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About Orica

Orica is one of the leading publicly owned companies in Australia with a proud tradition of leadership, innovation, quality and safety. At the time of publication, Orica employed approximately 11,000 people in around 40 different countries. Upon completion of the recently announced acquisition of parts of Dyno Nobel's commercial explosives business, Orica will employ around 13,000 people, have operations in 50 countries and service customers in 98 different countries around the world.

Orica is one of the top 50 companies listed on the Australian Stock Exchange. We have been in business for over 130 years, growing from a supplier of explosives to the Victorian gold fields in Australia into a multi-billion dollar company that supplies an extensive range of products and value-adding services.

Orica turns science into the solutions that satisfy basic human needs. Our products, brands and services can be trusted for their reliability, range and quality.

At Orica, we care about people and the environment. We endeavour to meet our environmental, social and community obligations in a sustainable manner to ensure that the benefits to society today do not compromise the quality of life of future generations.

OUR BUSINESSES

Each of Orica's five business platforms is a leader in its chosen market and enjoys a world class reputation.



Mining Services, Orica's largest business, offers commercial explosives, initiating systems and advanced mining solutions to the mining, quarrying and construction industries. The business is run globally with a presence in Australia, Asia, Europe, the former Soviet Union, Africa, the Middle East, North America and Latin America. Orica Mining Services prides itself on offering customer service that delivers 'value beyond blasting'.



Incitec Pivot, Australia's largest supplier of agricultural plant nutrients, is 70%-owned by Orica. The company offers an extensive range of both nitrogen and superphosphate-based products, and plays a leading role in the manufacture and supply of fertilisers to the crop, pasture and horticulture markets in Australia's eastern States.



Chemnet is Australasia's leading chemical distributor, servicing more than 40 key industries. The business operates predominantly in Australia, New Zealand, Asia and South America. Utilising Chemnet's product sourcing expertise and extensive supply chain network, the business imports, sources or manufactures over 20,000 products, sourced from over 400 suppliers and marketed to over 15,000 customers.



Chemical Services is a major supplier of chemicals, services and technology to the water treatment, mining chemical and industrial chemical markets. The business is based in Australia and has operations in New Zealand, Indonesia, the United States and the United Kingdom. Chemical Services operates three separate business units: Watercare, Mining Chemicals and Industrial Chemicals.



Orica's Consumer Products business is Australia and New Zealand's leader in decorative preparation, and lawn and garden care products. The business manufactures and markets icon brands that include Dulux, Berger, British Paints, Levene, Walpamur, Cabot's, Feast Watson, Intergrain, Acratex, Selleys, Rota Cota, Poly, Turtle Wax, Yates, Thrive, Zero and Dynamic Lifter in Australia and New Zealand. An extensive range of powder coatings is manufactured and marketed in Australia, New Zealand and the Asia-Pacific region.

The way we do business

The way we do business involves focusing on:

- **Strategy** which is about planning for business growth;
- **Efficiency** which includes productivity improvements and capital management; and
- **Culture** which aligns everyone within the company to common goals, behaviours and ethics, and which empowers and motivates them to achieve long-term, sustainable results.

Underpinning the three pillars of Strategy, Efficiency and Culture are Orica's value drivers which are defined conceptually through the profit engine and growth engine. The profit engine has three major components: cost productivity, aimed at reducing the total cost incurred for each dollar of sales; capital productivity, aimed at reducing the amount of fixed and working capital required to produce each dollar of sales; and growth.

We acknowledge our environmental, social and community obligations and are committed to proving to our customers and the community that we can meet them.

Our performance-based culture is known as 'Deliver the Promise'. It succeeds because it was developed by our employees and is being driven by them. The way we do business is guided by four key principles – Safety, Health and the Environment; Commercial Ownership; Creative Customer Solutions; and Working Together – all of which are supported by appropriate systems and processes.

Chairman's Report



It is pleasing to be able to report another year of solid performance by your company in an environment of mixed market conditions. It was also a year in which we underscored the board's commitment to grow the company with further acquisitions and organic growth initiatives.

Overall, Orica's underlying earnings for the year improved with net profit after tax and before significant items up 3% on the Full Year result for 2004 to \$335 million.

Shareholders continue to benefit from the company's ongoing success. A final dividend of 46 cents per share has been declared, franked at 15 cents per share. The total dividend for the year is 71 cents per share franked at 23 cents per share. The total dividend is an increase of 4% on the dividend in 2004. Return on shareholders funds (before significant items) was 23%, up marginally on the previous year.

The Board's long-term strategy to support and develop our business platforms has been underpinned by activities to improve productivity and efficiency, establishing a solid foundation for growth.

Two prominent developments in the past year have occurred in Mining Services: the expansion of our Ammonium Nitrate (AN) Plant at Yarwun, in Queensland, which, upon completion next year, will be the biggest of its kind in the world, and the acquisition of the Dyno Nobel businesses in Europe, Asia, Latin America, the Middle East and Africa which will start to be integrated from early 2006.

We take pride in the fact that Orica is an Australian company, which is a world leader. Upon completion of the integration of the Dyno Nobel businesses, we will have a presence in almost 100 countries around the world and more than half of our employees will be located outside Australia.

There were 'bolt on' acquisitions for both Chemnet and Chemical Services. Chemnet acquisitions have achieved both geographic and category expansion. The B&J acquisition took Chemnet into Asia while the Andean Chemicals acquisition in Chile added Latin America where our Mining Services business is prominent. Acquisitions of Keith Harris and Woods and Woods boosted Chemnet's presence in foods and flavourings. Chemical Services strengthened its Watercare business with the addition of Aluminates Chemical Industries in southern Australia.

In all businesses, while we are open to further opportunities for geographic and category expansion, a key focus has been the ongoing "bedding down" of recent acquisitions to deliver the value proposition upon which the acquisition was based.

Another strategic imperative for the board has been portfolio management.

The Chemicals Group has been divided into two businesses, Chemnet and Chemical Services, providing Orica now with five business platforms. Chemnet this year achieved sales revenue for the first time of \$1 billion to become a significant business in its own right and the creation of these two business platforms is providing management focus and allowing both businesses to follow logical and independent growth paths.

The last of our portfolio legacy issues will be resolved with the divestment of Qenos (50% joint venture with Exxon Mobil) to the China National Chemical Corporation. This is expected to be completed early in 2006.

I have advised you in the past about the priority given by the Board to succession planning. In the past year, we have seen our deliberation and planning bear fruit with unexpected changes at the most senior levels within the organisation.

Our two most important executive positions, Managing Director & CEO, and Executive Director Finance, became vacant this year because of personal reasons. I'm pleased to advise that both roles were filled by internal candidates. Graeme Liebelt was appointed Managing Director and Chief Executive Officer in September to succeed Malcolm Broomhead who resigned because of ill health. Graeme is well known to you as a long-term executive director of Orica and as the successful CEO of our international Mining Services business.

I would like to take this opportunity to thank Malcolm whose leadership gave both clarity and accountability resulting in a successful turnaround and establishing the pathway to growth. We wish Malcolm all the best for a full recovery.

Upon the departure of Executive Director Finance Jim Hall at the start of this calendar year for family reasons, the Board appointed Noel Meehan to the senior financial role within the company. Noel was selected from a range of quality internal candidates who are also continuing to make strong contributions to the company.

Other key executive positions have also been filled internally during the year including the General Manager roles at four of our five business platforms. In all cases, the transition has been smooth reflecting the quality of the Orica people at all levels.

The continuing success of Orica requires people of considerable talent. We recognise the ongoing challenge to retain and motivate the best people and foster them to the higher levels of the company. An important element of this is how our key people are recognised and rewarded.

The Board has adopted a policy that remuneration will reinforce the short, medium and long-term objectives of the company, link rewards to the creation of shareholder value and returns, and be competitive so we can attract, motivate and retain people of the highest calibre.

The Orica team is skilled, enthusiastic and committed. On behalf of the Board, I would like to thank them for their part in driving Orica forward.

Our people play a key role in managing our businesses to meet the expectations of our communities with regard to environmental and social responsibilities. Working with Government agencies, we proactively seek solutions to contamination of soil and groundwater at our current and former sites, which are the legacy of historic operations. Additionally, we have set high standards under the Challenge 2010 program for the Safety and Health of employees and communities, Environmental performance and Community Relations.

In looking to the future, there are many variables in the economic environment in which we operate. At this point in time, barring any potential fragility in the world economy and given natural growth in the industries in which we operate, we anticipate continued momentum underwritten by our productivity initiatives, clear strategic direction and dedicated employees.

A handwritten signature in dark ink, appearing to read 'D. Mercer'.

Don Mercer
Chairman

Managing Director's Report



I am pleased to report to you for the first time and advise that our underlying profit of \$335 million was a further record result, albeit a modest increase on the previous year – a good outcome when some businesses encountered some economic 'headwinds'.

The results show improved underlying performance and returns for our shareholders including an increase in dividends over the 2004 year.

We are confident that the company is in good shape going forward.

The results underscore the resilience of our current business portfolio and our business model in a year when some of our businesses had favourable conditions, while others faced considerable challenges. In a year of rapid cost increases, the consequential impact was contained to a moderate effect on our result because of the focus on cost and capital productivity.

Orica Mining Services and the Chemicals Group, now reported as Chemnet and Chemicals Services, delivered record profits reflecting strong market conditions, further efficiency gains and the benefits of bolt on acquisitions. A highlight was the continued improvement in performance of the North American business, which is now performing at well above our 18% Return On Net Assets (RONA) hurdle.

In contrast, market conditions were tougher for Orica Consumer Products (OCP) and Fertilisers (Incitec Pivot Limited). OCP's result was down only 2% on a record result last year demonstrating the benefit of productivity initiatives while Fertilisers has instituted a cost reduction program to deal with a changed competitive environment.

During the past 12 months, we continued establishing a foundation for further earnings growth during the course of 2006 and particularly from 2007 onwards, when we will enjoy the substantial benefits of initiatives undertaken in 2005 and previous years.

In terms of growth strategy, we are committed to the principles of market leadership, only growing businesses that have earned the right to grow and growing close to our core, either through merger and acquisition, organic growth or capital expansion.

Highlights were the completed expansions of our ammonium nitrate facilities at Yarwun and Kooragang Island and our current expansion of Yarwun. These provide additional capital productivity improvements and continued earnings momentum. The agreement to acquire certain parts of Dyno Nobel will mean that we will be one of the few Australian-based businesses that can truly claim to be a global leader.

In Chemnet and Chemical Services, several acquisitions have been made during the course of the year including Aluminates, Woods & Woods, Keith Harris Flavours and Food, and a 51% interest in Andean Chemicals Group in South America. Integration is complete and we are now focused on driving more value from these and earlier acquisitions.

In tandem with growing our businesses, we retain our focus on cost and productivity. We will continue to pursue sustainable cost productivity and capital productivity improvements, as this will help liberate more free cash flow. Additionally, we will continue to monitor and improve our working capital, debt levels and gearing. Our efficiency focus has been broadened to tackle areas of costs not targeted previously with a goal of year on year reductions in cost per unit of sales. We have progressed systems and capabilities in areas like procurement, manufacturing efficiency, supply chain improvement, project management and customer focus. For example, we now have in place a full global procurement team, and are in the process of launching Six Sigma across the Group.

In Safety Health & Environment, there was a tragic pall over our performance: the deaths of four colleagues in two separate incidents at Lorena, Brazil, and Lampa, Chile. Any fatality is unacceptable, and we are implementing a number of actions in direct response to these incidents. Our underlying safety performance continues to be of a very high standard, but we cannot be in any way satisfied with our performance while we have even one incident with the potential for such tragic consequences.

Our commitment to improving our environmental performance has continued to deliver satisfying outcomes. We exceeded our objectives in regard to minimising our impact on the environment by reducing energy and water consumption, emissions of greenhouse gases and waste generation. In addition, we have continued to address legacy issues that have resulted from past poor practices. Many sites have been cleaned up in recent years including Cabarita, Rhodes and Cheltenham. Work is currently underway on our biggest environmental project to date, Botany Groundwater. In these projects, as in all our activities, we continue to strive to maintain regular and transparent communication with the communities in which we operate.

Orica would not be the company it is today without the contribution of our capable and dedicated employees and I am very proud to lead the Orica team as we continue to Deliver The Promise. I have appreciated the support of people at all levels both in my previous and current roles which has contributed to a seamless transition which has benefited not only everyone at Orica but also our external stakeholders as well. This approach is underpinned by the Orica Culture and the four key principles of Safety, Health and the Environment, Commercial Ownership, Creative Customer Solutions and Working Together, which continue to guide all our activities.

I believe that 2006 will be a good year in its own right, and it will also be the bridge to a period of sustained profit growth, driven by improvements across all of our businesses.

A handwritten signature in black ink, appearing to read 'Graeme Liebelt', written in a cursive style.

Graeme Liebelt
Managing Director and CEO

Review of Operations

Orica's earnings for the year ended 30 September 2005 were in line with the previous corresponding period, with net profit after tax⁽¹⁾ up 3% to \$335M. NPAT after significant items of \$236M was down 28% compared to 2004.

Financial Highlights

- Sales revenue up 11%
- EBIT up 4% to \$577M
- Earnings per share⁽²⁾ up 3% to \$1.23; return on shareholders' funds⁽³⁾ steady at 23%
- Gearing⁽³⁾ at 40.2%
- Net interest expense \$103M, up 43%, with interest cover of 5.6 times
- Final dividend increased to 46 cents per share (cps) – franked at 15 cps. Total dividend for 2005 is 71 cps (2004: 68 cps), franked at 23 cps (32.4%).

Business Highlights

- Record results in Mining Services and Chemicals (Chemnet and Chemical Services), reflecting strong market conditions and further efficiency gains (including North American restructuring benefits) and earnings from acquired businesses in Chemicals
- Consumer Products was down 2% as market conditions were softer compared with last year, especially the Australian retail sector
- Fertiliser's earnings, pre significant items, were down 31% on 2004 due to poor seasonal conditions and increased market competition.

(1) Net profit after tax (NPAT) and minorities before significant items

(2) Before significant items

(3) Net debt/net debt + equity.

Mergers, Acquisitions, Development

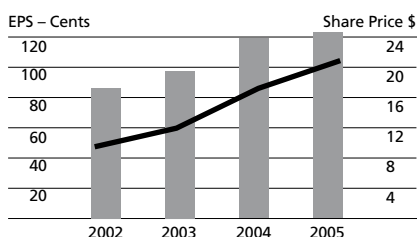
- Announcement of a deal to acquire the European, Middle Eastern, African, Latin American and Asian businesses of Dyno Nobel from a Macquarie Bank consortium. Total consideration, including transaction costs, of \$969M
- Further expansion at Yarwun (which will approximately double ammonium nitrate capacity) is progressing well with the plant expected to be commissioned by August 2006
- Sale of Orica's 50% share of the Orica/Exxon Mobil Qenos joint venture
- Continued bolt-on acquisitions in the Chemicals businesses with Woods & Woods, Keith Harris Flavours and Food, Aluminates and a majority position in the Andean Chemicals Group.

Outlook – 2006

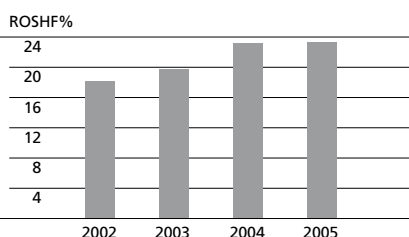
- Further earnings growth, compared with 2005, dependent on seasonal conditions in the agricultural sector and the global economic environment.

Shareholder Scorecard

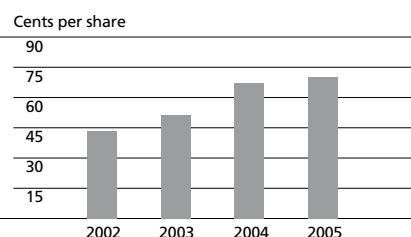
Earnings per Share* and Year End Share Price



Return on Shareholders' Funds



Dividends per Share



Key ● EPS ● Year End Share Price

*Before significant items

Review of Financial Performance

Revenue

Sales revenue increased by \$516M (+11%) to \$5,127M.

Major factors were:

- Underlying revenue improvement of \$289M driven primarily by:
 - improved mining volumes in all regions +\$236M; and
 - in the Chemicals businesses, revenue gains from improved prices and net volume increases (+\$46M);

Offset partly by:

- revenue decreases from the Fertiliser business (-\$62M) and Consumer Products (-\$3M).
- The impact of current year acquisitions and full year impact of 2004 acquisitions +\$249M
- Excluding acquisitions and foreign exchange impact, revenue growth was \$267M or 5.8%.

Earnings before Interest and Tax (EBIT)

- Total EBIT increased 4% to \$577M (2004: \$553M) due to:
 - volume growth in the Mining Services and Chemnet businesses;
 - 2005 acquisitions and the full year impact of 2004 acquisitions;
 - improved underlying efficiencies. Notably, the North American Mining business achieved full year fixed cost savings of \$18M (2004: \$4M); and
 - incremental earnings (before tax) from the sale and leaseback of assets of \$10M;

Offsetting:

- significantly reduced earnings from the Fertiliser business (- \$32M);
- costs of \$33M relating to growth and productivity initiatives, aimed at promoting sustainable growth and efficiency improvements across the Group;
- significant input cost increases across all businesses and the lag in their recovery; and
- increased goodwill amortisation charges relating to recent acquisitions (-\$5M).

Interest

- Net interest expense was \$103M compared with \$72M in 2004. This increase is due to:
 - the full year impact of higher average debt levels arising from 2004 acquisitions;
 - the \$105M disputed tax payment;
 - the share buy-back (\$54M);

- higher average interest rates resulting from the completion of a US\$559M Private Placement in May 2005;
 - higher floating interest rates; and
 - higher working capital in the first half.
- Interest cover was 5.6 times (2004: 7.7 times).

Tax

- Tax expense was \$119M with an effective tax rate of 25% (2004: 27%), mainly reflecting higher utilisation of US tax losses.

Net Profit

- Net profit after tax and minority interests increased 3% to \$335M (2004: \$326M)
- Net profit after tax and significant items was down 28% to \$236M (2004: \$328M).

Significant Items

Significant items were a loss of \$99M after tax (2004: gain of \$2M). Major items in the current year were:

- \$34M write-off of capitalised and transaction costs relating to the sale of the 50% share of the Qenos joint venture;
- Increase in the environmental provision of \$18M after tax, relating to groundwater remediation at Botany; and
- \$46M restructuring and rationalisation costs associated with Fertilisers, the Chemicals businesses and the Group Corporate office.

Share Buyback

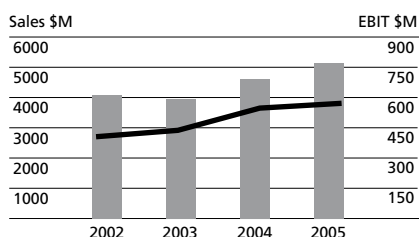
- On 3 November 2004, the Directors announced an on-market share buy-back of up to \$250M
- During the year, Orica bought back 2,943,418 shares for total consideration of \$53.7M, at an average price of approximately \$18.24
- In light of the funding required for the Dyno Nobel acquisition, the share buy-back is currently not active.

Dividend

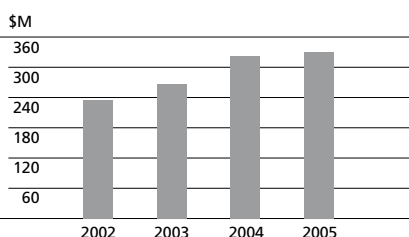
- Directors have increased the final dividend by 2% to 46 cps (2004: 45 cps) franked at 15cps
- Full year dividend has increased by 4.4% to 71 cents (2004 68 cents), franked at 23 cps, representing a payout ratio of 58%
- Franking capacity is forecast to improve in 2006 due to the reduction in unutilised Australian tax losses. It is anticipated that dividends will be partly franked at a rate not greater than 50%.

Financial Summary

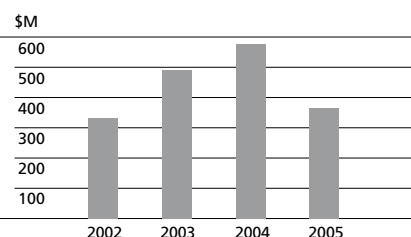
Sales and EBIT



Net Profit After Tax Before Significant Items



Cash Flow from Operating Activities



Key ● Sales ● EBIT

Review of Financial Performance continued

Statement of Financial Position

- At \$613M, trade working capital has decreased from \$767M compared with 2004 (-20%) and from \$949M as at 31 March 2005 (-35%). This reflects a renewed focus on all elements of trade working capital across the Group
- Net property, plant and equipment is \$84M higher than March 2005 and \$133M higher than September 2004. The increases are due mainly to spending on the Yarwun Ammonium Nitrate and Sodium Cyanide expansions, the Botany Groundwater treatment plant, and the impact of acquisitions
- Net other assets are \$56M lower than March 2005 due primarily to:
 - an increase in provisions (\$29M), mainly those relating to environmental obligations and restructuring;
 - the amortisation of intangible assets relating to previous acquisitions (-\$22M);
 - an increase in non-trade payables (\$18M), relating mainly to accrued interest payable;
 - offset by a \$23M increase in the amount of future income tax benefit recognised.
- Compared to 2004, net other assets are \$171M higher, due primarily to:
 - an increase in non-trade receivables of \$133M, following the payment of \$105M to the Australian Taxation Office (ATO) for disputed tax on the sale of the Pharmaceuticals business in 1998 and an insurance receivable in respect of a claim relating to plant damage in Brazil (\$12M);
 - a decrease in provisions of \$23M, mainly relating to spending on environmental obligations and restructuring; and
 - an increase in investments of \$12M relating to the Queensland Gas Company Ltd.
- Net debt at \$1,112M has decreased by \$329M since 31 March 2005, in line with seasonal factors and a focus on sustenance spending and trade working capital, but has increased \$135M compared with 2004 due to higher average debt levels following the \$105M payment relating to the disputed tax assessment and the share buy-back (\$54M);
- Minority interests have decreased due to lower profits from Incitec Pivot
- At 40.2%, gearing (net debt/net debt + equity) was well within the targeted gearing range (35% to 45%).

Cash Flow

Net operating cash inflows of \$376M due to:

- EBITDA 4% higher (\$29M);
- Higher net interest paid of \$24M, due to higher debt levels and higher interest rates;
- Higher tax paid of \$59M, reflecting the low net tax paid in 2004 as a result of the proceeds from the settlement of the sale and leaseback dispute with the ATO, and higher tax payments globally in the current year;
- The disputed tax payment of \$105M;
- Decrease in trade working capital of \$167M due to a renewed focus on all elements of trade working capital;
- Non-trade working capital outflow of \$253M (2004: \$18M), due largely to:
 - An insurance receivable relating to the Lorena plant in Brazil (\$12M);
 - Receivables relating to the sale of land at Port Kembla (\$14M); and
 - Spending relating to environmental provisions and restructuring (\$125M).

Net investing cash outflow of \$301M due to:

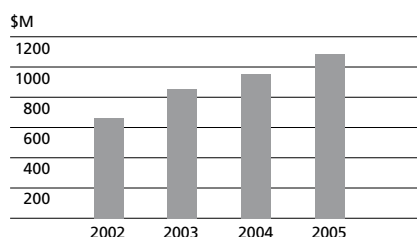
- Sustenance capital spending of \$142M, marginally lower than 2004 (\$146M);
- Growth capital spending of \$212M largely related to the ammonium nitrate expansions (completed and in progress) at Yarwun (\$75M), expansion of the sodium cyanide plant at Yarwun (\$12M), Mobile Manufacturing Unit upgrades (\$12M), completion of the Kooragang Island Nitric Acid expansion (\$8M) and capital spend on the Botany Groundwater recycling project (\$48M);
- Proceeds from asset sales of \$119M were primarily due to the sale of surplus assets and proceeds from sale and leaseback transaction; and
- Acquisitions of \$66M included Aluminates, Keith Harris, Woods and Woods and a 51% majority position in the Andean Chemicals Group.

Net financing cash outflows of \$8M included:

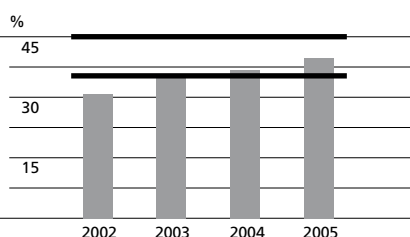
- An increase in borrowings of \$221M to meet funding requirements;
- Dividend payments of \$202M; and
- Other financing (-\$27M), being the cash outflow on the share buy-back (-\$54M) partially offset by cash inflow from the exercising of share options (+\$27M).

Financial Leverage

Net Debt

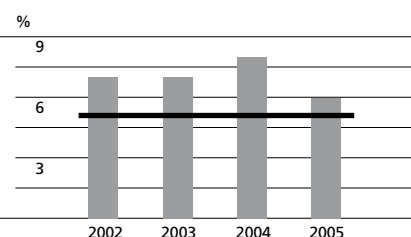


Gearing



Key ● Gearing ● Target Range

Interest Cover



Key ● Interest Cover ● Target >5x

Review of Business Segment Performance



Mining Services

Profitability increased by 24% to \$334M. This is the best result on record for Mining Services.

Highlights

- Record profit in Australia/Asia, North America and Europe
- Volume growth across all regions
- Successful renegotiation of major contracts in North America
- Full year benefit of North American restructuring program
- North American business is now operating at a RONA well in excess of 18%
- Increased sales of i-kon™ and UniTronic™ electronic detonators compared to 2004 (+101%).

Business Summaries

Australia/Asia

- Sales volumes have remained strong in Australia and Indonesia driven by an increase in coal production. Sales revenue up 20% over 2004
- Increase in ammonium nitrate (AN) demand has been partly met by higher cost imported tonnes (78Kt), which has adversely impacted margins (-\$15M)
- Increases in ammonia input costs on locally produced tonnes of AN were largely recovered as a result of rise and fall clauses in sales contracts (albeit with a lag)
- Margins improved in second half due to reduced level of AN imports resulting from strong manufacturing performance and uprates at the Yarwun and Kooragang Island plants
- Strong sales of electronic detonators compared to 2004 (+217%).

North America

- Sales revenue was up 10% in local currency terms
- Improved volumes driven by strengthening quarry and construction market and stronger demand for coal fired electricity generation
- Delivered incremental restructuring benefits of \$14M (full year \$18M, 2004: \$4M)
- Successful renegotiation of two major contracts on mutually acceptable terms
- Business now operating at a RONA well in excess of 18%.

Latin America

- Growth in volumes in all regions, except Brazil
- Profitability adversely impacted by strength of local currencies largely offsetting benefits of increased i-kon™ sales in Argentina, Chile and Mexico
- Part recovery of increased input costs.

Europe

- Increased production of electronic detonators
- Improved volumes in Germany (domestic and export markets), Turkey (favourable weather and improved quarry market) and Scandinavia.

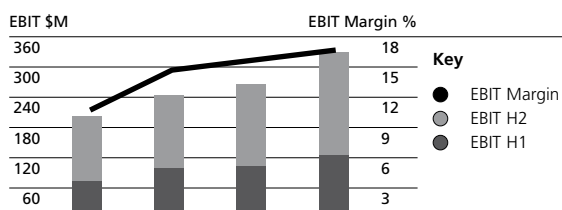
Outlook – 2006

- Continuation of robust global mining volumes
- Focus on delivery of synergy benefits from Dyno Nobel acquisition
- Yarwun AN expansion expected to be commissioned in August 2006
- Increased market penetration of electronic detonators
- Continued need to import ammonium nitrate into Australia to meet local demand prior to Yarwun expansion
- Ammonia input costs and purchased ammonium nitrate costs expected to remain high.

Financial Performance 2005

Profitability increased by 24% to \$334M. This is the best result on record for Mining Services.

EBIT Trend



Financial Performance (\$M)

	Year ended September		
	2005	2004	Change F/(U)*
Sales Revenue	1,987.0	1,734.3	15%
EBIT	333.7	270.1	24%
Net Assets	1,170.6	1,086.1	(8%)
Return on Net Assets	30%	25%	
EBIT			
Australia/Asia	197.1	157.8	25%
North America	70.4	49.1	43%
Latin America	34.3	38.1	(10%)
Europe	31.9	25.1	27%

* F – Favourable, (U) – Unfavourable

Fertilisers

Fertilisers earnings were \$72M (down 31% on 2004) due to poor seasonal conditions and strong competition negatively impacting earnings.

Highlights

- \$30M (before tax) cost reduction program in progress
- Leading East Coast Australia market share position retained despite strong competition.

Business Summary

- Revenue was down 5% to \$1,074M due to:
 - Decline in sales volumes (8%); and
 - Impact of strong competition (-\$21M), which prevented the full increase in landed import parity prices for ammonium phosphates and traded urea being passed on to customers;
- Volume decrease of 8% represents approximately 300,000 tonnes (2.6M tonnes, 2004: 2.9M tonnes) due to:
 - Fertiliser volumes sold to pasture markets improved through market share gains and good demand from beef graziers and the dairy segment;
 - Extremely dry conditions during pre-plant period and the late winter break impacted winter crop markets; and
 - Increased competition in fertiliser wholesaling reducing sales to Elders and Landmark by 42% to 512kt (2004: 880kt).
- Increased manufacturing margin (\$7M), resulting from selling price of manufactured product increasing by \$18M from higher global urea prices (increased from US\$161/t to US\$227/t) and freight rates, offset partially by increased gas costs (-\$11M).
- Reduction in customer rebates (+\$8M)
- An increase in phosphate rock costs (-\$10M) due to limited product availability and increased shipping rates

- Reverting to a less favourable currency hedge position (2005 hedges are at AUD/USD rate of 68 cents, whilst 2004 hedges were at an AUD/USD rate of 58 cents), which adversely impacted EBIT by \$17M
- Reduced depreciation charges of \$5M resulting from the extension of asset lives, following extension of gas contracts, in the second half of the previous financial year.

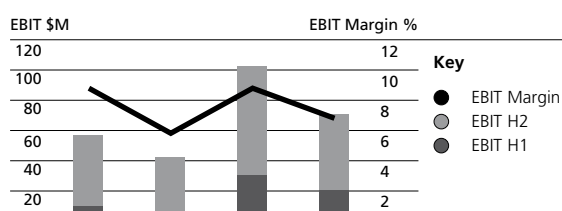
Outlook – 2006

- Impact of market competition changes not clear, but there will be a renewed earnings momentum from the cost reduction program
- Strong global fertiliser prices underpinning manufacturing profitability
- Early seasonal conditions look positive with good summer crop planted and an improved moisture profile across Southern Australia. Dam levels remain low which will impact irrigated crops (including cotton).

Financial Performance 2005

Fertilisers earnings were \$72M (down 31% on 2004) due to poor seasonal conditions and strong competition negatively impacting earnings.

EBIT Trend



Financial Performance (\$M)

	Year ended September		
	2005	2004	Change F/(U)*
Sales Revenue	1,073.9	1,135.6	(5%)
EBIT	72.0	104.0	(31%)
Net Assets	602.7	674.1	11%
Return on Net Assets	11%	15%	
EBITA	82.6	114.8	(28%)

* F – Favourable, (U) – Unfavourable

Consumer Products

Earnings reduced by 2% to \$97M due to softening Australian market conditions caused by weakening retail demand and reduced growth in the Australian economy, partly offset by a robust commercial market in Australia and a strong market in New Zealand.

Highlights

- Sales revenue down marginally compared with 2004. Profitability adversely impacted by business mix, as retail volumes declined
- Market share increases in Australian commercial segment and New Zealand paint market
- New Zealand business delivered strongly again, with revenues up 8% and earnings growth of over 20%
- New product launches across all businesses supported by continued brand investment
- Successful implementation of productivity initiatives underpinned business performance.

Business Summary

Paints and Woodcare

- Sales remained broadly in line with 2004, with:
 - Australian retail segment experiencing volume declines compounded by one time inventory reductions by some major retail customers;
- offset partially by:
 - Australian trade business profitability improvement due to strong commercial sector, tactical marketing and efficiency gains;
 - market share gains and improved performance in Woodcare and New Zealand Paints.
- Procurement efficiencies, the continued strength of the AUD, and price increases reduced the impact of increases in raw material costs
- Marketing investments drove some market share gains in Australia and New Zealand.

Other

- Powder coatings business had continued growth in New Zealand and reduced demand in Australia
- New product launches and relaunches in Selleys have continued to gain market acceptance
- Selleys performance impacted by soft Australian retail demand and water restrictions on car care range
- Yates' performance behind plan resulting from a weaker retail segment and water restrictions
- Reinvestment in the Yates brand (\$3M)
- Yates' synergies on integration are ahead of plan, further supported by IT system integration implemented in May 2005 and a management restructure now completed.

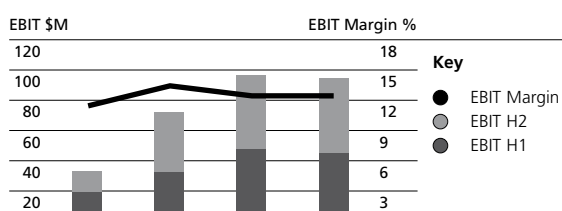
Outlook – 2006

- Overall, flat demand for decorative paints in both Australia and New Zealand is forecast with expected reduced end market demand offset by non-repeat of retailers' inventory reductions
- Recent investment in brand equity and new products to continue to deliver benefit
- Further upward pressure on input costs expected.

Financial Performance 2005

Earnings reduced by 2% to \$97M due to softening Australian market conditions caused by weakening retail demand and reduced growth in the Australian economy, partly offset by a robust commercial market in Australia and a strong market in New Zealand.

EBIT Trend



Financial Performance (\$M)

	Year ended September		
	2005	2004	Change F/(U)*
Sales Revenue	768.5	772.4	(1%)
EBIT	97.4	99.8	(2%)
Net Assets	212.3	217.4	2%
Return on Net Assets	45%	50%	
Business Sales			
Paints	520.6	524.2	(1%)
Other [^]	260.1	263.9	(1%)

[^] Selleys, Yates & Powders

* F – Favourable, (U) – Unfavourable

Chemnet

Chemnet increased profitability by 10% to a record full year result of \$69M.

Highlights

- Chemnet achieved sales revenue of \$1Bn for the first time, up 45% over 2004, albeit at lower margins
- Strong performance from the New Zealand business
- Completed acquisitions of Woods & Woods, Keith Harris Flavours & Food and 51% interest in Andean Chemicals Group in Latin America.

Business Summary

- Revenue growth of \$322M (+45%) due to:
 - additional sales of \$230M from recently acquired businesses; and
 - underlying sales solid with good demand in major market segments, volume growth in Australia (mainly mining, building, and consumer segments) and New Zealand (mainly plastics, pulp and paper, rubber, and building segments).
- Reduced EBIT margin due to acquired businesses not yet earning required rate of return and business mix impact as acquired businesses constitute lower margin business
- Earnings from the PVC compound business have been negatively impacted by increased competition from Asian imports
- Pricing impacts were relatively neutral with contract pricing structure enabling increased input costs to be passed onto customers
- Strength of the AUD and NZD against the USD adversely impacting earnings from contracts based on fixed percentage margins
- Continued focus on integration of recent acquisitions. Successfully integrated Marplex onto Orica's SAP platform.

Outlook – 2006

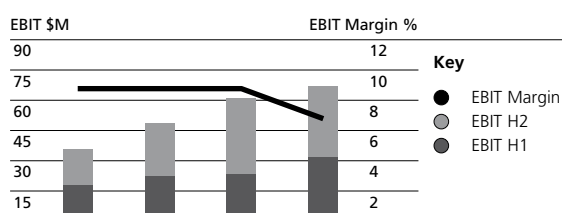
Continued earnings momentum driven by:

- Organic growth in existing businesses reflecting continued growth in the economy
- Completing acquisition integration to maximise synergy benefits and achieve Orica investment criteria within required timeframe
- Progress toward transforming Chemnet's supply chain to achieve cost reductions and improve efficiency
- Delivery of customer focused process improvement across Chemnet business.

Financial Performance 2005

Chemnet increased profitability by 10% to a record full year result of \$69M.

EBIT Trend



Financial Performance (\$M)

	Year ended September		
	2005	2004	Change F/(U)*
Sales Revenue	1,029.5	707.6	45%
EBIT	68.6	62.6	10%
Net Assets	394.2	383.8	(3%)
Return on Net Assets	18%	21%	

* F – Favourable, (U) – Unfavourable

Chemical Services

Chemical Services increased profitability by 20% to a record full year result of \$61M.

Highlights

- Sales revenue of \$412M (up 12%), excluding the impact of the Aluminates acquisition underlying revenue growth was 11%
- Successful integration of Aluminates business into ChlorAlkali business unit
- Record performance for ChlorAlkali business
- Stronger second half result for Mining Chemicals.

Business Summaries

ChlorAlkali

- Strong sales growth of \$20M (14%) due to:
 - higher world alumina caustic prices; and
 - five months contribution from Aluminates acquisition (\$7M)
 - partly offset by lower volumes in some derivative ChlorAlkali products (hydrochloric acid sales volumes were adversely impacted by industrial issues at customer facilities).
- Laverton (Victoria) and Botany (NSW) chlorine plants continue to operate above nameplate capacity.

Adhesives and Resins

- Volumes were down 10% driven by lower New Zealand volumes arising from extended customer plant shut downs and competitive impacts in Australia
- Decline in margins due to increased raw material prices not fully recovered in the marketplace
- Business restructure completed to reduce overall cost base.

Mining Chemicals

- Cyanide sales volumes up 3% with strong domestic demand from gold miners offset by lower exports
- Improved second half pricing partly offset margin pressure arising from increased raw material costs (ammonia, freight and caustic soda) and the appreciation of the AUD against the USD
- Strong emulsifier volume growth (24%) through leveraging Mining Services global footprint.

MIEX®

- Progress on commercialisation continues to be made in the USA, Europe, Asia and South Africa
- First two USA MIEX® plants are now operational in Palm Springs in Florida. Whangarei City Council in New Zealand has approved a plant for construction in 2006
- Net commercialisation costs of \$7M (2004: \$9M).

Outlook – 2006

- Organic growth in existing businesses
- Full year impact of earnings from Aluminates business and uprate of Sodium Cyanide plant at Yarwun to 60kt
- Global alumina pricing anticipated to remain above long-term trend price
- Full year benefit from the business restructure.

Corporate Centre and Other Support Services

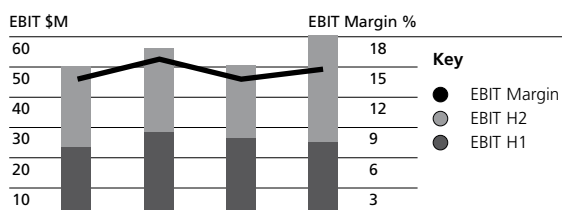
Corporate Centre and Other Support Costs

- Corporate centre costs of \$28.4M were \$1.6M higher than 2004, primarily due to salary costs
- Other support costs of \$27M were \$20M higher than 2004 mainly due to:
 - net insurance costs were approximately \$11M lower than 2004 reflecting a reduced number of claims in the current period;
 - additional corporate funded spending of \$33M on projects aimed at promoting growth and sustainable business efficiencies.

Financial Performance 2005

Chemical Services increased profitability by 20% to a record full year result of \$61M.

EBIT Trend



Financial Performance (\$M)

	Year ended September		
	2005	2004	Change F/(U)*
Sales Revenue	411.9	366.5	12%
EBIT	60.9	50.9	20%
Net Assets	385.5	376.3	(2%)
Return on Net Assets [^]	18%	18%	
Business Sales			
ChlorAlkali	164.2	144.0	14%
Mining Chemicals	114.9	99.0	16%
Adhesives & Resins	136.9	128.3	7%

[^] Excluding MIEX®

* F – Favourable, (U) – Unfavourable

Board Members



Donald P Mercer

BSc (Hons) MA (Econ)
Age: 64

Chairman, Non-Executive Director since October 1997, Chairman since May 2001. Chair of Remuneration and Appointments Committee and Corporate Governance and Nominations Committee.

Chairman of Australia Pacific Airports Corporation Limited, The State Orchestra of Victoria, and Australian Institute of Company Directors Ltd. Director of Air Liquide Australia Limited. Former Managing Director and Chief Executive Officer of ANZ Banking Group.



Graeme R Liebelt

BEC (Hons)
Age: 51

Managing Director and Chief Executive Officer since September 2005. Executive Director since July 1997. Member of the Environment Committee and Corporate Governance and Nominations Committee.

Former CEO of Orica Mining Services, Chairman and Director of Incitec Limited, General Manager of Plastics and Managing Director of Dulux. Member of the Council of Australia Latin America Relations (COALAR).



Noel Meehan

BSc (Hons), CPA
Age: 39

Executive Director Finance since September 2005. Former Chief Financial Officer for Orica Chemicals and Orica Group Investor Relations Manager and Corporate Reporting Manager.

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



Michael E Beckett

BSc, FIMM, FRSA,
Age: 69

Non-Executive Director since July 2002. Member of the Remuneration and Appointments Committee, Corporate Governance and Nominations Committee and the Environment Committee.

Chairman of MyTravel plc, London Clubs International (UK) plc. Director of Northam Platinum Limited (South Africa), Mvelaphanda Resources Limited (South Africa), Northern Orion Ltd (Canada), Egypt Trust Limited and Endeavour Mining Capital Corp.



Peter J B Duncan

BChE (Hons) GradDip (Bus)
Age: 64

Non-Executive Director since June 2001. Chairman of the Audit and Risk Committee. Member of the Remuneration and Appointments Committee.

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



Garry Hounsell

BBus (Accounting)
Age: 51

FCA, CPA, FAICD Non-Executive Director since September 2004. Member of the Audit and Risk Committee and Remuneration and Appointments Committee.

Director of Qantas Airways Limited and Nufarm Limited. Consultant to Investec Bank (Australia) Limited and a director of Methodist Ladies College Limited, The Macfarlane Burnet Institute for Medical Research and Public Health Ltd and the Athenaeum Club Limited. Former Chief Executive Officer and Country Managing Partner of Arthur Andersen and former Senior Partner of Ernst & Young.



Peter Kirby

BEC (Hons), MA (Econ) MBA
Age: 58

Non-Executive Director since July 2003. Member of the Remuneration and Appointments Committee, Corporate Governance and Nominations Committee and Chairman of the Environment Committee. Chairman of Medibank, Director of Macquarie Bank Limited and Business Council of Australia. Previously Managing Director and Chief Executive Officer of CSR Limited. Former Chief Executive Officer of ICI Paints and member of the Executive Board of ICI plc.



Michael Tilley

GradDip, BA
Age: 52

Non-Executive Director since November 2003. Member of the Audit and Risk Committee and Remuneration and Appointments Committee.

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 Vice-Chairman of JP Morgan.



Catherine M Walter

AM, LLB (Hons) LLM MBA
Age: 53

Non-Executive Director since October 1998. Member of the Remuneration and Appointments Committee and the Environment Committee.

Chairman of the Federal Government's Business Regulation Advisory Group. Director of Australian Stock Exchange Limited, Melbourne Business School Limited, Australian Foundation Investment Company and the Walter & Eliza Hall Institute of Medical Research. Former Director of National Australia Bank Limited. Former Melbourne Managing Partner of Clayton Utz and Commissioner of City of Melbourne.

Group Executive Team



Graeme R Liebelt

BEC (Hons)
Age: 51

Managing Director and Chief Executive Officer since September 2005. Executive Director since July 1997. Member of the Environment Committee and Corporate Governance and Nominations Committee.

Former CEO of Orica Mining Services, Chairman and Director of Incitec Limited, General Manager of Plastics and Managing Director of Dulux. Member of the Council of Australia Latin America Relations (COALAR).



Noel Meehan

BSc (Hons), CPA
Age: 39

Executive Director Finance since September 2005. Former Chief Financial Officer for Orica Chemicals and Orica Group Investor Relations Manager and Corporate Reporting Manager.

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



Peter Bailey

Dip (Bus)
Age: 49

General Manager Orica Consumer Products

Peter has been with the company for 27 years, joining in 1977 as a marketing graduate. Progressing through a succession of roles in our Consumer Products group, he has accumulated extensive experience across most business areas within OCP and in all facets of the OCP operation.

Peter has developed strong relationships with OCP customers and suppliers and was ideally suited to take on the role of OCP General Manager in April 2003 following three years as General Manager of Dulux, OCP's largest business.



John Beevers

Bachelor of Engineering (Mining)
Age: 43

General Manager Chemical Services

John has been with the company for a period of 20 years, joining in 1985 in the Operations Division of Mining Services (Australia). Since then he has held a variety of positions in Mining Services with leadership roles in Technology, Operations and Business.

He has developed and gained a broad international experience base, having managed teams in North America, Europe, South Africa and Australasia. John assumed his current role in April 2005.



Philippe Etienne

BSc, MBA
GradDip (Marketing)
Age: 49

CEO Orica Mining Services since October 2005.

Philippe joined Orica in 1985 from the Bonds Coates Patons Group where he held sales and consumer marketing positions. Initially in Orica's Chemicals Group, Philippe has held a number of commercial roles including General Manager of Valchem, Watercare and then the ChlorAlkali Division. In 2000 he moved to Denver, Colorado to join the international management team of Orica Mining Services as Senior VP – Strategic Planning.

Prior to taking up his current role, Philippe was Managing Director of Orica's European, Middle Eastern and African business group based in Germany.



Bronislaw (Bronek) Karcz

BSc (Geology)
BSc (Eng) (Mining)
GradDip (Finance)
Age: 51

General Manager Chemnet

Bronek joined the company in November 2001 as General Manager Orica Mining Services Australia/Asia. In April 2005 he assumed his current role managing the Orica Chemnet business and was made a member of the Orica Group Executive Team. Prior to joining Orica, Bronek held a number of senior business management and marketing roles including Managing Director ERS Ltd. a number of senior roles across Australia, Asia and Africa with Castrol Ltd and Atlas Copco Pty Ltd in Australia.



Patrick Largier

BSc Chemical Engineering (Hons)
Age: 48

Manager Strategy and Acquisitions

Patrick joined the company in 1992 and has managed a number of businesses in the Plastics, Advanced Sciences and Chemicals Groups. Most recently he was General Manager of the ChlorAlkali Division. He assumed his current role in July 2004. Prior to joining Orica, Patrick worked for Shell for nearly ten years. During this period he was based in Cape Town and London, holding a variety of commercial, business development and planning roles in Shell South Africa and Shell International. His early career included positions with Impala Platinum and Process Plant Pty Ltd in South Africa.



Eugenia Salinas

BSEE, MSEE
Age: 41

General Manager, Business Efficiency

Eugenia joined Orica in September 2005. Under the umbrella of efficiency, Eugenia is chartered with shaping the vision to continue Orica's transformation to deliver sustainable growth and productivity.

Prior to joining Orica, Eugenia spent over 15 years with GE in numerous commercial and operating roles across the Americas and Europe.



Julian Segal

BSc, MBA
Age: 50

Managing Director and Chief Executive Officer Incitec Pivot Limited

Julian became Managing Director and CEO of Incitec Pivot on 3 June 2005. A chemical engineer, he joined Orica in 1999 as General manager, Australia/Asia Mining Services, and moved to the United States in 2001 to take up the role of Senior Vice President – Marketing for Orica Mining Services globally. Immediately prior to joining Incitec Pivot he was Manager of Strategic Market Planning for the Orica Group.



Greg Witcombe

BSc
Age: 51

General Manager People, SH&E & Community

Greg joined the company in 1977 as a research chemist with the Agricultural Products business before moving into a series of commercial roles that took him around Australia as well as on secondment to the United Kingdom. His senior management positions have included four years as General Manager Mining and Trading Division (ICI) and two years as General Manager Polyethylene Group.

Following almost five years as Managing Director of Incitec Limited, Greg was appointed Managing Director, Incitec Pivot Limited in 2003, a position he held until June 2005.

Corporate Governance

Corporate Governance

Orica's directors and management are committed to conducting the company's business ethically and in accordance with high standards of corporate governance.

This statement describes Orica's approach to corporate governance. The Board believes that Orica's policies and practices comply with the ASX Corporate Governance Council Principles of Good Corporate Governance. The company's corporate governance policies can be viewed on the company's website.

Integrity of Reporting

The company has controls in place at the Board and business group level that are designed to safeguard the company's interests and ensure the integrity of its reporting. These include accounting, financial reporting, safety, health and environment and other internal control policies and procedures, which are directed at ensuring the company complies with regulatory requirements and community standards.

Both the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required to state in writing to the Board that the company's financial reports represent a true and fair view, in all material respects, of the group's financial condition and operational results and are in accordance with relevant accounting standards. This assurance is based on a financial letter of assurance that cascades down through management and includes sign-off by business general managers and business financial controllers.

Comprehensive practices have been adopted to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior Board approval
- Financial exposures are controlled, including the use of derivatives
- Safety, health and environment standards and management systems are monitored and reviewed to achieve high standards of performance and compliance
- Business transactions are properly authorised and executed.

Internal audit has a mandate for reviewing and recommending improvement to controls, processes and procedures used by the company across its corporate and business activities. The company's internal audit is managed by the chief risk officer and undertaken by an independent firm of auditors.

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

Risk Identification and Management

The Board has in place integrated risk management programs aimed at ensuring the company conducts its operations in a manner that allows risks to be formally and systematically identified, assessed and appropriately managed. Businesses have the responsibility and accountability for implementing and managing the standards and processes required by the program.

The company has a separate role of chief risk officer reporting to the Executive Director Finance to manage the company's internal controls and risk management.

Details of the company's policies relating to interest rate risk management, forward exchange risk management and credit risk management are included in notes 31 and 33 of the financial statements.

The Board

Role

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

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

Responsibility for managing, directing and promoting the profitable operation and development of the company, consistent with the primary objective of enhancing long-term shareholder value, is delegated to the CEO, 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, CEO and chairman and in the company's reserved authorities approved by the Board.

Composition

The Board considers that its structure, size, focus, experience and use of committees enable 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 chair and CEO. The Board currently comprises 9 directors: 7 independent non-executive directors, including the chairman, and 2 executive directors, being the Managing Director and the Executive Director Finance.

Details of the directors as at the date of this report, including their qualifications and experience are set out on page 12.

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

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

Independence

The Board recognises the special responsibility of non-executive directors for monitoring executive management and the importance of independent views.

The Board regularly assesses the independence of each director. For this purpose an independent director is a non-executive director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment.

The chairman and all non-executive directors are independent of executive management and are free from any business or other relationship that could compromise their ability to act in the best interests of the company.

Each director is obliged to immediately inform the company of any fact or circumstance, which may affect the question of the director's independence.

If a conflict of interest arises, the director concerned does not receive the relevant Board papers and is not present at the meeting.

whilst the item is considered. Directors must keep the Board advised, on an ongoing basis of any interests that could potentially conflict with those of the company.

Selection and Appointment of Directors

The directors are conscious of the need to ensure that Board members possess the diversity of skill and experience required to fulfil the obligations of the Board. In considering membership of the Board, directors take into account the appropriate characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the company.

Nominations for appointment to the Board are considered by the Corporate Governance and Nominations Committee and approved by the Board as a whole.

Non-executive directors are subject to shareholder re-election by rotation at least every three years. Non-executive directors are appointed for a maximum term of 10 years. All directors must obtain the chairman's prior approval before accepting appointment to the Board of a publicly listed company.

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 8 scheduled meetings per year, of which 7 are around 2 days duration. Directors attend such additional meetings as the business of the company may require. Directors receive comprehensive Board papers in advance. As well as holding regular Board meetings, the Board sets aside 3 days annually to comprehensively review business plans and company strategy. Directors also receive regular exposure to Orica's businesses and the major regulatory controls relevant to the company. Directors also 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 CEO 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 or the executive director to discuss company matters. To aid the effectiveness of Board meetings each scheduled Board meeting is subject to a critical review. At the conclusion of the meeting a nominated director provides a critique of the Board meeting evaluating the standard of the material received by the Board and the quality of the contribution made by directors to the consideration of issues on the agenda.

Board Performance

At the conclusion of the year, the Board carries out a formal annual review of its performance. Directors standing for re-election are subject to a performance review conducted by the Board.

An independent review of Board and director performance, including the effectiveness of each Board Committee, is undertaken periodically.

The non-executive directors are responsible for regularly evaluating the performance of the CEO. 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 chief executive.

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, 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 seven 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

Directors are required to hold a minimum of 1,000 shares. Their current shareholdings are shown in Note 35. Most directors hold significantly more than the minimum holding.

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 any company, including Orica, when in possession of unpublished price sensitive information, which could materially affect the value of those securities. Subject to this restriction, directors and employees may buy or sell Orica shares:

- in the 28 day period commencing 24 hours after the announcement of the Orica half-year results; and
- in the period commencing 24 hours after the announcement of the full-year results and ending 31 January.

Directors and employees must not engage in short term dealing in Orica's securities or those of any related company or trade in derivatives

Directors and Group Executive members must receive clearance from the chairman or company secretary for any proposed dealing in Orica shares.

Any transaction conducted by directors in shares of the company is notified to the Australian Stock Exchange. Each director has entered into an agreement with the company to provide information to allow the company to notify the ASX of any share transaction within 5 business days.

Directors' Fees

Total remuneration for non-executive directors is determined by resolution of shareholders. Non-executive directors' fees are determined by the Board within the aggregate amount of \$1.2 million approved by shareholders at the 2002 Annual General Meeting. Rule 48 of Orica's Constitution provides that the remuneration forming part of the aggregate fee cap for non-executive directors approved by shareholders does not include retirement benefits or superannuation.

The total fees paid to non-executive directors for the 2005 financial year, excluding retirement benefits and superannuation was \$1,058,300.

The details of remuneration paid to each non-executive director during the last financial year is set out in the remuneration report.

In determining the level of fees the Board reviews data on fees paid by comparable companies and receives expert independent advice regarding the level of remuneration required to attract and compensate directors of the appropriate calibre and for the nature of the directors' work and responsibilities.

Non-executive directors do not participate in any incentive schemes.

The Company has discontinued retirement allowances for all non-executive directors. The directors appointed prior to 1 July 2002 preserved their retirement allowances as at 1 July 2004 with no indexation and the allowances will be paid to the eligible directors on retirement.

Executive Remuneration

The Board believes that executive remuneration should be fair and reasonable, structured effectively to motivate and retain valued executives in an international marketplace and designed to produce value for shareholders.

Corporate Governance continued

The terms and conditions of executive share and option schemes and the incentives payable to the Group Executive require the prior approval of the Remuneration and Appointments Committee, which is comprised of all of the non-executive directors. The measures for short-term performance payments to senior executives are related to achievement of NPAT, safety and environment and specific strategic targets. Incentive awards can increase for performance meeting set stretch targets.

Details of the key executive's remuneration are shown in note 36 of this report. Details of the existence and conditions of all share and option schemes currently in operation, including the details of performance hurdles are set out in note 34 and in the Remuneration Report.

Board Committees

The Board has established charters for the operation of its committees. The charters are reviewed annually and objectives are set for each committee. The minutes of these committees, other than the Remuneration and Appointments Committee, are circulated to the Board.

Board Audit and Risk Committee

The Board Audit and Risk Committee comprises three independent non-executive directors with relevant financial, commercial and risk management experience. The chairman of the Board Audit and Risk Committee is separate from the chairman of the Board. Mr Peter Duncan is the chair of the Board Audit and Risk Committee and the other members are Mr Mike Tilley and Mr Gary Hounsell. The Chairman, Managing Director and Executive Director Finance attend ex officio.

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

The committee assesses and reviews external and internal audits and risk reviews and any material issues arising from these audits or reviews. It also assesses and reviews the accounting policies and practices of the group as an integral part of reviewing the half yearly 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 independently of management influence.

The external and internal auditors attend committee meetings and meet privately with the committee at least twice per year.

The company's external audit firm was most recently appointed in 1997 and the partner managing the audit rotated in October 2005 after a year long hand over to the new audit partner.

The Board Audit and Risk Committee ensures that the level of any other services provided by the auditor is compatible with maintaining auditor independence. Restrictions are placed on other services performed by auditors 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 auditors for audit and other services are set out in note 29.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee, which comprises all the non-executive directors, is chaired by Mr Don Mercer and meets at least three times per year. It reviews the performance and remuneration of senior management including the Managing

Director. 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. It also has responsibility for overseeing the appointment and succession of executive directors and the members of the Group Executive.

Corporate Governance and Nominations Committee

The Corporate Governance and Nominations Committee comprises Mr Don Mercer, Mr Graeme Liebelt, Mr Michael Beckett and Mr Peter Kirby.

The committee monitors new developments in corporate governance practices and evaluates the company's policies and practices in response to changing external and internal factors and the ethical guidelines affecting the company.

This committee also deals with the nomination of directors and considers the most appropriate processes for review of the Board's composition and performance. The committee evaluates the composition of the Board and the annual program of matters considered by the Board to determine whether the appropriate mix of members and business exists to enable the Board to discharge its responsibilities to shareholders.

Environment Committee

In August 2004, an Environment Committee was created to assist the Board in the effective discharge of its responsibilities in relation to environment matters arising out of activities within the company as they affect employees, contractors, visitors and the communities in which it operates. The committee comprises Mr Peter Kirby (Chairman), Mrs Catherine Walter and Mr Michael Beckett. The Chairman and Managing Director attend ex officio.

The committee reviews the company's compliance with the environment policy and legislation and reviews environmental objectives, targets and due diligence processes adopted by the company.

Executive and Special Committees

In addition, there is a standing Executive Committee comprising the Chairman, the Managing Director, the Executive Director Finance and at least one non-executive director, 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 such as the Due Diligence Committee of which Mr Hounsell is Chairman and Mr Tilley and Mr Meehan are members, formed during the year in respect of capital raising.

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 to ensure 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.

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 Australian Stock Exchange. The Company Secretary is the person responsible for communication with the Australian Stock Exchange.

The www.orica.com website contains copies of the annual and half year reports, ASX announcements, investor relations publications, briefings and presentations given by executives (including webcasts) plus links to information on our 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 116 of this report contains details of how information provided to shareholders may be obtained.

The Board encourages full participation of shareholders at the Annual General Meeting. Important issues are presented to the shareholders as single 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 Ethics

Orica acknowledges the need for directors, executives and employees to observe the highest ethical standards of corporate behaviour. Orica has adopted a Code of Ethics appropriate to the countries in which Orica operates and in the light of international standards to provide employees with guidance on what is acceptable behaviour. Specifically, the company requires that all directors, managers and employees maintain the highest standards of integrity and honesty.

The key elements of the code are:

- fairness, honesty and loyalty supporting all actions
- being aware of and obeying the law
- individually and collectively contributing to the well-being of shareholders, customers, the economy and the community
- avoiding behaviour, which is likely to reflect badly on employees and the company
- 'openness' and 'public disclosure' as the test for all actions.

To assist employees in applying the code in practice, the company has developed policies and guidelines dealing with the following:

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

The Code of Ethics is regularly reviewed and approved by the Corporate Governance and Nominations Committee and processes are in place to promote and communicate these policies. An 'Integrity Hotline' has been established to enable employees to report breaches of the Code of Ethics.

The Code of Ethics may be viewed on the Orica website.

Safety, Health & Environment

Orica considers the successful management of safety, health and environment issues as a vital issue for our 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 Environment Committee reviews and monitors environmental issues at Board level.

The separate Safety, Health & Environment Performance Report that accompanies this Annual Report outlines the company's practices and performance in these important areas. The Sustainability

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

Donations

The equivalent of dividends payable on a shareholding of 0.15% of the company's issued capital is allocated for donation at the direction of the Corporate Governance and Nominations Committee.

Orica's operations contribute to their local communities with donations, sponsorship and practical support and there is an employee giving program known as 'Dare to Share' across all Australian sites. From the amount allocated for corporate donations, Orica matches employee "Dare to Share" contributions and may support worthwhile causes overseas. The amount remaining is allocated to the Orica Community Foundation and is distributed to selected Australian charitable organisations in accordance with published criteria.

Orica does not make political donations.

Sustainability

Orica is committed to running all of its businesses in a sustainable way. This philosophy has been embodied into the Orica SH&E policy as follows:

'We will manage all our activities with concern for people and the environment and will conduct our business for the benefit of society and without compromising the quality of life for future generations.'

A key starting point for Orica in the drive to sustainability was the introduction of the five year programme Challenge 2000 which was focused on improvements to the Company's safety performance to be followed by Challenge 2005 which was expanded to include improving the efficiency of energy and water usage in addition to reducing waste generation. These programmes have been successful not only at raising the awareness of these issues within the company but also at generating real improvements in the use of resources. Performance against these targets, with the exception of losses of containment and distribution incidents, was substantially achieved a year ahead of schedule and has been reported in the annual Safety, Health and Environment Performance Report and on the company's web site. New targets have now been agreed and implemented for Challenge 2010 which will further the drive towards the sustainability of our business.

Resource Conservation

There has been a continued focus on resource conservation, in particular in relation to the efficiency of the use of water and energy, the emissions of greenhouse gases and now, as part of Challenge 2010, waste generation. Water usage from the Company's activities declined by 3.9% over the year from 2.57 tonnes per tonne of production in 2004 to 2.47 tonnes in 2005 due largely to improved plant efficiencies. This equates to a 26.3% reduction from the 2000 baseline of 3.35 tonnes per tonne of production. In the case of energy, usage declined by 5.4% over the year from 5.30 gigajoules per tonne of production in 2004 to 5.01 gigajoules in 2005, again largely due to improved plant efficiencies. Waste production declined by 12.8% to 7.4 tonnes per tonne of production compared with the 2004 baseline of 8.5 tonnes.

Greenhouse Gas Emissions

Orica has been a participant in the Greenhouse Challenge programme run by the Australian Greenhouse Office (AGO) since 1996 and as such was one of the first signatories. This is a voluntary programme aimed at reducing the emissions of greenhouse gases, which are measured in terms of carbon dioxide equivalent. These emissions are measured both as direct emissions

Sustainability continued

from the operating plants and the upstream contribution from power generation. Direct emissions from the Company's activities declined by 4.0% from 1,010 kg per tonne of production in 2004 to 970 kg in 2005, largely due to improved plant efficiencies.

For the first time, these numbers include the contribution of nitrous oxide emissions from our nitric acid plants, which have been counted in the Orica inventory since October 2004 and are now reported to the AGO as part of our Greenhouse Challenge agreement. Orica is continuing to improve its understanding of emissions from downstream sources, which include nitrous oxide from the use of nitrogenous fertilisers and methane from explosives, in addition to carbon dioxide from both sources. The performance of Orica against the commitments in its Greenhouse Challenge Agreement has been independently verified for the AGO by consultants from the Snowy Mountains Engineering Corporation. No material discrepancies were identified. Future reductions in Orica's greenhouse gas emissions will arise from progressive incremental efficiency improvements and the use of new technology as old plants are eventually retired and new, more efficient, plants are constructed.

Orica was a finalist in the 2005 Greenhouse Challenge Plus Awards that were awarded during the Greenhouse Challenge Plus Conference in Canberra in September.

Environmental Compliance

A key issue to be addressed in driving towards a sustainable future is to ensure that land and the environment are not degraded by the impact of our activities. Compliance with emission licence conditions remains at a very high level of 99.85% in 2005. The actual number of non-compliances was 76. A continued focus on individual non-compliances will be used to implement actions to prevent a recurrence.

The operation of many sites over very long periods, and when environmental standards were very much lower than those applying today, has inevitably led to problems of soil and groundwater contamination. Orica deeply regrets the impact of this contamination on the environment and the communities in which we operate. Orica is committed to rectifying these problems and in keeping both the local and broader communities informed of our progress in meeting these objectives.

As an example, a major programme of groundwater remediation is in progress at Botany, NSW where the groundwater has been contaminated with a range of chlorinated hydrocarbons as a result of past industrial practices. In February, temporary groundwater interception facilities were commissioned which have been successful in containing the contaminated groundwater. In October, a purpose built groundwater treatment plant was commissioned which has the capacity to treat up to 15 megalitres of contaminated groundwater per day. The treated water from this plant is being sold to industrial users on the Botany Industrial Park and surrounding areas to replace mains water that would otherwise be used which will help alleviate the stress on the domestic water supply.

Regrettably, in July 2004 at Kooragang Island (NSW), there was a release of nitric acid into the Hunter River, which resulted in the NSW Department of Conservation and Environment instituting proceedings in the NSW Land and Environment Court. The Company pleaded guilty and received a fine of \$10,500. This event occurred midway through a comprehensive program of major environmental projects which commenced in 2004, aimed at reducing emissions of nitric acid, nitrates and ammonia to ensure that the site meets its environmental obligations. This program of work has now resulted in an outstanding improvement in the sites environmental performance. Significant progress has also been achieved in the remediation of a small part of the site that had been contaminated with arsenic from historical activities.

Legacy Sites

Over the last ten years a number of redundant sites in Australia have been remediated and returned to beneficial uses at a standard acceptable for their intended use. Examples of these successes have included the remediation and subsequent sale of redundant chemicals and paint manufacturing sites at Cabarita and Rhodes (NSW), Port Adelaide (SA), Avondale and Panmure (NZ), Cheltenham and Deer Park (Vic). Remediation has commenced at Parafield Gardens (SA). During 2005, investigations have continued on a number of sites including Villawood (NSW), Port Kembla (NSW), Chester Hill (NSW), Cockle Creek (NSW), Yarraville (Vic), Laverton (Vic) and Seneca (Illinois, USA).

Hexachlorobenzene Waste

The historical production of chlorinated solvents and ethylene dichloride (EDC) at Botany has resulted in the accumulation of about 10,000 tonnes of hexachlorobenzene (HCB) contaminated waste, which comprises crude HCB in addition to tarry wastes, HCB contaminated soil, construction materials, clothing and other materials. The bulk of this material is currently stored in drums in a purpose built warehouse on the Botany site awaiting destruction in compliance with the site operating licence and an act of the NSW Parliament. The destruction process that has been chosen is the AMEC GeoMelt process. The approval and development consent for the use of this process required the publication of an Environmental Impact Statement, Commission of Inquiry and a further review of the technology by an Independent Review Panel commissioned by the NSW Minister for Infrastructure & Planning.

Following the release of the report of the Independent Review Panel which endorsed GeoMelt as a suitable destruction technology but recommended that destruction be undertaken at a remote location in NSW of lower environmental sensitivity rather than at Botany, the Company has embarked on a search for such a suitable host location. In the event that a suitable host location cannot be found, the Company has opened discussions with the Commonwealth Government and stakeholder groups in relation to obtaining an export permit as an option to allow for the destruction of the waste at licensed overseas facilities. While this is in progress, there will be a need to continue to store the material and improved storage techniques are being researched to meet this need. In addition, discussions are in progress with the NSW Department of Environment and Conservation with a view to amending the current site license, which requires the material be destroyed by a target date of 2006.

Orica would like to place on record its appreciation for the assistance it has received from the NSW Department of Environment and Conservation (EPA) in dealing with many of these difficult environmental issues.

Responsible Care

Orica has been an active participant in the Plastic and Chemicals Industry Association (PACIA) Responsible Care Programme since 1989. The Responsible Care Programme is an initiative of the international chemicals industry aimed at improving its safety, health and environment performance and communicating openly with all sections of the community. The program was started by the Canadian Chemical Producers' Association in the mid 1980s. There are now chemical industry associations in 45 countries participating in the programme.

PACIA is mandated by the International Council of Chemical Associations to oversee the program in Australia. Participating companies are required to sign on to a set of Guiding Principles and to implement a series of Codes of Practice. In 2001 these Codes of Practice were revised in consultation with the industry, government regulators and interested sections of the community.

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Directors' Report

The directors of Orica Limited ('the Company' or 'Orica') present the financial report of the Company and its controlled entities (collectively 'the consolidated entity' or 'group') for the year ended 30 September 2005 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:

D P Mercer, Chairman	M E Beckett
G R Liebelt, Executive Director to 31 August 2005, appointed Managing Director on 1 September 2005	P J Duncan
N A Meehan, Executive Director Finance (Appointed 26 September 2005)	G A Hounsell
J W Hall Executive, Director Finance (Retired 30 April 2005)	P M Kirby
M W Broomhead, Managing Director (Retired 31 August 2005)	M Tilley
	C M Walter

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

J van Reyk (M Comm, LLB Hons, BA, Grad Dip Co Sec Prac, MAICD, FCIS) has been a company secretary of Orica Limited since 15 July 2002 and also general counsel of Orica for 3 years and prior to that she was general counsel and company secretary for another ASX listed company for over 3 years. A Cook (Dip Bus (Accounting), Dip Bus (Data Processing), CPA) is also a 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 18 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		Audit and Risk Committee		Remuneration and Appointments Committee		Corporate Governance and Nominations Committee		Environment Committee	
	Held ⁽¹⁾	Attended ⁽²⁾	Held ⁽¹⁾	Attended ⁽²⁾	Held ⁽¹⁾	Attended ⁽²⁾	Held ⁽¹⁾	Attended ⁽²⁾	Held ⁽¹⁾	Attended ⁽²⁾
D P Mercer	8	8	-	-	6	6	4	4	-	-
G R Liebelt	8	8	-	-	-	-	4	4	3	3
M W Broomhead ⁽³⁾	7	7	-	-	-	-	-	-	-	-
M E Beckett	8	7	-	-	6	6	4	4	3	3
P J Duncan	8	8	4	4	6	6	-	-	-	-
J W Hall ⁽⁴⁾	5	5	-	-	-	-	-	-	-	-
G A Hounsell ⁽⁶⁾	8	8	4	4	6	6	-	-	-	-
P M Kirby	8	8	-	-	6	6	4	3	3	3
M Tilley ⁽⁶⁾	8	8	4	4	6	6	-	-	-	-
C M Walter ⁽⁷⁾	8	7	-	-	6	5	-	-	3	3
N A Meehan ^{(5) (6)}	-	-	-	-	-	-	-	-	-	-

⁽¹⁾ This column shows the number of meetings held during the period the director was a member of the Board or Committee.

⁽²⁾ This column shows the number of meetings attended.

⁽³⁾ M W Broomhead retired on 31 August 2005.

⁽⁴⁾ J W Hall retired on 30 April 2005.

⁽⁵⁾ N A Meehan was appointed a director on 26 September 2005. He attended Board and Audit and Risk Committee meetings since April on an ex-officio basis as Chief Financial Officer.

⁽⁶⁾ G A Hounsell, Chairman, M Tilley and N A Meehan, members of a special purpose Due Diligence Committee for capital raising.

⁽⁷⁾ C M Walter, present for 8 but partial attendance at one board meeting.

In addition to the Board meetings referred to in the above table, available directors attended 4 meetings during the year to address business matters arising between scheduled Board meetings.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at the date of this report is disclosed in note 35.

Principal activities

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

No significant changes have occurred in the nature of these activities during the financial year.

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 of the consolidated entity on pages 4 to 11 of the annual report.

On 19 September 2005, Orica announced that it had signed an agreement with a Macquarie led consortium ("Macquarie consortium") to acquire substantially all of the European, Middle Eastern, African, Asian and Latin American businesses of Dyno

Directors' Report

Nobel for approximately US\$685 million (A\$902 million). The agreement follows the Macquarie consortium's acquisition of 100% of Dyno Nobel from Industri Kapital which is subject to regulatory approvals and is currently expected to complete in late November 2005. Under the agreement, once the Macquarie consortium has completed its acquisition of Dyno Nobel, Orica will progressively acquire businesses from the consortium on a country by country basis as regulatory approvals are obtained.

Orica expects that a number of Dyno Nobel businesses that are to be acquired by Orica will be transferred within two months of completion by the Macquarie consortium, with the balance completed within six months (subject to necessary regulatory clearances). An integration team comprising senior managers of Orica has been established and a detailed separation plan developed to enable Orica to progressively take control of the businesses once they have been transferred to Orica ownership.

Orica's funding requirement is expected to total A\$969 million which will be funded through a combination of equity, the issue of a hybrid security and drawdown of existing debt facilities. The issue of new ordinary shares will be conducted by way of a pro-rata renounceable rights issue to existing shareholders, pursuant to which Orica has signed a volume underwriting agreement to raise up to A\$512 million. The terms of the issue have been included in the prospectus lodged on 21 November 2005. The proposed issue of hybrid securities is expected to raise approximately A\$400 million with an expected launch date of late January 2006.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the directors, disclosure would be likely to result in unreasonable prejudice to the consolidated entity.

Review and results of operations

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

Dividends

Dividends paid or declared since the end of the previous financial year were:	\$m
Final dividend paid at the rate of 2.5 cents per share on 2,000,000 preference shares, franked to 46.7% (1.17 cents) at the 30% corporate tax rate, paid 31 January 2005.	0.05
Interim dividend declared at the rate of 2.5 cents per share on 2,000,000 preference shares, franked to 32% (0.8 cents) at the 30% corporate tax rate, paid 29 July 2005.	0.05
Quarterly dividends declared at the rate of 5.36% per annum per share on 11,000 redeemable preference shares, unfranked at the 30% corporate tax rate (disclosed as borrowing costs in note 4 of the Financial Statements).	0.7
Final dividend at the rate of 45 cents per share on 272,016,825 ordinary shares, franked to 46.7% (21 cents) at the 30% corporate tax rate, paid 8 December 2004.	122.4
Interim dividend declared at the rate of 25 cents per share on 272,226,287 ordinary shares, franked to 32% (8 cents) at the 30% corporate tax rate, paid 15 July 2005.	68.1
Total dividends paid	191.3
Since the end of the financial year, the directors have declared a final dividend to be paid at the rate of 46 cents per share on 273,104,280 ordinary shares. This dividend will be franked to 32.6% (15 cents) at the 30% corporate tax rate.	125.6

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 2005 are as follows:

Acquisitions

- On 1 December 2004, Orica completed the purchase of Woods and Woods
- On 1 February 2005, Orica completed the purchase of Keith Harris Flavours and Fragrances
- On 28 February 2005, Orica completed the purchase 51% of Andean Chemicals Group
- On 2 May 2005, Orica completed the purchase of Aluminates Chemicals Industries

Events subsequent to balance date

- Since the end of the financial year, the directors declared a final dividend of 46 cents per share payable on 16 December 2005. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2005 and will be recognised in the 2006 Financial Statements.
- On 31 October 2005, Orica announced that a binding Heads of Agreement has been signed to sell Qenos Holdings Pty Ltd to China National Chemical Corporation. The sale is subject to Australian Foreign Investment Review Board and People's Republic of China (PRC) regulatory approvals. Following receipt of these approvals it is anticipated that the transaction will complete early 2006.
- For reporting periods beginning on or after 1 October 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in note 41 to the Financial Statements.

Directors' Report

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2005, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Environmental regulations

Safety, health and environment have always been cornerstones of Orica culture and Orica has high standards. More specific details about Orica's safety, health and environment initiatives and performance can be found in the Safety, Health and Environment Report 2005 which is released together with this Annual Report.

Where applicable, manufacturing licenses and consents are in place at each Orica site often in consultation with local environmental regulatory authorities. The measurement of compliance with conditions of licences and consents involves collection of monitoring data. Any exceedence of licence limits is reported to authorities as required and is investigated to determine cause and ensure the risk of recurrence is minimised.

Environmental Prosecution

On 4 November 2005 the Land and Environment Court of New South Wales found Orica Australia Pty Limited guilty of breaching its Environment Protection licence.

The offence occurred about 15 July 2004 when Orica discharged wastewater containing about 683 kilograms of nitric acid and which had a pH ranging between 6.0 and 1.5 into the Hunter River over a period of about six and a half hours. The acidic discharge had the potential to cause harm to fish and other aquatic life, however, there was no evidence of actual harm to fish or other aquatic life. The company was fined \$10,500 for this offence.

Orica was ordered by the Court to publish this notice and to pay the Department of Environment and Conservation's costs.

At the time and since, Orica has accepted responsibility for the incident and has invested in projects to prevent future incidents. Orica sincerely regrets what occurred and that it failed to realise its own standards and those of the community.

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 while 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 the benefit of an indemnity from the Company during or since the end of the year.

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

Auditor Independence

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Board Audit and Risk Committee, is satisfied that the provision of those 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 Professional Statement F1 Professional independence, 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 auditors' independence declaration as required under Section 307C of the Corporations Act is contained on page 33 of the annual 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 29.

Directors' Report – Remuneration report

Remuneration Report

The directors of Orica Limited (Orica) present the Remuneration Report prepared in accordance with section 300A of the Corporations Act for the Company and its controlled entities (collectively the Group) for the year ended 30 September 2005. This Remuneration Report forms part of the Directors' Report.

A. Remuneration Report Summary

A.1 Remuneration Strategy

Orica is a company that enjoys a strong performance based culture and aims to deliver above average returns for its shareholders. The remuneration strategy adopted by the Company has been a key factor in achieving this success. The key elements of the strategy are fixed salary at the market median with the ability to earn top quartile total remuneration based on achievement of clear short and long term performance targets. The strategy aims to attract, retain and motivate appropriately qualified and experienced directors and senior executives and other managers who contribute to Orica's performance.

A.2 Overview of elements of remuneration

Non-executive directors

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

Executive directors and senior executives

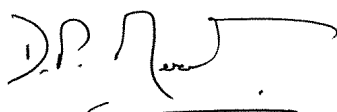
Executive remuneration comprises both a fixed component and an at-risk component. Fixed remuneration provides a guaranteed level of reward based on the executive's role, skills, knowledge, experience, individual performance, and the employment market. At-risk remuneration rewards executives for achieving financial and business targets and increasing shareholder value – no reward is earned unless pre-determined performance targets are achieved. The mix between fixed remuneration and at-risk remuneration depends on the level of seniority of the executive.

	Elements of remuneration	Directors		Senior Executives	Discussion in Remuneration Report
		Non-Executive	Executive		
Fixed remuneration	Fees	✓	✗	N/A	B2
	Salary	✗	✓	✓	E1
	Compulsory Statutory Superannuation	✓ ⁽¹⁾	✓	✓	B2/E1
	Other benefits	✗	✓	✓	E1
	Short Term Incentive (STI)	✗	✓	✓	D4
At-risk remuneration	Long Term Equity Incentive Plan	✗	✓	✓	D5
	Service Agreements	✗	✓	✓	F1
Post-employment	Termination payments – former executive directors and senior executives	N/A	✓	✓	E1

Table 1

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

This Remuneration Report is signed in accordance with a resolution of the directors of Orica Limited.



Chairman of the Remuneration and Appointments Committee
21 November 2005

Directors' Report – Remuneration report

B. Non-executive directors' fees

B.1 Policy – independence and impartiality

Non-executive directors' fees, including committee fees, are set by the Board within the maximum aggregate amount of \$1,200,000 approved by shareholders at the 2002 Annual General Meeting. These fees are set at levels which reflect the time commitments and responsibilities of non-executive directors. In order to maintain independence and impartiality, non-executive directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance. In setting fees, the Remuneration and Appointments Committee, which makes recommendations to the Board, takes into consideration the Company's existing remuneration policies, external professional advice, survey data on fees paid by comparable companies and the level of remuneration required to attract and retain directors of the appropriate calibre.

Following such a review, annual fees were increased by 10% with effect from 1 April 2005. Prior to that fees were last increased in October 2002. Non-executive directors now receive a fee of \$110,000 in relation to their service as a director of the Board. The Chairman, taking into account the greater commitment required, now receives a fee of \$330,000. In addition, directors who sit on the Board's committees receive an additional fee of \$10,000 per annum and the Chairs of those committees receive an additional fee of \$20,000 per annum. Compulsory statutory superannuation contributions are also made.

Orica has discontinued retirement allowances for all non-executive directors. Directors appointed prior to 1 July 2002, have had their retirement allowance preserved (as at 1 July 2004) with no indexation and the allowance will be paid to the eligible directors upon retirement. In accordance with rule 48 of the Company's constitution, those retirement benefits do not fall within the maximum aggregate fee cap for non-executive directors. In addition, non-executive directors are entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by the director while engaged on the business of the Company, in accordance with rule 50.2 of Orica's constitution.

B.2 Remuneration

Details of non-executive directors' remuneration for the financial year are set out in the following table:

For the year to 30 September 2005	Directors Fees ⁽¹⁾	Audit and Risk Committee	Environment Committee	Due Diligence Committee	Superannuation Benefits ⁽²⁾	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Non-Executive Directors						
D P Mercer, Chairman ⁽³⁾	315.0	-	-	-	28.3	343.3
M E Beckett	105.0	-	10.0	-	10.3	125.3
P J Duncan ⁽³⁾	105.0	20.0	-	-	11.2	136.2
G A Hounsell	108.3	10.0	-	20.0	10.6	148.9
P M Kirby	105.0	-	20.0	-	11.2	136.2
M Tilley	105.0	10.0	-	10.0	10.3	135.3
C M Walter ⁽³⁾	105.0	-	10.0	-	10.3	125.3
Total Non-Executive Directors	948.3	40.0	40.00	30.0	92.2	1,150.5

Table 2

⁽¹⁾ Represents actual directors fees paid during the financial year reflecting an increase in fees which became effective 1 April 2005. G A Hounsell was appointed mid September 2004 and received a pro rata fee for that month.

⁽²⁾ Compulsory superannuation contributions made on behalf of non-executive directors to satisfy the Company's obligations under the applicable Superannuation Guarantee Charge legislation and not paid on one off payments for Due Diligence Committee.

⁽³⁾ If each eligible non-executive director had ceased to be a director on 30 September 2005, the following benefits would have been payable under the grandfathered Directors Retirement Scheme: D P Mercer \$664,000, P J Duncan \$154,800, C M Walter \$228,700 (refer to section B.1 above). These benefits have been fully provided for in the financial statements.

C. Company performance – the link to reward

C.1 Five Year Performance

Over the past 5 years the Board has set challenging financial performance targets for management and have directly aligned executive incentives to the achievement of those targets. The link is clear: when target performance is achieved, target executive rewards are earned, and when above target performance is achieved, executives earn above target rewards.

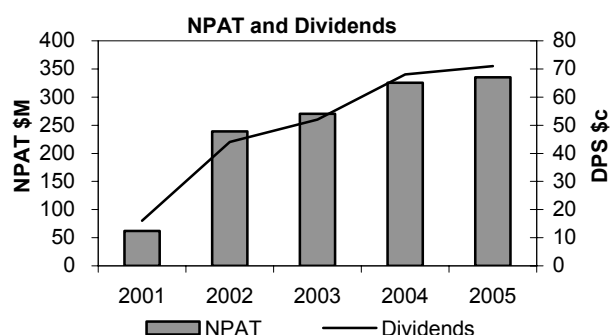
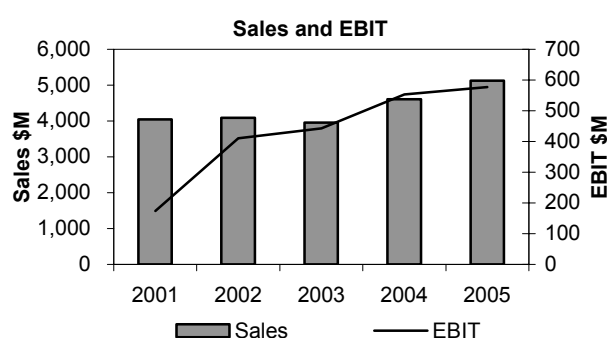
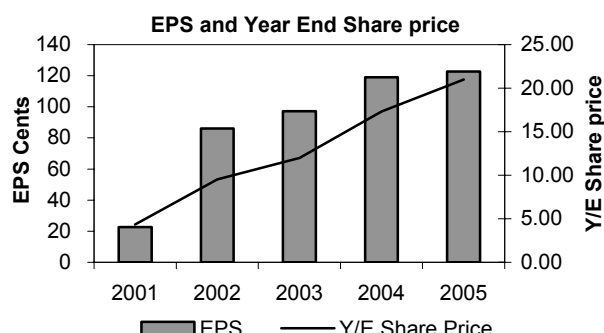
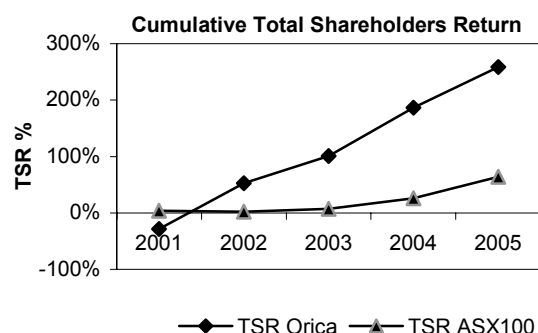
Orica has enjoyed strong performance over the past 5 years:

- earnings have grown at average rate of 17.9% per annum over the 5 years;
- the share price has increased 266% over that period;
- an average of 50 cents per share has been paid to shareholders under the Company's progressive dividend policy;
- additional returns to shareholders have been made through share buy-backs; and
- total shareholder return (TSR) over the the past 5 years has been 258.3%.

Directors' Report – Remuneration report

As a result, for the past 5 years executives have generally earned rewards at or above target levels.

The Board believes that directly linking executive rewards to performance targets has been a key driver in the achievement of the strong results shown in the charts shown below.



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

Over the past 3 years, Orica has conducted a series of on-market buy-backs as part of its capital management strategy. These buy-backs have resulted in a total buy back of 16,897,820 ordinary shares with \$230.4 million returned to shareholders.

C.2 Link to Performance

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

Executive **short-term incentives** are tied to overall performance measures for Orica and specific measures for business platforms in the areas of financial performance (NPAT, EBIT and cash flow) and safety and environmental performance. The specific measures and their weighting vary depending on the seniority and role of the executive. Each year a performance contract specifying target, stretch and threshold performance measures is set and agreed with each executive, by that executive's manager. The performance contract of the Managing Director is set and agreed with the Chairman. The Chairman and the Board's Remuneration and Appointments Committee review executive performance targets to ensure they are appropriately challenging.

Executive **long-term incentives** (delivered through the Long Term Equity Incentive Plan) are tied to growth in Orica's share price and growth in Total Shareholder Return (TSR).

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

	2001	2002	2003	2004	2005
External Sales (\$m)	4,041.9	4,085.2	3,958.6	4,610.5	5,126.7
Cash flow from operating activities (\$m)	230.6	342.7	500.4	587.9	375.8
EBIT (\$m)	174.4	410.0	442.3	553.3	577.2
NPAT - Net profit after tax (before individually significant items) (\$m)	62.3	239.1	270.3	325.6	334.9
All Workers Recordable Case Rate	1.46	1.12	1.08	0.74	0.85
Dividends per share (cents)	16.0	44.0	52.0	68.0	71.0
Return of capital (\$m)	-	-	49.2	127.5	53.7
Year end share price (\$)	4.34	9.52	12.00	17.30	21.00
Cumulative TSR - Orica (%)	(28.2)	52.4	101.0	186.5	258.3
Cumulative TSR - ASX 100 (%)	4.1	2.2	7.2	26.1	63.8

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

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

Directors' Report – Remuneration report

D. Executive directors' and senior executives' remuneration – driving a performance culture

D.1 Executive Team

Details of the current executive team are set out on page 13 of the annual report. The executive directors and senior executives with the highest remuneration during the financial year and to whom this report applies are:

Name	Role	
Current		Commencement Date *
Graeme Liebelt	Managing Director and Chief Executive Officer	1 September 2005
Noel Meehan	Executive Director Finance and Chief Financial Officer	1 May 2005
Peter Bailey	General Manager, Orica Consumer Products	10 April 2003
Bronek Karcz	General Manager, Chemnet	1 April 2005
John Beevers	General Manager, Chemical Services	1 April 2005
Julian Segal	Managing Director and Chief Executive Officer, Incitec Pivot Limited	3 June 2005
Greg Witcombe	General Manager, People, SH&E and Community	3 June 2005
Patrick Largier	General Manager, Strategy and Acquisitions	6 July 2004
Former		Cessation Date
Malcolm Broomhead	Managing Director and Chief Executive Officer	31 August 2005
Jim Hall	Executive Director Finance and Chief Financial Officer	30 April 2005
Barbara Gibson	General Manager, Chemicals	31 March 2005
Shaun O'Sullivan	General Manager, Business Development	30 November 2005

Table 3

* commenced in the role - the executives were promoted internally from other roles within Orica reflecting our commitment to succession planning and development of key talent

D.2 Board policy on remuneration

The Remuneration and Appointments Committee has recommended, and the Board has adopted a policy that remuneration will:

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

Details of the composition and responsibilities of the Remuneration and Appointments Committee are set out on page 16. The Committee and senior management receive external advice on matters relating to remuneration.

The Board considers it desirable for remuneration packages of executive directors and senior executives to include both a *fixed* component and an at-risk or performance-related component (comprising both short-term and long-term incentives). The Board views the at-risk component as an essential driver of Orica's high performance culture. The mix between fixed remuneration and at-risk remuneration is designed to reflect market conditions at each job and seniority level. For the CEO and his direct reports, the split is approximately 50% fixed and 50% at-risk, as shown in the table below. This relatively high weighting to at-risk remuneration reflects the Board's commitment to performance-based reward.

	% of Total Annual Remuneration		
	Fixed	Short term incentive (Target) ⁽¹⁾	At-risk Long term incentive
CEO/MD and Senior Executives	50	20	30

Table 5

⁽¹⁾ Target STI is set at 50% of the maximum STI and reflects the expected or budgeted level of achievement.

For details of the remuneration paid to executive directors and senior executives, refer to section E below.

D.3 Fixed remuneration

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

Directors' Report – Remuneration report

D.4 At-risk remuneration – Short Term Incentive Plan (STI)

Summary of STI	
What is the STI?	An annual cash incentive plan linked to specific annual targets (which are predominantly financial).
Who participates in the STI?	All executives (including the executive directors).
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a large proportion of executive remuneration at-risk against meeting targets linked to Orica's annual business objectives.
Are STIs awarded where performance falls below a minimum threshold performance level?	No STI is awarded if minimum performance across Orica does not meet the required threshold. In recent years this has been linked to a minimum level of Net Profit After Tax before significant items that must be achieved before any STI is awarded.
Who assesses the performance of senior executives?	The Managing Director assesses the performance of senior executives at the end of each financial year and confers with the Chairman regarding his assessment.
Who assesses the performance targets for the Managing Director?	The Chairman agrees the Managing Director's targets at the beginning of each year and assesses performance against those targets at the end of the financial year, having conferred with the Remuneration and Appointments Committee.
What are the performance conditions?	<p>The performance conditions comprise financial targets relating to:</p> <p>Net Profit After Tax (before significant items);</p> <p>Business EBIT;</p> <p>Cash flow; and</p> <p>External sales,</p> <p>as well as non-financial conditions, including safety and environmental performance.</p> <p>These performance conditions are set at both an Orica level and an individual business level. Achievement of performance conditions may therefore vary between businesses.</p>
Why were these conditions chosen?	The financial targets are set in line with the Group's annual budget and are intended to improve financial performance which results in greater shareholder wealth. Safety, health and environmental targets build Orica's culture and commitment to 'no injuries to anyone, ever' and 'valuing people and the environment'. It is this culture that enables Orica to attract and retain high performing people.
Are both target and stretch performance conditions imposed?	Yes. The STI and the performance conditions set under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI will deliver higher rewards to executives.
How well were the performance conditions met in the 2005 financial year?	<p>Although the Group did not achieve its stretch targets, the performance conditions were generally satisfied at or above target.</p> <p>The level of safety and environmental performance during the year did not meet target and the maximum short term incentives for this component was not achieved.</p>

Table 6

D.5 At risk remuneration – Long Term Incentives

D.5.1 Long Term Equity Incentive Plan - (LTEIP)

Summary of LTEIP	
What is the LTEIP?	<p>The Orica Long Term Equity Incentive Plan (LTEIP) is the long term incentive component of remuneration for executives who are able to influence the generation of shareholder wealth by having a direct impact on the Group's performance.</p> <p>The LTEIP is designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value.</p>
Why does the Board consider the structure of the LTEIP appropriate?	<p>The LTEIP facilitates immediate share ownership by the executive directors and senior executives and links a significant proportion of their potential remuneration to Orica's ongoing share price and returns to shareholders over a 3 year period.</p> <p>The Board believes the LTEIP will promote behaviour that will achieve superior performance over the long term.</p>
What are the key features of the LTEIP?	<p>Under the LTEIP, eligible executives are provided with a 3 year, interest free, non-recourse loan from the Company 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.</p> <p>In order to reward good performance, part of the loan may be forgiven at the end of the 3 year loan period upon the achievement of specified performance conditions.</p> <p>The balance of the loan must be repaid following testing of the performance condition or upon the executive ceasing employment with the Group (whichever occurs earlier).</p>

Directors' Report – Remuneration report

Summary of LTEIP	
Why introduce a loan based plan?	The Board approved the design of the LTEIP (as a loan based plan) after consideration of its relative merits against other performance share, performance right and option schemes in the market. The Board considers the LTEIP to be a cost effective plan aligned to the creation of shareholder value.
Why is the loan interest free?	The interest waived on the loan is part of the remuneration value to executives of participation in the LTEIP, and is taken into consideration when determining the amount of the loan offered to each executive.
Why is a non-recourse loan provided?	If the loan exceeds the value of the shares the Board believes the loss of any remuneration value from the LTEIP is a sufficient penalty to the senior executives. The performance condition necessary for partial forgiveness of their loan would not be satisfied, and senior executives would have no further interest in the shares.
As the loan is non-recourse to executives does any part of their loans have to be repaid?	Yes, where an executive does not discharge the loan at the end of the 3 year performance or if they cease employment with the Group, the Company will sell or otherwise realise the shares to apply in satisfaction of the loan.
Is the benefit to executives of participation in the LTEIP affected by changes in the share price?	Yes, executives who participate in the LTEIP will be affected in the same way as all other shareholders by changes in Orica's share price. The remuneration value executives receive through participation in the LTEIP will be reduced if the share price falls during the loan period, and will increase if the share price rises over this period.
What is the forgiveness amount?	Part of the loan ("the forgiveness amount") may be forgiven upon the achievement of specified performance conditions at the end of the 3 year period. The amount of the loan which may be forgiven is calculated by reference to a percentage of the executives' fixed annual remuneration. In general, for on target performance, this would be up to 22% of the loan amount for senior executives. No benefit is earned if the executive leaves employment before the end of the 3 year period.
What is the performance measurement testing period?	3 years.
What are the performance hurdles?	The target performance hurdle is based on the growth in Orica's Total Shareholder Return (TSR). For the performance condition to be satisfied in full, Orica's TSR must be 20% per annum (compounded) over the 3 year period.
What is TSR?	Broadly, TSR is the percentage increase in the Company's share price over the 3 year loan period, plus the value of dividends paid being treated as if they were reinvested.
Why did the Board select an absolute TSR performance hurdle rather than a relative TSR hurdle?	Orica's diversified business mix means there is no logical comparator group for the Company. The TSR growth target sets what we consider to be an aggressive target for executives and against which they can regularly monitor performance by comparing changes in the Company's share price over the 3 year performance period. This was felt to be superior to using a relative hurdle that would only be calculated and be made available periodically.
What is the TSR performance condition vesting schedule?	In order to ensure that the performance condition is not an "all or nothing" target, 90% of the forgiveness amount will be awarded for compound TSR growth which exceeds 15% per annum. The percentage of the forgiveness amount increases proportionately in line with the level of TSR growth achieved, with 100% of the forgiveness amount awarded for TSR growth of 20% per annum (compound), up to a maximum of 110% of the forgiveness amount awarded for TSR growth of 25% per annum (compound) or more. No amount will be forgiven for TSR growth below the 15% threshold.
Does the Board consider the satisfaction in full of the TSR hurdle a sufficient "stretch" for management?	Yes, in setting the target of 20% per annum compound TSR growth, the Board considered average market TSR figures (20% per annum is a clear, certain and absolute measure that generally reflects top quartile performance within the ASX Top 100) and the TSR growth targets set by other companies without a natural comparator group. The Board considers the LTEIP target to be aggressive.
Are the performance conditions re-tested?	No, the performance condition is only tested once at the end of the 3 year period.
Have any executives had part of their loan balance forgiven?	No executive has become entitled to any forgiveness amount at this stage, as the performance conditions for LTEIP are not tested until 2007.

Table 7

D.5.2 Legacy Plans

In the period 2001 to 2004, Orica used a Senior Executive Share Loan Plan (SESLP) as the long term incentive for the Group Executive and an Executive Share Option Plan (ESOP) for other senior executives. Further details are contained in note 34 to the Financial Statements.

Directors' Report – Remuneration report

E. Details of remuneration

E.1 Executive Directors' and Senior Executives' remuneration

Particulars of executive directors' and senior executives' qualifications, experience and special responsibilities are detailed on page 13 of the annual report. Details of the nature and amount of each element of remuneration of executive directors and senior executives are included in the tables below.

For the year to 30 September 2005

	Fixed Salary \$000	STI Payment \$000	Super- annuation Benefits \$000	Leaving Payment ⁽¹⁾ \$000	Value of Equity compensation ⁽²⁾ \$000	Other Benefits ⁽³⁾ \$000	Total Remuneration \$000
Current Executive Directors							
G R Liebelt	1,005.9	672.3	11.7	-	426.4	25.4	2,141.7
N A Meehan	395.5	234.8	11.7	-	39.6	32.0	713.6
Total Current Executive Directors	1,401.4	907.1	23.4	-	466.0	57.4	2,855.3
Current Senior Executives							
G J Witcombe ⁽⁴⁾	660.9	185.7	11.7	-	948.6	45.5	1,852.4
P G Bailey	534.1	168.0	11.7	-	214.6	0.6	929.0
P J Largier	466.8	148.8	11.7	-	191.8	10.4	829.5
J Segal	432.4	190.9	11.7	-	95.9	50.3	781.2
J R Beevers	371.3	231.7	11.7	-	73.6	109.0	797.3
B K Karcz	405.9	237.7	11.7	-	90.2	-	745.5
Total Current Senior Executives	2,871.4	1,162.8	70.2	-	1,614.7	215.8	5,934.9
Former Executive Directors and Senior Executives							
M W Broomhead ^{(5) (6)}	1,453.3	602.1	-	4,186.0	3,585.0	52.2	9,878.6
J W Hall ⁽⁶⁾	430.8	110.2	-	98.9	332.5	93.7	1,066.1
B J Gibson ⁽⁶⁾	322.1	93.0	8.0	1,269.3	248.5	6.1	1,947.0
S G O'Sullivan ⁽⁷⁾	601.4	372.0	-	620.0	232.7	12.7	1,838.8
Total Former Executive Directors and Senior Executives	2,807.6	1,177.3	8.0	6,174.2	4,398.7	164.7	14,730.5

Table 8

⁽¹⁾ Represents contractual payments upon termination and payment of statutory leave.

⁽²⁾ Includes the value to executives under the Long Term Equity Incentive Plan (LTEIP). There is currently no Australian Accounting requirement to record an expense for the fair value of the LTEIP for 2005 (see section D.5.1 above for details). However the relevant accounting standards require Orica to derive a value for these items and include the value in the director and executive remuneration disclosures. The benefit derived under the LTEIP is an immediately vesting benefit and therefore the full value granted to executives in December 2004 is disclosed in this financial year. This amount also includes the amortised value of options previously granted to executives. Full details of the valuation methodology are set out in note 34 to the Financial Statements.

⁽³⁾ These benefits include relocation costs, car parking, medical costs and spousal travel, and costs associated with services related to employment (inclusive of any applicable fringe benefits tax).

⁽⁴⁾ Includes the value of Incitec Pivot Limited and Orica long term incentive plans during the year. G J Witcombe ceased to be Managing Director and Chief Executive Officer of Incitec Pivot Limited during the year and so ceased to participate in the Incitec Pivot Limited LTI (\$52,900). He was granted shares under the SESLP (\$621,111) and LTEIP during the year upon resuming office with Orica.

⁽⁵⁾ In accordance with his Service Agreement, M W Broomhead received a termination payment representing two years' fixed annual remuneration and 60% of his fixed remuneration in recognition of foregone incentives. M W Broomhead also received an amount of \$2 million in respect of consultancy services that were paid after his retirement and not included in the table above.

⁽⁶⁾ 2005 STI payments to M W Broomhead, J W Hall and B J Gibson were pro rated as they were only employed by Orica for part of the financial year.

⁽⁷⁾ The leaving payment has been accrued as remuneration in 2005 and will be paid to S G O'Sullivan on cessation of employment on 30 November 2005 and no future disclosures are required in 2006.

Directors' Report – Remuneration report

E.2 Executive Directors' and Senior Executives' STI

Specific information relating to the percentage of the STI which was paid and the percentage that was forfeited for the executive directors and the senior executives of the Company and the Group is set out in table below:

For the year to 30 September 2005	Actual STI payment (\$) ^{(1) (2)}	Actual STI payment as % of maximum STI	% of maximum STI payment forfeited
Current Executive Directors and Senior Executives			
G R Liebelt	672,300	87.1%	12.9%
N A Meehan ⁽³⁾	234,875	68.0%	32.0%
G J Witcombe	185,700	45.3%	54.7%
P G Bailey	168,000	50.0%	50.0%
P J Largier	148,825	52.0%	48.0%
J Segal	190,960	59.3%	40.7%
J R Beevers	231,780	93.0%	7.0%
B K Karcz	237,750	92.2%	7.8%
Former Executive Directors and Senior Executives			
M W Broomhead ⁽⁴⁾	602,150	51.0%	49.0%
J W Hall ⁽⁵⁾	110,200	41.4%	58.6%
B J Gibson ⁽⁵⁾	93,000	50.0%	50.0%
S G O'Sullivan	372,000	100.0%	-

Table 9

⁽¹⁾ STI constitutes a cash incentive earned during 2005, and is expected to have been paid in December 2005.

⁽²⁾ A minimum level of NPAT must be achieved before any STI is paid. Therefore, the minimum potential value of the STI which was granted in respect of the year was nil.

⁽³⁾ Includes a discretionary bonus reflecting additional responsibilities during the year.

⁽⁴⁾ M W Broomhead's 2005 STI payment was pro rated to reflect that his employment with the Group ceased on 31 August 2005 (a month before the end of the performance period).

⁽⁵⁾ J W Hall's and B J Gibson's 2005 STI payment were pro rated to reflect their employment with the Group ceasing on 30 April 2005 and 31 March 2005 respectively.

E.3 Equity instruments held by Executive Directors and Senior Executives

The value of share loans granted during the year, the value of any options or award rights granted in a previous year that were exercised during the year relating to the executive directors and senior executives, including former executive directors and senior executives, is set out below.

The value of the shares, options or award rights granted, as valued by PricewaterhouseCoopers, is the fair value calculated at grant date using an adjusted form of the Black Scholes pricing model.

Value of equity instruments of executive directors and senior executives for the year⁽³⁾

For the year to 30 September 2005	Shares Granted Number ⁽¹⁾	Shares Granted (\$)	Options / Award Rights Exercised Number	Options / Award Rights Exercised (\$) ⁽²⁾
Current Executive Directors and Senior Executives				
G R Liebelt	71,194	426,452	292,000	3,705,940
N A Meehan	6,624	39,678	17,655	194,283
G J Witcombe ⁽⁴⁾	196,962	895,693	-	-
P G Bailey	35,839	214,676	38,767	410,470
P J Largier	32,031	191,866	22,372	242,585
J Segal	16,012	95,912	104,817	1,185,289
J R Beevers	12,292	73,629	31,814	339,271
B K Karcz	15,075	90,299	42,863	452,413
Total Current Executive Directors and Senior Executives	386,029	2,028,205	550,288	6,530,251
Former Executive Directors and Senior Executives				
M W Broomhead	500,000	3,585,000	200,000	2,402,000
J W Hall	55,523	332,583	-	-
B J Gibson	41,498	248,573	50,000	590,000
S G O'Sullivan	38,857	232,753	-	-
Total Former Executive Directors and Senior Executives	635,878	4,398,909	250,000	2,992,000

Table 10

⁽¹⁾ The grants made to senior executives under the LTEIP during the year constituted 100% of the grants available for the year. As grants under the LTEIP are treated as an immediately vesting benefit for accounting purposes, the maximum value of the grants is the value disclosed and there will be no impact in future financial years.

⁽²⁾ The value of each option exercised is the market value of Orica shares on the date of exercise, less the exercise price paid.

⁽³⁾ No options or award rights lapsed or were forfeited during the year. Further, as the benefit to participants under SESLP and LTEIP vests at the time of grant, no part of this benefit lapses or may be forfeited during the year.

⁽⁴⁾ Includes shares granted to G J Witcombe under SESLP upon resuming office with Orica.

Directors' Report – Remuneration report

E.4 Loans to Executive Directors and Senior Executives under Group long term incentive plans

For the year to 30 September 2005	Opening balance \$	Loan advanced during the year \$	Interest free value \$	Amount repaid during the year ⁽¹⁾ \$	Amount of loan forgiven ⁽²⁾ \$	Closing balance \$	Highest indebtedness \$
Current Executive Directors							
G R Liebelt	2,951,197	1,435,271	232,587	161,989	410,283	3,814,196	4,386,468
N A Meehan	-	133,540	5,917	853	-	132,687	133,540
Current Executive Directors	2,951,197	1,568,811	237,504	162,842	410,283	3,946,883	4,520,008
Current Senior Executives							
G J Witcombe ⁽³⁾	963,011	3,349,642	55,322	600,988	610,543	3,101,122	4,312,653
P G Bailey	742,196	722,514	66,313	214,754	94,561	1,155,395	1,464,710
P J Largier	-	645,745	28,612	4,124	-	641,621	645,745
J Segal	-	322,802	14,303	2,062	-	320,740	322,802
J R Beevers	-	247,807	10,980	1,583	-	246,224	247,807
B K Karcz	-	303,912	13,466	1,941	-	301,971	303,912
Total Current Senior Executives	1,705,207	5,592,422	188,996	825,452	705,104	5,767,073	7,297,629
Former Executive Directors and Senior Executives							
M W Broomhead ⁽⁴⁾	4,983,206	10,080,000	714,973	693,987	650,000	13,719,219	15,063,206
J W Hall	2,790,147	1,119,343	91,198	3,672,490	237,000	-	3,909,490
B J Gibson	1,835,132	836,599	58,209	2,473,281	198,450	-	2,671,731
S G O'Sullivan	1,835,132	783,357	71,340	1,641,684	198,450	778,355	2,618,489
Total Former Executive Directors and Senior Executives	11,443,617	12,819,299	935,720	8,481,442	1,283,900	14,497,574	24,262,916

Table 11

⁽¹⁾ Constitutes repayments including after tax dividends paid on the shares applied against the loan and, in respect to former executives, the repayment of the balance of the loan following cessation of employment.

⁽²⁾ Represents the amount of the loan forgiven, upon the second price hurdle being reached in accordance with the terms of the SESLP and the amount of \$390,043 forgiven under the Incitec Pivot Limited LTI plans for G J Witcombe. Details of this performance condition and other terms of the SESLP are set out in note 34 to the Financial Statements.

⁽³⁾ G J Witcombe repaid the loan outstanding under the Incitec Pivot LTI plan, and was granted a loan under SESLP and LTEIP during the year upon resuming office with Orica.

⁽⁴⁾ In accordance with the terms of his Loan Agreement, the balance of M W Broomhead's loans under the LTEIP and the SESLP, being \$13,719,219, became repayable upon the cessation of his employment with the Group on 31 August 2005. The loan balance must be repaid by no later than 31 May 2006.

Directors' Report – Remuneration report

F. Executive Service agreements

Remuneration and other terms of employment for the executive directors and senior executives are formalised in service agreements. Specific information relating to the terms of the service agreements of the current executive directors and senior executives are set out in the table below.

F.1 Summary of specific terms

Name	Term of agreement	Fixed Annual Remuneration ⁽¹⁾	Notice Period by Executive	Notice Period by Orica	Termination Payment ⁽²⁾
G R Liebelt	31 August 2010	\$1,400,000	6 months	3 months	1.5 times his fixed annual remuneration ⁽³⁾
N A Meehan	Open	\$600,000	3 months	3 months	1.0 times his fixed annual remuneration
G J Witcombe	Open	\$682,640	3 months	3 months	1.68 times his fixed annual remuneration ⁽⁴⁾
P G Bailey	Open	\$560,000	3 months	3 months	1.0 times his fixed annual remuneration
P J Largier	Open	\$477,000	3 months	3 months	1.0 times his fixed annual remuneration
J Segal	Open	\$560,000	3 months	3 months	1.0 times his fixed annual remuneration
J R Beevers	Open	\$450,000	3 months	3 months	1.28 times his fixed annual remuneration ⁽⁴⁾
B K Karcz	Open	\$450,000	3 months	3 months	1.0 times his fixed annual remuneration

Table 12

⁽¹⁾ Fixed salary, inclusive of superannuation, is reviewed annually by the Remuneration and Appointments Committee following the end of each financial year. Accordingly, the amounts set out in the table above are the executive's fixed annual remuneration as at 30 September 2005. As part of the normal annual review of remuneration, Fixed Annual Remuneration for all executives (with the exception of G R Liebelt, whose remuneration was adjusted upon his appointment as Managing Director and Chief Executive Officer on 1 September 2005) will be reviewed and, where appropriate, adjusted during the 2006 financial year.

⁽²⁾ Termination payment if Orica terminates the executive's employment other than for cause.

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

⁽⁴⁾ The termination benefits in respect of G J Witcombe and J R Beevers reflect grandfathering of entitlements, under previous service agreements and employment terms, recognising their past service in the Group, as part of new remuneration arrangements.

The Company makes provision for employee entitlements in accordance with applicable Accounting Standards.

In addition, the Company has policies in relation to relocation, consistent with its expectation that all executives are mobile, as required by the needs of the business.

F.2 Restraint of trade

In appropriate circumstances, Orica negotiates a restraint of trade with senior executives, upon cessation of their employment, to protect the legitimate business interests of the Group.

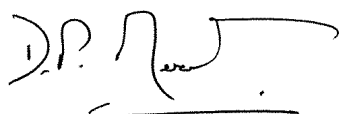
F.3 Sign-on payments

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

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.

Signed on behalf of the Board in accordance with a resolution of the directors of Orica Limited.



D P Mercer
Chairman

Dated at Melbourne this 21st day of November 2005.

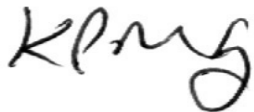
Lead Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporation 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 2005 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



Alison M Kitchen

Partner

Melbourne

21st November 2005

Statements of Financial Performance

For the year ended 30 September

	Notes	Consolidated		Company	
		2005	2004	2005	2004
		\$m	\$m	\$m	\$m
Revenue from ordinary activities	(3)	5,261.6	4,734.6	24.7	51.2
Operating expenses					
Changes in inventories of finished goods and work in progress		51.9	120.9	-	-
Raw materials and consumables used and finished goods purchased for resale		(2,880.8)	(2,579.0)	-	-
Employee expenses		(769.8)	(698.1)	-	-
Depreciation and amortisation expense		(175.9)	(170.9)	(0.3)	(0.4)
Borrowing costs		(109.5)	(79.9)	(60.4)	(36.3)
Purchased services		(351.6)	(312.9)	(0.8)	(2.0)
Repairs and maintenance		(144.0)	(116.3)	-	-
Property, plant & equipment retired/disposed		(64.2)	(17.2)	-	(1.9)
Property, plant & equipment written down		(14.8)	(12.3)	-	-
Outgoing freight		(221.2)	(203.3)	-	-
Lease payments - operating leases		(68.2)	(57.2)	-	-
Other expenses from ordinary activities including significant items		(184.8)	(185.8)	-	0.2
Share of associates' net profit equity accounted	(12)	5.3	11.8	-	-
		(4,927.6)	(4,300.2)	(61.5)	(40.4)
Profit from ordinary activities before income tax expense	(4)	334.0	434.4	(36.8)	10.8
Income tax expense attributable to profit from ordinary activities	(6)	(87.2)	(80.9)	12.2	(1.9)
Profit from ordinary activities after income tax expense		246.8	353.5	(24.6)	8.9
Outside equity interests in (profit) from ordinary activities after income tax		(10.5)	(25.7)	-	-
Profit from ordinary activities after income tax relating to members of Orica Limited		236.3	327.8	(24.6)	8.9
Non-owner transactions in equity					
Net exchange differences on translation of financial reports of foreign controlled entities	(23)	(25.9)	(9.1)	-	-
Total revenues, expenses and valuation adjustments relating to members of the parent entity recognised directly in equity		(25.9)	(9.1)	-	-
Total changes in equity other than those resulting from transactions with owners as owners	(25)	210.4	318.7	(24.6)	8.9
		cents	cents		
Earnings per share					
Basic earnings per share:					
Ordinary shares	(7)	86.6	119.8		
Diluted earnings per share:					
Ordinary shares	(7)	85.3	117.7		

The Statements of Financial Performance are to be read in conjunction with the notes to the financial statements set out on pages 37 to 109.

Statements of Financial Position

As at 30 September

		Consolidated		Company	
	Notes	2005 \$m	2004 \$m	2005 \$m	2004 \$m
Current assets					
Cash assets	(8)	214.7	148.9	25.3	23.9
Receivables	(9)	673.6	754.4	426.0	419.8
Other financial assets	(13)	12.3	-	-	-
Inventories	(10)	826.3	744.7	-	-
Other assets	(11)	65.6	61.6	-	-
Total current assets		1,792.5	1,709.6	451.3	443.7
Non-current assets					
Receivables	(9)	144.0	21.3	105.1	-
Investments accounted for using the equity method	(12)	64.1	65.7	-	-
Other financial assets	(13)	-	-	1,147.7	1,147.8
Property, plant and equipment	(14)	1,651.3	1,518.0	27.1	27.4
Intangible assets	(15)	576.5	581.8	-	-
Deferred tax assets	(16)	208.6	216.8	154.6	151.3
Other assets	(11)	33.1	40.1	-	-
Total non-current assets		2,677.6	2,443.7	1,434.5	1,326.5
Total assets		4,470.1	4,153.3	1,885.8	1,770.2
Current liabilities					
Payables	(17)	909.4	779.7	5.8	4.0
Interest bearing liabilities	(18)	49.5	385.7	976.0	673.1
Current tax liabilities	(19)	16.5	28.2	-	-
Provisions	(20)	197.3	193.2	0.1	0.1
Total current liabilities		1,172.7	1,386.8	981.9	677.2
Non-current liabilities					
Payables	(17)	9.1	14.8	-	-
Interest bearing liabilities	(18)	1,277.3	740.5	-	-
Deferred tax liabilities	(21)	160.6	151.7	110.4	96.3
Provisions	(20)	197.3	221.6	1.1	1.0
Total non-current liabilities		1,644.3	1,128.6	111.5	97.3
Total liabilities		2,817.0	2,515.4	1,093.4	774.5
Net assets		1,653.1	1,637.9	792.4	995.7
Equity					
Parent entity interest					
Contributed equity	(22)	381.2	369.3	381.2	369.3
Reserves	(23)	82.2	108.1	95.6	95.6
Retained profits	(23)	996.9	951.2	315.6	530.8
Total parent entity interest		1,460.3	1,428.6	792.4	995.7
Outside equity interests in controlled entities	(24)	192.8	209.3	-	-
Total equity	(25)	1,653.1	1,637.9	792.4	995.7

The Statements of Financial Position are to be read in conjunction with the notes to the financial statements set out on pages 37 to 109.

Statements of Cash Flows

For the year ended 30 September

		Consolidated		Company	
	Notes	2005	2004	2005	2004
		\$m	\$m	\$m	\$m
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		5,680.5	4,987.7	-	-
Payments to suppliers and employees		(5,049.1)	(4,348.7)	(0.9)	(1.3)
Interest received		5.7	20.2	24.7	25.2
Borrowing costs		(87.7)	(78.5)	(58.4)	(34.4)
Dividends received		8.0	12.0	-	8.4
Royalties and other operating revenue received		27.8	40.1	-	2.1
Net income taxes paid	(9)	(209.4)	(44.9)	(131.1)	(54.1)
Net cash flows from/(used in) operating activities	(27)	375.8	587.9	(165.7)	(54.1)
Cash flows from investing activities					
Payments for property, plant and equipment		(353.9)	(198.9)	-	(1.1)
Payments for purchase of investments		(6.7)	(0.3)	-	-
Payments for purchase of businesses/controlled entities	(27)	(59.2)	(253.9)	-	-
Proceeds from sale of property, plant and equipment		119.0	72.0	-	15.6
Net cash flows (used in)/from investing activities		(300.8)	(381.1)	-	14.5
Cash flows from financing activities					
Proceeds from long term borrowings		557.2	279.5	-	-
Repayment of long term borrowings		-	(300.8)	-	-
Net movement in short term financing		(336.2)	163.7	371.5	316.1
Proceeds from finance leases		(0.1)	-	-	-
Proceeds from issue of shares	(22)	27.5	9.1	27.5	9.1
Payments for buy-back of shares	(22)	(53.7)	(127.5)	(53.7)	(127.5)
Dividends paid - Orica shareholders		(178.2)	(156.6)	(178.2)	(156.6)
Dividends paid - outside equity interests		(24.1)	(11.0)	-	-
Net cash flows (used in)/from financing activities		(7.6)	(143.6)	167.1	41.1
Net increase in cash held		67.4	63.2	1.4	1.5
Cash at the beginning of the financial period		147.3	85.1	23.9	22.4
Effects of exchange rate changes on cash		(2.8)	(1.0)	-	-
Cash at the end of the financial period	(27)	211.9	147.3	25.3	23.9

The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements set out on pages 37 to 109.

Notes to the Financial Statements

For the year ended 30 September 2005

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Notes to the Financial Statements

For the year ended 30 September 2005

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') are stated below to assist in a general understanding of this financial report. These policies have been consistently applied except as otherwise indicated.

(i) Basis of preparation

The financial report is a general purpose financial report prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, the Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or fair values of non-current assets.

(ii) Changes in accounting policies

During the financial year ended 30 September 2005, there have been no changes in accounting policy.

(iii) Consolidation

The controlled entities included in the consolidated financial statements are listed in note 38. All inter-entity transactions and balances have been eliminated. Where entities are not controlled throughout the entire financial year, the consolidated results include the results of those entities for that part of the year during which control existed.

(iv) Revenue recognition (see note 3)

External sales, royalty income and other income are recognised when the goods and services are provided. Interest income is recognised as it accrues. Proceeds 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 statements of financial performance 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. Profit recognition does not normally commence until a contract is at least 40% complete. Stage of completion is measured by reference to an assessment of total labour hours and other costs incurred to date as a percentage of estimated total costs for each contract. Revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

(v) Borrowing costs (see note 4)

Borrowing costs include interest, 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. Qualifying assets are assets which take more than twelve months to get ready for their intended use or sale. 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.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

(vi) Research and development costs (see note 4)

Research and development costs are expensed as incurred.

(vii) e-Commerce expenditure

The direct costs associated with the development of business e-Commerce applications are expensed as incurred unless they relate to the development of an asset with future economic benefit. Such capitalised expenditure is depreciated on a straight line basis over a period not exceeding four years.

(viii) Taxation (see note 6)

Income tax has been brought to account using the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statements of financial position as a future income tax benefit or a provision for deferred income tax. The future income tax benefits arising from tax losses have been recognised only where the realisation of such benefits in future years is considered virtually certain.

No provision is made for withholding tax on retained earnings of overseas controlled entities.

Capital gains tax is provided in the statements of financial performance in the year in which an asset is sold.

Tax Consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. Orica Limited is the parent entity in the tax consolidated group comprising all wholly-owned Australian entities. The implementation date for the tax-consolidated group was 28 August 2003. All income tax expenses, revenues, assets and liabilities if the members of the tax consolidated group are recognised in the Financial Statements of the parent company.

Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the income tax expense/revenue of the parent entity includes the tax contribution amounts paid or payable between the parent and the subsidiary entities in accordance with the agreement. The current and deferred tax assets and liabilities of the parent entity are not reduced by any amounts owing from or to subsidiary entities in accordance with the tax sharing agreement as these amounts are recognised as inter-company receivables and payables.

(ix) Inventories (see note 10)

Inventories are valued at the lower of cost and net realisable value. Cost is based on first-in, first-out or weighted average method. For manufactured goods, cost includes direct material and fixed overheads. For merchanted goods, cost is net cost into store.

Notes to the Financial Statements

For the year ended 30 September 2005

1. Accounting policies (continued)

(x) Construction work in progress

Construction Work in Progress is carried at cost plus profit recognised to date based on the value of work completed less progress billings and less provision for foreseeable losses allocated between amounts due from customers and amounts due to customers.

(xi) Maintenance, repairs and other costs (see note 11)

Expenditure for maintenance, repairs and replacements of a minor nature is expensed as incurred. Major cyclical expenditure is undertaken at the principal manufacturing plants in three to four year cycles. These plants operate continuous production processes twenty-four hours per day, seven days per week. Major cyclical expenditure, incorporating new capital expenditure, enables these plants to extend their estimated useful lives and improve their performance. This expenditure is amortised over the period to which future economic benefits relate, which is generally until the commencement of the next cycle.

The unamortised expenditure is added to the respective net book values of the major plant for the purposes of assessing recoverable values.

(xii) Investments accounted for using the equity method (see note 12)

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.

Where, in the opinion of the directors, there has been a permanent diminution in the carrying value of an investment, the investment is written down to its recoverable amount. The expected net cash flows included in determining recoverable amounts are discounted to their present values.

(xiii) Other financial assets (see note 13)

The consolidated entity's interests in financial assets other than controlled entities and associates are stated at market value. Investment income includes dividends which are recognised in the statements of financial performance when declared.

The Company's interests in controlled entities are stated at cost. Where, in the opinion of the directors, there has been a permanent diminution in the carrying value of an investment, the investment is written down to its recoverable amount. The expected net cash flows included in determining recoverable amounts are discounted to their present values.

(xiv) Property, plant and equipment and depreciation (see note 14)

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. Estimated remaining useful lives of assets are reviewed at least every three years or as required.

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

The carrying amounts of all non-current assets are reviewed half-yearly to determine whether they are in excess of their recoverable amounts. If the carrying amount of a non-current

asset exceeds its recoverable amount, the asset is revalued downwards to its recoverable amount and the decrement is recognised as an expense in the statements of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their net present values.

Profits and losses on disposal of property, plant and equipment are taken to the statements of financial performance.

(xv) Leased assets (see note 14)

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.

Finance leases 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 statements of financial performance as incurred.

(xvi) Goodwill (see note 15)

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Goodwill is amortised on a straight line basis over the period in which the benefits are expected to arise, not exceeding twenty years. The carrying value is reviewed half-yearly and written down to recoverable amount if considered necessary. The expected net cash flows included in determining recoverable amount of goodwill are discounted to their net present values.

(xvii) Brand names, patents, trademarks and rights (see note 15)

The cost of all patents and trademarks is amortised over their useful lives to the consolidated entity, being four to twelve years. Land rights purchased in China are amortised over the period of tenure (fifty years). The carrying values are reviewed half-yearly and are written down to their recoverable amounts where necessary.

The cost of acquired brand names is determined by reference to independent valuations performed on the acquisition of businesses.

The carrying value of the brand names is reviewed half-yearly to ensure that it is not in excess of recoverable amount.

The expected net cash flows included in determining recoverable amount of brand names, patents, trademarks and rights are discounted to their net present values.

Expenditure incurred in developing, maintaining or enhancing brand names is recognised as an expense in the Statement of Financial Performance in the year in which it is incurred.

The Directors believe that the life of the assets is of such duration and their residual value would be such that the amortisation charge, if any, would not be material.

(xviii) Provisions (see note 20)

A provision is recognised when there is a legal, equitable 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.

Notes to the Financial Statements

For the year ended 30 September 2005

1. Accounting policies (continued)

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 discount is treated as part of the expense related to the particular provision.

Environmental liabilities

The cost of monitoring operations and treating operating waste is expensed in the statements of financial performance as an operating cost as incurred.

Estimated costs relating to the remediation of soil, groundwater and untreated waste that have arisen as a result of past events are usually taken to the statements of financial performance as soon as the need is identified 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 as it is incurred.

For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved, no reliable estimate can presently be made of regulatory and remediation costs and no amounts have been capitalised, expensed or provided for (see note 30).

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 during the next ten years.

Contributions for superannuation are taken to the statements of financial performance in the year in which the payment is made (see note 37).

A liability is recognised for any superannuation deficits acquired on acquisition of businesses. The liability at the date of the acquisition is disclosed in the financial statements in provision for employee entitlements. 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.

Dividends

A provision for dividends payable 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.

Restructuring and employee termination benefits

A provision for restructuring, including employee termination benefits, related to an acquired entity or operation is

recognised at the date of acquisition where: the main features of the restructuring were announced, implementation of the restructuring commenced, or contracts were entered by the date of acquisition, and a detailed formal plan is developed by the earlier of three months after the date of the acquisition and the completion of this financial report.

The provision only relates to costs associated with the acquired entity, and is included in the determination of the fair value of the net assets acquired. The provision includes liabilities for termination benefits that will be paid to employees of the acquired entity as a result of the restructuring.

Other provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination benefits 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.

The liabilities for termination benefits that will be paid as a result of these restructurings have been included in the provision for employee benefits.

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.

(xix) Foreign currency translation (see note 23)

Overseas controlled entities are self-sustaining and their financial statements are translated using the current rate method. Assets and liabilities are translated into Australian currency at rates of exchange at balance date, while their revenues and expenses are translated at the weighted average rates ruling during the year. Any resulting unrealised exchange differences are taken to a foreign currency translation reserve. Exchange rate differences which relate to the hedging of investments in self-sustaining foreign operations are transferred, on consolidation, to the foreign currency translation reserve.

(xx) Cash flows (see note 27)

For the purposes of the statements of cash flows, 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, net of bank overdrafts.

(xxi) Derivative financial instruments (see note 31)

Derivative financial instruments are used to hedge interest rate and foreign currency exposures. Accordingly, hedge accounting principles are applied, under which gains and losses on derivatives are brought to account on the same basis as the gains and losses on the underlying physical exposures. Derivative financial instruments are not held for speculative purposes.

The effect of interest received, paid or accrued under interest rate swap and forward rate agreements is included in the calculation of net interest expense. The amount receivable or payable at balance date is included in assets or liabilities respectively.

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 receivable and payables are taken to the Statements of Financial Performance.

Notes to the Financial Statements

For the year ended 30 September 2005

1. Accounting policies (continued)

Where hedge transactions are 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 Statements of Financial Performance.

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 statements of financial performance 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. Refer to note 31.

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 Statements of Financial Performance.

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 Statements of Financial Performance.

(xxii) Redeemable preference shares (see note 18)

Redeemable preference shares which provide for mandatory redemption are included in liabilities as they are, in substance, borrowings. Dividends payable on these shares are recognised in the Statements of Financial Performance as borrowing costs on an accruals basis.

(xxiii) 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 Statements of Financial Position.

Cash flows are included in the statements 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.

(xxiv) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

2. Segment report

Reports for business

The consolidated entity's operations have been divided into six segments comprising Mining Services, Fertilisers, Consumer Products, Chemnet, Chemical Services, and Other Operations and Corporate & Support Services.

The consolidated entity's policy is to transfer products internally at negotiated commercial prices. Revenue includes royalties and proceeds on sale of property, plant and equipment.

Following changes to the operation of the consolidated entity during the year, the former Chemicals operation has been split into two operations, Chemnet and Chemical Services. Prior year comparatives have been restated accordingly.

Reports for business and geographical segments

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

Defined business areas	Products/services
Mining Services	Manufacture and supply of explosives and mining services, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries.
Fertilisers	Manufacture, import and supply of a broad range of fertilisers including nitrogen, phosphate and other fertilisers for the agricultural industry.
Consumer Products	Manufacture and supply of paints and other surface coatings to the decorative and technical markets and a range of home handyman, car care and garden care products.
Chemnet	Distribution and trading of a broad range of industrial and specialty chemicals, raw materials, ingredients and associated services to a wide range of manufacturers in Australia, New Zealand, Asia and South America.
Chemical Services	Manufacture and supply of a broad range of industrial and specialty chemicals including chlorine, MIEX [®] DOC resin, sodium hypochlorite, caustic soda, adhesives and resins and related chemicals for watercare, food, timber and general industrial purposes, and sodium cyanide to the gold mining industry.
Other Operations, and Corporate & Support Services	Manufacture and supply of polyethylene and polypropylene, synthetic rubber and specialty plastics (provided through Qenos Holdings Pty Ltd), other minor activities and discontinued and divested businesses. Non-operating assets, corporate costs, financial items (such as interest and foreign currency gain/losses on borrowings) and proceeds on sale of businesses.

Notes to the Financial Statements

For the year ended 30 September

2. Segment report (continued)

Primary reporting Business segments	Mining Services	Fertilisers	Consumer Products	Chemnet	Chemical Services	Other Operations and Corporate & Support	Eliminations	Consolidated
2005	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue								
External sales	1,965.7	1,035.5	768.3	976.0	381.2	-	-	5,126.7
Inter-segment sales	21.3	38.4	0.2	53.5	30.7	-	(144.1)	-
Total sales revenue	1,987.0	1,073.9	768.5	1,029.5	411.9	-	(144.1)	5,126.7
Other revenue	83.8	8.4	3.9	21.7	8.0	9.1	-	134.9
Total revenue	2,070.8	1,082.3	772.4	1,051.2	419.9	9.1	(144.1)	5,261.6
Results								
Profit from ordinary activities before significant items and income tax expense	333.7	72.0	97.4	68.6	60.9	(158.5)	-	474.1
Individually significant items	-	(56.7)	-	-	(6.6)	(76.8)	-	(140.1)
Segment results post significant items	333.7	15.3	97.4	68.6	54.3	(235.3)	-	334.0
Income tax expense								(87.2)
Profit from ordinary activities after income tax expense								246.8
Outside equity interests in (profit)/loss from ordinary activities after income tax								(10.5)
Net profit from ordinary activities after income tax expense relating to members of Orica Limited								236.3
Segment assets	1,759.7	917.7	397.9	576.4	482.8	335.6	-	4,470.1
Segment liabilities	577.2	269.2	158.8	149.0	67.4	1,595.4	-	2,817.0
Investment in equity method associates included in segment assets	58.3	-	0.6	3.5	-	1.7	-	64.1
Capital expenditure	209.0	26.2	20.1	8.1	26.9	56.6	-	346.9
Depreciation and amortisation	80.6	36.7	17.4	18.6	18.9	3.7	-	175.9
Non-cash expenses other than depreciation and amortisation	-	14.8	-	-	-	-	-	14.8
Share of associates net profit equity accounted	4.6	-	0.2	0.5	-	-	-	5.3
2004	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue								
External sales	1,704.0	1,107.1	772.3	680.9	346.2	-	-	4,610.5
Inter-segment sales	30.3	28.5	0.1	26.7	20.3	-	(105.9)	-
Total sales revenue	1,734.3	1,135.6	772.4	707.6	366.5	-	(105.9)	4,610.5
Other revenue	38.4	3.4	4.3	16.8	1.6	59.6	-	124.1
Total revenue	1,772.7	1,139.0	776.7	724.4	368.1	59.6	(105.9)	4,734.6
Results								
Profit from ordinary activities before significant items and income tax expense	270.1	104.0	99.8	62.6	50.9	(106.4)	-	481.0
Individually significant items	(30.1)	-	-	-	(65.0)	48.5	-	(46.6)
Segment results post significant items	240.0	104.0	99.8	62.6	(14.1)	(57.9)	-	434.4
Income tax expense								(80.9)
Profit from ordinary activities after income tax expense								353.5
Outside equity interests in (profit)/loss from ordinary activities after income tax								(25.7)
Net profit from ordinary activities after income tax expense relating to members of Orica Limited								327.8
Segment assets	1,585.3	943.5	397.2	549.3	439.8	238.2	-	4,153.3
Segment liabilities	551.3	315.6	160.4	138.3	19.6	1,330.2	-	2,515.4
Investment in equity method associates included in segment assets	60.4	-	0.6	3.0	-	1.7	-	65.7
Capital expenditure	124.7	30.8	11.6	8.0	22.6	5.7	-	203.4
Depreciation and amortisation	76.9	41.8	19.3	12.7	17.3	2.9	-	170.9
Non-cash expenses other than depreciation and amortisation	12.3	-	-	-	-	-	-	12.3
Share of associates net profit equity accounted	11.7	-	-	0.1	-	-	-	11.8

Notes to the Financial Statements

For the year ended 30 September

2. Segment report (continued)

Secondary reporting Geographical segments	Australia	New Zealand	Americas	Other	Eliminations	Consolidated
2005	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
External sales	3,143.3	489.4	936.8	557.2	-	5,126.7
Inter-segment sales	113.1	12.4	12.0	51.2	(188.7)	-
Total sales revenue	3,256.4	501.8	948.8	608.4	(188.7)	5,126.7
Other revenue	84.0	5.3	41.1	4.5	-	134.9
Total revenue	3,340.4	507.1	989.9	612.9	(188.7)	5,261.6
Results						
Profit from ordinary activities before significant items and income tax expense	221.2	62.1	108.0	82.8	-	474.1
Individually significant items	(134.0)	(0.7)	(8.1)	2.7	-	(140.1)
Segment results post significant items	87.2	61.4	99.9	85.5	-	334.0
Income tax expense						(87.2)
Profit from ordinary activities after income tax expense						246.8
Outside equity interests in (profit)/loss from ordinary activities after income tax						(10.5)
Net profit from ordinary activities after income tax expense relating to members of Orica Limited						236.3
Segment assets	3,109.7	254.1	739.9	366.4	-	4,470.1
Segment liabilities	2,141.4	133.5	386.9	155.2	-	2,817.0
Investment in equity method associates included in segment assets	3.7	-	49.4	11.0	-	64.1
Capital expenditure	281.5	10.2	31.3	23.9	-	346.9
Depreciation and amortisation	126.5	7.3	25.7	16.4	-	175.9
Non cash expenses other than depreciation and amortisation	14.8	-	-	-	-	14.8
Share of associates net profit equity accounted	0.7	-	3.1	1.5	-	5.3
2004	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
External sales	2,935.7	416.6	830.0	428.2	-	4,610.5
Inter-segment sales	67.0	15.2	13.6	35.9	(131.7)	-
Total sales revenue	3,002.7	431.8	843.6	464.1	(131.7)	4,610.5
Other revenue	79.0	15.1	23.9	6.1	-	124.1
Total revenue	3,081.7	446.9	867.5	470.2	(131.7)	4,734.6
Results						
Profit from ordinary activities before significant items and income tax expense	273.6	55.7	86.9	64.8	-	481.0
Individually significant items	(26.8)	10.3	(30.1)	-	-	(46.6)
Segment results post significant items	246.8	66.0	56.8	64.8	-	434.4
Income tax expense						(80.9)
Profit from ordinary activities after income tax expense						353.5
Outside equity interests in (profit)/loss from ordinary activities after income tax						(25.7)
Net profit from ordinary activities after income tax expense relating to members of Orica Limited						327.8
Segment assets	2,835.2	244.5	707.9	365.7	-	4,153.3
Segment liabilities	1,901.9	106.5	347.2	159.8	-	2,515.4
Investment in equity method associates included in segment assets	5.2	-	55.0	5.5	-	65.7
Capital expenditure	143.0	11.8	30.8	17.8	-	203.4
Depreciation and amortisation	122.0	7.6	25.8	15.5	-	170.9
Non-cash expenses other than depreciation and amortisation	-	-	12.3	-	-	12.3
Share of associates net profit equity accounted	-	-	10.6	1.2	-	11.8

Notes to the Financial Statements

For the year ended 30 September

	Notes	Consolidated 2005 \$m	2004 \$m	Company 2005 \$m	2004 \$m
3. Revenue from ordinary activities					
External sales		5,126.7	4,610.5	-	-
Other revenue from operating activities					
Royalty income		1.0	0.3	-	-
Dividend income:					
controlled entities		-	-	-	8.4
Interest income:					
controlled entities		-	-	24.7	25.1
associated companies		2.8	2.4	-	-
external parties – banks		3.6	5.2	-	-
external parties – taxation refund		-	12.9	-	-
Other income		30.3	39.8	-	2.1
Other revenue from outside operating activities					
Sale of property, plant and equipment		97.2	63.5	-	15.6
Total other revenue		134.9	124.1	24.7	51.2
Total revenue		5,261.6	4,734.6	24.7	51.2

4. Profit/(loss) from ordinary activities before income tax expense

Profit/(loss) from ordinary activities before income tax expense is arrived at after crediting:

Profit on sale of property, plant and equipment		33.0	9.5	-	4.0
Profit on sale of property forming part of the Corporate surplus property program	(5)	-	36.8	-	9.7
Unrealised gain from investment held for resale in listed Co		7.2	-	-	-
Share of associates' net profit/(loss) equity accounted		5.3	11.8	-	-
Currency (losses)/gains		(1.7)	4.6	-	-

Profit/(loss) from ordinary activities before income tax expense is arrived at after charging:

Cost of goods sold		2,930.0	2,513.5	-	-
Borrowing costs paid/payable to:					
controlled entities		-	-	60.4	36.3
external parties		109.4	79.9	-	-
finance charges – finance leases		0.1	-	-	-
Depreciation on property, plant and equipment:					
buildings and improvements		19.1	21.3	0.3	0.3
machinery, plant and equipment		117.0	116.4	-	0.1
Amortisation:					
goodwill		35.5	30.1	-	-
patents, trademarks and rights		4.3	3.1	-	-
Amounts set aside to provide for:					
doubtful debts – trade		1.9	-	-	-
doubtful debts – sundry debtors		2.7	2.3	-	-
employee entitlements		34.9	31.4	-	-
environmental liabilities		30.1	82.8	-	-
inventory losses and obsolescence		1.5	4.9	-	-
restructuring and rationalisation provisions		39.2	13.0	-	-
other provisions		9.2	15.2	-	0.4
Bad debts written off in respect of trade debtors		5.6	1.3	-	-
Bad debts written off in respect of sundry debtors		2.7	2.3	-	-
Lease payments – operating leases		68.2	57.2	-	-
Research and development		32.9	30.8	-	-
Amortisation of deferred maintenance expenditure		9.5	10.3	-	-
Superannuation contributions		42.1	48.7	-	-

Notes to the Financial Statements

For the year ended 30 September

	2005			2004		
	Gross \$m	Tax \$m	Net \$m	Gross \$m	Tax \$m	Net \$m
5. Individually significant items						
Profit from ordinary activities includes the following individually significant items of revenues and expenses:						
Consolidated						
Environmental provision - Botany groundwater ⁽¹⁾	(26.4)	7.9	(18.5)	(65.0)	19.5	(45.5)
Qenos Divestment ⁽²⁾	(35.2)	1.2	(34.0)	-	-	-
Restructuring and rationalisation costs:						
Incitec Pivot business ⁽³⁾	(56.7)	15.8	(40.9)	-	-	-
Corporate and Chemical Services businesses ⁽⁴⁾	(21.8)	6.6	(15.2)	-	-	-
North American Mining Services business ⁽⁵⁾	-	-	-	(17.8)	2.3	(15.5)
Tax and interest refund ⁽⁶⁾	-	-	-	11.7	25.0	36.7
Sale of property, plant and equipment ⁽⁷⁾	-	-	-	36.8	2.0	38.8
Write down of carrying value of assets ⁽⁸⁾	-	-	-	(12.3)	-	(12.3)
Individually significant items	(140.1)	31.5	(108.6)	(46.6)	48.8	2.2
Outside equity interests in individually significant items	(14.1)	4.1	(10.0)			-
Individually significant items attributable to members of Orica	(126.0)	27.4	(98.6)	(46.6)	48.8	2.2
Company						
Sale of property, plant and equipment ⁽⁹⁾	-	-	-	9.7	(2.6)	7.1
	-	-	-	9.7	(2.6)	7.1

⁽¹⁾ Increase in environmental provision related to Botany groundwater clean up plan submitted to the NSW Environmental Protection Authority for approval on 31 October 2003. Amounts provided are based on the estimated capital and operating costs to implement the plan as submitted.

⁽²⁾ Cost including provisions and expenses related to divestment of Qenos Holdings Pty Ltd.

⁽³⁾ Cost including asset write downs, provisions and expenses incurred relating to the reorganisation of the Incitec Pivot business.

⁽⁴⁾ Costs including, provisions and expenses incurred relating to the reorganisation of the Orica Corporate and Chemicals Services businesses.

⁽⁵⁾ Costs including provisions and expenses incurred relating to the restructuring of the North American Mining Services business.

⁽⁶⁾ Tax and interest refund received from the Australian Taxation Office in respect of a sale and leaseback transaction.

⁽⁷⁾ Profit on the disposal of part of Deer Park site in Melbourne (Australia) and Waitawa site in Auckland (New Zealand).

⁽⁸⁾ Asset write downs incurred relating to the restructuring of North America Mining Services.

⁽⁹⁾ Profit on the disposal of part of Deer Park site in Melbourne (Australia) and Waitawa site in Auckland (New Zealand).

Notes to the Financial Statements

For the year ended 30 September

	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m
6. Income tax expense				
The amount of income tax attributable to the financial year differs from the amount prima facie payable on the operating profit. The differences are reconciled as follows:				
Income tax expense attributable to operating profit before significant items				
Prima facie income tax expense calculated at 30%				
on profit from ordinary activities before significant items	142.2	144.3	(11.0)	0.3
Tax effect of permanent differences which (reduce)/increase tax expense:				
rebateable and exempt dividends	-	-	-	(2.5)
variation in tax rates of foreign controlled entities	2.9	1.8	-	-
tax (over)/under provided in prior years	(3.7)	1.0	(1.2)	1.1
prior year tax losses recognised	(13.2)	(11.1)	-	-
non-allowable goodwill amortisation	10.5	8.8	-	-
non-taxable profit on sale of property, plant and equipment	(4.3)	(3.1)	-	(1.8)
other foreign deductions	(20.9)	(18.7)	-	-
sundry items	5.2	6.7	-	2.2
Income tax expense attributable to operating profit before significant items	118.7	129.7	(12.2)	(0.7)
Income tax expense attributable to significant items				
Prima facie income tax expense/(benefit) calculated at 30%				
on (loss)/profit from significant items	(42.0)	(14.0)	-	2.9
Tax effect of permanent differences related to individually significant items which (reduce)/increase tax expense:				
non-allowable North America restructuring costs	-	3.4	-	-
non-allowable IPL restructuring costs	1.3	-	-	-
non-allowable provisions & expenses re Qenos	9.4	-	-	-
non-allowable write down of assets	-	3.7	-	-
non-taxable profit on disposal of property under the Corporate surplus property program	-	(13.0)	-	-
tax refund on sale and leaseback transaction	-	(28.5)	-	-
sundry items	(0.2)	(0.4)	-	(0.3)
Income tax (benefit)/expense attributable to operating loss/(profit) from significant items	(31.5)	(48.8)	-	2.6
Income tax expense/(benefit) attributable to operating profit	87.2	80.9	(12.2)	1.9
Income tax expense/(benefit) comprises:				
provision for income tax	70.1	50.0	(12.2)	0.9
deferred income tax	8.9	24.1	-	-
future income tax benefit	8.2	6.8	-	1.0
	87.2	80.9	(12.2)	1.9

Potential future tax benefits of controlled entities which have not been brought to account in relation to tax losses as realisation is not virtually certain and in relation to timing differences as realisation is not beyond reasonable doubt:

	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m
Tax losses not booked	10.1	27.5	-	-
Capital losses not booked	70.7	72.5	-	-
Timing differences not booked	32.9	27.5	-	-

Geographic analysis of tax losses not booked 2005:

	Tax losses	Capital losses	Expiry date
	\$m	\$m	
Australia	1.3	69.0	Indefinite
Americas	3.1	-	Between 2021 and 2022
Other	5.7	1.7	Between 2006 and 2020
	10.1	70.7	

Notes to the Financial Statements

For the year ended 30 September

6. Income tax expense (continued)

These benefits will only be obtained if:

- (a) the controlled entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised; or
- (b) the loss is transferred to an eligible entity in the consolidated entity; and
- (c) the controlled entity continues to comply with the conditions for deductibility imposed by the law; and
- (d) no changes in tax legislation adversely affect the controlled entity or the consolidated entity in realising the benefit from the deductions for the loss.

Future tax benefits attributable to tax losses carried forward by controlled entities amounting to \$9.1m (2004 \$26.8m) have been brought to account in the consolidated financial statements as at 30 September 2005 because the directors believe realisation of those benefits is virtually certain.

		Consolidated 2005	2004
	Notes	Cents per share	Cents per share
7. Earnings per share (EPS)			
Basic earnings per share			
including significant items		86.6	119.8
excluding significant items		122.7	119.0
Diluted earnings per share			
including significant items		85.3	117.7
excluding significant items		121.0	116.9
		Number	Number

Weighted average number of shares used as the denominator:

Number for basic earnings per share	272,755,004	273,490,268
Effect of Executive Share Options on issue	3,952,074	4,742,347
Effect of Award Rights on issue	56,703	260,603
Number for diluted earnings per share	276,763,781	278,493,218

The following Orica long term equity incentive plans have not been included in the calculation for diluted EPS as they are not dilutive:

- issue date 23 September 2004	-	21,045
- issue date 22 December 2004	1,096,702	-

Full details of these options are set out in note 22.

	\$m	\$m
Reconciliation of earnings used in the calculation of basic and diluted earnings per share:		
Including individually significant items		
Profit from ordinary activities after income tax expense	246.8	353.5
Less outside equity interests	(10.5)	(25.7)
Less preference share dividends appropriated	(0.1)	(0.1)
Earnings used in calculation of EPS including individually significant items	236.2	327.7
Reconciliation of earnings used in the calculation of basic and diluted earnings per share:		
Excluding individually significant items		
Profit from ordinary activities after income tax expense	246.8	353.5
Less outside equity interests	(10.5)	(25.7)
Less preference share dividends appropriated	(0.1)	(0.1)
Add individually significant items after income tax and outside equity interests	(5)	(2.2)
Earnings used in calculation of EPS excluding individually significant items	334.8	325.5

Notes to the Financial Statements

For the year ended 30 September

	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m
8. Cash assets				
Cash at bank and on hand	81.6	101.0	-	0.1
Deposits at call				
external	133.1	47.9	-	-
controlled entities	-	-	25.3	23.8
	214.7	148.9	25.3	23.9
9. Receivables				
Current				
Trade debtors				
external	557.4	651.5	-	-
associated companies	22.7	10.9	-	-
Less provision for doubtful debts				
external	(12.4)	(14.9)	-	-
associated companies	(11.0)	-	-	-
	556.7	647.5	-	-
Sundry debtors/loans				
external	103.8	99.3	-	-
controlled entities	-	-	426.0	419.8
associated companies	60.6	53.1	-	-
Less provision for doubtful debts				
external	(0.3)	(1.3)	-	-
associated companies	(47.2)	(44.2)	-	-
	116.9	106.9	426.0	419.8
	673.6	754.4	426.0	419.8
Non-current				
Sundry debtors/loans				
external ⁽¹⁾	109.2	3.8	105.1	-
related parties	34.8	17.5	-	-
	144.0	21.3	105.1	-

⁽¹⁾ Includes \$105.1m which was paid during the financial year ended 30 September 2005 to the Australian Taxation Office (ATO) in relation to the sale of pharmaceuticals business to Zeneca in September 1998. Orica has lodged an appeal with the Federal Court and the directors are of the opinion, based on Queen's Counsel advice, that the amount paid has been recognised as a non-current receivable and is recoverable.

(i) Significant terms and conditions

Trade debtors are carried at amounts due.

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

Sundry debtors 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.

(ii) Net fair values

The directors consider the carrying amount of receivables to approximate their net fair values.

(iii) Credit risk

Credit risk in debtors is managed in the following ways:

- payment terms are generally 30 days and payment compliance is high.
- a risk assessment process is used for all accounts, with a stop credit process for most long overdue accounts.
- credit insurance cover is obtained where appropriate.

Notes to the Financial Statements

For the year ended 30 September

9. Receivables (continued)

Concentrations of credit risk by business segment and geographic segment as a proportion of the total receivables are as follows :

	Consolidated			
	2005	2004		
	%	%		
Business segment				
Mining Services	41.4	46.2		
Fertilisers	7.4	13.3		
Consumer Products	11.2	12.8		
Chemnet	16.4	17.7		
Chemical Services	5.4	6.1		
Other Operations and Corporate & Support services	18.2	3.9		
	100.0	100.0		
Geographic segment				
Australia	53.2	50.6		
New Zealand	12.1	12.1		
Americas	24.1	23.4		
Other	10.6	13.9		
	100.0	100.0		
	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m

10. Inventories

Raw materials and stores				
At cost	205.7	176.7	-	-
Less provision for inventory losses and obsolescence	(2.4)	(3.1)	-	-
	203.3	173.6	-	-
Work in progress at cost	13.3	13.9	-	-
Finished goods				
At cost	625.8	574.6	-	-
Less provision for inventory losses and obsolescence	(16.1)	(17.4)	-	-
	609.7	557.2	-	-
	826.3	744.7	-	-

11. Other assets

Current				
Deferred maintenance expenditure	46.1	42.0	-	-
Less accumulated amortisation	(38.2)	(32.0)	-	-
	7.9	10.0	-	-
Prepayments	57.7	51.6	-	-
	65.6	61.6	-	-
Non-current				
Deferred maintenance expenditure	35.3	36.0	-	-
Less accumulated amortisation	(24.7)	(21.4)	-	-
	10.6	14.6	-	-
Prepayments	22.5	25.5	-	-
	33.1	40.1	-	-

Notes to the Financial Statements

For the year ended 30 September

	Consolidated 2005 %	2004 %	Consolidated 2005 \$m	2004 \$m
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12. Investments accounted for using the equity method

Name	Principal activity	Balance date	Ownership		Investments	
Australian Plantations Pty Ltd	Tea tree oil production	30 Jun	50.0	50.0	3.7	3.0
Botany Industrial Park Pty Limited	Facility management service	30 Sep	50.0	50.0	-	-
Bronson & Jacobs International Co. Ltd	Distributor of chemical products	30 Jun	49.0	49.0	-	-
BXL Bulk Explosives Limited	Manufacture and sale of explosives	31 Oct	50.0	50.0	14.8	17.3
Emirates Explosives L.L.C.	Manufacture and sale of explosives	31 Dec	49.0	49.0	2.9	2.4
Exor Explosives Limited	Manufacture and sale of explosives	31 Dec	50.0	50.0	1.0	1.3
Geneva Nitrogen LLC	Manufacture and sale of explosives	30 Sep	50.0	50.0	5.4	6.2
Geodynamics B.V.	Manufacture and sale of explosives	31 Dec	29.0	-	3.3	-
MSW-Chemie GmbH	Manufacture and sale of explosives	31 Dec	31.5	31.5	0.6	0.6
Nelson Brothers, LLC	Manufacture and sale of explosives	31 Dec	50.0	50.0	25.6	28.1
Nelson Brothers Mining Services LLC	Supply of explosives	31 Dec	27.7	27.7	2.9	2.9
Northwest Energetic Services, LLC	Manufacture and sale of explosives	31 Dec	33.3	33.3	0.5	0.5
Orica Camel Coatings Ltd	Manufacture and sale of powder coatings	31 Dec	50.0	50.0	-	0.2
Pinegro Products Pty Ltd	Manufacture and sale of garden products	30 Jun	50.0	50.0	1.6	1.3
Pigment Manufacturers of Australia Limited	Distributor of chemical products	31 Dec	50.0	50.0	0.8	0.8
PIIK Limited Partnership	Sale of explosives	30 Sep	49.0	49.0	-	-
Qenos Holdings Pty Ltd	Manufacture and sale of polyethylene	31 Dec	50.0	50.0	-	-
Sprewa Sprengmittel GmbH	Sale of explosives	31 Dec	24.0	24.0	0.9	1.0
Tasmania Lanceolata Plantation	Pepper production	30 Jun	50.0	50.0	-	-
Troisdorf GmbH	Holder of operating permits	30 Sep	50.0	50.0	-	-
Wurgendorf GmbH	Holder of operating permits	30 Sep	50.0	50.0	0.1	0.1
					64.1	65.7

	Consolidated 2005 \$m	2004 \$m
Results of associates		
Share of associates' profit from ordinary activities before income tax	5.6	11.9
Share of associates' income tax expense relating to profit from ordinary activities	(0.3)	(0.1)
Share of associates' net profit equity accounted	5.3	11.8
Share of post-acquisition retained losses and reserves attributable to associates		
Accumulated Losses		
Share of associates' accumulated losses at the beginning of the financial year	(33.7)	(33.5)
Share of associates' net profit equity accounted	5.3	11.8
Less dividends from associates	(8.0)	(12.0)
Share of associates' accumulated losses at the end of the financial year	(36.4)	(33.7)
Movements in carrying amounts of investments		
Carrying amount of investments in associates at the beginning of the financial year	65.7	86.4
Investments in associates acquired during the year	3.3	4.7
Investments in associates now wholly owned	-	(27.2)
Share of associates' net profit equity accounted	5.3	11.8
Less dividends from associates	(8.0)	(12.0)
Effects of exchange rate changes	(2.2)	2.0
Carrying amount of investments in associates at the end of the financial year	64.1	65.7

Summary of financial performance and financial position of associates on a 100% basis

The aggregate net profit, assets and liabilities of associates are:

Net profit after tax	12.2	26.0
Assets	936.3	865.0
Liabilities	597.5	554.8

Notes to the Financial Statements

For the year ended 30 September

	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m
13. Other financial assets				
Current				
Interest in listed entities				
At market value	12.3	-	-	-
	12.3	-	-	-
Non-current				
Interest in unlisted controlled entities (see note 38)				
At cost	-	-	1,147.7	1,147.8
	-	-	1,147.7	1,147.8

14. Property, plant and equipment

Land, buildings and improvements

At cost	641.4	651.7	42.2	42.2
Accumulated depreciation	(223.3)	(219.5)	(15.1)	(14.8)
Total net book value	418.1	432.2	27.1	27.4

Machinery, plant and equipment

Gross book value				
At cost	2,589.5	2,399.3	0.3	0.3
Under finance lease	0.5	0.9	-	-
	2,590.0	2,400.2	0.3	0.3
Accumulated depreciation/amortisation				
At cost	(1,356.5)	(1,314.2)	(0.3)	(0.3)
Under finance lease	(0.3)	(0.2)	-	-
	(1,356.8)	(1,314.4)	(0.3)	(0.3)
Net book value				
At cost	1,233.0	1,085.1	-	-
Under finance lease	0.2	0.7	-	-
Total net book value	1,233.2	1,085.8	-	-

Total net book value of property, plant and equipment	1,651.3	1,518.0	27.1	27.4
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(i) Carrying value of freehold land

(included with land, buildings and improvements)	160.8	168.5	24.6	24.6
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(ii) Land held for resale

At cost	5.4	18.2	-	-
Capitalised development and remediation costs	8.7	10.5	-	-
Total land held for resale				
(included in value of freehold land)	14.1	28.7	-	-

(iii) Current valuations

The most recent valuations of freehold land, buildings and improvements, which are prepared every three years, are listed below.
The 2004 valuation has not been incorporated in the financial statements.
The 2003 valuations have been adopted as fair values on acquisition of businesses and controlled entities.

2003	169.9	169.9	-	-
2004	1,048.0	1,069.5	-	-
	1,217.9	1,239.4	-	-

The valuations were independently determined on a market value for existing use basis except in relation to properties held as investments or for disposal in which case the valuations were determined on a market value for alternative use. Capital gains tax has not been taken into account in these valuations.

(iv) Capitalised borrowing costs

Interest amounting to \$5.1m (2004 \$2.4m) was capitalised to assets under construction.

Notes to the Financial Statements

For the year ended 30 September

14. Property, plant and equipment (continued)

(v) Reconciliations

Reconciliations of the consolidated carrying amounts of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Land, buildings and improvements \$m	Machinery, plant and equipment \$m	Total \$m
Consolidated			
Carrying amount at the beginning of the financial year	432.2	1,085.8	1,518.0
Additions	16.1	330.6	346.7
Disposals	(10.6)	(53.6)	(64.2)
Additions through acquisition of entities (see note 27)	-	11.0	11.0
Depreciation expense (see note 4)	(19.1)	(117.0)	(136.1)
Write down of property, plant and equipment	-	(14.8)	(14.8)
Foreign currency exchange differences	(0.5)	(8.8)	(9.3)
Carrying amount at the end of the financial year	418.1	1,233.2	1,651.3
Company			
Carrying amount at the beginning of the financial year	27.4	-	27.4
Depreciation/amortisation expense (see note 4)	(0.3)	-	(0.3)
Carrying amount at the end of the financial year	27.1	-	27.1

	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m
15. Intangible assets				
Patents, trademarks and rights, at cost	53.8	54.3	-	-
Less accumulated amortisation	(18.8)	(14.6)	-	-
	35.0	39.7	-	-
Patents, trademarks and rights, at recoverable amount	13.8	13.8	-	-
Less accumulated amortisation	(13.8)	(10.7)	-	-
	-	3.1	-	-
Total net book value of patents, trademarks and rights	35.0	42.8	-	-
Brand names at cost	17.8	19.1	-	-
Total net book value of brand names	17.8	19.1	-	-
Goodwill, at cost	677.3	638.6	-	-
Less accumulated amortisation	(172.2)	(137.9)	-	-
	505.1	500.7	-	-
Goodwill, at recoverable amount	20.9	20.9	-	-
Less accumulated amortisation	(2.3)	(1.7)	-	-
	18.6	19.2	-	-
Total net book value of goodwill	523.7	519.9	-	-
Total net book value of intangibles	576.5	581.8	-	-

16. Deferred tax assets

Future income tax benefit	208.6	216.8	154.6	151.3
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Notes to the Financial Statements

For the year ended 30 September

	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m
17. Payables				
Current				
Trade creditors				
external	766.4	620.6	-	-
associated companies	4.0	4.2	-	-
Sundry creditors and accrued charges				
external	139.0	154.9	-	0.2
controlled entities	-	-	5.8	3.8
	909.4	779.7	5.8	4.0
Non-current				
Sundry creditors and accrued charges				
external	9.1	14.8	-	-
	9.1	14.8	-	-

(i) Significant terms and conditions

Trade creditors, 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 32 days from invoice date or within the agreed payment terms with the supplier.

(ii) Net fair values

The directors consider that the carrying amount of trade creditors and other payables approximate their net fair values.

	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m
18. Interest bearing liabilities				
Current				
Secured				
bank loans	-	3.7	-	-
investment deposit scheme ⁽¹⁾	12.1	8.1	-	-
Unsecured				
bank overdrafts	2.8	1.6	-	-
bank loans	23.3	22.9	-	-
commercial paper ⁽²⁾	-	267.0	-	-
other short term borrowings	9.4	24.8	-	-
other loans				
controlled entities	-	-	976.0	673.1
associated companies	1.7	2.4	-	-
redeemable preference shares ⁽³⁾	-	55.0	-	-
Lease liabilities (see note 28)	0.2	0.2	-	-
	49.5	385.7	976.0	673.1
Non-current				
Unsecured				
bank loans	1.8	-	-	-
fixed term notes ⁽⁴⁾	75.0	75.0	-	-
other loans				
private placement ⁽⁵⁾	1,200.3	665.2	-	-
Lease liabilities (see note 28)	0.2	0.3	-	-
	1,277.3	740.5	-	-

⁽¹⁾ Investment deposit scheme

Customers may invest funds with Incitec Pivot Limited by way of unsecured notes in the Investment Deposit Scheme issued under the prospectus dated 24 December 2004, as lodged with ASIC.

⁽²⁾ Commercial paper

Commercial paper is recognised when issued at the amount of the net proceeds received. Interest expense is recognised progressively over the life of the loan. Refer to note 31 for additional financial instruments disclosures.

⁽³⁾ Redeemable preference shares

A subsidiary of the consolidated entity issued 11,000 redeemable preference shares at \$5,000 per share on 27 May 2003, which were redeemed on 27 November 2004 at face value. Holders received interest at 5.36% per annum.

⁽⁴⁾ Fixed Term Notes

These notes mature in June 2009, with interest reset quarterly.

⁽⁵⁾ Private placement

Orica Limited guaranteed senior notes issued in the US private placement market in 2000, 2003 and 2005.

The notes have maturities between 2007 and 2018.

Notes to the Financial Statements

For the year ended 30 September

	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m
19. Current tax liabilities				
Provision for income tax	16.5	28.2	-	-
20. Provisions				
Current				
Dividends – Orica shareholders	0.1	0.1	0.1	0.1
– Outside equity interests	3.4	1.6	-	-
Employee entitlements	54.3	55.4	-	-
Restructuring and rationalisation	34.5	31.1	-	-
Environmental	82.4	88.7	-	-
Other	22.6	16.3	-	-
	197.3	193.2	0.1	0.1
Non-current				
Employee entitlements	76.5	73.5	-	-
Environmental	103.9	130.2	-	-
Other	16.9	17.9	1.1	1.0
	197.3	221.6	1.1	1.0
Aggregate employee entitlements				
Current	54.3	55.4	-	-
Non-current	76.5	73.5	-	-
	130.8	128.9	-	-

The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following assumptions:

Assumed rate of increase in wage and salary rates

4.0% 4.0%

Average discount rate

5.2% 5.4%

Settlement term

10 years 10 years

Employees at year end

Number Number Number Number

Full time

10,952 10,111 - -

Reconciliations

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

	Consolidated	Company
	\$m	\$m
Current Provision - Dividends – Orica shareholders		
Carrying amount at the beginning of the financial year	0.1	0.1
Provisions made during the year:		
Final Dividend 2004	122.4	122.4
Interim Dividend 2005	68.1	68.1
Preference Dividend 2005	0.1	0.1
Payments made during the year	(190.6)	(190.6)
Carrying amount at the end of the financial year	0.1	0.1
Current Provision - Dividends – Outside Equity Interests		
Carrying amount at the beginning of the financial year	1.6	-
Provisions made during the year	25.9	-
Payments made during the year	(24.1)	-
Carrying amount at the end of the financial year	3.4	-
Current Provision - Restructuring and rationalisation		
Carrying amount at the beginning of the financial year	31.1	-
Additions through acquisition of entities (see note 27)	1.5	-
Provisions made during the year	39.2	-
Provisions written back during the year	(4.3)	-
Payments made during the year	(29.5)	-
Foreign currency exchange differences	(3.5)	-
Carrying amount at the end of the financial year	34.5	-

Notes to the Financial Statements

For the year ended 30 September

20. Provisions (continued)

	Consolidated	Company
	\$m	\$m
Current Provision - Environmental		
Carrying amount at the beginning of the financial year	88.7	-
Provisions made during the year	26.8	-
Payments made during the year	(61.0)	-
Provisions transferred from non-current	29.0	-
Foreign currency exchange differences	(1.1)	-
Carrying amount at the end of the financial year	82.4	-
Current Provision - Other		
Carrying amount at the beginning of the financial year	16.3	-
Provisions made during the year	12.0	-
Provisions written back during the year	(1.6)	-
Payments made during the year	(6.6)	-
Foreign currency exchange differences	2.5	-
Carrying amount at the end of the financial year	22.6	-
Non-Current Provision - Environmental		
Carrying amount at the beginning of the financial year	130.2	-
Provisions made during the year	4.4	-
Provisions written back during the year	(1.1)	-
Provision transferred to current	(29.0)	-
Foreign currency exchange differences	(0.6)	-
Carrying amount at the end of the financial year	103.9	-
Non-Current Provision - Other		
Carrying amount at the beginning of the financial year	17.9	1.0
Provisions made during the year	1.0	0.1
Payments made during the period	(2.2)	-
Foreign currency exchange differences	0.2	-
Carrying amount at the end of the financial year	16.9	1.1

21. Deferred tax liabilities

	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m
Deferred income tax	160.6	151.7	110.4	96.3

22. Contributed equity

	Company	
	2005	2004
	\$m	\$m
Issued and fully paid:		
Cumulative non-redeemable 5% preference shares - 2,000,000 (2004 2,000,000)	2.0	2.0
Ordinary shares - 273,104,280 (2004 270,057,893)	379.2	367.3
	381.2	369.3

Notes to the Financial Statements

For the year ended 30 September

22. Contributed equity (continued)

Movements in issued and fully paid ordinary shares of the Company during the past two years were as follows:

Details	Date	Number of shares	Issue price \$	\$m
Opening balance of shares issued	1 Oct 03	277,612,490		485.7
Shares issued under the share acquisition plan (note 34) ⁽¹⁾	12 Feb 04	226,784	0.00	0.0
Shares issued under the Orica executive option plan (note 34) ⁽¹⁾		743,300	5.72	4.2
Shares issued under the Orica executive option plan (note 34) ⁽¹⁾		377,640	8.31	3.1
Shares issued under the Orica executive option plan (note 34) ⁽¹⁾		205,900	8.57	1.8
Share buy-back ⁽²⁾		(9,108,221)	14.00	(127.5)
Balance	30 Sep 04	270,057,893		367.3
Shares issued under the Orica executive option plan (note 34) ⁽³⁾		174,200	0.00	0.0
Shares issued under the Orica executive option plan (note 34) ⁽³⁾		6,380	8.31	0.1
Shares issued under the Orica executive option plan (note 34) ⁽³⁾		159,400	5.72	0.9
Shares issued under the Orica executive option plan (note 34) ⁽³⁾		1,008,000	5.67	5.7
Shares issued under the Orica executive option plan (note 34) ⁽³⁾		2,584,495	7.91	20.4
Shares issued under the Orica executive option plan (note 34) ⁽³⁾		10,044	9.24	0.1
Shares issued under the Orica executive option plan (note 34) ⁽³⁾		8,127	9.02	0.1
Shares issued under the Orica executive option plan (note 34) ⁽³⁾		20,920	10.35	0.2
Shares issued under the Orica GEESP plan (note 34) ⁽⁴⁾		72,561	17.53	1.3
Shares issued under the Orica LTEIP plan (note 34) ⁽⁵⁾	22-Dec-04	1,096,702	20.16	22.1
Shares issued under the Orica SESLP plan (note 34) ⁽⁶⁾	6-Jun-05	151,122	16.05	2.4
Shares issued under the Orica dividends reinvestment plan	8-Jul-05	697,854	17.68	12.3
Share buy-back ⁽⁷⁾		(2,943,418)	18.24	(53.7)
Balance	30 September 05	273,104,280		379.2

⁽¹⁾ The options and award rights have been exercised at various times during the year.

The weighted average of the fair value of shares issued was \$13.73.

⁽²⁾ Shares bought back and cancelled over a period from November 2003 to May 2004.

⁽³⁾ The options and award rights have been exercised at various times during the year. The weighted average of the fair value of shares issued was \$18.86.

⁽⁴⁾ Shares issued under the Orica general employee exempt share plan.

⁽⁵⁾ Shares issued under the Orica employees long term equity incentive plan.

⁽⁶⁾ Shares issued under the Orica senior employee share loan plan.

⁽⁷⁾ Shares bought back and cancelled over a period from January 2005 to June 2005.

The amounts recognised in the financial statements of the Company and the consolidated entity in relation to executive share options exercised during the financial year were:

	Company	
	2005	2004
	\$m	\$m
Issued ordinary share capital	27.5	9.1

Options over unissued shares (refer note 34):

Exercisable between	Balance 30 Sep 03	Issued/ Reinstated During Year	Reinstated During Year	Exercised During Year	Lapsed During Year	Balance 30 Sep 04	Issued/ Reinstated During Year	Reinstated During Year	Exercised During Year	Lapsed During Year	Balance 30 Sep 05
01 Jan 02 31 Dec 08	410,800	-	(205,900)	(204,900)	-	-	-	-	-	-	-
01 Jan 03 31 Dec 09	502,400	-	(377,640)	(62,880)	61,880	-	-	(6,380)	(11,000)	-	44,500
01 Jan 04 31 Dec 10	952,200	140,800	(743,300)	(134,000)	215,700	-	-	(159,400)	-	-	56,300
31 Dec 04 31 Dec 06	1,175,000	-	-	(59,000)	1,116,000	10,000	(1,008,000)	-	-	-	118,000
31 Oct 05 31 Oct 07 ⁽¹⁾	8,418,583	-	-	(926,516)	7,492,067	42,397	(2,584,495)	(72,307)	-	-	4,877,662
31 Oct 05 31 Oct 07 ⁽¹⁾	40,176	-	-	-	40,176	-	(10,044)	-	-	-	30,132
31 Oct 05 31 Oct 07 ⁽¹⁾	32,509	-	-	-	32,509	-	(8,127)	-	-	-	24,382
31 Oct 05 31 Oct 07 ⁽¹⁾	115,421	-	-	-	115,421	-	(20,920)	(13,882)	-	-	80,619
31 Oct 05 31 Oct 07 ⁽¹⁾	20,000	-	-	-	20,000	-	-	-	-	-	20,000
31 Oct 05 31 Oct 07 ⁽¹⁾	84,576	-	-	-	84,576	-	-	(9,167)	-	-	75,409
10 Nov 05 31 Oct 07 ⁽¹⁾	-	27,507	-	-	27,507	-	-	-	-	-	27,507
10 Nov 06 31 Oct 07 ⁽¹⁾	-	21,045	-	-	21,045	-	-	-	-	-	21,045
Total	11,751,665	189,352	(1,326,840)	(1,387,296)	9,226,881	52,397	(3,797,366)	(106,356)	-	-	5,375,556

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

Refer to note 34 (c) for specific terms and conditions.

Orica Limited

Notes to the Financial Statements

For the year ended 30 September

22. Contributed equity (continued)

Exercisable between	Balance 30 Sep 03	Issued/ Reinstated During Year	Exercised During Year	Lapsed During Year	Balance 30 Sep 04	Issued/ Reinstated During Year	Exercised During Year	Lapsed During Year	Balance 30 Sep 05
Award Rights over unissued shares (refer note 34):									
31 Dec 01 31 Dec 03	41,420	-	(23,760)	(17,660)	-	-	-	-	-
31 Dec 02 31 Dec 04	26,400	-	(26,224)	(176)	-	-	-	-	-
31 Dec 03 31 Dec 05	163,000	18,600	(176,800)	(4,800)	-	-	-	-	-
31 Dec 04 31 Dec 06	188,800	-	-	(16,600)	172,200	2,000	(174,200)	-	-
Total	419,620	18,600	(226,784)	(39,236)	172,200	2,000	(174,200)	-	-

Notes	Consolidated 2005 \$m	2004 \$m	Company 2005 \$m	2004 \$m
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23. Reserves and retained profits

(a) Reserves

Realisation and revaluation of assets	75.6	75.6	5.6	5.6
General and other	157.0	157.0	90.0	90.0
Foreign currency translation	(150.4)	(124.5)	-	-
	82.2	108.1	95.6	95.6

Movement in reserves during the financial year

Realisation and revaluation of assets				
Balance at beginning of year	75.6	75.6	5.6	5.6
Balance at end of year	75.6	75.6	5.6	5.6
General and other				
Balance at beginning of year	157.0	157.0	90.0	90.0
Balance at end of year	157.0	157.0	90.0	90.0
Foreign currency translation				
Balance at beginning of year	(124.5)	(115.4)	-	-
Translation of overseas controlled entities at the end of the financial year	(25.9)	(9.1)	-	-
Balance at end of year	(150.4)	(124.5)	-	-

(b) Retained profits

Retained profits at the beginning of the financial year	951.2	780.0	530.8	678.5
Operating profit after income tax attributable to members of Orica	236.3	327.8	(24.6)	8.9
Dividends:	(26)			
Preference – declared/paid	(0.1)	(0.1)	(0.1)	(0.1)
Ordinary – interim paid	(68.1)	(62.1)	(68.1)	(62.1)
Ordinary – final prior year declared/paid	(122.4)	(94.4)	(122.4)	(94.4)
Retained profits at the end of the financial year	996.9	951.2	315.6	530.8

Nature and purpose of reserves

Realisation and revaluation reserve

The realisation and revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041. An amount of \$39.1m (Company \$5.6m) is not available for future asset write-downs as a result of using the deemed cost election for property, plant and equipment when adopting AASB 1041.

Foreign currency translation reserve

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

General and other reserve

The amount standing to the credit of the general reserve resulted from prior period allocations of retained profits for non-specific purposes.

Notes to the Financial Statements

For the year ended 30 September

	Consolidated		Consolidated	
	2005 %	2004 %	2005 \$m	2004 \$m
24. Outside equity interests in controlled entities				
Ordinary share capital of controlled entities held by outside equity interests in:				
Active Chemicals Chile S.A.	49.0	-	0.2	-
Altona Properties Pty Ltd	37.4	37.4	-	-
Andean Mining & Chemicals Limited	49.0	-	-	-
Bronson & Jacobs International Co. Ltd	51.0	-	-	-
Incitec Pivot Limited	30.0	30.0	159.7	159.7
Orica-CCM Energy Systems Sdn Bhd	45.0	45.0	0.6	0.6
Orica Coatings (Fiji) Limited	11.7	11.7	-	-
Orica Eesti OU	35.0	35.0	4.7	4.7
Orica Explosives Philippines Inc	10.5	10.5	0.2	0.2
Orica-GM Holdings Ltd	49.0	49.0	-	-
Orica Kazakhstan Closed Joint Stock Company	23.0	23.0	1.8	1.8
Orica Kimit Explosives AB	49.0	49.0	1.4	1.4
Orica Nitro Patlayici Maddeler Ticaret ve Sanayi A.S.	49.0	49.0	1.6	1.5
Orica (Weihai) Explosives Co Ltd	20.0	20.0	6.2	6.2
PT Kaltim Nitrate Indonesia	10.0	10.0	1.1	1.1
Quimica Anglo Chilena S.A.	49.0	-	0.8	-
Quimica Anglo Peruana S.A.C.	49.0	-	0.6	-
Sprengmittelvertrieb in Bayern GmbH	49.0	49.0	0.1	0.1
Teradorn Pty Ltd	33.0	33.0	-	-
Welvic Australia Pty Ltd	37.4	37.4	-	-
			179.0	177.3
Outside equity interest in shareholders' equity at balance date is as follows:				
Share capital			179.0	177.3
Reserves			3.5	8.6
Retained profits			10.3	23.4
			192.8	209.3

		Consolidated		Company	
		2005	2004	2005	2004
	Notes	\$m	\$m	\$m	\$m
25. Total equity reconciliation					
Total equity at the beginning of the financial year		1,637.9	1,580.5	995.7	1,261.8
Total changes recognised in the statements of financial performance		210.4	318.7	(24.6)	8.9
Transactions with owners as owners					
Dividends provided for or paid	(26)	(190.6)	(156.6)	(190.6)	(156.6)
Contributions of equity	(22)	11.9	(118.4)	11.9	(118.4)
Total changes in outside equity interests	(24)	(16.5)	13.7	-	-
Total equity at the end of the financial year		1,653.1	1,637.9	792.4	995.7

Notes to the Financial Statements

For the year ended 30 September

	Company	
	2005	2004
	\$m	\$m
26. Dividends		
Dividends paid or declared in respect of the year to 30 September were:		
Ordinary		
interim dividend of 23 cents per share, 30.4% franked at 30%, paid 15 Jul 2004		62.1
interim dividend of 25 cents per share, 32% franked at 30%, paid 15 Jul 2005	68.1	
final dividend of 34 cents per share, 19.1% franked at 30%, paid 10 Dec 2003		94.4
final dividend of 45 cents per share, 46.7% franked at 30%, paid 8 Dec 2004	122.4	
Preference		
interim dividend of 2.5 cents per share, 30.4% franked at 30%, paid 30 Jul 2004		0.05
interim dividend of 2.5 cents per share, 32% franked at 30%, paid 29 Jul 2005	0.05	
final dividend of 2.5 cents per share, 46.7% franked at 30%, paid 31 Jan 2005		0.05
final dividend of 2.5 cents per share, 32.6% franked at 30%	0.05	
Redeemable Preference ⁽¹⁾		
quarterly dividend at 5.36% per annum, per share, unfranked, paid 27 November 2003		0.7
quarterly dividend at 5.36% per annum, per share, unfranked, paid 27 February 2004		0.7
quarterly dividend at 5.36% per annum, per share, unfranked, paid 27 May 2004		0.7
quarterly dividend at 5.36% per annum, per share, unfranked, paid 27 August 2004		0.7
quarterly dividend at 5.36% per annum, per share, unfranked, paid 27 November 2004	0.7	
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	145.7	124.3
satisfied by issue of shares	12.3	
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan ⁽²⁾	32.6	32.3
Subsequent events		
Since the end of the financial year, the directors declared the following dividend:		
Ordinary		
final dividend of 46 cents per share, 32.6% franked at 30%, payable 16 December 2005	125.6	
The financial effect of the final ordinary dividend has not been brought to account in the financial statements for the period ended 30 September 2005 and will be recognised in subsequent financial reports.		
⁽¹⁾ Dividends on these shares have been charged to the Statements of Financial Performance as borrowing costs because the shares are classified as liabilities.		
⁽²⁾ During the year, the Company bought 697,854 (2004 2,329,741) shares on market to satisfy shareholders' Dividend Reinvestment Plan (DRP) requirements and the transaction costs have been charged directly against contributed equity.		

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 2005 is nil (2004 nil).

Notes to the Financial Statements

For the year ended 30 September

		Consolidated		Company	
		2005	2004	2005	2004
		\$m	\$m	\$m	\$m
	Notes				
27. Notes to the statements of cash flows					
Reconciliation of cash					
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:					
Cash	(8)	214.7	148.9	25.3	23.9
Bank overdraft	(18)	(2.8)	(1.6)	-	-
		211.9	147.3	25.3	23.9
Reconciliation of profit from ordinary activities after income tax to net cash flows from/(used in) operating activities					
Profit/(loss) from ordinary activities after income tax expense		246.8	353.5	(24.6)	8.9
Depreciation and amortisation		175.9	170.9	0.3	0.4
Share of associates' net (profit)/loss		(5.3)	(11.8)	-	-
Increase in net interest payable		15.5	3.7	2.0	1.8
Write down of property, plant and equipment and inventory		14.8	12.3	-	-
Net profit on sale of property, plant and equipment		(33.0)	(46.3)	-	(13.7)
Changes in assets and liabilities excluding the effects of acquisitions and disposals of businesses/controlled entities					
(increase)/decrease in trade and other receivables		(21.2)	(90.7)	(154.0)	1.4
(increase)/decrease in inventories		(70.9)	(86.6)	-	-
increase in deferred taxes payable		19.6	28.1	10.8	1.0
increase/(decrease) in payables and provisions		45.9	235.1	(0.2)	(0.6)
(decrease)/increase in income taxes payable		(12.3)	19.7	-	(53.3)
Net cash flows from/(used in) operating activities		375.8	587.9	(165.7)	(54.1)

Notes to the Financial Statements

For the year ended 30 September

Consolidated
2005 2004
\$m \$m

27. Notes to the statements of cash flows (continued)

Acquisition of businesses/controlled entities

Consideration

cash paid	67.4	269.0
net cash acquired	(8.2)	(15.1)
	59.2	253.9

Fair value of net assets of businesses/controlled entities acquired

receivables	12.7	98.4
inventories	10.7	75.2
property, plant and equipment	11.0	50.6
intangibles including purchased goodwill	3.7	51.7
other assets	2.9	6.9
payables and interest bearing liabilities	(15.3)	(108.4)
provision for employee entitlements	(0.8)	(7.3)
provision for restructuring and rationalisation	(1.5)	(8.9)
provision for environmental	-	(3.7)
provision for taxation	(0.5)	(8.4)
other provisions	-	(0.8)
	22.9	145.3
Less outside equity interests at date of acquisition	(4.4)	(15.6)
	18.5	129.7
Goodwill on acquisition	40.7	124.2

Disposal/acquisition of controlled entities

The following controlled entities were acquired or disposed of during the financial year:

Acquisitions:

During the financial year, the consolidated entity acquired the following (100% unless stated otherwise):

(1) On 1 December 2004, the purchase of Woods and Woods was completed.

A restructuring provision was established for restructuring the operations of that entity. The balance of that provision at 30 September 2005 was \$0.3m.

(2) On 1 February 2005, the purchase of Keith Harris Flavours and Fragrances was completed.

A restructuring provision was established for restructuring the operations of that entity. The balance of that provision at 30 September 2005 was \$0.9m.

(3) On 28 February 2005, the purchase of 51% of Andean Chemicals Group was completed.

(4) On 2 May 2005, the purchase of Aluminates Chemicals Industries was completed.

Disposals:

During the financial year, no entities were disposed.

Notes to the Financial Statements

For the year ended 30 September

	Consolidated		Company	
	2005	2004	2005	2004
	\$m	\$m	\$m	\$m
28. 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 ⁽¹⁾	926.1	28.3	-	-
	926.1	28.3	-	-
⁽¹⁾ \$902m is related to the proposed acquisition of Dyno Nobel.				
Lease commitments				
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:				
no later than one year	59.1	55.5	-	-
later than one, no later than five years	144.7	103.4	-	-
later than five years	29.4	36.3	-	-
	233.2	195.2	-	-
Representing:				
cancellable operating leases	111.5	110.1	-	-
non-cancellable operating leases	121.7	85.1	-	-
	233.2	195.2	-	-
Non-cancellable operating lease commitments payable:				
no later than one year	26.3	20.8	-	-
later than one, no later than five years	90.7	38.8	-	-
later than five years	4.7	25.5	-	-
	121.7	85.1	-	-
Finance lease commitments payable:				
no later than one year	0.2	0.2	-	-
later than one, no later than five years	0.2	0.3	-	-
	0.4	0.5	-	-
Less future finance charges	-	-	-	-
Present value of minimum lease payments provided for as a liability	0.4	0.5	-	-
Representing lease liabilities: (see note 18)				
current	0.2	0.2	-	-
non-current	0.2	0.3	-	-
	0.4	0.5	-	-

Notes to the Financial Statements

For the year ended 30 September

Consolidated		Company	
2005	2004	2005	2004
\$000	\$000	\$000	\$000

29. Auditors' remuneration

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

Audit services				
Auditors of the Company – KPMG				
– Audit and review of financial reports	2,664	2,016	36	40
Other regulatory audit services ⁽¹⁾				
Auditors of the Company – KPMG				
– Audit and review of financial reports	593	404	-	-
	3,257	2,420	36	40
Other services ⁽²⁾				
Auditors of the Company – KPMG				
– other assurance services ⁽³⁾	180	10	-	-
– secondee relocation services ⁽⁴⁾	99	304	-	-
– taxation services ⁽⁵⁾	8	242	-	-
– other services ⁽⁶⁾	23	14	-	-
	310	570	-	-
	3,567	2,990	36	40

From time to time, KPMG the auditors of the Company provides other services to the Company, which are subject to strict corporate governance procedures adopted by the Company which encompass the selection of service providers and the setting of their remuneration.

⁽¹⁾ Other regulatory audit services are fees paid or payable for local lodgement purposes and other regulatory compliance requirements.

⁽²⁾ The Board Audit and Risk Committee must approve any other services provided by KPMG above a value of \$20,000 and it also reviews and approves at year end other services provided by KPMG below a value of \$20,000. The guidelines adopted by KPMG for the provision of other services ensure their statutory independence is not compromised.

⁽³⁾ The 2005 services are related to due diligence and confirmation of accounting treatment in relation to the proposed hybrid financing structure for the Dyno Nobel acquisition.

⁽⁴⁾ The agreement with KPMG for the provision of secondee relocation services has expired and a new service provider has been appointed following a formal tender process from which KPMG was excluded.

⁽⁵⁾ These services primarily related to tax compliance services.

⁽⁶⁾ The 2005 expenditure relates mainly to engagements that were commenced in prior financial years.

30. Contingent liabilities and contingent assets

Contingent Liabilities

Environmental

(i) General

A number of sites within the Orica Group have been identified as requiring clean-up and review. Appropriate implementation of clean-up actions to meet Orica's obligations for these sites is continuing.

(ii) 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 in accordance with the Group's accounting policy included in Note 1 (xviii).

Environmental Matters Subject to Regulatory Requirements

Botany Groundwater (New South Wales, Australia)

Orica is continuing to conduct extensive remediation activities, including the construction and operation of a Groundwater Treatment plant, to treat the groundwater at Botany, which is contaminated with pollutants from historical operations. The continuing operation of the Groundwater Treatment plant will also enable the recycling of treated water for industrial uses.

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

Orica is implementing the recommendations of the New South Wales (NSW) government Panel of Inquiry. In collaboration with the NSW government, Orica is in the process of identifying a remote NSW host location for the destruction of this material. In the event that a suitable remote host site cannot be located, the NSW government will consider the merits of other options for destruction. In the meantime, Orica will continue to ensure the safe storage of the HCB waste at Botany. In addition, soil and ash contaminated with low levels chlorinated materials (including hexachlorobutadiene and HCB) is stored in an approved encapsulation on the Botany site. Orica is seeking suitable technologies to treat this material and is evaluating conventional destruction methods such as thermal desorption in addition to funding research into novel technologies including in-situ bioremediation.

Environmental Matters Subject to Voluntary Requirements

Orica has entered into voluntary arrangements with the relevant regulatory authorities for a number of sites to investigate possible land and groundwater contamination and where appropriate, undertake voluntary remediation activities on these sites. These sites are located in Australia at: Kooragang Island (New South Wales), Chester Hill (New South Wales), Parafield Gardens (South Australia), Wallaroo (South Australia) and in the USA; Seneca (Illinois) and Geneva (Utah). The voluntary environmental investigation underway at Yarraville (Victoria, Australia) has been formalised in a statutory audit under the direction of the Environmental Protection Authority (EPA) of Victoria and the remediation activities at the Villawood

Notes to the Financial Statements

For the year ended 30 September

30. Contingent liabilities and contingent assets (continued)

(NSW, Australia) site is expected to be in the process of being formalised into the subject of a Remediation Order from the NSW Department of Environment and Conservation.

(iii) For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved, no reliable estimate can presently be made of regulatory and remediation costs. In accordance with the Group's accounting policy included in Note 1 (xviii), no amounts have been capitalised, expensed or provided for.

The Incitec Pivot Limited (IPL) site at Cockle Creek (NSW, Australia) has been gazetted a "remediation site" under the Contaminated Land Management Act, 1997. The contamination arose from the use of fill material mainly sourced from the adjacent smelter on the Pasminco site. IPL is in discussion with both the regulatory authority and Pasminco Cockle Creek Smelter Pty. Ltd. (in administration) in respect of the potential remediation activities for the site.

Contingent liabilities exist in relation to all these sites, and potentially other sites which may be identified in the future, to the extent that new information, identification of new remedial obligations, or changes in regulatory requirements, enforcement practices or approved remediation techniques may require additional future expenditure.

Superannuation – The Flexible Benefits Super Fund

The consolidated entity has covenanted to ensure the solvency of the Flexible Benefits Super Fund. In accordance with the Fund's Trust Deed, the consolidated entity must fund any payment obligations unable to be met by the Fund, as and when they fall due. As at the Balance Date, the Flexible Benefit Superannuation Fund is able to meet all payment obligations as and when they fall due.

Taxation

Tax investigations and audits

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

Brazilian Tax Action

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

Tax Audit – 1998 Sale of Pharmaceuticals Business

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

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

The directors are of the opinion, based on Queen's Counsel advice, that no liability should be recognised.

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

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

Discounted bills of exchange

A discounted bill of exchange facility is in place with a bank and is utilised by a number of customers for the purpose of trade finance. The majority of these discounted bills of exchange are issued for periods less than 120 days.

Total discounted bills of exchange outstanding at year end amounted to \$168.8 million (2004 \$38.9million).

Guarantees, indemnities and warranties

The Company:

- 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 38. A consolidated statement of financial position and statement of financial performance for this closed group is shown in note 39.
- The Company guaranteed the payment of dividends and principal of Redeemable Preference Shares of nil (2004 \$55million) issued by Incitec Fertilizers Limited which were redeemed on 27 November 2004.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial warranties and indemnities to the purchasers. On forming Qenos Holdings Pty Ltd in 1999, the Company gave specific guarantees with respect to the performance of certain assets of Qenos under various contractual arrangements to a maximum amount of \$21million (2004 \$41million).

Notes to the Financial Statements

For the year ended 30 September

30. Contingent liabilities and contingent assets (continued)

The Group:

- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but in all cases the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.
- Letters of credit totalling USD760 million have been issued in connection with the proposed Dyno Nobel acquisition.
- 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.
- Incitec Fertilizers Limited, a wholly owned subsidiary of Incitec Pivot Limited, terminated its supply agreement with Elders effective 16 December 2004. This termination and the payment of rebates up to \$7.4million are in dispute, the trial for which was held in the Supreme Court of South Australia in April 2005. Judgment is awaited.
There are a number of other 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. In the opinion of the directors any further information about these matters would be prejudicial to the interests of the Company.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- A controlled entity (Incitec Pivot Limited) has guaranteed seasonal borrowings of certain customers, up to 4% of the total amount borrowed. The guarantee is in place with Suncorp Metway Bank. At 30 September 2005, the total contingent liability in respect of this guarantee is \$2.8million (2004 \$2.8million).

31. Additional financial instruments disclosures

The consolidated entity uses several techniques to reduce the exposure to loss from financial risks. The major types of risks are foreign exchange risk, interest rate risk, liquidity risk and credit risk.

Foreign exchange risk management

Foreign exchange transaction risk management

The consolidated entity is exposed to foreign exchange movements on sales and purchases denominated, either directly or indirectly, in foreign currencies. Where these exposures are significant and cannot be eliminated by varying contract terms or other business arrangements, formal hedging strategies are implemented, within policy guidelines established for each of the consolidated entity's business segments. The formal hedging strategies involve collating and consolidating exposures centrally, and hedging certain transactions specifically, after taking into account offsetting exposures, by entering into derivative contracts with external parties in the financial markets. The derivative instruments used for hedging purchase and sales exposures are option contracts and forward contracts.

For contracts which specifically hedge anticipated sales and purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, are carried forward in the statements of financial position and will be recognised in the statements of financial performance at the time the underlying transaction occurs.

The tables below outline the foreign exchange contracts and vanilla European foreign currency option contracts used to hedge committed and anticipated purchases and sales denominated in foreign currencies.

Foreign Exchange Contracts	Weighted average rate		million	million
	2005	2004	2005	2004
Buy US dollars/sell Australian dollars Not later than one year	0.7608	0.7004	USD 117.1	USD 118.4
Buy US dollars/sell New Zealand dollars Not later than one year	0.6947	0.6449	USD 30.1	USD 21.5
Buy Australian dollars/sell New Zealand dollars Not later than one year	1.1237	1.0766	NZD 3.8	NZD 9.8
Buy Euro/sell Australian dollars Not later than one year	0.6243	0.5892	EUR 5.7	EUR 3.0

Note: A small amount of forward foreign exchange contracts are held in other currencies.

Notes to the Financial Statements

For the year ended 30 September

31. Additional financial instruments disclosures (continued)

Vanilla European Option Contracts	Weighted average rate		million	million
	2005	2004	2005	2004
Buy US dollars/sell Australian dollars				
Not later than one year	0.7715	-	USD 9.2	-
Later than one year but not later than two years	0.7714	-	USD 3.9	-
Buy US dollars/sell New Zealand dollars				
Not later than one year	0.7224	-	USD 10.7	-
Later than one year but not later than two years	0.7261	-	USD 5.0	-

In September 2005, the entity announced its intention to purchase various Dyno Nobel entities in Europe, Asia, the Middle East, Africa and Latin America. The purchase price is denominated in US dollars, and the entity has entered into forward foreign exchange contracts to hedge the resultant currency exposure as detailed below:

Foreign Exchange Contracts	Weighted average rate		million	million
	2005	2004	2005	2004
Buy US dollars/sell Australian dollars				
Not later than one year	0.7598	-	USD 685.0	-

The profitability of the principal nitrogen manufacturing facility located at Gibson Island (Queensland, Australia) owned by the Incitec Pivot Limited business is impacted by foreign exchange movements due to the manufactured inputs (gas, electricity, labour) being Australian dollar linked whilst the manufactured outputs (urea and ammonia) are sold on a United States dollar import parity basis. A series of AUD call/USD put vanilla European options has been put in place to hedge the 2006 and 2007 output. These contracts are timed to mature in quarterly intervals to match anticipated sales of product manufactured at this facility, subject to limits approved by the Orica Board of Directors. The amount of anticipated future sales is forecast in light of plant capacity, current conditions in domestic agricultural and industrial markets, commitments from customers and historical seasonal impacts. All sales from the start of each quarter are designated as being hedged until all hedge contracts are fully utilised. The contracts covering the 2006 and 2007 years allow full participation in favourable outcomes resulting from decreases in the AUD/USD exchange rate but limit the unfavourable outcomes resulting from AUD/USD exchange rate increases.

The table below summarises option contracts used to hedge the output of the Gibson Island plant:

Term	Bought AUD Call Options			
	Weighted average		Contract amounts	
	AUD/USD strike rate			
	2005	2004	2005 USDm	2004 USDm
Not later than one year	0.6823	0.6827	30.0	50.0
Later than one year but not later than two years	0.6789	0.6823	15.0	30.0
Later than two years but not later than three years	-	0.6789	-	15.0
Total			45.0	95.0

The consolidated entity has a negative exposure to an increasing AUD/USD exchange rate resulting from the sale of product by its US, Latin American and certain Asian businesses. In particular, there exists a significant level of USD sales that are not effectively offset by USD costs, hence creating an AUD translation exposure in the accounts of the consolidated entity. To manage this exposure the consolidated entity has bought a series of AUD call/USD put vanilla European options. The forecast exposure has been determined using budget and forecast data in respect of individual business units and is based on expected future economic conditions, commitments from customers and experience. The amount of exposure hedged progressively reduces in future periods in line with policies determined by the Board of Directors. All sales from the first of each month are designated as being hedged until all hedge contracts maturing in that month are fully utilised.

The premiums paid along with any unrealised gains are carried forward in the Statements of Financial Position and will be recognised in the Statements of Financial Performance at the time the underlying transaction occurs. All costs associated with these contracts have been incurred. Favourable outcomes will occur when the exchange rate at maturity is higher than the strike rate established at the inception of the hedge. These contracts allow full participation in favourable outcomes resulting from decreases in the AUD/USD exchange rate but limit the unfavourable outcomes resulting from AUD/USD exchange rate increases. Similar exposures exist for the AUD/NZD and AUD/CAD exchange rates due to businesses operating in those currencies.

Notes to the Financial Statements

For the year ended 30 September

31. Additional financial instruments disclosures (continued)

The table below summarises option contracts taken out to hedge sales in the various currency jurisdictions:

AUD/USD	Weighted average strike rate		Contract amounts (foreign currency million)	
	2005	2004	2005	2004
Not later than one year	0.6666	0.6174	36.0	59.5
Later than one year but not later than two years	0.6751	0.6666	23.5	36.0
Later than two years but not later than three years	0.6314	0.6751	10.0	23.5
Later than three years but not later than four years	-	0.6314	-	10.0
Total			69.5	129.0
AUD/NZD				
Not later than one year	1.0918	1.1398	35.0	30.0
Later than one year but not later than two years	1.0687	1.0966	17.7	26.0
Total			52.7	56.0
AUD/CAD				
Not later than one year	0.8910	-	12.0	-

The net deferred costs and unrealised gains and losses 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) \$m	
	2005	2004
Not later than one year	3.7	4.7
Later than one year but not later than two years	2.9	1.3
Later than two years but not later than three years	1.2	1.1
Later than three years but not later than four years	-	1.1
Total	7.8	8.2

Foreign exchange translation risk management

The consolidated entity is exposed to translation risk resulting from foreign exchange rate movements impacting on the AUD equivalent value of self-sustaining foreign operations. Movements in the value of self-sustaining foreign operations resulting from changes in exchange rates are recognised in the foreign currency translation reserve within the equity section of the statements of financial position.

Foreign currency translation risk is managed within policies determined by the Board of Directors. Hedging of exposures is undertaken centrally by the consolidated entity's treasury operations primarily through originating debt in the currency of the asset or by raising debt in a different currency and effectively swapping the debt to the currency of the asset (see below cross currency interest rate swaps under interest rate risk management). The remaining translation exposure is managed, where considered significant, through forward foreign exchange derivative instruments. Gains and losses resulting from these hedging activities are recorded in the foreign currency translation reserve and offset against the foreign exchange impact resulting from the translation of self-sustaining foreign operations.

The table below outlines the gross value to be paid under forward foreign exchange contracts designed to hedge the AUD equivalent value of the net investment, the weighted average contracted exchange rates, the current market values and the settlement periods of outstanding contracts.

Term	Weighted average strike rate		Contract amounts		Current market value	
	2005	2004	2005 \$m	2004 \$m	2005 \$m	2004 \$m
Buy Australian dollars/sell Canadian dollars						
Not later than one year	-	0.9470		CAD 50.0	-	(3.1)
Later than two years but not later than three years	0.8957	-	CAD 25.0	-	(1.8)	-

Notes to the Financial Statements

For the year ended 30 September

31. Additional financial instruments disclosures (continued)

Interest rate risk management

The consolidated entity is exposed to interest rate risk on outstanding interest bearing liabilities and investments. The mix of floating and fixed rate debt is managed within policies determined by the Board of Directors via the use of interest rate swaps and cross currency interest rate swaps. The effective interest rate on average gross debt for the year ended 30 September 2005 was 6.5% (2004 5.9%).

Interest rate swaps

Interest rate swaps provide the consolidated entity with the facility to raise long term borrowings at floating or fixed interest rates and effectively swap the interest obligation into fixed or floating interest rates respectively. 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.

The notional principal amounts and periods of expiry of these interest rate swap contracts are as follows:

	2005 \$m	2004 \$m
Less than one year	(20.9)	11.2
One to five years	60.0	87.7
More than five years	357.8	305.0
Total	396.9	403.9
Fixed interest rate range p.a.	5.2% to 8.3%	5.2% to 8.3%
Floating interest rate range p.a.	2.1% to 7.0%	1.9% to 6.5%

Cross currency interest rate swaps

Cross currency interest rate swaps have been used to allow the consolidated entity to raise long term borrowings in United States dollars at fixed interest rates and effectively swap the borrowings into Canadian dollar, Euro, New Zealand dollar and Australian dollar floating rate debt. Each contract involves the physical exchange of principal amounts, at a fixed exchange rate, at the beginning and the end of the transaction period and the payment and receipt of interest quarterly or semi-annually throughout the life of the contract. Primary US dollar debt was raised due to the cost efficiency and available tenor of the US debt market compared to the markets for the other currencies. The swap to Canadian dollar, Euro and New Zealand dollar debt was primarily undertaken to provide the consolidated entity with a hedge of self-sustaining operations in those jurisdictions.

The principal amounts and periods of expiry of these cross currency interest rate swap contracts are as follows:

	2005		2004	
	Receive Principal millions	Pay Principal millions	Receive Principal millions	Pay Principal millions
Receive US dollar fixed interest/pay Canadian dollar floating interest				
One to five years	USD 12.0	CAD 17.8	USD 12.0	CAD 17.8
More than five years	USD 45.0	CAD 66.7	USD 45.0	CAD 66.7
Receive US dollar fixed interest/pay Australian dollar floating interest				
More than five years	USD 65.0	AUD 98.9	USD 65.0	AUD 98.9
Receive US dollar fixed interest/pay Euro floating interest				
More than five years	USD 47.0	EUR 42.3	USD 47.0	EUR 42.3
Receive US dollar fixed interest/pay New Zealand dollar floating interest				
More than five years	USD 73.0	NZD 124.5	USD 73.0	NZD 124.5
Fixed interest rate range p.a.	5.8% to 8.3%		5.8% to 8.3%	
Floating interest rate range p.a.	2.8% to 8.0%		2.8% to 7.2%	

Notes to the Financial Statements

For the year ended 30 September

31. Additional financial instruments disclosures (continued)

Interest rate risk

The consolidated entity's exposure to interest rate risk and the weighted average effective interest rates on financial assets and liabilities at balance date are:

		Fixed interest rates						Weighted average effective interest rate % p.a.
	Notes	Floating interest rate \$m	1 year or less \$m	1 to 5 years \$m	5 years or more \$m	Non- interest bearing \$m	Total \$m	
30 September 2005								
Cash assets	(8)	214.7	-	-	-	-	214.7	4.0
Receivables	(9)	-	-	-	-	817.6	817.6	-
Other financial assets	(13)	-	-	-	-	12.3	12.3	-
Total financial assets		214.7	-	-	-	829.9	1,044.6	
Payables	(17)	-	-	-	-	918.5	918.5	-
Bank overdrafts ⁽¹⁾	(18)	2.8	-	-	-	-	2.8	6.8
Short term borrowings	(18)	46.5	-	-	-	-	46.5	5.6
Lease liabilities	(18)	0.4	-	-	-	-	0.4	13.7
Long term borrowings	(18)	635.8	-	83.8	557.5	-	1,277.1	7.2
Employee entitlements	(20)	-	-	76.5	-	54.3	130.8	5.2
Interest rate swaps ⁽²⁾		(396.9)	(20.9)	60.0	357.8	-	-	(0.2)
Cross currency interest rate swaps ⁽²⁾		372.8	-	(19.9)	(352.9)	-	-	0.1
Total financial liabilities		661.4	(20.9)	200.4	562.4	972.8	2,376.1	
Net financial liabilities/(assets)		446.7	(20.9)	200.4	562.4	142.9	1,331.5	

⁽¹⁾ Weighted average effective interest rate includes offshore funding at local rates.

⁽²⁾ Interest rate swaps and cross-currency interest rate swaps are off-balance sheet transactions.

Interest rate swaps and cross-currency interest rate swaps are on-balance sheet transactions.								
	Notes	Floating interest rate \$m	1 year or less \$m	1 to 5 years \$m	5 years or more \$m	Non- interest bearing \$m	Total \$m	Weighted average effective interest rate % p.a.
30 September 2004								
Cash assets	(8)	148.9	-	-	-	-	148.9	3.3
Receivables	(9)	-	-	-	-	775.7	775.7	-
Total financial assets		148.9	-	-	-	775.7	924.6	
Payables	(17)	-	-	-	-	794.5	794.5	-
Bank overdrafts ⁽¹⁾	(18)	1.6	-	-	-	-	1.6	14.0
Short term borrowings	(18)	61.9	-	-	-	-	61.9	5.3
Commercial paper	(18)	267.0	-	-	-	-	267.0	5.3
Lease liabilities	(18)	0.5	-	-	-	-	0.5	13.7
Long term borrowings	(18)	75.0	55.0	86.3	578.9	-	795.2	7.2
Employee entitlements	(20)	-	-	73.5	-	55.4	128.9	5.4
Interest rate swaps ⁽²⁾		(403.9)	11.2	87.7	305.0	-	-	(1.1)
Cross currency interest rate swaps ⁽²⁾		338.1	-	(16.8)	(321.3)	-	-	(1.4)
Total financial liabilities		340.2	66.2	230.7	562.6	849.9	2,049.6	
Net financial liabilities/(assets)		191.3	66.2	230.7	562.6	74.2	1,125.0	

⁽¹⁾ Weighted average effective interest rate includes offshore funding at local rates.

⁽²⁾ Interest rate swaps and cross-currency interest rate swaps are off-balance sheet transactions.

Liquidity risk management

Liquidity risk arises from the possibility that there will be insufficient funds available to make payments as and when required. To counter this risk, the consolidated entity:

- maintains a target level of undrawn committed facilities in various currencies that can be called upon at short notice.
- generally uses instruments that are readily tradeable in the financial markets.
- maintains a target duration for long term debt.
- spreads the maturity dates of long term debt facilities.

Notes to the Financial Statements

For the year ended 30 September

31. Additional financial instruments disclosures (continued)

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 major exposure to credit risk arises from trade receivables, which have been recognised in the statements of financial position net of any provision for doubtful debts (see note 9), and from derivative financial instruments.

The credit risk exposure arising from derivative financial instruments is the sum of all contracts with a positive replacement cost. As at 30 September 2005, the sum of all contracts with a positive replacement cost was \$41.0m (2004 \$73.8m). The consolidated entity restricts dealings to highly rated counterparties approved within its credit limit policy. The level of exposure to individual counterparties is based upon credit ratings provided by international credit rating agencies.

Net fair values of financial assets and liabilities

On-balance sheet financial instruments

The directors consider that the carrying amount of recognised financial assets and liabilities approximates their net fair values. Fair values of monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers, reduced for expected credit losses, or amounts due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows.

The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporations.

Derivative financial instruments

The net fair values of the consolidated entity's derivative financial assets and liabilities at balance date are:

	Net fair value	
	2005 \$m	2004 \$m
Interest rate swaps	5.8	5.0
Forward foreign exchange contracts	(3.5)	(7.0)
Cross currency swaps	(39.6)	(14.6)
Foreign exchange option contracts	24.4	29.2

Net fair values of derivative financial instruments are determined according to the estimated amounts which the consolidated entity would be expected to pay or receive to terminate the contracts. These values are determined using standard valuation techniques.

32. Standby arrangements and credit facilities

	Consolidated		Company	
	2005 \$m	2004 \$m	2005 \$m	2004 \$m
Unsecured bank overdraft facilities available	96.7	48.3	-	-
Amount of facilities unused	93.9	46.7	-	-
Committed standby and loan facilities available	1,277.4	1,000.7	-	-
Amount of facilities unused	1,252.3	977.8	-	-

The unsecured bank overdraft facilities are provided by banks. 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 March 2006 to March 2008.

33. Amounts receivable and payable denominated in foreign currencies

The consolidated entity enters into a range of financial instruments to hedge its foreign currency receivables and payables. At year end, the consolidated entity was exposed to currency movements on net foreign currency amounts receivable of \$1.4m (2004 receivable \$44.2m). This exposure was predominantly against the US dollar.

Notes to the Financial Statements

For the year ended 30 September

34. Employee share plans

During the year, Orica introduced the Orica Long Term Equity Incentive Plan (LTEIP) as the long term incentive component of remuneration for executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles. In prior periods, Orica used a Senior Executive Share Loan Plan (SESLP) as the long term incentive for the Specified Directors and Specified Executives (The Group Executive) and share option plans and award rights for other senior eligible executives.

a) Long Term Equity Incentive Plan

The Long Term Equity Incentive Plan (LTEIP) is designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value. Under the LTEIP, eligible executives are provided with a 3 year, interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executives must apply net cash dividends to repayment of the loan balance, and executives may not deal with the shares while the loan remains outstanding. Offers under LTEIP may also be extended to eligible IPL executives. LTEIP is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

In order to reward good performance, part of the loan may be "forgiven" (the Forgiveness Amount) upon the achievement of specified performance conditions. The Forgiveness Amount is calculated by reference to a percentage of the executives' fixed annual remuneration (depending on, for example, seniority of the executive).

The balance of the loan becomes repayable at the end of the 3 year period, following the testing of the performance conditions. If the executive fails to repay the loan within the prescribed period, Orica will sell the shares on the executive's behalf and use the proceeds to repay the outstanding loan balance, and pay any surplus to the executive.

In general, where an executive ceases employment with the Group during the loan period, the executive must repay the loan within the prescribed period, and will not be entitled to any part of the Forgiveness Amount. Where an executive is terminated for cause, Orica will sell the shares, and the executive will not be entitled to any further interest in the shares.

The LTEIP facilitates immediate share ownership by the executives and links a significant proportion of their potential remuneration to Orica's ongoing share price and returns to shareholders over a 3 year period. The Board believes the LTEIP will promote behaviour that will achieve superior performance over the long term. Should the Company's share price decrease, so will the the long term incentive component of their remuneration. Executives will therefore only derive a benefit where shareholder wealth is created over the longer term.

Accordingly, the "long term incentive value" (LTI Value) to the executives is calculated having regard to:

- the Forgiveness Amount;
- the interest free component of the loan; and
- the capital growth in Orica's share price over the 3 year loan period.

Under the LTEIP, the relevant performance condition is based on the total shareholder return (TSR) growth over the period of the loan. TSR is, broadly, the percentage increase in the Company's share price over the 3 year loan period, plus the value of dividends paid being treated as reinvested.

In order to ensure that the performance condition is not an "all or nothing" target, 90% of the forgiveness amount will be awarded for compound TSR growth which exceeds 15% per annum. The percentage of the forgiveness amount increases proportionately in line with the level of TSR growth achieved, with 100% of the forgiveness amount awarded TSR growth of 20% per annum (compound), up to a maximum of 110% of the forgiveness amount awarded for TSR growth of 25% per annum (compound) or more. No amount will be forgiven for TSR growth below the 15% threshold.

As at 30 September 2005

Grant date	Number of shares	Number of participants	Total loan at grant date	Maximum loan waiver opportunity over full loan period	Loan repayments through dividends 2005	Value of Options ⁽¹⁾
			\$	\$	\$	\$
22 Dec 04	1,827,184	246	36,836,029	11,192,533	221,606	11,821,880

There is currently no Australian Accounting requirement to record an expense for the fair value of the options, shares and award rights issued in 2005 or 2004. However AASB1046: "Director and Executive Disclosures by Disclosing Entities" require the company to derive a value for these items and include the value in the director and executive remuneration disclosures. Because the combination of shares, and the loan provides to fund those shares constitutes an option under AASB1046, an option pricing model was adopted to derive a value. Loan forgiveness is incorporated into the option valuations. Loan balances as at 30 September 2005 are detailed in note 35 Related party disclosures.

⁽¹⁾ The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option
					\$
22 Dec 04	\$20.16	30%	5%	4.99%	6.47

The option valuation prepared by PricewaterhouseCoopers 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 2005. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option.

Notes to the Financial Statements

For the year ended 30 September

34. Employee share plans (continued)

The amounts recognised in the financial statements of the consolidated entity and the Company in relation to shares issued via the LTEIP pursuant to the executive incentive scheme were:

	Note	2005 \$m	2004 \$m
Issued ordinary share capital ⁽¹⁾	22	22.1	-

⁽¹⁾ The balance of the shares issued under the Plan have been purchased on market.

(b) Senior Executive Share Loan Plan

The company has operated the Senior Executive Share Loan Plan (SESLP) to permit the Managing Director, executive directors and selected executives who reported to the Managing Director to acquire fully paid ordinary shares in Orica Limited. This Plan was designed to replace the perceived deficiencies of the previous option plans, by exposing participants' interest in the Plan to both increases and decreases in the Company's share price. The executives were intended to derive a benefit where shareholder wealth was created over the longer term. SESLP is administered internally.

The acquisition of these shares was funded by a non-recourse interest-free loan from Orica Australia Pty Ltd, a controlled entity of Orica. This arrangement was consistent with the share loan provided to the M W Broomhead on his appointment in 2001. The post-tax dividends on the shares are progressively applied to the repayment of the loan. In order to ensure that executives were sufficiently exposed to the share price, but not so as to potentially demotivate them, the interest free loans provided to fund the share acquisition were limited recourse in nature (ie the outstanding loan balance was never greater than the value of the shares).

The shareholders approved a change to the scheme as it applied to M W Broomhead at the 2004 Annual General Meeting to allow the early release of one third of these shares in 2004, and one third of the shares in September 2005, upon repayment of the loans in respect of these shares. The Board also approved this change in relation to the other executives (but the change did not apply to J W Hall or G R Liebelt). The remaining shares will be held until September 2006.

As an additional incentive to the executives, the loan is also subject to further reduction upon achievement of satisfactory price hurdles, on each of 3 September 2004, 3 September 2005 and 3 September 2006. The price hurdle is reached when the average closing price of Orica shares on the ASX for five consecutive trading days between 3 March and 2 September in the relevant year is at or greater than the relevant price hurdle. The first and second loan waiver hurdles were reached during 2004 and 2005.

As at 30 September 2005

Grant date	Number of shares held	Number of participants	First price hurdle	Second price hurdle	Third price hurdle	Total loan at grant date	Maximum loan waiver opportunity over full loan period	Loan repayments through dividends 2005	Value of Options ⁽¹⁾
			\$	\$	\$	\$	\$	\$	\$
3 Sep 01	1,000,000	1	8.00	10.00	12.00	6,750,000	1,950,000	563,557	1,300,000
17 Jan 02	-	-	8.00	10.00	12.00	3,335,700	711,000	125,145	-
6 May 02	-	-	8.82	10.00	12.00	4,410,000	1,190,700	139,050	-
5 Aug 02	-	-	9.03	10.00	12.00	2,302,650	621,717	70,916	-
21 Dec 02	360,000	1	10.09	10.09	12.00	3,632,400	1,230,849	152,823	1,299,600
6 May 03	60,733	1	9.61	10.00	12.00	875,562	283,683	34,247	196,168
6 Jun 05	151,122	1	NA	10.00	12.00	2,425,500	441,000	22,125	621,111
Total	1,571,855	4				23,731,812	6,428,949	1,107,863	3,416,879

As at 30 September 2004

Grant date	Number of shares held	Number of participants	First price hurdle	Second price hurdle	Third price hurdle	Total loan at grant date	Maximum loan waiver opportunity over full loan period	Loan repayments through dividends 2004	Value of Options ⁽¹⁾
			\$	\$	\$	\$	\$	\$	\$
3 Sep 01	1,500,000	1	8.00	10.00	12.00	6,750,000	1,950,000	485,000	1,950,000
17 Jan 02	450,000	1	8.00	10.00	12.00	3,335,700	711,000	145,500	1,030,500
6 May 02	500,000	2	8.82	10.00	12.00	4,410,000	1,190,700	161,666	1,505,000
5 Aug 02	255,000	1	9.03	10.00	12.00	2,302,650	621,717	82,545	767,550
21 Dec 02	360,000	1	10.09	10.09	12.00	3,632,400	1,230,849	122,204	1,299,600
6 May 03	91,100	1	9.61	10.00	12.00	875,562	283,683	29,455	294,253
Total	3,156,100	7				21,306,312	5,987,949	1,026,370	6,846,903

Notes to the Financial Statements

For the year ended 30 September

34. Employee share plans (continued)

There is currently no Australian Accounting requirement to record an expense for the fair value of the options, shares and award rights issued in 2005 or 2004. However AASB1046: "Director and Executive Disclosures by Disclosing Entities" require the company to derive a value for these items and include the value in the director and executive remuneration disclosures. Because the combination of shares, and the loan provides to fund those shares constitutes an option under AASB1046, an option pricing model was adopted to derive a value. Loan forgiveness is incorporated into the option valuations. Loan balances as at 30 September 2005 are detailed in note 35 Related party disclosures.

⁽¹⁾ The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option \$
3 Sep 01	4.50	30%	4.5%	5.11%	1.30
17 Jan 02	7.41	30%	4.5%	5.07%	2.29
6 May 02	8.82	30%	4.5%	5.50%	3.01
1 Jul 02	9.49	30%	4.5%	5.55%	3.32
5 Aug 02	9.03	30%	4.5%	5.03%	3.01
21 Dec 02	10.09	30%	4.5%	4.57%	3.61
6 May 03	9.61	30%	4.5%	4.60%	3.23
6 Jun 05	16.05	25%	-	5.25%	4.11

The option valuation prepared by PricewaterhouseCoopers 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 2005 and 30 September 2004. 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 amounts recognised in the Financial Statements of the consolidated entity and the Company in relation to shares issued via the SESLP pursuant to the executive incentive scheme were:

Note	2005 \$m	2004 \$m
Issued ordinary share capital 22	2.4	-

c) Executive Share Option Plan - ESOP

The Executive Share Option Plan (ESOP) was introduced on 24 April 2002 following agreement by the Orica Board of Directors on 28 March 2002. This plan formed an integral part of the new executive remuneration arrangements introduced during 2002. It was the Board's intention that the plan would be used only once to reflect the particular circumstances of the Company at the time to support the introduction of its new remuneration policy. ESOP is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

A sub-committee of the Orica Board determined which executives were eligible to receive invitations to participate in ESOP. Eligible executives who agreed to participate in the new remuneration arrangements were invited to apply for options in three tranches to acquire shares in Orica at an exercise price subject to the achievement of a performance hurdle based on Orica's share price. Subject to the satisfactory achievement of the performance hurdles, options may be exercised from one day after the release of the annual results to 31 October of the following year during specific trading periods as outlined in the Corporate Governance practices disclosure.

The plan performance periods and hurdles reflect those put in place for the Specified Directors and Specified Executives. The first tranche was exercisable when the average closing price of Orica shares on ASX for five consecutive trading days between 3 March and 2 September in 2004 was at or greater than the price hurdles in the table below. The first price hurdle was reached during 2004 and the second price hurdle was reached during 2005.

The table below discloses options over ordinary shares of the Company under the ESOP:

As at 30 September 2005

Grant date	Options issued	Options held at 30 Sep 2005	Number of participants at 30 Sep 2005	Exercise price \$	First Tranche Exercise date ⁽¹⁾	Price Hurdle \$	Second Tranche Exercise date ⁽¹⁾	Price Hurdle \$	Third Tranche Exercise date ⁽¹⁾	Price Hurdle \$	Value of options ⁽²⁾
24 Apr 02	9,061,385	4,877,662	185	7.91	2004	8.00	2005	10.00	2006	12.00	9,072,451
5 Jun 02	59,013	30,132	2	9.24	2004	9.24	2005	10.00	2006	12.00	51,526
10 Aug 02	32,509	24,382	2	9.02	2004	9.02	2005	10.00	2006	12.00	43,156
11 Nov 02	115,421	80,619	6	10.35	2004	10.35	2005	10.00	2006	12.00	151,564
2 Dec 02	20,000	20,000	1	10.36			2005	10.36	2006	12.00	43,400
21 May 03	84,576	75,409	7	10.18			2005	10.18	2006	12.00	141,015
8 Dec 03	27,507	27,507	3	13.38			2005	13.38	2006	12.00	69,867
23 Sep 04	21,045	21,045	3	17.35					2006	12.00	64,608
Total	9,421,456	5,156,756	209								9,637,587

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

Notes to the Financial Statements

For the year ended 30 September

34. Employee share plans (continued)

As at 30 September 2004

Grant date	Options issued	Options held at 30 Sep 2004	Number of participants at 30 Sep 2004	Exercise price \$	First Tranche Exercise date ⁽¹⁾	Price Hurdle \$	Second Tranche Exercise date ⁽¹⁾	Price Hurdle \$	Third Tranche Exercise date ⁽¹⁾	Price Hurdle \$	Value of options ⁽²⁾ \$
24 Apr 02	9,061,385	7,492,067	195	7.91	2004	8.00	2005	10.00	2006	12.00	13,935,245
5 Jun 02	59,013	40,176	2	9.24	2004	9.24	2005	10.00	2006	12.00	68,701
10 Aug 02	32,509	32,509	2	9.02	2004	9.02	2005	10.00	2006	12.00	57,541
11 Nov 02	115,421	115,421	7	10.35	2004	10.35	2005	10.00	2006	12.00	216,991
2 Dec 02	20,000	20,000	1	10.36			2005	10.36	2006	12.00	43,400
21 May 03	84,576	84,576	8	10.18			2005	10.18	2006	12.00	158,157
8 Dec 03	27,507	27,507	3	13.38			2005	13.38	2006	12.00	69,867
23 Sep 04	21,045	21,045	3	17.35					2006	12.00	64,608
Total	9,421,456	7,833,301	221								14,614,510

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

⁽²⁾ The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option \$
24 Apr 02	8.72	30%	5.4%	5.89%	1.86
5 Jun 02	9.10	30%	5.2%	6.03%	1.71
10 Aug 02	9.25	30%	5.1%	5.18%	1.77
11 Nov 02	10.24	30%	4.5%	4.74%	1.88
2 Dec 02	10.50	30%	4.4%	5.11%	2.17
21 May 03	10.20	30%	4.5%	4.50%	1.87
8 Dec 03	13.43	30%	4.5%	5.45%	2.54
23 Sep 04	17.32	30%	4.5%	4.99%	3.07

The option valuation prepared by PricewaterhouseCoopers uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2005 and 30 September 2004. 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.

(d) Share option plan

The share option plan (SOP) was established on 1 January 1999 following approval by shareholders at the 1998 Annual General Meeting. SOP is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

A sub-committee of the Orica Board of Directors determined which executives were eligible to receive invitations to participate in SOP. Following the review of executive remuneration held in 2002, the Board of Directors determined to terminate this plan. During the period of the plan operation, eligible executives who achieved an agreed performance rating were invited to apply for options to acquire shares in Orica at an exercise price subject to the achievement of a performance hurdle based on Orica's Total Shareholder Return (TSR) when compared with the TSR of the other companies in the ASX 100 index at grant date after 3, 4 and 5 years. The proportion of exercisable options is determined by comparing Orica's TSR with the other companies. No options may be exercisable where Orica's TSR score is below 50% of the companies. Where the score is equal to or greater than 75% of companies, all options granted may be exercised. Subject to the satisfactory achievement of the performance hurdles, options may be exercised for a period up to 10 years from the grant date.

The options were granted in 3 tranches, with an exercise price and exercise period as follows:

As at 30 September 2005

Grant date	Options issued over plan life	Number of participants at 30 September 2005	Options held at 30 September 2005	Exercise price \$	TSR period end date	TSR period end date	TSR period end date	Value of options ⁽¹⁾
					1	2	3	
1 Jan 00	1,505,000	7	44,500	8.31	Expired	Expired	31 Dec 04	88,110
1 Jan 01	1,969,800	7	56,300	5.72	Expired	31 Dec 04	31 Dec 05	61,367
1 Jan 02	1,202,000	14	118,000	5.67	31 Dec 04	31 Dec 05	31 Dec 06	232,460
Total	4,676,800	28	218,800					381,937

As at 30 September 2004

Grant date	Options issued over plan life	Number of participants at 30 September 2004	Options held at 30 September 2004	Exercise price \$	TSR period end date	TSR period end date	TSR period end date	Value of options ⁽¹⁾
					1	2	3	
1 Jan 99	860,000	-	-	8.57	Expired	Expired	Expired	-
1 Jan 00	1,505,000	11	61,880	8.31	Expired	Expired	31 Dec 04	122,522
1 Jan 01	1,969,800	11	215,700	5.72	Expired	31 Dec 04	31 Dec 05	235,113
1 Jan 02	1,202,000	55	1,116,000	5.67	31 Dec 04	31 Dec 05	31 Dec 06	2,198,520
Total	5,536,800	77	1,393,580					2,556,155

Notes to the Financial Statements

For the year ended 30 September

34. Employee share plans (continued)

⁽¹⁾ The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option \$
1 Jan 99	8.48	30%	6.60%	4.88%	1.52
1 Jan 00	8.20	30%	5.00%	6.88%	1.98
1 Jan 01	5.76	30%	6.60%	5.42%	1.09
1 Jan 02	7.19	30%	5.40%	5.68%	1.97

The option valuation prepared by PricewaterhouseCoopers uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2005 and 30 September 2004. 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.

(e) Share acquisition plan

The share acquisition plan (SAP) was established on 1 January 1999 following approval by shareholders at the 1998 Annual General Meeting. SAP is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

A sub-committee of the Orica Board of Directors determined which executives were eligible to receive invitations to participate in SAP and eligible executives who achieved an agreed performance rating were invited to apply for Award Rights. Following their review of executive remuneration held in 2002, the Board of directors determined to terminate this plan. Prior to this decision, an invitation was made to eligible executives to participate in an offer in January 2002.

An Award Right is a right to acquire a Trust Share under the plan at no cost to the executive. This is subject to the achievement of a performance hurdle based on Orica's TSR when compared with the TSR of the other companies in the ASX 100 index at grant date after 3, 4, and 5 years. The proportion of exercisable Award Rights is determined by comparing Orica's TSR with the other companies. No Award Rights may be exercisable where Orica's TSR performance is below 50% of the companies. Where the performance is equal to or greater than 75% of companies, all Award Rights granted may be exercised. If the performance tests have not been successfully achieved after year 5, the Award Rights lapse. Upon exercise, the share is held by the Trustee for a 10 year period from exercise date or until the executive leaves employment, whichever is earlier. The Award Rights were granted in 3 tranches subject to performance hurdles as follows:

As at 30 September 2005

Grant date	Number of Award Rights issued	Number of participants	Award Rights held at 30 September 2005	Exercise price \$	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of Award Rights ⁽¹⁾ \$
1 Jan 02	221,400	111	-	N/A	31 Dec 04	31 Dec 05	31 Dec 06	-

As at 30 September 2004

Grant date	Number of Award Rights issued	Number of participants	Award Rights held at 30 September 2004	Exercise price \$	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of Award Rights ⁽¹⁾ \$
1 Jan 02	221,400	111	172,200	N/A	31 Dec 04	31 Dec 05	31 Dec 06	710,480

⁽¹⁾ The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option \$
1 Jan 02	7.19	30%	5.40%	5.36%	4.15

The option valuation prepared by PricewaterhouseCoopers uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2005 and 30 September 2004. 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.

(f) Employee share plan

The employee share plan (ESP) was established on 10 June 1987 following shareholder approval and is administered by Computershare Plan Managers Pty Limited.

Under the terms of ESP, the Plan Manager (a sub-committee of the Orica Board of Directors) invites eligible employees to purchase shares in Orica funded by the provision of an interest free loan repayable over ten years. However, following a review early in 2002, the Board decided to stop making offers under the ESP. To meet employee contractual obligations, a final invitation to eligible employees was made in June 2002. The balance of loans receivable from employees participating in the ESP at 30 September 2005 was \$0.5m (2004 \$0.8m).

Notes to the Financial Statements

For the year ended 30 September

34. Employee share plans (continued)

Grant date	Date shares become unrestricted	Number of participants 2005	Number of participants 2004	Average issue price \$	Shares held at 30 September 2005	Shares held at 30 September 2004
Pre 1 Oct 2001	-	366	417	-	128,600	147,000
31 Dec 01	31 Dec 11	6	6	7.32	2,460	2,600
05 Jul 02	05 Jul 12	82	93	9.48	36,800	41,400
30 September		454	516		167,860	191,000

(g) Senior executive share loan plan - Incitec Pivot

Incitec Pivot Limited

Overview

Long Term Incentive Plans (LTIs) are designed to encourage executives and other senior employees to focus on the key performance drivers which underpin sustainable growth in shareholder value.

Incitec Pivot has 2 types of LTIs: the retention plan and the performance plan. The LTIs are designed to reward executives for delivering long term value to the Company and support the Company's strategy for retention and motivation of executives.

Under the LTIs, Incitec Pivot may grant awards to executives, subject to them satisfying particular conditions relating to the duration of their employment (retention plan) or individual or Company performance (performance plan). In short, the LTIs operate by way of the Company providing executives with limited recourse loans, which can be interest free or interest bearing, and which must be used to purchase Incitec Pivot shares on market. The loans are repayable in a number of circumstances, including the participant ceasing to be employed by Incitec Pivot, the participant selling his or her shares, or by a "sunset" date. The loans are repayable from the proceeds of sale of the shares, and are deemed satisfied by the application of the proceeds of the sale of the shares, including where there is a shortfall against the outstanding loan amount. The Company may forgive repayment of part of a loan amount depending on, in the case of the retention plan, the satisfaction of a condition as to duration of employment, and in the case of the performance plan, the achievement of performance targets. Participants receiving shares under the LTIs hold full voting and dividend rights.

Further details of each of the LTIs are set out below.

Retention Plan

At the time of the merger of Incitec Fertilizers Limited and Pivot Limited, the Board recognised that a crucial element to the success of the merger was the retention of key senior management and certain key employees. This was necessary to ensure the capture of synergies and the uninterrupted delivery of service to Incitec Pivot's customers. Accordingly, a one-off LTI was granted in respect of the period from 1 June 2003 to 30 September 2005 by way of interest free, limited recourse, unsecured loans by the Company. These loans were applied to purchase, in aggregate, 107,925 shares in the Company. The shares were registered in the name of the participants. The participants were restricted from dealing in the shares until 30 September 2005 and, until that time, the shares could be forfeited if the participant ceased to be employed by Incitec Pivot. The loans are repayable on the earlier of the participant ceasing to be employed by Incitec Pivot, the participant selling his/her shares or three years after the loan is made. On repayment, for those participants satisfying the condition by remaining in employment until 30 September 2005, 51.5% of the amount of their outstanding loan will be forgiven by the Company.

Performance Plan

Under the performance plan, awards, by way of forgiveness of loans, are granted only on the achievement of certain performance measures over a rolling three year period. Adoption of this longer term incentive plan created the opportunity, and provided the discipline, for executives and other senior employees to contribute to short term performance but with full regard to the delivery of sustainable growth in shareholder value.

For the period from 1 October 2003 to 30 September 2006, participants were each advanced limited recourse, unsecured loans by the Company, which were applied in the purchase of shares in the Company. These shares were allocated in 2 tranches, in September 2004 and October 2005.

The Company may require shares to be forfeited if the relevant participant ceases to be employed by Incitec Pivot prior to 30 September 2006. Subject to the Company achieving certain performance measures, the whole or part of the loan will be waived on or after 1 October 2006. The Board sets the criteria for the granting of awards under the LTI at the beginning of the three year performance period covered by the LTI. LTI awards, in the form of waivers of loans, are based on the generation of targeted cumulative economic profit over the performance period. Economic profit targets are set at levels that equate to top quartile shareholder returns over the performance period. Cumulative economic profit was chosen as the relevant performance measure as it recognises:

- the need to both grow earnings and produce an acceptable return on shareholders funds;
- the desire to reward executives for the value they directly create, as opposed to movements in the general level of the share market which is an issue with share price based incentives; and
- the inherent seasonal volatility of the business which can positively or negatively impact any one year but is less likely to have an influence over a cumulative three year period.

Notes to the Financial Statements

For the year ended 30 September

34. Employee share plans (continued)

If the Company waives any loan amount, a participant has full, unrestricted ownership of the shares to the value of the loan waiver. Prior to any loan waiver being awarded, a participant cannot deal in the shares. The loans are immediately repayable on the earlier of a relevant participant ceasing to be employed by Incitec Pivot, the participant dealing in his or her shares, or 31 December 2007. Participants may directly repay the whole or part of their loan at any time. Interest is charged on the loans at the FBT benchmark rate (currently 6.55%). Net cash dividends after personal income tax obligations are applied to reduce the loan balance.

There is currently no Australian Accounting requirement to record an expense for the fair value of the options, shares and award rights issued in 2005 or 2004. However AASB1046: "Director and Executive Disclosures by Disclosing Entities" require the company to derive a value for these items and include the value in the director and executive remuneration disclosures. Because the combination of shares, and the loan provides to fund those shares constitutes an option under AASB1046, an option pricing model was adopted to derive a value. Loan forgiveness is incorporated into the option valuations. Loan balances as at 30 September 2005 are detailed in note 35 Related party disclosures.

The terms and conditions of each award affecting remuneration in this or future reporting periods are as follows:

Plan	Grant date	Expiry date	Value per share at grant date ⁽¹⁾	Date exercisable
Retention plan	1 June 2003	30 September 2005	\$1.95	From 1 October 2005
Performance plan 2004	1 October 2003	30 September 2006	\$5.71	From 1 October 2006

⁽¹⁾ External valuation advice from PricewaterhouseCoopers has been used to determine the value of executive share rights at vested date. The fair value of the options/instruments was estimated using a Monte Carlo simulation model, which generates possible future prices for the underlying shares based on assumptions similar to those underpinning the Black-Scholes option pricing model. Multiple simulations were performed to determine the mean value. The valuation of the Performance Shares under the Monte Carlo approach required inputs for: the expected future volatility, the expected dividend yield and the price at the grant date of the Performance Shares of the underlying Incitec Pivot Limited shares; the exercise price and the expected life of the Performance Shares; the risk-free rate for the expected life of the Performance Shares; and an assumption for the value of the loans at grant date of the Performance Shares. Shares held under the long term incentive plans hold full voting and dividend rights.

(h) General employee exempt share plan

Australia

The general employee exempt share plan (GEESP) was established on 13 March 1998. It is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

A sub-committee of the Orica Board of directors determines which employees are eligible to receive invitations to participate in the GEESP. Invitations are made to eligible employees 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.
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 June the following year.
- employees who leave the consolidated entity must salary sacrifice any remaining amount prior to departure.
- 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	Number of participants at 30 September	Shares held at 30 September	Shares held at 30 September
		2005	2004	2005	2004
21 Aug 02	20 Aug 05	841	945	90,828	102,060
1 Sep 03	31 Aug 06	833	892	71,638	76,712
12 Jul 04	11 Jul 07	966	1,025	63,756	67,650
1 Jul 05	30 Jun 08	1,267	-	72,219	-
Total		3,907	2,862	298,441	246,422

New Zealand

The general employee exempt share plan (GEESP) was established in August 1999. It is administered internally.

A sub-committee of the Orica Board of directors determines which employees are eligible to receive invitations to participate in the GEESP. Invitations are made to eligible employees 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\$760 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.

Notes to the Financial Statements

For the year ended 30 September

34. Employee share plans (continued)

- 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.
- 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 2005	Number of participants at 30 September 2004	Shares held at 30 September 2005	Shares held at 30 September 2004
1 Oct 01	30 Sept 04	18	46	2,718	6,946
1 Oct 02	30 Sept 05	65	71	4,485	4,899
1 Oct 03	30 Sept 06	90	95	5,040	5,320
1 Oct 04	30 Sept 07	116	-	4,756	-
Total		289	212	16,999	17,165

Employee Share Ownership Plan

The IPL Board established the Incitec Pivot Employee Share Ownership Plan (IPESOP) on 28 October 2003. Administration of the plan is held with Watson Wyatt Australia Pty Limited who have outsourced to CitiStreet Australia Pty Limited effective 1 November 2004. A sub-committee of the Board of Directors determines which employees are eligible to receive invitations to participate in the IPESOP. Invitations are made to eligible employees 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 to a maximum of \$1,000.
- employees salary sacrifice the value of the shares by equal deductions through to 30 June the following year.
- employees cannot dispose of the shares for a period of three years from the date of acquisition or until they leave their employment with the consolidated entity, whichever occurs first.
- employees who leave the consolidated entity must salary sacrifice any remaining amount prior to departure.

These shares rank equally with all other fully paid ordinary shares from the date acquired by the employee and are eligible for dividends.

Grant date	Date shares become unrestricted	Number of participants at 30 September 2005	Number of participants at 30 September 2004	Shares held at 30 September 2005	Shares held at 30 September 2004
19 Mar 04	19 Mar 07	295	350	7,681	9,111
7 Jun 04	7 Jun 07	295	350	7,756	9,210
9 Sep 04	9 Sep 07	318	368	4,060	-
22 Dec 04	22 Dec 07	318	-	3,641	-
7 Mar 05	7 Mar 08	319	-	4,064	-
30 Jun 05	30 Jun 08	317	-	4,428	-
16 Sep 05	16 Sep 08	232	-	3,672	-
Total		2,094	1,068	35,302	18,321

35. Related party disclosures

Executive and Non-Executive Directors

The Executive and Non-Executive Directors of the Company during the year were:

G R Liebelt ⁽¹⁾	N A Meehan ⁽²⁾	P J Duncan	P M Kirby	D P Mercer	M E Beckett
G A Hounsell	C M Walter	M Tilley	M W Broomhead ⁽³⁾	J W Hall ⁽⁴⁾	

⁽¹⁾ G R Liebelt, Executive Director to 31 August 2005, appointed Managing Director and Chief Executive Officer on 1 September 2005.

⁽²⁾ N A Meehan was appointed Executive Director Finance on 26 September 2005.

⁽³⁾ M W Broomhead retired as Managing Director and Chief Executive Officer on 31 August 2005.

⁽⁴⁾ J W Hall retired as Executive Director Finance on 30 April 2005.

Notes to the Financial Statements

For the year ended 30 September

35. Related party disclosures (continued)

Loans to Specified Directors and Specified Executives – Orica

Individual share loan agreements under the Senior Executive Share Loan Plan (SESLP) refer note 34 (b) Employee share plans - Senior Executive Share Loan Plan are:

As at 30 September 2005

Specified Director or Specified Executive	Loan balance 30 September 2004 \$	Loan balance 30 September 2005 \$	Highest balance in the period 2005 \$	Loan Forgiveness during year \$	Interest not Charged ⁽¹⁾ \$
G R Liebelt	2,951,197	2,388,091	2,951,197	410,283	167,993
G J Witcombe ⁽²⁾	-	2,182,883	2,425,508	220,500	14,375
P G Bailey	742,196	437,495	742,196	94,561	34,300
S G O'Sullivan ⁽⁴⁾	1,835,132	-	1,835,132	198,450	36,631
M W Broomhead	4,983,206	3,703,593	4,983,206	650,000	268,345
J W Hall ⁽³⁾	2,790,147	-	2,790,147	237,000	66,320
B J Gibson ⁽³⁾	1,835,132	-	1,835,132	198,450	39,615
Total	15,137,010	8,712,062	17,562,518	2,009,244	627,579

As at 30 September 2004

Specified Director or Specified Executive	Loan balance 30 September 2003 \$	Loan balance 30 September 2004 \$	Highest balance in the period 2004 \$	Loan Forgiveness during year \$	Interest not Charged ⁽¹⁾ \$
G R Liebelt	3,483,684	2,951,197	3,483,684	410,283	178,567
P G Bailey	866,212	742,196	866,212	94,561	44,633
S G O'Sullivan	2,114,415	1,835,132	2,114,415	198,450	109,599
M W Broomhead	6,118,206	4,983,206	6,118,206	650,000	308,064
J W Hall	3,172,647	2,790,147	3,172,647	237,000	165,467
B J Gibson	2,114,415	1,835,132	2,114,415	198,450	109,599
J R Nightingale	2,234,174	1,944,390	2,234,174	207,239	115,955
Total	20,103,753	17,081,400	20,103,753	1,995,983	1,031,884

⁽¹⁾ No interest was charged during the year on any loans under the SESLP. This represents the notional interest calculated on commercial terms.

⁽²⁾ On becoming General Manager, Business Transformation and Human Resources for the Orica Group, G J Witcombe was issued a SESLP loan.

⁽³⁾ Repayments from J W Hall and B J Gibson due to retiring from Orica during 2005.

⁽⁴⁾ Repayments from S G O'Sullivan during 2005.

⁽⁵⁾ N A Meehan, J Segal, B Karcz, P J Largier and J Beevers do not have any loans under SESLP.

Individual share loan agreements under the Long Term Equity Incentive Plan (LTEIP) refer note 34(a) Employee share plans – Long Term Equity Incentive Plan are:

As at 30 September 2005

Specified Director or Specified Executive	Loan balance 30 September 2004 \$	Loan balance 30 September 2005 \$	Highest balance in the period 2005 \$	Loan Forgiveness during year \$	Interest not Charged ⁽¹⁾ \$
G R Liebelt	-	1,426,105	1,435,271	-	63,594
N A Meehan	-	132,687	133,540	-	5,917
J Segal	-	320,740	322,802	-	14,303
G J Witcombe	-	918,238	924,134	-	40,947
P G Bailey	-	717,899	722,514	-	32,013
B Karcz	-	301,971	303,912	-	13,466
P J Largier	-	641,621	645,745	-	28,612
S G O'Sullivan	-	778,354	783,357	-	34,709
J Beevers	-	246,224	247,807	-	10,980
M W Broomhead	-	10,015,625	10,080,000	-	446,628
J W Hall ⁽²⁾	-	-	1,119,343	-	24,878
B J Gibson ⁽²⁾	-	-	836,599	-	18,594
Total	-	15,499,464	17,555,024	-	734,641

⁽¹⁾ No interest was charged during the year on any loans under the LTEIP. This represents the notional interest calculated on commercial terms.

⁽²⁾ Retired from Orica and elected not to repay the loan, therefore the shares were returned to Orica and the loan was cleared in accordance with the conditions of the LTEIP.

Notes to the Financial Statements

For the year ended 30 September

35. Related party disclosures (continued)

Loans to Specified Directors and Specified Executives – Incitec Pivot

Individual share loan agreements under the Incitec Pivot Senior Executive Long Term Incentive Plan (refer note 34g Employee share plans - Senior Executive Share Loan Plan) issued by Incitec Pivot LTI Plan Company are:

As at 30 September 2005

Specified Director or Specified Executive	Loan balance 30 September 2004 \$	Loan balance 30 September 2005 \$	Highest balance in the period 2005 \$	Loan Forgiveness during year \$	Interest paid and payable during the year \$
J E Fazzino	150,156	102,298	150,156	40,555	3,718
G J Witcombe	942,066	-	942,066	390,044	20,946
K J Gleeson	41,656	62,953	94,955	27,449	2,136
D A Roe	44,868	43,154	44,868	-	2,301
B C Walsh	29,907	28,765	29,907	-	1,534
J W Elmer	148,496	-	148,496	60,641	4,478
R Hoggard	148,534	-	148,534	-	2,497
J M Lloyd	165,016	-	165,016	-	3,616
J R Warnock	135,264	74,134	135,264	55,665	4,498
Total	1,805,963	311,304	1,859,262	574,354	45,724

As at 30 September 2004

Specified Director or Specified Executive	Loan balance 30 September 2004 \$	Loan balance 30 September 2004 \$	Highest balance in the period 2004 \$	Loan Forgiveness during year \$	Interest paid and payable during the year \$
G J Witcombe	-	942,066	948,951	-	-
J W Elmer	-	148,496	149,582	-	-
J E Fazzino	-	150,156	151,244	-	-
R Hoggard	-	148,534	149,622	-	-
K J Gleeson	-	41,656	41,656	-	-
D A Roe	-	44,868	44,868	-	-
J M Lloyd	-	165,016	166,225	-	-
J R Warnock	-	135,264	136,231	-	-
A Sharma	-	-	72,912	-	-
Total	-	1,776,056	1,861,291	-	-

Other loans to directors

Employee loans were made during the year to employees who were directors of the Company or of controlled entities of the Company, amounting to \$103,405 (2004 \$2,600).

The following executives made loan repayments amounting to \$34,412 (2004 \$326,100) during the year:

2005	M D Rowland	L Subhash Babu	D Bullis	D Monahan
2004	M D Rowland	G R Liebelt	S Beckwith	

Total employee loans receivable from the directors of controlled entities at balance date were \$291,594 (2004 \$76,900).

Interest of between 0.0% to 3.5% p.a. is charged on the employee loans. Interest charged and paid during the year amounted to \$2,142 (2004 \$5,000). There were no other loans made, payments received or amounts receivable from the Specified Directors or Directors of controlled entities.

Notes to the Financial Statements

For the year ended 30 September

35. Related party disclosures (continued)

Non-Executive Directors, Specified Directors and Specified Executives transactions in shares and options

The relevant interests of Non-Executive Directors, Specified Directors and Specified Executives in the share capital of the Company as at the date of this report are:

As at 30 September 2005

Non - Executive Directors	Balance 1 October 2004	Acquired	Net change other	Fully paid ordinary shares held at 30 September 2005	Options for fully paid ordinary shares held at 30 September 2005
D P Mercer	20,000	-	-	20,000	-
M E Beckett	17,420	15,863	-	33,283	-
P J Duncan	12,591	-	-	12,591	-
G A Hounsell	6,900	3,500	-	10,400	-
P M Kirby	21,537	-	-	21,537	-
M Tilley	5,000	-	-	5,000	-
C M Walter	10,000	-	-	10,000	-
	93,448	19,363	-	112,811	-

As at 30 September 2004

Non - Executive Directors	Balance 1 October 2003	Acquired	Net change other	Fully paid ordinary shares held at 30 September 2004	Options for fully paid ordinary shares held at 30 September 2004
D P Mercer	16,000	4,000	-	20,000	-
M E Beckett	9,900	7,520	-	17,420	-
P J Duncan	12,591	-	-	12,591	-
G A Hounsell ⁽¹⁾	-	-	6,900	6,900	-
P M Kirby	21,537	-	-	21,537	-
M Tilley	5,000	-	-	5,000	-
C M Walter	10,000	-	-	10,000	-
	75,028	11,520	6,900	93,448	-

⁽¹⁾ G A Hounsell was appointed on 21 September 2004.

As at 30 September 2005

Specified Directors and Specified Executives	Balance 1 October 2004 ⁽¹⁾	Granted as remuneration/ Acquired ⁽⁴⁾	Net change other ⁽⁵⁾	Fully paid ordinary shares held at 30 September 2005 ⁽¹⁾	Options for fully paid ordinary shares held at 30 September 2005 ⁽⁷⁾
G R Liebelt	454,778	364,538	(388,122)	431,194 ⁽²⁾⁽³⁾	-
N A Meehan	6,600	21,479	(14,855)	13,224	29,710
J Segal	-	121,229	(104,817)	16,412	109,634
G J Witcombe	103,374	196,962	(40,000)	260,336 ⁽⁸⁾	-
B Karcz	2,800	55,138	(40,063)	15,075	80,126
J Beevers	13,043	41,760	(29,014)	25,789	50,028
P J Largier	16,317	51,603	(19,572)	48,348	39,144
S G O'Sullivan	250,000	38,857	(250,000)	38,857 ⁽⁸⁾	-
P G Bailey	101,593	74,646	(68,127)	108,112 ⁽⁸⁾	71,934
M W Broomhead	1,500,000	733,000	(2,233,000)	- ⁽⁶⁾	-
J W Hall	450,000	55,523	(505,523)	- ⁽⁶⁾	-
B J Gibson	250,000	91,498	(341,498)	- ⁽⁸⁾	-
	3,148,505	1,846,233	(4,034,591)	957,347	380,576

Notes to the Financial Statements

For the year ended 30 September

35. Related party disclosures (continued)

As at 30 September 2004

Specified Directors and Specified Executives	Balance 1 October 2003 ⁽¹⁾	Granted as remuneration/ Acquired ⁽⁴⁾	Net change other ⁽⁵⁾	Fully paid ordinary shares held at 30 September 2004 ⁽¹⁾	Options for fully paid ordinary shares held at 30 September 2004 ⁽⁷⁾
M W Broomhead	1,500,000	-	-	1,500,000 ⁽²⁾	200,000
J W Hall	450,000	-	-	450,000 ⁽²⁾	-
G R Liebelt	452,350	2,428	-	454,778 ^{(3) (4)}	292,000
G J Witcombe	101,235	2,139	-	103,374 ⁽⁹⁾	-
B J Gibson	250,000	-	-	250,000 ⁽⁹⁾	50,000
J R Nightingale	255,000	-	-	255,000 ⁽⁹⁾	-
S G O'Sullivan	250,000	-	-	250,000 ⁽⁹⁾	-
P G Bailey	94,327	7,266	-	101,593 ⁽⁹⁾	110,701
	3,352,912	11,833	-	3,364,745	652,701

⁽¹⁾ Includes trust shares for Specified Directors and Specified Executives.

⁽²⁾ These interests include shares acquired under a loan agreement approved by shareholders on 20 December 2002. A general description of these agreements (known as SESLP) is provided in note 34 Employee share plans. Under AASB 1046 by Disclosing Entities the SESLP plan is deemed an option plan for remuneration purposes. The SESLP plan is deemed to vest at grant date.

⁽³⁾ These interests include award rights acquired under the share acquisition plan (SAP). A general description of SAP is provided in note 34 Employee share plans. Under AASB 1046 the award rights are deemed to be an option plan for remuneration purposes and the options are valued at fair value at grant date. The SAP is deemed to vest at grant date.

⁽⁴⁾ Includes shares granted as remuneration through the LTEIP plan, acquired through the Dividend Reinvestment Plan (DRP) and purchases during the year by Specified Directors and Specified Executives.

⁽⁵⁾ Net change other incorporates changes resulting from sales during the year by Specified Directors and Specified Executives.

⁽⁶⁾ These interests include shares acquired under a loan agreement on joining the Company and prior to M W Broomhead's and J W Hall's appointments as Executive Directors. A general description of these agreements (known as SESLP) is provided in note 34 Employee share plans. Under AASB 1046 Director and Executive Disclosures by Disclosing Entities (AASB 1046) the SESLP plan is deemed an option plan for remuneration purposes. The SESLP is deemed to vest at grant date.

⁽⁷⁾ Issued under the Orica Share Option Plan approved by shareholders on 16 December 1998. All options have been issued in accordance with this plan subsequent to approval by shareholders at an Annual General Meeting.

⁽⁸⁾ These interests include shares acquired under a loan agreement. A general description of these agreements (known as LTEIP and SESLP) is provided in note 34 Employee share plans. Under AASB 1046 the LTEIP and SESLP plans are deemed an option plan for remuneration purposes. The LTEIP and SESLP are deemed to vest at grant date.

Other directors' transactions

The non-executive directors are or were directors of companies outside the consolidated entity during the year. Products and services purchased from or sold to those companies are on standard terms and conditions available to all companies.

E C Armijo, a director of Orica Chile S.A. is a partner of a legal firm which provided legal advice to Orica Chile S.A.. Fees of \$86,671 (2004 \$39,905) were paid to the legal firm for legal services.

A Fuentes Angarita, a director of Orica Venezuela C A, is a director of Grupo Merand C A which provides administrative services to Orica Venezuela C A. Fees of \$nil (2004 \$57,004) were paid to the company for administrative services.

S Tosun, a director of Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi S.A., is a director of Evrensel Uluslararası Kimyasal Yatırım Danışmanlık Pazarlama İnşaat İç ve Dış Ticaret A.Ş. and has a loan of \$1.6m (2004 \$nil) from Orica Finance and the interest received for the year was \$77,042 (2004 \$nil).

S Tosun, a director of Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi S.A., is a director and shareholder of Berk Tosun Sigorta Aracılık Hizmetleri Ltd. Sti. which provides insurance and administrative services to Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi, S.A. Fees of \$108,639 (2004 \$114,008) were paid to the company for insurance services.

S Tosun, a director of Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi S.A, is a director of Nitrokimya Kimya San. Üretim which provides services to Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi S.A. Fees of \$263,089 (2004 \$377,654) were paid to the company for services.

S Tosun, a director of Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi S.A, is a director of Geonitro Limited which purchased goods to the value of \$592,539 (2004 \$442,104).

S Tosun, a director of Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi S.A received building lease payments of \$70,680 (2004 \$0.1m).

L Delahunty a director of Incitec Pivot Limited had funds invested in the Incitec Pivot Limited Investment Deposit Scheme. Interest of \$nil (2004 \$87.66) was received by L Delahunty on funds invested.

A McCallum as a director of Incitec Pivot Limited purchased fertiliser to the value of \$20,131 (2004 \$26,779).

D Trebeck, a former director of Incitec Pivot Limited, is a director of Acil Tasman which provides consulting services to Incitec Pivot Limited. Fees of \$17,260 (2004 \$13,333) were paid to the company for consulting services.

Notes to the Financial Statements

For the year ended 30 September

35. Related party disclosures (continued)

M L S Ying, a director of Bronson and Jacobs Hong Kong Limited, is a director of Rich Taks Limited which provides tenancy services to the Hong Kong office. Tenancy fees of \$182,242 (2004 \$65,787) were paid to the company for tenancy services.

M L S Ying, a director of Bronson and Jacobs Hong Kong Limited, is a director of Belman Limited which provides tenancy services to the Shanghai office and apartment. Tenancy fees of \$154,450 (2004 \$40,385) were paid to the company for tenancy services.

M L S Ying, a director of Bronson and Jacobs (Shanghai) International trading Co Limited, is a director of Belman Limited which provides tenancy services to the Shanghai office. Tenancy fees of \$11,675 (2004 \$nil) were paid to the company for tenancy services.

J Hall, a former director of Qenos Holdings Limited, conducts consulting services for Orica Limited. Consulting services of \$97,136 (2004 \$nil) were paid to J Hall.

M W Broomhead a former Managing Director of Orica Limited received an amount of \$2m (2004 \$nil) in respect of consultancy services that was paid after his retirement on 31 August 2005.

B J Gibson a former director of Incitec Pivot Limited received fees of \$26,986 (2004 \$nil) post her resignation from Orica on 31 March 2005.

Viliame Leqa, a director of Orica Coating Fiji Limited received directors fees of \$3,825 (2004 \$nil).

Viliame Leqa, a director of Orica Fiji Limited received directors fees of \$7,651 (2004 \$nil).

O Rittisilp, a director of Bronson and Jacobs International made a loan to Bronson and Jacobs Thailand in September 2002. The loan was \$60,219 and the interest rate was 7.25%. Interest paid for the year was \$4,000. The loan was repaid to O Rittisilp in September 2005.

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

Other transactions entered into during the year with directors of the company and controlled entities were on terms and conditions no more favourable than those available to other customers, suppliers and employees and were of a trivial nature. These included the reimbursement of relocation expenses, housing assistance for relocation, minor purchases of product, eligible health benefits, the purchase and/or sale of shares, minor assets and the receipt of dividends.

Remuneration of Non-Executive Directors and Specified Directors and Specified Executives is disclosed in note 36.

Transactions with wholly owned controlled entities

Transactions between Orica and entities in the wholly owned group during the year included:

- Rental revenue received by Orica for the use of land and buildings.
- Management fees received and paid by Orica for accounting and administrative assistance.
- Interest revenue received and paid by Orica for money deposited with or borrowed from Orica Finance Limited.
- Dividend revenue received by Orica.
- Indemnity fees paid to Orica.

All the above transactions with wholly owned controlled entities are made on normal commercial terms and conditions and in the ordinary course of business.

Transactions with non wholly owned controlled entities

During the year the following transactions occurred between Orica's wholly owned subsidiaries and Incitec Pivot Limited and its subsidiaries:

- Purchase of products and services from Incitec Pivot Limited and its controlled entities to the value of \$55.0m (2004 \$63.9m).
- Sale of products and services to Incitec Pivot Limited and its controlled entities to the value of \$28.4m (2004 \$29.1m).
- Interest revenue for money deposited with Orica Finance Limited of \$8.1m (2004 \$1.5m) and a net amount of \$57,282 (\$2004 \$0.1m) from the settlement of a swap.
- Under a Service Level Agreement, Incitec Pivot Limited paid fees of \$9.6m (2004 \$11.1m) to Orica Australia Pty Ltd in relation to accounting, information technology, engineering and administrative services.
- Interest paid by the Company for money lent to Incitec Pivot Limited was \$0.2m (2004 \$nil).

All transactions have been made on normal commercial terms and conditions and in the ordinary course of business.

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 associated companies were:

- Orica Australia Pty Ltd sold goods to Qenos Holdings Pty Ltd amounting to \$22.7m (2004 \$44.0m) and paid for site utility costs of \$0.9m (2004 \$nil).
- Orica Australia Pty Ltd purchased site utility services from Botany Industrial Park Pty Ltd amounting to \$64,748 (2004 \$0.1m).
- Orica Australia Pty Ltd provided services to Botany Industrial Park Pty Ltd of \$0.7m (2004 \$0.9m) and paid for site utility costs of \$0.17m (2004 \$0.13m).
- Orica Australia Pty Ltd provided services to Pigment Manufacturers of Australia Limited \$nil (2004 \$0.04m).
- Orica Australia Pty Ltd provided services to Emirates Explosives LLC of \$5,601 (2004 \$0.02m).
- Orica Australia Pty Ltd provided services to Geneva Nitrogen LLC of \$0.246 (2004 \$nil).

Notes to the Financial Statements

For the year ended 30 September

35. Related party disclosures (continued)

- Orica Engineering Pty Ltd provided services to Pigment Manufacturers of Australia Pty Ltd of \$0.7m (2004 \$0.2m).
- Orica Engineering Pty Ltd provided site utility services from Botany Industrial Park Pty Ltd amounting to \$0.1m (2004 \$0.06m).
- Orica Australia Pty Ltd paid \$1.5m to IPL (2004 \$2.0m) as payment for recovery of separation costs from IPL.
- Orica Investments Pty Ltd made a loan to Orica Camel Coatings Ltd. The funds are repayable upon expiration of the term of the loan being 31 December 2013 or when the lender and its related body corporation cease to be a shareholder of the borrower. The loan is interest free and at 30 September 2005 the amount on loan to Orica Camel Coatings Ltd was \$1.7m (2004 \$1.8m).
- Indian Explosives Ltd made sales to Emirates Explosives LLC amounting to \$1.33m (2004 \$0.5m).
- Bronson and Jacobs (H.K.) Ltd received a loan from Bronson and Jacobs International Company Ltd. The funds are non-interest bearing and at no fixed term of repayment. The amount on loan at 30 September 2005 was \$0.04m (2004 \$0.03m).
- Orica Finance Limited received funds on deposit from Pigment Manufacturers of Australia Limited. The funds are repayable on demand, interest is set at a margin on the Australian Bank Bill Swap Reference Rates (BBSW) 30 day average rate and is renegotiated monthly. The amount on deposit at 30 September 2005 was \$1.7m (2005 \$2.4m) and the interest paid for the year was \$0.1m (2004 \$0.1m).
- Orica Finance Limited made a loan to Qenos Holdings Pty Ltd. The funds are repayable on demand, interest is set at a margin on the BBSW last day of month rate and is renegotiated monthly. The amount on loan at 30 September 2005 was \$43m (2004 \$40.6m) and the interest receivable for the year was \$2.5m (2004 \$2.2m).
- Curasalus Insurance Pty Ltd sold insurance premiums to Emirates Explosives L.L.C. of \$81,463 (2004 \$0.02m), Exor Explosives Ltd of \$29,139 (2004 \$nil), Bronson and Jacobs International of \$468,461 (2004 \$nil), Nelson Brothers of \$112,080 (2004 \$nil) and Botany Industrial Park Pty Ltd of \$nil (2004 \$0.03m). In addition they have paid claims to Nelson Brothers LLC of \$654,000 (2004 \$nil).
- Orica USA Inc. sold goods to Northwest Energetic Services, LLC, amounting to \$9.6m (2004 \$9.1m).
- Orica USA Inc. sold goods to Nelson Brothers, LLC and Nelson Brothers Mining Services, LLC, amounting to \$69.5m and \$55.9m respectively (2004 \$69.0m and \$50.6m).
- Orica USA Inc. sold goods to Geneva Nitrogen LLC, amounting to \$0.6m (2004 \$0.2m).
- Orica USA Inc. purchased goods from Geneva Nitrogen LLC, amounting to \$4.5m (2004 \$13.2m).
- Orica USA Inc. purchased goods from Nelson Brothers, LLC and Nelson Brothers Mining Services, LLC, amounting to \$24.9m and \$2.3m respectively (2004 \$21.8m and \$2.6m).
- Orica Nelson Quarry Services Inc purchased goods from Nelson Brothers, LLC, amounting to \$2.0m (2004 \$3.2m).
- Orica Nelson Quarry Services Inc. sold goods of \$9.0m (2004 \$nil) to Nelson Brothers, LL.
- Orica Nelson Quarry Services Inc. paid royalties of \$1.0m (2004 \$1.0m) to Nelson Brothers, LLC.
- Orica Nelson Quarry Services Inc. paid leases of \$7,853 (2004 \$nil).
- Orica Canada Inc. sold explosives to BXL Bulk Explosives Limited, amounting to \$8.5m (2004 \$7.5m).
- Orica Canada Inc. received royalty and technology/management fees of \$1.3m (2004 \$4.0m) from BXL Bulk Explosives Limited.
- Orica Canada Inc. made a loan to BXL Bulk Explosives Limited. The funds are on normal commercial terms and conditions and are repayable on demand. The loan amount at 30 September 2005 was \$2.2m (2004 \$2.8m) and the interest received for the year was \$0.2m (2004 \$0.2m).
- Orica UK Limited sold goods and conducted management consulting services to Emirates Explosives L.L.C., amounting to \$0.1m (2004 \$0.06m).
- Orica UK Limited sold goods to Exor Explosives Limited amounting to \$0.08m (2004 \$nil).
- Orica UK Limited purchased goods from Exor Explosives Limited amounting to \$2.5m (2004 \$nil).
- Orica New Zealand Ltd purchased goods from Qenos Holdings Pty Ltd amounting to \$21.0m (2004 \$11.0m).
- Dulux Holdings Pty Ltd sold goods to Orica Camel Coatings Ltd, amounting to \$134,000 (2004 \$0.7m).
- Yates Australia purchased goods from Pinegro Products Pty Ltd, amounting to \$2.0m (2004 \$2.0m).
- Yates Australia received management fees of \$0.12m from Pinegro Products Pty Ltd (2004 \$0.3m).
- Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi S.A sold goods to an associate company Emirates Explosives LLC amounting to \$25,905 (2004 \$nil).
- Bronson and Jacobs (S.E. Asia) Pte Ltd sold goods to Bronson & Jacobs International Co Ltd amounting to \$nil (2004 \$0.02m).

Additional related party disclosures

Additional relevant related party disclosures are shown throughout the notes to the financial statements as follows:

- | | |
|--|-------------|
| • Dividend income | note 3 |
| • Interest income and borrowing cost | note 3, 4 |
| • Receivables | note 9 |
| • Investments | note 12, 38 |
| • Payables | note 17 |
| • Interest bearing liabilities | note 18 |
| • Options | note 22 |
| • Remuneration of directors and executives | note 36 |

Notes to the Financial Statements

For the year ended 30 September

36. Non-Executive Directors, Specified Directors and Specified Executives emoluments

Non-executive directors' emoluments

Non-executive directors' fees, including committee fees, are set by the Board within the maximum aggregate amount of \$1,200,000 approved by shareholders at the 2002 Annual General Meeting. These fees are set at levels which reflect the time commitments and responsibilities of non-executive directors. In order to maintain independence and impartiality, non-executive directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance. In setting fees, the Remuneration and Appointments Committee, which makes recommendations to the Board, takes into consideration the Company's existing remuneration policies, external professional advice, survey data on fees paid by comparable companies and the level of remuneration required to attract and retain directors of the appropriate calibre.

Following such a review, annual fees were increased by 10% with effect from 1 April 2005. Prior to that, fees were last increased in October 2002. Non-executive directors now receive a fee of \$110,000 in relation to their service as a director of the Board. The Chairman, taking into account the greater commitment required, now receives a fee of \$330,000. In addition, directors who sit on the Board's committees receive an additional fee of \$10,000 per annum and the Chairs of those committees receive an additional fee of \$20,000 per annum. Compulsory statutory superannuation contributions are also made.

Orica has discontinued retirement allowances for all non-executive directors. Directors appointed prior to 1 July 2002, have had their retirement allowance preserved (as at 1 July 2004) with no indexation and the allowance will be paid to the eligible directors upon retirement. In accordance with rule 48 of the Company's constitution, those retirement benefits do not fall within the maximum aggregate fee cap for non-executive directors. In addition, non-executive directors are entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by the director while engaged on the business of the Company, in accordance with rule 50.2 of Orica's constitution.

Specified directors' and Specified executives' emoluments

Remuneration Policy

The Remuneration and Appointments Committee has recommended, and the Board has adopted a policy that remuneration will:

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

Details of the composition and responsibilities of the Remuneration and Appointments Committee are set out on page 16. The Committee and senior management receive external advice on matters relating to remuneration.

The Board considers it necessary for remuneration packages of specified directors and specified executives to include both a fixed component and an incentive or performance-related component (comprising both short-term and long-term incentives). The mix between fixed remuneration and performance-related remuneration is designed to reflect market conditions at each job and seniority level.

Fixed remuneration

All specified directors and specified executives receive a fixed remuneration component. In general, this is expressed as a total amount of salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form including cash and superannuation. Fixed remuneration is reviewed annually. It is not dependent upon Orica's performance and is determined by the scope of the individual's role, their level of knowledge, skills and experience, their performance and market benchmarking.

Short Term Incentives (STI)

The STI is designed to put a large proportion of executive remuneration at risk against meeting targets linked to Orica's annual business objectives. No STI is awarded if minimum performance across Orica does not meet the required threshold. In recent years this has been linked to a minimum level of Net Profit After Tax before significant items that must be achieved before any STI is awarded. The performance conditions comprise financial targets relating to Net Profit After Tax (before significant items), Business EBIT, Cash flow and External sales, as well as non-financial conditions, including safety, health and environmental performance. These performance conditions are set at both an Orica level and an individual business level. Achievement of performance conditions may therefore vary between businesses.

The financial targets are set in line with the Group's annual budget and are intended to improve financial performance which results in greater shareholder wealth. In addition, the safety, health and environmental targets make Orica a better place to work and help attract and retain the best people, which translates into better performance. In general, the performance conditions were satisfied between target and the 75th percentile. The level of safety, health and environmental performance during the year was disappointing and has contributed to the maximum short term incentives not being achieved.

Long Term Incentives (LTI)

Orica introduced the Orica Long Term Equity Incentive Plan (LTEIP) as the long term incentive component of remuneration for executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles. In prior periods, Orica used a Senior Executive Share Loan Plan (SESLP) as the long term incentive for the Group Executive and share option plans and award rights for other eligible executives.

Notes to the Financial Statements

For the year ended 30 September

36. Non-Executive Directors, Specified Directors and Specified Executives emoluments (continued)

The LTEIP was introduced in 2004 and is designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value. Under the LTEIP, eligible executives are provided with a 3 year, interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executives must apply net cash dividends to repayment of the loan balance, and executives may not deal with the shares while the loan remains outstanding. Offers under LTEIP may also be extended to eligible Incitec Pivot Limited executives.

In order to reward good performance, part of the loan may be “forgiven” (the Forgiveness Amount) upon the achievement of specified performance conditions. The Forgiveness Amount is calculated by reference to a percentage of the executives’ fixed annual remuneration (depending on, for example, seniority of the executive).

The balance of the loan becomes repayable at the end of the 3 year period, following the testing of the performance conditions. If the executive fails to repay the loan within the prescribed period, Orica will sell the shares on the executive’s behalf, use the proceeds to repay the outstanding loan balance, and pay any surplus to the executive.

In general, where an executive ceases employment with the Group during the loan period, the executive must repay the loan within the prescribed period, and will not be entitled to any part of the Forgiveness Amount. Where an executive is terminated for cause, Orica will sell the shares, and the executive will not be entitled to any further interest in the shares.

The LTEIP facilitates immediate share ownership by the executives and links a significant proportion of their potential remuneration to Orica’s ongoing share price and returns to shareholders over a 3 year period. The Board believes the LTEIP will promote behaviour that will achieve superior performance over the long term. Should the Company’s share price decrease, so will the the long term incentive component of their remuneration. Executives will therefore only derive a benefit where shareholder wealth is created over the longer term.

Accordingly, the “long term incentive value” (LTI Value) to the executives is calculated having regard to:

- the Forgiveness Amount;
- the interest free component of the loan; and
- the capital growth in Orica’s share price over the 3 year loan period.

Under the LTEIP, the relevant performance condition is based on the total shareholder return (TSR) growth over the period of the loan. TSR is, broadly, the percentage increase in the Company’s share price over the 3 year loan period, plus the value of dividends paid being treated as reinvested.

In order to ensure that the performance condition is not an “all or nothing” target, 90% of the forgiveness amount will be awarded for compound TSR growth which exceeds 15% per annum. The percentage of the forgiveness amount increases proportionately in line with the level of TSR growth achieved, with 100% of the forgiveness amount awarded TSR growth of 20% per annum (compound), up to a maximum of 110% of the forgiveness amount awarded for TSR growth of 25% per annum (compound) or more. No amount will be forgiven for TSR growth below the 15% threshold.

G W Witcombe was also granted shares under the LTEIP and the SESLP during the year upon resuming office with Orica to put him in the same position as the other members of the senior executive team.

Incitec Pivot Limited (IPL)

IPL may grant awards to senior IPL employees under the Incitec Pivot Senior Executives Long Term Incentive Plan. This long term incentive plan approved by the IPL Board was introduced in June 2003. Executives are unable to participate in both the Orica Long Term Equity Incentive Plan and the Incitec Pivot Senior Executives Long Term Incentive Plan.

Notes to the Financial Statements

For the year ended 30 September

36. Non-Executive Directors, Specified Directors and Specified Executives emoluments (continued)

Group Executive

Particulars of Specified Directors and Specified Executives qualifications, experience and special responsibilities are detailed on page 13 of the annual report. The executive directors and specified executives with the highest remuneration during the financial year and to whom this note applies are:

Name	Role	
Continuing		Commencement Date *
Graeme Liebelt	Managing Director and Chief Executive Officer	1 September 2005
Noel Meehan	Executive Director Finance and Chief Financial Officer	1 May 2005
Peter Bailey	General Manager, Orica Consumer Products	10 April 2003
John Beevers	General Manager, Chemical Services	1 April 2005
Bronek Karcz	General Manager, Chemnet	1 April 2005
Julian Segal	Managing Director and Chief Executive Officer, Incitec Pivot Limited	3 June 2005
Patrick Largier	General Manager Strategy and Acquisitions	6 July 2004
Greg Witcombe	General Manager, People, SH&E and Community	3 June 2005
Ceasing		Cessation date
Malcolm Broomhead	Managing Director and Chief Executive Officer	31 August 2005
Jim Hall	Executive Director Finance and Chief Financial Officer	30 April 2005
Barbara Gibson	General Manager, Chemicals	31 March 2005
Shaun O'Sullivan	General Manager Business Development	30 November 2005

* commenced in the role - the executives were promoted internally from other roles within Orica reflecting our commitment to succession planning and development of key talent.

Notes to the Financial Statements

For the year ended 30 September

36. Non-Executive Directors, Specified Directors and Specified Executives emoluments (continued)

Details of the nature and amount of each element of remuneration of specified directors and specified executives are included in the table below:

For the year to 30 September 2005	Primary		Post Employment		Equity	Other	Total
	Fixed Salary	STI	Superannuation	Leaving	Compensation	Benefits	
	\$000	Payments (1)	Benefits	Payments (2)	Value of Equity Compensation (3)	(4)	
Current Specified Directors							
G R Liebelt	1,005.9	672.3	11.7	-	426.4	25.4	2,141.7
N A Meehan	395.5	234.8	11.7	-	39.6	32.0	713.6
Total Current Specified Directors	1,401.4	907.1	23.4	-	466.0	57.4	2,855.3
Former Specified Directors							
M W Broomhead (5) (6)	1,453.3	602.1	-	4,186.0	3,585.0	52.2	9,878.6
J W Hall (6)	430.8	110.2	-	98.9	332.5	93.7	1,066.1
Total Former Specified Directors	1,884.1	712.3	-	4,284.9	3,917.5	145.9	10,944.7
Total Specified Directors	3,285.5	1,619.4	23.4	4,284.9	4,383.5	203.3	13,800.0
Current Specified Executives							
G J Witcombe (7)	660.9	185.7	11.7	-	948.6	45.5	1,852.4
P G Bailey	534.1	168.0	11.7	-	214.6	0.6	929.0
P J Largier	466.8	148.8	11.7	-	191.8	10.4	829.5
J Segal	432.4	190.9	11.7	-	95.9	50.3	781.2
J R Beevers	371.3	231.7	11.7	-	73.6	109.0	797.3
B K Karcz	405.9	237.7	11.7	-	90.2	-	745.5
Total Current Specified Executives	2,871.4	1,162.8	70.2	-	1,614.7	215.8	5,934.9
Former Specified Executives							
B J Gibson (6)	322.1	93.0	8.0	1,269.3	248.5	6.1	1,947.0
S G O'Sullivan (8)	601.4	372.0	-	620.0	232.7	12.7	1,838.8
Total Former Specified Executives	923.5	465.0	8.0	1,889.3	481.2	18.8	3,785.8
Total Specified Executives	3,794.9	1,627.8	78.2	1,889.3	2,095.9	234.6	9,720.7
Total Specified Directors and Specified Executives	7,080.4	3,247.2	101.6	6,174.2	6,479.4	437.9	23,520.7

(1) 2005 Incentive payments include payments relating to 2005 performance accrued but not paid.

(2) Represents contractual payments upon termination and payment of statutory leave.

(3) Includes the value to executives under the Long Term Equity Incentive Plan (LTEIP). There is currently no Australian Accounting requirement to record an expense for the fair value of the LTEIP for 2005. However AASB 1046 requires Orica to derive a value for these items and include the value in the director and executive remuneration disclosures. The benefit derived under the LTEIP is an immediately vesting benefit and therefore the full value granted to executives in December 2004 is disclosed in this financial year. This amount also includes the amortised value of options previously granted to executives. Full details of the valuation methodology are set out in note 34 to the Financial Statements.

(4) These benefits include spousal travel, car parking, medical costs, relocation costs and costs associated with services related to employment (inclusive of any applicable fringe benefits tax).

(5) In accordance with his Service Agreement, M W Broomhead received a termination payment representing two years' fixed annual remuneration and 60% of his fixed remuneration in recognition of foregone incentives. M W Broomhead also received an amount of \$2 million in respect of consultancy services that was paid after his retirement and not included in the table above.

(6) 2005 STI payment to M W Broomhead, J W Hall and B J Gibson were pro rated as they were only employed by Orica for part of the financial year.

(7) Includes the value of Incitec Pivot Limited and Orica long term incentive plans during the year. G J Witcombe ceased to be Managing Director and Chief Executive Officer of Incitec Pivot Limited during the year and so ceased to participate in the Incitec Pivot Limited LTI (\$52,900). He was granted shares under the SESLP (\$621,111) and LTEIP during the year upon resuming office with Orica.

(8) The leaving payment has been accrued as remuneration in 2005 and will be paid to S G O'Sullivan on cessation of employment on 30 November 2005 and no future disclosures are required in 2006.

Notes to the Financial Statements

For the year ended 30 September

36. Non-Executive Directors, Specified Directors and Specified Executives emoluments (continued)

For the year to 30 September 2004	Primary Fixed Salary	STI Payments (3)	Post Employment Superannuation Benefits	Leaving Payments	Equity Compensation Value of Equity Compensation (1)	Other Benefits (2)	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Current Specified Directors							
M W Broomhead (6)	1,490.0	608.0	-	-	-	178.0	2,276.0
J W Hall	700.0	284.1	-	-	-	-	984.1
G R Liebelt (4) (5)	816.4	583.9	807.1	-	-	146.7	2,354.1
Total Specified Directors	3,006.4	1,476.0	807.1	-	-	324.7	5,614.2
Specified Executives							
G J Witcombe	624.4	228.7	11.1	-	-	329.6	1,193.8
B J Gibson	560.9	259.0	11.1	-	-	26.1	857.1
P G Bailey	476.6	317.9	11.1	-	-	24.8	830.4
S G O'Sullivan	509.5	262.0	-	-	-	8.4	779.9
J R Nightingale (4)	402.0	214.2	-	-	-	128.4	744.6
Total Specified Executives	2,573.4	1,281.8	33.3	-	-	517.3	4,405.8
Total Specified Directors and Executives	5,579.8	2,757.8	840.4	-	-	842.0	10,020.0

(1) Refer to note 34 Employee share plans for details of the share option plan (SOP), share acquisition plan (SAP) and executive share option plan (ESOP).

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

(3) 2004 Incentive payments include payments relating to 2004 performance accrued but not paid.

(4) For the overseas based executive, other benefits include relocation and travel allowances, reimbursement of accommodation and living away from home expenses, family travel and taxation expenses.

(5) G R Liebelt received a superannuation top up payment of \$796,000 paid at age 50 per his employment contract.

(6) M W Broomhead received an equity compensation payment under a special contractual arrangement.

Non-executive directors' remuneration

Details of non-executive directors' remuneration for the financial year are set out in the following table:

For the year to 30 September 2005	Directors Fees (3)	Board Audit and Risk Committee	Board Environment Committee	Due Diligence Committee	Superannuation Benefits (1)	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Non-Executive Directors						
D P Mercer, Chairman (2)	315.0	-	-	-	28.3	343.3
M E Beckett	105.0	-	10.0	-	10.3	125.3
P J Duncan (2)	105.0	20.0	-	-	11.2	136.2
G A Hounsell	108.3	10.0	-	20.0	10.6	148.9
P M Kirby	105.0	-	20.0	-	11.2	136.2
M Tilley	105.0	10.0	-	10.0	10.3	135.3
C M Walter (2)	105.0	-	10.0	-	10.3	125.3
Total Non-Executive Directors	948.3	40.0	40.0	30.0	92.2	1,150.5

(1) Compulsory superannuation contributions made on behalf of non-executive directors to satisfy the Company's obligations under the applicable Superannuation Guarantee Charge legislation and not paid on one off payments for Due Diligence Committee.

(2) If each eligible non-executive director had ceased to be a director on 30 September 2005, the following benefits would have been payable under the grandfathered Directors Retirement Scheme: D P Mercer \$664,000, P J Duncan \$154,800, C M Walter \$228,700. These benefits have been fully provided for in the Financial Statements.

(3) Represents actual directors fees paid during the financial year reflecting an increase in fees which became effective 1 April 2005. G A Hounsell was appointed mid September 2004 and received a pro rata fee for that month.

Notes to the Financial Statements

For the year ended 30 September

36. Non-Executive Directors, Specified Directors and Specified Executives emoluments (continued)

For the year to 30 September 2004	Fees \$000	Board Audit and Risk Committee \$000	Superannuation Benefits ⁽¹⁾ \$000	Retirement Benefits \$000	Total \$000
Specified Directors – Non-Executive					
D P Mercer, Chairman	243.8	-	21.9	-	265.7
M E Beckett	100.0	-	9.0	-	109.0
A B Daniels	18.8	-	1.7	198.8	219.3
P J Duncan	77.5	20.0	8.8	-	106.3
B Healey	20.6	-	1.9	221.2	243.7
G A Hounsell ⁽²⁾	-	-	-	-	-
P M Kirby	100.0	-	9.0	-	109.0
M Tilley	88.2	10.0	12.2	-	110.4
C M Walter	79.4	10.0	8.0	-	97.4
Total Specified Directors – Non-Executive	728.3	40.0	72.5	420.0	1,260.8

⁽¹⁾ Compulsory superannuation contributions made on behalf of non-executive directors to satisfy the Company's obligations under the applicable Superannuation Guarantee Charge legislation.

⁽²⁾ G A Hounsell was appointed on 21 September 2004 and did not receive any remuneration in the period.

Employees' options entitlement

The names of persons who currently hold options in the share option plans are entered in the registers of options kept by the Company pursuant to Section 170 of the Corporations Act 2001. The registers may be inspected free of charge. Particulars of options granted to and exercised by the specified directors and specified executives under SOP, ESOP and SAP to the date of this report are shown in the following table. The exercise price of options issued under SOP and ESOP is set at the market value of an Orica share at the time of issue of the option. Market value is defined as the average of the closing price at which Orica shares were traded on the ASX during the three calendar months preceding the date of issue. The ability to exercise these options is conditional on the Company achieving prescribed performance hurdles. All options refer to ordinary shares of Orica Limited and the options are provided at no cost to the recipient until their exercisable date. Details of performance hurdles are outlined in note 34 Employee share plans.

Share option plan (SOP)

During the year, the Company reinstated options over 10,000 ordinary shares to 2 executives under the share option plan. Each option relates to one fully paid ordinary share and the said options are exercisable at \$5.67 per share following a vesting period and subject to prescribed performance hurdles. A general description of the SOP is provided in note 34 Employee share plans.

Orica executive share option plan (ESOP)

During the year, the Company reinstated options over 42,397 ordinary shares to 2 executives under the Orica executive share option plan (ESOP). Each option relates to one fully paid ordinary share and the said options are exercisable at \$7.91 per share following a vesting period and subject to prescribed performance hurdles. A general description of the ESOP is provided in note 34 Employee share plans.

Share acquisition plan (SAP) (Award Rights)

During the year, the Company adjusted the Award Rights issued over 2,000 ordinary shares to 2 executives under the SAP. Each Award Right relates to one fully paid ordinary share and the said Award Rights are exercisable at no cost to the executive subject to the achievement of prescribed performance hurdles. A general description of the SAP is provided in note 34 Employee share plans.

No person entitled to exercise an option in the Company has, by virtue of the option, a right to participate in a share issue of any other consolidated entity of the group. 3,797,366 ordinary shares were issued during the financial year as a consequence of the exercise of options issued in prior years and 174,200 ordinary shares were issued during the financial year as a consequence of the exercise of Award Rights issued in prior years. As at the date of this report, there are 5,375,555 unissued ordinary shares under option and nil unissued ordinary shares under Award Rights. The price of issue and expiration dates of those unissued shares are set out in note 22 Contributed equity.

There is currently no accounting requirement to record an expense in the Statements of Financial Performance for the fair value of the options, shares and award rights issued in 2005 or 2004. However AASB 1046: "Director and Executive Disclosures by Disclosing Entities" requires Orica to derive a value for these items and include the value in the director and executive remuneration disclosures. An option pricing model was adopted to derive a value. The number of equity instruments held by specified directors and specified executives are shown in the following table:

Notes to the Financial Statements

For the year ended 30 September

36. Non-Executive Directors, Specified Directors and Specified Executives emoluments (continued)

For the year to 30 September 2005	Grant date	Date exercisable from	Granted during the year	Lapsed during the year	Exercised and vested during the year ⁽⁷⁾	Outstanding at year end	Exercise price \$	Value of options at grant date \$	Value of options included in remuneration for the year ⁽¹⁾ \$
Specified Directors									
G R Liebelt	1 Jan 02	1 Jan 05	-	-	150,000	-	5.67	295,500	- ⁽²⁾
	1 Jan 01	1 Jan 04	-	-	142,000	-	5.72	154,780	- ⁽²⁾
	21 Dec 02	3 Sep 06	-	-	-	360,000	N/A	1,299,600	- ⁽⁵⁾
	22 Dec 04	31 Jan 08	71,194	-	-	71,194	N/A	426,452	426,452 ⁽⁶⁾
	1 Jan 02	1 Jan 05	-	-	2,800	-	N/A	11,620	- ⁽³⁾
N A Meehan	24 Apr 02	10 Nov 04	-	-	14,855	-	7.91	27,630	- ⁽⁴⁾
	24 Apr 02	10 Nov 05	-	-	-	14,855	7.91	27,630	- ⁽⁴⁾
	24 Apr 02	10 Nov 06	-	-	-	14,855	7.91	27,630	- ⁽⁴⁾
	22 Dec 04	31 Jan 08	6,624	-	-	6,624	-	39,678	39,678 ⁽⁶⁾
	1 Jan 02	1 Jan 05	-	-	200,000	-	5.67	394,000	- ⁽²⁾
M W Broomhead	3 Sep 01	3 Sep 06	-	-	500,000	1,000,000	N/A	1,950,000	- ⁽⁵⁾
	22 Dec 04	31 Jan 08	500,000	-	-	500,000	N/A	3,585,000	3,585,000 ⁽⁶⁾
	17 Jan 02	3 Sep 06	-	-	450,000	-	N/A	1,030,500	- ⁽⁵⁾
J W Hall	22 Dec 04	31 Jan 08	55,523	55,523	-	-	N/A	332,583	332,583 ⁽⁶⁾
Specified Executives									
G J Witcombe	3 Jun 04	3 Sep 06	151,122	-	-	151,122	N/A	621,111	621,111 ⁽⁵⁾
	22 Dec 04	31 Jan 08	45,840	-	-	45,840	N/A	274,582	274,582 ⁽⁶⁾
P G Bailey	1 Jan 02	1 Jan 05	-	-	2,800	-	N/A	11,620	- ⁽³⁾
	24 Apr 02	10 Nov 04	-	-	35,967	-	7.91	66,899	- ⁽⁴⁾
	24 Apr 02	10 Nov 06	-	-	-	35,967	7.91	66,899	- ⁽⁴⁾
	24 Apr 02	10 Nov 04	-	-	-	35,967	7.91	66,899	- ⁽⁴⁾
	6 May 03	3 Sep 06	-	-	30,367	60,733	N/A	294,253	- ⁽⁵⁾
P J Largier	22 Dec 04	31 Jan 08	35,839	-	-	35,839	N/A	214,676	214,676 ⁽⁶⁾
	1 Jan 02	1 Jan 05	-	-	2,800	-	N/A	11,620	- ⁽³⁾
	24 Apr 02	10 Nov 04	-	-	19,572	-	7.91	66,899	- ⁽⁴⁾
	24 Apr 02	10 Nov 05	-	-	-	19,572	7.91	66,899	- ⁽⁴⁾
	24 Apr 02	10 Nov 06	-	-	-	19,572	7.91	66,899	- ⁽⁴⁾
J Segal	22 Dec 04	31 Jan 08	32,031	-	-	32,031	N/A	191,866	191,866 ⁽⁶⁾
	1 Jan 02	1 Jan 05	-	-	50,000	-	5.67	98,500	- ⁽²⁾
	24 Apr 02	10 Nov 04	-	-	54,817	-	7.91	101,960	- ⁽⁴⁾
	24 Apr 02	10 Nov 05	-	-	-	54,817	7.91	101,960	- ⁽⁴⁾
	24 Apr 02	10 Nov 06	-	-	-	54,817	7.91	101,960	- ⁽⁴⁾
J R Beevers	22 Dec 04	31 Jan 08	16,012	-	-	16,012	N/A	95,912	95,912 ⁽⁶⁾
	1 Jan 02	1 Jan 05	-	-	2,800	-	N/A	11,620	- ⁽³⁾
	24 Apr 02	10 Nov 04	-	-	29,014	-	7.91	53,966	- ⁽⁴⁾
	24 Apr 02	10 Nov 05	-	-	-	29,014	7.91	53,966	- ⁽⁴⁾
	24 Apr 02	10 Nov 06	-	-	-	29,014	7.91	53,966	- ⁽⁴⁾
B K Karcz	22 Dec 04	31 Jan 08	12,292	-	-	12,292	N/A	73,629	73,629 ⁽⁶⁾
	1 Jan 02	1 Jan 05	-	-	2,800	-	N/A	11,620	- ⁽³⁾
	24 Apr 02	10 Nov 04	-	-	40,063	-	7.91	74,517	- ⁽⁴⁾
	24 Apr 02	10 Nov 05	-	-	-	40,063	7.91	74,517	- ⁽⁴⁾
	24 Apr 02	10 Nov 06	-	-	-	40,063	7.91	74,517	- ⁽⁴⁾
B J Gibson	22 Dec 04	31 Jan 08	15,075	-	-	15,075	N/A	90,299	90,299 ⁽⁶⁾
	1 Jan 02	1 Jan 05	-	-	50,000	-	5.67	98,500	- ⁽²⁾
	6 May 02	3 Sep 06	-	-	250,000	-	N/A	752,500	- ⁽⁵⁾
S G O'Sullivan	22 Dec 04	31 Jan 08	41,498	41,498	-	-	N/A	248,573	248,573 ⁽⁶⁾
	6 May 02	3 Sep 06	-	-	250,000	-	N/A	752,500	- ⁽⁵⁾
	22 Dec 04	31 Jan 08	38,857	-	-	38,857	N/A	232,753	232,753 ⁽⁶⁾

Notes to the Financial Statements

For the year ended 30 September

36 Non-Executive Directors, Specified Directors and Specified Executives emoluments (continued)

For the year to 30 September 2004	Grant Date	Date exercisable from	Granted during the year	Lapsed during the year	Exercised and vested during the year ⁽⁷⁾	Outstanding at year end	Exercise price \$	Value of options at grant date \$	Value of options included in remuneration for year ⁽¹⁾ \$
Specified Directors									
M W Broomhead	1 Jan 02	1 Jan 05	-	-	-	200,000	5.67	394,000	- ⁽²⁾
	3 Sep 01	3 Sep 06	-	-	-	1,500,000	N/A	1,950,000	- ⁽⁵⁾
J W Hall	17 Jan 02	3 Sep 06	-	-	-	450,000	N/A	1,030,500	- ⁽⁵⁾
G R Liebelt	1 Jan 02	1 Jan 05	-	-	-	150,000	5.67	295,500	- ⁽²⁾
	1 Jan 01	1 Jan 04	-	-	-	142,000	5.72	154,780	- ⁽²⁾
	1 Jan 00	1 Jan 03	-	-	115,000	-	8.31	227,700	- ⁽²⁾
	1 Jan 99	1 Jan 02	-	17,600	92,400	-	8.57	167,200	- ⁽²⁾
	22 Dec 02	3 Sep 06	-	-	-	360,000	N/A	1,299,600	- ⁽⁵⁾
Specified Executives									
G J Witcombe	-	-	-	-	-	-	-	-	-
B J Gibson	1 Jan 02	1 Jan 05	-	-	-	50,000	5.67	98,500	- ⁽²⁾
	1 Jan 01	1 Jan 04	-	-	67,000	-	5.72	73,030	- ⁽²⁾
	1 Jan 00	1 Jan 03	-	-	8,480	-	8.31	16,790	- ⁽²⁾
	1 Jan 99	1 Jan 02	-	8,000	11,000	-	8.57	28,880	- ⁽²⁾
	6 May 02	3 Sep 06	-	-	-	250,000	N/A	752,500	- ⁽⁵⁾
S G O'Sullivan	6 May 02	3 Sep 06	-	-	-	250,000	N/A	752,500	- ⁽⁵⁾
P G Bailey	1 Jan 02	1 Jan 05	-	-	-	2,800	N/A	11,620	- ⁽³⁾
	1 Jan 01	1 Jan 04	-	-	6,800	-	N/A	21,352	- ⁽³⁾
	1 Jan 00	1 Jan 03	-	-	176	-	N/A	848	- ⁽³⁾
	1 Jan 99	1 Jan 02	-	160	220	-	N/A	1,756	- ⁽³⁾
	24 Apr 02	10 Nov 04	-	-	-	35,967	7.91	66,899	- ⁽⁴⁾
	24 Apr 02	10 Nov 05	-	-	-	35,967	7.91	66,899	- ⁽⁴⁾
	24 Apr 02	10 Nov 06	-	-	-	35,967	7.91	66,899	- ⁽⁴⁾
	6 May 03	3 Sep 06	-	-	-	91,100	N/A	294,253	- ⁽⁵⁾
J R Nightingale	6 Aug 02	3 Sep 06	-	-	-	255,000	N/A	767,550	- ⁽⁵⁾

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

⁽¹⁾ The option valuation prepared by PricewaterhouseCoopers uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2005 and 30 September 2004. The value of options included in remuneration for the year have been calculated by allocating the value of the option at grant date equally over the period from grant date to vesting date (the vesting period). For the purposes of measuring the remuneration of an individual for disclosure in this directors' report, it is assumed that the specified directors and specified executives will continue to provide service until the vesting date, unless it is probable that the particular individual will cease employment at an earlier date. See note 34 Employee share plans.

⁽²⁾ Related to options under the share option plan (SOP). See note 34 Employee share plans. The options expire on 31 Dec 2014, 31 Dec 2015 and 31 Dec 2016 depending on performance hurdles being met.

⁽³⁾ Related to Award Rights under the share acquisition plan (SAP). See note 34 Employee share plans. The Award rights have no expiry date and can be exercised at any time after the date exercisable.

⁽⁴⁾ Related to options under the executive share option plan (ESOP). See note 34 Employee share plans. The options expire on 31 Oct 2005, 31 Oct 2006 and 31 Oct 2007 depending on performance hurdles being met.

⁽⁵⁾ Related to the long term executive incentive plan (LTEIP). See note 34 Employee share plans. The options have no expiry date and can be exercised at any time after the date exercisable. The combination of shares, and the loan provided to fund those shares constitutes an option under AASB 1046.

⁽⁶⁾ Related to the long term executive incentive plan (LTEIP). See note 34 Employee share plans. The options have no expiry date and can be exercised at any time after the date exercisable. The combination of shares, and the loan provided to fund those shares constitutes an option under AASB 1046.

⁽⁷⁾ There were no amounts outstanding on the shares issued as a result of the exercise of the options.

Notes to the Financial Statements

For the year ended 30 September

36. Non-Executive Directors, Specified Directors and Specified Executives emoluments (continued)

Executive service agreements

Remuneration and other terms of employment for the executive directors and senior executives are formalised in service agreements. Specific information relating to the terms of the service agreements of the current specified directors and specified executives are set out in the table below.

Summary of specific terms

Major provisions of the agreements relating to remuneration are set out below:

Name	Term of Agreement	Fixed Annual Remuneration ⁽¹⁾	Notice Period by Executive	Notice Period by Orica	Termination Payment ⁽²⁾
G R Liebelt	31 August 2010	\$1,400,000	6 months	3 months	1.5 times his fixed annual remuneration ⁽³⁾
N A Meehan	Open	\$600,000	3 months	3 months	1.0 times his fixed annual remuneration
G J Witcombe	Open	\$682,640	3 months	3 months	1.68 times his fixed annual remuneration ⁽⁴⁾
P G Bailey	Open	\$560,000	3 months	3 months	1.0 times his fixed annual remuneration
P J Largier	Open	\$477,000	3 months	3 months	1.0 times his fixed annual remuneration
J Segal	Open	\$560,000	3 months	3 months	1.0 times his fixed annual remuneration
J R Beevers	Open	\$450,000	3 months	3 months	1.28 times his fixed annual remuneration ⁽⁴⁾
B K Karcz	Open	\$450,000	3 months	3 months	1.0 times his fixed annual remuneration

⁽¹⁾ Fixed salary, inclusive of superannuation, is reviewed annually by the Remunerations and Appointments Committee following the end of each financial year. Accordingly, the amounts set out in the table above are the executive's fixed annual remuneration as at 30 September 2005. As part of the normal annual review of remuneration, Fixed Annual Remuneration for all executives (with the exception of G R Liebelt, whose remuneration was adjusted upon his appointment as Managing Director and Chief Executive Officer on 1 September 2005) will be reviewed and, where appropriate, adjusted during the 2006 financial year.

⁽²⁾ Termination payment if Orica terminates the executive's employment other than for cause.

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

⁽⁴⁾ The termination benefits in respect of G J Witcombe and J R Beevers reflect grandfathering of entitlements, under previous service agreements and employment terms, recognising their past service in the Group, as part of new remuneration arrangements.

The Company makes provision for employee entitlements in accordance with applicable Australian Accounting Standards.

In addition, the Company has policies in relation to relocation, consistent with its expectation that all executives are mobile, as required by the needs of the business.

Restraint of trade

In appropriate circumstances, Orica negotiates a restraint of trade with specified executives, upon cessation of their employment to protect the legitimate business interests of the Group.

Sign-on payments

No payment was made to the specified directors or specified executives before they took office as part consideration for them agreeing to hold office.

Notes to the Financial Statements

For the year ended 30 September

37. Superannuation commitments

The consolidated entity contributes to a number of superannuation Plans that exist to provide benefits for employees and their dependants on retirement, disability or death. The superannuation Plans cover company sponsored Plans 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 companies 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 companies to defined contribution Plans are in accordance with the requirements of the governing rules of such Plans or are required to avoid a liability 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 companies to contribute as required by legislation.

Industry Plans

- Some controlled entities participate in industry Plans on behalf of certain employees.
- These Plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement, disability or death.
- The employer entity has a legally enforceable obligation to contribute a regular amount for each employee member of these Plans.
- The employer entity has no other legal liability to contribute to the Plans.

During the year the consolidated entity made employer contributions of \$33.2m (2004 \$33.5m) to Defined Benefit Plans. Employer contributions by the company to Defined Benefit Plans during the year were \$nil (2004 \$nil).

The Accrued Benefits, based on the most recent actuarial assessments or estimates, the Plan Assets at most recent estimates of net market values and the Vested Benefits as at 30 September are:

Country	Notes	2005					2004				
		Accrued Benefits	Plan Assets	Net difference Accrued Benefits to Plan Assets	Vested Benefits	Net surplus / (deficit) Vested Benefits to Plan Assets	Accrued Benefits	Plan Assets	Net difference Accrued Benefits to Plan Assets	Vested Benefits	Net surplus / (deficit) Vested Benefits to Plan Assets
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Australia	a	634.6	651.3	16.7	642.5	8.8	562.1	559.1	(3.0)	561.6	(2.5)
New Zealand	b	33.7	33.5	(0.2)	31.1	2.4	33.3	31.6	(1.7)	31.6	-
Canada	c	56.7	51.8	(4.9)	42.5	9.3	48.3	40.1	(8.2)	36.2	3.9
USA	d	19.7	19.6	(0.1)	19.2	0.4	21.4	16.7	(4.7)	20.4	(3.7)
UK	e	27.0	25.4	(1.6)	25.9	(0.5)	25.5	22.8	(2.7)	24.1	(1.3)
India	f	4.6	3.8	(0.8)	5.2	(1.4)	4.8	2.7	(2.1)	5.7	(3.0)
Brazil	g	10.5	10.8	0.3	10.5	0.3	7.9	7.7	(0.2)	7.9	(0.2)
Philippines	h	0.8	0.6	(0.2)	0.7	(0.1)	0.9	0.5	(0.4)	0.7	(0.2)
Germany	i	6.0	-	(6.0)	5.6	(5.6)	5.8	-	(5.8)	5.1	(5.1)
		793.6	796.8	3.2	783.2	13.6	710.0	681.2	(28.8)	693.3	(12.1)

Deficits of Accrued Benefits to Plan Assets depend on many diverse factors and can vary significantly over time, having regard for movements in investment markets, future salary increases and changes in employee patterns. The consolidated entity's current intention is to make contributions to Defined Benefit Plans at a rate recommended by the actuary. It is expected that the contribution rates will be determined after taking into account sound actuarial principles and would be designed to enable all retirement expectations and relevant regulatory requirements to be met as and when they fall due.

The consolidated entity does not have an obligation to fund any reported deficiency and has met in full its obligations to all Plans as at their balance dates. The consolidated entity expects future contributions will meet any reported deficiency from time to time.

Notes to the Financial Statements

For the year ended 30 September

37. Superannuation commitments (continued)

Notes

a) Australia

The amounts shown for Australia are in respect of The Flexible Benefits Super Fund superannuation arrangement. The Flexible Benefits Super Fund has a defined benefit member category and a defined contribution member category. The balance date of the Fund is 30 June. A full actuarial review of the Fund at 30 June 2003 was performed by G E Miller FIAA. P Collins FIAA has provided actuarial estimates as at 30 September 2005.

2005

Asset values are estimated as at 30 September 2005, based on audited values as at 30 June 2005, adjusted to reflect estimated investment performance and cashflows between 1 July 2005 and 30 September 2005. The estimate for Accrued Benefits and Vested Benefits have been calculated using membership data as at 30 June 2005, adjusted to reflect estimated investment performance, expected cash flows and benefits accrued between 1 July 2005 and 30 September 2005.

2004

Asset values are estimated as at 30 September 2004, based on audited values as at 30 June 2004, adjusted to reflect estimated investment performance and cash flows between 1 July 2004 and 30 September 2004. The estimate for Accrued Benefits and Vested Benefits have been calculated using membership data as at 30 June 2004, adjusted to reflect estimated investment performance, expected cash flows and benefits accrued between 1 July 2004 and 30 September 2004.

b) New Zealand

The amounts shown for New Zealand are in respect of The Orica New Zealand Superannuation Scheme. The Orica New Zealand Superannuation Scheme has a defined benefit member category (known as Orica New Zealand Limited Retirement Plan) and a defined contribution member category. The amounts shown are in respect of the defined benefit member category only. The balance date of the Plan is 31 March. A full actuarial review of the Plan as at 1 April 2003 was performed by I Midgley MA, FIA, FNZSA. I Midgley has provided actuarial estimates as at 30 September 2005.

2005

The asset values are estimated as at 30 September 2005, based on audited values as at 31 March 2005, adjusted to reflect estimated investment performance and cash flows between 1 April 2005 and 30 September 2005. The Accrued Benefits and Vested Benefits have been calculated using membership data as at 31 March 2005, adjusted to reflect estimated investment performance, expected cashflows and benefits accrued between 1 April 2005 and 30 September 2005.

2004

The asset values are estimated as at 30 September 2004, based on audited values as at 31 March 2004, adjusted to reflect estimated investment performance and cash flows between 1 April 2004 and 30 September 2004. The Accrued Benefits and Vested Benefits have been calculated using membership data as at 31 March 2004, adjusted to reflect estimated investment performance, expected cash flows and benefits accrued between 1 April 2004 and 30 September 2004.

c) Canada

The amounts shown for Canada are in respect of the following superannuation arrangements: the Pension Plan for Employees of Orica Canada Inc, the Orica International Pension Plan, the High Income Earners Arrangement and the Excess Plan. The Pension Plan for Employees of Orica Canada Inc. has a non-contributory defined benefit component and an optional contributory defined contribution component. The amounts shown for the Pension Plan for Employees of Orica Canada Inc. are in respect of the defined benefit component only. The balance date of the Plan is 31 December. A full actuarial review of the Plan at 31 December 2003 was performed by B Gosselin FSA, FCIA. B Gosselin has provided actuarial estimates as at 30 September 2005.

The Orica International Pension Plan (IPP), High Income Earners Arrangement (HIE), and Excess Plan are all unfunded defined benefit superannuation arrangements.

2005

A detailed valuation was conducted as of 31 December 2003, based on membership data as of the same date. Accrued Benefits and Vested Benefits were estimated as at 30 September 2005 by projecting, on an aggregate basis and assuming no gains or losses, the obligations obtained from the detailed valuation to 30 September 2005. The asset values were estimated as at 30 September 2005 by projecting the pension Plan assets as at 31 August 2005, provided by the custodian, to 30 September 2005, based on estimated cash flows for September 2005 and the annual expected return on assets rate of 7.5%.

The International Pension Plan, Excess Plan and High-Income Earners arrangements obligations were valued as at 30 September 2005, based on membership data as at that same date.

2004

A detailed valuation was conducted as of 31 December 2003, based on membership data as of the same date. Accrued Benefits and Vested Benefits were estimated as at 30 September 2004 by projecting, on an aggregate basis and assuming no gains or losses, the obligations obtained from the detailed valuation to 30 September 2004. The asset values were estimated as at 30 September 2004 by projecting the pension Plan assets as at 31 August 2004, provided by the custodian, to 30 September 2004, based on estimated cash flows for September 2004 and the annual expected return on assets rate of 7.75%.

Notes to the Financial Statements

For the year ended 30 September

37. Superannuation commitments (continued)

The International Pension Plan, Excess Plan and High-Income Earners arrangements obligations were valued as at 30 September 2004, based on membership data as at that same date.

d) USA

The amounts shown for the USA are in respect of the Orica USA Inc. Retirement Income Plan and the Orica International Pension Plan. The Orica USA Inc. Retirement Income Plan is a defined benefit pension Plan. The Plan valuation date is January 1. A full actuarial review of the Plan as at 1 January 2004 was performed by L Gold ASA, EA. M B Ramsay FSA, EA has provided actuarial estimates as at 30 September 2005. The full actuarial review as at 1 January 2005 is currently in progress. The Orica International Pension Plan is an unfunded defined benefit superannuation arrangement.

2005

Asset values provided reflect total unaudited assets as of 30 September 2005. The Accrued Benefits and Vested Benefits have been estimated as at 30 September 2005 using membership data as at 1 January 2005 projected forward to 30 September 2005 using standard actuarial methods.

2004

Asset values provided reflect total unaudited assets as of 30 September 2004. The Accrued Benefits and Vested Benefits have been estimated as at 30 September 2004 using membership data as at 1 January 2004 projected forward to 30 September 2004 using standard actuarial methods.

e) UK

The amounts shown for the UK are in respect of the Orica UK Pension Scheme. The Orica UK Pension Scheme is a defined benefit superannuation scheme. The Scheme balance date is 30 September. A full actuarial valuation as at 30 September 2003 was performed by A Sweeney, FIA. D Broadbent, FIA has provided actuarial estimates as at 30 September 2005.

2005

The asset values shown are the fair value of the assets as at 30 September 2005 as advised by the Investment Manager and allow for any net current assets. The Accrued Benefits and Vested Benefits have been determined as at 30 September 2005 by updating the 30 September 2003 actuarial valuation results through projecting the experience, and allowing for expected cash flows and the cost of accrual over the period.

2004

The asset values are estimated as at 30 September 2004 based on the asset value as at 30 June 2004, adjusted to reflect market conditions as at 30 September 2004 and allowing for actual asset returns and actual cash flows between 1 July 2004 and 30 September 2004. The Accrued Benefits and Vested Benefits have been determined as at 30 September 2004 by updating the 30 September 2003 actuarial valuation results through projecting the experience, and allowing for expected cash flows and the cost of accrual over the period.

f) India

The amounts shown for India are in respect of the following defined benefit superannuation arrangements: the Indian Explosives Limited Management Staff Pension Fund, the Indian Explosives Limited Employees Superannuation Fund, the Indian Explosives Limited Employees Management Staff Superannuation Fund and the Indian Explosives Limited Gratuity Fund. The Funds' balance date is 31 March. A full actuarial review of each of the Funds is currently in progress. The actuarial reviews will be completed by L. Khan, FIA, FASI. L. Khan has provided actuarial estimates as at 30 September 2005.

2005

Asset values are estimated as at 30 September 2005, based on audited values as at 31 March 2005, adjusted to reflect estimated investment performance and cash flows between 31 March 2005 and 30 September 2005. The estimate for Accrued Benefits and Vested Benefits have been calculated using membership data as at 31 March 2005, adjusted to reflect estimated investment performance, expected cash flows and benefits accrued between 31 March 2005 and 30 September 2005.

2004

The defined benefit superannuation arrangements were taken on as part of the 6 November 2003 acquisition of the remaining 51% share of the Indian Explosives business. The asset values as at 30 September 2004 represent an estimate of the expected amount receivable from ICI India Limited. (This amount was received in 2005). A final agreement has been made to transfer amounts from ICI India Limited in respect of part of the deficit for the defined benefit superannuation arrangements. A provision has been made on acquisition for the remaining deficit. The Accrued Benefits and Vested Benefits have been determined as at 30 September 2004 based on values calculated as at 31 March 2004 allowing for expected cash flows and benefits accrued over the period 1 April 2004 to 30 September 2004.

Notes to the Financial Statements

For the year ended 30 September

37. Superannuation commitments (continued)

g) Brazil

The amounts shown for Brazil are in respect of Orica Brasil Ltda. Orica Brasil Ltda is a defined benefit superannuation plan. The Plan balance date is 31 December. A full actuarial review at 31 December 2004 was performed by G Galvão. G Galvão has provided actuarial estimates as at 30 September 2005.

2005

The asset values have been estimated as at 30 September 2005, based on audited values as at 31 December 2004, adjusted to reflect estimated investment performance and cash flows between 31 December 2004 and 30 September 2005. The Accrued Benefits and Vested Benefits have been estimated using membership data as at 31 December 2004, adjusted to reflect estimated investment performance, expected cashflows and benefits accrued between 1 January 2005 and 30 September 2005.

2004

The asset values have been estimated as at 30 September 2004, based on audited values as at 31 December 2003, adjusted to reflect estimated investment performance and cash flows between 31 December 2003 and 30 September 2004. The Accrued Benefits and Vested Benefits have been estimated using membership data as at 31 December 2003, adjusted to reflect estimated investment performance, expected cashflows and benefits accrued between 1 January 2004 and 30 September 2004.

h) Philippines

The amounts shown for the Philippines are in respect of the following defined benefit superannuation arrangements: the Philippine Explosives Corporation Monthly-Paid Employees Retirement Plan and the Philippine Explosives Corporation Factory Workers Retirement Plan. The Plans are both defined benefit schemes. The Plans' balance date is 30 September. A full actuarial review at 30 June 2005 was performed for each Plan by M Cabading FASP, FLMI. M Cabading has provided actuarial estimates as at 30 September 2005

2005

The asset values are estimated as at 30 September 2005, based on values as at 30 June 2005, adjusted to reflect estimated investment performance and cash flows between 1 July 2005 and 30 September 2005. The Accrued Benefits and Vested Benefits have been estimated using membership data as at 30 June 2005, adjusted to reflect estimated investment performance, expected cashflows and benefit accrual between 1 July 2005 and 30 September 2005.

2004

The asset values are estimated as at 30 September 2004, based on values as at 30 June 2004, adjusted to reflect estimated investment performance and cash flows between 1 July 2004 and 30 September 2004. The Accrued Benefits and Vested Benefits have been estimated using membership data as at 31 May 2003, adjusted to reflect estimated investment performance, expected cash flows and benefit accrual between 1 June 2003 and 30 September 2004.

i) Germany

The amounts shown for Germany are in respect of the following defined benefit superannuation arrangements: Supplementary Pension Plan, Executive Retirement Plan, and a number of grandfathering arrangements. The balance date for these arrangements is 30 September. A full actuarial valuation of the plans/arrangements as at 30 September 2005 was performed by G Caldewey. The next full actuarial review is expected to be completed as at 30 September 2006.

2005

The Accrued Benefits and Vested Benefits have been calculated as at 30 September 2005 using membership data as at 31 August 2005, adjusted to reflect expected cash flows and benefit accrual between 31 August 2005 and 30 September 2005.

2004

The Accrued Benefits and Vested Benefits have been calculated as at 30 September 2004 using membership data as at 31 August 2004, adjusted to reflect expected cash flows and benefit accrual between 31 August 2004 and 30 September 2004.

Notes to the Financial Statements

For the year ended 30 September

38. Investments in controlled entities

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Company			
Orica Limited			
Controlled Entities			
ACF and Shirleys Pty Ltd (g)		Levene Paint Manufacturing Limited (d)	NZ
Active Chemicals Chile S.A. (b)	Chile	M & A '95 Pty Ltd (e)	
Advanced Sciences Pty Ltd (d)		Marplex Australia (Holdings) Pty Ltd (g)	
Altona Properties Pty Ltd (g)		Marplex Australia Pty Ltd	
Andean Mining & Chemicals Limited (b)	Jersey	Myspace Limited	
Australian Fertilizers Pty Ltd (g)		Nitroamonia de Mexico S.A de C.V.	Mexico
Berger Paints Limited (d)	NZ	Nobeltax S.A.	Spain
Brasex Participacoes Ltda	Brazil	Norspreng AS	Norway
British Paints New Zealand Limited (d)	NZ	North Western Flour Mills Pty. Ltd. (e)	
Bronson & Jacobs Pty Ltd		Nu-bake Bakery Pty. Ltd. (e)	
Bronson & Jacobs (NZ) Limited	NZ	Nu-bake Properties Pty. Ltd. (e)	
Bronson & Jacobs (S.E. Asia) Pte Ltd	Singapore	Oregon Paint Company Limited (d)	NZ
Bronson & Jacobs (Malaysia) Sdn Bhd	Malaysia	Orica (Weihai) Explosives Co Ltd	China
Bronson and Jacobs (H.K.) Limited	Hong Kong	Orica Advanced Water Technologies Pty Ltd (g)	
Bronson and Jacobs (Shanghai) International Trading Co. Ltd	China	Orica Alberta Inc	Canada
Bronson & Jacobs International Co. Ltd	Thailand	Orica Argentina S.A.I.C.	Argentina
Bronson & Jacobs (GZFTZ) Ltd	China	Orica Australia Pty Ltd (a)	
CHEM Advisory Services Pty Ltd (d)		Orica Australia Securities Pty Ltd (c)	
CHEM Exports Pty Ltd (d)		Orica Brasil Ltda	Brazil
CHEM Instruments Pty Ltd (d)		Orica Canada Inc	Canada
CHEM International Pty Ltd (d)		Orica Chile S.A.	Chile
CHEM Powder Coatings Pty Limited (d)		Orica Coatings (Fiji) Limited	Fiji
Chemical Cleaning Limited (d)	NZ	Orica Dominicana S.A.	Dominican Republic
Chemnet Limited (d)	NZ	Orica Eesti OU	Estonia
Chemnet Pty Ltd (g)		Orica Engineering Pty Ltd (g)	
Chemsafe New Zealand Limited (d)	NZ	Orica Europe Pty Ltd & Co KG	Germany
Compania Aragonesa de Explosivos, S.A.	Spain	Orica Europe Investments Pty Ltd (g)	
Cripps Bakery Pty Ltd (e)		Orica Europe Management GmbH	Germany
Curasalus Insurance Limited	NZ	Orica European Investments Limited (e)	UK
Curasalus Insurance Pty Limited (formerly Orica Insurance Pty Limited)		Orica Explosives (Thailand) Co Ltd	Thailand
Dulux Holdings Pty Ltd (g)		Orica Explosives Holdings Pty Ltd	
Dulux New Zealand Limited (d)	NZ	Orica Explosives Research Pty Ltd (g)	
Eastern Nitrogen Pty Ltd (g)		Orica Explosives Technology Pty Ltd	
ECH Investments Pty. Limited (e)		Orica Explosivos Industriales, S.A.	Spain
Electrical & Engineering Supplies Proprietary Limited (e)		Orica Export Inc.	USA
Engineering Polymers Pty Ltd		Orica Fiji Ltd	Fiji
Essential Oils of Tasmania Pty Ltd		Orica Finance Limited	
Eurodyn Sprengmittel GmbH	Germany	Orica GEESP Pty Ltd (g)	
Explosivos Mexicanos S.A. de C.V.	Mexico	Orica Germany GmbH	Germany
H.M.A. Ltd. (e)		Orica Ghana Limited (c)	Ghana
Holyman Brothers Proprietary Limited (e)		Orica Guyana Inc.	Guyana
Incitec Fertilizers Limited		Orica Holdings Pty Ltd (g)	
Incitec Pivot Limited		Orica Hong Kong Limited	Hong Kong
Incitec Pivot LTI Plan Company Pty Limited		Orica IC Assets Pty Ltd (a)	
Indian Explosives Limited	India	Orica IC Investments Pty Ltd (g)	
Initiating Explosives Systems India Limited (f)	India	Orica International GP Pty Ltd (g)	
Initiating Explosives Systems Pty Ltd (a)		Orica International IP Holdings Inc.	USA
Joplin Manufacturing Inc.	USA	Orica International Management Inc.	USA
Karochem International Limited	UK	Orica Investments (Indonesia) Pty Limited (g)	
KC Chemical Industries Pty Limited (d)		Orica Investments (NZ) Limited	NZ
LLC Orica Logistics		Orica Investments (Thailand) Pty Limited (g)	
L.P.I. Finance Proprietary Limited (e)	Russia		

Notes to the Financial Statements

For the year ended 30 September

38. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia	Place of incorporation if other than Australia
Orica Investments Pty Ltd (a)		Pivot Nutrition Pty. Ltd. (e)
Orica Ireland Limited (d)	Ireland	Pivot Supplementary Feeds Limited (e)
Orica Kazakhstan Closed Joint Stock Company	Kazakhstan	Pivot Transport Proprietary Limited (e)
Orica Kimit Explosives AB	Sweden	PT Baktijala Kencana Citra
Orica Kimit Norge AS	Norway	PT Kaltim Nitrate Indonesia
Orica Malaysia Sdn Bhd	Malaysia	PT Orica Mining Services
Orica Mongolia LLC (c)	Mongolia	PT Orica Resindo Mahakam
Orica Nelson Quarry Services Inc.	USA	Quimica Anglo Chilena S.A. (b)
Orica New Zealand Finance Limited	NZ	Quimica Anglo Peruana S.A.C. (b)
Orica New Zealand LP		Retec Pty Ltd (g)
Orica New Zealand Ltd	NZ	Safrans Pty. Ltd. (e)
Orica Nitro Patlayici Maddeler Ticaret	Turkey	Sarkem Pty Ltd (g)
Orica Nitrogen LLC	USA	Selleys Chemical Co NZ Limited (d)
Orica Nominees Pty Ltd (g)		Selleys Pty Limited (a)
Orica Papua New Guinea Limited	PNG	SHE Pacific Pty Ltd (d)
Orica Peru S.A.	Peru	Sprengmittelvertrieb in Bayern GmbH
Orica Philippines Inc	Philippines	Sprengstoff-Verwertungs GmbH
Orica Puerto Rico Inc. (d)	Puerto Rico	Stock Feed Distributors Pty. Ltd. (e)
Orica Securities (UK) Limited	UK	Teradoran Pty Ltd
Orica Share Plan Pty Limited (g)		The Orica Community Foundation Pty Ltd
Orica Singapore Pte Ltd	Singapore	TOP Australia Ltd. (g)
Orica South Africa (Proprietary) Limited	South Africa	Welvic Australia Pty Ltd (g)
Orica U.S. Services Inc.	USA	Woods & Woods Pty Limited (b)
Orica UK Limited	UK	
Orica United Kingdom LP (g)		
Orica USA Inc.	USA	
Orica Venezuela C.A.	Venezuela	
Orica Watercare Inc.	USA	
Orica-CCM Energy Systems Sdn Bhd	Malaysia	
Orica-GM Holdings Ltd	UK	
Oricorp Comercial S.A. de C.V.	Mexico	
Oricorp Mexico S.A. de C.V.	Mexico	
Penlon Pty Limited (g)		
Phoschem Proprietary Limited (e)		
Pivot Agricultural Laboratory Services Pty. Ltd. (e)		
Pivot Employee Share Plan Administration Company Pty Limited (e)		
Pivot Fertilisers Proprietary Limited (e)		
Pivot Motors Pty. Ltd. (e)		
Pivot Nominees Pty. Ltd. (e)		

Notes:

All entities are owned 100% except as set out in note 24.

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

(b) Acquired in 2005.

(c) Incorporated in 2005.

(d) In liquidation.

(e) Liquidated in 2005.

(f) Dissolved in 2005.

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

Notes to the Financial Statements

For the year ended 30 September

Closed Group
2005 2004
\$m \$m

39. 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 38. A consolidated statement of financial position and statement of financial performance for this closed group is shown below.

Statement of financial position

Current assets

Cash assets	1,432.3	1,363.1
Receivables	281.0	302.4
Inventories	242.6	252.8
Other	28.4	28.5
Total current assets	1,984.3	1,946.8

Non-current assets

Receivables	140.3	17.6
Investments accounted for using the equity method	2.3	2.3
Other financial assets	1,591.0	1,559.3
Property, plant and equipment	871.5	743.3
Intangible assets	380.9	372.0
Deferred tax assets	112.2	115.7
Other	59.0	44.0
Total non-current assets	3,157.2	2,854.2

Total assets	5,141.5	4,801.0
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Current liabilities

Payables	402.6	338.3
Interest bearing liabilities	2,499.5	2,096.0
Provisions	121.6	116.6

Total current liabilities	3,023.7	2,550.9
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Non-current liabilities

Payables	0.7	4.6
Interest bearing liabilities	316.6	326.9
Deferred tax liabilities	79.7	76.2
Provisions	97.7	104.4

Total non-current liabilities	494.7	512.1
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Total liabilities	3,518.4	3,063.0
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Net assets	1,623.1	1,738.0
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Equity

Contributed equity	381.2	369.3
Reserves	399.7	418.4
Retained profits	842.2	950.3

Total equity	1,623.1	1,738.0
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Statement of financial performance

Profit/(loss) from ordinary activities before income tax expense	92.8	139.8
Income tax benefit/(expense) attributable to profit from ordinary activities	(10.3)	4.2

Profit/(loss) from ordinary activities after income tax expense	82.5	144.0
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Retained profits at the beginning of the financial year	950.3	880.5
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Retained profits/(losses) of companies joining and leaving the Deed	-	82.4
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Ordinary - final dividend declared/paid	(122.4)	(94.4)
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Ordinary - interim and preference dividends declared/paid	(68.2)	(62.2)
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Retained profits at the end of the financial year	842.2	950.3
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Notes to the Financial Statements

For the year ended 30 September

40. Events subsequent to balance date

- Since the end of the financial year, the directors declared a final dividend of 46 cents per share payable on 16 December 2005. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2005 and will be recognised in the 2006 financial statements.
- On 31 October 2005, Orica announced that a binding Heads of Agreement has been signed to sell Qenos Holdings Pty Ltd to China National Chemical Corporation. The sale is subject to Australian Foreign Investment Review Board and People's Republic of China (PRC) regulatory approvals. Following receipt of these approvals it is anticipated that the transaction will complete early 2006.
- For reporting periods beginning on or after 1 October 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in note 41 to the Financial Statements.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2005, 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.

41. Impact of adopting AASB equivalents to IASB standards

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (AGAAP). Orica has commenced transitioning its accounting policies and financial reporting from current AGAAP to Australian equivalents of International Financial Reporting Standards (AIFRS). The Company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to AIFRS. As a result of these procedures, Orica has graded impact areas as either high, medium or low and has established a project team to address each of the areas. The project team reports to each meeting of the Board Audit and Risk Committee.

At the date of this report, the project team has analysed all the AIFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under AASB 1 - First-time Adoption of Australian Equivalents to International Financial Reporting Standards. It is expected that the consolidated entity will be fully prepared for the transition.

The impact of transition to AIFRS, including the transitional adjustments disclosed below are based on AIFRS that management expects to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report being the half-year ending 31 March 2006. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Group's and the Company's financial position, results of operations and cash flows in accordance with AIFRS. Therefore, this note provides only a preliminary summary - further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of changes in financial reporting requirements arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board, additional guidance on the application of AIFRS in a particular industry or to a particular transaction and changes to the Group's and Company's operations.

There is a significant amount of judgement involved in the preparation of the reconciliations from current AGAAP to AIFRS - therefore the final reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the preliminary reconciliations provided in this note.

The rules for first time adoption of AIFRS are set out in AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 October 2004. AASB 1 allows a number of exemptions and exceptions to this general principle to assist in the transition to reporting under AIFRS.

Notes to the Financial Statements

For the year ended 30 September

41. Impact of adopting AASB equivalents to IASB standards (continued)

Balance Sheets under AIFRS

The following table sets out the expected adjustments to the statements of financial position of the Group and the Company at transition to AIFRS on 1 October 2004:

		Consolidated			Company		
		AGAAP 2004 \$m	Adj \$m	AIFRS 2004 \$m	AGAAP 2004 \$m	Adj \$m	AIFRS 2004 \$m
	Notes						
Current assets							
Cash and cash equivalents		148.9	-	148.9	23.9	-	23.9
Receivables		754.4	-	754.4	419.8	36.1	455.9
Other financial assets		-	-	-	-	-	-
Inventories		744.7	-	744.7	-	-	-
Other assets	(a)	61.6	(10.0)	51.6	-	-	-
Total current assets		1,709.6	(10.0)	1,699.6	443.7	36.1	479.8
Non-current assets							
Receivables	(g)	21.3	(20.1)	1.2	-	-	-
Investments accounted for using the equity method	(e)	65.7	(17.3)	48.4	-	-	-
Other financial assets		-	-	-	1,147.8	-	1,147.8
Property, plant and equipment	(a)(c)(e)	1,518.0	(3.6)	1,514.4	27.4	-	27.4
Intangible assets	(c)(d)(f)	581.8	6.5	588.3	-	-	-
Deferred tax assets	(b)(e)(j)	216.8	54.4	271.2	151.3	(132.4)	18.9
Other assets	(a)	40.1	12.1	52.2	-	12.6	12.6
Total non-current assets		2,443.7	32.0	2,475.7	1,326.5	(119.8)	1,206.7
Total assets		4,153.3	22.0	4,175.3	1,770.2	(83.7)	1,686.5
Current liabilities							
Payables		779.7	-	779.7	4.0	-	4.0
Interest bearing liabilities		385.7	-	385.7	673.1	-	673.1
Current tax liabilities	(f)	28.2	3.0	31.2	-	-	-
Provisions	(f)	193.2	(9.3)	183.9	0.1	-	0.1
Total current liabilities		1,386.8	(6.3)	1,380.5	677.2	-	677.2
Non-current liabilities							
Payables		14.8	-	14.8	-	-	-
Interest bearing liabilities		740.5	-	740.5	-	-	-
Deferred tax liabilities	(j)	151.7	10.7	162.4	96.3	(96.3)	-
Retirement benefit obligations	(b)	-	86.2	86.2	-	42.0	42.0
Provisions	(k)	221.6	24.4	246.0	1.0	-	1.0
Total non-current liabilities		1,128.6	121.3	1,249.9	97.3	(54.3)	43.0
Total liabilities		2,515.4	115.0	2,630.4	774.5	(54.3)	720.2
Net assets		1,637.9	(93.0)	1,544.9	995.7	(29.4)	966.3
Equity							
Parent entity interest							
Contributed equity		369.3	-	369.3	369.3	-	369.3
Reserves	(a)(g)	108.1	(132.0)	(23.9)	95.6	(95.6)	-
Retained profits	(a)	951.2	38.1	989.3	530.8	66.2	597.0
Total parent entity interest		1,428.6	(93.9)	1,334.7	995.7	(29.4)	966.3
Minority interests		209.3	0.9	210.2	-	-	-
Total equity		1,637.9	(93.0)	1,544.9	995.7	(29.4)	966.3

Notes to the Financial Statements

For the year ended 30 September

41. Impact of adopting AASB equivalents to IASB standards (continued)

Balance Sheets under AIFRS

The following table sets out the expected adjustments to the statements of financial position of the Group and the Company as at 30 September 2005.

		Consolidated			Company		
		AGAAP 2005 \$m	Adj \$m	AIFRS 2005 \$m	AGAAP 2005 \$m	Adj \$m	AIFRS 2005 \$m
	Notes						
Current assets							
Cash and cash equivalents		214.7	-	214.7	25.3	-	25.3
Receivables		673.6	-	673.6	426.0	24.3	450.3
Other financial assets		12.3	-	12.3	-	-	-
Inventories		826.3	-	826.3	-	-	-
Other assets	(a)	65.6	(7.9)	57.7	-	-	-
Total current assets		1,792.5	(7.9)	1,784.6	451.3	24.3	475.6
Non-current assets							
Receivables	(g)	144.0	(45.1)	98.9	105.1	-	105.1
Investments accounted for using the equity method	(e)	64.1	(17.3)	46.8	-	-	-
Other financial assets		-	-	-	1,147.7	-	1,147.7
Property, plant and equipment	(a)(c)(e)	1,651.3	(47.5)	1,603.8	27.1	-	27.1
Intangible assets	(c)(d)(f)	576.5	44.3	620.8	-	-	-
Deferred tax assets	(b)(e)(j)	208.6	41.5	250.1	154.6	(134.7)	19.9
Other assets	(a)	33.1	25.3	58.4	-	8.4	8.4
Total non-current assets		2,677.6	1.2	2,678.8	1,434.5	(126.3)	1,308.2
Total assets		4,470.1	(6.7)	4,463.4	1,885.8	(102.0)	1,783.8
Current liabilities							
Payables		909.4	-	909.4	5.8	-	5.8
Interest bearing liabilities		49.5	-	49.5	976.0	-	976.0
Current tax liabilities	(f)	16.5	-	16.5	-	-	-
Provisions	(f)	197.3	0.5	197.8	0.1	-	0.1
Total current liabilities		1,172.7	0.5	1,173.2	981.9	-	981.9
Non-current liabilities							
Payables		9.1	-	9.1	-	-	-
Interest bearing liabilities		1,277.3	-	1,277.3	-	-	-
Deferred tax liabilities	(j)	160.6	16.3	176.9	110.4	(110.4)	-
Retirement Benefit Obligations	(b)	-	73.6	73.6	-	28.0	28.0
Provisions	(k)	197.3	24.4	221.7	1.1	-	1.1
Total non-current liabilities		1,644.3	114.3	1,758.6	111.5	(82.4)	29.1
Total liabilities		2,817.0	114.8	2,931.8	1,093.4	(82.4)	1,011.0
Net assets		1,653.1	(121.5)	1,531.6	792.4	(19.6)	772.8
Equity							
Parent entity interest							
Contributed equity		381.2	-	381.2	381.2	-	381.2
Reserves	(a)(g)	82.2	(149.6)	(67.4)	95.6	(95.6)	-
Retained profits	(a)	996.9	26.4	1,023.3	315.6	76.0	391.6
Total parent entity interest		1,460.3	(123.2)	1,337.1	792.4	(19.6)	772.8
Minority interests		192.8	1.7	194.5	-	-	-
Total equity		1,653.1	(121.5)	1,531.6	792.4	(19.6)	772.8

Notes to the Financial Statements

For the year ended 30 September

41. Impact of adopting AASB equivalents to IASB standards (continued)

Income Statements under AIFRS

The following table sets out the expected adjustments to the statements of financial performance of the Group and the Company for the the year ended 30 September 2005

		Consolidated		Company		
	Notes	2005 AGAAP \$m	Adj \$m	2005 AIFRS \$m	2005 AGAAP \$m	2005 AIFRS \$m
Revenue from ordinary activities	(c)	5,261.6	(64.2)	5,197.4	24.7	24.7
Operating expenses						
Changes in inventories of finished goods and work in progress		51.9	-	51.9	-	-
Raw materials and consumables used and finished goods purchased for resale		(2,880.8)	-	(2,880.8)	-	-
Employee expenses	(g)	(769.8)	(11.6)	(781.4)	-	-
Depreciation and amortisation expense	(d)	(175.9)	35.5	(140.4)	(0.3)	(0.3)
Borrowing costs		(109.5)	-	(109.5)	(60.4)	(60.4)
Purchased services		(351.6)	-	(351.6)	(0.8)	(0.8)
Repairs and maintenance		(144.0)	-	(144.0)	-	-
Property, plant & equipment retired/disposed	(c)	(64.2)	64.2	-	-	-
Property, plant & equipment/Investments written down	(e)	(14.8)	(37.8)	(52.6)	-	-
Outgoing freight		(221.2)	-	(221.2)	-	-
Lease payments - operating leases		(68.2)	-	(68.2)	-	-
Other expenses from ordinary activities including significant items		(184.8)	(9.8)	(194.6)	-	-
Share of associates' net profit equity accounted	(d)	5.3	0.7	6.0	-	-
		(4,927.6)	41.2	(4,886.4)	(61.5)	(61.5)
Profit from ordinary activities before income tax expense		334.0	(23.0)	311.0	(36.8)	(36.8)
Income tax expense attributable to profit from ordinary activities	(k)	(87.2)	(0.5)	(87.7)	12.2	12.2
Profit from ordinary activities after income tax expense		246.8	(23.5)	223.3	(24.6)	(24.6)
Outside equity interests in (profit) from ordinary activities after income tax		(10.5)	(0.8)	(11.3)	-	-
Profit from ordinary activities after income tax relating to members of Orica Limited		236.3	(24.3)	212.0	(24.6)	(24.6)
Non-owner transactions in equity						
Net increase in asset revaluation reserve		-	-	-	-	-
Net increase/(decrease) in general and other reserves		-	-	-	-	-
Net exchange differences on translation of financial reports of foreign controlled entities		-	-	-	-	-
Total revenues, expenses and valuation adjustments relating to members of the parent entity recognised directly in equity		-	-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		236.3	(24.3)	212.0	(24.6)	(24.6)
		cents	cents	cents		
Earnings per share						
Basic earnings per share:						
Ordinary shares		86.6	(8.9)	77.7		
Diluted earnings per share:						
Ordinary shares		85.3	(8.8)	76.6		

Notes to the Financial Statements

For the year ended 30 September

41. Impact of adopting AASB equivalents to IASB standards (continued)

Impact of AIFRS on Retained Earnings

The impact of the transition to AIFRS on retained earnings at 1 October 2004 is summarised below:

	Notes	Consolidated \$m	Company \$m
Retained earnings at 1 October 2004 under AGAAP		951.2	530.8
AIFRS Reconciliation			
- Transfer from realisation and revaluation of assets reserve	(c)	75.6	5.6
- Transfer from general and other reserve	(a)	157.0	90.0
- Transfer from foreign currency translation reserve	(a)	(124.5)	-
- Impairment losses	(e)	(28.0)	-
- Impact of decommissioning and restoration provisions	(k)	(23.7)	-
- Impact of taxation	(j)	39.0	-
- Defined benefit Superannuation Plans Surpluses/Deficits	(b)	(60.2)	(29.4)
- Expensing of share based payments	(g)	3.8	-
- Minority effect of reconciliation items		(0.9)	-
Retained earnings at 1 October 2004 under AIFRS		989.3	597.0

The impact of the transition to AIFRS on retained earnings at 30 September 2005 is summarised below:

	Notes	Consolidated \$m	Company \$m
Retained earnings at 1 October 2004 under AGAAP		951.2	530.8
Movements under AGAAP 2004/05		45.7	(215.2)
Retained earnings at 30 September 2005 under AGAAP		996.9	315.6
1 October 2004 AIFRS adjustments			
- Transfer from realisation and revaluation of assets reserve	(c)	75.6	5.6
- Transfer from general and other reserve	(a)	157.0	90.0
- Transfer from foreign currency translation reserve	(a)	(124.5)	-
- Impairment losses	(e)	(28.0)	-
- Impact of decommissioning and restoration provisions	(k)	(23.7)	-
- Impact of taxation	(j)	39.0	-
- Defined benefit Superannuation Plans Surpluses/Deficits	(b)	(60.2)	(29.4)
- Expensing of share based payments	(g)	3.8	-
- Minority effect of reconciliation items		(0.9)	-
Sub total		1,035.0	381.8
30 September 2005 AIFRS adjustments			
- Impairment losses	(e)	(25.3)	-
- Impact of decommissioning and restoration provisions	(k)	-	-
- Impact of taxation	(j)	(16.0)	-
- Defined benefit Superannuation Plans Surpluses/Deficits	(b)	9.3	9.8
- Expensing of share based payments	(g)	(8.3)	-
- Writeback of goodwill amortisation	(d)	35.5	-
- Restructuring provisions on acquisition	(f)	(6.8)	-
- Writeback of imputed goodwill amortisation		0.7	-
- Minority effect of reconciliation items		(0.8)	-
Retained earnings at 30 September 2005 under AIFRS		1,023.3	391.6

Impact of transition to AIFRS

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below.

a) Reclassifications

On the initial application of AIFRS, Orica will elect to apply the exemption in AASB 1 relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve will be deemed to be zero at the date of transition to AIFRS. As a result of this exemption, the balance of the foreign currency translation reserve of the group at 30 September 2004 will be reset to zero with retained earnings decreasing by \$124.5 million. There is no effect on the parent entity.

On the initial application of AIFRS, Orica will transfer the balance of general and other reserves to retained earnings. The balance of general and other reserves will be decreased by \$157.0 million (Company \$90.0 million) and retained earnings will increase by the same amount.

On the initial application of AIFRS, Orica will reclassify expenditure on major cyclical maintenance from other assets to property,

Notes to the Financial Statements

For the year ended 30 September

41. Impact of adopting AASB equivalents to IASB standards (continued)

plant and equipment. It will then be depreciated over the life of those assets capitalised. As a result of this, current other assets of the group will decrease by \$10.0 million, non current other assets of the Group will decrease by \$14.6 million and property, plant and equipment of the Group will increase by \$24.6 million. There is no effect on the parent entity.

In 2005, Orica will reclassify expenditure on major cyclical maintenance from other assets to property, plant and equipment. It will then be depreciated over the life of those assets capitalised. As a result of this the incremental increase to current other assets of the Group at 30 September 2005 will be \$2.1 million, non current other assets of the Group will increase by \$4.0 million and property, plant and equipment of the Group will decrease by \$6.1 million. There is no effect on the parent entity.

b) Employee Benefits

Under AASB 119 - Employee Benefits, employer sponsors are required to recognise the net surplus or deficit in their employer sponsored defined benefit funds as an asset or liability respectively. This will result in a change in the Group's current accounting policy which requires defined benefit plans to be accounted for on a cash basis, with no defined benefit obligations or plan assets recognised on balance sheet. Under the new policy, Orica will be required to recognise an asset/liability of the defined benefit funds for the net surplus/deficit based on an actuarial calculation of the position of the funds. On transition, the net deficit of the defined benefit funds will be a decrease to retained earnings. Subsequent to transition, Orica will elect to recognise actuarial gains and losses directly to retained earnings.

On transition, superannuation liabilities of the Group will increase by \$86.9 million, deferred tax assets will increase by \$26.7 million and retained earnings will decrease by \$60.2 million. For the Company, superannuation liabilities will increase by \$42.0 million, deferred tax assets will increase by \$12.6 million and retained earnings will decrease by \$29.4 million.

For the financial year ended 30 September 2005, the incremental adjustment for the Group to recognise the decrease in superannuation liability is \$12.6 million, deferred tax assets will decrease by \$3.3 million and retained earnings will increase by \$9.3 million. For the Company, superannuation liabilities will decrease by \$14.0 million, deferred tax assets will decrease by \$4.2 million and retained earnings will increase by \$9.8 million.

c) Property, plant and equipment

Property, plant and equipment will be measured at cost under AIFRS. However, as permitted by the election available under AASB 1, at transition date certain items of property, plant and equipment will be recognised at deemed cost, being a revalued amount prior to transition date that approximates the fair value as at the date of transition.

The realisation and revaluation of assets reserve at 30 September 2004 will be decreased by \$75.6 million (Company \$5.6 million). Retained earnings will increase by the same amount.

Under AIFRS, the profit or loss on disposal of property, plant and equipment will be recognised on a net basis in the income statement rather than separately recognising the consideration as revenue. There is no profit and loss effect of this change. However revenue of the group for 2005 will decrease by \$64.2 million (Company \$nil).

Computer software assets included in property, plant and equipment under AGAAP will be reclassified under AIFRS to intangible assets on transition to AIFRS. This will result in a decrease in the net book value of property, plant and equipment of \$13.3 million at transition date (Company \$nil) and a reduction of \$11.7 million at 30 September 2005 (Company \$nil).

d) Business combinations

An election is available in AASB 1 which provides Orica with the ability to choose whether the acquisition accounting of business combinations prior to transition date is restated under AIFRS. Entities can choose to restate all prior business combinations; only those after a certain date; or none at all. The Group has elected not to restate business combinations prior to transition date.

Under AASB 3 - Business Combinations, amortisation of goodwill (including imputed goodwill on acquisition of investments accounted for using the equity method) is prohibited, and is replaced by annual impairment. This will result in a change in the Group's current accounting policy which amortises goodwill over its useful life but not exceeding 20 years. As a result of not amortising goodwill, the goodwill amortisation expense of the Group will decrease by \$35.5 million in 2005 (Company \$nil) and the share of associates' net profit/(loss) equity accounted will increase by \$0.7 million.

e) Impairment of Assets

Under AASB 136 - Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Group's existing accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under AIFRS, the carrying amount of the Groups non-current assets excluding defined benefit fund assets, deferred tax assets, goodwill and indefinite life intangible assets will be reviewed at each reporting date to determine whether there is any evidence of impairment. If such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount. Goodwill and indefinite life intangible assets will be tested for impairment annually.

The recoverable amount will be estimated for each individual asset or where it is not possible to estimate for individual assets, it will be 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

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For the year ended 30 September

41. Impact of adopting AASB equivalents to IASB standards (continued)

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 assets performance or that may arise from future restructuring.

At the date of transition, due to changes in requirements, a writedown of assets of \$28.0 million will be expensed to retained earnings (Company \$nil) with property, plant and equipment being written down by \$14.9 million, investments in associates by \$17.3 million and deferred tax assets will increase by \$4.2 million.

For the financial year ended 30 September 2005, the incremental adjustment for the Group will be a further writedown of assets of \$25.3 million (Company \$nil) with property, plant and equipment being written down by \$37.8 million and deferred tax assets will increase by \$12.5 million.

f) Provisions

Under AASB 3 - Business Combinations, provisions for restructuring on acquisition of businesses may only be created when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets. The restructuring provisions recognised as part of acquisition accounting under AGAAP and outstanding at 30 September 2004 are not allowable under AIFRS. These provisions have been written back against goodwill at 30 September 2004 (Group \$6.8 million after tax benefit of \$3.0 million, Company \$nil). The spending on these provisions in 2005 of \$9.8 million will be expensed during the year (Company \$nil).

g) Share based payments

Under current AGAAP, no expense is recognised for share based payments to employees. Under AASB 2 - Share based payments, Orica will be required to determine the fair value of share based payments issued to employees as remuneration and recognise an expense in the statements of financial performance with a corresponding increase in equity. This applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. The impact on Orica will be to decrease retained earnings at date of transition by \$3.8 million (Company \$nil) and increase shareholders equity. For the financial year ended 30 September 2005, the expense relating to share based payments is \$11.6 million (Company \$nil) with a corresponding increase in shareholders equity.

AASB 2 also requires 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 will be deducted from shareholders equity on transition to AIFRS amounting to \$20.1 million (Company \$nil).

At September 2005, the incremental amounts receivable from employees in relation to these loans will be deducted from shareholders equity amounting to \$25.0 million (Company \$nil).

In addition, as the dividends on these shares are returned to the Company to reduce the loans, the dividends on these shares are treated as if they were not paid and reversed to retained earnings. The effect of this in 2005 was to increase retained earnings by \$3.3 million, (Company \$nil).

h) Intangible Assets

Under AASB 138 - Intangible Assets, internally generated intangible assets (except development phase expenditure in certain circumstances) will not be recognised and intangible assets can only be revalued if there is an active market. There are no adjustments required regarding internally generated intangible assets.

i) Earnings Per Share

Under AIFRS, earnings per share are calculated using the profit or loss from continuing operation attributable to ordinary shareholders. The basic and diluted earnings per share for the discontinued operations are calculated and disclosed separately. Orica did not have any discontinued operations in 2005.

The restated earnings per share for the year to 30 September 2005 due to the restatement to AIFRS results are:

Basic EPS from continuing operations: 77.7 cents

Diluted EPS from continuing operations: 76.6 Cents

j) Income taxes

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 statements of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

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. Deferred tax is provided using the balance sheet

Notes to the Financial Statements

For the year ended 30 September

41. Impact of adopting AASB equivalents to IASB standards (continued)

liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences will not be provided for: goodwill for which amortisation is not tax deductible, the initial recognition of assets and liabilities that affect neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

As a result there will be a change to the existing accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes are recognised only if realisation of the benefit can be regarded as being assured beyond any reasonable doubt.

Tax Consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. Orica Limited is the parent entity in the tax consolidated group comprising all wholly-owned Australian entities. The implementation date for the tax-consolidated group was 28 August 2003.

Due to the effect of applying UIG 1052 issued in June 2005 on tax consolidation accounting and 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 by the subsidiary entities. 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 equals the amounts initially recognised by the subsidiary entities. There is no adjustment for tax consolidation contribution by (or distribution to) equity participants.

Apart from tax changes arising from other AIFRS changes in this note, the expected impact of the change in basis and the transition adjustments on the deferred tax balances and the previously reported tax expense at 1 October 2004 is an increase in deferred tax assets of \$50.2 million, an increase in provision for income tax payable of \$0.5 million, an increase in deferred tax liabilities of \$10.7 million and an increase in retained earnings of \$39.0 million. No adjustments are expected to be made in respect of the Company except for the adjustments due to UIG 1052 which will result in decrease in deferred tax asset of \$132.4 million, a decrease in deferred tax liabilities of \$96.3 million and an increase in inter-company receivables of \$36.1 million.

For the financial year to 30 September 2005, the incremental adjustment for the Group will be a decrease in deferred tax assets of \$11.3 million, an increase in deferred tax liabilities of \$5.6 million, a decrease in foreign currency translation reserve of \$0.9 million and an increase in tax expense of \$16.0 million. No adjustments are expected to be made in respect of the Company except for the incremental adjustments due to UIG 1052 which will result in decrease in deferred tax asset of \$2.3 million, a decrease in deferred tax liabilities of \$14.1million and a decrease in inter-company receivables of \$11.8 million.

k) Decommissioning and restoration costs of long lived assets

Current AGAAP does not require the recognition of provisions associated with the retirement or disposal of long-lived assets. However, AASB 137 Provisions, Contingent Liabilities and Contingent Assets requires that a provision be recognised when:

- an entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- and a reliable estimate can be made of the amount of the obligation.

Where the Group is required to recognise the provision, the decommissioning, restoration or similar liability to be added to the cost of the asset to which it relates and the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life.

This change will result in an increase in provisions at 1 October 2004 of \$23.7 million (Company \$nil) and with no incremental change in 2005 (Company \$nil). This change will result in an increase in provisions at 1 October 2004 of \$23.7 million (Company \$nil) and with no incremental change in 2005 (Company \$nil).

l) Borrowing Costs

Current AGAAP requires borrowing costs relating to qualifying assets to be capitalised as part of the cost of that asset. Under AIFRS, there is an option to either expense borrowing costs in the period in which they are incurred or to capitalise them as part of the cost of the asset.

Orica will elect to continue its current policy and capitalise borrowing costs as part of the cost of assets. Therefore there is no change to the current treatment.

Notes to the Financial Statements

For the year ended 30 September

41. Impact of adopting AASB equivalents to IASB standards (continued)

m) Classification of Financial Instruments and Hedge Accounting

Orica will take advantage of the election available in AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 October 2005. This allows the Group to apply previous AGAAP to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the September 2006 Financial Report.

Classification

Under AASB 139 - Financial Instruments Recognition and Measurement: Financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are:

- loans and receivables - measured at amortised cost;
- held to maturity - measured at amortised cost;
- held for trading - measured at fair value with fair value changes charged to net profit or loss;
- available for sale - measured at fair value with fair value changes taken to equity; and
- non-trading liabilities - measured at amortised cost.

This will result in a change in the existing accounting policy which does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet.

Recognition of assets and liabilities

Under AASB 139, certain trade finance facilities organised for Orica customers are expected to be brought back onto balance sheet as Orica has guaranteed a portion of those facilities. The guaranteed portion is disclosed in note 30 Contingent liabilities and contingent assets. This is expected to result in an increase in receivables and an increase in borrowings for the Group of \$191.6 million at 1 October 2005. No adjustments are expected for the Company.

Hedge Accounting

Under AASB 139, in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge - fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This may result in a change in the entity's existing accounting policy if hedge transactions are 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.

Under the new policy, hedge accounting may no longer be able to be applied to such contracts, and gains and losses on the contracts may be recognised in the statements of financial performance.

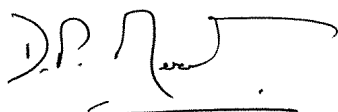
n) Changes in accounting policies

Under AIFRS, changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments, with note disclosure of prior year effects as is the existing practice under AGAAP.

Directors' Declaration on the Financial Report set out on pages 34 to 109

I, Donald Penn Mercer, being a director of Orica Limited, do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

1. (a) the financial statements and notes, set out on pages 34 to 109, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 September 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia 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.
2. There are reasonable grounds to believe that the Company and the subsidiaries identified in note 38 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418 (as amended).
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 September 2005.



D P Mercer
Chairman

Dated at Melbourne this 21st day of November 2005.

Auditor's Report

For the year ended 30 September 2005

Independent audit report to members of Orica Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Orica Limited (the "Company") and Orica Limited Group (the "consolidated entity"), for the year ended 30 September 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

In our opinion, the financial report of Orica Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 September 2005 and of their performance for the financial year ended on that date; and;
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

Alison M Kitchen

Partner

Dated at Melbourne this 21st day of November 2005.

Shareholders' Statistics

As at 8 November 2005

Distribution of Ordinary Shareholders and Shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	29,550	63.81%	13,268,883	4.86%
1,001	–	5,000	14,646	31.63%	30,613,138	11.21%
5,001	–	10,000	1,386	2.99%	9,768,464	3.58%
10,001	–	100,000	642	1.39%	14,299,536	5.23%
100,001 and over			84	0.18%	205,044,802	75.13%
Total			46,308	100.00%	272,994,823	100.00%

Included in the above total are 1,748 shareholders holding less than a marketable parcel of 26 shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 69.77% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
National Nominees Limited	46,799,056	17.13
J P Morgan Nominees Australia Limited	33,855,928	12.39
Westpac Custodian Nominees Ltd	30,207,633	11.06
RBC Global Services Australia Nominees Pty Limited	22,953,324	8.40
Citicorp Nominees Pty Limited	12,178,051	4.46
Cogent Nominees Pty Limited	11,100,109	4.06
ANZ Nominees Limited	8,642,128	3.16
Queensland Investment Corporation	4,152,383	1.52
AMP Life Limited	3,482,101	1.27
Australian Foundation Investment Company Limited	2,230,286	0.82
Citicorp Nominees Pty Limited <CFS WSLE Geared Shr Fund A/C>	2,152,603	0.79
Tasman Asset Management Ltd	1,847,228	0.68
HSBC Custody Nominees (Australia) Limited	1,836,258	0.67
Bond Street Custodians Limited	1,740,955	0.64
Argo Investments Limited	1,469,029	0.54
Citicorp Nominees Pty Limited <CFS WSLE Imputation FND A/C>	1,466,773	0.54
PSS Board	1,259,178	0.46
Government Superannuation Office <State Super Fund A/C>	1,225,840	0.45
Mr Malcolm Broomhead	1,000,000	0.37
Citicorp Nominees Pty Limited <CFS Imputation Fund A/C>	978,145	0.36
Total	190,577,008	69.77

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:

9 September 2005	Perpetual Trustees Australia Limited	32,780,478	12.00%
30 September 2005	Merrill Lynch & CO., Inc	13,749,839	5.03%

Shareholders' Statistics

As at 8 November 2005

Distribution of Preference Shareholders and Shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	227	73.94%	68,042	3.40%
1,001	–	5,000	38	12.38%	105,349	5.27%
5,001	–	10,000	22	7.17%	170,824	8.54%
10,001	–	100,000	18	5.86%	516,684	25.83%
100,001 and over			2	0.65%	1,139,101	56.96%
Total			307	100.00%	2,000,000	100.00%

Included in the above total are 173 shareholders holding less than a marketable parcel of 459 shares.

The holdings of the 20 largest holders of 5% cumulative preference shares represent 82.83% of that class of shares.

Twenty largest 5% cumulative preference shareholders

	Shares	% of total
IAG Nominees Pty Limited	938,722	46.94
Mr Ian Edward Morton	200,379	10.02
Winpar Holdings Limited	65,944	3.30
Mr John Frederick Bligh	58,153	2.91
J S Millner Holdings Pty Ltd	55,300	2.77
Oceanridge Limited	41,150	2.06
Patmic Pty Limited	40,300	2.02
Ms Nina Tschernykow	34,500	1.73
Gowing Bros Ltd	33,400	1.67
Robert John Charles Catto	27,048	1.35
Great Northern Laundry Pty Ltd	26,000	1.30
Mr Allistair Hazard	22,600	1.13
Mr Eric Raymond Arnold Elsey	21,917	1.10
RFC Investment Holdings P/L	16,936	0.85
Mr Douglas Robert Graham Neild	15,500	0.78
Mrs Deborah Lee Morton	14,136	0.71
Miss Hazel Lilian Neild	11,250	0.56
Luaz Pty Limited	11,000	0.55
Ms Helen Margaret Russell	11,000	0.55
Mr Solomon Abraham	10,550	0.53
Total	1,655,785	82.83

Voting rights

Voting rights as governed by the Constitution of the company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

(a) on a show of hands, one vote only;

(b) on a poll, one vote for every fully paid ordinary share held.

No voting rights attach to the 5% cumulative preference shares except as defined in the Constitution.

Ten Year Financial Statistics

Orica consolidated		2005 \$m
Sales		5,126.7
Earnings before depreciation, amortisation, net borrowing costs and tax		753.1
Depreciation and amortisation (excluding goodwill)		(140.4)
Goodwill amortisation		(35.5)
Earnings before net borrowing costs and tax (EBIT)		577.2
Net borrowing costs		(103.1)
Individually significant items before tax		(140.1)
Taxation expense		(87.2)
Outside equity interests		(10.5)
Operating profit after tax and individually significant items		236.3
Individually significant items after tax attributable to members of Orica		(98.6)
Operating profit after tax before individually significant items (net of tax)		334.9
Dividends		190.6
Current assets		1,792.5
Property, plant and equipment		1,651.3
Investments		64.1
Intangibles		576.5
Other non-current assets		385.7
Total assets		4,470.1
Current borrowings and payables		958.9
Current provisions		213.8
Non current borrowings and payables		1,286.4
Non current provisions		357.9
Total liabilities		2,817.0
Net assets		1,653.1
Shareholders' equity		1,460.3
Equity attributable to minority interests		192.8
Total shareholders' equity		1,653.1
Number of ordinary shares on issue at year end	millions	273.1
Weighted average number of ordinary shares on issue	millions	272.8
Earnings per share		
before individually significant items	cents	122.7
including individually significant items	cents	86.6
Dividends per share	cents	71.0
Dividend franking	%	32.4
Dividend yield (based on year end share price)	%	3.4
Share price range – High		\$21.55
Low		\$14.32
Year end		\$21.00
Stockmarket capitalisation at year end	\$m	5,735.2
Net tangible assets per share	\$	3.23
Profit margin (earnings before net borrowing costs and tax/sales)	%	11.3
Net debt		1,112.1
Gearing (net debt/net debt plus equity)	%	40.2
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	times	5.6
Net capital expenditure on plant and equipment (Cash Flow)		(234.9)
Net capital expenditure on acquisitions/(disposals) (Cash Flow)		(59.2)
Return on average shareholders funds		
before individually significant items	%	23.2
including individually significant items	%	16.4

2004 \$m	2003 \$m	2002 \$m	2001 \$m	2000 \$m	1999 \$m	1998 \$m	1997 \$m	1996 \$m
4,610.5	3,958.6	4,085.2	4,041.9	3,672.7	3,959.8	3,935.2	3,602.1	3,457.6
724.2	617.5	581.8	349.7	442.5	479.7	560.5	597.5	506.7
(137.7)	(155.1)	(161.3)	(161.2)	(145.5)	(160.2)	(147.8)	(153.0)	(125.7)
(33.2)	(20.1)	(10.5)	(14.1)	(15.9)	(15.9)	(23.6)	(5.9)	(4.7)
553.3	442.3	410.0	174.4	281.1	303.6	389.1	438.6	376.3
(72.3)	(60.7)	(59.5)	(64.0)	(46.0)	(45.2)	(62.7)	(37.0)	(26.2)
(46.6)	(208.7)	(48.1)	(280.4)	(46.7)	(33.7)	126.3	(152.9)	(35.9)
(80.9)	(59.3)	(72.5)	(36.6)	(65.1)	(26.7)	(1.8)	(97.9)	(95.9)
(25.7)	(12.9)	(16.3)	13.9	(9.6)	(11.8)	(16.0)	(18.6)	(21.2)
327.8	100.7	213.6	(192.7)	113.7	186.2	434.9	132.2	197.1
2.2	(169.6)	(25.5)	(255.0)	(33.3)	29.8	230.3	(110.0)	(23.0)
325.6	270.3	239.1	62.3	147.0	156.4	204.6	242.2	220.1
156.6	50.0	122.9	44.3	96.4	100.8	134.1	134.0	130.5
1,709.6	1,282.6	1,270.3	1,433.9	1,364.7	1,377.8	1,387.5	1,184.2	1,130.0
1,518.0	1,436.8	1,414.1	1,621.4	1,484.0	1,444.3	1,736.2	1,591.7	1,568.6
65.7	86.4	234.2	244.2	264.6	239.4	17.3	1.5	1.1
581.8	441.7	135.5	155.0	249.6	258.4	297.0	65.6	44.6
278.2	307.8	311.1	276.0	216.4	209.7	209.4	118.6	99.1
4,153.3	3,555.3	3,365.2	3,730.5	3,579.3	3,529.6	3,647.4	2,961.6	2,843.4
1,165.4	683.3	640.0	887.4	845.0	811.4	870.7	1,065.4	623.1
221.4	169.6	248.2	303.8	266.3	312.3	340.4	294.0	262.1
755.3	812.7	727.8	869.2	552.3	534.0	579.7	162.8	238.7
373.3	309.2	255.1	267.4	271.9	274.7	343.2	259.7	203.8
2,515.4	1,974.8	1,871.1	2,327.8	1,935.5	1,932.4	2,134.0	1,781.9	1,327.7
1,637.9	1,580.5	1,494.1	1,402.7	1,643.8	1,597.2	1,513.4	1,179.7	1,515.7
1,428.6	1,384.9	1,373.0	1,283.2	1,511.4	1,476.7	1,390.0	1,072.0	1,440.5
209.3	195.6	121.1	119.5	132.4	120.5	123.4	107.7	75.2
1,637.9	1,580.5	1,494.1	1,402.7	1,643.8	1,597.2	1,513.4	1,179.7	1,515.7
270.1	277.6	279.1	277.3	275.8	273.2	268.8	266.5	296.4
273.5	277.9	278.0	275.9	274.6	270.6	267.1	290.7	296.4
119.0	97.2	86.0	22.5	53.5	57.8	76.6	83.3	74.2
119.8	36.2	76.8	(70.0)	41.4	68.8	162.8	45.4	66.5
68.0	52.0	44.0	16.0	35.0	37.0	50.0	48.0	44.0
41.2	21.1	34.0	100.0	32.0	37.9	42.0	100.0	65.7
3.9	4.3	4.6	3.7	6.1	4.5	6.1	3.7	3.6
\$17.55	\$12.47	\$9.85	\$6.08	\$8.66	\$9.60	\$13.12	\$13.85	\$12.25
\$11.92	\$8.15	\$4.22	\$4.04	\$5.58	\$7.97	\$7.80	\$10.80	\$8.93
\$17.30	\$12.00	\$9.52	\$4.34	\$5.73	\$8.25	\$8.20	\$13.14	\$12.25
4,672.0	3,331.2	2,656.9	1,203.3	1,580.1	2,253.5	2,204.5	3,501.7	3,631.1
3.13	3.40	4.43	4.07	4.58	4.46	4.07	3.78	4.71
12.0	11.2	10.0	4.3	7.7	7.7	9.9	12.2	10.9
977.3	877.0	679.7	984.1	777.4	709.8	801.1	658.6	304.0
37.4	35.7	31.3	41.2	32.1	30.8	34.6	35.8	16.7
7.7	7.3	6.9	2.7	6.1	6.7	6.2	11.9	14.4
(126.9)	(43.6)	(15.3)	(213.8)	(241.5)	(221.5)	(223.1)	(203.2)	(332.8)
(253.9)	(342.7)	(1.3)	(131.7)	144.9	12.5	(3.9)	(2.9)	10.3
23.1	19.6	18.0	4.5	9.8	10.9	16.6	19.3	15.6
23.3	7.3	16.1	(13.8)	7.6	13.0	35.3	10.5	14.0

Shareholder Information

Annual General Meeting

10.30am Tuesday 24 January 2006. The Auditorium, Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Victoria.

Stock Exchange Listing

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

Orica Share Registry

Link Market Services Limited
Level 4, 333 Collins Street,
Melbourne Victoria 3000
Australia

GPO Box 1736
Melbourne Victoria 3001

Telephone: 1300 301 253
(for callers within Australia)
International: +613 9615 9742
Facsimile: +613 9615 9124
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) Exemption 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 the Share Registrar's 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 hit 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 the Share Registrar's website at www.linkmarketservices.com.au/orica.

Shareholders should be aware that any cheques that remain uncashed after approximately two years from a dividend payment, are required to be handed over to State Trustees under the Unclaimed Monies 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 SRNs 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 number), or change the details online at the Share Registrar's website at www.linkmarketservices.com.au.

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 InvestorLine on 1300 301 253. This is a 24 hour, seven days a week service. Before you call, make sure you have your security holder reference number (SRN) or holder identification number (HIN) handy.

You can do so much more online via the internet

Visit Link Market Services' website: www.linkmarketservices.com.au/orica and 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 Tax File Number (TFN) or Australian Business Number (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 Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

Orica Communications

Orica's internet site: www.orica.com offers shareholder publications, news releases, announcements to the ASX, and the text of the Chairman's and Managing Director's addresses at the AGM. The website provides essential information about the company and offers insights into Orica's businesses.

Orica's printed communications for shareholders includes the Annual Report, Business Overview and the Safety, Health & Environment Performance Report which provide a review of the company's performance in the twelve months to 30 September.

Shareholders may elect to receive the annual report, no 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 receive the annual report. If you wish to change your annual report election please contact the Share Registrar or visit the Share Registrar's website.

We can now provide electronic dividend statements, notices of meeting and proxy forms. Electronic transmission enhances shareholder communication, results in significant cost savings for the company and is more environmentally friendly.

Shareholders wishing to receive all communications electronically should visit the Orica Limited Share Registry website www.linkmarketservices.com.au/orica to register their preference.

Copies of publications are available on request.

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Auditors

KPMG

Orica Limited

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Investor Relations

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Shareholder Timetable*

13 January 2006	Books close for 2005 final preference dividend
24 January 2006	Annual General Meeting
31 January 2006	Final preference dividend paid
31 March 2006	Orica Half Year End
25 May 2006	Half year profit and interim dividend announced
14 June 2006	Books close for 2006 interim ordinary dividend
7 July 2006	Interim ordinary dividend paid
14 July 2006	Books close for 2006 interim preference dividend
31 July 2006	Interim preference dividend paid
30 September 2006	Orica Year End
20 November 2006	Full year profit and final dividend announced
30 November 2006	Books close for 2006 final ordinary dividend
15 December 2006	Final ordinary dividend paid
12 January 2007	Books close for 2006 final preference dividend
24 January 2007	Annual General Meeting
31 January 2007	Final preference dividend paid

* Timing of events is subject to change

Online information

We are committed to keeping all our shareholders well informed and regularly update our website – www.orica.com



ORICA SHARE PRICE

Updated every 15 minutes.



ASX RELEASES

Updated on announcement to Australian Stock Exchange.



POWERPOINT PRESENTATIONS

Updated from investor and analyst roadshows.



EXCEL SPREADSHEET

Updated yearly for past nine years.



WEBCAST

Updated half-yearly and annually with results webcasts.



ANNUAL REPORTS

Updated annually with annual reports for past five years.



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