Annual Report 2006

Contents

About Orica

Orica is one of the leading publicly-owned companies. We are also one of the few truly global Australian based companies, with operations in around 50 countries and customers in twice that many.

We have evolved from a supplier of explosives to the Victorian goldfields in 19th Century Australia into a multi-billion dollar company that is currently ranked as one of the top 40 companies listed on the Australian Stock Exchange based on market capitalisation.

Orica's proud tradition of leadership, innovation, quality and safety are shared by our 13,000 people located in around 50 nations across six continents. Upon completion of the recently announced acquisition of Minova (expected completion December 2006), the number of Orica employees will increase to more than 14,000.

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. Each of our businesses – Orica Mining Services, Orica Consumer Products, Chemnet and Chemical Services – is the leader in its chosen market and enjoys a world class reputation.

At Orica, we care about people and the environment. We acknowledge our environmental, social and community obligations. Meeting those obligations is important to us, our customers and the community, and contributes to our aim to conduct our business in a sustainable manner.

Orica is the global market leader in our largest business, Orica Mining Services and the Australian market leader in our Orica Consumer Products, Chemnet and Chemical Services businesses.

Orica Mining Services offers commercial explosives, initiating systems and Blast-Based Services 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. The recently completed acquisition of parts of Dyno Nobel's commercial explosives business is highly complementary to Orica's Mining Services operations and provides significant opportunities for synergy and growth.

Orica Consumer Products is Australia and New Zealand's leader in decorative, preparation, and lawn and garden care products.

The business manufactures and markets icon brands including 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.

Chemnet is Australasia's trading and distribution solutions business, servicing more than 40 key industries.

The business is based in Australia and operates in New Zealand, China, Hong Kong, Fiji, Indonesia, Thailand, Malaysia, Singapore, Peru and Chile. Using its product sourcing expertise and extensive supply chain network, Chemnet sources more than 10,000 products from around 400 suppliers and markets to more than 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 the United States and the United Kingdom. Chemical Services operates three separate business units: Watercare, Mining Chemicals and Industrial Chemicals.

The way we do business

Orica's business activities are guided by our three pillars:

- **Strategy** – planning for business growth
- **Efficiency** – productivity improvements and capital management
- **Culture** – having common attitudes, behaviours and ethics.

Underpinning the three pillars of Strategy, Efficiency and Culture are Orica's value drivers:

- Organic growth, mergers and acquisitions
- Cost productivity (reducing the total costs incurred for each dollar gross margin of sales)
- Capital productivity (reducing the amount of fixed and working capital required to produce each dollar of sales)
- The four 'Deliver the Promise' principles supporting our performance-based culture and against which our performance is measured. These principles – Safety, Health and the Environment, Commercial Ownership, Creative Customer Solutions and Working Together – are all supported by appropriate systems and processes. Our culture empowers and motivates our people to achieve long-term, sustainable results.

At Orica, we endeavour to meet our environmental, social and community obligations in a sustainable manner. We believe that responsible corporate practices will not only benefit society, but will also enhance our financial performance.

Chairman's Report

I am pleased to report that your company has performed strongly again this year and has continued to pursue growth opportunities that will contribute to further success in the future.

Net profit after tax and individually material items increased by 159% on the full year result for 2005. Overall, Orica's underlying earnings for the year improved with net profit after tax and before individually material items up 12% on the previous year's result to $380M.

It is pleasing to be able to share the company's success with our shareholders in the form of increased dividends. The Board has declared a final dividend of 48 cents per share, franked at 21 cents per share. This brings the total dividend for the year to 74 cents per share franked at 30 cents per share, which represents an increase of 4% on the dividend in 2005.

In line with the strategy endorsed by the Orica Board, our businesses have continued to pursue productivity and efficiency improvements in order to establish a solid foundation for growth in the form of geographic expansion, organic growth, brownfield expansion, category expansion, and mergers and acquisitions.

Among our most notable projects this year was the expansion of our ammonium nitrate facility at Yarwun, Australia, which is now the largest of its kind in the world. Our acquisition of parts of Dyno Nobel's commercial mining services business was also completed this year, making Orica, by some distance the world's largest manufacturer and distributor of commercial explosives, initiating systems and blast-based services. The recently announced acquisition of leading mining services company Minova (expected completion December 2006) will present Orica with a number of other growth opportunities in the future.

These achievements were all made possible by the skill, effort and enthusiasm of our employees. Whilst the company retains its origins in Australia, the majority of Orica's employees are now located outside Australia and New Zealand, and we service customers in more than 100 countries. However, no matter where they are located, our people all share the same commitment to delivering the very best that Orica has to offer and to driving the company forward to even greater success. On behalf of the Board, I would like to thank all of the Orica team.

We continue to benefit from our commitment to recruiting, developing, motivating and retaining the best people at all levels within the organisation, but especially at the executive level where our strength in succession planning enables us to quickly fill many key positions as they become vacant.

That success is evidenced by the results and achievements of our individual business platforms. This year, Orica Mining Services delivered a record result that reflected strong demand in all regions. Earnings Before Interest and Tax (EBIT) increased 21% to $412M, which included a contribution of $26M from the acquired Dyno Nobel businesses over the four-month period since completion of the acquisition.

The businesses acquired from Dyno Nobel are being successfully integrated into the Orica Mining Services business, and synergies and other benefits are already starting to be realised. In addition to the expansion of the Yarwun ammonium nitrate facility, the capacity of the ammonium nitrate facility at Kooragang Island in Australia was also increased, with further expansion facilitated to respond to increased demand in the future. There is ongoing growth in electronic detonators as our world class products continue to deliver performance and productivity improvements to our customers.

Our Chemical Services business also delivered a record result, reflecting strong performance by Mining Chemicals, firm caustic soda pricing and the successful integration of the Aluminates business acquired in 2005. Sales revenue increased 16% on the full year result last year to $477M, while EBIT was up 10% to $67M.

Progress continues on the commercialisation of MIEX® resin for water purification and there are now nine MIEX® plants operating worldwide, with a further eight approved for construction.

During the year we commissioned a 20ktpa uprate of the Yarwun sodium cyanide plant and announced a further 20ktpa uprate that is expected to be commissioned in 2008.

An agreement has been reached to sell the Australian and New Zealand Adhesives & Resins businesses to Hexion Specialty Chemicals, subject to approval by the Australian Competition and Consumer Commission (ACCC).

Orica Consumer Products delivered a satisfactory result in a soft market, with ongoing gains in market share. Sales increased 2% to $785M, while EBIT decreased marginally to $97M.

The business has continued to deliver productivity savings that provide additional resources for business development and brand building investments. Sales force effectiveness initiatives have resulted in improved revenue from the Australian trade paint market. Woodcare sales were boosted by new product launches, while Selleys has also benefited from new product launches, and manufacturing efficiency improvements.

Chemnet was impacted by difficult trading conditions. EBIT decreased 26% to $58M, and sales decreased 4% as the Australian and New Zealand businesses were impacted by loss of market share and slower end markets for customers. The initial benefits of a business restructure were becoming evident in the second half of the financial year, with Chemnet's cost base significantly reduced.

Business restructure has been a major focus for Chemnet this year, together with refining the product range and improving supply chain efficiency. Many of the activities associated with these objectives have been completed and benefits will be realised during the 2007 financial year.

During this year, Orica divested its 70% shareholding in Incitec Pivot Limited. The final sale price was a positive outcome for Orica shareholders and provides further scope for Orica to re-invest in its remaining business platforms that deliver attractive returns. The sale of the Qenos joint venture to China National Chemical Corporation was also completed this year.

As we look to the future with our re-shaped portfolio, we acknowledge our responsibility to find solutions to the contamination of soil and groundwater generated by historic operations. We strive to meet our environmental and social responsibilities, and to meet the expectations of the communities within which we operate. We set ourselves high standards under the Challenge 2010 program to ensure that the safety and health of our people and communities, our environmental performance and our relationships with our local communities remain our highest priority.

The strategy and culture put in place by Orica, combined with the company's high standards in all aspects of its operation, give us confidence that we can continue delivering results that reward our shareholders for their faith in us.

Don Mercer
Chairman

Managing Director's Report

Having now completed my first full year as Managing Director and Chief Executive Officer, I am pleased to report a continuing trend of record results with net profit after tax (NPAT) and individually material items up 159% to $539M. NPAT before individually material items was up 12% on the previous corresponding period to $380M.

Orica Mining Services and Chemical Services both had an exceptionally strong year. Orica Mining Services is now reaping the rewards of the effort invested over the past few years to improve its performance. Revenue increased 32% on the previous corresponding period, reflecting strong demand and growth across all regions. Integration of the businesses acquired from Dyno Nobel has proceeded smoothly and those businesses contributed $26M to Orica Mining Services' earnings, although reported margins were impacted by the inclusion of Dyno which operates at lower margins than the group average.

The ammonium nitrate expansion, which almost doubled capacity at our Yarwun plant in Australia, was successfully commissioned in August. Yarwun is now the largest industrial grade ammonium nitrate plant in the world, ahead of Orica's plant in Carseland, Canada. We expect this expansion project to deliver strong returns on investment in the next financial year.

Chemical Services also performed strongly, delivering another consecutive year of earnings growth. Factoring in last year's Aluminates acquisition, sales revenue increased 16% while profitability increased 10%.

A 20ktpa uprate of the sodium cyanide plant at Yarwun to 80ktpa has been approved to take advantage of growing demand in the gold mining sector.

MIEX® commercialisation continues to gather momentum and it is expected to move through financial breakeven in 2008.

Orica Consumer Products' (OCP) sales increased 2% on last year, and the business has improved its market position versus its largest competitors in a soft market. Increased marketing spend has supported successful new product launches such as Dulux Once and Aquanamel.

Several projects were completed aimed at improving the customer offering. These included the establishment of Retail Select, an in-house merchandising service in Australia, and the re-launch of the Yates product range. In addition, a combined distribution facility for the Australian OCP businesses was established to improve supply chain efficiency.

Our Chemnet business faced slower market conditions and a loss of market share in some sectors such as automotive, building and construction, and health and nutrition. This year sales were down 4%. Chemnet has reassessed its product range and commenced a process of supply chain restructure, and many unprofitable lines have been exited.

A business restructure has been implemented progressively over the second half of the year with significant cost savings already achieved. The total cost of the restructure is estimated at $35M after tax and has been disclosed as an individually material item in the year ended 30 September 2006.

There has been a continued focus on initiatives aimed at productivity improvement. We remain committed to improving not only our own productivity, but also that of our customers. Understanding how our processes deliver value to our customers is part of the customer-driven, continuous improvement culture that is developing across Orica. Structured methodologies are being introduced to support our efforts to eliminate process defects and effect sustainable productivity improvements.

It was a mere five years ago that Orica embarked on a process of transformation that included focusing on efficiency and productivity. We also adopted a strategy of securing leadership positions in selected niche markets. We require our businesses to meet our strict financial criteria of 18% Return on Net Assets (RONA) before they can 'earn the right to grow', and growth opportunities are always pursued 'close to the core', that is in closely-related businesses, to maximise synergy benefits.

This strategy is a relatively low risk approach that has the potential to deliver superior returns to our shareholders.

Growth is pursued in four main areas: industry and organic growth, productivity improvements, expansion capital expenditure, and mergers and acquisitions. Our businesses have strong operating cash flows that help fund future growth.

Orica's business portfolio is also being re-shaped through divestment. During the year, Orica exited the fertiliser industry by divesting its 70% stake in Incitec Pivot Limited, and the sale of Qenos was completed. We maintain our strong position by completely aligning our portfolio of businesses with our strategic objectives.

Orica's transformation can also be attributed to the high-performance culture that motivates and rewards our employees. Those employees are spread across six continents and, upon completion of the recently announced Minova acquisition (expected December 2006), will number more than 14,000. We value our people and recognise their contribution to the company's success. We also know that in order to continue to be successful, we must recruit and retain the very best people. Our Young Professionals Program attracts some of the brightest and most enthusiastic young people to the organisation. We nurture, develop and encourage all of our employees to reach their full potential which, in turn, drives Orica forward.

A key measure of the success of Orica's transformation is the company's share price which has increased by nearly 420% since 2001.

Personally, I also measure our success by how well we look after our people's health and safety, the environment and the communities within which we operate. Overall, our safety performance is improving. Regrettably, one of our colleagues at the Incitec Pivot Mackay site was fatally injured, and we have implemented a number of actions in direct response to this incident. It is unacceptable that any of our people should lose their life at work, and I continue to make it my personal mission to drive that message through the organisation. The pursuit of solutions to the environmental issues resulting from historical operations at some of our sites remains a priority. This year we submitted an application to export the hexachlorobenzene (HCB) waste currently stored at our Botany site in Australia to Europe for safe destruction by incineration. Increased communication and consultation have resulted in significantly improved relationships with many of our local communities.

I am proud to reflect on Orica's success and I look forward to continued success in the future. We can now be regarded as a truly global organisation that is moving forward with strength and confidence.

Graeme Liebelt
Managing Director and CEO

Review of Operations

Orica's net profit after tax (NPAT) and individually material items for the year ended 30 September 2006 of $539M was up 159% compared with the previous corresponding period (pcp). NPAT before individually material items was up 12% on the pcp, to $380M(1).

Financial Highlights

- Sales revenue up 5% to $5.4 billion.
- EBIT up 9% to $658M(1).
- Earnings per share(1) pt up 1% to 125.5 cents
- Return on shareholders' funds(2) down from 25.5% for the pcp to 19.3% due to an expanded capital base to fund the Dyno Nobel acquisition.
- Gearing(2) at 10.2%, down from 42.3% in pcp.
- Net interest expense $92M, down 10%, with interest cover of 7.1 times.
- Final dividend is 48 cents per share (cps) - franked at 21 cps. Total dividend for 2006 is 74 cps (2005: 71 cps), franked at 30 cps (40.5%).

(1) Before individually material items.
(2) Net debt/net debt + book equity.

Business Highlights

- Record result in Orica Mining Services (EBIT +21%) reflecting strong demand in all regions and resilience to higher input costs.
- Earnings from the newly acquired Dyno businesses were $26M for the period June 2006 to September 2006.
- Record result in Chemical Services (EBIT +10%) reflecting a strong performance in Mining Chemicals, firm caustic soda pricing and the successful integration of the 2005 Aluminates acquisition.
- Orica Consumer Products performed satisfactorily in a softer retail market (EBIT –3%) with ongoing gains in market share.
- Weaker Chemnet performance (EBIT – 26%) due to lower volumes compared to the prior period. A restructure of the group was announced in April 2006 and $9M of cost savings were achieved in the second half.

Outlook – 2007

- Subject to global economic conditions, group net profit before individually material items in 2007, is expected to be higher than that reported in 2006, as we look forward to a full year contribution from the acquired Dyno businesses and the recently commissioned ammonium nitrate expansion at Yarwun, in addition to improved earnings across our existing businesses. We also expect a nine month earnings contribution from the recently announced Minova acquisition.

Revenue

Sales revenue increased by $233M (+5%) to $5,359M. Major factors were:

- Sales revenue from acquired businesses (+$325M).
- Underlying revenue, excluding acquisitions, divestments and foreign exchange impacts, of $4,413M improved $407M (+10%), driven primarily by:
  - Improved performance from Orica Mining Services due to strong demand in all regions +$386M and;
  - Revenue improvement in Chemical Services (+$55M) due to a strong performance from Mining Chemicals and firm caustic soda pricing;

  Partly offset by:
  - A reduction in Chemnet's underlying sales of $60M (-6%) primarily due to lower volumes.
- Revenue increased $8M due to a favourable foreign exchange impact versus the pcp.
- Other income increased $434M on pcp to $499M, due to the profit on asset sales (Incitec Pivot Limited (IPL)) $409M and the joint venture Kimit mining business $6M).

Earnings Before Interest And Tax (EBIT)

- Total EBIT increased 9% to $658M (pcp $601M) primarily due to:
  - EBIT from acquired businesses (+$37M);
  - Improvement in underlying earnings from Orica Mining Services (+$46M);
  - A record performance from Chemical Services (+$6M);
  - Lower corporate project spend (+$12M) compared to the pcp.

  Offsetting:
  - A reduction in Chemnet's earnings (-$21M) due to difficult trading conditions experienced by the business primarily impacting volumes; and
  - Lower fertiliser contribution due to the sale of IPL during the year (-$9M).

Interest

- Net interest expense was $92M compared with $103M pcp. This reduction was due to:
  - A decrease in average net debt levels partly offset by the impact of holding large cash balances during the last quarter at lower interest rates than incurred on gross debt;
  - Higher capitalised interest relating to the Yarwun ammonium nitrate project ($9M).

  Partly offset by:
  - unwinding of discounting on the Botany Groundwater provision ($5M).
- Interest cover was 7.1 times (pcp 5.9 times).

Tax

- Tax expense was $156M with an effective tax rate of 27.7% (pcp: 27.1%).

Net Profit

- Net profit after tax and individually material items was up 159% to $539M (pcp: $208M).
- Net profit after tax and minority interests but before individually material items increased 12% to $380M (pcp: $340M).

Review of Financial Performance

Individually Material Items

- Individually material items amounted to a gain of $159M after tax (2005 loss of $132M). Major items in the current year were:
  - Profit on sale of Incitec Pivot Limited (IPL) of $409M;

  Partly offset by:
  - Legacy provisions totalling $86M relating to: the treatment and export of HCB waste and treatment of contaminated soil at the Botany site ($49M); remediation of the disused Villawood site in Sydney ($23M) and Orica's share of the provision for the remediation of IPL's Cockle Creek facility ($14M);
  - Restructuring and rationalisation costs of $43M relating to the restructure of Chemnet announced April 2006 ($35M) and the closure of the Seneca site ($8M);
  - Integration and financing items relating to the acquired Dyno businesses ($76M);
  - Asset write-downs relating to the Adhesives & Resins business in Indonesia ($10M);
  - Environmental provision for the remediation of the Seneca ammonium nitrate (AN) facility in Illinois ($19M); and
  - Provision for tax indemnity relating to the Crop Care business that was sold in 2002 ($16M).

Share Buyback

- The Orica on-market share buyback was re-activated in July 2006. During the financial year a total of 3.6M shares were bought back at an average price of $22.53 per share.

Dividend

- Directors have increased the final dividend by 4% to 48 cps (pcp: 46 cps) franked at 21 cps. Franking capacity in the near term is forecast to be no higher than 35%.

Mergers & Acquisitions, Development

- Completed the acquisition of the Dyno Nobel businesses announced September 2005.
- Completion of the sale of Qenos to China National Chemical Corporation.
- Sale of Orica's 70% stake of IPL, via a share placement to institutional investors and a selective buy back conducted by IPL. Gross proceeds of $857M with after tax profit on sale of $409M.
- The uprate of the Yarwun ammonium nitrate complex was successfully commissioned in August 2006.
- The sale, subject to Australian Competition and Consumer Commission (ACCC) approval, of the Australian and New Zealand Adhesives & Resins businesses to Hexion Speciality Chemicals for an undisclosed sum above book value.
- On 17 October 2006, Orica announced it had agreed to purchase mining services company Minova for $870M including transaction costs ($13M). Subject to regulatory approvals, completion is expected by the end of calendar year 2006.

Balance Sheet

- Trade working capital increased $26M (4%) to $630M from the previous corresponding period (pcp). The increase was mainly attributable to changes in business mix AIFRS impact on pcp debtor comparatives ($82M) and sales revenue growth impacting debtors.
- Excluding the impact of acquisitions and divestments, trade working capital increased by $58M (13%). The increase was due to sales growth across most businesses and an increase in debtors resulting from trade finance recognised at 30 September 2006 in accordance with AIFRS (not in pcp).
- On an underlying basis, excluding the impact of acquisitions, divestments and AIFRS adjustments on pcp, trade working capital decreased by $24M (4%) on the pcp, and the working capital to sales ratio fell to 11.6% from 13.4%.
- During the period the improved underlying creditors performance ($32M) was largely due to an improvement in payment terms across the group while inventories declined ($45M) due to an increased focus on reducing stock levels. Underlying growth in debtors (+$54M) was in line with underlying sales growth of 10%.
- Net property, plant and equipment is $9M higher than the pcp, mainly due to investments in the Yarwun AN expansion ($145M), AN plant turnaround expenditure ($34M), the Botany Groundwater treatment plant ($30M) and the acquisition of Dyno (+$117M), offset by the divestment of IPL (-$298M) and depreciation.
- The increase in net other assets of $303M over the pcp was primarily due to acquisitions and divestments. Intangibles and deferred tax assets increased due to the acquisition of Dyno. This was partly offset by an increase in non-trade payables and provisions.
- Net debt of $302M has decreased $810M since September 2005, primarily due to funds received from the IPL sale and net proceeds from capital raisings during the year ($1,034M).
- Shareholders' equity increased $1,289M largely as a result of net proceeds from capital raisings and the profit on sale of IPL.
- Outside equity interests have decreased mainly due to the disposal of IPL.
- At 10.2%, accounting gearing (net debt/net debt + equity) reduced by 32.1 percentage points over the pcp (42.3%). In accordance with AIFRS, the hybrid shares are recognised as equity. Adjusted gearing, which treats the hybrid shares as 50% equity and 50% debt in accordance with the Standard & Poors credit rating treatment, was 18.4%.

Cash Flow

- Net operating cash inflows were $414M, compared to the pcp of $376M, mainly due to:
  - EBITDA growth of 10% to $815M;
  - No disputed tax assessment cost in 2006 ($105M in the pcp);
  - A slight improvement in non trade working capital ($4M) mainly due to decreased non trade debtors and increased non trade creditors.

  Partially offset by:
  - Net interest paid was 10% higher ($90M compared to $82M) due to a timing difference relating to the payment of interest on private placement debt.
  - Trade working capital was adversely impacted ($213M) due to the higher seasonal trade working capital position of IPL at the time of disposal, and increased Orica Mining Services debtors due to higher sales.
- Net investing cashflows outflow of $376M due to:
  - Increased sustenance capital spending of $179M, 21% higher than 2005. The largest components of this was turnaround spend of $34M and IPL sustenance capex of $30M prior to its disposal.
  - Growth capital spend of $215M, consistent with $214M in the pcp;
  - Acquisitions of $882M, mainly for the Dyno business; and
  - Proceeds from asset sales of $876M were primarily due to the sale of IPL.
- Net financing cash flows of $757M due mainly to the net proceeds from the rights issue ($508M) and hybrid issue ($490M), partly offset by the payment of dividends and other financing cash outflows.
- Cash dividends paid to Orica shareholders of $186M increased by $8M over the pcp.

Orica Step-Up Preference Securities (SPS)

- The first distribution on the Orica SPS securities relating to the period 15 March 2006 to 29 November 2006 will be paid on 30 November 2006 ($25M). Subject to directors discretion, future distributions are payable semi-annually in arrears on 31 May and 30 November each year. All distributions are unfranked.
- The distribution rate is calculated as the sum of the 180 Bank Bill Swap Rate (BBSW) plus a margin of 1.35%. The distribution rate for the current period is 6.995% (BBSW on 15 March 5.645% plus 1.35%).

Strategy

Orica turns science into solutions for our customers which, in turn, creates value for our shareholders.

The realisation of this vision will be apparent through the consistent and sustainable achievement of above average returns to our shareholders.

Our strategy for sustainable profit growth and strong returns on investment is driven by:

- Securing market leadership positions in selected 'niche' markets, which build on our strengths and enable us to better serve customers, develop and retain technological advantage and achieve the benefits of scale;
- Growing only value adding businesses - those that have 'earned the right to grow'; and
- Growing 'close to the core'.

Strict financial criteria, such as our 18% Return on Net Assets requirement for new investments by the third full year of ownership, continue to provide the financial discipline required for assessing growth opportunities.

Orica sees growth coming from four areas: Industry and Organic Growth; Productivity Improvements; Expansion Capital expenditure; and Mergers and Acquisitions.

Orica's businesses have strong operating cash flows which help fund future growth.

This strategy is a relatively low risk approach that has the potential to produce superior returns for our shareholders.

Major strategic initiatives in the 12 months to 30 September 2006 were:

Orica Mining Services:

- Completion of the acquisition of the European, Middle Eastern, African, Asian and Latin American business of Dyno. The acquisition was compelling for Orica from both a strategic and financial perspective.
- Successful commissioning of the Yarwun ammonium nitrate expansion project. This involved almost doubling manufacturing capacity at the Yarwun plant in Queensland. Yarwun is now the largest industrial grade ammonium nitrate plant in the world, ahead of Orica's plant in Carseland, Canada. This project will deliver strong returns on investment from FY2007.

Fertilisers:

- Orica exited the fertiliser industry through divesting its 70% stake in IPL. The final sale price was a positive outcome for Orica shareholders and provides further scope for Orica to re-invest in its remaining business platforms that deliver attractive returns.

Orica Consumer Products:

- Completion of a number of projects aimed at improving the customer offering, including the establishment of an in-house merchandising service in Australia (Retail Select) and the re-launch of the Yates product range. The business has improved its market position versus its largest competitors and continues to look for expansion opportunities that meet our strict strategic and financial criteria.

Chemnet:

- In April 2006 the business commenced a restructuring program to enable it to be in a position to meet Orica's return criteria. The restructure program is progressing with $9M of cost savings achieved in the second half. The cost savings target is $20M per annum from 2007 onwards.

Chemical Services:

- A further uprate of the sodium cyanide plant at Yarwun to 80ktpa has been approved, to take advantage of growing demand in the gold mining sector.
- MIEX® commercialisation continues to gather momentum and it is expected to be profitable in 2008.

Group:

- Continuation of initiatives to improve key processes and capabilities to deliver sustainable growth and productivity improvements across the group, such as the Six Sigma program.

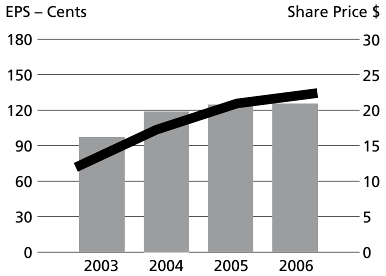
Corporate Centre And Other Support Costs

- Corporate centre costs of $36M were relatively flat on pcp.
- Other support costs of $14M were $12M lower on the pcp, mainly reflecting a net reduction in costs relating to corporate initiatives compared with the pcp and the transfer of some initiatives from the corporate centre to the business units (such as the Enzymes bioremediation initiative). This was partially offset by increased spending on growth projects ($6M).

Review of Financial Performance continued

Shareholder Scorecard

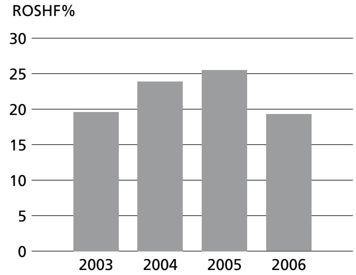
Earnings per Share* and Year End Share Price



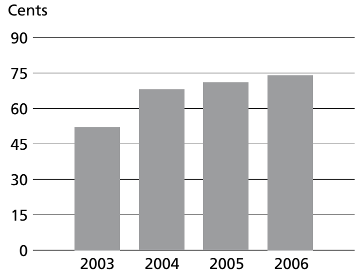
Key EPS ● Year End Share Price

*Before individually material items

Return on Shareholders' Funds

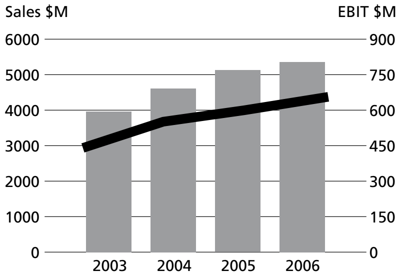


Dividends per Share



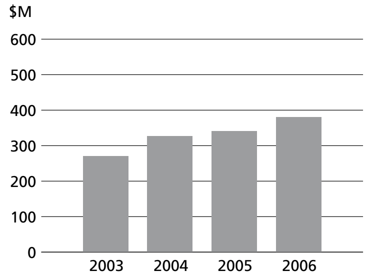
Financial Summary

Sales and EBIT

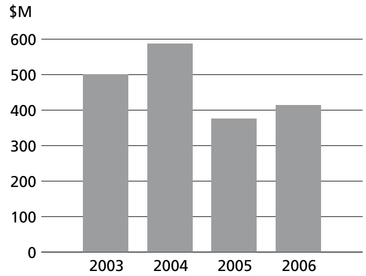


Key Sales ● EBIT

Net Profit After Tax Before Individually Material Items

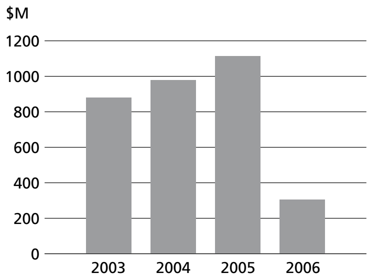


Cash Flow from Operating Activities

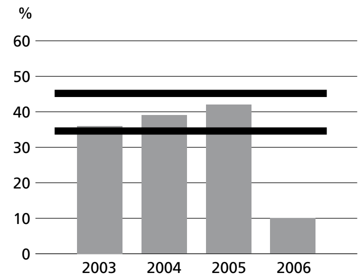


Financial Leverage

Net Debt

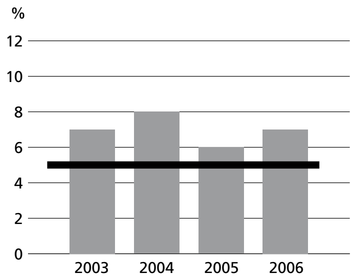


Gearing



Key Gearing ● Target Range

Interest Cover



Key Interest Cover ● Target >5x

Review of Business Segment Performance

MINING SERVICES

Orica Mining Services

Record result with profitability up 21% to $412M, including a four month contribution of $26M from the acquired Dyno businesses.

Highlights

- Sales revenue growth of 32% driven by strong demand and pass through of higher input costs.
- Excluding Dyno, sales revenue up 19% and profitability up 14% to $386M.
- Successful renegotiation of key contracts.
- Yarwun expansion successfully commissioned.
- Strong growth in electronic detonators (+35%).
- Dyno integration on track.
- EBIT margin impacted by rising input costs, higher ammonium nitrate (AN) imports into Australia, increased depreciation expense and the inclusion of Dyno.

Business Summaries

Australia/Asia

- EBIT of $224M, up 10% on previous corresponding period (pcp). Regional volume strong (+9%).
- EBIT margins impacted by:
  - Margin reduction in percentage terms from higher input cost pass through in selling prices.
  - Imported ammonia prices up 32%. The lag before cost recovery impacted EBIT by $5M.
  - Increasing AN demand prior to Yarwun commissioning required imports (83kt versus pcp 78kt) impacting EBIT adversely by $2M.
  - Higher depreciation expense ($10M) due to recent capital expenditure projects.
- Kooragang Island turnaround project impacted EBIT by $5M.
- Electronic detonator sales up 29%.

North America

- EBIT $83M, up 18% on pcp. Regional volume up 9% as a result of strong coal and quarry and construction activity.
- AN optimisation strategy with closure of Seneca AN plant to be replaced by Terra volumes.
- Electronic detonator sales up 36%.

Latin America

- EBIT of $36M, up 5% on pcp, with regional volume up 12%.
- EBIT impacted by higher fuel and freight costs, adverse foreign exchange movements ($5M), and spend on evaluating potential AN projects ($5M).

Europe, Middle East and Africa

- EBIT $43M, including profit on sale of Kimit JV ($6M). Underlying EBIT growth 17%.
- Regional volume up 9% due to strong growth in Turkey, Germany and Spain.
- Improved performance in Eastern Europe.

Dyno

- EBIT contribution of $26M after adverse acquisition accounting adjustments ($5M).
- Performance in line with expectations.
- Dyno operates at lower EBIT margins than the group average which impacted reported EBIT margins.

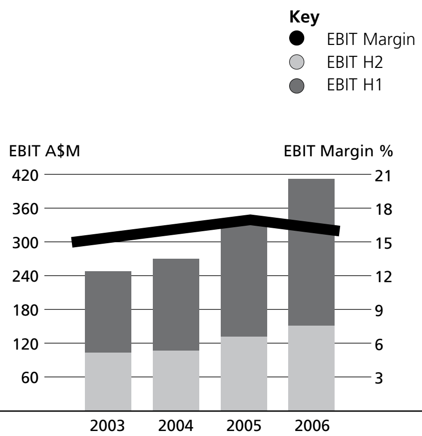
Outlook – 2007

- Market conditions expected to remain strong.
- Expecting $40M-$50M of Dyno integration synergies in first full year 2007.
- Full year impact of Yarwun expansion.
- Volatility in input pricing is reflected in product pricing, albeit with a lag.

Financial Performance 2006

Record result with profitability up 21% to $412M, including a four month contribution of $26M from the acquired Dyno businesses.

EBIT Trend



Financial Performance ($M)

	Year ended September		
	2006	2005	Change F/(U)*
Sales Revenue	**2,620.9**	1,987.0	32%
EBIT	**412.0**	340.0	21%
Net Assets	**2,184.1**	1,104.2	98%
Return on Net Assets	**25%**	32%	
EBIT			
Australia/Asia	**223.8**	203.5	10%
North America	**83.2**	70.4	18%
Latin America	**35.8**	34.2	5%
Europe	**43.2**	31.9	35%
Dyno	**26.0**	-	-

* F – Favourable, (U) – Unfavourable

Orica Consumer Products (OCP)

Earnings down by 3% to $97M due to overall market downturn mitigated by market share gains and cost efficiency improvement.

Highlights

- Sales revenue up marginally from prior year. Profitability adversely affected by change in business mix and higher raw material prices.
- Market share increases in a soft market with increased marketing spend ($4M) to support successful new product launches.
- Strong New Zealand business performance despite weaker economy and the impact of currency translation.
- Continued productivity savings providing additional resources for business development and brand building investment.

Business Summaries

Paints and Woodcare

- Sales revenue increased 3% on pcp.
- Retail decorative volumes were flat but showed improvement towards the end of the year.
- Australian paint trade revenue marginally higher due to market share gains as a result of sales force effectiveness initiatives.
- Raw material price increases experienced in some businesses impacted cost of sales.
- Paint manufacturing facility in Western Australia was closed and closure costs recognised ($1M).
- Strong earnings growth in both Protective Coatings and Textures due to project wins and market share gains.
- Woodcare sales (+8%) boosted by launch of new products in the interior and decking segments.
- Orica's 88% holding in Orica Coatings Fiji was divested to a Fijian company in March 2006.

Other

- Powder Coatings sales declined (-12%) as a result of the continuing trend by manufacturing customers to move facilities offshore.
- Selleys improved earnings from successful new product launches, marketing campaigns and manufacturing efficiency gains.
- Yates profitability improved with growth in share of key channels to market, despite ongoing drought and water restrictions impacting market conditions.

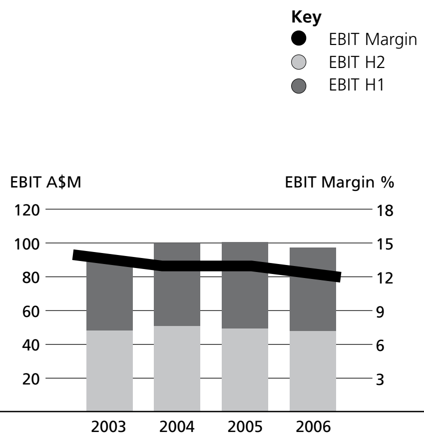
Outlook – 2007

- The expected improvement in the Australian decorative paint market is qualified by the potential for negative consumer confidence impacts as a result of adverse movements in interest rates and petrol prices.
- New Zealand market conditions likely to remain weak.
- Recent investments in brand equity and new products continue to improve OCP's market position.

Financial Performance 2006

Earnings down by 3% to $97M due to overall market downturn mitigated by market share gains and cost efficiency improvement.

EBIT Trend



Financial Performance ($M)

	Year ended September 2006	2005	Change F/(U)*
Sales Revenue	**785.0**	768.5	2%
EBIT	**97.3**	100.5	(3%)
Net Assets	**222.5**	215.8	3%
Return on Net Assets	**44%**	46%	
Business Sales			
Paints	**535.3**	520.6	3%
Other^	**249.7**	247.9	1%

^ Selleys, Yates, Powders & Eliminations
* F – Favourable, (U) – Unfavourable

Chemnet

Chemnet profitability down 26% to $58M as a result of ongoing difficult trading conditions. A restructuring program commenced in April 2006.

Highlights

- Chemnet sales down 4% as Australian and New Zealand businesses were impacted by slower end markets for customers.
- EBIT declined primarily due to lower volume.
- Initial benefits of restructuring in second half.

Business Summary

- Volume decreases due to a number of factors including:
  - The downturn in Australia's general manufacturing sectors.
  - Aggressive cost cutting initiatives by key customers including some direct sourcing.
  - Loss of volume and market share in Bronson & Jacobs.
  - Continued pressure on Marplex from the downturn in the local automotive and whitegoods manufacturing sector.
- EBIT impacted by costs associated with the remediation of the Port Kembla site ($2M).
- Lower rental income ($2M) due to asset rationalisation in the prior year.
- The weaker NZ$ impacted translation from the New Zealand businesses.
- Input cost recovery in most businesses.
- Strong performance from Latin American business acquired in 2005.

Restructure Program

- The restructure program that commenced in April 2006 is progressing with Chemnet's cost base significantly reduced.
- In the second half fixed cost savings ($9M) were achieved, offsetting cash fixed cost increases in the first half ($5M). The cost savings target is $20M per annum from 2007 onwards.
- 90% of planned headcount reduction complete.
- Bronson & Jacobs closed a major warehouse in Sydney.
- Underperforming assets have been highlighted for divestment.
- The product range and supply chain restructuring process is continuing with many unprofitable lines exited.

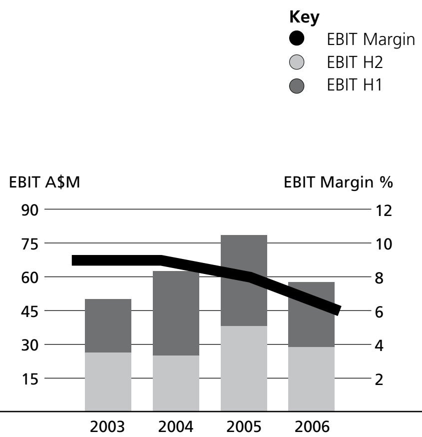
Outlook – 2007

- Market conditions are expected to remain challenging.
- The restructuring program will be completed and a full year impact of cost savings will be realised.
- Continued focus on refinement and efficiency of supply chains.
- Continue organic growth initiatives aimed at leveraging Chemnet's broad based business platform by further penetrating into new profitable product segments.

Financial Performance 2006

Chemnet profitability down 26% to $58M as a result of ongoing difficult trading conditions. A restructuring program commenced in April 2006.

EBIT Trend



Financial Performance ($M)

	Year ended September 2006	2005	Change F/(U)*
Sales Revenue	**987.4**	1,029.5	(4%)
EBIT	**57.7**	78.5	(26%)
Net Assets	**342.2**	409.0	(16%)
Return on Net Assets	**15%**	20%	

* F – Favourable, (U) – Unfavourable

Chemical Services

Chemical Services increased profitability by 10% to a record full year result of $67M.

Highlights

- Sales revenue of $477M, up 16% on pcp. Excluding the impact of the Aluminates acquisition, sales growth was 13%.
- Profitability improvement reflects strong performance from mining chemicals and the Aluminates acquisition. Excluding Aluminates, earnings grew 7%.

Business Summaries

Watercare

- Strong sales growth of $22M due to continued high caustic soda prices.
- Volumes down in some derivative chlor-alkali products due to lower industrial consumption.
- The acquisition of CSBP's chlorine business ($9M) in Western Australia, subject to Australian Competition and Consumer Commission (ACCC) approval, complements Watercare's existing business.
- MIEX® progress on commercialisation continues. Currently there are nine operating plants worldwide. Final approval has been received for a further eight plants. Net commercialisation costs of $6M (2005: $7M).
- The Enzymes technology continues to show promise, however due to delays in application development, adoption rates are slower than anticipated.

Mining Chemicals

- Sodium cyanide volumes up 28%, driven by growth in gold production.
- Improved pricing partially offset by higher raw material costs (ammonia, caustic soda and freight) and increased traded product volumes at lower margins versus manufactured product.

Industrial Chemicals

- Earnings marginally higher than pcp due to strong demand for emulsifiers from the resources industry, offset by tougher market conditions in Adhesives & Resins.

Outlook – 2007

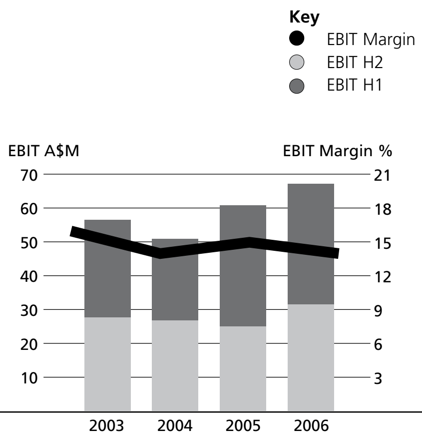
- The further uprate of the Yarwun sodium cyanide plant to 80ktpa is expected to be commissioned late calendar 2007.
- Agreement to sell the Australian and New Zealand Adhesives & Resins businesses to Hexion Specialty Chemicals, subject to ACCC approval.
- Sodium cyanide volume growth and caustic soda prices are expected to remain favourable.

Financial Performance 2006

Chemical Services increased profitability by 10% to a record full year result of $67M.

(i) Comparatives restated to reflect the transfer of Specialty Chemicals from Mining Chemicals to Industrial Chemicals
(ii) includes intra-segment eliminations

EBIT Trend



Financial Performance ($M)

	Year ended September		
	2006	2005	Change F/(U)*
Sales Revenue	**477.0**	411.9	16%
EBIT	**67.1**	60.8	10%
Net Assets	**391.2**	368.2	6%
Return on Net Assets	**18%**	16%	
Return on Net Assets^	**20%**	19%	
Business Sales			
Watercare	**185.8**	164.2	13%
Mining Chemicals(i)	**136.5**	87.2	57%
Industrial Chemicals(i) (ii)	**154.7**	160.5	(4%)

* F – Favourable, (U) – Unfavourable
^ Excluding Miex and Enzymes
(i) (ii) see footnotes to the left

Board Members

Donald P Mercer
BSc (Hons), MA (Econ)
Age 65

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

Chairman of Newcrest Mining Limited, Australia Pacific Airports Corporation Limited and The State Orchestra of Victoria. Director of Air Liquide Australia Limited. Retired November 1st, 2006 as Chairman of Australian Institute of Company Directors Ltd. Former Managing Director and Chief Executive Officer of ANZ Banking Group.

Graeme R Liebelt
BEc (Hons)
Age 52

Managing Director and Chief Executive Officer (CEO) since September 2005. Executive Director since July 1997. Member of 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 40

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

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

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Michael E Beckett
BSc, FIMM, FRSA
Age 70

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

Chairman of Coal Corp Limited, MyTravel plc, London Clubs International (UK) plc and WBB Minerals Limited. 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 65

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

Chairman of Cranlana Programme Foundation and Scania Australia. 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), FCA, CPA
Age 52

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

Chairman of e-Mitch Limited. 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 59

Non-Executive Director since July 2003. Member of the Remunerations and Appointments Committee, Corporate Governance and Nominations Committee and Chairman of the Environment Committee.

Chairman of Medibank Limited. Director of Macquarie Bank Limited. Previously Managing Director and Chief Executive Officer of CSR Limited and Director of Rinker Materials Inc. Former Chairman/Chief Executive Officer of ICI Paints and member of the Executive Board of ICI plc. Former Director of the Business Council of Australia.

Nora Scheinkestel
Ph D, LLB (Hons)
Age 46

Non-Executive Director since August 2006. Member of the Audit and Risk Committee and Remuneration and Appointments Committee.

Director of AMP Limited, AMP Capital Group, Mayne Pharma Limited, Newcrest Mining Limited and PaperlinX Limited. Associate Professor Melbourne Business School. Former director of Mayne Group Ltd, North Ltd, MBF Health Fund, Docklands Authority, IOOF Funds Management and Chairman and Director of a number of utilities across the gas, water and electricity sector.

Michael Tilley
GradDip, BA
Age 53

Non-Executive Director since November 2003. Member of the 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 54

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 and Equipsuper. Director of Melbourne Business School Limited, Australian Foundation Investment Company, the Walter & Eliza Hall Institute of Medical Research and Melbourne International Arts Festival. Former Director of Australian Stock Exchange Limited and 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 52

Managing Director and Chief Executive Officer (CEO)

Graeme has held a variety of key positions within the Orica group since joining in 1989 including Chief Executive of ICI Paints Pacific, General Manager Plastics and Advanced Sciences Groups and CEO, Orica Mining Services.

Prior to joining Orica Graeme held a number of senior positions including Marketing Director, Repco (Australia), Marketing Director, Philip Morris (Australia) and Consultant for Pappas Carter (now Boston Consulting Group).

Noel Meehan
BSc (Hons), CPA
Age 40

Executive Director Finance

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

Prior to joining Orica, Noel held a variety of finance roles both within Qantas Airways Limited and Australian Airlines Limited.
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Peter Bailey
Dip (Bus)
Age 50

General Manager Orica Consumer Products (OCP)

Peter has been with the company for 29 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 44

General Manager Orica Mining Services Australia/Asia

John has been with the company for a period of 21 years, joining in 1985 in the Operations Division of Mining Services (Australia).

Since then he has held a variety of positions in Orica Mining Services with leadership roles in Technology, Operations and Business. Most recently, John held the role of General Manager, Chemical Services.

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 September 2006.

Philippe Etienne
BSc, MBA, GradDip (Marketing)
Age 50

Chief Executive Officer Orica Mining Services

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 52

General Manager Orica 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 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 and a number of senior roles across Australia, Asia and Africa with Castrol Ltd and Atlas Copco Pty Ltd in Australia.

Andrew Larke
LLB, BComm, Grad Dip (Corporations and Securities Law)
Age 37

General Manager Strategy, Mergers and Acquisitions and Technology

Andrew has spent over 15 years in mergers, acquisitions, divestments and corporate advisory. He joined Orica in April 2002 and has been responsible for leading Orica's merger and acquisition activities since that time, including the merger of Incitec and Pivot in 2003, the subsequent divestment of Orica's shareholding in the merged Incitec Pivot entity in 2006 and the acquisition of Dyno Nobel in 2005.

Before joining Orica, Andrew was principal in SLM Corporate Advisory and prior to that held the role of General Manager Mergers, Acquisitions and Strategy at North Limited where he also held a number of senior commercial and legal roles.

Greg Witcombe
BSc
Age 52

General Manager People and Community

Greg has been with the company for 29 years. He joined in 1977 as a research chemist with the Agricultural Products business before moving into a series of commercial roles in different parts of the company, including a secondment to the United Kingdom. His senior management positions have included four years as General Manager Mining and Trading Division and two years as General Manager Polyethylene Group.

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

Corporate Governance

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

This statement describes Orica's approach to corporate governance. The Board believes that Orica's policies and practices comply with the Australian Stock Exchange (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 and chief financial officer 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 chief financial officers.

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 accountants.

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 and liaising directly with the Chairman of the Board Audit and Risk Committee, to manage the company's risk management and internal audit program.

Details of the company's policies relating to interest rate management, forward exchange risk management and credit risk management are included in Note 1 and Note 34 of the financial statements.

The Board Role

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

The Board responsibilities include: appointing the 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 chief executive officer, 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, chief executive officer 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 chief executive officer.

The Board currently comprises ten directors: eight independent non-executive directors, including the chairman, and two executive directors, being the Managing Director and CEO 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 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 eight scheduled meetings per year, of which six are around two 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 two 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 and the executive directors to discuss company matters.

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

Board 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. In addition, each Board Committee reviews its effectiveness. An independent review of Board, Committee and director performance is undertaken periodically.

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

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 38.

The Board has approved guidelines for dealing in securities. Directors and employees must not, directly or indirectly, buy or sell the shares or other securities of Orica, when in possession of 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 trade in derivatives in respect of securities held under an executive or employee plan. Directors and Group Executive members must receive clearance from the chairman or company secretary for any proposed dealing in Orica shares outside of a trading window.

Any transaction conducted by directors in Orica securities 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 transaction within 5 business days.

Directors' Fees

The aggregate cap for 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 $1.8M approved by shareholders at the 2005 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 2006 financial year, excluding retirement benefits and superannuation was $1,089,200.

The details of remuneration paid to each non-executive director during the last financial year is set out on page 24. Non-executive directors do not participate in any incentive schemes.

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.

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.

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 operating profit and cash flow, 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 39 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 37.

Board Committees

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

Board Audit and Risk Committee

The Board Audit and Risk Committee comprises three independent non-executive directors with relevant financial, commercial and risk management experience. The chairman of the Board Audit and Risk Committee is separate from the chairman of the Board. Peter Duncan is the current chairman of the Board Audit and Risk Committee and the other members are Garry Hounsell, Mike Tilley (until 31 August 2006) and Nora Scheinkestel since 1 August 2006. 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 independent of management influence. The external and internal auditors attend committee meetings and meet privately with the committee at least twice per year.

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

Remuneration and Appointments Committee

The Remuneration and Appointments Committee, which comprises all the non-executive directors, is chaired by the Chairman of the Company and meets at least four 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 Don Mercer (Chairman), Graeme Liebelt, Peter Duncan, Peter Kirby and Michael Beckett. 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

The Environment Committee comprises Peter Kirby (Chairman), Catherine Walter and Michael Beckett. The Chairman and Managing Director attend ex officio.

The committee assists 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 also 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 any other non-executive director who is available (but at least one), which is convened as required, to deal with matters that need to be dealt with between board meetings. From time to time special committees may be formed on an as needs basis to deal with specific matters such as the Due Diligence Committee formed in 2005 in respect of capital raisings and of which Garry Hounsell was Chairman and Mike Tilley and Noel Meehan were members. As the Due Diligence Committee had completed its work, that committee has been disbanded.

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 and may be viewed on the Orica website at www.orica.com.

Information provided to and discussions with analysts are subject to the continuous disclosure policy. Material information must not be selectively disclosed prior to being announced to the 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 web-casts) 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 136 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 which applies to all countries in which Orica operates and in the accordance with international laws and standards, provides 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. If a report is made, it is escalated to a panel comprising the General Manager People and Community, the Company Secretary and the Group Security Manager, who collectively determine appropriate organisational actions, take appropriate independent advice and ensure the protection of the anonymity of the reporter.

The Code of Ethics may be viewed on the Orica website at www.orica.com.

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 Board Environment Committee reviews and monitors environmental issues at Board level.

The separate Safety, Health & Environment Performance Report that is released with 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 Program and is distributed to selected Australian charitable organisations in accordance with published criteria. Orica does not make political donations.

Sustainability

Orica is committed to sustainable growth. This philosophy has been incorporated into the Orica Safety, Health and Environment (SH&E) Policy as follows:

At Orica we believe that all work-related injuries, illnesses and environmental incidents are preventable. 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 of future generations.

The Board Environment Committee reviews and monitors community and environmental trends that influence the way in which we operate. During the year, the Board Environment Committee reviewed Orica's global environmental standards and agreed improved standards for plant design, underground storage, stormwater and trade effluent systems.

Orica has driven improvement in its safety, health and environmental performance through a series of 'Challenge' objectives. Starting in 1995 the first five-year program, Challenge 2000, focused on improvements to safety performance. This was followed by Challenge 2005 which was expanded to include resource efficiency and reduction of waste. These programs have been successful at both raising the awareness of important community and environmental issues as well as generating real performance improvements.

The ultimate goal is for Orica to eliminate all work related injuries, illnesses, motor vehicle incidents, environmental incidents, wastes, complaints and other adverse SH&E incidents.

In 2004, Orica met or exceeded many of the Challenge 2005 milestones. In order to continue moving towards its goals of becoming safer, healthier and more environmentally responsible, Orica developed Challenge 2010 milestones to improve the sustainability of our business over the remainder of this decade.

Orica is an active participant in the Plastics and Chemicals Industry Association (PACIA) Responsible Care Program. The Responsible Care Program is an initiative of the international chemicals industry aimed at improving its safety, health and environmental performance and communicating openly with all sectors of the community. Orica has incorporated the commitments of Responsible Care into its Safety, Health and Environment Management System. This System is adopted by all Orica operations.

In the past 12 months, Orica's outstanding safety performance was recognised in awards presented by the Indian Ministry of Labour and Employment and the Chemicals Association of Chile (ASIQUIM).

Greenhouse Challenge

Orica has been a participant in the Greenhouse Challenge program run by the Australian Greenhouse Office (AGO) since 1996. This is a voluntary program aimed at reducing the emissions of greenhouse gases, measured as carbon dioxide equivalent. Measurements include both direct emissions from operating plants and the upstream contribution from power generation.

Orica's performance against its Greenhouse Challenge agreement has been independently verified for the AGO by consultants from the Snowy Mountains Engineering Corporation. No material discrepancies were identified.

Orica continues its relationship with Greenhouse Challenge and has signed on to the new Greenhouse Challenge Plus program. As a Greenhouse Challenge Plus member, Orica agrees to monitor greenhouse gas emissions and report achievements annually. In addition, being a Greenhouse Challenge Plus member helps Orica accelerate the uptake of energy efficiency measures and integrate greenhouse issues into business decision-making.

For example, this year and in conjunction with the AGO Greenhouse Friendly™ program, Dulux launched two fully carbon-abated paint products onto the Australian Market – Dulux EnvirO$_2$™ and Dulux Aquanamel.

Orica recognises that there is need for action to address climate change and that we must minimise our own environmental impact by improving our efficiency and reducing our greenhouse gas emissions. Our Mining Services Group is investigating technologies we can apply to significantly reduce nitrous oxide emissions from our nitric acid plants. Nitrous oxide emissions now account for over 70% of our total greenhouse gas emissions and this is one of our most pressing challenges among the commitments we have made to improve our safety, health and environmental performance.

All Worker Safety and Health

Orica has been working at continually improving our SH&E performance for many years and the underlying progress is good in many areas. However, it is deeply distressing to report that a fatality occurred during 2006 in an incident at our Incitec Pivot Mackay site in Australia. Any fatality is clearly unacceptable and the company has implemented a number of actions in a direct response to this incident.

When considering non-fatal injuries and illnesses during 2006, we had our best ever result on record. We also maintained good compliance with delivery of programs designed to protect the health of employees.

Community Safety

It is pleasing to report there were significant reductions during the year in the number of serious incidents involving the transport and distribution of our products and environmental licence non-compliances at our facilities, however, there were three environmental prosecutions during 2006. We are determined to reduce the occurrence of such incidents that impact upon the community and the environment and are currently implementing the outcomes of the recently completed review of distribution safety.

We are glad to report that the environmental licence compliance performance of our facilities improved during the year. However, it is disappointing to report that there were three environmental prosecutions in 2005/06:

- 4 November 2005 fined $10,500 for the discharge of acid waste water into the Hunter River from the Kooragang Island, Australia facility on 15 July 2004.
- 22 November 2005 fined $5,113 for the loss of containment of 4,000 litres of aluminium sulphate to stormwater at the Morwell, Australia facility on 9 June 2005.
- February 2006 fined $5,113 for air pollution by oxides of nitrogen following a product decomposition at a toll manufacturer's site in Heidelberg, Australia on 24 February 2005.

Corrective actions have been identified and taken in each case to prevent recurrence.

Orica recognises that achieving sustainability requires that the environment is not degraded by any of our activities. The clear expectation of regulatory authorities and the community is that our sites will fully comply with licence requirements.

The operation of many sites over very long periods, and where environmental standards were very much lower than those applying today, has inevitably led to problems with soil and groundwater contamination. Orica deeply regrets the impact of this contamination on the environment and the communities in which we operate. Orica continues its program of managing legacy issues associated with historical operations at a number of sites, and remains committed to rectifying these problems and keeping both local and broader communities informed of our progress.

For example, work continues on the cleaning-up of groundwater at Botany, Australia. A full-scale Groundwater Treatment Plant (GTP) is now being successfully commissioned to effectively treat water contaminated from past activities.

In addition, after an extensive search for a suitable regional location to treat the hexachlorobenzene (HCB) waste stored at Botany, Orica has concluded that it is highly unlikely that a suitable site can be found. As a result the company has applied for an export licence to dispose of the waste in Germany. The waste is planned to be destroyed in High Temperature Incinerators, using proven technology which meets the most stringent international standards. The material continues to be safely and securely stored until a decision on the export licence is made by government authorities.

Further details on both these projects can be found on the Orica web site.

Product Stewardship

The safety of our products and facilities with our customers and the general community is an integral component of the company's overall sustainability framework. Good product stewardship remains an important objective for Orica.

A review of product stewardship practice was undertaken in 2006. This review confirmed the importance of achieving and maintaining an overall Product Stewardship Self-Assessment Score of >90% and highlighted the benefits of several Product Stewardship achievements made over the past few years, including:

- The ammonia safety program – Ammsafe
- The chlorine safety program – Safeguard
- The removal of security sensitive ammonium nitrate from the Australian fertiliser market, and
- Signatory to the International Cyanide Management Code

In 2006 Orica Watercare launched Landguard™ and has subsequently received the 2006 PACIA Environment Award and the 2004/05 DuPont Innovation Award. Landguard™ is a rapid and cost effective solution for the on-site management of pesticide residues in agricultural areas. The technology is based on enzymes that rapidly degrade target pesticide molecules into by-products of significantly reduced toxicity which are more readily degradable than the parent pesticide. Landguard™ minimises the harmful effect pesticides have on land, neighbouring waterways and catchments and on the wider community through reducing toxicity and residual life.

Resource and Operational Sustainability

Challenge 2010 provides continued focus on resource conservation in particular in relation to the use of water and energy, the emission of greenhouse gases and now waste generation.

The company's energy consumption during the year was 5.27 gigajoules per tonne of production, a 0.6% decrease compared to the 2004 baseline year. A number of factors contributed to this result including the sale of IPL and manufacturing improvements at Kooragang Island, Australia. IPL was a relatively low energy intensive business, hence the divestment increased energy consumption per tonne of production from May.

Direct greenhouse gas emissions from operating plants, including the contribution of nitrous oxide emissions from our nitric acid plants, increased by 19.0% from 1.01 kg per tonne of production in 2004 to 1.20 kg per tonne in 2006. This increase is due to the commissioning of an additional nitric acid plant at Yarwun and increased nitric acid production at several sites. The Orica Mining Services Group is investigating new technologies that will enable Orica to significantly reduce nitrous oxide emissions from its nitric acid plants over the next three years.

Water use from the company's activities increased by 9.3% from 2.57 kilolitres per tonne of production in 2004 to 2.80 kilolitres in 2006 again as a result of increased nitric acid production.

Waste generation decreased by 22.0% in 2006 from the 2004 baseline of 8.5 tonnes per kilotonne of production to 6.63 tonnes per kilotonne of production in 2006.

Despite the recent changes in the business portfolio, Orica remains committed to achieving all of its Challenge 2010 targets.

Financial Report

Directors' Report

The directors of Orica Limited ('the Company' or 'Orica') present the financial report of the Company and its controlled entities (collectively 'the consolidated entity' or 'group') for the year ended 30 September 2006 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
G R Liebelt, Managing Director
N A Meehan, Executive Director Finance
M E Beckett
P J Duncan
G A Hounsell
P M Kirby
N L Scheinkestel (appointed 1 August 2006)
M Tilley
C M Walter

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

A Cook (Dip Bus (Accounting), Dip Bus (Data Processing), CPA) has been 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. J van Reyk (M Comm, LLB Hons, BA, Grad Dip Co Sec Prac, MAICD, FCIS) was a company secretary of Orica Limited between 15 July 2002 and 30 September 2006.

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	-	-	4	4	3	3	-	-
G R Liebelt	8	8	-	-	-	-	3	3	-	-
N A Meehan (3)	8	8	-	-	-	-	-	-	-	-
M E Beckett	8	8	-	-	4	4	3	3	6	6
P J Duncan	8	8	4	4	4	4	1	1	-	-
G A Hounsell (3)	8	8	4	4	4	3	3	3	-	-
P M Kirby	8	8	-	-	4	4	-	-	6	6
N L Scheinkestel (4)	2	2	1	1	2	2	-	-	-	-
M Tilley (3)	8	8	3	2	4	4	-	-	-	-
C M Walter	8	8	-	-	4	4	-	-	6	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) Also members of a special purpose Due Diligence Committee for capital raising during the year.
(4) Appointed on 1 August 2006.

In addition to the Board meetings referred to in the above table, available directors attended 3 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 38.

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.

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 Nobel for approximately US$685 million (A$902 million). The agreement followed the Macquarie consortium's acquisition of 100% of Dyno Nobel from Industri Kapital which was completed in late November 2005. Under the agreement, Orica progressively acquired businesses from the consortium on a country by country basis as regulatory approvals were obtained. On 1 June 2006, Orica completed the acquisition of Dyno Nobel businesses in Europe, the Middle East, Africa, Asia and Latin America.

On 15 May 2006, Orica sold a 56.5% stake in the listed company Incitec Pivot Limited (IPL), via an institutional placement underwritten by Macquarie Equity Capital Markets Limited. The balance of Orica's holding in IPL (13.5% of IPL's issued ordinary shares) was sold to IPL under a selective share buy-back on 11 July 2006.

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Directors' Report

Likely developments

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

Review and results of operations

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

Dividends

Dividends paid or declared since the end of the previous financial year were:	**$m**
Final dividend paid at the rate of 2.5 cents per share on preference shares, franked to 32.6% (0.82 cents) at the 30% corporate tax rate, paid 31 January 2006.	0.05
Interim dividend paid at the rate of 2.5 cents per share on preference shares, franked to 34.6% (0.865 cents) at the 30% corporate tax rate, paid 31 July 2006.	0.05
Final dividend at the rate of 46 cents per share on ordinary shares, franked to 32.6% (15 cents) at the 30% corporate tax rate, paid 16 December 2005.	126.1
Interim dividend declared at the rate of 26 cents per share on ordinary shares, franked to 34.6% (9 cents) at the 30% corporate tax rate, paid 7 July 2006.	81.0
Total dividends paid	207.20
Since the end of the financial year, the directors have declared a final dividend to be paid at the rate of 48 cents per share on ordinary shares. This dividend will be franked to 43.75% (21.0 cents) at the 30% corporate tax rate.	148.4

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 2006 are as follows:

Acquisitions

- On 31 December 2005, Orica completed the purchase of Dyno Nobel (Thailand) Limited, Dyno Nobel Slovakia AS, Dyno Nobel Schweiz AG and Ensign-Bickford Venezuela C.A. (51%).
- On 8 March 2006, Dyno Nobel Philippines Inc. (96.1%) and Nitro Asia Company Inc. were purchased.
- On 10 May 2006, 56% of Dyno Nobel Chile and Industriales Chile were purchased.
- On 31 May 2006, Orica completed the purchase of 60% of GeoNitro Limited.
- On 1 June 2006, the remainder of Dyno Nobel Chile and Industriales Chile were purchased.
- On 1 June 2006, the remaining Dyno entities in Asia, Latin America, Europe, the Middle East and Africa were purchased.

Disposals

- On 16 February 2006, Orica disposed of its 50% share in Qenos Holdings Limited.
- On 2 March 2006, Orica disposed of its 88.3% share in Orica Coatings (Fiji) Limited.
- On 15 May 2006, Orica sold a 56.5% stake in the listed company Incitec Pivot Limited (IPL). The balance of Orica's holding in IPL (13.5% of IPL's issued ordinary shares) was sold to IPL under a selective share buy-back on 11 July 2006.
- On 31 July 2006, Orica disposed of Orica Scandanavia Mining Services AB and Orica Kimit Norge AS.
- On 24 September 2006, Orica completed the disposal of Sasol Dyno Nobel (Pty) Limited and Tenaga Kimia-Ensign Bickford Sdn Nhd.

Events subsequent to balance date

- On 25 August 2006, Orica announced that it had reached an agreement to sell its Australian and New Zealand Adhesives & Resins businesses to Hexion Specialty Chemicals for a purchase price in excess of carrying value. The transaction is subject to Australian Competition and Consumer Commission (ACCC) approval. On 1 November 2006, the ACCC issued a Statement of Issues seeking further information on the competitive effects of the proposed sale to Hexion Speciality Chemicals with a final decision expected on 6 December 2006.
- On 17 October 2006, Orica announced that it had signed an agreement to acquire leading mining services company Minova for a purchase price of £343 million (A$857 million) plus £5 million (A$13 million) of acquisition costs. The acquisition of Minova is expected to be completed before the end of calendar year 2006, after required regulatory clearances are obtained. Orica has entered into forward exchange contracts to hedge the Australian dollar exposure of the acquisition price at a rate of 0.4023.
- On 13 November 2006, the directors declared a final dividend of 48 cents per share payable on 15 December 2006. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2006 and will be recognised in the 2007 financial statements.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2006, 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 are cornerstones of Orica culture and Orica has set itself 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 2006, which is released together with this annual report.

Where applicable, manufacturing licences 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 Prosecutions

As previously reported, 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 on 15 July 2004 when Orica discharged wastewater containing about 683 kilograms of nitric acid 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 from its Kooragang Island facility. The acidic discharge had the potential to cause harm to fish and other aquatic life. The company was fined $10,500 for this offence.

On 22 November 2005 the Environment Protection Authority of Victoria fined Orica Australia Pty Limited $5,113 for the spillage of 4,000 litres of aluminium sulphate at its Chemical Services Morwell facility. The offence occurred on 9 June 2005 when material was lost to stormwater drains and entered a creek on nearby private property when the loading pipe of a storage tank was hit by a road tanker's guardrails. The creek was dammed and contaminated water was collected and neutralised by the site's effluent treatment plant. The contractor driver was also fined $1,227.

On 15 December 2005 the Environment Protection Authority of Victoria fined Orica Australia Pty Limited $5,113 for air pollution by oxides of nitrogen. The offence occurred on 24 February 2005 when several drums of a metal pre-treatment product containing nitric acid started to decompose at a toll manufacturer's site in Heidelberg, Victoria.

Orica accepts responsibility for these incidents and has invested in projects and processes to prevent future incidents. Orica sincerely regrets what occurred and that it failed to achieve 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 whilst acting as such officers to the extent permitted by law.

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

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

Non-audit services

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

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in 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 31.

Remuneration Report

The directors of Orica Limited present the Remuneration Report prepared in accordance with section 300A of the Corporations Act for the Company and its controlled entities for the year ended 30 September 2006.

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 to 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 executive 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	✓	✗	✗	B2
	Salary	✗	✓	✓	E1
	Compulsory Statutory Superannuation	✓ (1)	✓	✓	B2/E1
	Other benefits	✗	✓	✓	E1
At-risk remuneration	Short Term Incentive (STI)	✗	✓	✓	D4
	Long Term Equity Incentive Plan	✗	✓	✓	D5
Post-employment	Service Agreements	✗	✓	✓	F1
	Termination payments – former senior executives	✗	✓	✓	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.

D P Mercer

Chairman of the Remuneration and Appointments Committee

13 November 2006

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 $1,800,000 approved by shareholders at the 2005 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. The last review took place effective from 1 April 2005 and annual fees were increased by 10%. Prior to that, fees were last increased in October 2002. Non-executive directors receive a fee of $110,000 in relation to their service as a director of the Board, and the Chairman, taking into account the greater commitment required, receives a fee of $330,000. These fees include their service on the Remuneration and Appointments Committee and the Corporate Governance and Nominations Committee. In addition, directors who sit on the Board's Audit and Risk Committee and Environment Committee receive an additional fee of $10,000 per annum, and the Chairs of these Board committees receive an additional fee of $20,000 per annum. 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 2006	**Directors Fees [(1)]**	**Audit and Risk Committee**	**Environment Committee**	**Superannuation Benefits [(2)]**	**Total**
	$000	$000	$000	$000	$000
Non-Executive Directors					
D P Mercer, Chairman [(3)]	330.0	-	-	29.7	359.7
M E Beckett	110.0	-	10.0	10.8	130.8
P J Duncan [(3)]	110.0	20.0	-	11.7	141.7
G A Hounsell	110.0	10.0	-	10.8	130.8
P M Kirby	110.0	-	20.0	11.7	141.7
N L Scheinkestel [(4)]	18.3	1.7	-	1.8	21.8
M Tilley [(5)]	110.0	9.2	-	10.7	129.9
C M Walter [(3)]	110.0	-	10.0	10.8	130.8
Total Non-Executive Directors	1,008.3	40.9	40.0	98.0	1,187.2

Table 2

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

(2) Contributions made on behalf of non-executive directors.

(3) If each eligible non-executive director had ceased to be a director on 30 September 2006, 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.

(4) N L Scheinkestel was appointed on 1 August 2006.

(5) Ceased as a Board Audit and Risk Committee member on 31 August 2006.

C. Company performance – the link to reward

C.1 Five year performance

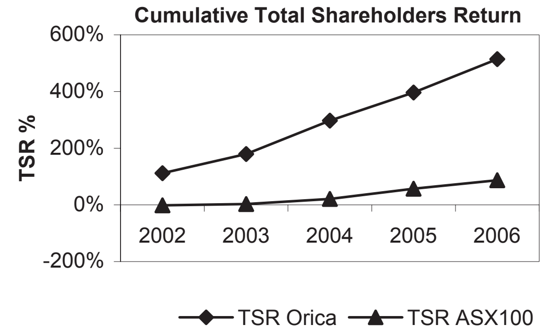
Over the past five years the Board has set challenging financial performance targets for management and has directly aligned executive incentives to the achievement of those targets. The link is clear: when target performance is achieved, target executive rewards are earned, and when above target performance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

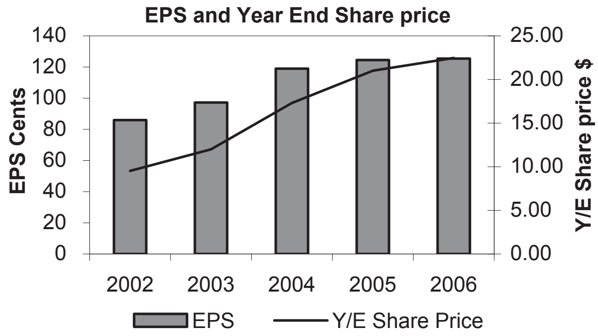
Orica has enjoyed strong performance over the past five years:

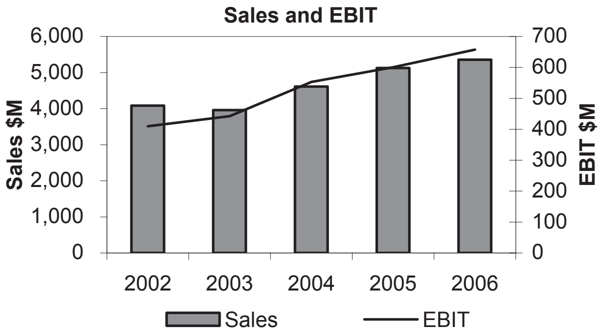
- earnings have grown at a compound rate of 43.6% per annum over the five years;
- the share price has increased 418% over that period;
- an average of 61.8 cents per share has been paid to shareholders under the Company's progressive dividend policy;
- additional returns to shareholders have been made through share buy-backs; and
- total shareholder return (TSR) over the past five years has been 514.5%.

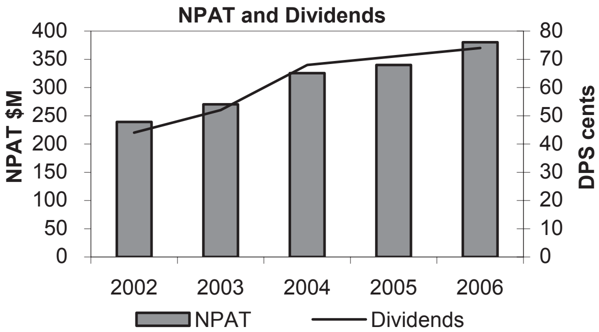
As a result, for the past five years executives have generally earned rewards at or above target levels.

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 below. Note that 2005 and 2006 financial data is stated under Australian equivalents to International Financial Reporting Standards (AIFRS), whilst prior years are under previous accounting standards (AGAAP).









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 four 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 20,515,723 ordinary shares, with $311.9 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. 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.

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.

	2001 AGAAP	2002 AGAAP	2003 AGAAP	2004 AGAAP	2005 AIFRS	2006 AIFRS
External Sales ($m)	4,041.9	4,085.2	3,958.6	4,610.5	5,126.7	5,359.2
Cash flow from operating activities ($m)	230.6	342.7	500.4	587.9	375.8	413.9
EBIT ($m)	174.4	410.0	442.3	553.3	601.0	657.7
NPAT - Net profit after tax (before individually material items) ($m)	62.3	239.1	270.3	325.6	339.9	380.3
All Workers Recordable Case Rate	1.46	1.12	1.08	0.74	0.85	0.57
Dividends per share (cents)	16.0	44.0	52.0	68.0	71.0	74.0
Return of capital ($m)	-	-	49.2	127.5	53.7	81.5
Year end share price ($)	4.34	9.52	12.00	17.30	21.00	22.47
Cumulative TSR - Orica (%)		111.9	179.2	297.5	396.5	514.5
Cumulative TSR - ASX 100 (%)		(1.8)	3.0	21.2	57.4	86.8

Table 3

2005 and 2006 are stated under AIFRS whilst prior years are under AGAAP.

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
Philippe Etienne	Chief Executive Officer, Orica Mining Services	1 October 2005
Peter Bailey	General Manager, Orica Consumer Products	10 April 2003
Bronek Karcz	General Manager, Chemnet	1 April 2005
John Beevers (1)	General Manager, Orica Mining Services Australia/Asia	18 September 2006
Greg Witcombe	General Manager, People and Community	3 June 2005
Andrew Larke (2)	General Manager, Merger and Acquisitions	1 June 2006
Former		**Leaving Date**
Eugenia Salinas	General Manager, Business Efficiency	2 January 2007
Patrick Largier	General Manager, Strategy and Acquisitions	31 December 2006
Gordon Davis	General Manager, Orica Mining Services Australia/Asia	8 September 2006
Julian Segal	Managing Director and Chief Executive Officer, Incitec Pivot Limited	3 June 2006

Table 4

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

(1) Prior to his appointment to this role, John Beevers held the position of General Manager, Chemical Services and he continues to act in this role pending a new appointment to the role.

(2) On 1 October 2006, Andrew Larke was appointed Group General Manager, Mergers and Acquisitions, Strategy and Technology.

D.2 Board policy on remuneration

The Remuneration and Appointments Committee has recommended, and the Board has adopted a policy that remuneration for executive directors, senior executives and the company secretary will:

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

Details of the composition and responsibilities of the 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 broadly 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	**At-risk**	
		Short term incentive (1)	Long term incentive
CEO/MD and Senior Executives	50%	20%	30%

Table 5

(1) Based on at-risk incentives for target performance, target STI is set at 50% of the maximum STI.

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.

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 STI's 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 individually material 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 of 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?	The performance conditions comprise financial targets relating to: Net Profit After Tax (before individually material items); Business EBIT; Cash flow; and other non-financial conditions, including health and safety performance and talent management. These performance conditions are set at both an Orica level and an individual business level. Achievement of performance conditions may therefore vary between businesses.
Why were these conditions chosen?	The 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 and health 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 2006 financial year?	The performance conditions were generally satisfied at or above target - however the Group did not achieve all of its stretch targets. The level of safety performance during the year did meet target on a recordable case rate basis. However, due to the fatality at the Incitec Pivot Limited site in Mackay, no short term incentive for this component was paid.

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?	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. The LTEIP is designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value.
Why does the Board consider the structure of the LTEIP appropriate?	The LTEIP facilitates immediate share ownership by the 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 three year period. The Board believes the LTEIP will promote behaviour that will achieve superior performance over the long term.
What are the key features of the LTEIP?	Under the LTEIP, eligible executives are provided with an 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. In order to reward good performance, part of the loan may be forgiven at the end of the three year performance period upon the achievement of specified performance conditions. 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).
How are shares provided to executive directors under the LTEIP?	Shares are bought on-market to avoid dilution of other shareholdings and Australian Stock Exchange Listing Rule 10.14 provides for no shareholder approval being required.

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 based equity plans 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 three year performance period 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 three 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 forgiveness amount is earned if the executive leaves employment before the end of the loan period.
What is the performance measurement testing period?	Three years.
What are the performance hurdles?	The target performance hurdle is based on 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 three year period.
What is TSR?	Broadly, TSR is the percentage increase in the Company's share price over the three year performance period, plus the value of dividends paid being treated as if they were reinvested.
Why did the Board select an absolute TSR performance hurdle rather than a relative TSR hurdle?	Orica's diversified business mix means there is no logical comparator group for the Company. The 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 three 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. After reviewing the Company's rate of cumulative growth in TSR over the past few years, the Board believes that 20% per annum is a clear, certain and absolute target for management. The Board believes it is an aggressive target to maintain TSR growth at 20% per annum over the three years performance period, given the current share price of the Company being at historically high levels (and which is the starting point for the TSR growth calculation). The Board also had reference to the general performance of the market over the past few years and noted that a TSR of 20% per annum generally reflects top quartile performance within the ASX Top 100.
Are the performance conditions re-tested?	No, the performance condition is only tested once at the end of the three year performance period.
Have any executives had part of their loan balance forgiven?	No, the performance conditions for the December 2004 and December 2005 LTEIP offers will not be not tested until 2007 and 2008 respectively.

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. Prior to this, the company used a Share Option Plan (SOP) and Share Acquisition Plan (SAP) for senior executives. Further details regarding these legacy share plans are contained in note 37 to the financial statements. Pursuant to the terms on which they were granted, the exercise price of outstanding ESOP and SOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

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 2006	Fixed Salary $000	STI Payment [4] $000	Other Benefits [3] $000	Super-annuation Benefits $000	Termination Benefits [1] $000	Share Based Payments [2] $000	Other Long Term Benefits $000	Total Remuneration $000
Current Executive Directors								
G R Liebelt	1,387.7	813.4	31.0	12.3	-	600.7	-	2,845.1
N A Meehan	707.7	418.3	33.2	12.3	-	308.9	-	1,480.4
Total Current Executive Directors	2,095.4	1,231.7	64.2	24.6	-	909.6	-	4,325.5
Current Senior Executives								
P G Etienne	745.7	549.5	101.2	12.3	-	332.5	-	1,741.2
G J Witcombe	670.6	359.9	50.4	12.3	-	292.9	-	1,386.1
P G Bailey	577.7	343.2	7.0	12.3	-	240.3	-	1,180.5
J R Beevers	478.2	301.2	116.8	12.3	-	193.1	-	1,101.6
B K Karcz	475.2	159.0	1.4	12.3	-	193.1	-	841.0
A J P Larke	419.3	361.6	9.5	12.3	-	100.5	-	903.2
Total Current Senior Executives	3,366.7	2,074.4	286.3	73.8	-	1,352.4		7,153.6
Former Senior Executives								
E Salinas	500.0	259.5	121.7	-	541.9	214.5	-	1,637.6
P J Largier	482.0	279.5	8.7	12.3	702.7	204.7	-	1,689.9
G R Davis	392.3	250.4	9.8	11.5	133.1	98.1	-	895.2
J Segal [5]	347.0	150.0	44.8	8.2	-	240.3	-	790.3
Total Former Senior Executives	1,721.3	939.4	185.0	32.0	1,377.7	757.6	-	5,013.0

Table 8

[1] Represents contractual payments upon termination and payment of statutory leave and will be paid to each executive on cessation of their employment.

[2] Includes the value to executives under the Long Term Equity Incentive Plan (LTEIP). The benefit derived under the LTEIP is an immediately vesting benefit and therefore the full value granted to executives in December 2005 is disclosed in this financial year.

[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] STI Payment includes payments relating to 2006 performance accrued but not paid.

[5] 2006 STI payment to J Segal was pro rated as he was only employed by Orica for part of the financial year.

E.2 Executive Directors' and Senior Executives' STI

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

For the year to 30 September 2006	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	813,400	72.6%	27.4%
N A Meehan	418,320	72.6%	27.4%
P G Etienne	549,475	88.6%	11.4%
G J Witcombe	359,940	65.9%	34.1%
P G Bailey	343,200	71.5%	28.5%
J R Beevers	301,200	75.3%	24.7%
B K Karcz	159,000	39.7%	60.3%
A J P Larke	361,620	51.3%	48.7%
Former Executives			
E Salinas	259,500	64.9%	35.1%
P J Largier	279,500	69.9%	30.1%
G R Davis	250,421	85.3%	14.7%
J Segal	150,000	31.3%	68.7%

Table 9

(1) STI constitutes a cash incentive earned during 2006, and is expected be paid in December 2006.

(2) A minimum level of net profit after tax 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.

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 2006	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	97,194	600,659	360,000	4,255,200
N A Meehan	49,985	308,907	14,855	173,655
P G Etienne	53,803	332,503	35,967	429,806
G J Witcombe	47,391	292,876	-	-
P G Bailey	38,877	240,260	35,967	420,454
J R Beevers	31,240	193,063	29,014	326,698
B K Karcz	31,240	193,063	40,063	478,753
A J P Larke	16,265	100,518	50,000	597,500
Total Current Executive directors and Senior Executives	365,995	2,261,849	565,866	6,682,066
Former Executives				
E Salinas	34,712	214,520	-	-
P J Largier	33,115	204,651	19,572	228,797
G R Davis	15,868	98,064	33,540	386,045
J Segal	38,877	240,260	164,523	1,453,104
Total Former Executives	122,572	757,495	217,635	2,067,946

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

(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 LTEIP vests at the time of grant, no part of this benefit lapses or may be forfeited during the year.

(4) Under the LTEIP, eligible executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executives must apply net cash dividends to the repayment of the loan balance, and executives may not deal with the shares while the loan remains outstanding. Australian Accounting standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the accounts. Further details are set out in note 37 (a) to the financial statements.

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

For the year to 30 September 2006	Opening balance $	Loan advanced during the year (1) $	Interest free value $	Amount repaid during the year (2) $	Amount of loan forgiven (3) $	Closing balance $	Highest indebtedness $
Current Executive Directors							
G R Liebelt	3,814,196	2,009,000	315,055	2,040,246	410,283	3,372,667	5,709,180
N A Meehan	132,687	1,033,190	59,856	20,991	-	1,144,886	1,164,308
Current Executive Directors	3,946,883	3,042,190	374,911	2,061,237	410,283	4,517,553	6,873,488
Current Senior Executives							
P G Etienne	279,700	1,112,108	72,671	25,095	-	1,366,713	1,388,521
G J Witcombe	3,101,121	979,572	233,883	99,492	220,500	3,760,701	4,029,052
P G Bailey	1,155,395	803,588	108,759	53,795	94,561	1,810,627	1,934,104
J R Beevers	246,224	645,731	47,242	16,142	-	875,813	889,043
B K Karcz	301,971	645,731	50,599	17,174	-	930,528	944,131
A J P Larke	334,041	336,198	36,991	12,215	-	658,024	666,288
Total Current Senior Executives	5,418,452	4,522,928	550,145	223,913	315,061	9,402,406	9,851,139
Former Senior Executives (4)							
E Salinas	-	717,497	36,018	12,871	-	704,626	717,497
P J Largier	641,621	684,487	72,996	24,156	-	1,301,952	1,318,520
G R Davis	262,670	327,992	32,282	10,746	-	579,916	587,555
J Segal	320,740	803,588	37,199	1,124,328	-	-	1,120,535
Total Former Senior Executives	1,225,031	2,533,564	178,495	1,172,101	-	2,586,494	3,744,107

Table 11

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

(2) 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.

(3) Represents the amount of the loan forgiven, upon the third price hurdle being reached in accordance with the terms of the SESLP. Details of this performance condition and other terms of the SESLP are set out in note 37 (b) to the financial statements.

(4) Under the terms of the LTEIP offers made in December 2004 and December 2005, these executives have 60 days from ceasing employment to repay their loans.

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	720,000	3 months	3 months	1.0 times his fixed annual remuneration
P G Etienne	Open	775,000	3 months	3 months	1.0 times his fixed annual remuneration
G J Witcombe	Open	683,000	3 months	3 months	1.68 times his fixed annual remuneration [4]
P G Bailey	Open	600,000	3 months	3 months	1.77 times his fixed annual remuneration [4]
J R Beevers	Open	550,000	3 months	3 months	1.28 times his fixed annual remuneration [4]
B K Karcz	Open	500,000	3 months	3 months	1.0 times his fixed annual remuneration
A J P Larke	Open	438,700	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 2006. As part of the normal annual review of remuneration, Fixed Annual Remuneration for all executives will be reviewed and, where appropriate, adjusted during the 2007 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, P G Bailey 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.

(5) Executives excluded from this table are G R Davis (left 8 September 2006), P J Largier (leaving 31 December 2006) and E Salinas (leaving 2 January 2007).

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.

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 13th day of November 2006.

Lead Auditor's Independence Declaration

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2006 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, 13 November 2006

Income Statements

For the year ended 30 September

From continuing operations:	Notes	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
The income statements should be read in conjunction with note 28, discontinued operations and businesses disposed.					
Sales revenue	(3)	**4,745.6**	4,052.8	**-**	-
Other income	(3)	**57.8**	56.4	**372.1**	-
Expenses					
Changes in inventories of finished goods and work in progress		**(13.2)**	28.7	**-**	-
Raw materials and consumables used and finished goods purchased for resale		**(2,473.5)**	(2,147.2)	**-**	-
Share based payments		**(9.4)**	(12.2)	**-**	-
Other employee benefits expense		**(780.5)**	(687.7)	**-**	-
Depreciation and amortisation expense		**(137.9)**	(114.3)	**(0.2)**	(0.3)
Purchased services		**(354.6)**	(300.1)	**(0.8)**	(0.8)
Repairs and maintenance		**(119.4)**	(98.4)	**-**	-
Impairment of property, plant & equipment		**(18.4)**	(35.0)	**-**	-
Impairment of intangibles		**(16.6)**	(2.8)	**-**	-
Outgoing freight		**(238.9)**	(190.2)	**-**	-
Lease payments - operating leases		**(59.7)**	(55.7)	**-**	-
Other expenses from ordinary activities including individually material items	(4c)	**(339.9)**	(113.9)	**(0.4)**	-
Share of net profits of associates accounted for using the equity method	(11)	**12.4**	6.0	**-**	-
		(4,549.6)	(3,722.8)	**(1.4)**	(1.1)
Profit/(loss) from operations		**253.8**	386.4	**370.7**	(1.1)
Net financing costs					
Financial income	(4a)	**64.7**	13.6	**30.1**	24.7
Financial expenses	(4b)	**(151.6)**	(106.6)	**(54.1)**	(60.4)
Net financing costs		**(86.9)**	(93.0)	**(24.0)**	(35.7)
Profit/(loss) before income tax expense		**166.9**	293.4	**346.7**	(36.8)
Income tax expense	(5)	**(46.4)**	(81.9)	**114.4**	12.2
Profit/(loss) after tax but before profit and loss of discontinued operations and gain on disposal of discontinued operations		**120.5**	211.5	**461.1**	(24.6)
Profit of discontinued operations and gain on disposal of discontinued operations, net of tax	(28)	**440.9**	10.4	**-**	-
Profit/(loss) for the period		**561.4**	221.9	**461.1**	(24.6)
Net profit/(loss) for the period attributable to:					
Equity holders of Orica Limited		**539.1**	208.3	**461.1**	(24.6)
Minority interest		**22.3**	13.6	**-**	-
Net profit/(loss) for the period		**561.4**	221.9	**461.1**	(24.6)

		cents	cents
Earnings per share			
Earnings per ordinary share attributable to equity holders of Orica Limited:			
From continuing operations:			
Basic	(6)	**35.6**	74.1
Diluted	(6)	**35.3**	73.1
Basic EPS adjusted for effect of rights issue	(6)	**35.6**	71.8
Total attributable to equity holders of Orica Limited:			
Basic	(6)	**177.8**	76.3
Diluted	(6)	**176.5**	75.2
Basic EPS adjusted for effect of rights issue	(6)	**177.8**	74.0

The Income Statements are to be read in conjunction with the notes to the financial statements set out on pages 38 to 128.
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 October 2005 and has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139 as permitted on the first time adoption of AIFRS and has not restated comparative information.

Statements of Recognised Income and Expense

For the year ended 30 September 2006

		Consolidated		Company	
		2006	2005	**2006**	2005
	Notes	**$m**	$m	**$m**	$m
Net gain on hedge of net investments in foreign subsidiaries		**(13.7)**	(44.2)	**-**	-
Cash flow hedges					
- Effective portion of changes in fair value		**4.8**	-	**-**	-
Exchange differences on translation of foreign operations		**(5.9)**	38.5	**-**	-
Actuarial gains/(losses) on defined benefit plans	(40)	**18.7**	5.4	**-**	-
Income tax on items taken directly to or transferred directly from equity	(5)	**(6.0)**	(20.2)	**-**	-
Adjustments to reserves and retained earnings on transition to AASB 139		**(26.9)**	-	**-**	-
Net income recognised directly in equity		**(29.0)**	(20.5)	**-**	-
Profit for the period		**561.4**	221.9	**461.1**	(24.6)
Total recognised income and expense for the period		**532.4**	201.4	**461.1**	(24.6)
Attributable to:					
Members of Orica Limited		**510.1**	187.8	**461.1**	(24.6)
Minority interest		**22.3**	13.6	**-**	-
Total recognised income and expense for the period		**532.4**	201.4	**461.1**	(24.6)

The Statements of Recognised Income and Expense are to be read in conjunction with the notes to the financial statements set out on pages 38 to 128.

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 October 2005 and has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139 as permitted on the first time adoption of AIFRS and has not restated comparative information.

Balance Sheets
As at 30 September

		Consolidated		Company	
		2006	2005	**2006**	2005
	Notes	**$m**	$m	**$m**	$m
Current assets					
Cash and cash equivalents	(7)	**1,009.1**	214.7	**-**	-
Trade and other receivables	(8)	**810.1**	671.0	**1,031.7**	448.3
Other financial assets	(12)	**16.7**	12.3	**-**	-
Inventories	(9)	**579.1**	826.3	**-**	-
Non-current assets classified as held for sale	(28)	**30.3**	-	**-**	-
Other assets	(10)	**34.4**	57.3	**-**	-
Total current assets		**2,479.7**	1,781.6	**1,031.7**	448.3
Non-current assets					
Trade and other receivables	(8)	**103.6**	99.7	**100.0**	105.1
Investments accounted for using the equity method	(11)	**122.2**	49.1	**-**	-
Other financial assets	(12)	**3.7**	-	**1,647.7**	1,147.7
Property, plant and equipment	(13)	**1,603.1**	1,593.7	**29.1**	27.1
Intangible assets	(14)	**1,141.3**	634.3	**-**	-
Deferred tax assets	(15)	**221.5**	130.3	**7.7**	19.9
Other assets	(10)	**33.9**	22.5	**-**	-
Total non-current assets		**3,229.3**	2,529.6	**1,784.5**	1,299.8
Total assets		**5,709.0**	4,311.2	**2,816.2**	1,748.1
Current liabilities					
Trade and other payables	(16)	**935.4**	909.4	**5.8**	27.2
Interest bearing liabilities	(17)	**45.6**	49.5	**790.7**	976.0
Current tax liabilities	(18)	**56.5**	21.4	**43.0**	-
Provisions	(19)	**262.6**	197.3	**0.1**	0.1
Total current liabilities		**1,300.1**	1,177.6	**839.6**	1,003.3
Non-current liabilities					
Trade and other payables	(16)	**6.9**	9.9	**-**	-
Interest bearing liabilities	(17)	**1,265.6**	1,277.3	**2.0**	-
Deferred tax liabilities	(20)	**41.8**	31.7	**-**	-
Provisions	(19)	**426.4**	295.2	**0.9**	1.1
Total non-current liabilities		**1,740.7**	1,614.1	**2.9**	1.1
Total liabilities		**3,040.8**	2,791.7	**842.5**	1,004.4
Net assets		**2,668.2**	1,519.5	**1,973.7**	743.7
Equity					
Parent entity interest					
Contributed equity	(21)	**1,305.3**	329.3	**1,305.3**	329.3
Reserves	(22)	**(46.6)**	(20.8)	**-**	-
Retained earnings	(22)	**1,357.9**	1,019.4	**668.4**	414.4
Total parent entity interest		**2,616.6**	1,327.9	**1,973.7**	743.7
Minority interest in controlled entities	(23)	**51.6**	191.6	**-**	-
Total equity	(24)	**2,668.2**	1,519.5	**1,973.7**	743.7

The Balance Sheets are to be read in conjunction with the notes to the financial statements set out on pages 38 to 128.
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 October 2005 and has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139 as permitted on the first time adoption of AIFRS and has not restated comparative information.

Statements of Cash Flows

For the year ended 30 September

	Notes	Consolidated 2006 $m Inflows/ (Outflows)	Consolidated 2005 $m Inflows/ (Outflows)	Company 2006 $m Inflows/ (Outflows)	Company 2005 $m Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		**5,519.0**	5,680.5	**-**	-
Payments to suppliers and employees		**(4,973.9)**	(5,049.1)	**(0.3)**	(26.2)
Interest received		**77.2**	5.7	**30.2**	24.7
Borrowing costs		**(167.5)**	(87.7)	**(54.6)**	(58.4)
Dividends received - associates	(11)	**13.8**	8.0	**22.1**	-
Royalties and other operating revenue received		**46.9**	27.8	**-**	-
Net income taxes paid		**(101.6)**	(209.4)	**9.0**	(131.1)
Net cash flows from/(used in) operating activities	(26)	**413.9**	375.8	**6.4**	(191.0)
Cash flows from investing activities					
Payments for property, plant and equipment		**(385.7)**	(353.9)	**(2.8)**	-
Payments for intangibles		**(1.3)**	-	**-**	-
Payments for purchase of investments		**(6.8)**	(6.7)	**(500.0)**	-
Payment for minorities share of controlled entities	(27)	**(6.6)**	-	**-**	-
Payments for purchase of businesses/controlled entities	(27)	**(875.6)**	(59.2)	**-**	-
Proceeds from sale of property, plant and equipment		**56.5**	119.0	**-**	-
Proceeds from sale of investments		**23.9**	-	**-**	-
Proceeds from sale of businesses/controlled entities	(28)	**819.5**	-	**-**	-
Net cash flows (used in)/from investing activities		**(376.1)**	(300.8)	**(502.8)**	-
Cash flows from financing activities					
Proceeds from long term borrowings		**-**	557.2	**-**	-
Net movement in short term financing		**-**	(336.2)	**(266.7)**	371.5
Proceeds from finance leases		**-**	(0.1)	**-**	-
Proceeds from issue of ordinary shares		**544.0**	27.5	**544.0**	27.5
Proceeds from issue of Orica Step-Up Preference Securities	(21)	**490.0**	-	**490.0**	-
Payments for buy-back of shares		**(84.7)**	(53.7)	**(84.7)**	(53.7)
Dividends paid - Orica shareholders		**(186.2)**	(178.2)	**(186.2)**	(178.2)
Dividends paid - minority interest		**(5.9)**	(24.1)	**-**	-
Net cash flows from/(used in) financing activities		**757.2**	(7.6)	**496.4**	167.1
Net increase/(decrease) in cash held		**795.0**	67.4	**-**	(23.9)
Cash at the beginning of the financial period		**211.9**	147.3	**-**	23.9
Effects of exchange rate changes on cash		**1.3**	(2.8)	**-**	-
Cash at the end of the financial period	(26)	**1,008.2**	211.9	**-**	-

The Statements of cash flow are to be read in conjunction with the notes to the financial statements set out on pages 38 to 128.

Notes to the Financial Statements

For the year ended 30 September 2006

1. Accounting policies

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

(i) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of applicable Australian Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements.

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

(ii) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the consolidated entity's first annual financial report under Australian Equivalents to International Financial Reporting Standards.

The financial report is presented in Australian dollars which is Orica's functional and presentation currency.

The consolidated entity changed its accounting policies on 1 October 2005 to comply with AIFRS. The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 October 2004 as the date of transition. An explanation of how the transition from superseded policies to AIFRS has affected the consolidated entity's balance sheet, income statement and cash flows is discussed in note 43.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 September 2006, the comparative information presented in these financial statements, and in the preparation of the opening AIFRS balance sheet as at 1 October 2004, the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the lodged 2005 annual financial report. The impact of changes in these accounting policies on 1 October 2005, the date of transition for financial instruments is disclosed in note 43.

This financial report has been prepared on the basis of AIFRS on issue that are effective, or available for early adoption at Orica's first AIFRS annual reporting date, 30 September 2006.

Orica has elected to early adopt certain Australian Accounting Standards, and interpretations which permit early adoption. The decision to early adopt those standards and interpretations ensures that policy elections described below, including AIFRS transition exemptions, are available. The standards and interpretations that have been early adopted are:

- Revised AASB 119 Employee Benefits
- Revised AASB 101 Presentation of Financial Statements
- AASB 2004-3 Amendments to Australian Accounting Standards amending AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards, AASB 101 Presentation of Financial Instruments, AASB 124 Related Party Disclosures
- AASB 2005-1 Amendments to Australian Accounting Standards amending AASB 139 Financial Instruments: Recognition and Measurement
- AASB 2005-4 Amendments to Australian Accounting Standards amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Presentation and Disclosure, AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards, AASB 1023 General Insurance Contracts, AASB 1038 Life Insurance Contracts
- AASB 2005-5 Amendments to Australian Accounting Standards amending AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards, AASB 139 Financial Instruments: Recognition and Measurement
- AASB 2005-6 Amendments to Australian Accounting Standards amending AASB 3 Business Combinations
- AASB 2006-1 Amendments to Australian Accounting Standards amending AASB 121 The Effects of Changes in Foreign Exchange Rates
- UIG 4 Determining whether an Arrangement contains a Lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- UIG 7 Applying the Restatement Approach under AASB 129 Financial reporting in Hyperinflationary Economies
- UIG 8 scope of AASB 2
- UIG 9 Reassessment of Embedded Derivatives

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

- AASB 7 Financial Instruments: Disclosures – applicable from annual reporting periods beginning on or after 1 January 2007
- AASB 2005-9 Amendments to Australian Accounting Standards amending AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 139 Financial Instruments: Recognition and Measurement and AASB 132 Financial Instruments: Presentation and Disclosure - applicable from annual reporting periods beginning on or after 1 January 2006

1. Accounting policies (continued)

- AASB 2005-10 Amendments to Australian Accounting Standards amending AASB 132 Financial Instruments: Presentation and Disclosure, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB117 Leases, AASB 133 Earnings per share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time adoption of Australian Equivalents to International Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 1038 Life Insurance Contracts - applicable from annual reporting periods beginning on or after 1 January 2007.

The consolidated entity expects to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial report. These standards may have an impact on the financial results of the company and the consolidated entity as they could result in liabilities being recognised for financial guarantee contracts provided by the company or the group that are not currently recognised.

(iii) Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to the Income Statement in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities and contingent liabilities recognised.

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

(iv) Revenue recognition

External sales and other income are recognised when the risks and rewards of ownership are transferred to the purchaser. 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 Income Statement when declared.

Construction contracts

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

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 that 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.

(vi) Research and development costs

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

(vii) Share based payments

Equity settled share based payments granted after 7 November 2002 but not vested before 1 January 2005 are measured at fair value at the date of grant using an option valuation model. This valuation model generates possible future share prices based on similar assumptions that underpin relevant option pricing models and reflects the value (as at grant date) of options granted. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option.

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

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

(viii) Taxation

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

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

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

1. Accounting policies (continued)

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

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

Tax Consolidation

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

(ix) Inventories

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

(x) Construction work in progress

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

(xi) Trade and other receivables

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

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

Derecognition

A number of customers use bank facilities that are guaranteed or partially guaranteed by Orica. Where the entire risks and rewards relating to these facilities have been transferred to the financial institution, the receivable is derecognised. Where this has not occurred, the receivable and the equivalent interest bearing liability have been recognised in the balance sheet.

(xii) Investments accounted for using the equity method

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

(xiii) Other financial assets

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

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

Investment income includes dividends which are recognised in the Income Statement when declared.

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

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

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

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

(xv) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset to the consolidated entity.

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

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

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

1. Accounting policies (continued)

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 October 2004, the date of transition to AIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

(xvi) Leased assets

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

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 Income Statement on a straight line basis.

(xvii) Intangible assets

Identifiable intangibles

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

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

Land rights purchased in China are amortised over the period of tenure (fifty years).

Identifiable intangible assets with an indefinite life (brand names) are not amortised but the recoverable amount of these assets is tested as explained under impairment of assets.

Unidentifiable intangibles

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

Subsequent expenditure

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

(xviii) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on issuance. Gains and losses are recognised in the Income Statement in the event that the liabilities are derecognised.

(xix) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the effect of discounting on provisions is recognised as a borrowing cost.

Environmental

Estimated costs relating to the remediation of soil, groundwater and untreated waste that have arisen as a result of past events are usually taken to the Income Statement 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.

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

Decommissioning

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

Self Insurance

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

Employee entitlements

Provisions are made for liabilities to employees for annual leave, sick leave and other current employee entitlements that represent the amount for which the consolidated entity has a present obligation. These have been calculated at nominal amounts based on the wage and salary rates that the consolidated entity expects to pay as at each reporting date and include related on-costs.

Liabilities for employee entitlements which are not expected to be settled within twelve months of balance date, such as long service leave, are accrued at the present value of future amounts expected to be paid. The present value is determined using interest rates applicable to government guaranteed securities with maturities approximating to the terms of the consolidated entity's obligations.

1. Accounting policies (continued)

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

Superannuation

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

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

All actuarial gains and losses as at 1 October 2004, the date of transition to AIFRS, were recognised in retained earnings. The consolidated entity has early adopted the revised AASB 119 Employee Benefits and all actuarial gains and losses that arise subsequent to 1 October 2004 will be recognised directly in equity.

The consolidated entity's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Restructuring and employee termination benefits

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

Onerous contracts

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

(xx) Trade and other payables

Dividends

A liability for dividends payable (including distributions on Orica Step Up Preference Shares) 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. A liability for dividends payable on Orica Cumulative non-redeemable Preference Shares is recognised on an accruals basis and included in trade and other payables.

(xxi) Foreign currency

Functional currency

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

Foreign currency transactions

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

Financial statements of foreign operations

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

The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. The revenues and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Prior to translating the financial statements of foreign operations in hyperinflationary economies, the financial statements, including comparatives, are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the balance sheet date.

Net investment in foreign operations

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

(xxii) Derivative financial instruments

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

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Hedging

Cash flow hedges

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

1. Accounting policies (continued)

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

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

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

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

Hedge of monetary assets and liabilities

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

Investments in debt and equity securities

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

Other financial instruments held by the consolidated entity classified as being available-for-sale are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Income Statement.

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

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

Hedge of net investment in foreign operation

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

Comparative period policy

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 October 2005. The Group has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139. The accounting policies applied in the comparative period are as follows:

- 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.
- Investments in debt and equity securities were held at the lower of cost and market value.

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 Income Statement.

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 Income Statement.

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

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

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

1. Accounting policies (continued)

(xxiii) Cash and cash equivalents

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

(xxiv) Share capital

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

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

Redeemable preference shares

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 Income Statement as borrowing costs on an accruals basis.

Cumulative non-redeemable preference shares

Cumulative non-redeemable preference shares are included in liabilities as they are, in substance, borrowings. Dividends payable on these shares are recognised in the Income Statement as borrowing costs on an accruals basis.

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 October 2005. The Group has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139. Under accounting policies applied in the comparative period, cumulative non-redeemable preference shares were included in share capital.

Step-Up Preference Securities

Step-Up Preference Securities are included in equity. A provision for distributions payable is recognised in the reporting period in which the distributions are declared.

(xxv) Impairment of assets

The carrying amount of Orica's and the Group's non-current assets excluding defined benefit fund assets, deferred tax assets, goodwill and indefinite life intangible assets is reviewed at each reporting date to determine whether there is any evidence of impairment. If such indication exists, the asset is tested for impairment by comparing its' recoverable amount to its' carrying amount. Goodwill and indefinite life intangible assets are tested for impairment annually.

The recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use. The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the cash generating unit to which the asset belongs.

A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets with each cash generating unit being no larger than a segment. In calculating recoverable amount, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit.

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

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

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

Reversals of impairment

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

(xxvi) Goods and services tax

Revenues, expenses, assets and liabilities other than receivables and payables, are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the relevant taxation authorities. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the relevant taxation authorities is included as a current asset or liability in the Balance Sheet.
Cash flows are included in the Statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authorities are classified as operating cash flows.

(xxvii) Rounding

The amounts shown in 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.

2. Segment Report

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format is business segments. The consolidated entity's operations have been divided into six business segments comprising Mining Services, Consumer Products, Chemnet, Chemical Services, Fertilisers and Other Operations and Corporate & Support Services.

The Fertilisers business was disposed on 15 May 2006 and is reported as a discontinued operation.

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

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

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

Defined business 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.
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.
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	Minor activities, non-operating assets, corporate costs and financial items such as foreign currency gains/losses on borrowings.
Fertilisers	Manufacture, import and supply of a broad range of fertilisers including nitrogen, phosphate and other fertilisers for the agricultural industry including profit/loss on sale of discontinued business.

2. Segment report (continued)

Primary reporting Business segments	Mining Services	Consumer Products	Chemnet	Chemical Services	Other Operations and Corporate & Support Services	Eliminations	Total Continuing Operations	Fertilisers	Eliminations	Consolidated
2006										
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Revenue										
External sales	**2,608.3**	**784.9**	**933.6**	**440.9**	**-**	**-**	**4,767.7**	**591.5**	**-**	**5,359.2**
Inter-segment sales	**12.6**	**0.1**	**53.8**	**36.1**	**-**	**(98.2)**	**4.4**	**22.1**	**(26.5)**	**-**
Total sales revenue	**2,620.9**	**785.0**	**987.4**	**477.0**	**-**	**(98.2)**	**4,772.1**	**613.6**	**(26.5)**	**5,359.2**
Other income	**44.5**	**1.0**	**2.9**	**2.0**	**7.4**	**-**	**57.8**	**440.8**	**-**	**498.6**
Total revenue and other income	**2,665.4**	**786.0**	**990.3**	**479.0**	**7.4**	**(98.2)**	**4,829.9**	**1,054.4**	**(26.5)**	**5,857.8**
Results										
Profit before individually material items, net financing costs and income tax expense	**412.0**	**97.3**	**57.7**	**67.1**	**(50.7)**	**-**	**583.4**	**74.3**	**-**	**657.7**
Individually material items	**(151.3)**	**-**	**(49.1)**	**(10.1)**	**(119.1)**	**-**	**(329.6)**	**400.4**	**-**	**70.8**
Profit from operations	**260.7**	**97.3**	**8.6**	**57.0**	**(169.8)**	**-**	**253.8**	**474.7**	**-**	**728.5**
Net financing costs										**(92.2)**
Profit before income tax expense										**636.3**
Income tax expense										**(74.9)**
Profit after income tax expense										**561.4**
Minority interests in profit after income tax										**(22.3)**
Net profit for the period relating to members of Orica Limited										**539.1**
Segment assets	**3,427.0**	**335.6**	**426.8**	**399.4**	**1,120.2**	**-**	**5,709.0**	**-**	**-**	**5,709.0**
Segment liabilities	**976.4**	**180.1**	**158.8**	**76.8**	**1,648.7**	**-**	**3,040.8**	**-**	**-**	**3,040.8**
Investments accounted for using the equity method	**118.7**	**1.3**	**1.4**	**-**	**0.8**	**-**	**122.2**	**-**	**-**	**122.2**
Acquisitions of PPE, intangibles and other non-current assets	**323.4**	**10.7**	**4.9**	**34.1**	**29.4**	**-**	**402.5**	**29.5**	**-**	**432.0**
Impairment of PPE	**14.9**	**-**	**3.3**	**2.9**	**(2.7)**	**-**	**18.4**	**-**	**-**	**18.4**
Impairment of intangibles	**14.1**	**-**	**2.5**	**-**	**-**	**-**	**16.6**	**-**	**-**	**16.6**
Impairment of inventories	**1.1**	**1.7**	**12.1**	**-**	**-**	**-**	**14.9**	**0.5**	**-**	**15.4**
Impairment of trade receivables	**2.3**	**0.6**	**2.8**	**6.9**	**(1.5)**	**-**	**11.1**	**(0.1)**	**-**	**11.0**
Depreciation and amortisation	**94.0**	**14.6**	**8.3**	**17.9**	**3.1**	**-**	**137.9**	**19.0**	**-**	**156.9**
Non-cash expenses other than depreciation and amortisation	**3.6**	**1.1**	**0.7**	**0.6**	**3.4**	**-**	**9.4**	**0.4**	**-**	**9.8**
Share of associates net profit equity accounted	**12.5**	**(0.2)**	**0.1**	**-**	**-**	**-**	**12.4**	**-**	**-**	**12.4**

2. Segment report (continued)

Primary reporting Business segments	Mining Services	Consumer Products	Chemnet	Chemical Services	Other Operations and Corporate & Support Services	Eliminations	Total Continuing Operations	Fertilisers	Eliminations	Consolidated
2005										
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue										
External sales	1,965.7	768.3	976.0	381.2	-	-	4,091.2	1,035.5	-	5,126.7
Inter-segment sales	21.3	0.2	53.5	30.7	-	(89.2)	16.5	38.4	(54.9)	-
Total sales revenue	1,987.0	768.5	1,029.5	411.9	-	(89.2)	4,107.7	1,073.9	(54.9)	5,126.7
Other income	35.0	1.1	13.5	4.1	2.7	-	56.4	7.9	-	64.3
Total revenue and other income	2,022.0	769.6	1,043.0	416.0	2.7	(89.2)	4,164.1	1,081.8	(54.9)	5,191.0
Results										
Profit before individually material items, net financing costs and income tax expense	340.0	100.5	78.5	60.8	(62.4)	-	517.4	83.5	-	600.9
Individually material items	(22.6)	-	-	(37.0)	(71.4)	-	(131.0)	(56.7)	-	(187.7)
Profit from operations	317.4	100.5	78.5	23.8	(133.8)	-	386.4	26.8	-	413.2
Net financing costs										(102.5)
Profit before income tax expense										310.7
Income tax expense										(88.8)
Profit after income tax expense										221.9
Minority interests in profit after income tax										(13.6)
Net profit for the period relating to members of Orica Limited										208.3
Segment assets	2,152.2	309.4	455.8	361.5	309.1	-	3,588.0	723.2	-	4,311.2
Segment liabilities	618.9	160.1	149.6	67.7	1,498.2	-	2,494.5	297.2	-	2,791.7
Investments accounted for using the equity method	43.3	0.6	3.5	-	1.7	-	49.1	-	-	49.1
Acquisitions of PPE, intangibles and other non-current assets	213.1	20.1	8.1	26.9	56.6	-	324.8	26.2	-	351.0
Impairment of PPE	22.6	-	-	12.4	-	-	35.0	14.8	-	49.8
Impairment of intangibles	-	-	-	2.8	-	-	2.8	-	-	2.8
Impairment of inventories	(1.5)	0.5	-	(0.4)	-	-	(1.4)	2.9	-	1.5
Impairment of trade receivables	1.2	-	0.9	0.3	-	-	2.4	(0.5)	-	1.9
Depreciation and amortisation	71.0	13.1	8.2	18.6	3.4	-	114.3	26.1	-	140.4
Non-cash expenses other than depreciation and amortisation	3.5	0.9	0.4	0.7	6.7	-	12.2	(0.6)	-	11.6
Share of associates net profit equity accounted	5.3	0.2	0.5	-	-	-	6.0	-	-	6.0

2. Segment report (continued)

Secondary reporting Geographical segments 2006	Australia	New Zealand	Asia	Americas	Other	Eliminations	Consolidated
	$m	$m	$m	$m	$m	$m	$m
Revenue							
External sales	**2,870.5**	**453.8**	**405.8**	**1,315.9**	**313.2**	**-**	**5,359.2**
Inter-segment sales	**122.3**	**14.0**	**10.2**	**9.8**	**52.2**	**(208.5)**	**-**
Total sales revenue	**2,992.8**	**467.8**	**416.0**	**1,325.7**	**365.4**	**(208.5)**	**5,359.2**
Other income	**459.4**	**3.2**	**1.1**	**22.2**	**12.7**	**-**	**498.6**
Total revenue and other income	**3,452.2**	**471.0**	**417.1**	**1,347.9**	**378.1**	**(208.5)**	**5,857.8**
Results							
Profit before individually material items, net financing costs and income tax expense	**351.6**	**59.0**	**56.8**	**137.8**	**52.5**	**-**	**657.7**
Individually material items	**266.6**	**(3.5)**	**(16.8)**	**(60.4)**	**(115.1)**	**-**	**70.8**
Profit from operations *	**618.2**	**55.5**	**40.0**	**77.4**	**(62.6)**	**-**	**728.5**
Net financing costs							**(92.2)**
Profit before income tax expense							**636.3**
Income tax expense							**(74.9)**
Profit after income tax expense							**561.4**
Minority interests in profit after income tax							**(22.3)**
Net profit for the period relating to members of Orica Limited							**539.1**
Segment assets	**3,269.3**	**280.3**	**281.6**	**1,029.8**	**848.0**	**-**	**5,709.0**
Segment liabilities	**1,592.1**	**612.7**	**80.3**	**506.3**	**249.4**	**-**	**3,040.8**
Investments accounted for using the equity method	**3.5**	**-**	**-**	**45.8**	**72.9**	**-**	**122.2**
Acquisitions of PPE, intangibles and other non-current assets	**344.0**	**6.6**	**9.1**	**42.8**	**29.5**	**-**	**432.0**
Impairment of PPE	**3.3**	**-**	**2.9**	**-**	**12.2**	**-**	**18.4**
Impairment of intangibles	**2.6**	**-**	**0.1**	**1.1**	**12.8**	**-**	**16.6**
Impairment of inventories	**12.0**	**1.2**	**0.8**	**0.1**	**1.3**	**-**	**15.4**
Impairment of trade receivables	**7.2**	**0.8**	**-**	**2.8**	**0.2**	**-**	**11.0**
Depreciation and amortisation	**97.4**	**6.4**	**8.9**	**30.0**	**14.2**	**-**	**156.9**
Non cash expenses other than depreciation and amortisation	**7.6**	**0.1**	**0.2**	**1.3**	**0.6**	**-**	**9.8**
Share of associates net profit equity accounted	**(0.1)**	**-**	**-**	**10.1**	**2.4**	**-**	**12.4**

* The discontinued operation (Fertilisers) operated in one geographical segment - Australia.

2. Segment report (continued)

Secondary reporting Geographical segments 2005	Australia	New Zealand	Asia	Americas	Other	Eliminations	Consolidated
	$m	$m	$m	$m	$m	$m	$m
Revenue							
External sales	3,143.3	489.4	348.6	936.8	208.6	-	5,126.7
Inter-segment sales	113.1	12.4	15.9	12.0	35.3	(188.7)	-
Total sales revenue	3,256.4	501.8	364.5	948.8	243.9	(188.7)	5,126.7
Other income	31.3	2.1	1.9	27.1	1.9	-	64.3
Total revenue and other income	3,287.7	503.9	366.4	975.9	245.8	(188.7)	5,191.0
Results							
Profit before individually material items, net financing costs and income tax expense	347.4	63.1	53.1	106.9	30.4	-	600.9
Individually material items	(158.8)	(0.7)	0.1	(30.7)	2.4	-	(187.7)
Profit from operations *	188.6	62.4	53.2	76.2	32.8	-	413.2
Net financing costs							(102.5)
Profit before income tax expense							310.7
Income tax expense							(88.8)
Profit after income tax expense							221.9
Minority interests in profit after income tax							(13.6)
Net profit for the period relating to members of Orica Limited							208.3
Segment assets	2,983.4	257.4	207.4	712.2	150.8	-	4,311.2
Segment liabilities	2,078.0	144.7	88.5	404.0	76.5	-	2,791.7
Investments accounted for using the equity method	3.7	-	-	34.4	11.0	-	49.1
Acquisitions of PPE, intangibles and other non-current assets	285.6	10.2	12.6	31.3	11.3	-	351.0
Impairment of PPE	27.2	-	-	22.6	-	-	49.8
Impairment of intangibles	2.8	-	-	-	-	-	2.8
Impairment of inventories	1.7	0.5	0.6	(1.3)	-	-	1.5
Impairment of trade receivables	(0.4)	(0.1)	1.3	0.1	1.0	-	1.9
Depreciation and amortisation	94.2	6.2	6.3	25.5	8.2	-	140.4
Non-cash expenses other than depreciation and amortisation	9.7	0.1	0.2	1.3	0.3	-	11.6
Share of associates net profit equity accounted	0.7	-	-	3.8	1.5	-	6.0

* The discontinued operation (Fertilisers) operated in one geographical segment - Australia.

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m

3. Sales revenue and other income from continuing operations

This note should be read in conjunction with note 28, discontinued operations and businesses disposed.

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Sales revenue	**4,745.6**	4,052.8	**-**	-
Other income				
Royalty income	**2.6**	1.0	**-**	-
Dividend income:				
controlled entities	**-**	-	**372.1**	-
Other income	**33.3**	22.9	**-**	-
Profit from sale of businesses/controlled entities	**6.4**	-	**-**	-
Profit on sale of property, plant and equipment	**15.5**	32.5	**-**	-
Total other income	**57.8**	56.4	**372.1**	-

4. Specific profit and loss income and expenses

This note should be read in conjunction with note 28, discontinued operations and businesses disposed.

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
a) Financial income:				
Interest income received/receivable from:				
controlled entities	**4.9**	7.9	**30.0**	24.7
external parties – banks	**59.8**	5.7	**0.1**	-
Total financial income	**64.7**	13.6	**30.1**	24.7
b) Financial expenses:				
Borrowing costs paid/payable to:				
controlled entities	**-**	-	**54.0**	60.4
external parties	**146.3**	106.5	**0.1**	-
unwinding of discount on provision	**5.2**	-	**-**	-
finance charges – finance leases	**0.1**	0.1	**-**	-
Total financial expenses	**151.6**	106.6	**54.1**	60.4
Net financing costs	**86.9**	93.0	**24.0**	35.7
c) Profit/(loss) is arrived at after charging/(crediting):				
Currency (losses)/gains	**8.0**	(0.4)	**-**	-
Depreciation on property, plant and equipment:				
buildings and improvements	**14.9**	12.5	**0.2**	0.3
machinery, plant and equipment	**110.0**	97.4	**-**	-
Total depreciation on property, plant and equipment	**124.9**	109.9	**0.2**	0.3
Amortisation of intangibles	**13.0**	4.4	**-**	-
Amounts provided for:				
doubtful debts – trade receivables	**11.1**	2.4	**-**	-
doubtful debts – other receivables	**-**	2.7	**-**	-
employee entitlements	**39.9**	26.3	**-**	-
environmental liabilities	**140.7**	27.6	**-**	-
inventory losses and obsolescence	**14.9**	(1.4)	**-**	-
restructuring and rationalisation provisions	**86.7**	10.7	**-**	-
other provisions	**10.1**	11.0	**-**	-
Bad debts written off in respect of trade receivables	**7.4**	5.6	**-**	-
Bad debts written off in respect of other receivables	**-**	3.2	**-**	-
Lease payments – operating leases	**59.7**	55.7	**-**	-
Research and development	**32.8**	32.3	**-**	-

4. Specific profit and loss income and expenses (continued)

	2006			2005		
	Gross	**Tax**	**Net**	Gross	Tax	Net
	$m	**$m**	**$m**	$m	$m	$m
Profit after income tax includes the following individually material items of income and expenses:						
Consolidated						
Profit on disposal of IPL	**428.6**	**(19.8)**	**408.8**	-	-	-
Environmental provisions:						
Botany HCB (NSW) [(1)]	**(70.1)**	**21.0**	**(49.1)**	-	-	-
Villawood (NSW)	**(33.0)**	**9.9**	**(23.1)**	-	-	-
Seneca (North America)	**(30.5)**	**11.7**	**(18.8)**	-	-	-
Cockle Creek (NSW)	**(28.2)**	**8.5**	**(19.7)**	-	-	-
Botany Groundwater (NSW)	**-**	**-**	**-**	(26.4)	7.9	(18.5)
Restructuring and rationalisation costs: [(2)]						
Chemnet business	**(49.1)**	**14.0**	**(35.1)**	-	-	-
Seneca (North America)	**(13.3)**	**5.1**	**(8.2)**	-	-	-
Incitec Pivot business	**-**	**-**	**-**	(56.7)	15.8	(40.9)
Corporate and Chemical Services businesses	**-**	**-**	**-**	(21.8)	6.6	(15.2)
Dyno Nobel (expenditure)/income:						
Integration costs [(3)]	**(114.8)**	**36.1**	**(78.7)**	-	-	-
Net financing income [(4)]	**7.3**	**(5.0)**	**2.3**			-
Impairment writedowns [(5)]						
Adhesives and Resins	**(10.1)**	**-**	**(10.1)**	(15.2)	3.7	(11.5)
Seneca (North America)	**-**	**-**	**-**	(22.6)	7.9	(14.7)
Tax indemnity - Cropcare [(6)]	**(16.0)**	**-**	**(16.0)**	-	-	-
Qenos divestment	**-**	**-**	**-**	(35.2)	1.2	(34.0)
Restructuring provisions on acquisition	**-**	**-**	**-**	(9.8)	3.0	(6.8)
Individually material items	**70.8**	**81.5**	**152.3**	(187.7)	46.1	(141.6)
Minority interests in individually material items	**(9.0)**	**2.5**	**(6.5)**	(14.1)	4.1	(10.0)
Individually material items attributable to members of Orica	**79.8**	**79.0**	**158.8**	(173.6)	42.0	(131.6)
Company						
Recognition of capital losses [(7)]	**-**	**110.2**	**110.2**	-	-	-
	-	**110.2**	**110.2**	-	-	-

(1) Environmental provision related to HCB export and remediation of Botany (New South Wales, Australia) Car Park Waste encapsulation.

(2) Costs including asset write downs and provisions relating to restructuring of the Chemnet business and closure of Seneca (North America) in 2006 and Incitec Pivot and Corporate and Chemical Services businesses in 2005.

(3) Costs including asset write downs and provisions relating to the integration and restructuring of the Mining Services business following the purchase of the Dyno Nobel businesses.

(4) Financing income received from the Dyno Nobel businesses related to purchase price paid prior to the acquisition, offset by interest cost on borrowings associated with the purchase.

(5) Impairment writedown of assets of Indonesian Adhesives and Resins in 2006 and the Adhesives and Resins and Seneca businesses in 2005.

(6) The Cropcare business was sold to Nufarm Limited in October 2002 and Orica provided a tax indemnity. A tax assessment has been received by Nufarm Limited and Orica has provided for this amount although it intends to dispute the claim received by Nufarm with the Australian Tax Office.

(7) Capital loss recognised by Orica Limited as head entity of the tax consolidated group following the sale of Incitec Pivot Limited.

	Continuing 2006 $m	Discontinued 2006 $m	Consolidated 2006 $m	Continuing 2005 $m	Discontinued 2005 $m	Consolidated 2005 $m
5. Income tax expense						
a) Income tax expense recognised in the income statement						
Current tax expense						
Current year	**117.9**	**38.7**	**156.6**	71.2	10.2	81.4
Deferred tax	**(76.0)**	**(8.5)**	**(84.5)**	14.3	(3.2)	11.1
Under/(over) provided in prior years	**4.5**	**(1.7)**	**2.8**	(3.6)	(0.1)	(3.7)
Total income tax expense in income statements	**46.4**	**28.5**	**74.9**	81.9	6.9	88.8
b) Reconciliation of income tax expense to prima facie tax payable						
Income tax expense attributable to operating profit before individually material items						
Prima facie income tax expense calculated at 30% on profit before individually material items	**149.0**	**20.7**	**169.7**	127.3	22.2	149.5
Tax effect of items which (reduce)/increase tax expense:						
variation in tax rates of foreign controlled entities	**4.2**	**-**	**4.2**	5.0	-	5.0
tax under/(over) provided in prior years	**4.5**	**(1.7)**	**2.8**	(3.6)	(0.1)	(3.7)
non allowable share based payment	**2.8**	**0.1**	**2.9**	3.5	(0.2)	3.3
non taxable profit on sale of investments	**(0.9)**	**(1.4)**	**(2.3)**	-	-	-
non taxable profit on sale of property, plant and equipment	**(0.1)**	**(0.5)**	**(0.6)**	(4.4)	0.1	(4.3)
other foreign deductions	**(25.1)**	**-**	**(25.1)**	(20.9)	-	(20.9)
sundry items	**4.8**	**-**	**4.8**	5.3	0.7	6.0
Income tax expense attributable to profit before individually material items	**139.2**	**17.2**	**156.4**	112.2	22.7	134.9
Income tax expense/(benefit) attributable to individually material items						
Prima facie income tax (benefit)/expense calculated at 30% on (loss)/profit from individually material items	**(98.9)**	**120.1**	**21.2**	(39.3)	(17.0)	(56.3)
Tax effect of items which (reduce)/increase tax expense:						
variation in tax rates of foreign controlled entities	**(6.0)**	**-**	**(6.0)**	(1.1)	-	(1.1)
individually material items:						
recognition of capital losses	**-**	**(110.2)**	**(110.2)**	-	-	-
non allowable impairment write down (A&R)	**3.0**	**-**	**3.0**	0.9	-	0.9
non allowable IPL restructuring costs	**-**	**-**	**-**	-	1.3	1.3
non allowable provisions & expenses re Qenos	**-**	**-**	**-**	9.4	-	9.4
non allowable Chemnet restructuring costs	**0.9**	**-**	**0.9**	-	-	-
non allowable Dyno Nobel integration costs	**1.4**	**-**	**1.4**	-	-	-
non allowable Dyno Nobel net financing income	**2.0**	**-**	**2.0**	-	-	-
non allowable taxation writedown and provision - Cropcare	**4.8**	**-**	**4.8**	-	-	-
other	**-**	**1.4**	**1.4**	(0.2)	(0.1)	(0.3)
Income tax expense/(benefit) attributable to profit from individually material items	**(92.8)**	**11.3**	**(81.5)**	(30.3)	(15.8)	(46.1)
Income tax expense reported in the income statements	**46.4**	**28.5**	**74.9**	81.9	6.9	88.8

5. Income tax expense (continued)

c) Income tax expense recognised in the income statements	Company 2006 $m	Company 2005 $m
Current tax expense		
Current year	**(104.8)**	(11.0)
Deferred tax	**(8.7)**	-
Under/(over) provided in prior years	**(0.9)**	(1.2)
Total income tax expense in income statements	**(114.4)**	(12.2)

d) Reconciliation of income tax expense to prima facie tax payable	Company 2006 $m	Company 2005 $m
Income tax expense/(benefit) attributable to operating profit before individually material items		
Prima facie income tax expense calculated at 30% on profit before individually material items	**104.0**	(11.0)
Tax effect of items which (reduce)/increase tax expense:		
rebateable and exempt dividends	**(111.6)**	-
tax under/(over) provided in prior years	**(0.9)**	(1.2)
sundry items	**4.3**	-
Income tax expense attributable to profit before individually material items	**(4.2)**	(12.2)
Income tax benefit attributable to individually material items		
Prima facie income tax benefit calculated at 30% on loss from individually material items	**-**	-
Tax effect of items which reduce tax expense:		
individually material items:		
Recognition of capital losses	**(110.2)**	-
Income tax benefit attributable to profit from individually material items	**(110.2)**	-
Income tax benefit reported in the income statements	**(114.4)**	(12.2)

	Consolidated		Company	
	2006	2005	**2006**	2005
	$m	$m	**$m**	$m
Deferred income tax related to items charged or credited to equity:				
Net loss on hedge of net investments in foreign subsidiary	**(6.8)**	(24.2)	**-**	-
Cash flow hedges - effective portion of changes in fair value	**(1.4)**	-	**-**	-
Actuarial gains/(losses) on defined benefit plans	**(5.9)**	4.0	**-**	-
Adjustments to reserves on transition to AASB 139	**8.1**	-	**-**	-
Deferred income tax related to items charged or credited statements of recognised income and expense	**(6.0)**	(20.2)	**-**	-
Deductible share issue costs	**7.8**	-	**7.8**	-
Deferred income tax related to items charged or credited to equity	**1.8**	(20.2)	**7.8**	-

5. Income tax expense (continued)

f) Recognised deferred tax assets and liabilities

		Balance Sheet		Income Statement	
		2006	2005	**2006**	2005
Consolidated	Notes	**$m**	$m	**$m**	$m
Deferred tax assets					
Trade and other receivables		**7.3**	19.4	**12.3**	(3.1)
Inventories		**8.1**	9.1	**0.2**	2.3
Property, plant and equipment		**39.3**	39.8	**(0.6)**	(24.4)
Intangible assets		**18.9**	21.4	**(1.2)**	7.3
Trade and other payables		**38.5**	34.9	**0.7**	(2.8)
Interest bearing liabilities		**12.1**	6.0	**(5.5)**	3.0
Provision for employee entitlements		**26.6**	39.9	**9.0**	1.3
Provision for retirement benefit obligations		**34.5**	23.1	**(11.0)**	0.6
Provisions for restructuring and rationalisation		**10.3**	10.0	**(3.6)**	(1.7)
Provisions for environmental		**83.0**	50.9	**(45.7)**	6.8
Provisions for decommissioning		**6.7**	7.1	**0.4**	-
Foreign tax credits		**5.6**	6.0	**6.0**	(6.0)
Tax losses		**41.1**	12.1	**(17.0)**	36.0
Other items		**5.2**	14.2	**8.2**	3.5
Deferred tax assets		**337.2**	293.9		
less set-off against deferred tax liabilities		**(115.7)**	(163.6)		
Net deferred tax assets	(15)	**221.5**	130.3		
Deferred tax liabilities					
Inventories		**5.8**	8.7	**(3.3)**	(0.1)
Property, plant and equipment		**98.6**	132.9	**(15.9)**	-
Intangible assets		**16.3**	-	**(0.6)**	-
Interest bearing liabilities		**14.8**	34.6	**(23.9)**	(13.7)
Undistributed profits of foreign subsidiaries		**6.1**	7.1	**(1.0)**	1.8
Other items		**15.9**	12.0	**8.0**	0.3
Deferred tax liabilities		**157.5**	195.3		
less set-off against deferred tax assets		**(115.7)**	(163.6)		
Net deferred tax liabilities	(20)	**41.8**	31.7		
Deferred tax (income)/expense				**(84.5)**	11.1
Company					
Deferred tax assets					
Property, plant and equipment		**0.7**	0.6	**-**	-
Provisions for other		**0.3**	0.4	**-**	-
Foreign tax credits		**-**	6.0	**(6.0)**	-
Tax losses		**-**	3.7	**(3.7)**	-
Other items		**6.7**	9.2	**1.0**	-
Deferred tax assets	(15)	**7.7**	19.9		
Deferred tax (income)/expense				**(8.7)**	-

5. Income tax expense (continued)

g) Unrecognised deferred tax assets and liabilities

	Consolidated		Company	
	2006	2005	**2006**	2005
	$m	$m	**$m**	$m
Tax losses not booked	**7.9**	7.0	**-**	-
Capital losses not booked	**14.9**	70.7	**-**	-
Temporary differences not booked	**0.9**	1.0	**-**	-

Geographic analysis of tax losses not booked at 30 September 2006:	Tax losses	Capital losses	Expiry date
	$m	**$m**	
Australia	**1.0**	**13.1**	Indefinite
Other	**6.9**	**1.8**	Between 2007 and 2020
	7.9	**14.9**	

h) Unrecognised temporary differences

	Consolidated		Company	
	2006	2005	**2006**	2005
	$m	$m	**$m**	$m
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised	**597.4**	424.7	**12.7**	22.5
Unrecognised deferred tax liabilities relating to the above temporary differences	**87.0**	67.9	**2.1**	3.8

	Consolidated 2006	2005
	Cents per share	Cents per share

6. Earnings per share (EPS)

(i) As reported in income statement		
From continuing operations		
Basic earnings per share	**35.6**	74.1
Diluted earnings per share	**35.3**	73.1
Basic earnings per share adjusted for effect of rights issue	**35.6**	71.8
From discontinued operations		
Basic earnings per share	**142.2**	2.2
Diluted earnings per share	**141.2**	2.1
Basic earnings per share adjusted for effect of rights issue	**142.2**	2.2
Total attributable to equity holders of Orica		
Basic earnings per share	**177.8**	76.3
Diluted earnings per share	**176.5**	75.2
Basic earnings per share adjusted for effect of rights issue	**177.8**	74.0

	Number	Number
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	**303,134,081**	272,755,004
Effect of executive share options	**1,936,793**	3,952,074
Effect of award rights	**-**	56,703
Effect of Orica Step-Up Preference Securities	**317,892**	-
Number for diluted earnings per share	**305,388,766**	276,763,781
The following Orica long term equity incentive plans have not been included in the calculation for diluted earnings per share as they are not dilutive:		
- issue date 22 December 2004	**-**	1,096,702

Full details of these options are set out in note 21.

	$m	$m
Reconciliation of earnings used in the calculation of earnings per share		
Net profit for the period from continuing operations	**120.5**	211.5
Net profit for the period from continuing operations attributable to minority interests	**(12.6)**	(9.2)
Less preference share dividends appropriated	**-**	(0.1)
Net profit for the period from continuing operations attributable to ordinary equity holders	**107.9**	202.2
Net profit for the period from discontinued operations	**440.9**	10.4
Net profit for the period from discontinued operations attributable to minority interests	**(9.7)**	(4.4)
Earnings used in calculation of earnings per share	**539.1**	208.2

(ii) Adjusted for individually material items	**Cents per share**	Cents per share
From continuing operations		
Basic earnings per share	**113.5**	111.1
Diluted earnings per share	**112.7**	109.4
Basic earnings per share adjusted for effect of rights issue	**113.5**	107.7
From discontinued operations		
Basic earnings per share	**12.0**	13.5
Diluted earnings per share	**11.8**	13.4
Basic earnings per share adjusted for effect of rights issue	**12.0**	13.1
Total attributable to equity holders of Orica		
Basic earnings per share	**125.5**	124.6
Diluted earnings per share	**124.5**	122.8
Basic earnings per share adjusted for effect of rights issue	**125.5**	120.8

	$m	$m
Reconciliation of earnings used in the calculation of earnings per share adjusted for individually material items		
Net profit for the period from continuing operations	**120.5**	211.5
Net profit for the period from continuing operations attributable to minority interests	**(12.6)**	(9.2)
Less preference share dividends appropriated	**-**	(0.1)
Add individually material items from continuing operations	**236.3**	100.7
Net profit for the period from continuing operations attributable to ordinary equity holders	**344.2**	302.9
Net profit for the period from discontinued operations	**440.9**	10.4
Net profit for the period from discontinued operations attributable to minority interests	**(9.7)**	(4.4)
(Less)/add individually material items from discontinued operations	**(395.1)**	30.9
Earnings used in calculation of earnings per share	**380.3**	339.8

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
7. Cash and cash equivalents				
Cash at bank and on hand	**499.8**	81.6	**-**	-
Deposits at call				
external	**509.3**	133.1	**-**	-
	1,009.1	214.7	**-**	-

8. Trade and other receivables

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Current				
Trade receivables				
external	**717.9**	557.4	**-**	-
associated companies	**22.9**	22.7	**-**	-
Less allowance for doubtful receivables				
external	**(35.3)**	(12.4)	**-**	-
associated companies	**-**	(11.0)	**-**	-
	705.5	556.7	**-**	-
Other receivables				
external	**108.4**	103.8	**-**	-
controlled entities	**-**	-	**1,031.7**	448.3
associated companies	**-**	58.0	**-**	-
Less allowance for doubtful receivables				
external	**(3.8)**	(0.3)	**-**	-
associated companies	**-**	(47.2)	**-**	-
	104.6	114.3	**1,031.7**	448.3
	810.1	671.0	**1,031.7**	448.3
Non-current				
Other receivables				
external [1]	**103.6**	99.7	**100.0**	105.1
	103.6	99.7	**100.0**	105.1

[1] This includes $100.0 million (2005 $105.1 million) that was paid during the financial year ended 30 September 2005 to the Australian Tax Office in relation to the sale of the pharmaceuticals business to Zeneca in September 1998 (See note 33).
Orica has lodged an appeal with the Federal Court and the directors are of the opinion that the amount paid and recognised as a non-current receivable is recoverable.

(i) Significant terms and conditions
Trade receivables are carried at amounts due.
The collectibility of receivables is assessed at balance date and specific allowances are made for any doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

Other receivables generally arise from transactions outside the usual operating activities of the consolidated entity.
Interest may be charged where the terms of repayment exceed agreed terms.

(ii) Net fair values
The directors consider the carrying amount of trade and other receivables to approximate their net fair values.

(iii) Credit risk
Credit risk in receivables 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.

		Consolidated		Company	
		2006	2005	**2006**	2005
		$m	$m	**$m**	$m

9. Inventories

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Raw materials and stores				
at cost	**219.6**	202.3	**-**	-
at net realisable value	**1.0**	1.0	**-**	-
	220.6	203.3	**-**	-
Work in progress at cost	**20.6**	15.2	**-**	-
Finished goods				
at cost	**336.7**	605.9	**-**	-
at net realisable value	**1.2**	1.9	**-**	-
	337.9	607.8	**-**	-
	579.1	826.3	**-**	-

10. Other assets

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Current				
Prepayments and other assets	**34.4**	57.3	**-**	-
	34.4	57.3	**-**	-
Non-current				
Prepayments and other assets	**33.9**	22.5	**-**	-
	33.9	22.5	**-**	-

11. Investments accounted for using the equity method

Name	Principal activity	Balance date	Ownership 2006 %	Ownership 2005 %	Carrying amount 2006 $m	Carrying amount 2005 $m
Australian Plantations Pty Ltd	Tea tree oil production	30 Jun	**50.0**	50.0	**1.4**	3.7
Botany Industrial Park Pty Limited	Facility management service	30 Sep	**33.4**	50.0	**-**	-
BXL Bulk Explosives Limited (1)	Manufacture and sale of explosives	31 Oct	**50.0**	50.0	**0.1**	-
Controlodora DNS de RL de CV (2)	Manufacture and sale of explosives	30 Sep	**49.0**	-	**0.1**	-
Dyno Nobel Petrolera (2)	Manufacture and sale of explosives	31 Dec	**47.0**	-	**-**	-
Dyno Nobel UMMC LLC (3)	Manufacture and sale of explosives	31 Dec	**50.0**	-	**-**	-
Emirates Explosives L.L.C. (4)	Manufacture and sale of explosives	31 Dec	**49.0**	49.0	**3.5**	2.9
Exor Explosives Limited (5)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**1.2**	1.0
Geneva Nitrogen LLC (6)	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**5.9**	5.4
Geodynamics B.V. (7)	Manufacture and sale of explosives	31 Dec	**29.0**	29.0	**3.7**	3.3
Irish Mining Emulsion Systems Ltd (8)	Manufacture and sale of explosives	30 Sep	**50.0**	-	**-**	-
Makina Kimya Nitro Nobel Kimya Sanayii A.S (9)	Manufacture and sale of explosives	30 Sep	**25.0**	-	**0.1**	-
MicroCoal Inc.(6)	Development and commercialisation of coal dewatering process	31 Dec	**50.0**	5.0	**6.6**	-
MSW-Chemie GmbH (10)	Manufacture and sale of explosives	31 Dec	**31.5**	31.5	**0.6**	0.6
Nelson Brothers, LLC (6)	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**27.1**	25.4
Nelson Brothers Mining Services LLC (6)	Supply of explosives	31 Dec	**27.7**	27.7	**3.2**	2.9
Norabel Ignition Systems AB (11)	Manufacture and sale of explosives	31 Dec	**50.0**	-	**0.2**	-
Northwest Energetic Services, LLC (6)	Manufacture and sale of explosives	31 Dec	**33.3**	33.3	**1.0**	0.5
Orica Camel Coatings Ltd (12)	Manufacture and sale of powder coatings	31 Dec	**50.0**	50.0	**-**	-
OY Forcit (13)	Manufacture and sale of explosives	31 Dec	**20.0**	-	**4.5**	-
Pigment Manufacturers of Australia Limited	Non operating company	31 Dec	**50.0**	50.0	**0.8**	0.8
Pinegro Products Pty Ltd	Manufacture and sale of garden products	30 Jun	**50.0**	50.0	**1.3**	1.6
PIIK Limited Partnership (1)	Sale of explosives	30 Sep	**49.0**	49.0	**-**	-
Qenos Holdings Pty Ltd *	Manufacture and sale of polyethylene	31 Dec	**-**	50.0	**-**	-
Sprewa Sprengmittel GmbH (10)	Sale of explosives	31 Dec	**24.0**	24.0	**1.0**	0.9
SVG&FNS Philippines Holdings Inc (14)	Investment company	31 Dec	**40.0**	-	**-**	-
Thai Nitrate Company Ltd (15)	Manufacture and sale of explosives	30 Sep	**50.0**	-	**57.9**	-
Troisdorf GmbH (10)	Holder of operating permits	30 Sep	**50.0**	50.0	**-**	-
Ulaex SA (16)	Manufacture and sale of explosives	31 Dec	**50.0**	-	**1.9**	-
Wurgendorf GmbH (10)	Holder of operating permits	30 Sep	**50.0**	50.0	**0.1**	0.1
					122.2	49.1

Entities are incorporated in Australia except: (1) Canada, (2) Mexico, (3) Russia, (4) United Arab Emirates, (5) UK, (6) USA, (7) Holland, (8) Ireland, (9) Turkey, (10) Germany, (11) Sweden, (12) Hong Kong, (13) Finland, (14) Philippines, (15) Thailand, (16) Cuba.
* Qenos Holdings Pty Ltd was disposed of on 16 February 2006.

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

	Consolidated 2006 $m	Consolidated 2005 $m
Results of associates		
Share of associates' profit from ordinary activities before income tax	**12.7**	5.7
Share of associates' income tax expense relating to profit from ordinary activities	**(0.3)**	0.3
Share of associates' net profit equity accounted	**12.4**	6.0
Share of post-acquisition retained losses and reserves attributable to associates		
Share of associates' accumulated losses at the beginning of the financial year	**(39.5)**	(37.5)
Share of associates' net profit equity accounted	**12.4**	6.0
Less dividends from associates	**(13.8)**	(8.0)
Share of associates' accumulated losses at the end of the financial year	**(40.9)**	(39.5)
Movements in carrying amounts of investments		
Carrying amount of investments in associates at the beginning of the financial year	**49.1**	48.4
Investments in associates acquired during the year	**73.7**	3.3
Share of associates' net profit equity accounted	**12.4**	6.0
Less dividends from associates	**(13.8)**	(8.0)
Effects of exchange rate changes	**0.8**	(0.6)
Carrying amount of investments in associates at the end of the financial year	**122.2**	49.1
Summary of profit and loss and balance sheets of associates on a 100% basis		
The aggregate net profit, assets and liabilities of associates are:		
Revenue	**570.2**	1,152.4
Net profit after tax	**29.6**	12.2
Assets	**260.1**	936.3
Liabilities	**136.4**	597.5
Capital commitments	**-**	-
Lease commitments	**-**	-
Contingent liabilities	**-**	-

The company does not have any associates.

12. Other financial assets

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Current				
Interest in listed entities				
at fair value	**-**	12.3	**-**	-
Interest in unlisted entities				
at fair value	**7.4**	-	**-**	-
Derivative assets	**9.3**	-	**-**	-
	16.7	12.3	**-**	-
Non-current				
Interest in unlisted entities				
at fair value	**3.7**	-	**-**	-
Interest in unlisted controlled entities				
at cost	**-**	-	**1,647.7**	1,147.7
	3.7	-	**1,647.7**	1,147.7

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m

13. Property, plant and equipment

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Land, buildings and improvements				
at cost	**487.9**	683.5	**44.3**	42.2
accumulated depreciation	**(136.8)**	(223.3)	**(15.5)**	(15.1)
Total carrying value	**351.1**	460.2	**28.8**	27.1
Machinery, plant and equipment				
Gross book value				
at cost	**2,346.0**	2,547.4	**3.7**	0.3
under finance lease	**0.7**	0.5	**-**	-
	2,346.7	2,547.9	**3.7**	0.3
Accumulated depreciation				
at cost	**(1,094.3)**	(1,414.1)	**(3.4)**	(0.3)
under finance lease	**(0.4)**	(0.3)	**-**	-
	(1,094.7)	(1,414.4)	**(3.4)**	(0.3)
Net carrying value				
at cost	**1,251.7**	1,133.3	**0.3**	-
under finance lease	**0.3**	0.2	**-**	-
Total carrying value	**1,252.0**	1,133.5	**0.3**	-
Total net carrying value of property, plant and equipment	**1,603.1**	1,593.7	**29.1**	27.1

(i) Capitalised borrowing costs

Interest amounting to $13.9 million (2005 $5.1 million) was capitalised to property, plant and equipment.

13. Property, plant and equipment (continued)

(ii) Reconciliations

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

Consolidated		Land, buildings and improvements $m	Machinery, plant and equipment $m	Total $m
Carrying amount at the beginning of the financial year	01-Oct-2004	474.3	1,028.3	1,502.6
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 28)		(19.1)	(116.9)	(136.0)
Impairment of property, plant and equipment [1]		-	(49.8)	(49.8)
Foreign currency exchange differences		(0.5)	(16.1)	(16.6)
Carrying amount at the end of the financial year	30-Sep-2005	**460.2**	**1,133.5**	**1,593.7**
Additions		**14.4**	**416.3**	**430.7**
Disposals		**(4.6)**	**(31.1)**	**(35.7)**
Additions through acquisition of entities (see note 27)		**38.3**	**76.8**	**115.1**
Disposals through disposal of entities (see note 28)		**(129.1)**	**(170.8)**	**(299.9)**
Depreciation expense (see note 28)		**(17.0)**	**(125.6)**	**(142.6)**
Transfer to current assets classified as held for sale (note 28) [2]		**(4.9)**	**(25.4)**	**(30.3)**
Impairment of property, plant and equipment (note 28) [1]		**-**	**(18.4)**	**(18.4)**
Foreign currency exchange differences		**(6.2)**	**(3.3)**	**(9.5)**
Carrying amount at the end of the financial year	30-Sep-2006	**351.1**	**1,252.0**	**1,603.1**
Company				
Carrying amount at the beginning of the financial year	01-Oct-2004	27.4	-	27.4
Depreciation expense (see note 4)		(0.3)	-	(0.3)
Carrying amount at the end of the financial year	30-Sep-2005	**27.1**	**-**	**27.1**
Additions		**2.5**	**0.3**	**2.8**
Disposals		**(0.6)**	**-**	**(0.6)**
Depreciation expense (see note 4)		**(0.2)**	**-**	**(0.2)**
Carrying amount at the end of the financial year	30-Sep-2006	**28.8**	**0.3**	**29.1**

[1] The impairment in 2006 was in relation to the write-off of plant & equipment in the Mining Services, Chemnet and Chemical Services businesses. The impairment in 2005 was in relation to the write-off of plant & equipment in the Mining Services and Chemical Services businesses.

[2] The transfer of assets relates to Australian PVC Compounding business and Australian and New Zealand Adhesives & Resins businesses.

14. Intangible assets

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Book value of goodwill	**1,015.5**	557.6	**-**	-
Less impairment losses	**(10.6)**	(2.8)	**-**	-
Total net book value of goodwill	**1,004.9**	554.8	**-**	-
Patents, trademarks and rights	**83.5**	67.6	**-**	-
Less accumulated amortisation	**(41.9)**	(32.6)	**-**	-
Total net book value of patents, trademarks and rights	**41.6**	35.0	**-**	-
Brand names	**26.5**	17.8	**-**	-
Less accumulated amortisation	**(0.5)**	-	**-**	-
Total net book value of brand names	**26.0**	17.8	**-**	-
Software	**50.4**	42.9	**-**	-
Less accumulated amortisation	**(21.1)**	(16.2)	**-**	-
Total net book value of software	**29.3**	26.7	**-**	-
Customer contracts and relationships	**41.1**	-	**-**	-
Less accumulated amortisation	**(1.6)**	-	**-**	-
Total net book value of customer contracts and relationships	**39.5**	-	**-**	-
Total net book value of intangibles	**1,141.3**	634.3	**-**	-

Consolidated	Goodwill $m	Patents trademarks and rights $m	Brand names $m	Software $m	Customer contracts $m	Supplier contracts $m	Total $m
2005							
Carrying amount at the beginning of the financial year	519.9	42.8	19.1	25.1	-	-	606.9
Additions	-	0.2	-	4.1	-	-	4.3
Disposals	-	(0.1)	-	-	-	-	(0.1)
Additions through acquisition of entities (see note 27)	44.4	-	-	-	-	-	44.4
Amortisation expense (see note 28)	-	(1.9)	-	(2.5)	-	-	(4.4)
Impairment expense (see note 29)	(2.8)	-	-	-	-	-	(2.8)
Foreign currency exchange differences	(6.7)	(6.0)	(1.3)	-	-	-	(14.0)
Carrying amount at the end of the financial year	**554.8**	**35.0**	**17.8**	**26.7**	**-**	**-**	**634.3**
2006							
Additions	**-**	**-**	**0.3**	**1.0**	**-**	**-**	**1.3**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions through acquisition of entities (see note 27)	**663.3**	**20.2**	**8.1**	**10.8**	**41.1**	**-**	**743.5**
Disposals through disposal of entities (see note 28)	**(206.1)**	**-**	**-**	**(7.4)**	**-**	**-**	**(213.5)**
Amortisation expense (see note 28)	**-**	**(7.3)**	**(0.5)**	**(4.9)**	**(1.6)**	**-**	**(14.3)**
Impairment expense (see note 29)	**(7.8)**	**(8.8)**	**-**	**-**	**-**	**-**	**(16.6)**
Foreign currency exchange differences	**0.7**	**2.5**	**0.3**	**3.1**	**-**	**-**	**6.6**
Carrying amount at the end of the financial year	**1,004.9**	**41.6**	**26.0**	**29.3**	**39.5**	**-**	**1,141.3**

There are no intangible assets held by Orica Limited.
Impairment of patents, trademarks and rights is related to the writedown of the Dyno Nobel tradename purchased during the year.

15. Deferred tax assets

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Deferred tax assets	**221.5**	130.3	**7.7**	19.9

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
16. Trade and other payables				
Current				
Trade payables				
external	**660.9**	766.4	**-**	-
associated companies	**7.3**	4.0	**-**	-
Other payables				
external	**210.5**	139.0	**0.5**	21.4
controlled entities	**-**	-	**5.3**	5.8
Derivative financial instruments	**56.7**	-	**-**	-
	935.4	909.4	**5.8**	27.2
Non-current				
Other payables				
external	**6.9**	9.9	**-**	-
	6.9	9.9	**-**	-

(i) Significant terms and conditions

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

(ii) Net fair values

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

17. Interest bearing liabilities

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Current				
Secured				
investment deposit scheme (1)	**-**	12.1	**-**	-
Unsecured				
bank overdrafts	**0.9**	2.8	**-**	-
bank loans	**23.4**	23.3	**-**	-
other short term borrowings	**1.6**	9.4	**-**	-
Trade bills and trade cards (2)	**19.6**	-	**-**	-
other loans				
controlled entities	**-**	-	**790.7**	976.0
associated companies	**-**	1.7	**-**	-
Lease liabilities (see note 30)	**0.1**	0.2	**-**	-
	45.6	49.5	**790.7**	976.0
Non-current				
Unsecured				
bank loans	**-**	1.8	**-**	-
fixed term notes (3)	**75.0**	75.0	**-**	-
cumulative non-redeemable preference shares (4)	**2.0**	-	**2.0**	-
other loans				
private placement (5)	**1,187.4**	1,200.3	**-**	-
Lease liabilities (see note 30)	**1.2**	0.2	**-**	-
	1,265.6	1,277.3	**2.0**	-

(1) **Investment deposit scheme**

Customers were able invest to 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) **Trade bills and trade cards**

Under AASB 139, trade bills and trade cards used by customers to finance trade debts which are partially guaranteed by Orica are included in both trade receivables and interest bearing liabilities.

(3) **Fixed term notes**

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

(4) **Cumulative non-redeemable preference shares**

Under AASB 139, the 5% cumulative non-redeemable preference shares are treated as non-current interest bearing liabilities.

(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.

	Consolidated		Company	
	2006	2005	**2006**	2005
	$m	$m	**$m**	$m

18. Current tax liabilities

Provision for income tax	**56.5**	21.4	**43.0**	-

19. Provisions

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Current				
Employee entitlements	**68.1**	54.3	**-**	-
Restructuring and rationalisation	**60.9**	34.5	**-**	-
Environmental	**97.1**	82.4	**-**	-
Decommissioning	**10.8**	-	**-**	-
Other	**25.7**	26.1	**0.1**	0.1
	262.6	197.3	**0.1**	0.1
Non-current				
Employee entitlements	**36.0**	42.4	**-**	-
Retirement benefit obligations (see note 40)	**156.4**	108.3	**-**	-
Restructuring and rationalisation	**1.4**	-	**-**	-
Environmental	**200.1**	103.9	**-**	-
Decommissioning	**11.4**	23.7	**-**	-
Contingent liabilities on acquisition of controlled entities (see note 27)	**8.1**	-	**-**	-
Other	**13.0**	16.9	**0.9**	1.1
	426.4	295.2	**0.9**	1.1
Aggregate employee entitlements				
Current	**68.1**	54.3	**-**	-
Non-current	**192.4**	150.7	**-**	-
	260.5	205.0	**-**	-

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

Average assumed rate of increase in wage and salary rates	**4.0%**	4.0%		
Average discount rate	**5.7%**	5.4%		
Settlement term	**10 years**	10 years		
Employees at year end	**Number**	Number	**Number**	Number
Full time	**13,348**	10,952	**-**	-

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
Current provision - restructuring and rationalisation	**$m**	**$m**
Carrying amount at the beginning of the financial year	**34.5**	**-**
Additions through acquisition of entities (see note 27)	**3.4**	**-**
Reductions through disposal of entities (see note 28)	**(10.9)**	**-**
Provisions made during the year	**85.3**	**-**
Provisions written back during the year	**(3.2)**	**-**
Payments made during the year	**(47.9)**	**-**
Foreign currency exchange differences	**(0.3)**	**-**
Carrying amount at the end of the financial year	**60.9**	**-**

19. Provisions (continued)

Current provision - environmental	Consolidated $m	Company $m
Carrying amount at the beginning of the financial year	**82.4**	**-**
Reductions through disposal of entities (see note 28)	**(18.3)**	**-**
Provisions made during the year	**113.2**	**-**
Provisions written back during the year	**(0.4)**	**-**
Payments made during the year	**(48.9)**	**-**
Provisions transferred to non-current *	**(34.2)**	**-**
Foreign currency exchange differences	**3.3**	**-**
Carrying amount at the end of the financial year	**97.1**	**-**

* Provisions re Hexachlorobenzene (HCB) Waste Clean Up have been transferred to non current based on the expected spending of the provision.

Current provision - decommissioning		
Carrying amount at the beginning of the financial year	**-**	**-**
Payments made during the year	**(1.5)**	**-**
Provisions transferred from non-current	**12.3**	**-**
Carrying amount at the end of the financial year	**10.8**	**-**

Current provision - other		
Carrying amount at the beginning of the financial year	**26.1**	**0.1**
Additions through acquisition of entities (see note 27)	**5.2**	**-**
Reductions through disposal of entities (see note 28)	**(7.9)**	**-**
Provisions made during the year	**19.9**	**-**
Provisions written back during the year	**(1.4)**	**-**
Payments made during the year	**(18.8)**	**-**
Provisions transferred from non-current	**2.7**	**-**
Foreign currency exchange differences	**(0.1)**	**-**
Carrying amount at the end of the financial year	**25.7**	**0.1**

Non-current provision - restructuring and rationalisation		
Carrying amount at the beginning of the financial year	**-**	**-**
Provisions made during the year	**1.4**	**-**
Carrying amount at the end of the financial year	**1.4**	**-**

Non-current provision - environmental		
Carrying amount at the beginning of the financial year	**103.9**	**-**
Additions through acquisition of entities (see note 27)	**30.9**	**-**
Reductions through disposal of entities (see note 28)	**(29.2)**	**-**
Provisions made during the year	**57.5**	**-**
Provisions written back during the year	**(1.3)**	**-**
Discounting of provision	**5.2**	**-**
Provision transferred from current	**34.2**	**-**
Foreign currency exchange differences	**(1.1)**	**-**
Carrying amount at the end of the financial year	**200.1**	**-**

19. Provisions (continued)

Non-current provision - decommissioning	Consolidated $m	Company $m
Carrying amount at the beginning of the financial year	**23.7**	**-**
Provision transferred to current	**(12.3)**	**-**
Carrying amount at the end of the financial year	**11.4**	**-**

Non-current provision - contingent liabilities on acquisition of controlled entities	Consolidated $m	Company $m
Carrying amount at the beginning of the financial year	**-**	**-**
Additions through acquisition of entities (see note 27)	**8.1**	**-**
Carrying amount at the end of the financial year	**8.1**	**-**

Non-current provision - other	Consolidated $m	Company $m
Carrying amount at the beginning of the financial year	**16.9**	**1.1**
Provisions made during the year	**(1.0)**	**-**
Payments made during the period	**-**	**(0.2)**
Provision transferred to current	**(2.7)**	**-**
Foreign currency exchange differences	**(0.2)**	**-**
Carrying amount at the end of the financial year	**13.0**	**0.9**

Restructuring and rationalisation provision
Provisions were made during the year to cover the restructure of the Chemnet division and the restructuring and integration of the Mining Services division arising from the acquisition of the Dyno Nobel businesses. Provisions made in the prior year related to the restructure of the Incitec Pivot and Chemical Services businesses and Corporate.

Environmental provision
Estimated costs for the remediation of soil, groundwater and untreated waste that have arisen as a result of past events which have been provided for as soon as the need is identified and a reliable estimate of the liability is able to be assessed.
Refer also to notes 32 and 33.

	Consolidated		Company	
	2006 $m	2005 $m	**2006 $m**	2005 $m
The environmental provision comprises:				
Botany Groundwater remediation	**60.9**	86.0	**-**	-
Hexachlorobenzene (HCB) Waste remediation	**127.1**	66.2	**-**	-
Dyno Nobel Sites remediation	**32.8**	-	**-**	-
Seneca remediation	**30.7**	-	**-**	-
Villawood remediation	**32.7**	-	**-**	-
Other environmental provisions	**13.0**	34.1	**-**	-
Total environmental provisions	**297.2**	186.3	**-**	**-**

Decommissioning provision
A provision is recognised for the present value of the estimated costs of dismantling and removing an asset and restoring the site on which it is located where a legal or constructive obligation exists.

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

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

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
20. Deferred tax liabilities				
Deferred income tax	**41.8**	31.7	**-**	-

	Company 2006 $m	Company 2005 $m
21. Contributed equity		
Issued and fully paid: [1]		
Cumulative non-redeemable 5% preference shares - 2,000,000 (2005 2,000,000) [2]	**-**	2.0
Orica Step-Up Preference Securities - 5,000,000 (2005 nil) [3]	**490.0**	-
Ordinary shares - 309,217,777 (2005 273,104,280) [4]	**815.3**	327.3
Balance at end of the period	**1,305.3**	329.3

[1] Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of issued shares.

[2] The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 October 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under AASB 139, the 5% cumulative non-redeemable preference shares are treated as non-current interest bearing liabilities. Under accounting policies applied in the comparative period, cumulative non-redeemable preference shares were included in share capital.

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

[4] Includes 34,426,827 shares issued pursuant to rights issue prospectus dated 21 November 2005.

21. Contributed equity (continued)

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

Details	Date	Number of shares	Issue price $	$m
Cumulative non-redeemable 5% preference shares				
Opening balance	1-Oct-05	2,000,000	1.00	2.0
Reclassification under AASB 139	1-Oct-05			(2.0)
Balance	**30-Sep-06**	**2,000,000**		**-**
Step-Up Preference Securities				
Opening balance	1-Oct-05			
Step-Up Preference Securities issued (1)	16-Mar-06	5,000,000	100.00	500.0
Step-Up Preference Securities issued - costs (1)	16-Mar-06			(10.0)
Balance	**30-Sep-06**	**5,000,000**		**490.0**
Ordinary shares				
Opening balance of ordinary shares issued	1-Oct-04	270,057,893		345.9
Shares issued under the Orica executive option plans (5)		3,971,566		27.7
Share buy-back (3)		(2,943,418)	18.24	(53.7)
Share movements under the Orica LTEIP plan (note 37) (6)	22-Dec-04	1,096,702		(13.6)
Share movements under the Orica SESLP plan (note 37) (6)		151,122		7.4
Shares issued under the Orica GEESP plan (note 37) (2)		72,561	17.53	1.3
Shares issued under the Orica dividends reinvestment plan	8-Jul-05	697,854	17.68	12.3
Balance	30-Sep-05	**273,104,280**		**327.3**
Shares issued under the Orica executive option plans (5)		**3,057,493**		**23.7**
Shares issued under the Orica dividends reinvestment plan (note 25)	16-Dec-05	**1,038,688**	**20.06**	**20.9**
Share movements under the Orica LTEIP plan (note 37) (6)	23-Dec-05	**1,208,392**		**13.2**
Shares issued under the Orica Rights Issue (4)	23-Dec-05	**34,426,827**	**15.00**	**516.4**
Expenses related to issue the Orica Rights Issue (4)	23-Dec-05			**(8.4)**
Share movements under the Orica SESLP plan (note 37) (6)				**3.7**
Share buy-back (3)		**(3,617,903)**	**22.53**	**(81.5)**
Balance	**30-Sep-06**	**309,217,777**		**815.3**

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

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

(3) Shares bought back and cancelled over a period from July 2006 to August 2006 (2005 January 2005 to June 2005).

(4) Shares issued and costs incurred pursuant to rights issue prospectus dated 21 November 2005.

21. Contributed equity (continued)

Details	Date	Number of shares	Issue price $	$m
[5] Shares issued under the Orica executive option plan (note 37)				
2004/2005		174,200	-	-
		6,380	8.31	0.1
		159,400	5.72	0.9
		998,000	5.67	5.7
		2,437,842	7.91	19.3
		8,127	9.02	0.1
		10,044	9.24	0.1
		20,920	10.35	0.2
		10,000	5.67	0.1
		146,653	7.91	1.2
Total for period to :	**30-Sep-05**	**3,971,566**		**27.7**
2005/2006		**32,000**	**5.09**	**0.2**
		6,800	**5.14**	**-**
		14,900	**5.72**	**0.1**
		27,000	**5.67**	**0.2**
		830,511	**7.33**	**6.1**
		4,620	**7.73**	**-**
		1,982,007	**7.91**	**15.7**
		23,380	**8.31**	**0.2**
		12,191	**9.02**	**0.1**
		15,066	**9.24**	**0.1**
		12,759	**9.77**	**0.1**
		34,241	**10.18**	**0.3**
		41,015	**10.35**	**0.4**
		10,000	**10.36**	**0.1**
		11,003	**13.38**	**0.1**
Total for period to :	**30-Sep-06**	**3,057,493**		**23.7**

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 $21.92 (2005 $18.86).

Details	Date	Number of shares	Issue price $	$m
[6] Shares issued/bought back under the Orica LTEIP plan (note 37)				
Shares issued	22-Dec-04	1,096,702	20.16	-
Shares bought back	22-Dec-04	-		(13.6)
Total for period to :	**30-Sep-05**	**1,096,702**		**(13.6)**
Shares issued	23-Dec-05	**1,208,392**	**20.67**	**-**
Shares bought back	23-Dec-05			**(0.1)**
Shares bought back	23-Dec-05			**(3.1)**
Shares issued - loan repayment	Various	**-**		**16.4**
Total for period to :	**30-Sep-06**	**1,208,392**		**13.2**
Shares issued under the Orica SESLP plan (note 37)				
2004/2005				
Shares issued	6-Jun-05	151,122	16.05	-
Shares issued - loan repayment	Various			7.4
Total for period to :	**30-Sep-05**	**151,122**		**7.4**
2005/2006				
Shares issued - loan repayment	Various			**3.7**
Total for period to :	**30-Sep-06**	**-**		**3.7**

Under the SESLP and 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. The shares issued to the executives are either purchased on market or issued by Orica. Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Shares issued under the plans are recognised as shares issued at nil value, with a share based payments expense recognised in the income statement. Shares purchased on-market under the plans are recognised as a share buy-back. Repayments of share loans are recognised as share capital.

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	
	2006	2005
	$m	$m
Issued ordinary share capital	**40.6**	35.1

21. Contributed equity (continued)

Options over unissued shares (see note 37):

Exercisable between		Balance 30 Sep 04	Issued/ Reinstated During Period	Exercised During Period	Lapsed During Period	Balance 30 Sep 05	**Exercised During Period**	**Lapsed During Period**	**Balance 30 Sep 06**
01 Jan 03	31 Dec 09	61,880	-	(6,380)	(11,000)	44,500	**(28,000)**	**-**	**16,500**
01 Jan 04	31 Dec 10	215,700	-	(159,400)	-	56,300	**(21,700)**	**-**	**34,600**
31 Dec 04	31 Dec 06	1,116,000	10,000	(1,008,000)	-	118,000	**(59,000)**	**-**	**59,000**
31 Oct 05	31 Oct 07 [1]	7,492,067	42,397	(2,584,495)	(72,307)	4,877,662	**(2,812,518)**	**(277,654)**	**1,787,490**
31 Oct 05	31 Oct 07 [1]	40,176	-	(10,044)	-	30,132	**(15,066)**	**-**	**15,066**
31 Oct 05	31 Oct 07 [1]	32,509	-	(8,127)	-	24,382	**(12,191)**	**-**	**12,191**
31 Oct 05	31 Oct 07 [1]	115,421	-	(20,920)	(13,882)	80,619	**(53,774)**	**-**	**26,845**
31 Oct 05	31 Oct 07 [1]	20,000	-	-	-	20,000	**(10,000)**	**-**	**10,000**
31 Oct 05	31 Oct 07 [1]	84,576	-	-	(9,167)	75,409	**(34,241)**	**-**	**41,168**
10 Nov 05	31 Oct 07 [1]	27,507	-	-	-	27,507	**(11,003)**	**-**	**16,504**
10 Nov 06	31 Oct 07 [1]	21,045	-	-	-	21,045	**-**	**-**	**21,045**
Total		9,226,881	52,397	(3,797,366)	(106,356)	5,375,556	**(3,057,493)**	**(277,654)**	**2,040,409**

[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 37 (c) and (d) for specific terms and conditions.

Pursuant to the terms on which they were granted, the exercise price of outstanding ESOP and SOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005 as follows:

Old price	5.67	5.72	7.91	8.31	9.02	9.24	10.18	10.35	10.36	13.38	17.35
New price	5.09	5.14	7.33	7.73	8.44	8.66	9.60	9.77	9.78	12.80	16.77

Award Rights over unissued shares:

Exercisable between		Balance 30 Sep 04	Issued/ Reinstated During Period	Exercised During Period	Lapsed During Period	Balance 30 Sep 05
31 Dec 04	31 Dec 06	172,200	2,000	(174,200)	-	-
Total		172,200	2,000	(174,200)	-	-

22. Reserves and retained earnings

	Notes	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
(a) Reserves					
Share based payments		**18.9**	9.1	**-**	-
Cash flow hedging		**(15.6)**	-	**-**	-
Foreign currency translation		**(49.9)**	(29.9)	**-**	-
Equity		**-**	-	**-**	-
Balance at end of year		**(46.6)**	(20.8)	**-**	-
Movement in reserves during the financial year					
Share based payments					
Balance at beginning of year		**9.1**	(2.5)	**-**	-
Share based payments expense	(28)	**9.8**	11.6	**-**	-
other movement - FX between P/L and B/S		**-**	-	**-**	-
Balance at end of year		**18.9**	9.1	**-**	-
Cash flow hedging					
Balance at beginning of year		**-**	-	**-**	-
Transition adjustments re AASB 139	(43)	**(19.0)**	-	**-**	-
Movement for period		**3.4**	-	**-**	-
Balance at end of year		**(15.6)**	-	**-**	-
Foreign currency translation					
Balance at beginning of year		**(29.9)**	-	**-**	-
Transition adjustments re AASB 139	(43)	**6.5**	-	**-**	-
Transfer to income statement on disposal of foreign subsidiaries		**(0.1)**	-	**-**	-
Translation of overseas controlled entities at the end of the financial year		**(26.4)**	(29.9)	**-**	-
Balance at end of year		**(49.9)**	(29.9)	**-**	-
Equity					
Balance at beginning of year		**-**	-	**-**	-
Purchase of minority interests		**1.9**	-	**-**	-
Disposal of entities		**(1.9)**	-	**-**	-
Balance at end of year		**-**	-	**-**	-
(b) Retained earnings					
Retained earnings at the beginning of the financial year		**1,019.4**	989.1	**414.4**	626.4
Operating profit after income tax attributable to members of Orica		**539.1**	208.3	**461.1**	(24.6)
Transition adjustments re AASB 139	(43)	**(6.3)**	-	**-**	-
Defined Benefit Fund Superannuation movement		**12.8**	9.4	**-**	-
Dividends:	(25)				
Preference – declared/paid		**-**	(0.1)	**-**	(0.1)
Ordinary – interim paid		**(81.0)**	(68.1)	**(81.0)**	(68.1)
Ordinary – final prior year declared/paid		**(126.1)**	(119.2)	**(126.1)**	(119.2)
Retained earnings at the end of the financial year		**1,357.9**	1,019.4	**668.4**	414.4

Share based payments reserve
The amount standing in the share based payments reserve represents the share based payments expense.

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

Foreign currency translation reserve
The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge 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 foreign operation.

Equity reserve
The equity reserve represents the excess of cost of investment in purchasing minority interests in subsidiaries over the net assets acquired and minority share of goodwill at the date of original acquisition of the subsidiary.

23. Minority interests in controlled entities

	Consolidated 2006 %	Consolidated 2005 %	Consolidated 2006 $m	Consolidated 2005 $m
Ordinary share capital of controlled entities held by minority interests in:				
Active Chemicals Chile S.A.	**49.0**	49.0	**0.2**	0.2
Altona Properties Pty Ltd	**37.4**	37.4	**-**	-
Ammonium Nitrate Development and Production Limited	**0.1**	-	**-**	-
Andean Mining & Chemicals Limited	**49.0**	49.0	**-**	-
ASA Organizacion Industrial	**1.3**	-	**0.1**	-
Bamble Mekaniske Industrier AS	**40.0**	-	**0.3**	-
Bronson & Jacobs International Co. Ltd	**51.0**	-	**-**	-
Dyno NitroMed AD	**40.0**	-	**2.6**	-
Dyno Nobel Colombia SA	**8.0**	-	**-**	-
Dyno Nobel Philippines Inc.	**4.0**	-	**0.2**	-
Dyno Nobel Samex S.A .	**49.5**	-	**4.1**	-
Dyno Nobel VH Company LLC	**49.0**	-	**0.2**	-
Dyno Nobel (Zimbabwe) (Private) Limited	**22.0**	-	**-**	-
Explosives de Mexico SA de CV	**1.3**	-	**-**	-
Geonitro Limited	**40.0**	-	**0.5**	-
Incitec Pivot Limited	**-**	30.0	**-**	159.7
Nitro Asia Company Inc.	**41.6**	-	**0.1**	-
Orica-CCM Energy Systems Sdn Bhd	**45.0**	45.0	**0.6**	0.6
Orica Chemicals Chile S.A.	**49.0**	49.0	**0.8**	0.8
Orica Chemicals Peru S.A.C.	**49.0**	49.0	**0.6**	0.6
Orica Coatings (Fiji) Limited	**-**	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 Nitro Patlayici Maddeler Ticaret ve Sanayi A.S.	**49.0**	49.0	**1.6**	1.6
Orica Scandanavia Mining Services AB	**-**	49.0	**-**	1.4
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
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	**-**	-
			26.0	179.0
Minority interests in shareholders' equity at balance date is as follows:				
Contributed equity			**26.0**	179.0
Reserves			**8.0**	3.5
Retained earnings			**17.6**	9.1
			51.6	191.6

24. Total equity reconciliation

	Notes	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Total equity at the beginning of the financial year		**1,519.5**	1,539.4	**743.7**	974.3
Adjustments to share capital on transition to AASB 139		**(2.0)**	-	**(2.0)**	-
Total changes recognised in statement of recognised income and expense		**510.1**	187.8	**461.1**	(24.6)
Transactions with owners as owners					
Dividends provided for or paid	(25)	**(207.1)**	(187.4)	**(207.1)**	(187.4)
Share based payments reserve movements		**9.8**	11.6	**-**	-
Transfer of reserves to income statement on disposal of foreign subsidiaries		**(0.1)**	-	**-**	-
Purchase of minorities		**1.9**	-	**-**	-
Disposal of minorities		**(1.9)**	-	**-**	-
Contributions of equity	(21)	**978.0**	(18.6)	**978.0**	(18.6)
Total changes in minority interest	(23)	**(140.0)**	(13.3)	**-**	-
Total equity at the end of the financial year		**2,668.2**	1,519.5	**1,973.7**	743.7

	Company	
	2006	2005
	$m	$m

25. Dividends

Dividends paid or declared in respect of the period to 30 September were:		
Ordinary		
interim dividend of 25 cents per share, 32% franked at 30%, paid 15 Jul 2005	**-**	68.1
interim dividend of 26 cents per share, 34.6% franked at 30%, paid 7 Jul 2006	**81.0**	
final dividend of 45 cents per share, 46.7% franked at 30%, paid 8 Dec 2004	**-**	119.2
final dividend of 46 cents per share, 32.6% franked at 30%, paid 16 Dec 2005	**126.1**	-
Preference (1)		
final dividend of 2.5 cents per share, 46.7% franked at 30%, paid 31 Jan 2005	**-**	0.05
interim dividend of 2.5 cents per share, 32% franked at 30%, paid 29 Jul 2005	**-**	0.05
Redeemable Preference (2)		
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 period were as follows:		
paid in cash	**186.2**	142.5
satisfied by issue of shares	**20.9**	12.3
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan (3)	**-**	32.6

Subsequent events

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

Ordinary		
Final dividend of 48 cents per share, 43.75% franked at 30%, payable 15 December 2006	**148.4**	

The financial effect of the final ordinary dividend has not been brought to account in the financial statements for the period ended 30 September 2006 and will be recognised in the 2007 financial report.

(1) Dividends on these shares have been charged to the Income Statement as borrowing costs because the shares are classified as liabilities.
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 October 2005. The Group has applied previous AGAAP to the comparative information on the financial instruments within the scope of AASB 132 and AASB 139. Under accounting policies applied in the comparative period, cumulative non-redeemable preference shares were included in share capital and distributions disclosed as dividends.

(2) Dividends on these shares have been charged to the Income Statement as borrowing costs because the shares were classified as liabilities.

(3) During the period, the Company bought 3,617,903 (2005 697,854) 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 2006 is nil (2005 nil).

26. Notes to the statements of cash flows

	Notes	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
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 balance sheet as follows:					
Cash	(7)	**1,009.1**	214.7	**-**	-
Bank overdraft	(17)	**(0.9)**	(2.8)	**-**	-
		1,008.2	211.9	**-**	-
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		**561.4**	221.9	**461.1**	(24.6)
Depreciation and amortisation		**156.9**	140.4	**0.2**	0.3
Share based payments expense		**9.8**	11.6	**-**	-
Share of associates' net (profit)/loss after adding back dividends received		**1.4**	2.0	**-**	-
Increase/(Decrease) in net interest payable		**3.6**	15.5	**(0.5)**	2.0
Decrease/(increase) in dividend income receivable		**-**	-	**(350.0)**	-
Impairment of intangibles		**16.6**	2.8	**-**	-
Impairment of property, plant and equipment		**18.4**	49.8	**-**	-
Net profit on sale of businesses and controlled entities	(28)	**(435.0)**	-	**-**	-
Net profit on sale of property, plant and equipment		**(16.7)**	(33.0)	**0.6**	-
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities					
(increase)/decrease in trade and other receivables		**(201.5)**	(18.6)	**41.5**	(154.0)
increase in inventories		**(40.8)**	(70.9)	**-**	-
(decrease)/increase in deferred taxes payable		**(86.0)**	27.9	**-**	10.8
increase/(decrease) in payables and provisions		**379.3**	37.1	**(193.2)**	(0.2)
increase/(decrease) in income taxes payable		**46.5**	(10.7)	**46.7**	(25.3)
Net cash flows from/(used in) operating activities		**413.9**	375.8	**6.4**	(191.0)

27. Businesses acquired

Consolidated - 2006

Acquisition of businesses and controlled entities

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

Dyno Nobel entities

In 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 Nobel. The agreement followed the Macquarie consortium's acquisition of 100% of Dyno Nobel from Industri Kapital which was subject to regulatory approvals and which was completed in late November 2005. Approximately US$685 million (A$902 million) was paid to the Macquarie consortium under the purchase agreement and this amount was initially recognised by the Group as a receivable, pending the completion of the acquisition of the identified individual entities. As regulatory approvals were obtained, the businesses were acquired on a country by country basis and the receivable was progressively reduced. The acquisition of entities under the agreement was completed on 1 June 2006, at which time the receivable was reduced to nil.

The Dyno entities were acquired as follows:

(1) On 31 December 2005, Dyno Nobel (Thailand) Limited, Dyno Nobel Slovakia AS, Dyno Nobel Schweiz AG and Ensign-Bickford Venezuela C.A. (51%).

(2) On 8 March 2006, Orica Dyno Nobel Philippines Inc. (96.1%) and Nitro Asia Company Inc.

(3) On 10 May 2006, 56% of Dyno Nobel Chile and Industriales Chile.

(4) On 1 June 2006, the remainder of Dyno Nobel Chile and Industriales Chile.

(5) On 1 June 2006, the remaining Dyno entities in Asia, Latin America, Europe, the Middle East and Africa.

Other entities

During December 2005, Orica purchased the remaining 49% minority interest in Orica Kimit Explosives AB and Orica Kimit Norge AS.

On 31 May 2006, 60% GeoNitro Limited was purchased.

Accounting standards require the fair value of the net assets acquired to be recognised. This annual report includes the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date. The final position of the acquired net assets will be presented in the financial statements at 30 September 2007.

2006	Book Values $m	Fair Value Adjustments $m	Total $m
Consideration *			
cash paid	**918.0**	**-**	**918.0**
acquisition costs	**41.8**	**-**	**41.8**
net cash acquired	**(77.6)**	**-**	**(77.6)**
	882.2	**-**	**882.2**
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	**104.7**	**39.2**	**143.9**
inventories	**72.3**	**2.1**	**74.4**
investments	**27.0**	**44.4**	**71.4**
property, plant and equipment	**93.1**	**22.0**	**115.1**
intangibles including purchased goodwill	**10.8**	**69.4**	**80.2**
other assets	**34.4**	**23.2**	**57.6**
payables and interest bearing liabilities	**(150.3)**	**-**	**(150.3)**
provision for dividends	**(1.1)**	**-**	**(1.1)**
provision for employee entitlements	**(61.6)**	**(23.7)**	**(85.3)**
provision for restructuring and rationalisation	**(3.4)**	**-**	**(3.4)**
provision for environmental	**(6.9)**	**(24.0)**	**(30.9)**
provision for taxation	**(3.7)**	**(23.5)**	**(27.2)**
contingent liabilities	**-**	**(8.1)**	**(8.1)**
other provisions	**(5.2)**	**-**	**(5.2)**
	110.1	**121.0**	**231.1**
Less minority interest at date of acquisition	**(12.2)**	**-**	**(12.2)**
	97.9	**121.0**	**218.9**
Goodwill on acquisition			**663.3**

* The total consideration amount of $882.2 million includes $875.6 million for newly controlled entities and $6.6 million for the minority share of controlled entities.

27. Businesses acquired (continued)

Results contributed by acquired entities since acquisition date:	**$m**
Revenue for the period	**247.7**
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period	**35.0**

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the12 months to 30 June 2005 as disclosed in the rights issue prospectus dated 21 November 2005 and the Orica Step-Up Preference Securities Prospectus dated 17 February 2006 are as follows:

	$m
Operating revenue	**537.3**
EBITDA	**82.0**

The historical information was compiled by Orica management based on limited financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses.
Revenue and net profit of the acquired entities for the 12 months ended 30 September 2006 have not been disclosed due to lack of separate historical information, significant historical transactions between entities purchased and entities not purchased, material acquisition adjustments and restructuring and integration activities of the acquired businesses.
Goodwill has arisen on the purchase of these entities because of assets that did not meet the criteria for recognition as an identifiable intangible asset at date of acquisition.

Consolidated - 2005
Acquisition of businesses and controlled entities
The consolidated entity acquired the following businesses and entities (100% unless stated otherwise):
(1) On 1 December 2004, the purchase of Woods and Woods was completed.
(2) On 1 February 2005, the purchase of Keith Harris Flavours and Fragrances was completed.
(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.

2005	Book Values **$m**	Fair Value Adjustments **$m**	Total **$m**
Consideration			
cash paid	67.4	-	67.4
net cash acquired	(8.2)	-	(8.2)
	59.2	-	59.2
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	12.7	-	12.7
inventories	10.7	-	10.7
property, plant and equipment	11.0	-	11.0
intangibles including purchased goodwill	3.7	-	3.7
other assets	2.9	-	2.9
payables and interest bearing liabilities	(15.3)	-	(15.3)
provision for employee entitlements	(0.8)	-	(0.8)
provision for restructuring and rationalisation	(1.5)	-	(1.5)
provision for taxation	(0.5)	-	(0.5)
	22.9	-	22.9
Less minority interest at date of acquisition	(4.4)	-	(4.4)
	18.5	-	18.5
Goodwill on acquisition			40.7

Results contributed by acquired entities since acquisition date:	**$m**
Revenue for the period to 30 September 2005	51.9
EBITDA for the period to 30 September 2005	6.9

Revenue and net profit of the acquired entities for the 12 months ended 30 September 2005 have not been disclosed due to lack of historical information, and restructuring and integration activities of the acquired entities resulting in historical results not being comparable for the acquired entities activities going forward.
Goodwill has arisen on the purchase of these entities because of assets that did not meet the criteria for recognition as an identifiable intangible asset at date of acquisition.

The goodwill on acquisition of Bronson and Jacobs Group was increased during the year following agreement on the final earn out due on the acquisition of the acquired entities.

28. Discontinued operations and businesses disposed

The Fertilisers business was disposed of on 15 May 2006 and is reported as a discontinued operation. This note shows the results of the continuing businesses and the discontinued business.

	Continuing	Discontinued	Consolidated	Continuing	Discontinued	Consolidated
For the year ended 30 September	**2006**	**2006**	**2006**	2005	2005	2005
	$m	**$m**	**$m**	$m	$m	$m
Sales revenue	**4,745.6**	**613.6**	**5,359.2**	4,052.8	1,073.9	5,126.7
Other income	**57.8**	**440.8**	**498.6**	56.4	7.9	64.3
Expenses						
Changes in inventories of finished goods and work in progress	**(13.2)**	**96.9**	**83.7**	28.7	23.2	51.9
Raw materials and consumables used and finished goods purchased for resale	**(2,473.5)**	**(437.6)**	**(2,911.1)**	(2,147.2)	(733.6)	(2,880.8)
Share based payments	**(9.4)**	**(0.4)**	**(9.8)**	(12.2)	0.6	(11.6)
Other employee benefits expense	**(780.5)**	**(43.0)**	**(823.5)**	(687.7)	(82.1)	(769.8)
Depreciation and amortisation expense	**(137.9)**	**(19.0)**	**(156.9)**	(114.3)	(26.1)	(140.4)
Purchased services	**(354.6)**	**(28.4)**	**(383.0)**	(300.1)	(51.5)	(351.6)
Repairs and maintenance	**(119.4)**	**(31.9)**	**(151.3)**	(98.4)	(45.6)	(144.0)
Impairment of property, plant & equipment	**(18.4)**	**-**	**(18.4)**	(35.0)	(14.8)	(49.8)
Impairment of intangibles	**(16.6)**	**-**	**(16.6)**	(2.8)	-	(2.8)
Outgoing freight	**(238.9)**	**(15.2)**	**(254.1)**	(190.2)	(31.0)	(221.2)
Lease payments - operating leases	**(59.7)**	**(5.4)**	**(65.1)**	(55.7)	(12.5)	(68.2)
Other expenses from ordinary activities including individually material items	**(339.9)**	**(95.7)**	**(435.6)**	(113.9)	(81.6)	(195.5)
Share of net profits of associates accounted for using the equity method	**12.4**	**-**	**12.4**	6.0	-	6.0
	(4,549.6)	**(579.7)**	**(5,129.3)**	(3,722.8)	(1,055.0)	(4,777.8)
Profit from operations	**253.8**	**474.7**	**728.5**	386.4	26.8	413.2
Net financing costs						
Financial income	**64.7**	**(4.5)**	**60.2**	13.6	(7.2)	6.4
Financial expenses	**(151.6)**	**(0.8)**	**(152.4)**	(106.6)	(2.3)	(108.9)
Net financing costs	**(86.9)**	**(5.3)**	**(92.2)**	(93.0)	(9.5)	(102.5)
Profit before income tax expense	**166.9**	**469.4**	**636.3**	293.4	17.3	310.7
Income tax expense	**(46.4)**	**(28.5)**	**(74.9)**	(81.9)	(6.9)	(88.8)
Profit after tax	**120.5**	**440.9**	**561.4**	211.5	10.4	221.9
Net Profit for the period attributable to:						
Equity holders of Orica Limited	**107.9**	**431.2**	**539.1**	202.3	6.0	208.3
Minority interest	**12.6**	**9.7**	**22.3**	9.2	4.4	13.6
Net Profit for the period	**120.5**	**440.9**	**561.4**	211.5	10.4	221.9

28. Discontinued operations and businesses disposed (continued)

	Continuing 2006 $m	Discontinued 2006 $m	Consolidated 2006 $m	Continuing 2005 $m	Discontinued 2005 $m	Consolidated 2005 $m
Revenue and other income from continuing operations						
Sales revenue	**4,745.6**	**613.6**	**5,359.2**	4,052.8	1,073.9	5,126.7
Other income						
Royalty income	**2.6**	**-**	**2.6**	1.0	-	1.0
Other income	**33.3**	**2.2**	**35.5**	22.9	5.1	28.0
Profit from sale of businesses/controlled entities	**6.4**	**428.6**	**435.0**	-	-	-
Profit on sale of property, plant and equipment	**15.5**	**1.2**	**16.7**	32.5	0.5	33.0
Profit from sale and mark-to-market of investments	**-**	**8.8**	**8.8**	-	2.3	2.3
Total other income	**57.8**	**440.8**	**498.6**	56.4	7.9	64.3
Financial income:						
Interest income:						
controlled entities	**4.9**	**(4.9)**	**-**	7.9	(7.9)	-
external parties – banks	**59.8**	**0.4**	**60.2**	5.7	0.7	6.4
Total financial income	**64.7**	**(4.5)**	**60.2**	13.6	(7.2)	6.4
Financial expense:						
Borrowing costs paid/payable to:						
external parties	**146.3**	**0.6**	**146.9**	106.5	2.3	108.8
unwinding of discount on provision	**5.2**	**0.2**	**5.4**	-	-	-
finance charges – finance leases	**0.1**	**-**	**0.1**	0.1	-	0.1
Total borrowing costs	**151.6**	**0.8**	**152.4**	106.6	2.3	108.9
Net financing costs	**86.9**	**5.3**	**92.2**	93.0	9.5	102.5
Profit/(loss) before income tax expense is arrived at after charging/(crediting):						
Currency (losses)/gains	**8.0**	**-**	**8.0**	(0.4)	0.4	-
Depreciation on property, plant and equipment:						
buildings and improvements	**14.9**	**2.1**	**17.0**	12.5	6.6	19.1
machinery, plant and equipment	**110.0**	**15.6**	**125.6**	97.4	19.5	116.9
Total depreciation on property, plant and equipment:	**124.9**	**17.7**	**142.6**	109.9	26.1	136.0
Amortisation of Intangibles	**13.0**	**1.3**	**14.3**	4.4	-	4.4
Amounts provided for:						
doubtful debts – trade receivables	**11.1**	**(0.1)**	**11.0**	2.4	(0.5)	1.9
doubtful debts – other receivables	**-**	**-**	**-**	2.7	-	2.7
employee entitlements	**39.9**	**3.3**	**43.2**	26.3	7.2	33.5
environmental liabilities	**140.7**	**28.7**	**169.4**	27.6	-	27.6
inventory losses and obsolescence	**14.9**	**0.5**	**15.4**	(1.4)	2.9	1.5
restructuring and rationalisation provisions	**86.7**	**-**	**86.7**	10.7	24.1	34.8
other provisions	**10.1**	**7.4**	**17.5**	11.0	0.4	11.4
Bad debts written off in respect of trade receivables	**7.4**	**-**	**7.4**	5.6	-	5.6
Bad debts written off in respect of other receivables	**-**	**-**	**-**	3.2	(0.5)	2.7
Lease payments – operating leases	**59.7**	**5.4**	**65.1**	55.7	12.5	68.2
Research and development	**32.8**	**-**	**32.8**	32.3	0.6	32.9

28. Discontinued operations and businesses disposed (continued)

Reconciliation of net profit after tax	Continuing 2006 $m	Discontinued 2006 $m	Consolidated 2006 $m	Continuing 2005 $m	Discontinued 2005 $m	Consolidated 2005 $m
Before individually material items						
Profit before income tax expense	**496.5**	**69.0**	**565.5**	424.4	74.0	498.4
Income tax expense	**(139.2)**	**(17.2)**	**(156.4)**	(112.2)	(22.7)	(134.9)
Profit after tax before Minority Interests	**357.3**	**51.8**	**409.1**	312.2	51.3	363.5
Minority Interests	**13.1**	**15.7**	**28.8**	9.2	14.4	23.6
Profit after tax before individually material items	**344.2**	**36.1**	**380.3**	303.0	36.9	339.9
Individually material items						
Profit before income tax expense	**(329.6)**	**400.4**	**70.8**	(131.0)	(56.7)	(187.7)
Income tax expense	**92.8**	**(11.3)**	**81.5**	30.3	15.8	46.1
Profit after tax before Minority Interests	**(236.8)**	**389.1**	**152.3**	(100.7)	(40.9)	(141.6)
Minority Interests	**(0.5)**	**(6.0)**	**(6.5)**	-	(10.0)	(10.0)
Profit after tax from individually material items	**(236.3)**	**395.1**	**158.8**	(100.7)	(30.9)	(131.6)
Net profit after tax						
Profit before income tax expense	**166.9**	**469.4**	**636.3**	293.4	17.3	310.7
Income tax expense	**(46.4)**	**(28.5)**	**(74.9)**	(81.9)	(6.9)	(88.8)
Profit after tax before Minority Interests	**120.5**	**440.9**	**561.4**	211.5	10.4	221.9
Minority Interests	**12.6**	**9.7**	**22.3**	9.2	4.4	13.6
Profit after tax	**107.9**	**431.2**	**539.1**	202.3	6.0	208.3
Net Profit for the period attributable to:						
Equity holders of Orica Limited	**107.9**	**431.2**	**539.1**	202.3	6.0	208.3
Minority interest	**12.6**	**9.7**	**22.3**	9.2	4.4	13.6
Net Profit for the period	**120.5**	**440.9**	**561.4**	211.5	10.4	221.9

	Consolidated 2006 $m	Consolidated 2005 $m
Assets/liabilities held for sale		
The following assets and liabilities are held for sale:		
Trade and other receivables	**19.0**	-
Inventories	**12.4**	-
Other assets	**0.4**	-
Total current assets held for sale	**31.8**	-
Property, plant and equipment	**30.3**	-
Total non-current assets held for sale	**30.3**	-
Trade and other payables	**20.5**	-
Provision for income tax	**0.1**	-
Provision for environmental	**2.7**	-
Provison for employee benefits	**1.1**	-
Total current liabilities held for sale	**24.4**	-

28. Discontinued operations and businesses disposed (continued)

Disposal of businesses/controlled entities

The following controlled entities were disposed of:

(1) On 2 March 2006, Orica disposed of its 88.3% share in Orica Coatings (Fiji) Limited.

(2) On 15 May 2006, Orica completed the sale of a 56.5% stake in the listed company Incitec Pivot Limited (IPL), via an institutional placement underwritten by Macquarie Equity Capital Markets Limited. The balance of Orica's holding in IPL (13.5% of IPL's issued ordinary shares) was sold to IPL under a selective share buy-back on 11 July 2006, ceasing Orica's involvement in the fertilisers business. This disposal has been disclosed as a discontinued operation.

(3) On 31 July 2006, Orica disposed of Orica Scandanavia Mining Services AB and Orica Kimit Norge AS.

	Consolidated	
	2006	2005
	$m	$m
Consideration		
cash received	**876.8**	-
cash disposed	**(22.8)**	-
disposal costs	**(34.5)**	-
	819.5	-
Carrying value of net assets of businesses/controlled entities disposed		
trade and other receivables	**234.8**	-
inventories	**362.8**	-
property, plant and equipment	**299.9**	-
intangibles	**213.5**	-
other assets	**51.0**	-
payables and interest bearing liabilities	**(482.3)**	-
provision for employee entitlements	**(14.6)**	-
provision for restructuring	**(10.9)**	-
provision for dividends	**(12.8)**	-
provision for income tax	**(42.1)**	-
provision for environmental	**(47.5)**	-
provision for other	**(7.9)**	-
	543.9	-
Less outside equity interests at date of disposal	**(159.4)**	-
	384.5	-
Profit on sale of business/controlled entities *	**435.0**	-

* Disclosed as Profit on sale of business/controlled entities: $428.6 million relates to discontinuing operations and $6.4 million relates to other minor divestments.

Cash flows from discontinued operations		
Cash flows from operating activities	**(72.4)**	69.7
Cash flows from investing activities	**(17.9)**	(29.2)
Cash flows from financing activities	**108.2**	(121.1)
	17.9	(80.6)

	Consolidated		Company	
	2006	2005	**2006**	2005
	$m	$m	**$m**	$m

29. Impairment testing of goodwill and intangibles with indefinite lives

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

The following business platforms have significant carrying amounts of goodwill and brand names:

	Goodwill		Brand Names	
Mining Services	**819.5**	168.2	**8.1**	-
Fertilisers	**-**	200.5	**-**	-
Consumer Products	**26.9**	26.9	**17.9**	17.8
Chemnet	**147.0**	147.7	**-**	-
Chemical Services	**11.5**	11.5	**-**	-
Total	**1,004.9**	554.8	**26.0**	17.8

The recoverable amount of both goodwill and brand names for all businesses is assessed based on the higher of fair value less costs to sell and value in use. The value in use calculations use cash flow projections based on actual operating results and the business three year forecast approved by the Board of Directors. Cash flow projections beyond the three year period were calculated using the forecast cash flow of the third year to the life of the asset with no growth rate going forward.

The discount rates for each CGU were estimated using pre-tax rates based on the Group's post tax weighted average cost of capital in conjunction with risk specific factors to the countries in which the CGUs operate. The pre-tax discount rates applied in the discounted cash flow model range between 7% and 19%.

Impairment charged during the period

	Consolidated	
	2006	2005
	$m	$m
Goodwill	**7.8**	2.8
Total	**7.8**	2.8

30. Commitments

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
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)]	**14.6**	926.1	**-**	-
	14.6	926.1	**-**	-

[(1)] $902m in 2005 is related to the acquisition of Dyno Nobel.

	Consolidated 2006 $m	Consolidated 2005 $m	Company 2006 $m	Company 2005 $m
Lease commitments				
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:				
no later than one year	**69.0**	59.1	**-**	-
later than one, no later than five years	**103.5**	144.7	**-**	-
later than five years	**65.0**	29.4	**-**	-
	237.5	233.2	**-**	-
Representing:				
cancellable operating leases	**117.9**	111.5	**-**	-
non-cancellable operating leases	**119.6**	121.7	**-**	-
	237.5	233.2	**-**	-
Non-cancellable operating lease commitments payable:				
no later than one year	**30.5**	26.3	**-**	-
later than one, no later than five years	**50.8**	90.7	**-**	-
later than five years	**38.3**	4.7	**-**	-
	119.6	121.7	**-**	-
Finance lease commitments payable:				
no later than one year	**0.1**	0.2	**-**	-
later than one, no later than five years	**1.2**	0.2	**-**	-
	1.3	0.4	**-**	-
Less future finance charges	**-**	-	**-**	-
Present value of minimum lease payments provided for as a liability	**1.3**	0.4	**-**	-
Representing lease liabilities: (see note 17)				
current	**0.1**	0.2	**-**	-
non-current	**1.2**	0.2	**-**	-
	1.3	0.4	**-**	-

	Consolidated		Company	
	2006	2005	**2006**	2005
	$000	$000	**$000**	$000

31. 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	**3,703**	2,664	**42**	36
Other regulatory audit services (1)				
Auditors of the Company – KPMG affiliates				
– Audit and review of financial reports	**450**	593	**-**	-
	4,153	3,257	**42**	36
Other services (2)				
Auditors of the Company – KPMG				
– other assurance services (3)	**749**	180	**735**	-
– secondee relocation services (4)	**-**	99	**-**	-
– taxation services (5)	**-**	8	**-**	-
– other services (6)	**-**	23	**-**	-
	749	310	**735**	-
	4,902	3,567	**777**	36

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 overseas subsidiaries local lodgement purposes and other regulatory compliance requirements.

(2) The Board Audit and Risk Committee must approve any other services provided by KPMG above a value of $20,000 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 2006 services are related to due diligence associated with the equity raising and confirmation of accounting treatment in relation to the 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 commenced in prior financial years.

32. Critical accounting judgements and estimates

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

Contingent liabilities

In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with our current or former sites. Where we believe that potential liabilities have a low probability of crystallising or it is not possible to quantify reliably, we treat them as contingent liabilities. These are not provided for in the financial statements but are disclosed in the notes. In view of the significance of environmental issues associated with Botany (NSW, Australia) Groundwater, Botany Hexachlorobenzene (HCB) Waste, Botany Car Park Encapsulation, Villawood (NSW, Australia) and Seneca (Illinois, USA) they continue to be disclosed as contingent liabilities even though estimated costs have been recognised in the financial statements. Further details regarding contingent liabilities are set out in Note 33 to the financial statements.

Environmental and Decommissioning Provisions

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

32. Critical accounting judgements and estimates (continued)

It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the status of laws, regulations and the information available about conditions in the various countries and at the individual sites. Significant factors in estimating the costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and new developments affecting costs, management's interpretation of current environmental laws and regulations, the number and financial position of third parties that may become obligated to participate in any remediation costs on the basis of joint liability, and the remediation methods which are likely to be deployed.

Environmental costs are estimated using either the work of external consultants or internal experts. Changes in the assumptions underlying these estimated costs could impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, and recent experience, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated. The discount rate used for environmental provisioning is Orica's weighted average cost of capital and this may vary from year to year.

Legal Proceedings

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

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

Defined benefit superannuation fund obligations

The expected costs of providing post-retirement benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the consolidated statement of recognised income and expense. In all cases, the pension costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary and pension increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings of the Group (refer note 40).

Property, plant and equipment and definite life intangible assets

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

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of those assets, or CGU's, is measured as the higher of their fair value less costs to sell and value in use. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGUs. The determination of value in use requires the estimation and discounting of cashflows. The estimation of the cashflows considers all the information available at closing date which may deviate from actual developments. This includes, among other things, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing of cash flows could impact the carrying value of the respective assets (refer note 29).

32. Critical accounting judgements and estimates (continued)

The Botany Groundwater Treatment Plant is not yet fully operational. Impairment testing of this plant has assumed that the plant becomes operational and that the treated water from this plant will be sold to industrial customers for the assumed prices (approximately Sydney Water prices). The carrying value of the Groundwater Treatment Plant included in property, plant and equipment at 30 September 2006 is $63 million.

Current Asset Provisions

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

Taxation

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

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

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

Foreign exchange movements

In note 34 a detailed analysis is given of the foreign exchange exposure of the consolidated entity and risks in relation to foreign exchange movements.

Acquisition Accounting

During the year, Orica progressively acquired the Dyno Nobel businesses on a country by country basis as regulatory approvals were obtained. Acquisition accounting standards require the fair value of the net assets acquired to be recognised. This financial report includes the preliminary purchase price allocation of acquired net assets. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition date. The final classification of the acquired net assets will be presented in the full year annual report at 30 September 2007, however they may vary significantly from those disclosed in this report.

33. Contingent liabilities and contingent assets

Environmental

(i) General

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

In accordance with the current accounting policy (refer note 1 xix) provisions have been created for all known environmental liabilities that can be reliably estimated. For sites where the requirements have been assessed and are capable of reliable measurement, estimated regulatory and remediation costs have been capitalised, expensed as incurred or provided for. For environmental matters where there are significant uncertainties with respect to Orica’s remediation obligations or the remediation techniques that might be approved, no reliable estimate can presently be made of regulatory and remediation costs.

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

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

33. Contingent liabilities and contingent assets (continued)

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

Botany Groundwater (New South Wales, Australia)

Orica is continuing to conduct extensive remediation activities, including the commissioning and operation of a Groundwater Treatment Plant, to treat the groundwater at Botany, which is contaminated with pollutants from historical operations. The commissioning of the Groundwater Treatment Plant is taking longer than expected due to some initial commissioning and operating issues. Management is confident these issues will be resolved.

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

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

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

In August 2006, Orica submitted its application for export approval of HCB waste to the Federal Government. In its application, Orica is seeking permission to export the HCB waste for final destruction at high temperature incinerators in Germany. The submission of this application follows an extensive search for a suitable host site in regional New South Wales in accordance with the recommendation of the New South Wales Government Independent Review Panel. A suitable host site could not be located that was acceptable to the local community and that met Orica's siting criteria. In the event that the Federal Government does not grant Orica permission to export the waste, Orica will continue to ensure the safe storage of the HCB waste at Botany. Orica has provided for the estimated costs associated with export and treatment of the waste in the 2006 financial statements (refer note 19).

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

Soil and ash contaminated with low level chlorinated materials (including hexachlorobutadiene and HCB) are stored in an approved and licensed encapsulation on the Botany site, known as the Car Park Waste Encapsulation. Orica has investigated technologies that may be suitable to treat this material and has evaluated conventional destruction methods, such as thermal desorption. Orica has also funded research into novel technologies, including in-situ bioremediation. Due to uncertainty relating to bioremediation, thermal treatment of this waste is the preferred treatment technology. The Botany site environmental licence conditions require Orica to submit an application for planning approval of the proposed remediation in 2006. Orica has provided for estimated costs of treatment of the soil using thermal desorption technology (refer note 19).

Dyno Acquisition

With respect to the sites acquired as a result of the Dyno acquisition, preliminary environmental provisions have been created on acquisition in accordance with applicable accounting standards. There can be no assurance that these preliminary provisions are sufficient to meet future environmental obligations, as only a limited environmental review of these sites has been possible pre and post acquisition. Acquisition accounting standards permit acquisition accounting to be finalised up to 12 months following the acquisition date. The preliminary environmental provisions for Dyno acquired entities will be reviewed and updated if necessary in 2007. They may vary significantly from those disclosed in these financial statements.

Taxation

(i) Tax investigations and audits

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

(ii) Brazilian Tax Action

The Brazilian Taxation authority is claiming unpaid taxes relating to the 1997 financial year of approximately $25 million. ICI, 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.

(iii) Tax Audit – 1998 Sale of Pharmaceuticals Business

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

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

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

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

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

33. Contingent liabilities and contingent assets (continued)

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

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.

The adoption of AIFRS has meant the full amount of this trade finance facility has been brought onto the balance sheet. Prior to the adoption of AIFRS, the facility was disclosed as a contingent liability totalling $191.6 million at September 2005. The total amount of the facility outstanding at 30 September 2006, recognised on the balance sheet as a current interest bearing liability and also as current trade receivables, is $19.6 million.

Guarantees, indemnities and warranties

- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but in all cases the levels of operations are expected to remain above those that would trigger minimum payments.
- There is a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.
- The consolidated entity has entered into various sales contracts where minimum savings are guaranteed to customers and such savings are expected to be achieved in the ordinary course of business.
- There is 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.

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 41. A consolidated statement of financial position and statement of financial performance for this closed group is shown in note 42.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial warranties and indemnities to the purchasers.

34. Derivative financial instruments

The consolidated entity uses several techniques to reduce the exposure to loss from financial risks. The major types of financial risks are foreign exchange risk, interest rate risk, liquidity risk and credit risk. There were no significant derivative financial instruments in the parent entity.

Foreign exchange risk management

Foreign exchange transactions – cash flow hedges

The consolidated entity is exposed to foreign exchange movements on sales and purchases denominated, either directly or indirectly, in a currency other than the AUD. 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 currencies giving rise to this risk are primarily U.S. Dollars, New Zealand Dollars and Euro.

The consolidated entity hedges up to 100 per cent of committed exposures. In addition, anticipated exposures are hedged by applying a declining hedge percentage based on increasing time until the exposure crystallises. Only exposures that can be forecast with highly probable forecast accuracy are hedged. Transactions can be hedged for up to five years on a rolling monthly basis. The derivative instruments used for hedging purchase and sales exposures are bought option contracts and forward contracts. These contracts are designated as cash flow hedges and stated at fair value.

The net fair value of forward exchange contracts used as hedges of foreign exchange transactions at 30 September 2006 was $0.6 million (2005 $54.8 million), comprising assets of $2.7 million (2005 $4.7 million) and liabilities of $2.1 million (2005 $59.5 million). The net fair value of currency options used as hedges of foreign exchange transactions at 30 September 2006 was $4.2 million (2005 $17.5 million), comprising assets of $4.3 million (2005 $17.5 million) and liabilities of $0.1 million (2005 nil).

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

Foreign Exchange Contracts	Weighted average rate **2006**	Weighted average rate 2005	**million 2006**	million 2005
Buy US dollars/sell Australian dollars				
Not later than one year	**0.7543**	0.7608	**USD 88.3**	USD 117.1
Buy US dollars/sell New Zealand dollars				
Not later than one year	**0.6382**	0.6947	**USD 27.9**	USD 30.1
Buy Australian dollars/sell New Zealand dollars				
Not later than one year	**1.0600**	1.1237	**NZD 2.4**	NZD 3.8
Buy Euro/sell Australian dollars				
Not later than one year	**0.5889**	0.6243	**EUR 17.8**	EUR 5.7

Vanilla European Option Contracts	Weighted average rate **2006**	Weighted average rate 2005	**million 2006**	million 2005
Buy US dollars/sell Australian dollars				
Not later than one year	**0.7661**	0.7715	**USD 25.3**	USD 9.2
Later than one year but not later than two years	**0.7813**	0.7714	**USD 6.4**	USD 3.9
Buy US dollars/sell New Zealand dollars				
Not later than one year	**0.6453**	0.7224	**USD 25.3**	USD 10.7
Later than one year but not later than two years	**0.6241**	0.7261	**USD 11.4**	USD 5.0

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 2006**	Net deferred gains/(losses) $m 2005
Not later than one year	**3.3**	3.7
Later than one year but not later than two years	**1.5**	2.9
Later than two years but not later than three years	**-**	1.2
Total	**4.8**	7.8

The terms of the forward currency contracts have been negotiated to match the terms of the commitments.

34. Derivative financial instruments (continued)

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the asset or liability affects the Income Statement, the consolidated entity transfers the related amount deferred in equity into the Income Statement.

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 was denominated in US dollars, and the entity entered into forward foreign exchange contracts to hedge the resultant currency exposure as detailed below:

Foreign Exchange Contracts	Weighted average rate		**million**	million
	2006	2005	**2006**	2005
Buy US dollars/sell Australian dollars				
Not later than one year	**-**	0.7598	**-**	USD 685.0

The profitability of the principal nitrogen manufacturing facility of Incitec Pivot Limited, located at Gibson Island (Queensland, Australia) was impacted by foreign exchange movements due to the manufactured inputs (gas, electricity, labour) being Australian dollar linked whilst the manufactured outputs (urea and ammonia) were sold on a United States dollar import parity basis. A series of AUD call/USD put vanilla European options were put in place to hedge the 2006 and 2007 output. These contracts were disposed of as part of the disposal of Incitec Pivot Limited during 2006.

The consolidated entity's reported AUD earnings are exposed to AUD/USD exchange rate resulting from the sale of goods and services by its US business units and certain other of its international operations. In particular, there exists a significant level of USD sales that are not effectively offset by USD costs, hence creating an exposure relating to the translation of those businesses' earnings to AUD in the accounts of the consolidated entity. Previously, the consolidated entity bought a series of AUD call/USD put vanilla options, with maturities of up to three years forward from the reporting date, to manage this exposure. All sales from the first of each month were designated as being hedged until all hedge contracts maturing in that month were fully utilised.

Prior to the adoption of Australian International Financial Reporting Standards (AIFRS) the premiums paid along with any unrealised gains were carried forward in the Balance Sheet and then subsequently recognised in the Income Statement at the time the underlying sales occurred. These contracts allowed full participation in favourable outcomes resulting from decreases in the AUD/USD exchange rate, but limited the unfavourable outcomes resulting from AUD/USD exchange rate increases. AIFRS no longer allows this accounting treatment to be applied. Similar exposures against the AUD exist for a number of other currencies due to businesses operating in those currencies, primarily the NZD, NOK and the CAD.

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)	
	2006	2005	**2006**	2005
Not later than one year	**-**	0.6666	**-**	36.0
Later than one year but not later than two years	**-**	0.6751	**-**	23.5
Later than two years but not later than three years	**-**	0.6314	**-**	10.0
Total			**-**	69.5
AUD/NZD				
Not later than one year	**-**	1.0918	**-**	35.0
Later than one year but not later than two years	**-**	1.0687	**-**	17.7
Total			**-**	52.7
AUD/CAD				
Not later than one year	**-**	0.8910	**-**	12.0

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 foreign operations. Movements in the value of foreign operations resulting from changes in exchange rates are recognised in the foreign currency translation reserve within the equity section of the Balance Sheet.

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 appropriate, 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 foreign operations. A foreign exchange loss of $1.2 million (2005 $1.8 million loss) was recognised in the foreign currency translation reserve during the period.

34. Derivative financial instruments (continued)

The consolidated entity is primarily exposed to entities having U.S. Dollars, Canadian Dollars, New Zealand Dollars, Norwegian Krone, Swedish Krona, and Euro as their functional currency.

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	
	2006	2005	**2006 $m**	2005 $m	**2006 $m**	2005 $m
Buy Australian dollars/sell Canadian dollars						
Later than two years but not later than three years	**-**	0.8957	**-**	CAD 25.0	**-**	1.8

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 Orica Board of Directors via the use of interest rate swaps and cross currency interest rate swaps. A maximum of between 50% and 90% of debt with a maturity less than five years can be fixed and 50% of debt with a maturity greater than five years can be fixed. The effective interest rate on average gross debt for the year ended 30 September 2006 was 6.6% (2005 6.5%).

The consolidated entity classifies interest rate or cross currency interest rate swaps as fair value hedges if they are used to transfer a fixed rate debt product into a floating rate debt product and are stated at fair value. The net fair value of swaps at 30 September 2006 was $147.0 million (2005 $164.1 million) comprising assets of $176.5 million (2005 $183.7 million) and liabilities of $29.5 million (2005 $19.6 million).

Interest rate or cross currency interest rate swaps are classified as cash flow hedges if they are used to transfer a floating rate debt product into a fixed rate debt product and are stated at fair value. There was a liability of $1.4 million as at 30 September 2006 (2005 $4.6 million liability).

Cross currency interest rate swaps are classified as net investment hedges if they are used to hedge foreign currency risk on overseas net investments. There was a liability of $192.4 million as at 30 September 2006 (2005 $190.6 million).

The change in fair value of swaps executed as economic hedges for which hedge accounting is not applied is a $1.7 million gain for the financial year ending 30 September 2006 (2005 $3.2 million loss). This relates to two interest rate swaps amounting to a notional of $30.8 million.

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:

	2006 $m	2005 $m
Less than one year	**-**	(20.9)
One to five years	**324.2**	60.0
More than five years	**240.1**	357.8
Total	**564.3**	396.9
Fixed interest rate range p.a.	**5.2% to 8.3%**	5.2% to 8.3%
Floating interest rate range p.a.	**2.6% to 7.5%**	2.1% to 7.0%

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. US dollar denominated debt was raised primarily 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 foreign operations in those jurisdictions.

34. Derivative financial instruments (continued)

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

	2006		2005	
	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.		**2.0% to 8.3%**		5.8% to 8.3%
Floating interest rate range p.a.		**3.4% to 8.4%**		2.8% to 7.2%

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					
	Note	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 2006								
Cash assets	(7)	**1,009.1**	**-**	**-**	**-**	**-**	**1,009.1**	**4.7**
Receivables	(8)	**-**	**-**	**-**	**-**	**913.7**	**913.7**	**-**
Other financial assets	(12)	**-**	**-**	**-**	**-**	**20.4**	**20.4**	**-**
Total financial assets		**1,009.1**	**-**	**-**	**-**	**934.1**	**1,943.2**	
Payables	(16)	**-**	**-**	**-**	**-**	**942.3**	**942.3**	**-**
Bank overdrafts [(1)]	(17)	**0.9**	**-**	**-**	**-**	**-**	**0.9**	**14.2**
Short term borrowings	(17)	**44.6**	**-**	**-**	**-**	**-**	**44.6**	**7.0**
Lease liabilities	(17)	**1.3**	**-**	**-**	**-**	**-**	**1.3**	**8.1**
Long term borrowings	(17)	**636.0**	**-**	**320.0**	**308.4**	**-**	**1,264.4**	**6.8**
Employee entitlements	(19)	**-**	**-**	**36.0**	**-**	**68.1**	**104.1**	**5.6**
Interest rate swaps		**(564.3)**	**-**	**324.1**	**240.1**	**-**	**(0.1)**	**(0.1)**
Cross currency interest rate swaps		**(323.2)**	**-**	**62.8**	**260.4**	**-**	**-**	**(0.1)**
Total financial liabilities		**(204.7)**	**-**	**742.9**	**808.9**	**1,010.4**	**2,357.5**	
Net financial assets/ (liabilities)		**1,213.8**	**-**	**(742.9)**	**(808.9)**	**(76.3)**	**(414.3)**	

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

34. Derivative financial instruments (continued)

	Note	Floating interest rate $m	Fixed interest rates: 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 2005								
Cash assets	(7)	214.7	-	-	-	-	214.7	4.0
Receivables	(8)	-	-	-	-	770.7	770.7	-
Other financial assets	(12)	-	-	-	-	12.3	12.3	-
Total financial assets		214.7	-	-	-	783.0	997.7	
Payables	(16)	-	-	-	-	919.3	919.3	-
Bank overdrafts [1]	(17)	2.8	-	-	-	-	2.8	6.8
Short term borrowings	(17)	46.5	-	-	-	-	46.5	5.6
Lease liabilities	(17)	0.4	-	-	-	-	0.4	13.7
Long term borrowings	(17)	635.8	-	83.8	557.5	-	1,277.1	7.2
Employee entitlements	(19)	-	-	42.4	-	54.3	96.7	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)	166.3	562.4	973.6	2,342.8	
Net financial assets/(liabilities)		(446.7)	20.9	(166.3)	(562.4)	(190.6)	(1,345.1)	

[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.

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 Balance Sheet net of any allowance for doubtful debts (refer note 8), and from derivative financial instruments.

The credit risk exposure arising from derivative financial instruments is the sum of all contracts with a positive fair value. As at 30 September 2006, the sum of all contracts with a positive fair value was $8.5 million (2005 $41.0 million).

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.

Fair values

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

The fair value of derivatives and borrowings are calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of other financial assets have been calculated using market interest rates.

35. Standby arrangements and credit facilities

	Consolidated		Company	
	2006	2005	**2006**	2005
	$m	$m	**$m**	$m
Unsecured bank overdraft facilities available	**107.8**	96.7	**-**	-
Amount of facilities unused	**106.9**	93.9	**-**	-
Committed standby and loan facilities available	**1,294.0**	1,277.4	**-**	-
Amount of facilities unused	**1,260.0**	1,252.3	**-**	-

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 July 2007 to March 2008.

36. Events subsequent to balance date

On 25 August 2006, Orica announced that it had reached an agreement to sell its Australian and New Zealand Adhesives & Resins businesses to Hexion Specialty Chemicals for a purchase price in excess of carrying value. The transaction is subject to ACCC approval. On 1 November 2006, the ACCC issued a Statement of Issues seeking further information on the competitive effects of the proposed sale to Hexion Speciality Chemicals with a final decision expected on 6 December 2006.

On 17 October 2006, Orica announced that it had signed an agreement to acquire leading mining services company Minova for a purchase price of £343 million (A$857 million) plus £5 million (A$13 million) of acquisition costs. The acquisition of Minova is expected to be completed before the end of calendar year 2006, after required regulatory clearances are obtained. Orica has entered into forward exchange contracts to hedge the Australian dollar exposure of the acquisition price at a rate of 0.4023.

On 13 November 2006, the directors declared a final dividend of 48 cents per share payable on 15 December 2006. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2006 and will be recognised in the 2007 financial statements.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2006, 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.

37. Employee share plans

In December 2004, Orica introduced the Orica Long Term Equity Incentive Plan (LTEIP) as the long term incentive component of compensation 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 Executive Key Management Personnel (the Group Executive) and share option plans and award rights for other senior eligible executives.

The Long Term Equity Incentive Plan 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 an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in Orica. Executives must apply net cash dividends to repayment of the loan balance, and executives may not deal with the shares while the loan remains outstanding. 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 performance condition in respect of the 2004 and 2005 LTEIP offers is linked to the growth in Orica's total shareholder return (TSR) over a three year period. TSR is, broadly, the percentage increase in the Company's share price over the three year loan period, plus the value of dividends paid being treated as reinvested. The Forgiveness Amount is calculated by reference to a percentage of the executives' fixed annual compensation (depending on, for example, seniority of the executive). The balance of the loan becomes repayable 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 compensation to Orica's ongoing share price and returns to shareholders over a three 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 long term incentive component of their compensation. 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 three year loan period.

37. Employee share plans (continued)

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 a compound rate of 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.

Grant date	Number of shares held	Number of participants	Total loan at grant date $	Maximum loan waiver opportunity over full loan period $	Loan repayments through dividends during year $	Value of Options at grant date [1] $
As at 30 September 2006						
13 Jun 06	20,911	3	461,715	210,997	**2,802**	180,969
23 Dec 05	1,467,744	261	30,338,268	9,197,061	**534,872**	9,525,659
18 Nov 05	5,282	1	109,443	50,298	**1,960**	43,365
22 Dec 04	1,827,184	252	36,836,029	11,192,533	**524,453**	11,821,880
	3,321,121		**67,745,455**	**20,650,889**	**1,064,087**	**21,571,873**
As at 30 September 2005						
22 Dec 04	1,827,184	252	36,836,029	11,192,533	221,606	11,821,880

[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	Average value per option $
13 Jun 06	$22.08	22%	4.0%	5.24%	8.65
23 Dec 05	$20.67	22%	4.0%	5.24%	6.49
18 Nov 05	$20.72	30%	5.0%	4.99%	8.21
22 Dec 04	$20.16	30%	5.0%	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 2006 and 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. The share based payments expense recognised in the Income Statement for LTEIP in 2006 was $9.2 million (2005 $11.3 million).

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

(b) Senior Executive Share Loan Plan

Between 2001 and 2004, the Company 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. This arrangement was consistent with the share loan provided to the then Chief Executive Officer, 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, 2005 and 2006 upon repayment of the loans in respect of these shares. The Board also approved this change in relation to the other executives except G R Liebelt. The remaining shares were to be held until September 2006.

As an additional incentive to the executives, the loans were 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 required that 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 be equal or greater than the relevant price hurdle. The second and third loan waiver hurdles were reached during 2005.

In accordance with the terms of the Senior Executive Share Loan Agreement, repayment of the loan was required within 30 days of 3 September 2006 or such longer period as determined by the Chairman. The Chairman has agreed to exercise his discretion under clause 3.1 of the SESLP Agreement such that the loan must be repaid by the close of the next trading window which opens on 14 November 2006 and closes on 31 January 2007.

37. Employee share plans (continued)

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 during year $	Value of Options at grant date (1) $
As at 30 September 2006									
6 May 03	60,733	1	9.61	10.00	12.00	875,562	283,683	**26,090**	196,168
6 Jun 05	151,122	1	NA	10.00	12.00	2,425,500	441,000	**64,922**	621,111
	211,855					**3,301,062**	**724,683**	**91,012**	**817,279**
As at 30 September 2005									
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
	1,571,855					23,731,812	6,428,949	1,107,863	3,416,879

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

(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
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 2006 and 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.

(c) Executive Share Option Plan

The Executive Share Option Plan (ESOP) was introduced as part of the new executive compensation arrangements introduced during 2002 and operated between 2002 and 2004. 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 compensation policy. ESOP is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

Eligible executives, as determined by the Board, who agreed to participate in the new compensation arrangements were invited to apply for options in three tranches to acquire shares in Orica at a specified exercise price subject to the achievement of a performance hurdle based on Orica's share price. Options that vest upon achievement of the performance hurdles may be exercised from one day after the release of the annual results to 31 October of the following year subject to the company's guidelines for dealing in securities.

The plan performance periods and hurdles reflect those put in place for the Executive Key Management Personnel under SESLP. The second price hurdle was reached during 2005 and the third price hurdle was reached during 2006. Pursuant to the terms on which they were granted, the exercise price of outstanding ESOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

37. Employee share plans (continued)

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

Grant date	Options issued	**Options held at 30 Sep**	**Number of participants at 30 Sep**	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 at grant date (2) $
As at 30 September 2006											
24 Apr 02	9,061,385	**1,787,490**	155	7.33	2004	8.00	2005	10.00	2006	12.00	3,324,731
5 Jun 02	59,013	**15,066**	2	8.66	2004	9.24	2005	10.00	2006	12.00	25,763
10 Aug 02	32,509	**12,191**	2	8.44	2004	9.02	2005	10.00	2006	12.00	21,578
11 Nov 02	115,421	**26,845**	4	9.77	2004	10.35	2005	10.00	2006	12.00	50,469
2 Dec 02	20,000	**10,000**	1	9.78			2005	10.36	2006	12.00	21,700
21 May 03	84,576	**41,168**	7	9.60			2005	10.18	2006	12.00	76,984
8 Dec 03	27,507	**16,504**	3	12.80			2005	13.38	2006	12.00	41,920
23 Sep 04	21,045	**21,045**	3	16.77					2006	12.00	64,608
	9,421,456	**1,930,309**									**3,627,753**
As at 30 September 2005											
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
	9,421,456	5,156,756									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.

(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 2006 and 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. The share based payments expense recognised in the Income Statement for ESOP's in 2006 was $0.2 million (2005 $0.2 million).

(d) Share Option Plan

The Share Option Plan (SOP) operated between 1999 and 2002. SOP is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

Eligible executives, as determined by the Board, who achieved an agreed performance rating were invited to apply for options to acquire shares in Orica at a specified exercise price subject to the achievement of a performance hurdle based on Orica's Total Shareholder Return (TSR) relative to the TSR of the other companies in the ASX 100 index after 3, 4 and 5 years. The proportion of options that vest and become exercisable is determined by comparing Orica's TSR with the other companies. No options vest where Orica's TSR score is below 50% of the other companies. Where the score is equal to or greater than 75% of other companies, all options granted will vest. Options that vest may be exercised for a period up to 10 years from the grant date. Pursuant to the terms on which they were granted, the exercise price of outstanding SOP options were adjusted in accordance with ASX listing rule 6.22.2 to reflect the impact of the rights issue in December 2005.

37. Employee share plans (continued)

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

Grant date	Options issued over plan life	**Number of participants at 30 September**	**Options held at 30 September**	Exercise price $	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of Options at grant date (1)
As at 30 September 2006								
1 Jan 00	1,505,000	**3**	**16,500**	7.73	Expired	Expired	Expired	32,670
1 Jan 01	1,969,800	**3**	**34,600**	5.14	Expired	Expired	31 Dec 05	37,714
1 Jan 02	1,202,000	**7**	**59,000**	5.09	31 Dec 04	31 Dec 05	31 Dec 06	116,230
	4,676,800		**110,100**					**186,614**
As at 30 September 2005								
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
	4,676,800		218,800					381,937

(1) The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option $
1 Jan 00	8.20	30%	5.0%	6.88%	1.98
1 Jan 01	5.76	30%	6.6%	5.42%	1.09
1 Jan 02	7.19	30%	5.4%	5.68%	1.97

The option valuation prepared by 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 2006 and 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.

(e) Share Acquisition Plan

The Share Acquisition Plan (SAP) operated between 1999 and 2002. SAP is administered by the Plan Manager, Computershare Plan Managers Pty Limited.

Eligible executives as determined by the Board who achieved an agreed performance rating were invited to apply for Award Rights.

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 relative to the TSR of the other companies in the ASX 100 index at grant date after 3, 4, and 5 years. The proportion of Award Rights that vest and become exercisable is determined by comparing Orica's TSR with the other companies. No Award Rights vest where Orica's TSR performance is below 50% of the other companies. Where the performance is equal to or greater than 75% of other companies, all Award Rights granted will vest. If the performance tests have not been successfully achieved after year 5, the Award Rights lapse. Shares allocated upon exercise of Award Rights are 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 three 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 at grant date (1) $
1 Jan 02	221,400	111	-	N/A	31 Dec 04	31 Dec 05	31 Dec 06	-

(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. 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.

All Award Rights have been exercised by 30 September 2005.

37. Employee share plans (continued)

(f) Employee Share Plan

The Employee Share Plan (ESP) operated between 1987 and 2002. The ESP is administered by Computershare Plan Managers Pty Limited.

Eligible employees as determined by the Board were invited to purchase shares in Orica funded by the provision of an interest free loan repayable over ten years. The balance of loans receivable from employees participating in the ESP at 30 September 2006 was $0.3 million (2005 $0.5 million).

Grant date	Date shares become unrestricted	**Number of participants 2006**	Number of participants 2005	Average issue price $	**Shares held at 30 September 2006**	Shares held at 30 September 2005
Pre 1 Oct 2001	-	309	**366**	-	106,200	**128,600**
31 Dec 01	31 Dec 11	5	**6**	7.32	2,060	**2,460**
05 Jul 02	05 Jul 12	67	**82**	9.48	29,500	**36,800**
					137,760	167,860

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

The General Employee Exempt Share Plan (GEESP) has operated since 1998. It is administered by the Plan Manager, Computershare Plan Managers Pty Limited. Invitations are made to eligible employees as determined by the Board on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market.
- employees are each entitled to acquire shares with a market value of approximately $1,000 per year.
- employees salary sacrifice the value of the shares by equal 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 2006**	Number of participants at 30 September 2005	**Shares held at 30 September 2006**	Shares held at 30 September 2005
21 Aug 02	20 Aug 05	**680**	841	**73,379**	90,828
1 Sep 03	31 Aug 06	**772**	833	**66,392**	71,638
12 Jul 04	11 Jul 07	**895**	966	**59,070**	63,756
1 Jul 05	30 Jun 08	**1,181**	1,267	**67,317**	72,219
3 Jul 06	30 Jun 09	**1,623**	-	**69,789**	-
				335,947	298,441

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

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

- shares acquired are either newly issued shares or existing shares acquired on market.
- employees are each entitled to acquire shares with a market value of approximately NZ$780 per year.
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 September the following year.
- employees who leave the consolidated entity because of redundancy, retirement or sickness, have the option to salary sacrifice any remaining amounts prior to departure, if they wish to retain their shares.
- employees who leave the consolidated entity because of resignation, will be paid the market value of the shares in proportion to their contributions to date.
- 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 2006**	Number of participants at 30 September 2005	**Shares held at 30 September 2006**	Shares held at 30 September 2005
1 Oct 01	30 Sept 04	**11**	18	**1,661**	2,718
1 Oct 02	30 Sept 05	**23**	65	**1,587**	4,485
1 Oct 03	30 Sept 06	**80**	90	**4,480**	5,040
1 Oct 04	30 Sept 07	**107**	116	**4,387**	4,756
1 Oct 05	30 Sept 08	**133**	-	**4,655**	-
23 Dec 05	23 Dec 08	**55**	-	**829**	-
				17,599	16,999

38. Related party disclosures

(a) Key Management Personnel

Details and compensation of Key Management Personnel are disclosed in note 39.

(b) Key Management Personnel's transactions in shares and options

The relevant interests of Key Management Personnel in the share capital of the Company as at 30 September are:

As at 30 September 2006	Balance 1 October 2005	Acquired (1)	Net change Other (2)	Fully paid ordinary shares held at 30 September 2006 (3)	Options for fully paid ordinary shares held at 30 September 2006 (3) (4)
Non-Executive Key Management Personnel					
D P Mercer	20,000	2,500	-	22,500	-
M E Beckett	33,283	17,522	-	50,805	-
P J Duncan	12,591	1,574	-	14,165	-
G A Hounsell	10,400	1,301	-	11,701	-
P M Kirby	21,537	2,693	-	24,230	-
N L Scheinkestel	-	1,999	4,576	6,575	-
M Tilley	5,000	625	-	5,625	-
C M Walter	10,000	1,250	-	11,250	-
	112,811	29,464	4,576	146,851	-
Executive Key Management Personnel					
G R Liebelt	-	413,900	-	413,900	168,388
N A Meehan	6,600	15,681	-	22,281	71,464
P G Etienne	13,374	39,372	(35,967)	16,779	103,644
G J Witcombe	63,374	32,543	(62,577)	33,340	244,353
P G Bailey	11,540	35,967	(47,507)	-	171,416
J Beevers	13,497	29,014	(42,511)	-	72,546
B Karcz	2,800	46,203	(40,063)	8,940	86,378
A J P Larke	-	52,085	(52,085)	-	82,941
E Salinas	-	-	-	-	34,712
P J Largier	15,816	28,000	(27,814)	16,002	84,718
G R Davis	3,301	33,540	(33,540)	3,301	62,521
J Segal	819	148,511	(149,330)	-	-
	131,121	874,816	(491,394)	514,543	1,183,081

As at 30 September 2005	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
Non-Executive Key Management Personnel					
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	-
Executive Key Management Personnel					
G R Liebelt	94,778	293,344	(388,122)	-	431,194
N A Meehan	6,600	14,855	(14,855)	6,600	36,334
J Segal	819	104,817	(104,817)	819	125,646
G J Witcombe	103,374	-	(40,000)	63,374	196,962
B Karcz	2,800	40,063	(40,063)	2,800	95,201
J Beevers	13,043	29,268	(28,814)	13,497	70,230
P J Largier	15,816	19,572	(19,572)	15,816	71,175
S G O'Sullivan	-	250,000	(250,000)	-	-
P G Bailey	40,860	38,767	(68,087)	11,540	168,506
M W Broomhead	-	700,000	(700,000)	-	-
J W Hall	-	450,000	(450,000)	-	-
B J Gibson	-	300,000	(300,000)	-	-
	278,090	2,240,686	(2,404,330)	114,446	1,195,248

38. Related party disclosures (continued)

(1) Includes shares acquired through the Dividend Reinvestment Plan (DRP) and purchases and exercise of options during the year by Executive Key Management Personnel.

(2) Net change other includes changes resulting from sales during the year by Non-Executive Directors and Executive Key Management Personnel.

(3) Includes trust shares for Executive Key Management Personnel.

(4) These interests include shares acquired under a loan agreement. A general description of these agreements (known as LTEIP and SESLP) is provided in note 37 Employee share plans. Under AASB 2 Share-based Payment, LTEIP and SESLP plans are deemed an option plan for compensation purposes and the amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised. The LTEIP and SESLP are deemed to vest at grant date.

(c) Parent entity

The ultimate parent entity within the Group is Orica Limited, which is incorporated in Australia.

(d) Controlled entities

Interests in subsidiaries are set out in note 41.

(e) Transactions with controlled entities

Transactions between Orica and entities in the 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.
- Purchases and sales of products and services

All the above transactions with controlled entities are made on normal commercial terms and conditions and in the ordinary course of business. Transactions with the parent entity are disclosed in the Orica Limited parent entity financial statements.

(f) 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:

	Consolidated		**Company**	
	2006 $m	2005 $m	**2006 $m**	2005 $m
Sales of goods to associates	**236.3**	181.3	**-**	-
Purchases of goods from associates	**66.8**	63.5	**-**	-
Dividend income received from associates	**13.8**	8.0	**-**	-
Interest income received from associates	**0.2**	0.2	**-**	-
Interest expense paid to associates	**-**	0.1	**-**	-

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
- Trade and Other Receivables note 8
- Investments note 11, 41
- Trade and Other Payables note 16
- Interest bearing liabilities note 17
- Options note 21
- Key Management Personnel Compensation note 39

39. Key Management Personnel Compensation

Key Management Personnel

Particulars of key management personnel qualifications, experience and special responsibilities are detailed on pages 12 to 13 of the annual report. The key management personnel to whom this note applies are:

Name	Role	Commencement Date *
Non-Executive Key Management Personnel		
Donald Mercer	Non-Executive Director	1 October 1997
Michael Beckett	Non-Executive Director	15 July 2002
Peter Duncan	Non-Executive Director	1 June 2001
Garry Hounsell	Non-Executive Director	21 September 2004
Peter Kirby	Non-Executive Director	22 July 2003
Nora Scheinkestel	Non-Executive Director	1 August 2006
Michael Tilley	Non-Executive Director	10 November 2003
Catherine Walter	Non-Executive Director	1 October 1998
Executive Key Management Personnel		
Current		
Graeme Liebelt	Managing Director and Chief Executive Officer	1 September 2005
Noel Meehan	Executive Director Finance and Chief Financial Officer	1 May 2005
Philippe Etienne	Chief Executive Officer, Orica Mining Services	1 October 2005
Peter Bailey	General Manager, Orica Consumer Products	10 April 2003
Bronek Karcz	General Manager, Chemnet	1 April 2005
John Beevers (1)	General Manager, Orica Mining Services Australia/Asia	18 September 2006
Greg Witcombe	General Manager, People and Community	3 June 2005
Andrew Larke (2)	General Manager, Merger and Acquisitions	1 June 2006
Former		**Leaving Date**
Eugenia Salinas	General Manager, Business Efficiency	2 January 2007
Patrick Largier	General Manager, Strategy and Acquisitions	31 December 2006
Gordon Davis	General Manager, Orica Mining Services Australia/Asia	8 September 2006
Julian Segal	Managing Director and Chief Executive Officer, Incitec Pivot Limited	3 June 2006

* commenced in the role – the majority of the executives were promoted internally from other roles within the company reflecting Orica's commitment to succession planning and development of key talent.

(1) Prior to his appointment to this role, John Beevers held the position of General Manager, Chemical Services and he continues to act in this role pending a new appointment to the role.

(2) On 1 October 2006, Andrew Larke was appointed Group General Manager, Mergers and Acquisitions, Strategy and Technology.

Compensation Policy

Non-Executive Key Management Personnel's Compensation

Non-executive directors' fees, including committee fees, are set by the Board within the maximum aggregate amount of $1,800,000 approved by shareholders at the 2005 Annual General Meeting. These fees 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. The last review took place effective from 1 April 2005 and annual fees were increased by 10%. Prior to that, fees were last increased in October 2002. Non-executive directors receive a fee of $110,000 in relation to their service as a director of the Board, and the Chairman, taking into account the greater commitment required, receives a fee of $330,000. These fees include their service on the Remuneration and Appointments Committee and the Corporate Governance and Nominations Committee. In addition, directors who sit on the Board's Audit and Risk Committee and Environment Committee receive an additional fee of $10,000 per annum, and the Chairs of these Board committees receive an additional fee of $20,000 per annum. 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.

39. Key Management Personnel Compensation

Executive Key Management Personnel's Compensation

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

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

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

The Board considers it desirable for the compensation packages of executive key management personnel 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 compensation and at-risk compensation is designed to reflect market conditions at each job and seniority level. For executive Key Management Personnel, the split is broadly 50% fixed and 50% at risk. This relatively high weighting to at-risk compensation reflects the Board's commitment to performance-based reward.

Fixed compensation

All executive key management personnel receive a fixed compensation 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.

Short Term Incentives (STI)

The STI is designed to put a large proportion of executive compensation 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 individually material items that must be achieved before any STI is awarded. The performance conditions comprise financial targets relating to Net Profit After Tax (before individually material items), Business EBIT, cash flow, and other non-financial conditions, including health and safety performance and talent management. 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. Safety and health targets build Orica's culture and commitment to 'no injuries to anyone, ever' and 'valuing people and the environment'. The performance conditions were generally satisfied at or above target - however the Group did not achieve all of its stretch targets. The level of safety performance during the year did meet target on a recordable case rate basis. However, due to the fatality at the Incitec Pivot Limited site in Mackay, no short term incentive for this component was paid.

Long Term Incentives (LTI)

In 2004, Orica introduced the Orica Long Term Equity Incentive Plan (LTEIP) as the long term incentive component of compensation for executives who are able to influence the generation of shareholder wealth by having a direct impact on the Company's performance.

The 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 an 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.

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

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). Once the loan is repaid, the executive is free to deal with the shares during specific trading periods as outlined in the Corporate Governance practices disclosure.

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 compensation to Orica's ongoing share price and returns to shareholders over a three 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 long term incentive component of their compensation. 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; after tax dividends and the capital growth in Orica's share price over the three year performance period.

39. Key Management Personnel Compensation (continued)

Under the LTEIP, the relevant performance condition is based on the total shareholder return (TSR) growth over the three year performance period. TSR is, broadly, the percentage increase in the Company's share price over the three year performance 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 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.

Key Management Personnel Compensation Summary

	Consolidated		Company	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Short term employee benefits	**13,053.6**	11,823.8	**-**	-
Post employment benefits	**228.4**	193.8	**-**	-
Share-based payments	**3,019.6**	6,479.4	**-**	-
Termination benefits	**1,377.7**	6,174.2	**-**	-
	17,679.3	24,671.2	**-**	-

Non-Executive Key Management Personnel Compensation

Details of Non-Executive Key Management Personnel compensation are set out in the following table:

For the year to 30 September 2006	Directors Fees $000	Board Audit and Risk Committee $000	Board Environment Committee $000	Due Diligence Committee $000	Superannuation Benefits [1] $000	Total $000
D P Mercer, Chairman [2]	330.0	-	-	-	29.7	359.7
M E Beckett	110.0	-	10.0	-	10.8	130.8
P J Duncan [2]	110.0	20.0	-	-	11.7	141.7
G A Hounsell	110.0	10.0	-	-	10.8	130.8
P M Kirby	110.0	-	20.0	-	11.7	141.7
N L Scheinkestel [3]	18.3	1.7	-	-	1.8	21.8
M Tilley [4]	110.0	9.2	-	-	10.7	129.9
C M Walter [2]	110.0	-	10.0	-	10.8	130.8
Total Non-Executive Key Management Personnel	**1,008.3**	**40.9**	**40.0**	**-**	**98.0**	**1,187.2**
For the year to 30 September 2005						
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 Key Management Personnel	948.3	40.0	40.0	30.0	92.2	1,150.5

(1) Contributions made on behalf of non-executive directors and not paid on one off payments for the Due Diligence Committee.

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

(3) N L Scheinkestel was appointed on 1 August 2006.

(4) Ceased as a Board Audit and Risk Committee member on 31 August 2006.

39. Key Management Personnel Compensation (continued)

Executive Key Management Personnel Compensation

Details of the Executive Key Management Personnel compensation are set out in the following tables:

For the year to 30 September 2006	Short term employee benefits			Post Employment Benefits			
	Fixed Salary $000	STI Payment [4] $000	Other Benefits [3] $000	Super-annuation Benefits $000	Termination Benefits [1] $000	Share Based Payments [2] $000	Total Remuneration $000
Current Executive Directors							
G R Liebelt	1,387.7	813.4	31.0	12.3	-	600.7	2,845.1
N A Meehan	707.7	418.3	33.2	12.3	-	308.9	1,480.4
Total Current Executive Directors	**2,095.4**	**1,231.7**	**64.2**	**24.6**	**-**	**909.6**	**4,325.5**
Current Executives							
P G Etienne	745.7	549.5	101.2	12.3	-	332.5	1,741.2
G J Witcombe	670.6	359.9	50.4	12.3	-	292.9	1,386.1
P G Bailey	577.7	343.2	7.0	12.3	-	240.3	1,180.5
J R Beevers	478.2	301.2	116.8	12.3	-	193.1	1,101.6
B K Karcz	475.2	159.0	1.4	12.3	-	193.1	841.0
A J P Larke	419.3	361.6	9.5	12.3	-	100.5	903.2
Total Current Executives	**3,366.7**	**2,074.4**	**286.3**	**73.8**	**-**	**1,352.4**	**7,153.6**
Former Executives							
E Salinas	500.0	259.5	121.7	-	541.9	214.5	1,637.6
P J Largier	482.0	279.5	8.7	12.3	702.7	204.7	1,689.9
G R Davis	392.3	250.4	9.8	11.5	133.1	98.1	895.2
J Segal [5]	347.0	150.0	44.8	8.2	-	240.3	790.3
Total Former Executives	**1,721.3**	**939.4**	**185.0**	**32.0**	**1,377.7**	**757.6**	**5,013.0**
Total Executives	**5,088.0**	**3,013.8**	**471.3**	**105.8**	**1,377.7**	**2,110.0**	**12,166.6**
Total Executive Key Management	**7,183.4**	**4,245.5**	**535.5**	**130.4**	**1,377.7**	**3,019.6**	**16,492.1**

[1] Represents contractual payments upon termination and payment of statutory leave and will be paid to each executive on cessation of their employment.

[2] Includes the value to executives under the Long Term Equity Incentive Plan (LTEIP). The benefit derived under the LTEIP is an immediately vesting benefit and therefore the full value granted to executives in December 2005 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 37 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] 2006 STI payments include payments relating to 2006 performance accrued but not paid.

[5] 2006 STI payment to J Segal was pro rated as he was only employed by Orica for part of the financial year.

39. Key Management Personnel Compensation (continued)

For the year to 30 September 2005	Short Term Employee Benefits			Post Employment Benefits			
	Fixed Salary $000	STI Payments [1] $000	Other Non Monetary Benefits [4] $000	Super-annuation Benefits $000	Termination Benefits [2] $000	Share-based payments [3] $000	Total Remuneration $000
Current Executive Directors							
G R Liebelt	1,005.9	672.3	25.4	11.7	-	426.4	2,141.7
N A Meehan	395.5	234.8	32.0	11.7	-	39.6	713.6
Total Current Executive Directors	1,401.4	907.1	57.4	23.4	-	466.0	2,855.3
Former Directors							
M W Broomhead [5] [6]	1,453.3	602.1	52.2	-	4,186.0	3,585.0	9,878.6
J W Hall [6]	430.8	110.2	93.7	-	98.9	332.5	1,066.1
Total Former Directors	1,884.1	712.3	145.9	-	4,284.9	3,917.5	10,944.7
Total Directors	3,285.5	1,619.4	203.3	23.4	4,284.9	4,383.5	13,800.0
Current Executives							
G J Witcombe [7]	660.9	185.7	45.5	11.7	-	948.6	1,852.4
P G Bailey	534.1	168.0	0.6	11.7	-	214.6	929.0
P J Largier	466.8	148.8	10.4	11.7	-	191.8	829.5
J Segal	432.4	190.9	50.3	11.7	-	95.9	781.2
J R Beevers	371.3	231.7	109.0	11.7	-	73.6	797.3
B K Karcz	405.9	237.7	-	11.7	-	90.2	745.5
Total Current Executives	2,871.4	1,162.8	215.8	70.2	-	1,614.7	5,934.9
Former Executives							
B J Gibson [6]	322.1	93.0	6.1	8.0	1,269.3	248.5	1,947.0
S G O'Sullivan [8]	601.4	372.0	12.7	-	620.0	232.7	1,838.8
Total Former Executives	923.5	465.0	18.8	8.0	1,889.3	481.2	3,785.8
Total Executives	3,794.9	1,627.8	234.6	78.2	1,889.3	2,095.9	9,720.7
Total Executive Key Management Personnel	7,080.4	3,247.2	437.9	101.6	6,174.2	6,479.4	23,520.7

[1] 2005 STI 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). The benefit derived under the LTEIP is an immediately vesting benefit and therefore the full value granted to executives in December 2005 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 37 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 compensation and 60% of his fixed compensation 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 was accrued as compensation in 2005 and was paid to S G O'Sullivan on cessation of employment on 30 November 2005.

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 executive key management personnel under SOP and ESOP 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 (refer note 37 Employee share plans). All options refer to ordinary shares of Orica Limited and the options are provided at no cost to the recipient until their exercisable date. No person entitled to exercise an option in the Company has, by virtue of the option, a right to participate in a share issue of any other consolidated entity of the group. 3,057,493 ordinary shares were issued during the financial year as a consequence of the exercise of options issued in prior years. As at balance date, there are 2,040,409 unissued ordinary shares under option. The price of issue and expiration dates of those unissued shares are set out in note 21 Contributed equity.

39. Key Management Personnel Compensation (continued)

The number of equity instruments held by executive key management personnel is shown in the following table:

For the year to 30 September 2006	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 compensation for the year $ [1]
Directors									
G R Liebelt	21 Dec 02	3 Sep 06	-	-	360,000	-	N/A	1,299,600	- [5]
	22 Dec 04	31 Jan 08	-	-		71,194	N/A	426,452	- [6]
	23 Dec 05	30 Jan 09	97,194	-		97,194	N/A	600,659	600,659 [6]
N A Meehan	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	N/A	39,678	- [6]
	23 Dec 05	30 Jan 09	49,985	-	-	49,985	N/A	308,907	308,907 [6]
Executives									
P G Etienne	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]
	22 Dec 04	31 Jan 08	-	-	-	13,874	N/A	83,105	- [6]
	23 Dec 05	30 Jan 09	53,803	-	-	53,803	N/A	332,503	332,503 [6]
G J Witcombe	3 Jun 04	3 Sep 06	-	-	-	151,122	N/A	621,111	- [5]
	22 Dec 04	31 Jan 08	-	-	-	45,840	N/A	274,582	- [6]
	23 Dec 05	30 Jan 09	47,391	-	-	47,391	N/A	292,876	292,876 [6]
P G Bailey	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	-	-	-	60,733	N/A	294,253	- [5]
	22 Dec 04	31 Jan 08	-	-	-	35,839	N/A	214,676	- [6]
	23 Dec 05	30 Jan 09	38,877	-	-	38,877	N/A	240,260	240,260 [6]
J R Beevers	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]
	22 Dec 04	31 Jan 08	-	-	-	12,292	N/A	73,629	- [6]
	23 Dec 05	30 Jan 09	31,240	-	-	31,240	N/A	193,063	193,063 [6]
B K Karcz	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]
	22 Dec 04	31 Jan 08	-	-	-	15,075	N/A	90,299	- [6]
	23 Dec 05	30 Jan 09	31,240	-	-	31,240	N/A	193,063	193,063 [6]
A J P Larke	24 Apr 02	10 Nov 05	-	-	50,000	-	7.91	93,000	- [4]
	24 Apr 02	10 Nov 06	-	-	-	50,000	7.91	93,000	- [4]
	22 Dec 04	31 Jan 08	-	-	-	16,676	N/A	99,989	- [6]
	23 Dec 05	31 Jan 09	16,265	-	-	16,265	N/A	100,518	100,518 [6]
E Salinas	23 Dec 05	02 Jan 07	34,712	-	-	34,712	N/A	214,520	214,520 [6]
P J Largier	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]
	22 Dec 04	31 Dec 06	-	-	-	32,031	N/A	191,866	- [6]
	23 Dec 05	31 Dec 06	33,115	-	-	33,115	N/A	204,651	204,651 [6]
G R Davis	24 Apr 02	10 Nov 05	-	-	33,540	-	7.91	62,384	- [4]
	24 Apr 02	10 Nov 06	-	-	-	33,540	7.91	62,384	- [4]
	22 Dec 04	08 Sep06	-	-	-	13,113	N/A	78,547	- [6]
	23 Dec 05	08 Sep 06	15,868	-	-	15,868	N/A	98,064	98,064 [6]
J Segal	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]
	22 Dec 04	03 Jun 06	-	-	16,012	-	N/A	95,912	- [6]
	23 Dec 05	03 Jun 06	38,877	-	38,877	-	N/A	240,260	240,260 [6]

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 following footnotes apply to options disclosure tables for both the current and previous years.

[1] 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 2006 and 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. See note 37 Employee share plans.

[2] Related to options under the share option plan (SOP). See note 37 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 37 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 37 Employee share plans. The options expire on 31 Oct 2005, 31 Oct 2006 and 31 Oct 2007 depending on performance hurdles being met.

39. Key Management Personnel Compensation (continued)

[5] Related to the senior executive share loan plan plan (SELSP). See note 37 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 2.

[6] Related to the long term executive incentive plan (LTEIP). See note 37 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 2 .

[7] There were no amounts outstanding on the shares issued as a result of the exercise of the options.

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 compensation for the year $ [1]
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]
N A Meehan	1 Jan 02	1 Jan 05	-	-	2,800	-	N/A	11,620	- [3]
	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	N/A	39,678	39,678 [6]
M W Broomhead	1 Jan 02	1 Jan 05	-	-	200,000	-	5.67	394,000	- [2]
	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]
J W Hall	17 Jan 02	3 Sep 06	-	-	450,000	-	N/A	1,030,500	- [5]
	22 Dec 04	31 Jan 08	55,523	55,523	-	-	N/A	332,583	332,583 [6]
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]
	22 Dec 04	31 Jan 08	35,839	-	-	35,839	N/A	214,676	214,676 [6]
P J Largier	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]
	22 Dec 04	31 Jan 08	32,031	-	-	32,031	N/A	191,866	191,866 [6]
J Segal	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]
	22 Dec 04	31 Jan 08	16,012	-	-	16,012	N/A	95,912	95,912 [6]
J R Beevers	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]
	22 Dec 04	31 Jan 08	12,292	-	-	12,292	N/A	73,629	73,629 [6]
B K Karcz	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]
	22 Dec 04	31 Jan 08	15,075	-	-	15,075	N/A	90,299	90,299 [6]
B J Gibson	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]
	22 Dec 04	31 Jan 08	41,498	41,498	-	-	N/A	248,573	248,573 [6]
S G O'Sullivan	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]

39. Key Management Personnel Compensation (continued)

Key Management Personnel service agreements

Compensation and other terms of employment for the executive key management personnel are formalised in service agreements. Specific information relating to the terms of the service agreements of the executive key management personnel are set out in the table below.

Summary of specific terms

Major provisions of the agreements relating to compensation 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	720,000	3 months	3 months	1.0 times his fixed annual remuneration
P G Etienne	Open	775,000	3 months	3 months	1.0 times his fixed annual remuneration
G J Witcombe	Open	683,000	3 months	3 months	1.68 times his fixed annual remuneration (4)
P G Bailey	Open	600,000	3 months	3 months	1.77 times his fixed annual remuneration (4)
J R Beevers	Open	550,000	3 months	3 months	1.28 times his fixed annual remuneration (4)
B K Karcz	Open	500,000	3 months	3 months	1.0 times his fixed annual remuneration
A J P Larke	Open	438,700	3 months	3 months	1.0 times his fixed annual remuneration

(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 2006. As part of the normal annual review of remuneration, Fixed Annual Remuneration for all executives will be reviewed and, where appropriate, adjusted during the 2007 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, P G Bailey 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.

(5) Executives excluded from this table are G R Davis (left 8 September 2006), P J Largier (leaving 31 December 2006) and E Salinas (leaving 2 January 2007).

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 key management personnel, upon cessation of their employment to protect the legitimate business interests of the Group.

Sign-on payments

No payment was made to executive key management personnel before they took office as part consideration for them agreeing to hold office.

40. Superannuation commitments

(a) Superannuation plans

The consolidated entity contributes to a number of superannuation plans that exist to provide benefits for employees and their dependants on retirement, disability or death. The superannuation plans cover company sponsored plans, other qualifying plans and multi-employer industry/union plans.

Company sponsored plans

- The principal benefits are pensions or lump sum payments for members on resignation, retirement, disability or death. The benefits are provided on either a defined benefit basis or a defined contribution basis.
- Employee contribution rates are either fixed by the rules of the plans or selected by members from time to time from a specified range of rates. The employer 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.

(b) Defined contribution pension plans

The consolidated entity contributes to several defined contribution pension plans on behalf of its employees. The amount recognised as an expense for the financial year ended 30 September 2006 was $17.2 million (2005 $15.2 million).

(c) Defined benefit pension plans

The consolidated entity participates in several local and overseas defined benefit post-employment plans that provide benefits to employees upon retirement. Plan funding is carried out in accordance with the requirements of trust deeds and the advice of actuaries. During the year, the consolidated entity made employer contributions of $25.9 million (2005 $28.4 million) to defined benefit plans. The Group's actuaries have forecast total employer contributions to defined benefit plans of $22.1 million for 2007.

The Company has no employees and therefore does not support any defined benefit post-employment plans. Accordingly, the disclosures detailed below relate to the consolidated entity.

(i) Balance sheet amounts

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

	2006 $m	2005 $m
Present value of the defined benefit obligation	**651.6**	647.0
Fair value of defined benefit plan assets	**(589.7)**	(584.0)
Deficit in plan	**61.9**	63.0
Present value of unfunded defined benefit obligations at end of year	**82.3**	39.0
Tax provision	**12.2**	6.3
Net liability in the balance sheet	**156.4**	108.3
Amounts in balance sheet:		
Liabilities	**159.8**	111.1
Assets	**(3.4)**	(2.8)
Net liability recognised in balance sheet at end of year	**156.4**	108.3

40. Superannuation commitments (continued)

(ii) Categories of plan assets

The major categories of plan assets are as follows:

	2006 $m	2005 $m
Cash and net current assets	**43.6**	47.3
Equity instruments	**287.4**	301.5
Fixed interest securities	**155.3**	152.3
Property	**50.9**	45.9
Other assets	**52.5**	37.0
	589.7	584.0

(iii) Reconciliations

	2006 $m	2005 $m
Reconciliation of present value of the defined benefit obligation:		
Balance at the beginning of the year	**686.0**	639.3
Current service cost	**23.6**	25.0
Interest cost	**37.6**	35.1
Actuarial (gains)/losses	**(10.9)**	39.9
Contributions by plan participants	**7.2**	7.9
Benefits paid	**(51.1)**	(51.0)
Distributions	**(4.1)**	(4.4)
Gains on curtailments	**(2.6)**	-
Settlements	**(73.2)**	-
Liabilities assumed in business combinations	**114.6**	-
Exchange differences on foreign funds	**6.8**	(5.8)
Balance at the end of the year	**733.9**	686.0
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	**584.0**	527.6
Expected return on plan assets	**39.0**	36.1
Actuarial gains	**14.2**	42.2
Contributions by plan participants	**7.2**	7.9
Contributions by employer	**25.9**	28.4
Benefits paid	**(51.1)**	(51.0)
Distributions	**(4.1)**	(4.4)
Settlements	**(73.2)**	-
Assets acquired in business combinations	**43.9**	-
Exchange differences on foreign funds	**3.9**	(2.8)
Balance at the end of the year	**589.7**	584.0

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

(iv) Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

	2006 $m	2005 $m
Current service cost	**23.6**	25.0
Interest cost	**37.6**	35.1
Expected return on plan assets	**(39.0)**	(36.1)
Net actuarial gains recognised in the year	**(0.2)**	(0.4)
Curtailment or settlement gains	**(2.6)**	-
Adjustment for tax provision	**(0.3)**	-
Total included in employee benefits expense	**19.1**	23.6

The above defined benefit plan employee expense amounts have been recognised in the employee expenses line of the income statement.

40. Superannuation commitments (continued)

(v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2006	2005
Discount rate	**2.25% - 9.25%**	2.25% - 11.25%
Expected return on plan assets	**0.00% - 10.00%**	0.00% - 10.50%
Future salary increases	**2.75% - 7.00%**	2.75% - 9.00%
Future inflation	**1.75% - 3.10%**	1.75% - 3.00%
Future pension increases	**0.00% - 3.00%**	0.00% - 2.80%
Healthcare cost trend rate (ultimate)	**0.00% - 8.25%**	0.00% - 9.25%
Pension increases in deferment	**2.66% - 3.10%**	2.66% - 3.00%

Assumed healthcare cost trends have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase $m	One percentage point decrease $m
Effect on the aggregate of the service cost and interest cost	0.5	(0.3)
Effect on the defined benefit obligation	4.6	(3.4)

(vi) Historic summary

Amounts for the current and previous period are as follows:

	2006 $m	2005 $m
Defined benefit plan obligation	**733.9**	686.0
Plan assets	**(589.7)**	(584.0)
Deficit	**144.2**	102.0
Experience adjustments arising on plan liabilities	**(0.3)**	(8.1)
Experience adjustments arising on plan assets	**14.2**	42.3
Actual return on plan assets	**53.2**	78.4

The consolidated entity has used the AASB 1.20A exemption and disclosed amounts under AASB 1.20A(p) above for each annual reporting period prospectively from the transition date (1 October 2004).

(vii) Amounts included in the statement of recognised income and expense

	2006 $m	2005 $m
Net actuarial gains	**18.7**	5.4

The consolidated entity has elected under AASB 119.93A, to recognise all actuarial gains/losses in the statement of recognised income and expense. The cumulative amount of net actuarial gains included in the statement of recognised income and expense as at 30 September 2006 is $24.1 million (2005 $5.4 million).

(viii) Expected return on asset assumption

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

40. Superannuation commitments (continued)

(ix) Surplus/(deficit) for each defined benefit plan on a funding basis

30 September 2006 **Plan**	**Accrued Benefits**	**Fund Assets**	**Accrued surplus/ (deficit)**	**Current contribution recommendation**	**Funding method**	**Discount rate**	**Expected return on plan assets**	**Future salary increases**
	$m	**$m**	**$m**			%	%	%
The Flexible Benefits Super Fund (1) (4a)	499.0	489.5	(9.5)	12.5% of salaries	Attained age normal	8.00	8.00	5.00
Pension plan for employees of Orica Canada Inc (2) (4b)	81.8	61.8	(20.0)	6.2% of pensionable earnings	Projected unit credit	5.50	7.25	4.00
Post Retirement Benefits (Canada) (2) (4c)	19.4	-	(19.4)	Based on benefit payments	Projected unit credit	5.50	n/a	n/a
Orica Pension Scheme (UK) (2) (4b)	39.1	32.0	(7.1)	24.8% of pensionable earnings	Projected unit credit	5.20	7.07	3.60
Dyno Nobel Sweden AB (2) (4d)	37.3	-	(37.3)	Based on benefit payments	Projected unit credit	4.00	n/a	3.50
Dyno DNE (Norway) (2) (4e)	35.0	23.9	(11.1)	Insurance premiums	Projected unit credit	4.50	5.00	4.00
Dyno Defence (Norway) (2) (4e)	12.7	6.8	(5.9)	Insurance premiums	Projected unit credit	4.50	5.00	4.00
Dynea HK (Norway) (2) (4e)	12.6	7.5	(5.1)	Insurance premiums	Projected unit credit	4.50	5.00	4.00
Other (2) (3)	103.2	76.9	(26.3)	Various	Various	Various	Various	Various
	840.1	**698.4**	**(141.7)**					

30 September 2005								
The Flexible Benefits Super Fund (1) (4a)	499.0	489.5	(9.5)	12.5% of salaries	Attained age normal	8.00	8.00	5.00
Pension plan for employees of Orica Canada Inc (2) (4b)	73.7	51.8	(21.9)	6.2% of pensionable earnings	Projected unit credit	5.25	7.00	3.75
Post Retirement Benefits (Canada) (2) (4c)	19.2	-	(19.2)	Based on benefit payments	Projected unit credit	5.25	n/a	n/a
Orica Pension Scheme (UK) (2) (4b)	34.7	25.4	(9.3)	24.8% of pensionable earnings	Projected unit credit	5.00	6.25	3.50
Other (2) (3)	98.0	69.6	(28.4)	Various	Various	Various	Various	Various
	724.6	636.3	(88.3)					

(1) The Flexible Benefits Super Fund amounts have been calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans.* Accrued benefits and fund assets have been disclosed at both 2005 and 2006 based on the fund's AAS25 certificate prepared as at the most recent actuarial funding valuation of the fund dated 30 June 2003. The figures shown include the fund's non-defined benefit liabilities and matching assets

(2) Non-Australian retirement plans are not required to prepare assessments of their assets and liabilities under AAS 25 *Financial Reporting by Superannuation Plans*. Accrued liabilities and asset values, funding method and assumptions disclosed for these plans have been based on the AASB 119 *Employee Benefits* assessments*.* The Norway and Sweden plans were acquired on 1 June 2006 as part of the Dyno Nobel acquisition and 2005 disclosure information for these plans was not available.

40. Superannuation commitments (continued)

(3) Other international plans comprise the following:

Indian Explosives Limited Employees Management Staff Superannuation	Philippine Explosives Corporation Monthly-Paid Employees Retirement Plan
Indian Explosives Limited Gratuity Fund	Philippine Explosives Corporation Factory Workers Retirement Plan
Indian Explosives Limited Management Staff Leave Encashment Scheme	Old Age Part-time Program (Incentives for Early Retirement) (Europe)
Indian Explosives Limited Non-Management Staff Leave Encashment Scheme	Self-insured long-term disability (LTD) plan (Canada)
Indian Explosives Limited Management Staff Pension (DB) Fund	Orica New Zealand Limited Retirement Plan
Indian Explosives Limited Employees Superannuation Fund	Dyno Nobel HK (Norway)
Explosives Germany	International Pension Plan (Canada)
Eurodyn (Europe)	Excess Plan (Canada)
Jubilee (Europe)	Nitro Consult (Sweden)
Órica Brasil Ltda.	Orica USA Inc. Retirement Income Plan
High Income Earners Arrangement (Canada)	Orica USA Inc. Retiree Medical Plan

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

(a) Funded lump sum retirement benefits based on final average pensionable earnings.

(b) Funded pension retirement benefits based on final average pensionable earnings.

(c) Post retirement life, dental and medical coverage.

(d) Unfunded pension retirement benefits based on final average pensionable earnings.

(e) Arrangements for each Norway entity are a combination of funded and unfunded pension benefits based on final average pensionable earnings.

Notes to the Financial Statements

For the year ended 30 September

41. Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2005 and 2006:

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Company			
Orica Limited		Dyno Nobel (Thailand) Limited (b)	Thailand
Controlled Entities		Dyno Nobel VH Company LLC (b)	USA
Accesorios para Explosives Problast Ltda (b)	Chile	Dyno Nobel Venezuela CA (b)	Venezuela
ACF and Shirleys Pty Ltd (g)		(formely Ensign-Bickford Venezuela C.A.)	
Active Chemicals Chile S.A.	Chile	Dyno Nobel Zambia Limited (b)	Zambia
Advanced Sciences Pty Ltd (e)		Dyno Nobel Zimbabwe (Pty) Ltd (b)	Zimbabwe
Altona Properties Pty Ltd (g)		Eastern Nitrogen Pty Ltd (g)	
Ammonium Nitrate Development and	Thailand	Engineering Polymers Pty Ltd	
Production Limited (b)		Essential Oils of Tasmania Pty Ltd	
Andean Mining & Chemicals Limited	Jersey	Eurodyn Sprengmittel GmbH	Germany
Arboleda S.A (b)	Panama	Explosives de Mexico SA de CV (b)	Mexico
ASA Organizacion Industrial S.A. De C.V. (b)	Mexico	Explosivos Mexicanos S.A. de C.V.	Mexico
Australian Fertilizers Pty Ltd (g)		Forsikringsselskapet Eksplosionsskade AS (b)	Norway
Bamble Mekaniske Industrier AS (b)	Norway	Geonitro Limited (b)	Georgia
Brasex Participacoes Ltda	Brazil	Huanuco SL Lanzarote (b)	Spain
Bronson & Jacobs (GZFTZ) Ltd	China	Hallowell Manufacturing LLC (c)	USA
Bronson & Jacobs (Malaysia) Sdn Bhd	Malaysia	Incitec Fertizers Limited (h)	
Bronson & Jacobs (NZ) Limited	NZ	Incitec Pivot Limited (h)	
Bronson & Jacobs (S.E. Asia) Pte Ltd	Singapore	Incitec Pivot LTI Plan Company Pty Limited (h)	
Bronson & Jacobs International Co. Ltd	Thailand	Indian Explosives Limited	India
Bronson & Jacobs Pty Ltd		Initiating Explosives Systems Pty Ltd (a)	
Bronson and Jacobs (H.K.) Limited	Hong Kong	Inveriones Dyno Nobel Chile Ltda (b),(d)	Chile
Bronson and Jacobs (Shanghai) International	China	Joplin Manufacturing Inc.	USA
Trading Co. Ltd		Karochem International Limited	UK
CHEM Advisory Services Pty Ltd (e)		KC Chemical Industries Pty Limited (e)	
CHEM Exports Pty Ltd (e)		LLC Orica Logistics	Russia
CHEM Instruments Pty Ltd (e)		Marplex Australia (Holdings) Pty Ltd (g)	
CHEM International Pty Ltd (e)		Marplex Australia Pty Ltd	
CHEM Powder Coatings Pty Limited (e)		Myspace Limited	
Chemnet Pty Ltd (g)		Nitedals Krudtvaerk AS (b)	Norway
Compania Aragonesa de Explosivos, S.A.	Spain	Nitro Asia Company Inc (b)	Philippines
Curasalus Insurance Limited	NZ	Nitro Consult AB (b)	Sweden
Curasalus Insurance Pty Limited		Nitroamonia de Mexico S.A de C.V.	Mexico
DENASA Argentina (b),(d)	Argentina	Nobel Industrier AS (b)	Norway
Dulux Holdings Pty Ltd (g)		Nobeltax S.A.	Spain
Dyno Consult AS (b)	Norway	Nordenfjeldske Spraengstof AS (b)	Norway
Dyno NitroMed AD (b)	Bulgaria	Norspreng AS (f)	Norway
Dyno Nobel Argentina Ltda (b)	Argentina	Orange Norway (b)	Norway
Dyno Nobel ASA (b)	Norway	Orica (Weihai) Explosives Co Ltd	China
Dyno Nobel Bolivia SA (b)	Bolivia	Orica Advanced Water Technologies Pty Ltd (g)	
Dyno Nobel Brasil Ltda (b)	Brazil	Orica Alberta Inc (f)	Canada
Dyno Nobel Centroamerica SA (b)	Costa Rica	Orica Argentina S.A.I.C.	Argentina
Dyno Nobel Chile SA (b)	Chile	Orica Australia Pty Ltd (a)	
Dyno Nobel Colombia SA (b)	Colombia	Orica Australia Securities Pty Limited	
Dyno Nobel Czech Republic (b)	Czech Republic	Orica Brasil Ltda	Brazil
Dyno Nobel Danmark A/S (b)	Denmark	Orica Canada Inc	Canada
Dyno Nobel Dynopart AS (b),(e)	Norway	Orica Chile S.A.	Chile
Dyno Nobel Holding AB (b)	Sweden	Orica Chemicals Chile S.A.	Chile
Dyno Nobel Hong Kong Ltd (b)	Hong Kong	(formely Quimica Anglo Chilena S.A.)	
Dyno Nobel Latin America S.A. (b)	Peru	Orica Chemicals Peru S.A.C.	Peru
Dyno Nobel Nitrogen AB (b),(d)	Sweden	(formely Quimica Anglo Peruana S.A.C.)	
Dyno Nobel Philippines Inc (b)	Philippines	Orica Coatings (Fiji) Limited (h)	Fiji
Dyno Nobel Poland Sp.z oo (b)	Poland	Orica Dominicana S.A.	Dominican
Dyno Nobel Samex SA (b)	Peru		Republic
Dyno Nobel Schweiz AG (b)	Switzerland	Orica Eesti OU	Estonia
Dyno Nobel Slovakia a.s. (b)	Slovakia	Orica Engineering Pty Ltd (g)	
Dyno Nobel Sweden AB (b)	Sweden	Orica Europe Investments Pty Ltd (g)	

41. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia		Place of incorporation if other than Australia
Orica Europe Management GmbH	Germany	Orica Norway Holdings AS (c)	Norway
Orica Europe Pty Ltd & Co KG	Germany	Orica Papua New Guinea Limited	PNG
Orica European Investments Limited (e)	UK	Orica Peru S.A.	Peru
Orica Explosives (Thailand) Co Ltd	Thailand	Orica Philippines Inc	Philippines
Orica Explosives Holdings Pty Ltd		Orica Puerto Rico Inc. (d)	Puerto Rico
Orica Explosives Research Pty Ltd (g)		Orica Scandanavia Mining Services AB (h)	Sweden
Orica Explosives Technology Pty Ltd		(formerly Orica Kimit Explosives AB)	
Orica Explosivos Industriales, S.A.	Spain	Orica Securities (UK) Limited	UK
Orica Export Inc.	USA	Orica Share Plan Pty Limited (g)	
Orica Fiji Ltd	Fiji	Orica Singapore Pte Ltd	Singapore
Orica Finance Limited		Orica South Africa (Proprietary) Limited	South Africa
Orica GEESP Pty Ltd (g)		Orica Sweden Holdings AB (c)	Sweden
Orica Germany GmbH	Germany	Orica St. Petersburg LLC (c)	Russia
Orica Ghana Limited	Ghana	Orica U.S. Services Inc.	USA
Orica Guyana Inc.	Guyana	Orica UK Limited	UK
Orica Holdings Pty Ltd (g)		Orica United Kingdom LP (f)	
Orica Hong Kong Limited	Hong Kong	Orica USA Inc.	USA
Orica IC Assets Pty Ltd (a)		Orica Venezuela C.A.	Venezuela
Orica IC Investments Pty Ltd (g)		Orica Watercare Inc.	USA
Orica International GP Pty Ltd (g)		Orica-CCM Energy Systems Sdn Bhd	Malaysia
Orica International IP Holdings Inc.	USA	Orica-GM Holdings Ltd	UK
Orica International Management Inc.	USA	Oricorp Comercial S.A. de C.V.	Mexico
Orica Investments (China Paints) Pty Ltd (c)		Oricorp Mexico S.A. de C.V.	Mexico
Orica Investments (Indonesia) Pty Limited (g)		PT Dyno Nobel Indonesia (b)	Indonesia
Orica Investments (NZ) Limited	NZ	Penlon Pty Limited (g)	
Orica Investments (Thailand) Pty Limited (g)		PT Baktijala Kencana Citra	Indonesia
Orica Investments Pty Ltd (a)		PT Kaltim Nitrate Indonesia	Indonesia
Orica Japan Co. Ltd (b)	Japan	PT Orica Mining Services	Indonesia
(formerly Dyno Nobel Japan Co. Ltd)		PT Orica Resindo Mahakam	Indonesia
Orica Kazakhstan Closed Joint Stock Company	Kazakhstan	Retec Pty Ltd (g)	
Orica Kimit Norge AS (h)	Norway	Sarkem Pty Ltd (g)	
Orica Malaysia Sdn Bhd	Malaysia	Selleys Pty Limited (a)	
Orica Mongolia LLC	Mongolia	SHE Pacific Pty Ltd (e)	
Orica Nelson Quarry Services Inc.	USA	Sprengmittelvertrieb in Bayern GmbH	Germany
Orica Netherlands Finance B.V. (c)	Holland	Sprengstoff-Verwertungs GmbH	Germany
Orica New Zealand Finance Limited	NZ	Tec Harseim Do Brazil Ltda (b)	Brazil
Orica New Zealand LP (f)		Teradoran Pty Ltd	
Orica New Zealand Ltd	NZ	The Orica Community Foundation Pty Ltd	
Orica New Zealand Securities Limited	New Zealand	UPEX S.A. (b)	Peru
Orica Nitro Patlayici Maddeler Ticaret ve Sanayi A.S.	Turkey	Welvic Australia Pty Ltd (g)	
		White Lightning Holding Co Inc (b)	Philippines
Orica Nitrogen LLC	USA	Woods & Woods Pty Limited	
Orica Nominees Pty Ltd (g)		Zao Dyno Nobel Russia (b)	Russia

Notes:

All entities are owned 100% except as set out in note 23.

(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 2006.

(c) Incorporated in 2006.

(d) In liquidation.

(e) Liquidated in 2006.

(f) Dissolved in 2006.

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

(h) Disposed of in 2006.

42. 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 41. A consolidated income statement and consolidated balance sheet for this closed group is shown below.

Summarised balance sheet

	Closed Group 2006 $m	Closed Group 2005 $m
Current assets		
Cash and cash equivalents	**1,505.5**	1,434.8
Trade and other receivables	**390.2**	302.4
Inventories	**253.3**	280.2
Other	**7.3**	28.5
Total current assets	**2,156.3**	2,045.9
Non-current assets		
Trade and other receivables	**102.0**	105.3
Investments accounted for using the equity method	**1.3**	2.3
Other financial assets	**1,632.5**	1,591.0
Property, plant and equipment	**1,077.3**	876.6
Intangible assets	**398.5**	395.4
Deferred tax assets	**148.7**	102.8
Other non current assets	**29.8**	47.7
Total non-current assets	**3,390.1**	3,121.1
Total assets	**5,546.4**	5,167.0
Current liabilities		
Trade and other payables	**471.1**	425.3
Interest bearing liabilities	**1,633.4**	2,533.6
Current tax liabilities	**34.0**	5.8
Provisions	**128.8**	111.2
Total current liabilities	**2,267.3**	3,075.9
Non-current liabilities		
Trade and other payables	**15.7**	30.2
Interest bearing liabilities	**306.0**	316.7
Deferred tax liabilities	**73.9**	79.7
Provisions	**149.1**	91.3
Total non-current liabilities	**544.7**	517.9
Total liabilities	**2,812.0**	3,593.8
Net assets	**2,734.4**	1,573.2
Equity		
Contributed equity	**1,305.3**	329.3
Reserves	**436.4**	426.0
Retained profits	**992.7**	817.9
Total equity	**2,734.4**	1,573.2

Summarised income statement and retained profits

	Closed Group 2006 $m	Closed Group 2005 $m
Profit/(loss) before income tax expense	**421.2**	104.2
Income tax benefit/(expense)	**(33.9)**	(11.2)
Profit/(loss) from continuing operations	**387.3**	93.0
Retained profits at the beginning of the financial year	**817.9**	911.1
Adjustment on transition to AIFRS, net of tax	**-**	1.5
Other	**(5.4)**	2.9
Ordinary - final dividend declared/paid	**(125.8)**	(122.4)
Ordinary - interim and preference dividends declared/paid	**(81.3)**	(68.2)
Retained profits at the end of the financial year	**992.7**	817.9

43. Impact of adopting AASB equivalents to IASB standards

This is the Group's first financial report prepared in accordance with the requirements of AIFRS which Orica is required to adopt from 1 October 2005. 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 ("AASB 1"). In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 October 2004 with the exception of the requirements of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement which is only applicable from 1 October 2005 and for which no comparative information is required. AASB1 also allows a number of exemptions and exceptions to this general principle to assist in the transition to reporting under AIFRS, which are set out in this note to the extent they are relevant to Orica.

Presented below are the restated balance sheets at 1 October 2004, 30 September 2005 and 1 October 2005, together with the restated income statements for the period ending 30 September 2005. There are no changes to the cash flow statement identified as part of AIFRS transition.

Balance Sheets under AIFRS

The following table sets out the adjustments to the balance sheet of the company and the Group at transition to AIFRS on 1 October 2004:

		Consolidated			Company		
		AGAAP	Adj	AIFRS	AGAAP	Adj	AIFRS
		2004		2004	2004		2004
	Notes	$m	$m	$m	$m	$m	$m
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	(15.4)	1,502.6	27.4	-	27.4
Intangible assets	(c)(d)(f)	581.8	18.3	600.1	-	-	-
Deferred tax assets	(b)(e)(j)	216.8	91.7	308.5	151.3	(132.4)	18.9
Other assets	(a)	40.1	(14.6)	25.5	-	-	-
Total non-current assets		2,443.7	42.6	2,486.3	1,326.5	(132.4)	1,194.1
Total assets		4,153.3	32.6	4,185.9	1,770.2	(96.3)	1,673.9
Current liabilities							
Payables		779.7	-	779.7	4.0	21.4	25.4
Interest bearing liabilities		385.7	-	385.7	673.1	-	673.1
Current tax liabilities	(j)	28.2	3.5	31.7	-	-	-
Provisions	(f)	193.2	(9.8)	183.4	0.1	-	0.1
Total current liabilities		1,386.8	(6.3)	1,380.5	677.2	21.4	698.6
Non-current liabilities							
Payables		14.8	0.4	15.2	-	-	-
Interest bearing liabilities		740.5	-	740.5	-	-	-
Deferred tax liabilities	(j)	151.7	26.4	178.1	96.3	(96.3)	-
Retirement benefit obligations	(b)	-	86.9	86.9	-	-	-
Provisions	(k)	221.6	23.7	245.3	1.0	-	1.0
Total non-current liabilities		1,128.6	137.4	1,266.0	97.3	(96.3)	1.0
Total liabilities		2,515.4	131.1	2,646.5	774.5	(74.9)	699.6
Net assets		1,637.9	(98.5)	1,539.4	995.7	(21.4)	974.3
Equity							
Parent entity interest							
Contributed equity		369.3	(21.4)	347.9	369.3	(21.4)	347.9
Reserves	(a)(g)	108.1	(110.6)	(2.5)	95.6	(95.6)	-
Retained profits	(a)	951.2	37.9	989.1	530.8	95.6	626.4
Total parent entity interest		1,428.6	(94.1)	1,334.5	995.7	(21.4)	974.3
Minority interest	(g)(j)	209.3	(4.4)	204.9	-	-	-
Total equity		1,637.9	(98.5)	1,539.4	995.7	(21.4)	974.3

43. Impact of adopting AASB equivalents to IASB standards (continued)

Balance Sheets under AIFRS

The following table sets out the adjustments to the balance sheet of the company and the Group as at 30 September 2005.

		Consolidated			Company		
		AGAAP	**Adj**	**AIFRS**	**AGAAP**	**Adj**	**AIFRS**
	Notes	**2005 $m**	**$m**	**2005 $m**	**2005 $m**	**$m**	**2005 $m**
Current assets							
Cash and cash equivalents		214.7	-	214.7	25.3	(25.3)	-
Receivables		673.6	(2.6)	671.0	426.0	22.3	448.3
Other financial assets		12.3	-	12.3	-	-	-
Inventories		826.3	-	826.3	-	-	-
Other assets	(a)	65.6	(8.3)	57.3	-	-	-
Total current assets		1,792.5	(10.9)	1,781.6	451.3	(3.0)	448.3
Non-current assets							
Receivables	(g)	144.0	(44.3)	99.7	105.1	-	105.1
Investments accounted for using the equity method	(e)	64.1	(15.0)	49.1	-	-	-
Other financial assets		-	-	-	1,147.7	-	1,147.7
Property, plant and equipment	(a)(c)(e)	1,651.3	(57.6)	1,593.7	27.1	-	27.1
Intangible assets	(c)(d)(f)	576.5	57.8	634.3	-	-	-
Deferred tax assets	(b)(e)(j)	208.6	(78.3)	130.3	154.6	(134.7)	19.9
Other assets	(a)	33.1	(10.6)	22.5	-	-	-
Total non-current assets		2,677.6	(148.0)	2,529.6	1,434.5	(134.7)	1,299.8
Total assets		4,470.1	(158.9)	4,311.2	1,885.8	(137.7)	1,748.1
Current liabilities							
Payables		909.4	-	909.4	5.8	21.4	27.2
Interest bearing liabilities		49.5	-	49.5	976.0	-	976.0
Current tax liabilities	(j)	16.5	4.9	21.4	-	-	-
Provisions	(f)	197.3	-	197.3	0.1	-	0.1
Total current liabilities		1,172.7	4.9	1,177.6	981.9	21.4	1,003.3
Non-current liabilities							
Payables		9.1	0.8	9.9	-	-	-
Interest bearing liabilities		1,277.3	-	1,277.3	-	-	-
Deferred tax liabilities	(j)	160.6	(128.9)	31.7	110.4	(110.4)	-
Retirement benefit obligations	(b)	-	74.2	74.2	-	-	-
Provisions	(k)	197.3	23.7	221.0	1.1	-	1.1
Total non-current liabilities		1,644.3	(30.2)	1,614.1	111.5	(110.4)	1.1
Total liabilities		2,817.0	(25.3)	2,791.7	1,093.4	(89.0)	1,004.4
Net assets		1,653.1	(133.6)	1,519.5	792.4	(48.7)	743.7
Equity							
Parent entity interest							
Contributed equity		381.2	(51.9)	329.3	381.2	(51.9)	329.3
Reserves	(a)(g)	82.2	(103.0)	(20.8)	95.6	(95.6)	-
Retained profits	(a)	996.9	22.5	1,019.4	315.6	98.8	414.4
Total parent entity interest		1,460.3	(132.4)	1,327.9	792.4	(48.7)	743.7
Minority interest	(g)(j)	192.8	(1.2)	191.6	-	-	-
Total equity		1,653.1	(133.6)	1,519.5	792.4	(48.7)	743.7

43. Impact of adopting AASB equivalents to IASB standards (continued)

Balance Sheets under AIFRS

The following table sets out the adjustments to the balance sheet of the company and the Group for the impact of AASB 132 and AASB 139 as at 1 October 2005.

		Consolidated			Company		
	Notes	**AIFRS 2005 $m**	**Adj $m**	**AIFRS 2005 $m**	**AIFRS 2005 $m**	**Adj $m**	**AIFRS 2005 $m**
Current assets							
Cash and cash equivalents		214.7	-	214.7	-	-	-
Receivables	(m)	671.0	191.6	862.6	448.3	-	448.3
Other financial assets		12.3	-	12.3	-	-	-
Inventories		826.3	-	826.3	-	-	-
Other assets	(m)	57.3	17.5	74.8	-	-	-
Total current assets		1,781.6	209.1	1,990.7	448.3	-	448.3
Non-current assets							
Receivables		99.7	-	99.7	105.1	-	105.1
Investments accounted for using the equity method		49.1	-	49.1	-	-	-
Other financial assets		-	-	-	1,147.7	-	1,147.7
Property, plant and equipment		1,593.7	-	1,593.7	27.1	-	27.1
Intangible assets		634.3	-	634.3	-	-	-
Deferred tax assets	(m)	130.3	8.1	138.4	19.9	-	19.9
Other assets		22.5	-	22.5	-	-	-
Total non-current assets		2,529.6	8.1	2,537.7	1,299.8	-	1,299.8
Total assets		4,311.2	217.2	4,528.4	1,748.1	-	1,748.1
Current liabilities							
Payables	(m)	909.4	60.4	969.8	27.2	-	27.2
Interest bearing liabilities	(m)	49.5	175.6	225.1	976.0	-	976.0
Current tax liabilities		21.4	-	21.4	-	-	-
Provisions		197.3	-	197.3	0.1	-	0.1
Total current liabilities		1,177.6	236.0	1,413.6	1,003.3	-	1,003.3
Non-current liabilities							
Payables		9.9	-	9.9	-	-	-
Interest bearing liabilities	(m)	1,277.3	2.0	1,279.3	-	2.0	2.0
Deferred tax liabilities		31.7	-	31.7	-	-	-
Retirement benefit obligations		74.2	-	74.2	-	-	-
Provisions		221.0	-	221.0	1.1	-	1.1
Total non-current liabilities		1,614.1	2.0	1,616.1	1.1	2.0	3.1
Total liabilities		2,791.7	238.0	3,029.7	1,004.4	2.0	1,006.4
Net assets		1,519.5	(20.8)	1,498.7	743.7	(2.0)	741.7
Equity							
Parent entity interest							
Contributed equity	(m)	329.3	(2.0)	327.3	329.3	(2.0)	327.3
Reserves	(m)	(20.8)	(12.5)	(33.3)	-	-	-
Retained profits	(m)	1,019.4	(6.3)	1,013.1	414.4	-	414.4
Total parent entity interest		1,327.9	(20.8)	1,307.1	743.7	(2.0)	741.7
Minority interest	(m)	191.6	-	191.6	-	-	-
Total equity		1,519.5	(20.8)	1,498.7	743.7	(2.0)	741.7

43. Impact of adopting AASB equivalents to IASB standards (continued)

Income Statements under AIFRS

The following table sets out the adjustments to the income statements of the Group and the Company for the year ended 30 September 2005:

		Consolidated			Company		
	Notes	2005 AGAAP $m	Adj $m	2005 AIFRS $m	2005 AGAAP $m	Adj $m	2005 AIFRS $m
Revenue from ordinary activities		5,126.7	-	5,126.7	-	-	-
Other income	(c)	128.5	(64.2)	64.3	-	-	-
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		(769.8)	-	(769.8)	-	-	-
Share based payments	(g)	-	(11.6)	(11.6)	-	-	-
Depreciation and amortisation expense	(d)	(175.9)	35.5	(140.4)	(0.3)	-	(0.3)
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 individually material items		(184.8)	(10.7)	(195.5)	-	-	-
Share of associates' net profit equity accounted	(d)	5.3	0.7	6.0	-	-	-
		(4,818.1)	40.3	(4,777.8)	(1.1)	-	(1.1)
Profit from operations		437.1	(23.9)	413.2	(1.1)	-	(1.1)
Net financing cost							
Financial income		6.4	-	6.4	24.7	-	24.7
Financial expenses		(109.5)	0.6	(108.9)	(60.4)	-	(60.4)
		(103.1)	0.6	(102.5)	(35.7)	-	(35.7)
Profit before income tax expense		334.0	(23.3)	310.7	(36.8)	-	(36.8)
Income tax expense attributable to profit from ordinary activities	(k)	(87.2)	(1.6)	(88.8)	12.2	-	12.2
Profit from ordinary activities after income tax expense		246.8	(24.9)	221.9	(24.6)	-	(24.6)
Outside equity interests in (profit) from ordinary activities after income tax		(10.5)	(3.1)	(13.6)	-	-	-
Profit from ordinary activities after income tax relating to members of Orica Limited		236.3	(28.0)	208.3	(24.6)	-	(24.6)

	cents	cents	cents
Earnings per share			
Basic earnings per share:			
Ordinary shares	86.6	(10.3)	76.3
Diluted earnings per share:			
Ordinary shares	85.3	(10.1)	75.2

43. 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)	(16.6)	-
- Impact of taxation	(j)	30.2	-
- Defined benefit superannuation plans (deficits)/surpluses	(b)	(60.2)	-
- Expensing of share based payments	(g)	4.8	-
- Minority effect of reconciliation items		(0.4)	-
Retained earnings at 1 October 2004 under AIFRS		989.1	626.4

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)	(16.6)	-
- Impact of taxation	(j)	30.2	-
- Defined benefit superannuation plans (deficits)/surpluses	(b)	(60.2)	-
- Expensing of share based payments	(g)	4.8	-
- Minority effect of reconciliation items		(0.4)	-
Sub total		1,034.8	411.2
30 September 2005 AIFRS adjustments			
- Impairment losses	(e)	(26.2)	-
- Impact of taxation	(j)	(16.0)	-
- Defined benefit superannuation plans surpluses/(deficits)	(b)	9.3	-
- Expensing of share based payments	(g)	(11.8)	-
- Write back of dividends not paid re share based payments	(g)	3.2	3.2
- Writeback of goodwill amortisation	(d)	35.5	-
- Restructuring provisions on acquisition		(6.8)	-
- Writeback of imputed goodwill amortisation	(d)	0.7	-
- Expensing of lease payments		(0.2)	-
- Minority effect of reconciliation items		(3.1)	-
Retained earnings at 30 September 2005 under AIFRS		**1,019.4**	**414.4**
- Recognition of AASB 139 adjustments	(m)	(6.3)	-
Retained earnings at 1 October 2005 under AIFRS		**1,013.1**	**414.4**

43. Impact of adopting AASB equivalents to IASB standards (continued)

Impact of transition to AIFRS

The significant changes in accounting policies adopted in preparing the AIFRS reconciliations and the elections made under AASB 1 are set out below.

a) Reclassifications

On the initial application of AIFRS, Orica elected 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 was 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 was 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 transferred the balance of general and other reserves to retained earnings. The balance of general and other reserves decreased by $157.0 million (Company $90.0 million) and retained earnings increased by the same amount.

On the initial application of AIFRS, Orica reclassified 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, current other assets of the Group decreased by $10.0 million, non current other assets of the Group decreased by $14.6 million and property, plant and equipment of the Group increased by $24.6 million. There is no effect on the parent entity.

In September 2005, Orica reclassified 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 over September 2004 to current other assets of the Group at 30 September 2005 was $2.1 million, non current other assets of the Group increased by $4.0 million and property, plant and equipment of the Group decreased 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 resulted in a change in the Group's accounting policy which required 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 is 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 was a decrease to retained earnings. Subsequent to transition, Orica elected to recognise actuarial gains and losses directly to retained earnings.

On transition, superannuation liabilities of the Group increased $86.9 million, deferred tax assets increased by $26.7 million and retained earnings decreased by $60.2 million.

For the financial year ended 30 September 2005, the incremental adjustment for the Group to recognise the decrease in superannuation liability was $12.6 million, deferred tax assets decreased by $3.3 million and retained earnings increased by $9.3 million.

c) Property, plant and equipment

Property, plant and equipment is 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 are 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 was decreased by $75.6 million (Company $5.6 million). Retained earnings increased by the same amount.

Under AIFRS, the profit or loss on disposal of property, plant and equipment is 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 the year to 30 September 2005 decreased by $64.2 million (Company $nil).

Computer software assets included in property, plant and equipment under AGAAP have been reclassified under AIFRS to intangible assets on transition to AIFRS. This resulted in a decrease in the net book value of property, plant and equipment of $25.1 million at transition date (Company $nil), and a reduction of $26.7 million at 30 September 2005 with a corresponding increase in intangible assets (Company $nil).

d) Business combinations

An election is available in AASB 1 which provided Orica with the ability to choose whether the acquisition accounting of business combinations prior to transition date is restated under AIFRS. Entities could 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.

43. Impact of adopting AASB equivalents to IASB standards (continued)

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 testing. This resulted in a change in the Group's accounting policy which amortised goodwill over its useful life but not exceeding 20 years. As a result of not amortising goodwill, the goodwill amortisation expense of the Group decreased by $35.5 million for the year to 30 September 2005 (Company $nil) and the share of associates' net profit/(loss) equity accounted increased by $0.7 million (Company $nil).

e) Impairment of assets

Under AASB 136 - Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use. This resulted in a change in the Group's existing accounting policy which determined the recoverable amount of an asset on the basis of discounted cash flows. Under AIFRS, the carrying amount of the Group's non-current assets excluding defined benefit fund assets, deferred tax assets, goodwill and indefinite life intangible assets is reviewed at each reporting date to determine whether there is any evidence of impairment. If such indication exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount. Goodwill and indefinite life intangible assets are tested for impairment annually.

The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the cash generating unit to which the asset belongs. A cash generating unit is the smallest identifiable Group of assets that generate cash inflows largely independent of the cash inflows of other assets or Group of assets with each cash generating unit being no larger than a segment. In calculating recoverable amount, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows are estimated for the asset in its present condition and therefore do not include cash inflows or outflows that improve or enhance the 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 was expensed to retained earnings with property, plant and equipment being written down by $14.9 million, investments in associates by $17.3 million and deferred tax assets increased by $4.2 million (Company $nil).

For the financial year ended 30 September 2005, the incremental adjustment for the Group was a further writedown of assets of $26.2 million with property, plant and equipment being written down by $35.0 million, intangibles written down by $2.8 million and deferred tax assets increased by $11.6 million (Company $nil).

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 (net $6.8 million after a tax benefit of $3.0 million, Company $nil) and have been expensed in 2005.

g) Share based payments

Under AASB 2 Share based payments, Orica is required to determine the fair value of share based payments issued to employees as compensation and recognise an expense in the income statement 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 the Group was to decrease retained earnings at date of transition by $4.8 million, decrease minority interests by $1.0 million and increase shareholders equity (Company $nil).

For the financial year ended 30 September 2005, the expense relating to share based payments is $11.6 million with a corresponding increase in contributed equity (Company $nil).

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 have been deducted from contributed equity on transition to AIFRS amounting to $20.1 million (Company $nil).

At September 2005, the incremental amounts from 30 September 2004 receivable from employees in relation to these loans has been deducted from contributed equity totalling $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 $3.2 million (Company $3.2 million).

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.

43. Impact of adopting AASB equivalents to IASB standards (continued)

i) Earnings per share

Under AASB 133 Earnings Per Share, earnings per share are calculated using the profit or loss from continuing operations 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: 76.3 cents

Diluted EPS: 75.2 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 balance sheets 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 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 was a change to the AGAAP 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 from 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 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 $53.7 million, an increase in provision for income tax payable of $0.5 million, an increase in deferred tax liabilities of $26.4 million, a decrease in minority interests of $3.4 million and an increase in retained earnings of $30.2 million. No adjustments were made in respect of the Company except for the adjustments due to UIG 1052 which resulted in a 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 over 30 September 2004 for the Group was a decrease in deferred tax assets of $170.0 million, an decrease in deferred tax liabilities of $162.0 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 resulted in a 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.

43. Impact of adopting AASB equivalents to IASB standards (continued)

k) Decommissioning and restoration costs of long lived assets

AGAAP did 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 resulted in an increase in provisions at 1 October 2004 of $23.7 million, an increase in deferred tax assets of $7.1 million a decrease in retained earnings of $16.6 million with no incremental change in 2005.

l) Borrowing costs

AGAAP required 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 elected to continue its current policy and capitalise borrowing costs as part of the cost of assets. Therefore there is no change to the AGAAP treatment.

m) Classification of financial instruments and hedge accounting

Orica has taken 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 resulted in a change to the AGAAP accounting policy which did not classify financial instruments and where measurement was at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The effect at 1 October 2005 was to increase derivative assets by $17.5 million, increase deferred tax assets by $8.1 million, increase deferred derivative liabilities by $60.4 million, decrease borrowings by $16.0 million, decrease cash flow hedging reserve by $19.0 million, increase foreign currency translation reserve by $6.5 million, reduce minority interests by $1.7 million and reduce retained earnings by $6.3 million. In addition preference shares of $2 million have been reclassified to borrowings.

Recognition of assets and liabilities

Under AASB 139, certain trade finance facilities organised for Orica customers have been brought back onto balance sheet as Orica has guaranteed a portion of those facilities. This has resulted in an increase in receivables and an increase in borrowings for the Group of $191.6 million at 1 October 2005.

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 resulted in a change in the entity's existing accounting policy 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.

43. Impact of adopting AASB equivalents to IASB standards (continued)

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, were deferred under AGAAP and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Under AIFRS, hedge accounting may no longer be able to be applied to such contracts, and gains and losses on the contracts will be recognised in the income statement.

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 was the practice under AGAAP.

Directors' Declaration on the Financial Report set out on pages 38 to 128

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,

(a) the financial statements and notes, set out on pages 38 to 128, 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 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the controlled entities identified in note 41 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418 (as amended).

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 2006.

D P Mercer
Chairman

Dated at Melbourne this 13th day of November 2006.

Auditor's Report

For the year ended 30 September 2006

Independent audit report to members of Orica Limited

Scope

The financial report and directors' responsibility

The financial report comprises the income statements, statements of recognised income and expense, balance sheets, statements of cash flows, accompanying notes 1 to 43 to the financial statements, and the directors' declaration for both Orica Limited (the "Company") and Orica Limited and its controlled entities ("the consolidated entity"), for the financial year ended 30 September 2006. The consolidated entity comprises the company and the entities it controlled during that financial 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. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*.

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 2006 and of their performance for the financial year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

Alison M Kitchen

Partner

Dated at Melbourne this 13th day of November 2006.

Shareholders' Statistics

As at 4th October 2006

Distribution of ordinary shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	28,716	60.15%	12,163,632	3.93%
1,001	–	5,000	16,473	34.50%	33,461,485	10.82%
5,001	–	10,000	1,652	3.46%	11,214,489	3.63%
10,001	–	100,000	816	1.71%	17,021,062	5.50%
100,001 and over			85	0.18%	235,357,109	76.12%
Total			47,742	100.00%	309,217,777	100.00%

Included in the above total are 1,675 shareholders holding less than a marketable parcel of 23 shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 73.70% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
National Nominees Limited	46,109,345	14.92
J P Morgan Nominees Australia Limited	45,031,719	14.56
Westpac Custodian Nominees Ltd	37,484,659	12.12
RBC Dexia Investor Services Australia Nominees Pty Limited	25,582,218	8.27
Citicorp Nominees Pty Limited	22,419,976	7.25
Cogent Nominees Pty Limited	12,865,722	4.16
ANZ Nominees Limited	11,440,707	3.70
Queensland Investment Corporation	5,227,277	1.69
AMP Life Limited	3,797,997	1.23
Australian Foundation Investment Company Limited	2,425,606	0.78
Australian Reward Investment Alliance	2,140,371	0.69
HSBC Custody Nominees (Australia) Limited	2,038,553	0.66
Bond Street Custodians Limited	1,977,604	0.64
Tasman Asset Management Ltd	1,913,645	0.62
UBS Nominees Pty Ltd	1,687,917	0.55
Argo Investments Limited	1,652,658	0.53
UBS Wealth Management Australia Nominees Pty Ltd	1,269,823	0.41
Victorian Workcover Authority	1,161,298	0.38
Lee Tung (Aust) Pty Ltd	922,371	0.30
Australian United Investment Co Limited	750,000	0.24
Total	227,899,466	73.70

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:

4 September 2006	Perpetual Limited and Subsidiaries	36,646,644	11.85%

Shareholders' Statistics

As at 4th October 2006

Distribution of preference shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	214	74.57%	60,491	3.02%
1,001	–	5,000	34	11.85%	90,985	4.55%
5,001	–	10,000	18	6.27%	146,621	7.33%
10,001	–	100,000	17	5.92%	516,915	25.85%
100,001 and over			4	1.39%	1,184,988	59.25%
Total			287	100.00%	2,000,000	100.00%

Included in the above total are 167 shareholders holding less than a marketable parcel of 424 shares.
The holdings of the 20 largest holders of 5% cumulative preference shares represent 84.57% of that class of shares.

Twenty largest 5% cumulative preference shareholders

	Shares	% of total
IC Nominees Pty Ltd	312,908	15.64
Citicorp Nominees Pty Limited	312,907	15.64
Westpac Custodian Nominees Ltd	312,907	15.64
Mr Ian Edward Morton	246,266	12.31
Winpar Holdings Limited	74,605	3.73
Mr John Frederick Bligh Weldbank	58,153	2.91
J S Millner Holdings Pty Ltd	55,300	2.77
Oceanridge Limited	41,150	2.06
Patmic Pty Limited	37,724	1.89
Ms Nina Tschernykow Weldbank	34,500	1.73
Gowing Bros Limited	33,400	1.67
Mr Eric Raymond Arnold Elsey	27,060	1.35
Robert John Charles Catto <Raglan Superfund A/C>	27,048	1.35
Great Northern Laundry Pty Ltd	25,000	1.25
Mr Allistair Hazard	22,600	1.13
RFC Investment Holdings P/L <R F Cameron Super Fund A/C>	16,936	0.85
Mr Douglas Robert Graham Neild	15,500	0.78
Mr Ian Edward Morton	15,139	0.76
Miss Hazel Lilian Neild	11,250	0.56
Ms Helen Margaret Russell	11,000	0.55
Total	1,691,353	84.57

Shareholders' Statistics

As at 4th October 2006

Distribution of Orica Step-Up Preference securities shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	2,342	91.34%	594,042	11.88%
1,001	–	5,000	158	6.16%	388,235	7.76%
5,001	–	10,000	25	0.98%	197,492	3.95%
10,001	–	100,000	29	1.13%	961,719	19.24%
100,001 and over			10	0.39%	2,858,512	57.17%
Total			2,564	100.00%	5,000,000	100.00%

Included in the above total are nil shareholders holding less than a marketable parcel of 5 shares.
The holdings of the 20 largest holders of the Orica Step-Up Preference Securities represent 72.42% of that class of shares.

Twenty largest Orica Step-Up Preference securities shareholders

	Shares	% of total
J P Morgan Nominees Australia Limited	1,240,764	24.81
ANZ Nominees Limited	384,437	7.69
National Nominees Limited	262,529	5.25
Cogent Nominees Pty Limited	251,150	5.02
Citicorp Nominees Pty Limited	193,960	3.88
Westpac Custodian Nominees Ltd	172,167	3.44
Share Direct Nominees Pty Ltd <National Nominees A/C>	142,310	2.85
Queensland Investment Corporation	121,000	2.42
RBC Dexia Investor Services Australia Nominees Pty Limited <JBENIP A/C>	110,000	2.20
UBS Nominees Pty Ltd	100,150	2.00
Bond Street Custodians Limited	99,897	2.00
Suncorp General Insurance Limited	85,000	1.70
Invia Custodian Pty Limited	81,795	1.64
ME Portfolio Management Ltd <SUP BUS LOANS INV TRUST 1>	70,000	1.40
GIO General Ltd	65,000	1.30
RBC Dexia Investor Services Australia Nominees Pty Limited <PICREDIT A/C>	56,865	1.14
RBC Dexia Investor Services Australia Nominees Pty Limited	51,236	1.02
Pan Australian Nominees Pty Limited	50,000	1.00
Australian Executor Trustees Limited	47,431	0.95
Merrill Lynch (Australia) Nominees Pty Limited	35,294	0.71
Total	3,620,985	72.42

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.
No voting rights attach to the Orica Step-Up Preference securities except as defined in the Constitution.

Ten Year Financial Statistics

Orica consolidated		2006 $m
Sales		**5,359.2**
Earnings before depreciation, amortisation, net borrowing costs and tax		814.6
Depreciation and amortisation (excluding goodwill)		(156.9)
Goodwill amortisation		-
Earnings before net borrowing costs and tax (EBIT)		**657.7**
Net borrowing costs		(92.2)
Individually material items before tax		70.8
Taxation expense		(74.9)
Outside equity interests		(22.3)
Operating profit after tax and individually material items		**539.1**
Individually material items after tax attributable to members of Orica		**158.8**
Operating profit after tax before individually material items (net of tax)		**380.3**
Dividends		207.1
Current assets		2,479.7
Property, plant and equipment		1,603.1
Investments		125.9
Intangibles		1,141.3
Other non-current assets		359.0
Total assets		**5,709.0**
Current borrowings and payables		981.0
Current provisions		319.1
Non current borrowings and payables		1,272.5
Non current provisions		468.2
Total liabilities		**3,040.8**
Net assets		**2,668.2**
Shareholders' equity		2,616.6
Equity attributable to minority interests		51.6
Total shareholders' equity		**2,668.2**
Number of ordinary shares on issue at year end	millions	309.2
Weighted average number of ordinary shares on issue	millions	303.1
Basic earnings per share		
before individually material items	**cents**	**125.5**
including individually material items	**cents**	**177.8**
Dividends per share	**cents**	**74.0**
Dividend franking	**%**	**40.5**
Dividend yield (based on year end share price)	**%**	3.3
Share price range – High		**$26.45**
Low		**$17.78**
Year end		**$22.47**
Stockmarket capitalisation at year end	$m	6,948.1
Net tangible assets per share	**$**	**3.19**
Profit margin (earnings before net borrowing costs and tax/sales)	**%**	**12.3**
Net debt		**302.1**
Gearing (net debt/net debt plus equity)	**%**	**10.2**
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	**times**	**7.1**
Net capital expenditure on plant and equipment (Cash Flow)		**(329.3)**
Net capital expenditure on acquisitions/(disposals) (Cash Flow)		**(875.6)**
Return on average shareholders funds		
before individually material items	**%**	**19.3**
including individually material items	**%**	**27.3**

Note: Income statement for 2005 and 2006 and balance sheets for 2004, 2005 and 2006 are stated under AIFRS, prior years are under AGAAP.

Ten Year Financial Statistics

2005 $m	2004 $m	2003 $m	2002 $m	2001 $m	2000 $m	1999 $m	1998 $m	1997 $m
5,126.7	**4,610.5**	**3,958.6**	**4,085.2**	**4,041.9**	**3,672.7**	**3,959.8**	**3,935.2**	**3,602.1**
741.3	724.2	617.5	581.8	349.7	442.5	479.7	560.5	597.5
(140.4)	(137.7)	(155.1)	(161.3)	(161.2)	(145.5)	(160.2)	(147.8)	(153.0)
-	(33.2)	(20.1)	(10.5)	(14.1)	(15.9)	(15.9)	(23.6)	(5.9)
600.9	**553.3**	**442.3**	**410.0**	**174.4**	**281.1**	**303.6**	**389.1**	**438.6**
(102.5)	(72.3)	(60.7)	(59.5)	(64.0)	(46.0)	(45.2)	(62.7)	(37.0)
(187.7)	(46.6)	(208.7)	(48.1)	(280.4)	(46.7)	(33.7)	126.3	(152.9)
(88.8)	(80.9)	(59.3)	(72.5)	(36.6)	(65.1)	(26.7)	(1.8)	(97.9)
(13.6)	(25.7)	(12.9)	(16.3)	13.9	(9.6)	(11.8)	(16.0)	(18.6)
208.3	**327.8**	**100.7**	**213.6**	**(192.7)**	**113.7**	**186.2**	**434.9**	**132.2**
(131.6)	**2.2**	**(169.6)**	**(25.5)**	**(255.0)**	**(33.3)**	**29.8**	**230.3**	**(110.0)**
339.9	**325.6**	**270.3**	**239.1**	**62.3**	**147.0**	**156.4**	**204.6**	**242.2**
190.6	156.6	50.0	122.9	44.3	96.4	100.8	134.1	134.0
1,781.6	1,699.6	1,282.6	1,270.3	1,433.9	1,364.7	1,377.8	1,387.5	1,184.2
1,593.7	1,514.4	1,436.8	1,414.1	1,621.4	1,484.0	1,444.3	1,736.2	1,591.7
49.1	48.4	86.4	234.2	244.2	264.6	239.4	17.3	1.5
634.3	588.3	441.7	135.5	155.0	249.6	258.4	297.0	65.6
252.5	335.2	307.8	311.1	276.0	216.4	209.7	209.4	118.6
4,311.2	**4,185.9**	**3,555.3**	**3,365.2**	**3,730.5**	**3,579.3**	**3,529.6**	**3,647.4**	**2,961.6**
958.9	1,165.4	683.3	640.0	887.4	845.0	811.4	870.7	1,065.4
218.7	215.1	169.6	248.2	303.8	266.3	312.3	340.4	294.0
1,287.2	755.7	812.7	727.8	869.2	552.3	534.0	579.7	162.8
326.9	510.3	309.2	255.1	267.4	271.9	274.7	343.2	259.7
2,791.7	**2,646.5**	**1,974.8**	**1,871.1**	**2,327.8**	**1,935.5**	**1,932.4**	**2,134.0**	**1,781.9**
1,519.5	**1,539.4**	**1,580.5**	**1,494.1**	**1,402.7**	**1,643.8**	**1,597.2**	**1,513.4**	**1,179.7**
1,327.9	1,334.5	1,384.9	1,373.0	1,283.2	1,511.4	1,476.7	1,390.0	1,072.0
191.6	204.9	195.6	121.1	119.5	132.4	120.5	123.4	107.7
1,519.5	**1,539.4**	**1,580.5**	**1,494.1**	**1,402.7**	**1,643.8**	**1,597.2**	**1,513.4**	**1,179.7**
273.1	270.1	277.6	279.1	277.3	275.8	273.2	268.8	266.5
272.8	273.5	277.9	278.0	275.9	274.6	270.6	267.1	290.7
124.6	**119.0**	**97.2**	**86.0**	**22.5**	**53.5**	**57.8**	**76.6**	**83.3**
76.3	**119.8**	**36.2**	**76.8**	**(70.0)**	**41.4**	**68.8**	**162.8**	**45.4**
71.0	**68.0**	**52.0**	**44.0**	**16.0**	**35.0**	**37.0**	**50.0**	**48.0**
32.4	**41.2**	**21.1**	**34.0**	**100.0**	**32.0**	**37.9**	**42.0**	**100.0**
3.4	3.9	4.3	4.6	3.7	6.1	4.5	6.1	3.7
$21.55	**$17.55**	**$12.47**	**$9.85**	**$6.08**	**$8.66**	**$9.60**	**$13.12**	**$13.85**
$14.32	**$11.92**	**$8.15**	**$4.22**	**$4.04**	**$5.58**	**$7.97**	**$7.80**	**$10.80**
$21.00	**$17.30**	**$12.00**	**$9.52**	**$4.34**	**$5.73**	**$8.25**	**$8.20**	**$13.14**
5,735.2	4,672.0	3,331.2	2,656.9	1,203.3	1,580.1	2,253.5	2,204.5	3,501.7
2.53	**2.76**	**3.40**	**4.43**	**4.07**	**4.58**	**4.46**	**4.07**	**3.78**
11.7	**12.0**	**11.2**	**10.0**	**4.3**	**7.7**	**7.7**	**9.9**	**12.2**
1,112.1	**977.3**	**877.0**	**679.7**	**984.1**	**777.4**	**709.8**	**801.1**	**658.6**
42.3	**38.8**	**35.7**	**31.3**	**41.2**	**32.1**	**30.8**	**34.6**	**35.8**
5.9	**7.7**	**7.3**	**6.9**	**2.7**	**6.1**	**6.7**	**6.2**	**11.9**
(234.9)	**(126.9)**	**(43.6)**	**(15.3)**	**(213.8)**	**(241.5)**	**(221.5)**	**(223.1)**	**(203.2)**
(59.2)	**(253.9)**	**(342.7)**	**(1.3)**	**(131.7)**	**144.9**	**12.5**	**(3.9)**	**(2.9)**
25.5	**23.9**	**19.6**	**18.0**	**4.5**	**9.8**	**10.9**	**16.6**	**19.3**
15.6	**24.1**	**7.3**	**16.1**	**(13.8)**	**7.6**	**13.0**	**35.3**	**10.5**

Shareholder Information

Annual General Meeting
10.30am Thursday 21 December 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, ORIPA and ORIPB.

Orica Share Registry
Link Market Services Limited
Level 4, 333 Collins Street, Melbourne Victoria 3000
Australia

Locked Bag A14
Sydney NSW 1235

Telephone: 1300 301 253
(for callers within Australia)
International: +613 9615 9124
Facsimile: +612 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au/orica

Tax and Dividend Payments
For Australian registered shareholders who have not quoted their Tax File Number (TFN) or Australian Business Number (ABN), the company is obliged to deduct tax at the top marginal rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already quoted your TFN/ABN, you may do so by contacting the Share Registrar or by registering your TFN/ABN at Orica's website at: www.orica.com and click on 'Investors' and then 'Share Registry' to access the shareholder information page.

Dividend Payments
Your dividends will be paid in Australian dollars by cheque, mailed to the address recorded on the share register.

Why not have us bank your dividend payments for you?
How would you like to have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Dividends paid by direct credit 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 Orica's website at www.orica.com

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 Orica's website at www.orica.com

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 Orica's website: www.orica.com and click on 'Investors' and then 'Share Registry' to access the shareholder information page. 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 website 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 Orica'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 website www.orica.com to register their preference.

Copies of publications are available on request.

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KPMG

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Investor Relations
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Shareholder Timetable*

12 January 2007	Books close for 2006 final preference dividend
31 January 2007	Final preference dividend paid
31 March 2007	**Orica Half Year End**
30 April 2007	Half year profit and interim dividend announced
16 May 2007	Books close for Step Up Preference distribution
31 May 2007	Step Up Preference distribution paid
15 June 2007	Books close for 2007 interim ordinary dividend
6 July 2007	Interim ordinary dividend paid
13 July 2007	Books close for 2007 interim preference dividend
31 July 2007	Interim preference dividend paid
30 September 2007	**Orica Year End**
12 November 2007	Full year profit and final dividend announced
15 November 2007	Books close for Step Up Preference distribution
23 November 2007	Books close for 2007 final ordinary dividend
30 November 2007	Step Up Preference distribution paid
14 December 2007	Final ordinary dividend paid
21 December 2007	Annual General Meeting
11 January 2008	Books close for 2007 final preference dividend
31 January 2008	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.

Orica Limited

ABN 24 004 145 868

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