Annual Report 1998

Contents

Cover: Orica's Explosives business now operates around the world. Ibrahim Panjagi and Hartono, pictured working in Kalimantan, Indonesia.

'The change of our name, the reshaping of the company to focus on fewer high quality businesses, and the acquisition of the International Explosives business are highlights for 1998. Now 25 per cent of our sales will come from businesses outside of Australia and New Zealand.'

Philip Weickhardt
Managing Director and Chief Executive Officer

Orica's growth platforms

Mining Services

The Mining Services sector is the world's leading supplier of commercial explosives. It offers a complete range of explosives products and fully integrated blasting services to the mining, quarrying and construction industries.

Above: Orica's Kalgoorlie Consolidated Gold Mine (KCGM) contract manager Dave Kay (left) with KCGM's drill and blast foreman Peter Barnard

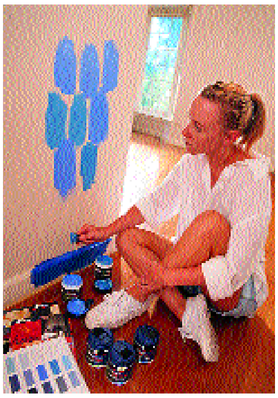
Agricultural Chemicals

The Agricultural Chemicals sector consists of Incitec, majority owned by Orica, and Crop Care Australasia, a joint venture between Orica and Incitec. Incitec is one of Australia's largest manufacturers of fertilizers and industrial chemicals, whilst Crop Care Australasia manufactures and distributes crop protection products.

Above: Farmer Don Bergston (left) with Incitec's technical services agronomist Greg Edmonds

Chemicals

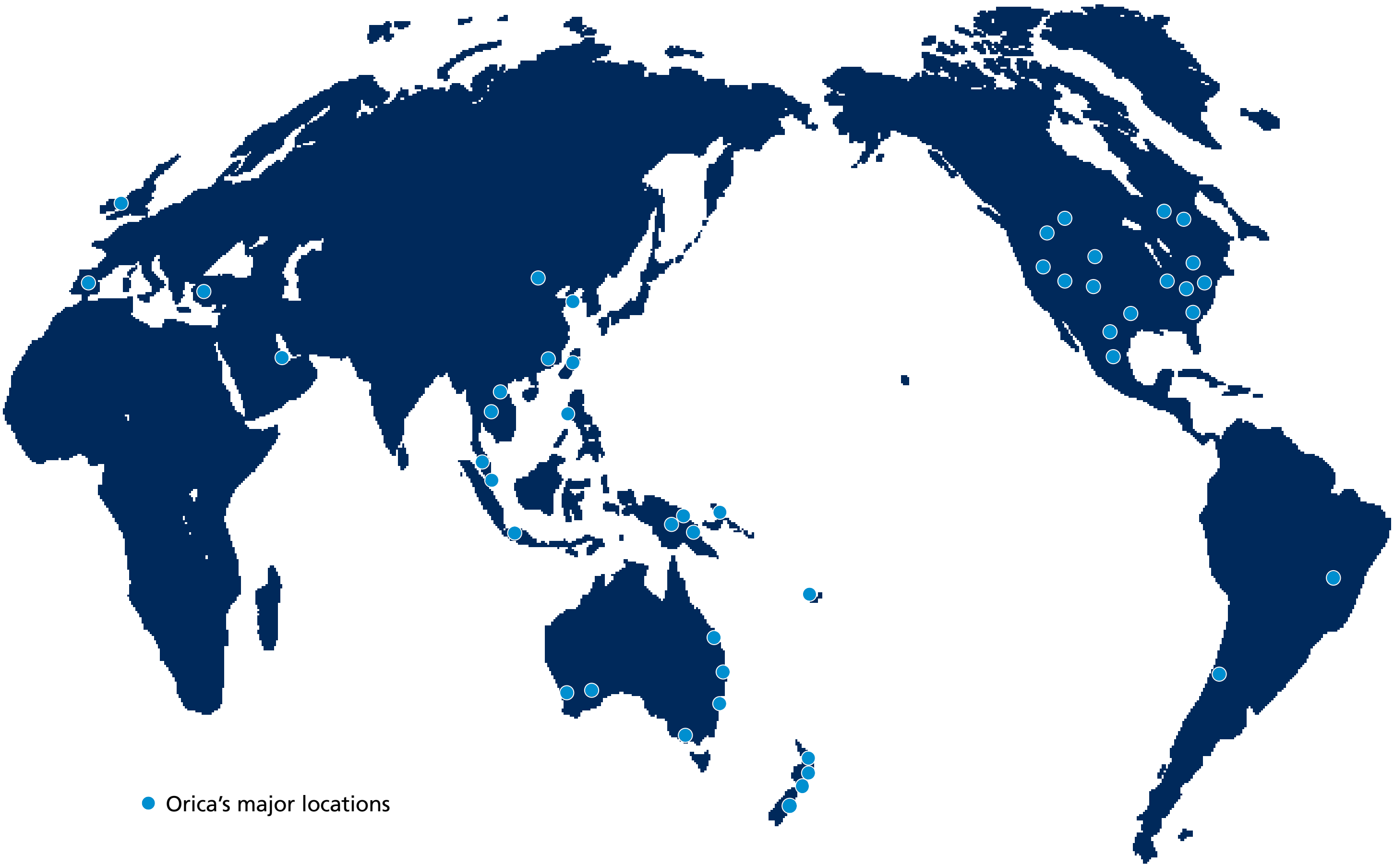
The Chemicals sector is Australia and New Zealand's leading supplier of industrial and specialty chemicals to the pulp and paper, oil refining, gold mining, dairy and water treatment industries.



Consumer Products

The Consumer Products sector has four core businesses: Decorative paints, Woodcare products, Texture and Powder coatings and Selleys. These businesses manufacture well-known brands such as Dulux, Berger, Levene, Cabot's, Feast Watson, Intergrain, Selleys, Polycell, Rota Cota, British Paints and Walpamur.

A growing, international chemical company...



Orica is an Australian company with local and international operations manufacturing commercial explosives, agricultural chemicals, industrial chemicals and consumer products including paint and handyman products.

Orica was launched on 2 February 1998 as the new name for ICI Australia. The name change was made following the sale by the parent company, Imperial Chemical Industries PLC (ICI PLC), of its majority shareholding on 21 July 1997.

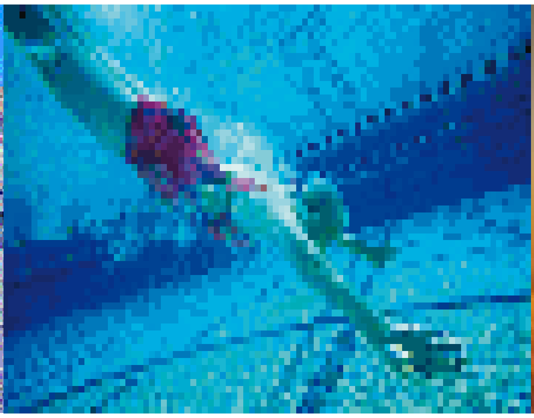
Orica is the largest chemical company in the region and on 1 May we became the world's leading supplier of commercial explosives and explosives related services when we acquired much of ICI PLC's International Explosives business. We now employ approximately 10,000 people around the world including the US, Canada, Brazil, Mexico, Chile, Argentina, the UK, Spain and Turkey in addition to Australia, New Zealand, Fiji, the Philippines, Malaysia, Indonesia and Thailand.

Majority owned subsidiaries of the company include Incitec (73.3 per cent owned), Crop Care (86.7 per cent beneficially owned), Initiating Explosives Systems (70 per cent owned), GBC Scientific Equipment (66.6 per cent owned) and Australian Vinyls Corporation (62.6 per cent owned).

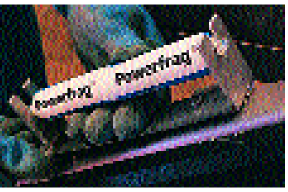
Behind the Orica name is a tradition of almost 70 years as part of the ICI Group. However, as an explosives manufacturer we have been operating in Australia since 1874.

Orica has long-standing corporate and operating values which will remain as important in the future as they have been in the past. These values such as our commitment to safety, quality, outstanding customer satisfaction, leadership and teamwork are integral and are associated with being an ethical, responsible, world competitive and innovative company.

which has probably played a part in your life today



Orica operators Wayne Jurd (left) and Bob Cooke at Hunter Valley, NSW, Australia



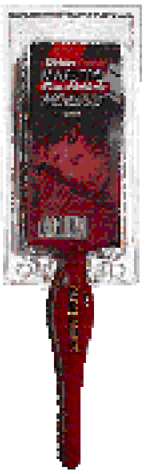
Orica supplies and services the mining, quarrying and construction industries with bulk and packaged explosives, initiating systems and blasting accessories

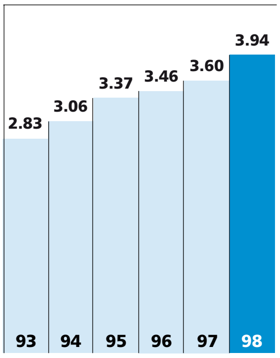
Orica chlorine makes pools safe for swimming

Selleys produces a popular range of home handyman and car care and paint preparation products

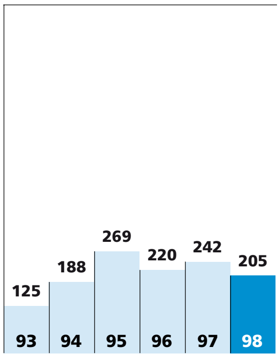
Dulux produces decorative paints which are sold under brand names such as British Paints, Berger, Walpamur and, of course, Dulux. Orica also owns the Cabot's range of timber finishes

Through Incitec, Orica is a leading supplier of nitrogen, phosphate and other fertilizer and crop care products

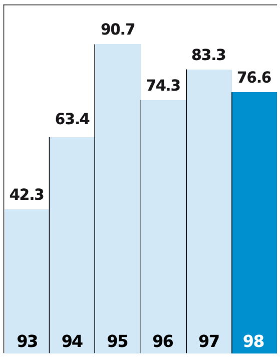




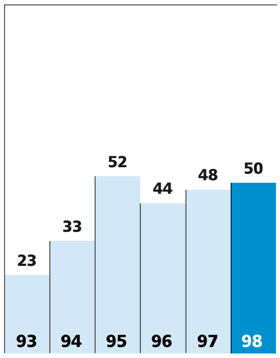
Sales ($billion)



Profit after tax before abnormal items ($m)



Earnings per share before abnormal items (cents)



Dividend (cents)

Sales

Sales increased this year due to the inclusion of sales from the International Explosives business acquired on 1 May 1998.

Profit after tax and before abnormal items

Profit, excluding the abnormal profit from the sale of the Technical Coatings and Pharmaceuticals businesses and abnormal costs, fell this year. This was due to lower prices and lower demand for some of the company's products largely as a result of the Asian economic slowdown. The adverse effects of these factors were partly offset by gains in operating and cost improvements.

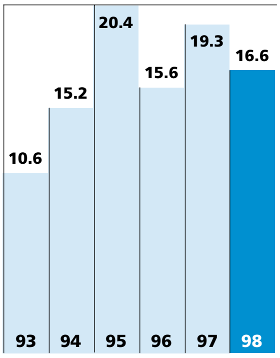
Earnings per share (EPS) before abnormal items

EPS before abnormal items fell this year. The fall in percentage terms was less than the fall in profit due to the beneficial effect of last year's share buyback which reduced the total number of shares on issue by 10 per cent.

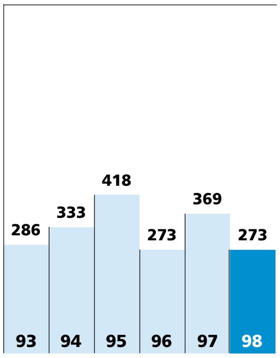
Dividend per share

The Board of Orica seeks to distribute between 55–65 per cent of available preabnormal profit. This year the total dividend was 50 cents representing 65 per cent of preabnormal profits.

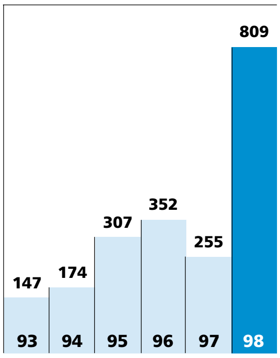
For the year to 30 September		1998	1997	change
Sales	($billion)	**3.94**	3.60	+9%
Operating profit before abnormal items	($m)	**326.4**	401.6	-19%
Net profit attributable to shareholders				
– before abnormal items	($m)	**204.6**	242.2	-16%
– after abnormal items	($m)	**434.9**	132.2	+229%
Total dividend	(cents)	**50**	48	+4%
Return on average shareholders' equity before abnormal items	(%)	**16.6**	19.3	
Net borrowings	($m)	**801.1**	658.6	+22%
Gearing	(%)	**34.6**	35.8	
Net tangible asset backing per share	($)	**3.86**	3.77	+2%
Interest cover before abnormal items	(times)	**6.2**	11.9	



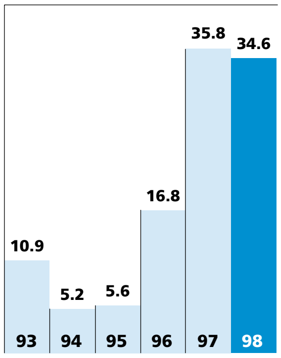
Return on average shareholders' equity before abnormal items (%)



Cash flow from operations ($m)



Capital expenditure and acquisitions ($m)



Gearing ($)

Return on average shareholders' funds before abnormal items (ROSHF)

Despite falling this year, Orica's ROSHF remains strong reflecting robust trading margins.

Cash flow from operations

Orica has continued to generate strong cash flows, an indication of the underlying good health of the company and its ability to fund further growth of core businesses.

Capital expenditure and acquisitions

Orica made a significant investment when it purchased the majority of ICI PLC's International Explosives business. This purchase, along with continued investment in its other core businesses, is expected to deliver future earnings growth.

Abnormal profits

During the last year Orica sold the Technical Coatings business (profit after tax $105.4 million) and the Pharmaceuticals business (profit after tax $304.8 million). These gains were partly offset by abnormal restructuring and other charges, resulting in a total abnormal profit after tax of $229.1 million.

Gearing (net debt/net debt plus shareholders funds)

Orica has a long term gearing target in the range of 30–40 per cent as measured by net debt to net debt plus equity. This range allows Orica to balance new investment opportunities as they arise with prudent financial management. The gearing is currently towards the lower end of the target range. It is important to note that the range is an indication of long term gearing and, for shorter periods of time, the company's gearing may move above this range to add new sources of earnings.

Value Added

Orica's profitable performance contributes to the community through its generation of wealth and employment. This added value was distributed as follows:

		1998	1997
Wages to employees	($m)	**619**	544
Taxes to governments	($m)	**47**	135
Interest to financial institutions	($m)	**63**	37
Dividends to shareholders	($m)	**134**	134
Reinvestment in business	($m)	**324**	291
Total	($m)	**1,187**	1,141

Orica is focused on developing four main businesses which have been identified as capable of providing strong long term shareholder returns. The acquisitions, divestments and joint ventures summarised here occurred during the year, reflecting the progress made with the implementation of this strategy.

Acquisitions

Mining Services

Orica acquires worldwide Explosives business

Much of ICI PLC's worldwide Explosives business became part of Orica on 1 May, giving the company a platform for further growth in North and South America and Europe. Orica paid US$370 million (about $A570 million) for the business which makes Orica the world's leading supplier of explosives.

Interest in Thai explosives business

The acquisition of a controlling interest in Thailand's biggest explosives company, Chai International Development Company Limited (CID) in May 1998, has provided a manufacturing base for the company in the Indo-China region. With 100 employees, CID manufactures detonators, detonator cord and primers and has a state-of-the-art packaged explosives plant. It has sales of around $16 million a year.

Consumer Products

HB Fuller adds strength to powders business

The acquisition of HB Fuller's powder coatings business in Australia and New Zealand from HB Fuller Company of the United States in March 1998, reinforced Dulux' clear market leader position in powder coatings in these two countries. Included in the purchase were a manufacturing facility in Auckland (New Zealand), and sales and distribution activities in Australia and New Zealand. The acquisition added approximately $15 million to the turnover of our powder coatings business.

Strengthening role in wood finishes market

The retail businesses of Maxwell Chemicals in Australia and Peterson Chemicals in New Zealand were purchased from Ecolab of the United States in July 1998, adding well-known brand names such as Feast Watson and Intergrain wood finishes and the Sealwall and Ferropro range of ancillary paint products to our Consumer Products business. A number of other minor retail hardware and automotive product brands were also acquired. The businesses, which have combined sales of about $20 million a year, were merged into Orica's woodcare business with the new brands complementing the existing Cabot's range.

Chemicals

Supply Services added to chemical chain

The New Zealand-based Supply Services which imports and distributes bulk dry chemicals for servicing the pulp and paper, soap and industrial markets in that country, was added to the Orica portfolio in February 1998. Its acquisition further strengthens Orica's chemical network in New Zealand. The business has annual sales of around $NZ 20 million.

Plastics

Vinyls builds business

Australian Vinyls Corporation, a joint venture between Orica and The Geon Company which commenced operations in August 1997, announced the acquisition of the plastics compounding business of Improdex Pty Ltd in September 1998. With operations in Sydney and Melbourne, the business manufactures PVC compounds and thermo plastic rubber for the footwear, pipe, and cable and wireless markets. The acquired business has annual sales of about $23 million.

Divestments

A number of divestments of our non core businesses occurred during the year, realising aggregate proceeds of $635 million. These divestments included:

Consumer Products

Technical Coatings business sold

The Technical Coatings business, which included products servicing the automotive, coil, packaging, production coatings and automotive refinish markets in Australia and New Zealand, was sold to PPG Industries of the US for $245 million, in September 1998. The sale included the Clayton (Victoria, Australia) site and the transfer of 600 employees. As a result of the sale there was an abnormal profit of $105.4 million after tax and separation costs.

Advanced Sciences

Pharmaceuticals sold

In line with an arrangement made with Zeneca prior to ICI PLC's 1997 sale of its shareholding in the then ICI Australia, the Pharmaceuticals business was sold to Zeneca for $328.5 million, in September 1998. The sale generated an abnormal profit after tax and separation costs of $304.8 million.

Cardizem® sold

The Cardizem® pharmaceutical products business was sold to Hoechst Marion Roussel (HMR) Australia Ltd, in August 1998. The Cardizem® range of products for the treatment of angina and hypertension, had annual sales of around $30 million.

NZP sold to management

New Zealand Pharmaceuticals (NZP), which produces chemicals from animal extracts, was sold to a management buyout group in January 1998. The business had annual sales of $NZ14 million.

Plastics

Polypropylene sold to Montell

The polypropylene polymer business was sold to Montell Australia, in January 1998. The sale included goodwill but not the company's manufacturing assets at Botany (New South Wales, Australia). The company continued to manufacture polypropylene at Botany on behalf of Montell to ensure a smooth transition before closing down the plant mid year.

Polypropylene film sold to global group

The polypropylene film (Propafilm) business was sold to UCB Sidex (Australia) Pty Ltd, a wholly owned subsidiary of UCB SA, a Belgium-based global film, pharmaceutical and chemical manufacturer, effective 28 February 1998. The sale involved the transfer of all the plant and equipment, employees, trademarks and goodwill of the Propafilm business at Deer Park (Victoria, Australia). Annual sales of the business were $18 million.

Polyester film distribution business transferred

The Melinex polyester film distribution business for Australia and New Zealand was sold to DuPont Australia Ltd, effective 1 July 1998. The business had annual sales of $10 million.

Chemicals

Valchem sold to specialist chemical company

The Valchem textile chemical business was sold to Asia Pacific Specialty Chemicals Limited (APS), in June 1998. The sale included Valchem's manufacturing assets at Wangaratta (Victoria, Australia) and the transfer of most employees. The business had annual sales of $10 million.

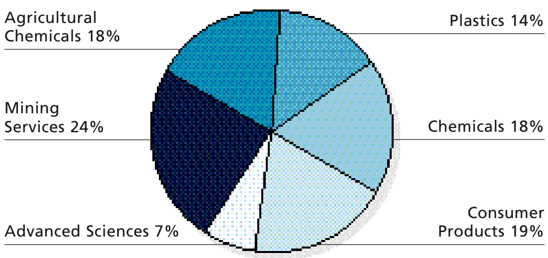
Joint Ventures

Mining Services

Mexican joint venture

In July 1998 Orica and Grupo Acerero del Norte S.A. de C.V. (GAN) announced plans to form a joint venture in Mexico for the production and sale of low cost industrial grade ammonium nitrate with excellent sea route access to rapidly growing markets in South America. The proposed joint venture, involving an investment by Orica of approximately US$25 million, will bring together GAN's existing 270,000 tonnes a year ammonium nitrate manufacturing plant at Coatzacoalcos in the state of Veracruz, Mexico, with Orica's existing 65,000 tonnes a year ammonium nitrate plant at Monclova in the state of Coalhuila, Mexico.

Contribution to total 1998 sales



Dubai joint venture

The acquisition of a 49 per cent shareholding in Emirates Explosives LLC (Emex) was announced in October 1998, providing Orica with a foothold in the Middle East and an important geographical link between the European and Asian operations. Emex, which is 51 per cent owned by the Government of Dubai, primarily services the quarry market in the United Arab Emirates and neighbouring countries. Some sales are also made to the oil exploration industry. Emex sales for 1998 are expected to be about A$6 million.

Plastics

Polyethylene joint venture

In May 1998 Orica and Kemcor announced plans to combine their polyethylene, polypropylene, synthetic rubber and engineering plastics businesses into a new joint venture which will provide scope for new cost efficiencies and better utilise the combined manufacturing and feedstock resources of both companies. Kemcor is a 50:50 joint venture between Exxon Chemical Company and Mobil Chemical Company. The new joint venture will continue to manufacture and market all current products, primarily for the Australian and New Zealand markets. All existing manufacturing facilities of the two companies at Botany (New South Wales, Australia), Altona (Victoria, Australia), Brookvale (New South Wales, Australia) and Laverton (Victoria, Australia) will be retained. Orica will have a 47 per cent interest in the joint venture with Exxon and Mobil each having about 26.5 per cent.

Orica's Joe Friedt in the new acid plant at Carseland, Alberta, Canada

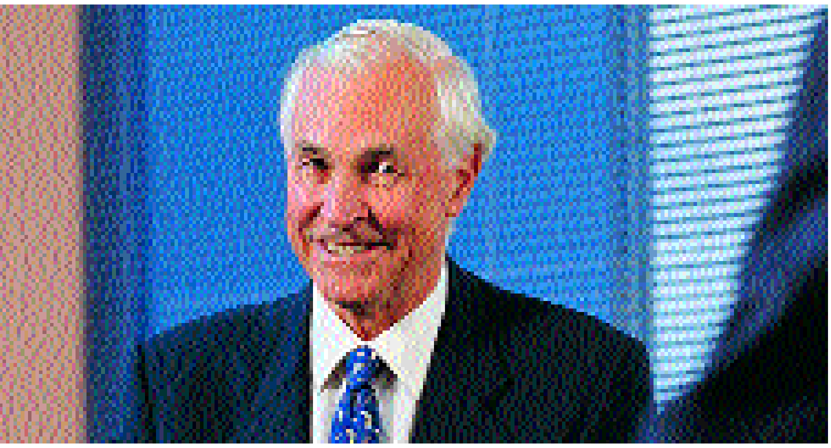
Chairman's Message

We have made remarkable progress in our first year as an independent Australian company. We defined and aggressively began implementing a new strategic direction and rolled out the new name Orica across the company, while continuing to conduct our business in an environment which has always been competitive, but is now facing even greater pressure because of the current economic crisis in Asia and other parts of the world.

As a large chemical company we are accustomed to riding through the peaks and troughs of market economic cycles. This experience has prepared us well for business challenges and, together with the skills of our people, provides a strong basis for positioning Orica for growth and the opportunity to increase shareholder value in the future.

The circumstances that propelled us into change were not current world events but the sale by ICI PLC of its shares in Orica (then ICI Australia) in July 1997. With a track record of delivering long term shareholder value, we recognised the need as a newly independent company, to review our strategy and determine whether our existing business activities were relevant to our future or were part of our past ties with the global ICI Group. We wanted to identify opportunities for growth in areas where we have the strongest competitive advantage based on core competencies – areas which also provide the potential for future value creation.

The strategy, outlined by our managing director Philip Weickhardt at our Annual General Meeting held last year and again at our shareholder meeting in Sydney in April, is now focused on developing four business areas which have been identified as capable of providing strong long term shareholder returns. These are Mining Services, which includes explosives, chemicals and services for the international mining and quarrying industries; Agricultural Chemicals which, through Incitec Ltd and Crop Care, provides us with a base to become the leading supplier of agricultural products and services to farmers; Consumer Products, where we have the potential with excellent brands like Dulux, Cabot's, Selleys and many others, to deliver strong financial performance in Australia, New Zealand and potentially overseas; and Chemicals, where we are and can continue to be a leading supplier of selected chemical products and services in Australasia.



Ben Lochtenberg, Chairman

Orica is already a very different company from what it was a year ago. As Philip Weickhardt will outline in his report, we have made considerable progress with the disposal of some of our non-core businesses such as Technical Coatings and the reconfiguration of others, such as Plastics, into joint ventures.

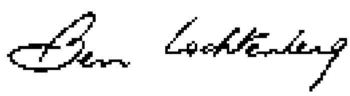
At the same time we have also developed our core businesses, particularly Explosives. The acquisition of much of ICI PLC's International Explosives business has made us a world leader and a global company with facilities in Australia, Asia and Europe as well as North and South America.

But with all this appropriate emphasis on change it is important that some aspects of Orica will not change. In particular, we will not be changing the values under which we operate. Safety, quality, outstanding customer service and satisfaction, leadership, teamwork and all the values associated with being an ethical, responsible, world competitive and innovative company will be as important to us in the future as they have been in the past.

All of this activity and accelerated change has imposed a considerable burden on management and employees. We have faced some great challenges and, thanks to everyone's effort, we are making good progress although much remains ahead of us. The Board also set out to enrich and broaden its experience and skills. Tony Larkin, Senior Vice President Finance and Investor Relations with Foster's Brewing Group and more recently Group Treasurer of BHP, joined on 1 June as an executive director, succeeding Helmut Radder who returned to ICI PLC. Helmut Radder contributed greatly to the company during his four years in Australia and we wish him well in his continuing career. We were delighted to have Peter Clinch, the CEO of the International Explosives business, rejoin the board as executive director on 1 May, the day this business formally became part of Orica. We were also pleased to welcome Catherine Walter who joined the Board on 1 October. She brings a wide array of valuable skills to the company.

Shareholders will have seen in the Notice of Meeting for the Annual General Meeting (which accompanies this report) that they will be asked to consider certain changes relating to executive compensation and incentive arrangements. In looking to the future, the Board strongly believes the company and its shareholders will be better served by a remuneration structure which is more closely aligned with the interests of shareholders. I encourage your support of the proposal which, I believe, will contribute to shareholder value growth.

Finally, I would like to extend my thanks to all employees, management and the Board, who continued to contribute so much to the company over the past year. I am proud to be associated with such a fine team.



Ben Lochtenberg
Chairman

Managing Director's Review

Orica has an excellent track record of delivering long term shareholder returns and, with the implementation of our new corporate strategy, we will be able to focus our efforts and investment in areas that will continue to deliver value to shareholders.

The extensive reshaping of Orica this year and the current international economic situation have combined to impact on this year's profit results. The company delivered a profit after tax and before abnormals of $204.6 million, down 16 per cent from $242.2 million last year. This year's profit after abnormal items was $434.9 million, up 229 per cent from $132.2 million last year.

This year's abnormal profit is the result of divestments made during the year, primarily the sale of our Pharmaceutical and Technical Coatings businesses. Another abnormal item for the year represents costs associated with rationalising and restructuring our businesses.

In terms of capital management, the acquisition of the International Explosives business increased the company's gearing in mid year. However, proceeds from the sale of the Pharmaceuticals and Technical Coatings businesses brought the gearing back to the lower end of the long term target range of 30 to 40 per cent by year end. Interest cover was a healthy six times.

The return on average shareholder funds before abnormal items (ROSHF) fell to 17 per cent from 19 per cent last year. While lower, this remains a very satisfactory return on funds in this part of the business cycle.

At the half year I reported that depressed commodity prices, perhaps the weather, and the Asian crisis would continue to have an effect on us. That did happen, including the weather, with the subsequent extensive flooding in northern New South Wales and Queensland severely affecting Australian farmers and our sales of fertilizers for the year.

It has been a difficult trading year for our businesses. The market for many of the company's products deteriorated during the year with the impact of the Asian economic slowdown affecting both prices and demand. The significant fall in the value of the Australian dollar did, however, soften the impact to some extent.

Our fertilizers business experienced low urea prices and excessive rain delaying the application of fertilizer in key market areas. Our Chemicals business suffered with lower chemical prices and volumes. Our Mining Services sector experienced reduced demand for its products as a result of a downturn in Australia's mining industry and Plastics saw prices for PVC and polyethylene fall significantly as a result of reduced demand in Asia. Our Consumer Products business performed creditably in a very competitive market.

These were the external events which affected our business performance. They are largely beyond our control and that is why the focus of our strategy and ongoing cost and productivity improvements is so important for future growth prospects. At Orica we work at what we can control so that the company is able to meet external shocks over which we have limited control.

Our chairman Ben Lochtenberg outlined Orica's strategy (on the facing page) to focus on growing our businesses in Mining Services, Agricultural Chemicals, Chemicals and Consumer Products. The acquisitions, divestments and joint ventures presented on pages 6 and 7 show just how far we have progressed with the reshaping and repositioning of our company in 1997/1998.

It is an ongoing strategy built around 'active portfolio management'. We will focus on growing those businesses that meet our strategic and performance requirements; fix, close or sell under performing businesses; and on some occasions, we will divest other good businesses where we believe they have more natural owners to whom these businesses are intrinsically worth more than they are to us. We aim to divest these businesses, as we did with our Technical Coatings business, at a time when we realise optimal value for our shareholders.

A significant example of our corporate strategy's impact on reshaping our business is demonstrated by Orica's 1 May acquisition of much of ICI PLC's International Explosives business. This acquisition has taken us from being a regional provider of explosives and related services to a leading position in the world. Our operations now extend into Europe and North and South America. Previously only 5 per cent of our sales came from outside Australia and New Zealand, and now 25 per cent of sales will come from outside the region. This acquisition provides us with a real opportunity to build on one of our strengths. We were already running the world's most successful explosives business, and now the addition of this new business gives us a springboard for growth around the world.

There is also reshaping of our business from within, such as a planned major investment in new more efficient chlorine plants in Melbourne and Sydney (Australia) to replace aging plants and maintain our leading market position; plans for a large ammonia urea facility in South East Australia to replace imports; an upgrade of our ammonium nitrate facility at Carseland (Alberta, Canada); and further expansion of our main decorative paint facility at Rocklea (Queensland, Australia).

Managing director and chief executive officer, Philip Weickhardt is leading the company into a new era.

Managing Director's Review (continued)

Orica Chemnet Technologies dairy market team during an interactive planning session at Mount Maunganui, New Zealand
Clockwise from left: Paul Hofland, Ross Godkin, Kathy Derrick, Jo Thacker, Geoff McKellar (standing), Grant Sims, Alison Spurway, Richard Webb

As a company we have worked hard to make our business more world competitive through general restructuring, cost and productivity improvements, and we will continue to do so. We have strategies in place to deal with the much discussed millennium bug and these are currently being implemented (see page 25). We introduced a new standard computer management system for the network of personal computers across the company this year (see page 25) and we have also been implementing the SAP business transaction management system across our businesses. We have realised significant cost savings through the establishment of preferred supplier arrangements across the company. We have made significant improvements in plant productivity by improving both uptime and conversion efficiency. In the three years since 1995 we have made cost and productivity improvements of over $240 million.

We do have a business improvement culture at Orica which has been in place for several years and, through our annual Excellence Awards, has tremendous involvement from employees. It is built on teamwork and each year I come away from our awards presentation impressed at what has been achieved through hard work, innovative ideas, the use of quality processes and commitment.

1998 has been a year of change at Orica and it could not have been achieved without a tremendous effort from our employees. We had teams assigned to each of the projects, such as the sale of Technical Coatings, Pharmaceuticals and the Orica-Kemcor plastics joint venture, and in all cases these teams worked enormously hard, with great energy and attention to detail, to progress projects to satisfactory conclusions for all concerned. This great resourcefulness of people was again shown at the end of the 1998 financial year when Victoria's gas supplies were cut, crippling industry across Australia. Some of our plants were affected and it is a credit to our employees that, in many cases, they were able to find innovative solutions to keep plants running.

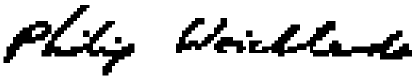
One thing that has not, and will not change is our commitment to safety, health and the environment (SH&E). Although our safety performance is probably close to best practice in Australia, we do aspire to be up there with the world's best. This year we were disappointed to record a small increase in the medical treatment injury frequency rate against our desire to continually reduce this number. However, the lost time injury frequency rate was down some 15 per cent, a pleasing result. Many of our plants and sites also passed significant injury-free milestones this year. We are making progress with safety, not always as fast as I would like, and are reinforcing the commitment to our SH&E Charter so that all our people behave safely at work and at home. We continue to pursue our safety vision of 'No injuries to anyone, ever'.

On the environmental front we recorded six minor losses of containment at our plants for the year, commendably halving the previous year's result. We also continued major remediation work at our sites at Botany, Cabarita and Rhodes (all New South Wales, Australia) and Cheltenham (Victoria, Australia) in consultation with the local communities and the relevant authorities.

Although much has already been achieved with the reshaping of Orica in the past year, there are still many immediate opportunities to be realised. We will continue to work on critical strategic issues as well as internal matters such as cost and productivity improvements. We will also continue to push for progress on issues like microeconomic reform in Australia which are vital for the future of our business and that of our Australian-based customers.

In other words we intend to seek out existing business opportunities and create new ones for future growth. We intend to pursue growth in each of our strategic growth platforms both within our existing businesses and, where appropriate, through acquisitions. In the case of the Explosives business we make no secret of our aspiration to take our world class expertise to additional parts of the world.

Business conditions may be tough, but we have encountered this before. Over the long term we have delivered excellent shareholder value, and with the help of our strong management team and our resourceful employees, we believe that is what we will continue to do in future.



Philip Weickhardt
Managing Director and Chief Executive Officer

Vision and Values

To be known as the best chemical company in our chosen markets by:

- Customers who are delighted and prefer to deal with Orica
- Shareholders attracted by superior returns from Orica
- Employees achieving results in a challenging and rewarding working environment
- Communities who welcome the benefits Orica provides

To realise our Vision we will use quality principles to:

- Ensure all our activities ultimately add value to shareholder returns
- Achieve outstanding levels of customer satisfaction
- Be a world-competitive and innovative company
- Develop our technology to secure and expand our market position
- Appoint leaders who create an environment which encourages our people to perform to their potential
- Operate to the highest standards of ethical behaviour and honesty and with full regard for the safety and health of employees, customers and the environment
- Ensure cooperation and teamwork across the company for the benefit of the corporation as a whole
- Build a relationship of cooperation and teamwork with our customers and suppliers, for mutual benefit

Orica – the story behind our name

Our search for a new name began when we became an independent company in July 1997 following the sale of ICI PLC's majority shareholding in our company.

We agreed with ICI PLC that we had one year to change our name from ICI Australia to what is now, Orica.

Orica was chosen after extensive market research with shareholders, customers and employees. We wanted a short name that could be registered in about 50 countries across 25 product groups. Orica, a made-up name, was found in market research to evoke words such as the future, knowledge, expertise and technology, all of which were considered as positive for our company.

On 2 February 1998 we launched our name across the company with great fanfare. That day marked a new beginning and, for many employees, a happy conclusion to a mammoth task involving the changing of packaging of thousands of products, a total overhaul of our stationery, repainting of the livery of all our trucks, new labelling for approximately 50,000 garments (hard hats, overalls and lab coats) and an apparently overnight change of 550 site signs across Australia and New Zealand.

Safety, Health and Environment
and Product Stewardship

Details of the company's performance in relation to government environmental regulations are included in the 1998 Safety, Health and Environment Performance Report.

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

We state this in our renewed Safety, Health and Environment (SH&E) policy and it is the commitment we make to our employees, contractors, customers, shareholders and the community as we work towards our vision of 'No injuries to anyone, ever'.

Orica's safety performance as measured by medical treatment injury frequency is disappointingly much the same as it has been for the past two years, which leaves us behind where we would like to be in our progress towards our Year 2000 target. This is unacceptable and we are currently reinforcing employee commitment to our SH&E Charter so that safety is a paramount concern at the workplace and at home.

Many of our sites and businesses are reaching safety milestones they have set for themselves. There have been some fine achievements such as Orica winning for the second year in succession, Australia's prestigious TG Crane/PACIA chemical industry safety award.

Tragically one employee was killed in a road accident this year while working for the company. Another employee and two contractors were killed in road accidents while on their way to work.

For some years the company has had in place compulsory defensive driving training for employees driving company motor vehicles with the option of attending the course extended to other employees and their families. The training has significantly reduced the number of road incidents as well as lowering vehicle repair costs. In addition, this year the quality of Orica's driver training program was recognised when the Australasian Fleet Managers Association awarded the company the 1998 Motor Vehicle Safety Award.

In the coming year Orica is lifting the bar on the health and safety front by adopting the US Occupation Safety and Health Administration (OSHA) system for reporting injuries and illnesses. In our view occupational illnesses are at least as important as injuries and often have much greater lasting consequences for both the individual and the company. This system provides a more comprehensive approach to the reporting and identification of corrective actions for injuries and illnesses across the company.

Orica has a formal program to prevent contamination of land and groundwater arising from site activities. Each site has goals and objectives in place to continually reduce the impact of its operations on the environment, in addition to the company wide waste reduction, energy consumption and emission reduction targets. However some of the sites have operations dating back over 50 years and there are some land contamination issues relating to historical manufacturing activities. Major remediation plans are in place at our sites at Botany, Cabarita, Rhodes (all New South Wales, Australia) and Cheltenham (Victoria, Australia) and are being managed in consultation with the local communities and relevant authorities.

Community Support

Product stewardship is the responsible and ethical management of a product's health, safety and environmental aspects from creation through to final disposal. Orica has been proactively managing product stewardship for a number of years and has initiated many processes to not only help employees but also help customers handle, use and ultimately dispose of our products safely. At the same time the company is developing new products which are inherently safer. An example of this is Berger BreatheEasy paint which is a unique solvent free interior paint that emits virtually no fumes and, as a result, minimises the possibility of respiratory reactions.

Orica's SH&E policy states that 'we will manage our activities with concern for people and the environment and will conduct our business for the benefit of society and without compromising the quality of life for future generations'.

This is our commitment to sustainable development to ensure we have a long-term sustainable business – in other words we aim to be both environmentally and socially responsible and provide a superior return to our shareholders.

Maintaining good relations with local communities continues to be important to Orica and we seek to express this in a variety of ways including keeping our local communities informed about activities as well as supporting locally based sponsorships. These range from the educational, such as the provision of CHEM boxes to assist primary schools with simple science based learning activities for use in the classroom, to the support of local sports teams.

Many of our sites run a school and industry links program which gives students the opportunity to visit sites or plants as part of their curriculum. These are supported by employees visiting local schools to discuss issues ranging from the environment to employment opportunities.

Orica's involvement in education has been significant over the years to the point where there is now a comprehensive range of science teacher resource materials for students of all ages. We were the major sponsor of the International Chemistry Olympiad held in Melbourne (Australia) in July. We also sponsored the Australasian Science Poster competition for students in Australia and New Zealand, New Zealand's Waikato University first year Chemistry Prize, the New Zealand Dairy Industry Innovation Award and we also support a Science Outreach program run by Melbourne University's School of Chemistry where university postgraduate science students visit schools to foster and encourage the learning of science.

Through Orica/Earthwatch environmental fellowships teachers are able to increase their understanding of environmental issues and concerns by participating in a variety of Earthwatch research projects around Australia. More than 100 teachers and employee volunteers have participated in this program over the past nine years.

Other programs have also been developed as part of Orica's two major sponsorships, the Sydney Theatre Company (STC) and the Australian Football League team, the Western Bulldogs. Our New Zealand business is the major corporate sponsor of the New Zealand Science and Technology Roadshow, an interactive science teaching unit that travels extensively throughout that country.

Mining Services

A growing international business

Orica's technical superintendent Charles Chromicky and Mt Thorley operator Sam Farrugia, Hunter Valley, NSW, Australia

Our Explosives business is the world's leading supplier of commercial explosives and related services. We supply a complete range of explosives products and services to the mining, quarrying and construction industries and are the leader in offering fully integrated blasting services. Much of ICI PLC's worldwide Explosives business became part of this sector as of 1 May and Orica now has manufacturing facilities in the US, Canada, Brazil, Mexico, Chile, Argentina, the UK, Spain and Turkey in addition to existing sites in Australia, New Zealand, the Philippines, Malaysia, Indonesia and Thailand. Our sodium cyanide business, which provides a key raw material for the gold mining sector, is included in this sector report.

Goals

- Be the world leader in explosives and blasting systems
- Have an exemplary safety, health and environmental performance
- Provide continuous growth in earnings and profitability
- Reduce customers' costs through value-added service

Strategies

- Continue drive for operational excellence and safety
- Target growth in new markets
- Increase market share in existing markets
- Maintain focus on innovation in products and services
- Develop a knowledge-based business to enhance blast management services

1997/1998 activities

- Acquisition of much of ICI PLC's worldwide Explosives business (see page 6)
- Expanding sales in the Americas, Europe and Asia
- Lower sales in Australia as a result of Asian slowdown and lower resources prices
- Mexico ammonium nitrate joint venture announced (see page 7)

Outlook

- Short term growth prospects are likely to be affected by continuing low commodity prices and the downturn in Asian demand
- In the longer term, growth prospects look positive in both existing and new developing markets, particularly in Latin America, China and Asia Pacific

Highlights

Encouraging growth worldwide

There was encouraging sales growth in Latin America. The US market remained strong with continuing high demand for coal for electricity generation, as well as a high level of activity in the quarry and construction markets. The business continued to be the clear market leader in the Canadian market and secured several important long term contracts. In Australia, there was reduced demand in the gold and coal sectors. However, the business continued the trend of winning a large share of new business and retaining most existing customers. Sales to the mining industry in Asia remained strong as lower value currencies and, in some cases, increased production helped to offset a downturn in the region's quarry and construction markets. Sales in Europe overall have increased due to recent business entries in France, Spain and Turkey with further growth expected.

Expansion of manufacturing facilities

Expansion of the world's largest ammonium nitrate facility at Carseland (Alberta, Canada) to lift capacity from 370,000 to 450,000 tonnes a year is near completion. Further expansion is planned to lift capacity to 515,000 tonnes a year. As part of the proposed new Mexican joint venture with Grupo Acerero Del Norte S.A. de C.V. (GAN), plant modifications at Coatzacoalcos (Mexico) are planned to expand ammonium nitrate production capacity to 360,000 tonnes a year with completion expected in the first half of 1999. Emulsion manufacturing capabilities are being added at Yarwun (Queensland, Australia) to provide faster 'made to order' products for customers. Emulsions provide the basis of explosives used in wet ground.

Business restructuring for growth

A new North American organisation has been formed. The International Explosives business relocated its head office from Toronto (Ontario, Canada) to Denver (Colorado, US) in September and the US head office will also move to Denver from Dallas later in the year. A new technical centre is to be built near Denver to replace the facilities at Mansfield (Texas, US) and McMasterville (Quebec, Canada). During the year the Australia/Asia business was reorganised into four commercial divisions to meet changing market needs. Each division is now responsible for a key market sector, aligning Orica more closely with its customers.

Progress in Asia

Orica's joint venture with the Weihai 711 Factory in China is progressing, paving the way for new business in China with export opportunities available in Japan, Taiwan and possibly Korea. In May, Orica purchased a controlling interest in Thailand's biggest explosives company, Chai International Development Company Limited (CID), which provides a manufacturing base for the Indo-China region.

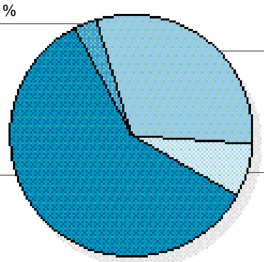
New products deliver customer benefits

The development of innovative new products and services continued to be a high priority. A new electronic detonator system was developed and several successful blasts have been carried out. It is planned to trial the system in Australia and North America later this year. Electronically controlled blasting systems will provide mines and quarries with new and improved methods of blasting which will increase their overall productivity. Such systems can be incorporated into mine management systems which are increasingly being adopted by the industry to increase efficiency.

Sodium cyanide builds business

In spite of the downturn in Australia's gold industry as a result of the lower gold price, Yarwun's sodium cyanide plant expects to commence 1999 with the plant operating to its annual capacity of 35,000 tonnes. Exports mainly to Papua New Guinea, Indonesia and the Solomon Islands now make up 25 per cent of sales. The Mining and Resources business won the company's Warren Haynes Gold Award for Team Excellence in 1997 for successfully developing the bulk sodium cyanide sparging (cyanide dissolving) system and winning new business in Western Australia and several export markets.

Sales breakdown



Americas & Europe 5 months annualised

Financial Performance ($m)

	1998	1997	Change
Operating revenue	**949**	606	+57%
Earnings before interest and tax and before abnormal items	**102**	115	-11%
Average capital employed	**586**	356	+65%
Return on average capital employed	***13%**	32%	

*Calculated after annualising earnings before interest and tax and before abnormal items of the businesses acquired from ICI PLC on 1 May.

Operating revenue and average capital employed have increased significantly following the acquisition of the International Explosives business. Early earnings performance from these assets is in line with expectations. Exploitation of the expanded asset base is well underway to deliver increased earnings including rationalisation of plant and production operations, margin improvement and market performance. During the period the additional earnings from the acquisition (from 1 May) have been overshadowed by the effects of the Asian economic downturn on customers served by the Australian operations, particularly in the sodium cyanide business.

Agricultural Chemicals

Fertilizers and crop protection for farmers

Farmer Don Bergston (left) with Incitec's technical services agronomist Greg Edmonds

Our agricultural chemical interests are managed by Incitec Ltd, which is 73.3 per cent owned by Orica. Incitec is Australia's largest manufacturer of nitrogen based chemicals and its business, Incitec Fertilizers, is one of the largest suppliers of phosphatic and nitrogenous fertilizers in eastern and southern Australia. Crop Care Australasia, a 50–50 joint venture between Incitec and Orica, manufactures and distributes a full range of crop protection products throughout Australia, New Zealand, Papua New Guinea and the Pacific Islands.

Goals

- Deliver maximum value for shareholders
- Develop mutually profitable business relationships with our customers
- Provide a business culture in which our people grow and develop in a safe, rewarding and challenging environment
- Be the lowest cost manufacturer of quality products

Strategies

- Develop and sustain customer focused culture
- Secure and strengthen the product mix
- Continue to build improvement into all business processes
- Develop commitment and team behaviour of our people
- Manage the supply chain to deliver optimal service
- Develop long term partnerships with key suppliers
- Continue to improve cost effectiveness of the manufacturing and distribution assets

1997/1998 activities

- Extreme seasonal conditions affected fertilizer sales
- International urea prices remained depressed throughout 1998
- Decline in value of Australian dollar resulted in some domestic price increases
- Crop Care sales up 3.9 per cent, trading profit up 3.7 per cent

Outlook

- Incitec Fertilizers expects good demand for product in 1998/1999
- International urea prices expected to stay depressed
- Crop Care expects increased demand from the important cotton market as producers recover from the floods

Highlights

Sales and prices environment

Extensive flooding and wet conditions in parts of northern and central New South Wales and southern Queensland substantially reduced fertilizer demand mainly in grain and cotton (broadacre) markets in the second half of 1998. This is normally a time of peak sales activity for Incitec Fertilizers. International urea prices were at low levels throughout the year. However, the decline in the value of the Australian dollar resulted in some increases in domestic prices in the second half of the year. Competitive pressures remained intense in all markets. Crop Care enjoyed another strong operating year in sales and profitability. Crop Care products, Achieve® (a herbicide used in cereal crops) and Impact® (fungicide used in canola and cereal crops) recorded strong growth. The business also enhanced its position in the horticultural markets. Pressure from generic products continued to have some impact on sales as has been the trend in recent years.

New projects come on line

A number of major capital projects for Incitec Fertilizers were commissioned successfully during the year. These included a $12 million upgrade of the Cockle Creek (New South Wales, Australia) superphosphate plant to achieve substantial improvement in product quality and increased production capacity and a $6 million upgrade of the Cairns (Queensland, Australia) Primary Distribution Centre to deliver significant reductions in product handling costs. The Cairns upgrade followed similar upgrades at Townsville and Mackay in 1997 and, with another being completed in Brisbane (all Queensland, Australia) in 1998/1999, will contribute to major improvement in the operating cost base of the business.

Another upgrade announced

Approval has been given to a project to install a granulator at the Gibson Island (Queensland, Australia) urea plant at a cost of $43 million. Due to be commissioned at the end of 1999, the conversion of the plant from 'prilling' to granulation will be well received by the farming community and will increase the profitability of this plant. This follows the successful completion of a $27 million upgrade of the Gibson Island ammonia plant in 1997.

New feasibility study underway

A joint feasibility study with BHP Petroleum into the development of a world scale ammonia and urea complex at Geelong (Victoria, Australia) was announced in June 1998. The feasibility study will be completed in about 12 months. Should viability be established, and the project goes ahead, the total cost of the manufacturing complex would involve capital investment of about $450 to $500 million. The complex would produce 735,000 tonnes of urea annually. Much of this output would replace imports.

Delivering a Nutrient Advantage

Incitec Fertilizers launched a computer system called Nutrient Advantage which helps farmers improve crop yields while ensuring the soil remains productive for future generations. The first ISO 9000 certified Quality System in Australia for provision of agronomic advice, this CD-based system provides farmers with the decision making tools (such as soil analysis, interpretation and management recommendations), giving them the flexibility to adjust each nutrient addition to local conditions. The system has been well received by dealers and farmers.

Ongoing product development

As the exclusive distributor for Zeneca's full range of crop protection products in Australia and Fiji, Crop Care has a strong development portfolio in place through its relationship with Zeneca. During the next year Crop Care will be launching the new generation fungicide Amistar® in Australia and New Zealand. The product is quickly becoming a leading fungicide around the world. Distribution arrangements with FMC International are also an important element of Crop Care's operations.

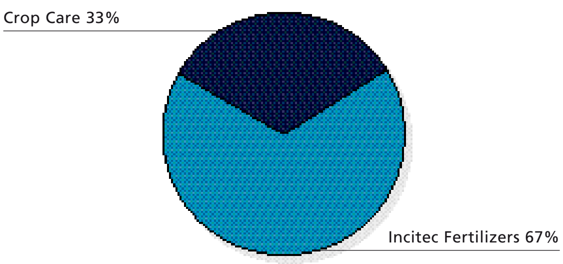
Business improvements continue

Focus on business improvement projects at Crop Care continued during the year. The implementation of the SAP computer software management system across the business at a cost of $2 million, which was finalised on 1 July, is assisting with all business processes including forecasting and planning, sales and operation, customer orders, invoicing and financial accounting.

Focus on safety

An excellent safety performance of no medical treatment injuries at Crop Care during the year was assisted by full adoption of the UAP (Unsafe Acts Prevention) program throughout the business. The fertilizer business held its safety performance at the previous year's level.

Sales breakdown



Financial Performance ($m)

	1998	1997	Change
Operating revenue	**718**	749	-4%
Earnings before interest and tax and before abnormal items	**48**	72	-33%
Average capital employed	**304**	274	+11%
Return on average capital employed	**16%**	26%	

Earnings have declined mainly due to a combination of lower prices and seasonal weather conditions affecting volumes. The increase in capital employed arises from investments undertaken to strengthen future profit performance.

Chemicals

Growing in selected markets

Orica Chemnet Technologies Timaru Site, South Island, New Zealand, Caustic Soda bulk storage tanks

Orica is a leading supplier of selected chemical products and services in Australia, New Zealand and the Asia Pacific region. Key products include formulated dairy cleaners, sanitisers and water treatment chemicals, resins, solvents, biocides and colours for the surface coatings market, plasticisers and polymer additives for the plastics market, and a broad range of inorganic and organic chemicals for the manufacture of household and institutional cleaners, personal care products, as well as for the food and beverage, construction and mining industries. This sector also includes Incitec's Industrial Chemicals and Chemtrans chemical transport businesses.

Goals

- Grow as the leading supplier of chemicals for selected markets in Australia, New Zealand and Asia Pacific
- Be a provider of quality products and customer service
- Continue to develop our safety, health and environmental culture
- Deliver ongoing shareholder value
- Provide a rewarding and challenging workplace for employees

Strategies

- Construct manufacturing facilities sized and situated to meet needs of current and future markets
- Build partnerships with customers and world competitive suppliers
- Continue the drive for productivity improvements and cost efficiencies
- Assist customers with safe storage, handling and use of chemicals
- Maintain an active research and development program through partnerships with research organisations
- Maximise benefits of SAP management system across Australian and New Zealand businesses

1997/1998 activities

- Pressure on prices and margins
- Depressed market in New Zealand
- Acquisition of Supply Services NZ (see this page)
- Valchem business sold (see page 7)

Outlook

- Markets expected to remain highly competitive
- Continued pressure on global petrochemicals prices due to an unfavourable supply/demand balance

Highlights

Reinvestment in Chlor Alkali business

A planned major reinvestment in Chlor Alkali has been announced. This will involve construction of two new manufacturing facilities (Sydney and Melbourne, Australia) to replace older, less efficient and less environmentally friendly plants. The work is planned to start in 1999 and is targeted to be completed in the year 2000. Work at Yarwun's (Queensland, Australia) chlorine plant to increase capacity by 50 per cent was successfully completed in April 1998, and Botany's (New South Wales, Australia) old and uneconomic ethylene dichloride (EDC) plant was closed in March 1998.

Chemnet strengthens network

With the change of the company name on 2 February, Orica launched a new global chemical network called Chemnet to handle regional storage, distribution and formulation throughout Australia, New Zealand and Asia Pacific. Chemnet wasted no time in adding to its network with the announcement of the acquisition of Supply Services NZ in February 1998. Supply Services imports and distributes bulk dry chemicals for supply to the pulp and paper, soap and industrial markets of New Zealand. Restructuring in Australia and New Zealand has also resulted in significant fixed cost savings. The business entered into a long term relationship with BASF for the distribution of plasticisers throughout Australia and New Zealand. Chemnet Fiji achieved four years without injuries during the year.

Sales & Service revamp the service

Restructuring of the Sales & Service division during the year has resulted in a number of cost and service efficiencies for the business. The establishment of a state of the art national customer service centre at Ascot Vale (Victoria, Australia) in October 1997 brought together the customer service centres of the Chemicals Sales Force and Spectrum Distributors at one location. Joint development between Chemicals and Dulux of the Rocklea (Queensland, Australia) site will lead to the replacement of two old warehouse facilities with one state of the art facility.

Water treatment technology takes another step

Progress continued to be made with the development of new water treatment technology which removes dissolved organic compounds prior to chlorination. Our Watercare business successfully completed a pilot plant demonstration (Western Australia, Australia) of the MIEX® technology which was developed in conjunction with Australia's leading research organisation, CSIRO. This now opens the door for construction of a full scale MIEX® water treatment plant in 1999. A trial of a water disinfection system in rural Vietnam was also completed successfully during the year under an AusAid grant.

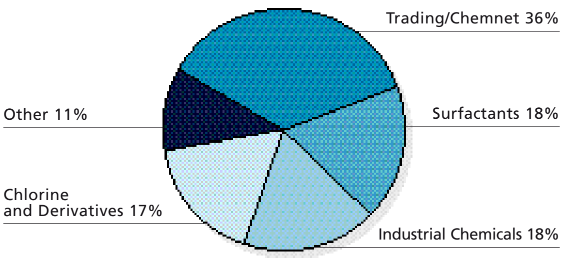
Surfactants builds business

During the year an upgrade of Botany's Surfactants plant and the installation of a new packaging line was completed successfully, without any injuries to workers and within budget. The shutdown management team in charge of the project won the prestigious Plastics and Chemicals Industry Association (PACIA) TG Crane safety award for their effort. New equipment is to be installed at Deer Park (Victoria, Australia) in early 1999 to improve the business's capacity to produce a specialty range of anionic surfactants for use in the agricultural and paints and coatings markets. Surfactants also lifted sales of automotive products (brake fluids and coolants) during the year in line with overall growth in this sector. Customer service levels improved to an all time high.

Incitec's Industrial Chemicals, Chemtrans focus business

Reduced turnover and profit results affected both businesses in 1998. Industrial Chemicals experienced a downturn in domestic demand for explosives grade ammonium nitrate due to coal industry cutbacks. Continued growth in the underlying market for carbon dioxide into food processing, beverage and water treatment markets was supported by additional investment in manufacturing capacity. Demand for acids and sulfur based products was sustained, with strong sales to the mining industry. At year end Incitec announced that agreement had been reached in principle to sell the Chemtrans transport business and name to Heggies Bulkhaul Limited, with Incitec retaining the anhydrous ammonia transport side of the business.

Sales breakdown



Financial Performance ($m)

	1998	1997	Change
Operating revenue	**899**	906	-1%
Earnings before interest and tax and before abnormal items	**68**	77	-12%
Average capital employed	**322**	340	-5%
Return on average capital employed	**21%**	23%	

Further investment has been made in this core business to provide potential for earnings growth, including plant upgrades to yield new operating efficiencies and acquisitions to add new sources of profit. Earnings for the year were, however, adversely affected by market conditions.

Consumer Products

Building a leading position through excellent brands and service

Dulux/PPG program analyst Suzanne Ho

Consumer Products is Australia and New Zealand's largest manufacturer and supplier of surface coatings marketed under such well known brand names as Dulux, Berger, Levene, Cabot's, Feast Watson, Intergrain, Acratex, British Paints and Walpamur. The Selleys business manufactures and markets home handyman and paint preparation products under the Selleys, Polycell and Rota Cota brands. Leading products include Liquid Nails, No More Gaps, Knead It, Aquadhere, Polyfilla, Space Invader and Araldite (which is manufactured under licence). The recently sold Technical Coatings business, which produces coatings for vehicles, packaging, domestic appliances and building products such as aluminium and sheet metal, is also reported under this sector for the last time.

Goals

- Defend and grow market share of branded products
- Maintain highest standards of ethical behaviour and honesty, with full regard to the safety and health of employees, customers and the environment
- Achieve outstanding levels of customer satisfaction
- Be a world competitive and innovative company
- Improve shareholder returns by increasing brand shares and raising cost efficiency

Strategies

- Continue to improve our relationships with key customers and suppliers
- Maintain a strong R&D program and increase the rate of product innovation
- Keep focus on increasing branded market share and improving operating margins
- Integrate recent acquisitions into the business
- Explore growth outside the Pacific region

1997/1998 activities

- Rising share in Australian decorative market
- Launch of new innovation, Dulux Wash & Wear 101
- Rising raw material prices pressure margins
- Acquisition of new brand names in woodcare market (see page 6)
- Acquisition of powder coatings business in NZ (see page 6)
- Sale of Technical Coatings business (see page 6)

Outlook

- Improved business performance through continuing innovation and cost reductions
- Reduced rate of growth as both economy and housing industry slow

Highlights

Business improvement drive

An extensive review of the group's strategies during the year highlighted a number of opportunities for business improvement. Short term project teams with accountability to initiate action to achieve the required improvements were established and, to date, this 'breakthrough' process has provided both Dulux and Selleys with significant profit improvement potential. Implementation has commenced and will continue through 1999. It has also provided the platform to start the cultural change program that will build an even more performance-focused business.

New Dulux Trade Megastore

In February 1998 Dulux opened the first Dulux Trade Megastore at Preston (Victoria, Australia). The 2000 square metre store provides professional painting contractor customers with a 'Professional Business Centre'. This includes a specially designed computer operated bulk tinting process incorporating the latest automatic handling equipment, a Dulux Computer Spectrophotometer to assist in colour matching, a training room and the Graco® airless spray display gallery. Dulux has plans for megastores in other high density metropolitan locations.

New products, services to meet consumer needs

Several marketing initiatives were launched during the year starting with the November 1997 unveiling of Dulux Wash & Wear 101, a stain resistant interior acrylic paint incorporating novel patented technology. An aggressive and innovative marketing campaign, which included television and magazine advertising and shopping centre demonstrations, was developed to communicate and show consumers the outstanding performance characteristics of this product. The product met with exceptional customer approval. In March 1998 the Dulux Professional Range for professional painters was introduced. The Dulux Colour Consultancy Service continued to experience strong growth during the year. The service, which was established two years ago, offers decorative advice to home buyers and businesses in many metropolitan and regional areas of Australia. Eighteen months after being acquired by Selleys, Rota Cota launched a complete new range of paint brushes, rollers and related tools and accessories, following extensive research into consumer needs.

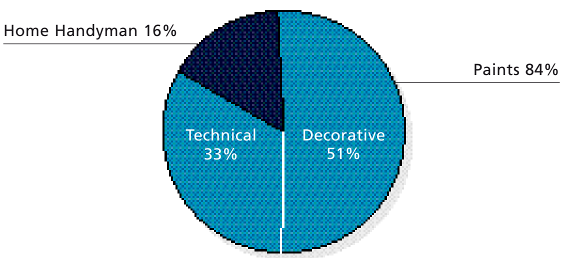
Customers reward our service

Dulux's commitment to satisfying customers and building long term customer partnerships was again demonstrated by the business winning three national supplier of the year awards in Australia. The recognition of awards from Mitre 10, 3D Group and BBC against formidable competition in all hardware categories, clearly reflects the continued leadership of Dulux in terms of brands and service. Selleys also won the Thrifty Link National Supplier of the Year award and Selleys Western Australia won the Supplier of the Year Award 1997 from the WA Hardware Association.

Major upgrade for decorative facility

Dulux announced that $16 million will be invested in upgrading its decorative paint plant at Rocklea (Queensland, Australia) to meet anticipated market demands into the next century. The investment will include modern high speed filling equipment and robotics which will significantly reduce the need for manual handling of large product containers. In addition the investment will include a modern warehousing facility for servicing customers in north eastern Australia.

Sales breakdown



Financial Performance ($m)

	1998	1997	Change
Operating revenue	**742**	733	+1%
Earnings before interest and tax and before abnormal items	**81**	87	-7%
Average capital employed	**295**	320	-8%
Return on average capital employed	**28%**	27%	

Several acquisitions added new opportunities to the portfolio during the 1998 year which will provide an expanded range of complementary products to the business and underlying earnings growth. The effects of rising raw material prices partly offset by selling price increases during the year contributed to a fall in results.

Plastics

Productivity improvements to boost margins

Our Plastics business manufactures two commonly used plastic resins – polyethylene and vinyls – as well as some plastic films and specialty plastics. These plastics can be found in a wide range of everyday items including household goods, packaging products, motor vehicles, agricultural, telecommunications and sporting goods.

Goals

- Restructure business to deliver maximum shareholder value
- Form polyethylene joint venture with Kemcor (Mobil and Exxon)
- Have a safe, rewarding and challenging work environment for employees
- Deliver ongoing shareholder value
- Remain profitable at all times through the cycle

Strategies

- Keep improving safety, health and environmental performance
- Continue pursuing productivity improvements across the business
- Realise synergies from the Kemcor joint venture when it is formed
- Maintain and enhance the level of customer service and responsiveness

1997/1998 activities

- Vinyls joint venture delivered planned rationalisation benefits
- World polymer prices declined sharply
- Domestic sales volumes increased over 1997
- The fall in the value of the Australian dollar partly counteracted dramatic international price falls

Outlook

- International pricing outlook remains subdued
- Steady domestic demand for polymer anticipated
- Productivity improvements expected to deliver benefits

Highlights

Sales and prices environment

World polymer prices declined sharply to all time low levels during the second half of the year, depressing prices in the Australian market. This was partly alleviated by the decline in the value of the Australian dollar versus its US counterpart. However, polyethylene domestic sales volumes increased over 1997 levels.

Vinyls delivers benefits

In its first year of operation Australian Vinyls Corporation (AVC), our 62 per cent owned joint venture with The Geon Company, has successfully delivered the planned rationalisation benefits. The business has performed very well despite low international prices for PVC. The proposed public share offering was delayed in August 1998 due to unfavourable equity market conditions.

Polypropylene business sold

The polypropylene business was sold to Montell in January 1998 because the long term view was that Orica could not be world competitive. The sale involved the purchase by Montell of the goodwill of the Orica business and closure of the Botany (New South Wales, Australia) polypropylene plant in mid 1998. Orica will continue to process refinery grade propylene into feedstock grade for Montell using the existing Olefines facilities at Botany.

Films continues consolidation

The restructuring of the plastic films business continued during the year. The Propafilm polypropylene film business at Deer Park (Victoria, Australia) was sold in February 1998 to UCB SA and the re-selling and distributorship business of Melinex polyester film was sold to DuPont Australia in July 1998. The cast polyethylene film business producing films for hygiene products such as nappies (diapers), based at Deer Park and Kuala Lumpur (Malaysia), was affected by Asian economic market changes, particularly in the second half of the year.

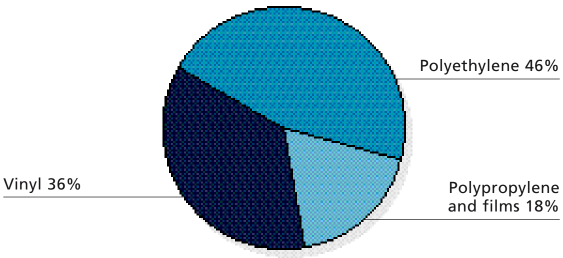
Polyethylene joint venture announced

In May 1998 a proposed joint venture between Orica's polyethylene business (including Engineering Plastics) and the business of Kemcor, owned by Mobil and Exxon, was announced. The venture will continue to manufacture and market all current products, primarily for the Australian and New Zealand markets. It is expected to provide substantial cost efficiencies and also leverage manufacturing synergies. The joint venture is expected to be finalised in late 1998.

Improved productivity benefits

Productivity benefits continued throughout the year across the base polyethylene business, driven by our use of competitive ethane feedstock and a further reduction in the number of people involved in the business. Botany's plants delivered a reliable performance throughout the year, with the Olefines and Alkatuff plants producing at record levels.

Sales breakdown



Financial Performance ($m)

	1998	1997	Change
Operating revenue	**611**	578	+6%
Earnings before interest and tax and before abnormal items	**46**	32	+44%
Average capital employed	**633**	655	-3%
Return on average capital employed	**7%**	5%	

Excellent results were achieved by Australian Vinyls Corporation in a challenging business environment. Elsewhere, increased earnings stemmed mainly from business improvement actions initiated by management both last year and in preceding years. Prices fell to all time lows due to the Asian crisis. Despite this earnings grew.

Advanced Sciences

Committed to excellence, innovation and growth

Advanced Sciences includes the Adhesives & Resins, Polyurethanes and Pharmaceutical businesses as well as two smaller businesses, GBC Scientific Equipment (66.6 per cent owned) and New Zealand Pharmaceuticals (NZP). Adhesives & Resins provides an extensive range of products to the wood panels and specialty binder markets throughout Australia, New Zealand and South East Asia. The business has plants in Deer Park (Victoria, Australia), Mount Maunganui and Hornby (both New Zealand) and in East Kalimantan (Indonesia) scheduled to be completed in November 1998. Polyurethanes has a plant at Deer Park and its products have a number of end uses in the appliance, footwear and automotive sectors.

Goals

- Increase shareholder value for both Orica and our customers by providing outstanding products and service
- Provide a safe and rewarding work environment for employees
- Be technically innovative in product development and services

Strategies

- Improve safety, health and environmental performance
- Understand, develop and apply technology better than our competitors
- Continue to focus on customers' requirements
- Develop cohesive teams to deliver business benefits
- Achieve world competitive performance standards in all business processes and systems

1997/1998 activities

- Adhesives & Resins operated in a subdued market
- Polyurethanes lifted performance
- Pharmaceuticals, Cardizem® and NZP were divested during the year (see page 6)

Outlook

- Maintaining market share in difficult trading conditions will be the challenge
- Adhesives & Resins will be affected by slowdown in demand for wood based products and the overcapacity of MDF (medium density fibreboard) in Asia
- Commissioning of new Indonesian adhesives & resins plant is underway and is scheduled to be completed in November 1998

Financial Performance ($m)

	1998	1997	Change
Operating revenue	**294**	329	-11%
Earnings before interest and tax and before abnormal items	**51**	47	+9%
Average capital employed	**105**	106	-1%
Return on average capital employed	**49%**	44%	

Highlights

Adhesives & Resins builds business

Despite customers experiencing difficult trading conditions in export markets, Adhesives & Resins regained market share in New Zealand and consolidated its position in Australia. During the year the business implemented a number of productivity initiatives with the aim of improving future cost competitiveness. It also acquired a new adhesives and resins plant in East Kalimantan (Indonesia), signed a contract with a leading Japanese MDF producer to supply its recently constructed Tasmanian (Australia) mill, and signed an agreement with ICI PLC to develop and supply MDI (isocyanate) binders to the forest products industry.

Pharmaceuticals business sold

Pharmaceuticals was sold to Zeneca in September 1998 under the terms of the agreement with that company which predated the sale of ICI PLC's shareholding in the then ICI Australia. The business enjoyed another good year in 1997/1998 despite experiencing increased competition from generic brands. It also launched an anti migraine drug called Zomig. Orica also sold the Cardizem® distribution business to Hoechst Marion Roussel in August 1998.

Polyurethanes lifts business performance

Continued focus on meeting and exceeding the requirements of Polyurethanes customers has underpinned the ongoing improvement in business performance. Being awarded the inaugural 1998 Email Supplier of the Year award was visible evidence of Polyurethanes' effort. Polyurethanes gained business in a variety of market sectors during the year, including providing polyurethanes for new motor vehicle models. Safety remains a focus of the business and in June 1998 it celebrated the achievement of four years of 'injury free' operation.

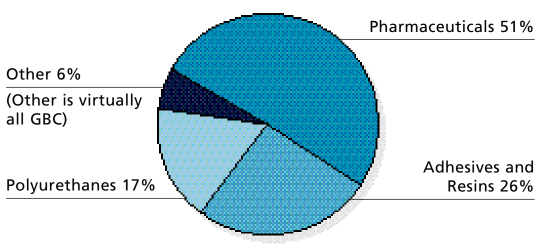
NZP sold to management

In January 1998 Orica sold its New Zealand Pharmaceuticals business to a management buy-out group. The business, which produces chemicals from animal extracts, had sales of approximately NZ$14 million a year.

GBC wins R&D award

GBC Scientific Equipment makes analytical instruments and its Optimas 8000 won an R&D 100 award in 1998. Its instruments are used for research, pharmaceuticals, education, medical, quality control, environmental and industrial analysis. 1998 was a difficult trading year for the business and the goal is to maintain and improve market share with new product releases in 1999.

Sales Breakdown



Research and Technology

Innovation underlines contract wins

To win a major contract with an international mining company our Australian-based Explosives Technical Team had to find a way of developing blasting technology which is completely stable at temperatures of up to 150 degrees Celsius. The mining company concerned wanted to use the explosives to mine in an area with high geothermal temperatures and sulphide deposits in the ore body which could react with the explosives to cause spontaneous detonations. The team met the challenge and developed an integrated system consisting of a custom-designed emulsion blasting agent (Powergel Vulcan series), a new initiation system (Pyromex primer and detonating cord) and methods to facilitate the onsite temperature logging of blast holes. Orica won the five-year contract. Innovative thinking also led to another business win at a mine in Newlands (Queensland, Australia). Orica developed an advanced deep hole product for loading explosives into holes as deep as 80 metres, which saved the customers the expense of converting to underground mining. Orica can now offer this deep hole technology to other customers.

New water treatment technology gets ready for the market

During the year significant progress has been made with the commercialisation of the MIEX® water treatment process for the purification of drinking water. MIEX® removes dissolved organic carbon (DOC) from water prior to chlorination so as to minimise the formation of potentially harmful chlorinated organic compounds, as well as removing unwanted colour, taste and odours. Pilot plant activities in Australia with potential customers and development partners continue to deliver data which confirm the performance and cost competitiveness of the process. Pilot tests in the US with two large public utilities are also producing promising results. Orica is now planning to build a MIEX® resin manufacturing plant in 1999 to supply resin to the Australian market and provide testing materials for potential opportunities elsewhere. The project is a team effort between CSIRO, Australia's leading research organisation, and Orica, and is one of several joint projects as part of an ongoing working relationship.

Three years of intensive research paid off for the Selleys R&D team with the introduction of a first ever water based construction adhesive which combines good wet grab with contact bonding properties. The product, Liquid Nails Fast Grab, has been specially formulated to 'grab with the speed of nails'. Launched in 1997, Liquid Nails Fast Grab has sold well above market expectations and is regarded as a significant contributor to Selleys' share of the do-it-yourself handyman market.

A paint that can wash and wear

Customers asked for a water based paint with exceptional wash and stain resistant qualities and Dulux's Research and Development Department set out to create a product to meet these criteria. The result was Dulux Wash & Wear 101, based on patented technology developed in house by Dulux, which was launched in November 1997. This exciting range of new products prevents stains penetrating the painted surface in the first place, so stains can be easily removed. Launched after extensive testing and consumer research, Dulux Wash & Wear 101 has quickly become a best seller in the marketplace.

Year 2000 compliance

Orica has made significant progress with its Year 2000 program to manage a smooth transfer of its business systems from 1999 to 2000. The program is coordinated by the Orica Year 2000 Steering Group, made up of senior managers, which reports to the Orica Board every three months. Orica has either completed or has scheduled for completion a number of large system replacement projects, all of which have Year 2000 compliance as one of their key objectives. These projects, which in total cost in excess of $100 million, are in addition to a number of projects specifically targeted towards Year 2000 compliance which will cost approximately $20 million. Most of this expenditure has fallen in the years 1996 to 1998. Year 2000 compliance has involved an upgrade of all core business systems to be completed by the end of 1998; for non-core business systems also to be compliant by the end of 1998; and an assessment and overhaul of computing devices used to control the operation of equipment at plants due to be completed by mid-1999.

Setting a new company computing standard

Complementary to Year 2000 compliance, Orica set out to significantly upgrade its desktop computer systems. This involved the introduction of a standard operating environment (SOE) to deliver a universal personal computing system across all businesses throughout Australasia. The SOE gives desktop users a world class electronic office system and also reduces operating costs for the company. The project was completed in August 1998. At the same time the SAP business management system has been introduced to Chemicals, Plastics, Technology and Corporate areas to assist with the running of the various financial functions. It has also been previously introduced at Incitec, our 73.3 per cent owned agricultural chemical company, and to the Explosives businesses in Australasia, the US and Canada. An extension to Dulux is planned in 1999 for implementation early in 2000.

Executive Team

The Executive Team comprises the managing director Philip Weickhardt, the executive directors and general managers of the businesses and functional groups, the Incitec managing director, and company secretary Richard Kneebone.

The Executive Team is responsible for the delivery of the company's vision and values and, as such, is not only involved in current business performance but also with future growth and external relationships.

At its monthly meeting the team reviews business performance and major company initiatives as well as strategies for safety, health and the environment, human resources, technology and other functions. Four times a year the team meets 'in retreat' (which is where they were pictured for this annual report) and reviews the corporation's strategic directions, and reviews senior career development and succession planning.

Through rigorous implementation of Orica's vision and values and business strategies the Executive Team is focused on delivering value to shareholders.

Philip Weickhardt
BSc (Hons), MSc, FRACI, FTSE

Managing Director and Chief Executive Officer

Joined the ICI Group in 1971 and this company in 1974. Appointed an Executive Director in 1994. Has held several senior management positions in the company. Appointed Managing Director and Chief Executive Officer in June 1997. Also a member of the Business Council of Australia. Age 50

Peter Clinch
BE (Hons), BEcon

Executive Director

Joined the company in 1965. Executive Director 1992 to 1994 and Non-Executive Director 1994–1997 when seconded to ICI PLC as Chief Executive Officer of ICI Explosives, based in the UK and later Canada. Appointed Executive Director in May 1998, responsible for International Explosives. Based in Denver. Age 56

GM Australia/Asia Alan King
President North America David Taylor
President Latin America Les Miller
GM Europe Stephen Connolly
Chief Financial Officer Tony Reeves
Vice President Planning and Technology Darrell Williams

Barbara Gibson
BSc, FTSE

General Manager Chemicals Group

Joined the company in 1985. General Manager Chemicals Group since July 1997. Previously General Manager Advanced Sciences Group, General Manager Corporate Advisory Group and General Manager Research Group. Manager responsible for Queensland and Orica Technology Council. Also Director of Incitec and Non Executive Director of Biota Holdings Ltd. Age 50

Div GM Chlor Alkali Philippe Etienne
Div GM Mining and Resources Peter Walker
Div GM Surfactants Ian Gilmour
Div GM Chemnet Graeme Jacobs
Div GM Sales and Services Jeff Tripp
Div GM Adhesives and Resins Graham Bird
Div GM Polyurethanes Patrick Largier
Div GM Adhesives and Resins Asia Patrick Hanrahan
Chemicals Group HR Mgr David McKinnon
Chemicals Financial Controller James Fazzino
Chemicals Acquisition and Planning Mgr John MacKenzie

Graeme Liebelt
BEc (Hons)

Executive Director

Joined the company in 1989. Appointed Executive Director and General Manager Plastics and Advanced Sciences Groups in 1997. Previously Managing Director Dulux. Executive Director responsible for Safety, Health and Environment, Purchasing and NSW. Chairman of Incitec, Orica New Zealand and Australian Vinyls Corporation. Director of GBC Scientific Equipment Pty Ltd. Age 44

Strategic Planning Mgr Terry Keating
SAP Project Director Ross Kreuiter
Mgr Project Crystal Philip Nesci
Div GM Orica Films Tony Fincham
GM Asian Business Development Tony Millar
Business Mgr Polythene Stephen Bell

Kevin Lynch
BSocSc, MBA

General Manager Human Resources

Joined the company in 1994 as Industrial Relations Manager. Has held position of Group Personnel Manager in Chemicals Group, Advanced Sciences and Incitec. Appointed General Manager Human Resources in June 1998. Age 42

Remunerations and Benefits Mgr John Bleazby
Education and Learning Mgr Stephen Myles

Roy Rose
BSc

General Manager designate Technology Group

Joined the company in 1969. Previously General Manager Technology and Planning at Dulux. Appointed General Manager Technology on 1 November 1998. Director of Incitec. Age 51

Engineering Division Mgr & Chief Engineer Sander Vandeth
Personnel Mgr Sally Young
Finance Mgr Colin Hobson
Manufacturing Technology Mgr Malcolm Walters
SHE Pacific Mgr Richard Russell
IT Services Mgr Ian Mackay
ITAG Mgr Tony Marxsen
IT Mgr John Granger

Alan King
BChemEng (Hons), MEngSc

General Manager Explosives Australia/Asia

Joined the company in 1977. Appointed General Manager Explosives in 1996. Manager responsible for Western Australia and Papua New Guinea, and Orica Manufacturing and Engineering Council. Age 50

Group Controller Jackie Bottomley
Group Personnel Mgr Jean Paviour-Smith
Mgr Asia Pacific Stuart Craig
Mgr Nitrates Division Lindsay Smith
Mgr Initiating Systems Andrew Coleman
Mgr Open Cut Mining Max Warren
Mgr Underground Mining David Gibson
Mgr Quarry Services John Beevers
Operations Mgr Richard Meyer
Technical Mgr Neville Moxon

Russell King
BA (Hons)

General Manager
Orica Consumer Products

Joined ICI PLC in 1979 and on secondment with the company since 1995. Appointed General Manager, Orica Consumer Products in July 1997. Previously General Manager Corporate Advisory Group. Age 41

GM Decorative Tony Jackson
GM Dulux New Zealand Peter Brindley
GM Woodcare Martin Ward
GM Business Development and Planning tba
GM Technology tba
GM Operations John Blackwood
GM Powder Coatings Peter Bailey
GM Resins Simon Taylor
GM Finance, IT, Purchasing & HR Bill Mitchell
GM Selleys Chemical Company Michael Davies
Mgr Human Resources Rob Weaver

Richard Kneebone
LLB, DipCM, FCIS

Company Secretary

Joined the company as Company Secretary in 1989. Age 54

Tony Larkin
FCPA, FAICD, CTP

Executive Director Finance

Joined the company in June 1998 with responsibility for Finance, Treasury, Taxation, Investments, Acquisitions and Divestments, Risk and Insurance Management, Internal Audit, Investor Relations, Corporate Affairs, Legal, and Secretariat. Previously Group Treasurer BHP and from 1993 to 1997 seconded to Foster's Brewing Group as Senior Vice President Finance and Investor Relations. Age 56

Controller John Lee
Investor Relations Mgr James Brookes
Investments Mgr Richard Giles
Treasurer Andrew Eddy
Risk & Insurance Mgr David Lyons
Company Secretary Richard Kneebone
Corporate Affairs Mgr Mike Feehan
Acquisitions & Divestments Mgr Geoff Watson
Chief Internal Auditor Chris Williams
Financial Projects Mgr John Beecroft
Group Taxation Mgr tba
General Counsel Michael Barron

Alan Seale
BEng (Hons), FIEAust

General Manager
Technology Group

Joined the company in 1990 as General Manager Manufacturing. Became General Manager Technology in 1992 overseeing SH&E, Engineering, Manufacturing, Research, IT and Infrastructure. Alan will retire from the company in July 1999. Age 55

John Watt
BEc (Hons)

General Manager
Organisation Transition

Joined the company in 1977 and has held several senior personnel roles in Orica and the ICI Group worldwide. On secondment to ICI PLC as GM Personnel before taking up position as General Manager Corporate Advisory Group in May 1997 and General Manager Organisation Transition in June 1998. John will retire from the company in March 1999. Age 51

Greg Witcombe
BSc

Managing Director Incitec Ltd

Joined the company in 1977 and has held several senior management positions including General Manager Polyethylene Group in 1997. Appointed Managing Director of Incitec in October 1998. Age 44

GM Fertilizers Warwick Newland
GM Crop Care Australasia Mark Allison
GM Industrial Chemicals Robert Ravens
SH&E, Engineering and Projects Mgr Peter Bellingham
Company Secretary Roger Grimley
Finance Mgr Chris Spriggs
Human Resources and Quality Mgr Ian Gillespie
Corporate Planning Mgr Bill Surman

Board Members

B H Lochtenberg
BE(Hons) DPhil FTSE

Chairman. Age 67

Non-executive director since 1992 – appointed chairman March 1995. Chairman of the Board's Remuneration & Appointments Committee. Chairman of the Mental Health Research Institute Inc. Director of Capral Aluminium Ltd, Inner and Eastern Health Care Network Board and Melbourne University Private Ltd. Member Council of the University of Melbourne. Former regional chairman of Imperial Chemical Industries PLC and chairman of ICI Americas Inc and ICI Canada Inc. Resident Melbourne.

P L Weickhardt
BSc (Hons) Msc FRACI FTSE

Age 50

Managing director and chief executive officer

Executive director since 1994 – appointed managing director and chief executive in June 1997. Previously general manager Chemicals Group, chairman of Orica New Zealand Ltd and of Incitec Ltd. Member of Business Council of Australia. Resident Melbourne.

A B Daniels OAM
Age 63

Non-executive director since March 1995 and member of the board's Audit Committee and Remuneration & Appointments Committee. Chairman of Australian National Industries Ltd and NSW State Superannuation Trustee Corporations. Director of Pasminco Ltd, Capral Aluminium Ltd, IBJ Australia Bank Limited and Pacific Dunlop Ltd. Former managing director of Tubemakers Limited. Resident Sydney.

D P Mercer
BSc (Hons) MA (Econ)

Age 57

Non-executive director since October 1997. Member of the Remuneration & Appointments Committee and chairman of the company's superannuation fund trustee company. Chairman of Australia Pacific Airports Corporation Ltd and of the Advisory Board, National Office for the Information Economy. Director of CSIRO Australia and Australian Prudential Regulation Authority. Former managing director and chief executive officer of ANZ Banking Group. Resident Melbourne.

A C Larkin
FCPA FAICD CTP

Age 56

Executive director Finance appointed June 1998.

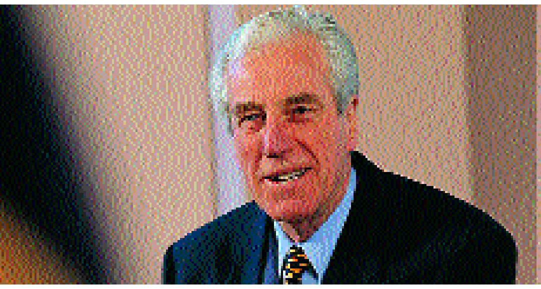
Executive director responsible for finance, acquisitions & divestments, insurance and risk management, internal audit, corporate affairs, investor relations, legal and secretariat. Former Group Treasurer The Broken Hill Proprietary Company Limited and Senior Vice President finance and investor relations Foster's Brewing Group. Resident Melbourne.

P J Clinch
BE (Hons) BEc

Age 56

Executive director and chief executive officer of the International Explosives business based in Denver, USA.

Previously executive director of ICI Australia Ltd and as chief executive officer of Imperial Chemical Industries PLC became a non executive director in 1994 serving until 1997. Rejoined the Orica Board on acquisition of the explosives business from Imperial Chemical Industries PLC in May 1998. Resident Denver.



B Healey

Age 64

Non-executive director since May 1996 and member of the board's Audit Committee and Remuneration & Appointments Committee. Chairman of Biota Holdings Ltd, Centro Properties Ltd and Portfolio Partners Ltd. Director of Foster's Brewing Group and AWA Ltd. Former Senior Vice President of Nabisco Inc., Sara Lee Corporation and Chief Executive of Nicholas Kiwi worldwide. Resident Melbourne.

G E Heeley

BEc FCPA FCA

Age 64

Non-executive director since April 1993. Chairman of the board's Audit Committee and member of the Remuneration & Appointments Committee. Director of Metal Manufactures Ltd, David Jones Ltd, Swiss Re Australia Ltd, Bank of Tokyo-Mitsubishi (Australia) Ltd, National Mutual Holdings Ltd, Victorian Clinical Genetics Services Ltd and The Jack Brockhoff Foundation Ltd. Former Executive Director and Executive General Manager Finance of The Broken Hill Proprietary Company Limited. Resident Melbourne.

G R Liebelt

BEc (Hons)

Age 44

Executive director since July 1997.

Executive director responsible for plastics, safety health and environment, purchasing and regional responsibility for Asia Pacific. Chairman of Orica New Zealand Ltd, Australian Vinyls Corporation Ltd and Incitec Ltd. Resident Melbourne.

C M Walter

LLB (Hons) LLM MBA

Age 46

Non-executive director since 1 October 1998 and member of the board's Remuneration & Appointments Committee. Director of National Australia Bank Ltd, Australian Stock Exchange Ltd, Victorian WorkCover Authority, Melbourne Business School Ltd and Committee for Economic Development of Australia (CEDA). Former Melbourne managing partner of Clayton Utz. Resident Melbourne.

Corporate Governance

The Orica Limited board of directors 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 has established general principles under which it and management operate to ensure that business is carried out in the best interests of shareholders and other stakeholders. The board's responsibilities include: appointing the chief executive officer and succession planning, approving longer term strategic plans, identifying and monitoring business risk as well as the integrity and consistency of internal controls, adopting business plans and budgets, approving major capital expenditure, approving acquisitions and divestments, funding and capital raising and overseeing and reviewing corporate goals and performance.

Responsibility for managing and directing the profitable operation and development of the company, consistent with the primary objective of enhancing long-term shareholder value, is delegated to the managing director, who is accountable to the board.

The Board

Composition

The board currently comprises ten directors: six independent non-executive directors, including the chairman, and four executive directors, including the managing director. Details of the directors, their qualifications and experience are set out on pages 28 and 29.

The composition of the board seeks to provide an appropriate range of experience, skills, knowledge and perspective to enable it collectively to appoint, guide and monitor high quality management of the company's businesses. In reviewing its 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 new candidates for appointment as directors.

Board meetings

The number of board meetings held and the attendance details are set out in the directors' report on page 36.

As well as holding the standard board meetings, the board sets aside additional time annually to comprehensively review company strategy. The board also visits the company's operating sites and holds meetings at interstate venues to enable directors to meet with shareholders, customers, government representatives, business leaders and employees.

Independence

The board recognises the special responsibility of non-executive directors for monitoring executive management and the importance of independent views. The chairman and all non-executive directors are independent of executive management and are free from any business or other relationship with the company that could compromise their autonomy and judgement.

Appointment terms

Apart from the managing director, directors are subject to re-election by rotation at least every three years. In September 1998 the board adopted policies that newly appointed non-executive directors are appointed for a maximum term of ten years or on attaining 70 years of age, whichever is the earlier, and that non-executive directors obtain the chairman's prior approval before accepting any additional appointment to a publicly listed company. On appointment, non-executive directors are given a letter of appointment which sets out their responsibilities and rights, including their retirement entitlements.

Independent advice and access to company information

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. A director also has the right to have access to all documents which have been presented to meetings of the board whilst in office, or made available in relation to their position as director for a term of 15 years after ceasing to be a director.

Directors' Orica shareholdings

Directors are required to hold a minimum of 1,000 shares, Their current shareholdings are shown on page 35. Directors and relevant employees may only buy or sell Orica shares during one month periods following the annual and half-year results' announcements and the annual general meeting.

Executive directors and senior managers who are granted options under the Orica Executive Share Option Plan are prohibited from exercising options unless they do so within the above periods and are not in possession of any undisclosed price-sensitive information.

Directors' fees

Non-executive directors' fees are determined by the board within the aggregate amount of $600,000 which was approved by shareholders at the 1997 annual general meeting. In determining the level of fees, the board reviews external professional advice and survey data on fees paid by comparable companies and considers this against the level of remuneration required to attract and retain directors of the appropriate calibre.

The amount of directors' fees paid to each non-executive director is presently $55,000 per annum and the chairman receives a multiple of three times this amount. Non-executive directors are paid additional annual fees of $7,500 as members of the Audit Committee, the chairman of which is paid $15,000 as is the chairman of the board of the company's superannuation fund trustee company. No additional fees are payable to the members of the Remuneration and Appointments Committee. Non-executive directors do not participate in any equity incentive schemes.

On leaving the board and depending on their length of service, non-executive directors are entitled to a retiring allowance of up to a maximum of three years' fees.

The details of remuneration paid to all directors during 1998 are set out on page 38.

Board committees

The board has established charters for the operation of its committees. These charters provide flexibility for the scope and operation of the committees' activities and the minutes of these committees are circulated to the board.

Audit Committee

The Audit Committee comprises three non-executive directors. The current chairman is Mr Geoff Heeley. It assesses and reviews external and internal audits and any material issues arising from these audits, and is charged with assessing the adequacy of the company's financial and operating controls, and compliance with legal requirements and ethical guidelines affecting the company and corporate governance practices. It also makes recommendations to the board regarding the appointment of external auditors and the level of their fees and provides a facility, if necessary, to convey any concerns raised by the internal and external auditors independently of management influence.

Remuneration and Appointments Committee

The committee which comprises all the non-executive directors, is chaired by the chairman, Dr Ben Lochtenberg. It reviews the performance and remuneration of senior management including executive directors. Remuneration is set by reference to independent data, external professional advice, the company's circumstances and the requirement to attract and retain high-calibre management. It also has responsibility for the appointment and succession of the chief executive officer and executive directors, the nomination of non-executive directors and a regular review of the board's composition and performance.

Board appraisal

The board carries out a formal annual review of its performance against its responsibilities and regularly monitors the processes and effectiveness of its board meetings against continuous improvement criteria.

Appraisal of chief executive officer

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 business objectives agreed annually with the chief executive.

Management of risk

During the year the board approved an integrated risk management policy and program in order that the company conducts its operations in a manner that ensures that risks are identified, assessed and appropriately managed. Businesses have the responsibility and accountability for implementing and managing the standards required by the program.

Internal controls

The company has established controls 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 fully complies with all regulatory requirements and community standards.

Further details of the company's policies relating to interest rate management, foreign exchange risk management and credit risk management are included in Notes 10 and 28 of the financial statements.

Through these and other policies the company seeks to minimise the risk that arises through its activities. Comprehensive practices are in place for ensuring that:

- 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
- programs are in place to address Year 2000 compliance.

Ethical standards

Orica has published a Code of Ethics to provide employees with guidance on what is acceptable behaviour. Specifically, the company requires that all directors, managers and employees maintain the highest standards of integrity and honesty in the day-to-day performance of their duties and in any situations where their actions could influence the standing of the company.

The key elements of the code are characterised by:

- being aware of and obeying the law
- fairness, honesty and loyalty supporting all actions
- 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
- a policy of 'openness' and 'public disclosure' as the test for all actions.

To ensure that employees apply the code in practice, the company has developed policies and guidelines on the following:

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

The Code of Ethics is reviewed regularly by the board and processes are in place to promote and communicate these policies.

Financial Calendar

(dates subject to change)

Books close for 1998 final dividend
3 December 1998

1998 final dividend paid
18 December 1998

Half year results and 1999 interim dividend announced
30 April 1999

Books close for 1999 interim dividend
17 June 1999

1999 Interim dividend paid
2 July 1999

Full year results & 1999 final dividend announced
29 October 1999

1999 Annual General Meeting
10 December 1999

Debenture stock and preference shares

Interest payments and preference share dividends will be made as follows:

Debenture stock issued **prior to 1980**
31 May 1999
30 November 1999

during 1980 and preference shares
31 January 1999
31 July 1999

Annual General Meeting

The 1998 Annual General Meeting will be held on Wednesday, 16 December 1998, commencing at 10.30 am at the Grand Hyatt Melbourne, 123 Collins Street, Melbourne. The business to be presented at the meeting is set out in the separate Notice of Meeting. This is issued, together with a proxy form to shareholders with this report.

Financial Statements

Directors' Report

The directors of Orica Limited (the company or Orica) present their 70th Annual Report together with the report on the year's activities and the audited financial statements of the company and its controlled entities (collectively the economic entity) for the year ended 30 September 1998.

On 2 February 1998, the company changed its name from ICI Australia Limited to Orica Limited following Imperial Chemical Industries PLC divestment of its 62.4% shareholding in July 1997.

Directors

The directors of the company at the date of this report are:

B H Lochtenberg, Chairman
P L Weickhardt, Managing Director
P J Clinch
A B Daniels
B Healey
G E Heeley
A C Larkin
G R Liebelt
D P Mercer
C M Walter

The office of company secretary is held by R S Kneebone. Particulars of directors' qualifications, experience and special responsibilities are detailed on pages 28 and 29.

Interests in share capital

The interest of each director in the share capital of the company as at the date of this report is as follows:

Director	**Orica Limited**	
	fully paid ordinary shares	options for fully paid ordinary shares*
B H Lochtenberg	10,000	–
P L Weickhardt	14,752	287,500
P J Clinch	20,513	37,500
A B Daniels	5,101	–
B Healey	2,300	–
G E Heeley	8,000	–
A C Larkin	2,020	–
G R Liebelt	3,979	125,000
D P Mercer	2,000	–
C M Walter	3,000	–
	71,665	450,000

* Issued under the Orica Executive Share Option Plan approved by shareholders on 10 June 1987 and amended by a further deed approved by shareholders on 27 February 1995. All options have been issued in accordance with this plan subsequent to approval by shareholders at an Annual General Meeting.

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 secretary and other executive officers, against a liability incurred as such an officer, unless the liability arises out of conduct involving a lack of good faith. Officers of the company are also indemnified against a liability for costs and expenses incurred in defending civil or criminal proceedings involving them as such officers if judgment is given in their favour or if they are acquitted or granted relief.

The company has paid a premium in respect of a contract insuring officers of the company, and of bodies corporate related to the company, 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.

Directors' Report

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	Board		Audit Committee		Remuneration and Appointments Committee	
	Held(1)	Attended(2)	Held(1)	Attended(2)	Held(1)	Attended(2)
B H Lochtenberg	16	16	–	–	10	10
P L Weickhardt	16	16	–	–	–	–
P J Clinch (appointed 1 May 1998)	6	3	–	–	–	–
A B Daniels	16	16	4	3	10	10
B Healey	16	15	4	4	10	9
G E Heeley	16	15	4	4	10	9
A C Larkin (appointed 1 June 1998)	5	5	–	–	–	–
G R Liebelt	16	16	–	–	–	–
D P Mercer	16	16	–	–	10	10
H K H Radder (resigned 31 May 1998)	11	11	–	–	–	–
C M Walter (appointed 1 October 1998)	–	–	–	–	–	–

(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 by the director.

Principal activities

The principal activities of the economic entity in the course of the financial year were the manufacture and distribution of fertilizers and crop care products, chemicals, mining services and products, consumer products, plastics and advanced sciences services and products.

The economic entity's involvement in the manufacture and distribution of mining services and products increased from 1 May 1998 with the acquisition of Imperial Chemical Industries PLC's explosives activities in the Americas and Europe. During September 1998 the economic entity disposed of its pharmaceuticals business and technical coatings business.

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

Trading results

Consolidated operating profit after abnormal items, tax and outside equity interests for the financial year was \$434.9m (1997 \$132.2m). Abnormal profits amounted to \$229.1m after tax (1997 \$110.0m loss) and are detailed in note 4 to the financial statements. The operating profit after tax and abnormal items of the company was \$433.3m (1997 \$221.4m).

Directors' Report

Dividends

Dividends paid or declared in respect of the year ended 30 September 1998 were:	**$m**
Dividends at the rate of 5% per annum on 2,000,000 preference shares, fully franked at the 36% tax rate.	0.1
Interim dividend at the rate of 21 cents per share on 266,748,710 ordinary shares, fully franked at the 36% tax rate.	56.0
The directors have declared a final dividend to be paid at the rate of 29 cents per share on 268,844,662 ordinary shares, for which provision has been made in the financial statements. This dividend will be unfranked.	78.0
Total dividend distribution	134.1

In addition, the final dividend of 28 cents per share in respect of the financial year ended 30 September 1997, referred to in the previous directors' report, was paid on 19 December 1997. The full amount of $74.6m was provided in the 1997 financial statements. It was fully franked at the 36% tax rate.

Review of operations

A review of the operations of the economic entity during the financial year and of the results of those operations is contained on pages 4 to 25.

Changes in state of affairs

Particulars of significant changes in the state of affairs of the economic entity during the year ended 30 September 1998 are as follows:

- 1 May 1998 – acquired Imperial Chemical Industries PLC's explosives activities in the Americas and Europe
- 27 May 1998 – announced a plan to form a joint venture with Kemcor, merging the polyethylene, polypropylene, synthetic rubber and engineering plastics activities, anticipated to commence on 1 December 1998
- 22 July 1998 – announced plans to form a joint venture with Grupo Acerero del Norte, SA de CV for production and sale of ammonium nitrate in Mexico
- 19 August 1998 – issued A$100m of February 15, 2002 fixed rate notes
- 4 September 1998 – disposed of its pharmaceuticals business to Zeneca PLC
- 25 September 1998 – disposed of its technical coatings business to PPG Industries of America.

Events after balance date

The directors have not become aware of any significant matter or circumstance that has arisen since 30 September 1998, that has affected or may affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent years, which has not been covered in this report.

Future developments and results

Likely developments in the operations of the economic entity and the expected results of those operations are covered generally in the review of operations of the economic entity on pages 4 to 25.

Further information as to likely developments in the operations of the economic 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, it would prejudice the interests of the economic entity.

Directors' Report

Directors' and executives' emoluments

It is the broad policy of the company that its remuneration structure will:

a) support the company's philosophy and values;
b) reinforce both the short and long term objectives of the company;
c) provide a common interest between management and shareholders; and
d) be sufficiently competitive in the markets in which the company operates to attract, motivate and retain high calibre employees.

The remuneration structure for executive officers, including executive directors, seeks to emphasise payment for results through providing a variable reward scheme which, for example, incorporates incentive payments based on the achievement of pre agreed results. While there may be some years of zero incentive payment, total remuneration is designed to remain sufficiently competitive to attract, motivate and retain high calibre employees.

Details of the nature and amount of each element of emoluments paid to all officers who occupied the position of executive director during the year are set out in the following table. The table also discloses details of the nature and amount of each element of emoluments of the five highest renumerated members of the executive team including executive directors. In arriving at the amount of emoluments in the table below, no value has been attributed to options issued under the Orica Executive Share Option Plan.

Executive directors and officers	**Cash benefits**			
	Salary $000	**Incentive payments $000**	**Non cash benefits $000**	**Total $000**
H K H Radder (resigned 31 May 1998) Executive Director Finance, Information Technology and Acquisitions	617.9@	55.8	177.1*	850.8
J F Babon Managing Director Incitec Ltd	553.6@	100.0	60.8	714.4
P L Weickhardt Managing Director and Chief Executive Officer	531.6	70.5	18.4	620.5
R King Managing Director Dulux Pacific	363.8	35.2	141.9*	540.9
G R Liebelt Executive Director and General Manager Plastics and Advanced Sciences Groups	346.7	68.5	51.4	466.6
A C Larkin (appointed 1 June 1998) Executive Director Finance	173.8	150.0#	33.7	357.5
P J Clinch (appointed 1 May 1998) Executive Director, responsible for International Explosives	297.5	–	43.2*	340.7

* includes expatriate allowances paid
# includes payment on commencement of employment
@ includes statutory entitlements paid on termination of employment

Non-executive directors' fees are determined by the board within the aggregate amount of $600,000 which was approved by shareholders at the 1997 annual general meeting. In determining the level of fees, the board reviews external professional advice and survey data on fees paid by comparable companies and considers this against the level of remuneration required to attract and retain directors of the appropriate calibre. Non-executive directors are not entitled to any form of incentive payments. On leaving the board, depending on their length of service, non-executive directors are entitled to a retiring allowance of up to a maximum of three years' fees.

Non-executive directors	**Fees $000**	**Superannuation Contributions $000**	**Total $000**
B H Lochtenberg, Chairman	165.0	9.9	174.9
A B Daniels	62.5	3.7	66.2
B Healey	62.5	3.8	66.3
G E Heeley	70.0	4.2	74.2
D P Mercer	60.0	2.9	62.9

Directors' Report

Options

On 12 December 1997, the company granted options over 835,000 unissued ordinary shares to 48 executives under the Orica Executive Share Option Plan. Each option relates to one fully paid ordinary share and the said options are exercisable at $10.88 per share between 27 February 2001 and 26 February 2003 subject to performance conditions.

The names of persons who currently hold options in the above schemes are entered in the register of options kept by the company pursuant to Section 216C of the Corporations Law. The register may be inspected free of charge. Pursuant to ASIC Class Order 97/1011, issued on 9 July 1997, the directors have taken advantage of relief available from the requirement to disclose the names of persons, not being directors, or the five highest paid members of the executive team, to whom options are issued, and the number of options issued to each person.

Particulars of options granted to and exercised by the executive directors under the Orica Executive Share Option Plan to the date of this report are as follows. The table also discloses options granted and exercised by the five highest renumerated members of the executive team, including executive directors, under the Orica Executive Share Option Plan.

The exercise price of options issued under the Orica Executive Share Option Plan is set at the market price at the date of issue. The ability to exercise these options, to which no value has been attributed, is conditional on the company achieving a prescribed performance hurdle.

	Granted during the year	Exercised during the year	Outstanding at date of this report	Exercise price	Date first exercisable*
P L Weickhardt	170,000	–	170,000	$10.88	27 Feb 2001
			30,000	$12.35	24 Jan 2000
			87,500	$11.38	22 Mar 1998
P J Clinch	–	–	12,500	$11.38	22 Mar 1998
			25,000	$10.37	8 Jun 1997
G R Liebelt	105,000	–	105,000	$10.88	27 Feb 2001
			20,000	$12.35	24 Jan 2000

* The expiry date for all options issued under the Orica Executive Share Plan is two years from the date first exercisable.

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 body corporate.

37,500 ordinary shares were issued during the financial year as a consequence of the exercise of options. As at the date of this report, there are 1,220,000 unissued ordinary shares under option. The price of issue and expiration dates of those unissued shares are set out in note 19 to the financial statements.

Environmental regulations

Manufacturing licences and consents are in place at each Orica site in consultation with local environmental regulatory authorities. The measurement of compliance with conditions of licences and consents involves thousands of tests being conducted each month. The test results indicate consistent compliance as follows:

	1998	1997
Number of tests	49,406	44,238
Percentage of test results in compliance	99.4	99.2

More specific details are available in the Safety, Health and Environment Performance Report 1998.

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 98/0100 dated 10 July 1998.

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

B H Lochtenberg
Chairman

P L Weickhardt
Managing Director

Dated at Melbourne this 30th day of October 1998

Profit and Loss Accounts

For the year ended 30 September 1998

	Notes	Consolidated **1998 $m**	Consolidated 1997 $m	Company **1998 $m**	Company 1997 $m
Operating revenue	(2)	**4,599.5**	3,687.8	**478.4**	255.9
Operating profit before income tax and abnormals	(3)	**326.4**	401.6	**421.1**	236.6
Profit/(loss) on abnormal items	(4)	**126.3**	(152.9)	**8.9**	(1.9)
Operating profit before income tax		**452.7**	248.7	**430.0**	234.7
Income tax attributable to operating profit	(6)	**(1.8)**	(97.9)	**3.3**	(13.3)
Operating profit after income tax		**450.9**	150.8	**433.3**	221.4
Outside equity interests in operating profit after income tax		**(16.0)**	(18.6)	**–**	–
Operating profit after income tax attributable to members of Orica		**434.9**	132.2	**433.3**	221.4
Retained profits at the beginning of the financial year		**476.1**	806.7	**309.1**	550.5
Share buy-back		**–**	(328.8)	**–**	(328.8)
Total available for appropriation		**911.0**	610.1	**742.4**	443.1
Dividends:	(21)				
Preference – paid		**(0.1)**	(0.1)	**(0.1)**	(0.1)
Ordinary – interim paid		**(56.0)**	(59.3)	**(56.0)**	(59.3)
Ordinary – final declared		**(78.0)**	(74.6)	**(78.0)**	(74.6)
Retained profits at the end of the financial year		**776.9**	476.1	**608.3**	309.1

	Consolidated **1998 $m**	Consolidated 1997 $m	Company **1998 $m**	Company 1997 $m
Operating profit after income tax attributable to members of Orica is comprised of:				
Operating profit after income tax and before abnormal items	**204.6**	242.2	**418.1**	223.2
Profit/(loss) on abnormal items after income tax	**230.3**	(110.0)	**15.2**	(1.8)
Operating profit after income tax and abnormal items	**434.9**	132.2	**433.3**	221.4

	Notes	cents	cents
Earnings per share	(8)		
Including abnormals		**162.8**	45.4
Excluding abnormals		**76.6**	83.3

The accompanying notes form part of these financial statements.

Balance Sheets
As at 30 September 1998

	Notes	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
Current assets					
Cash	(9)	**83.9**	85.6	**–**	–
Receivables	(10)	**548.3**	431.8	**248.5**	661.4
Investments	(11)	**13.8**	–	**–**	–
Inventories	(12)	**709.5**	642.7	**–**	–
Other assets	(13)	**32.0**	24.1	**–**	–
Total current assets		**1,387.5**	1,184.2	**248.5**	661.4
Non-current assets					
Receivables	(10)	**3.7**	2.9	**–**	–
Investments	(11)	**17.3**	1.5	**1,347.0**	671.0
Property, plant and equipment	(14)	**1,736.2**	1,591.7	**69.4**	70.7
Intangibles	(15)	**297.0**	65.6	**–**	–
Other assets	(13)	**205.7**	115.7	**2.1**	1.7
Total non-current assets		**2,259.9**	1,777.4	**1,418.5**	743.4
Total assets		**3,647.4**	2,961.6	**1,667.0**	1,404.8
Current liabilities					
Payables	(16)	**564.1**	481.5	**7.8**	12.6
Borrowings	(17)	**324.9**	583.9	**445.5**	490.6
Provisions	(18)	**340.4**	294.0	**78.9**	89.7
Total current liabilities		**1,229.4**	1,359.4	**532.2**	592.9
Non-current liabilities					
Payables	(16)	**1.3**	2.5	**0.1**	0.4
Borrowings	(17)	**560.1**	160.3	**1.1**	1.1
Provisions	(18)	**343.2**	259.7	**2.3**	2.4
Total non-current liabilities		**904.6**	422.5	**3.5**	3.9
Total liabilities		**2,134.0**	1,781.9	**535.7**	596.8
Net assets		**1,513.4**	1,179.7	**1,131.3**	808.0
Shareholders' equity					
Share capital	(19)	**427.4**	268.5	**427.4**	268.5
Reserves	(20)	**185.7**	327.4	**95.6**	230.4
Retained profits		**776.9**	476.1	**608.3**	309.1
Shareholders' equity attributable to members of Orica		**1,390.0**	1,072.0	**1,131.3**	808.0
Outside equity interest in controlled entities	(22)	**123.4**	107.7	**–**	–
Total shareholders' equity		**1,513.4**	1,179.7	**1,131.3**	808.0

The accompanying notes form part of these financial statements.

Statements of Cash Flows

For the year ended 30 September 1998

	Notes	Consolidated **1998** **$m** **Inflows/ (Outflows)**	Consolidated 1997 $m Inflows/ (Outflows)	Company **1998** **$m** **Inflows/ (Outflows)**	Company 1997 $m Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		**3,946.2**	3,576.9	**–**	–
Payments to suppliers and employees		**(3,545.5)**	(3,120.9)	**(9.4)**	7.5
Interest received		**12.3**	3.2	**45.7**	30.2
Interest and other costs of finance paid		**(70.3)**	(37.3)	**(43.0)**	(8.7)
Dividends received		**–**	0.1	**568.1**	226.4
Royalties and other trading revenue received		**27.5**	34.7	**19.1**	19.5
Income taxes paid		**(97.7)**	(88.0)	**(13.6)**	(11.0)
Net cash flows from operating activities	(23)	**272.5**	368.7	**566.9**	263.9
Cash flows from investing activities					
Payments for property, plant and equipment		**(239.5)**	(216.5)	**(0.8)**	(1.2)
Payments for intangibles		**(4.1)**	–	**–**	–
Payments for purchase of investments		**(0.3)**	–	**(676.0)**	–
Payments for purchase of businesses/controlled entities		**(564.6)**	(38.3)	**–**	–
Proceeds from sale of property, plant and equipment		**20.5**	13.3	**–**	4.8
Proceeds from sale of businesses/controlled entities		**561.0**	35.4	**–**	–
Net cash flows from investing activities		**(227.0)**	(206.1)	**(676.8)**	3.6
Cash flows from financing activities					
Proceeds from long term borrowings		**402.8**	0.9	**–**	–
Net movement in short term financing		**(319.9)**	363.1	**216.5**	229.4
Principal repayments under finance leases		**(1.0)**	(0.2)	**–**	–
Proceeds from issue of shares		**8.9**	0.4	**8.9**	0.1
Share buy-back		**–**	(358.8)	**–**	(358.8)
Dividends paid		**(124.8)**	(158.2)	**(115.5)**	(136.5)
Other		**–**	–	**–**	(1.7)
Net cash flows from financing activities		**(34.0)**	(152.8)	**109.9**	(267.5)
Net increase in cash held		**11.5**	9.8	**–**	–
Cash at the beginning of the financial year		**68.3**	58.5	**–**	–
Effects of exchange rate fluctuations on cash held in foreign currencies		**(0.6)**	–	**–**	–
Cash at the end of the financial year	(23)	**79.2**	68.3	**–**	–

The accompanying notes form part of these financial statements.

Notes To and Forming Part of the Financial Statements

Notes To and Forming Part of the Financial Statements

1. Accounting policies

The principal accounting policies adopted in preparing the financial statements of Orica and of the economic entity are stated to assist in a general understanding of these financial statements. These policies have been consistently applied except as otherwise indicated.

The financial statements are a general purpose financial report prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and requirements of the Corporations Law.

(a) Basis of accounting

The financial statements have been prepared on the basis of historical cost except where stated.

(b) Consolidation

The controlled entities included in the consolidated financial statements are listed in note 33. All inter-entity transactions and balances have been eliminated. Where entities are not controlled throughout the entire financial year, the consolidated results include the results of those entities for that part of the year during which control existed.

(c) Foreign currency translation

Overseas controlled entities are self-sustaining and their financial statements are translated using the current rate method, with any resulting unrealised exchange differences taken to an exchange fluctuation reserve.

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current at balance date. Exchange gains and losses are taken to the profit and loss accounts.

(d) Research and development costs

Research and development costs are expensed as incurred.

(e) Environmental liabilities

The cost of monitoring operations and treating operating wastes is taken to the profit and loss account as an operating cost as incurred.

Estimated costs relating to the remediation of soil and groundwater that have arisen as a result of past events are usually taken to the profit and loss account in total as soon as the need is identified and a reliable estimate of the liability identified. However, where the cost relates to land held for resale then, to the extent that the expected realisation exceeds both the book value of the land and the estimated cost of remediation, the cost is capitalised as part of the holding value of that land as it is incurred.

(f) Taxation (see note 6)

Income tax has been brought to account using the liability method of tax effect accounting. No provision is made for withholding tax on retained earnings of overseas controlled entities.

Capital gains tax is provided in the profit and loss accounts in the year in which an asset is sold. When non-current assets are revalued, capital gains tax is not provided unless the asset is being held for sale.

(g) Investments (see note 11)

The economic entity's interests in entities other than controlled entities and associates are stated at market value. Investment income includes dividends which are recognised in the profit and loss accounts when declared.

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

Equity accounting has not been adopted as investments in associated companies are not material.

(h) Inventories (see note 12)

Inventories are valued at the lower of cost and net realisable value.

Cost is based on first-in, first-out or weighted average. For manufactured goods, cost includes direct material and labour costs plus an appropriate proportion of variable and fixed overheads. For merchanted goods, cost is net cost into store.

(i) Maintenance, repairs and other costs (see note 13)

Expenditure for maintenance, repairs and replacements of a minor nature is expensed as incurred. Expenditure on major periodic shutdowns is deferred and amortised over the period to which the benefits relate.

Notes To and Forming Part of the Financial Statements

1. Accounting policies (continued)

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

Property, plant and equipment, other than freehold land, are depreciated on a straight line basis at rates calculated to allocate the cost or directors' valuation less the estimated residual value over the remaining estimated useful life of each asset to the entity.

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

Buildings and improvements	25 to 40 years
Machinery, plant and equipment	3 to 20 years

Non-current assets are revalued from time to time as considered appropriate by the directors. The economic entity has not adopted a policy of revaluing its non-current assets on a regular basis.

The carrying amounts of all non-current assets are reviewed half yearly to determine whether they are in excess of their recoverable amounts. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is revalued downwards to its recoverable amount. To the extent that a revaluation decrement reverses a revaluation increment previously credited to and still included in the balance of the asset revaluation reserve for the same asset, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the profit and loss accounts.

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

Profits and losses on disposal of property, plant and equipment are taken to the profit and loss account.

(k) Leased assets (see note 14)

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 interest expense and reduction of the liability.

Operating leases are not capitalised and lease rental payments are taken to the profit and loss account.

(l) Goodwill (see note 15)

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired. Goodwill is amortised on a straight line basis over the period in which the benefits are expected to arise, but not exceeding 20 years. Its value is reviewed half yearly and written down if considered necessary.

(m) Patents and trademarks (see note 15)

The cost of all patents and trademarks is amortised over their useful lives to the entity.

(n) Employee entitlements (see note 18)

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

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

Contributions for superannuation are charged against income in the year in which the payment is made.

(o) Cash flows (see note 23)

For the purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function net of bank overdrafts.

(p) Derivative financial instruments (see note 28)

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.

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.

(q) Comparative figures

Comparative figures have been adjusted to conform with any changes to presentation in 1998.

Notes To and Forming Part of the Financial Statements

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
2. Operating revenue				
External sales	**3,935.2**	3,602.1	**–**	–
Other revenue, commissions, rents and sundry income	**22.3**	30.1	**19.1**	19.5
Proceeds from sale of businesses/controlled entities	**603.6**	34.4	**–**	–
Proceeds from sale of property, plant and equipment and distribution rights	**20.5**	13.3	**–**	4.8
Royalty income	**5.3**	4.6	**–**	–
Dividend income:				
controlled entities	**–**	–	**413.7**	201.4
external parties	**–**	0.1	**–**	–
Interest income:				
controlled entities	**–**	–	**36.7**	30.2
external parties – banks	**3.7**	3.2	**–**	–
external parties – other	**8.9**	–	**8.9**	–
	4,599.5	3,687.8	**478.4**	255.9

3. Operating profit

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
Operating profit before income tax and abnormal items is arrived at after crediting:				
Profit on sale of businesses/controlled entities	**0.9**	9.6	**–**	–
Profit on sale of property, plant and equipment and distribution rights	**15.0**	3.7	**–**	2.0
Amounts withdrawn from renaming provision	**–**	–	**0.9**	–
Net gain on foreign currency transactions	**13.2**	0.9	**–**	–
Operating profit before income tax and abnormal items is arrived at after charging:				
Interest paid/payable to:				
related parties	**–**	12.8	**43.6**	11.9
external parties	**66.3**	27.4	**–**	–
Depreciation on property, plant and equipment:				
land, buildings and improvements	**11.4**	12.4	**2.1**	1.8
machinery, plant and equipment	**147.6**	138.4	**–**	–
Amortisation:				
goodwill	**9.2**	5.9	**–**	–
patents and rights	**3.2**	2.2	**–**	–
Amounts set aside to provide for:				
doubtful debts – trade	**4.2**	–	**–**	–
doubtful debts – other	**0.5**	–	**–**	–
employee entitlements	**23.6**	14.7	**–**	–
environmental liabilities	**–**	7.5	**–**	–
stock losses and obsolescence	**4.9**	–	**–**	–
other provisions	**15.7**	10.7	**–**	1.5
Bad debts written off in respect of trade debtors	**4.4**	2.4	**–**	–
Bad debts written off in respect of other debtors	**0.5**	–	**–**	–
Finance charges – finance leases	**0.1**	0.1	**–**	–
Lease payments – operating leases	**28.5**	26.1	**–**	–
Research and development expenses	**44.2**	38.4	**–**	–
Amortisation of deferred maintenance expenditure	**3.8**	–	**–**	–

Notes To and Forming Part of the Financial Statements

	1998 Gross $m	1998 Tax $m	1997 Gross $m	1997 Tax $m
4. Abnormal items				
Consolidated				
Profit on sale of major businesses:[1]				
Pharmaceuticals	**304.4**	**0.4**	–	–
Technical Coatings	**91.4**	**14.0**	–	–
Restructuring and rationalisation costs[2]	**(94.5)**	**22.8**	(112.9)	51.8
Remediation costs[3]	**(68.1)**	**24.5**	–	–
Information technology systems development costs[4]	**(35.2)**	**12.6**	–	–
Tax refund[5]	**8.9**	**6.3**	–	–
Change of corporate identity and renaming costs[6]	**–**	**–**	(40.0)	(8.9)
Writedown of assets	**(65.9)**	**22.2**	–	–
Write off of intangibles	**(14.7)**	**–**	–	–
	126.3	**102.8**	(152.9)	42.9
Company				
Restructuring and rationalisation costs	**–**	**–**	(0.5)	0.1
Tax refund[5]	**8.9**	**6.3**	–	–
Change of corporate identity and renaming costs[6]	**–**	**–**	(1.4)	–
	8.9	**6.3**	(1.9)	0.1

[1] The major elements of profit on sale of major businesses are non-taxable. The profit has been arrived at after allowance for certain related tax deductible expenditure.

[2] Restructuring and rationalisation costs include redundancy and associated costs relating to the restructuring and reorganisation of the international explosives business.

[3] Remediation includes provisions for waste removal costs associated with Botany and Cabarita sites.

[4] Implementation of new information technology systems.

[5] In prior years an abnormal loss was taken to the profit and loss accounts following an unfavourable Federal Court decision relating to debt restructuring undertaken in 1986. A decision of the High Court this year resulted in a tax refund and interest received on overpayment of taxes.

[6] During 1997, Imperial Chemical Industries PLC sold its 62.4% shareholding in Orica Limited (formerly ICI Australia Limited). As a result of the sale, the company changed its name and corporate identity.

	Consolidated 1998 $000	Consolidated 1997 $000	Company 1998 $000	Company 1997 $000
5. Auditors' remuneration				
Total remuneration received, or due and receivable, by the auditors for:				
audit services				
– auditors of the company – KPMG	**366**	337	**70**	70
– other KPMG member firms	**586**	113	**–**	–
other services				
– auditors of the company – KPMG	**698**	402	**–**	–
– other KPMG member firms	**238**	30	**–**	–

Notes To and Forming Part of the Financial Statements

6. Income tax

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
The amount of income tax attributable to the financial year differs from the amount prima facie payable on the operating profit. The differences are reconciled as follows:				
Prima facie income tax calculated at 36% on operating profit	**163.0**	89.5	**154.8**	84.5
Tax effect of permanent differences which (reduce)/increase tax expense:				
rebatable dividends	**–**	–	**(148.9)**	(72.5)
research and development allowances	**(1.6)**	(1.8)	**–**	–
variation in tax rates of foreign controlled entities and withholding tax on remittance of non-Australian profits	**(2.3)**	(2.6)	**–**	–
non-taxable profit on sale of businesses and controlled entities	**(17.0)**	(3.2)	**–**	–
non-taxable profit on sale of property, plant and equipment	**(2.3)**	(1.8)	**–**	(0.7)
abnormal items – non-taxable	**(140.1)**	–	**–**	–
abnormal items – non-allowable	**1.4**	12.1	**–**	0.6
abnormal items – tax refund	**(9.5)**	–	**(9.5)**	–
tax under/(over) provided in prior years	**0.5**	(1.9)	**–**	–
non-allowable depreciation	**2.5**	3.5	**0.4**	0.4
goodwill amortisation	**3.2**	2.1	**–**	–
losses of foreign controlled entities not carried forward as future income tax benefit	**1.5**	–	**–**	–
other non-allowable items	**2.5**	2.0	**(0.1)**	1.0
Income tax attributable to operating profit	**1.8**	97.9	**(3.3)**	13.3
Income tax expense comprises:				
income tax provision – current year	**63.5**	97.0	**6.7**	13.3
income tax provision – prior year	**(9.0)**	(1.9)	**(9.5)**	–
provision for deferred income tax	**25.7**	13.1	**–**	–
future income tax benefit	**(78.4)**	(10.3)	**(0.5)**	–
	1.8	97.9	**(3.3)**	13.3

Notes To and Forming Part of the Financial Statements

7. Segment report

The economic entity's operations predominantly relate to the chemical industry and have been divided into six business areas comprising Agricultural Chemicals, Chemicals, Mining Services, Consumer Products, Plastics and Advanced Sciences.

The economic entity's policy is to transfer products internally at negotiated commercial prices. Operating revenue now includes royalties and proceeds on sale of property, plant and equipment previously included in unallocated items. 1997 figures have been restated. Unallocated items comprise corporate and financial items that are not specific to the defined business areas and include proceeds on sale of businesses.

Defined business areas	Operating revenue external to economic entity	Inter-segment sales	Total operating revenue	Operating profit before income tax and abnormal items	Abnormal items	Operating profit before income tax and after abnormal Items	Segment assets	Capital expenditure	Depreciation and amortisation
1998	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Agricultural Chemicals	**716.6**	**1.8**	**718.4**	**48.4**	**(1.2)**	**47.2**	**460.6**	**35.5**	**13.6**
Chemicals	**728.3**	**170.5**	**898.8**	**67.7**	**(31.8)**	**35.9**	**573.4**	**48.0**	**28.8**
Mining Services	**947.3**	**1.4**	**948.7**	**101.7**	**(61.3)**	**40.4**	**1,228.9**	**58.7**	**52.0**
Consumer Products	**740.8**	**1.2**	**742.0**	**81.4**	**(64.2)**	**17.2**	**403.9**	**12.6**	**23.4**
Plastics	**560.9**	**50.0**	**610.9**	**46.2**	**(61.0)**	**(14.8)**	**693.4**	**29.2**	**41.3**
Advanced Sciences	**289.4**	**4.6**	**294.0**	**50.9**	**(16.6)**	**34.3**	**120.1**	**28.4**	**9.1**
Eliminations		**(229.5)**	**(229.5)**						
Subtotal	**3,983.3**	**–**	**3,983.3**	**396.3**	**(236.1)**	**160.2**	**3,480.3**	**212.4**	**168.2**
Unallocated items	**616.2**		**616.2**	**(69.9)**	**362.4**	**292.5**	**167.1**	**13.5**	**3.2**
Consolidated	**4,599.5**	**–**	**4,599.5**	**326.4**	**126.3**	**452.7**	**3,647.4**	**225.9**	**171.4**

1997	$m	$m	$m	$m	$m	$m	$m	$m	$m
Agricultural Chemicals	746.6	2.7	749.3	71.8	(0.9)	70.9	394.5	37.7	12.7
Chemicals	719.5	186.7	906.2	77.1	(87.4)	(10.3)	537.7	62.3	30.8
Mining Services	604.3	1.6	605.9	114.9	(5.6)	109.3	440.1	39.3	30.9
Consumer Products	731.5	1.0	732.5	87.0	(9.8)	77.2	475.5	19.3	22.8
Plastics	524.8	53.1	577.9	31.5	(22.9)	8.6	811.6	32.1	44.3
Advanced Sciences	323.4	5.3	328.7	47.2	(1.2)	46.0	152.9	12.0	10.6
Eliminations		(250.4)	(250.4)						
Subtotal	3,650.1	–	3,650.1	429.5	(127.8)	301.7	2,812.3	202.7	152.1
Unallocated items	37.7		37.7	(27.9)	(25.1)	(53.0)	149.3	2.8	6.8
Consolidated	3,687.8	–	3,687.8	401.6	(152.9)	248.7	2,961.6	205.5	158.9

Notes To and Forming Part of the Financial Statements

7. Segment report (continued)

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

Defined business areas	**Products/services**
Agricultural Chemicals	Manufacture, import and supply of nitrogen, phosphate and other fertilizers and crop care products including herbicides, insecticides and fungicides.
Chemicals	Manufacture and supply of a broad range of industrial and specialty chemicals including chlorine, sodium hypochlorite, caustic soda and surfactants for household, food and personal care products and ammonia, ammonium nitrate and urea for explosives and fertilizers.
Mining Services	Manufacture and supply of explosives, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries and sodium cyanide to the gold mining industry.
Consumer Products	Manufacture and supply of paints and other surface coatings to the decorative and technical markets and a range of home handyman and car use products.
Plastics	Manufacture and supply of polyethylene, polypropylene and vinyl as well as a range of plastic films and specialty plastics.
Advanced Sciences	Includes the pharmaceuticals, adhesives and resins, polyurethanes and scientific equipment businesses.

Geographic areas	Operating revenue external to economic entity	Inter-segment sales	Total operating revenue	Operating profit before income tax and abnormal items	Abnormal items	Operating profit before income tax and after abnormal Items	Segment assets	Capital expenditure	Depreciation and amortisation
1998	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Australia	**3,158.7**	**170.0**	**3,328.7**	**332.1**	**(162.9)**	**169.2**	**2,617.4**	**145.5**	**139.2**
New Zealand	**315.6**	**6.0**	**321.6**	**25.5**	**(1.4)**	**24.1**	**163.4**	**6.4**	**9.0**
Americas	**346.9**	**37.3**	**384.2**	**13.6**	**(55.4)**	**(41.8)**	**543.5**	**16.2**	**13.9**
Other	**162.1**	**16.2**	**178.3**	**25.1**	**(16.4)**	**8.7**	**156.0**	**44.3**	**6.1**
Eliminations		**(229.5)**	**(229.5)**						
Subtotal	**3,983.3**	**–**	**3,983.3**	**396.3**	**(236.1)**	**160.2**	**3,480.3**	**212.4**	**168.2**
Unallocated items	**616.2**		**616.2**	**(69.9)**	**362.4**	**292.5**	**167.1**	**13.5**	**3.2**
Consolidated	**4,599.5**	**–**	**4,599.5**	**326.4**	**126.3**	**452.7**	**3,647.4**	**225.9**	**171.4**
1997	$m	$m	$m	$m	$m	$m	$m	$m	$m
Australia	3,137.6	231.7	3,369.3	369.7	(123.3)	246.4	2,541.0	179.6	135.4
New Zealand	328.3	3.4	331.7	34.2	(4.2)	30.0	182.6	8.3	11.3
Americas	24.5	–	24.5	(0.4)	–	(0.4)	1.2	1.0	1.0
Other	159.7	15.2	174.9	26.0	(0.3)	25.7	87.5	13.8	4.4
Eliminations		(250.3)	(250.3)						
Subtotal	3,650.1	–	3,650.1	429.5	(127.8)	301.7	2,812.3	202.7	152.1
Unallocated items	37.7		37.7	(27.9)	(25.1)	(53.0)	149.3	2.8	6.8
Consolidated	3,687.8	–	3,687.8	401.6	(152.9)	248.7	2,961.6	205.5	158.9

Notes To and Forming Part of the Financial Statements

	Consolidated	
	1998	1997
	Cents per share	
8. Earnings per share		
Basic earnings per share	**162.8**	45.4
Diluted earnings per share is not materially different from basic earnings per share		
	Number	
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**267,085,575**	290,650,386
	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per share		
Operating profit after income tax	**450.9**	150.8
Less outside equity interests	**(16.0)**	(18.6)
Less preference share dividends appropriated	**(0.1)**	(0.1)
Earnings used in calculation of basic earnings per share	**434.8**	132.1

	Consolidated		Company	
	1998	1997	**1998**	1997
	$m	$m	**$m**	$m
9. Cash				
Cash at bank and on hand	**40.6**	82.4	**–**	–
Deposits at call – external	**43.3**	3.2	**–**	–
	83.9	85.6	**–**	–

Notes To and Forming Part of the Financial Statements

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
10. Receivables				
Current				
Trade debtors				
external	**539.2**	400.6	**–**	–
associated companies	**2.4**	–	**–**	–
Less provision for doubtful debts				
external	**(25.0)**	(6.3)	**–**	–
	516.6	394.3	**–**	–
Sundry debtors/loans				
external	**32.2**	37.3	**3.0**	–
controlled entities	**–**	–	**245.5**	661.4
executive directors	**0.1**	0.2	**–**	–
Less provision for doubtful debts				
external	**(0.6)**	–	**–**	–
	31.7	37.5	**248.5**	661.4
	548.3	431.8	**248.5**	661.4
Non-current				
Sundry debtors/loans				
external	**3.7**	2.9	**–**	–
	3.7	2.9	**–**	–

(i) Significant terms and conditions
Trade debtors to be settled within 30 days are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

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

Notes To and Forming Part of the Financial Statements

10. Receivables (continued)

(iii) Credit risk
Credit risk in debtors is managed in the following ways:

- payment terms are generally 30 days and compliance is high
- a risk assessment process is used for accounts over $50,000
- credit insurance cover is obtained for any high risk customers.

The economic entity manages significant exposures to any individual customer or counterparty through the methods detailed above.

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

	1998	1997
Business area		
Agricultural Chemicals	**11.2%**	13.5%
Chemicals	**17.4%**	18.5%
Mining Services	**39.1%**	17.7%
Consumer Products	**19.0%**	26.8%
Plastics	**8.6%**	15.0%
Advanced Sciences	**4.7%**	8.5%
Geographic area		
Australia	**64.7%**	81.4%
New Zealand	**6.8%**	10.8%
Americas	**19.7%**	–
Other	**8.8%**	7.8%

	Consolidated		Company	
	1998 $m	1997 $m	**1998 $m**	1997 $m
11. Investments				
Current				
External deposits not at call	**13.8**	–	**–**	–
	13.8	–	**–**	–
Non-current				
Interest in unlisted controlled entities (see note 33)				
at directors' valuation 1986	**–**	–	**508.4**	508.4
at cost	**–**	–	**838.6**	162.6
	–	–	**1,347.0**	671.0
Interest in unlisted associates				
at directors' valuation 1986	**0.8**	0.8	**–**	–
at cost	**15.3**	0.7	**–**	–
	16.1	1.5	**–**	–
Interest in listed corporations at market value	**1.2**	–	**–**	–
	17.3	1.5	**1,347.0**	671.0

The directors' valuation in 1986 of unlisted shares was based on net fair value, being the relevant proportion of underlying net assets. The economic entity does not have a policy of regular revaluation.

Notes To and Forming Part of the Financial Statements

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
12. Inventories				
Raw materials and stores				
At cost	**236.9**	216.4	**–**	–
At net realisable value	**1.4**	2.2	**–**	–
	238.3	218.6	**–**	–
Less provision for stock losses and obsolescence	**(8.6)**	(6.3)	**–**	–
	229.7	212.3	**–**	–
Work in progress, at cost	**16.8**	10.8	**–**	–
Finished goods				
At cost	**473.1**	424.1	**–**	–
At net realisable value	**0.5**	0.6	**–**	–
	473.6	424.7	**–**	–
Less provision for stock losses and obsolescence	**(10.6)**	(5.1)	**–**	–
	463.0	419.6	**–**	–
Total inventories	**709.5**	642.7	**–**	–

13. Other assets

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
Current				
Deferred maintenance expenditure	**11.0**	3.8	**–**	–
Prepayments	**21.0**	20.3	**–**	–
	32.0	24.1	**–**	–
Non-current				
Deferred maintenance expenditure	**18.5**	8.7	**–**	–
Prepayments	**5.4**	3.6	**–**	–
Future income tax benefit[i]	**181.8**	103.4	**2.1**	1.7
	205.7	115.7	**2.1**	1.7

[i] Recovery of future tax benefits depends on future taxable earnings and the continuation of existing tax laws and compliance therewith.

Future tax benefits attributable to tax losses carried forward by controlled entities amounting to $9.9m (1997 nil) have been brought to account in the consolidated financial statements at 30 September 1998 because the directors believe realisation of those benefits is virtually certain.

Potential future tax benefits relating to tax losses of controlled entities amounting to $18.4m (1997 $0.5m) have not been brought to account as realisation is not virtually certain.

These benefits will only be obtained if:

(a) the controlled entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised; or

(b) the loss is transferred to an eligible entity in the economic entity; and

(c) the controlled entity continues to comply with the conditions for deductibility imposed by the law; and

(d) no changes in tax legislation adversely affect the controlled entity or the economic entity in realising the benefit from the deductions for the loss.

Notes To and Forming Part of the Financial Statements

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
14. Property, plant and equipment				
Land, buildings and improvements				
At directors' valuation				
1986 and prior years	**127.4**	125.0	**63.6**	66.0
1987	**2.7**	3.1	**–**	–
1989	**13.0**	14.4	**–**	–
At cost	**482.4**	362.4	**35.8**	33.5
	625.5	504.9	**99.4**	99.5
Accumulated depreciation				
At directors' valuation				
1986 and prior years	**(42.9)**	(41.3)	**(11.7)**	(12.1)
1987	**(1.6)**	(1.5)	**–**	–
1989	**(3.5)**	(3.4)	**–**	–
At cost	**(139.6)**	(86.3)	**(18.7)**	(17.0)
	(187.6)	(132.5)	**(30.4)**	(29.1)
Net book value				
At directors' valuation				
1986 and prior years	**84.5**	83.7	**51.9**	53.9
1987	**1.1**	1.6	**–**	–
1989	**9.5**	11.0	**–**	–
At cost	**342.8**	276.1	**17.1**	16.5
Total net book value	**437.9**	372.4	**69.0**	70.4
Machinery, plant and equipment				
At directors' valuation				
1986 and prior years	**101.4**	139.8	**–**	–
1987	**14.2**	15.2	**–**	–
1989	**–**	4.3	**–**	–
At cost	**2,399.9**	2,232.7	**1.1**	1.1
Under finance lease	**4.1**	2.4	**–**	–
	2,519.6	2,394.4	**1.1**	1.1
Accumulated depreciation/amortisation				
At directors' valuation				
1986 and prior years	**(81.2)**	(126.1)	**–**	–
1989	**(11.5)**	(11.2)	**–**	–
1992	**–**	(3.3)	**–**	–
At cost	**(1,128.3)**	(1,033.9)	**(0.7)**	(0.8)
Under finance lease	**(0.3)**	(0.6)	**–**	–
	(1,221.3)	(1,175.1)	**(0.7)**	(0.8)
Net book value				
At directors' valuation				
1986 and prior years	**20.2**	13.7	**–**	–
1989	**2.7**	4.0	**–**	–
1992	**–**	1.0	**–**	–
At cost	**1,271.6**	1,198.8	**0.4**	0.3
Under finance lease	**3.8**	1.8	**–**	–
Total net book value	**1,298.3**	1,219.3	**0.4**	0.3
Total net book value of property, plant and equipment	**1,736.2**	1,591.7	**69.4**	70.7

	Consolidated		Company	
	1998	1997	**1998**	1997
	$m	$m	**$m**	$m

14. Property, plant and equipment (continued)

(i) Value of freehold land				
(included above with land, buildings and improvements)	**168.6**	125.0	**54.0**	54.0
(ii) Land held for resale				
At cost or directors' valuation	**32.9**	17.2	**–**	–
Development and remediation costs	**33.2**	28.5	**–**	–
Total land held for resale				
(included above in value of freehold land)	**66.1**	45.7	**–**	–

(iii) Current valuations

The most recent valuations of freehold land and buildings, which are prepared every three years are listed below. These valuations are not incorporated in the financial statements.

At directors' valuation				
1995	**–**	350.9	**–**	181.9
1997	**95.5**	95.5	**–**	–
1998	**383.0**	–	**203.9**	–
	478.5	446.4	**203.9**	181.9

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

(iv) Property, plant and equipment movements

Details of movements in net property, plant and equipment during the year are:				
Balance at the beginning of the financial year	**1,591.7**	1,568.6	**70.7**	74.1
capital expenditure	**221.8**	205.3	**0.8**	1.2
acquisition of controlled entities	**252.0**	79.9	**–**	–
writedowns and revaluations	**(65.9)**	(40.8)	**–**	–
disposals, demolitions and exchange fluctuations	**(104.4)**	(70.5)	**–**	(2.8)
depreciation and amortisation	**(159.0)**	(150.8)	**(2.1)**	(1.8)
Balance at the end of the financial year	**1,736.2**	1,591.7	**69.4**	70.7

15. Intangibles

Patents and rights, at cost	**77.6**	6.3	**–**	–
Less accumulated amortisation	**(7.4)**	(4.9)	**–**	–
	70.2	1.4	**–**	–
Goodwill, at cost	**287.2**	113.9	**–**	–
Less accumulated amortisation	**(60.4)**	(49.7)	**–**	–
	226.8	64.2	**–**	–
Total net book value of intangibles	**297.0**	65.6	**–**	–

	Consolidated		Company	
	1998	1997	**1998**	1997
	$m	$m	**$m**	$m
16. Payables				
Current				
Trade creditors				
external	**459.3**	410.7	**3.5**	8.3
associated companies	**3.2**	–	**–**	–
Sundry creditors and accrued charges				
external	**101.6**	70.8	**0.5**	1.1
controlled entities	–	–	**3.8**	3.2
	564.1	481.5	**7.8**	12.6
Non-current				
Sundry creditors and accrued charges				
external	**1.3**	2.5	**0.1**	0.4
	1.3	2.5	**0.1**	0.4

(i) Significant terms and conditions
Trade creditors, including expenditures not yet billed, are recognised when the economic entity becomes obliged to make future payments as a result of a purchase of assets or services. Trade accounts payable are normally settled within 30 days from invoice month end or within the agreed payment terms with the supplier.

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

17. Borrowings

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
Current				
Secured bank loans	**1.5**	3.0	**–**	–
Unsecured				
bank overdrafts	**4.7**	17.3	**–**	–
bank loans	**203.5**	–	**–**	–
promissory notes	**48.9**	380.1	**–**	–
other short term borrowings	**63.6**	182.3	**–**	–
other loans				
controlled entities	**–**	–	**445.5**	490.6
associated companies	**1.5**	–	**–**	–
Lease liabilities	**1.2**	1.2	**–**	–
	324.9	583.9	**445.5**	490.6
Non-current				
Secured bank loans	**–**	1.8	**–**	–
Unsecured				
bank loans	**357.9**	–	**–**	–
fixed term notes	**100.0**	–	**–**	–
other loans				
external	**100.0**	157.0	**–**	–
controlled entities	**–**	–	**1.1**	1.1
Lease liabilities	**2.2**	1.5	**–**	–
	560.1	160.3	**1.1**	1.1

(i) Significant terms and conditions
Promissory notes are recognised when issued at the amount of the net proceeds received and carried at amortised cost until the liabilities are fully settled. Interest on the instruments is recognised as an expense over the lives of the instruments. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

(ii) Net fair values
The directors consider the carrying amount of borrowings to approximate their net fair values.

Notes To and Forming Part of the Financial Statements

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
18. Provisions				
Current				
Dividends	**78.1**	74.7	**78.1**	74.7
Income tax	**4.6**	51.2	**–**	13.3
Employee entitlements	**82.4**	76.0	**–**	–
Deferred manufacturing	**–**	1.0	**–**	–
Change of corporate identity and renaming	**16.1**	36.1	**0.4**	1.4
Restructuring and rationalisation	**111.1**	3.5	**–**	–
Environmental	**15.7**	24.3	**–**	–
Other	**32.4**	27.2	**0.4**	0.3
	340.4	294.0	**78.9**	89.7
Non-current				
Income tax	**24.2**	20.7	**2.3**	2.4
Employee entitlements	**77.1**	65.2	**–**	–
Restructuring and rationalisation	**6.9**	4.6	**–**	–
Environmental	**88.5**	61.3	**–**	–
Deferred income tax	**128.6**	102.9	**–**	–
Other	**17.9**	5.0	**–**	–
	343.2	259.7	**2.3**	2.4
Aggregate employee entitlement liabilities				
Current	**82.4**	76.0	**–**	–
Non-current	**77.1**	65.2	**–**	–
	159.5	141.2	**–**	–

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

Assumed rate of increase in wage and salary rates	**5.0%**
Average discount rate	**5.0%**
Settlement term (years)	**10**

19. Share capital of the company

	Company 1998 $m	Company 1997 $m
Issued and fully paid:		
Cumulative non-redeemable 5% preference shares – 2,000,000 (1997 – 2,000,000)	**2.0**	2.0
Ordinary shares – 268,844,662 (1997 – 266,492,372)	**425.4**	266.5
	427.4	268.5
Movements in issued and fully paid ordinary shares of the company were:		
Opening balance	**266.5**	296.4
Options exercised under the Orica Executive Share Option Plan 37,500 (1997 – 75,000) shares at par value	**–**	0.1
Shares issued under the dividend reinvestment plan 1,481,643 shares at $10.25 (1997 Nil)	**15.2**	–
Shares issued under the share acquisition scheme 576,809 shares at $10.25 (1997 Nil)	**5.9**	–
Shares issued under the general employee exempt share plan 256,338 shares at par value (1997 Nil)	**0.3**	–
Shares cancelled under the share buy-back Nil (1997 – 30,000,000 shares at par value)	**–**	(30.0)
Transfer from share premium account (see note 20)	**137.5**	–
	425.4	266.5

19. Share capital of the company (continued)

The balance in the share premium account as at 1 July 1998 has been transferred to share capital as a result of the Company Law Review Act 1998. This act abolishes the need for shares to have a par value, resulting in share premium accounts no longer being required.

Options

Options at 30 September 1998 under the Orica Executive Share Option Plan are as follows:

(a) 112,500 options (1997 – 112,500) on fully paid ordinary shares exercisable at $10.37 per share between 8 June 1997 and 7 June 1999

(b) 137,500 options (1997 – 137,500) on fully paid ordinary shares exercisable at $11.38 per share between 22 March 1998 and 21 March 2000

(c) Nil options (1997 – 152,500) on fully paid ordinary shares exercisable at $9.09 per share between 10 February 1999 and 9 February 2001 (16,500 options lapsed during the year, 136,000 options lapsed at year end.)

(d) 135,000 options (1997 – 135,000) on fully paid ordinary shares exercisable at $12.35 per share between 24 January 2000 and 23 January 2002

(e) 835,000 options (1997 – nil) on fully paid ordinary shares exercisable at $10.88 per share between 27 February 2001 and 26 February 2003.

	Consolidated		Company	
	1998 $m	1997 $m	**1998 $m**	1997 $m
20. Reserves				
Share premium	**–**	134.8	**–**	134.8
Realisation and revaluation of assets	**39.1**	39.1	**5.6**	5.6
General and other	**150.1**	151.7	**90.0**	90.0
Exchange fluctuation	**(3.5)**	1.8	**–**	–
	185.7	327.4	**95.6**	230.4
Movement in reserves during the financial year				
Share premium				
opening balance	**134.8**	134.5	**134.8**	134.5
premium on issue of shares	**2.7**	0.3	**2.7**	0.3
transfer to ordinary share capital (see note 19)	**(137.5)**	–	**(137.5)**	–
Closing balance	**–**	134.8	**–**	134.8
Realisation and revaluation of assets				
opening balance	**39.1**	42.3	**5.6**	5.6
revaluation of property, plant and equipment, net of tax	**–**	(3.2)	**–**	–
Closing balance	**39.1**	39.1	**5.6**	5.6
General and other				
opening balance	**151.7**	155.3	**90.0**	90.0
adjustment to ownership of subsidiary	**(1.6)**	(3.6)	**–**	–
Closing balance	**150.1**	151.7	**90.0**	90.0
Exchange fluctuation				
opening balance	**1.8**	3.3	**–**	–
translation of overseas controlled entities at the end of the financial year	**(5.3)**	(1.5)	**–**	–
Closing balance	**(3.5)**	1.8	**–**	–

Withholding tax

Reserves of overseas controlled entities available to Orica include $75.6m (1997 $110.6m) which, if remitted to Australia, would be liable to a dividend withholding tax of 15% (1997 – 15%) which has not been provided for in these financial statements.

Notes To and Forming Part of the Financial Statements

	Company 1998 $m	Company 1997 $m
21. Dividends		
Ordinary		
interim dividend paid franked at 36%	**56.0**	59.3
final dividend proposed franked at 36%	**–**	74.6
final dividend proposed unfranked	**78.0**	–
Preference		
interim dividend paid franked at 36%	**0.05**	0.05
final dividend paid franked at 36%	**0.05**	0.05
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:		
paid in cash	**115.5**	136.5
satisfied by issue of shares	**15.2**	–
Franking credits		
franking credits available at the 36% corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the proposed dividends	**–**	–

	Consolidated 1998	Consolidated 1997	Consolidated 1998 $m	Consolidated 1997 $m
22. Outside equity interests in controlled entities				
Ordinary share capital of controlled entities held by outside equity interests in:				
Australian Vinyls Corporation Ltd	**37.4%**	37.4%	**27.8**	27.8
Chai International Development Co Ltd	**30.0%**	–	**1.1**	–
GBC Scientific Equipment Pty Ltd	**33.4%**	33.4%	**0.3**	0.3
Grow Force Australia Ltd	**50.0%**	50.0%	**1.0**	1.0
Ibernobel SA	**20.0%**	–	**–**	–
Incitec Ltd	**26.7%**	27.3%	**32.0**	31.1
Initiating Explosives Systems Pty Ltd	**30.0%**	30.0%	**6.9**	4.8
Nitrosan Patlayici Maddeler Ticaret ve Sanavi AS	**49.0%**	–	**1.5**	–
Orica CCM Energy Systems Sdn Bhd – formerly ICI CCM Energy Systems Sdn Bhd	**45.0%**	45.0%	**0.6**	0.6
Orica Coatings (Fiji) Ltd – formerly ICI Paints (Fiji) Ltd	**11.7%**	12.0%	**–**	–
Orica Explosives Philippines Inc – formerly Philippines Explosives Corporation	**10.6%**	16.7%	**0.2**	0.3
Orica Weihai Explosives Co Ltd	**20.0%**	–	**4.7**	–
PT Kaltim Nitrate Industries	**5.0%**	–	**–**	–
			76.1	65.9
Outside equity interest in shareholders' equity at balance date is as follows:				
share capital			**76.1**	65.9
reserves			**30.7**	24.5
retained profits			**16.6**	17.3
			123.4	107.7

Notes To and Forming Part of the Financial Statements

	Notes	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m

23. Cash flow information

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 sheets as follows:

	Notes	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
cash	(9)	**83.9**	85.6	**–**	–
bank overdraft	(17)	**(4.7)**	(17.3)	**–**	–
		79.2	68.3	**–**	–

Reconciliation of operating profit after income tax to net cash flows from operating activities

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
Operating profit after income tax	**450.9**	150.8	**433.3**	221.4
Depreciation	**159.0**	150.8	**2.1**	1.8
Amortisation	**12.4**	8.1	**–**	–
(Decrease)/increase in net interest payable	**(4.4)**	2.9	**0.6**	3.2
Decrease in dividend income accrued	**–**	–	**154.4**	25.0
Write down of property, plant and equipment	**65.9**	40.8	**–**	–
Write down of intangibles	**14.7**	–	**–**	–
Net (profit) on sale of businesses and controlled entities	**(396.7)**	(9.6)	**–**	–
Net (profit) on sale of property, plant and equipment	**(15.0)**	(3.7)	**–**	(2.0)
Changes in assets and liabilities net of effects of acquisitions and disposals of businesses				
(increase) in trade and other debtors	**(15.7)**	(15.8)	**(0.1)**	–
(increase) in inventories	**(7.7)**	(26.6)	**–**	–
increase/(decrease) in deferred taxes payable	**(54.8)**	1.3	**(0.5)**	–
increase/(decrease) in creditors and provisions	**102.8**	61.1	**(6.5)**	10.1
increase/(decrease) in income taxes payable	**(38.9)**	8.6	**(16.4)**	4.4
Net cash flows from operating activities	**272.5**	368.7	**566.9**	263.9

Disposal of businesses/controlled entities

	Consolidated 1998 $m	Consolidated 1997 $m
Consideration		
cash received	**603.6**	34.4
disposal costs	**(13.7)**	(0.7)
provisions arising on disposal	**(63.1)**	–
non-cash consideration	**–**	62.6
	526.8	96.3
Fair value of net assets of businesses/controlled entities disposed		
receivables	**1.4**	4.5
inventories	**57.4**	22.6
property, plant and equipment	**87.9**	64.8
other assets	**5.1**	1.4
creditors and long term borrowings	**(13.1)**	(2.8)
other creditors	**(8.6)**	(0.6)
provisions	**–**	(3.2)
	130.1	86.7
Profit on sale of businesses/controlled entities	**396.7**	9.6

23. Cash flow information (continued)

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
Acquisition of businesses/controlled entities				
Consideration				
cash paid	**561.3**	38.3		
acquisition costs	**11.7**	3.5		
net cash acquired	**(7.2)**	–		
non-cash consideration	**–**	62.6		
	565.8	104.4		
Fair value of net assets of businesses/controlled entities acquired				
receivables	**135.2**	2.6		
inventories	**116.6**	34.3		
property, plant and equipment	**252.0**	79.9		
intangibles including purchased goodwill	**140.1**	28.8		
other assets	**18.7**	1.4		
creditors	**(107.0)**	(10.8)		
loans	**(55.7)**	–		
provisions	**(43.5)**	(4.0)		
	456.4	132.2		
Less outside equity interests at date of acquisition	**(1.9)**	(27.8)		
Goodwill on consolidation	**111.3**	–		

Financing facilities

Details of standby arrangements and credit facilities are included in note 26.

Notes To and Forming Part of the Financial Statements

	Consolidated		Company	
	1998	1997	**1998**	1997
	$m	$m	**$m**	$m

24. Contingent liabilities

(Unsecured unless stated)

Details and estimated amounts of contingent liabilities (for which no provisions are included in the accounts) arising in respect of:

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
Repayment of debentures assigned under contract	**1.0**	1.0	**1.0**	1.0
Amounts uncalled on investments in companies	**–**	–	**15.0**	15.0
Discounted bills of exchange	**19.3**	18.0	**–**	–

Other contingent liabilities

Under the terms of a Deed of Cross Guarantee entered into in accordance with the ASIC Class Order 98/1418 dated 13 August 1998, 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 entities which are party to the Deed are indicated in note 33. A consolidated balance sheet and profit and loss account for this closed group is shown in note 34.

A controlled entity, Incitec Ltd, has received amended tax assessments for the years 1989 to 1991 of $3.7m in respect of a sale and leaseback transaction. If extended to 1995 (date of finalisation of the lease), the potential charge against Incitec's profits would be $16.7m. Legal and taxation advice supports Incitec's treatment of the sale and leaseback and no charge has been made against cumulative profits. Incitec is currently awaiting a decision from the Federal Court of Australia in relation to this matter.

The company and a number of its controlled entities are parties to litigation relating to the use of the insecticide Helix. In June 1997 these companies were found liable in negligence to four general categories of claimant represented in the action. Finalisation of litigation in respect of a further three categories of claims is still pending. In July and August 1997 all cross-claims by these companies against other parties were settled. In November 1997 seven test cases on the damages suffered by claimants were heard. The judgments on those claims were paid by the companies' insurers. Some further claims have been settled by the companies' insurers. A trial was held in May 1998 to determine the damages for eight of the largest claims. These claims have been settled or determined by the court. All settlements and awards of damages to date have been paid by the companies' insurers. There are other claims for damages that have still not been quantified by the claimants or resolved. These claims are to be heard on an ongoing basis. On the basis of the information the company has received to date, the company believes that any damages that may be awarded, or any settlements which may be concluded in the future, will be covered by insurance policies.

From time to time the economic entity is subject to claims for damages arising from products supplied by the economic entity in the normal course of business. Controlled entities have received advice of two claims, relating to their alleged failure to supply product suitable for particular applications, totalling about $48 million. In both cases the entities concerned deny liability and are defending the claims. The controlled entities believe the actions are without basis and they will not be financially disadvantaged by the claims.

Energetic Solutions Inc. (ES), a subsidiary of Orica Limited, has been joined as a defendant in litigation against Imperial Chemical Industries PLC (ICI PLC) and ICI Explosives USA Inc. (EUSA), amongst others, claiming unquantified damages relating to breach of US antitrust laws. The joining of ES is based on the circumstances whereby ES acquired some of the business of EUSA in 1996. These claims are being strongly resisted. Orica Limited has an indemnity from ICI PLC for loss or damage suffered as a result of the litigation and does not expect ultimately to be financially disadvantaged as a result of the litigation.

The economic entity has entered into long term supply contracts for the purchase of goods and services. In certain cases minimum charges are payable regardless of the level of operations, but in all cases the levels of operations are expected to remain above those that would trigger minimum payments.

There are guarantees relating to certain leases of plant and equipment and other agreements arising in the ordinary course of business.

Contracts of sale covering companies and businesses which were divested during the current and prior years included normal commercial warranties and indemnities to the purchasers. The company is not aware of any exposure under these warranties and indemnities.

The company has set up provisions for all known environmental liabilities in accordance with SAC4. While the directors believe that, based upon current information, its current provisions are appropriate, 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.

Notes To and Forming Part of the Financial Statements

	Consolidated 1998 $m	Consolidated 1997 $m	Company 1998 $m	Company 1997 $m
25. Expenditure commitments				
Capital commitments				
Capital expenditure on property, plant and equipment contracted but not provided for:				
payable no later than one year	**56.1**	42.8	**–**	–
payable later than one, no later than two years	**4.9**	5.0	**–**	–
	61.0	47.8	**–**	–
Lease commitments				
Lease expenditure contracted for at balance date but not recognised in the financial statements:				
payable no later than one year	**34.2**	28.1	**–**	–
payable later than one, no later than two years	**38.5**	22.7	**–**	–
payable later than two, no later than five years	**38.5**	28.8	**–**	–
payable later than five years	**16.6**	17.5	**–**	–
	127.8	97.1	**–**	–
Representing				
cancellable operating leases	**85.8**	10.9	**–**	–
non-cancellable operating leases	**41.8**	86.0	**–**	–
future finance charges on finance leases	**0.2**	0.2	**–**	–
	127.8	97.1	**–**	–
Analysis of non-cancellable operating lease commitments:				
payable no later than one year	**13.8**	24.6	**–**	–
payable later than one, no later than two years	**11.2**	20.7	**–**	–
payable later than two, no later than five years	**14.4**	25.1	**–**	–
payable later than five years	**2.4**	15.6	**–**	–
	41.8	86.0	**–**	–
Finance lease commitments:				
payable no later than one year	**1.4**	1.3	**–**	–
payable later than one, no later than two years	**1.4**	0.7	**–**	–
payable later than two, no later than five years	**0.8**	0.9	**–**	–
	3.6	2.9	**–**	–
Less future finance charges	**(0.2)**	(0.2)	**–**	–
Present value of minimum lease payments provided for as a liability	**3.4**	2.7	**–**	–
Representing lease liabilities				
current	**1.2**	1.2	**–**	–
non-current	**2.2**	1.5	**–**	–
	3.4	2.7	**–**	–

	Consolidated		Company	
	1998	1997	**1998**	1997
	$m	$m	**$m**	$m

26. Standby arrangements and credit facilities

Unsecured bank overdraft facilities available	**83.5**	46.2	**–**	–
Amount of facilities unused	**79.1**	43.4	**–**	–
Secured bank overdraft facilities available	**0.8**	4.4	**–**	–
Amount of facilities unused	**0.8**	2.4	**–**	–
Committed standby and loan facilities available	**1327.9**	612.2	**–**	–
Amount of facilities unused	**849.4**	555.7	**–**	–

27. Amounts receivable and payable denominated in foreign currencies

The economic entity does not have any material exposure to currency movements due to the policy of entering into a range of financial instruments to hedge net exposure.

The economic entity does not have any material long term receivables or payables denominated in currencies other than the domestic reporting currency of each relevant controlled entity that are not effectively hedged.

28. Additional financial instruments disclosures

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

Interest rate risk management
The economic entity uses interest rate swaps and forward rate agreements to manage the interest rate risk within guidelines authorised by the board of directors. The effective interest rate on average net debt for the twelve months ended 30 September 1998 was 6.1% (1997 7.5%).

The notional amounts of derivative instruments 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 will be calculated with reference to the notional amounts and the other terms of the derivative contracts.

Interest rate swaps
Interest rate swaps provide the economic 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 that are lower than those available to the economic entity if fixed or floating rate borrowings were made directly. Each contract involves quarterly 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:

	1998	1997
	$m	$m
Less than one year	**210.0**	270.0
One to two years	**70.0**	210.0
Two to three years	**90.0**	40.0
Notional principal	**370.0**	520.0
Fixed interest rate range p.a.	**5.2% to 8.4%**	6.0% to 8.4%
Floating interest rate range p.a.	**4.7% to 5.2%**	–

Forward rate agreements
Forward rate agreements (FRAs) are used by the economic entity to manage its exposure to short term interest rate fluctuations. On settlement date, the interest differential between the current interest rate and the contract reference rate based on the notional principal is exchanged. The expiration terms are principally 3 months.

	1998	1997
	$m	$m
Notional principal	**–**	70.0
Interest rate range p.a.	**–**	4.6% to 4.9%

Notes To and Forming Part of the Financial Statements

28. Additional financial instruments disclosures (continued)

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

	Notes	Floating interest rate $m	Fixed interest rates 1 year or less $m	Fixed interest rates 1 to 5 years $m	Non-interest bearing $m	Total $m	Weighted average effective interest rate % pa
30 September 1998							
Cash	(9)	**83.9**	**–**	**–**	**–**	**83.9**	**4.5**
Trade debtors	(10)	**–**	**–**	**–**	**514.2**	**514.2**	**–**
Shares	(11)	**–**	**–**	**–**	**17.3**	**17.3**	**–**
Deposits	(11)	**13.8**	**–**	**–**	**–**	**13.8**	**5.2**
Total financial assets		**97.7**	**–**	**–**	**531.5**	**629.2**	
Trade creditors	(16)	**–**	**–**	**–**	**459.3**	**459.3**	**–**
Bank overdrafts[i]	(17)	**4.7**	**–**	**–**	**–**	**4.7**	**15.2**
Short term borrowings	(17)	**213.1**	**–**	**–**	**–**	**213.1**	**5.2**
Promissory notes	(17)	**48.9**	**–**	**–**	**–**	**48.9**	**5.0**
Lease liabilities	(17)	**3.4**	**–**	**–**	**–**	**3.4**	**8.5**
Other borrowings	(17)	**514.9**	**–**	**100.0**	**–**	**614.9**	**5.5**
Employee entitlements	(18)	**–**	**–**	**–**	**159.5**	**159.5**	**–**
Dividends payable	(18)	**–**	**–**	**–**	**78.1**	**78.1**	**–**
Interest rate swaps[ii]		**(370.0)**	**210.0**	**160.0**	**–**	**–**	**5.8**
Total financial liabilities		**415.0**	**210.0**	**260.0**	**597.1**	**1,482.1**	
30 September 1997							
Cash	(9)	55.5	–	–	–	55.5	4.9
Cash in transit	(9)	–	–	–	30.1	30.1	–
Trade debtors	(10)	–	–	–	394.3	394.3	–
Shares	(11)	–	–	–	1.5	1.5	–
Total financial assets		55.5	–	–	425.9	481.4	
Trade creditors	(16)	–	–	–	410.7	410.7	–
Bank overdrafts	(17)	17.3	–	–	–	17.3	5.7
Short term borrowings	(17)	185.3	–	–	–	185.3	5.5
Promissory notes	(17)	380.1	–	–	–	380.1	5.0
Lease liabilities	(17)	2.7	–	–	–	2.7	8.5
Other borrowings	(17)	158.8	–	–	–	158.8	5.2
Employee entitlements	(18)	–	–	–	141.2	141.2	–
Dividends payable	(18)	–	–	–	82.5	82.5	–
Forward rate agreements[ii]		(70.0)	70.0	–	–	–	4.7
Interest rate swaps[ii]		(520.0)	270.0	250.0	–	–	6.9
Total financial liabilities		154.2	340.0	250.0	634.4	1,378.6	

[i] Weighted average effective interest rate includes offshore funding at local rates.

[ii] Forward rate agreements and interest rate swaps are off-balance sheet transactions.

Notes To and Forming Part of the Financial Statements

28. Additional financial instruments disclosures (continued)

Foreign exchange risk management
Each of the economic entity's major business units has specific policies for the management of foreign exchange exposures within guidelines agreed by the board of directors. The economic entity's businesses hedge between 0% and 100% of their foreign exchange transaction exposures depending on the broader impact of exchange rates upon their business and other relevant factors. Hedging of exposures is undertaken centrally by the economic entity's treasury operation primarily through forward exchange contracts. Option contracts may also be used.

As at 30 September 1998, the Australian dollar value of the outstanding forward foreign exchange contracts was $34.3m (1997 $115.8m). These contracts rarely extend for a period longer than twelve months. The majority of the underlying exposures are against the United States dollar.

As at 30 September 1998, the economic entity had no outstanding put option contracts (1997 principals of US$4.5m) and no call option contracts (1997 principals of US$4.0m).

For contracts which hedge anticipated sales and purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs. The net unrecognised loss on hedges of anticipated foreign currency purchases and sales at 30 September 1998 was $0.4m (1997 $0.1m).

Liquidity risk management
Liquidity risk arises from the possibility that a market for derivatives may not exist in some circumstances. To counter this risk, the economic entity deals only in derivatives in highly liquid markets.

Credit risk management
Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under the contract or arrangement. The major exposure to credit risk arises from trade receivables which have been recognised on the balance sheet net of any provision for doubtful debts (refer note 10) and from derivative financial instruments.

The credit risk exposure arising from derivative financial instruments is the sum of all contracts with a positive replacement cost. As at 30 September 1998, the sum of all contracts with a positive replacement cost was $10.1m. The economic entity restricts dealings to counterparties approved within its credit limit policy. Exposure to counterparties is based upon credit ratings provided by international credit rating agencies.

Net fair values

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

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

Off-balance sheet financial instruments
The net fair values of the economic entity's unrecognised financial assets and liabilities at balance date are:

	Net fair value	
	$m	$m
	1998	1997
Interest rate swaps	**(3.4)**	(11.0)
Forward foreign exchange contracts	**(1.5)**	1.4
Foreign exchange options	**–**	(0.2)

Net fair values of unrecognised financial instruments are determined according to the estimated amounts which the economic entity would be expected to pay or receive to terminate the contracts. This is based on independent market quotations and determined using standard valuation techniques.

Notes To and Forming Part of the Financial Statements

29. Related party disclosures

Directors
The directors of the company during the year were:

P J Clinch	G R Liebelt
A B Daniels	B H Lochtenberg
B Healey	D P Mercer
G E Heeley	H K H Radder
A C Larkin	P L Weickhardt

Employee share plan loans to directors
Employee share plan loans made to directors, who were full time employees of the economic entity, during the year amounted to nil (1997 $13,925) and repayments received totalled $53,408 (1997 $186,014). Total employee share plan loans receivable from directors at balance date were $122,140 (1997 $175,548). These loans are on terms and conditions no more favourable than the interest free concessional terms available to other employees under the employee share plan detailed in note 30. There were no other loans made, payments received or amounts receivable from the directors of the company.

No executives who are directors of controlled entities of the company received employee share plan loans during the year.

The following executives who were directors of controlled entities of the company during the year made employee share plan loan repayments during the year:

J F Babon	B J Gibson	N K Mitchell	L K Smith
G J Bird	R H Giles	G M Norrish	G P Thurston
A D Blackley	E G Harvey	W O Reynolds	I G Treeby
M J Davies	A D King	R Roberts	D A Williams
P G Ettienne	D A Lyons	R O Sexty	G J Witcombe
R A Fincham	A G Millar	W N Skilbeck	M A Yabsley

Directors' transactions in shares and options

	1998			1997		
	Acquired during the year (i)	**Disposed of during the year (i)**	**Balance at year end (ii)**	Acquired during the year (i)	Disposed of during the year (i)	Balance at year end (ii)
Orica Limited						
Ordinary shares	**7,496**	**–**	**71,665**	16,300	–	42,656
Options	**275,000**	**–**	**450,000**	102,000	–	182,500

(i) Shares and options acquired or disposed by directors while they are directors of the company

(ii) Balance of shares held by directors at balance date.

Additional disclosure is shown on page 35.

Other directors' transactions
J D Story, a director of Grow Force Australia Ltd, is a partner of a legal firm which provides legal advice to Grow Force Australia Ltd. Fees of $151,000 (1997 $104,000) paid to the legal firm for legal services were in the ordinary course of business on normal commercial terms and conditions.

D B Trebeck, a director of Incitec Ltd, is managing director of a company which provides consulting services to Incitec Ltd. Fees of $6,000 (1997 $13,000) paid to the company for consulting services were in the ordinary course of business on normal commercial terms and conditions.

R G Grey, a director of GBC Scientific Equipment Pty Ltd, is a director of a company which purchases from and sells to GBC Scientific Equipment Pty Ltd. Purchases of $245,000 (1997 $213,000) and sales of $5,000 (1997 $1,000) made with the company were in the ordinary course of business on normal commercial terms and conditions.

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

Remuneration of directors is disclosed in note 32.

Notes To and Forming Part of the Financial Statements

29. Related party disclosures (continued)

Transactions with wholly owned controlled entities
Transactions between Orica Limited and entities in the wholly owned group during the year consisted of:

- 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 loaned from Orica Finance Ltd
- dividend revenue received by Orica.

All the above transactions with related parties are made on normal commercial terms and conditions.

Transactions with other related parties
All transactions with related parties are made on normal commercial terms and conditions. Material transactions during the year were:

Transactions of Orica – none

Transactions of Orica's controlled entities:

Orica Finance Ltd received funds on deposit from an associated company, Pigment Manufacturers of Australia Pty Ltd. The funds are repayable on demand. Interest is set at a margin on the BBSW 30 day average rate and is renegotiated monthly. The amount on deposit at 30 September 1998 was $1.5m (1997 nil) and the interest paid for the year was $18,000 (1997 nil).

Incitec Ltd purchased goods and services from an associated company, Chemtrans Asiatic Ltd, amounting to $17,000 (1997 nil).

Orica Canada Inc. sold explosives to an associated company, BXL Bulk Explosives Limited, amounting to $4.6m for the period from date of acquisition of Orica Canada to 30 September 1998.

Orica Australia Ltd purchased goods from Pigment Manufacturers of Australia Pty Ltd amounting to $15m (1997 nil).

Energetic Solutions Inc. sold goods to an associated company, Northwest Energetic Services LLC, amounting to $634,000 for the period from date of acquisition of Energetic Solutions to 30 September 1998.

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

Dividend income	note 2
Interest payable and receivable	notes 2, 3
Receivables	note 10
Investments in controlled entities	notes 11, 33
Payables	note 16
Borrowings	note 17
Options	note 19
Remuneration of directors	note 32

Controlling entities
Up until July 1997, the immediate parent company and the ultimate Australian parent company was Impkemix Investments Pty Ltd and the ultimate controlling entity was Imperial Chemical Industries PLC, incorporated in England. In July 1997, Impkemix Investments Pty Ltd sold its shareholding in Orica Limited (then known as ICI Australia Limited). As a result of this transaction, Orica no longer has either an ultimate parent company or an ultimate controlling entity.

30. Employee share plans

Employee share plan
The Orica employee share plan was established on 10 June 1987 after shareholder approval. As a result, a trust was established, known as the Orica Employee Share Plan (the Plan) which is administered by the trustee (the Plan Manager).

Under the terms of the Plan, the Plan Manager invites eligible employees to purchase shares in Orica and purchases them on their behalf. Employees who have completed at least two years and executives at least six months service with Orica or a wholly owned subsidiary within the economic entity are considered eligible. Offers are made to these employees once they become eligible and are made on the following basis:

- shares are purchased on market on behalf of employees by the Plan Manager at market price
- employees are entitled to purchase at least 400 ordinary shares with a maximum loan of $6,000
- loans are made to employees by Orica Australia Pty Ltd to purchase shares and are interest free
- repayment of loans to employees must be made within ten years and repayments are deducted from employees' salaries
- employees who leave the economic entity must settle their outstanding loan as soon as practicable.

Offers have been made quarterly since the Plan began. As at 30 September 1998, participating members held a total of 983,523 (1997 1,145,943) ordinary shares in Orica. The market price of the shares at that date was $8.20 per share (1997 $13.14 per share).

The balance of loans receivable from employees participating in the Plan at balance date was $3.2m (1997 $4.5m).

Orica provides the Plan Manager with interest free finance to acquire shares. As at 30 September 1998, the loan outstanding to the Plan Manager was nil (1997 $22,000).

Notes To and Forming Part of the Financial Statements

30. Employee share plans (continued)

General employee exempt share plan

The general employee exempt share plan (GEESP) was established on 13 March 1998. It is administered by a custodial plan company, Orica GEESP Pty Ltd, a company formed solely to facilitate the operation of the GEESP on behalf of the company.

The board of the custodial plan company determines which employees are eligible to receive offers to participate in the GEESP. Offers are made to these eligible employees on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on-market
- employees are entitled to acquire shares with a market value of approximately $1,000
- loans are made to employees by the custodial plan company to purchase shares and are interest free
- repayment of loans to employees must be made by twelve equal deductions from employees' salaries
- employees who leave the economic entity must settle their outstanding loan as an adjustment to their termination payment
- employees can not deal in the shares for a maximum of three years or until they leave their employment with Orica, whichever comes first.

An offer under GEESP was made on 13 March 1998. As at 30 September 1998, participating members held a total of 256,150 ordinary shares in Orica. The market price of the shares at that date was $8.20 per share.

The balance of loans receivable from employees to the custodial plan company at 30 September 1998 was $1.3m.

Orica provides the custodial plan company with interest free finance to acquire shares. As at 30 September 1998, the loan outstanding to the custodial plan company was $1.3m.

31. Superannuation commitments

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

Company sponsored plans

Australia and New Zealand

- The principal benefits are pensions or lump sums for members on resignation, retirement, disability or death. The benefits are provided on either a defined benefit basis or an accumulation basis.
- Employee contribution rates are either fixed by the rules of the fund 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 accumulation funds, the amounts required by the rules of the fund. The superannuation funds sponsored by the economic entity were in surplus during the financial year, where the fund's assets exceeded both the accrued benefits and vested benefits due to members. In consequence, no employer contributions have been made since 1989. Actuarial advice indicates that employer contributions are expected to resume in the first quarter of the 1999 financial year.
- The contributions made by the employer companies are legally enforceable.
- The last actuarial assessments in respect of defined benefits for employees belonging to the funds were:
  - Orica Group Superannuation Fund – 30 June 1997 by A Dillon FIA, FIAA.
  - Orica New Zealand Limited Pension Plan – 1 April 1997 by Ian Midgley MA, FIA, FIAA, FNZSA.

    Based on the position at the above mentioned dates, the funds are available to satisfy all benefits vested in the event of:
  - termination of the plan;
  - voluntary termination of the employment of each employee of the economic entity on the initiative of that employee; or
  - compulsory termination of the employment of each employee of the economic entity by the economic entity.
- The accrued benefits based on the last major actuarial assessments, the plan assets at net market value and the vested benefits at the balance dates shown of the superannuation plans sponsored by the company are:

Notes To and Forming Part of the Financial Statements

31. Superannuation commitments (continued)

	1998				1997			
	Accrued benefits *	**Net surplus**	**Plan assets**	**Vested benefits**	Accrued benefits *	Net surplus	Plan assets	Vested benefits
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Orica Group Superannuation Fund Balance date: 30 June	**705.9**	**29.0**	**734.9**	**720.6**	705.9	65.6	771.5	689.2
Orica New Zealand Limited Pension Plan Balance date: 31 March	**35.7**	**4.3**	**40.0**	**33.6**	40.1	2.6	42.7	38.1
	741.6	**33.3**	**774.9**	**754.2**	746.0	68.2	814.2	727.3

* Accrued benefits are as at the last major actuarial assessment, being 30 June 1997 for the Orica Group Superannuation Fund and 1 April 1997 (1997 – 31 March 1994) for the Orica New Zealand Limited Pension Plan.

- There were no employer contributions payable at balance date.

Europe

- The Orica Pension Scheme was established with effect from 1 May 1998 for permanent employees transferring to Orica Europe Limited following the purchase of Imperial Chemical Industries PLC's international explosives businesses. The employer companies are paying contributions of 13.4% of pensionable pay (plus expenses and early retirement costs) with effect from 1 May 1998, as recommended in an initial actuarial assessment by A A S Bryans BSc FIA FPMI CMath FIMA. These contributions amounted to $319,000. A bulk transfer is to be received from the ICI Pension Fund and a formal valuation, including a review of the employer contribution rate, will be carried out as soon as practical thereafter.

Americas

- The Pension Plan for Orica Canada Inc. was established effective 1 May 1998, as a result of the purchase of ICI PLC's explosives business in Canada. The pension plan consists of a defined benefit and a defined contribution portion. The estimated employer cost of the pension plan, including both the defined benefit and defined contribution portions of the plan, is around 6.5%. Assets from the ICI Pension Plan will be transferred to the Orica Plan to cover benefits earned while members of the ICI Pension Plan by the members who transferred to Orica. Since the final amount of asset transfer has not been determined at this time, a formal actuarial valuation of the Plan has not been performed. An actuarial valuation, including a review of the employer contribution rate, will be carried out as soon as practical after the amount of asset transfer has been finalised.
- The Energetic Solutions Retirement Income Plan is a defined benefit fund established to provide pensions for employees of Energetic Solutions Inc. Contributions are made on a projected benefit obligation basis. The last actuarial assessment was made on 16 September 1998 by K Fitzpatrick, FSA, FA which showed actuarial benefits of $10.1m. The assets of the plan and the vested benefits under the plan as at 1 May 1998 were $5.9m and $4.7m respectively. The net deficit of plan assets over accrued benefits is $4.2m and will be made up by employer contributions over 30 years in accordance with local regulatory requirements.

Industry/union plans

- Some controlled entities participate in industry/union 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.

Notes To and Forming Part of the Financial Statements

	Economic entity 1998 $000	Economic entity 1997 $000	Company 1998 $000	Company 1997 $000
32. Remuneration of directors and executives				
Directors				
Aggregate of income paid or payable, or otherwise made available, to all directors by the economic entity or any related party	**16,641**	14,519	**3,080**	3,210

The number of directors of the company whose total income from the company or any related party was within the specified bands are as follows:

$	Company 1998 No.	Company 1997 No.
0 – 9,999	**–**	2
50,000 – 59,999	**–**	3
60,000 – 69,999	**3**	–
70,000 – 79,999	**1**	–
130,000 – 139,999	**–**	2
170,000 – 179,999	**1**	–
340,000 – 349,999*	**1**	–
350,000 – 359,999	**1**	–
460,000 – 469,999	**1**	–
510,000 – 519,999*	**–**	1
550,000 – 559,999	**–**	1
620,000 – 629,999	**1**	–
850,000 – 859,999#*	**1**	1
860,000 – 869,999*	**–**	1

Executive officers – domiciled in Australia

	Economic entity 1998 $000	Economic entity 1997 $000	Company 1998 $000	Company 1997 $000
Aggregate of income received or due and receivable by executive officers (including executive directors) whose income is more than $100,000. An executive officer is a person who is directly accountable and responsible for the strategic direction and operational management of Orica. Details of executives are contained on pages 26 to 27.	**16,959**	17,652	**2,023**	2,920

The number of executive officers with income of more than $100,000 is shown in the relevant income bands:

$	Economic entity 1998 No.	Economic entity 1997 No.	Company 1998 No.	Company 1997 No.
100,000 – 109,999	**5**	1	**–**	–
110,000 – 119,999	**4**	4	**–**	–
120,000 – 129,999	**6**	4	**–**	–
130,000 – 139,999	**7**	9	**–**	1
140,000 – 149,999	**3**	5	**–**	–
150,000 – 159,999	**13**	10	**–**	–
160,000 – 169,999	**6**	9	**–**	–
170,000 – 179,999	**7**	8	**–**	–
180,000 – 189,999	**4**	1	**–**	–
190,000 – 199,999	**7**	8	**–**	–
200,000 – 209,999	**3**	5	**–**	–
210,000 – 219,999	**4**	3	**–**	–
220,000 – 229,999	**–**	3	**–**	–
230,000 – 239,999	**3**	3	**–**	–
240,000 – 249,999	**1**	–	**–**	–
250,000 – 259,999	**1**	–	**–**	–
260,000 – 269,999	**1**	1	**–**	–
280,000 – 289,999	**1**	1	**–**	–
300,000 – 309,999	**2**	–	**–**	–
350,000 – 359,999	**1**	1	**1**	–
420,000 – 429,999	**–**	2	**–**	–
460,000 – 469,999	**1**	–	**1**	–
510,000 – 519,999*	**–**	1	**–**	1
540,000 – 549,999	**1**	–	**–**	–
550,000 – 559,999	**–**	1	**–**	1
620,000 – 629,999	**1**	–	**1**	–
710,000 – 719,999@	**1**	–	**–**	–
850,000 – 859,999*#@	**1**	2	**1**	1
860,000 – 869,999*	**–**	1	**–**	1

Notes To and Forming Part of the Financial Statements

32. Remuneration of directors and executives (continued)

* includes expatriate allowances

includes statutory employee entitlements paid to the Estate of W W Haynes

@ includes statutory employee entitlements paid on termination of employment

Name of entity	Place of incorporation other than Australia	Notes
33. Investments in controlled entities		
Company		
Orica Limited		Formerly ICI Australia Limited
Controlled Entities		
Olefines Pty Ltd (a)		
Orica Australia Pty Ltd		Formerly ICI Australia Operations Pty Ltd
Orica Engineering Pty Ltd (a)		Formerly ICI Australia Engineering Pty Ltd
Orica Finance Ltd		Formerly ICI Australia Finance Ltd
Orica Nominees Pty Ltd (a)		Formerly ICI Australia Nominees Pty Ltd
Penlon Pty Ltd (a)		
Orica Papua New Guinea Pty Ltd	PNG	Formerly ICI Dulux Papua New Guinea Pty Ltd
British Paints (PNG) Pty Ltd	PNG	
Dulux Papua New Guinea Pty Ltd	PNG	
United Pacific Drilling (PNG) Pty Ltd	PNG	
Orica Investments Pty Ltd (a)		Formerly ICI Australia Investments Pty Ltd
Advanced Sciences Pty Ltd (a)		
Australian Vinyls Corporation Ltd		
AVC Properties Pty Ltd		
BJN Investments Pty Ltd		In liquidation
CHEM Advisory Services Pty Ltd (a)		Formerly IC Insurance Advisory Services Pty Ltd
CHEM Exports Pty Ltd (b)		
CHEM Instruments Pty Ltd (a)		
CHEM International Pty Ltd (a)		
Dulux Holdings Ltd (a)		
GBC Scientific Equipment Pty Ltd		
GBC Scientific Equipment Pty Inc.	USA	
GBC Scientific Equipment (UK) Ltd	UK	
GBC Scientific International Pty Ltd		
Gorodok Pty Ltd (a)		
Incitec Ltd		
Incitec Investments Ltd		
ACF and Shirleys Ltd		
Austral-Pacific Fertilizers Limited		
Crop Care Australasia Pty Ltd		Owned 50% by Incitec and 50% by Orica Investments
Crop Care Holdings Ltd	NZ	
Eastern Nitrogen Limited		
Grow Force Australia Ltd		
Incitec Trading Pty Ltd		
Retec Ltd		
Incitec Services Pty Ltd		
Initiating Explosives Systems Pty Ltd		
KC Chemical Industries Pty Ltd (a)		
Orica-CCM Energy Systems Sdn Bhd	Malaysia	Formerly ICI CCM Energy Systems Sdn Bhd
Orica Coatings (Fiji) Ltd	Fiji	Formerly ICI Paints (Fiji) Ltd
Orica Explosives Holdings Pty Ltd (a)		Formerly Pacific Chemicals Pty Ltd
Brasex Participacoes Ltda (b)	Brazil	
Explo Brasil Ltda (b)	Brazil	
ICI Explosives Argentina SAIC (b)	Argentina	
ICI Explosives Guyana Inc (b)	Guyana	
Orica Canada Inc (b)	Canada	
Orica Chile SA (b)	Chile	Formerly ICI Explosives Chile SA

Notes To and Forming Part of the Financial Statements

33. Investments in controlled entities (continued)

Name of entity	Place of incorporation other than Australia	Notes
Orica Europe Limited (b)	UK	
Orica European Investments Limited (b)	UK	
Ibernobel SA (b)	Spain	
Compania Aragonesa Explosivos SA (b)	Spain	
Orica Securities Limited (b)	UK	
Nitrosan Patlayici Maddeler Ticaret ve Sanayi AS (b)	Turkey	
ICI Systemes SARL (b)	France	
Orica International Management Inc (b)	USA	
Orica Peru SA (b)	Peru	Formerly ICI Explosives Peru SA
Orica Trading Pty Ltd (b)		
Orica (US) Inc. (b)	USA	
Atlas Powder International Inc. (b)	USA	
ICI Explosives Puerto Rico Inc. (b)	Puerto Rico	
Energetic Solutions Inc (b)	USA	
Oricorp Mexico SA de CV (b)	Mexico	
Explosivos Mexicanos SA de CV (b)	Mexico	
Nitroamonia de Mexico SA de CV (b)	Mexico	
Orica Exports Pty Ltd (a)		Formerly ICI Australia Exports Pty Ltd
Orica Fiji Ltd	Fiji	Formerly ICI Fiji Ltd
Orica Films Asia Sdn Bhd	Malaysia	Formerly ICI Films Asia Sdn Bhd
Orica GEESP Pty Ltd (b)		
Orica Holdings Pty Ltd		Formerly ICI Australia Holdings Pty Ltd
Orica Weihai Explosives Co Ltd (b)	China	
Orica Hong Kong Limited (b)	Hong Kong	
Orica Insurance Pty Ltd (b)		
Orica Investments (NZ) Limited	NZ	Formerly Impkemix Investments (NZ) Limited
Orica New Zealand Limited	NZ	Formerly ICI New Zealand Limited
Berger Paints Limited	NZ	
British Paints New Zealand Limited	NZ	
Chemical Cleaning Limited	NZ	
CHEM Powder Coatings Limited (b)	NZ	
Chemsafe New Zealand Limited	NZ	
Dulux New Zealand Limited	NZ	
Levene Paint Manufacturing Limited	NZ	
New Zealand Pharmaceuticals Limited	NZ	Disposed of in 1998
Oregon Paint Company Limited	NZ	
Selleys Chemical Co NZ Limited	NZ	
Orica Investments Thailand Pty Ltd (b)		
Orica Explosives (Thailand) Co Ltd (b)	Thailand	
Chai International Development Co Ltd (b)	Thailand	
Orica Singapore Pte Ltd	Singapore	Formerly Impkemix Holdings SEA Pte Ltd
Orica Explosives Philippines Inc.	Philippines	Formerly Philippines Explosives Corporation
PT Orica Mining Services (b)	Indonesia	
PT Kaltim Nitrate Industries (b)	Indonesia	
PT Orica Resindo Mahakam (b)	Indonesia	
Sarkem Limited (a)		
Selleys Pty Ltd (a)		Formerly Selleys Chemical Co Pty Ltd
SHE Pacific Pty Ltd		
Valchem (Australia) Pty Ltd		In liquidation

Refer note 22 for outside equity interests in controlled entities.

(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/incorporated in 1998.

Notes To and Forming Part of the Financial Statements

	Closed Group 1998 $m

34. 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, are indicated in note 33. A consolidated balance sheet and profit and loss account for this closed group is given below.

	Closed Group 1998 $m
Balance sheet	
Current assets	
Cash	**610.8**
Receivables	**62.5**
Inventories	**17.8**
Other assets	**2.1**
Total current assets	**693.2**
Non-current assets	
Investments	**1,071.6**
Property, plant and equipment	**482.6**
Intangibles	**52.5**
Other assets	**20.8**
Total non-current assets	**1,627.5**
Total assets	**2,320.7**
Current liabilities	
Payables	**43.4**
Borrowings	**995.0**
Provisions	**107.1**
Total current liabilities	**1,145.5**
Non-current liabilities	
Borrowings	**1.1**
Provisions	**33.3**
Total non-current liabilities	**34.4**
Total liabilities	**1,179.9**
Net assets	**1,140.8**
Shareholders' equity	
Share capital	**427.4**
Reserves	**90.4**
Retained profits	**623.0**
Total shareholders' equity	**1,140.8**
Profit and loss account	
Operating profit before income tax	**424.4**
Income tax attributable to operating profit	**18.0**
Operating profit after income tax	**442.4**
Retained profits at the beginning of the financial year	**314.7**
Dividends paid/provided	**(134.1)**
Retained profits at the end of the financial year	**623.0**

Directors' Declaration on the Financial Statements set out on pages 40 to 75

We, Bernard Hendrick Lochtenberg and Philip Leonard Weickhardt, being directors of Orica Limited, do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

1. (a) the financial statements and notes, set out on pages 40 to 75, are in accordance with the Corporations Law, including:
   - (i) giving a true and fair view of the financial position of the company and the economic entity as at 30 September 1998 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
   - (ii) complying with Accounting Standards and Corporations Regulations; and

   (b) there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the company and the subsidiaries identified in note 33 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the company and those subsidiaries pursuant to ASIC Class Order 98/1418.

B H Lochtenberg
Chairman

P L Weickhardt
Managing Director

Dated at Melbourne this 30th day of October 1998

Auditors' Report
For the year ended 30 September 1998

Independent auditors' report to the members of Orica Limited (formerly ICI Australia Limited)

Scope
We have audited the financial report of Orica Limited for the financial year ended 30 September 1998, consisting of the profit and loss accounts, balance sheets, statements of cash flows, accompanying notes, and the directors' declaration set out on pages 40 to 76. The financial report includes the consolidated financial statements of the economic entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the economic entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion
In our opinion, the financial report of Orica Limited is in accordance with:

(a) the Corporations Law, including:

(i) giving a true and fair view of the company's and economic entity's financial position as at 30 September 1998 and their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations; and

(b) other mandatory professional reporting requirements.

KPMG
Chartered Accountants

J W Nicholls
Partner

Dated at Melbourne this 30th day of October 1998

Shareholders' Statistics

As at 13 October 1998

Distribution of ordinary shareholders and shareholdings

Size of holding	Number of holders		Number of shares	
1 – 1,000	46,049	71.42%	21,407,619	7.96%
1,001 – 5,000	15,977	24.78%	33,842,698	12.59%
5,001 – 10,000	1,512	2.35%	10,948,699	4.07%
10,001 and over	937	1.45%	202,645,646	75.38%
Total	64,475	100.00%	268,844,662	100.00%

Included in the above total are 1,173 shareholders holding less than a marketable parcel of 61 shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 53.01% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
Westpac Custodian Nominees Limited	29,341,058	10.91
National Nominees Limited	16,464,055	6.12
ANZ Nominees Limited	14,488,992	5.39
Chase Manhattan Nominees Limited	14,059,015	5.23
BT Custodial Services Pty Limited	8,861,474	3.30
National Mutual Trustees Limited	8,424,085	3.13
SAS Trustee Corporation	6,905,721	2.57
Queensland Investment Corporation	6,116,532	2.28
Permanent Trustee Company Ltd	5,277,516	1.96
AMP Life Limited	4,119,469	1.53
Mercantile Mutual Life Insurance Company Limited	4,068,119	1.51
Citicorp Nominees Pty Limited	3,194,231	1.19
Prudential Corporation Australia Limited	2,924,345	1.09
IOOF Australia Trustees (NSW) Limited <Tyndall Aust Portfolio A/C>	2,874,142	1.07
HKBA Nominees Limited	2,815,218	1.05
Permanent Trustee Australia Limited	2,769,930	1.03
AMP Investment Administration Pty Ltd	2,682,858	1.00
Perpetual Trustees Nominees Limited	2,669,282	0.99
MLC Life Limited	2,328,021	0.87
Tyndall Life insurance Company Limited	2,120,111	0.79
Total	142,504,174	53.01

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:

29 June 1998	UBS Nominees Pty Ltd	14,829,346	5.45
21 July 1998	Tyndall Australia Limited	16,881,211	6.30
18 August 1998	Perpetual Trustees Nominees Limited	16,556,266	6.16

Shareholders' Statistics

As at 13 October 1998

Distribution of preference shareholders and shareholdings

Size of holding	Number of holders		Number of shares	
1 – 1,000	325	78.69%	103,260	5.16%
1,001 – 5,000	51	12.35%	132,007	6.60%
5,001 – 10,000	9	2.18%	68,241	3.41%
10,001 and over	28	6.78%	1,696,492	84.82%
Total	413	100.00%	2,000,000	100.00%

Included in the above total are 255 shareholders holding less than a marketable parcel of 511 shares.

The holdings of the 20 largest holders of 5% cumulative preference shares represent 80.20% of that class of shares.

Twenty largest 5% cumulative preference shareholders

	Shares	% of total
National Roads and Motorists Association	569,250	28.46
NRMA Investments Pty Ltd	369,472	18.47
Super John Pty Limited	110,440	5.52
F W O Pty Ltd	69,000	3.45
Mr John Frederick Bligh	58,153	2.91
J S Millner Holdings Pty Ltd	55,300	2.76
Patmic Pty Ltd	40,300	2.02
Tanlane Pty Limited <Maron Inv P/L Emp Prov A/C>	40,000	2.00
Winpar Holdings Limited	39,879	1.99
Robert John Charles Catto <Raglan Superfund A/C>	34,602	1.73
Ms Nina Tschernykow	34,500	1.73
Gowings Bros Ltd	33,400	1.67
Matine Limited	29,600	1.48
Grampian Hills Pty Ltd	21,400	1.07
Great Northern Laundry Pty Ltd	21,000	1.05
Henley Underwriting & Investment Company Pty Limited	18,000	0.90
Cameron Investments Pty Ltd	16,000	0.80
Mr Douglas Robert Graham Neild <A/C S>	15,500	0.78
Arthurs Trading Co Pty Ltd	15,000	0.75
Swiss Re Life & Health Australia Limited <SRAL Fund A/C>	13,200	0.66
Total	1,603,996	80.20

Voting rights

Voting rights as governed by the Constitution of the company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:
(a) on a show of hands, one vote only;
(b) on a poll, one vote for every fully paid ordinary share held.

No voting rights attach to the 5% cumulative preference shares except as defined in the Constitution.

Ten Year Financial Statistics

Orica consolidated

		1998 $m
Sales		**3,935.2**
Earnings before net interest and tax		**389.0**
Depreciation and amortisation		**171.4**
Trading cash flow		**560.4**
Net interest		**62.6**
Operating profit before income tax and abnormals		**326.4**
Operating profit after tax and before abnormals		**204.6**
Operating profit after tax and abnormals		**434.9**
Dividends		**134.1**
Current assets		**1,387.5**
Property, plant and equipment		**1,736.2**
Investments		**17.3**
Intangibles		**297.0**
Other non–current assets		**209.4**
Total assets		**3,647.4**
Current payables		**564.1**
Current borrowings		**324.9**
Current provisions		**340.4**
Non–current payables		**1.3**
Non-current borrowings		**560.1**
Non-current provisions		**343.2**
Total liabilities		**2,134.0**
Net assets		**1,513.4**
Shareholders' equity		**1,390.0**
Equity attributable to minority interests		**123.4**
Total shareholders' equity		**1,513.4**
Profit margin	**%**	**9.7**
Interest cover	**times**	**6.2**
(earnings before net interest and tax/net interest)		
Gearing	**%**	**34.6**
(debt/debt plus equity)		
Earnings per share including abnormals	**cents**	**162.8**
Dividends per share	**cents**	**50.0**
Dividend franking	**%**	**42.0**
Share price range – High		**$13.12**
Low		**$7.80**

1997 $m	1996 $m	1995 $m	1994 $m	1993 $m	1992 $m	1991 $m	1990 $m	1989 $m
3,602.1	**3,457.6**	**3,365.3**	**3,060.5**	**2,834.8**	**2,769.0**	**2,836.7**	**2,010.4**	**3,099.1**
438.6	376.3	423.5	313.2	240.2	199.2	182.9	205.1	356.9
158.9	130.4	137.3	154.2	146.8	164.2	144.4	125.4	117.9
597.5	**506.7**	**560.8**	**467.4**	**387.0**	**363.4**	**327.3**	**330.5**	**474.8**
37.0	26.2	15.4	29.0	36.9	40.9	66.4	84.5	51.9
401.6	350.1	408.1	284.2	203.3	158.3	116.5	120.6	305.0
242.2	220.1	268.8	187.4	125.2	91.4	68.3	74.4	175.0
132.2	**197.1**	**268.8**	**167.5**	**118.9**	**85.4**	**126.5**	**74.4**	**238.0**
134.0	130.5	154.2	97.9	68.2	53.4	44.4	59.2	144.8
1,184.2	1,130.0	1,126.4	1,057.1	1,003.6	967.7	1,018.0	1,048.0	1,199.3
1,591.7	1,568.6	1,351.6	1,173.5	1,133.9	1,118.9	1,125.2	1,122.1	1,002.7
1.5	1.1	1.6	1.8	4.5	3.9	3.1	9.1	9.9
65.6	44.6	49.0	43.6	47.1	49.4	62.4	73.1	75.0
118.6	99.1	127.1	116.4	161.9	206.1	158.3	137.6	134.4
2,961.6	**2,843.4**	**2,655.7**	**2,392.4**	**2,351.0**	**2,355.0**	**2,367.0**	**2,389.9**	**2,421.3**
481.5	479.7	467.8	533.9	464.0	441.3	403.6	414.9	405.2
583.9	143.4	102.7	97.7	82.6	41.5	74.6	322.7	332.3
294.0	262.1	340.4	273.6	225.6	235.1	205.4	123.5	276.6
2.5	2.7	2.2	2.6	55.0	105.6	166.5	161.0	23.8
160.3	236.0	75.4	0.4	107.6	175.6	193.8	86.9	115.8
259.7	203.8	221.3	161.0	146.2	144.2	134.2	153.2	140.5
1,781.9	**1,327.7**	**1,209.8**	**1,069.2**	**1,081.0**	**1,143.3**	**1,178.1**	**1,262.2**	**1,294.2**
1,179.7	**1,515.7**	**1,445.9**	**1,323.2**	**1,270.0**	**1,211.7**	**1,188.9**	**1,127.7**	**1,127.7**
1,072.0	1,440.5	1,377.6	1,263.8	1,205.9	1,148.7	1,131.1	1,053.2	1,045.7
107.7	75.2	68.3	59.4	64.1	63.0	57.8	74.5	81.4
1,179.7	**1,515.7**	**1,445.9**	**1,323.2**	**1,270.0**	**1,211.7**	**1,188.9**	**1,127.7**	**1,127.1**
12.2	**10.9**	**12.6**	**10.2**	**8.5**	**7.2**	**6.5**	**6.8**	**11.5**
11.9	**14.4**	**27.5**	**10.8**	**6.5**	**4.9**	**2.8**	**2.4**	**6.9**
35.8	**16.8**	**5.6**	**5.2**	**10.9**	**16.6**	**19.6**	**32.3**	**27.3**
45.4	**66.5**	**90.7**	**56.5**	**40.1**	**28.9**	**42.8**	**25.2**	**82.3**
48.0	**44.0**	**52.0**	**33.0**	**23.0**	**18.0**	**15.0**	**20.0**	**38.0**
100.0	**65.7**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
$13.85	**$12.25**	**$11.60**	**$11.50**	**$8.40**	**$6.12**	**$4.55**	**$6.84**	**$7.36**
$10.80	**$8.93**	**$8.70**	**$8.29**	**$4.46**	**$4.45**	**$3.06**	**$3.75**	**$5.60**

Shareholder Information

Orica Limited
ACN 004 145 868

Registered office
1 Nicholson Street,
Melbourne Victoria 3000
Australia

GPO Box 4311
Melbourne Victoria 3001
Australia

Telephone: (03) 9665 7111
International: +61 3 9665 7111
Facsimile: (03) 9665 7937
International: +61 3 9665 7937
Telex: AA30192

State/international offices

Sydney
Alfred Street
Rhodes NSW 2138

Brisbane
117 Victoria Street
West End Qld 4101

South Australia
Level 4, Kirin Centre
20 Sutton Terrace
Marleston SA 5033

Perth
15 Ogilvie Road
Mt Pleasant WA 6153

Tasmania
2 Canal Street
Launceston Tas 7250

Denver
9781 Meridian Bvd
Englewood, Colorado
80112, USA

Share registry enquiries
Perpetual Registrars Limited
Securities Registration Services
GPO Box 1736P
Melbourne Victoria 3001

Telephone: (03) 9205 4999
International: +61 3 9205 4999
Facsimile: (03) 9205 4900
International: +61 3 9205 4900
Toll free: 1800 331 721
Email: registry_melb@au.coopers.com

The Share Registrar, Perpetual Registrars Limited Securities Registration Services, is the appropriate contact for enquiries regarding shareholdings, debenture holdings, dividend payments or related administrative matters.

Investor and analyst enquiries
James Brookes
Telephone: (03) 9665 7639
International: +61 3 9665 7639
Email:
corporate_internet@orica.com.au

Stock Exchange listing
Orica Limited shares are listed on the Australian Stock Exchange (ASX) and are traded under the code ORI.

Payment of dividends
Australian shareholders may have their dividends paid directly into any bank, building society or credit union account in Australia. A form for this purpose is available from the company's Share Registrar.

Change of name
Shareholders who change their name should notify the Share Registrar in writing and attach a copy of a relevant deed poll or marriage certificate.

Change of address
Shareholders should notify the Share Registrar in writing immediately upon any change in their registered address and quote their holder identification number (HIN).

Uncertificated share register
The share register has been converted to a wholly uncertificated sponsored register. Information regarding the company's issuer sponsored holdings is available from the Share Registrar.

Consolidation of multiple shareholdings
If you have multiple shareholding accounts that you wish to consolidate into a single account, please advise the Share Registrar in writing.

Auditors
KPMG

Trustee for debenture holders
Permanent Trustee Company

Dividend Reinvestment Plan (DRP)
The company introduced a DRP during the year. Eligible shareholders who wish to participate in this scheme can obtain forms from the Share Registrar.

Financial calendar
The Orica calendar showing important dates affecting your shareholding can be found on page 32 of this annual report.

Tax File Numbers (TFN)
The company is obliged to deduct tax from dividend payments, other than those which are fully franked, to shareholders registered in Australia who have not quoted their TFN to the company. Personalised forms for notifying TFNs have been sent to all shareholders. If you have not already quoted your TFN, you may do so by contacting the Share Registrar.

Annual report mailing list
All shareholders are entitled to receive an annual report. However, shareholders can nominate not to receive an annual report by writing to the Share Registrar and quoting their HIN. Shareholders will however, still receive the Notice of Meeting and proxy form.

Orica Communications

Publications
- Annual report – this is the main source of information for investors.
- Safety, Health and Environment Report.
- A half yearly result summary which reviews the six months ending 31 March.
- Chairman's address presented at the Annual General Meeting.

Other financial and operating information about the company is available from the Manager, Investor Relations.

Additional copies of these publications are also available on request from Corporate Affairs:

Telephone: (03) 9665 7246
International: +61 3 9665 7246
Facsimile: (03) 9665 7771
International: +61 3 9665 7771
Email:
corporate_internet@orica.com.au

Orica on the Internet
For shareholders and members of the public with access to the Internet, further information about Orica, its businesses, products and services and educational resources centre, can be found at:
www.orica.com.au

This report was produced by the Corporate Affairs and Corporate Reporting Divisions.
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