



Contents

About Orica	3
Chairman's Report	4
Managing Director's Report	5
Review of Operations	6
Review of Financial Performance	7
Review of Business Segment Performance	9
Orica Board	14
Group Executive	15
Corporate Governance	16
Financial Statements	20
Directors' Report	21
Statements of Financial Performance	27
Statements of Financial Position	28
Statements of Cash Flows	29
Notes to the Financial Statements	30
Directors' Declaration on the Financial Report set out on pages 27 to 71	72
Audit Report	73
Shareholders' Statistics	74
Ten Year Financial Statistics	76
Shareholder Information	78

About Orica

Orica is one of Australia's largest publicly owned corporations with around 8,000 dedicated people across 35 countries around the globe. We began in 1874 as a small firm in Melbourne, Australia, providing explosives to the goldfields. Since then we've grown into a multi-billion dollar global company where our products and services impact every part of modern life. In 1997, we became an independent corporation when ICI PLC divested its majority shareholding. Today all of our shareholders share in our increasing profitability.

Orica is one of only a handful of Australian corporations awarded a place in the Dow Jones Sustainability Index. Corporate sustainability is an attractive business approach to creating long-term shareholder value. 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

Orica's four businesses are market leaders in each of their industries – Orica Mining Services, Orica Agricultural Chemicals, Orica Chemicals and Orica Consumer Products.

All four businesses enjoy world class reputations.

Global leader in explosives and blasting services



Orica Mining Services manufactures and markets a comprehensive range of explosives products and services for the mining, quarrying and construction industries. Our business is globally run with a leading presence in Australia, Asia, Europe, North America and Latin America.

Australian leader in fertiliser supply



Orica Agricultural Chemicals manufactures, imports and markets an extensive range of fertilisers and industrial chemicals for supply to all agricultural market segments in eastern Australia.

Australasian leader in innovative chemical solutions



Orica Chemicals manufactures, imports and markets chemical products and services for a wide spectrum of industry which includes the dairy, food, beverage, water treatment, wood panel, manufacturing, printing, engineering, construction and mining industries in Australia, New Zealand, Fiji and Indonesia.

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



Orica Consumer Products manufactures and markets icon brands Dulux, Berger, Walpamur, Levene, Cabot's, Feast Watson, Intergrain, Acratex, Selleys, Rota Cota, Poly, and Turtle Wax in Australia and New Zealand. It also manufactures and markets an extensive range of Powder Coatings solutions in Australia, New Zealand and Asia.

The Way We Do Business

The way we do business in Orica provides us with a distinct competitive advantage in generating shareholder value. Our performance-based culture is built around four key principles and related behaviours. They set the standard of how we perform as a corporation and how our people behave both internally and externally.

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

In reflecting on the past 12 months, I recall the commitments made to you in last year's Annual Report to restore profitability and achieve a satisfactory return on shareholders' funds.

I believe that the Board, management and employees of your company have delivered on those commitments with this very good result in 2002. While the improvement is welcome, we won't be resting on our laurels as we recognise there is much work to be done to maintain the momentum.

The process of recovery started when we confirmed our faith in the fundamentals of our businesses but recognised the need to change the way they were managed and operated. The improvement in the financial health and performance level of Orica is consistent with our proposition that we have excellent businesses with quality people.

The opportunity for our people to contribute to the success of Orica Limited has been enhanced with an extensive and all-embracing process to develop a performance-based culture. Recently, all 8,000 employees across 35 countries participated in workshops based around the principles of Safety Health and Environment, Commercial Ownership, Creative Customer Solutions and Working Together as well as the over-arching commitment, 'Deliver the Promise'.

We believe that the intrinsic worth of the businesses and the management which delivered the 2002 result will produce sustainable shareholder value in 2003 and beyond. This view is tempered by the potential for external impacts on some businesses including Qenos which is planned for sale.

The repair of the balance sheet has enabled us to return funds to shareholders through an increase in dividend, together with a share buy-back of up to 5% of issued capital. The Board has considered dividends as part of its review of capital management and recognises the importance, other than in exceptional circumstances, of at least maintaining the rate of dividend in terms of cents per share, providing an appropriate dividend yield, maintaining a pay-out ratio of 50% or more, distributing available franking credits and using other tax effective distributions when franking is restricted.

The integrity of the balance sheet is reliant on an objective and honest application of our strict economic criteria when reviewing the future prospects for each business. Shareholders will be aware that we took some significant write-downs last year. We have refined our view with the full input of our new Managing Director and Finance Director and we have decided to take some further modest action.

Financial performance and balance sheet integrity depends on the processes under which both the Board and management operate.

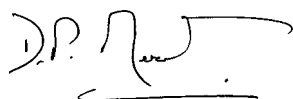
In its governance practices and procedures, Orica meets the highest standards. There is a great deal of information about our practices outlined elsewhere in the Annual Report, including independent audit and risk management. The Board's Corporate Governance Committee keeps constant oversight on the way we are working and also looks for opportunities to improve. As well, the Board has been strengthened this year with the addition of Michael Beckett who brings an international business perspective and familiarity with the mining industry.

Corporate Governance does not apply only to the Board. I have great confidence in the disciplined approach that Orica management has to its own governance. There is a sharp focus in Orica on well-structured delegations and authorities. We have clarity of responsibility and accountability, have eliminated overlaps and duplication and established appropriate checks and balances.

We also follow strict and transparent procedures and take independent advice in determining Executive Remuneration. A detailed explanation is in the Annual Report. There have been a number of changes to our Executive Remuneration practices in the past 18 months that create a single set of benchmarks for Orica management. This ensures the entire executive remuneration structure starting with the CEO is consistent and aligned to the performance of the company and the interests of shareholders. While we believe present arrangements serve us well, your Board will be closely monitoring developments in this area to ensure that Orica remains a leader.

Orica's long-term strategy will be a priority of the Board's considerations during 2003. We will be exploring opportunities that will define the growth path of your company in the years to come and I will report to you in due course. Let me assure you that we will seek to grow only where we believe our performance criteria can be met and I have confidence that we will be a growth company focused on disciplined performance and shareholder value.

The Orica story in 2002 has been a good one. But the Orica story will be even better going forward. This year has been Chapter One.



Don Mercer
Chairman



Managing Director's Report

This has been a year of transformation and restoration.

A year in which your company has been transformed into a more commercially astute and performance oriented organisation. A year when financial credibility and the strength of the balance sheet has been restored.

But we recognise that this year – albeit a very successful year – is but a first step, a foundation in achieving our longer-term goals to establish our place among Australia's truly great companies.

In looking at the 2002 year, the results have been outstanding: a profit before significant items of \$239.1 million – an increase of \$176.8 million and 284% compared with 2001. This represents a return on shareholders' funds of 18%.

Additionally, the increase in the dividend together with the share buy back, will mean all shareholders directly benefit from this year's performance.

When I reported to you last year, I committed to increase Efficiency, implement a dynamic business Culture and start the process of Strategy development.

The 2002 Result is a tribute to our employees and their application of a rigorous focus on efficiency and cost reduction building on the underlying strength of our four business platforms which hold premium market positions either internationally or domestically.

All four businesses recorded double digit profit increases – Mining Services (173%), Chemicals (34%), Agricultural Chemicals (21%) and Consumer Products (108%) – in an environment of variable market conditions through an \$80 million (after tax) step change in the cost base.

While Efficiency will always be a focus, Culture and Strategy will power the future of our company.

The Culture development program began late last year and has advanced considerably. To demonstrate the commitment from the top and the involvement at all levels of the organisation, I visited more than 30 sites and spoke to about 1,000 employees. The employees themselves created the four key principles and behaviours which are driving the way we, as Orica people, behave and do business.

Our 8,000 employees across 35 countries have been involved in culture-based workshops and Orica's performance management systems are being aligned to the principles of Safety, Health and Environment, Commercial Ownership, Creative Customer Solutions and Working Together as well as the over-arching commitment, 'Deliver the Promise', which is now part of the language of our organisation. Initiatives, linked to the new culture, are delivering cost savings and revenue growth.

The Four Principles and the associated Behaviours reinforce the necessity for greater individual responsibility for performance, encourage employee alignment and knowledge-sharing throughout our organisation and provide the basis for ensuring the sustainability of that performance into the future.

The future of your company is focused on the commitment to outperform the market average in shareholder returns based upon low risk value creation through responsible capital management and strategic development of successful businesses.

In the short term, we are confident that there are further profitability gains in sustainable cost reduction throughout the businesses and increased revenue in key areas through those businesses which have demonstrated the capacity to achieve our minimum return-on-investment hurdle.

In this context, Orica businesses fall into three categories. First are those that are exceeding the minimum targets and have earned the right to grow. Second are those that are demonstrating they have the potential to meet our economic criteria and which we will fix. Third are those that won't meet the targets and which we will exit for fair value.

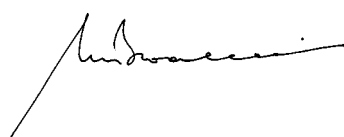
For example, in the first category, we have announced transactions which will expand Chemnet and Mining Services Australia/Asia. With Chemnet, we purchased the Fernz business which will boost revenue by 50%. With Mining Services, we announced an expansion of our Yarwun plant to boost Ammonium Nitrate production by 12%.

The second category includes Mining Services North America and ChlorAlkali which are making good progress towards meeting minimum return-on-investment targets.

Of the 'third category' businesses, two have been sold, Australian Vinyls and Crop Care. The other, Qenos, we intend to sell and accordingly, we have taken an 'exit view' rather than a 'continuing owner's view' leading to the decision to take a \$19.3 million (after tax) write-down.

The success of our team is dependent on good leadership and I have been pleased to welcome to the management team in 2002: Executive Director Finance, Jim Hall, General Manager Business Development, Shaun O'Sullivan, General Manager Consumer Products, John Joannou, and Chief Strategy Officer, Jonathan Nightingale.

They join a team which recognises our responsibility to ensure that the successes of 2002 are the foundation stones of the great company we are building for the future.



Malcolm Broomhead
Managing Director and CEO



Review of Operations

Orica has restored considerable value with underlying Net Profit After Tax (NPAT) before Significant Items up 284% to \$239.1 million. This result is the first step in delivering low risk value for shareholders.

NPAT after significant items was \$213.6 million compared to a loss of \$192.7 million in 2001.

Positive earnings momentum is expected to continue in 2003.

Financial Highlights

- 284% increase in NPAT⁽¹⁾ to \$239.1 million (2001: \$62.3 million).
- Return on shareholders' funds of 18% and economic profit⁽²⁾ of \$72 million.
- Total dividend for 2002 up 175% to 44 cents per share (cps) – 34% franked. Dividend yield of 4.3% at the closing share price of \$10.34 on 4 November 2002.
- On-market share buy-back of up to 5% of issued capital announced.
- Restructuring cost savings of \$115 million (\$80 million after tax) including a reduction in corporate centre costs of 47% to \$25 million.
- Operating cash flow up 49% to \$342.7 million despite restructuring payments of \$122 million.
- Balance sheet repaired with gearing at 31.3% and interest cover restored to 6.9 times. Write down of assets (including Qenos and excluding Crop Care) of \$38.4 million after tax particularly reflecting a view of recoverable values.

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

(2) Economic profit = Net Operating Profit After Tax attributable to Members of Orica less a charge for the cost of capital.

Business Highlights

- Increased profit in all businesses.
- North America explosives return to profitability and moving towards an economic profit.
- Strong volume and profit growth in Australia/Asia explosives.
- Strong demand in retail and trade paints leading to improved earnings.
- Continued double digit profit growth in Chemicals.
- Robust fertiliser profit particularly in light of drought in Northern Australia.

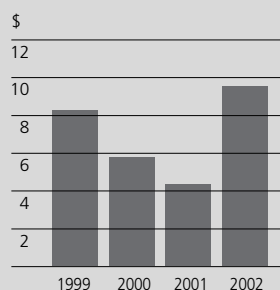
A detailed review of each business segment is set out on page 9 to 13.

Outlook – 2003

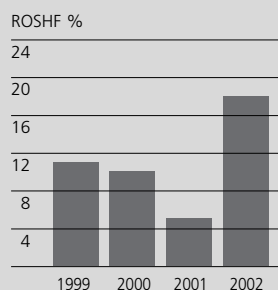
- Earnings growth underpinned by efficiencies and continued improvement in North America.
- Steady demand across all businesses except fertiliser which may be further impacted by drought.

Shareholder Scorecard

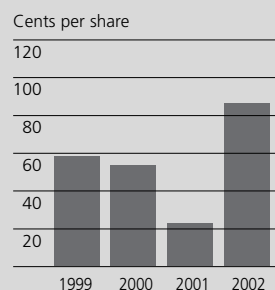
Year End Share Price



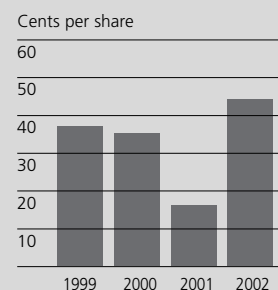
Return on Shareholders' Funds*



Earnings per Share*



Dividends per Share



* Before significant items

Review of Financial Performance

Revenue

Sales revenue increased 1% to \$4,085 million or 5% after excluding divested businesses. Major factors were:

- Increased explosives sales to Australian coal customers and additional explosives sales from 2001 acquisitions in Europe.
- Demand for decorative paint at record levels.

Earnings

Net profit after tax, minority interests and significant items was \$213.6 million compared to a loss of \$192.7 million in 2001.

Prior to significant items, profit increased 284% to \$239.1 million (2001: \$62.3 million). Major factors were:

- Earnings before interest and tax (EBIT) increased 135% to \$410 million. EBIT improved in all businesses.
- Restructuring cost savings of \$115 million (\$80 million after tax).

Interest and Tax

Net interest expense reduced by 7% to \$59.5 million (2001: \$64 million) with lower average interest rates and debt partly offset by reduced capitalisation of interest. Interest cover improved to 6.9 times primarily due to higher earnings (2001: 2.7 times).

Tax expense before significant items was \$91.9 million. The effective tax rate was 26% (2001: 33%) largely as a result of tax free North America profits due to utilisation of prior year tax losses and environmental expenditure for the Rhodes site (now sold) which has been tax effected.

Dividend

The 2002 final dividend is 29 cents per share (cps) franked to 7.5 cps. The total dividend for 2002 is 44 cps, 34% franked (15 cps). This equates to a dividend yield of 4.3% at the closing share price of \$10.34 on 4 November 2002.

Franking capacity on existing businesses is forecast to be no more than 30% for 2003.

The Board has considered dividends as part of its review of capital management and recognises the importance, other than in exceptional circumstances, of:

- At least maintaining the rate of dividend in terms of cps.
- Providing an appropriate dividend yield.
- A pay-out ratio of 50% or more.
- Distributing available franking credits.
- Using other tax effective distributions when franking is restricted.

Share buy-back

Consistent with Orica's focus on sound capital management, the Board intends to return surplus capital to shareholders by an on market share buy-back of up to 5% of issued capital.

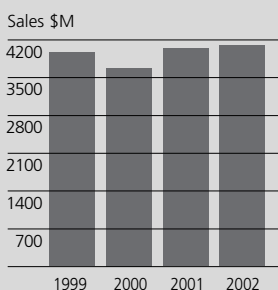
Significant Items

2002 significant items were a loss of \$25.5 million after tax and minority interests. Major items were:

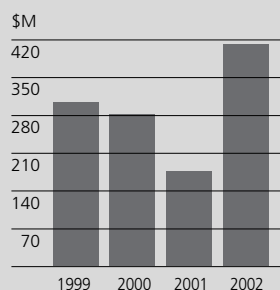
- Explosives China, Explosives Thailand and Australian Vinyls assets write down to recoverable value (\$19.1 million).
- A Qenos charge of \$19.3 million reflecting Orica's exit view rather than a continuing owners view of the business. The exit view puts more emphasis on recent poor financial performance, near term softness in polyethylene prices and high oil prices due to unrest in the Middle East.
- Write down of \$7.5 million in Crop Care to recoverable value consistent with the sale agreement.
- Profit of \$27.6 million on the sale of the Melbourne Head Office building and Orica Art Collection.

Business Scorecard

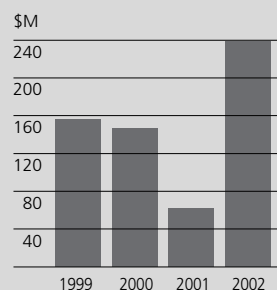
Sales



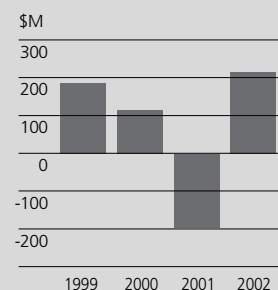
Earnings Before Interest and Tax



Net Profit After Tax Before Significant Items



Net Profit After Tax After Significant Items



Review of Financial Performance continued

Review of Financial Position

Orica's net assets increased by 7% to \$1.5 billion over the 2001 financial year.

The major balance sheet movements were:

- Total liabilities have decreased by \$457 million principally due to:
 - a net decrease in interest bearing liabilities of \$280.4 million assisted by cash flow generated from operating activities of \$342.7 million resulting in a gearing ratio (net debt to net debt plus equity) of 31.3% (2001: 41.2%).
 - a decrease in current payables of \$112 million reflecting mainly an \$86.6 million decrease in trade creditors.
 - a net decrease in provisions of \$67.9 million, mainly due to \$122 million payments of restructuring and redundancy provisions created in 2001, partly offset by an increase in provision for the final dividend of \$58.7 million.
- Total assets have decreased by \$365.3 million principally due to:
 - A \$207.3 million decrease in net property, plant and equipment resulting from annual depreciation \$157.6 million exceeded capital expenditure of \$110 million, combined with asset sales (\$52 million) throughout the group including the sale of the Orica Art Collection and Melbourne Head Office.
 - a decrease in current receivables of \$151.2 million, with a \$53.3 million decrease in trade debtors, the impact of a major focus on working capital management, and a \$58.1 million decrease in sundry external debtors mainly due to the reduction in Syngenta royalties receivable (\$50 million).

Share capital has increased by \$15.8 million, which mainly includes 1.7 million shares issued to senior executive officers.

Review of Cash Flows

Net cash flows from operating activities

Net cash inflow from operations of \$342.7 million was higher than the previous year by \$112.1 million. This improvement has mainly come from the additional business cash flow generated mainly by Explosives and Consumer Products.

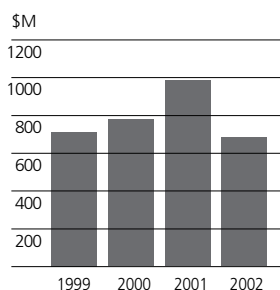
Net cash flows from investing activities

Net cash inflow from investing activities was \$12.0 million, compared to a net outflow in the previous year of \$345.2 million. The reduction in cashflow used in investing activities of \$357.2 million was assisted by lower payments for property, plant and equipment (\$153.1 million), low acquisition expenditure (2001: \$128.7 million) and higher proceeds from sale of assets (\$45.1 million).

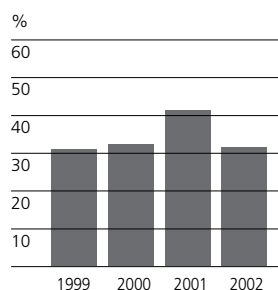
Net cash flows from financing activities

The net change in financing activities between 2002 and 2001 of \$485.6 million reflects the reduction in borrowings in 2002 of \$252.3 million compared with the increase in borrowings required in 2001 of \$233.9 million.

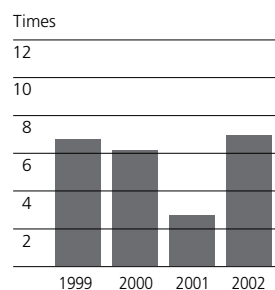
Net Debt



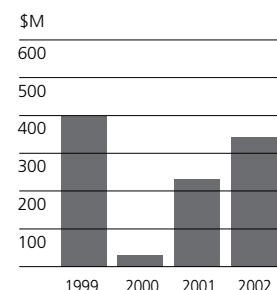
Gearing



Interest Cover



Cash Flow from Operating Activities



Review of Business Segment Performance

Orica Mining Services

Profitability of Mining Services increased by 173% over 2001. North America returned to profitability and Australia had record sales volumes. Earnings were underpinned by a step change in the business cost base.



Highlights

- North America profitable and moving towards the minimum Return on Net Assets (RONA)⁽¹⁾ target, of 18% (RONA 7.1% in 2002).
- Profitability rebuilt in Australia/Asia.
- Total sales volumes up 5%, particularly in Australia.
- Ammonia input costs down \$42 million.
- Cost savings of \$50 million.
- RONA improved by 11.8% points.

Business Summaries

Australia/Asia

- Volumes up 11% reflecting increased coal exports by Australian customers.
- Margins improved with ammonia input costs down \$14 million.

North America

- Volumes flat with mild weather reducing coal demand.
- Improved margins with ammonia input costs down \$28 million and significantly reduced fixed costs.

Latin America

- Creditable volume growth of 4% given soft demand from copper customers.
- Profit improvement driven by fixed cost reductions and improved margins.

Europe

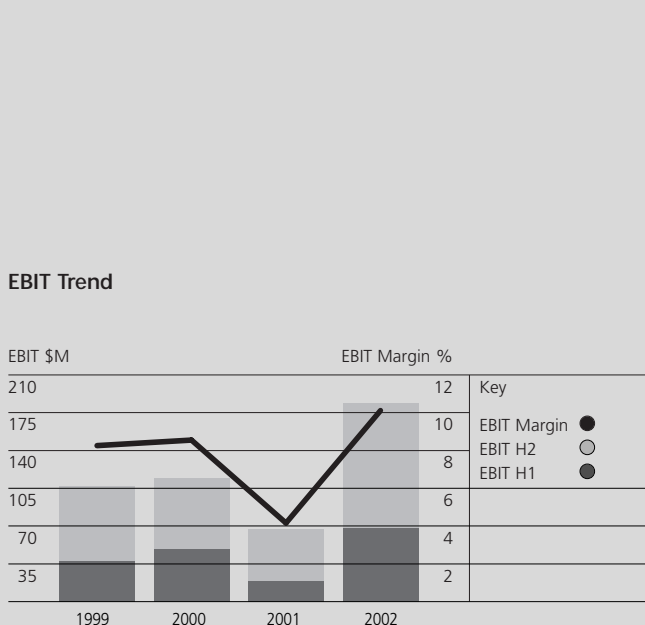
- Volumes flat in Western Europe and up in the growth markets of Eastern Europe and the former Soviet Union.
- Profit improvement underpinned by cost savings and acquisitions made in 2001.

Outlook – 2003

- Continued supplier consolidation in the explosives industry.
- Volumes flat in all regions.
- Ammonia prices increasing. Unhedged fixed price ammonia contracts are now a significantly lower proportion of the total than in the past.
- Improvement in returns from efficiencies and continued improvement in North America.

(1) Return on Net Assets (RONA) is calculated by applying Earnings Before Interest and Tax (EBIT) to Net Assets at the business segment level.

Financial performance – 2002



Financial Performance (\$m)

	Year ended September		
	2002	2001	Change F(U)*
Sales Revenue	1,800	1,656	9%
EBIT	184.2	67.4	173%
Net Assets	938	1,052	11%
Return on Net Assets	18.5%	6.7%	
Business Sales			
Australia/Asia	638.0	559.7	14%
North America	785.7	764.1	3%
Latin America	250.8	259.6	(3)%
Europe	205.1	143.0	43%
EBIT			
Australia/Asia	89.5	48.0	86%
North America	44.5	(20.9)	
Latin America	34.6	34.2	1%
Europe	15.7	6.1	155%

* F – Favourable, (U) – Unfavourable

Review of Business Segment Performance continued

Orica Agricultural Chemicals

Profitability improved 21% largely driven by a significant reduction in the business cost base and improved manufacturing performance. An excellent result given soft prices and drought.



Highlights

- Record fertiliser volumes through market share gains although substantially offset by drought in key markets.
- Cost savings of \$14 million.
- Lower nitrogen prices.
- RONA improved by 4.5% points.
- Proposal to merge Incitec Fertilizers and Pivot Limited.

Business Summaries

Fertiliser

- Improved market share in Eastern and Southern Australia partially offset by drought in Northern NSW and Qld.
- Softer global urea prices – margin down \$13 million.
- Gibson Island maintenance shutdowns completed.
- Growforce was divested in 2001.

Industrial Chemicals

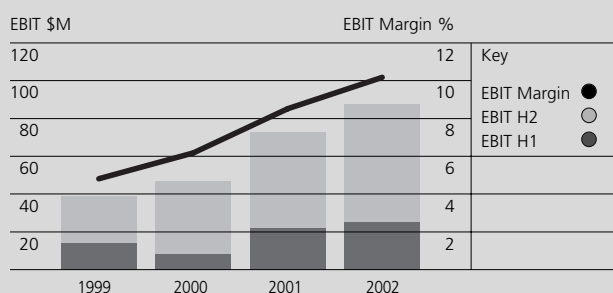
- Strong demand from industrial markets for urea and ammonia.
- Lower global ammonia prices – margin down \$9 million.
- Good manufacturing performance with higher ammonia production at Kooragang Island.

Outlook – 2003

- Continued drought in key fertiliser regions.
- Global nitrogen prices to remain soft.
- Earnings improvement from fertiliser rationalisation remains the major upside.

Financial performance – 2002

EBIT Trend



Financial Performance (\$m)

	Year ended September		
	2002	2001	Change F/(U)*
Sales Revenue	815	804	1%
EBIT	87.4	72.5	21%
Net Assets	379	360	(5)%
Return on Net Assets	23.6%	19.1%	
Business Sales			
Fertiliser	648.7	617.0	5%
Industrial Chemicals	165.8	162.6	2%
Growforce^	0.0	24.4	(100)%
EBIT			
Fertiliser	58.7	42.9	37%
Industrial Chemicals	28.7	27.7	4%
Growforce^	0.0	1.9	(100)%

* F – Favourable, (U) – Unfavourable

^ Disposed of in 2001

Orica Chemicals

Chemicals delivered the fourth consecutive year of double digit earnings growth. Profit has tripled over the period 1998–2002.



Highlights

- Cost savings of \$13 million.
- RONA up by 3.8% points on 2001 with working capital to sales at 12%.
- New chlorine plants operating.
- Good progress in MIEX® commercialisation.

Business Summaries

Chemnet

- Sales up 16% to New Zealand dairy customers and successful entry into the Australian dairy market.
- Building & construction sales up 11%.
- Lower refrigerant sales due to a mild summer.

Mining Chemicals

- Cyanide volumes flat although exports have grown to 50% of volume.
- Strong emulsifier sales.

ChlorAlkali

- Sales to water treatment markets down 8% due to a mild summer (particularly Victoria and South Australia).
- Laverton (Victoria) and Botany (NSW) chlorine plants commissioned and operating at design rates.

MIEX®

- Wanneroo MIEX® plant (West Australia) opened in May and running well.
- MIEX® technology selected for prestigious research project in the United States (US).
- Two water treatment plants using MIEX® approved for construction design in the US.
- Spending on commercialisation \$5 million.

Adhesives and Resins

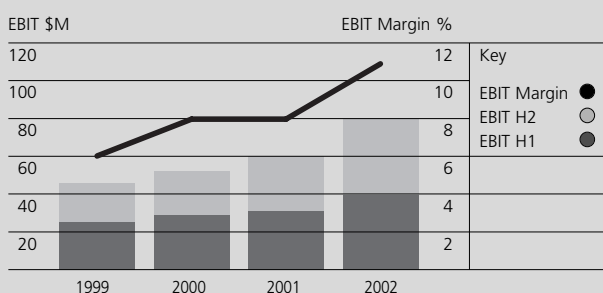
- Volumes up 10% in a competitive market.

Outlook – 2003

- Fernz Specialty Chemicals acquisition to boost Chemnet revenue by 50% from November 2002.
- Robust demand in most markets with further growth expected in dairy.
- Efficiencies underpinned by lower costs from the new chlorine plants.
- Continued competition from new cyanide capacity.

Financial performance – 2002

EBIT Trend



Financial Performance (\$m)

	Year ended September		
	2002	2001	Change F/(U)*
Sales Revenue	742	710	5%
EBIT	79.8	59.4	34%
Net Assets	422	388	(9)%
Return on Net Assets	19.7%	15.9%	
Business Sales			
Adhesives & Resins	101.6	101.3	0%
Chemnet	398.2	378.9	5%
ChlorAlkali	152.4	145.2	5%
Mining Chemicals	100.9	96.8	4%

* F – Favourable, (U) – Unfavourable

Review of Business Segment Performance continued

Orica Consumer products

Profitability improved as Australian demand for decorative paint rebounded to record levels from the 2001 post GST slowdown. The restructuring program significantly reduced the underlying cost base of the business.



Highlights

- Increase in Australian decorative paint volumes by 6%.
- Cost savings of \$16 million.
- RONA improved by 16.8% points on 2001.

Business Summaries

Paints and Woodcare

- Volume increases in Australian retail paints as 'do it yourself' home renovation continued to grow. Leading market share position held.
- Rebound in trade paint volumes following the post GST downturn in construction of 2001.
- New Zealand sales flat in a highly competitive market.
- Restoration of gross margin from 2001 as higher raw material input costs were recovered through price increases.
- Substantial improvement in working capital, particularly trade debtors.

Selleys

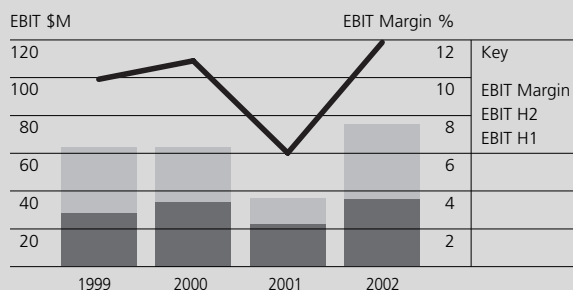
- Volumes up 5% especially in retail markets.
- Strong market competition.

Outlook – 2003

- Robust demand in retail paints albeit contingent on Australian discretionary consumer spending.
- Sustained volume in trade paints as building approvals from 2002 roll into completed houses.

Financial performance – 2002

EBIT Trend



Financial Performance (\$m)

	Year ended September		
	2002	2001	Change F/(U)*
Sales Revenue	640	600	7%
EBIT	75.6	36.3	108%
Net Assets	218.1	244.1	11%
Return on Net Assets	32.7%	15.9%	
Business Sales			
Paints	486.5	449.8	8%
Other	166.9	155.7	7%

* F – Favourable, (U) – Unfavourable

Other Operations, Corporate and Support Services

Plastics



Qenos

Orica's share of equity profit from Qenos was a loss of \$0.7 million (2001: Loss \$14.9 million). Major factors were:

- Lower polyethylene prices.
- Higher input costs – oil.

Divested Businesses

Australia Vinyls recorded a profit of \$3.7 million (2001: loss \$7.8 million). The business was sold in February 2002.

Crop Care made a loss of \$5.9 million before Syngenta commissions of \$26.7 million. The business was sold to Nufarm Limited for \$75 million effective 31 October 2002.

Corporate and Support Services

Corporate centre

- Corporate centre costs of \$25 million were \$22 million below 2001 levels.
- The Melbourne Head Office and Art Collection were sold (profit recorded in significant items).

Orica Board



Donald P Mercer
BSc(Hons) MA(Econ)
Age 61

Non executive director since October 1997 and appointed Chairman 2 May 2001. Chairman of the Board's Remuneration and Appointments Committee and Corporate Governance Committee.

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. Director of CSIRO Australia and Australian Prudential Regulation Authority. Chancellor of RMIT University. Former Managing Director and Chief Executive Officer of ANZ Banking Group. Resident of Melbourne, Australia.



Malcolm W Broomhead
BE, MBA
Age 50

Managing Director and Chief Executive Officer since 4 September 2001.

Former Managing Director of North Limited and former Chairman of Energy Resources of Australia Limited. Resident of Melbourne, Australia.



Michael E Beckett
BSc, FIMM, FRSA
Age 66

Non executive director appointed 15 July 2002. A member of the Remuneration and Appointments Committee.

Chairman Ashanti Goldfields Company Limited, Clarkson PLC, Watts Blake Bearne & Co PLC and London Clubs International PLC. Director BPB PLC and Northam Platinum Limited. Resident of London, UK.



Anthony B Daniels
OAM
Age 67

Non executive director since March 1995 and a member of the Remuneration and Appointments Committee and Corporate Governance Committee.

Director of Commonwealth Bank of Australia, The Australian Gas Light Company and O'Connell Street Associates Pty Ltd. Former Managing Director of Tubemakers Limited. Resident of Sydney, Australia.



Peter J B Duncan
BChE(Hons)
GradDip(Bus)
Age 61

Non executive director since 1 June 2001. Chairman of the Board's Audit and Risk Management Committee and a member of the Remuneration and Appointments Committee.

Director of National Australia Bank Ltd, GasNet Australia Ltd and CSIRO. Member of Siemens Australia Advisory Board. Former Chairman of the Shell Group of Companies in Australia and New Zealand. Former director of Woodside Petroleum Limited and Pulse Energy Pty Ltd. Resident of Melbourne, Australia.



James W Hall
BComm, FCPA
Age 51

Joined Orica in January 2002 and was appointed Executive Director Finance on 18 February 2002.

Director of Incitec Limited and Qenos Pty Ltd. Former Vice President, Group Accounting and Controller at BHP Billiton Limited. Resident of Melbourne, Australia.



Brian Healey
Age 68

Non executive director since May 1996 and a member of the Board's Audit and Risk Management Committee and the Remuneration and Appointments Committee.

Chairman of Centro Properties Ltd and Prime Property Management Ltd. Director of Foster's Brewing Group Ltd and CGNU Australia Holdings Ltd. Former Senior Vice President of Nabisco Inc and Sara Lee Corporation. Former Chairman of Biota Holdings Ltd and Portfolio Partners Ltd. Former Chief Executive of Nicholas Kiwi, worldwide. Resident of Melbourne, Australia.



Graeme R Liebelt
BEc(Hons)
Age 48

Executive Director since July 1997.

Chief Executive Officer, Mining Services as of 1 October 2000 and functional responsibility for Safety, Health and Environment. Previously Chairman of Incitec Ltd, General Manager of Plastics and Managing Director of Dulux. Resident of Denver, USA.



Catherine M Walter
LLB(Hons) LLM MBA
Age 50

Non executive director since October 1998. Member of the Board's Audit and Risk Management Committee and the Remuneration and Appointments Committee.

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

Group Executive

Malcolm W Broomhead
BE, MBA
Age 50

Managing Director and Chief Executive Officer

Joined Orica on 4 September 2001. Former Managing Director of North Limited with previous experience gained in strategy, finance and operational roles in various companies. Former Chairman of Energy Resources of Australia Limited.



Barbara Gibson
BSc, FTSE
Age 54

General Manager Chemicals Group

Joined the company in 1985. General Manager Chemicals Group since July 1997. Previously General Manager Advanced Sciences Group, General Manager Corporate Advisory Group and General Manager Research Group. Director of Incitec Ltd and Deputy Chairman Biota Holdings Limited.



James W Hall
BComm, FCPA
Age 51

Executive Director Finance

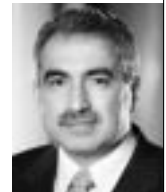
Joined the company in January 2002. Appointed Executive Director Finance on 18 February 2002. Director of Incitec Limited and Qenos Pty Ltd. Former Vice President, Group Accounting and Controller at BHP Billiton Limited.



John Joannou
BE
Age 46

General Manager Consumer Products

Joined the company on 1 July 2002. Former Chief Operating Officer of Berri Limited. Previously Vice President of Operations, North America, for Burns Philp Food Inc, USA and Operations Manager – Kellogg USA.



Graeme R Liebelt
BEc (Hons)
Age 48

Executive Director and CEO Explosives

Joined the company in 1989. Appointed Executive Director and General Manager Plastics Group in 1997. Previously Managing Director Dulux. Executive Director responsible for Safety, Health and Environment. Appointed CEO Explosives in October 2000.



Jonathan Nightingale
BSc, PhD
Age 37

Chief Strategy Officer

Joined the company on 5 August 2002. Former London based Group Strategy Director of Blue Circle Industries PLC. Previously Director of Group Strategy of NFC PLC (now Exel PLC), Business Development Manager for Camas PLC, 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 47

General Manager Business Development

Joined the company as a full time employee in May 2002 following a consulting assignment commencing September 2001. Former Consultant with KOSOS Pty Ltd and Executive of North Limited with previous experience gained in finance, strategy, operations and business restructuring.



Greg Witcombe
BSc
Age 48

Managing Director Incitec Ltd

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



Company Secretary

Michaela Healey
LLB, GradDip Resources Law, FCIS
Age 35
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. At Orica an active process of continuous improvement is led by the Board of directors and incorporated into a strong focus on responsible management, accountability and ethical conduct throughout the organisation.

This report outlines the company's main corporate governance practices.

The Board

Role

The primary role of the Orica Limited Board of directors 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 has established general principles under which it and management operate to ensure that business is carried out in the best interests of shareholders and the company. 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.

Composition

Orica maintains a majority of non-executive directors on its Board and separates the role of chair and chief executive. The Board currently comprises nine directors: six independent non-executive directors, including the chairman, and three executive directors, including the managing director. Details of the directors, their qualifications and experience are set out on page 14.

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 reviewed regularly by the Corporate Governance 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 with the company 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.

Board meetings

The Board has 10 scheduled meetings per year. Seven of those meetings are of 1–2 days duration. Directors attend such additional meetings as the business of the company may require. In those months that Board meetings are not scheduled, directors receive updates 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. The Board undertakes site visits by individual or small groups of directors to enable directors 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.

Appointment terms

Apart from the managing director, directors are subject to shareholder re-election by rotation at least every three years. The Board has a general policy that non-executive directors are appointed for a maximum term of 10 years. Directors must retire at 70 years of age. All directors must obtain the chairman's prior approval before accepting appointment to the Board of another publicly listed company.

Independent advice and access to company information

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

Shareholdings of directors and employees

Directors are required to hold a minimum of 1,000 shares. Their current shareholdings are shown on page 21.

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 28 days 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 and senior executives must receive clearance from the chairman or company secretary for any proposed dealing in Orica shares.

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 \$750,000 approved by shareholders at the 1998 Annual General Meeting.

The total fees paid to non-executive directors for the 2002 financial year were \$502,500.

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 expert independent advice and survey data on fees paid by comparable companies and considers this against the level of remuneration required to attract and compensate directors of the appropriate calibre and the nature of the directors' work and responsibilities.

At the 2002 Annual General Meeting the approval of shareholders will be sought to increase the total aggregate amount of non-executive directors' fees to \$1,200,000. This increase will be sought to provide flexibility to increase the number of directors on the Board, to increase the level of fees paid to existing directors to reflect increases in directors' fees in comparable companies over the last 3 years and to reflect the higher fees to be paid to new directors as they will not receive a retirement benefit allowance.

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

Retiring non-executive directors are currently entitled to an allowance, up to a maximum of their last three years' remuneration after five years' service (pro rata for a lesser period). The Board has decided to phase out retirement allowances. Any directors joining the Board after 1 July 2002 will not be entitled to receive a retirement allowance. Existing non-executive directors will retain their contractual entitlement to a retirement allowance in accordance with the formula described but will receive a lower annual fee than directors appointed after 1 July 2002.

Executive Remuneration

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 existence and conditions of all share and option schemes currently in operation, including the details of performance hurdles, are set out on pages 25 and 26.

Board Committees

The Board has established charters for the operation of its committees. The charters are reviewed annually. 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 chairman 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 and 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. The fees paid to the company's auditors for audit and non-audit work are set out on page 38.

In 2002 the Audit and Risk Management Committee expanded its role in overseeing the risk management systems utilised by the company. The committee also reviewed the recommendations of the Ramsay report and critically assessed the practices of the Committee and the company's relationship with its auditors in light of the recommendations in that report.

Corporate Governance continued

Remuneration and Appointments Committee

The Remuneration and Appointments Committee, which comprises all the non-executive directors, is chaired by Mr Don Mercer and meets at least 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 the appointment and succession of the executive directors and the members of the group executive.

Corporate Governance Committee

The Corporate Governance Committee comprises Mr Don Mercer and Mr Tony Daniels.

This committee is dedicated to the review of corporate governance issues in recognition of the increasing importance of implementing good governance practices. 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 non-executive directors and considers the most appropriate processes for review of the Board's composition and performance.

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. This 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.

Nominations for appointment to the Board are considered by the Board as a whole.

Board performance review

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, a discussion with individual directors is undertaken by the chairman.

At the conclusion of each Board 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.

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

Internal controls and management of risk

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

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 in the organisation reporting to the managing director to manage the company's internal controls and risk management.

Further details of the company's policies relating to interest rate management, foreign exchange risk management and credit risk management are included in notes 32 and 33 of the financial statements.

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

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

Continuous Disclosure

Orica is committed to ensuring adherence to current regulatory requirements and best practice to ensure timely provision of equal access to material information about the company.

In 2002 the Board approved a new continuous disclosure policy to ensure that the procedures for identifying and disclosing material and price sensitive information in accordance with the Corporations Act and ASX Listing Rules are clearly articulated.

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

Information provided to and discussions with analysts are subject to the continuous disclosure policy. Material information must not be selectively disclosed prior to being announced to the Australian Stock Exchange. Interview and briefing 'blackout periods' are imposed in the 2 month period leading up to the annual results announcement or in the one month period before release of any other results or outlook. Information may only be provided to media or analysts during these periods with the specific approval of the managing director or the executive director finance. The Company Secretary is the person responsible for communication with the Australian Stock Exchange.

Shareholders

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. The www.orica.com website contains copies of our annual reports, investor relations publications, briefings and presentations given by executives plus links to information on our products and services. Shareholders may elect to receive electronic notification of releases of information by the company. Pages 78 and 79 of this report contains details of how information provided to shareholders may be obtained.

Code of Ethics

Orica has published a Code of Ethics to provide employees with guidance on what is acceptable behaviour. Specifically, the company requires that all directors, managers and employees maintain the highest standards of integrity and honesty.

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 reviewed by the Board and processes are in place to promote and communicate these policies.

Safety, Health & Environment

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

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

Political donations

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

Financial Report

Directors' Report	21
Statements of Financial Performance	27
Statements of Financial Position	28
Statements of Cash Flows	29
Notes to the Financial Statements	30
Directors' Declaration on the Financial Report set out on pages 27 to 71	72
Audit Report	73
Shareholders' Statistics	74
Ten Year Financial Statistics	76

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 2002 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	J W Hall (appointed 18 February 2002)
M W Broomhead, Managing Director	B Healey
M E Beckett (appointed 15 July 2002)	A C Larkin (retired 19 December 2001)
A B Daniels	G R Liebelt
P J Duncan	C M Walter

The office of company secretary is held by J B C Van Reyk. Particulars of directors' qualifications, experience and special responsibilities are detailed on page 14 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 *
D P Mercer	16,000	-
M W Broomhead	1,506,818**	200,000
M E Beckett	3,000	-
A B Daniels	28,394	-
P J Duncan	10,091	-
J W Hall	450,000**	-
B Healey	9,300	-
G R Liebelt	89,652	517,000
C M Walter	10,000	-
	2,123,255	717,000

* 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.

** 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.

Directors' meetings

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

Director	Board		Audit and Risk Management Committee		Remuneration and Appointments Committee		Corporate Governance Committee	
	Held ⁽¹⁾	Attended ⁽²⁾	Held ⁽¹⁾	Attended ⁽²⁾	Held ⁽¹⁾	Attended ⁽²⁾	Held ⁽¹⁾	Attended ⁽²⁾
D P Mercer	10	10	-	-	7	7	4	4
M W Broomhead	10	10	-	-	-	-	-	-
M E Beckett ⁽³⁾	2	2	-	-	1	1	-	-
A B Daniels	10	9	-	-	7	7	4	4
P J Duncan	10	10	4	4	7	7	-	-
J W Hall ⁽⁴⁾	7	7	-	-	-	-	-	-
B Healey	10	9	4	4	7	6	-	-
A C Larkin ⁽⁵⁾	3	3	-	-	-	-	-	-
G R Liebelt	10	8	-	-	-	-	-	-
C M Walter	10	10	4	4	7	7	-	-

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

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

(3) M E Beckett was appointed on 15 July 2002.

(4) J W Hall was appointed on 18 February 2002.

(5) A C Larkin retired on 19 December 2001.

In addition to the Board meetings referred to in the above table, directors attended 5 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 and crop care products, 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 2002 were:	\$m
Interim dividend paid at the rate of 2.5 cents per share on 2,000,000 preference shares, franked to 50% (1.25 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 26% (0.65 cents) at the 30% corporate tax rate.	0.05
Interim dividend paid at the rate of 15 cents per share on 278,449,508 ordinary shares, franked to 50% (7.5 cents) at the 30% corporate tax rate.	41.8
The directors have declared a final dividend to be paid at the rate of 29 cents per share on 279,088,039 ordinary shares, for which provision has been made in the financial statements. This dividend will be franked to 26% (7.5 cents) at the 30% corporate tax rate.	80.9
<hr/> Total dividend distribution	<hr/> 122.8

In addition, the final dividend of 8 cents per share in respect of the financial year ended 30 September 2001, referred to in the prior year directors' report, was paid in cash on 17 December 2001 or satisfied by the purchase of shares on market. The full amount of \$22.2m was provided in the 2001 financial statements. This dividend was franked to 100% (8.0 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 6 to 13 of the annual report.

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 2002 are as follows:

Divestments

- 14 February 2002 – Orica disposed of its 62.6% ownership in Australian Vinyls Corporation (AVC). Orica and its joint venture partner PolyOne Corporation retained the customised vinyls compounds business. The disposal had no material impact on the consolidated entity's result for the period, following the writedown of the AVC assets in September 2001.

Events subsequent to balance date

Sale of Crop Care

On 29 August 2002, Orica announced the sale of Crop Care Australasia Pty Ltd to Nufarm Limited for \$75 million. Crop Care Australasia Pty Ltd is a joint venture between Orica (50%) and Incitec Ltd (50%). The sale was subject to the approval of the Australian Competition and Consumer Commission (ACCC) and this was granted on 8 October 2002. The sale will be effective from 31 October 2002.

Incitec and Pivot merger proposal

On 29 August 2002, Orica announced the proposal to merge the fertiliser assets of its 77% owned subsidiary, Incitec Ltd, with Pivot Limited. Subject to shareholders and regulatory approvals, the proposed merger would create Incitec Pivot Limited, operating an integrated fertiliser business throughout eastern and southern Australia. Shareholdings in the proposed merged company, would be Orica (54%), Pivot shareholders (30%), Futuris Corporation Limited (14.5%) and other shareholders (1.5%).

The proposed fertiliser merger was subject to ACCC clearance, which was granted on 16 October 2002, and awaits approval by both Pivot and Incitec shareholders and is conditional on the demerger of Incitec's industrial chemicals business.

Demerger proposal

As a necessary step to the merger proposal above, Incitec announced its intention to demerge its industrial chemicals business to create Industrial Chemicals Limited ("ICL").

The demerger is enabled by the passage of the relevant demerger legislation through the Federal Parliament (the legislation received Royal Assent on 24 October 2002) and is subject to shareholder and regulatory approvals.

Directors' Report

Purchase of Specialty Chemical trading business

On 23 September 2002, Orica announced an agreement to acquire the Fernz Specialty Chemical trading business from Nufarm Limited for \$60 million. The purchase will be effective from 31 October 2002.

Share Buy-back

On 6 November 2002, the Company announced an on-market buy-back of up to 5% of its share capital.

Tax consolidation legislation

On 21 October 2002 the first two tranches of the Federal Government's tax consolidation legislation were determined to be enacted or substantively enacted for financial reporting purposes. The enactment or substantive enactment of this legislation may impact the calculation of the deferred tax balances of certain entities within the group from 21 October 2002.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 September 2002.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2002, 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.

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 6 to 13 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.

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. In 2001, incentives were determined and approved by the Remuneration and Appointments Committee after balance date. As a consequence, incentives relating to both 2001 and 2002 have been charged in the 2002 year.

Long Term Incentive Programs

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 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.

Directors' Report

Particulars of executive directors and senior executive officers qualifications, experience and special responsibilities are detailed on pages 14 and 15 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				Other ⁽⁵⁾	Total remuneration expense	Options No. of options issued under SOP ⁽⁶⁾
	Fixed Salary ⁽¹⁾	Termination payments ⁽²⁾	2001 Incentive payments ⁽³⁾	2002 Incentive payments ⁽⁴⁾			
	\$000	\$000	\$000	\$000	\$000	\$000	
Executive Directors							
M W Broomhead Managing Director and Chief Executive Officer	1,300.0	-	-	767.9	404.7	2,472.6	200,000
J W Hall Executive Director Finance	430.4	-	-	265.8	142.4	838.6	-
G R Liebelt ⁽⁷⁾ Executive Director and Chief Executive Officer – Explosives	1,279.4	-	207.1	814.2	186.8	2,487.5	150,000
A C Larkin Former Executive Director Finance	306.3	470.5	-	-	-	776.8	-
Senior Executives – Current							
G J Witcombe ⁽⁸⁾ Managing Director Incitec Limited	507.6	-	228.0	691.0	65.1	1,491.7	-
B J Gibson General Manager Chemicals Group	470.9	-	141.3	284.9	56.5	953.6	50,000
S G O'Sullivan ⁽⁹⁾ General Manager Business Development	208.3	-	-	200.0	468.9	877.2	-
J Joannou ⁽¹⁰⁾ General Manager Consumer Products	157.5	-	-	91.7	238.0	487.2	-
J R Nightingale Chief Strategy Officer	78.8	-	-	49.2	37.0	165.0	-
Senior Executives – Former							
T Keating Strategic Planning Manager	110.4	527.4	58.0	-	-	695.8	-
G Adams General Manager Consumer Products	50.1	361.0	-	-	-	411.1	-

(1) Includes amounts previously provided as base salary, company superannuation contributions and company car.

(2) Includes payment in lieu of notice, contractual entitlements due to early termination of employment contracts, annual leave and long service leave entitlements.

(3) 2001 Incentive payments include payments relating to 2001 performance paid in 2002.

(4) 2002 Incentive payments include payments relating to 2002 performance accrued but not yet paid.

(5) Includes Imputed Interest on loans under the employee share plan and the senior executive share loan plans as well as payments described under notes 9 and 10 below.

(6) Refer to 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).

(7) 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.

(8) 2002 Incentive payments include an amount of \$385,072 paid under a long term incentive plan with Incitec Limited. Incentives are based on sustained performance over a three year period.

(9) Mr O'Sullivan was remunerated for certain executive officer services under a contract between Orica and KOSOS Pty Ltd, a corporation in which Mr O'Sullivan is a majority shareholder. Other includes \$415,000 paid to KOSOS Pty Ltd for services provided by Mr O'Sullivan prior to his full time employment with Orica.

(10) Other includes payment on commencement of employment.

Non - executive directors' emoluments

Non-executive directors' fees, including committee fees, are determined by the Board within the aggregate amount of \$750,000 which was approved by shareholders at the 1998 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

Directors' Report

required to attract and retain directors of the appropriate calibre. Non-executive directors are not entitled to any form of incentive payments.

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

Non-executive directors	Fees \$000	Superannuation contributions \$000	Retirement allowance \$000	Total \$000
D P Mercer, Chairman	182.4	14.9	-	197.3
M E Beckett (appointed 15 July 2002)	12.8	-	-	12.8
A B Daniels	60.0	5.0	-	65.0
P J Duncan	75.0	6.2	-	81.2
B Healey	67.5	5.6	-	73.1
C M Walter	67.5	5.6	-	73.1

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 and ESOP to the date of this report are shown in the table below. 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 granted options over 1,202,000 ordinary shares to 65 executives under the share option plan. Each option relates to one fully paid ordinary share and the said options are exercisable at \$5.67 per share following a vesting period and subject to prescribed performance hurdles. A general description of the SOP is provided in note 34 Employee share plans.

Orica executive share option plan (ESOP)

During the year, the Company granted options over 9,152,907 ordinary shares to 241 executives under the Orica executive share option plan (ESOP). Each option relates to one fully paid ordinary share and the said options are exercisable at \$7.91, \$9.24 and \$9.02 per share following a vesting period and subject to achievement of prescribed performance hurdles. A general description of the ESOP is provided in note 34 Employee share plans.

Share acquisition plan (Award Rights)

During the year, the Company granted Award Rights over 221,400 ordinary shares to 146 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

The number of options held by executive directors and the five highest remunerated senior executive officers are shown in the following table (no Award Rights are held by these directors or executives):

Directors' Report

	Grant Date	Options granted during the year	Date Exercisable	Lapsed during the year	Exercised During the year	Outstanding at year end	Exercise price \$	Value of options at grant date \$	
Executive Directors									
M W Broomhead	1 Jan 2002	200,000	1 Jan 2005	-	-	200,000	5.67	134,000	*
J W Hall (appointed 18 February 2002)	-	-	-	-	-	-	-	-	-
G R Liebelt	1 Jan 2002	150,000	1 Jan 2005	-	-	150,000	5.67	100,500	*
	1 Jan 2001	-	1 Jan 2004	-	-	142,000	5.72		^
	1 Jan 2000	-	1 Jan 2003	-	-	115,000	8.31		^
	1 Jan 1999	-	1 Jan 2002	-	-	110,000	8.57		^
A C Larkin	1 Jan 2001	-	1 Jan 2004	142,000	-	-	5.72		^
(retired 19 December 2001)	1 Jan 2000	-	1 Jan 2003	-	-	115,000	8.31		^
	1 Jan 1999	-	1 Jan 2002	-	-	185,000	8.57		^

Senior Executives - Current

G J Witcombe	-	-	-	-	-	-	-	-	-
B J Gibson	1 Jan 2002	50,000	1 Jan 2005	-	-	50,000	5.67	33,500	*
S G O'Sullivan	-	-	-	-	-	-	-	-	-
J Joannou	-	-	-	-	-	-	-	-	-
J R Nightingale	-	-	-	-	-	-	-	-	-

* 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 2002.

^ Valuations are not available using an adjusted form of the binomial option pricing model for options subject to performance hurdles issued in prior periods.

Related to options outstanding at 30 September 2002.

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. No 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 13,143,048 unissued ordinary shares under option and 713,800 unissued ordinary shares under Award Rights. The price of issue and expiration dates of those unissued shares are set out in note 23 to the financial statements.

Environmental regulations

Manufacturing licences and consents are in place at each Orica site in consultation with local environmental regulatory authorities. The measurement of compliance with conditions of licences and consents involves numerous tests being conducted regularly. The sites record their compliance and report that there is continued high compliance. Any breaches are reported to the authorities as required.

More specific details of Orica's safety, health and environmental performance, including management processes, are available in the Safety, Health and Environment Performance Report 2002 which will be released with the Annual Report.

Indemnification of officers

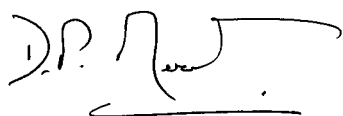
The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the directors, the secretary and other executive officers, against any liability incurred by the person which arises out of the discharge of that person's duties, unless the 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.

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.

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 6th day of November 2002.

Statements of Financial Performance

For the year ended 30 September 2002

	Notes	Consolidated		Company	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
Revenue from ordinary activities	(3)	4,249.2	4,187.4	167.0	48.7
Operating expenses					
Changes in inventories of finished goods and work in progress		(4.9)	(59.5)	-	-
Raw materials and consumables used and finished goods purchased for resale		(2,120.5)	(2,228.3)	-	-
Employee expenses		(669.2)	(715.1)	-	-
Depreciation and amortisation expense		(171.8)	(175.3)	(0.7)	(0.7)
Borrowing costs		(67.2)	(72.0)	(26.4)	(27.9)
Purchased services		(242.4)	(255.8)	(1.8)	(2.4)
Repairs and maintenance		(100.6)	(108.7)	-	-
Property, plant & equipment retired/disposed/written off		(84.5)	(87.1)	(9.4)	(0.5)
Outgoing freight		(171.9)	(154.0)	-	-
Lease payments - operating leases		(53.2)	(70.6)	-	-
Other expenses from ordinary activities including significant items		(270.6)	(410.4)	(13.7)	(116.0)
Share of associates' net profit/(loss) equity accounted	(13)	10.0	(20.6)	-	-
		(3,946.8)	(4,357.4)	(52.0)	(147.5)
Profit/(loss) from ordinary activities before income tax expense	(4)	302.4	(170.0)	115.0	(98.8)
Income tax expense attributable to profit/(loss) from ordinary activities	(7)	(72.5)	(36.6)	(6.4)	(4.0)
Profit/(loss) from ordinary activities after income tax expense		229.9	(206.6)	108.6	(102.8)
Outside equity interests in (profit)/loss from ordinary activities after income tax		(16.3)	13.9	-	-
Profit/(loss) from ordinary activities after income tax relating to members of Orica Limited		213.6	(192.7)	108.6	(102.8)
Non-owner transactions in equity					
Net exchange differences on translation of financial reports of foreign controlled entities	(24)	(16.8)	2.3	-	-
Total revenues, expenses and valuation adjustments relating to members of the parent entity recognised directly in equity		(16.8)	2.3	-	-
Total changes in equity other than those resulting from transactions with owners as owners	(26)	196.8	(190.4)	108.6	(102.8)
		cents	cents		
Earnings per share					
Basic earnings per share:					
Ordinary shares	(8)	76.8	(70.0)		
Diluted earnings per share:					
Ordinary shares	(8)	76.4	(69.8)		

The Statements of Financial Performance are to be read in conjunction with the notes to the financial statements set out on pages 30 to 71.

Statements of Financial Position

As at 30 September 2002

	Notes	Consolidated		Company	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
Current assets					
Cash assets	(9)	146.4	122.4	21.2	20.1
Receivables	(10)	558.4	709.6	389.1	307.6
Inventories	(11)	548.2	580.9	-	-
Other	(12)	17.3	21.0	-	-
Total current assets		1,270.3	1,433.9	410.3	327.7
Non-current assets					
Receivables	(10)	50.3	9.4	2.5	-
Investments accounted for using the equity method	(13)	234.2	243.9	-	-
Other financial assets	(14)	-	0.3	1,147.8	1,320.7
Property, plant and equipment	(15)	1,414.1	1,621.4	31.8	41.9
Intangible assets	(16)	135.5	155.0	-	-
Deferred tax assets	(17)	224.2	244.2	1.6	1.7
Other	(12)	36.6	22.4	-	-
Total non-current assets		2,094.9	2,296.6	1,183.7	1,364.3
Total assets		3,365.2	3,730.5	1,594.0	1,692.0
Current liabilities					
Payables	(18)	538.1	650.1	4.0	4.3
Interest bearing liabilities	(19)	101.9	237.3	261.8	421.8
Current tax liabilities	(20)	19.6	13.9	4.0	2.4
Provisions	(21)	228.6	289.9	81.2	22.4
Total current liabilities		888.2	1,191.2	351.0	450.9
Non-current liabilities					
Payables	(18)	3.6	-	-	-
Interest bearing liabilities	(19)	724.2	869.2	-	-
Deferred tax liabilities	(22)	108.6	114.3	-	-
Provisions	(21)	146.5	153.1	0.9	0.6
Total non-current liabilities		982.9	1,136.6	0.9	0.6
Total liabilities		1,871.1	2,327.8	351.9	451.5
Net assets		1,494.1	1,402.7	1,242.1	1,240.5
Equity					
Parent entity interest					
Contributed equity	(23)	507.2	491.4	507.2	491.4
Reserves	(24)	132.5	149.3	95.6	95.6
Retained profits	(24)	733.3	642.5	639.3	653.5
Total parent entity interest		1,373.0	1,283.2	1,242.1	1,240.5
Outside equity interests in controlled entities	(25)	121.1	119.5	-	-
Total equity	(26)	1,494.1	1,402.7	1,242.1	1,240.5

The Statements of Financial Position are to be read in conjunction with the notes to the financial statements set out on pages 30 to 71.

Statements of Cash Flows

For the year ended 30 September 2002

	Notes	Consolidated		Company	
		2002	2001	2002	2001
		\$m	\$m	\$m	\$m
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		4,482.9	4,388.7	-	-
Payments to suppliers and employees		(4,084.7)	(4,077.9)	(4.2)	(5.0)
Interest received		9.1	6.6	19.0	20.9
Borrowing costs		(75.4)	(82.0)	(27.3)	(27.4)
Dividends received		15.6	8.4	94.8	49.2
Royalties and other trading revenue received		42.7	41.4	18.1	18.0
Net income taxes paid		(47.5)	(54.6)	(4.6)	(4.5)
Net cash flows from operating activities	(28)	342.7	230.6	95.8	51.2
Cash flows from investing activities					
Payments for property, plant and equipment		(100.2)	(253.3)	-	(0.1)
Payments for intangibles		-	(0.3)	-	-
Payments for purchase of investments		(1.3)	(9.3)	-	-
Payments for purchase of businesses/controlled entities		-	(128.7)	-	-
Proceeds from sale of property, plant and equipment	(3)	84.9	39.8	34.0	2.2
Proceeds from sale of investments		0.3	6.0	-	-
Proceeds from share buy-back by subsidiaries		-	-	159.8	-
Proceeds from sale of businesses/controlled entities	(3)	28.3	0.3	-	-
Proceeds from net loan to associated company		-	0.3	-	-
Net cash flows from/(used in) investing activities		12.0	(345.2)	193.8	2.1
Cash flows from financing activities					
Proceeds from long term borrowings		-	772.0	-	-
Repayment of long term borrowings		(100.0)	(378.5)	-	-
Net movement in short term financing		(152.3)	(159.6)	(224.4)	22.5
Principal repayments under finance leases		(0.4)	(1.0)	-	-
Proceeds from issue of shares to outside equity interests		-	3.3	-	-
Dividends paid		(77.2)	(80.5)	(64.1)	(74.6)
Net cash flows (used in)/ from financing activities		(329.9)	155.7	(288.5)	(52.1)
Net increase in cash held		24.8	41.1	1.1	1.2
Cash at the beginning of the financial year		121.8	80.2	20.1	18.9
Effects of exchange rate changes on cash		(3.4)	0.5	-	-
Cash at the end of the financial year	(28)	143.2	121.8	21.2	20.1

The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements set out on pages 30 to 71.

Notes to the Financial Statements

1	Accounting policies	31
2	Segment report	34
3	Revenue from ordinary activities	37
4	Profit/(loss) from ordinary activities before income tax expense	37
5	Individually significant items	38
6	Auditors' remuneration	38
7	Income tax expense	39
8	Earnings per share (EPS)	40
9	Cash assets	41
10	Receivables	41
11	Inventories	42
12	Other assets	42
13	Investments accounted for using the equity method	43
14	Other financial assets	44
15	Property, plant and equipment	44
16	Intangible assets	45
17	Deferred tax assets	46
18	Payables	46
19	Interest bearing liabilities	46
20	Current tax liabilities	47
21	Provisions	47
22	Deferred tax liabilities	47
23	Contributed equity	47
24	Reserves and retained profits	48
25	Outside equity interests in controlled entities	49
26	Total equity reconciliation	50
27	Dividends	50
28	Notes to the statements of cash flows	50
29	Commitments	52
30	Contingent liabilities and contingent assets	53
31	Standby arrangements and credit facilities	54
32	Amounts receivable and payable denominated in foreign currencies	54
33	Additional financial instruments disclosures	54
34	Employee share plans	59
35	Related party disclosures	62
36	Superannuation commitments	65
37	Remuneration of directors and executives	67
38	Investments in controlled entities	68
39	Deed of cross guarantee	70
40	Events subsequent to balance date	71

Notes to the Financial Statements

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 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) Change in accounting policy

Earnings per share

The consolidated entity has applied AASB 1027 Earnings Per Share for the first time from 1 October 2001. Basic and diluted earnings per share ("EPS") for the comparative year ended 30 September 2001 have been adjusted so that the basis of calculation used is consistent with that of the current year.

Basic earnings per share

Basic EPS are calculated on net profit or loss.

Diluted earnings per share

Diluted EPS are calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares.

The diluted EPS weighted average number of shares includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price. The identification of dilutive potential ordinary shares is based on net profit or loss from continuing ordinary operations.

Segment reporting

The consolidated entity has applied the revised AASB 1005 Segment Reporting for the first time from 1 October 2001. In accordance with the revised AASB 1005 the segment analysis has been restated to reflect management reporting lines. Accordingly the Mining Chemicals business is now reported under Chemicals (previously Mining Services) and the Industrial Chemicals business is reported under Agricultural Chemicals (previously Chemicals). Crop Care is now reported under Other Operations (previously Agricultural Chemicals). Prior year comparatives have been restated accordingly.

(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, 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.

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.

Notes to the Financial Statements

1. Accounting policies (continued)

(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. Expenditure on major periodic shutdowns is deferred and amortised over the period to which the benefits relate.

(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)

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 a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 in total as soon as the need is identified and a reliable estimate of the liability is identified. However, where the cost relates to land held for resale then, to the extent that the expected realisation exceeds both the book value of the land and the estimated cost of remediation, the cost is capitalised as part of the holding value of that land as it is incurred.

Notes to the Financial Statements

1. Accounting policies (continued)

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 current wage and salary rates and include related on-costs.

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

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

Restructuring and rationalisation

A provision for restructuring on acquisition is only recognised at the date of acquisition where there is a demonstrable commitment and a detailed plan such that there is little or no discretion to avoid payments to other parties and the amount can be reliably estimated.

Other provisions for restructuring are only recognised when a detailed plan has been approved and the restructuring has either commenced or been publicly announced. Costs related to ongoing activities are not provided for.

(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 amounts 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.

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) 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.

(xxiii) Comparative figures

Comparative figures have been adjusted to conform with all changes to presentation in 2002 as a result of the first-time application of revised Accounting Standards AASB 1005 "Segment Reporting", AASB 1018 "Statement of Financial Performance" and AASB 1027 "Earnings Per Share".

Notes to the Financial Statements

2. Segment report

Reports for business

The consolidated entity's operations have been divided into six segments comprising Mining Services, Agricultural Chemicals, 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 and crop care products. 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.

In accordance with the revised accounting standard AASB 1005 the segment analysis has been restated to reflect management reporting lines. Accordingly the Mining Chemicals business is now reported under Chemicals (previously Mining Services) and the Industrial Chemicals business is reported under Agricultural Chemicals (previously Chemicals). Crop Care is now reported under Other Operations (previously Agricultural Chemicals). 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.
Agricultural Chemicals	Manufacture, import and supply of a broad range of industrial chemicals including nitrogen, phosphate and other fertilisers for the agricultural industry and ammonia, ammonium nitrate and urea for industrial applications.
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, discontinued and divested businesses and crop care products including herbicides, insecticides and fungicides.
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	Agricultural Chemicals	Consumer Products	Chemicals	Other Operations	Corporate & Support Services	Eliminations	Consolidated
2002								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue								
External Sales	1,799.1	701.1	640.2	706.6	238.2	-	-	4,085.2
Inter-segment sales	1.0	113.5	0.1	35.8	2.1	-	(152.5)	-
Total sales revenue	1,800.1	814.6	640.3	742.4	240.3	-	(152.5)	4,085.2
Other revenue	15.4	16.6	8.7	5.0	56.7	61.6	-	164.0
Total segment revenue	1,815.5	831.2	649.0	747.4	297.0	61.6	(152.5)	4,249.2
Results								
Profit from ordinary activities before income tax	184.2	87.4	75.6	79.8	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	164.5	88.7	69.4	79.8	(22.0)	(78.0)	-	302.4
Income tax expense								(72.5)
Profit/(loss) 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/(loss) from ordinary activities after income tax expense relating to members of Orica Limited								
								213.6
Segment Assets	1,384.5	538.3	360.2	557.2	351.9	173.1	-	3,365.2
Segment Liabilities	486.2	161.3	125.1	200.1	50.5	847.9	-	1,871.1
Investment in equity method associates included in segment assets	96.7	0.7	-	-	136.0	0.8	-	234.2
Capital expenditure	38.1	19.8	4.2	46.8	0.8	0.3	-	110.0
Depreciation and amortisation	94.5	32.6	17.7	17.5	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
2001								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue								
External Sales	1,655.0	691.6	599.9	670.7	424.6	0.1	-	4,041.9
Inter-segment sales	1.4	112.4	0.1	39.6	2.1	-	(155.6)	-
Total sales revenue	1,656.4	804.0	600.0	710.3	426.7	0.1	(155.6)	4,041.9
Other revenue	34.7	9.9	10.6	15.6	71.9	2.8	-	145.5
Total segment revenue	1,691.1	813.9	610.6	725.9	498.6	2.9	(155.6)	4,187.4
Results								
Profit from ordinary activities before income tax	67.4	72.5	36.3	59.4	(9.3)	(115.9)	-	110.4
Individually significant items	(162.8)	(6.1)	(8.1)	(9.0)	(48.2)	(46.2)	-	(280.4)
Segment results post significant items	(95.4)	66.4	28.2	50.4	(57.5)	(162.1)	-	(170.0)
Income tax expense								(36.6)
Loss from ordinary activities after income tax expense								
								(206.6)
Outside equity interests in (profit)/loss from ordinary activities after income tax								13.9
Net loss from ordinary activities after income tax expense relating to members of Orica Limited								
								(192.7)
Segment Assets	1,585.5	528.9	395.9	545.4	471.6	203.2	-	3,730.5
Segment Liabilities	568.8	156.2	118.0	217.7	142.7	1,124.4	-	2,327.8
Investment in equity method associates included in segment assets	101.0	0.7	-	-	141.4	0.8	-	243.9
Capital expenditure	118.5	27.6	19.3	76.2	22.0	3.5	-	267.1
Depreciation and amortisation	96.4	31.0	14.8	16.9	9.2	7.0	-	175.3
Non-cash expenses other than depreciation and amortisation	118.5	-	-	-	63.3	-	-	181.8
Share of associates net profit/(loss) equity accounted	7.1	-	-	-	(27.7)	-	-	(20.6)

Notes to the Financial Statements

2. Segment report (continued)

Secondary reporting Geographical segments	Australia	New Zealand	Americas	Other	Eliminations	Consolidated
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/(loss) 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/(loss) 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
2001	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
External Sales	2,441.8	308.6	999.7	291.8	-	4,041.9
Inter-segment sales	58.8	5.9	7.7	2.9	(75.3)	-
Total sales revenue	2,500.6	314.5	1,007.4	294.7	(75.3)	4,041.9
Other revenue	106.4	6.3	23.4	9.4	-	145.5
Total segment revenue	2,607.0	320.8	1,030.8	304.1	(75.3)	4,187.4
Results						
Profit from ordinary activities before income tax	47.5	15.8	19.4	27.7	-	110.4
Individually significant items	(124.2)	(0.2)	(153.7)	(2.3)	-	(280.4)
Segment results post significant items	(76.7)	15.6	(134.3)	25.4	-	(170.0)
Income tax expense						(36.6)
Loss from ordinary activities after income tax expense						(206.6)
Outside equity interests in (profit)/loss from ordinary activities after income tax						13.9
Net loss from ordinary activities after income tax expense relating to members of Orica Limited						(192.7)
Segment Assets	2,407.8	152.3	853.2	317.2	-	3,730.5
Segment Liabilities	1,698.7	48.1	450.6	130.4	-	2,327.8
Investment in equity method associates included in segment assets	142.9	-	71.1	29.9	-	243.9
Capital expenditure	165.1	8.2	76.7	17.1	-	267.1
Depreciation and amortisation	107.0	6.3	47.6	14.4	-	175.3
Non-cash expenses other than depreciation and amortisation	63.3	-	118.5	-	-	181.8
Share of associates net profit/(loss) equity accounted	(27.7)	-	6.1	1.0	-	(20.6)

Notes to the Financial Statements

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
3. Revenue from ordinary activities				
External sales	4,085.2	4,041.9	-	-
Other revenue from operating activities				
Royalty income	0.8	1.5	-	-
Dividend income:				
controlled entities	-	-	95.9	7.6
external parties	0.1	0.9	-	-
Interest income:				
controlled entities	-	-	18.9	20.9
associated companies	1.5	1.6	-	-
external parties – banks	6.2	6.4	0.1	-
Other income	41.9	33.9	18.1	18.0
From outside operating activities				
Sale of businesses/controlled entities	28.3	0.4	-	-
Sale of property, plant and equipment	84.9	39.8	34.0	2.2
Proceeds from sale of investments	0.3	6.0	-	-
Proceeds from termination of distribution agreement	-	55.0	-	-
Total other revenue	164.0	145.5	167.0	48.7
Total revenue	4,249.2	4,187.4	167.0	48.7

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

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

Profit on sale of businesses/controlled entities	2.6	0.3	-	-
Profit on sale of property, plant and equipment	5.0	14.9	24.6	1.7
Profit on sale of Melbourne Head Office Building and Orica Art Collection	27.9	-	-	-
Share of associates' net profit/(loss) equity accounted	10.0	(20.6)	-	-
Profit/(loss) from ordinary activities before income tax expense is arrived at after charging:				
Cost of goods sold	2,252.1	2,352.5	-	-
Borrowing costs paid/payable to:				
controlled entities	-	-	26.4	27.9
external parties	67.2	72.0	-	-
Depreciation on property, plant and equipment :				
buildings and improvements	14.7	15.4	0.6	0.7
machinery, plant and equipment	142.9	139.1	0.1	-
Amortisation:				
goodwill	10.5	14.1	-	-
patents, trademarks and rights	3.7	6.7	-	-
Amounts set aside to provide for:				
doubtful debts – trade	5.4	3.3	-	-
doubtful debts – sundry debtors	-	0.1	-	-
employee entitlements	30.8	24.1	-	-
environmental liabilities	-	0.2	-	-
inventory losses and obsolescence	8.8	10.2	-	-
other provisions	-	2.3	0.2	0.2
Bad debts written off in respect of trade debtors	3.4	7.7	-	-
Bad debts written off in respect of sundry debtors	-	0.1	-	-
Currency losses/(gains)	6.4	(6.4)	-	-
Lease payments – operating leases	53.2	70.6	-	-
Research and development	27.6	39.6	-	-
Amortisation of deferred maintenance expenditure	7.6	8.0	-	-
Superannuation contributions	36.1	39.9	-	-

Notes to the Financial Statements

	2002			2001		
	Gross \$m	Tax \$m	Net \$m	Gross \$m	Tax \$m	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:						
Consolidated						
Restructuring and rationalisation costs (1)	(12.2)	6.3	(5.9)	(100.8)	21.0	(79.8)
Tax and interest refund (2)	1.3	3.1	4.4	-	-	-
Sale of Melbourne Head Office and Orica Art Collection (3)	27.9	(0.3)	27.6	-	-	-
Write down of carrying value of assets (4)	(52.0)	10.9	(41.1)	-	-	-
Write down of carrying value of Crop Care (5)	(8.4)	(0.6)	(9.0)	-	-	-
Compensation payable by Qenos (6)	(4.7)	-	(4.7)	-	-	-
Write down of explosives business	-	-	-	(114.3)	(8.0)	(122.3)
Write down of carrying value of assets of AVC and other minor investments to recoverable value	-	-	-	(97.5)	(7.4)	(104.9)
Impact of plant closures at Qenos	-	-	-	(12.8)	-	(12.8)
Settlement of Zeneca Achieve claim	-	-	-	(10.0)	3.4	(6.6)
Profit on termination of distribution agreement	-	-	-	55.0	(9.1)	45.9
Individually significant items	(48.1)	19.4	(28.7)	(280.4)	(0.1)	(280.5)
Outside equity interests in individually significant items	(3.7)	0.5	(3.2)	(23.0)	(2.5)	(25.5)
Individually significant items attributable to members of Orica	(44.4)	18.9	(25.5)	(257.4)	2.4	(255.0)
Company						
Sale of property, plant and equipment (3)	22.9	(1.4)	21.5	-	-	-
Write down of investments (4)	(13.1)	-	(13.1)	(114.4)	-	(114.4)
	9.8	(1.4)	8.4	(114.4)	-	(114.4)

- (1) Restructuring and rationalisation costs in 2002 relate to the restructuring and reorganisation costs of Corporate and Support services and Orica businesses.
- (2) Tax and interest credit resulting from the Federal Court upholding Incitec's appeal against the validity of assessments issued by the Australian Taxation Office in respect of the sale and leaseback of plant carried out by Incitec Ltd's wholly owned subsidiary, Eastern Nitrogen Limited in 1989.
- (3) Profit on the sale of Melbourne Head Office and the Orica Art Collection.
- (4) Write down of carrying value of assets of Explosives China, Explosives Thailand, AVC Compounds business and Qenos.
- (5) Write down in the carrying value of Crop Care Australasia Pty Ltd (a 50:50 venture between Orica Investments Pty Ltd and Incitec Ltd) to recoverable amount.
- (6) Equity accounted loss attributable to compensation payable by Qenos Holdings Pty Ltd (a 50:50 venture between Orica Investments Pty Ltd and ExxonMobil Corporation) to Mobil of Australia Limited for supply of product not meeting Mobil specifications.

Consolidated		Company	
2002	2001	2002	2001
\$000	\$000	\$000	\$000

6. Auditors' remuneration

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

Audit services				
- Auditors of the Company - KPMG	1,992	1,922	90	80
	1,992	1,922	90	80
Other services				
Auditors of the Company - KPMG				
- other assurance services	128	156	-	-
- secondee relocation services	422	340	-	-
- property advisory services	283	-	-	-
- taxation services	486	420	-	-
	1,319	916	-	-
	3,311	2,838	90	80

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. In 2002, all other services except property advisory services, consisted of items less than \$20,000 each. The guidelines adopted by KPMG for the provision of other services ensure their statutory independence is not compromised. In the current year, the Company has engaged the services of PricewaterhouseCoopers and Deloitte Touche Tohmatsu to perform a variety of assignments excluding statutory audit.

Notes to the Financial Statements

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
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:				
Income tax expense attributable to operating profit before significant items				
Prima facie income tax expense/(benefit) calculated at 30% (2001 at 34%) on profit/(loss) from ordinary activities before significant items	105.1	37.5	31.6	5.3
Tax effect of permanent differences which (reduce)/increase tax expense:				
rebateable and exempt dividends	-	-	(28.8)	(2.6)
variation in tax rates of foreign controlled entities	(3.1)	(5.2)	-	-
tax under/(over)provided in prior years	(1.5)	(2.1)	0.7	-
non-allowable goodwill amortisation	2.3	3.7	-	-
restatement of deferred net future income tax benefits due to change in statutory income tax rate	-	3.3	-	-
non taxable profit on sale of property, plant and equipment	(8.1)	(3.5)	-	-
sundry items	(2.8)	2.8	1.5	1.3
Income tax expense attributable to operating profit before significant items	91.9	36.5	5.0	4.0
Income tax expense attributable to significant items				
Prima facie income tax expense/(benefit) calculated at 30% (2001 at 34%) on profit/(loss) from significant items	(14.4)	(95.3)	2.9	(38.9)
Tax effect of permanent differences which (reduce)/increase tax expense:				
individually significant items – non-allowable write down of Crop Care	3.1	-	-	-
individually significant items – non-allowable write down of other assets	4.7	-	-	-
individually significant items – compensation paid by Qenos	1.4	-	-	-
individually significant items – non-taxable profit on sale of Melbourne Head Office and Orica Art Collection	(8.1)	-	(6.4)	-
individually significant items – non-allowable write down of explosives business	-	46.9	-	-
individually significant items – non-allowable write down of AVC and other minor investments	-	40.5	0.9	-
individually significant items – non-assessable profit on termination of distribution agreement	-	(9.6)	-	-
individually significant items – non-allowable write down of investments	-	-	4.0	38.9
individually significant items – restructuring, rationalisation non-allowable costs	(2.6)	13.2	-	-
individually significant items – amended tax assessment on sale and leaseback transaction	(3.5)	-	-	-
impact of plant closure at Qenos	-	4.4	-	-
Income tax (benefit)/expense attributable to operating loss from significant items	(19.4)	0.1	1.4	-
Income tax expense attributable to operating profit/(loss)	72.5	36.6	6.4	4.0
Income tax expense comprises:				
provision for income tax	58.2	48.1	6.3	4.0
deferred income tax	(5.7)	0.9	-	-
future income tax benefit (i)	20.0	(12.4)	0.1	-
	72.5	36.6	6.4	4.0

- (i) 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 \$46.2m (2001 \$46.3m) have been brought to account in the consolidated financial statements as at 30 September 2002 because the directors believe realisation of those benefits is virtually certain.

These benefits will only be obtained if:

- 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
- the loss is transferred to an eligible entity in the consolidated entity; and
- the controlled entity continues to comply with the conditions for deductibility imposed by the law; and
- 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 relating to tax losses of controlled entities which have not been brought to account as realisation is not virtually certain:

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
Tax losses not booked	66.0	67.0	-	-
Capital losses not booked	54.1	53.0	-	-
Timing differences	17.5	49.9	-	-

Losses not booked 2002

	Tax losses	Capital losses	Expiry date
Australia	1.6	52.0	Indefinite
New Zealand	-	-	-
Americas	51.5	-	Between 2018 and 2022
Other	12.9	2.1	Between 2004 and 2017
	66.0	54.1	

	Consolidated	
	2002	2001
	Cents per share	Cents per share

8. Earnings per share (EPS)

Basic earnings per share		
including significant items	76.8	(70.0)
excluding significant items	86.0	22.5
Diluted earnings per share		
including significant items	76.4	(69.8)
excluding significant items	85.6	22.4

Weighted average number of shares used as the denominator

Number for basic earnings per share	277,983,281	275,892,684
Effect of Executive Shares Options on issue	568,520	-
Effect of Award Rights on issue	778,208	667,002
Number for diluted earnings per share	279,330,009	276,559,686
Average market price of ordinary shares	7.95	5.07

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	820,000
- issue date 29 March 2000	1,315,000	1,452,000
- issue date 21 March 2001	-	1,699,800
- issue date 4 June 2002	59,013	-
- issue date 9 August 2002	32,509	-

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	229.9	(206.6)
Less outside equity interests	(16.3)	13.9
Less preference share dividends appropriated	(0.1)	(0.1)
Less expenses relating to purchase of shares under DRP/bonus shares	-	(0.2)
Earnings used in calculation of EPS including individually significant items	213.5	(193.0)

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	229.9	(206.6)
Less outside equity interests	(16.3)	13.9
Less preference share dividends appropriated	(0.1)	(0.1)
Less expenses relating to purchase of shares under DRP/bonus shares	-	(0.2)
Add individually significant items after income tax	(5)	25.5
Earnings used in calculation of EPS excluding individually significant items	239.0	62.0

Notes to the Financial Statements

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
9. Cash assets				
Cash at bank and on hand	80.4	72.0	-	-
Deposits at call				
external	66.0	50.4	-	-
controlled entities	-	-	21.2	20.1
	146.4	122.4	21.2	20.1

	Notes	Consolidated		Company	
		2002	2001	2002	2001
		\$m	\$m	\$m	\$m
10. Receivables					
Current					
Trade debtors					
external		477.2	530.5	-	-
associated companies		16.4	30.4	-	-
Less provision for doubtful debts					
external		(18.3)	(16.2)	-	-
		475.3	544.7	-	-
Sundry debtors/loans					
external		79.5	137.6	-	-
controlled entities		-	-	389.1	307.6
associated companies		33.3	30.8	-	-
related parties	(35)	1.3	-	-	-
Less provision for doubtful debts					
associated companies		(31.0)	(3.5)	-	-
		83.1	164.9	389.1	307.6
		558.4	709.6	389.1	307.6
Non-current					
Sundry debtors/loans					
external		27.7	2.0	2.5	-
related parties	(35)	22.6	7.4	-	-
		50.3	9.4	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	
	2002 %	2001 %
Business area		
Mining Services	38.6	37.1
Agricultural Chemicals	10.2	11.6
Consumer Products	14.1	12.3
Chemicals	11.6	9.9
Other	25.5	29.1
	100.0	100.0
Geographic area		
Australia	56.3	62.6
New Zealand	9.0	6.0
Americas	24.6	22.0
Other	10.1	9.4
	100.0	100.0

11. Inventories

	Consolidated		Company	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Raw materials and stores				
At cost	162.3	195.6	-	-
Less provision for inventory losses and obsolescence	(3.6)	(9.1)	-	-
	158.7	186.5	-	-
Work in progress at cost	13.8	14.3	-	-
Finished goods				
At cost	388.8	393.1	-	-
At net realisable value	0.9	0.4	-	-
	389.7	393.5	-	-
Less provision for inventory losses and obsolescence	(14.0)	(13.4)	-	-
	375.7	380.1	-	-
	548.2	580.9	-	-

12. Other assets

Current				
Deferred maintenance expenditure	16.0	7.6	-	-
Less accumulated amortisation	(3.5)	(2.5)	-	-
	12.5	5.1	-	-
Prepayments	4.8	15.9	-	-
	17.3	21.0	-	-
Non-current				
Deferred maintenance expenditure	46.5	24.2	-	-
Less accumulated amortisation	(13.8)	(7.2)	-	-
	32.7	17.0	-	-
Prepayments	3.9	5.4	-	-
	36.6	22.4	-	-

Notes to the Financial Statements

Consolidated
2002 2001
% %
Consolidated
2002 2001
\$m \$m

13. Investments accounted for using the equity method

Name	Principal activity	Balance date	Ownership		Investments	
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	15.2	16.8
Chemtrans Asiatic Limited	Provision and marketing of specialist transport services	31 Dec	49.0	49.0	0.7	0.7
Emirates Explosives L.L.C.	Manufacture and sale of explosives	31 Dec	49.0	49.0	2.1	1.9
Exor Explosives Limited	Manufacture and sale of explosives	31 Dec	50.0	-	1.3	-
Geneva Nitrogen LLC	Manufacture and sale of explosives	30 Sep	50.0	50.0	7.6	7.9
Indian Explosives Limited	Manufacture and sale of explosives	31 Mar	49.0	49.0	25.7	26.4
MSW-Chemie GmbH	Manufacture and sale of explosives	31 Dec	31.5	31.5	1.1	1.0
Nelson Brothers, LLC	Manufacture and sale of explosives	31 Dec	50.0	50.0	39.4	42.6
Nelson Brothers Mining Services LLC	Supply of explosives	31 Dec	27.7	27.7	3.5	3.7
Northwest Energetic Services, LLC	Manufacture and sale of explosives	31 Dec	33.3	33.3	0.1	0.1
Pigment Manufacturers of Australia Limited	Distribute chemical products	31 Dec	50.0	50.0	0.8	0.8
Qenos Holdings Pty Ltd	Manufacture and sale of polyethylene	31 Dec	50.0	50.0	136.0	141.4
Sprewa Sprengmittel GmbH	Sale of explosives	31 Dec	24.0	24.0	0.7	0.6
Troisdorf GmbH	Holder of operating permits	30 Sep	50.0	50.0	-	-
Wurgendorf GmbH	Holder of operating permits	30 Sep	50.0	50.0	-	-
					234.2	243.9

	Consolidated	
	2002	2001
	\$m	\$m
Results of associates		
Share of associates' profit/(loss) from ordinary activities before income tax	10.8	(17.1)
Share of associates' income tax expense relating to profit/(loss) from ordinary activities	(0.8)	(6.7)
Share of associates' net profit/(loss)	10.0	(23.8)
Amortisation of unrealised profit	-	3.2
Share of associates' net profit/(loss) equity accounted	10.0	(20.6)
Share of post-acquisition retained profits and reserves attributable to associates		
Retained profits		
Share of associates' retained (loss)/profits at the beginning of the financial year	(16.2)	11.9
Share of associates' net profit/(loss)	10.0	(20.6)
Less dividends from associates	(15.5)	(7.5)
Share of associates' accumulated losses at the end of the financial year	(21.7)	(16.2)
Movements in carrying amounts of investments		
Carrying amount of investments in associates at the beginning of the financial year	243.9	258.6
Investments in associates acquired during the year	1.3	8.8
Investments in associates now wholly owned	-	(1.9)
Share of associates' net profit/(loss) equity accounted	10.0	(20.6)
Less dividends from associates	(15.5)	(7.5)
Effects of exchange rate changes	(5.5)	6.5
Carrying amount of investments in associates at the end of the financial year	234.2	243.9
Contingent liabilities		
Share of associate's contingent liabilities		
Discounted bills of exchange	-	11.7
Summary performance and financial position of associates on a 100% basis		
The aggregate profit/(loss), assets and liabilities of associates are:		
Net profit/(loss) after tax	30.5	(41.4)
Assets	886.3	1,094.3
Liabilities	387.0	576.2

Notes to the Financial Statements

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m

14. Other financial assets

Non-current

Interest in unlisted controlled entities (see note 38)

at cost	-	-	1,147.8	1,320.7
	-	-	1,147.8	1,320.7
Interest in managed funds at market value	-	0.3	-	-
	-	0.3	1,147.8	1,320.7

15. Property, plant and equipment

Land, buildings and improvements

At cost	501.0	545.4	47.5	66.7
Accumulated depreciation	(162.6)	(160.7)	(15.8)	(25.0)
Total net book value	338.4	384.7	31.7	41.7

Machinery, plant and equipment

Gross book value

At cost	2,123.6	2,184.1	0.4	0.4
Under finance lease	1.0	1.0	-	-
	2,124.6	2,185.1	0.4	0.4

Accumulated depreciation/amortisation

At cost	(1,048.2)	(948.0)	(0.3)	(0.2)
Under finance lease	(0.7)	(0.4)	-	-
	(1,048.9)	(948.4)	(0.3)	(0.2)

Net book value

At cost	1,075.4	1,236.1	0.1	0.2
Under finance lease	0.3	0.6	-	-
Total net book value	1,075.7	1,236.7	0.1	0.2

Total net book value of property, plant and equipment	1,414.1	1,621.4	31.8	41.9
--	----------------	----------------	-------------	-------------

(i) Carrying value of freehold land

(included with land, buildings and improvements)	129.3	168.1	27.8	36.0
--	-------	-------	------	------

(ii) Land held for resale

At cost	11.7	16.3	-	-
Capitalised development and remediation costs	-	30.6	-	-
Total land held for resale	11.7	46.9	-	-
(included in value of freehold land)	11.7	46.9	-	-

(iii) Current valuations

The most recent valuations of freehold land, buildings and improvements, which are prepared every three years, are listed below.

These valuations are not incorporated in the financial statements.

At directors' valuation

2000	91.3	91.3	-	-
2001	397.4	441.4	140.6	184.6
	488.7	532.7	140.6	184.6

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 was capitalised to assets under construction using weighted average rates of 6.6% to 6.9% p.a. (2001 7.1% to 7.3%) amounting to \$5.6m (2001 \$14.1m).

Notes to the Financial Statements

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.

	Land, buildings and improvements \$m	Machinery, plant and equipment \$m	Total \$m
Consolidated 2002			
Carrying amount at the beginning of the financial year	384.7	1,236.7	1,621.4
Additions	5.4	104.6	110.0
Disposals	(31.0)	(21.0)	(52.0)
Depreciation/amortisation expense (see note 4)	(14.7)	(142.9)	(157.6)
Write down of plant and equipment	-	(32.5)	(32.5)
Foreign currency exchange differences	(6.0)	(69.2)	(75.2)
Carrying amount at the end of the financial year	338.4	1,075.7	1,414.1
Company 2002			
Carrying amount at the beginning of the financial year	41.7	0.2	41.9
Disposals	(9.4)	-	(9.4)
Depreciation/amortisation expense (see note 4)	(0.6)	(0.1)	(0.7)
Carrying amount at the end of the financial year	31.7	0.1	31.8

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m

16. Intangible assets

Patents, trademarks and rights, at cost	29.6	29.4	-	-
Less accumulated amortisation	(12.6)	(9.1)	-	-
	17.0	20.3	-	-
Patents, trademarks and rights, at recoverable amount	13.8	13.9	-	-
Less accumulated amortisation	(1.8)	(0.9)	-	-
	12.0	13.0	-	-
Total net book value of patents, trademarks and rights	29.0	33.3	-	-
Goodwill, at cost	170.5	176.7	-	-
Less accumulated amortisation	(84.3)	(76.1)	-	-
	86.2	100.6	-	-
Goodwill, at recoverable amount	21.5	21.3	-	-
Less accumulated amortisation	(1.2)	(0.2)	-	-
	20.3	21.1	-	-
Total net book value of goodwill	106.5	121.7	-	-
Total net book value of intangibles	135.5	155.0	-	-

Notes to the Financial Statements

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
17. Deferred tax assets				
Future income tax benefit	224.2	244.2	1.6	1.7
18. Payables				
Current				
Trade creditors				
external	411.4	498.0	0.1	-
associated companies	4.4	1.6	-	-
Sundry creditors and accrued charges				
external	122.3	150.5	2.4	1.9
controlled entities	-	-	1.5	2.4
	538.1	650.1	4.0	4.3
Non-current				
Sundry creditors and accrued charges				
external	3.6	-	-	-
	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 62 days from invoice month end 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	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
19. Interest bearing liabilities				
Current				
Unsecured				
bank overdrafts	3.2	0.6	-	-
bank loans	32.0	68.9	-	-
fixed term notes	-	100.0	-	-
commercial paper	64.7	19.8	-	-
other short term borrowings	-	46.0	-	-
other loans				
controlled entities	-	-	261.8	421.8
associated companies	1.8	1.7	-	-
Lease liabilities	0.2	0.3	-	-
	101.9	237.3	261.8	421.8
Non-current				
Unsecured				
bank loans	187.9	285.0	-	-
fixed term notes	75.0	75.0	-	-
other loans				
external	461.1	508.8	-	-
Lease liabilities	0.2	0.4	-	-
	724.2	869.2	-	-

(i) 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.

(ii) Net fair values

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

(iii) Private Placement

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

Notes to the Financial Statements

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
20. Current tax liabilities				
Provision for income tax	19.6	13.9	4.0	2.4

21. Provisions

Current				
Dividends – Orica shareholders	81.0	22.3	81.0	22.3
– outside equity interests	7.4	5.8	-	-
Employee entitlements	48.6	58.7	-	-
Restructuring and rationalisation	23.8	133.7	-	-
Environmental	29.7	33.0	-	-
Other	38.1	36.4	0.2	0.1
	228.6	289.9	81.2	22.4
Non-current				
Employee entitlements	66.1	67.8	-	-
Environmental	78.2	84.3	-	-
Other	2.2	1.0	0.9	0.6
	146.5	153.1	0.9	0.6
Aggregate employee entitlements				
Current	48.6	58.7	-	-
Non-current	66.1	67.8	-	-
	114.7	126.5	-	-

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	7,768	8,692	-	-

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
22. Deferred tax liabilities				
Deferred income tax	108.6	114.3	-	-

23. Contributed equity

Issued and fully paid:

	Company	
	2002	2001
	\$m	\$m
Cumulative non-redeemable 5% preference shares - 2,000,000 (2001 - 2,000,000)	2.0	2.0
Ordinary shares - 279,088,039 (2001 - 277,261,177)	505.2	489.4
	507.2	491.4

Notes to the Financial Statements

Company
2002 2001
\$m \$m

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 00	275,761,177		482.8
Shares issued under the executive incentive scheme (Note 34)	30 Aug 01	1,500,000	4.50	6.8
Less expenses relating to purchase of shares under DRP *				(0.2)
Balance	30 Sep 01	277,261,177		489.4
Shares issued under the executive incentive scheme (Note 34)**	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

* During the year, the Company bought 2,287,204 (2001 3,555,131) shares on market to satisfy shareholders' Dividend Reinvestment Plan (DRP) requirements and the transaction costs have been charged directly against contributed equity.

** In addition, 50,000 shares were purchased on market under the executive incentive scheme.

Options over unissued shares (refer Note 34):

Exercisable between	Balance 30 Sep 01	Issued During Year	Lapsed During Year	Balance 30 Sep 02
01 Jan 02 31 Dec 08	820,000	-	(25,000)	795,000
01 Jan 03 31 Dec 09	1,452,000	-	(137,000)	1,315,000
01 Jan 04 31 Dec 10	1,699,800	-	(740,800)	959,000
31 Dec 04 31 Dec 06	-	1,202,000	(27,000)	1,175,000
31 Oct 05 31 Oct 07 (a)	-	9,061,386	(253,860)	8,807,526
31 Oct 05 31 Oct 07 (a)	-	59,013	-	59,013
31 Oct 05 31 Oct 07 (a)	-	32,509	-	32,509
Total	3,971,800	10,354,908	(1,183,660)	13,143,048

Award Rights over unissued shares (refer Note 34):

31 Dec 01 31 Dec 03	179,000	-	(12,000)	167,000
31 Dec 02 31 Dec 04	258,300	-	(90,100)	168,200
31 Dec 03 31 Dec 05	297,400	-	(128,800)	168,600
31 Dec 04 31 Dec 06	-	221,400	(11,400)	210,000
Total	734,700	221,400	(242,300)	713,800

(a) Exercisable one third on 31 October 2005, one third on 31 October 2006 and one third on 31 October 2007

Consolidated Company
2002 2001 2002 2001
\$m \$m \$m \$m

24. Reserves and retained profits

(a) Reserves

Realisation and revaluation of assets	39.1	39.1	5.6	5.6
General and other	157.0	157.0	90.0	90.0
Foreign currency translation	(63.6)	(46.8)	-	-
	132.5	149.3	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
Balance at end of year	39.1	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	(46.8)	(49.1)	-	-
Translation of overseas controlled entities at the end of the financial year	(16.8)	2.3	-	-
Balance at end of year	(63.6)	(46.8)	-	-

Notes to the Financial Statements

	Notes	Consolidated		Company	
		2002	2001	2002	2001
		\$m	\$m	\$m	\$m
24. Reserves and retained profits (continued)					
(b) Retained profits					
Retained profits at the beginning of the financial year		642.5	879.6	653.5	800.7
Operating profit after income tax attributable to members of Orica		213.6	(192.7)	108.6	(102.8)
Dividends:	(27)				
Preference – declared/ paid		(0.1)	(0.1)	(0.1)	(0.1)
Ordinary – interim paid		(41.8)	(22.1)	(41.8)	(22.1)
Ordinary – final declared/paid		(80.9)	(22.2)	(80.9)	(22.2)
Retained profits at the end of the financial year		733.3	642.5	639.3	653.5

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.

	Consolidated		Consolidated	
	2002	2001	2002	2001
	%	%	\$m	\$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	-	-	-
Australian Vinyls Corporation Limited (disposed of 14 February 2002)	-	37.4	-	27.8
Chai International Development Co Ltd	30.0	30.0	1.1	1.1
Incitec Ltd	23.0	23.0	60.8	60.8
Initiating Explosives Systems Pty Ltd	30.0	30.0	6.9	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	-	-
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	-	1.1	-
Sprengmittelvertrieb in Bayern GmbH	49.0	49.0	0.1	0.1
Welvic Australia Pty Ltd	37.4	-	-	-
			84.6	111.3
Outside equity interest in shareholders' equity at balance date is as follows:				
share capital			84.6	111.3
reserves			10.6	11.0
retained profits/(accumulated losses)			25.9	(2.8)
			121.1	119.5

Notes to the Financial Statements

	Notes	Consolidated		Company	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
26. Total equity reconciliation					
Total equity at the beginning of the financial year		1,402.7	1,643.8	1,240.5	1,381.1
Total changes recognised in the statements of financial performance		196.8	(190.4)	108.6	(102.8)
Transactions with owners as owners					
Dividends provided for or paid	(27)	(122.8)	(44.4)	(122.8)	(44.4)
Contributions of equity	(23)	15.8	6.8	15.8	6.8
Expenses relating to purchase of shares under DRP/bonus shares	(23)	-	(0.2)	-	(0.2)
Total changes in outside equity interest	(25)	1.6	(12.9)	-	-
Total equity at the end of the financial year		1,494.1	1,402.7	1,242.1	1,240.5

	Company	
	2002 \$m	2001 \$m
27. Dividends		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary		
interim dividend of 8 cents per share, fully franked at 30%, paid 6 Jul 2001		22.1
interim dividend of 15 cents per share, 50% franked at 30%, paid 5 Jul 2002	41.8	
final dividend of 8 cents per share, fully franked at 30%, paid 17 Dec 2001		22.2
final dividend of 29 cents per share, 26% franked at 30%, payable 10 Dec 2002	80.9	
Preference		
interim dividend of 2.5 cents per share, fully franked at 30%, paid 31 Jul 2001		0.05
interim dividend of 2.5 cents per share, 50% franked at 30%, paid 31 Jul 2002	0.05	
final dividend of 2.5 cents per share, fully franked at 30%, paid 31 Jan 2002		0.05
final dividend of 2.5 cents per share, 26% franked at 30%, payable 31 Jan 2003	0.05	
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:		
paid in cash	45.1	56.6
satisfied by issue of shares	-	-
Dividends satisfied by the purchase of shares on market for dividend reinvestment plan	19.0	18.0

Franking credits

Franking credits available at the 30% (2001 at 30%) corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the proposed dividends is nil (2001 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 (2001 \$41.2m) will not be used to frank dividends while the tax is in dispute.

From 1 July 2002 the franking credits available have been measured in accordance with the New Business Tax System (Imputation) Act 2002 as the amount of income tax paid rather than being based on after-tax profits as in previous periods.

Comparative information has not been restated for this change in measurement. Had the comparative information been calculated on the new basis, the "franking credits available" balance would have been nil and the franking credit in respect of a sale and leaseback transaction would have been \$17.7m.

This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

	Notes	Consolidated		Company	
		2002 \$m	2001 \$m	2002 \$m	2001 \$m
28. Notes to the statements of cash flows					
Reconciliation of cash					
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:					
Cash	(9)	146.4	122.4	21.2	20.1
Bank overdraft	(19)	(3.2)	(0.6)	-	-
		143.2	121.8	21.2	20.1

Notes to the Financial Statements

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
28. Notes to the statements of cash flows (continued)				
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	229.9	(206.6)	108.6	(102.8)
Depreciation and amortisation	171.8	175.3	0.7	0.7
Share of associates' net (profit)/loss	(10.0)	20.6	-	-
(Decrease)/increase in net interest payable	(1.3)	3.5	(0.9)	0.5
(Decrease)/increase in dividend income receivable	-	-	(1.1)	41.5
Write down of intangibles	1.9	118.5	-	-
Write down of property, plant and equipment and inventory	29.0	62.2	-	-
Write down of investments	-	1.1	13.1	114.4
Net profit on sale of businesses and controlled entities	(2.6)	(0.3)	-	-
Net profit on sale of property, plant and equipment	(32.9)	(14.9)	(24.6)	(1.7)
Changes in assets and liabilities excluding the effects of acquisitions and disposals of businesses/controlled entities				
increase/(decrease) in trade and other receivables	77.1	(99.5)	(2.5)	-
increase in inventories	11.4	70.6	-	-
increase/(decrease) in deferred taxes payable	8.6	(43.4)	0.1	-
(decrease)/increase in payables and provisions	(145.9)	149.7	0.8	(0.9)
increase/(decrease) in income taxes payable	5.7	(6.2)	1.6	(0.5)
Net cash flows from operating activities	342.7	230.6	95.8	51.2
Disposal of businesses/controlled entities				
Consideration				
cash received	31.5	0.4		
disposal costs	(3.2)	(0.1)		
	28.3	0.3		
Fair value of net assets of businesses/controlled entities disposed				
receivables	21.4	10.8		
inventories	21.2	8.4		
property, plant and equipment	-	5.2		
intangibles	1.0	1.1		
other assets	1.1	1.3		
payables and interest bearing liabilities	(19.0)	(22.3)		
provisions	-	(1.8)		
	25.7	2.7		
Less outside equity interests at date of disposal	-	(2.7)		
	25.7	-		
Profit on sale of business/controlled entities	2.6	0.3		
Acquisition of businesses/controlled entities				
Consideration				
cash paid	-	152.5		
net cash acquired	-	(23.8)		
	-	128.7		
Fair value of net assets of businesses/controlled entities acquired				
receivables	-	26.6		
inventories	-	17.1		
property, plant and equipment	-	86.5		
intangibles including purchased goodwill	-	15.2		
other assets	-	0.3		
payables and interest bearing liabilities	-	(18.0)		
provisions	-	(16.7)		
	-	111.0		
Less outside equity interests at date of acquisition	-	(7.3)		
	-	103.7		
Goodwill on acquisition	-	25.0		

Notes to the Financial Statements

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
29. Commitments				
Capital expenditure commitments				
Capital expenditure on property, plant and equipment contracted but not provided for and payable:				
no later than one year	1.5	31.3	-	-
	1.5	31.3	-	-
Lease commitments				
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:				
no later than one year	43.6	57.9	-	-
later than one, no later than five years	90.8	88.3	-	-
later than five years	19.9	15.3	-	-
	154.3	161.5	-	-
Representing				
cancellable operating leases	91.0	115.0	-	-
non-cancellable operating leases	63.3	46.5	-	-
	154.3	161.5	-	-
Non-cancellable operating lease commitments payable:				
no later than one year	18.8	18.2	-	-
later than one, no later than five years	33.4	23.6	-	-
later than five years	11.1	4.7	-	-
	63.3	46.5	-	-
Finance lease commitments payable:				
no later than one year	0.2	0.3	-	-
later than one, no later than five years	0.2	0.5	-	-
	0.4	0.8	-	-
Less future finance charges	-	(0.1)	-	-
Present value of minimum lease payments provided for as a liability	0.4	0.7	-	-
Representing lease liabilities (see note 19)				
current	0.2	0.3	-	-
non-current	0.2	0.4	-	-
	0.4	0.7	-	-

Notes to the Financial Statements

30. Contingent liabilities and contingent assets

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 \$24.5m (2001 \$48.6m).

Guarantees 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 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 consolidated entity has entered into various long term supply contracts. For some contracts minimum charges are payable regardless of the level of operations, but in all cases the levels of operations are expected to remain above those that would trigger minimum payments.

There are 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 businesses which were divested during the current and prior years and companies and businesses which may be divested under the proposed transactions discussed in Events subsequent to balance date within the Directors' Report and Note 40 Events subsequent to balance date, include normal commercial warranties and indemnities to the purchasers. The Company is not aware of any material exposure under these warranties and indemnities.

From time to time the consolidated entity is subject to claims for damages arising from products and services supplied by the consolidated entity in the normal course of business. Controlled entities have received advice of claims relating to alleged failure to supply products and services suitable for particular applications. The claims in the entities concerned are considered to be either immaterial or the entity is defending the claim with no expected financial disadvantage. No specific disclosure is considered necessary.

Environmental

The Company has created provisions for all known environmental liabilities in accordance with Statement of Accounting Concepts SAC4. While the directors believe that, based upon current information, the current provisions are appropriate, there can be no assurance that new information or regulatory requirements with respect to known sites or the identification of new remedial obligations at other sites will not require additional future provisions for environmental remediation and such provisions could be material.

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. The ATO has no further appeal rights. Incitec recovered the \$3.7 million tax previously paid. The decision by the High Court removes the contingent liability of up to \$20 million disclosed at 30 September 2001. Orica has recorded the tax and interest credit in relation to the sale and leaseback transaction as an individually significant item.

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.

Notes to the Financial Statements

31. Standby arrangements and credit facilities

	Consolidated		Company	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
Unsecured bank overdraft facilities available	50.5	66.9	-	-
Amount of facilities unused	47.3	66.3	-	-
Committed standby and loan facilities available	924.4	1,114.9	-	-
Amount of facilities unused	704.5	761.0	-	-

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 December 2002 to December 2005.

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 \$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 specific transactions, after taking into account offsetting exposures, by entering into derivative contracts with external parties in the financial markets. The derivative instruments used for hedging purchase and sales exposures are option contracts and forward contracts.

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

The table below outlines the forward foreign exchange contracts taken out to hedge committed and anticipated purchases and sales denominated in foreign currencies.

Term	Weighted average rate		millions	
	2002	2001	2002	2001
Buy US dollars / sell Australian dollars				
Not later than one year	0.5458	0.5060	USD42.4	USD27.7
Later than one year but not later than two years	-	0.5262	-	USD0.4
Buy US dollars / sell New Zealand dollars				
Not later than one year	0.4704	0.4165	USD13.7	USD8.9
Buy Australian Dollars / sell New Zealand dollars				
Not later than one year	1.1645	1.1005	NZD5.1	NZD1.5
Buy Canadian Dollars / sell Australian dollars				
Not later than one year	0.8628	0.8204	CAD2.5	CAD3.5
Buy Great British Pounds / sell Australian dollars				
Not later than one year	0.3478	0.3432	GBP0.9	GBP0.8
Buy Euro / sell US dollars				
Not later than one year	0.8601	0.8570	USD0.8	USD5.5
Later than one year but not later than two years	-	0.8601	-	USD0.8

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

Notes to the Financial Statements

33. Additional financial instruments disclosures (continued)

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. To hedge the output of this plant a series of put and call options have been put in place at upper and lower exchange rate positions. These contracts are timed to mature in quarterly intervals to match anticipated sales of product manufactured at this facility over the following two years 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. 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 table below summarises option contracts taken out to hedge the output of the Gibson Island plant.

Term	Weighted average AUD/USD strike rate				Contract amounts	
	2002		2001		2002	2001
	Bought AUD call options	Sold AUD put options	Bought AUD call options	Sold AUD put options	USDm	USDm
Not later than one year	0.5800	0.4384	0.5500	0.4742	54.0	64.0
Later than one year but not later than two years	0.5800	0.4329	0.5800	0.4384	55.0	71.0
Later than two years but not later than three years	-	-	0.5800	0.4329	-	70.0
Total					109.0	205.0

The consolidated entity has a negative exposure to an increasing AUD/USD exchange rate resulting from the sale of product by its North American and Latin American businesses. In particular, there exists a significant level of US dollar sales that are not effectively offset by US dollar costs, hence creating an AUD translation exposure on consolidation of those businesses into the Australian parents accounts. To manage this exposure the consolidated entity has bought a series of AUD Call / US dollar Put vanilla European options. The forecast exposure has been determined using budget and forecast data supplied by the 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 guidelines set out 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/US dollar exchange rate increases.

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

Term	Weighted average AUD/USD strike rate		Contract amounts AUDm	
	2002	2001	2002	2001
	Not later than one year	0.5583	-	83.5
Later than one year but not later than two years	0.5569	-	60.0	-
Later than two years but not later than three years	0.5288	-	30.0	-
Total			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	
	2002	2001
Not later than one year	1.0	3.1
Later than one year but not later than two years	-	0.2
Total	1.0	3.3

Notes to the Financial Statements

33. Additional financial instruments disclosures (continued)

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 recorded in the foreign currency translation reserve within the equity section of the statements of financial position.

Foreign currency translation risk is managed within guidelines agreed by the Board of directors. Hedging of exposures is undertaken centrally by the consolidated entity's Treasury 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 cross currency interest rate swaps listed under interest rate risk management below). 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 the net investment in self-sustaining foreign operations.

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

Term	Weighted average strike rate		Contract amounts		Current market value	
	2002	2001	2002 \$m	2001 \$m	2002 \$m	2001 \$m
Buy Australian dollars / sell Canadian dollars						
Later than one year but not later than two years	0.8340	-	CAD50	-	0.1	-
Later than two years but not later than three	-	0.8340	-	CAD50	-	6.4
Buy Australian dollars / sell US dollars						
Later than one year but not later than two years	0.5448	-	USD100	-	(8.6)	-
Later than two years but not later than three	-	0.5448	-	USD100	-	(27.8)
Buy US dollars / sell Australian dollars						
Later than one year but not later than two years	0.5252	-	USD100	-	1.3	-
Later than two years but not later than three	-	0.5001	-	USD50	-	5.7

Note: Following the write down of North American explosives assets in late 2001, the net US dollar exposure of the Consolidated Entity was reduced and it was necessary to reduce the level of translation hedging by effectively closing out USD100m of hedging contracts. This was achieved by entering into contracts which 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 transaction and the close-out transactions 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 guidelines authorised 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 2002 was 5.9% (2001 6.5%).

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 terms of the derivative contracts. Each contract involves quarterly or biannual 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:

	2002 \$m	2001 \$m
Less than one year	14.0	88.0
One to five years	325.7	365.5
More than five years	(9.5)	(19.9)
Notional principal	330.2	433.6
Fixed interest rate range p.a.	5.2% to 7.3%	4.9% to 7.3%
Floating interest rate range p.a.	1.7% to 5.9%	3.2% to 8.1%

Notes to the Financial Statements

33. Additional financial instruments disclosures (continued)

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 borrowing into Canadian 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 biannually throughout the life of the contract. Primary US dollar debt was raised due to the ease of access and cost efficiency of the US debt market compared to the Canadian market. The swap to Canadian dollar debt was primarily undertaken to provide the consolidated entity with a hedge of Canadian self sustaining operations.

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

	2002		2001	
	USDm	CADm	USDm	CADm
More than five years	57.0	84.5	57.0	84.5
Total principal	57.0	84.5	57.0	84.5
Fixed interest rate range p.a.	8.1% to 8.3%		8.1% to 8.3%	
Floating interest rate range p.a.	3.4% to 4.2%		5.5% to 7.3%	

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:

	Notes	Fixed interest rates					Non-interest bearing \$m	Total \$m	Weighted average effective interest rate % p.a.
		Floating interest rate \$m	1 year or less \$m	1 to 5 years \$m	5 years or more \$m	Total interest rate \$m			
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 (i)	(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 (ii)		(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		
30 September 2001									
Cash assets	(9)	122.4	-	-	-	-	122.4	3.8	
Trade debtors	(10)	-	-	-	-	544.7	544.7	-	
Other financial assets	(14)	0.3	-	-	-	-	0.3	5.8	
Total financial assets		122.7	-	-	-	544.7	667.4		
Trade creditors	(18)	-	-	-	-	499.6	499.6	-	
Bank overdrafts (i)	(19)	0.6	-	-	-	-	0.6	9.6	
Short term borrowings	(19)	116.6	100.0	-	-	-	216.6	5.7	
Commercial paper	(19)	19.8	-	-	-	-	19.8	5.7	
Lease liabilities	(19)	0.7	-	-	-	-	0.7	13.7	
Other borrowings	(19)	360.0	-	-	508.8	-	868.8	7.6	
Employee entitlements	(21)	-	-	67.8	-	58.7	126.5	5.3	
Dividends payable	(21)	-	-	-	-	22.3	22.3	-	
Interest rate swaps (ii)		(433.6)	88.0	365.5	(19.9)	-	-	(6.7)	
Cross currency interest rate swaps		109.0	-	-	(116.2)	-	(7.2)	(1.8)	
Total financial liabilities		173.1	188.0	433.3	372.7	580.6	1,747.7		
Net financial liabilities/(assets)		50.4	188.0	433.3	372.7	35.9	1,080.3		

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

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

Notes to the Financial Statements

33. Additional financial instruments disclosures (continued)

Liquidity risk management

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

Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under the contract or arrangement. The major exposure to credit risk arises from trade receivables which have been recognised 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 2002, the sum of all contracts with a positive replacement cost was \$72.6m (2001 \$66.1m). 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.

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	
	2002	2001
	\$m	\$m
Interest rate swaps	14.3	11.0
Forward foreign exchange contracts	(6.2)	(24.8)
Cross currency swaps	17.4	14.9
Foreign exchange option contracts	(0.2)	(7.5)

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.

Notes to the Financial Statements

34. Employee share plans

a) Senior executive share loan plan

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 one Executive Director and five Senior Executives. These loans form the long term component of the Executive Director and Senior Executives remuneration.

The terms of each of the seven interest free loans to fund the share acquisition by the Executive directors and Senior Executives limit recourse to the value of the shares. Details are set out in the table below. The two Executive Directors and five Senior Executives 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 and 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.

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 / waiver 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					21,723,848	5,824,917	343,901	-

Loan balances as at 30 September 2002 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:

	Note	The Company	
		2002 \$m	2001 \$m
Issued ordinary share capital	23	14.6	6.8

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 of directors 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.

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 *
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	6,223,985
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	37,326
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	21,171
Total	9,152,907	8,899,048									6,282,482

* 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 2002.

Notes to the Financial Statements

34. Employee share plans (continued)

c) General employee exempt share plan

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 2002	Shares held at 30 September 2002	Shares held at 30 September 2001
1 Jul 99	-	-	-	99,130
1 Jul 00	30 Jun 03	1,082	159,054	160,965
1 Jul 01	30 Jun 04	1,128	269,592	272,699
21 Aug 02	20 Aug 05	1,099	118,692	-
		3,309	547,338	532,794

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 determines which executives are eligible to receive invitations to participate in SOP.

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.

Following the review of executive remuneration held earlier this year, 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.

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 Jan 99	860,000	8	795,000	8.57	Expired	31 Dec 02	31 Dec 03	^
1 Jan 00	1,505,000	60	1,315,000	8.31	31 Dec 02	31 Dec 03	31 Dec 04	^
1 Jan 01	1,969,800	47	959,000	5.72	31 Dec 03	31 Dec 04	31 Dec 05	^
1 Jan 02	1,202,000	62	1,175,000	5.67	31 Dec 04	31 Dec 05	31 Dec 06	787,250
Total	5,536,800		4,244,000					

* 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 2002.

^ Valuations are not available using an adjusted form of the binomial option pricing model for options subject to performance hurdles issued in prior periods.

Notes to the Financial Statements

34. Employee share plans (continued)

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 determines which executives are eligible to receive invitations to participate in SAP and eligible executives who achieve an agreed performance rating are invited to apply for Award Rights.

An Award Right is a right to acquire a Trust Share under the plan at no cost to the executive. This is subject to the achievement of a performance hurdle based on Orica's 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.

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.

Following their review of executive remuneration held earlier this year, 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.

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 Jan 99	210,000	115	167,000	0.00	Expired	31 Dec 02	31 Dec 03	^
1 Jan 00	275,600	89	168,200	0.00	31 Dec 02	31 Dec 03	31 Dec 04	^
1 Jan 01	297,400	82	168,600	0.00	31 Dec 03	31 Dec 04	31 Dec 05	^
1 Jan 02	221,400	139	210,000	0.00	31 Dec 04	31 Dec 05	31 Dec 06	239,400
Total	1,004,400		713,800					

* 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 2002.

^ Valuations are not available using an adjusted form of the binomial option pricing model for options subject to performance hurdles issued in prior periods.

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.

Invitations to participate have been made quarterly since ESP began. 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 \$1.5m (2001 \$1.7m).

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

Notes to the Financial Statements

35. Related party disclosures

Directors

The Directors of the Company during the year were:

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

Employee share plan loans to directors

New Employee Share Plan (ESP) loans were made to an Executive Director and Directors of controlled entities of the Company during the year totalling \$13,202 (2001 nil). Repayments received during the year totalled \$81,639 (2001 \$44,236).

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

J R Beevers	J A Cunning	D M Gibson	K Lynch	D Roe
A R Bendall	D J Day	F Hunter	D A Lyons	R R Rose
G J Bird	M Donnelly	G A Jacobs	J R Lyons	G J Witcombe
A D Blackley	A D Eddy	P S Kennedy	N A Meehan	
P G Brindley	C B Elkington	S G Landreth	A G Miller	
G Barber	P G Etienne	P J Largier	N Moxon	
A R Coleman	J E Fazzino	G R Liebelt	W O Reynolds	
A S Connon	B J Gibson	B L Lynch	G R Roberts	

Total employee share plan loans receivable from directors at balance date were \$67,962 (2001 \$134,123). 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

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

Executive Director or Senior Executive	Number of shares issued or acquired on market	Value of loan \$	Date of loan	Loan repayments		Loan Balance	
				2002 \$	2001 \$	2002 \$	2001 \$
M W Broomhead	1,500,000	6,750,000	3 Sep 01	228,991	-	6,521,009	6,750,000
J W Hall	450,000	3,335,700	16 Jan 02	42,212	-	3,293,488	-
G J Witcombe	275,000	2,425,500	6 May 02	25,796	-	2,399,704	-
S G O'Sullivan	250,000	2,205,000	6 May 02	23,451	-	2,181,549	-
B J Gibson	250,000	2,205,000	6 May 02	23,451	-	2,181,549	-
J Joannou	263,435	2,499,998	1 Jul 02	-	-	2,499,998	-
J R Nightingale	255,000	2,302,650	5 Aug 02	-	-	2,302,650	-
Total		<u>21,723,848</u>		<u>343,901</u>	-	<u>21,379,947</u>	6,750,000

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 \$92,500 (2001 \$71,500).

The following executives, made loan repayments amounting to \$57,200 (2001 \$281,700) during the year:

P G Etienne	P S G Kennedy	G R Liebelt	M D Rowland	C A Spriggs
A J Irvine	S G Landreth	M Menin	S Dayal	D A Williams

Total employee loans receivable from the directors of controlled entities at balance date were \$538,200 (2001 \$555,500).

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 \$15,200 (2001 \$38,900). There were no other loans made, payments received or amounts receivable from the Executive Directors and Directors of controlled entities.

Notes to the Financial Statements

35. Related party disclosures (continued)

Directors' transactions in shares and options

	2002			2001		
	Acquired during the year (i)	Disposed / lapsed during year (i)	Balance at year end (ii)	Acquired during the year (i)	Disposed of during the year (i)	Balance at year end (ii)
Orica Limited						
Ordinary shares	561,263	52,107	2,189,077	1,644,301	-	1,679,921
Options	350,000	442,000	717,000	554,000	-	809,000

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

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

(iii) 142,000 options expired/lapsed during the current financial year (2001 545,000 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 \$41,250 (2001 nil) were paid to the legal firm for legal services.

D B Trebeck, a director of Incitec Ltd, is a director of a company which provides consulting services to Incitec Ltd. Fees of \$44,806 were paid (2001 \$28,930) to the company for consulting services. A director related entity, Rosewood Station purchased \$300,000 of fertiliser (2001 \$100,000).

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 \$90,000 (2001 \$280,990) were paid to the company for administrative services.

E M Hevia is a director of Orica Explosivos Industriales, S.A.. Three children of E M Hevia jointly control Pronobel, S.L. an entity that in turn controls 33% of the share capital of Seguridad Ceres, S.A.. Seguridad Ceres, S.A. provides transport services to Orica Explosivos Industriales, S.A. and was paid \$1,738,500 for such services (2001 \$1,500,000).

T Dravitzki, a director of nine New Zealand subsidiaries, provides consulting services to Orica New Zealand Limited for which fees of \$46,640 were paid (2001 nil).

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 services to Orica Nitro Patlayici Maddeler Ticaret ve Sanayi Anonim Sirketi, S.A.. Fees of \$161,985 (2001 nil) were paid to the company for insurance services.

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 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:

- Australian Vinyls Corporation Ltd (disposed of on 14 February 2002) purchased goods from associated companies, Qenos Holdings Pty Ltd and Chemtrans Asiatic Limited amounting to nil and \$0.7m respectively (2001 \$0.2m and \$1.8m respectively).
- Orica Australia Pty Ltd purchased goods from an associated company, Pigment Manufacturers of Australia Limited amounting to \$2.5m (2001 \$11.4m) and paid the company \$0.1m (2001 \$0.3m) commission.
- Orica Australia Pty Ltd sold goods to Qenos Holdings Pty Ltd amounting to \$14.6m (2001 \$1.5m) and paid for site utility costs of \$0.2m (2001 \$2.0m).
- Orica Australia Pty Ltd purchased site utility services from an associated company, Botany Industrial Park Pty Ltd amounting to \$0.3m (2001 \$0.2m).
- Orica Australia Pty Ltd provided services to Botany Industrial Park Pty Ltd amounting to \$0.4m (2001 nil).
- Orica Australia Pty Ltd provided services to Pigment Manufacturers of Australia Limited amounting to \$0.1m (2001 \$0.1m).
- 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 2002 was \$1.8m (2001 \$1.7m) and the interest paid for the year was \$0.1m (2001 \$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 2002 was \$27.5m (2001 \$27.5m) and the interest received for the year was \$1.4m (2001 \$1.6m).
- Orica Insurance Pty Ltd sold insurance premiums to Qenos Holdings Pty Ltd, Emirates Explosives L.L.C., and Botany Industrial Park Pty Ltd of \$2.4m (2001 \$1.3m), \$0.1m (2001 nil) and \$0.2m (2001 nil) respectively.
- Orica USA Inc. sold goods to an associated company, Northwest Energetic Services, LLC, amounting to \$5.6m (2001 \$7.5m).
- Orica USA Inc. purchased goods from Northwest Energetic Services, LLC, amounting to nil (2001 \$0.4m).
- Orica USA Inc. sold goods to associated companies, Nelson Brothers, LLC and Nelson Brothers Mining Services, LLC, amounting to \$122.5m and \$52.2m respectively (2001 \$122.6m and \$37.9m).
- Orica USA Inc. purchased goods from Nelson Brothers, LLC and Nelson Brothers Mining Services, LLC, amounting to \$32.6m and \$1.5m respectively (2001 \$17.7m and \$1.0m).
- Orica USA Inc. purchased goods from an associated company, Geneva Nitrogen LLC, amounting to \$12.8m (2001 \$13.3m).
- Orica Nelson Quarry Services Inc purchased goods from Nelson Brothers, LLC, amounting to \$4.4m (2001 nil).
- Orica Canada Inc. sold explosives to an associated company, BXL Bulk Explosives Limited, amounting to \$10.3m (2001 \$9.9m).
- Orica Canada Inc. received royalty and technology/management fees of \$3.3m (2001 \$5.3m) from BXL Bulk Explosives Limited.
- Orica Nelson Quarry Services Inc. paid royalties of \$1.4m (2001 nil) to Nelson Brothers, LLC.
- Orica UK Limited sold goods and seconded staff to an associated company, Emirates Explosives L.L.C., amounting to \$0.1m (2001 \$1.3m).
- Orica New Zealand Ltd purchased goods from Qenos Holdings Pty Ltd amounting to \$6.5m (2001 \$4.8m).

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.
- The contributions made by the employer companies are legally enforceable.
- The last actuarial assessments in respect of defined benefits for employees belonging to the funds were:
 - The Flexible Benefits Super Fund (formerly Orica Group Superannuation Fund) * – 30 June 2000 by G E Miller FIAA.
 - Orica New Zealand Limited Pension Plan – 1 April 2000 by Ian Midgley MA, FIA, FIAA, FNZSA.
 - Orica Canada Inc. Pension Plan – 30 September 2002 by Benoit Gosselin FSA, FCIA.
 - Orica USA Inc. Retirement Income Plan – 30 September 2002 by L D Gold ASA, EA.
 - Orica UK Pension Scheme – 30 September 2000 by W R F Bowman FIA.
 - Orica Explosives Philippines Inc Retirement Plans – 31 December 2000 by M C G Cabading FASP, FLMI.

* During the year the following changes were made to the Orica Group Superannuation Fund:

- Change in Trustee
 - Change in Investment Manager
 - Change in Fund name
-
- Based on the position at the above mentioned dates, funds are available or funding will be increased to satisfy all benefits vested in the event of:
 - termination of the plan;
 - voluntary termination of the employment of each employee of the consolidated entity on the initiative of that employee; or
 - compulsory termination of the employment of each employee of the consolidated entity by the consolidated entity.

Notes to the Financial Statements

36. Superannuation commitments (continued)

The accrued benefits, based on the most recent actuarial assessments, the plan assets at net market value and the vested benefits as reported in the most recent financial statements of the superannuation plans sponsored by the company are:

	2002					2001				
	Accrued benefits at last actuarial valuation date	Plan assets at last balance date	Net difference accrued benefits to plan assets	Vested benefits at last balance date	Net difference vested benefits to plan assets	Accrued benefits at last actuarial valuation date	Plan assets at last balance date	Net difference accrued benefits to plan assets	Vested benefits at last balance date	Net difference vested benefits to plan assets
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
The Flexible Benefits Super Fund (formerly Orica Group Superannuation Fund) Balance date: 30 June 2002 Last actuarial valuation 30 June 2000	600.3	511.1	(89.2)**	510.8	0.3	600.3	639.2	38.9	612.0	27.2
Orica New Zealand Limited Pension Plan Balance date: 31 March 2002 Last actuarial valuation 1 April 2000	34.7	32.0	(2.7)	32.9	(0.9)	34.6	33.7	(0.9)	34.1	(0.4)
Pension Plan for Orica Canada Inc. Balance date: 30 September 2002 Last actuarial valuation 30 September 2002	45.8	38.4	(7.4)	34.7	3.7	48.9	47.3	(1.6)	36.1	11.2
Orica USA Inc. Retirement Income Plan Balance date: 30 September 2002 Last actuarial valuation 30 September 2002	22.0	13.5	(8.5)	18.7	(5.2)	20.8	15.7	(5.1)	16.0	(0.3)
Orica UK Pension Scheme Balance date: 30 September 2002 Last actuarial valuation 30 September 2000	21.9	20.6	(1.3)	21.9	(1.3)	22.7	21.3	(1.4)	22.7	(1.4)
Other plans Balance date: 31 December 2001 Last actuarial valuation 31 December 2000	0.6	0.6	-	1.1	(0.5)	0.6	0.5	(0.1)	1.0	(0.5)
	725.3	616.2	(109.1)	620.1	(3.9)	727.9	757.7	29.8	721.9	35.8

** 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.

Industry/union plans

- Some controlled entities participate in industry/union plans on behalf of certain employees.
- These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement, disability or death.
- The employer entity has a legally enforceable obligation to contribute a regular amount for each employee member of these plans.
- The employer entity has no other legal liability to contribute to the plans.

Notes to the Financial Statements

37. Remuneration of directors and executives

Directors

	Consolidated		Company	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Aggregate of income paid or payable, or otherwise made available, to all directors by the consolidated entity or any related party.	46,220	31,976	7,078	8,464

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	1
70,000 – 79,999	2	2
80,000 – 89,999	1	-
100,000 – 109,999	-	1
160,000 – 169,999	-	1
190,000 – 199,999	1	-
260,000 – 269,999	-	1
640,000 – 649,999	-	1
690,000 – 699,999	-	1
770,000 – 779,999	1	-
830,000 – 839,999	1	-
1,370,000 – 1,379,999	-	1
1,980,000 – 1,989,999	-	1
2,470,000 – 2,479,999	1	-
2,480,000 – 2,489,999	1	-
2,980,000 – 2,989,999	-	1

Executive officers – domiciled in Australia

	Consolidated		Company	
	2002 \$000	2001 \$000	2002 \$000	2001 \$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.	9,299	6,454	4,088	3,796

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

\$	No.	No.	No.	No.
100,000 – 109,999	-	1	-	1
120,000 – 129,999	1	-	-	-
160,000 – 169,999	1	-	-	-
310,000 – 319,999	-	2	-	-
330,000 – 339,999	-	2	-	-
350,000 – 359,999	-	1	-	-
410,000 – 419,999	1	-	-	-
480,000 – 489,999	1	-	-	-
500,000 – 509,999	-	1	-	-
510,000 – 519,999	-	1	-	-
690,000 – 699,999	1	1	-	1
770,000 – 779,999	1	-	1	-
830,000 – 839,999	1	-	1	-
870,000 – 879,999	1	-	-	-
950,000 – 959,999	1	-	-	-
1,490,000 – 1,499,999	1	-	-	-
2,470,000 – 2,479,999	1	-	1	-
2,980,000 – 2,989,999	-	1	-	1

Notes to the Financial Statements

38. Investments in controlled entities

Name of Entity	Place of incorporation other than Australia	Notes
Company		
Orica Limited		
Controlled Entities		
ACF and Shirleys Ltd		
Advanced Sciences Pty Ltd		
Altona Properties Pty Ltd		Formerly AVC Properties Pty Ltd
Australian Fertilizers Limited		
Australian Vinyls Corporation Limited		Disposed of in 2002
Berger Paints Limited	NZ	
Brasex Participacoes Ltda	Brazil	
British Paints (PNG) Ltd	PNG	In liquidation
British Paints New Zealand Limited	NZ	
Chai International Development Co Ltd	Thailand	
CHEM Advisory Services Pty Ltd		
CHEM Exports Pty Ltd		
CHEM Instruments Pty Ltd		
CHEM International Pty Ltd		
CHEM Powder Coatings Pty Limited		
Chemical Cleaning Limited	NZ	
Chemnet Limited	NZ	
Chemnet Pty Ltd		
Chemsafe New Zealand Limited	NZ	
Compania Aragonesa de Explosivos, S.A.	Spain	
Crop Care Australasia Pty Ltd		Owned 50% by Industrial Chemicals Limited and 50% by Orica Investments
Crop Care Holdings Ltd	NZ	
Dulux Holdings Pty Ltd (a)		
Dulux New Zealand Limited	NZ	
Dulux Papua New Guinea PNG		In liquidation
Eastern Nitrogen Limited		
Eurodyn Sprengmittel GmbH	Germany	
Explosivos Mexicanos S.A. de C.V.	Mexico	
Incitec Investments Ltd		
Incitec Ltd		
Industrial Chemicals Limited		Incorporated during the financial year
Initiating Explosives Systems Pty Ltd		
Joplin Manufacturing Inc.	USA	
KC Chemical Industries Pty Limited (a)		
Levene Paint Manufacturing Limited	NZ	
Myspace Limited		
Nitroamonia de Mexico S.A de C.V.	Mexico	
Nobeltax S.A.	Spain	
Norspreng AS	Norway	
Oregon Paint Company Limited	NZ	
Orica (Weihai) Explosives Co Ltd	China	
Orica Advanced Water Technologies Pty Ltd		
Orica Alberta Inc	Canada	
Orica Argentina S.A.I.C.	Argentina	
Orica Australia Pty Ltd (a)		
Orica Brasil Ltda	Brazil	
Orica Canada Inc	Canada	
Orica Chile S.A.	Chile	
Orica Coatings (Fiji) Limited	Fiji	
Orica Dominicana S.A.	Dominican Republic	
Orica Eesti OU	Estonia	
Orica Engineering Pty Ltd (a)		
Orica Europe GmbH & Co KG	Germany	
Orica Europe Management GmbH	Germany	
Orica European Investments Limited	UK	
Orica Explosives (Thailand) Co Ltd	Thailand	
Orica Explosives Holdings Pty Ltd		

Notes to the Financial Statements

38. Investments in controlled entities (continued)

Name of Entity	Place of incorporation other than Australia	Notes
Orica Explosives Philippines Inc	Philippines	
Orica Explosives Research Pty Ltd		
Orica Explosives Technology Pty Ltd (a)		
Orica Explosivos Industriales, S.A.	Spain	
Orica Export Inc.	USA	
Orica Fiji Ltd	Fiji	
Orica Finance Limited		
Orica France S.A.R.L.	France	
Orica GEESP Pty Ltd		
Orica Germany GmbH	Germany	
Orica Guyana Inc.	Guyana	
Orica Holdings Pty Ltd		
Orica Hong Kong Limited	Hong Kong	
Orica Insurance Pty Limited		
Orica International Management Inc.	USA	
Orica Investments (Indonesia) Pty Limited		
Orica Investments (NZ) Limited	NZ	
Orica Investments (Thailand) Pty Limited		
Orica Investments Pty Ltd (a)		
Orica Ireland Limited	Ireland	
Orica Kazakhstan Closed Joint Stock Company	Kazakhstan	
Orica Kimit Explosives AB	Sweden	
Orica Kimit Norge AS	Norway	
Orica Malaysia Sdn Bhd	Malaysia	
Orica Nelson Quarry Services Inc.	USA	
Orica New Zealand Ltd	NZ	
Orica Nitro Patlayici Maddeler Ticaret ve Sanayi A.S.	Turkey	
Orica Nitrogen LLC	USA	
Orica Nominees Pty Ltd (a)		
Orica Papua New Guinea Limited	PNG	
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 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		
PT Kaltim Nitrate Indonesia	Indonesia	Incorporated during the financial year
PT Orica Mining Services	Indonesia	
PT Orica Resindo Mahakam	Indonesia	
Retec Ltd		
Sarkem Pty Ltd (a)		
Selleys Chemical Co NZ Limited	NZ	
Selleys Pty Limited (a)		
SHE Pacific Pty Ltd		
Sprengmittelvertrieb in Bayern GmbH	Germany	
Sprengstoff-Verwertungs GmbH	Germany	
Welvic Australia Pty Ltd		Incorporated during the financial year

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.

Notes to the Financial Statements

Closed Group
2002 2001
\$m \$m

39. Deed of Cross Guarantee

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

Statement of financial position

Current assets

Cash assets	1,289.0	1,207.7
Receivables	269.6	284.2
Inventories	164.1	165.1
Other	6.7	11.2
Total current assets	1,729.4	1,668.2

Non-current assets

Receivables	49.2	8.9
Investments accounted for using the equity method	162.5	168.8
Other financial assets	923.5	963.9
Property, plant and equipment	643.0	722.0
Intangible assets	55.8	62.1
Deferred tax assets	124.5	172.1
Other	4.1	2.4
Total non-current assets	1,962.6	2,100.2

Total assets

3,692.0 3,768.4

Current liabilities

Payables	298.3	313.7
Interest bearing liabilities	1,367.7	1,762.5
Provisions	167.6	176.6
Total current liabilities	1,833.6	2,252.8

Non-current liabilities

Payables	3.6	-
Interest bearing liabilities	345.0	-
Deferred tax liabilities	51.7	56.1
Provisions	97.7	104.1
Total non-current liabilities	498.0	160.2

Total liabilities

2,331.6 2,413.0

Net assets

1,360.4 1,355.4

Equity

Contributed equity	507.2	491.4
Reserves	144.4	144.4
Retained profits	708.8	719.6
Total equity	1,360.4	1,355.4

Statement of financial performance

Profit/(loss) from ordinary activities before income tax expense	140.2	(101.4)
Income tax (expense)/benefit attributable to profit/(loss) from ordinary activities	(28.2)	43.8
Profit/(loss) from ordinary activities after income tax expense	112.0	(57.6)
Retained profits at the beginning of the financial year	719.6	821.6
Dividends paid/provided	(122.8)	(44.4)
Retained profits at the end of the financial year	708.8	719.6

Notes to the Financial Statements

40 Events subsequent to balance date

Sale of Crop Care

On 29 August 2002, Orica announced the sale of Crop Care Australasia Pty Ltd to Nufarm Limited for \$75 million. Crop Care Australasia Pty Ltd is a joint venture between Orica (50%) and Incitec Ltd (50%). The sale was subject to the approval of the Australian Competition and Consumer Commission (ACCC) and this was granted on 8 October 2002. The sale will be effective from 31 October 2002.

Incitec and Pivot merger proposal

On 29 August 2002, Orica announced the proposal to merge the fertiliser assets of its 77% owned subsidiary, Incitec Ltd, with Pivot Limited. Subject to shareholders and regulatory approvals, the proposed merger would create Incitec Pivot Limited, operating an integrated fertiliser business throughout eastern and southern Australia. Shareholdings in the proposed merged company, would be Orica (54%), Pivot shareholders (30%), Futuris Corporation Limited (14.5%) and other shareholders (1.5%).

The proposed fertiliser merger was subject to ACCC clearance, which was granted on 16 October 2002, and awaits approval by both Pivot and Incitec shareholders and is conditional on the demerger of Incitec's industrial chemicals business.

Demerger proposal

As a necessary step to the merger proposal above, Incitec announced its intention to demerge its industrial chemicals business to create Industrial Chemicals Limited ("ICL").

The demerger is enabled by the passage of the relevant demerger legislation through the Federal Parliament (the legislation received Royal Assent on 24 October 2002) and is subject to shareholder and regulatory approvals.

Purchase of Specialty Chemical trading business

On 23 September 2002, Orica announced an agreement to acquire the Fernz Specialty Chemical trading business from Nufarm Limited for \$60 million. The purchase will be effective from 31 October 2002.

Share Buy-back

On 6 November 2002, the Company announced an on-market buy-back of up to 5% of its share capital.

Tax consolidation legislation

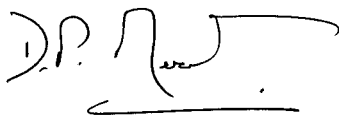
On 21 October 2002 the first two tranches of the Federal Government's tax consolidation legislation were determined to be enacted or substantively enacted for financial reporting purposes. The enactment or substantive enactment of this legislation may impact the calculation of the deferred tax balances of certain entities within the group from 21 October 2002.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 September 2002.

Directors' Declaration on the Financial Report set out on pages 27 to 71

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 27 to 71, 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 2002 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 6th day of November 2002.

Audit Report

For the year ended 30 September 2002

Independent audit report to the members of Orica Limited

Scope

We have audited the financial report of Orica Limited ("the Company") for the financial year ended 30 September 2002, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 40, and the directors' declaration set out on pages 27 to 72. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

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

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

Audit opinion

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

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 September 2002 and of their performance for the 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



P M Shannon

Partner

Dated at Melbourne this 6th day of November 2002.

Shareholders' Statistics

As at 14 October 2002

Distribution of Ordinary Shareholders and Shareholdings

Size of holding	Number of holders	Number of shares
1 – 1,000	32,057	63.38%
1,001 – 5,000	16,142	31.92%
5,001 – 10,000	1,572	3.11%
10,001 – 100,000	713	1.41%
100,001 and over	92	0.18%
Total	50,576	100.00%

Included in the above total are 2,543 shareholders holding less than a marketable parcel of 53 shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 65.07% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
J P Morgan Nominees Australia Limited	38,097,575	13.65
National Nominees Limited	33,057,044	11.84
Westpac Custodian Nominees Limited	28,201,433	10.10
RBC Global Services Australia Nominees Pty Ltd	18,050,130	6.47
AMP Life Limited	9,971,346	3.57
Citicorp Nominees Pty Limited	7,994,561	2.86
Commonwealth Custodial Services Limited	7,337,091	2.63
Cogent Nominees Pty Limited	7,053,721	2.53
MLC Limited	6,566,951	2.35
Queensland Investment Corporation	5,183,208	1.86
ANZ Nominees Limited	4,029,490	1.44
HSBC Custody Nominees (Australia) Limited	2,979,327	1.07
NRMA Nominees Pty Limited	2,541,841	0.91
Australian Foundation Investment Company Limited	2,230,286	0.80
Zurich Australia Limited	1,722,144	0.62
Mr Malcolm Broomhead	1,500,000	0.54
Victorian Workcover Authority	1,368,449	0.49
Government Superannuation Office	1,362,135	0.49
Health Super Pty Ltd	1,234,671	0.44
Suncorp General Insurance Limited	1,147,100	0.41
Total	181,628,503	65.07

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:

23 September 2002	Perpetual Trustees Australia Limited	14,022,844	5.02%
10 July 2002	Delaware International Advisors Limited	16,018,849	5.75%
24 May 2002	AMP Limited	17,760,103	6.38%

On-market buy-back

On 6 November 2002, the Company announced an 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	269	83,244
1,001 – 5,000	44	119,696
5,001 – 10,000	13	103,817
10,001 – 100,000	22	595,521
100,001 and over	3	1,097,722
Total	351	2,000,000

Included in the above total are 200 shareholders holding less than a marketable parcel of 496 shares.
The holdings of the 20 largest holders of 5% cumulative preference shares represent 81.86% of that class of shares.

Twenty largest 5% cumulative preference shareholders

	Shares	% of total
J P Morgan Nominees Australia Limited	569,250	28.46
NRMA Nominees Pty Limited	369,472	18.47
Mr Ian Edward Morton	159,000	7.95
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
Ms Nina Tschernykov	34,500	1.73
Gowing Bros Ltd	33,400	1.67
Mr Ian Morton	29,600	1.48
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
Total	1,636,553	81.86

Voting rights

Voting rights as governed by the Constitution of the company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

- (a) on a show of hands, one vote only;
- (b) on a poll, one vote for every fully paid ordinary share held.

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

Ten Year Financial Statistics

Orica consolidated	2002
	\$m
Sales	4,085.2
Earnings before depreciation, amortisation, net borrowing costs and tax	581.8
Depreciation and amortisation (excluding goodwill)	(161.3)
Goodwill amortisation	(10.5)
Earnings before net borrowing costs and tax (EBIT)	410.0
Net borrowing costs	(59.5)
Individually significant items before tax	(48.1)
Taxation expense	(72.5)
Outside equity interests	(16.3)
Operating profit after tax and individually significant items	213.6
Individually significant items after tax attributable to members of Orica	(25.5)
Operating profit after tax before individually significant items (net of tax)	239.1
Dividends	122.9
Current assets	1,270.3
Property, plant and equipment	1,414.1
Investments	234.2
Intangibles	135.5
Other non-current assets	311.1
Total assets	3,365.2
Current borrowings and payables	640.0
Current provisions	248.2
Non current borrowings and payables	727.8
Non current provisions	255.1
Total liabilities	1,871.1
Net assets	1,494.1
Shareholders' equity	1,373.0
Equity attributable to minority interests	121.1
Total shareholders' equity	1,494.1
Number of ordinary shares on issue at year end	millions 279.1
Weighted average number of ordinary shares on issue	millions 278.0
Earnings per share	
before individually significant items	cents 86.0
including individually significant items	cents 76.8
Dividends per share	cents 44.0
Dividend franking	% 34.0
Dividend yield (based on year end share price)	% 4.6
Share price range – High	\$9.85
Low	\$4.22
Year end	\$9.52
Stockmarket capitalisation at year end	\$m 2,656.9
Net tangible assets per share	\$ 4.43
Profit margin (earnings before net borrowing costs and tax/sales)	% 10.0
Net debt	679.7
Gearing (net debt/net debt plus equity)	% 31.3
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	times 6.9
Net capital expenditure on plant and equipment (Cash Flow)	(15.3)
Net capital expenditure on acquisitions/(disposals) (Cash Flow)	(1.3)
Return on average shareholders funds	
before individually significant items	% 18.0
including individually significant items	% 16.1

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

2001 \$m	2000 \$m	1999 \$m	1998 \$m	1997 \$m	1996 \$m	1995 \$m	1994 \$m	1993 \$m
4,041.9	3,672.7	3,959.8	3,935.2	3,602.1	3,457.6	3,365.3	3,060.5	2,834.8
349.7	442.5	479.7	560.5	597.5	506.7	560.8	467.4	387.0
(161.2)	(145.5)	(160.2)	(147.8)	(153.0)	(125.7)	(133.0)	(150.4)	(142.2)
(14.1)	(15.9)	(15.9)	(23.6)	(5.9)	(4.7)	(4.3)	(3.8)	(4.6)
174.4	281.1	303.6	389.1	438.6	376.3	423.5	313.2	240.2
(64.0)	(46.0)	(45.2)	(62.7)	(37.0)	(26.2)	(15.4)	(29.0)	(36.9)
(280.4)	(46.7)	(33.7)	126.3	(152.9)	(35.9)	-	(15.5)	4.0
(36.6)	(65.1)	(26.7)	(1.8)	(97.9)	(95.9)	(124.2)	(89.0)	(75.9)
13.9	(9.6)	(11.8)	(16.0)	(18.6)	(21.2)	(15.1)	(12.2)	(12.5)
(192.7)	113.7	186.2	434.9	132.2	197.1	268.8	167.5	118.9
(255.0)	(33.3)	29.8	230.3	(110.0)	(23.0)	-	(20.3)	(6.3)
62.3	147.0	156.4	204.6	242.2	220.1	268.8	187.8	125.2
44.3	96.4	100.8	134.1	134.0	130.5	154.2	97.9	68.2
1,433.9	1,364.7	1,377.8	1,387.5	1,184.2	1,130.0	1,126.4	1,057.1	1,003.6
1,621.4	1,484.0	1,444.3	1,736.2	1,591.7	1,568.6	1,351.6	1,173.5	1,133.9
244.2	264.6	239.4	17.3	1.5	1.1	1.6	1.8	4.5
155.0	249.6	258.4	297.0	65.6	44.6	49.0	43.6	47.1
276.0	216.4	209.7	209.4	118.6	99.1	127.1	116.4	161.9
3,730.5	3,579.3	3,529.6	3,647.4	2,961.6	2,843.4	2,655.7	2,392.4	2,351.0
887.4	845.0	811.4	870.7	1,065.4	623.1	570.5	631.6	546.6
303.8	266.3	312.3	340.4	294.0	262.1	340.4	273.6	225.6
869.2	552.3	534.0	579.7	162.8	238.7	77.6	3.0	162.6
267.4	271.9	274.7	343.2	259.7	203.8	221.3	161.0	146.2
2,327.8	1,935.5	1,932.4	2,134.0	1,781.9	1,327.7	1,209.8	1,069.2	1,081.0
1,402.7	1,643.8	1,597.2	1,513.4	1,179.7	1,515.7	1,445.9	1,323.2	1,270.0
1,283.2	1,511.4	1,476.7	1,390.0	1,072.0	1,440.5	1,377.6	1,263.8	1,205.9
119.5	132.4	120.5	123.4	107.7	75.2	68.3	59.4	64.1
1,402.7	1,643.8	1,597.2	1,513.4	1,179.7	1,515.7	1,445.9	1,323.2	1,270.0
277.3	275.8	273.2	268.8	266.5	296.4	296.3	296.3	296.2
275.9	274.6	270.6	267.1	290.7	296.4	296.3	296.2	296.0
22.5	53.5	57.8	76.6	83.3	74.2	90.7	63.4	42.3
(70.0)	41.4	68.8	162.8	45.4	66.5	90.7	56.5	40.1
16.0	35.0	37.0	50.0	48.0	44.0	52.0	33.0	23.0
100.0	32.0	37.9	42.0	100.0	65.7	100.0	100.0	100.0
3.7	6.1	4.5	6.1	3.7	3.6	5.2	3.0	2.8
\$6.08	\$8.66	\$9.60	\$13.12	\$13.85	\$12.25	\$11.60	\$11.50	\$8.40
\$4.04	\$5.58	\$7.97	\$7.80	\$10.80	\$8.93	\$8.70	\$8.29	\$4.46
\$4.34	\$5.73	\$8.25	\$8.20	\$13.14	\$12.25	\$10.00	\$11.00	\$8.29
1,203.3	1,580.1	2,253.5	2,204.5	3,501.7	3,631.1	2,963.2	3,259.4	2,455.2
4.07	4.58	4.46	4.07	3.78	4.71	4.48	4.12	3.91
4.3	7.7	7.7	9.9	12.2	10.9	12.6	10.2	8.5
984.1	777.4	709.8	801.1	658.6	304.0	85.0	72.0	155.6
41.2	32.1	30.8	34.6	35.8	16.7	5.6	5.2	10.9
2.7	6.1	6.7	6.2	11.9	14.4	27.5	10.8	6.5
(213.8)	(241.5)	(221.5)	(223.1)	(203.2)	(332.8)	(274.0)	(156.2)	(130.8)
(131.7)	144.9	12.5	(3.9)	(2.9)	10.3	(18.4)	(0.6)	2.4
4.5	9.8	10.9	16.6	19.3	15.6	20.4	15.2	10.6
(13.8)	7.6	13.0	35.3	10.5	14.0	20.4	13.6	10.1

Shareholder Information

Annual General Meeting

10.30am Friday 20 December 2002, 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

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.

Shareholders can also access information on their investments with Orica and download standard forms by visiting the Share Registrar's website at:
www.asxperpetual.com.au
Select the 'Holder Information' menu option and enter either the ASX code 'ORI' or the name 'Orica'. You will only be able to access details of your shareholding by entering your SRN or HIN and your surname/ company name and postcode.

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 unless you notify the Share Registrar that you wish your dividends to be paid directly into an account held with an Australian Bank or other financial institution in Australia.

You may elect to receive your dividends by way of direct credit by completing an application form available by contacting the Share Registrar or from 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)

For CHESS/broker sponsored holdings: please notify your broker 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.)

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 Half Year Report which provides a review of the company's performance in the six months to 31 March.

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.

Telephone: (03) 9665 7111
International: +61 3 9665 7111
Facsimile: (03) 9665 7937
International: +61 3 9665 7937
Email: companyinfo@orica.com

Auditors

KPMG

Orica Limited

ABN 24 004 145 868

Registered address and head office:
1 Nicholson Street
East Melbourne Victoria 3002
Australia

Postal address:
GPO Box 4311
Melbourne Victoria 3001

Telephone:
(03) 9665 7111
International:
+61 3 9665 7111

Facsimile:
(03) 9665 7937
International:
+61 3 9665 7937

Email:
companyinfo@orica.com
Website: www.orica.com

International Office

Denver, USA
33101 East Quincy Avenue
Watkins
Colorado 80137
USA

Shareholder and Analyst Enquiries:

Many shareholder and analyst enquiries may be answered by visiting our website (see details this page). Shareholders may also access information relating to their holdings (details on previous page) via a link to the Share Registrar, ASX Perpetual, at: www.asxperpetual.com.au

Investor Relations

Telephone: +613 9665 7111
Email:
companyinfo@orica.com

Shareholder Timetable*

30 September 2002	Orica Year End
19 November 2002	Books close for 2002 final dividend
10 December 2002	Final dividend paid
20 December 2002	Annual General Meeting
31 March 2003	Orica Half Year End
6 May 2003	Half year profit and interim dividend announced
26 June 2003	Books close for 2003 interim dividend
17 July 2003	Interim dividend paid
30 September 2003	Orica Year End

* Timing of events may be subject to change

Online Information

We are committed to keeping all our shareholders well informed.

Our orica.com website is constantly updated to provide the latest information as quickly and cost efficiently as possible.



ORICA
SHARE PRICE

Updated every 15 minutes.



ASX RELEASES

Updated on announcement to Australian Stock Exchange.



POWERPOINT
PRESENTATION

Updated from investor and analyst roadshows.



EXCEL
SPREADSHEET

Updated yearly for past ten 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

Registered address and head office:

1 Nicholson Street
East Melbourne Victoria 3002
Australia

Postal address:

GPO Box 4311
Melbourne Victoria 3001

Telephone:

+613 9665 7111

Facsimile:

+613 9665 7937

Email:

companyinfo@orica.com

Website: www.orica.com