in 2009.

Set out below is the fixed annual remuneration for each of the Executive KMP as at the end Financial Year 2012:

Name	Term of Agreement	Fixed Annual Remuneration ⁽¹⁾
Current Executive Directors		
I K Smith	27 February 2017	2,500,000
N A Meehan	Open	1,250,000
Current Executive KMP		
J R Beevers	Open	1,104,567
C B Elkington	Open	780,000
A J P Larke	Open	888,200
P McEwan	Open	645,900
G J Witcombe	Open	871,400

Table 5

⁽¹⁾ Fixed salary, inclusive of superannuation, is reviewed annually by Orica's non-executive directors following the end of each financial year and adjustments are, in general, effective from the next 1 January. Accordingly, the amounts set out in the table above are the Executive KMPs' fixed annual remuneration as at 30 September 2012. 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 2013 financial year.

C.2 At-risk remuneration – Short Term Incentive Plan (STI Plan)

The Orica STI Plan is the short term incentive component of the remuneration mix for the Executive KMP and is paid annually in cash. The STI Plan provides a reward for meeting annual performance targets linked to both financial and non-financial components. The Board believes that the STI Plan provides appropriately challenging targets for participants. The actual STI awards granted to individual Executive KMP over this period, which are disclosed in past Remuneration Reports, vary based upon actual performance against the financial and non-financial performance targets specific to each executive. The actual STI awards made over the five years (2008 – 2012) varied between 0% and 97.1% of target with an average of 54.3% for the previous Managing Director and between 0% and 96.7% of target with an average of 62.3% for other Executive KMP.

The 2012 threshold performance condition for Executive KMP (excluding Ian Smith) was not satisfied. Accordingly, the performance conditions applicable to these participants were not tested and no STI was awarded for the 2012 year. Ian Smith, whose STI arrangements differed from those of other Executive KMP, was entitled to an STI payment for 2012. In light of the fact that no STIs have been awarded to KMP, Ian Smith has chosen to forego this payment.

C.2.1 Key features of the STI Plan as it applied in 2012

Structure and purpose of the plan	
What is the STI Plan?	An annual cash incentive plan linked to specific annual financial and non-financial targets.
'Gateway' and performance conditions	
What is the 'threshold' level of performance required before any STI is awarded?	<p>The 2012 STI Plan required that Orica's economic profit for the year must exceed the economic profit earned in the previous year, before any entitlement to an STI award would arise.</p> <p>The STI arrangements for the new Managing Director, who was appointed in February 2012, differed from those of other Executive KMP. Instead of a single financial gateway, each of the Group and Personal performance objectives operated independently and the weighted result for each of the Group and Personal objectives are then multiplied together to determine the final STI amount. Each of the applicable Group and Personal objectives require a minimum threshold level of performance to be achieved prior to any part of that component of the STI being earned.</p> <p>During the year an internal restructure was undertaken resulting in a move to a global functional structure. The Board has decided that Net Profit After Tax (NPAT) will replace economic profit for assessing performance under the STI Plan. This change is one of several under a new STI plan design that will align all Executive KMP under the same plan as the new Managing Director worked during this year. Full details of the new 2013 STI Plan can be found in section C.2.3.</p>
What are the STI performance conditions?	The performance metrics applied to the STI Plan vary from year to year depending on business requirements. The metrics and weightings applicable to the Executive KMP (other than the current Managing Director) for the 2012 STI are outlined below:

Directors' Report – Remuneration Report

	<p>Financial Targets</p> <p>Financial targets make up approximately 60% of each Executive KMP's total target STI.</p> <p>All Executive KMP have a portion of their STI tied to overall Group economic profit. Business Unit heads had specific financial targets relating to operating cash and rolling trade working capital in their area of operation.</p> <p>Non-Financial Targets</p> <p>Non-financial targets represented approximately 40% of each Executive KMP's total target opportunity.</p> <p>All Executive KMP had a portion of their STI based on overall Group performance in the areas of safety, health and environment.</p> <p>All participating executives also had targets relating to:</p> <ul style="list-style-type: none"> • organisational alignment initiatives relevant to their specific roles. Objectives may have included strategy development, engagement, diversity, resourcing and succession planning; and • business unit or functional project-based objectives specific to their relevant role. <p>As performance conditions are set at both a Group level and an individual business level, STI performance varied between businesses and individuals.</p>
Setting targets and assessing performance	
<p>Who sets the targets and assesses performance?</p>	<p>The Board approves the targets for the Managing Director at the beginning of each year and assesses performance against those targets at the end of the financial year.</p> <p>The Managing Director, in consultation with the Board, sets the applicable targets for the Executive KMP and assesses their performance against those targets at the end of each financial year.</p> <p>The Board believes that the financial and non-financial performance targets set for the STI Plan represent appropriately challenging targets. This can be seen in the variability of awards made over the past five years, outlined in the introduction to section C.2 above.</p>
Reward opportunity	
<p>Is there an opportunity for an additional benefit to be earned for 'stretch' performance?</p>	<p>Yes. The STI and the performance conditions set under the STI Plan operating for Financial Year 2012 have been designed to motivate and reward high performance. Against the major financial metrics Executive KMP (excluding the Managing Director) could have earned up to 150% of the weighting relating to that item.</p> <p>This will change for 2013 (see below).</p>
Cessation of employment or a change of control	
<p>What happens in the event of cessation of employment?</p>	<p>A participant will not be eligible for a payment if terminated due to misconduct or poor performance nor, in general, if they resign.</p> <p>In circumstances approved by the Board (such as bona fide redundancy), the Board may award a pro rata payment of the STI.</p>
<p>How would a change of control impact on STI entitlements?</p>	<p>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.</p>

Directors' Report – Remuneration Report

C.2.2 Awards to Executive KMP under STI Plan

Details of the 2012 STI percentage for the Executive KMP is set out in the table below:

For the year ended 30 September 2012	Maximum STI opportunity \$000 ⁽¹⁾	Actual STI payment \$000 ^{(2) (3)}	Actual STI payment as % of maximum STI ⁽¹⁾	% of maximum STI payment forfeited/forgone
Current Executive KMP				
I K Smith ⁽⁴⁾	1,783.6	-	-	100.0
N A Meehan	1,250.0	-	-	100.0
J R Beevers	883.7	-	-	100.0
C B Elkington	624.0	-	-	100.0
A J P Larke	1,421.1	-	-	100.0
P McEwan	516.7	-	-	100.0
G J Witcombe	697.1	-	-	100.0
Former Executive KMP				
G R Liebelt	1,251.5	-	-	100.0

Table 6

⁽¹⁾ In general, for 2012, the Executive KMP (excluding the Managing Director and the Executive Director Finance) could have earned 40% of FAR for 'at target' performance and 80% of FAR 'at maximum'. The Executive Director Finance could have earned 50% of FAR at target and 100% of FAR at maximum. In addition, they could have achieved greater than maximum STI as there was an opportunity to earn up to 150% of the weighting attaching to the major financial metric. The Managing Director could have earned 60% of FAR at target and 120% of FAR at maximum (with no additional opportunity).

⁽²⁾ STI provided for a potential cash incentive to be earned during 2012. As indicated above, no STI awards were made in relation to 2012.

⁽³⁾ For the Executive KMP (excluding the Managing Director) a minimum level of economic profit had to be achieved before any STI was earned. As the economic profit target was not met the value of the STI for the financial year was nil.

⁽⁴⁾ Ian Smith, whose STI arrangements differed from those of other Executive KMP, was entitled to an STI payment for 2012. In light of the fact that no STIs have been awarded to KMP, Ian Smith has chosen to forego this payment.

C.2.3 New STI Plan for 2013

The operation of the STI Plan was reviewed during the year to ensure it continued to serve Orica and its shareholders as intended. A new STI Plan has been agreed by the Board for 2013. Details of the new 2013 STI Plan are set out below.

The revised STI arrangements are consistent with those put in place for the new Managing Director, Ian Smith following his appointment.

All STI participants, regardless of their level within Orica, will be subject to Group performance and personal performance metrics. A key feature of the new STI is the greater emphasis which will be placed on safety, health and the environment as a performance measure – increasing its weighting from 10% to 25% of maximum STI.

The new STI Plan differs from the old STI Plan in a number of respects. First, it is not possible to earn an STI in excess of maximum (which is 2 times target). In addition, instead of a single financial gateway, each of the Group and Personal performance objectives operate independently and the weighted result for each of the Group and Personal objectives are then multiplied together to determine the final STI amount.

Directors' Report – Remuneration Report

The Group and personal performance measures for the Executive KMP will, in general, be structured as follows:

Performance objectives	Metrics/objectives	Weighting	Comment
Group objectives	<p>Achievement of specific targets relating to:</p> <ul style="list-style-type: none"> • Safety, Health & Environment – relating to All Worker Recordable Case Rate and improvements in process safety. • Earnings – relating to improving on the previous year's net profit after tax. • • Margin – relating to both Gross Margin percentage and Cash Conversion. • Board discretion. 	<p>Each of the four objectives carries equal weighting of 25% of the possible 100% for this category. Maximum stretch outcome is 1.25 times the 100% target.</p>	<p>All Executive KMP members share a common set of Group objectives. These are divided equally between Safety, Health and Environment (SH&E), Earnings measures, Margin measures and discretion.</p> <p>The Plan design allows for a maximum of 200% of target reward to be earned (1.25 for Group Objectives multiplied by 1.60 for Personal Objectives).</p> <p>Under the multiplicative nature of the model, each of the performance objectives (Group or Personal) has the capacity to detract up to 25% from the maximum 200% of target STI earnable under the STI Plan. For example, if an Executive KMP were adjudged to have delivered the maximum possible performance in seven out of the eight measures within his/her set of objectives (but received 0% for the Group's Safety Health & Environment performance) then 150% of target STI would be paid.</p>
Personal objectives	<p>Three objectives in this section are to be role specific (which may be financial or non-financial), with the fourth objective being Board discretion.</p> <p>Examples may include functional financial targets (NPAT, Gross Margin percentage, Cash Conversion) and Projects specific to an executive's area of influence.</p>	<p>Each of the four objectives carries equal weighting of 25% of the possible 100% for this category. Maximum stretch outcome is 1.60 times the 100% target.</p>	

Table 7

Directors' Report – Remuneration Report

C.3 At-risk remuneration – Long Term Equity Incentive Plan (LTEIP) December 2011 grant

C.3.1 Overview

The Orica LTEIP is the long term incentive component of the remuneration arrangements for members of the Executive Committee including each of the Executive KMP. In Financial Year 2012, all other senior (non Executive Committee) executives, formerly on LTEIP, were moved to a hurdled performance rights plan.

An overview of the benefits of the LTEIP Plan to its various stakeholders is set out below:

Stakeholder Benefits

Shareholder benefits

- > Applicable performance conditions encourage growth in shareholder returns (increases in the share price and dividends) and EPS growth.
- > Immediate share ownership aligns participants' interests with those of shareholders.

Participant benefits

- > For Australian participants, shares are taxed under the concessional capital gains tax regime.
- > Derive rewards for both share price growth and EPS performance.
- > After tax dividends are applied in repaying the loan – building value in the LTEIP progressively.

Company benefits

- > The shares are held as security for the loans and dividends are applied on an after tax basis to repay the loan.
- > Concessional tax treatment of the shares in the hands of the employee means the cost to the Company of providing a given LTI value is lower than alternate instruments (as less of the benefit is taxable).

The LTEIP Plan has, in effect, two performance measures which aim to deliver a benefit to participants in two ways.

- **Capital appreciation** - a benefit is provided through share price increases and dividends over the period of the loan, directly reflecting shareholder value created. When participants repay the loan at the end of the loan period, they gain through share price appreciation. Participants may surrender the shares in full satisfaction of the loan if the value of the shares at the end of the loan period does not exceed the outstanding loan balance; and
- **Forgiveness of part of the loan** - a performance-based incentive in the form of forgiving part of the outstanding loan balance in return for performance against an EPS growth condition. The targets applicable to the December 2011 LTEIP are:

Compound EPS growth per annum	Percentage of the loan that is forgiven if the EPS hurdle is met ⁽¹⁾
Less than 5%	0%
5%	11%
10% (Target Loan Forgiveness)	22%
15% (Maximum Loan Forgiveness)	33%

⁽¹⁾ For an executive located in Australia. Participants based outside Australia must pay withholding tax to participate in the LTEIP. To compensate for this, minimum loan forgiveness starts at approximately 21% of the loan increasing in a straight line to a maximum loan forgiveness of 62%. Loan forgiveness 'at target' for overseas executives is set at approximately 42% of the loan.

For the next grant under the LTEIP (to be made in early 2013), the Board has decided to introduce an additional performance condition. Accordingly, part of the loan forgiveness benefit may be earned for achieving the requisite levels of EPS growth and a part of the loan forgiveness benefit may be earned for achieving the requisite level of performance in terms of relative growth in total shareholder return (TSR) against the companies in the ASX100 (with no exclusions).

Long term incentive - outcomes for 2012

The December 2008 LTEIP awards were tested at the end of 2011. The performance conditions for the 2008 LTEIP included a target level of loan forgiveness if a 20% per annum absolute TSR growth was achieved. Absolute compound annual growth rate (CAGR) in TSR over the three year performance period was 26.8%. While this performance resulted in above target loan forgiveness, it did not result in maximum loan forgiveness, which required CAGR in TSR of 30% over the performance period. This is the first time in four years that the performance condition relating to forgiveness of part of the loan was satisfied.

Why a loan plan instead of a more traditional option or performance shares plan?

The Board continues to prefer a loan based scheme over more common performance right or performance share schemes because, as compared to those other schemes, it delivers the same ultimate benefit to the participants at a lower cost to the Company.

Directors' Report – Remuneration Report

How does Orica's loan plan deliver the same benefit at less cost?

In Australia, as a result of the LTEIP shares being acquired by the employee for full market value at the date of acquisition, the shares are taxed under the capital gains tax regime rather than the income tax deferral provisions that relate to the other types of schemes. Accordingly, once the shares have been held for 12 months (and they must be held for three years under the LTEIP), Australian participants of the Plan qualify for concessional capital gains tax treatment.

While the Company is required to pay fringe benefits tax in relation to any performance based loan forgiveness that may occur, this cost has been factored into the level of the forgiveness granted (such that the true 'cost' is effectively borne by the participant out of their target award).

While the LTEIP is an equity plan pursuant to which shares are acquired up front through the provision of a non-recourse loan from the Company, this structure operates very much like a traditional option plan, as the outstanding loan balance is effectively the 'exercise price' that must be paid before any value can be realised.

The Plan has an aspirational design to deliver to participants a net benefit of one times fixed annual remuneration when target performance is achieved. In the case of the Managing Director, his participation has been designed to provide a net benefit in excess of two times FAR for target performance. As may be seen from table 8 in section C.3.3 below, the performance components of the Plan, have been suitably challenging. As a result, over the past five years, LTEIP has, on average, delivered a net benefit to participants of approximately half the target opportunity.

C.3.2 Key Features of LTEIP

Structure of awards (including how the loan operates)	
How is the amount of the loan determined?	The key metrics of the LTEIP Plan including the manner of determining the amount of the loan to be granted and the level of partial loan forgiveness that may be granted to participants have been calculated to deliver a net benefit of 100% of FAR to the participant for 'at target' performance. This calculation factors in a notional interest charge on the loan and the fringe benefits tax cost of the partial loan forgiveness. As indicated above, notwithstanding this design aspiration, over the past five years LTEIP has, on average, delivered a net benefit to participants of approximately half the target opportunity.
What is the term of the loan?	The loan period runs from the allocation date until shortly after the performance condition of the LTEIP is tested, a period of approximately three years.
Is the loan interest free?	An interest component is taken into account in determining the level of performance based loan forgiveness that may be awarded to participants. There is no interest charge to the executive on the loan itself.
How are shares acquired for allocation to executives under the LTEIP?	Shares are acquired at full market value. The Company has the flexibility under the LTEIP rules to acquire shares on-market, issue new shares, or reallocate forfeited shares to participants in the Plan. The Company proposes to acquire shares on-market for the LTEIP offer expected to be made to Executive Directors in February 2013, and therefore, consistent with the ASX Listing Rules, is not strictly required to seek shareholder approval for the grant to each of its Executive Directors. However, the Company has determined that shareholder approval will be sought for these LTEIP grants.
Are executives entitled to deal with shares during the loan period?	No. The shares are held as security for the loan.
How is the balance of the loan reduced over time?	During the loan period, 51.5% of any dividends paid on the shares are applied in part repayment of the loan. The remainder (after withholding tax, where applicable) is paid directly to the participant to fund their tax liability on the dividends received. The loan balance can also be reduced at the end of the performance period through the performance based partial loan forgiveness (discussed in further detail below). Participants are not entitled to make any additional voluntary repayments on the loan.
If the loan is non-recourse, do executives have to repay the loan?	Yes, executives must repay their loan at the end of the performance period. Executives can either repay their loan out of their own funds or sell some or all of their shares and apply the proceeds of sale to repay the loan. Shares remain restricted until the loan is repaid. If the value of the shares is less than the outstanding loan balance at the end of the performance period, the executive surrenders and forfeits the shares to Orica in full settlement of the loan balance and no benefit accrues to the executive. This is why the loan is regarded as 'non-recourse'. LTEIP has over the past five years constituted 30% of total remuneration for Executive KMP and 45% of total remuneration for the Managing Director. If the shares are forfeited at the end of the loan period, the executives have missed out on a material part of their remuneration. The Board believes this to be an adequate penalty for the executives, without them also owing a debt to the Company for that part of the loan balance not covered by the then current (and transitory) value of the shares.
Does the Company buy back or cancel shares surrendered by executives under the non-recourse feature of the LTEIP?	No. Surrendered shares are held in the Orica Share Plan Trust and reallocated under future LTEIP grants.

Directors' Report – Remuneration Report

Performance condition	
Is there a share price-based hurdle applicable to LTEIP?	LTEIP is, in effect, a dual performance hurdle plan. LTEIP has the EPS growth target that determines the level of loan forgiveness to be granted (discussed in further detail below) and the second, inbuilt performance condition, relates to the fact that the loan must be repaid at the end of the loan period. This is effectively a TSR performance condition. To obtain maximum benefit under LTEIP both strong total shareholder return growth (share price growth plus dividends) and earnings per share growth must be achieved.
Partial loan forgiveness may be granted subject to EPS performance. What is EPS and how is it calculated?	<p>EPS stands for Earnings per Share and is calculated by dividing Orica's net profit after tax by the undiluted weighted average number of ordinary shares on issue during the relevant performance period.</p> <p>The Board has retained discretion to adjust EPS in exceptional circumstances for individually material items (disclosed in note 6 of Orica's financial statements) whether positively or negatively. The Board has not, to date, exercised this discretion.</p>
Why did the Board select this as the performance condition?	<p>The Board considers that growth in EPS maintains a strong correlation with long term shareholder return, whilst reducing the plan's susceptibility to short term share price volatility as share price may be influenced by market factors that are not always representative of the Company's performance.</p> <p>Additionally, the Board believes it is an aggressive target to maintain EPS growth at 10% per annum compound over the three year performance period. When selecting this target, the Board had reference to both the general performance of the market (where EPS growth of 10% per annum generally reflects high end performance within the ASX 100) and Orica's historical EPS growth which has averaged about 3.5% per annum over the past five years.</p>
How is the EPS performance condition tested?	Earnings per share growth is measured from the reported EPS for the financial year immediately preceding the grant, against the EPS for the third financial year after the grant date.
Is the performance condition re-tested?	No, the performance condition is only tested once at the end of the performance period.
Cessation of employment or a change of control	
What happens if a LTEIP participant ceases employment prior to repayment of the loan?	If a participant resigns from the Group or is terminated for cause during the loan period, in general, the shares are forfeited and surrendered to the Group (in full settlement of the loan) and the individual has no further interest in the shares. However, the Board retains a discretion to determine otherwise in appropriate circumstances which may include allowing a participant to repay the loan and retain the capital appreciation or, where performance warrants, grant partial loan forgiveness on a pro rata basis. The Board may also determine to leave the loan in place for the remainder of the performance period and test the loan forgiveness provisions at the end of the performance period in appropriate circumstances.
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 event, with the outstanding loan balance reduced by the target 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.

Directors' Report – Remuneration Report

C.3.3 Historical analysis of benefits under the Long Term Equity Incentive Plan (LTEIP)

Plan	Hurdles	Allocation price	Performance				
			Performance period	Status	Was a capital benefit derived (ie did the participating executives keep their shares?)	Was loan forgiveness / waiver granted?	Was the maximum loan forgiveness granted?
2004 Offer	TSR growth (average 15% pa or greater (compound))	\$20.16	3 years	Complete	YES	YES	NO
2005 Offer	TSR growth (average 15% pa or greater (compound))	\$20.67	3 years	Complete	NO	NO	NO
2006 Offer	TSR growth (average 15% pa or greater (compound))	\$23.77	3 years	Complete	YES	NO	NO
2007 Offer	TSR growth (average 15% pa or greater (compound))	\$31.76	3 years	Complete	NO	NO	NO
2008 Offer	TSR growth (average 10% pa or greater (compound))	\$16.13	3 years	Complete	YES	YES	NO

Table 8

The 2008 LTEIP awards were tested at the end of 2011. Absolute CAGR in TSR over the three year performance period was 26.8%. This resulted in above target loan forgiveness. As outlined in the table above, this is the first time in four years that the performance condition relating to forgiveness of part of the loan was satisfied.

C.3.4 Loans to Executive KMP under Group long term incentive plans

For the year ended 30 September 2012	Opening balance \$	Advances during the year ⁽¹⁾ \$	Other repayments during the year ⁽²⁾ \$	Cash repayments during the year ⁽³⁾ \$	Closing balance \$	Interest free value \$	Highest indebtedness \$
Current Executive Directors							
I K Smith	-	8,029,443	-	59,748	7,969,695	236,414	8,029,443
N A Meehan	4,188,811	1,568,437	414,905	929,777	4,412,566	212,661	4,450,284
Current Executive KMP							
J R Beevers ⁽⁴⁾	3,895,387	1,446,012	765,088	559,206	4,017,105	194,146	4,051,221
C B Elkington	2,367,638	1,076,244	230,392	518,649	2,694,841	128,454	2,717,749
A J P Larke	3,309,005	1,225,485	514,397	549,869	3,470,224	167,354	3,499,897
P McEwan	2,449,053	891,120	250,591	581,190	2,508,392	121,987	2,529,836
G J Witcombe ⁽⁴⁾	3,309,005	1,214,003	328,461	735,715	3,458,832	167,586	3,488,415
Former Executive Director							
G R Liebelt	20,198,444	7,503,212	1,991,250	4,463,811	21,246,595	1,050,353	25,553,727
Total Executive Key Management Personnel	39,717,343	22,953,956	4,495,084	8,397,965	49,778,250	2,278,955	54,320,572

Table 9

⁽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 loan forgiveness amounts under the LTEIP plans.

⁽³⁾ Constitutes repayments including after tax dividends paid on the shares applied against the loan and forfeiture of LTEIP options.

⁽⁴⁾ J R Beevers ceases employment on 1 October 2012 and G J Witcombe ceases employment on 24 December 2012. In both cases the Board has determined that their 2009 LTEIP grants will be tested as normal in November 2012 and both will be entitled to any capital appreciation on the December 2009 LTEIP grant. Their 2010 and 2011 LTEIP grants will be tested and loan forgiveness may be granted on a pro rata basis. Both executives will be required to repay their outstanding loan (after any loan forgiveness benefit being granted) by 31 January 2013.

Directors' Report – Remuneration Report

C.3.5 Equity instruments granted to and exercised by Executive KMP

As outlined in C.3.4, although shares allocated to Executive KMP under the LTEIP are “shares” for legal and taxation purposes, Accounting Standards require that they be treated as “options” for accounting purposes. Share rights and retention rights are also 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 2012	Options Granted Number	Options Granted (1) (2) (3) \$	Options Exercised (4) Number	Options Exercised (4) \$
Current Executive Directors				
I K Smith	305,302	2,842,362	-	-
N A Meehan (5)	88,158	1,095,992	85,406	826,800
Current Executive KMP				
J R Beevers (5)	88,914	1,231,920	84,516	737,876
C B Elkington (5)	58,884	714,920	47,418	411,976
A J P Larke (5)	67,050	814,072	67,613	601,964
P McEwan (5)	48,757	591,984	40,580	829,602
G J Witcombe	48,213	386,186	67,613	613,658
Former Executive Director				
G R Liebelt	297,983	2,386,844	409,872	6,121,341
Total Executive Key Management Personnel				
	1,003,261	10,064,280	803,018	10,143,217

Table 10

(1) 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 eligible executives in relation to these loans have not been recognised in the financial statements. Further details are set out in sections C.3, G and H of this report.

(2) The LTEIP options have been valued by PWC at \$9.31 for I K Smith and at \$8.01 per option for all other executives. The benefit of the options granted under the November 2009 and subsequent LTEIP offers may lapse during future years if the executives cease employment with the Group before the end of the three year performance period.

(3) The minimum potential value of grants made during the year under LTEIP is nil.

(4) As explained above, Accounting Standards require the LTEIP plan be treated as an option scheme for accounting purposes. The value of each “option” exercised is the market value of Orica shares on the date of exercise, less the exercise price paid (ie effectively the outstanding loan balance at that date).

(5) N A Meehan, J R Beevers, C B Elkington, A J P Larke and P McEwan have rights granted under the Retention Rights Plan. These have been valued by PWC at \$23.08 per right. Further details are set out in section H.

Section D. Service Agreements and the Executive Retention Scheme

D.1 Executive KMP Service Agreements

Remuneration and other terms of employment for the Executive KMP are formalised in service agreements.

All of the Executive KMP have contracts of no fixed term except for Ian Smith whose agreement is for a defined period which ends on 27 February 2017 (with an option to extend the contract by agreement between Ian Smith and the Company for a further term).

Should the Company wish to terminate any of the Executive KMP (except Ian Smith) for convenience, the Company must provide the executive a payment equal to one times their average fixed annual remuneration over the preceding three years. Should the Company wish to terminate Ian Smith, it must provide him with six months notice together with a severance payment equal to six months fixed annual remuneration. All of the Executive KMP must provide the Company with six months notice if they wish to resign.

Each of the Executive KMP has also agreed to restraints and non-solicitation undertakings as part of their service agreements, which will apply upon cessation of their employment to protect the legitimate business interests of Orica. John Beevers and Greg Witcombe will be restrained from joining any of Orica's major competitors for a period of 12 months following the date they cease employment.

D.2 Executive Retention Scheme

Following the announcement in late 2011 of the retirement of Graeme Liebelt and the appointment of Ian Smith as Chief Executive Officer and Managing Director to take effect in early 2012, the Board approved retention arrangements being offered to a select group of senior executives, including the Executive Director Finance (but excluding the then Managing Director). As the transition to a new Managing Director can lead to a period of uncertainty for senior executives and leave them more susceptible to outside job offers, this program was instituted to secure the services of those executives who have been instrumental in Orica's strong, sustained financial performance and whom the Board considered would be beneficial in maintaining the momentum of Orica's strategy during the Managing Director's transition period.

In return for the retention arrangements, participating executives agreed to a reduction in their historically agreed 'grandfathered' contractual termination entitlements to ensure that they will fall within the current limits on termination payments that may be made to Orica's key management personnel pursuant to the Corporations Act.

Directors' Report – Remuneration Report

Share rights (ie rights to allocated fully paid ordinary shares in Orica) have been allocated to participating executives and will vest subject to the condition that each participant's personal performance be rated satisfactory or better by the Managing Director and the participant must remain employed by Orica on 31 March 2013. Refer section H of the Remuneration Report for further details of the scheme.

The participant will forfeit his or her entitlement (and the applicable share rights will lapse) if the participant resigns or is terminated for cause or performance related issues prior to 31 March 2013. In circumstances where employment is terminated by Orica for other reasons prior to 31 March 2013, the share rights will vest on 31 March 2013. With an internal restructure across Orica's entire global operation adopting more of a functional model, it was decided that John Beevers and Greg Witcombe, who will leave the Group after the end of Financial Year 2012, have both satisfied the terms applicable to the retention bonus. John Beevers' rights will vest and Greg Witcombe will become entitled to a cash payment (see below) on 31 March 2013.

Details of the share rights allocated during the year to certain members of the Executive KMP, which other than as specifically noted below represent an amount equal to 50% of their individual FAR for the year, are as follows:

Name	Share Rights Allocated ⁽²⁾⁽³⁾
Current Executive Directors	
N A Meehan	25,869
Current Executive KMP	
J R Beevers ⁽¹⁾	34,487
C B Elkington	16,142
A J P Larke	18,381
P McEwan	13,367

⁽¹⁾ J R Beevers received an additional allocation of share rights equal in value to 0.28 x FAR in part recognition of the reduction in his contractual benefit on termination by Orica for convenience from 1.28 times FAR to one times average FAR (that is, the average for the three years immediately preceding the date of termination of employment). As indicated above, J R Beevers, who will leave the Group on 1 October 2012, has satisfied the terms applicable to his rights and the rights will vest on 31 March 2013.

⁽²⁾ The share rights were granted on 9 January 2012. The fair value of each right was \$23.08. Details of the assumptions adopted in valuing the rights are set out in section H. No amount was payable by a participant for the grant of the right.

⁽³⁾ The maximum value of the grant is dependent upon the price of Orica's shares on the vesting date of 31 March 2013. The minimum value is nil (if the rights lapse).

Greg Witcombe was not allocated share rights, but is eligible for a cash retention bonus of \$592,552. In return Greg Witcombe agreed to reduce his contractual benefit on termination by Orica for convenience from 1.68 times FAR to one times average FAR. The cash bonus is subject to satisfaction of the same conditions outlined above. Greg Witcombe, who will leave the Group on 24 December 2012, has satisfied the terms applicable to his retention payment which will be paid on 31 March 2013.

Section E. Non-Executive Director Remuneration

E.1 Overview of remuneration policy and principles

The key principles relating to Non-Executive Directors' remuneration are set out below:

Principle	Comment
Remuneration is structured to preserve independence whilst creating alignment	To preserve 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. However, to create alignment between Directors and shareholders, the Board has adopted guidelines that encourage Non-Executive Directors to hold (or have a benefit in) shares in the Company equivalent in value to at least one year's base fees. Such holdings must be acquired in a manner of the Director's choosing (subject to the Company's Share Trading Policy), using personal funds.
Aggregate Board and Committee fees are approved by shareholders	The current aggregate fee pool for Non-Executive Directors of \$2,500,000 was approved by shareholders at the Company's 2010 Annual General Meeting. These fees exclude superannuation benefits and other payments in accordance with rule 48.1 of Orica's constitution. 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. There was no increase to Directors' fees in Financial Year 2012 and the Board has chosen to defer a planned Financial Year 2013 review of fees until 2014.
Fees are set by reference to key considerations	Board and Committee fees are set by reference to a number of relevant considerations including: <ul style="list-style-type: none"> • responsibilities and time commitment attaching to the role of Director; • the Company's existing remuneration policies; • 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.

Directors' Report – Remuneration Report

Principle	Comment
Flexibility in how fees are received	Non-Executive Directors can elect how they wish to receive their total fees – ie. as a contribution of cash, superannuation contributions or charitable donations.
No retirement benefits	Generally, no additional benefits are paid to the Non-Executive Directors upon their retirement from office. The Chairman, P J B Duncan, however, has a grandfathered retirement entitlement of \$154,800 (preserved as at July 2004 with no indexation).

E.2 Non-Executive Director fees and other benefits

Element	Description		Included in the shareholder approved cap?
	Chair of Board ⁽¹⁾	Other Non-Executive Directors	
Board fees			Yes
	\$510,000	\$170,000	
Committee fees	Chair of Committee	Committee member	Yes
Audit and Risk Committee	\$45,000	\$22,500	
Human Resources and Compensation Committee	\$45,000	\$22,500	
Safety, Health and Environment Committee	\$45,000	\$22,500	
Superannuation	Superannuation contributions are made on behalf of the Non-Executive Directors at a rate of 9% (being the current superannuation guarantee contribution rate). Superannuation contributions are only made to the extent required to satisfy the Company's statutory superannuation obligations. Directors do not receive the 9% superannuation contribution on the total amount of their fees, as the Company only makes contributions up to the amount required to avoid imposition of the superannuation guarantee charge.		Yes
Other fees/benefits	Non-Executive Directors receive a travel allowance based on the hours travelled 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 permitted to be paid additional fees for extra services or special exertions. No payments were made to any Non-Executive Director for extra services or special exertions during Financial Year 2012.		No

⁽¹⁾ Committee fees are not paid to the Chairman of the Board.

Directors' Report – Remuneration Report

E.3 Non-Executive Director Remuneration

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

For the year to 30 September 2012	Directors Fees ⁽¹⁾ \$000	Committee Fees ⁽¹⁾			Super- annuation ⁽²⁾ \$000	Other Benefits ⁽³⁾ \$000	Total \$000
		Audit and Risk \$000	SH&E \$000	HR&C \$000			
Current Directors							
P J B Duncan, Chairman ⁽⁵⁾							
2012	510.0	-	-	-	15.9	2.5	528.4
2011	486.0	-	-	-	15.3	2.5	503.8
R R Caplan							
2012	170.0	-	-	45.0	15.9	2.5	233.4
2011	162.0	-	-	42.5	15.3	2.5	222.3
I D Cockerill ⁽⁴⁾							
2012	170.0	-	22.5	-	15.9	20.0	228.4
2011	162.0	-	21.3	-	15.3	37.5	236.1
G A Hounsell							
2012	170.0	22.5	-	22.5	15.9	2.5	233.4
2011	162.0	21.3	-	21.3	15.3	2.5	222.4
Lim C O							
2012	170.0	-	22.5	-	15.9	7.5	215.9
2011	162.0	-	21.3	-	15.3	7.5	206.1
N L Scheinkestel							
2012	170.0	45.0	-	22.5	15.9	2.5	255.9
2011	162.0	42.5	-	21.3	15.3	2.5	243.6
M Tilley							
2012	170.0	22.5	45.0	-	15.9	2.5	255.9
2011	162.0	21.3	42.5	-	15.3	2.5	243.6
Former Director							
M E Beckett ^{(4) (6)}							
2012	42.5	-	5.6	-	3.9	53.4	105.4
2011	162.0	-	21.3	-	15.3	20.0	218.6
Total Non-Executive Directors							
2012	1,572.5	90.0	95.6	90.0	115.2	93.4	2,056.7
2011	1,620.0	85.1	106.4	85.1	122.4	77.5	2,096.5

Table 11

⁽¹⁾ Represents Directors' remuneration earned during the financial year.

⁽²⁾ Company superannuation contributions made on behalf of Non-Executive Directors.

⁽³⁾ These benefits include travel allowances payable to Non-Executive Directors.

⁽⁴⁾ Other benefits include spousal travel (inclusive of any fringe benefits tax) (M E Beckett during financial years 2012 and 2011, I D Cockerill – during financial year 2011).

⁽⁵⁾ Orica has discontinued retirement allowances for all Non-Executive Directors. P J B Duncan was appointed prior to 1 July 2002 and has had his retirement allowance preserved (as at 1 July 2004) with no indexation and the allowance will be paid upon his 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 P J B Duncan 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: \$154,800 (2011 \$154,800). These benefits have been fully provided for in the financial statements.

⁽⁶⁾ Retired on 15 December 2011.

Directors' Report – Remuneration Report

Section F. Executive KMP – Remuneration

Particulars of Executive KMP qualifications, experience and special responsibilities are detailed on page 11 of the annual report. Details of the nature and amount of each element of remuneration of Executive KMP are set out in the following table:

	Short term employee benefits			Post employment benefits		Other Long Term Benefits ⁽³⁾	Total excluding SBP * Expense \$000	Share Based Payments Expense ⁽⁴⁾ \$000	Total \$000
	Fixed Salary \$000	STI Payment ⁽¹⁾ \$000	Other Benefits ⁽²⁾ \$000	Super-annuation Benefits \$000	Termination Benefits \$000				
Current Executive Directors									
I K Smith									
2012	1,477.4	-	134.5	10.7	-	-	1,622.6	585.2	2,207.8
N A Meehan									
2012	1,194.8	-	61.9	15.9	-	53.4	1,326.0	869.9	2,195.9
2011	1,067.1	546.5	29.9	15.3	-	26.3	1,685.1	459.3	2,144.4
Total Current Executive Directors									
2012	2,672.2	-	196.4	26.6	-	53.4	2,948.6	1,455.1	4,403.7
2011	1,067.1	546.5	29.9	15.3	-	26.3	1,685.1	459.3	2,144.4
Former Executive Director									
G R Liebelt ⁽⁵⁾									
2012	1,025.1	-	49.5	7.9	3,806.6	54.0	4,943.1	2,465.5	7,408.6
2011	2,407.0	1,096.6	44.1	15.3	-	66.2	3,629.2	2,213.0	5,842.2
Total Executive Directors									
2012	3,697.3	-	245.9	34.5	3,806.6	107.4	7,891.7	3,920.6	11,812.3
2011	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⁾									
2012	1,130.6	-	473.4	-	-	95.2	1,699.2	944.7	2,643.9
2011	929.2	470.7	488.6	10.1	-	6.6	1,905.2	416.7	2,321.9
C B Elkington ^{(6) (7)}									
2012	756.6	-	19.4	15.9	-	22.0	813.9	529.1	1,343.0
2011	662.1	375.0	248.3	15.3	-	55.2	1,355.9	260.8	1,616.7
A J P Larke									
2012	863.7	-	61.4	15.9	-	20.2	961.2	657.5	1,618.7
2011	832.4	635.0	46.3	15.3	-	17.7	1,546.7	364.7	1,911.4
P McEwan ⁽⁷⁾									
2012	623.7	-	7.4	15.9	-	-	647.0	493.4	1,140.4
2011	599.8	280.5	32.5	15.3	-	-	928.1	310.3	1,238.4
G J Witcombe									
2012	849.1	-	19.2	15.9	-	29.0	913.2	402.0	1,315.2
2011	826.5	474.3	(3.6)	15.3	-	23.4	1,335.9	363.1	1,699.0
Total Current Executive KMP									
2012	4,223.7	-	580.8	63.6	-	166.4	5,034.5	3,026.7	8,061.2
2011	3,850.0	2,235.5	812.1	71.3	-	102.9	7,071.8	1,715.6	8,787.4
Former Executive KMP									
M Reich ⁽⁶⁾									
2011	363.8	-	169.4	8.1	743.0	-	1,284.3	307.7	1,592.0
Total Executive KMP									
2012	4,223.7	-	580.8	63.6	-	166.4	5,034.5	3,026.7	8,061.2
2011	4,213.8	2,235.5	981.5	79.4	743.0	102.9	8,356.1	2,023.3	10,379.4
Total									
2012	7,921.0	-	826.7	98.1	3,806.6	273.8	12,926.2	6,947.3	19,873.5
2011	7,687.9	3,878.6	1,055.5	110.0	743.0	195.4	13,670.4	4,695.6	18,366.0

Table 12

* Share Based Payments (SBP).

⁽¹⁾ STI Payment includes payments relating to 2011 performance accrued but not paid until financial year 2012.

⁽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).

Directors' Report – Remuneration Report

⁽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 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. The Share Based Payments expense in table 12 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 C.3, D.2 and note 36 (a).

⁽⁵⁾ G R Liebelt departed from the Group on 31 March 2012. In addition to his statutory entitlements to accrued leave, under the terms of G R Liebelt's service agreement, he was entitled to a severance payment of \$3,806,550 upon cessation of his employment (equivalent to 1.5 times his fixed remuneration). G R Liebelt also participated in the Company's STI Plan through to the date of cessation of employment under which he was entitled to a pro rata STI payment upon cessation. No amount was paid to G R Liebelt following testing of the applicable performance targets. Additionally, as a participant in LTEIP, the Board determined that, notwithstanding his cessation of employment, G R Liebelt would continue to participate in the LTEIP offers that remain 'on foot' and his participation would be treated in accordance with the relevant LTEIP rules in the same manner as all other participating executives.

⁽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.

⁽⁷⁾ The 2011 Actual STI payments for C B Elkington and P McEwan have been restated from those shown in last year's report to reflect adjustments that were made by the Board after finalising the 2011 financial results which were not reflected in the 2011 Remuneration Report. The STI payments actually made to these two executives in relation to 2011 are shown in the table above, being \$375,000 for C B Elkington (2011 reported \$308,700) and \$280,543 for P McEwan (2011 reported \$305,400).

Directors' Report – Remuneration Report

Section G. Equity instruments held by Executive KMP

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

For the year ended 30 September 2012		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⁾
Grant date							\$	\$
Current Executive Directors								
I K Smith	24 Feb 12	305,302	-	-	305,302	N/A	2,842,362	585,192
N A Meehan	19 Dec 08	-	85,406	-	-	N/A	330,521	27,543
	15 Dec 09	-	-	-	59,043	N/A	525,483	175,161
	17 Dec 10	-	-	-	59,754	N/A	552,725	184,251
	19 Dec 11	62,289	-	-	62,289	N/A	498,935	124,734
	9 Jan 12 ⁽⁴⁾	25,869	-	-	25,869	-	597,057	358,234
Former Executive Director								
G R Liebelt	19 Dec 08	-	409,872	-	-	N/A	1,586,205	132,184
	15 Dec 09	-	-	-	285,296	N/A	2,539,134	846,378
	17 Dec 10	-	-	-	288,730	N/A	2,670,753	890,251
	19 Dec 11	297,983	-	-	297,983	N/A	2,386,844	596,711
Current Executive KMP								
J R Beevers	19 Dec 08	-	84,516	-	-	N/A	327,077	27,256
	15 Dec 09	-	-	-	54,180	N/A	482,202	160,734
	17 Dec 10	-	-	-	53,224	N/A	492,322	164,107
	19 Dec 11	54,427	-	-	54,427	N/A	435,960	114,998
	9 Jan 12 ⁽⁴⁾	34,487	-	-	34,487	-	795,960	477,576
C B Elkington	19 Dec 08	-	47,418	-	-	N/A	183,508	15,292
	15 Dec 09	-	-	-	33,631	N/A	299,316	99,772
	17 Dec 10	-	-	-	34,036	N/A	314,833	104,944
	19 Dec 11	42,742	-	-	42,742	N/A	342,363	85,591
	9 Jan 12 ⁽⁴⁾	16,142	-	-	16,142	-	372,557	223,534
A J P Larke	19 Dec 08	-	67,613	-	-	N/A	261,662	21,805
	15 Dec 09	-	-	-	46,598	N/A	414,722	138,241
	17 Dec 10	-	-	-	47,159	N/A	436,221	145,407
	19 Dec 11	48,669	-	-	48,669	N/A	389,839	97,460
	9 Jan 12 ⁽⁴⁾	18,381	-	-	18,381	-	424,233	254,540
P McEwan	26 Jun 09	-	40,580	-	-	N/A	330,321	33,032
	15 Dec 09	-	-	-	33,574	N/A	298,809	99,603
	17 Dec 10	-	-	-	33,978	N/A	314,297	104,766
	19 Dec 11	35,390	-	-	35,390	N/A	283,474	70,869
	9 Jan 12 ⁽⁴⁾	13,367	-	-	13,367	-	308,510	185,106
G J Witcombe	19 Dec 08	-	67,613	-	-	N/A	261,662	21,805
	15 Dec 09	-	-	-	46,598	N/A	414,722	138,241
	17 Dec 10	-	-	-	47,159	N/A	436,221	145,407
	19 Dec 11	48,213	-	-	48,213	-	386,186	96,547

Table 13

⁽¹⁾ The combination of shares and the loan provided to fund those shares under LTEIP 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 2012.

⁽⁴⁾ Share rights under the Executive Retention Scheme – refer section D.2.

Directors' Report – Remuneration Report

Section H. Equity instruments held by executives

(a) The number of option (LTEIP) issues, values and related executive loan information in relation to Orica executives is shown in the following table (details of the Long Term Incentive Rights Plan (LTIRP) are in note 36):

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 2012								
24 Feb 12	305,302	305,302	1	8,029,443	7,969,695	1,794,786	59,748	2,842,362
19 Dec 11	592,713	592,713	7	14,924,513	14,808,519	3,616,963	115,994	4,747,631
17 Dec 10	1,886,701	1,685,589	275	47,601,466	41,416,270	13,753,036	818,076	17,451,984
15 Dec 09	1,973,965	1,531,590	234	48,934,592	36,023,858	13,560,090	853,713	17,568,289
	4,758,681	4,115,194		119,490,014	100,218,342	32,724,875	1,847,531	42,610,266

Table 14

⁽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⁾ \$
24 Feb 12	\$26.62	25%	Nil	3.71%	9.31
19 Dec 11	\$24.68	25%	Nil	2.99%	8.01
17 Dec 10	\$25.20	25%	Nil	5.19%	9.25
15 Dec 09	\$25.23	35%	Nil	4.53%	8.90

Table 15

⁽²⁾ Under the December 2010 and subsequent LTEIP schemes, a portion of the loan was 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 range of fair values per option is:

Grant date	Less than 5% EPS growth per annum	EPS growth of 5% per annum	EPS growth of 10% per annum	EPS growth of 15% or higher per annum
24 Feb 12	5.87	7.44	9.31	11.32
19 Dec 11	5.02	6.37	8.01	9.89
17 Dec 10	6.10	7.50	9.25	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). 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					
15 Dec 09	1,785,616	30%	Nil	4.50%	0.65

Table 16

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 2012. 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 share based payment schemes in 2012 was \$17.9 million (2011 \$15.1 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.

Directors' Report – Remuneration Report

(b) The number of Retention Rights allocations, values and related executive loan information in relation to Orica executives is shown in the following table:

The number of Retention Rights allocations, values and information is shown in the following table:

Grant date	Vesting date	Number of rights issued	Number of rights held at 30 September	Number of participants at 30 September	Value of rights at grant date ⁽¹⁾
\$					
As at 30 September 2012					
09 Jan 12	31 March 13	108,246	108,246	5	2,498,318

⁽¹⁾ The assumptions underlying the rights 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 right ⁽²⁾
	\$	%	%	%	\$
09 Jan 12	24.24	25	4	3.48	23.08

⁽²⁾ 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 2012. 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.

Directors' Report

Rounding

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

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

A handwritten signature in black ink, appearing to read 'P J B Duncan', written in a cursive style.

P J B Duncan
Chairman

Dated at Melbourne this 12th day of November 2012.



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 2012 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

12 November 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Income Statement

For the year ended 30 September

		Consolidated	
	Notes	2012 \$m	2011 \$m
Sales revenue	(3)	6,674.1	6,182.3
Other income	(3)	67.5	85.7
Expenses			
Changes in inventories of finished goods and work in progress		47.9	43.1
Raw materials and consumables used and finished goods purchased for resale		(3,306.0)	(3,007.4)
Share based payments		(17.9)	(15.1)
Other employee benefits expense		(1,096.3)	(1,041.8)
Depreciation expense	(4c)	(214.7)	(187.5)
Amortisation expense	(4c)	(36.7)	(36.7)
Purchased services		(283.7)	(262.0)
Repairs and maintenance		(182.6)	(157.8)
Impairment of goodwill	(4d)	(367.2)	-
Outgoing freight		(302.7)	(276.1)
Lease payments - operating leases		(67.0)	(65.9)
Other expenses		(296.7)	(271.4)
Share of net profit of associates accounted for using the equity method	(11)	37.4	38.9
		(6,086.2)	(5,239.7)
Profit from operations		655.4	1,028.3
Net financing costs			
Financial income	(4a)	32.9	32.4
Financial expenses	(4b)	(161.1)	(155.9)
Net financing costs		(128.2)	(123.5)
Profit before income tax expense		527.2	904.8
Income tax expense	(5)	(103.4)	(241.4)
Net profit for the year		423.8	663.4
Net profit for the year attributable to:			
Shareholders of Orica Limited		402.8	642.3
Non-controlling interests		21.0	21.1
Net profit for the year		423.8	663.4
		cents	cents
Earnings per share			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
Total attributable to ordinary shareholders of Orica Limited:			
Basic	(6)	109.2	173.5
Diluted	(6)	109.1	169.8

The Income Statement is to be read in conjunction with the notes to the financial statements set out on pages 53 to 125.

Statement of Comprehensive Income

For the year ended 30 September

	Notes	Consolidated	
		2012 \$m	2011 \$m
Profit for the year		423.8	663.4
Net loss on hedge of net investments in foreign subsidiaries	(5c)	(99.8)	(38.5)
Cash flow hedges			
- Effective portion of changes in fair value	(5c)	3.5	2.3
- Transferred to carrying value of non current assets	(5c)	-	0.1
- Transferred to Income Statement	(5c)	(9.4)	(43.0)
Exchange differences on translation of foreign operations	(5c)	(103.6)	(38.9)
Actuarial (losses)/benefits on defined benefit plans	(5c)(38)	(58.0)	(37.4)
Income tax on income and expense in other comprehensive income	(5c)	(0.2)	37.1
Other comprehensive income for the year, net of income tax		(267.5)	(118.3)
Total comprehensive income for the year		156.3	545.1
Attributable to:			
Shareholders of Orica Limited		142.6	529.6
Non-controlling interests		13.7	15.5
Total comprehensive income for the year		156.3	545.1

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 53 to 125.

Balance Sheet

As at 30 September

		Consolidated	
	Notes	2012 \$m	2011 \$m
Current assets			
Cash and cash equivalents	(7)	235.8	346.9
Trade and other receivables	(8)	1,035.3	941.6
Inventories	(9)	693.6	614.5
Other assets	(10)	61.3	75.2
Other financial assets - derivative assets	(12)	12.0	7.0
Total current assets		2,038.0	1,985.2
Non-current assets			
Trade and other receivables	(8)	50.0	1.8
Investments accounted for using the equity method	(11)	206.4	172.1
Other financial assets - derivative assets	(12)	3.7	4.6
Other financial assets	(12)	0.6	0.6
Property, plant and equipment	(13)	3,034.4	2,709.7
Intangible assets	(14)	2,046.8	2,505.4
Deferred tax assets	(15)	223.8	241.7
Other assets	(10)	19.9	7.1
Total non-current assets		5,585.6	5,643.0
Total assets		7,623.6	7,628.2
Current liabilities			
Trade and other payables	(16)	1,058.9	1,141.0
Other financial liabilities - derivative liabilities	(16)	10.4	11.5
Interest bearing liabilities	(17)	346.0	76.5
Current tax liabilities	(18)	2.4	30.4
Provisions	(19)	162.6	198.0
Total current liabilities		1,580.3	1,457.4
Non-current liabilities			
Trade and other payables	(16)	12.4	25.6
Other financial liabilities - derivative liabilities	(16)	73.7	65.2
Interest bearing liabilities	(17)	2,189.0	1,678.5
Deferred tax liabilities	(20)	56.4	95.3
Provisions	(19)	465.3	430.6
Total non-current liabilities		2,796.8	2,295.2
Total liabilities		4,377.1	3,752.6
Net assets		3,246.5	3,875.6
Equity			
Ordinary shares	(21)	1,795.1	1,749.9
Reserves	(22)	(1,049.8)	(849.0)
Retained earnings	(22)	2,376.2	2,363.4
Total equity attributable to ordinary shareholders of Orica		3,121.5	3,264.3
Equity attributable to Step-Up Preference Securities' holders	(21)	-	490.0
Non-controlling interests in controlled entities	(23)	125.0	121.3
Total equity		3,246.5	3,875.6

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 53 to 125.

Statement of Changes in Equity

For the year ended 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
2011										
Balance at 1 October 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
2012										
Balance at 1 October 2011	1,749.9	2,363.4	65.4	(11.5)	(715.5)	(187.4)	3,264.3	490.0	121.3	3,875.6
Profit for the year	-	402.8	-	-	-	-	402.8	-	21.0	423.8
Other comprehensive income	-	(41.5)	-	(4.2)	(214.5)	-	(260.2)	-	(7.3)	(267.5)
Total comprehensive income for the year	-	361.3	-	(4.2)	(214.5)	-	142.6	-	13.7	156.3
Transactions with owners, recorded directly in equity										
Total changes in contributed equity	45.2	-	-	-	-	-	45.2	-	1.2	46.4
Share-based payments expense	-	-	17.9	-	-	-	17.9	-	-	17.9
Reclassification to interest bearing liabilities	-	(10.0)	-	-	-	-	(10.0)	(490.0)	-	(500.0)
Divestment of non-controlling interests	-	0.3	-	-	-	-	0.3	-	(1.2)	(0.9)
Dividends/distributions	-	(338.8)	-	-	-	-	(338.8)	-	-	(338.8)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	-	-	(10.0)	(10.0)
Balance at the end of the year	1,795.1	2,376.2	83.3	(15.7)	(930.0)	(187.4)	3,121.5	-	125.0	3,246.5

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out in pages 53 to 125.

Statement of Cash Flows

For the year ended 30 September

	Notes	Consolidated	
		2012 \$m	2011 \$m
		Inflows/ (Outflows)	Inflow s/ (Outflow s)
Cash flows from operating activities			
Receipts from customers		7,069.6	6,494.3
Payments to suppliers and employees		(6,239.9)	(5,418.0)
Interest received		32.9	31.8
Borrowing costs		(191.1)	(175.6)
Dividends received		31.2	30.1
Other operating revenue received		15.5	25.3
Net income taxes paid		(174.1)	(229.7)
Net cash flows from operating activities	(26)	544.1	758.2
Cash flows from investing activities			
Payments for property, plant and equipment		(586.5)	(663.3)
Payments for intangibles		(42.4)	(29.3)
Payments for purchase of investments		(40.9)	(0.6)
Payments for purchase of non-controlling interests	(27)	-	(4.4)
Payments for purchase of businesses/controlled entities	(27)	(13.8)	(56.5)
Payments of deferred consideration from prior acquisitions		(29.3)	(30.2)
Proceeds from sale of property, plant and equipment		28.5	16.7
Proceeds from sale of investments		8.0	1.6
Proceeds from sale of businesses/controlled entities	(28)	2.5	-
Net cash flows used in investing activities		(673.9)	(766.0)
Cash flows from financing activities			
Proceeds from long term borrowings		7,284.5	1,265.9
Repayment of long term borrowings		(7,178.3)	(738.3)
Net movement in short term financing		235.1	(174.6)
Payments for finance leases		(5.4)	(5.4)
Proceeds from issue of ordinary shares		24.3	7.9
Proceeds from issue of shares to non-controlling interests		1.2	5.8
Payments for buy-back of ordinary shares - LTEP		(19.9)	(14.1)
Dividends paid - Orica ordinary shares		(289.1)	(280.3)
Distributions paid - Step-Up Preference Securities		(11.1)	(32.2)
Dividends paid - non-controlling interests		(8.5)	(15.8)
Net cash from financing activities		32.8	18.9
Net (decrease)/increase in cash held		(97.0)	11.1
Cash at the beginning of the year		343.3	345.3
Effects of exchange rate changes on cash		(18.4)	(13.1)
Cash at the end of the year	(26)	227.9	343.3

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 53 to 125.

Notes to the Financial Statements

For the year ended 30 September 2012

1	Accounting policies	54
2	Segment report	61
3	Sales revenue and other income	65
4	Specific profit and loss income and expenses	65
5	Income tax expense	66
6	Earnings per share (EPS)	69
7	Cash and cash equivalents	70
8	Trade and other receivables	70
9	Inventories	73
10	Other assets	73
11	Investments accounted for using the equity method	74
12	Other financial assets	75
13	Property, plant and equipment	76
14	Intangible assets	78
15	Deferred tax assets	79
16	Trade and other payables	79
17	Interest bearing liabilities	80
18	Current tax liabilities	81
19	Provisions	81
20	Deferred tax liabilities	83
21	Contributed equity	84
22	Reserves and retained earnings	86
23	Non-controlling interests in controlled entities	87
24	Parent Company disclosure - Orica Limited	88
25	Dividends and distributions	89
26	Notes to the statement of cash flows	90
27	Businesses and non-controlling interests acquired	91
28	Businesses disposed	93
29	Impairment testing of goodwill and intangibles with indefinite lives	94
30	Commitments	95
31	Auditors' remuneration	96
32	Critical accounting judgements and estimates	96
33	Contingent liabilities	99
34	Financial and capital management	101
35	Events subsequent to balance date	110
36	Employee share plans	111
37	Related party disclosures	114
38	Superannuation commitments	116
39	Investments in controlled entities	122
40	Deed of cross guarantee	125

Notes to the Financial Statements

For the year ended 30 September 2012

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 by a for-profit entity 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 12 November 2012. 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 2012.

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 2011. The standard relevant to Orica that has been adopted during the year is:

- AASB 1048 Interpretation of Standards (revised) - applicable for annual reporting periods ending on or after 30 June 2012.

This standard has had no significant impact on the financial statements.

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 2015.
- 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 (December 2010) –

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 beginning 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.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities - applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities - applicable for annual reporting periods beginning on or after 1 January 2014.
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle - applicable for annual reporting periods beginning on or after 1 January 2013.

The consolidated entity expects to adopt these standards and interpretations in the 2013 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

Notes to the Financial Statements

For the year ended 30 September 2012

1. Accounting policies (continued)

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 physical work completed to date as a percentage of estimated total work for each contract. 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 and subsequent years Long Term Equity Incentive schemes, 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) Carbon emissions

Allocated carbon emissions permits are initially recognised at nominal value (nil value). Carbon emissions permits purchased to meet the Group's settlement requirements are initially recorded at cost within intangible assets. A liability is recognised when the Group's carbon emissions exceed the emissions permits held. The liability is measured at nominal value up to the level of allocated permits held and at the cost of purchased permits up to the level of purchased permits held. That portion exceeding the carbon emissions permits held is recognised at fair value at the reporting date.

(ix) Taxation

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

Notes to the Financial Statements

For the year ended 30 September 2012

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.

(x) 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 merchantable goods, cost is net cost into store.

(xi) 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.

(xii) 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.

(xiii) 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.

(xiv) 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 the financial statements at their cost of acquisition.

(xv) 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.

(xvi) 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

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

Notes to the Financial Statements

For the year ended 30 September 2012

1. Accounting policies (continued)

(xvii) 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.

(xviii) 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 xxvi).

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 xxvi).

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.

(xix) 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.

(xx) 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.

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.

Notes to the Financial Statements

For the year ended 30 September 2012

1. Accounting policies (continued)

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.

(xxi) 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.

(xxii) 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.

(xxiii) 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 highly probable forecasted transaction, the effective part of any gain or loss on the financial instrument is recognised in other comprehensive income.

Notes to the Financial Statements

For the year ended 30 September 2012

1. Accounting policies (continued)

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.

(xxiv) 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.

(xxv) 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.

Notes to the Financial Statements

For the year ended 30 September 2012

1. Accounting policies (continued)

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 were included in equity. A provision for distributions payable was recognised in the reporting period in which the distributions were declared (refer to note 21).

(xxvi) 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.

(xxvii) 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.

(xxviii) 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.

(xxix) Comparatives

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

Notes to the Financial Statements

For the year ended 30 September 2012

2. Segment report

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

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

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

* 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 (CISMAL).

Following the implementation of the Orica restructure from 1 October 2012, Orica will review the Segment information in financial year 2013.

Notes to the Financial Statements

For the year ended 30 September

2. Segment report (continued)

Reportable segments 2012 \$m	Mining Services Australia/Asia		Mining Services North America		Mining Services Latin America		Mining Services EMET		Mining Services Other		Eliminations		Chemicals		Minova		Total Mining Services		Other		Eliminations		Consolidated			
Revenue																										
External sales	1,842.3	865.0	968.1	449.5	247.1	-	4,372.0	853.9	1,446.3	1.9	-	-	-	6,674.1												
Inter-segment sales	14.0	153.5	51.2	15.7	719.1	(948.4)	5.1	0.2	146.5	0.3	(152.1)	-	-	-												
Total sales revenue	1,856.3	1,018.5	1,019.3	465.2	966.2	(948.4)	4,377.1	854.1	1,592.8	2.2	(152.1)	-	-	6,674.1												
Other income ⁽¹⁾	10.7	5.2	2.7	30.2	6.2	-	55.0	1.7	4.2	6.6	-	-	-	67.5												
Total revenue and other income	1,867.0	1,023.7	1,022.0	495.4	972.4	(948.4)	4,432.1	855.8	1,597.0	8.8	(152.1)	-	-	6,741.6												
Results																										
Profit/(loss) before individually material items, net financing costs and income tax expense	412.3	110.6	85.9	74.4	106.5	-	789.7	109.0	211.2	(87.3)	-	-	-	1,022.6												
Financial income														32.9												
Financial expense														(161.1)												
Profit before income tax expense														894.4												
Income tax expense														(23.2)												
Profit after income tax expense														671.2												
Profit attributable to non-controlling interests														(21.0)												
Profit after income tax expense before individually material items attributable to shareholders of Orica Limited														650.2												
Individually material items																										
Gross individually material items	-	-	-	-	-	-	-	(367.2)	-	-	-	-	-	(367.2)												
Tax on individually material items	-	-	-	-	-	-	-	119.8	-	-	-	-	-	119.8												
Net profit for the period attributable to shareholders of Orica Limited														(247.4)												
Net profit for the period attributable to shareholders of Orica Limited														402.8												
Segment assets	2,178.2	603.9	610.0	735.9	599.3	-	4,727.3	1,202.8	1,059.8	633.7	-	-	-	7,623.6												
Segment liabilities	368.0	160.3	165.6	171.4	110.2	-	975.5	136.2	250.7	3,014.7	-	-	-	4,377.1												
Investments accounted for using the equity method	67.7	127.3	2.9	2.1	3.7	-	203.7	2.4	0.3	-	-	-	-	206.4												
Acquisitions of PPE and intangibles	340.9	52.7	74.3	54.2	52.9	-	575.0	22.1	54.2	23.0	-	-	-	674.3												
Impairment of PPE	0.2	-	-	-	-	-	0.2	-	-	-	-	-	-	0.2												
Impairment of intangibles	-	-	-	-	-	-	-	367.2	-	-	-	-	-	367.2												
Impairment of inventories	0.5	0.5	1.1	0.1	-	-	2.2	0.2	1.8	-	-	-	-	4.2												
Impairment of trade receivables	-	0.2	-	1.7	0.1	-	2.0	1.2	0.7	-	-	-	-	3.9												
Impairment of investments	-	-	-	-	-	-	-	-	-	0.1	-	-	-	0.1												
Depreciation	85.0	34.2	19.3	15.5	5.0	-	159.0	9.6	42.5	3.6	-	-	-	214.7												
Amortisation	1.2	0.4	1.3	3.2	6.6	-	12.7	20.0	0.7	3.3	-	-	-	36.7												
Non-cash expenses other than depreciation and amortisation: - share based payments	2.2	1.5	0.8	0.7	2.8	-	8.0	1.8	1.4	6.7	-	-	-	17.9												
Share of associates net profit equity accounted	-	36.6	1.0	(0.1)	0.3	-	37.8	(0.2)	(0.2)	-	-	-	-	37.4												

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

Notes to the Financial Statements

For the year ended 30 September

2. Segment report (continued)

Reportable segments	Mining Services Australia/Asia	Mining Services North America	Mining Services Latin America	Mining Services EMET	Mining Services Other	Eliminations	Total Mining	Minova	Chemicals	Other	Eliminations	Consolidated
2011												
\$m												
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
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
Other income ⁽¹⁾	20.7	17.8	36.3	9.0	(7.0)	-	76.8	1.0	4.4	3.5	-	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
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
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
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(21.1)
Profit after income tax expense before individually material items attributable to shareholders of Orica Limited												642.3
Individually material items												
Gross individually material items	-	-	-	-	-	-	-	-	-	-	-	-
Tax on individually material items	-	-	-	-	-	-	-	-	-	-	-	-
Individually material items attributable to shareholders of Orica Limited												
Net profit for the period attributable 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
Segment liabilities	367.6	147.6	151.9	177.2	112.6	-	956.9	155.8	250.2	2,389.7	-	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
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
Impairment of PPE	0.7	-	-	-	-	-	0.7	-	-	1.2	-	1.9
Impairment of intangibles	-	-	-	-	-	-	-	-	-	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
Impairment of trade receivables	-	0.3	0.4	1.4	0.1	-	2.2	1.2	0.4	-	-	3.8
Impairment of investments	-	-	-	-	-	-	-	-	-	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
Amortisation	4.1	0.5	1.7	3.3	3.4	-	13.0	19.4	0.7	3.6	-	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
Share of associates net profit/loss accounted	3.6	33.8	1.1	0.1	0.5	-	39.1	-	(0.2)	-	-	38.9

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

Notes to the Financial Statements

For the year ended 30 September

2. Segment report (continued)

Geographical segments

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

2012 \$m	Australia	United States of America	Other *	Consolidated
Revenue from external customers				
External sales from continuing operations	2,329.1	833.3	3,511.7	6,674.1
Location of non-current assets				
Non-current assets **	2,120.6	652.7	2,583.8	5,357.1

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	2,487.5	5,395.5

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

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

Notes to the Financial Statements

For the year ended 30 September

Consolidated
2012 2011
\$m \$m

3. Sales revenue and other income

	2012	2011
	\$m	\$m
Sales revenue	6,674.1	6,182.3
Other income		
Royalty income	0.3	0.3
Dividend income	-	0.2
Other income	15.0	25.0
Net foreign currency gains	15.7	48.4
Profit from sale of businesses/controlled entities/investments	3.7	1.0
Profit on sale of property, plant and equipment	32.8	10.8
Total other income	67.5	85.7

4. Specific profit and loss income and expenses

a) Financial income:

Interest income received/receivable from: external parties	32.9	32.4
Total financial income	32.9	32.4

b) Financial expenses:

Borrowing costs paid/payable to: external parties	192.7	179.5
capitalised interest	(38.1)	(37.4)
unwinding of discount on provisions	5.9	12.7
finance charges – finance leases	0.6	1.1
Total financial expenses	161.1	155.9
Net financing costs	128.2	123.5

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

Depreciation on property, plant and equipment: buildings and improvements	22.1	11.8
machinery, plant and equipment	192.6	175.7
Total depreciation on property, plant and equipment	214.7	187.5
Amortisation of intangibles	36.7	36.7
Amounts provided for:		
trade receivables impairment	3.9	3.8
doubtful debts – other receivables	0.1	0.3
employee entitlements	55.6	47.5
environmental liabilities	36.2	16.1
inventory impairment	4.2	5.6
investment impairment	0.1	0.2
restructuring and rationalisation provisions	1.0	4.4
other provisions	11.5	22.1
Bad debts written off to impairment allowance	2.0	1.9
Bad debts written off in respect of other receivables	0.5	0.3
Lease payments – operating leases	67.0	65.9
Research and development	46.8	47.6

Notes to the Financial Statements

For the year ended 30 September

	2012			2011		
	Gross \$m	Tax \$m	Net \$m	Gross \$m	Tax \$m	Net \$m
4. Specific profit and loss income and expenses (continued)						
d) Profit after income tax includes the following individually material items of (expense)/income:						
Impairment of intangibles						
Write down of goodwill in Minova (see note 29)	(367.2)	119.8	(247.4)	-	-	-
Individually material items	(367.2)	119.8	(247.4)	-	-	-
Non-controlling interests in individually material items	-	-	-	-	-	-
Individually material items attributable to shareholders of Orica	(367.2)	119.8	(247.4)	-	-	-

5. Income tax expense

a) Income tax expense recognised in the income statement

	Consolidated	
	2012 \$m	2011 \$m
Current tax expense		
Current year	129.0	201.2
Deferred tax	(21.2)	45.7
Over provided in prior years	(4.4)	(5.5)
Total income tax expense in income statement	103.4	241.4

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	268.3	271.4
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	(10.7)	(8.1)
tax over provided in prior years	(4.4)	(5.5)
non allow able share based payments	5.4	4.5
non taxable profit on sale of property, plant and equipment	(5.3)	-
other foreign deductions	(33.8)	(30.5)
sundry items	3.7	9.6
Income tax expense attributable to profit before individually material items	223.2	241.4

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	(110.2)	-
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	(27.6)	-
non allow able impairment of intangibles - Minova	18.0	-
Income tax benefit attributable to loss from individually material items	(119.8)	-
Income tax expense reported in the income statement	103.4	241.4

Notes to the Financial Statements

For the year ended 30 September

5. Income tax expense (continued)

c) Income tax recognised in comprehensive income:

	Consolidated					
	2012		2011			
	\$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	(99.8)	(18.4)	(118.2)	(38.5)	13.1	(25.4)
Cash flow hedges						
- Effective portion of changes in fair value	3.5	(1.1)	2.4	2.3	(0.7)	1.6
- Transferred to carrying value of non current assets	-	-	-	0.1	-	0.1
- Transferred (loss)/income to Income Statement	(9.4)	2.8	(6.6)	(43.0)	12.9	(30.1)
Exchange differences on translation of foreign operations	(103.6)	-	(103.6)	(38.9)	-	(38.9)
Actuarial (losses)/benefits on defined benefit plans	(58.0)	16.5	(41.5)	(37.4)	11.8	(25.6)
	(267.3)	(0.2)	(267.5)	(155.4)	37.1	(118.3)

d) Recognised deferred tax assets and liabilities

Consolidated	Notes	Balance Sheet		Income Statement	
		2012 \$m	2011 \$m	2012 \$m	2011 \$m
Deferred tax assets					
Trade and other receivables		2.1	2.0	(0.1)	1.6
Inventories		12.4	13.8	1.4	(2.1)
Property, plant and equipment		20.5	16.4	(4.1)	7.8
Intangible assets		62.5	12.9	(49.6)	2.4
Trade and other payables		34.6	46.4	11.8	23.7
Interest bearing liabilities		51.5	101.0	32.8	(10.3)
Provision for employee entitlements		30.0	26.6	(3.4)	0.2
Provision for retirement benefit obligations		56.1	47.5	7.9	3.3
Provisions for restructuring and rationalisation		1.1	1.7	0.6	0.7
Provisions for environmental		53.1	64.1	11.0	12.4
Provisions for decommissioning		3.2	3.2	-	0.6
Tax losses		61.2	73.2	12.0	(21.3)
Other items		4.1	5.3	1.2	0.4
Deferred tax assets		392.4	414.1		
Less set-off against deferred tax liabilities		(168.6)	(172.4)		
Net deferred tax assets	(15)	223.8	241.7		
Deferred tax liabilities					
Inventories		5.2	4.9	0.3	0.1
Property, plant and equipment		148.0	128.8	19.2	6.0
Intangible assets		29.8	88.5	(58.7)	9.7
Interest bearing liabilities		20.4	20.8	(0.4)	10.0
Undistributed profits of foreign subsidiaries		11.1	10.5	0.6	1.1
Other items		10.5	14.2	(3.7)	(0.6)
Deferred tax liabilities		225.0	267.7		
Less set-off against deferred tax assets		(168.6)	(172.4)		
Net deferred tax liabilities	(20)	56.4	95.3		
Deferred tax (benefit)/expense				(21.2)	45.7

Notes to the Financial Statements

For the year ended 30 September

5. Income tax expense (continued)

e) Unrecognised deferred tax assets and liabilities

	Consolidated	
	2012	2011
	\$m	\$m
Tax losses not booked	5.5	8.3
Capital losses not booked	33.9	37.8
Temporary differences not booked	0.9	0.9

Geographical analysis of tax losses not booked at 30 September 2012:

	Tax losses	Capital losses	Expiry date
	\$m	\$m	
Australia	0.6	33.0	Indefinite
Other	4.9	0.9	Between 2013 and 2030
	5.5	33.9	

f) Unrecognised temporary differences

	Consolidated	
	2012	2011
	\$m	\$m
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised	703.9	722.3
Unrecognised deferred tax liabilities relating to the above temporary differences	68.2	71.6

Notes to the Financial Statements

For the year ended 30 September

Consolidated
2012 2011
\$m \$m

6. Earnings per share (EPS)

(i) As reported in the income statement

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

Net profit for the period	423.8	663.4
Net profit for the period from operations attributable to non-controlling interests	(21.0)	(21.1)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	(8.9)	(22.2)
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica	393.9	620.1
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)*	-	22.2
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica	393.9	642.3

* On 13 October 2011 Orica decided to repurchase the SPS and the SPS were reclassified to interest bearing liabilities from that date.

Until 12 October 2011 the SPS were treated as equity for accounting purposes.

	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	360,571,799	357,493,869
Effect of executive share options and rights	523,432	706,144
Effect of Orica Step-Up Preference Securities	-	20,113,815
Number for diluted earnings per share	361,095,231	378,313,828

The following Orica Long Term Equity Incentive Plans (LTEIP) have not been included in the calculation for diluted earnings per share as they are not dilutive:

Issue date:	Exercisable between:		
- 26 Jun 2009	- 18 Nov 11 to 23 Jan 12	5,670	40,580
- 15 Dec 2009	- 19 Nov 12 to 23 Jan 13	1,553,482	1,634,031
- 17 Dec 2010	- 19 Nov 13 to 23 Jan 14	1,718,641	1,799,507
- 19 Dec 2011	- 18 Nov 14 to 23 Jan 15	464,427	-
- 24 Feb 2012	- 18 Nov 14 to 23 Jan 15	183,181	-

Consolidated
2012 2011
Cents Cents
per share per share

Total attributable to ordinary shareholders of Orica

Basic earnings per share	109.2	173.5
Diluted earnings per share	109.1	169.8

(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	423.8	663.4
Net profit for the period from operations attributable to non-controlling interests	(21.0)	(21.1)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	(8.9)	(22.2)
Adjusted for individually material items from continuing operations	247.4	-
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica	641.3	620.1
Add back distribution on Orica Step-Up Preference Securities (net of tax benefit)	-	22.2
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica	641.3	642.3
	Cents	Cents
	per share	per share
Total attributable to ordinary shareholders of Orica before individually material items		
Basic earnings per share	177.9	173.5
Diluted earnings per share	177.6	169.8

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2012	2011
	\$m	\$m
7. Cash and cash equivalents		
Cash at bank and on hand	206.3	320.1
Deposits at call		
external	29.5	26.8
	235.8	346.9

(i) Fair values

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

	Consolidated	
	2012	2011
	\$m	\$m
8. Trade and other receivables		
Current		
Trade receivables (i)		
external	892.7	838.7
associated companies	4.1	20.1
Less allowance for impairment (i) (ii)		
external	(12.7)	(12.9)
	884.1	845.9
Other receivables (iii)		
external	151.7	96.9
Less allowance for impairment (iii) (iv)		
external	(0.5)	(1.2)
	151.2	95.7
	1,035.3	941.6
Non-current		
Other receivables (vii)		
external ⁽¹⁾	49.6	1.2
retirement benefit surplus (see note 38)	0.4	0.6
	50.0	1.8

⁽¹⁾This includes \$ 18.6 million that was paid during the financial year ended 30 September 2012 to the Australian Taxation Office (ATO) in relation to a tax audit. The ATO is currently conducting a tax audit in relation to a financing arrangement by Orica of its US group between 2004 and 2006. The ATO has issued amended assessments in relation to the 2004, 2005 and 2006 years totalling \$50.6 million (including interest and penalties). Orica has objected to all three assessments. In accordance with the ATO administrative practice, Orica has paid 50% of the primary tax and interest arising from the assessments, which has been recognised as a non-current receivable.

Notes to the Financial Statements

For the year ended 30 September

8. Trade and other receivables (continued)

(i) Trade receivables and allowance for impairment

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

	Consolidated		Consolidated	
	2012	2012	2011	2011
	Gross	Allowance	Gross	Allowance
	\$m	\$m	\$m	\$m
Not past due	753.5	-	736.1	-
Past due 0 - 30 days	67.9	(0.1)	57.8	(0.1)
Past due 31 - 60 days	27.7	(0.1)	23.1	-
Past due 61 - 90 days	11.2	(0.1)	9.3	(0.2)
Past due 91 - 120 days	5.2	(0.1)	8.6	(0.1)
Past 120 days	31.3	(12.3)	23.9	(12.5)
	896.8	(12.7)	858.8	(12.9)

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	
	2012	2011
	\$m	\$m
Opening balance	(12.9)	(15.0)
Allowances made during the year	(3.9)	(3.8)
Additions through acquisition of entities	(0.8)	(0.4)
Allowances utilised during the year	2.0	1.9
Allowances written back during the year	1.7	4.3
Foreign currency exchange differences	1.2	0.1
Closing balance	(12.7)	(12.9)

Notes to the Financial Statements

For the year ended 30 September

8. Trade and other receivables (continued)

(iii) Current other receivables and allowance for impairment

	Consolidated		Consolidated	
	2012	2012	2011	2011
	Gross	Allowance	Gross	Allowance
	\$m	\$m	\$m	\$m
Not past due	140.1	-	90.0	-
Past due 0 - 30 days	2.9	-	2.4	-
Past due 31 - 60 days	2.6	-	0.6	-
Past due 61 - 90 days	-	-	0.6	-
Past due 91 - 120 days	-	-	0.5	-
Past 120 days	6.1	(0.5)	2.8	(1.2)
	151.7	(0.5)	96.9	(1.2)

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	
	2012	2011
	\$m	\$m
Opening balance	(1.2)	(5.3)
Allowances made during the year	(0.1)	(0.3)
Allowances utilised during the year	0.5	0.3
Allowances written back during the year	0.2	3.7
Foreign currency exchange differences	0.1	0.4
Closing balance	(0.5)	(1.2)

(v) Fair values

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

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

Notes to the Financial Statements

For the year ended 30 September

8. Trade and other receivables (continued)

(vi) Concentrations of credit risk

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

	Consolidated	
	2012 %	2011 %
Mining Services:		
- Australia/Asia	22.9	21.3
- North America	7.4	9.3
- Latin America	15.3	13.5
- EMET	11.5	11.8
- Other	7.7	6.3
Minova	13.2	14.7
Chemicals	19.0	21.0
Corporate	3.0	2.1
	100.0	100.0

	2012 %	2011 %
Australia	28.1	26.8
New Zealand	2.6	2.9
Asia	16.5	18.2
North America	9.4	12.3
Latin America	22.0	18.3
Europe	17.0	18.6
Other	4.4	2.9
	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	
	2012 \$m	2011 \$m
9. Inventories		
Raw materials and stores	278.6	247.4
Work in progress	24.9	28.6
Finished goods	390.1	338.5
	693.6	614.5

10. Other assets

Current

Prepayments and other assets	61.3	75.2
	61.3	75.2

Non-current

Prepayments and other assets	19.9	7.1
	19.9	7.1

Notes to the Financial Statements

For the year ended 30 September

			Consolidated		2011 \$m	2011 \$m
			2012 %	2012 \$m		
11. Investments accounted for using the equity method						
Name	Principal activity	Balance date	Ownership	Carrying amount		
Beijing Sino-Australia Orica Watercare Technology and Equipment Co. Ltd ⁽¹⁾	Sale of water treatment equipment and resin	30 Sep	45.0	0.3	0.4	
Burrup Nitrates Pty Ltd ^(a)	Manufacture and sale of explosives	31 Dec	-	40.6	-	
Botany Industrial Park Pty Limited	Facility management service	30 Sep	33.4	-	-	
Controladora DNS de RL de CV ^{(3)(b)}	Manufacture and sale of explosives	30 Sep	49.0	-	0.1	
Orica-UMMC LLC ⁽⁴⁾	Manufacture and sale of explosives	31 Dec	50.0	3.7	3.4	
Exor Explosives Limited ⁽⁵⁾	Manufacture and sale of explosives	31 Dec	50.0	0.6	0.7	
FiReP Holding AG ⁽¹¹⁾	Manufacture and sale of strata support and ventilation products	31 Dec	25.0	2.4	2.9	
Geneva Nitrogen LLC ⁽⁶⁾	Manufacture and sale of explosives	30 Sep	50.0	7.3	7.3	
Geodynamics B.V. ^{(7)(c)}	Manufacture and sale of explosives	31 Dec	27.3	-	6.2	
Irish Mining Emulsion Systems Ltd ⁽⁸⁾	Manufacture and sale of explosives	30 Sep	50.0	0.2	0.2	
Kitikmeot Blasting Services Inc. ⁽²⁾	Explosives service provider	31 Oct	49.0	0.4	0.5	
MicroCoal Inc. ^{(6)(d)}	Development and commercialisation of coal dewatering process	31 Dec	50.0	-	-	
MSW-Chemie GmbH ⁽⁹⁾	Manufacture and sale of explosives	31 Dec	31.5	0.5	0.5	
Nelson Brothers, LLC ⁽⁶⁾	Manufacture and sale of explosives	31 Dec	50.0	25.3	26.7	
Nelson Brothers Mining Services LLC ⁽⁶⁾	Supply of explosives	31 Dec	50.0	20.6	22.1	
Norabel Ignition Systems AB ^{(10)(e)}	Manufacture and sale of explosives	31 Dec	-	-	-	
Pigment Manufacturers of Australia Limited	Non-operating company	31 Dec	50.0	-	-	
PIIK Limited Partnership ⁽²⁾	Sale of explosives	30 Sep	49.0	-	-	
Sahtu Explosives Limited ⁽²⁾	Explosives service provider	31 Oct	49.0	-	-	
Servicios Petroleros Oricorp Mexico, SA de CV ^{(3)(e)}	Manufacture and sale of explosives	31 Dec	-	-	-	
Southwest Energy LLC ⁽⁶⁾	Sale of explosives	30 Sep	50.0	73.6	66.5	
Sprewa Sprengmittel GmbH ⁽⁹⁾	Sale of explosives	31 Dec	24.0	0.7	0.8	
SVG&FNS Philippines Holdings Inc ⁽¹²⁾	Investment company	31 Dec	40.0	-	-	
Thai Nitrate Company Ltd ^{(13)(f)}	Manufacture and sale of explosives	31 Dec	50.0	27.1	30.5	
Ticho Blasting Services Inc. ⁽²⁾	Explosives service provider	31 Oct	49.0	0.1	0.1	
Troisdorf GmbH ⁽⁹⁾	Holder of operating permits	30 Sep	50.0	-	-	
Ulaex SA ⁽¹⁴⁾	Manufacture and sale of explosives	31 Dec	50.0	2.9	3.1	
Wurgendorf GmbH ⁽⁹⁾	Holder of operating permits	31-Dec	50.0	0.1	0.1	
				206.4	172.1	

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⁾ Philippines, ⁽¹³⁾ Thailand, ⁽¹⁴⁾ Cuba.

^(a) Acquired in 2012.

^(b) Consolidated as a subsidiary: Controladora DNS de RL de CV from 1 October 2011.

^(c) Disposed of in 2012.

^(d) Partial disposal in 2012.

^(e) Disposed of in 2011.

^(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.

Notes to the Financial Statements

For the year ended 30 September

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

	Consolidated	
	2012	2011
	\$m	\$m
Results of associates		
Share of associates' profit from ordinary activities before income tax	37.4	40.0
Share of associates' income tax expense relating to profit from ordinary activities	-	(1.1)
Share of associates' net profit equity accounted	37.4	38.9
Share of post-acquisition accumulated losses and reserves attributable to associates		
Share of associates' accumulated losses at the beginning of the year	(6.9)	(15.9)
Share of associates' net profit equity accounted	37.4	38.9
Less dividends from associates	(31.2)	(29.9)
Share of associates' accumulated losses at the end of the year	(0.7)	(6.9)
Movements in carrying amounts of investments		
Carrying amount of investments in associates at the beginning of the year	172.1	162.6
Investments in associates acquired during the year	40.9	3.2
Investments in associates disposed of/consolidated as a subsidiary during the year	(6.0)	(0.6)
Adjustment to deferred consideration	5.0	-
Impairment of investments	(0.1)	(0.2)
Share of associates' net profit equity accounted	37.4	38.9
Less dividends from associates	(31.2)	(29.9)
Effects of exchange rate changes	(11.7)	(1.9)
Carrying amount of investments in associates at the end of the year	206.4	172.1
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	709.6	675.8
Net profit after tax	78.7	77.0
Assets	397.0	370.5
Liabilities	113.2	132.6

12. Other financial assets

Current - other financial assets - derivative assets (i)		
cross currency interest rate sw aps - net investment	4.9	0.2
forw ard rate exchange agreements	-	0.1
forw ard foreign exchange contracts/options	7.0	6.7
interest rate sw aps	0.1	-
	12.0	7.0
Non-current - other financial assets - derivative assets (i)		
cross currency interest rate sw aps - net investment	0.5	0.2
interest rate sw aps	3.2	4.4
	3.7	4.6
Non-current - other financial assets		
Interest in unlisted entities		
at cost	0.6	0.6
	0.6	0.6

(i) Derivative assets

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

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2012	2011
	\$m	\$m
13. Property, plant and equipment		
Land, buildings and improvements		
at cost	621.8	610.8
accumulated depreciation	(163.5)	(212.6)
Total carrying value	458.3	398.2
Machinery, plant and equipment		
Gross book value		
at cost	4,155.4	3,770.3
under finance lease	34.5	35.3
	4,189.9	3,805.6
Accumulated depreciation		
at cost	(1,603.2)	(1,485.2)
under finance lease	(10.6)	(8.9)
	(1,613.8)	(1,494.1)
Net carrying value		
at cost	2,552.2	2,285.1
under finance lease	23.9	26.4
Total carrying value	2,576.1	2,311.5
Total net carrying value of property, plant and equipment	3,034.4	2,709.7

(i) Capitalised borrowing costs

Interest amounting to \$35.3 million (2011 \$37.0 million) was capitalised to property, plant and equipment, calculated at the average rate of 5.7% (2011 6.2%).

(ii) Significant assets under construction

Included in Property, Plant and Equipment is an amount of \$182.6 million (2011 \$678.6 million) of assets under construction relating to:

	Consolidated	
	2012	2011
	\$m	\$m
Ammonium Nitrate plant, Bontang, Indonesia ⁽¹⁾	-	468.9
Kooragang Island plant uprate ⁽¹⁾	109.0	154.2
Nanling detonator plant	73.6	55.5
	182.6	678.6

⁽¹⁾ The Bontang and Kooragang Island ammonia plants have been commissioned during the financial year 2012.

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

Notes to the Financial Statements

For the year ended 30 September

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
2011				
Carrying amount at the beginning of the year	01-Oct-2010	355.7	1,879.5	2,235.2
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		-	(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
2012				
Additions		103.2	525.8	629.0
Disposals		(15.3)	(13.2)	(28.5)
Additions through acquisition of entities (see note 27)		-	4.7	4.7
Disposals through disposal of entities (see note 28)		-	(1.1)	(1.1)
Depreciation expense		(22.1)	(192.6)	(214.7)
Impairment of property, plant and equipment		-	(0.2)	(0.2)
Foreign currency exchange differences		(5.7)	(58.8)	(64.5)
Carrying amount at the end of the year	30-Sep-2012	458.3	2,576.1	3,034.4

Notes to the Financial Statements

For the year ended 30 September

Consolidated
2012 2011
\$m \$m

14. Intangible assets

Goodwill	2,158.6	2,249.1
Less impairment losses	(401.4)	(34.2)
Total net book value of goodwill	1,757.2	2,214.9
Patents, trademarks and rights	124.0	123.7
Less accumulated amortisation	(57.5)	(49.4)
Total net book value of patents, trademarks and rights	66.5	74.3
Brand names	18.1	18.6
Less accumulated amortisation	(11.7)	(9.9)
Total net book value of brand names	6.4	8.7
Software	132.8	89.9
Less accumulated amortisation	(45.6)	(40.8)
Total net book value of software	87.2	49.1
Customer contracts and relationships	243.5	258.1
Less accumulated amortisation	(114.0)	(99.7)
Total net book value of customer contracts and relationships	129.5	158.4
Total net book value of intangibles	2,046.8	2,505.4

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
2011						
Carrying amount at the beginning of the year	2,206.4	77.9	11.1	31.5	184.0	2,510.9
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	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
2012						
Additions	-	0.6	-	44.7	-	45.3
Additions through acquisition of entities (see note 27)	4.5	2.4	-	-	-	6.9
Fair value adjustment on prior year acquisitions (see note 27)	2.0	-	-	-	-	2.0
Disposals through disposal/demerger of entities (see note 28)	(0.2)	-	-	-	-	(0.2)
Amortisation expense	-	(8.7)	(2.1)	(5.9)	(20.0)	(36.7)
Impairment expense (see note 29)	(367.2)	-	-	-	-	(367.2)
Foreign currency exchange differences	(96.8)	(2.1)	(0.2)	(0.7)	(8.9)	(108.7)
Carrying amount at the end of the year	1,757.2	66.5	6.4	87.2	129.5	2,046.8

Capitalised borrowing costs

Interest amounting to \$2.8 million (2011 \$0.4 million) was capitalised to intangibles assets, calculated at the average rate of 7.0% (2011 7.1%).

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2012	2011
	\$m	\$m
15. Deferred tax assets		
Net deferred tax assets (see note 5)	223.8	241.7
16. Trade and other payables		
Current		
Trade payables		
external	854.3	834.3
associated companies	1.5	25.5
Other payables		
external	203.1	281.2
	1,058.9	1,141.0
Current - other financial liabilities - derivative liabilities		
Derivative financial instruments		
cross currency interest rate sw aps - debt principal	4.9	-
cross currency interest rate sw aps - net investment	0.1	2.9
forward foreign exchange contracts	5.4	8.4
interest rate sw aps	-	0.2
	10.4	11.5
Non-current		
Other payables		
external	12.4	25.6
	12.4	25.6
Non-current - other financial liabilities - derivative liabilities		
Derivative financial instruments		
cross currency interest rate sw aps - debt principal	45.4	40.1
cross currency interest rate sw aps - net investment	6.5	7.2
interest rate sw aps	21.8	17.9
	73.7	65.2

Significant terms and conditions

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

Fair values

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

Derivative financial instruments

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

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2012	2011
	\$m	\$m
17. Interest bearing liabilities		
Current		
Unsecured		
bank overdrafts	7.9	3.6
bank loans	-	61.5
commercial paper	292.3	-
other short term borrowings	6.2	6.0
other loans		
private placement ⁽¹⁾	38.4	-
Lease liabilities (see note 30)	1.2	5.4
	346.0	76.5
Non-current		
Unsecured		
bank loans	743.1	123.1
other loans		
private placement ⁽¹⁾	1,347.2	1,443.4
export finance facility ⁽²⁾	89.9	102.4
other	2.7	3.0
Lease liabilities (see note 30)	6.1	6.6
	2,189.0	1,678.5

⁽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 (2011: between 2012 and 2030).

⁽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 2012 varying from 0.1% to 4.3% (2011 0.1% to 4.9%) 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	
	2012	2011
	\$m	\$m
Finance leases		
Property, plant and equipment	23.9	26.4
	23.9	26.4

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

Defaults and breaches

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

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2012	2011
	\$m	\$m
18. Current tax liabilities		
Provision for income tax	2.4	30.4

19. Provisions

Current		
Employee entitlements	75.3	70.3
Restructuring and rationalisation	3.7	5.8
Environmental	61.3	83.7
Decommissioning	2.1	5.7
Other	20.2	32.5
	162.6	198.0
Non-current		
Employee entitlements	46.4	41.7
Retirement benefit obligations (see note 38)	240.9	206.6
Environmental	141.4	143.0
Decommissioning	8.7	6.9
Contingent liabilities on acquisition of controlled entities	17.4	18.9
Other	10.5	13.5
	465.3	430.6
Aggregate employee entitlements		
Current	75.3	70.3
Non-current	287.3	248.3
	362.6	318.6

Reconciliations

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

	Consolidated
	\$m
Current provision - restructuring and rationalisation	
Carrying amount at the beginning of the year	5.8
Provisions made during the year	1.0
Provisions written back during the year	(1.4)
Payments made during the year	(1.8)
Foreign currency exchange differences	0.1
Carrying amount at the end of the year	3.7

Notes to the Financial Statements

For the year ended 30 September

19. Provisions (continued)

	Consolidated \$m
Current provision - environmental	
Carrying amount at the beginning of the year	83.7
Fair value adjustment on prior year acquisitions (see note 27)	1.4
Provisions made during the year	36.2
Provisions written back during the year	(13.1)
Payments made during the year	(50.9)
Provision transferred from non-current	4.9
Foreign currency exchange differences	(0.9)
Carrying amount at the end of the year	61.3
Current provision - decommissioning	
Carrying amount at the beginning of the year	5.7
Payments made during the year	(0.8)
Provision transferred to non-current	(2.8)
Carrying amount at the end of the year	2.1
Current provision - other	
Carrying amount at the beginning of the year	32.5
Provisions made during the year	8.5
Provisions written back during the year	(6.3)
Payments made during the year	(14.3)
Provision transferred from non-current	0.1
Foreign currency exchange differences	(0.3)
Carrying amount at the end of the year	20.2
Non-current provision - environmental	
Carrying amount at the beginning of the year	143.0
Provisions written back during the year	(1.3)
Payments made during the year	(0.2)
Unwinding of discount on provisions (see note 4)	5.9
Provision transferred to current	(4.9)
Foreign currency exchange differences	(1.1)
Carrying amount at the end of the year	141.4

Notes to the Financial Statements

For the year ended 30 September

19. Provisions (continued)

	Consolidated \$m
Non-current provision - decommissioning	
Carrying amount at the beginning of the year	6.9
Provisions written back during the year	(1.0)
Provision transferred from current	2.8
Carrying amount at the end of the year	8.7
Non-current provision - contingent liabilities on acquisition of controlled entities	
Carrying amount at the beginning of the year	18.9
Foreign currency exchange differences	(1.5)
Carrying amount at the end of the year	17.4
Non-current provision - other	
Carrying amount at the beginning of the year	13.5
Provisions made during the year	3.0
Provisions written back during the year	(4.1)
Payments made during the period	(1.3)
Provision transferred to current	(0.1)
Foreign currency exchange differences	(0.5)
Carrying amount at the end of the year	10.5

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	
	2012 \$m	2011 \$m
Total environmental provision comprises:		
Botany Groundwater remediation	55.9	51.4
Hexachlorobenzene (HCB) waste remediation	39.8	64.8
Botany Mercury remediation	15.7	22.5
Dyno Nobel sites remediation	25.6	25.3
Seneca remediation	11.2	12.8
Yarraville remediation	19.5	2.8
Villawood remediation	16.7	29.5
Other environmental provisions	18.3	17.6
Total environmental provisions	202.7	226.7

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	
	2012 \$m	2011 \$m
Net deferred tax liabilities (see note 5)	56.4	95.3

Notes to the Financial Statements

For the year ended 30 September

Consolidated
2012 2011
\$m \$m

21. Contributed equity

Issued and fully paid:

Step-Up Preference Securities - nil (2011 5,000,000) ⁽¹⁾	-	490.0
Ordinary shares - 365,642,802 (2011 363,966,570)	1,795.1	1,749.9
Balance at end of year	1,795.1	2,239.9

⁽¹⁾ The Group issued Step-Up Preference Securities (SPS) via a prospectus dated 17 February 2006. The SPS were stapled securities comprising a fully paid Preference Share and a fully paid unsecured note. The SPS had no fixed repayment date.

On 13 October 2011 Orica elected to repurchase the SPS and the SPS were reclassified to interest bearing liabilities from that date.

Until 12 October 2011 the SPS were treated as equity for accounting purposes. SPS were repurchased for \$100 per SPS on 29 November 2011.

Movements in issued and fully paid shares of Orica since 1 October 2010 were as follows:

Details	Date	Number of shares	Issue price \$	\$m
Step-Up Preference Securities				
Opening balance - gross ⁽¹⁾	1-Oct-2010	5,000,000	100.00	500.0
Opening balance - costs ⁽¹⁾				(10.0)
Balance at end of the year	30-Sep-11	5,000,000		490.0
Reclassification to interest bearing liabilities	13-Oct-11	(5,000,000)	100.00	(500.0)
Transfer to retained earnings	13-Oct-11			10.0
Balance at end of the year	30-Sep-12	-		-

Ordinary shares

Opening balance of ordinary shares issued	1-Oct-10	362,100,430		1,709.1
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) ⁽³⁾		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
Shares issued under the Orica dividend reinvestment plan (note 25)	9-Dec-11	1,040,467	24.40	25.4
Shares issued under the Orica dividend reinvestment plan (note 25)	2-Jul-12	635,765	24.18	15.4
Share movements under the Orica LTEIP plan (Remuneration Report) ⁽³⁾		-		3.0
Shares issued under the Orica GEESP plan (note 36) ⁽²⁾		-		1.4
Balance at end of the year	30-Sep-12	365,642,802		1,795.1

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

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

Notes to the Financial Statements

For the year ended 30 September

21. Contributed equity (continued)

Details	Date	Number of shares	Issue price * \$	\$m
(3) Share movements under the Orica LTEIP plans (Remuneration Report section H)				
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)
2011/2012				
Shares bought back	Various	-		(19.9)
Shares issued - loan repayment	Various			22.9
Movement for the year	30-Sep-12	-		3.0

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. The LTEIP vests after 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	
	2012	2011
	\$m	\$m
Bought back ordinary share capital	(19.9)	(14.1)

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

Exercisable between	Balance 30 Sep 10	Issued during year	Exercised during year	Lapsed during year	Balance 30 Sep 11	Issued during year	Exercised during year	Lapsed during year	Balance 30 Sep 12
18 Nov 14 23 Jan 15	-	-	-	-	-	305,302	-	-	305,302
18 Nov 14 23 Jan 15	-	-	-	-	-	592,713	-	-	592,713
19 Nov 13 23 Jan 14	-	1,886,701	(41,008)	(46,186)	1,799,507	-	(18,216)	(95,702)	1,685,589
19 Nov 12 23 Jan 13	1,785,616	-	(48,740)	(102,845)	1,634,031	-	(26,640)	(75,801)	1,531,590
18 Nov 11 23 Jan 12	40,580	-	-	-	40,580	-	(40,580)	-	-
18 Nov 11 23 Jan 12	2,455,267	-	(66,540)	(117,764)	2,270,963	-	(2,265,048)	(5,915)	-
17 Nov 10 21 Jan 11	1,041,353	-	(3,789)	(1,037,564)	-	-	-	-	-
Total	5,322,816	1,886,701	(160,077)	(1,304,359)	5,745,081	898,015	(2,350,484)	(177,418)	4,115,194

Rights over unissued shares (refer to note 36 and Remuneration Report section H):

Vesting date	Balance 30 Sep 11	Issued during year	Exercised during year	Lapsed during year	Balance 30 Sep 12
19 Dec 14	-	664,845	-	(15,680)	649,165
30 Nov 12	-	7,942	-	-	7,942
31 Mar 13	-	108,246	-	-	108,246
01 Sep 13	-	6,148	-	-	6,148
Total	-	787,181	-	(15,680)	771,501

Notes to the Financial Statements

For the year ended 30 September

	Notes	Consolidated	
		2012	2011
		\$m	\$m
22. Reserves and retained earnings			
(a) Reserves			
Share based payments		83.3	65.4
Cash flow hedging		(15.7)	(11.5)
Foreign currency translation		(930.0)	(715.5)
Equity - arising from purchase of non-controlling interests		(187.4)	(187.4)
Balance at end of the year		(1,049.8)	(849.0)
Movement in reserves during the year			
Share based payments			
Balance at beginning of year		65.4	50.3
Share based payments expense		17.9	15.1
Balance at end of the year		83.3	65.4
Cash flow hedging			
Balance at beginning of year		(11.5)	16.9
Movement for period		(5.9)	(40.6)
Tax effect of movement in cash flow hedge reserve		1.7	12.2
Balance at end of the year		(15.7)	(11.5)
Foreign currency translation			
Balance at beginning of year		(715.5)	(656.8)
Translation of overseas controlled entities at the end of the year		(196.1)	(71.8)
Tax effect of translation of overseas controlled entities at the end of the year		(18.4)	13.1
Balance at end of the year		(930.0)	(715.5)
Equity - arising from purchase of non-controlling interests			
Balance at beginning of year		(187.4)	(183.0)
Purchase of non-controlling interests (see note 27)		-	(4.4)
Balance at end of the year		(187.4)	(187.4)
(b) Retained earnings			
Retained earnings at the beginning of the year		2,363.4	2,096.2
Profit after income tax attributable to shareholders of Orica		402.8	642.3
Defined benefit fund superannuation movement (net of tax)	(38)	(41.5)	(25.6)
Transfer of cost related to issue of Step-Up Preference Securities		(10.0)	-
Disposal of non-controlling interests		0.3	-
Dividends/distributions:	(25)		
Step-Up Preference Securities distributions		(11.1)	(32.2)
Less tax credit on Step-Up Preference Securities distributions		2.2	10.0
Ordinary dividends – interim		(137.9)	(133.2)
Ordinary dividends – final		(192.0)	(194.1)
Retained earnings at end of the year		2,376.2	2,363.4

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.

Notes to the Financial Statements

For the year ended 30 September

	Consolidated		Consolidated	
	2012 %	2011 %	2012 \$m	2011 \$m
23. Non-controlling interests in controlled entities				
Ordinary share capital of controlled entities held by non-controlling interests in:				
Altona Properties Pty Ltd	37.4	37.4	-	-
Ammonium Nitrate Development and Production Limited	0.1	0.1	-	-
Bamble Mekaniske Industri AS	40.0	40.0	0.3	0.3
Bronson & Jacobs International Co. Ltd	51.0	51.0	-	-
CJSC (ZAO) Carbo-Zakk	6.3	6.3	0.1	0.1
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	0.5
Hunan Orica Nanling Civil Explosives Co., Ltd	49.0	49.0	14.6	14.6
Jiangsu Orica Banqiao Mining Machinery Company Limited	49.0	49.0	0.9	0.9
Minova MineTek Private Limited	24.0	24.0	0.2	0.2
Minova Mining Services SA	49.0	49.0	1.4	1.4
Minova Ukraina 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 Limited	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 Eesti OU	35.0	35.0	2.6	2.6
Orica Med Bulgaria AD	40.0	40.0	2.6	2.6
Orica Mining Services Peru S.A.	0.9	0.9	-	-
Orica Mongolia LLC ⁽³⁾	15.0	-	-	-
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 Panama S.A. ⁽¹⁾	40.0	40.0	0.5	0.5
Orica Philippines Inc ⁽¹⁾	5.5	5.5	0.1	0.1
Orica (Weihai) Explosives Co Ltd	20.0	20.0	6.1	6.1
PT Kaltim Nitrate Indonesia	10.0	10.0	11.0	9.8
Teradoran Pty Limited ⁽³⁾	-	33.0	-	-
Transmate S.A. ⁽²⁾	29.8	29.8	-	-
TOO "Minova Kasachstan"	40.0	40.0	0.5	0.5
			62.4	61.2
Non-controlling interests in shareholders' equity at balance date is as follow s:				
Contributed equity			62.4	61.2
Reserves			(22.3)	(15.0)
Retained earnings			84.9	75.1
			125.0	121.3

⁽¹⁾ Non-controlling interests purchased by Orica during the 2011 year.

⁽²⁾ Non-controlling interests acquired through new acquisitions by Orica during the 2011 year.

⁽³⁾ Non-controlling interests disposed of by Orica during the 2012 year.

Notes to the Financial Statements

For the year ended 30 September

	Company	
	2012 \$m	2011 \$m
24. Parent Company disclosure - Orica Limited		
Total current assets	510.7	969.7
Total assets	2,475.1	2,915.3
Total current liabilities	300.3	186.1
Total liabilities	301.8	186.2
Equity		
Ordinary shares	1,795.1	1,749.9
Retained earnings	378.2	489.2
Total equity attributable to ordinary shareholders of Orica	2,173.3	2,239.1
Equity attributable to Step-Up Preference Securities' holders	-	490.0
Total equity	2,173.3	2,729.1
Net profit for the year	237.8	472.5

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

Contingent liabilities and contingent assets

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

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 between 2012 and 2030 (2011: between 2012 and 2030) (see note 17).

Orica Limited Statement of Changes in Equity

	Ordinary shares	Retained earnings	Total	Step-Up Preference Securities	Total equity
	\$m	\$m	\$m	\$m	\$m
2011					
Balance at 1 Oct 2010	1,709.1	366.2	2,075.3	490.0	2,565.3
Profit for the year	-	472.5	472.5	-	472.5
Total comprehensive income 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 paid	-	(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
2012					
Profit for the year	-	237.8	237.8	-	237.8
Transactions with owners, recorded directly in equity					
Total changes in contributed equity	45.2	-	45.2	-	45.2
Reclassification to interest bearing liabilities	-	(10.0)	(10.0)	(490.0)	(500.0)
Dividends/distributions	-	(338.8)	(338.8)	-	(338.8)
Balance at the end of the year	1,795.1	378.2	2,173.3	-	2,173.3

Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2012	2011
	\$m	\$m
25. Dividends and distributions		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary shares		
interim dividend of 37 cents per share, 48.6% franked at 30%, paid 1 July 2011		133.2
interim dividend of 38 cents per share, 36.8% franked at 30%, paid 2 July 2012	137.9	
final dividend of 54 cents per share, 100% franked at 30%, paid 10 December 2010		194.1
final dividend of 53 cents per share, 100% franked at 30%, paid 9 December 2011	192.0	
Distributions paid in respect of the year ended 30 September were:		
Step-Up Preference Securities		
distribution at 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 6.60% per annum, per security, unfranked, paid 31 May 2011 for the period from 30 Nov 2010 to 30 May 2011		16.4
distribution at 6.52% per annum, per security, unfranked, paid 30 November 2011 for the period from 31 May 2011 to 29 November 2011 ⁽¹⁾	11.1	
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:		
paid in cash	289.1	280.3
satisfied by issue of shares	40.8	47.0
Distributions paid in cash ⁽¹⁾	16.3	32.2
No distributions were satisfied by the issue/purchase of shares.		

⁽¹⁾Total distribution paid for current period was \$16.3 million and has been allocated between dividends (\$11.1 million) and interest (\$5.2 million) based on the equity/debt classification over the distribution period.

Subsequent events

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

Final dividend on ordinary shares of 54 cents per share, 44.4% franked at 30%, payable 14 December 2012.

Total franking credits related to this dividend are \$37.6 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 September 2012 - however will be recognised in the 2013 annual financial report.

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 2012 are \$42.0 million (2011 \$49.5 million).

Notes to the Financial Statements

For the year ended 30 September

		Consolidated	
	Notes	2012 \$m	2011 \$m
26. Notes to the statement of cash flows			
Reconciliation of cash			
Cash at the end of the year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash	(7)	235.8	346.9
Bank overdraft	(17)	(7.9)	(3.6)
		227.9	343.3
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities			
Profit from ordinary activities after income tax expense		423.8	663.4
Depreciation and amortisation		251.4	224.2
Share based payments expense		17.9	15.1
Share of associates' net (profit)/loss after adding back dividends received		(6.2)	(9.0)
Finance charges - finance leases		0.6	1.1
Unwinding of discount on provisions		5.9	12.7
(Decrease)/increase in net interest payable		(4.2)	6.2
Increase/(decrease) in net interest receivable		0.1	(0.6)
Impairment of intangibles		367.2	2.2
Impairment of property, plant and equipment		0.2	1.9
Impairment of inventories		4.2	5.6
Impairment of investments		0.1	0.2
Net profit on sale of businesses and controlled entities/investments		(3.7)	(1.0)
Net profit on sale of property, plant and equipment		(32.8)	(10.8)
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities			
increase in trade and other receivables		(90.4)	(76.8)
increase in inventories		(82.2)	(78.2)
(decrease)/increase in deferred taxes payable		(37.1)	32.7
(decrease)/increase in payables and provisions		(224.2)	4.5
decrease in income taxes payable		(46.5)	(35.2)
Net cash flows from operating activities		544.1	758.2

Notes to the Financial Statements

For the year ended 30 September

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

Consolidated - 2012

Acquisition of businesses and controlled entities

The consolidated entity acquired the following businesses:

Businesses

Business assets of Atlas Copco MAI GmbH on 6 October 2011.

	Book values	Fair value adjustments	Total
	\$m	\$m	\$m
2012			
Consideration			
cash paid	13.8	-	13.8
Outflow of cash	13.8	-	13.8
Total consideration	13.8	-	13.8
Fair value of net assets of businesses/controlled entities acquired			
inventories	2.5	-	2.5
property, plant and equipment	4.7	-	4.7
intangibles	2.4	-	2.4
provision for employee entitlements	(0.3)	-	(0.3)
	9.3	-	9.3
Goodwill on acquisition			4.5

Results contributed by acquired entities since acquisition date:

	\$m
Revenue for the period	25.2
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	2.6

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the twelve months to 30 September 2012 are as follows:

	\$m
Operating revenue	25.2
EBITDA	2.6

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

Notes to the Financial Statements

For the year ended 30 September

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

Consolidated - 2011

Acquisition of businesses and controlled entities

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

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	Amended Acquisitions \$m	Total \$m
Consideration					
cash paid	54.5	-	54.5	-	54.5
net overdraft acquired	2.0	-	2.0	-	2.0
Outflow of cash	56.5	-	56.5	-	56.5
deferred settlement	0.3	-	0.3	-	0.3
Total consideration	56.8	-	56.8	-	56.8
Fair value of net assets of businesses/controlled entities acquired					
trade and other receivables	14.1	(0.4)	13.7	(0.8)	12.9
inventories	3.2	-	3.2	-	3.2
property, plant and equipment	7.0	-	7.0	-	7.0
intangibles	0.2	-	0.2	-	0.2
other assets	0.1	0.5	0.6	-	0.6
trade and other payables	(7.9)	-	(7.9)	-	(7.9)
provision for employee entitlements	(0.9)	(1.1)	(2.0)	-	(2.0)
provision for environmental	(1.4)	-	(1.4)	(1.4)	(2.8)
provision for deferred tax	-	-	-	0.2	0.2
	14.4	(1.0)	13.4	(2.0)	11.4
Goodwill on acquisition			43.4	2.0	45.4

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 year	19.4
EBITDA for the year	3.4

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the twelve months to 30 September 2011 are as follows:

	\$m
Operating revenue	43.1
EBITDA	8.0

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

Notes to the Financial Statements

For the year ended 30 September

28. Businesses disposed

Disposal of businesses/controlled entities

The following businesses and controlled entities were disposed of:

2012:

Teradoran Pty Limited on 10 February 2012.

2011:

Taiko Trucking Inc. on 1 January 2011.

	Consolidated	
	2012	2011
	\$m	\$m
Consideration		
cash received	2.0	-
cash disposed	(0.1)	-
debt disposed	0.6	-
Inflow of cash	2.5	-
Net consideration	2.5	-
Carrying value of net assets of businesses/controlled entities disposed		
trade and other receivables	1.2	0.2
inventories	1.3	-
property, plant and equipment	1.1	-
intangibles	0.2	-
other assets	0.3	-
payables and interest bearing liabilities	(0.7)	(0.5)
provision for employee entitlements	(0.3)	-
provision for income tax	-	0.1
	3.1	(0.2)
Less non-controlling interests at date of disposal	(0.9)	-
	2.2	(0.2)
Profit on sale of business/controlled entities	0.3	0.2

Notes to the Financial Statements

For the year ended 30 September

29. Impairment testing of goodwill and intangibles with indefinite lives

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

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

	Consolidated	
	2012 \$m	2011 \$m
Mining Services:	Goodwill	
- Australia/Asia	131.3	132.4
- North America	66.6	69.5
- Latin America	118.8	120.9
- EMET	352.8	373.8
- Other	216.7	215.6
Minova	724.7	1,156.0
Chemicals	146.3	146.7
Total	1,757.2	2,214.9

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 five year plan approved by the Board of Directors. Cash flow projections beyond the five year period were calculated using the plan cash flow of the fifth year and industry growth rates going forward.

The discount rates for each CGU were calculated using rates based on an external assessment of the Group's pre-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 23% (2011 9% - 24%). 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 \$925 million while a 10% change in earnings or foreign exchange rates would affect value in use by \$1.5 billion and \$261 million respectively which should be compared to the market capitalisation of Orica at balance date of \$9.1 billion.

For the interim period ending 31 March 2012, impairment testing indicated that the Minova Segment was not impaired. However, since that time, there have been continued competitive pressures preventing margin recovery in a number of countries and lower demand from North American coal markets in the second half. A reassessment of the business forecasts has been undertaken and the carrying value of intangibles in Minova USA, China and the Minova Group have been written down by \$367.2m to their recoverable amount. For the Minova USA CGU, a terminal growth rate of 1% (2011 3%) was used and given the tax deductibility of acquired goodwill in the USA, a post-tax discount rate of 10% (2011 9%) was used. For Minova China a pre-tax discount rate of 19% and a terminal growth rate of 5% was used. The remaining Minova Group CGUs pre-tax discount rates vary from 9% to 23% with growth rates varying from 0% to 6%. The recoverable amount of intangibles would be impacted by any adverse changes in earnings, discount rates or terminal growth rates.

Following the writedown, the Minova Segment includes in their USA CGU an amount of goodwill of \$306.1 million (2011 \$655.2 million). There are no other individual CGUs that have significant goodwill and intangibles with indefinite lives.

The impairment charge for intangibles with indefinite lives during the year for the Minova Segment was:

	Consolidated	
	2012 \$m	2011 \$m
Goodwill	367.2	-
Total	367.2	-

Notes to the Financial Statements

For the year ended 30 September

Consolidated
2012 2011
\$m \$m

30. Commitments

Capital expenditure commitments

Capital expenditure on property, plant and equipment and business acquisitions contracted but not provided for and payable:

no later than one year	60.5	55.1
later than one, no later than five years	1.6	5.0
	62.1	60.1

On 21 May 2012 Orica Ltd announced that it has agreed to form a joint venture with Yara and Apache to build a 330,000 tonnes per annum industrial grade ammonium nitrate plant on the Burrup peninsula. The joint venture is owned 45% (Orica), 45% (Yara) and 10% (Apache). Construction of the plant is expected to have a capital cost of approximately US\$800 million and be completed by the end of 2015. In addition to its share of the construction cost, Orica will also pay approximately US\$110 million, to be split between Yara and Apache, payable upon commencement of construction. At 30 September 2012, approximately \$38.2 million has been paid to the joint venture entity.

Lease commitments

Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:

no later than one year	64.0	63.8
later than one, no later than five years	258.2	132.2
later than five years	31.7	58.5
	353.9	254.5

Representing:

cancellable operating leases	158.9	150.2
non-cancellable operating leases	195.0	104.3
	353.9	254.5

Non-cancellable operating lease commitments

payable:		
no later than one year	19.6	23.3
later than one, no later than five years	160.3	54.1
later than five years	15.1	26.9
	195.0	104.3

Finance lease commitments payable:

no later than one year	1.2	5.4
later than one, no later than five years	5.2	5.0
later than five years	2.1	3.1
	8.5	13.5

Less future finance charges

Present value of minimum lease payments provided for as a liability

	(1.2)	(1.5)
	7.3	12.0
Representing lease liabilities: (see note 17)		
current	1.2	5.4
non-current	6.1	6.6
	7.3	12.0

Notes to the Financial Statements

For the year ended 30 September

Consolidated
2012 2011
\$000 \$000

31. Auditors' remuneration

Total remuneration received, or due and receivable, by the auditors for:

Audit services		
Auditors of the Company – KPMG Australia		
– Audit and review of financial reports	4,834	4,636
– Other regulatory audit services	356	116
Auditors of the Company – overseas KPMG firms		
– Audit and review of financial reports ⁽¹⁾	1,696	2,017
	6,886	6,769
Other services ⁽²⁾		
Auditors of the Company – KPMG Australia		
– other assurance services	52	-
	52	-
	6,938	6,769

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.

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 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 (refer to note 19) 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 remediation 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.

Notes to the Financial Statements

For the year ended 30 September

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 to note 19) to cover the estimated costs associated with remediation until 2017. 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 continues to safely store the waste. A provision has been established in respect of this matter (refer to note 19).

Orica received results indicating elevated concentrations of mercury in soil and groundwater at the southern end of the Botany site and at adjacent offsite locations. Orica started remediating the site in May 2011 using a soil washing technology to remove mercury. The soil washing plant was not able to sustain adequate reliable operation and Orica decided to suspend the works. Orica has submitted a new remediation action plan which satisfied the NSW Environment Protection Authority requirements, and Orica aims to restart works in 2013. A provision has been established for remediation activities in respect of this matter.

Legal proceedings

The outcome of currently pending and future legal, judicial, regulatory, administrative and other proceedings of a litigious nature ("Proceedings") cannot be predicted with certainty. Thus, an adverse decision in Proceedings 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. 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 Proceeding is brought and differences in applicable law. Upon resolution of any pending Proceedings, 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 those Proceedings. 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.

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.

Notes to the Financial Statements

For the year ended 30 September

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 impact 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 or differences in opinions 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.

Notes to the Financial Statements

For the year ended 30 September

33. Contingent liabilities

(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 and 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 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.

(ii) Investigations and audits

Consistent with other companies of the size and diversity of Orica, the Group is the subject of ongoing information requests, investigations and audit activities by Tax and Regulatory Authorities in jurisdictions in which Orica operates. Orica co-operates fully with the Tax and Regulatory Authorities. It is possible that Orica may incur fines and/or other penalties as a consequence of these investigations and audits.

(iii) 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 which provides indemnity for amounts exceeding certain limits. The Brazilian Taxation authority has been granted security over the Lorena site as well as a bank guarantee of up to approximately \$9 million.

(iv) 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 Tax Office has issued a final office decision confirming its view and Orica now awaits the final invoice for tax and interest which is expected to amount to approximately \$32.5 million. Orica has received external legal advice and intends to pursue this matter through an administrative complaints process and/or through the Norwegian courts.

(v) Australian Tax Audit

The Australian Taxation Office ("ATO") is currently conducting a tax audit in relation to a financing arrangement by Orica of its US group between 2004 and 2006. The ATO has issued amended assessments in relation to the 2004, 2005 and 2006 years totalling \$50.6m. Orica has objected against all three assessments. In accordance with the ATO administrative practice, Orica has paid 50% of the primary tax and interest arising from the assessments, which has been recognised as a non-current receivable.

(vi) Environmental Prosecutions

The NSW Environment Protection Authority has issued legal proceedings against Orica in relation to environmental incidents at the Botany and Kooragang Island sites that occurred during 2010 and 2011. Orica has entered guilty pleas in relation to some of the charges involved in those legal proceedings. A sentencing and mitigation hearing of those proceedings involving guilty pleas is scheduled for December 2012. The remaining legal proceedings are progressing through Court processes.

It is possible that Orica may incur fines and other penalties as a consequence of these legal proceedings. However where it is not possible to reliably assess the amount of any such fines or other penalties, no provisions have been made with respect to these environmental prosecutions.

Notes to the Financial Statements

For the year ended 30 September

33. Contingent liabilities (continued)

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.

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management

Capital management

Orica's objectives when managing capital (net debt and total equity) are to safeguard the 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 in previous years an adjusted gearing ratio (which was 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 adjusted for capitalised borrowing cost) 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	
	2012 \$m	2011 \$m
Interest bearing borrowings	2,535.0	1,755.0
Less cash and cash equivalents	(235.8)	(346.9)
Net debt	2,299.2	1,408.1
Notional adjustment for SPS	-	250.0
Adjusted net debt	2,299.2	1,658.1
Total equity	3,246.5	3,875.6
Notional adjustment for SPS	-	(250.0)
Adjusted equity	3,246.5	3,625.6
Adjusted net debt and adjusted equity	5,545.7	5,283.7
Gearing ratio (%)	41.5%	26.6%
Adjusted gearing ratio (%)	41.5%	31.4%

The interest cover ratio is calculated as follows:

	2012	2011
	\$m	\$m
EBIT ⁽¹⁾	1,022.6	1,028.3
Net financing costs	128.2	123.5
Capitalised borrowing costs	38.1	37.4
	166.3	160.9
Interest cover ratio (times)	6.1	6.4

⁽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 2012, Anbao Insurance Pte Ltd maintained capital in excess of the minimum requirements prescribed under this Act.

Notes to the Financial Statements

For the year ended 30 September

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. 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 recognised in 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, up to 90% of debt with a maturity of less than one year can be fixed. This reduces on a sliding scale to year five where 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.

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Interest Rate Sensitivity

The table below shows the effect on profit from operations, net profit after tax and shareholders' equity 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	
	2012	2011
	\$m	\$m
Effect on profit before tax increase/(decrease)		
If interest rates were 10% higher, with all other variables held constant	(3.2)	(2.6)
If interest rates were 10% lower, with all other variables held constant	3.2	2.8
Effect on profit after tax increase/(decrease)		
If interest rates were 10% higher, with all other variables held constant	(2.2)	(1.9)
If interest rates were 10% lower, with all other variables held constant	2.2	2.0
Effect on shareholders' equity increase/(decrease)		
If interest rates were 10% higher, with all other variables held constant	0.8	2.5
If interest rates were 10% lower, with all other variables held constant	(0.8)	(1.9)

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).

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

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):

	2012						
	USD \$m	CAD \$m	NZD \$m	NOK \$m	SEK \$m	EUR \$m	GBP \$m
Cash ⁽¹⁾	2,511.4	46.6	1.7	63.0	1,076.8	1,124.4	308.8
Trade and other receivables	206.8	33.3	0.2	0.3	9.9	41.0	1.7
Trade and other payables	(247.4)	(29.3)	(1.7)	(1.5)	(12.2)	(46.4)	(2.4)
Interest bearing liabilities ⁽¹⁾	(2,166.0)	(35.6)	(54.9)	(5.7)	(453.5)	(939.7)	(64.6)
Net derivatives	351.6	(48.8)	(39.3)	(83.6)	-	(81.6)	-
Net exposure	656.4	(33.8)	(94.0)	(27.5)	621.0	97.7	243.5

	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	(49.3)	(39.6)	(70.4)	-	(90.8)	-
Net exposure	512.0	7.0	(71.0)	(21.2)	68.4	114.9	245.6

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

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

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

	2012			2011		
	10% lower	As reported	10% higher	10% lower	As reported	10% higher
U.S. Dollar	0.9415	1.0461	1.1507	0.8784	0.9760	1.0736
Canadian Dollar	0.9220	1.0244	1.1268	0.9134	1.0149	1.1164
New Zealand Dollar	1.1300	1.2555	1.3811	1.1513	1.2792	1.4071
Norwegian Kroner	5.3629	5.9588	6.5547	5.1145	5.6828	6.2511
Swedish Kronor	6.1355	6.8172	7.4989	6.0026	6.6696	7.3366
Euro	0.7281	0.8090	0.8899	0.6493	0.7214	0.7935
Great Britain Pound	0.5792	0.6436	0.7080	0.5635	0.6261	0.6887

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:

	2012		2011	
	(10%) \$m	10% \$m	(10%) \$m	10% \$m
Effect on profit/(loss) from operations from a movement in:				
U.S. Dollar	(0.8)	(2.0)	(6.3)	4.5
Canadian Dollar	0.8	(0.7)	1.2	(0.9)
New Zealand Dollar	(1.0)	0.8	(0.7)	0.5
Norwegian Kroner	(0.2)	0.2	0.2	(0.2)
Swedish Kronor	(0.3)	0.3	(1.2)	1.0
Euro	(0.5)	0.4	(2.5)	1.9
Great Britain Pound	-	-	-	-
Effect on net profit after tax from a movement in:				
U.S. Dollar	(0.5)	(1.4)	(4.4)	3.1
Canadian Dollar	0.6	(0.5)	0.8	(0.7)
New Zealand Dollar	(0.7)	0.6	(0.5)	0.4
Norwegian Kroner	(0.1)	0.1	0.1	(0.1)
Swedish Kronor	(0.2)	0.2	(0.9)	0.7
Euro	(0.4)	0.3	(1.7)	1.4
Great Britain Pound	-	-	-	-
Increase/(decrease) on shareholders' equity from a movement in:				
U.S. Dollar	52.9	(39.2)	52.0	(38.7)
Canadian Dollar	(2.6)	2.1	0.5	(0.4)
New Zealand Dollar	(7.3)	5.9	(5.4)	4.4
Norwegian Kroner	(2.2)	1.8	(1.8)	1.5
Swedish Kronor	48.3	(39.5)	5.3	(4.3)
Euro	10.0	(8.0)	7.9	(8.3)
Great Britain Pound	18.9	(15.5)	19.1	(15.6)

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Foreign currency risk - translational

Foreign currency earnings translation risk arises primarily as a result of earnings in USD, NZD, NOK, SEK, Chilean Peso (CLP), Mexican Peso (MXN) and CAD being translated into AUD. Derivative contracts to hedge earnings exposures do not qualify for hedge accounting under Accounting Standards. However, Board approved policy allows hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates. At 30 September 2012, the fair value of these derivatives was \$nil (2011 \$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 foreign operation or by raising debt in a different currency and effectively swapping the debt to the currency of the foreign operation (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 six percent of the Group's investment in foreign operations was hedged in this manner as at 30 September 2012 (2011 23.0%).

As at reporting date, derivative instruments designated as hedging net investment exposures had a fair value of \$81.0 million loss (2011 \$95.4 million loss).

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 2012, the sum of all contracts with a positive fair value was \$15.7 million (2011 \$11.6 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.

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Liquidity risk management

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

The 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:

	2012 \$m	2011 \$m
Unsecured bank overdraft facilities		
Unsecured bank overdraft facilities available	105.3	109.7
Amount of facilities undrawn	97.4	106.1
Committed standby and loan facilities		
Committed standby and loan facilities available	3,724.1	3,809.1
Amount of facilities unused	1,505.5	2,078.7

The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed standby and loan facilities range from 24 October 2012 to 25 October 2030 (2011: 28 February 2012 to 25 October 2030).

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 2012				As at 30 September 2011			
	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	235.8	-	-	-	346.9	-	-	-
Trade and other receivables ⁽¹⁾	1,035.3	49.6	-	-	941.6	1.2	-	-
Derivative financial assets	871.2	50.7	137.7	396.9	539.1	65.1	183.6	434.8
Financial assets	2,142.3	100.3	137.7	396.9	1,827.6	66.3	183.6	434.8
Non-derivative financial liabilities								
Trade and other payables ⁽¹⁾	1,058.9	12.4	-	-	1,141.0	25.6	-	-
Bank overdrafts	7.9	-	-	-	3.6	-	-	-
Bank loans	37.4	540.7	250.2	-	70.3	141.9	-	-
Export finance facility	1.8	1.8	5.5	96.6	1.7	1.7	5.1	110.4
Other short term borrowings	6.2	-	-	-	6.0	-	-	-
Private placement	100.2	60.3	800.5	858.0	76.3	116.9	575.5	1,260.7
Other long term borrowings	-	1.7	1.0	-	-	2.1	0.9	-
Lease liabilities	1.3	1.5	3.3	2.1	5.8	1.3	3.3	3.1
Derivative financial liabilities	878.7	61.2	186.0	470.8	546.3	73.5	240.0	518.6
Financial liabilities	2,092.4	679.6	1,246.5	1,427.5	1,851.0	363.0	824.8	1,892.8
Net inflow/(outflow)	49.9	(579.3)	(1,108.8)	(1,030.6)	(23.4)	(296.7)	(641.2)	(1,458.0)

⁽¹⁾ Excludes derivative financial instruments.

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Cash flow hedges

Cash flow hedges are used to hedge exposures relating to borrowings and ongoing business activities, where there is a highly probable sale, purchase or settlement commitment in foreign currencies.

Foreign exchange transactions

The hedging of foreign exchange transactions is described under foreign currency risk above.

The fair value of forward exchange contracts and options used as hedges of foreign exchange transactions at 30 September 2012 was a net \$1.6 million gain (2011 \$1.7 million loss), comprising assets of \$7.0 million (2011 \$6.7 million) and liabilities of \$5.4 million (2011 \$8.4 million).

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	
	2012 \$m	2011 \$m
Not later than one year	(0.6)	(3.7)
Later than one year but not later than two years	-	-
Later than two year but no later than five years	-	-
Total	(0.6)	(3.7)

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 hedged 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. There was a derivative liability of \$21.8 million as at 30 September 2012 (2011 \$18.1 million).

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:

	2012 \$m	2011 \$m
Floating to fixed swaps		
One to five years	350.0	511.5

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 gain before tax of \$20.8 million (2011 \$6.3 million loss) and the changes in the fair value of the hedging instruments resulted in a loss before tax of \$20.0 million (2011 \$5.5 million gain) resulting in a net gain before tax of \$0.8 million (2011 \$0.8 million loss) recorded in finance costs.

The fair value of these swaps at 30 September 2012 was \$39.3 million (2011 \$57.2 million), comprising assets of \$84.0 million (2011 \$92.2 million) and liabilities of \$44.7 million (2011 \$35.0 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 vanilla bought European options used to hedge translation of foreign earnings).

Notes to the Financial Statements

For the year ended 30 September

34. Financial and capital management (continued)

Interest rate swaps

The change in fair value of swaps executed as economic hedges for which hedge accounting was not applied was nil million for the financial year ending 30 September 2012 (2011 \$0.4 million gain).

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.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
30 September 2012				
Derivative financial assets	-	15.7	-	15.7
Derivative financial liabilities	-	(84.1)	-	(84.1)
	-	(68.4)	-	(68.4)
30 September 2011				
Derivative financial assets	-	11.6	-	11.6
Derivative financial liabilities	-	(76.7)	-	(76.7)
	-	(65.1)	-	(65.1)

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

Notes to the Financial Statements

For the year ended 30 September

35. Events subsequent to balance date

On 12 November 2012, the directors declared a final dividend of 54.0 cents per ordinary share payable on 14 December 2012. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2012 and will be recognised in the 2013 financial statements.

Legal proceedings issued by the Queensland Department of Environment and Heritage Protection against Orica in relation to stormwater and effluent discharges at Orica's Chemical Complex at Yarwun, Queensland have been dealt with in the Gladstone Magistrates Court. Orica was fined \$182,000 and also ordered to pay \$250,000 to three environment projects in the Gladstone area. No convictions were recorded.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2012, 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.

Notes to the Financial Statements

For the year ended 30 September

36. Employee share plans

Employees' options entitlement

Other than the LTEIP shares which are treated as options for accounting purposes, Long Term Incentive Rights Plan (LTIRP), Sign-on and Retention Rights Plans, there are no other options over Orica shares outstanding at 30 September 2011 or 30 September 2012.

(a) (i) Long Term Incentive Rights Plan (LTIRP)

LTIRP was adopted this year as the long term incentive component of remuneration for senior executives (excluding the Executive Committee) selected by the Board based on the role of the individual in guiding the future success of the Company. Invitations to participate in LTIRP are made on the following basis:

- Senior executives are granted a number of rights, which vest upon the satisfaction of the relevant performance hurdle. The number of rights granted to each employee is based on a specified percentage in the range of 15% to 60% of their fixed remuneration, depending on the individual's role and responsibility.
- Each right is an entitlement to be allocated one ordinary share in Orica (or such other number adjusted in accordance with the terms of the LTIRP rules).
- Rights are unlisted and do not carry any dividend or voting rights.
- Shares allocated upon vesting of rights may be either newly issued shares or existing shares acquired on market.
- As the LTIRP is offered to senior executives below the Executive Committee level, it was considered more appropriate to set a single hurdle representing a minimum level of acceptable performance before vesting should occur, rather than the aggressive conditions applicable to LTEIP. The relevant performance hurdle for the Financial Year 2012 grant is based on Orica achieving 2% EPS compound growth per annum over three years.
- Holders of rights that leave the consolidated entity prior to the end of the performance period will, in general, forfeit their rights. The Board has discretion to allow a number of rights to be tested and vest if the holder leaves due to death, disability or other Board approved reasons.
- These long term incentives are expensed over the three year vesting period.

The number of LTIRP issued, values and information is shown in the following table:

Grant date	Vesting date	Number of rights issued	Number of rights held at 30 Sep	Number of participants at 30 Sep	Value of rights at grant date ⁽¹⁾
					\$
As at 30 September 2012					
19 Dec 11	19 Dec 14	664,845	649,165	310	14,586,699

⁽¹⁾ The assumptions underlying the rights 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 right ⁽²⁾
	\$	%	%	%	\$
19 Dec 11	24.68	25	4	2.99	21.94

⁽²⁾ 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 2012. 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.

(a) (ii) Sign-on Rights Allocations

For a select group of senior managers who join Orica post allocation of a LTIRP grant (and generally having forgone at-risk remuneration from their previous employer) rights may be allocated at the discretion of the Orica Board. Allocations are made on the following basis:

- Employees are granted a number of rights, which vest upon the satisfaction of a time based hurdle, generally aligned to their anniversary of joining Orica.
- The number of rights granted to each employee is based on either a specified percentage of their fixed remuneration, or a straight dollar value. The value is determined on an individual basis, but generally aligned to either their future LTIRP grant percentage or the foregone at-risk remuneration from their previous employer.
- Each right is an entitlement to be allocated one ordinary share in Orica.
- Rights are unlisted and do not carry any dividend or voting rights.
- Shares allocated upon vesting of rights may be either newly issued shares or existing shares acquired on market.

Notes to the Financial Statements

For the year ended 30 September

36. Employee share plans (continued)

- Holders of rights that leave the consolidated entity prior to the end of the performance period will, in general, forfeit their rights. The Board has discretion to allow a number of rights to be tested and vest if the holder leaves due to death, disability or other Board approved reason.

Sign-on Rights allocations, values and information is shown in the following table:

Grant date	Vesting date	Number of rights issued	Number of rights held at 30 Sep	Number of participants at 30 Sep	Value of rights at grant date ⁽¹⁾
\$					
As at 30 September 2012					
19 Dec 11	30 Nov 12	7,942	7,942	1	188,861
01 Sep 12	01 Sep 13	6,148	6,148	1	143,064
		14,090	14,090		331,925

⁽¹⁾ The assumptions underlying the rights 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 right ⁽²⁾
	\$	%	%	%	\$
19 Dec 11	24.68	25	4	3.34	23.78
01 Sep 12	24.20	25	4	2.86	23.27

⁽²⁾ 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 2012. 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.

(b) Employee Share Plan

The Employee Share Plan (ESP) operated between 1987 and 2002. The ESP is administered by Link Market Services Limited. Eligible employees, as determined by the Board, were invited to purchase shares in Orica funded by the provision of an interest free loan repayable over ten years. The balance of loans receivable from employees participating in the ESP at 30 September 2012 was nil (2011 \$0.1 million).

Grant date	Date shares become unrestricted	Number of participants 2012	Number of participants 2011	Average issue price \$	Shares held at 30 September 2012	Shares held at 30 September 2011
Pre 1 Oct 01	-	-	3	-	-	900
31 Dec 01	31 Dec 11	-	1	7.32	-	400
05 Jul 02	05 Jul 12	-	23	9.48	-	10,300
		-			-	11,600

Notes to the Financial Statements

For the year ended 30 September

36. Employee share plans (continued)

(c) (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 2012	Number of participants at 30 September 2011	Shares held at 30 September 2012	Shares held at 30 September 2011
8 Jan 10	8 Jan 13	1,062	1,131	40,356	42,978
10 Jan 11	10 Jan 14	1,248	1,323	48,672	51,597
9 Jan 12	9 Jan 15	1,352	-	55,432	-
				144,460	94,575

(c) (ii) General Employee Exempt Share Plan - New Zealand

A separate GEESP has operated for New Zealand employees since 1999. It is administered internally. Invitations are made to eligible employees as determined by the Board on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market;
- employees are each entitled to acquire shares with a market value of approximately NZ\$780 per year;
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 September the following year;
- employees who leave the consolidated entity because of redundancy, retirement or sickness, have the option to salary sacrifice any remaining amounts prior to departure, if they wish to retain their shares;
- employees who leave the consolidated entity because of resignation, will be paid the market value of the shares in proportion to their contributions to date; and
- employees cannot dispose of the shares for a period of three years from date of acquisition or until they leave their employment with the consolidated entity and they are entitled to retain their shares, whichever occurs first.

Grant date	Date shares become unrestricted	Number of participants at 30 September 2012	Number of participants at 30 September 2011	Shares held at 30 September 2012	Shares held at 30 September 2011
1 Oct 07	30 Sept 10	35	35	805	805
1 Oct 08	30 Sept 11	51	59	1,428	1,652
1 Oct 09	30 Sept 12	63	64	1,638	1,664
1 Oct 10	30 Sept 13	75	77	1,725	1,771
1 Oct 11	30 Sept 14	80	-	2,160	-
				7,756	5,892

Notes to the Financial Statements

For the year ended 30 September

37. Related party disclosures

(a) Key Management Personnel compensation summary

As deemed under AASB 124 *Related Parties Disclosures*, Key Management Personnel (KMP) include each of the directors, both executive and non-executive, and those members of the Executive Committee who have authority and responsibility for planning, directing and controlling the activities of Orica. In this report, "Executive KMP" refers to the KMP other than the Non-Executive Directors. Non-Executive Directors have oversight of the strategic direction of the Group but no direct involvement in the day to day management of the business.

A summary of the Key Management Personnel compensation is set out in the following table:

	Consolidated	
	2012 \$000	2011 \$000
Short term employee benefits	10,689.2	14,596.1
Other long term benefits	273.8	195.4
Post employment benefits	213.3	232.4
Share-based payments	6,947.3	4,695.6
Termination benefits	3,806.6	743.0
	21,930.2	20,462.5

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 2012	Balance 1 October 2011	Acquired ⁽¹⁾	Net change other ⁽²⁾	Fully paid ordinary shares held at 30 September 2012 ⁽³⁾
Non-Executive Directors				
P J Duncan	15,936	-	-	15,936
R R Caplan	8,825	2,466	-	11,291
I Cockerill	6,000	94	-	6,094
G A Hounsell	11,918	441	-	12,359
Lim C O	1,000	10,000	-	11,000
N L Scheinkestel	18,032	3,094	-	21,126
M Tilley	6,329	-	-	6,329
Former				
M E Beckett *	78,235	1,700	-	79,935
	146,275	17,795	-	164,070

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

* Closing balance is at cessation of directorship.

Notes to the Financial Statements

For the year ended 30 September

37. Related party disclosures (continued)

As at 30 September 2012	Fully paid ordinary shares held at 1 October 2011	Acquired ⁽¹⁾	Net change other ⁽²⁾	Fully paid ordinary shares held at 30 September 2012 ⁽³⁾	Options for fully paid ordinary shares held at 30 September 2012 ^{(4) (5)}
Executive KMP					
I K Smith	-	-	-	-	305,302
N A Meehan	54,949	85,406	(70,000)	70,355	206,955
J Beevers	4,750	84,516	(84,516)	4,750	196,318
C B Elkington	-	47,418	(47,418)	-	126,551
A J P Larke	-	67,613	(67,613)	-	160,807
P McEwan	-	40,580	(40,580)	-	116,309
G J Witcombe	143,535	67,613	(27,613)	183,535	141,970
Former					
G R Liebelt *	639,548	409,872	(250,000)	799,420	872,009
	842,782	803,018	(587,740)	1,058,060	2,126,221

As at 30 September 2011	Fully paid ordinary shares held at 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.

⁽¹⁾ Includes purchase and exercise of options by Executive KMP and shares acquired, including 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 Payments, 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 vests after three years.

⁽⁵⁾ Including rights held under Rights schemes.

(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.

	2012 \$000	2011 \$000
Interest revenue/(expense) received and paid by Orica for money deposited with or borrowed from Orica Finance Limited	1,952	8,990
Dividend revenue received by Orica	200,000	450,000

Notes to the Financial Statements

For the year ended 30 September

37. Related party disclosures (continued)

(e) Transactions with other related parties

All transactions with other related parties are made on normal commercial terms and conditions and in the ordinary course of business.

Transactions during the year with Non-Executive directors were:

Orica purchased wine for the amount of \$6,600 from Toolangi Vineyards Pty. Ltd. Toolangi Vineyards Pty. Ltd. is a related entity to G A Hounsell.

Transactions during the year with associates were:

	2012	2011
	\$000	\$000
Sales of goods to associates	228,568	277,782
Purchases of goods from associates	65,077	42,866
Dividend income received from associates	31,241	29,940

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, 36

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.

Notes to the Financial Statements

For the year ended 30 September

38. Superannuation commitments (continued)

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 2012 was \$45.4 million (2011 \$40.8 million).

(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. The information within these financial statements has been prepared by the local plan external actuaries. Orica were assisted by Towers Watson Australia to globally consolidate those results. During the year, the consolidated entity made employer contributions of \$32.5 million (2011 \$35.6 million) to defined benefit plans. The Group's external actuaries have forecast total employer contributions and benefit payments to defined benefit plans of \$30.1 million for 2013.

(c) (i) Balance sheet amounts

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

	2012 \$m	2011 \$m
Present value of the funded defined benefit obligations	630.1	562.3
Present value of unfunded defined benefit obligations	84.2	79.9
Fair value of defined benefit plan assets	(474.1)	(437.3)
Deficit	240.2	204.9
Restriction on assets recognised	0.3	1.1
Net liability in the balance sheet	240.5	206.0
Amounts in balance sheet:		
Liabilities	240.9	206.6
Assets	(0.4)	(0.6)
Net liability recognised in balance sheet at end of year	240.5	206.0

(c) (ii) Categories of plan assets

The major categories of plan assets are as follows:

	2012 \$m	2011 \$m
Cash and net current assets	43.4	48.5
Equity instruments	215.2	206.7
Fixed interest securities	141.4	117.8
Property	41.4	36.4
Other assets	32.7	27.9
	474.1	437.3

Notes to the Financial Statements

For the year ended 30 September

38. Superannuation commitments (continued)

c) (iii) Reconciliations

	2012 \$m	2011 \$m
Reconciliation of present value of the defined benefit obligations:		
Balance at the beginning of the year	642.2	631.8
Current service cost	14.3	14.4
Interest cost	27.9	30.2
Actuarial losses/(gains)	72.7	20.4
Contributions by plan participants	3.3	3.5
Benefits paid	(35.5)	(35.9)
Acquisitions	-	3.1
Settlements/curtailments	(0.1)	(19.6)
Exchange differences on foreign funds	(10.5)	(5.7)
Balance at the end of the year	<u>714.3</u>	<u>642.2</u>
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	437.3	439.0
Expected return on plan assets	29.4	29.8
Actuarial gains/(losses)	13.9	(20.8)
Contributions by plan participants	3.3	3.5
Contributions by employer	32.5	35.6
Benefits paid	(35.5)	(35.9)
Acquisitions	-	2.0
Settlements/curtailments	(0.8)	(12.9)
Exchange differences on foreign funds	(6.0)	(3.0)
Balance at the end of the year	<u>474.1</u>	<u>437.3</u>

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.

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

The amounts recognised in the income statement are as follows:

	2012 \$m	2011 \$m
Current service cost	14.3	14.4
Interest cost	27.9	30.2
Expected return on plan assets	(29.4)	(29.8)
Curtailed or settlement losses/(gains)	0.7	(6.7)
Total included in employee benefits expense	<u>13.5</u>	<u>8.1</u>

(c) (v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2012	2011
Discount rate	2.25% - 9.20%	3.20% - 10.88%
Expected return on plan assets	4.00% - 9.62%	4.00% - 12.32%
Future salary increases	2.25% - 7.00%	2.25% - 7.00%
Future inflation	1.75% - 4.50%	1.75% - 4.50%
Future pension increases	0.10% - 4.50%	1.30% - 4.50%
Healthcare cost trend rates (ultimate)	4.40% - 4.50%	4.40% - 5.00%

Notes to the Financial Statements

For the year ended 30 September

38. Superannuation commitments (continued)

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	3.4	(2.7)

(c) (vi) Historic summary

Amounts for the current and previous periods are as follows:

	2012 \$m	2011 \$m	2010 \$m	2009 \$m	2008 \$m
Defined benefit plan obligation	714.3	642.2	631.8	715.7	788.2
Plan assets	(474.1)	(437.3)	(439.0)	(545.8)	(613.4)
Restriction on assets recognised	0.3	1.1	4.9	2.9	3.7
Deficit	240.5	206.0	197.7	172.8	178.5
Experience adjustments arising on plan liabilities - loss/(gain)	5.5	(4.7)	8.8	(7.5)	(16.6)
Experience adjustments arising on plan assets - gain/(loss)	14.2	(20.8)	(8.4)	(61.4)	(67.4)
Actual return on plan assets	43.6	9.0	26.8	(19.2)	(22.4)

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

	2012 \$m	2011 \$m
Net actuarial losses	(58.8)	(41.2)
Change in the effect of asset ceiling	0.8	3.8
Total losses recognised via the Statement of Comprehensive Income	(58.0)	(37.4)
Tax credit on total losses recognised via the Statement of Comprehensive Income	16.5	11.8
Total losses after tax recognised via the Statement of Comprehensive Income	(41.5)	(25.6)

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 2012 is \$199.2 million - loss (2011 \$140.4 million - loss).

(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.

Notes to the Financial Statements

For the year ended 30 September

38. Superannuation commitments (continued)

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

30 September 2012	Accrued Benefits	Fund Assets	Accrued (deficit)/surplus	Current contribution recommendation	Discount rate	Expected return on plan assets	Future salary increases
Plan	\$m	\$m	\$m		%	%	%
The Flexible Benefits Super Fund ^(2a)	347.5	257.4	(90.1)	13.0% of salaries	2.90	7.00	3.75
Pension Plan for Employees of Orica Canada Inc ^(2b)	115.3	93.0	(22.3)	Set in accordance with local annual funding requirements	4.75	5.80	3.25
Post Retirement Benefits (Canada) ^(2c)	18.8	-	(18.8)	Based on benefit payments	4.75	n/a	n/a
Orica Pension Scheme (UK) ^(2b)	37.7	31.0	(6.7)	25.0% of pensionable earnings	4.10	5.50	2.70
Dyno Nobel Sweden AB ^(2d)	32.7	-	(32.7)	Based on benefit payments	3.50	n/a	3.50
Nitro Consult AB (Sweden) ^(2d)	11.3	-	(11.3)	Based on benefit payments	3.50	n/a	3.50
Dyno DNE (Norway) ^(2e)	19.5	17.9	(1.6)	Insurance premiums	2.25	4.10	3.50
Dyno Defence (Norway) ^(2e)	3.4	3.4	-	Insurance premiums	2.25	4.10	3.50
Dynea HK (Norway) ^(2e)	7.0	3.6	(3.4)	Insurance premiums	2.25	4.10	3.50
Orica New Zealand Ltd Retirement Plan ^(2b)	29.4	18.4	(11.0)	15.8% of salaries	2.60	5.40	3.50
Orica USA Inc. Retirement Income Plan ^(2b)	29.0	18.8	(10.2)	Set in accordance with local annual funding requirements	3.75	7.25	n/a
Minova USA Retirement Plans ^(2b)	21.6	14.2	(7.4)	Set in accordance with local annual funding requirements	3.75	7.25	n/a
Orica's Benefit Plan (Brazil) ^(2b)	6.4	5.5	(0.9)	Set in accordance with local annual funding requirements	9.20	9.62	6.59
Other ⁽¹⁾	34.7	10.9	(23.8)	Various	Various	Various	Various
	714.3	474.1	(240.2)				
Restriction on assets recognised			(0.3)				
			(240.5)				

30 September 2011	Accrued Benefits	Fund Assets	Accrued (deficit)/surplus	Current contribution recommendation	Discount rate	Expected return on plan assets	Future salary increases
Plan	\$m	\$m	\$m		%	%	%
The Flexible Benefits Super Fund ^(2a)	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)				

Notes to the Financial Statements

For the year ended 30 September

38. Superannuation commitments (continued)

⁽¹⁾ Other international plans comprise the following:

- Dyno Nobel HK (Norway)
- Dyno Nobel Retirement Plan (Philippines)
- Dyno Nobel Retirement Plans (Mexico)
- Eurodyn (Europe)
- Excess Plan (Canada)
- High Income Earners Arrangement (Canada)
- Indian Explosives Limited Employees Management Staff Superannuation
- Indian Explosives Limited Employees Superannuation Fund
- Indian Explosives Limited Gratuity Fund
- Indian Explosives Limited Management Staff Leave Encashment Scheme
- Indian Explosives Limited Management Staff Pension (DB) Fund
- Indian Explosives Limited Non-Management Staff Leave Encashment Scheme
- International Pension Plan (Canada & Australia)
- Jubilee (Europe)
- Minova Carbotech Pension Plans (Germany)
- Minova Holding Pension Plans (Germany)
- Old Age Part-time Program (Incentives for Early Retirement) (Europe)
- Orica 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.

Notes to the Financial Statements

For the year ended 30 September

39. Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2011 and 2012:

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

Notes to the Financial Statements

For the year ended 30 September

39. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Orica Bolivia S.A.	Bolivia	Orica Med Bulgaria AD	Bulgaria
Orica Brasil Ltda	Brazil	Orica Mining Services (Namibia) (Proprietary) Limited (b)	Namibia
Orica Brasil Produtos Quimicos Ltda	Brazil	Orica Mining Services (Hong Kong) Ltd	Hong Kong
Orica Caledonie SAS	New Caledonia	Orica Mining Services Peru S.A.	Peru
Orica Canada Inc	Canada	Orica Mining Services Pilbara Pty Ltd (b)	
Orica Canada Investments ULC	Canada	Orica Mining Services Portugal S.A. (formerly Sociedade de Explosivos S.A.)	Portugal
Orica Caribe, S.A.	Panama	Orica Mining Services (Thailand) Limited	Thailand
Orica Centroamerica S.A.	Costa Rica	Orica Mongolia LLC	Mongolia
Orica Chemicals Argentina S.A.	Argentina	Orica Mountain West Inc.	USA
Orica Chemicals Chile S.A.	Chile	Orica Mozambique Limitada	Mozambique
Orica Chemicals Colombia S.A.S.	Colombia	Orica Nelson Quarry Services Inc.	USA
Orica Chemicals Peru S.A. (formerly Orica Peru S.A.)	Peru	Orica Netherlands Finance B.V.	Holland
Orica Chemicals Peru S.A.C. (f)	Peru	Orica New Zealand Finance Limited	NZ
Orica Chemicals Trading Agency (Beijing) Co., Ltd.	China	Orica New Zealand Ltd	NZ
Orica Chile Distribution S.A.	Chile	Orica New Zealand Securities Limited	NZ
Orica Chile S.A.	Chile	Orica New Zealand Superfunds Securities Ltd	NZ
Orica CIS CJSC	Russia	Orica Nitrates Philippines Inc	Philippines
Orica Clarendon NZ Limited	New Zealand	Orica Nitratos Peru S.A.	Peru
Orica Clarendon Pty Ltd (e)		Orica Nitro Patlayici Maddeler Sanayi ve Ticaret Anonim Sirketi	Turkey
Orica Colombia S.A.S.	Colombia	Orica Nitrogen LLC	USA
Orica Czech Republic s.r.o.	Czech Republic	Orica Nominees Pty Ltd (e)	
Orica Denmark A/S	Denmark	Orica Norw ay AS	Norw ay
Orica Dominicana S.A.	Dominican Republic	Orica Norw ay Holdings AS	Norw ay
	Estonia	Orica Philippines Inc	Philippines
Orica Eesti OU		Orica Panama S.A. (formerly Minería, Explosivos y Servicios, S.A.)	Panama
Orica Europe FT Pty Ltd (e)		Orica Poland Sp. z.o.o.	Poland
Orica Europe Investments Pty Ltd (e)		Orica Portugal, S.G.P.S., S.A.	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		Orica Share Plan Pty Limited (e)	
Orica Explosives Holdings No 2 Pty Ltd		Orica Senegal SARL	Senegal
Orica Explosives Holdings No 3 Pty Ltd (e)		Orica Singapore Pte Ltd	Singapore
Orica Explosives Research Pty Ltd (e)		Orica Slovakia s.r.o.	Slovakia
Orica Explosives Technology Pty Ltd		Orica Solomon Islands Pty Limited	Solomon Islands
Orica Explosives (Thailand) Co Ltd	Thailand	Orica South Africa (Proprietary) Limited	South Africa
Orica Explosivos Industriales, S.A.	Spain	Orica St. Petersburg LLC	Russia
Orica Export Inc.	USA	Orica Sw eden AB	Sw eden
Orica Fiji Ltd	Fiji	Orica Sw eden Holdings AB	Sw eden
Orica Finance Limited		Orica Tanzania Limited	Tanzania
Orica Finance Trust		Orica UK Limited	UK
Orica Finland OY	Finland	Orica US Holdings General Partnership	USA
Orica GEESP Pty Ltd (e)		Orica USA Inc.	USA
Orica Germany GmbH	Germany	Orica U.S. Services Inc.	USA
Orica Ghana Limited	Ghana	Orica Venezuela C.A.	Venezuela
Orica Grace US Holdings Inc.	USA	Orica Watercare Inc.	USA
Orica Holdings Pty Ltd (e)		Orica (Weihai) Explosivos Co Ltd	China
Orica Ibéria, S.A.	Portugal	Orica Zambia Limited	Zambia
Orica IC Assets Holdings Limited Partnership		Oricare Canada Inc. (b)	Canada
Orica IC Assets Pty Ltd		Oricorp Comercial S.A. de C.V.	Mexico
Orica IC Investments Pty Ltd (e)		Oricorp Mexico S.A. de C.V.	Mexico
Orica International IP Holdings Inc.	USA	Penlon Proprietary Limited (e)	
Orica International Pte Ltd	Singapore	Project Grace Holdings	UK
Orica Investments (Indonesia) Pty Limited (e)		Project Grace Incorporated	USA
Orica Investments (NZ) Limited	NZ	Project Grace	UK
Orica Investments (Thailand) Pty Limited (e)		PT Baktijala Kencana Citra	Indonesia
Orica Investments Pty Ltd (a)		PT Kalimantan Mining Services	Indonesia
Orica Japan Co. Ltd	Japan	PT Kaltim Nitrate Indonesia	Indonesia
Orica Kazakhstan Joint Stock Company	Kazakhstan	PT Orica Mining Services	Indonesia
Orica Logistics Canada Inc.	Canada		
Orica Mauritania SARL (b)	Mauritania		

Notes to the Financial Statements

For the year ended 30 September

39. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Retec Pty Ltd (e)		Taian Ruichy Minova Ground Control Technology Co., Ltd	China
Rui Jade International Limited	Hong Kong	Tec Harseim Do Brazil Ltda	Brazil
Sarkem Pty Ltd (e)		Teradoran Pty Ltd (g)	
Southern Blasting Services, Inc.	USA	TOO "Minova Kasachstan"	Kazakhstan
Sprengmittelvertrieb in Bayern GmbH	Germany	Transmate S.A.	Belgium
Sprengstoff-Verwertungs GmbH	Germany	White Lightning Holding Co Inc	Philippines
Stratabolt Products (Pty) Limited (i)	South Africa		
Stratabolt (Pty) Limited	South Africa		

(a) These controlled entities have each entered into a Deed of Cross Guarantee with Orica in respect of relief granted from specific accounting and financial reporting requirements in accordance with the ASIC Class Order 98/1418.

(b) Incorporated in 2012.

(c) In liquidation.

(d) Liquidated in 2012.

(e) Small proprietary company - no separate statutory accounts are prepared.

(f) Merged in 2012.

(g) Divested in 2012.

(h) Consolidated as subsidiary in 2012.

(i) Re-registered in 2012.

(j) De-registered in 2012.

Notes to the Financial Statements

For the year ended 30 September

Closed Group
2012 2011
\$m \$m

40. Deed of cross guarantee

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

Summarised balance sheet

Current assets

Cash and cash equivalents	1,592.2	2,367.2
Trade and other receivables	281.8	374.3
Inventories	169.8	149.4
Other assets	12.0	19.0
Total current assets	2,055.8	2,909.9

Non-current assets

Trade and other receivables	21.9	-
Investments accounted for using the equity method	42.3	1.5
Other financial assets	3,228.4	3,222.6
Property, plant and equipment	1,089.5	1,000.9
Intangible assets	81.7	76.4
Deferred tax assets	151.1	135.1
Other assets	14.2	0.1
Total non-current assets	4,629.1	4,436.6

Total assets	6,684.9	7,346.5
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Current liabilities

Trade and other payables	439.2	534.2
Interest bearing liabilities	654.1	450.1
Current tax liabilities	44.7	16.1
Provisions	33.7	137.1
Total current liabilities	1,171.7	1,137.5

Total current liabilities	1,171.7	1,137.5
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Non-current liabilities

Trade and other payables	5.1	67.4
Interest bearing liabilities	2,494.9	2,589.0
Deferred tax liabilities	112.8	89.7
Provisions	255.7	156.2
Total non-current liabilities	2,868.5	2,902.3

Total non-current liabilities	2,868.5	2,902.3
Total liabilities	4,040.2	4,039.8

Net assets	2,644.7	3,306.7
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Equity

Ordinary shares	1,795.1	1,749.9
Reserves	359.8	349.2
Retained profits	489.8	717.6
Total equity attributable to ordinary shareholders of Orica	2,644.7	2,816.7

Equity attributable to Step-Up Preference Securities holders	-	490.0
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Total equity	2,644.7	3,306.7
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Summarised income statement and retained profits

Profit before income tax expense	252.6	701.4
Income tax expense	(107.7)	(88.3)
Profit from operations	144.9	613.1

Retained profits at the beginning of the year	717.6	473.7
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Actuarial losses recognised directly in equity	(23.9)	(19.7)
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Dividends/distributions:		
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Step-Up Preference Securities distributions	(11.1)	(32.2)
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Less tax credit on Step-Up Preference Securities distributions	2.2	10.0
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Transfer of cost related to issue of Step-Up Preference Securities	(10.0)	-
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Ordinary dividends – interim	(137.9)	(133.2)
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Ordinary dividends – final	(192.0)	(194.1)
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Retained profits at the end of the year	489.8	717.6
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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 consolidated financial statements and notes, set out on pages 48 to 125, and the Remuneration report in the Directors' report, set out on pages 24 to 45, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the consolidated entity as at 30 September 2012 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards 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 2012.

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 12th day of November 2012.



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 2012, 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 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards 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 2012. 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 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Gordon Sangster
Partner

Melbourne

12 November 2012

Shareholders' Statistics

As at 9 November 2012

Distribution of ordinary shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	40,270	64.73%	16,581,571	4.53%
1,001	–	5,000	19,201	30.87%	39,399,590	10.78%
5,001	–	10,000	1,842	2.96%	12,626,007	3.45%
10,001	–	100,000	816	1.31%	16,556,072	4.53%
100,001 and over			78	0.13%	280,479,562	76.71%
Total			62,207	100.00%	365,642,802	100.00%

Included in the above total are 2,035 shareholders holding less than a marketable parcel of 20 shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 71.10% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
HSBC Custody Nominees (Australia) Limited	90,440,680	24.73%
J P Morgan Nominees Australia Limited	62,729,872	17.16%
National Nominees Limited	39,474,371	10.80%
Citicorp Nominees Pty Limited	12,638,724	3.46%
RBC Investor Services Australia Nominees Pty Limited <PI POOLED A/C>	10,471,193	2.86%
J P Morgan Nominees Australia Limited <CASH INCOME A/C>	7,372,305	2.02%
BNP Paribas Noms Pty Ltd <MASTER CUST DRP>	6,858,975	1.88%
Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	6,124,167	1.67%
RBC Investor Services Australia Nominees Pty Limited <BK CUST A/C>	3,098,532	0.85%
Australian Foundation Investment Company Limited	2,711,626	0.74%
AMP Life Limited	2,613,156	0.71%
Perpetual Trustee Company Limited	2,425,200	0.66%
Argo Investments Limited	2,237,983	0.61%
BNP Paribas Noms Pty Ltd <DRP>	1,884,707	0.52%
UBS Wealth Management Australia Nominees Pty Ltd	1,713,262	0.47%
Citicorp Nominees Pty Limited <BHP BILLITON ADR HOLDERS A/C>	1,683,254	0.46%
HSBC Custody Nominees (Australia) Limited <NT-COMMWLTH SUPER CORP A/C>	1,498,070	0.41%
BNP Paribas Noms Pty Ltd <SMP ACCOUNTS DRP>	1,471,559	0.40%
RBC Investor Services Australia Nominees Pty Limited <PIIC A/C>	1,463,334	0.40%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,053,486	0.29%
Total	259,964,456	71.10%

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:

15 October 2012	Perpetual Limited and Subsidiaries	26,638,333	7.30%
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Ten Year Financial Statistics

Orica consolidated		2012 \$m	2011 \$m
Sales		6,674.1	6,182.3
Earnings before depreciation, amortisation, net borrowing costs and tax		1,274.0	1,252.5
Depreciation and amortisation (excluding goodwill)		(251.4)	(224.2)
Goodwill amortisation		-	-
Earnings before net borrowing costs and tax (EBIT)		1,022.6	1,028.3
Net borrowing costs		(128.2)	(123.5)
Individually material items before tax		(367.2)	-
Taxation expense		(103.4)	(241.4)
Non-controlling interests		(21.0)	(21.1)
Profit/(loss) after tax and individually material items		402.8	642.3
Individually material items after tax attributable to members of Orica		(247.4)	-
Profit after tax before individually material items net of tax		650.2	642.3
Dividends/distributions		341.0	359.5
Current assets		2,038.0	1,985.2
Property, plant and equipment		3,034.4	2,709.7
Investments		206.4	172.1
Intangibles		2,046.8	2,505.4
Other non-current assets		298.0	255.8
Total assets		7,623.6	7,628.2
Current borrowings and payables		1,415.3	1,229.0
Current provisions		165.0	228.4
Non current borrowings and payables		2,275.1	1,769.3
Non current provisions		521.7	525.9
Total liabilities		4,377.1	3,752.6
Net assets		3,246.5	3,875.6
Equity attributable to ordinary shareholders of Orica		3,121.5	3,264.3
Equity attributable to Step-Up Preference Securities holders		-	490.0
Equity attributable to non-controlling interests		125.0	121.3
Total shareholders' equity		3,246.5	3,875.6
Number of ordinary shares on issue at year end	millions	365.6	364.0
Weighted average number of ordinary shares on issue	millions	360.6	357.5
Basic earnings per ordinary share			
before individually material items	cents	177.9	173.5
including individually material items	cents	109.2	173.5
Dividends per ordinary share	cents	92.0	90.0
Dividend franking	%	41.3	78.9
Dividend yield (based on year end share price)	%	3.7	3.8
Closing share price range – High		\$27.97	\$27.75
Low		\$22.40	\$21.44
Year end		\$24.87	\$23.48
Stockmarket capitalisation at year end	\$m	9,092.5	8,546.7
Net tangible assets per share	\$	2.94	2.08
Profit margin (earnings before net borrowing costs and tax/sales)	%	15.3	16.6
Net debt		2,299.2	1,408.1
Gearing (net debt/net debt plus equity)	%	41.5	26.6
Interest cover (EBIT/net borrowing costs excluding capitalised interest)	times	6.1	6.4
Net capital expenditure on plant and equipment (Cash Flow)		(558.0)	(646.6)
Capital expenditure on acquisitions (Cash Flow)		(11.3)	(60.9)
Return on average shareholders' funds			
before individually material items	%	18.9	17.7
including individually material items	%	11.7	17.7

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

2010 \$m	2009 \$m	2008 \$m	2007 \$m	2006 \$m	2005 \$m	2004 \$m	2003 \$m	2002 \$m
6,539.3	7,411.0	6,544.1	5,527.2	5,359.2	5,126.7	4,610.5	3,958.6	4,085.2
1,340.9	1,330.2	1,188.8	995.9	814.6	741.3	724.2	617.5	581.8
(239.5)	(247.7)	(218.7)	(183.2)	(156.9)	(140.4)	(137.7)	(155.1)	(161.3)
-	-	-	-	-	-	(33.2)	(20.1)	(10.5)
1,101.4	1,082.5	970.1	812.7	657.7	600.9	553.3	442.3	410.0
(127.6)	(133.5)	(157.7)	(122.6)	(92.2)	(102.5)	(72.3)	(60.7)	(59.5)
715.6	(139.6)	(41.6)	(22.3)	70.8	(187.7)	(46.6)	(208.7)	(48.1)
(334.7)	(228.0)	(203.5)	(154.4)	(74.9)	(88.8)	(80.9)	(59.3)	(72.5)
(36.0)	(39.6)	(27.7)	(25.7)	(22.3)	(13.6)	(25.7)	(12.9)	(16.3)
1,318.7	541.8	539.6	487.7	539.1	208.3	327.8	100.7	213.6
642.9	(104.3)	(32.7)	(10.1)	158.8	(131.6)	2.2	(169.6)	(25.5)
675.8	646.1	572.3	497.8	380.3	339.9	325.6	270.3	239.1
1,098.3	378.0	326.0	303.7	207.1	190.6	156.6	50.0	122.9
1,831.9	1,994.4	2,458.2	1,955.2	2,479.7	1,781.6	1,699.6	1,282.6	1,270.3
2,235.2	2,075.0	2,052.3	1,742.9	1,603.1	1,593.7	1,514.4	1,436.8	1,414.1
162.6	168.3	209.3	125.6	125.9	49.1	48.4	86.4	234.2
2,510.9	2,756.5	3,012.6	2,055.5	1,141.3	634.3	588.3	441.7	135.5
248.8	360.0	275.4	335.2	362.8	252.5	335.2	307.8	311.1
6,989.4	7,354.2	8,007.8	6,214.4	5,712.8	4,311.2	4,185.9	3,555.3	3,365.2
1,215.5	1,316.9	1,777.8	1,625.4	981.0	958.9	1,165.4	683.3	640.0
343.4	298.8	301.8	332.3	319.1	218.7	215.1	169.6	248.2
1,305.1	1,279.8	1,107.2	1,098.6	1,272.5	1,287.2	755.7	812.7	727.8
492.8	485.9	502.6	530.5	472.0	326.9	510.3	309.2	255.1
3,356.8	3,381.4	3,689.4	3,586.8	3,044.6	2,791.7	2,646.5	1,974.8	1,871.1
3,632.6	3,972.8	4,318.4	2,627.6	2,668.2	1,519.5	1,539.4	1,580.5	1,494.1
3,032.7	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	490.0	-	-	-	-
109.9	112.1	96.9	60.9	51.6	191.6	204.9	195.6	121.1
3,632.6	3,972.8	4,318.4	2,627.6	2,668.2	1,519.5	1,539.4	1,580.5	1,494.1
362.1	360.0	359.2	307.9	309.2	273.1	270.1	277.6	279.1
355.5	353.9	320.0	306.3	300.8	272.8	273.5	277.9	278.0
185.6	174.6	170.0	149.5	126.4	124.6	119.0	97.2	86.0
366.4	145.2	159.8	146.3	179.2	76.3	119.8	36.2	76.8
95.0	97.0	94.0	89.0	74.0	71.0	68.0	52.0	44.0
73.7	35.1	36.2	34.8	40.5	32.4	41.2	21.1	34.0
3.7	4.1	4.5	3.0	3.3	3.4	3.9	4.3	4.6
\$27.75	\$24.15	\$32.18	\$33.90	\$26.45	\$21.55	\$17.55	\$12.47	\$9.85
\$21.95	\$11.30	\$20.95	\$21.78	\$17.78	\$14.32	\$11.92	\$8.15	\$4.22
\$25.71	\$23.50	\$20.95	\$30.10	\$22.47	\$21.00	\$17.30	\$12.00	\$9.52
9,310.0	8,459.0	7,525.2	9,268.2	6,948.1	5,735.2	4,672.0	3,331.2	2,656.9
1.44	1.71	2.00	0.07	3.19	2.53	2.76	3.40	4.43
16.8	14.6	14.8	14.7	12.3	11.7	12.0	11.2	10.0
1,051.6	1,094.5	1,020.5	1,305.7	302.1	1,112.1	977.3	877.0	679.7
22.4	21.6	19.1	33.2	10.2	42.3	38.8	35.7	31.3
7.5	7.8	6.1	6.6	7.1	5.9	7.7	7.3	6.9
(517.3)	(345.6)	(394.8)	(280.9)	(329.2)	(234.9)	(126.9)	(43.6)	(15.3)
(162.1)	(107.3)	(866.2)	(917.7)	(875.6)	(59.2)	(253.9)	(415.7)	(1.3)
18.3	16.0	16.9	19.2	19.3	25.5	23.9	19.6	18.0
35.7	13.4	15.9	18.8	27.3	15.6	24.1	7.3	16.1

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

10.30am Thursday, 31 January 2013
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 Sustainability 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. 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
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Postal address:
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Telephone: +61 3 9665 7111
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Email: companyinfo@orica.com

Website: www.orica.com

INVESTOR RELATIONS

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

SHAREHOLDER TIMETABLE*

31 MARCH 2013

6 MAY 2013

3 JUNE 2013

1 JULY 2013

30 SEPTEMBER 2013

11 NOVEMBER 2013

25 NOVEMBER 2013

13 DECEMBER 2013

31 JANUARY 2014

* Timing of events is subject to change

ORICA HALF YEAR END

HALF YEAR PROFIT AND INTERIM DIVIDEND ANNOUNCED
BOOKS CLOSE FOR 2013 INTERIM ORDINARY DIVIDEND
INTERIM ORDINARY DIVIDEND PAID

ORICA YEAR END

FULL YEAR PROFIT AND FINAL DIVIDEND ANNOUNCED
BOOKS CLOSE FOR 2013 FINAL ORDINARY DIVIDEND
FINAL ORDINARY DIVIDEND PAID

ANNUAL GENERAL MEETING 2013

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