Annual Report 2003

ORICA

Contents

Orica Limited
ABN 24 004 145 868

About Orica

Orica is one of Australia's largest publicly owned corporations with around 8000 skilled and enthusiastic people located across more than 30 countries around the world.

What started in 1874 as a small firm in Melbourne, Australia, supplying explosives to the goldfields has grown into a multi-billion dollar company. Our four businesses are all linked by chemical science, and our products impact every part of modern life.

In 1997 we became an independent corporation when ICI Plc divested its majority shareholding. Today Orica is one of the top 50 companies listed on the Australian Stock Exchange and all of our shareholders share in our increasing profitability.

At Orica we manage our operations with concern for people and the environment. We strive to conduct our business sustainably, so that the current benefits to society do not come at the cost of the quality of life of future generations. By integrating economic, environmental and social success factors in our strategies and operations as a sustainability-driven corporation, we better position ourselves for the future.

Our four leading businesses

Our businesses – Orica Mining Services, Fertilisers (Incitec Pivot Limited), Orica Chemicals and Orica Consumer Products – are all leaders in their chosen markets.

Global leader in explosives and blasting services

MINING SERVICES

Orica Mining Services manufactures and sells commercial explosives and initiating systems and provides blast management services to the mining, quarrying and construction industries. The business is run globally with a leading presence in Australia, Asia, Europe, North America and Latin America. Orica's i-kon™ electronic detonator is widely recognised as the world's most sophisticated blast initiator.

Australian leader in fertiliser supply

FERTILISERS

Orica owns 70% of Incitec Pivot Limited, a specialist world-class fertiliser manufacturer and supplier that serves agricultural markets across eastern and southern Australia. Created through the merger of the fertiliser businesses of Incitec Limited and Pivot Limited, Incitec Pivot Limited began operating as a merged entity in June 2003. The company's product range includes Big N, SuPerfect and Granulock.

Australasian leader in innovative chemical solutions

CHEMICALS

Orica Chemicals manufactures, imports and markets a vast range of chemical products and services for markets that include the dairy, food, beverage, water treatment, wood panel, automotive, manufacturing, printing engineering appliance, construction and mining industries. The business operates in Australia, New Zealand, Fiji and Indonesia. Orica's MIEX®DOC resin is recognised for providing new standards of water quality in Australia and, increasingly, overseas.

Australia and New Zealand's leader in decorative paint, paint preparation and associated hardware products and services and garden products

CONSUMER PRODUCTS

Orica Consumer Products manufactures and markets icon brands Dulux, Berger, British Paints, Walpamur, Levene, Cabot's, Feast Watson, Intergrain, Acratex, Selleys, Rota Cota, Poly and Turtle Wax in Australia and New Zealand. Garden care brands Hortico, Thrive, Zero and Dynamic Lifter have recently been added to the Orica Consumer Products portfolio. An extensive range of powder coatings is manufactured and marketed in Australia, New Zealand and the Asia-Pacific region.

The Way We Do Business

Over the past two years at Orica we have been implementing a performance-based culture driven by personal accountability for delivering results.

Our employees were responsible for developing the four key principles that guide how we act and behave. Our activities and behaviours, both as a company and as individuals, are constantly measured against these principles ensuring that we live up to our promises.

Being guided by these principles not only makes Orica a better place to work, it also significantly improves the company's performance and profitability.

Safety, Health & Environment – Ensuring Our Future

No injuries to anyone ever
Value people and the environment

Commercial Ownership

Run the business as if it's your own

Creative Customer Solutions

Think differently, deliver swiftly and capture the value

Working Together

Success as a team and success as an individual

Chairman's Report

It is with pleasure that I report on a successful year for your company.

In 2003, we have built upon the strength of the turnaround of last year and have commenced a low-risk strategic growth program to increase total shareholder returns including dividends and share price.

Based upon the 2003 profit before significant items of $270.3 million ($100.7 million after significant items), we have announced a dividend of 34 cents per share, 19.1% franked. This represents an increase in dividend of 17% compared with last year and a dividend yield of 4% based on a closing share price of $13.07 on November 4, 2003.

Additionally, we have seen the share price return this year to the levels achieved following the launch of Orica in 1998 – a commitment I made upon becoming Chairman of your company in 2001. While it is a milestone that will be welcomed by all shareholders, we are committed to maintaining the momentum of our increasing share price.

The profitable results of the past two years are a vindication of the strategic direction taken by the Board to maintain our commitment to the four business platforms, to get these businesses operating successfully and then to start to grow the company.

The growth program in the past year has involved mergers and acquisitions plus developments to existing plants. We have confidence that the applications of Orica's successful management systems and performance culture will create significant shareholder value.

The most substantial change during the year was the merger of the fertiliser business of Incitec with Pivot Limited to create Australia's biggest fertiliser company and the consequential integration of Incitec Industrial Chemicals into Mining Services and Chemicals. Although the resolution of the purchase of minorities in Incitec Limited was protracted and difficult, the outcome has been valuable with all businesses performing to or beyond expectations.

The resolution of another major legacy issue was the decision to write-off our investment in Qenos, the plastics 50/50 joint venture with Exxon. As well as demonstrating prudent accounting practice and fiscal responsibility, the write-off removes the masking influence of Qenos on Orica's financial performance.

A further area of legacy issues concerns the environment where Orica is dealing with a range of sites impacted by previous operations over decades. In most cases, we no longer have operations on these sites but Orica is committed to meeting its responsibilities to the neighbouring communities and the environment. Often, these issues are quite complex and require negotiation through extensive and sometimes frustrating regulatory or political dilemmas.

In the past year there has been significant media and regulatory focus on corporate governance. I'm concerned that some proposals encourage a 'tick-the-boxes' methodology to corporate governance with little reference to the specific circumstances or needs of a company. At Orica your Board has undertaken a detailed review of our own governance practices and concluded that we have all the necessary and appropriate policies and structures in place. Our simple approach to directing Orica relates to substance not form. We analytically assess what is required in the best interests of the company and the shareholders and we take the necessary action.

We are applying this approach to the matter of executive remuneration within Orica. The Remuneration and Appointments Committee has supported the introduction of a new long term incentive plan for executive remuneration in late 2004. The proposed plan will be a modification and extension of our existing senior executive share loan plan. Shares under the plan will be purchased on market for executives and the plan incorporates performance measurement criteria based on economic profit. I am confident that this approach is in the best interests of the company and its shareholders. I will outline to shareholders the rational and methodology of our executive remuneration plans at our Annual General Meeting (AGM) in December 2003.

The Board has announced the appointment of two new directors during the year – Peter Kirby and Michael Tilley. Both bring a wealth of commercial experience and wisdom to the Board. Peter and Michael will be replacing Brian Healey and Tony Daniels who will retire at the AGM after distinguished and valuable contributions to Orica. On behalf of shareholders, I thank them for their service.

Regarding the future, I believe the outlook is positive. The external forces which impacted our performance such as the drought and the world economy appear to be improving. Additionally, our new investments of the past year will make substantial contributions in the coming years and enable the company to continue to grow. These new additions combined with our continued focus on costs, the on-going success of our four business platforms and the excellence of our people make me confident of success going forward.

D.P. Mercer

Don Mercer
Chairman

Managing Director's Report

Shaping Our Future

This has been a year in which your company cemented its future direction and delivered on its promises despite difficult trading conditions in some parts of the company.

Orica is a 'niche' chemical company whose businesses are united by the chemical sciences that underpin their product ranges and by the creation of products which meet basic human needs. This is our strength and it served us well in 2003.

In the past 12 months, we started to shape the future face of the company as we continued the earnings momentum and began to move into strategic growth, the third leg of the Efficiency Culture Strategy approach we adopted two years ago.

Our profit before significant items for 2003 of $270 million, a 13% increase compared with 2002. Before significant items, this represents a return on shareholders' funds of 19.6% and an increase of 13% in earnings per share. The profit was $101 million after significant items, principally the previously-announced $123 million write-off of Orica's investment in Qenos, one of a number of legacy issues we addressed during the year.

This result has been underwritten by our focus on efficiency, a key element of the turnaround to bring Orica back to producing sustainable shareholder returns, and which is embedded within the organisation aided by the introduction of a performance-based Culture.

During the year, we began adding to our four business platforms through low risk growth with mergers, 'bolt-on' acquisitions and 'brownfields' development to support our best performing businesses by growing revenue and economic profitability.

We have created Australia's largest fertiliser company through the merger of Incitec Fertilizers with Pivot Limited. The merger implementation is progressing satisfactorily. We have strengthened our exceptional Chemnet chemical trading business through the addition of Fernz, Engineering Plastics, Welvic and Incitec Industrial Chemicals.

Mining Services Australia/Asia has been enhanced through production expansion, which has been completed at Yarwun and is underway at Kooragang Island, and also, by 'mopping up' the previously partly owned initiating systems businesses in Australia and India.

The icon brands in our Consumer Products business have been boosted with the purchase of the Yates Garden Products business adding such familiar names as Hortico, Thrive, Zero and Dynamic Lifter to Dulux, Berger, British Paints and Selleys.

All of these decisions have been driven by Orica's growth principles of growing only those businesses which are economically profitable, seizing those growth opportunities which enhance the leadership position held by our businesses and adding investments which are close to our current core businesses.

Execution against strategy follows the principles of strict financial criteria, a relentless focus on cost and capital efficiency with year-on-year productivity improvement per unit of sales targeted.

We are also growing through technological advancement. The key to sustainable growth in a highly competitive environment lies in world class technology spawning the development of products into niche markets and industry sectors where we can play a major part and which suit our skills.

An example of such technologically-based niche products is MIEX®, a resin developed in association with the CSIRO which removes dissolved organics from water. We have been making good progress in the United States with MIEX® where Government regulations regarding dissolved organics and drinking water are requiring water authorities to look at technological solutions.

As well as being good business decisions, technologies are providing practical solutions to many of the national and global environmental concerns.

In that regard, Orica is continuing to take responsibility for the environmental legacies of our former parent company's involvement in 100 years of chemical production. We are addressing the technological and political issues associated with contamination of land and water at current and former sites. While, in some cases, solutions will not be easy, we are committed to achieving outcomes for our communities and our employees.

Thus 2003 has been a year of substantial progress in holistically addressing our past, present and future. We are ensuring our future by addressing our historic environmental issues. We are managing our present through prudent financial controls. We are developing our future through growth.

Malcolm Broomhead
Managing Director and CEO

Review of Operations

Orica has continued to build on the 2002 turnaround with underlying net profit[1] for the year to September 2003 up 13% to $270M.

Net profit after significant items was $101M (pcp: profit of $214M) due principally to the decision to write off Orica's investment in Qenos ($123M) and increased environmental provision for Botany Groundwater ($28M).

Financial Highlights

- 13% increase in NPAT[1] to $270M (previous corresponding period (pcp) $239M).
- New cost saving initiatives delivered $27M after tax.
- Earnings per share up 13%[2].
- Continued improvement in the return on shareholders' funds to 19.6%[2].
- Final dividend up 17% to 34 cents per share (cps) – 19% franked.

Business Highlights

- Strong profit growth in Mining Services.
- Continued double digit profit growth in Chemicals.
- Strong cost focus and improved mix in Consumer Products leading to improved profit.
- Depressed fertiliser profit following sustained drought in Eastern Australia.

Mergers, Acquisitions, Development

- Buy-out of Incitec minorities for $326M.
- Completion of the Incitec Pivot (IPL) merger.
- Acquisition of Fernz Speciality Chemicals (Fernz), Engineering Plastics and Welvic business.
- Acquisition of the minorities in Initiating Explosives Systems (IES) Australia.
- Acquisition of the minorities in India Explosives Limited and Initiating Explosives Systems India (completion expected in mid November 2003).
- Expansion of Australian ammonium nitrate manufacturing capacity.
- Acquisition of Yates Consumer and Garden Care business in October 2003.

Outlook – 2004

Continued earnings momentum driven by:

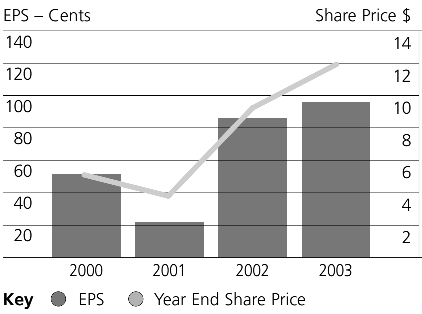
- expected underlying growth in our existing businesses;
- the impact of 2003 acquisitions (plus Yates and Indian Explosives); and
- expected partial recovery from 2003 drought conditions.

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

(2) Before significant items

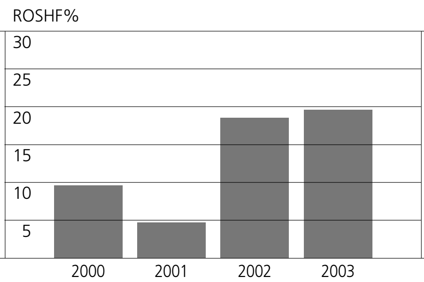
Shareholder Scorecard

Earnings per Share* and Year End Share Price

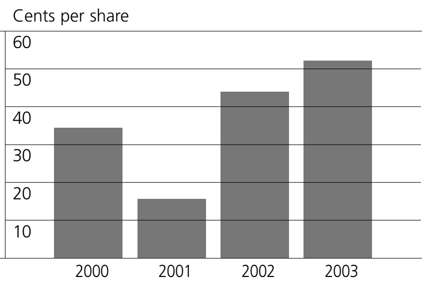


* Before significant items

Return on Shareholders' Funds



Dividends per Share



Review of Financial Performance

Revenue

Sales revenue decreased 3% to $3,959M. Underlying revenue (before acquisitions and divestments) was flat. Major factors were:

- Divestments – Crop Care and Vinyls (reported in Other Operations (-$212M));
- North America Mining Services – volume down by 10% due to de-stocking by coal customers (-$28M) and transfer of sales to equity accounted distribution joint venture (-$42M);
- Currency movements (-$145M);
- Fertiliser volumes down by 9% due to severe drought (-$39M); and
- Acquisitions (Fernz and Pivot:+$288M).

Earnings Before Interest and Tax (EBIT)

Total EBIT increased 8% to $442M (pcp $410M):

- Underlying EBIT (before acquisitions and divestments) increased 11% to $428M;
- EBIT improvement in Orica Mining Services, Orica Chemicals and Orica Consumer Products was largely driven by cost efficiencies, product mix and acquisitions; and
- Earnings decreased in Fertilisers, where fertiliser sales were impacted by drought, notwithstanding the merger with Pivot, and in Qenos (prior to cessation of equity accounting) which was impacted by low polyethylene prices, higher input costs and plant disruptions.

Cost Efficiencies

- Efficiency improvements of $51M after tax continue to reflect Orica's major shift to a performance culture of 'commercial ownership':
- Fixed cost savings of $37M ($24M after tax) derived from the 2002 efficiency program; and
- New procurement and supply chain savings of $39M ($27M after tax).

Interest

- Net interest expense was in line with pcp at $61M with the impact of higher average debt levels following acquisitions offset by lower average interest rates. Interest cover improved to 7.3 times (pcp 6.9 times).

Tax

- Tax expense before significant items was $97M. The effective tax rate was 25.3% (pcp 26.2%) largely as a result of utilisation of prior year tax losses in North America not previously recognised and foreign deductions related to the capital structure of certain offshore subsidiaries.
- A full year tax rate of around 27% is sustainable over the medium term.

Dividend

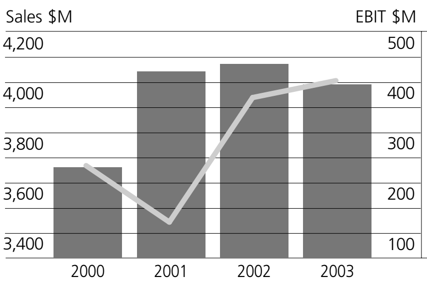
- Directors have increased the final dividend by 17% to 34 cps (pcp 29 cps) franked at 19%. This increase reflects Orica's strong underlying earnings growth and the Board's confidence in future earnings.
- Franking capacity is forecast to continue below 30% in 2004 due to unutilised Australian tax losses.

Share Buy-Back

- Directors have reactivated the previously suspended buy-back of 5% of share capital. Only 1.7% of share capital was bought back during 2003.

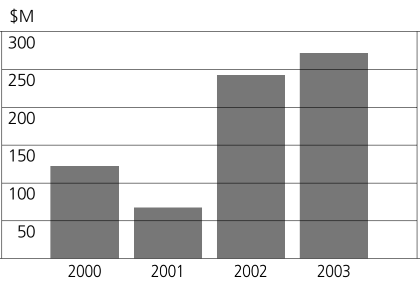
Financial Summary

Sales and EBIT

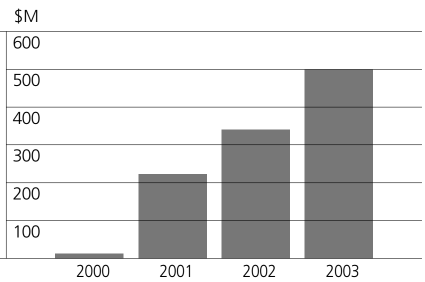


Key Sales EBIT
* Before significant items

Net Profit After Tax and Minority Interests Before Significant Items



Cash Flow from Operating Activities



Review of Financial Performance continued

Significant Items

Significant items were a loss of $170M after tax (pcp loss of $25M). Major items were:

- Orica insurance retention, short term funding support and equity share of operating loss arising from the Qenos Botany plant failure in December 2002 ($16M);
- $123M write off of Orica's investment in Qenos following continued losses in the first half of 2003;
- $28M increase in environmental provisions relating to the Botany, NSW groundwater clean up notice;
- $32M profit on sale of Corporate surplus property (Ascot Vale site and part of the Deer Park site); and
- $34M restructuring and rationalisation costs relating to global initiating systems and formation of Incitec Pivot Limited.

Review of Financial Position

Orica's net assets increased by 6% to $1.6 billion over the 2002 financial year.

The major balance sheet movements were:

- Total assets have increased by $190.1M principally due to:
  - a $306.2M increase in intangible assets due the buyout of the minority interests in Incitec and IES and the merger of Incitec Fertilizers with Pivot Limited;
  - a decrease in investments of $147.8M due primarily to the write off of the investment in Qenos of $123.2M;
  - a $22.7M increase in net property, plant and equipment resulting from the buyout of the minority interests in Incitec and Initiating Explosives Systems (IES) and the merger of Incitec Fertilizers with Pivot Limited, capital expenditure of $119.7M, partially offset by annual depreciation $152.6M combined with asset sales throughout the group including the sale of Ascot Vale; and
  - an increase in current receivables of $9.2M and in inventories of $34.9M due to the purchase of Fernz Speciality Chemicals and Engineering Plastics and the merger of Incitec Fertilizers with Pivot Limited.
- Total liabilities have increased by $103.7M principally due to:
  - an increase in interest bearing liabilities of $138.5M due to the purchase of businesses for $415.7M, offset by cash flow generated from operating activities of $500.4M resulting in a gearing ratio (net debt to net debt plus equity) of 35.7% (2002: 31.3%);
  - a decrease in payables of $10.3M reflecting mainly an $5M decrease in trade creditors; and
  - a net decrease in non tax provisions of $41.6M, mainly due to $24.3M payments of restructuring and redundancy provisions created in prior years, and no provision for final dividend this year due to a change in the requirements of accounting standards.

Share capital has decreased by $19.5M, due to a share buyback of $49.2M offset by shares issued under the dividend reinvestment plan of $15.8M and through options exercised of $13.9M.

An increase in outside equity interests due the merger of merger of Incitec Fertilizers with Pivot Limited giving a 30% minority in the combined entity the buyout of the minority interests in Incitec and IES.

Review Of Cash Flow

Net operating cash flows of $500M due to:

- EBITDA 6% higher to $618M;
- Reduced trade working capital of $114M primarily reflecting reduced trade working capital for Incitec Pivot since 1 June 2003 ($100M) and further improvements in other businesses; and
- Non trade working capital of $105M primarily reflecting spending on restructuring provisions ($29M), employee entitlements ($18M), site remediation ($6M), options hedge premiums ($6M) and payments to Qenos [$10M short term funding and $21M insurance claims (50% subject to re-insurance) following the Botany plant production problems after the December 2002 bushfires].

Net investing cash flow was an outflow of $385M due to:

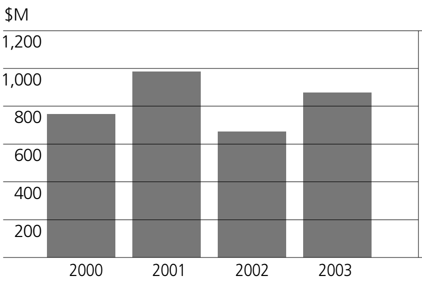
- Sustenance capital spending at $88M was 75% higher than pcp however still reflects a focus on increasing the productivity of existing assets;
- Growth capital of $31M largely related to the Yarwun and Kooragang Island expansions, final commissioning of the new ChlorAlkali plants and de-bottlenecking the sodium cyanide plant at Yarwun;
- Proceeds from asset sales were $150M primarily due to the sale of the Crop Care business and surplus asset sales; and
- Acquisitions of $416M covering the buy-out of Incitec and IES minorities, purchase of the Fernz Speciality Chemicals business, Engineering Plastics and the Welvic business.

Net financing cash flows of $166M included:

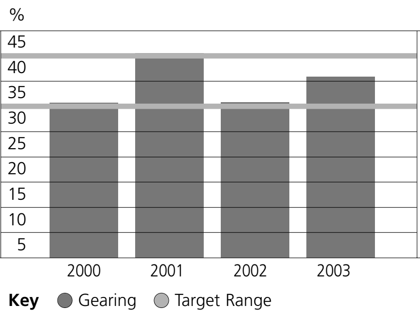
- A small increase in borrowings of $30M;
- Dividend payments of $160M relating to the restoration of the level of dividend; and
- Other financing of $37M included $49M for shares bought back on market partially offset by $10M of equity issued to satisfy share options exercised.

Financial Leverage

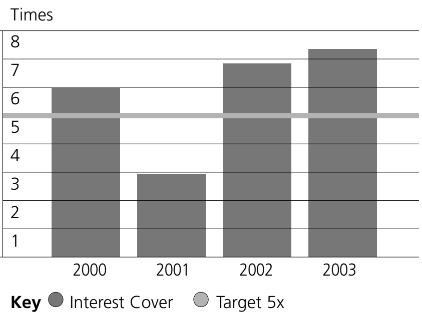
Net Debt



Gearing



Interest Cover



Review of Business Segment Performance

Orica Mining Services

Profitability of Mining Services increased by 20% to $247M. This is the best full year result on record for Mining Services.

Highlights

- Double digit profit growth in all regions, except North America, largely driven by cost efficiencies.
- Record profit in Australia/Asia.
- Improved profit in North America despite poor volumes, increased ammonia costs and challenging market conditions.
- Efficiencies – cost savings $41M and improved capital management.
- 250% increase in i-kon™ electronic detonator sales over pcp.

Business Summaries

Australia/Asia

- Sales up 4% in Australia driven by demand in the Hunter Valley (NSW).
- Improved pricing on some contracts and product mix.
- Ammonia input costs flat.
- Full control gained over the Kooragang Island and IES manufacturing facilities. Yarwun plant successfully expanded.

North America

- Sales volumes down 10% with de-stocking by coal customers and electricity utilities. Sales revenue, was also down due to depreciation of the USD and the transfer of $42M in sales to distribution joint venture (equity accounted).
- Increases in ammonia input costs (+$40M) were largely, but not fully, recovered through increased selling prices. The inherent lag in rise and fall contracts, and aggressive competitor pricing in the marketplace resulted in a net adverse EBIT of $9M.
- Significantly reduced fixed costs.
- Profit on sales of some Mobile Manufacturing Units ($5M).

Latin America

- Sales were maintained at 2002 levels despite a two month general strike in Venezuela and depreciation of the USD.
- Profit improvement driven by cost efficiencies and improved product mix/margin.

Europe

- Western Europe sales and profit adversely impacted by an explosion at the German nitroglycerine plant earlier in 2002 and a flat German economy.
- Sales up over 20% in the growth markets of Turkey and Estonia.
- Good progress made on cost efficiencies.

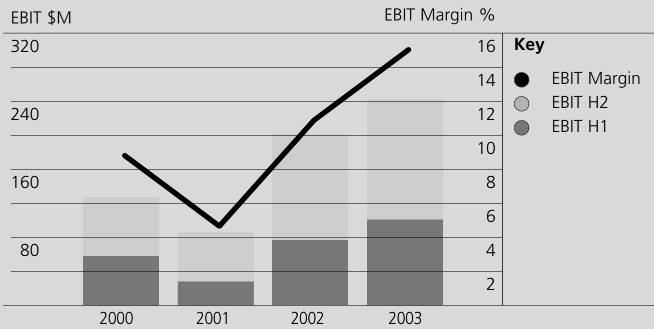
Outlook – 2004

- Anticipate some improved demand in North America coal markets. Nominal growth in most other regions.
- Ammonia input costs expected to remain high.
- Efficiencies from integrating Incitec's Kooragang Island facility and IES into Australian Mining Services. New earnings from the Yarwun expansion and Indian explosives businesses.
- Benefits realised from global initiating systems rationalisation.

Financial performance – 2003

Profitability of Mining Services increased by 20% to $247M.
This is the best full year result on record for Mining Services.

EBIT Trend



Financial Performance ($M)

	Year ended September 2003	2002	Change F/(U)*
Sales Revenue	**1,663**	1,857	(10%)
EBIT	**247.4**	205.8	20%
Net Assets	**1,049**	999	(5%)
Return on Net Assets	**24.2%**	19.3%	
EBIT			
Australia/Asia	**136.8**	111.0	23%
North America	**47.1**	44.5	6%
Latin America	**41.1**	34.6	19%
Europe	**22.4**	15.7	43%

* F – Favourable, (U) – Unfavourable

Review of Business Segment Performance continued

Fertilisers

Incitec Fertilizers merged with Pivot Limited on 1 June 2003 creating Australia's leading manufacturer and distributor of fertiliser.

Fertilisers delivered robust earnings in the face of the worst drought in Australia in 100 years. (EBIT down 26% to $43M).

FERTILISERS

Highlights

- Merger with Pivot Limited – Orica shareholding 70%.
- Incitec Pivot successfully listed on the ASX with a market capitalisation at 30 September 2003 of $913M.
- Merger on track:
  - $10M EBIT delivered from the former Pivot business in 4 months;
  - $6M in synergies delivered ('low hanging fruit'); and
  - East coast market share retained.

Business Summary (commentary relates to variance for Incitec Fertilizers from 2002)

- Total fertiliser volumes were down 9%:
  - patchy rains severely reduced pre-plant fertiliser application in the winter cropping season;
  - low dam levels in the cotton valleys resulted in the lowest plant in 10 years. Sales of Big-N fertiliser reduced by 45%;
  - reduced fertiliser application in pasture markets with drought in NSW and Victoria; and
  - negative $22M EBIT impact from volume reductions.
- Overall prices were at similar levels to 2002:
  - global Urea prices increased from US$106/t to US$135/t albeit partially offset by the strengthening A$. Margin up $4M; and
  - offset by softer prices across the remaining product range with robust competition in a soft market.
- Amortisation of goodwill of $6M (pcp: nil).

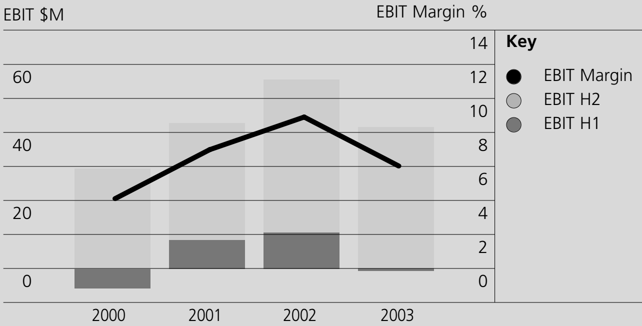
Outlook – 2004

- Earnings underpinned by merger synergies.
- The 2004 synergies exit rate is expected to be $30M per annum although not all of the $30M will fall into 2004 profit.
- Improved weather outlook, albeit very early in the season.

Financial performance – 2003

Incitec Fertilizers merged with Pivot Limited on 1 June 2003 creating Australia's leading manufacturer and distributor of fertiliser. Fertilisers delivered robust earnings in the face of the worst drought in Australia in 100 years. (EBIT down 26% to $43M).

EBIT Trend



Financial Performance ($M)

	Year ended September 2003	2002	Change F/(U)*
Sales Revenue	**760**	649	17%
EBIT	**42.8**	58.1	(26%)
Net Assets	**686**	297	(131)%
Return on Net Assets	**8.7%**	21.0%	

(1) Includes 8 months Incitec Fertilizers plus 4 months Incitec Pivot
(2) Relates to Incitec Fertilizers only

* F – Favourable, (U) – Unfavourable

Orica Chemicals

Chemicals increased profit by 22% to $107M over the record 2002 result. This is the sixth[1] consecutive year of period on period earnings growth.

CHEMICALS

Highlights

- Another record result.
- Several acquisitions successfully completed.
- Cost savings of $7M.
- Continued disciplined capital management.

Business Summaries

Chemnet

- Underlying sales up 4% with good demand in major market segments. Dairy sales in New Zealand were not as strong as the exceptional 2002 season.
- Efficiencies and returns from acquisitions realised due to well executed integration.
- Attractive opportunities exist for growth in food, polymers and additives and metals sectors.

ChlorAlkali

- Rebound in sales to water treatment markets after the mild 2002 summer.
- Net caustic soda prices down $4M.
- Laverton (Victoria) and Botany (NSW) chlorine plants operating at 110% of nameplate capacity.

Adhesives and Resins

- Volumes up 7.6%.
- Record volumes in New Zealand.

Mining Chemicals

- Domestic cyanide sales down marginally due to mine closures offset by a further increase in exports.
- Input costs, particularly caustic soda and freight, down $5M.

MIEX®

- Good progress on commercialisation continues to be made in the USA.
- Commercialisation costs of $8M (pcp $4M) reflecting increased field trials in the USA and expansion of activities in other developed countries.

Outlook – 2004

Continued earnings momentum driven by:

- Earnings improvement through ongoing efficiencies from recent acquisitions; offset partially by:
- Increased expenditure on MIEX®.

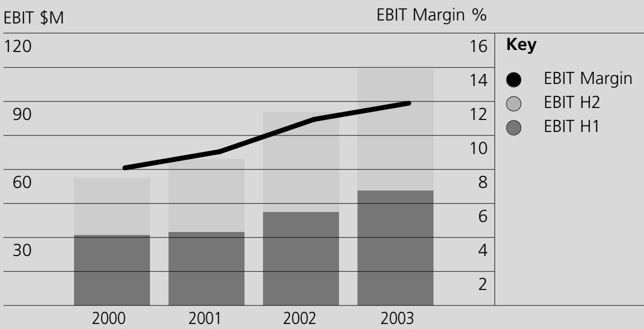
(1) Excluding polyurethanes business sold in 1999.

Financial performance – 2003

Chemicals increased profit by 22% to $107M over the record 2002 result. This is the sixth[1] consecutive year of period on period earnings growth.

(1) Excluding Polyurethanes business sold in 1999.

EBIT Trend



Financial Performance ($M)

	Year ended September		
	2003	2002	Change F/(U)*
Sales Revenue	**923**	779	18%
EBIT	**106.6**	87.5	22%
Net Assets	**568**	443	(28)%
Return on Net Assets	**21.1%**	20.4%	
Business Sales			
Chemnet	**576.0**	436.3	32%
ChlorAlkali	**143.5**	153.7	(7%)
Mining Chemicals	**97.1**	100.9	(4%)
Adhesives & Resins	**118.4**	101.6	17%

* F – Favourable, (U) – Unfavourable

Orica Consumer Products

Profitability significantly improved to an EBIT of $89M (+18% on pcp) with a focus on product mix and reducing the cost and capital base of the business.

CONSUMER PRODUCTS

Highlights

- Improved margins through business and product mix changes leading to record profitability.
- Cost savings of $9M.
- Trade working capital reduced by $28M to 10.7% of sales, at period end.

Business Summaries

Paints and Woodcare

- Sales up 4%, driven by strength in both retail and trade segments.
- Average price increases of 2% to recover prior period raw material cost increases.
- Some loss of Australian market share as unprofitable low end volume was exited and one off events from 2002 were not repeated (eg initial fill of ex-BBC stores and launch of British Paints 'IN-COLOUR').
- Volume and market share growth in New Zealand with sales up 9%.
- Substantial improvement in working capital, particularly inventory and trade debtors.

Selleys

- Reduced profitability driven by loss of sales in December 2002 following new warehouse computer system integration problems.
- Margin improvement from exiting low profit segments.
- Car care ranges hit by drought and drought enforced legislation on car washing.

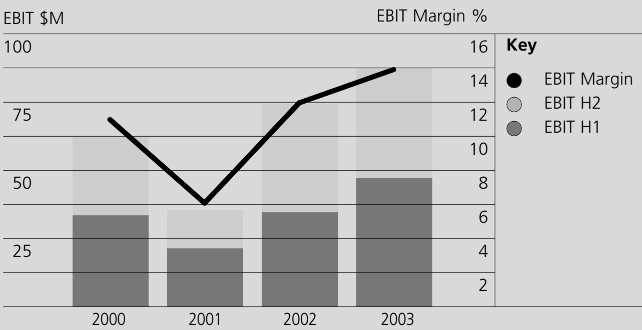
Outlook – 2004

- Softening demand in trade paints.
- Retail demand continues to be healthy albeit dependant on consumer confidence remaining strong.
- Strong demand in New Zealand to continue.
- Continued profit improvement through productivity and cost reduction initiatives.
- Increased marketing spend to support brands and new product innovations.
- Integration of Yates Consumer Lawn and Garden Care business.

Financial performance – 2003

Profitability significantly improved to an EBIT of $89M (+18% on 2002) with a focus on product mix and reducing the cost and capital base of the business.

EBIT Trend



Financial Performance ($M)

	Year ended September 2003	2002	Change F/(U)*
Sales Revenue	**658**	640	3%
EBIT	**89.1**	75.6	18%
Net Assets	**183.8**	218.1	16%
Return on Net Assets	**44.3%**	32.7%	
Business Sales			
Paints	**505.2**	486.5	4%
Other	**163.7**	166.9	(2%)

* F – Favourable, (U) – Unfavourable

Other Operations, Corporate and Support Services

Plastics and Divested Business

POLYMERS

Qenos Holdings Pty Ltd

Orica's equity accounted share of pre-significant items earnings from Qenos to 31 March 2003 was a loss of $11.3M (pcp: loss $0.7M). Major factors were:

- Low polyethylene prices and high input costs (oil).
- Strengthening A$/US$ exchange rate.

Orica's investment in Qenos was written off to zero in March 2003 (refer significant items) and equity accounting discontinued.

Divested Businesses

- Crop Care made a loss of $2.2M compared to a profit of $20.8M in pcp (pcp included $27M compensation on the cancellation of the Syngenta distribution agreement). The business was sold to Nufarm Limited for $75M effective 31 October 2002.
- The Australian Vinyls business was divested in February 2002 (profit in pcp $4.4M).

Corporate Centre and Other Support Costs

- Corporate centre costs of $23.2M were $1.8M below pcp reflecting a full year benefit from the 2002 cost saving program (pcp included nine months benefit).
- Other support costs of $6.9M were $8.7M below pcp. Expenditure included $1.6M on the working capital improvement project and $8M of insurance retention losses, relating to incidents in the German and Chicago plants, partially offset by lower captive insurance costs.

Financial performance – 2003

Financial Performance ($M)

	Year ended September		
	2003	2002	Variance
Sales Revenue	**33**	240	207
EBIT	**(13.5)**	23.6	37
EBIT			
Qenos[1]	**(11.3)**	(0.7)	(11)
AVC Vinyls	**–**	4.4	(4)
Crop Care	**(2.2)**	20.8	(23)
Other	**–**	0.9	1

(1) equity accounted share to 31 March 2003

Board Members

Donald P Mercer
BSc (Hons) MA (Econ)
Age 62

Chairman and Non executive director since October 1997. Appointed Chairman in May 2001.

Mr Mercer has broad business experience obtained as a senior executive of major international organisations. He spent 19 years in various international roles with the Royal Dutch/Shell Group of Companies and 13 years with the ANZ Banking Group where he was Managing Director and Chief Executive Officer from 1992 to 1997.

Chairman of Australia Pacific Airports Corporation Ltd and The State Orchestra of Victoria. Director and National Vice President of the Australian Institute of Company Directors Ltd.

Malcolm W Broomhead
BE, MBA
Age 51

Managing Director and Chief Executive Officer since September 2001.

Mr Broomhead was Managing Director of North Limited, a global diversified resources company. Prior to joining North Limited in 1990, Mr Broomhead held senior operations and financial positions with Industrial Equity Ltd, Peko Wallsend Ltd and MIM Holdings Ltd.

Michael E Beckett
BSc, FIMM, FRSA,
Age 67

Non executive director since July 2002.

Mr Beckett brings considerable international mining and industrial expertise to the Board. He began his career in the explosives industry in Canada and has extensive experience as an independent director in Europe, Africa, North America and Australia.

Chairman Ashanti Goldfields Company Limited, Clarkson Plc, Watts Blake Bearne & Co Plc and London Clubs International Plc and director of a Northam Platinum Limited.

Anthony B Daniels
OAM
Age 68

Non executive director since March 1995.

Mr Daniels has broad experience in manufacturing and distribution having been Managing Director of Tubemakers Limited during a long career with that company. He has also worked with the government in superannuation, competition policy and export facilitation.

Director of Commonwealth Bank of Australia, The Australian Gas Light Company and O'Connell Street Associates Pty Ltd.

Mr Daniels will be retiring at the end of the Annual General meeting on 17 December 2003.

Peter J B Duncan
BChE (Hons) GradDip (Bus)
Age 62

Non executive director since June 2001.

Chairman of the Board's Audit and Risk Management Committee.

Mr Duncan has financial and international business expertise following an international career with the Royal Dutch/Shell Group of companies in senior finance, marketing and general management positions, finally as Chairman of the Shell companies in Australia and New Zealand.

Chairman of Scania Australia, a director of National Australia Bank Ltd, GasNet Australia Ltd and CSIRO and a member of Siemens Australia Advisory Board.

James W Hall
B.Comm, FCPA
Age 52

Executive Director Finance since January 2002.

Mr Hall has extensive Australian and international experience in the industrial and mining sectors and valuable experience in business performance improvement and balance sheet management. Prior to joining Orica Mr Hall was Vice President, Group Accounting and Controller at BHP Billiton Limited.

Director of Qenos Pty Ltd.

Brian Healey
Age 69

Non executive director since since May 1996.

Mr Healey has had an international career in marketing and management of consumer goods businesses having been a senior Vice-President of Nabisco Inc., Sara Lee Corporation (USA) and Chief of Nicholas Kiwi worldwide.

Chairman of Centro Properties Ltd and Chairman of Prime Property Management Ltd. Director of Foster's Brewing Group Ltd and Incitec Pivot Limited.

Mr Healey will be retiring at the end of the Annual General meeting on 17 December 2003.

Graeme R Liebelt
BEc (Hons)
Age 49

Executive Director since July 1997.

Mr Liebelt has been an executive with the Orica Group (formerly ICI Australia Limited) for 14 years in roles including Managing Director of Dulux Australia, Chairman of Incitec Limited and General Manager Plastics and Advanced Sciences Groups. Mr Liebelt is currently Chief Executive Officer of Orica's Mining Services business with group functional responsibility for safety health and environment.

Director of Incitec Pivot Limited.

Catherine M Walter
AM, LLB (Hons) LLM MBA
Age 51

Non executive director since October 1998.

Mrs Walter has wide experience in regulatory and commercial matters through her involvement as a director of a number of major Australian companies and as former Melbourne Managing Partner of Clayton Utz, a major Australian law firm.

Director of Australian Stock Exchange Ltd, National Australia Bank Ltd, Australian Foundation Investment Company Limited and The Walter & Eliza Hall Institute of Medical Research.

Peter Kirby
BEc (Hons), MA (Econ)
MBA
Age 56

Appointed a non executive director in July 2003.

Mr Kirby brings industry knowledge and commercial experience from a career in diversified industrial companies. Mr Kirby was the Managing Director and CEO of CSR Ltd until April 2003. Prior to joining CSR Mr Kirby was with Imperial Chemicals Industries Plc for 25 years in a variety of senior management positions around the world, including CEO of ICI Paints.

Director Macquarie Bank Limited.

Group Executive Team

Malcolm W Broomhead
BE, MBA
Age 51

Managing Director and Chief Executive Officer

Malcolm joined Orica in September 2001. Previously he was Managing Director and Chief Executive of North Limited from January 1999 until the company was acquired by Rio Tinto Plc in October 2000. North was an Australian-headquartered, global diversified resources company with annual revenues of A$2 billion and a market capitalisation of A$3.5 billion. North had operations in Australia, Canada, Sweden and Argentina.

Malcolm's career with North spanned 10 years. He held various senior roles prior to becoming Managing Director including Deputy Managing Director, Executive Director, Operations and Chief Financial Officer. Prior to joining North Malcolm held senior operations, engineering and financial positions with Industrial Equity Ltd, Peko Wallsend Ltd, and MIM Holdings Ltd and worked in the United Kingdom, Middle East and Papua New Guinea as well as in Australia.

Barbara Gibson
BSc, FTSE
Age 55

General Manager Chemicals Group

Barbara's early career was primarily in the Health Care industry. She joined ICI Australia in 1985 as the Manager Pharmaceuticals and Diagnostics division, and has since performed a range of roles including General Manager, Research Group, Corporate Advisory Group and Plastics Advanced Sciences Group. Barbara was appointed to her current role as General Manager of Chemicals Group in 1997. She has successfully overseen the chemicals group achieve a compound earnings growth rate of 36% per annum.

Barbara is also currently a Non-Executive Director of Incitec Pivot Limited and the Deputy Chairman of Biota Holdings Limited. Barbara is a member of the Australian Academy of Technological Sciences and Engineering. She was awarded an Australian Centenary Medal in 2003 for Services to Australian Society in Medical Technology.

James W Hall
BComm, FCPA
Age 52

Executive Director Finance

Prior to joining Orica in January 2002 James was Vice President, Group Accounting and Controller at BHP Billiton Limited. In 32 years with BHP James held a range of senior financial management roles in a variety of locations including Assistant Treasurer and General Manager, BHP Steel International.

As well as his extensive Australian and international experience in the industrial and mining sectors, James has substantial financial skills and valuable experience in business performance improvement and balance sheet management.

Peter Bailey
Dip (Bus)
Age 47

General Manager Orica Consumer Products

Peter has been with the company for 26 years, joining in 1977 as a marketing graduate. Progressing through a succession of roles in our Consumer Products group, he has accumulated extensive experience across most business areas within OCP and in all facets of the OCP operation.

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

Graeme R Liebelt
BEc (Hons)
Age 49

Executive Director and Chief Executive Officer Orica Mining Services

Graeme has held a variety of key positions within the Orica group since joining in 1989 including General Manager Plastics and Advanced Sciences Groups and Chief Executive of ICI Paints Pacific. He assumed his current role in August 2000.

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

Jonathan Nightingale
BSc, PhD
Age 38

Chief Strategy Officer

Jonathan joined Orica in August 2002 from Blue Circle Industries Plc, the international cement company with a £2.4 billion turnover, where he was a London-based Group Strategy Director. His responsibilities included corporate strategy, strategic planning and global business development. Prior to that he held the positions of Director of Group Strategy for international logistics and moving services group NFC Plc (now Exel Plc) and Business Development Manager for building products manufacturer Camas Plc. Jonathan has been a management consultant for McKinsey and Company in London and a financial analyst with Morgan Stanley in London.

Shaun O'Sullivan
BCA, MBA, MCPA
Age 48

General Manager Business Development

Shaun joined the company in September 2001 and became General Manager, Business Development in May 2002 where his role includes efficiency projects, continuous improvement, procurement and new business integration. Shaun has a degree in Commerce and Administration and an MBA from the Melbourne University Graduate School of Management. He has worked in the Australian resources sector, initially for six years at MIM Holdings Ltd in various senior finance roles and then for 13 years at North Limited. At North he held a number of positions, including Group Treasurer and Manager Corporate Strategy, CFO of Energy Resources of Australia, CEO of North Forest Products and Executive General Manager, Business Development.

Greg Witcombe
BSc
Age 49

Managing Director, Incitec Pivot Limited

Greg has been with the company for 26 years. He joined in 1977 as a research chemist with the Agricultural Products business before moving into a series of commercial roles that took him around Australia as well as on secondment to the United Kingdom. His senior management positions have included four years as General Manager Mining and Trading Division (ICI) and two years as General Manager Polyethylene Group.

Greg assumed his current role as Managing Director, Incitec Pivot Limited in June 2003 following almost five years as Managing Director, Incitec Limited.

Company Secretary

Michaela Healey
LLB, GradDip Resources Law, FCIS
Age 36
Joined the company in January 2001. Former Company Secretary of North Limited.

Corporate Governance

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

This statement describes Orica's approach to corporate governance. The Board believes that Orica's policies and practices comply in all substantial respects with the ASX Corporate Governance Council Principles of Good Corporate Governance. In 2004 the company's website will be upgraded to enhance disclosure of the company's corporate governance policies and to further improve communication with shareholders.

Integrity of Reporting

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

Both the managing director and chief financial officer are required to state in writing to the Board that the company's financial reports represent a true and fair view, in all material respects, of the group's financial condition and operational results and are in accordance with relevant accounting standards.

Comprehensive practices have been adopted to ensure:

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

Internal audit has a mandate for reviewing and recommending improvement to controls, processes and procedures used by the company across its corporate and business activities.

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

Risk Identification and Management

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

The company has created a separate role of chief risk officer reporting to the managing director to manage the company's internal controls and risk management.

In 2003 the Board Audit and Risk Management Committee and the Board critically reviewed the company's risk identification and management processes. Both the Board and the Group Executive have participated in 'top-down' risk identification exercises to capture and prioritise potential risks. Further work will be undertaken in 2004 to progress and improve risk analysis, monitoring and mitigation.

Details of the company's policies relating to interest rate management, forward exchange risk management and credit risk management are included in Notes 32 and 33 of the full financial statements.

The Board

Role

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

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

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

The Board recognises the respective roles and responsibilities of the Board and management in the charters prepared for the Board, managing director and chairman and in the company's reserved authorities approved by the Board.

Composition

The Board considers that its structure, size, focus, experience and use of committees enables it to operate effectively and add value to the company.

Orica maintains a majority of non-executive directors on its Board and separates the role of chair and managing director. The Board currently comprises 10 directors: 7 independent non-executive directors, including the chairman, and 3 executive directors, including the managing director. Following the retirement of two non-executive directors, Brian Healey and Anthony Daniels, at the Company's 2003 Annual General Meeting and the election of an additional non-executive director the Board will comprise 6 non-executive directors and 3 executive directors.

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

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

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

Independence

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

If a conflict of interest arises, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Directors must keep the Board advised, on an ongoing basis of any interests that could potentially conflict with those of the company.

Directors are required to promptly disclose to the Board interests in contracts, other directorships or offices held, possible related party transactions and sales or purchases of the company's shares.

Selection and Appointment of Directors

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

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

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

An orientation program is offered to new directors.

Board Meetings

The Board has 9 scheduled meetings per year. 7 of those meetings are of 2–3 days duration. Directors attend such additional meetings as the business of the company may require. Directors receive comprehensive Board papers in advance.

In those months that Board meetings are not scheduled directors receive financial and safety, health & environment reports and an update from the managing director on the performance of the company and any issues that have arisen since the last Board meeting.

As well as holding regular Board meetings, the Board sets aside additional time annually to comprehensively review business plans and company strategy.

In conjunction with or in addition to scheduled Board meetings, the non-executive directors meet together without the presence of management or the executive directors to discuss company matters.

To aid the effectiveness of Board meetings each scheduled Board meeting is subject to a critical review. At the conclusion of the meeting a nominated director provides a critique of the Board meeting evaluating the standard of the material received by the Board and the quality of the contribution made by directors to the consideration of issues on the agenda.

Directors undertake site visits individually or in small groups to access a wider range of sites each year and to provide greater opportunity for meetings with employees and stakeholders at each of the company's operations.

Board Performance

Each year directors agree objectives for the Board for the forthcoming financial year. At the conclusion of the year the Board carries out a formal annual review of its performance against its responsibilities and objectives. The purpose of the review is to identify any areas of weakness or scope for improvement and to focus on specific performance objectives. In addition, the chairman undertakes a discussion with individual directors.

In 2003 the Board has commissioned and commenced an independent review of Board performance.

The non-executive directors are responsible for regularly evaluating the performance of the chief executive officer. The evaluation is based on specific criteria, including the company's business performance, short and long term strategic objectives and the achievement of personal objectives agreed annually with the chief executive.

Access to Information and Independent Advice

Each director has the right of access to all relevant company information and to the company's executives and, subject to prior consultation with the chairman, may seek independent professional advice at the company's expense. Pursuant to a deed executed by the company and each director a director also has the right to have access to all documents which have been presented to meetings or made available whilst in office, or made available in relation to their position as director for a term of seven years after ceasing to be a director or such longer period as is necessary to determine relevant legal proceedings that commenced during this term.

Shareholdings of Directors and Employees

The Board has approved guidelines for dealing in securities. Directors and employees must not, directly or indirectly, buy or sell the shares or other securities of any company, including Orica, when in possession of unpublished price sensitive information which could materially affect the value of those securities. Subject to this restriction, directors and employees may buy or sell Orica shares;

- in the 28 day period commencing 24 hours after the announcement of the Orica half-year results; and
- in the period commencing 24 hours after the announcement of the full-year results and ending 31 January, approximately 6 weeks after the company's Annual General Meeting.

Directors and employees must not engage in short-term dealing in Orica's shares or those of any related company.

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

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

Directors are required to hold a minimum of 1,000 shares. Their current shareholdings are shown on page 21. Most directors hold significantly more than the minimum holding.

Corporate Governance continued

Directors' Fees

Total remuneration for non-executive directors is determined by resolution of shareholders. Non-executive directors' fees are determined by the Board within the aggregate amount of $1.2 million approved by shareholders at the 2002 Annual General Meeting.

The total fees paid to non-executive directors for the 2003 financial year was $757,000

The details of remuneration paid to each non-executive director during the last financial year is set out on page 25.

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

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

In 2002, the Board decided to phase out retirement allowances. Any directors joining the Board after 1 July 2002 are not entitled to receive a retirement allowance. Retiring non-executive directors appointed before 1 July 2002 will retain their contractual entitlement to a retirement allowance but will receive a lower annual fee than directors appointed after 1 July 2002, up to a maximum of their last three year's remuneration after five years' service (pro rata for a lesser period).

Executive Remuneration

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

At Orica, remuneration of senior executives is determined and reviewed by a separate Board committee that does not include executives. The terms and conditions of executive share and option schemes and the incentives payable to the Group Executive and the managing director's direct reports require the prior approval of the Remuneration and Appointments Committee which is comprised of all of the non-executive directors. Details of the key executive's remuneration are shown on pages 23 and 24 of this report. Details of the existence and conditions of all share and option schemes currently in operation, including the details of performance hurdles are set out on page 26.

Board Committees

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

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises three independent non-executive directors with relevant financial, commercial and risk management experience. The chairman of the Audit and Risk Management Committee is separate from the chairman of the Board. Mr Peter Duncan is the current chair of the Audit and Risk Management Committee and the other members are Mr Brian Healey and Mrs Catherine Walter. The committee is charged with assessing the adequacy of the company's financial, operating and environmental risk management controls, compliance with legal requirements and ethical guidelines affecting the company. The committee meets at least four times per year.

The committee assesses and reviews external and internal audits and any material issues arising from these audits. It also assesses and reviews the accounting policies and practices of the group as an integral part of reviewing the half yearly and full year accounts for recommendation to the Board. It also makes recommendations to the Board regarding the appointment of external auditors and the level of their fees and provides a facility, if necessary, to convey any concerns raised by the internal and external auditors independently of management influence.

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

The company's external audit firm was most recently appointed in 1997 and the partner managing the audit was rotated in October 2000.

The Audit and Risk Management Committee ensures that the level of any non-audit services provided by the auditor is compatible with maintaining auditor independence. Restrictions are placed on non-audit work performed by auditors and projects outside the scope of the approved audit program require the approval of the chairman of the Audit and Risk Management Committee. Any non-audit work with a value of greater than $20,000 must be submitted to the Committee for approval. The fees paid to the company's auditors for audit and non-audit work are set out on page 39.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee, which comprises all the non-executive directors, is chaired by Mr Donald Mercer and meets at least four times per year. 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 overseeing the appointment and succession of the executive directors and the members of the Group Executive.

Corporate Governance and Nominations Committee

The Corporate Governance and Nominations Committee comprises Mr Donald Mercer, Mr Michael Beckett and Mr Anthony Daniels. Mr Beckett contributes an international perspective to the Committee's consideration of governance issues.

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

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

Continuous Disclosure and Keeping Shareholders Informed

The company seeks to provide relevant and timely information to its shareholders and is committed to fulfilling its obligations to the broader market for continuous disclosure. We aim to ensure timely provision of equal access to material information about the company.

The Board has approved a continuous disclosure policy to ensure that the procedures for identifying and disclosing material and price sensitive information in accordance with the Corporations Act 2001 and ASX Listing Rules are clearly articulated.

This policy sets out the obligations of employees and guidelines relating to the type of information that must be disclosed.

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

The www.orica.com website contains copies of our annual and half year reports, ASX announcements, investor relations publications, briefings and presentations given by executives (including web-casts) plus links to information on our products and services. Shareholders may elect to receive electronic notification of releases of information by the company. Page 88 of this report contains details of how information provided to shareholders may be obtained.

Code of Ethics

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

The key elements of the code are characterised by:

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

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

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

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

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

Safety, Health & Environment

Orica considers the successful management of safety, health & environment issues as a vital issue for our employees, customers, communities and business success. At each Board meeting the directors receive a report on current safety, health & environment issues and performance in the group. The Board receives more detailed presentations on safety, health & environment every six months.

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

Donations

As Orica has significantly improved its financial performance in 2002 and 2003 the corporate donations program will be reactivated in 2004. It is intended that the equivalent of dividends payable on a shareholding of 0.15% of the company's issued capital will be donated in accordance with published criteria at the direction of the Corporate Governance and Nominations Committee. In 2004 it is estimated that donations of approximately $215,000 will be made by the Company's corporate donations program. Details of the donations program will be available on the Orica website. In addition to the corporate donations program Orica's operations contribute to their local communities with donations, sponsorship and practical support.

Orica does not contribute funds to any political party, politician or candidate for public office.

Sustainability

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

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

A key starting point for Orica in the drive to sustainability was the introduction of the five year programme Challenge 2000 which was focussed on improvements to the Company's safety performance to be then followed by Challenge 2005 which was focussed on improving the efficiency of energy and water usage in addition to reducing waste generation. These programmes have been successful not only at raising the awareness of these issues within the company but also at generating real improvements in the use of resources. Performance against these targets is reported in the annual Safety, Health & Environment Performance Report and on the Company's web site. As 2005 approaches, new and additional targets are under consideration for Challenge 2010 to further the drive towards the sustainability of our operations.

To help better understand the requirements of a sustainable organisation, Orica Consumer Products is currently working with The Natural Step in Australia. The Natural Step is an organisation, founded in Sweden in 1989, which provides a framework that is increasingly being used by companies around the globe to help them to deal with issues of sustainability. The learnings from this work will be shared across Orica before any decision is made to widen the use of this framework within the group.

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

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

Eco-efficiency

The route to a sustainable future is long and is not one that Orica, or indeed any manufacturing company, will reach overnight. It is a process of evolution. Part of this journey involves improving the eco-efficiency of our processes – that is, the ability to produce goods with fewer resources while generating less waste. There are many examples where Orica has delivered improvements of this nature and further improvements will be possible in the future. Examples of Orica's improvements include:

- Catalyst improvements to increase gas efficiency of the ammonia plants at Kooragang Island, NSW and Gibson Island, Queensland. Improvements in gas efficiency have resulted in reduced resource utilisation and reduced emissions of greenhouse gases.
- Replacement of redundant mercury cell chlorine plants with modern membrane plants at Botany, NSW and Laverton, Victoria, have achieved a 30% reduction in the amount of electricity required per tonne of chlorine of produced, as well as having removed a toxic material (mercury) from the production process.
- The continuing shift to waterbased decorative paints and powder coatings in the Consumer Products business and, as a result, has minimised the amount of organic solvents emitted to the atmosphere. Orica Consumer Products has also released a clear wood finish based on natural products.
- Participation in the Packaging Covenant has resulted in a more responsible approach to dealing with used packaging, a potentially significant problem in the paints and sealants businesses.
- Use of life-cycle analysis and product stewardship techniques to more fully understand the whole of life impact of our products and the use of this information in the design of improved products.
- Continued and growing use of re-cycling within offices covering paper, printer cartridges and other packaging.

Greenhouse gas emissions

Orica has been a participant the Greenhouse Challenge programme run by the Australian Greenhouse Office (AGO) since 1996 and as such was one of the first signatories. This is a voluntary programme aimed at reducing the emissions of greenhouse gases, which are measured in terms of carbon dioxide equivalent. These emissions are measured both as direct emissions from the operating plants and the upstream contribution from power generation. Direct emissions for Orica in 2003 declined by 8.3% per tonne of production compared with 2002 due to lower electrical usage by the new chlorine plants and changes to the baseline for calculation. Orica is now starting to improve its understanding of emissions from downstream sources, which include nitrous oxide from nitrogenous fertilisers and methane from explosives, in addition to carbon dioxide from both sources. The performance of Orica against the commitments in its Greenhouse Challenge Agreement has recently been independently verified for the AGO by consultants from the Snowy Mountains Engineering Corporation. No material discrepancies were identified.

Future reductions in Orica's greenhouse gas emissions will arise from progressive incremental efficiency improvements and the use of new technology as old plants are eventually retired and new, more efficient, plants are constructed.

Incitec Ltd was originally a signatory under a separate agreement and this agreement will be re-negotiated to take into account the formation of Incitec Pivot Ltd and the transfer of some former Incitec plants to Orica's the Explosives and Chemicals businesses.

Orica recognises that the Australian Government is committed to meeting Australia's Kyoto commitments with respect to greenhouse gas emissions and believes that is the responsibility of government to take leadership in such questions of national importance. Orica has therefore adopted a neutral stance on the Kyoto Protocol, neither advocating nor opposing its ratification. Orica will however continue to strive to meet its internal targets aimed at reducing greenhouse gas emissions as it seeks to position the company for a future carbon constrained economy. Orica also believes that the solutions to the problems of greenhouse gas emissions will come from technological change and the reductions so far achieved have been examples of the effectiveness of this approach.

Legacy Sites

A key issue to be addressed in driving towards a sustainable future is to ensure that land and the environment are not degraded by the impact of our activities. Compliance with emission licence conditions remains at a very high level of -99.7% in 2003. The operation of many sites over very long periods, and when environmental standards were very much lower than those applying today, has inevitably led to problems of soil and groundwater contamination. Orica is committed to rectifying these problems and, indeed, over the last ten years a number of redundant sites have been remediated and returned to new uses in a standard for their intended use. Examples of these successes have included the remediation and subsequent sale of redundant chemicals and paint manufacturing sites at Cabarita and Rhodes, NSW, Port Adelaide, SA, Avondale and Panmure NZ and Cheltenham, Vic. Work is continuing on the remediation of sites at Villawood and Botany, NSW and Deer Park, Vic.

Financial Report

Directors' Report

The directors of Orica Limited ('the Company' or 'Orica') present the financial report of the Company and its controlled entities (collectively 'the consolidated entity') for the year ended 30 September 2003 and the auditor's report thereon.

Directors

The directors of the Company during the financial year and up to the date of this report are:

D P Mercer, Chairman
M W Broomhead, Managing Director
M E Beckett
A B Daniels
P J Duncan
J W Hall
B Healey
P M Kirby (Appointed 22 July 2003)
G R Liebelt
C M Walter

The office of company secretary is held by M J Healey. Particulars of directors' qualifications, experience and special responsibilities are detailed on page 12 of the annual report.

Directors' interests in share capital

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

Director	Fully paid ordinary shares		Options for fully paid ordinary shares [1]
D P Mercer	16,000		-
M W Broomhead	1,506,818	[2]	200,000
M E Beckett	9,900		-
A B Daniels	29,672		-
P J Duncan	12,591		-
J W Hall	450,000	[2]	-
B Healey	9,300		-
P M Kirby	21,537		-
G R Liebelt	452,350	[3] [4]	517,000
C M Walter	10,000		-
	2,518,168		717,000

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

(2) These interests include shares acquired under a loan agreement on joining the Company and prior to M W Broomhead's and J W Hall's appointments as Executive Directors. The emolument component (imputed interest forgone) of these agreements is included in Executive Directors' emoluments. The loan details are shown in note 35 Related party disclosures. A general description of these agreements (known as SESLP) is provided in note 34 Employee share plans.

(3) These interests include shares acquired under a loan agreement approved by shareholders on 20 December 2002. The emolument component (imputed interest forgone) of these agreements is included in Executive Directors' emoluments. The loan details are shown in note 35 Related party disclosures. A general description of these agreements (known as SESLP) is provided in note 34 Employee share plans.

(4) These interests include award rights acquired under the share acquisition plan. A general description of this plan (known as SAP) is provided in note 34 Employee share plans.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are listed below:

Director	Scheduled Board Meetings		Unscheduled Board Meeting [3]		Audit and Risk Management Committee		Remuneration and Appointments Committee		Corporate Governance and Nominations Committee	
	Held [1]	Attended [2]	Held [1]	Attended [2]	Held [1]	Attended [2]	Held [1]	Attended [2]	Held [1]	Attended [2]
D P Mercer	11	11	1	1	-	-	6	6	3	3
M W Broomhead	11	11	1	1	-	-	-	-	-	-
M E Beckett	11	10	1	-	-	-	6	6	2	2
A B Daniels	11	10	1	-	-	-	6	6	3	3
P J Duncan	11	11	1	1	4	4	6	6	-	-
J W Hall	11	11	1	1	-	-	-	-	-	-
B Healey	11	11	1	-	4	4	6	6	-	-
P M Kirby [4]	2	2	1	1	-	-	2	2	-	-
G R Liebelt	11	10	1	-	-	-	-	-	-	-
C M Walter	11	11	1	-	4	4	6	6	-	-

(1) This column shows the number of meetings held during the period the director was a member of the Board or Committee.
(2) This column shows the number of meetings attended.
(3) An unscheduled meeting was held in September and due to short notice a number of Directors were unable to attend.
(4) P M Kirby was appointed on 22 July 2003.

In addition to the Board meetings referred to in the above table, directors attended 7 Board sub-committee meetings during the year to address business matters arising between scheduled Board meetings.

Directors' Report

Principal activities

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

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

Dividends

Dividends paid or declared in respect of the year ended 30 September 2003 were:	**$m**
Interim dividend paid at the rate of 2.5 cents per share on 2,000,000 preference shares, franked to 25% (0.625 cents) at the 30% corporate tax rate.	0.05
Final dividend declared at the rate of 2.5 cents per share on 2,000,000 preference shares, franked to 19.1% (0.4775 cents) at the 30% corporate tax rate.	0.05
Quarterly dividend declared at the rate of 5.36% per annum per share on 11,000 redeemable preference shares, unfranked at the 30% corporate tax rate (disclosed as interest in note 4 of the financial statements).	0.7
Interim dividend paid at the rate of 18 cents per share on 277,593,590 ordinary shares, franked to 25% (4.5 cents) at the 30% corporate tax rate.	49.9
The directors have declared a final dividend to be paid at the rate of 34 cents per share on 277,612,490 ordinary shares. This dividend will be franked to 19.1% (6.494 cents) at the 30% corporate tax rate.	94.4
Total dividend distribution	145.1

In addition, the final dividend of 29 cents per share in respect of the financial year ended 30 September 2002, referred to in the prior year Directors' report, was paid in cash on 10 December 2002 or satisfied by the issue of shares. The full amount of $80.9m was provided in the 2002 financial statements. This dividend was franked to 26% (7.5 cents) at the 30% corporate tax rate.

Review and results of operations

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

Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the review of operations of the consolidated entity on pages 4 to 11 of the annual report.

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

Changes in the state of affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the year ended 30 September 2003 are as follows:

Acquisitions

- On 31 October 2002, Orica completed the purchase of the Fernz Specialty Chemical trading business from Nufarm Limited.
- On 1 April 2003, Orica purchased the 30% shareholding in Initiating Explosives Systems Pty Ltd not already owned.
- On 14 April 2003, Orica completed the purchase of 23% of the shares in Incitec Limited not already owned.
- On 29 April 2003, Pivot Limited shareholders agreed to merge the business of Pivot Limited with that of Incitec Fertilizers Limited, a wholly owned subsidiary of Incitec Limited, in return for 70% of the issued share capital of Pivot Limited to Incitec Limited.
- On 1 August 2003, Orica purchased the Engineering Plastics business from Qenos Pty Ltd, Qenos Plastics Pty Ltd and Olefines Pty Ltd.
- On 1 September 2003, Orica purchased the business of Welvic Australia Pty Ltd from PolyOne Corporation.

Divestments

- On 31 October 2002, Orica completed the sale of Crop Care Australasia Pty Ltd to Nufarm Limited.
- On 20 December 2002, Orica sold its interest in Chai International Development Co Ltd.
- On 10 January 2003, Orica sold Orica France S.A.R.L.

Events subsequent to balance date

- On 30 July 2003, Orica reached agreement with ICI India to move to 100% ownership of Indian Explosives Co Ltd (IEL), by acquiring ICI India's 51% interest for $23 million. Separately, IEL has agreed to acquire the 30% minority interest in its subsidiary company Initiating Explosives Systems India (IESI) from The Ensign Bickford Company Inc for approximately $7 million. The acquisitions have received approval of the Indian Foreign Investment Promotion Board and the Reserve Bank of India and will complete in November 2003. The financial effect of the India purchase on the Company and consolidated entity has not been recognised in the financial statements other than as a capital commitment, shown in note 29 Commitments.
- On 16 September 2003, Orica made an offer to acquire the Yates Limited ("Yates") Consumer Lawn and Garden Business for $45 million which was accepted by Yates on 24 September 2003. Orica's offer was conditional on Yates shareholder approval which was granted on 23 October 2003 and the purchase was completed on 31 October 2003. The financial effect of the Yates purchase on the Company and consolidated entity has not been recognised in the financial statements other than as a capital commitment, shown in note 29 Commitments.
- On 26 September 2003, Orica received a final notice of clean up from the NSW Environmental Protection Authority (EPA) in relation to contamination of groundwater at Botany. The final notice required Orica to submit a groundwater clean up plan to the EPA by 31 October 2003. A clean up plan was submitted to the EPA for approval on 31 October 2003 and as a consequence, a provision of $27.5 million after tax has been recognised in the financial statements, shown in note 5 Individually significant items.
- On 7 October 2003, Orica's wholly owned subsidiary, Orica Finance Limited completed an issue of US$185 million senior unsecured notes in the US Private Placement debt market. The proceeds of the placement have been swapped to Australian dollars, New Zealand dollars and Euros and used to repay existing bank debt in those currencies. US$100 million of the notes mature in 2018 and US$85 million of the notes mature in 2015. The weighted average swapped cost of the funds is 88 basis points over the respective (AUD, NZD and Euro) base rates. As at 30 September 2003, the weighted average tenor of Orica's non-current debt was 4.9 years. As at 7 October 2003, the weighted average tenor of Orica's non-current debt is 9.2 years.
- On 31 October 2003 Orica entered into a gas supply agreement with AGL for supply of gas from January 2006 to Orica's Kooragang Island ammonia plant in Newcastle, NSW.
- Since the end of the financial year, the directors declared a final dividend of 34 cents per share payable on 10 December 2003. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2003 and will be recognised in the 2004 financial statements.
- Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. At the date of this report a decision has not been made whether or not to elect to be taxed as a single entity. The financial effect of the implementation of the tax consolidation system on the Company and consolidated entity has not been recognised in the financial statements.
- On 5 November 2003, the Company announced the resumption of the on-market buy-back of up to 5% of its share capital.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2003, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Executive directors and senior executive officers 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.

During 2002, the Company introduced substantial changes to executive remuneration and to short term and long term incentive programs. In Australia and New Zealand, fixed salary has replaced base salary and now includes an allowance for company cars and the company component of the superannuation contribution.

Short Term Incentive Program

Changes to this program involved the setting of specific targets, predominantly financial, linked to the opportunity to earn cash incentives based on a percentage of fixed salary. Performance against these targets was determined at balance date and incentives were accrued.

Long Term Incentive Programs

Orica

The changes to the long term incentive programs are designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value. These changes were made in 2002 and involved the introduction of two new employee share plans and the termination of the Company's share option plan ("SOP") and share acquisition plan ("SAP"). The two new plans are:

- Senior executive share loan plan ("SESLP") for executive directors and senior executive officers who are members of the Group Executive (directly accountable and responsible for the strategic direction and operational management of Orica).
- Executive share option plan ("ESOP") for executives other than those who participate in SESLP.

Incitec Pivot

Incitec Pivot Limited may grant awards to senior Incitec Pivot Limited employees under the Incitec Pivot senior executive long term share plan. This long term incentive plan approved by the Incitec Pivot Limited Board was introduced in June 2003.

Directors' Report

Particulars of executive directors and senior executive officers qualifications, experience and special responsibilities are detailed on pages 12 and 13 of the annual report. Details of the nature and amount of each element of emoluments of executive directors and the five highest remunerated senior executive officers are included in the following table:

Executive directors and senior executive officers	Cash benefits			Fringe benefits tax	Other [4]	Total remuneration expense	Options value [5]	Total remuneration including options value
	Fixed Salary [1]	Termination payments [2][8]	2003 Incentive payments [3]					
	$000	$000	$000	$000	$000	$000	$000	$000
Executive Directors								
M W Broomhead Managing Director and Chief Executive Officer	1,400.0	-	476.0	5.8	381.4	2,263.2	78.8	2,342.0
J W Hall Executive Director Finance	652.5	-	211.7	4.0	191.7	1,059.9	-	1,059.9
G R Liebelt [6] Executive Director and Chief Executive Officer – Explosives	1,098.0	-	557.4	-	309.7	1,965.1	169.0	2,134.1
Senior Executive Officers – Current								
G J Witcombe [7] Managing Director Incitec Pivot Limited	582.5	-	475.9	-	167.0	1,225.4	-	1,225.4
B J Gibson General Manager Chemicals Group	523.0	-	226.0	20.6	128.8	898.4	43.4	941.8
J R Nightingale Chief Strategy Officer	542.0	-	175.1	4.0	135.8	856.9	-	856.9
S G O'Sullivan General Manager Business Development	511.3	-	186.4	-	124.5	822.2	-	822.2
P G Bailey General Manager Consumer Products	420.0	-	183.2	8.8	23.3	635.3	66.4	701.7
Senior Executive Officers – Former								
J Joannou [2] General Manager Consumer Products	459.5	630.0	63.0	2.0	96.7	1,251.2	-	1,251.2

(1) Includes base salary and company superannuation contributions.
(2) Includes payment in lieu of notice, contractual entitlements due to early termination of employment contracts and leave entitlements.
(3) 2003 Incentive payments include payments relating to 2003 performance accrued but not paid.
(4) Includes Imputed Interest on loans under the employee share plan and the senior executive share loan plans and relocation allowances.
(5) Refer to Employees Options Entitlement in the Director's Report for the valuation of these options. Refer to note 34 Employee share plans for details of the share option plan (SOP), share acquisition plan (SAP) and executive share option plan (ESOP).
(6) For the overseas based executive, other non cash benefits include relocation and travel allowances, reimbursement of accommodation and living away from home expenses, family travel and tax planning expenses.
(7) 2003 Incentive payments include an amount of $268,900 paid under a long term incentive plan and $98,600 paid under a short term incentive plan with Incitec Limited.
(8) If Orica terminated the Chief Executive Officer's employment prior to the expiration of his employment contract in September 2006 for reasons other than misconduct he is entitled to an amount equal to 24 months salary plus an additional 60% of fixed salary in recognition of foregone incentives. The Chief Executive Officer may terminate his contract by giving 6 months notice. Termination payments payable to most other executives if Orica terminates their contract of employment will not exceed 12 months fixed salary with the exception of long serving executives who may have a contractual entitlement to a higher termination payment in recognition of their extended period of service to the company.

Non - executive directors' emoluments

Non-executive directors' fees, including committee fees, are determined by the Board within the aggregate amount of $1,200,000 which was approved by shareholders at the 2002 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.

In 2002, the Board decided to phase out retirement allowances. Any directors joining the board after 1 July 2002 are not entitled to receive a retirement allowance. Retiring non-executive directors appointed before 1 July 2002 will retain their contractual entitlement to a retirement allowance but will receive a lower annual fee than directors appointed after 1 July 2002, up to a maximum of their last three year's remuneration after five years' service (pro rata for a lesser period).

Non-executive directors	Fees	Superannuation contributions	Total
	$000	$000	$000
D P Mercer, Chairman	225.0	20.3	245.3
M E Beckett	100.0	10.2	110.2
A B Daniels	75.0	6.8	81.8
P J Duncan	90.0	8.1	98.1
B Healey (1)	100.8	9.5	110.3
P M Kirby	19.6	1.8	21.4
C M Walter	82.5	7.4	89.9

(1) Includes directors fees of $18,334 and superannuation contributions of $2,063 paid as a Director of Incitec Pivot Limited.

Employees' options entitlement

The names of persons who currently hold options in the share option plans and the Orica executive share option plan are entered in the registers of options kept by the Company pursuant to Section 170 of the Corporations Act 2001. The registers may be inspected free of charge. Particulars of options granted to and exercised by the executive directors and five highest remunerated senior executive officers under SOP, ESOP and SAP to the date of this report are shown in the following table. The exercise price of options issued under SOP and ESOP is set at the market value of an Orica share at the time of issue of the option. Market value is defined as the average of the closing price at which Orica shares were traded on the ASX during the three calendar months preceding the date of issue. The ability to exercise these options is conditional on the Company achieving prescribed performance hurdles. Details of performance hurdles are outlined in note 34 Employee share plans.

Share option plan (SOP)

During the year, the Company reinstated options over 33,500 ordinary shares to 1 executive under the share option plan. Each option relates to one fully paid ordinary share and the said options are exercisable at $8.57 and $8.31 per share following a vesting period and subject to prescribed performance hurdles. A general description of the SOP is provided in note 34 Employee share plans.

Orica executive share option plan (ESOP)

During the year, the Company issued options over 219,997 ordinary shares to executives under the Orica executive share option plan (ESOP). Each option relates to one fully paid ordinary share and the said options are exercisable at $10.18, $10.35 and $10.36 per share following a vesting period and subject to prescribed performance hurdles. A general description of the ESOP is provided in note 34 Employee share plans.

Share acquisition plan (SAP) (Award Rights)

During the year, the Company reinstated Award Rights over 7,100 ordinary shares to 2 executives under the share acquisition plan. Each Award Right relates to one fully paid ordinary share and the said Award Rights are exercisable at no cost to the executive subject to the achievement of prescribed performance hurdles. A general description of the share acquisition plan is provided in note 34 Employee share plans.

No person entitled to exercise an option in the Company has, by virtue of the option, a right to participate in a share issue of any other consolidated entity of the group. 1,230,300 ordinary shares were issued during the financial year as a consequence of the exercise of options issued in prior years. As at the date of this report, there are 11,751,665 unissued ordinary shares under option and 419,620 unissued ordinary shares under Award Rights. The price of issue and expiration dates of those unissued shares are set out in note 23 Contributed equity.

The number of options held by executive directors and the five highest remunerated senior executive officers are shown in the following table:

	Grant Date	Date exercisable	Options granted during the year	Lapsed during the year	Exercised during the year	Outstanding at year end	Exercise price $	Value of options at grant date $	Value of options included in remuneration for year $ [1]	
Executive Directors										
M W Broomhead	1 Jan 2002	1 Jan 2005	-	-	-	200,000	5.67	394,000	78,800	[2]
J W Hall	-	-	-	-	-	-	-	-	-	
G R Liebelt	1 Jan 2002	1 Jan 2005	-	-	-	150,000	5.67	295,500	59,100	[2]
	1 Jan 2001	1 Jan 2004	-	-	-	142,000	5.72	154,780	30,956	[2]
	1 Jan 2000	1 Jan 2003	-	-	-	115,000	8.31	227,700	45,540	[2]
	1 Jan 1999	1 Jan 2002	-	-	-	110,000	8.57	167,200	33,440	[2]
Senior Executive Officers - Current										
G J Witcombe	-	-	-	-	-	-	-	-	-	
B J Gibson	1 Jan 2002	1 Jan 2005	-	-	-	50,000	5.67	98,500	19,700	[2]
	1 Jan 2001	1 Jan 2004	-	-	-	67,000	5.72	73,030	14,606	[2]
	1 Jan 2000	1 Jan 2003	-	-	44,520	8,480	8.31	16,790	3,358	[2]
	1 Jan 1999	1 Jan 2002	-	-	31,000	19,000	8.57	28,880	5,776	[2]
S G O'Sullivan	-	-	-	-	-	-	-	-	-	
P G Bailey	1 Jan 2002	1 Jan 2005	-	-	-	2,800	N/A	11,620	2,324	[3]
	1 Jan 2001	1 Jan 2004	-	-	-	6,800	N/A	21,352	4,270	[3]
	1 Jan 2000	1 Jan 2003	-	-	924	176	N/A	848	170	[3]
	1 Jan 1999	1 Jan 2002	-	-	620	380	N/A	1,756	351	[3]
	24 Apr 2002	10 Nov 2006	-	-	-	35,967	7.91	65,460	14,282	[4]
	24 Apr 2002	10 Nov 2005	-	-	-	35,967	7.91	67,978	18,971	[4]
	24 Apr 2002	10 Nov 2004	-	-	-	35,967	7.91	67,258	26,035	[4]
J R Nightingale	-	-	-	-	-	-	-	-	-	
Senior Executive Officers - Former										
J Joannou	-	-	-	-	-	-	-	-	-	

(1) The option valuation prepared by PricewaterhouseCoopers Securities Ltd uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2003. The value of options included in remuneration for the year have been calculated by allocating the value of the option at grant date equally over the period from grant date to vesting date (the vesting period). For the purposes of measuring the remuneration of an individual for disclosure in this directors' report, it is assumed that the individual directors and executive officers will continue to provide service until the vesting date, unless it is probable that the particular individual will cease employment at an earlier date. See note 34 Employee share plans.

(2) Related to options under the share option plan (SOP). See note 34 Employee share plans.

(3) Related to Award Rights under the share acquisition plan (SAP). See note 34 Employee share plans.

(4) Related to options under the executive share option plan (ESOP). See note 34 Employee share plans.

Environmental regulations

Safety, health and environment have always been a cornerstone of Orica culture and Orica has high standards. More specific details about Orica's safety, health and environment intitiatives and performance can be found in the Safety, Health and Environment Report 2003 which is released together with this Annual Report.

Manufacturing licenses 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 collection of monitoring data. Orica has a very good track record for licence compliance. Any exceedence of licence limits is reported to authorities as required and is investigated to determine cause and ensure the risk of recurrence is minimised.

On 15 October 2003, the Land and Environment Court found Incitec Limited, a subsidiary of Orica, guilty of an offence against the Protection Environment Operations Act 1997, in that it breached a condition of its environment protection licence, on 12 July 2002, by discharging, over a period of approximately four and a half hours, acidic wastewater with a pH ranging from 4.6 and 1.4 into the Hunter River. The acidic discharge had the potential to cause harm to fish and other aquatic life, however there was no evidence of actual harm to fish or other aquatic life. The Company was fined $90,000 for this offence and ordered to pay the Environment Protection Authority's costs of $20,000.

Orica is taking action at the site to prevent recurrence, including installation of a new PH control system at a cost of $180,000.

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 any liability incurred by the person which arises out of the discharge of that person's duties, unless the liability was incurred as a result of dishonesty, negligence or lack of good faith. In such circumstances, the Board has discretion whether or not to provide an indemnity and in a few cases specific indemnities have been provided.

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

Rounding

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

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

D P Mercer
Chairman

Dated at Melbourne this 5th day of November 2003.

Statements of Financial Performance

For the year ended 30 September 2003

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Revenue from ordinary activities	(3)	**4,143.5**	4,249.2	**125.1**	167.0
Operating expenses					
Changes in inventories of finished goods and work in progress		**(10.3)**	(4.9)	**-**	**-**
Raw materials and consumables used and finished goods purchased for resale		**(1,981.2)**	(2,120.5)	**-**	-
Employee expenses		**(610.2)**	(669.2)	**-**	-
Depreciation and amortisation expense		**(175.2)**	(171.8)	**(0.4)**	(0.7)
Borrowing costs		**(71.5)**	(67.2)	**(23.9)**	(26.4)
Purchased services		**(238.4)**	(242.4)	**(2.2)**	(1.8)
Repairs and maintenance		**(98.8)**	(100.6)	**-**	-
Property, plant & equipment retired/disposed		**(36.4)**	(84.5)	**(2.8)**	(9.4)
Outgoing freight		**(167.9)**	(171.9)	**-**	-
Lease payments - operating leases		**(49.9)**	(53.2)	**-**	-
Net assets disposed from sales of businesses/controlled entities		**(74.0)**	(25.7)	-	-
Write-off of carrying value of Qenos		**(123.2)**	-	**-**	-
Other expenses from ordinary activities including significant items		**(329.3)**	(244.9)	**-**	(13.7)
Share of associates' net (loss)/profit equity accounted	(13)	**(4.3)**	10.0	**-**	-
		(3,970.6)	(3,946.8)	**(29.3)**	(52.0)
Profit/(loss) from ordinary activities before income tax expense	(4)	**172.9**	302.4	**95.8**	115.0
Income tax expense attributable to profit/(loss) from ordinary activities	(7)	**(59.3)**	(72.5)	**(6.6)**	(6.4)
Profit/(loss) from ordinary activities after income tax expense		**113.6**	229.9	**89.2**	108.6
Outside equity interests in (profit)/loss from ordinary activities after income tax		**(12.9)**	(16.3)	**-**	-
Profit/(loss) from ordinary activities after income tax relating to members of Orica Limited		**100.7**	213.6	**89.2**	108.6
Non-owner transactions in equity					
Net increase/(decrease) in asset revaluation reserve	(24)	**36.5**	-	**-**	-
Net decrease in equity due to initial adoption of AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* and AASB 1028 *Employee Benefits*	(24)	**(4.0)**	-	**-**	-
Net exchange differences on translation of financial reports of foreign controlled entities	(24)	**(51.8)**	(16.8)	**-**	-
Total revenues, expenses and valuation adjustments relating to members of the parent entity recognised directly in equity		**(19.3)**	(16.8)	**-**	-
Total changes in equity other than those resulting from transactions with owners as owners	(26)	**81.4**	196.8	**89.2**	108.6

	Notes	**cents**	cents
Earnings per share			
Basic earnings per share:			
Ordinary shares	(8)	**36.2**	76.8
Diluted earnings per share:			
Ordinary shares	(8)	**35.7**	76.4

The Statements of Financial Performance are to be read in conjunction with the notes to the financial statements set out on pages 31 to 79.

Statements of Financial Position

As at 30 September 2003

		Consolidated		Company	
		2003	2002	**2003**	2002
	Notes	**$m**	$m	**$m**	$m
Current assets					
Cash assets	(9)	**87.6**	146.4	**22.4**	21.2
Receivables	(10)	**567.6**	558.4	**439.5**	389.1
Inventories	(11)	**583.1**	548.2	**-**	-
Other	(12)	**44.3**	17.3	**-**	-
Total current assets		**1,282.6**	1,270.3	**461.9**	410.3
Non-current assets					
Receivables	(10)	**37.5**	50.3	**1.3**	2.5
Investments accounted for using the equity method	(13)	**86.4**	234.2	**-**	-
Other financial assets	(14)	**-**	-	**1,147.8**	1,147.8
Property, plant and equipment	(15)	**1,436.8**	1,414.1	**28.6**	31.8
Intangible assets	(16)	**441.7**	135.5	**-**	-
Deferred tax assets	(17)	**223.6**	224.2	**2.0**	1.6
Other	(12)	**46.7**	36.6	**-**	-
Total non-current assets		**2,272.7**	2,094.9	**1,179.7**	1,183.7
Total assets		**3,555.3**	3,365.2	**1,641.6**	1,594.0
Current liabilities					
Payables	(18)	**516.3**	538.1	**3.0**	4.0
Interest bearing liabilities	(19)	**167.0**	101.9	**369.2**	261.8
Current tax liabilities	(20)	**17.7**	19.6	**6.5**	4.0
Provisions	(21)	**151.9**	228.6	**0.1**	81.2
Total current liabilities		**852.9**	888.2	**378.8**	351.0
Non-current liabilities					
Payables	(18)	**15.1**	3.6	**-**	-
Interest bearing liabilities	(19)	**797.6**	724.2	**-**	-
Deferred tax liabilities	(22)	**127.6**	108.6	**-**	-
Provisions	(21)	**181.6**	146.5	**1.0**	0.9
Total non-current liabilities		**1,121.9**	982.9	**1.0**	0.9
Total liabilities		**1,974.8**	1,871.1	**379.8**	351.9
Net assets		**1,580.5**	1,494.1	**1,261.8**	1,242.1
Equity					
Parent entity interest					
Contributed equity	(23)	**487.7**	507.2	**487.7**	507.2
Reserves	(24)	**117.2**	132.5	**95.6**	95.6
Retained profits	(24)	**780.0**	733.3	**678.5**	639.3
Total parent entity interest		**1,384.9**	1,373.0	**1,261.8**	1,242.1
Outside equity interests in controlled entities	(25)	**195.6**	121.1	**-**	-
Total equity	(26)	**1,580.5**	1,494.1	**1,261.8**	1,242.1

The Statements of Financial Position are to be read in conjunction with the notes to the financial statements set out on pages 31 to 79.

Statements of Cash Flows

For the year ended 30 September 2003

	Notes	Consolidated 2003 $m Inflows/ (Outflows)	Consolidated 2002 $m Inflows/ (Outflows)	Company 2003 $m Inflows/ (Outflows)	Company 2002 $m Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		**4,471.6**	4,482.9	**0.9**	-
Payments to suppliers and employees		**(3,877.5)**	(4,084.7)	**-**	(4.2)
Interest received		**8.9**	9.1	**22.9**	19.0
Borrowing costs		**(72.1)**	(75.4)	**(23.4)**	(27.3)
Dividends received		**8.4**	15.6	**72.6**	94.8
Royalties and other trading revenue received		**23.7**	42.7	**0.1**	18.1
Net income taxes paid		**(62.6)**	(47.5)	**(4.5)**	(4.6)
Net cash flows from operating activities	(28)	**500.4**	342.7	**68.6**	95.8
Cash flows from investing activities					
Payments for property, plant and equipment		**(119.7)**	(100.2)	**-**	-
Payments for purchase of investments		**(0.1)**	(1.3)	**-**	-
Payments for purchase of businesses/controlled entities		**(415.7)**	-	**-**	-
Proceeds from sale of property, plant and equipment	(3)	**76.1**	84.9	**38.1**	34.0
Proceeds from sale of investments		**1.0**	0.3	**-**	-
Proceeds from share buy-back by subsidiaries		**-**	-	**-**	159.8
Proceeds from sale of businesses/controlled entities	(3)	**73.0**	28.3	**-**	-
Net cash flows (used in)/from investing activities		**(385.4)**	12.0	**38.1**	193.8
Cash flows from financing activities					
Proceeds from long term borrowings		**154.6**	-	**-**	-
Repayment of long term borrowings		**(4.2)**	(100.0)	**-**	-
Net movement in short term financing		**(120.1)**	(152.3)	**48.5**	(224.4)
Principal repayments under finance leases		**(0.2)**	(0.4)	**-**	-
Proceeds from issue/(buy-back) of shares		**(38.9)**	-	**(38.9)**	-
Proceeds from issue of shares to outside equity interests		**1.9**	-	**-**	-
Dividends paid		**(159.5)**	(77.2)	**(115.1)**	(64.1)
Net cash flows (used in)/from financing activities		**(166.4)**	(329.9)	**(105.5)**	(288.5)
Net (decrease)/increase in cash held		**(51.4)**	24.8	**1.2**	1.1
Cash at the beginning of the financial year		**143.2**	121.8	**21.2**	20.1
Effects of exchange rate changes on cash		**(6.7)**	(3.4)	**-**	-
Cash at the end of the financial year	(28)	**85.1**	143.2	**22.4**	21.2

The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements set out on pages 31 to 79.

Notes to the Financial Statements

For the year ended 30 September 2003

1. Accounting policies

The significant accounting policies adopted in preparing the financial report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the consolidated entity') are stated below to assist in a general understanding of this financial report. These policies have been consistently applied except as otherwise indicated.

(i) Basis of preparation

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

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

(ii) Changes in accounting policies

Foreign currency translation

The consolidated entity has applied the revised AASB 1012 – Foreign Currency Translation for the first time from 1 October 2002. For hedges of specific purchases or sales, the gains or costs on entering the hedge and the exchange differences up to the date of the purchase or sale are now deferred and recognised as assets or liabilities on the statements of financial position from the inception of the hedge contract, not when the specific purchase or sale occurs.

Employee benefits

The consolidated entity has applied the revised AASB 1028 – Employee Benefits for the first time from 1 October 2002. The liability for wages and salaries and annual leave is now calculated using the remuneration rates the Company expects to pay as at each reporting date, not wage and salary rates current at reporting date. The initial adjustments to the consolidated financial report as at 1 October 2002 as a result of this change are:

$1.4 million increase in provision for employee benefits;

$1.0 million decrease in opening retained profits; and

$0.4 million increase in future income tax benefit.

Provisions and contingent liabilities

The consolidated entity has applied AASB 1044 – Provisions, Contingent Liabilities and Contingent Assets for the first time from 1 October 2002. Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of that financial year. The adjustments to the consolidated financial report as at 1 October 2002 as a result of this change are:
$80.9 million increase in opening retained profits;
$7.4 million increase in opening outside equity interests; and
$88.3 million decrease in provision for dividends.

A number of contracts held by the consolidated entity have been identified as onerous, whereby the unavoidable costs of meeting the obligations under these contracts exceed the economic benefits expected to be received. Under AASB 1044, a provision is required to be recognised for the excess of the unavoidable cost of the commitments and the expected future benefits. A provision has been recognised in respect of onerous contracts which the Group has been able to reliably measure. These provisions primarily relate to onerous sales contracts in the North American explosives business. In accordance with the transitional arrangements on adoption of the requirements of AASB 1044, the adjustment to provisions of $3.0 million, net of applicable tax has been adjusted against opening retained earnings.

(iii) Consolidation

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

(iv) Revenue recognition (see note 3)

External sales, royalty income and other income are recognised when the goods and services are provided. Interest income is recognised as it accrues. Proceeds from sale of businesses, controlled entities and other non-current assets are recognised when there is a signed unconditional contract of sale. Dividends are recognised in the statements of financial performance when declared.

Construction contracts

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated. Profit recognition does not normally commence until a contract is at least 40% complete. Stage of completion is measured by reference to an assessment of total labour hours and other costs incurred to date as a percentage of estimated total costs for each contract. Revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

(v) Borrowing costs (see note 4)

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings, including lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than twelve months to get ready for their intended use or sale. Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average interest rate. Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

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

Research and development costs are expensed as incurred.

(vii) e-Commerce expenditure

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

(viii) Taxation (see note 7)

Income tax has been brought to account using the liability method of tax effect accounting.
Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statements of financial position as a future income tax benefit or a provision for deferred income tax.

1. Accounting policies (continued)

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

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

(ix) Inventories (see note 11)

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

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

(x) Construction work in progress

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

(xi) Maintenance, repairs and other costs (see note 12)

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

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

(xii) Investments accounted for using the equity method (see note 13)

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

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

(xiii) Other financial assets (see note 14)

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

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

(xiv) Property, plant and equipment and depreciation (see note 15)

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

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

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

The carrying amounts of all non-current assets are reviewed half-yearly to determine whether they are in excess of their recoverable amounts. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is revalued downwards to its recoverable amount and the decrement is recognised as an expense in the statements of financial performance.

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

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

(xv) Leased assets (see note 15)

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

Finance leases are capitalised at the present value of the minimum lease payments and amortised on a straight line basis over the period during which benefits are expected to flow from the use of the leased assets. A corresponding liability is established and each lease payment is allocated between finance charges and reduction of the liability.

Operating leases are not capitalised and lease rental payments are taken to the statements of financial performance as incurred.

(xvi) Goodwill (see note 16)

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, not exceeding twenty years. The carrying value is reviewed half-yearly and written down to recoverable amount if considered necessary. The expected net cash flows included in determining recoverable amount of goodwill are discounted to their net present values.

(xvii) Patents, trademarks and rights (see note 16)

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

(xviii) Provisions (see note 21)

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

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as part of the expense related to the particular provision.

1. Accounting policies (continued)

Environmental liabilities

The cost of monitoring operations and treating operating wastes is taken to the statements of financial performance as an operating cost as incurred.

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

Employee entitlements

Provisions are made for liabilities to employees for annual leave, sick leave and other current employee entitlements that represent the amount for which the consolidated entity has a present obligation. These have been calculated at nominal amounts based on the wage and salary rates that the consolidated entity expects to pay as at each reporting date and include related on-costs. Liabilities for employee entitlements which are not expected to be settled within twelve months of balance date, such as long service leave, are accrued at the present value of future amounts expected to be paid. The present value is determined using interest rates applicable to government guaranteed securities with maturities during the next ten years.

Contributions for superannuation are taken to the statements of financial performance in the year in which the payment is made (see note 36).

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

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

Restructuring and employee termination benefits

A provision for restructuring, including employee termination benefits, related to an acquired entity or operation is recognised at the date of acquisition where:

the main features of the restructuring were announced, implementation of the restructuring commenced, or contracts were entered by the date of acquisition, and

a detailed formal plan is developed by the earlier of three months after the date of the acquisition and the completion of this financial report.

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

Other provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination benefits has either commenced or been publicly announced, or firm contracts related to the restructuring or termination benefits have been entered into. Costs related to ongoing activities are not provided for. The liabilities for termination benefits that will be paid as a result of these restructurings have been included in the provision for employee benefits.

Onerous contracts

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

(xix) Foreign currency translation (see note 24)

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

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables and payables outstanding at balance date are translated at the exchange rates current at that date. Exchange gains and losses are taken to the statements of financial performance.

(xx) Cash flows (see note 28)

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

(xxi) Derivative financial instruments (see note 33)

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

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

Anticipated transactions

Where hedge transactions are designated as a hedge of the anticipated purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, gains and losses, on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statements of financial performance.

The net amount receivable or payable under open swaps, forward rate agreements and futures contracts and the associated deferred gains or losses are not recorded in the statements of financial performance until the hedged transaction matures. The net receivables or payables are then revalued using the foreign currency, interest or commodity rates current at balance date. Refer to note 33.

When the anticipated transaction is no longer expected to occur as designated the deferred gains and losses relating to the hedged transaction are recognised immediately in the statements of financial performance.

1. Accounting policies (continued)

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

(xxii) Redeemable preference shares

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

(xxiii) Goods and services tax

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

The net amount of GST recoverable from, or payable to, the relevant taxation authorities is included as a current asset or liability in the statements of financial position.

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

(xxiv) Comparative figures

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

2. Segment report

Reports for business

The consolidated entity’s operations have been divided into six segments comprising Mining Services, Fertilisers, Consumer Products, Chemicals, Other Operations and Corporate and Support Services. Other Operations includes polyethylene and polypropylene, synthetic rubber and specialty plastics (provided through Qenos Holdings Pty Ltd), PVC resins, customised vinyl compounds, discontinued and divested businesses. Corporate and Support Services includes other minor activities, non-operating assets, corporate costs, financial items, such as interest and foreign currency gains/losses on borrowings and proceeds on sales of businesses.

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

Following the changes to the operation of the consolidated entity during the year, the former Industrial Chemicals operations of Incitec Limited have been incorporated in the results of Mining Services and Chemicals, and the Agricultural Chemicals segment renamed to Fertilisers. Prior year comparatives have been restated accordingly.

Reports for business and geographical segments

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

Defined business areas	Products/services
Mining Services	Manufacture and supply of explosives, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries.
Fertilisers	Manufacture, import and supply of a broad range of fertilisers including nitrogen, phosphate and other fertilisers for the agricultural industry.
Consumer Products	Manufacture and supply of paints and other surface coatings to the decorative and technical markets and a range of home handyman and car care products.
Chemicals	Manufacture and supply of a broad range of industrial and specialty chemicals including chlorine, sodium hypochlorite, caustic soda and chemicals for household, food and personal care products, and sodium cyanide to the gold mining industry.
Other Operations	Manufacture and supply of polyethylene and polypropylene, synthetic rubber and specialty plastics (provided through Qenos Holdings Pty Ltd), PVC resins and customised vinyl compounds, other minor activities and discontinued and divested businesses.
Corporate and Support Services	Non-operating assets, corporate costs, financial items (such as interest and foreign currency gain/losses on borrowings) and proceeds on sale of businesses.

Notes to the Financial Statements

2. Segment report (continued)

Primary reporting Business segments	Mining Services	Fertilisers	Consumer Products	Chemicals	Other Operations	Corporate & Support Services	Eliminations	Consolidated
2003								
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Revenue								
External sales	**1,637.5**	**750.4**	**657.5**	**880.4**	**32.8**	**-**	**-**	**3,958.6**
Inter-segment sales	**25.1**	**9.9**	**0.1**	**42.6**	**0.2**	**-**	**(77.9)**	**-**
Total sales revenue	**1,662.6**	**760.3**	**657.6**	**923.0**	**33.0**	**-**	**(77.9)**	**3,958.6**
Other revenue	**33.7**	**7.7**	**6.5**	**13.0**	**72.7**	**51.3**	**-**	**184.9**
Total segment revenue	**1,696.3**	**768.0**	**664.1**	**936.0**	**105.7**	**51.3**	**(77.9)**	**4,143.5**
Results								
Profit from ordinary activities before income tax	**247.4**	**42.8**	**89.1**	**106.6**	**(13.5)**	**(90.8)**	**-**	**381.6**
Individually significant items	**(27.9)**	**(26.0)**	**-**	**(39.3)**	**(145.8)**	**30.3**	**-**	**(208.7)**
Segment results post significant items	**219.5**	**16.8**	**89.1**	**67.3**	**(159.3)**	**(60.5)**	**-**	**172.9**
Income tax expense								**(59.3)**
Profit from ordinary activities after income tax expense								**113.6**
Outside equity interests in (profit)/loss from ordinary activities after income tax								**(12.9)**
Net profit from ordinary activities after income tax expense relating to members of Orica Limited								**100.7**
Segment assets	**1,438.5**	**899.7**	**318.0**	**717.1**	**65.8**	**116.2**	**-**	**3,555.3**
Segment liabilities	**413.1**	**258.9**	**115.3**	**217.7**	**13.6**	**956.2**	**-**	**1,974.8**
Investment in equity method associates included in segment assets	**85.6**	**-**	**-**	**-**	**-**	**0.8**	**-**	**86.4**
Capital expenditure	**68.7**	**22.0**	**6.1**	**18.3**	**0.5**	**1.4**	**-**	**117.0**
Depreciation and amortisation	**92.8**	**33.9**	**17.1**	**27.9**	**0.7**	**2.8**	**-**	**175.2**
Non-cash expenses other than depreciation and amortisation	**-**	**7.2**	**-**	**-**	**123.2**	**-**	**-**	**130.4**
Share of associates net profit/(loss) equity accounted	**8.5**	**-**	**-**	**-**	**(12.8)**	**-**	**-**	**(4.3)**

2002								
	$m	$m	$m	$m	$m	$m	$m	$m
Revenue								
External sales	1,837.9	648.7	640.2	720.2	238.2	-	-	4,085.2
Inter-segment sales	19.0	0.1	0.1	59.1	2.1	-	(80.4)	-
Total sales revenue	1,856.9	648.8	640.3	779.3	240.3	-	(80.4)	4,085.2
Other revenue	17.8	1.1	8.7	5.9	56.7	73.8	-	164.0
Total segment revenue	1,874.7	649.9	649.0	785.2	297.0	73.8	(80.4)	4,249.2
Results								
Profit from ordinary activities before income tax	205.8	58.1	75.6	87.5	23.6	(100.1)	-	350.5
Individually significant items	(19.7)	1.3	(6.2)	-	(45.6)	22.1	-	(48.1)
Segment results post significant items	186.1	59.4	69.4	87.5	(22.0)	(78.0)	-	302.4
Income tax expense								(72.5)
Profit from ordinary activities after income tax expense								229.9
Outside equity interests in (profit)/loss from ordinary activities after income tax								(16.3)
Net profit from ordinary activities after income tax expense relating to members of Orica Limited								213.6
Segment assets	1,459.9	436.3	360.2	583.8	351.9	173.1	-	3,365.2
Segment liabilities	497.4	142.7	125.1	206.9	50.5	848.5	-	1,871.1
Investment in equity method associates included in segment assets	96.7	0.7	-	-	136.0	0.8	-	234.2
Capital expenditure	41.1	15.7	4.2	47.9	0.8	0.3	-	110.0
Depreciation and amortisation	101.7	22.9	17.7	20.0	5.1	4.4	-	171.8
Non-cash expenses other than depreciation and amortisation	17.9	-	-	-	13.0	-	-	30.9
Share of associates net profit/(loss) equity accounted	15.4	-	-	-	(5.4)	-	-	10.0

Notes to the Financial Statements

2. Segment report (continued)

Secondary reporting Geographical segments **2003**	Australia	New Zealand	Americas	Other	Eliminations	Consolidated
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Revenue						
External sales	**2,383.6**	**390.4**	**857.3**	**327.3**	**-**	**3,958.6**
Inter-segment sales	**62.6**	**13.1**	**7.4**	**18.5**	**(101.6)**	**-**
Total sales revenue	**2,446.2**	**403.5**	**864.7**	**345.8**	**(101.6)**	**3,958.6**
Other revenue	**149.1**	**4.7**	**27.5**	**3.6**	**-**	**184.9**
Total segment revenue	**2,595.3**	**408.2**	**892.2**	**349.4**	**(101.6)**	**4,143.5**
Results						
Profit from ordinary activities before income tax	**202.9**	**46.6**	**80.5**	**51.6**	**-**	**381.6**
Individually significant items	**(191.7)**	**-**	**(13.6)**	**(3.4)**	**-**	**(208.7)**
Segment results post significant items	**11.2**	**46.6**	**66.9**	**48.2**	**-**	**172.9**
Income tax expense						**(59.3)**
Profit from ordinary activities after income tax expense						**113.6**
Outside equity interests in (profit)/loss from ordinary activities after income tax						**(12.9)**
Net profit from ordinary activities after income tax expense relating to members of Orica Limited						**100.7**
Segment assets	**2,439.2**	**194.8**	**660.3**	**261.0**	**-**	**3,555.3**
Segment liabilities	**1,501.0**	**52.2**	**323.7**	**97.9**	**-**	**1,974.8**
Investment in equity method associates included in segment assets	**0.8**	**-**	**53.4**	**32.2**	**-**	**86.4**
Capital expenditure	**67.5**	**7.1**	**23.8**	**18.6**	**-**	**117.0**
Depreciation and amortisation	**117.2**	**7.9**	**34.9**	**15.2**	**-**	**175.2**
Non cash expenses other than depreciation and amortisation	**130.4**	**-**	**-**	**-**	**-**	**130.4**
Share of associates net profit/(loss) equity accounted	**(12.8)**	**-**	**5.4**	**3.1**	**-**	**(4.3)**

2002						
	$m	$m	$m	$m	$m	$m
Revenue						
External sales	2,371.1	331.4	1,013.8	368.9	-	4,085.2
Inter-segment sales	67.8	10.5	7.5	7.5	(93.3)	-
Total sales revenue	2,438.9	341.9	1,021.3	376.4	(93.3)	4,085.2
Other revenue	148.5	0.1	9.4	6.0	-	164.0
Total segment revenue	2,587.4	342.0	1,030.7	382.4	(93.3)	4,249.2
Results						
Profit from ordinary activities before income tax	200.7	28.8	75.6	45.4	-	350.5
Individually significant items	(26.5)	(1.5)	-	(20.1)	-	(48.1)
Segment results post significant items	174.2	27.3	75.6	25.3	-	302.4
Income tax expense						(72.5)
Profit from ordinary activities after income tax expense						229.9
Outside equity interests in (profit)/loss from ordinary activities after income tax						(16.3)
Net profit from ordinary activities after income tax expense relating to members of Orica Limited						213.6
Segment assets	2,178.6	162.4	747.0	277.2	-	3,365.2
Segment liabilities	1,351.2	45.4	386.9	87.6	-	1,871.1
Investment in equity method associates included in segment assets	136.8	-	65.9	31.5	-	234.2
Capital expenditure	71.5	3.7	23.1	11.7	-	110.0
Depreciation and amortisation	102.6	6.8	44.3	18.1	-	171.8
Non-cash expenses other than depreciation and amortisation	13.0	-	-	17.9	-	30.9
Share of associates net profit/(loss) equity accounted	(5.4)	-	13.6	1.8	-	10.0

Notes to the Financial Statements

	Consolidated		Company	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m

3. Revenue from ordinary activities

	2003 $m	2002 $m	**2003 $m**	2002 $m
External sales	**3,958.6**	4,085.2	**-**	-
Other revenue from operating activities				
Royalty income	**0.9**	0.8	**-**	-
Dividend income:				
controlled entities	**-**	-	**64.0**	95.9
external parties	**-**	0.1	**-**	-
Interest income:				
controlled entities	**-**	-	**22.7**	18.9
associated companies	**2.0**	1.5	**-**	-
external parties – banks	**8.8**	6.2	**0.2**	0.1
Other income	**23.1**	41.9	**0.1**	18.1
From outside operating activities				
Sale of businesses/controlled entities	**73.0**	28.3	**-**	-
Sale of property, plant and equipment	**76.1**	84.9	**38.1**	34.0
Proceeds from sale of investments	**1.0**	0.3	**-**	-
Total other revenue	**184.9**	164.0	**125.1**	167.0
Total revenue	**4,143.5**	4,249.2	**125.1**	167.0

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

	2003 $m	2002 $m	**2003 $m**	2002 $m
Profit/(loss) from ordinary activities before income tax expense is arrived at after crediting:				
Profit on sale of property, plant and equipment	**9.9**	5.0	**2.6**	1.7
Profit on sale of property forming part of the Corporate surplus property programme	**30.3**	27.9	**32.7**	22.9
Share of associates' net (loss)/profit equity accounted	**(4.3)**	10.0	**-**	-
Profit/(loss) from ordinary activities before income tax expense is arrived at after charging:				
Cost of goods sold	**2,128.6**	2,252.1	**-**	-
Borrowing costs paid/payable to:				
controlled entities	**-**	-	**23.9**	26.4
external parties	**71.5**	67.2	**-**	-
Depreciation on property, plant and equipment:				
buildings and improvements	**11.0**	14.7	**0.4**	0.6
machinery, plant and equipment	**141.6**	142.9	**-**	0.1
Amortisation:				
goodwill	**20.1**	10.5	**-**	-
patents, trademarks and rights	**2.5**	3.7	**-**	-
Amounts set aside to provide for:				
doubtful debts – trade	**1.7**	5.4	**-**	-
doubtful debts – sundry debtors	**0.2**	-	**-**	-
employee entitlements	**31.4**	30.8	**-**	-
environmental liabilities	**47.9**	-	**-**	-
inventory losses and obsolescence	**2.3**	8.8	**-**	-
restructuring and rationalisation provisions	**18.7**	0.2	**-**	-
other provisions	**16.3**	-	**0.2**	0.2
Bad debts written off in respect of trade debtors	**7.7**	3.4	**-**	-
Currency (gains)/losses	**(1.6)**	6.4	**-**	-
Lease payments – operating leases	**49.9**	53.2	**-**	-
(Loss)/profit on sale of businesses/controlled entities	**(1.0)**	2.6	**-**	-
Research and development	**30.0**	27.6	**-**	-
Amortisation of deferred maintenance expenditure	**9.9**	7.6	**-**	-
Superannuation contributions	**34.2**	36.1	**-**	-

	2003 Gross $m	2003 Tax $m	2003 Net $m	2002 Gross $m	2002 Tax $m	2002 Net $m

5. Individually significant items

Profit/(loss) from ordinary activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

	2003 Gross $m	2003 Tax $m	2003 Net $m	2002 Gross $m	2002 Tax $m	2002 Net $m
Consolidated						
Write-off of carrying value of Qenos [1]	**(123.2)**	**-**	**(123.2)**	(27.5)	8.2	(19.3)
Insurance excess and short term funding relating to Qenos Botany plant failure [2]	**(22.6)**	**6.3**	**(16.3)**	-	-	-
Sale of property, plant and equipment [3]	**30.3**	**1.5**	**31.8**	27.9	(0.3)	27.6
Restructuring and rationalisation costs:	**-**	**-**	**-**	(12.2)	6.3	(5.9)
Initiating Systems business [4]	**(27.9)**	**9.4**	**(18.5)**	-	-	-
Incitec and Pivot businesses [5]	**(26.0)**	**8.2**	**(17.8)**	-	-	-
Environmental provision - Botany groundwater [6]	**(39.3)**	**11.8**	**(27.5)**	-	-	-
Tax and interest refund	**-**	**-**	**-**	1.3	3.1	4.4
Write down of carrying value of assets	**-**	**-**	**-**	(24.5)	2.7	(21.8)
Write down of carrying value of Crop Care	**-**	**-**	**-**	(8.4)	(0.6)	(9.0)
Compensation payable by Qenos	**-**	**-**	**-**	(4.7)	-	(4.7)
Individually significant items	**(208.7)**	**37.2**	**(171.5)**	(48.1)	19.4	(28.7)
Outside equity interests in individually significant items	**(2.8)**	**0.9**	**(1.9)**	(3.7)	0.5	(3.2)
Individually significant items attributable to members of Orica	**(205.9)**	**36.3**	**(169.6)**	(44.4)	18.9	(25.5)
Company						
Sale of property, plant and equipment	**32.7**	**(7.8)**	**24.9**	22.9	(1.4)	21.5
Write down of investments	**-**	**-**	**-**	(13.1)	-	(13.1)
	32.7	**(7.8)**	**24.9**	9.8	(1.4)	8.4

(1) Write down in the carrying value of investment in Qenos Holdings Pty Ltd.

(2) Orica Insurance excess and short term funding relating to Qenos Holdings Pty Ltd due to Qenos Botany plant failure following bushfires.

(3) Profit on the disposal of Ascot Vale and part of Deer Park sites in Melbourne forming part of the Corporate surplus property programme.

(4) Costs including asset writedowns, provisions and expenses incurred relating to the reorganisation of the Initiating Systems business worldwide following the acquisition of DNES in 2002 and the buyout of the minorities of IES in 2003.

(5) Costs including asset writedowns, provisions and expenses incurred relating to the restructuring and reorganisation costs of Incitec and Pivot following the buyout of the minorities of Incitec and the merger of the Fertilisers business with Pivot.

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

6. Auditors' remuneration

	Consolidated 2003 $000	Consolidated 2002 $000	Company 2003 $000	Company 2002 $000
Total remuneration received, or due and receivable, by the auditors for:				
Audit services				
Auditors of the Company – KPMG				
– Audit and review of financial reports	**2,185**	1,992	**100**	90
	2,185	1,992	**100**	90
Other services				
Auditors of the Company – KPMG				
– other assurance services	**89**	128	**-**	-
– secondee relocation services	**235**	422	**-**	-
– taxation services	**218**	486	**-**	-
– other services	**33**	283	**-**	-
	575	1,319	**-**	-
	2,760	3,311	**100**	90

The auditors of the Company are KPMG. From time to time, KPMG provides other services to the Company, which are subject to strict corporate governance procedures adopted by the Company which encompass the selection of service providers and the setting of their remuneration. The Audit and Risk Management Committee must approve any other services provided by KPMG above a value of $20,000. The Audit and Risk Management Committee also reviews and approves at year end any other services provided by KPMG below a value of $20,000. The guidelines adopted by KPMG for the provision of other services ensure their statutory independence is not compromised. Other services in 2002 related to property advisory services.

7. Income tax expense

The amount of income tax attributable to the financial year differs from the amount prima facie payable on the operating profit/(loss). The differences are reconciled as follows:

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Income tax expense attributable to operating profit before significant items				
Prima facie income tax expense/(benefit) calculated at 30% on profit/(loss) from ordinary activities before significant items	**114.5**	105.1	**18.9**	31.6
Tax effect of permanent differences which (reduce)/increase tax expense:				
rebateable and exempt dividends	**-**	-	**(19.2)**	(28.8)
variation in tax rates of foreign controlled entities	**(0.3)**	(1.3)	**-**	-
tax under/(over)provided in prior years	**(2.4)**	(1.5)	**(1.0)**	0.7
prior year tax losses recognised	**(8.1)**	(1.9)	**-**	-
non-allowable goodwill amortisation	**4.7**	2.3	**-**	-
non-taxable profit on sale of property, plant and equipment	**(1.8)**	(8.1)	**(0.8)**	-
other foreign deductions	**(13.4)**	(7.1)	**-**	-
sundry items	**3.3**	4.4	**0.9**	1.5
Income tax expense attributable to operating profit before significant items	**96.5**	91.9	**(1.2)**	5.0
Income tax expense attributable to significant items				
Prima facie income tax expense/(benefit) calculated at 30% on (loss)/profit from significant items	**(62.6)**	(14.4)	**9.8**	2.9
Tax effect of permanent differences which (reduce)/increase tax expense:				
individually significant items – non-allowable Botany & Insurance re Qenos loss	**0.5**	-	**-**	-
individually significant items – non-allowable write down of Qenos	**36.9**	-	**-**	-
individually significant items – non-allowable write down of assets	**-**	7.8	**-**	-
individually significant items – compensation paid by Qenos	**-**	1.4	**-**	-
individually significant items – non-taxable profit on disposal of property under the Corporate surplus property programme	**(10.5)**	(8.1)	**(2.0)**	(6.4)
individually significant items – non-allowable write down of AVC and other minor investments	**-**	-	**-**	0.9
individually significant items – non-allowable write down of investments	**-**	-	**-**	4.0
individually significant items – other	**(1.5)**	(2.6)	**-**	-
individually significant items – amended tax assessment on sale and leaseback transaction	**-**	(3.5)	**-**	-
Income tax (benefit)/expense attributable to operating loss from significant items	**(37.2)**	(19.4)	**7.8**	1.4
Income tax expense attributable to operating profit/(loss)	**59.3**	72.5	**6.6**	6.4
Income tax expense comprises:				
provision for income tax	**16.1**	58.2	**7.0**	6.3
deferred income tax	**19.0**	(5.7)	**-**	-
future income tax benefit [1]	**24.2**	20.0	**(0.4)**	0.1
	59.3	72.5	**6.6**	6.4

(1) Recovery of future income tax benefits included in deferred tax assets (see note 17) 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 $52.7m (2002 $46.2m) have been brought to account in the consolidated financial statements as at 30 September 2003 because the directors believe realisation of those benefits is 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 consolidated entity; and
(c) the controlled entity continues to comply with the conditions for deductibility imposed by the law; and
(d) no changes in tax legislation adversely affect the controlled entity or the consolidated entity in realising the benefit from the deductions for the loss.

Notes to the Financial Statements

7. Income tax expense (continued)

Potential future tax benefits of controlled entities which have not been brought to account as realisation is not virtually certain:

	Consolidated		Company	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Tax losses not booked	**41.1**	66.0	**-**	-
Capital losses not booked	**61.7**	54.1	**-**	-
Timing differences not booked	**15.3**	17.5	**-**	-

Losses not booked 2003	Tax losses	Capital losses	Expiry date
	$m	**$m**	
Australia	**0.6**	**59.6**	Indefinite
New Zealand	**-**	**-**	-
Americas	**32.5**	**-**	Between 2019 and 2022
Other	**8.0**	**2.1**	Between 2004 and 2018
	41.1	**61.7**	

		Consolidated	
		2003	2002
	Notes	Cents per share	Cents per share

8. Earnings per share (EPS)

	Notes	2003	2002
Basic earnings per share			
including significant items		**36.2**	76.8
excluding significant items		**97.2**	86.0
Diluted earnings per share			
including significant items		**35.7**	76.4
excluding significant items		**95.9**	85.6
		Number	Number
Weighted average number of shares used as the denominator:			
Number for basic earnings per share		**277,909,496**	277,983,281
Effect of Executive Shares Options on issue		**3,220,884**	568,520
Effect of Award Rights on issue		**521,667**	778,208
Number for diluted earnings per share		**281,652,047**	279,330,009
Average market price of ordinary shares ($)		**10.29**	7.95
The following Executive Share Options have not been included in the calculation for diluted EPS as they are not dilutive:			
- issue date 15 March 1999		**-**	795,000
- issue date 29 March 2000		**-**	1,315,000
- issue date 4 June 2002		**-**	59,013
- issue date 9 August 2002		**-**	32,509
- issue date 11 November 2002		**115,421**	-
- issue date 02 December 2002		**20,000**	-
Full details of these options are set out in Note 23			
		$m	$m
Reconciliation of earnings used in the calculation of basic and diluted earnings per share:			
Including individually significant items			
Profit/(loss) from ordinary activities after income tax expense		**113.6**	229.9
Less outside equity interests		**(12.9)**	(16.3)
Less preference share dividends appropriated		**(0.1)**	(0.1)
Earnings used in calculation of EPS including individually significant items		**100.6**	213.5
Reconciliation of earnings used in the calculation of basic and diluted earnings per share:			
Excluding individually significant items			
Profit/(loss) from ordinary activities after income tax expense		**113.6**	229.9
Less outside equity interests		**(12.9)**	(16.3)
Less preference share dividends appropriated		**(0.1)**	(0.1)
equity interests	(5)	**169.6**	25.5
Earnings used in calculation of EPS excluding individually significant items		**270.2**	239.0

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
9. Cash assets					
Cash at bank and on hand		**65.3**	80.4	**-**	-
Deposits at call					
external		**22.3**	66.0	**-**	-
controlled entities		**-**	-	**22.4**	21.2
		87.6	146.4	**22.4**	21.2

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
10. Receivables					
Current					
Trade debtors					
external		**506.5**	477.2	**-**	-
controlled entities		**-**	-	**-**	-
associated companies		**11.7**	16.4	**-**	-
Less provision for doubtful debts					
external		**(17.7)**	(18.3)	**-**	-
		500.5	475.3	**-**	-
Sundry debtors/loans					
external		**55.4**	79.5	**-**	-
controlled entities		**-**	-	**439.5**	389.1
associated companies		**53.9**	33.3	**-**	-
related parties	(35)	**-**	1.3	**-**	-
Less provision for doubtful debts					
associated companies		**(42.2)**	(31.0)	**-**	-
		67.1	83.1	**439.5**	389.1
		567.6	558.4	**439.5**	389.1
Non-current					
Sundry debtors/loans					
external		**16.6**	27.7	**1.3**	2.5
related parties	(35)	**20.9**	22.6	**-**	-
		37.5	50.3	**1.3**	2.5

(i) Significant terms and conditions
Trade debtors 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.

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

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

(iii) Credit risk
Credit risk in debtors is managed in the following ways:
– payment terms are generally 30 days and payment compliance is high.
– a risk assessment process is used for all accounts, with a stop credit process for most long overdue accounts.
– credit insurance cover is obtained where appropriate.

Notes to the Financial Statements

10. Receivables (continued)

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

	Consolidated	
	2003	2002
	%	%
Business area		
Mining Services	**40.6**	38.6
Fertilisers	**15.3**	10.2
Consumer Products	**11.6**	14.1
Chemicals	**15.5**	11.6
Other	**17.0**	25.5
	100.0	100.0
Geographic area		
Australia	**54.4**	56.3
New Zealand	**10.9**	9.0
Americas	**24.2**	24.6
Other	**10.5**	10.1
	100.0	100.0

	Consolidated		Company	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m

11. Inventories

Raw materials and stores				
At cost	**135.4**	162.3	**-**	-
Less provision for inventory losses and obsolescence	**(2.5)**	(3.6)	**-**	-
	132.9	158.7	**-**	-
Work in progress at cost	**12.6**	13.8	**-**	-
Finished goods				
At cost	**450.1**	388.8	**-**	-
At net realisable value	**0.9**	0.9	**-**	-
	451.0	389.7	**-**	-
Less provision for inventory losses and obsolescence	**(13.4)**	(14.0)	**-**	-
	437.6	375.7	**-**	-
	583.1	548.2	**-**	-

12. Other assets

Current				
Deferred maintenance expenditure	**19.9**	16.0	**-**	-
Less accumulated amortisation	**(9.3)**	(3.5)	**-**	-
	10.6	12.5	**-**	-
Prepayments	**33.7**	4.8	**-**	-
	44.3	17.3	**-**	-
Non-current				
Deferred maintenance expenditure	**44.4**	46.5	**-**	-
Less accumulated amortisation	**(16.5)**	(13.8)	**-**	-
	27.9	32.7	**-**	-
Prepayments	**18.8**	3.9	**-**	-
	46.7	36.6	**-**	-

13. Investments accounted for using the equity method

Name	Principal activity	Balance date	Ownership Consolidated 2003 %	Ownership Consolidated 2002 %	Investments Consolidated 2003 $m	Investments Consolidated 2002 $m
Botany Industrial Park Pty Limited	Facility management service	30 Sep	**50.0**	50.0	**-**	-
BXL Bulk Explosives Limited	Manufacture and sale of explosives	31 Oct	**50.0**	50.0	**14.2**	15.2
Chemtrans Asiatic Limited	Provision and marketing of specialist transport services	31 Dec	**-**	49.0	**-**	0.7
Emirates Explosives L.L.C.	Manufacture and sale of explosives	31 Dec	**49.0**	49.0	**2.1**	2.1
Exor Explosives Limited	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**1.2**	1.3
Geneva Nitrogen LLC	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**6.3**	7.6
Indian Explosives Limited	Manufacture and sale of explosives	31 Mar	**49.0**	49.0	**27.3**	25.7
MSW-Chemie GmbH	Manufacture and sale of explosives	31 Dec	**31.5**	31.5	**1.1**	1.1
Nelson Brothers, LLC	Manufacture and sale of explosives	31 Dec	**50.0**	50.0	**30.2**	39.4
Nelson Brothers Mining Services LLC	Supply of explosives	31 Dec	**27.7**	27.7	**2.6**	3.5
Northwest Energetic Services, LLC	Manufacture and sale of explosives	31 Dec	**33.3**	33.3	**0.1**	0.1
Pigment Manufacturers of Australia Limited	Distrbutor of chemical products	31 Dec	**50.0**	50.0	**0.8**	0.8
PIIK Limited Partnership	Sale of explosives	30 Sep	**49.0**	-	**-**	-
Qenos Holdings Pty Ltd	Manufacture and sale of polyethylene	31 Dec	**50.0**	50.0	**-**	136.0
Sprewa Sprengmittel GmbH	Sale of explosives	31 Dec	**24.0**	24.0	**0.5**	0.7
Troisdorf GmbH	Holder of operating permits	30 Sep	**50.0**	50.0	**-**	-
Wurgendorf GmbH	Holder of operating permits	30 Sep	**50.0**	50.0	**-**	-
					86.4	234.2

	Consolidated 2003 $m	Consolidated 2002 $m
Results of associates		
Share of associates' (loss)/profit from ordinary activities before income tax	**(3.3)**	10.8
Share of associates' income tax expense relating to profit/(loss) from ordinary activities	**(1.0)**	(0.8)
Amortisation of unrealised profit	**-**	-
Share of associates' net (loss)/profit equity accounted	**(4.3)**	10.0
Share of post-acquisition retained profits and reserves attributable to associates		
Retained profits		
Share of associates' accumulated losses at the beginning of the financial year	**(21.7)**	(16.2)
Share of associates' net (loss)/profit	**(4.3)**	10.0
Less dividends from associates	**(7.5)**	(15.5)
Share of associates' accumulated losses at the end of the financial year	**(33.5)**	(21.7)
Movements in carrying amounts of investments		
Carrying amount of investments in associates at the beginning of the financial year	**234.2**	243.9
Investments in associates acquired during the year	**-**	1.3
Investments in associates	**0.1**	-
Investments in associates written off	**(123.2)**	-
Investments in associates disposed	**(0.7)**	-
Share of associates' net (loss)/profit equity accounted	**(4.3)**	10.0
Less dividends from associates	**(7.5)**	(15.5)
Effects of exchange rate changes	**(12.2)**	(5.5)
Carrying amount of investments in associates at the end of the financial year	**86.4**	234.2
Summary performance and financial position of associates on a 100% basis		
The aggregate (loss)/profit, assets and liabilities of associates are:		
Net (loss)/profit after tax	**(5.4)**	30.5
Assets	**1,003.5**	886.3
Liabilities	**629.4**	387.0

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m

14. Other financial assets

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Non-current				
Interest in unlisted controlled entities (see note 38)				
At cost	**-**	-	**1,147.8**	1,147.8
	-	-	**1,147.8**	1,147.8

15. Property, plant and equipment

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Land, buildings and improvements				
At cost	**596.8**	501.0	**43.0**	47.5
Accumulated depreciation	**(206.0)**	(162.6)	**(14.5)**	(15.8)
Total net book value	**390.8**	338.4	**28.5**	31.7
Machinery, plant and equipment				
Gross book value				
At cost	**2,250.9**	2,123.6	**0.4**	0.4
Under finance lease	**0.4**	1.0	**-**	-
	2,251.3	2,124.6	**0.4**	0.4
Accumulated depreciation/amortisation				
At cost	**(1,205.1)**	(1,048.2)	**(0.3)**	(0.3)
Under finance lease	**(0.2)**	(0.7)	**-**	-
	(1,205.3)	(1,048.9)	**(0.3)**	(0.3)
Net book value				
At cost	**1,045.8**	1,075.4	**0.1**	0.1
Under finance lease	**0.2**	0.3	**-**	-
Total net book value	**1,046.0**	1,075.7	**0.1**	0.1
Total net book value of property, plant and equipment	**1,436.8**	1,414.1	**28.6**	31.8
(i) Carrying value of freehold land				
(included with land, buildings and improvements)	**155.8**	129.3	**25.4**	27.8
(ii) Land held for resale				
At cost	**18.1**	11.7	**-**	-
Capitalised development and remediation costs	**8.2**	-	**-**	-
Total land held for resale				
(included in value of freehold land)	**26.3**	11.7	**-**	-
(iii) Current valuations				
The most recent valuations of freehold land, buildings and improvements, which are prepared every three years, are listed below. The 2000 and 2001 valuations have not been incorporated in the financial statements. The 2003 valuations have been adopted as fair values on acquisition of businesses and controlled entities (see note 28).				
At directors' valuation				
2000	**-**	91.3	**-**	-
2001	**373.9**	397.4	**120.5**	140.6
2003	**170.8**	-	**-**	-
	544.7	488.7	**120.5**	140.6

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

(iv) Capitalised borrowing costs

Interest amounting to $nil (2002 $5.6m) was capitalised to assets under construction.

15. Property, plant and equipment (continued)

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

Consolidated 2003	Land, buildings and improvements $m	Machinery, plant and equipment $m	Total $m
Carrying amount at the beginning of the financial year	**338.4**	**1,075.7**	**1,414.1**
Additions	**9.0**	**108.0**	**117.0**
Disposals	**(14.9)**	**(21.0)**	**(35.9)**
Additions through acquisition of entities (see note 28)	**72.1**	**102.6**	**174.7**
Disposals through disposal of entities (see note 28)	**-**	**(20.8)**	**(20.8)**
Depreciation/amortisation expense (see note 4)	**(11.0)**	**(141.6)**	**(152.6)**
Write down of plant and equipment	**-**	**(7.2)**	**(7.2)**
Foreign currency exchange differences	**(2.8)**	**(49.7)**	**(52.5)**
Carrying amount at the end of the financial year	**390.8**	**1,046.0**	**1,436.8**
Company 2003			
Carrying amount at the beginning of the financial year	**31.7**	**0.1**	**31.8**
Disposals	**(2.8)**	**-**	**(2.8)**
Depreciation/amortisation expense (see note 4)	**(0.4)**	**-**	**(0.4)**
Carrying amount at the end of the financial year	**28.5**	**0.1**	**28.6**

	Consolidated		Company	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
16. Intangible assets				
Patents, trademarks and rights, at cost	**28.4**	29.6	**-**	-
Less accumulated amortisation	**(11.0)**	(12.6)	**-**	-
	17.4	17.0	**-**	-
Patents, trademarks and rights, at recoverable amount	**15.0**	13.8	**-**	-
Less accumulated amortisation	**(3.8)**	(1.8)	**-**	-
	11.2	12.0	**-**	-
Total net book value of patents, trademarks and rights	**28.6**	29.0	**-**	-
Goodwill, at cost	**501.3**	170.5	**-**	-
Less accumulated amortisation	**(107.5)**	(84.3)	**-**	-
	393.8	86.2	**-**	-
Goodwill, at recoverable amount	**20.1**	21.5	**-**	-
Less accumulated amortisation	**(0.8)**	(1.2)	**-**	-
	19.3	20.3	**-**	-
Total net book value of goodwill	**413.1**	106.5	**-**	-
Total net book value of intangibles	**441.7**	135.5	**-**	-
17. Deferred tax assets				
Future income tax benefit	**223.6**	224.2	**2.0**	1.6

Notes to the Financial Statements

	Consolidated		Company	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
18. Payables				
Current				
Trade creditors				
external	**408.9**	411.4	**0.2**	0.1
associated companies	**3.8**	4.4	**-**	-
Sundry creditors and accrued charges				
external	**103.6**	122.3	**0.8**	2.4
controlled entities	**-**	-	**2.0**	1.5
	516.3	538.1	**3.0**	4.0
Non-current				
Sundry creditors and accrued charges				
external	**15.1**	3.6	**-**	-
	15.1	3.6	**-**	-

(i) Significant terms and conditions
Trade creditors, including expenditures not yet billed, are recognised when the consolidated entity becomes obliged to make future payments as a result of a purchase of goods or services. Trade payables are normally settled within 32 days from invoice date or within the agreed payment terms with the supplier.

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

	Consolidated		Company	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
19. Interest bearing liabilities				
Current				
Secured				
investment deposit debentures [1]	**39.1**	-	**-**	-
Unsecured				
bank overdrafts	**2.5**	3.2	**-**	-
bank loans	**24.7**	32.0	**-**	-
commercial paper	**-**	64.7	**-**	-
other short term borrowings	**98.1**	-	**-**	-
other loans				
external	**-**	-	**-**	-
controlled entities	**-**	-	**369.2**	261.8
associated companies	**2.5**	1.8	**-**	-
Lease liabilities	**0.1**	0.2	**-**	-
	167.0	101.9	**369.2**	261.8
Non-current				
Unsecured				
bank loans	**280.2**	187.9	**-**	-
fixed term notes	**75.0**	75.0	**-**	-
other loans				
external [2]	**387.3**	461.1	**-**	-
redeemable preference shares [3]	**55.0**	-	**-**	-
Lease liabilities	**0.1**	0.2	**-**	-
	797.6	724.2	**-**	-

[1] Investment deposit debentures
Secured by a fixed and floating charge over Incitec Pivot Limited's assets, the current market value of which exceeds the value of the borrowings.

[2] Private Placement
Other loans relate to the Private Placement Notes issued during October 2000. The term of these loans is October 2007, October 2010 and October 2012.

[3] Redeemable preference shares
A subsidiary of the consolidated entity issued redeemable preference shares at $5,000 per share on 28 May 2003, redeemable on 27 November 2004 at face value. Holders receive interest at 5.36% per annum.

[4] Net fair values
The directors consider the carrying amount of borrowings to approximate their net fair values.

[5] Significant terms and conditions
Commercial paper is recognised when issued at the amount of the net proceeds received. Interest expense is recognised progressively over the life of the loan. Refer to note 33 for additional financial instruments disclosures.
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m

20. Current tax liabilities

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Provision for income tax	**17.7**	19.6	**6.5**	4.0

21. Provisions

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Current				
Dividends – Orica shareholders	**0.1**	81.0	**0.1**	81.0
– Outside equity interests	**0.6**	7.4	**-**	-
Employee entitlements	**51.3**	48.6	**-**	-
Restructuring and rationalisation	**37.9**	23.8	**-**	-
Environmental	**48.7**	29.7	**-**	-
Other	**13.3**	38.1	**-**	0.2
	151.9	228.6	**0.1**	81.2
Non-current				
Employee entitlements	**67.8**	66.1	**-**	-
Restructuring and rationalisation	**0.8**	-	**-**	-
Environmental	**101.6**	78.2	**-**	-
Other	**11.4**	2.2	**1.0**	0.9
	181.6	146.5	**1.0**	0.9
Aggregate employee entitlements				
Current	**51.3**	48.6	**-**	-
Non-current	**67.8**	66.1	**-**	-
	119.1	114.7	**-**	-

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

Assumed rate of increase in wage and salary rates	**4.0%**
Average discount rate	**5.2%**
Settlement term	**10 years**

Employees at year end	**Number**	Number	**Number**	Number
Full time	**7,801**	7,768	**-**	-

Reconciliations

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

Current Provision - Dividends – Orica shareholders	Consolidate $m	Company $m
Carrying amount at the beginning of the financial year	**81.0**	**81.0**
Adjustment on adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets	**(80.9)**	**(80.9)**
Provisions made during the year:		
Final Dividend 2002	**80.9**	**80.9**
Interim Dividend 2003	**49.9**	**49.9**
Preference Dividend 2003	**0.1**	**0.1**
Payments made during the year	**(130.9)**	**(130.9)**
Carrying amount at the end of the financial year	**0.1**	**0.1**

Current Provision - Dividends – Outside Equity Interests		
Carrying amount at the beginning of the financial year	**7.4**	**-**
Additions through acquisition of entities (see note 28)	**24.6**	**-**
Provisions made during the year	**13.0**	
Payments made during the year	**(44.4)**	**-**
Carrying amount at the end of the financial year	**0.6**	**-**

Current Provision - Restructuring and rationalisation		
Carrying amount at the beginning of the financial year	**23.8**	**-**
Additions through acquisition of entities (see note 28)	**24.6**	**-**
Provisions made during the year	**17.9**	**-**
Provisions written back during the year	**(3.4)**	**-**
Payments made during the year	**(24.3)**	**-**
Foreign currency exchange differences	**(0.7)**	**-**
Carrying amount at the end of the financial year	**37.9**	**-**

21. Provisions (continued)

Current Provision - Environmental	Consolidate $m	Company $m
Carrying amount at the beginning of the financial year	**29.7**	**-**
Additions through acquisition of entities (see note 28)	**7.4**	**-**
Provisions made during the year	**24.3**	**-**
Provisions written back during the year	**(0.2)**	**-**
Payments made during the year	**(5.6)**	**-**
Provisions transferred (to)/from non-current	**(6.3)**	**-**
Foreign currency exchange differences	**(0.6)**	**-**
Carrying amount at the end of the financial year	**48.7**	**-**

Current Provision - Other		
Carrying amount at the beginning of the financial year	**38.1**	**0.2**
Additions through acquisition of entities (see note 28)	**0.7**	**-**
Reductions through disposal of entities (see note 28)	**(0.9)**	**-**
Provisions made during the year	**5.8**	**-**
Provisions written back during the year	**(6.0)**	**(0.2)**
Payments made during the year	**(20.4)**	**-**
Foreign currency exchange differences	**(4.0)**	**-**
Carrying amount at the end of the financial year	**13.3**	**-**

Non Current Provision - Environmental		
Carrying amount at the beginning of the financial year	**78.2**	**-**
Provisions made during the year	**23.6**	**-**
Provisions written back during the year	**(5.6)**	**-**
Provision transferred from/(to) current	**6.3**	**-**
Foreign currency exchange differences	**(0.9)**	**-**
Carrying amount at the end of the financial year	**101.6**	**-**

Non Current Provision - Restructuring and rationalisation		
Carrying amount at the beginning of the financial year	**-**	**-**
Provisions made during the year	**0.8**	**-**
Carrying amount at the end of the financial year	**0.8**	**-**

Non Current Provision - Other		
Carrying amount at the beginning of the financial year	**2.2**	**0.9**
Provisions made during the year	**10.5**	**0.1**
Foreign currency exchange differences	**(1.3)**	**-**
Carrying amount at the end of the financial year	**11.4**	**1.0**

	Consolidated		Company	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
22. Deferred tax liabilities				
Deferred income tax	**127.6**	108.6	**-**	-

	Company	
	2003	2002
	$m	$m
23. Contributed equity		
Issued and fully paid:		
Cumulative non-redeemable 5% preference shares - 2,000,000 (2002 - 2,000,000)	**2.0**	2.0
Ordinary shares - 277,612,490 (2002 - 279,088,039)	**485.7**	505.2
	487.7	507.2

23. Contributed equity (continued)

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

Details	Date	Number of shares	Issue price $	$m
Opening balance of shares issued	1 Oct 01	277,261,177		489.4
Shares issued under the executive incentive scheme (note 34) [1]	17 Jan 02	400,000	7.42	3.0
Shares issued under the executive incentive scheme (note 34)	6 May 02	775,000	8.82	6.8
Shares issued under the executive bonus scheme	6 May 02	13,331	8.82	0.1
Shares issued under the executive incentive scheme (note 34)	1 Jul 02	263,435	9.49	2.5
Shares issued under the executive incentive scheme (note 34)	5 Aug 02	255,000	9.03	2.3
Shares issued under the general employee exempt share plan	21 Aug 02	120,096	9.25	1.1
Balance	30 Sep 02	279,088,039		505.2
Shares issued under the executive incentive scheme (note 34) [1]	**20 Dec 02**	**360,000**	**10.09**	**3.6**
Shares issued under the dividend reinvestment plan [4]	**16 Dec 02**	**1,535,408**	**10.32**	**15.8**
Shares issued under the share acquisition plan (note 34) [2]	**6 &14 Feb 03**	**244,924**	**0.00**	**0.0**
Shares issued under the Orica executive option plan (note 34) [2]		**821,100**	**8.31**	**6.8**
Shares issued under the Orica executive option plan (note 34) [2]		**409,200**	**8.57**	**3.5**
Share buy-back [3]		**(4,846,181)**	**10.16**	**(49.2)**
Balance	**30 Sep 03**	**277,612,490**		**485.7**

[1] In addition, 91,100 (2002 50,000) shares were purchased on market under the executive incentive scheme.

[2] The options and award rights have been exercised at various times during the year 2003. The weighted average of the fair value of shares issued was $9.93.

[3] Daily share buy-back over a period from Dec 2002 to Jan 2003.

[4] During the year, the Company bought 917,337 (2002 2,287,204) shares on market to satisfy shareholders' Dividend Reinvestment Plan (DRP) requirements and the transaction costs have been charged directly against contributed equity.

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

	Company 2003 $m	Company 2002 $m
Issued ordinary share capital	**10.3**	-

Options over unissued shares (refer note 34):

Exercisable between		Balance 30 Sep 01	Issued During Year	Lapsed During Year	Balance 30 Sep 02	**Issued/ Reinstated During Year**	**Exercised During Year**	**Lapsed During Year**	**Balance 30 Sep 03**
01 Jan 02	31 Dec 08	820,000	-	(25,000)	795,000	**25,000**	**(409,200)**	**-**	**410,800**
01 Jan 03	31 Dec 09	1,452,000	-	(137,000)	1,315,000	**8,500**	**(821,100)**	**-**	**502,400**
01 Jan 04	31 Dec 10	1,699,800	-	(740,800)	959,000	**-**	**-**	**(6,800)**	**952,200**
31 Dec 04	31 Dec 06	-	1,202,000	(27,000)	1,175,000	**-**	**-**	**-**	**1,175,000**
31 Oct 05	31 Oct 07 [1]	-	9,061,386	(253,860)	8,807,526	**-**	**-**	**(388,943)**	**8,418,583**
31 Oct 05	31 Oct 07 [1]	-	59,013	-	59,013	**-**	**-**	**(18,837)**	**40,176**
31 Oct 05	31 Oct 07 [1]	-	32,509	-	32,509	**-**	**-**	**-**	**32,509**
31 Oct 05	31 Oct 07 [1]	-	-	-	-	**115,421**	**-**	**-**	**115,421**
31 Oct 05	31 Oct 07 [1]	-	-	-	-	**20,000**	**-**	**-**	**20,000**
31 Oct 05	31 Oct 07 [1]	-	-	-	-	**84,576**	**-**	**-**	**84,576**
						-			**-**
Total		3,971,800	10,354,908	(1,183,660)	13,143,048	**253,497**	**(1,230,300)**	**(414,580)**	**11,751,665**

Award Rights over unissued shares (refer Note 34):

31 Dec 01	31 Dec 03	179,000	-	(12,000)	167,000	**3,000**	**(105,400)**	**(23,180)**	**41,420**
31 Dec 02	31 Dec 04	258,300	-	(90,100)	168,200	**4,100**	**(139,524)**	**(6,376)**	**26,400**
31 Dec 03	31 Dec 05	297,400	-	(128,800)	168,600	**-**	**-**	**(5,600)**	**163,000**
31 Dec 04	31 Dec 06	-	221,400	(11,400)	210,000	**-**	**-**	**(21,200)**	**188,800**
Total		734,700	221,400	(242,300)	713,800	**7,100**	**(244,924)**	**(56,356)**	**419,620**

[1] Exercisable one third on 31 October 2005, one third on 31 October 2006 and one third on 31 October 2007.

Notes to the Financial Statements

24. Reserves and retained profits

	Note	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
(a) Reserves					
Realisation and revaluation of assets		**75.6**	39.1	**5.6**	5.6
General and other		**157.0**	157.0	**90.0**	90.0
Foreign currency translation		**(115.4)**	(63.6)	**-**	-
		117.2	132.5	**95.6**	95.6
Movement in reserves during the financial year					
Realisation and revaluation of assets					
Balance at beginning of year		**39.1**	39.1	**5.6**	5.6
Increase in revaluation reserve [1]		**36.5**	-	**-**	-
Balance at end of year		**75.6**	39.1	**5.6**	5.6
General and other					
Balance at beginning of year		**157.0**	157.0	**90.0**	90.0
Balance at end of year		**157.0**	157.0	**90.0**	90.0
Foreign currency translation					
Balance at beginning of year		**(63.6)**	(46.8)	**-**	-
Translation of overseas controlled entities at the end of the financial year		**(51.8)**	(16.8)	**-**	-
Balance at end of year		**(115.4)**	(63.6)	**-**	-

[1] Arising from the purchase of minorities in Incitec Limited and Initiating Explosives Systems Pty Ltd.

	Note	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
(b) Retained profits					
Retained profits at the beginning of the financial year		**733.3**	642.5	**639.3**	653.5
Net decrease in equity due to initial adoption of AASB 1028 Employee Benefits and AASB 1044 Provisions, Contingent Liabilities and Contingent Assets [2]		**76.9**	-	**80.9**	-
Operating profit after income tax attributable to members of Orica		**100.7**	213.6	**89.2**	108.6
Dividends:	(27)				
Preference – declared/paid		**(0.1)**	(0.1)	**(0.1)**	(0.1)
Ordinary – interim paid		**(49.9)**	(41.8)	**(49.9)**	(41.8)
Ordinary – final declared/paid		**(80.9)**	(80.9)	**(80.9)**	(80.9)
Retained profits at the end of the financial year		**780.0**	733.3	**678.5**	639.3

Nature and purpose of reserves

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

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

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

[2] ***Net Decrease in equity due to initial adoption of AASB 1028 Employee Benefits and AASB 1044 Provisions, Contingent Liabilities and Contingent Assets***

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Employee entitlements	**(1.0)**	-	**-**	-
Onerous contracts	**(3.0)**	-	**-**	-
As per statements of financial performance	**(4.0)**	-	**-**	-
Provision for final dividends	**80.9**	-	**80.9**	-
	76.9	-	**80.9**	-

	Consolidated 2003 %	Consolidated 2002 %	Consolidated 2003 $m	Consolidated 2002 $m
25. Outside equity interests in controlled entities				
Ordinary share capital of controlled entities held by outside equity interests in:				
Altona Properties Pty Ltd	**37.4**	37.4	**-**	-
Chai International Development Co Ltd	**-**	30.0	**-**	1.1
Orica IC Assets Ltd (formerly Incitec Ltd)	**-**	23.0	**-**	60.8
Incitec Pivot Limited	**30.0**	-	**159.7**	-
Initiating Explosives Systems Pty Ltd	**-**	30.0	**-**	6.9
Orica-CCM Energy Systems Sdn Bhd	**45.0**	45.0	**0.6**	0.6
Orica Coatings (Fiji) Limited	**11.7**	11.7	**-**	-
Orica Eesti OU	**35.0**	35.0	**4.7**	4.7
Orica Explosives Philippines Inc	**10.5**	10.5	**0.2**	0.2
Orica-GM Holdings Ltd	**49.0**	49.0	**-**	-
Orica Kazakhstan Closed Joint Stock Company	**23.0**	23.0	**1.8**	-
Orica Kimit Explosives AB	**49.0**	49.0	**1.4**	1.4
Orica Nitro Patlayici Maddeler Ticaret ve Sanayi A.S.	**49.0**	49.0	**1.5**	1.5
Orica (Weihai) Explosives Co Ltd	**20.0**	20.0	**6.2**	6.2
PT Kaltim Nitrate Indonesia	**10.0**	10.0	**1.1**	1.1
Sprengmittelvertrieb in Bayern GmbH	**49.0**	49.0	**0.1**	0.1
Welvic Australia Pty Ltd	**37.4**	37.4	**-**	-
			177.3	84.6
Outside equity interest in shareholders' equity at balance date is as follows:				
Share capital			**177.3**	84.6
Reserves			**8.7**	10.6
Retained profits			**9.6**	25.9
			195.6	121.1

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
26. Total equity reconciliation					
Total equity at the beginning of the financial year		**1,494.1**	1,402.7	**1,242.1**	1,240.5
Total changes recognised in the statements of financial performance		**81.4**	196.8	**89.2**	108.6
Transactions with owners as owners					
Dividends provided for or paid	(27)	**(50.0)**	(122.8)	**(50.0)**	(122.8)
Contributions of equity	(23)	**(19.5)**	15.8	**(19.5)**	15.8
Total changes in outside equity interests	(25)	**74.5**	1.6	**-**	-
Total equity at the end of the financial year		**1,580.5**	1,494.1	**1,261.8**	1,242.1

Notes to the Financial Statements

	Company 2003 $m	Company 2002 $m
27. Dividends		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary		
interim dividend of 15 cents per share, 50% franked at 30%, paid 5 Jul 2002		41.8
interim dividend of 18 cents per share, 25% franked at 30%, paid 17 Jul 2003	**49.9**	
final dividend of 29 cents per share, 26% franked at 30%, paid 10 Dec 2002		80.9
Preference		
interim dividend of 2.5 cents per share, 50% franked at 30%, paid 31 Jul 2002		0.05
interim dividend of 2.5 cents per share, 25% franked at 30%, paid 31 Jul 2003	**0.05**	
final dividend of 2.5 cents per share, 26% franked at 30%, paid 31 Jan 2003		0.05
final dividend of 2.5 cents per share, 20.3% franked at 30%	**0.05**	
Redeemable Preference [1]		
quarterly dividend at 5.36% per annum, per share, unfranked, payable 27 November 2003	**0.7**	
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:		
paid in cash	**105.1**	45.1
satisfied by issue of shares	**15.8**	-
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan	**10.0**	19.0
Subsequent events		
Since the end of the financial year, the directors declared the following dividends:		
Ordinary		
final dividend of 34 cents per share, 19.1% franked at 30%, payable 10 Dec 2003	**94.4**	

The financial effect of the ordinary dividends have not been brought to account in the financial statements for the year ended 30 September 2003 and will be recognised in subsequent financial reports.

[1] Dividends on these shares have been charged to the statements of financial performance as borrowing costs because the shares are classified as liabilities.

Franking credits

Franking credits available at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the final dividend for 2003 is nil (2002 nil).

Franking credits at the 30% corporate tax rate arising from tax payments relating to the amended income tax assessments in respect of a sale and leaseback transaction amounting to $41.2m (2002 $41.2m) will not be used to frank dividends while the tax is in dispute. On a tax paid basis, the Franking credits relating to the amended income tax assessments in respect of a sale and leaseback transaction would have amounted to $17.7m (2002 $17.7m).

28. Notes to the statements of cash flows

Reconciliation of cash

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:					
Cash	(9)	**87.6**	146.4	**22.4**	21.2
Bank overdraft	(19)	**(2.5)**	(3.2)	**-**	-
		85.1	143.2	**22.4**	21.2
Reconciliation of profit/(loss) from ordinary activities after income tax to net cash flows from operating activities					
Profit/(loss) from ordinary activities after income tax expense		**113.6**	229.9	**89.2**	108.6
Depreciation and amortisation		**175.2**	171.8	**0.4**	0.7
Share of associates' net (profit)/loss		**4.3**	(10.0)	**-**	-
(Decrease)/increase in net interest payable		**(0.7)**	(1.3)	**0.5**	(0.9)
Decrease/(Increase) in dividend income receivable		**-**	-	**8.6**	(1.1)
Write down of intangibles		**-**	1.9	**-**	-
Write down of property, plant and equipment and inventory		**7.2**	29.0	**-**	-
Write down of investments		**123.2**	-	**-**	13.1
Net loss/(profit) on sale of businesses and controlled entities		**1.0**	(2.6)	**-**	-
Net profit on sale of property, plant and equipment		**(40.2)**	(32.9)	**(35.3)**	(24.6)
Changes in assets and liabilities excluding the effects of acquisitions and disposals of businesses/controlled entities					
decrease/(increase) in trade and other receivables		**71.8**	77.1	**4.7**	(2.5)
decrease in inventories		**89.7**	11.4	**-**	-
increase/(decrease) in deferred taxes payable		**42.0**	8.6	**(0.4)**	0.1
(decrease)/increase in payables and provisions		**(90.7)**	(145.9)	**(1.4)**	0.8
increase in income taxes payable		**4.0**	5.7	**2.3**	1.6
Net cash flows from operating activities		**500.4**	342.7	**68.6**	95.8

Disposal of businesses/controlled entities

	Consolidated 2003 $m	Consolidated 2002 $m
Consideration		
cash received	**83.7**	31.5
cash disposed	**(8.6)**	-
disposal costs	**(2.1)**	(3.2)
	73.0	28.3
Fair value of net assets of businesses/controlled entities disposed		
receivables	**12.2**	21.4
inventories	**59.0**	21.2
property, plant and equipment	**20.8**	-
intangibles	**0.6**	1.0
other assets	**0.3**	1.1
payables and interest bearing liabilities	**(17.2)**	(19.0)
provision for employee entitlements	**(2.0)**	-
provision for income tax payable	**2.3**	-
provision for deferred income tax	**(1.1)**	-
provisions for other	**(0.9)**	-
	74.0	25.7
(Loss)/profit on sale of business/controlled entities	**(1.0)**	2.6

Notes to the Financial Statements

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

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Acquisition of businesses/controlled entities				
Consideration				
cash paid	**423.7**	-		
net cash acquired	**(8.0)**	-		
	415.7	-		
Fair value of net assets of businesses/controlled entities acquired				
receivables	**117.2**	-		
inventories	**183.6**	-		
property, plant and equipment	**174.7**	-		
intangibles including purchased goodwill	**-**	-		
other assets	**21.2**	-		
payables and interest bearing liabilities	**(218.2)**	-		
provision for dividends	**(24.6)**	-		
provision for employee entitlements	**(18.0)**	-		
provision for restructuring and rationalisation	**(24.6)**	-		
provision for environmental	**(7.4)**	-		
other provisions	**(0.7)**	-		
	203.2	-		
Less outside equity interests at date of acquisition	**(118.3)**	-		
	84.9	-		
Goodwill on acquisition	**330.8**	-		

Disposal/acquisition of controlled entities
The following controlled entities were disposed of or acquired during the financial year.

Disposal of entities
During the financial year, the consolidated entity disposed of Crop Care Australasia Pty Ltd, Chai International Development Co Ltd and Orica France S.A.R.L..

Acquisition of entities
During the financial year, the consolidated entity acquired the following:
(1) the minority interests in Incitec Limited. A restructuring provision was established for restructuring the operations of that entity. The balance of that provision at 30 September 2003 was $nil.
(2) the minority interests in Initiating Explosives Systems Pty Ltd. A restructuring provision was established for restructuring the operations of that entity. The balance of that provision at 30 September 2003 was $2.7m.
(3) the Fernz Specialty Chemical trading business. A restructuring provision was established for restructuring the operations of that entity. The balance of that provision at 30 September 2003 was $0.2m.
(4) the Engineering Plastics business from Qenos Pty Ltd. A restructuring provision was established for restructuring the operations of that entity. The balance of that provision at 30 September 2003 was $0.4m.
(5) the business of Welvic Australia Pty Ltd. A restructuring provision was established for restructuring the operations of that entity. The balance of that provision at 30 September 2003 was $0.3m.
(6) 70% of Incitec Pivot Limited in return for merging Incitec Fertilizers Limited with Pivot Limited. A restructuring provision was established for restructuring the operations of that entity. The balance of that provision at 30 September 2003 was $13.8m.

29. Commitments

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Capital expenditure commitments				
Capital expenditure on property, plant and equipment and business acquisitions contracted but not provided for and payable:				
no later than one year	**83.0**	1.5	**-**	-
	83.0	1.5	**-**	-
Lease commitments				
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:				
no later than one year	**44.2**	43.6	**-**	-
later than one, no later than five years	**89.0**	90.8	**-**	-
later than five years	**31.0**	19.9	**-**	-
	164.2	154.3	**-**	-
Representing				
cancellable operating leases	**83.5**	91.0	**-**	-
non-cancellable operating leases	**80.7**	63.3	**-**	-
	164.2	154.3	**-**	-
Non-cancellable operating lease commitments payable:				
no later than one year	**21.9**	18.8	**-**	-
later than one, no later than five years	**38.8**	33.4	**-**	-
later than five years	**20.0**	11.1	**-**	-
	80.7	63.3	**-**	-
Finance lease commitments payable:				
no later than one year	**0.1**	0.2	**-**	-
later than one, no later than five years	**0.1**	0.2	**-**	-
	0.2	0.4	**-**	-
Less future finance charges	**-**	-	**-**	-
Present value of minimum lease payments provided for as a liability	**0.2**	0.4	**-**	-
Representing lease liabilities (see note 19)				
current	**0.1**	0.2	**-**	-
non-current	**0.1**	0.2	**-**	-
	0.2	0.4	**-**	-

Notes to the Financial Statements

30. Contingent liabilities and contingent assets

Contingent Liabilities

Discounted bills of exchange

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

Total discounted bills of exchange outstanding at year end amounted to $27.2m (2002 $24.5m).

Guarantees, indemnities and warranties

- Under the terms of a Deed of Cross Guarantee entered into in accordance with the ASIC Class Order 98/1418 dated 13 August 1998 (as amended), each company which is a party to the Deed has covenanted with the Trustee of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies. The closed group of entities which are party to the Deed are disclosed in note 38. A consolidated statement of financial position and statement of financial performance for this closed group is shown in note 39.
- The Company has guaranteed the payment of dividends and principal of Redeemable Preference Shares of $55m (2002 nil) issued by Incitec Fertilizers Limited which are to be redeemed on 27 November 2004.
- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but in all cases the levels of operations are expected to remain above those that would trigger minimum payments.
- The consolidated entity has entered into various sales contracts where minimum savings are guaranteed to customers and such savings are expected to be achieved in the ordinary course of business.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial warranties and indemnities to the purchasers. On forming Qenos Holdings Pty Ltd in 1999, the Company gave specific guarantees with respect to the performance of certain assets of Qenos under various contractual arrangements to a maximum amount of $60m (2002 $75m). These guarantees expire in September 2006.
- A controlled entity (Incitec Pivot Limited) has guaranteed seasonal borrowings of certain customers, up to 6% of the total amount borrowed. The guarantee is in place with Suncorp Metway Bank. At 30 September 2003, the total contingent liability in respect of this guarantee is $1.7m.

Environmental matters subject to regulatory environmental requirements

General

- A number of sites within the Orica Group have been identified as requiring clean up and review. Appropriate implementation of clean up requirements for these sites is ongoing. For sites where the requirements can be assessed, estimated regulatory and remediation costs have been expensed or provided for.

Botany groundwater and Hexachlorobenzene (HCB) waste clean up

- Orica has raised significant provisions for the clean up of Botany groundwater in 2003 and prior years and Hexachlorobenzene (HCB) waste destruction in prior years. The Botany groundwater clean up plan has been submitted to the NSW Environmental Protection Authority for approval. The Hexachlorobenzene (HCB) waste plan is still awaiting building approval from the NSW Government.

While the directors believe that the existing provisions are appropriate, there is no assurance that new information or changes in regulatory requirements, enforcement practices or the identification of new remedial obligations will not require additional future provisions.

Superannuation – The Flexible Benefits Super Fund

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

Taxation

Tax investigations and audits

Consistent with other companies of the size and diversity of Orica, the Group is the subject of periodic information requests, investigations and audit activities by the Australian Taxation Office and tax authorities in other jurisdictions in which Orica operates. Any liabilities arising from these matters, other than those which are already provided for in the statements of financial position, are not anticipated to result in material losses.

30. Contingent liabilities and contingent assets (continued)

Contingent Assets

Sale and Leaseback transaction

On 3 April 2001, the Full Court of the Federal Court upheld Incitec's appeal against the validity of assessments issued by the Australian Taxation Office ("ATO") in respect of the sale and leaseback of plant carried out by Incitec Ltd's wholly owned subsidiary, Eastern Nitrogen Limited in 1989. The High Court has refused the ATO leave to appeal the decision of the Full Court of the Federal Court. Orica has reviewed the impact of the High Court decision on objections it has lodged with the ATO on similar sale and leaseback transactions and is now pursuing a refund of approximately $40 million (after tax) including refund of penalties and interest. This benefit has not been reflected in the financial statements.

31. Standby arrangements and credit facilities

	Consolidated		Company	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Unsecured bank overdraft facilities available	**51.5**	50.5	**-**	-
Amount of facilities unused	**49.0**	47.3	**-**	-
Committed standby and loan facilities available	**1,047.2**	924.4	**-**	-
Amount of facilities unused	**742.3**	704.5	**-**	-

The unsecured bank overdraft facilities are provided by banks. The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed standby and loan facilities range from January 2004 to February 2006.

32. Amounts receivable and payable denominated in foreign currencies

The consolidated entity enters into a range of financial instruments to hedge its foreign currency receivables and payables. At year end, the consolidated entity was exposed to currency movements on net foreign currency amounts payable of $43.7m (2002 $5.9m). This exposure was predominantly against the US dollar.

33. Additional financial instruments disclosures

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

Foreign exchange risk management

Foreign exchange transaction risk management

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

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

33. Additional financial instruments disclosures (continued)

The table below outlines the foreign exchange contracts used to hedge committed and anticipated purchases and sales denominated in foreign currencies. All transactions are forward foreign exchange contracts unless otherwise noted.

Term	Weighted average rate **2003**	Weighted average rate 2002	millions **2003**	millions 2002
Buy US dollars / sell Australian dollars				
Not later than one year	**0.6498**	0.5458	**USD43.6**	USD42.4
Buy US dollars / sell New Zealand dollars				
Not later than one year	**0.5836**	0.4704	**USD11.9**	USD13.7
Buy Australian Dollars / sell New Zealand dollars				
Not later than one year	**1.1314**	1.1645	**NZD18.7**	NZD5.1
Buy Australian Dollars / sell New Zealand dollars (1)				
Not later than one year	**1.1330**	-	**NZD10.3**	-
Buy Canadian Dollars / sell Australian dollars				
Not later than one year	**-**	0.8628	**-**	CAD2.5
Buy Indian Rupee / sell Australian dollars (2)				
Not later than one year	**31.1156**	-	**INR853.5**	-
Buy Great British Pounds / sell Australian dollars				
Not later than one year	**0.4066**	0.3478	**GBP0.2**	GBP0.9
Buy Euro / sell US dollars				
Not later than one year	**-**	0.8601	**-**	USD0.8
Buy Euro / sell Australian dollars				
Not later than one year	**0.590**	-	**EUR4.5**	-

Note: An immaterial amount of forward foreign exchange contracts are held in other currencies.

(1) Bought AUD Call/ NZD Put vanilla European options.

(2) The purchase of Indian Rupee is to fund the move to 100% ownership (up from 49%) of Indian Explosives Co Ltd (IEL) and the purchase by IEL of the 30% minority interest in its subsidiary company Initiating Explosives Systems India from The Ensign Bickford Company.

The profitability of the principal nitrogen manufacturing facility located at Gibson Island is impacted by foreign exchange movements due to the manufactured inputs (gas, electricity, labour) being Australian dollar linked whilst the manufactured outputs (urea and ammonia) are sold on a United States dollar import parity basis. The majority of the next twelve month's output of this plant has been hedged via a series of linked put and call options with upper and lower exchange rate positions. A further series of AUD Call / US dollar Put vanilla European options have been put in place to hedge the 2005, 2006 and 2007 output. These contracts are timed to mature in quarterly intervals to match anticipated sales of product manufactured at this facility subject to limits approved by the Board of Directors. The amount of anticipated future sales is forecast in light of plant capacities, current conditions in domestic agricultural and industrial markets, commitments from customers and historical seasonal impacts. All sales from the start of each quarter are designated as being hedged until all hedge contracts are fully utilised. For the 2004 year, favourable or unfavourable hedge outcomes only result if the relevant exchange rate at maturity is higher or lower than the options upper or lower strike rates established at the inception of the hedge. The contracts covering the 2005, 2006 and 2007 years allow full participation in favourable outcomes resulting from decreases in the AUD/USD exchange rate but limit the unfavourable outcomes resulting from AUD/US dollar exchange rate increases.

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

Term	Weighted average AUD/USD strike rate **2003** **Bought AUD call options**	**2003** **Sold AUD put options**	2002 Bought AUD call options	2002 Sold AUD put options	Contract amounts **2003 USDm**	Contract amounts 2002 USDm
Not later than one year	**0.5800**	**0.4329**	0.5800	0.4384	**55.0**	54.0
Later than one year but not later than two years	**0.6781**	**N/A**	0.5800	0.4329	**20.0**	55.0
Later than two years but not later than three years	**0.6781**	**N/A**	-	-	**10.0**	-
Later than three years but not later than four years	**0.6781**	**N/A**	-	-	**10.0**	-
Total					**95.0**	109.0

The consolidated entity has a negative exposure to an increasing AUD/USD exchange rate resulting from the sale of product by its North American, Latin American and certain Asian businesses. In particular, there exists a significant level of USD sales that are not effectively offset by USD costs, hence creating an AUD translation exposure in the accounts of the consolidated entity.

33. Additional financial instruments disclosures (continued)

To manage this exposure the consolidated entity has bought a series of AUD Call / USD Put vanilla European options. The forecast exposure has been determined using budget and forecast data in respect of individual business units and is based on expected future economic conditions, commitments from customers and experience. The amount of exposure hedged progressively reduces in future periods in line with policies determined by the Board of Directors. All sales from the first of each month are designated as being hedged until all hedge contracts maturing in that month are fully utilised. The premiums paid along with any unrealised gains are carried forward in the statements of financial position and will be recognised in the statements of financial performance at the time the underlying transaction occurs. All costs associated with these contracts have been incurred. Favourable outcomes will occur when the exchange rate at maturity is higher than the strike rate established at the inception of the hedge. These contracts allow full participation in favourable outcomes resulting from decreases in the AUD/USD exchange rate but limit the unfavourable outcomes resulting from AUD/USD exchange rate increases.

The table below summarises option contracts taken out to hedge sales in the consolidated entity's North American, Latin American and certain Asian Explosives businesses.

Term	Weighted average AUD/USD strike rate		Contract amounts AUDm	
	2003	2002	**2003**	2002
Not later than one year	**0.5790**	0.5583	**84.3**	83.5
Later than one year but not later than two years	**0.5666**	0.5569	**58.0**	60.0
Later than two years but not later than three years	**0.6105**	0.5288	**19.7**	30.0
Total			**162.0**	173.5

The net deferred costs and unrealised gains and losses on all hedges of anticipated purchases and sales and the timing of their anticipated recognition as part of sales or purchases are:

Term	Net deferred gains/(losses) $m	
	2003	2002
Not later than one year	**19.2**	1.0
Later than one year but not later than two years	**4.5**	-
Later than two years but not later than three years	**0.5**	-
Later than three years but not later than four years	**(0.1)**	-
Total	**24.1**	1.0

Foreign exchange translation risk management

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

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

Notes to the Financial Statements

33. Additional financial instruments disclosures (continued)

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

	Weighted average strike rate		Contract amounts		Current market value	
	2003	2002	**2003**	2002	**2003**	2002
Term			**$m**	$m	**$m**	$m
Buy Australian dollars / sell Canadian dollars						
Later than one year but not later than two years	**0.8340**	0.8340	**CAD50**	CAD50	**5.2**	0.1
Buy Australian dollars / sell US dollars (1)						
Not later than one year	**0.5448**	-	**USD100**	-	**35.1**	-
Later than one year but not later than two years	**-**	0.5448	**-**	USD100	**-**	(8.6)
Buy US dollars / sell Australian dollars (2)						
Not later than one year	**0.5252**	-	**USD100**	-	**(42.4)**	-
Later than one year but not later than two years	**-**	0.5252	**-**	USD100	**-**	1.3

Note: Following the write-down of North American explosives assets in late 2001, the net USD exposure of the Consolidated Entity was reduced and it was necessary to reduce the level of translation hedging by effectively closing-out US$100m of hedging contracts. This was achieved by entering into contracts that offset the original hedging contract and eliminated the possibility of further gains or losses arising from movements in the AUD/USD exchange rate. Both the original hedge contract (identified as (1) above) and the close-out contracts (identified as (2) above) mature in December 2003.

Interest rate risk management

The consolidated entity is exposed to interest rate risk on outstanding interest bearing liabilities and investments. The mix of floating and fixed rate debt is managed within policies determined by the Board of Directors via the use of interest rate swaps and cross currency interest rate swaps. The effective interest rate on average gross debt for the twelve months ended 30 September 2003 was 5.8% (2002 5.9%).

Interest rate swaps

Interest rate swaps provide the consolidated entity with the facility to raise long term borrowings at floating or fixed interest rates and effectively swap the interest obligation into fixed or floating interest rates respectively. The notional amounts of interest rate swaps as summarised below represent the contract or face values of these derivatives. The notional amounts do not represent amounts exchanged by the parties. The amounts to be exchanged are net settled and will be calculated with reference to the notional amounts and the pay and receive interest rates determined under the terms of the derivative contracts.

Each contract involves quarterly or semi-annual payment or receipt of the net amount of interest.

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

	2003	2002
	$m	$m
Less than one year	**88.8**	14.0
One to five years	**(13.1)**	325.7
More than five years	**10.0**	(9.5)
Notional principal	**85.7**	330.2
Fixed interest rate range p.a.	**5.2% to 7.3%**	5.2% to 7.3%
Floating interest rate range p.a.	**1.2% to 5.5%**	1.7% to 5.9%

Cross currency interest rate swaps

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

33. Additional financial instruments disclosures (continued)

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

	2003		2002	
	Receive Principal millions	**Pay Principal millions**	Receive Principal millions	Pay Principal millions
Receive US dollar fixed interest / pay Canadian dollar floating interest				
One to five years	**USD12.0**	**CAD17.8**	-	-
More than five years	**USD45.0**	**CAD66.7**	USD57.0	CAD84.5
Receive US dollar fixed interest / pay Australian dollar floating interest				
More than five years	**USD65.0**	**AUD98.9**	-	-
Receive US dollar fixed interest / pay Euro floating interest				
More than five years	**USD47.0**	**EUR42.3**	-	-
Receive US dollar fixed interest / pay New Zealand dollar floating interest				
More than five years	**USD73.0**	**NZ$124.5**	-	-
Fixed interest rate range p.a.		**5.8% to 8.3%**		8.1% to 8.3%
Floating interest rate range p.a.		**4.2% to 4.4%**		3.4% to 4.2%

Note: The Euro, New Zealand dollar and Australian dollar swaps relate to US dollar fixed interest debt raised via the US Private Placement market during August and September 2003 and settled in October 2003. These swap deals were transacted in August 2003 (to coincide with the pricing of the debt placement) with an initial start date of October 2003 (coinciding with the drawdown of the debt).

Interest rate risk

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

			Fixed interest rates					
	Notes	Floating interest rate $m	1 year or less $m	1 to 5 years $m	5 years or more $m	Non-interest bearing $m	Total $m	Weighted average effective interest rate % p.a.
30 September 2003								
Cash assets	(9)	**87.6**	**-**	**-**	**-**	**-**	**87.6**	**4.6**
Trade debtors	(10)	**-**	**-**	**-**	**-**	**500.5**	**500.5**	**-**
Total financial assets		**87.6**	**-**	**-**	**-**	**500.5**	**588.1**	
Trade creditors	(18)	**-**	**-**	**-**	**-**	**410.2**	**410.2**	**-**
Bank overdrafts [1]	(19)	**2.5**	**-**	**-**	**-**	**-**	**2.5**	**14.0**
Short term borrowings	(19)	**164.4**	**-**	**-**	**-**	**-**	**164.4**	**4.6**
Lease liabilities	(19)	**0.2**	**-**	**-**	**-**	**-**	**0.2**	**13.7**
Long term borrowings	(19)	**355.2**	**-**	**55.0**	**387.3**	**-**	**797.5**	**6.8**
Employee entitlements	(21)	**-**	**-**	**67.8**	**-**	**51.3**	**119.1**	**5.2**
Interest rate swaps [2]		**(85.7)**	**88.8**	**(13.1)**	**10.0**	**-**	**-**	**(4.4)**
Cross currency interest rate swaps		**92.1**	**-**	**-**	**(83.9)**	**-**	**8.2**	**(4.3)**
Total financial liabilities		**528.7**	**88.8**	**109.7**	**313.4**	**461.5**	**1,502.1**	
Net financial liabilities/(assets)		**441.1**	**88.8**	**109.7**	**313.4**	**(39.0)**	**914.0**	

33. Additional financial instruments disclosures (continued)

	Notes	Floating interest rate $m	Fixed interest rates: 1 year or less $m	1 to 5 years $m	5 years or more $m	Non-interest bearing $m	Total $m	Weighted average effective interest rate % p.a.
30 September 2002								
Cash assets	(9)	146.4	-	-	-	-	146.4	4.8
Trade debtors	(10)	-	-	-	-	475.3	475.3	-
Total financial assets		146.4	-	-	-	475.3	621.7	
Trade creditors	(18)	-	-	-	-	415.8	415.8	-
Bank overdrafts (1)	(19)	3.2	-	-	-	-	3.2	4.0
Short term borrowings	(19)	33.8	-	-	-	-	33.8	5.0
Commercial paper	(19)	64.7	-	-	-	-	64.7	4.8
Lease liabilities	(19)	0.4	-	-	-	-	0.4	13.7
Other borrowings	(19)	262.9	-	-	461.1	-	724.0	7.1
Employee entitlements	(21)	-	-	66.1	-	48.6	114.7	5.2
Dividends payable	(21)	-	-	-	-	81.0	81.0	-
Interest rate swaps (2)		(330.2)	14.0	325.7	(9.5)	-	-	(3.5)
Cross currency interest rate swaps		98.8	-	-	(105.3)	-	(6.5)	(4.3)
Total financial liabilities		133.6	14.0	391.8	346.3	545.4	1,431.1	
Net financial liabilities/(assets)		(12.8)	14.0	391.8	346.3	70.1	809.4	

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

(2) Interest rate swaps are off-balance sheet transactions.

Liquidity risk management

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

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

Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under a contract or arrangement. The major exposure to credit risk arises from trade receivables, which have been recognised in the statements of financial position net of any provision for doubtful debts (see 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 2003, the sum of all contracts with a positive replacement cost was $80.9m (2002 $72.6m). The consolidated entity restricts dealings to highly rated counterparties approved within its credit limit policy. The level of exposure to individual counterparties is based upon credit ratings provided by international credit rating agencies.

Net fair values of financial assets and liabilities

On-balance sheet financial instruments

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

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

Off-balance sheet financial instruments

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

	Net fair value **2003 $m**	Net fair value 2002 $m
Interest rate swaps	**7.9**	14.3
Forward foreign exchange contracts	**(1.4)**	(6.2)
Cross currency swaps	**7.0**	17.4
Foreign exchange option contracts	**25.6**	(0.2)

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

34. Employee share plans

a) (i) Senior executive share loan plan - Orica

As part of the remuneration changes introduced during 2002 (and consistent with the share loan provided to the Managing Director on his appointment in 2001), Orica Australia Pty Ltd, a controlled entity of Orica, has provided share loans under the Senior executive share loan plan (SESLP) to members of the Group Executive. These loans form the long term component of members of the Group Executive remuneration.

The terms of each of these interest free loans to fund the share acquisition of individual members of the Group Executive limit recourse to the value of the shares. Details are set out in the table below. The individuals will be unable to deal with the shares until the earlier of 3 September 2006 (being the fifth anniversary of the Managing Director's employment date) or the termination date of his or her employment at which time he or she will be required to repay the outstanding loan to the Company or sell the shares to discharge the obligations of the loan. The post-tax dividends on the shares are applied to the repayment of the loan. The loan is repayable upon the earlier of the 3 September 2006 or cessation of employment and it will be subject to reduction, upon achievement of satisfactory price hurdles, on each of 3 September 2004, 3 September 2005 and 3 September 2006. The price hurdle is reached when the average closing price of Orica shares on the ASX for five consecutive trading days between 3 March and 2 September in 2004, 2005 and 2006 is at or greater than the price hurdle in the table below.

As at 30 September 2003

Issue date	Number of shares held	Number of participants	First price hurdle $	Second price hurdle $	Third price hurdle $	Total loan at issue date $	Maximum loan waiver opportunity over full loan period $	**Loan repayments through dividends 2003 $**	Loan repayment since issue $
3 Sep 01	1,500,000	1	8.00	10.00	12.00	6,750,000	1,950,000	**402,803**	-
17 Jan 02	450,000	1	8.00	10.00	12.00	3,335,700	711,000	**120,841**	-
6 May 02	775,000	3	8.82	10.00	12.00	6,835,500	1,852,200	**179,891**	2,354,081
1 Jul 02	263,435	1	9.49	10.00	12.00	2,499,998	690,000	**43,705**	2,456,293
5 Aug 02	255,000	1	9.03	10.00	12.00	2,302,650	621,717	**68,476**	-
21 Dec 02	360,000	1	10.09	10.09	12.00	3,632,400	1,230,849	**148,716**	-
6 May 03	91,100	1	9.61	10.00	12.00	875,562	283,683	**9,350**	-
Total	3,694,535	9				26,231,810	7,339,449	**973,782**	4,810,374

As at 30 September 2002

Issue date	Number of shares held	Number of participants	First price hurdle $	Second price hurdle $	Third price hurdle $	Total loan at issue date $	Maximum loan waiver opportunity over full loan period $	Loan repayments through dividends 2002 $	Loan repayment since issue $
3 Sep 01	1,500,000	1	8.00	10.00	12.00	6,750,000	1,950,000	228,991	-
17 Jan 02	450,000	1	8.00	10.00	12.00	3,335,700	711,000	42,212	-
6 May 02	775,000	3	8.82	10.00	12.00	6,835,500	1,852,200	72,698	-
1 Jul 02	263,435	1	9.49	10.00	12.00	2,499,998	690,000	-	-
5 Aug 02	255,000	1	9.03	10.00	12.00	2,302,650	621,717	-	-
Total	3,234,435	7				21,723,848	5,824,917	343,901	-

Loan balances as at 30 September 2003 are detailed in note 35 Related party disclosures.

The amounts recognised in the financial statements of the consolidated entity and the Company in relation to shares issued via senior executive share loans were:

		The Company	
	Note	**2003 $m**	2002 $m
Issued ordinary share capital	23	**3.6**	14.6

a) (ii) Senior executive share loan plan - Incitec Pivot Senior Executives Long Term Incentive Plan

Under the Long Term Incentive Plan, Incitec Pivot Limited may grant awards subject to the achievement or satisfaction of conditions as to duration of employment or conditions as to performance.

The rules of the Long Term Incentive Plan are:

- in recognition of the achievement of certain performance targets in the period between 1 June 2003 and 30 September 2003, the participating senior employees will be granted awards based on a percentage of base remuneration. These awards, once quantified, will be paid in cash in November or December 2003;

34. Employee share plans (continued)

- in respect of the period from 1 June 2003 to 30 September 2005, an award was granted to the participating employees, such to be satisfied by the purchase, in aggregate, of Incitec Pivot Limited shares on the Australian Stock Exchange in the name of Incitec Pivot LTI Plan Company Pty Ltd as trustee for the participants. The shares purchased may be forfeited by a participating employee if that employee ceases to be employed with Incitec Pivot prior to September 2005. In respect of the amount of this award to be applied towards shares, the participating employees were each given an interest free unsecured loan by the Company. The loan is repayable the earlier of the employee ceasing to be employed by Incitec Pivot, the employee selling his/her shares or three years after the loan is made the employee will be required to pay approximately half of the loan in satisfaction of the debt, the balance to be waived by Incitec Pivot; and
- that they may be eligible to receive an award under the Long Term Incentive Plan dependent on the achievement of certain performance measures over a rolling three year period.

b) Executive share option plan

The executive share option plan (ESOP) was introduced on 24 April 2002 following agreement by the Orica Board of directors on 28 March 2002. This plan formed an integral part of the new executive remuneration arrangements introduced during 2002. It was the Board's intention that the plan would be used only once to reflect the particular circumstances of the Company at the time to support the introduction of its new remuneration policy.

A sub-committee of the Orica Board determined which executives were eligible to receive invitations to participate in ESOP.

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

The plan performance periods and hurdles reflect those put in place for the Executive Directors and Senior Executives. The first tranche is exercisable when the average closing price of Orica shares on ASX for five consecutive trading days between 3 March and 2 September in 2004 is at or greater than the price hurdles in the table below. The table below discloses options over ordinary shares of the Company under the ESOP.

As at 30 September 2003

Grant date	Options issued	**Options held at 30 Sep 2003**	**Number of participants at 30 Sep 2003**	Exercise price $	First Tranche Exercise date	Price Hurdle $	Second Tranche Exercise date	Price Hurdle $	Third Tranche Exercise date	Price Hurdle $	Value of options [1] $
24 Apr 02	9,061,385	**8,418,583**	**226**	7.91	10 Nov 04	8.00	10 Nov 05	10.00	10 Nov 06	12.00	15,658,564
5 Jun 02	59,013	**40,176**	**2**	9.24	10 Nov 04	9.24	10 Nov 05	10.00	10 Nov 06	12.00	68,701
10 Aug 02	32,509	**32,509**	**2**	9.02	10 Nov 04	9.02	10 Nov 05	10.00	10 Nov 06	12.00	57,541
11 Nov 02	115,421	**115,421**	**7**	10.35	10 Nov 04	10.35	10 Nov 05	10.00	10 Nov 06	12.00	216,991
2 Dec 02	20,000	**20,000**	**1**	10.36			10 Nov 05	10.36	10 Nov 06	12.00	43,400
21 May 03	84,567	**84,576**	**8**	10.18			10 Nov 05	10.18	10 Nov 06	12.00	158,157
Total	9,372,895	**8,711,265**	**246**								16,203,354

As at 30 September 2002

Grant date	Options issued	**Options held at 30 Sep 2002**	**Number of participants at 30 Sep 2002**	Exercise price $	First Tranche Exercise date	Price Hurdle $	Second Tranche Exercise date	Price Hurdle $	Third Tranche Exercise date	Price Hurdle $	Value of options [1] $
24 Apr 02	9,061,385	**8,807,526**	**233**	7.91	10 Nov 04	8.00	10 Nov 05	10.00	10 Nov 06	12.00	16,381,998
5 Jun 02	59,013	**59,013**	**3**	9.24	10 Nov 04	9.24	10 Nov 05	10.00	10 Nov 06	12.00	100,912
10 Aug 02	32,509	**32,509**	**2**	9.02	10 Nov 04	9.02	10 Nov 05	10.00	10 Nov 06	12.00	57,541
Total	9,152,907	**8,899,048**	**238**								16,540,451

(1) The option valuation prepared by PricewaterhouseCoopers Securities Ltd uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2003 and 30 September 2002. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The 2002 option values have been recalculated to comply with ASIC guidelines issued in June 2003.

34. Employee share plans (continued)

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

c) General employee exempt share plan

Australia

The general employee exempt share plan (GEESP) was established on 13 March 1998. It is administered by the Plan Manager, Watson Wyatt Australia Pty Ltd.

A sub-committee of the Orica Board of directors determines which employees are eligible to receive invitations to participate in the GEESP. Invitations are made to eligible employees on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market.
- employees are each entitled to acquire shares with a market value of approximately $1,000.
- employees salary sacrifice the value of the shares by equal deductions between the date of acquisition and 30 June the following year.
- employees who leave the consolidated entity must salary sacrifice any remaining amount prior to departure.
- employees cannot dispose of the shares for a period of three years from date of acquisition or until they leave their employment with the consolidated entity, whichever occurs first.

Grant date	Date shares become unrestricted	**Number of participants at 30 September 2003**	Number of participants at 30 September 2002	**Shares held at 30 September 2003**	Shares held at 30 September 2002
1 Jul 00	30 Jun 03	**11**	1,082	**1,617**	159,054
1 Jul 01	30 Jun 04	**972**	1,128	**232,308**	269,592
21 Aug 02	20 Aug 05	**1,011**	1,099	**109,188**	118,692
1 Sept 03	31 Aug 06	**935**	-	**80,410**	-
Total		**2,929**	3,309	**423,523**	547,338

New Zealand

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

A sub-committee of the Orica Board of directors determines which employees are eligible to receive invitations to participate in the GEESP. Invitations are made to eligible employees on the following basis:

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

Grant date	Date shares become unrestricted	**Number of participants at 30 September 2003**	Number of participants at 30 September 2002	**Shares held at 30 September 2003**	Shares held at 30 September 2002
1 Oct 99	30 Sept 02	**22**	68	**1,694**	5,236
1 Oct 00	30 Sept 03	**69**	75	**7,038**	7,650
1 Oct 01	30 Sept 04	**48**	53	**7,248**	8,003
1 Oct 02	30 Sept 05	**74**	-	**5,106**	-
Total		**213**	196	**21,086**	20,889

Notes to the Financial Statements

34. Employee share plans (continued)

d) Share option plan

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

A sub-committee of the Orica Board of directors determined which executives were eligible to receive invitations to participate in SOP. Following the review of executive remuneration held in 2002, the Board of directors determined to terminate this plan. Prior to this decision, an invitation was made to eligible executives to participate in an offer in January 2002.

Eligible executives who achieved an agreed performance rating were invited to apply for options to acquire shares in Orica at an exercise price subject to the achievement of a performance hurdle based on Orica's Total Shareholder Return (TSR) when compared with the TSR of the other companies in the ASX 100 index at grant date after 3, 4 and 5 years. The proportion of exercisable options is determined by comparing Orica's TSR with the other companies. No options may be exercisable where Orica's TSR score is below 50% of the companies. Where the score is equal to or greater than 75% of companies, all options granted may be exercised.

Subject to the satisfactory achievement of the performance hurdles, options may be exercised for a period up to 10 years from the grant date.

As at 30 September 2003

Grant date	Options issued	**Number of participants at 30 September 2003**	**Options held at 30 September 2003**	Exercise price $	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of options [1] $
1 Jan 99	860,000	**9**	**410,800**	8.57	Expired	Expired	31 Dec 03	624,416
1 Jan 00	1,505,000	**55**	**502,400**	8.31	Expired	31 Dec 03	31 Dec 04	994,752
1 Jan 01	1,969,800	**46**	**952,200**	5.72	31 Dec 03	31 Dec 04	31 Dec 05	1,037,898
1 Jan 02	1,202,000	**62**	**1,117,500**	5.67	31 Dec 04	31 Dec 05	31 Dec 06	2,201,475
Total	5,536,800	172	**2,982,900**					4,858,541

As at 30 September 2002

Grant date	Options issued	Number of participants at 30 September 2002	Options held at 30 September 2002	Exercise price $	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of options [1] $
1 Jan 99	860,000	8	795,000	8.57	Expired	31 Dec 02	31 Dec 03	1,208,400
1 Jan 00	1,505,000	60	1,315,000	8.31	31 Dec 02	31 Dec 03	31 Dec 04	2,603,700
1 Jan 01	1,969,800	47	959,000	5.72	31 Dec 03	31 Dec 04	31 Dec 05	1,045,310
1 Jan 02	1,202,000	62	1,175,000	5.67	31 Dec 04	31 Dec 05	31 Dec 06	2,314,750
Total	5,536,800	177	4,244,000					7,172,160

(1) The option valuation prepared by PricewaterhouseCoopers Securities Ltd uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2003 and 30 September 2002. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The 2002 option values have been recalculated to comply with ASIC guidelines issued in June 2003.

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

e) Share acquisition plan

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

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

An Award Right is a right to acquire a Trust Share under the plan at no cost to the executive. This is subject to the achievement of a performance hurdle based on Orica's Total Shareholder Return (TSR) when compared with the TSR of the other companies in the ASX 100 index at grant date after 3, 4, and 5 years. The proportion of exercisable Award Rights is determined by comparing Orica's TSR with the other companies. No Award Rights may be exercisable where Orica's TSR performance is below 50% of the companies. Where the performance is equal to or greater than 75% of companies, all Award Rights granted may be exercised.

34. Employee share plans (continued)

If the performance tests have not been successfully achieved after year 5, the Award Rights lapse.

Upon exercise, the share is held by the Trustee for a 10 year period from exercise date or until the executive leaves employment, whichever is earlier.

As at 30 September 2003

Grant date	Number of Award Rights issued	Number of participants	**Award Rights held at 30 September 2003**	Exercise price $	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of Award Rights [1] $
1 Jan 99	210,000	77	**41,420**	N/A	Expired	Expired	31 Dec 03	191,360
1 Jan 00	275,600	88	**26,400**	N/A	Expired	31 Dec 03	31 Dec 04	127,248
1 Jan 01	297,400	78	**163,000**	N/A	31 Dec 03	31 Dec 04	31 Dec 05	511,820
1 Jan 02	221,400	125	**188,800**	N/A	31 Dec 04	31 Dec 05	31 Dec 06	783,520
Total	1,004,400	368	**419,620**					1,613,948

As at 30 September 2002

Grant date	Number of Award Rights issued	Number of participants	**Award Rights held at 30 September 2002**	Exercise price $	TSR period end date 1	TSR period end date 2	TSR period end date 3	Value of Award Rights [1] $
1 Jan 99	210,000	115	**167,000**	N/A	Expired	31 Dec 02	31 Dec 03	771,540
1 Jan 00	275,600	89	**168,200**	N/A	31 Dec 02	31 Dec 03	31 Dec 04	810,724
1 Jan 01	297,400	82	**168,600**	N/A	31 Dec 03	31 Dec 04	31 Dec 05	529,404
1 Jan 02	221,400	139	**210,000**	N/A	31 Dec 04	31 Dec 05	31 Dec 06	871,500
Total	1,004,400	425	**713,800**					2,983,168

[1] The option valuation prepared by PricewaterhouseCoopers Securities Ltd uses methodologies consistent with assumptions that apply under an adjusted form of the binomial option pricing model and reflects the value (as at grant date) of options held at 30 September 2003 and 30 September 2002. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The 2002 option values have been recalculated to comply with ASIC guidelines issued in June 2003.

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Value per option $
1 Jan 99	8.48	30%	6.60%	4.72%	4.62
1 Jan 00	8.20	30%	5.00%	6.66%	4.82
1 Jan 01	5.76	30%	6.60%	5.29%	3.14
1 Jan 02	7.19	30%	5.40%	5.36%	4.15

f) Employee share plan

The Orica employee share plan (ESP) was established on 10 June 1987 following shareholder approval and is administered by Watson Wyatt Australia Pty Ltd.

Under the terms of ESP, the Plan Manager (a sub-committee of the Orica Board of directors) invites eligible employees to purchase shares in Orica funded by the provision of an interest free loan repayable over ten years.

However, following a review early in 2002, the Board decided to stop making offers under the ESP as the terms of the plan were considered unattractive in the current employment market. To meet employee contractual obligations, a final invitation to eligible employees was made in June 2002. The balance of loans receivable from employees participating in the Plan at balance date was $0.8m (2002 $1.5m).

Grant date	Date shares become unrestricted	**Number of participants 2003**	Number of participants 2002	Average issue price $	**Shares held at 30 September 2003**	Shares held at 30 September 2002
Pre 1 Oct 2001	-	**1,142**	1,190	-	**266,190**	322,690
Shares released	-	**(546)**	(546)	-	**(53,500)**	(53,500)
31 Dec 01	31 Dec 11	**7**	7	7.32	**3,000**	3,000
05 Jul 02	05 Jul 12	**110**	123	9.48	**48,400**	54,200
30 September		**713**	774		**264,090**	326,390

35. Related party disclosures

Directors

The Directors of the Company during the year were:

M W Broomhead, M E Beckett, J W Hall, A B Daniels, P J Duncan, B Healey, P M Kirby, G R Liebelt, D P Mercer, C M Walter

Employee share plan loans to directors

No new Employee Share Plan (ESP) loans were made to either an Executive Director or Directors of controlled entities of the Company during the year (2002 new loans made of $13,202). Repayments received during the year totalled $18,052 (2002 $81,639).

The following Senior Executive and Directors of controlled entities of the Company during the year made employee share plan loan repayments:

J R Beevers, G J Bird, J A Cunning, D J Day, M Donnelly, C B Elkington, J E Fazzino, C Hobson, P S Kennedy, P J Largier, K Lynch, J N Lee, N A Meehan, D Roe, R R Rose, J Segal, G J Witcombe

Total employee share plan loans receivable from directors at balance date were $57,277 (2002 $67,962). 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 34 Employee share plans.

Loans to Executive Directors and Senior Executives – Orica

Individual share loan agreements under the Senior Executive Share Loan Plan refer note 34 (a) (i) Employee share plans - Senior executive share loan plan:

Executive Director or Senior Executive	Number of shares issued or acquired on market	**Value of loan 30 September 2003 $**	Value of loan 30 September 2002 $	Date of loan	Loan repayments **2003 $**	Loan repayments 2002 $	Loan Balance **2003 $**	Loan Balance 2002 $
M W Broomhead	1,500,000	6,750,000	6,750,000	3 Sep 01	**402,803**	228,991	**6,118,206**	6,521,009
J W Hall	450,000	3,335,700	3,335,700	16 Jan 02	**120,841**	42,212	**3,172,647**	3,293,488
G J Witcombe (1)	275,000	-	2,425,500	6 May 02	**2,399,704**	25,796	**-**	2,399,704
S G O'Sullivan	250,000	2,205,000	2,205,000	6 May 02	**67,134**	23,451	**2,114,415**	2,181,549
B J Gibson	250,000	2,205,000	2,205,000	6 May 02	**67,134**	23,451	**2,114,415**	2,181,549
J Joannou (2)	263,435	-	2,499,998	1 Jul 02	**2,499,998**	-	**-**	2,499,998
J R Nightingale	255,000	2,302,650	2,302,650	5 Aug 02	**68,476**	-	**2,234,174**	2,302,650
G R Liebelt	360,000	3,632,400	-	21 Dec 02	**148,716**	-	**3,483,684**	-
P G Bailey	91,100	875,562	-	6 May 03	**9,350**	-	**866,212**	-
Total		21,306,312	21,723,848		**5,784,156**	343,901	**20,103,753**	21,379,947

(1) Repayments due to G J Witcombe becoming Managing Director of Incitec Pivot Limited during 2003.

(2) Repayments due to J Joannou leaving Orica during 2003.

Loans to Executive Directors and Senior Executives – Incitec Pivot

Individual share loan agreements under the Incitec Pivot Senior Executive Long Term Incentive Plan (refer note 34 (a) (ii) Employee share plans - Senior executive share loan plan) issued subsequent to balance date on 22 October 2003 by Incitec Pivot LTI Plan Company are:

Senior executive of Orica Limited or director of Orica controlled entities	Number of shares issued or acquired on market	**Value of loan 22 October 2003 $**	Value of loan 30 September 2002 $	Date of loan	Loan repayments **2003 $**	Loan repayments 2002 $	Loan Balance **2003 $**	Loan Balance 2002 $
G J Witcombe	32,269	498,200	-	22 Oct 03	**-**	-	**-**	-
J E Fazzino	5,101	78,747	-	22 Oct 03	**-**	-	**-**	-
A Sharma	4,723	72,911	-	22 Oct 03	**-**	-	**-**	-

Other loans to directors

Employee loans were made during the year to executives, who were directors of the Company or of controlled entities of the Company, amounting to $nil (2002 $92,500).

The following executives, made loan repayments amounting to $84,600 (2002 $57,200) during the year:

P G Etienne, A J Irvine, P S G Kennedy, G R Liebelt, M D Rowland, S Dayal

35. Related party disclosures (continued)

Total employee loans receivable from the directors of controlled entities at balance date were $352,800 (2002 $538,200). Interest of between 0.0% to 7.5% p.a. is charged on the employee loans. Interest charged and paid during the year amounted to $13,500 (2002 $15,200). There were no other loans made, payments received or amounts receivable from the Executive Directors and Directors of controlled entities.

Directors' transactions in shares and options

	2003			2002		
	Acquired during the year [1]	**Disposed / lapsed during year [1]**	**Balance at year end [2]**	Acquired during the year [1]	Disposed of during the year [1]	Balance at at year end [2]
Orica Limited						
Ordinary shares	**379,198**	**-**	**2,523,990**	561,263	52,107	2,189,077
Options	**-**	**-**	**717,000**	350,000	442,000	717,000

Shares and options acquired, disposed of or lapsed by directors while they are directors of the company.

Balance of shares held by directors at balance date.

In addition no options expired/lapsed during the current financial year (2002 142,000 options).

Other directors' transactions

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

E C Armijo, a director of Orica Chile S.A. is a partner of a legal firm which provided legal advice to Orica Chile S.A.. Fees of $67,324 (2002 $41,250) were paid to the legal firm for legal services.

D B Trebeck, a director of Orica IC Investments Ltd, is a director of a company which provides consulting services to Orica IC Investments Ltd. Fees of $15,940 were paid (2002 $44,806) to the company for consulting services.

A Fuentes Angaria, a director of Orica Venezuela C A, is a director of Grupo Merand C A which provides administrative services to Orica Venezuela C A. Fees of $50,000 (2002 $90,000) were paid to the company for administrative services.

E M Hevia resigned as a director of Orica Explosivos Industriales, S.A. on 1 September 2002. Three children of E M Hevia jointly controlled Pronobel, S.L. an entity that in turn controls 33% of the share capital of Seguridad Ceres, S.A.. Seguridad Ceres, S.A. provided transport services to Orica Explosivos Industriales, S.A. and was paid $1,738,500 for these services in 2002.

T Dravitzki, was a director of nine New Zealand subsidiaries during six months of the financial year and provided consulting services to Orica New Zealand Limited for which fees of $ 13,071 were paid (2002 $46,640).

A Tosun, a director of Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi S.A., is a director and shareholder of Berk Tosun Sigorta Aracilik Hizmetleri Ltd. Sti. which provides insurance and administrative services to Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi, S.A.. Fees of $182,262 (2002 $161,985) were paid to the company for insurance services.

L Delahunty had funds invested in the Incitec Pivot Limited Investment Deposit Debenture Scheme. The interest rate offered is no more favourable than offered to all other investors in the scheme. L Delahunty as a director of Incitec Pivot Limited purchased fertiliser to the value of $44,791 on terms no more favourable than those available to other customers.

A McCallum as a director of Incitec Pivot Limited purchased fertiliser to the value of $7,693 on terms no more favourable than those available to other customers.

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

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

Remuneration of directors is disclosed in note 37.

Transactions with wholly owned controlled entities

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

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

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

Notes to the Financial Statements

35. Related party disclosures (continued)

Transactions with non wholly owned controlled entities

During the year the following transactions occurred between Orica and Incitec Pivot Limited and its subsidiaries.

- Purchase of products and services from Incitec Pivot Limited and its contrlolled entities to the value of $13,701,892.
- Sale of products and services to Incitec Pivot Limited and its contrlolled entities to the value of $9,895,978.
- Interest revenue for money deposited with Orica Finance Limited of $1,125,000.
- Under a Service Level Agreement, Incitec Pivot Limited paid fees of $4,730,637 to Orica Australia Pty Ltd in relation to accounting, information technology, engineering and administrative services.

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

Transactions with other related parties

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

- Orica Australia Pty Ltd sold goods to Qenos Holdings Pty Ltd amounting to $20.6m (2002 $14.6m) and paid for site utility costs of $0.3m (2002 $0.2m).
- Orica Australia Pty Ltd purchased site utility services from an associated company, Botany Industrial Park Pty Ltd amounting to $0.4m (2002 $0.3m).
- Orica Australia Pty Ltd provided services to Botany Industrial Park Pty Ltd amounting to $1.0m (2002 $0.4m).
- An associated company, Pigment Manufacturers of Australia Limited ceased trading in March 2002. In 2002, Orica Australia Pty Ltd made purchases of $2.5m and paid the company commission of $0.1m.
- Orica Australia Pty Ltd provided services to Pigment Manufacturers of Australia Limited amounting to $0.1m (2002 $0.1m).
- Orica Australia Pty Ltd made sales to Geneva Nitrogen LLC amounting to $0.1m (2002 nil).
- Orica Finance Limited received funds on deposit from Pigment Manufacturers of Australia Limited. The funds are repayable on demand, interest is set at a margin on the Australian Bank Bill Swap Reference Rates (BBSW) 30 day average rate and is renegotiated monthly. The amount on deposit at 30 September 2003 was $2.5m (2002 $1.8m) and the interest paid for the year was $0.1m (2002 $0.1m).
- Orica Finance Limited made a loan to Qenos Holdings Pty Ltd. The funds are repayable on demand, interest is set at a margin on the BBSW last day of month rate and is renegotiated monthly. The amount on loan at 30 September 2003 was $38.5m (2002 $27.5m) and the interest received for the year was $1.8m (2002 $1.4m).
- Orica Insurance Pty Ltd sold insurance premiums to Qenos Holdings Pty Ltd, Emirates Explosives L.L.C., and Botany Industrial Park Pty Ltd of $2.2m (2002 $2.4m), $nil (2002 $0.1m) and $0.3m (2002 $0.2m) respectively.
- Orica USA Inc. sold goods to an associated company, Northwest Energetic Services, LLC, amounting to $6.6m (2002 $5.6m).
- Orica USA Inc. sold goods to associated companies, Nelson Brothers, LLC and Nelson Brothers Mining Services, LLC, amounting to $71.4m and $51.3m respectively (2002 $122.5m and $52.2m).
- Orica USA Inc. purchased goods from Nelson Brothers, LLC and Nelson Brothers Mining Services, LLC, amounting to $22.8m and $3.5m respectively (2002 $32.6m and $1.5m).
- Orica USA Inc. purchased goods from an associated company, Geneva Nitrogen LLC, amounting to $12.2m (2002 $12.8m).
- Orica Nelson Quarry Services Inc purchased goods from Nelson Brothers, LLC, amounting to $2.9m (2002 $4.4m).
- Orica Canada Inc. sold explosives to an associated company, BXL Bulk Explosives Limited, amounting to $9.1m (2002 $10.3m).
- Orica Canada Inc. received royalty and technology/management fees of $3.2m (2002 $3.3m) from BXL Bulk Explosives Limited.
- Orica Nelson Quarry Services Inc. paid royalties of $1.0m (2002 $1.4m) to Nelson Brothers, LLC.
- Orica Nelson Quarry Services Inc. sold goods of $0.1m (2002 $1.4m) to Nelson Brothers, LLC.
- Orica UK Limited sold goods and seconded staff to an associated company, Emirates Explosives L.L.C., amounting to $0.2m (2002 $0.1m).
- Orica UK Limited sold goods to an associate company Exor Explosives Limited amounting to $0.4m (2002 nil). Orica UK Limited purchased goods from an associate company Exor Explosives Limited amounting to $2.6m (2002 nil).
- Orica New Zealand Ltd purchased goods from Qenos Holdings Pty Ltd amounting to $8.8m (2002 $6.5m).

Additional related party disclosures

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

Dividend income	note 3
Interest income and expense	note 3, 4
Receivables	note 10
Investments in controlled entities	note 14, 38
Payables	note 18
Interest bearing liabilities	note 19
Options	note 23
Remuneration of directors and executives	note 37

Notes to the Financial Statements

36. Superannuation commitments

The consolidated 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

- The principal benefits are pensions or lump sum payments for members on resignation, retirement, disability or death. The benefits are provided on either a defined benefit basis or a defined contribution basis.
- Employee contribution rates are either fixed by the rules of the funds or selected by members from time to time from a specified range of rates. The employer companies contribute the balance of the cost required to fund the defined benefits or, in the case of defined contribution funds, the amounts required by the rules of the fund.
- Generally, the contributions made by the employer companies to defined contribution funds are in accordance with the requirements of the governing rules of such funds or are required to avoid a liability under law.

Government Plans

- Some controlled entities participate in government plans on behalf of certain employees, which provide pension benefits. There exists a legally enforceable obligation on employer companies to contribute as required by legislation.

Industry/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.

During the year the consolidated entity made employer contributions of $25.7m (2002 $30.1m) to Defined Benefit funds. Employer contributions by the company to Defined Benefit Funds during the year were nil (2002 nil).

The Accrued benefits, based on the most recent actuarial assessments or estimates, the plan assets at most recent estimates of net market values and the Vested benefits as at the most recent reporting date are:

		2003					2002				
		Accrued benefits	**Plan assets**	**Net difference accrued benefits to plan assets**	**Vested benefits**	**Net surplus / (deficit) vested benefits to plan assets**	Accrued benefits	Plan assets	Net difference accrued benefits to plan assets	Vested benefits	Net surplus / (deficit) vested benefits to plan assets
	Notes	**$m**	**$m**	**$m**	**$m**	**$m**	$m	$m	$m	$m	$m
The Flexible Benefits Super Fund	**1**	**513.1**	**505.6**	**(7.5)**	**513.1**	**(7.5)**	600.3	511.1	(89.2)[1]	510.8	0.3
Orica New Zealand Limited Retirement Plan	**2**	**34.3**	**28.5**	**(5.8)**	**33.7**	**(5.2)**	34.7	32.0	(2.7)	32.9	(0.9)
Pension Plan for employees of Orica Canada Inc.	**3**	**47.8**	**37.2**	**(10.6)**	**32.3**	**4.9**	45.8	38.4	(7.4)	34.7	3.7
Orica USA Inc. Retirement Income Plan	**4**	**20.5**	**14.1**	**(6.4)**	**18.3**	**(4.2)**	22.0	13.5	(8.5)	18.7	(5.2)
Orica UK Pension Scheme	**5**	**25.8**	**17.2**	**(8.6)**	**18.7**	**(1.5)**	21.9	20.6	(1.3)	21.9	(1.3)
Other plans	**6**	**0.9**	**0.4**	**(0.5)**	**0.7**	**(0.3)**	0.6	0.6	-	1.1	(0.5)
		642.4	**603.0**	**(39.4)**	**616.8**	**(13.8)**	725.3	616.2	(109.1)	620.1	(3.9)

(1) The shortfall of plan assets (valued at 30 June 2002) over accrued benefits (last actuarial valuation at 30 June 2000) does not represent the difference between the value of the plan assets and the accrued benefits of the current membership of the fund due to substantial reductions in membership since the 2000 actuarial assessment. At 30 June 2002, the value of the plan assets exceed vested benefits.

Notes to the Financial Statements

36. Superannuation commitments (continued)

Differences between Accrued benefits to plan assets 'deficits' depend on many diverse factors and can vary significantly over time having regard for movements in investment markets, future salary increases and changes in employee patterns. The consolidated entity's current intention is to make contributions to defined benefit funds at a rate recommended by the actuary. It is expected that the contribution rates will be determined after taking into account sound actuarial principles and would be designed to enable all Group defined benefits to meet retirement expectations and relevant regulatory requirements as and when they fall due.

The consolidated entity does not have an obligation to fund immediately any reported deficiency and has met in full its obligations to all funds as at the balance date. The consolidated entity expects future contributions will meet any reported deficiency from time to time.

Notes

(1) The Flexible Benefits Super Fund (Australia)

The Flexible Benefits Super Fund has a defined benefit member category and defined contribution member category. The balance date of the fund is 30 June. A full actuarial review at 30 June 2000 was performed by G E Miller FIAA. The 30 June 2003 full actuarial review is in progress.

2003

Asset values are estimated at 30 September 2003, based on audited values as at 30 June 2003, adjusted to reflect estimated investment performance between 1 July 2003 and 30 September 2003. The estimate for Accrued benefits and Vested benefits has been calculated using membership data as at 30 June 2003, adjusted to reflect estimated investment performance between 1 July 2003 and 30 September 2003.

2002

Plan assets are valued at 30 June 2002. The estimate for Vested benefits has been calculated using membership data as at 30 June 2002 and membership data as at 30 June 2000 for Accrued benefits.

(2) Orica New Zealand Superannuation Scheme

The Orica New Zealand Superannuation Scheme has a defined benefit member category (known as Orica New Zealand Limited Retirement Plan) and a defined contribution member category. The balance date of the plan is 31 March. A full actuarial review as at 1 April 2003 was performed by I Midgley MA, FIA, FIAA, FNZSA.

2003

Asset values are as at 31 March 2003. Accrued benefits and Vested benefits are based on a full actuarial review performed as at 1 April 2003.

2002

Asset values are as at 31 March 2002. Accrued benefits are based on a full actuarial review performed as at 1 April 2000.

(3) Pension Plan for Employees of Orica Canada Inc

The Pension Plan for Employees of Orica Canada Inc has a non – contributory defined benefit component and an optional contributory defined contribution component. The balance date of the plan is 31 December. A full actuarial review at 31 December 2000 was performed by B Gosselin FSA, FCIA. B Gosselin has provided actuarial estimates as at 30 September 2003. The next full actuarial review is scheduled to be performed as at December 2003.

2003

The net deficit as estimated by the Fund Actuary for the Pension Plan for Employees of Orica Canada Inc has been calculated using membership data as at 1 January 2003 projected forward to September 2003 using standard actuarial methods. The downsizing of the Brownsburg plant has been recognised in the actuarial assumptions. Asset values as at June 2003 have been projected forward to September 2003. Vested benefits are as at 31 December 2001 translated at the September 2003 exchange rate. Net Assets as disclosed in the most recent plan accounts (31 December 2001) were $39.7m.

2002

Asset values are based on values as at July 2002 projected forward to September 2002. Accrued benefits are based on the 31 December 2000 membership projected forward to September 2002 using standard actuarial methods. Vested benefits are as at 31 December 2001 translated at the September 2002 exchange rate.

(4) Orica USA Inc. Retirement Income Plan

The Orica USA Inc. Retirement Income Plan is a defined benefit plan. The plan balance date is 31 December. A full actuarial review at 30 September 2000 was performed by L D Gold ASA, EA.

L Gold has provided actuarial estimates as at 30 September 2003. The next full actuarial review is scheduled to be performed as at 1 January 2004.

2003

The Accrued benefits and Vested benefits estimate has been calculated using membership data as at 1 January 2003 projected forward to September 2003 using standard actuarial methods. Asset values as at July 2003 have been projected forward to September 2003.

36. Superannuation commitments (continued)

2002

Asset values are based on projected values at September 2002. Accrued benefits are based on the 1 January 2001 membership projected forward to September 2002 using standard actuarial methods. Vested benefits are as at 31 December 2001.

(5) Orica Pension Scheme

The Orica Pension Scheme is a defined benefit scheme. The scheme balance date is 30 September.

A full actuarial review at 30 September 2000 was performed by W R F Bowman FIA. A Carey FIA has provided actuarial estimates as at 30 September 2003. The 30 September 2003 full actuarial valuation is in progress.

2003

The estimate of Accrued benefits has been calculated using membership data as at 30 September 2000. Asset values are estimated at August 2002. Vested benefits are as at 30 September 2000. Net Assets as disclosed in the most recent plan accounts (30 September 2002) were $14.7m.

2002

Vested benefits and Accrued benefits have been calculated using membership data as at 30 September 2000. Asset values are as at 30 September 2000.

(6) Other Plans

Other plans comprise:

Philippine Explosives Corporation Factory Workers Retirement Plan

Philippine Explosives Corporation Monthly – Paid Employees Retirement Plan

2003

A full actuarial review at 31 May 2003 was performed for each plan by M C G Cabading FASP, FLMI.

2002

A full actuarial review at 31 December 2000 was performed for each plan by M C G Cabading FASP, FLMI.

37. Remuneration of directors and executives

Directors	Consolidated		Company	
	2003	2002	**2003**	2002
	$000	$000	**$000**	$000
Aggregate of income paid or payable, or otherwise made available, to all directors by the consolidated entity or any related party.	**34,333**	46,220	**6,045**	**7,078**
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:				
$			**No.**	No.
10,000 – 19,999			**-**	1
20,000 – 29,999			**1**	-
60,000 – 69,999			**-**	1
70,000 – 79,999			**-**	2
80,000 – 89,999			**2**	1
90,000 – 99,999			**1**	-
110,000 – 119,999			**2**	-
190,000 – 199,999			**-**	1
240,000 – 249,999			**1**	-
770,000 – 779,999			**-**	1
830,000 – 839,999			**-**	1
1,050,000 – 1,059,999			**1**	-
1,960,000 – 1,969,999			**1**	-
2,260,000 – 2,269,999			**1**	-
2,470,000 – 2,479,999			**-**	1
2,480,000 – 2,489,999			**-**	1

Executive officers – domiciled in Australia	Consolidated		Company	
	2003	2002	**2003**	2002
	$000	$000	**$000**	$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 member of the group executive who is directly accountable and responsible for the strategic direction and operational management of Orica.	**9,013**	9,299	**3,323**	4,088
The number of executive officers with income of more than $100,000 is shown in the relevant income bands:				
$	**No.**	No.	**No.**	No.
120,000 – 129,999	**-**	1	**-**	-
160,000 – 169,999	**-**	1	**-**	-
410,000 – 419,999	**-**	1	**-**	-
480,000 – 489,999	**-**	1	**-**	-
630,000 – 639,999	**1**	-	**-**	-
690,000 – 699,999	**-**	1	**-**	-
770,000 – 779,999	**-**	1	**-**	1
820,000 – 829,999	**1**	-	**-**	-
830,000 – 839,999	**-**	1	**-**	1
850,000 – 859,999	**1**	-	**-**	-
870,000 – 879,999	**-**	1	**-**	-
890,000 – 899,999	**1**	-	**-**	-
950,000 – 959,999	**-**	1	**-**	-
1,050,000 – 1,059,999	**1**	-	**1**	-
1,220,000 – 1,229,999	**1**	-	**-**	-
1,250,000 – 1,259,999	**1**	-	**-**	-
1,490,000 – 1,499,999	**-**	1	**-**	-
2,260,000 – 2,269,999	**1**	-	**1**	-
2,470,000 – 2,479,999	**-**	1	**-**	1

The remuneration bands are not consistent with the emoluments in the Directors' report as the basis of calculation differs due to differing requirements of the Corporations Act and Accounting Standards.

Notes to the Financial Statements

38. Investments in controlled entities

Name of Entity	Place of incorporation other than Australia	Name of Entity	Place of incorporation other than Australia
Company			
Orica Limited			
Controlled Entities			
ACF and Shirleys Ltd		Orica Advanced Water Technologies Pty Ltd	
Advanced Sciences Pty Ltd		Orica Alberta Inc	Canada
Altona Properties Pty Ltd		Orica Argentina S.A.I.C.	Argentina
Australian Fertilizers Limited		Orica Australia Pty Ltd (a)	
Berger Paints Limited	NZ	Orica Brasil Ltda	Brazil
Brasex Participacoes Ltda	Brazil	Orica Canada Inc	Canada
British Paints (PNG) Ltd (f)	PNG	Orica Chile S.A.	Chile
British Paints New Zealand Limited	NZ	Orica Coatings (Fiji) Limited	Fiji
Chai International Development Co Ltd (d)	Thailand	Orica Dominicana S.A.	Dominican Republic
CHEM Advisory Services Pty Ltd		Orica Eesti OU	Estonia
CHEM Exports Pty Ltd		Orica Engineering Pty Ltd (b)	
CHEM Instruments Pty Ltd		Orica Europe GmbH & Co KG	Germany
CHEM International Pty Ltd		Orica Europe Investments Pty Ltd (e)	
CHEM Powder Coatings Pty Limited		Orica Europe Management GmbH	Germany
Chemical Cleaning Limited	NZ	Orica European Investments Limited	UK
Chemnet Limited	NZ	Orica Explosives (Thailand) Co Ltd	Thailand
Chemnet Pty Ltd		Orica Explosives Holdings Pty Ltd	
Chemsafe New Zealand Limited	NZ	Orica Explosives Philippines Inc	Philippines
Compania Aragonesa de Explosivos, S.A.	Spain	Orica Explosives Research Pty Ltd	
Cripps Bakery Pty Ltd (c)		Orica Explosives Technology Pty Ltd (b)	
Crop Care Australasia Pty Ltd (d)		Orica Explosivos Industriales, S.A.	Spain
Crop Care Holdings Ltd (d)	NZ	Orica Export Inc.	USA
Curasalus Insurance Limited (e)	NZ	Orica Fiji Ltd	Fiji
Dulux Holdings Pty Ltd (b)		Orica Finance Limited	
Dulux New Zealand Limited	NZ	Orica France S.A.R.L. (d)	France
Dulux Papua New Guinea Ltd (f)	PNG	Orica GEESP Pty Ltd	
Eastern Nitrogen Limited		Orica Germany GmbH	Germany
ECH Investments Pty. Limited (c)		Orica Guyana Inc.	Guyana
Electrical & Engineering Supplies		Orica Holdings Pty Ltd	
Eurodyn Sprengmittel GmbH	Germany	Orica Hong Kong Limited	Hong Kong
Explosivos Mexicanos S.A. de C.V.	Mexico	Orica IC Assets Ltd (formerly Incitec Ltd)	
H.M.A. Ltd. (c)		Orica IC Investments Ltd (formerly Incitec Investments Ltd)	
Holyman Brothers Proprietary Limited (c)		Orica Insurance Pty Limited	
Incitec Fertilizers Limited (e)		Orica International IP Holdings Inc. (e)	USA
Incitec Pivot Limited (c)		Orica International Management Inc.	USA
Incitec Pivot LTI Plan Company Pty Limited (e)		Orica Investments (Indonesia) Pty Limited	
Industrial Chemicals Limited		Orica Investments (NZ) Limited	NZ
Initiating Explosives Systems Pty Ltd		Orica Investments (Thailand) Pty Limited	
Joplin Manufacturing Inc.	USA	Orica Investments Pty Ltd (a)	
KC Chemical Industries Pty Limited (b)		Orica Ireland Limited	Ireland
L.P.I. Finance Proprietary Limited (c)		Orica Kazakhstan Closed Joint Stock Company	Kazakhstan
Levene Paint Manufacturing Limited	NZ	Orica Kimit Explosives AB	Sweden
M & A '95 Pty Ltd (c)		Orica Kimit Norge AS	Norway
Myspace Limited		Orica Malaysia Sdn Bhd	Malaysia
Nitroamonia de Mexico S.A de C.V.	Mexico	Orica Nelson Quarry Services Inc.	USA
Nobeltax S.A.	Spain	Orica New Zealand Finance Limited (e)	NZ
Norspreng AS	Norway	Orica New Zealand LP (e)	
North Western Flour Mills Pty. Ltd. (c)		Orica New Zealand Ltd	NZ
Nu-bake Bakery Pty. Ltd. (c)		Orica Nitro Patlayici Maddeler Ticaret ve Sanayi A.S.	Turkey
Nu-bake Properties Pty. Ltd. (c)		Orica Nitrogen LLC	USA
Oregon Paint Company Limited	NZ	Orica Nominees Pty Ltd (b)	
Orica (Weihai) Explosives Co Ltd	China	Orica Papua New Guinea Limited	PNG

Notes to the Financial Statements

38. Investments in controlled entities (continued)

Name of Entity	Place of incorporation other than Australia
Orica Peru S.A.	Peru
Orica Puerto Rico Inc.	Puerto Rico
Orica Securities Limited	UK
Orica Share Plan Pty Limited	
Orica Singapore Pte Ltd	Singapore
Orica U.S. Services Inc.	USA
Orica UK Limited	UK
Orica United Kingdom LP (e)	
Orica USA Inc.	USA
Orica Venezuela C.A.	Venezuela
Orica Watercare Inc.	USA
Orica-CCM Energy Systems Sdn Bhd	Malaysia
Orica-GM Holdings Ltd	UK
Oricorp Comercial S.A. de C.V.	Mexico
Oricorp Mexico S.A. de C.V.	Mexico
Penlon Pty Limited	
Phoschem Proprietary Limited (c)	
Pivot Agricultural Laboratory Services Pty. Ltd. (c)	
Pivot Employee Share Plan Administration Company Pty Limited (c)	
Pivot Fertilisers Proprietary Limited (c)	
Pivot Motors Pty. Ltd. (c)	
Pivot Nominees Pty. Ltd. (c)	
Pivot Nutrition Pty. Ltd. (c)	
Pivot Supplementary Feeds Limited (c)	
Pivot Transport Proprietary Limited (c)	
PT Kaltim Nitrate Indonesia	Indonesia
PT Orica Mining Services	Indonesia
PT Orica Resindo Mahakam	Indonesia
Retec Ltd	
Saftrans Pty. Ltd. (c)	
Sarkem Pty Ltd (b)	
Selleys Chemical Co NZ Limited	NZ
Selleys Pty Limited (a)	
SHE Pacific Pty Ltd	
Sprengmittelvertrieb in Bayern GmbH	Germany
Sprengstoff-Verwertungs GmbH	Germany
Stock Feed Distributors Pty. Ltd. (c)	
TOP Australia Ltd. (c)	
Welvic Australia Pty Ltd	

Notes:
Refer Note 25 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) These controlled entities were removed from a Deed of Cross Guarantee with Orica on 23 December 2002.
(c) Acquired in 2003.
(d) Disposed of in 2003.
(e) Incorporated in 2003.
(f) Liquidated in 2003.

39. Deed of Cross Guarantee

Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 dated 13 August 1998 (as amended), are disclosed in note 38. A consolidated statement of financial position and statement of financial performance for this closed group is shown below.

Statement of financial position

	Closed Group 2003 $m	Closed Group 2002 $m
Current assets		
Cash assets	**1,358.4**	1,289.0
Receivables	**228.7**	269.6
Inventories	**192.0**	164.1
Other	**18.8**	6.7
Total current assets	**1,797.9**	1,729.4
Non-current assets		
Receivables	**25.1**	49.2
Investments accounted for using the equity method	**28.1**	162.5
Other financial assets	**1,667.1**	923.5
Property, plant and equipment	**598.2**	643.0
Intangible assets	**29.5**	55.8
Deferred tax assets	**94.0**	124.5
Other	**5.3**	4.1
Total non-current assets	**2,447.3**	1,962.6
Total assets	**4,245.2**	3,692.0
Current liabilities		
Payables	**244.1**	298.3
Interest bearing liabilities	**1,575.1**	1,367.7
Provisions	**75.8**	167.6
Total current liabilities	**1,895.0**	1,833.6
Non-current liabilities		
Payables	**0.4**	3.6
Interest bearing liabilities	**641.8**	345.0
Deferred tax liabilities	**64.1**	51.7
Provisions	**127.8**	97.7
Total non-current liabilities	**834.1**	498.0
Total liabilities	**2,729.1**	2,331.6
Net assets	**1,516.1**	1,360.4
Equity		
Contributed equity	**487.7**	507.2
Reserves	**147.9**	144.4
Retained profits	**880.5**	708.8
Total equity	**1,516.1**	1,360.4

Statement of financial performance

	Closed Group 2003 $m	Closed Group 2002 $m
Profit/(loss) from ordinary activities before income tax expense	**305.7**	140.2
Income tax (expense)/benefit attributable to profit/(loss) from ordinary activities	**(24.9)**	(28.2)
Profit/(loss) from ordinary activities after income tax expense	**280.8**	112.0
Retained profits at the beginning of the financial year	**708.8**	719.6
Retained profits/(losses) of companies joining and leaving the Deed	**(58.5)**	-
Net decrease in equity due to initial adoption of AASB 1044 - Provisions, Contingent Liabilities and Contingent Assets and AASB 1028 - Employee Benefits	**80.3**	-
Ordinary - final dividend declared/paid	**(80.9)**	(80.9)
Ordinary - interim and preference dividends declared/paid	**(50.0)**	(41.9)
Retained profits at the end of the financial year	**880.5**	708.8

40. Events subsequent to balance date

- On 30 July 2003, Orica reached agreement with ICI India to move to 100% ownership of Indian Explosives Co Ltd (IEL), by acquiring ICI India's 51% interest for $23 million. Separately, IEL has agreed to acquire the 30% minority interest in its subsidiary company Initiating Explosives Systems India (IESI) from The Ensign Bickford Company Inc for approximately $7 million. The acquisitions have received approval of the Indian Foreign Investment Promotion Board and the Reserve Bank of India and will complete in November 2003. The financial effect of the India purchase on the Company and consolidated entity has not been recognised in the financial statements other than as a capital commitment, shown in note 29 Commitments.
- On 16 September 2003, Orica made an offer to acquire the Yates Limited ("Yates") Consumer Lawn and Garden Business for $45 million which was accepted by Yates on 24 September 2003. Orica's offer was conditional on Yates shareholder approval which was granted on 23 October 2003 and the purchase was completed on 31 October 2003. The financial effect of the Yates purchase on the Company and consolidated entity has not been recognised in the financial statements other than as a capital commitment, shown in note 29 Commitments.
- On 26 September 2003, Orica received a final notice of clean up from the NSW Environmental Protection Authority (EPA) in relation to contamination of groundwater at Botany. The final notice required Orica to submit a groundwater clean up plan to the EPA by 31 October 2003. A clean up plan was submitted to the EPA for approval on 31 October 2003 and as a consequence, a provision of $27.5 million after tax has been recognised in the financial statements, shown in note 5 Individually significant items.
- On 7 October 2003, Orica's wholly owned subsidiary, Orica Finance Limited completed an issue of US$185 million senior unsecured notes in the US Private Placement debt market. The proceeds of the placement have been swapped to Australian dollars, New Zealand dollars and Euros and used to repay existing bank debt in those currencies. US$100 million of the notes mature in 2018 and US$85 million of the notes mature in 2015. The weighted average swapped cost of the funds is 88 basis points over the respective (AUD, NZD and Euro) base rates. As at 30 September 2003, the weighted average tenor of Orica's non-current debt was 4.9 years. As at 7 October 2003, the weighted average tenor of Orica's non-current debt is 9.2 years.
- On 31 October 2003 Orica entered into a gas supply agreement with AGL for supply of gas from January 2006 to Orica's Kooragang Island ammonia plant in Newcastle, NSW.
- Since the end of the financial year, the directors declared a final dividend of 34 cents per share payable on 10 December 2003. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2003 and will be recognised in the 2004 financial statments.
- Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. At the date of this report a decision has not been made whether or not to elect to be taxed as a single entity. The financial effect of the implementation of the tax consolidation system on the Company and consolidated entity has not been recognised in the financial statements.
- On 5 November 2003, the Company announced the resumption of the on-market buy-back of up to 5% of its share capital.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2003, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Directors' Declaration on the Financial Report set out on pages 28 to 79

I, Donald Penn Mercer, being a director of Orica Limited, do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

1. (a) the financial statements and notes, set out on pages 32 to 79, are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 September 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

    (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

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

2. There are reasonable grounds to believe that the Company and the subsidiaries identified in note 38 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418 (as amended).

D P Mercer
Chairman

Dated at Melbourne this 5th day of November 2003.

Audit Report

For the year ended 30 September 2003

Independent audit report to the members of Orica Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Orica Limited (the "Company") and the Orica Limited Group (the "Consolidated Entity"), for the year ended 30 September 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

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

(a) the Corporations Act 2001, including:

i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 September 2003 and of their performance for the financial year ended on that date; and

ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

P M Shannon

P M Shannon

Partner

Dated at Melbourne this 5th day of November 2003.

Shareholders' Statistics

As at 13 October 2003

Distribution of Ordinary Shareholders and Shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	30,376	63.54%	13,728,469	4.95%
1,001	–	5,000	15,192	31.78%	31,813,876	11.46%
5,001	–	10,000	1,496	3.13%	10,628,211	3.83%
10,001	–	100,000	647	1.35%	14,162,686	5.10%
100,001 and over			97	0.20%	207,279,248	74.66%
Total			47,808	100.00%	277,612,490	100.00%

Included in the above total are 2,144 shareholders holding less than a marketable parcel of 40 shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 67.89% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
J P Morgan Nominees Australia Limited	39,942,509	14.39
National Nominees Limited	34,200,989	12.32
RBC Global Services Australia Nominees Pty Ltd	32,326,555	11.64
Westpac Custodian Nominees Limited	31,584,925	11.38
Citicorp Nominees Pty Limited	9,331,452	3.36
Queensland Investment Corporation	6,945,958	2.50
Cogent Nominees Pty Limited	6,419,911	2.31
AMP Life Limited	5,842,287	2.10
ANZ Nominees Limited	5,545,517	2.00
Australian Foundation Investment Company Limited	2,230,286	0.80
Commonwealth Custodial Services Limited	2,020,706	0.73
NRMA Nominees Pty Limited	1,648,927	0.59
Government Superannuation Office	1,569,314	0.57
Mr Malcolm Broomhead	1,500,000	0.54
Suncorp Custodian Services Pty Limited	1,348,000	0.49
Victorian Workcover Authority	1,260,045	0.45
Bond Street Custodians Limited	1,251,223	0.45
Permanent Trustee Aust Ltd (Syd)	1,195,203	0.43
Guardian Trust Australia Ltd	1,171,214	0.42
PSS Board	1,161,037	0.42
Total	188,496,058	67.89

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:

2 October 2003	Perpetual Trustees Australia Limited	24,848,517	8.95%
3 June 2003	Barclays Group	13,948,522	5.03%
5 March 2003	Maple-Brown Abbott Limited	21,514,888	7.76%

On-market buy-back

On 5 November 2003, the Company announced the resumption of the on-market buy-back of up to 5% of its share capital.

Distribution of Preference Shareholders and Shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	244	75.31%	76,162	3.81%
1,001	–	5,000	42	12.96%	112,063	5.60%
5,001	–	10,000	14	4.32%	108,883	5.44%
10,001	–	100,000	22	6.79%	600,895	30.04%
100,001 and over			2	0.62%	1,101,997	55.11%
Total			324	100.00%	2,000,000	100.00%

Included in the above total are 181 shareholders holding less than a marketable parcel of 481 shares.
The holdings of the 20 largest holders of 5% cumulative preference shares represent 82.99% of that class of shares.

Twenty largest 5% cumulative preference shareholders

	Shares	% of total
NRMA Nominees Pty Limited	938,722	46.94
Mr Ian Edward Morton	163,275	8.16
Winpar Holdings Limited	65,777	3.29
Mr John Frederick Bligh	58,153	2.91
J S Millner Holdings Pty Ltd	55,300	2.77
Oceanridge Limited	41,150	2.06
Patmic Pty Limited	40,300	2.02
Robert John Charles Catto	35,042	1.75
Mr Ian Morton	34,974	1.75
Ms Nina Tschernykow	34,500	1.73
Gowing Bros Ltd	33,400	1.67
Great Northern Laundry Pty Ltd	26,000	1.30
Grampian Hills Pty Limited	21,400	1.07
Mr Allistair Hazard	20,930	1.05
Robert Franklin Cameron	16,936	0.85
Mr Eric Raymond Arnold Elsey	16,607	0.83
Mr Douglas Robert Graham Neild	15,500	0.78
Mrs Deborah Lee Morton	14,136	0.71
Meggsies Pty Ltd	14,100	0.71
Batoka Pty Limited	12,890	0.64
Total	1,659,092	82.99

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.

Distribution of Redeemable Preference Shareholders and Shareholdings (shares issued by Incitec Fertilizers Limited)

Size of holding			Number of holders		Number of shares	
1	–	1,000	29	96.67%	3,400	30.91%
1,001	–	5,000	0	0.00%	0	0.00%
5,001	–	10,000	1	3.33%	7,600	69.09%
10,001	–	100,000	0	0.00%	0	0.00%
100,001 and over			0	0.00%	0	0.00%
Total			30	100.00%	11,000	100.00%

Included in the above total are nil shareholders holding less than a marketable parcel of shares.
The holdings of the 20 largest holders of redeemable preference shares represent 91% of that class of shares.

Ten Year Financial Statistics

Orica consolidated		2003 $m
Sales		**3,958.6**
Earnings before depreciation, amortisation, net borrowing costs and tax		617.5
Depreciation and amortisation (excluding goodwill)		(155.1)
Goodwill amortisation		(20.1)
Earnings before net borrowing costs and tax (EBIT)		**442.3**
Net borrowing costs		(60.7)
Individually significant items before tax		(208.7)
Taxation expense		(59.3)
Outside equity interests		(12.9)
Operating profit after tax and individually significant items		**100.7**
Individually significant items after tax attributable to members of Orica		**(169.6)**
Operating profit after tax before individually significant items (net of tax)		**270.3**
Dividends		50.0
Current assets		1,282.6
Property, plant and equipment		1,436.8
Investments		86.4
Intangibles		441.7
Other non-current assets		307.8
Total assets		**3,555.3**
Current borrowings and payables		683.3
Current provisions		169.6
Non current borrowings and payables		812.7
Non current provisions		309.2
Total liabilities		**1,974.8**
Net assets		**1,580.5**
Shareholders' equity		1,384.9
Equity attributable to minority interests		195.6
Total shareholders' equity		**1,580.5**
Number of ordinary shares on issue at year end	millions	277.6
Weighted average number of ordinary shares on issue	millions	277.9
Earnings per share		
before individually significant items	**cents**	**97.2**
including individually significant items	**cents**	**36.2**
Dividends per share	**cents**	**52.0**
Dividend franking	**%**	**21.1**
Dividend yield (based on year end share price)	**%**	4.3
Share price range – High		**$12.47**
Low		**$8.15**
Year end		**$12.00**
Stockmarket capitalisation at year end	$m	3,331.2
Net tangible assets per share	**$**	**3.40**
Profit margin (earnings before net borrowing costs and tax/sales)	**%**	**11.2**
Net debt		**877.0**
Gearing (net debt/net debt plus equity)	**%**	**35.7**
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	**times**	**7.3**
Net capital expenditure on plant and equipment (Cash Flow)		**(43.6)**
Net capital expenditure on acquisitions/(disposals) (Cash Flow)		**(342.7)**
Return on average shareholders funds		
before individually significant items	**%**	**19.6**
including individually significant items	**%**	**7.3**

Note: Due to acquisition and disposal of businesses, the financial statistics from 1997 to 2002 are not directly comparable to prior years.

2002	2001	2000	1999	1998	1997	1996	1995	1994
$m	$m	$m	$m	$m	$m	$m	$m	$m
4,085.2	**4,041.9**	**3,672.7**	**3,959.8**	**3,935.2**	**3,602.1**	**3,457.6**	**3,365.3**	**3,060.5**
581.8	349.7	442.5	479.7	560.5	597.5	506.7	560.8	467.4
(161.3)	(161.2)	(145.5)	(160.2)	(147.8)	(153.0)	(125.7)	(133.0)	(150.4)
(10.5)	(14.1)	(15.9)	(15.9)	(23.6)	(5.9)	(4.7)	(4.3)	(3.8)
410.0	**174.4**	**281.1**	**303.6**	**389.1**	**438.6**	**376.3**	**423.5**	**313.2**
(59.5)	(64.0)	(46.0)	(45.2)	(62.7)	(37.0)	(26.2)	(15.4)	(29.0)
(48.1)	(280.4)	(46.7)	(33.7)	126.3	(152.9)	(35.9)	-	(15.5)
(72.5)	(36.6)	(65.1)	(26.7)	(1.8)	(97.9)	(95.9)	(124.2)	(89.0)
(16.3)	13.9	(9.6)	(11.8)	(16.0)	(18.6)	(21.2)	(15.1)	(12.2)
213.6	**(192.7)**	**113.7**	**186.2**	**434.9**	**132.2**	**197.1**	**268.8**	**167.5**
(25.5)	**(255.0)**	**(33.3)**	**29.8**	**230.3**	**(110.0)**	**(23.0)**	**-**	**(20.3)**
239.1	**62.3**	**147.0**	**156.4**	**204.6**	**242.2**	**220.1**	**268.8**	**187.8**
122.9	44.3	96.4	100.8	134.1	134.0	130.5	154.2	97.9
1,270.3	1,433.9	1,364.7	1,377.8	1,387.5	1,184.2	1,130.0	1,126.4	1,057.1
1,414.1	1,621.4	1,484.0	1,444.3	1,736.2	1,591.7	1,568.6	1,351.6	1,173.5
234.2	244.2	264.6	239.4	17.3	1.5	1.1	1.6	1.8
135.5	155.0	249.6	258.4	297.0	65.6	44.6	49.0	43.6
311.1	276.0	216.4	209.7	209.4	118.6	99.1	127.1	116.4
3,365.2	**3,730.5**	**3,579.3**	**3,529.6**	**3,647.4**	**2,961.6**	**2,843.4**	**2,655.7**	**2,392.4**
640.0	887.4	845.0	811.4	870.7	1,065.4	623.1	570.5	631.6
248.2	303.8	266.3	312.3	340.4	294.0	262.1	340.4	273.6
727.8	869.2	552.3	534.0	579.7	162.8	238.7	77.6	3.0
255.1	267.4	271.9	274.7	343.2	259.7	203.8	221.3	161.0
1,871.1	**2,327.8**	**1,935.5**	**1,932.4**	**2,134.0**	**1,781.9**	**1,327.7**	**1,209.8**	**1,069.2**
1,494.1	**1,402.7**	**1,643.8**	**1,597.2**	**1,513.4**	**1,179.7**	**1,515.7**	**1,445.9**	**1,323.2**
1,373.0	1,283.2	1,511.4	1,476.7	1,390.0	1,072.0	1,440.5	1,377.6	1,263.8
121.1	119.5	132.4	120.5	123.4	107.7	75.2	68.3	59.4
1,494.1	**1,402.7**	**1,643.8**	**1,597.2**	**1,513.4**	**1,179.7**	**1,515.7**	**1,445.9**	**1,323.2**
279.1	277.3	275.8	273.2	268.8	266.5	296.4	296.3	296.3
278.0	275.9	274.6	270.6	267.1	290.7	296.4	296.3	296.2
86.0	**22.5**	**53.5**	**57.8**	**76.6**	**83.3**	**74.2**	**90.7**	**63.4**
76.8	**(70.0)**	**41.4**	**68.8**	**162.8**	**45.4**	**66.5**	**90.7**	**56.5**
44.0	**16.0**	**35.0**	**37.0**	**50.0**	**48.0**	**44.0**	**52.0**	**33.0**
34.0	**100.0**	**32.0**	**37.9**	**42.0**	**100.0**	**65.7**	**100.0**	**100.0**
4.6	3.7	6.1	4.5	6.1	3.7	3.6	5.2	3.0
$9.85	**$6.08**	**$8.66**	**$9.60**	**$13.12**	**$13.85**	**$12.25**	**$11.60**	**$11.50**
$4.22	**$4.04**	**$5.58**	**$7.97**	**$7.80**	**$10.80**	**$8.93**	**$8.70**	**$8.29**
$9.52	**$4.34**	**$5.73**	**$8.25**	**$8.20**	**$13.14**	**$12.25**	**$10.00**	**$11.00**
2,656.9	1,203.3	1,580.1	2,253.5	2,204.5	3,501.7	3,631.1	2,963.2	3,259.4
4.43	**4.07**	**4.58**	**4.46**	**4.07**	**3.78**	**4.71**	**4.48**	**4.12**
10.0	**4.3**	**7.7**	**7.7**	**9.9**	**12.2**	**10.9**	**12.6**	**10.2**
679.7	**984.1**	**777.4**	**709.8**	**801.1**	**658.6**	**304.0**	**85.0**	**72.0**
31.3	**41.2**	**32.1**	**30.8**	**34.6**	**35.8**	**16.7**	**5.6**	**5.2**
6.9	**2.7**	**6.1**	**6.7**	**6.2**	**11.9**	**14.4**	**27.5**	**10.8**
(15.3)	**(213.8)**	**(241.5)**	**(221.5)**	**(223.1)**	**(203.2)**	**(332.8)**	**(274.0)**	**(156.2)**
(1.3)	**(131.7)**	**144.9**	**12.5**	**(3.9)**	**(2.9)**	**10.3**	**(18.4)**	**(0.6)**
18.0	**4.5**	**9.8**	**10.9**	**16.6**	**19.3**	**15.6**	**20.4**	**15.2**
16.1	**(13.8)**	**7.6**	**13.0**	**35.3**	**10.5**	**14.0**	**20.4**	**13.6**

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Shareholder Information

Annual General Meeting

10.30am Wednesday 17 December 2003. The Auditorium Melbourne Exhibition Centre, 2 Clarendon Street, Southbank Victoria.

Stock Exchange Listing

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

Orica Share Registry

ASX Perpetual Registrars Limited
Level 4, 333 Collins Street,
Melbourne Victoria 3000
Australia

GPO Box 1736P
Melbourne Victoria 3001

Telephone: 1300 301 253
(for callers within Australia)
International: +613 9615 9742
Facsimile: +613 9615 9900
E-mail:
registrars@asxperpetual.com.au
Website: www.asxperpetual.com.au

Tax and Dividend Payments

For Australian registered shareholders who have not quoted their Tax File Number (TFN) Exemption or Australian Business Number (ABN), the company is obliged to deduct tax at the top marginal rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already quoted your TFN/ABN, you may do so by contacting the Share Registrar or by registering your TFN/ABN at the Share Registrar's website at: www.asxperpetual.com.au

Dividend Payments

Your dividends will be paid in Australian dollars by cheque mailed to the address recorded on the share register.

Better still, why not have us bank your dividend payments for you

How would you like to have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Not only can we do your banking for you, but dividends paid by direct credit hit your account as cleared funds, thus allowing you to access them on payment date.

You may elect to receive your dividends by way of direct credit by completing an application form available by contacting the Share Registrar or enter the details at the Share Registrar's website at www.asxperpetual.com.au

Shareholders should be aware that any cheques that remain uncashed after approximately two years from a dividend payment, are required to be handed over to State Trustees under the Unclaimed Monies Act. Shareholders are encouraged to cash cheques promptly or to have their dividends directly deposited into their bank accounts.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) enables Orica's fully paid ordinary shareholders having a registered address or being resident in Australia or New Zealand to reinvest all or part of their dividends in additional Orica fully paid ordinary shares. Applications are available from the Share Registrar.

Consolidation of Multiple Holdings

If you have multiple issuer sponsored holdings that you wish to consolidate into a single account, please notify the Share Registrar in writing, quoting your full registered names and SRNs for these accounts and nominating the account to which the holdings are to be consolidated.

Change of Name and/or Address

For issuer-sponsored holdings: please notify the Share Registrar in writing if you change your name and/or address, (please supply details of your new/previous name, your new/previous address and your SRN number) or change the details online at Share Registrar's website at www.asxperpetual.com.au

For CHESS/broker sponsored holdings: please notify your broker in writing if you change your name and/or address.

Share Enquiries

Shareholders seeking information about their shareholding or dividends should contact Orica's Share Registrar, ASX Perpetual Registrars Limited. Contact details are above. Callers within Australia can obtain information on their investments with Orica by calling the InvestorLine on 1300 301 253. This is a 24 hour, seven days a week service. Before you call, make sure you have your security holder reference number (SRN) or holder identification number (HIN) handy.

You can do so much more online via the internet.

Visit ASX Perpetual's website: www.asxperpetual.com.au and access a wide variety of holding information, make some changes online or download forms. You can:

- Check your current and previous holding balances
- Choose your preferred annual report options
- Update your address details
- Update your bank details
- Confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN) exemption
- Register your TFN/ABN
- Check transaction and dividend history
- Enter your email address
- Check the share prices and graphs
- Download a variety of instruction forms
- Subscribe to email announcements

You can access this information via a security login using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

Orica Communications

Orica's internet site: www.orica.com offers shareholder publications, news releases, announcements to the ASX, and the text of the Chairman's and Managing Director's addresses at the AGM. The website provides essential information about the company and offers insights into Orica's businesses.

Orica's printed communications for shareholders includes the Annual Report, the Safety, Health & Environment Performance Report and the Full Year Report which provides a review of the company's performance in the twelve months to 30 September.

Shareholders may elect to receive the annual report, no annual report or notification by email when the annual report is available online at www.orica.com. If you do not make an annual report election you will receive the annual report. If you wish to change your annual report election please contact the Share Registrar or visit the Share Registrar's website. You will continue to receive notices of meetings, proxy forms and other important intermittent items in the mail.

Copies of publications are available on request.

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Auditors

KPMG

Orica Limited

ABN 24 004 145 868

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1 Nicholson Street
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Investor Relations

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Shareholder Timetable*

30 September 2003	**Orica Year End**
19 November 2003	Books close for 2003 final dividend
10 December 2003	Final dividend paid
17 December 2003	Annual General Meeting
31 March 2004	**Orica Half Year End**
3 May 2004	Half year profit and interim dividend announced
24 June 2004	Books close for 2004 interim dividend
15 July 2004	Interim dividend paid
30 September 2004	**Orica Year End**
8 November 2004	Full year profit and final dividend announced
17 November 2004	Books close for 2004 final dividend
8 December 2004	Final dividend paid
15 December 2004	Annual General Meeting

** Timing of events is subject to change*

Online information

We are committed to keeping all our shareholders well informed.

Our orica.com website is currently being updated.
The new site will go live in January 2004.

ORICA SHARE PRICE — Updated every 15 minutes.

ASX RELEASES — Updated on announcement to Australian Stock Exchange.

POWERPOINT PRESENTATION — Updated from investor and analyst roadshows.

DONATIONS PROGRAM — Guidelines and application form available for download

EXCEL SPREADSHEET — Updated yearly for past eight years.

WEBCAST — Updated half-yearly and annually with results webcasts.

ANNUAL REPORTS — Updated annually with annual reports for past five years.

Orica Limited
ABN 24 004 145 868

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