ORICA

# Concise Annual Report 2000

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# Contents




*Cover:*
*Orica is focusing its efforts on realising the full potential of our talented workforce and abilities to innovate to deliver profitable growth to the four core businesses. Pictured is Ramona D'Souza from Consumer Products*


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

Photographers:
Ross Eason and Dieter Muller.


*Paul Davidson, Agricultural Chemicals*

# Vision and Values

## *Winning against the world's best…*

### What is Orica

Orica is a publicly owned chemical company listed on the Australian Stock Exchange employing around 9000 staff across approximately 30 countries. We manufacture and supply commercial explosives and mining chemicals; agricultural chemicals and fertilizers; industrial, specialty chemicals and products for water care; and paints and paint preparation products.

Orica Limited ABN 24 004 145 868

### Where are we going?

Orica has set its sights on 'Winning Against the World's Best' as the basis on which it will deliver superior shareholder returns.

### Annual General Meeting

The 2000 Annual General Meeting will be held on Thursday 21 December at the Sydney Town Hall, commencing at 10am.

### with

- Customers who are delighted and prefer to deal with us
- Shareholders attracted by superior returns
- Employees motivated to deliver outstanding results
- Communities who value the benefits we bring.

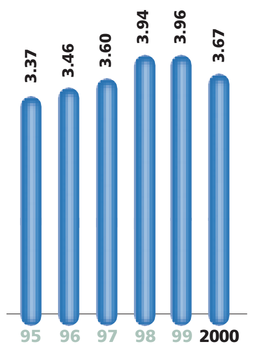
### To realise our vision we will:

- Operate to the highest standards of safety, health and care for the environment
- Achieve outstanding levels of customer satisfaction
- Ensure all our activities ultimately add to shareholder returns
- Be a world competitive and innovative company using quality principles to generate competitive advantage
- Develop our technology to secure and expand our market position
- Develop leaders who motivate employees to deliver outstanding results
- Demand honest and ethical behaviour at all times
- Ensure cooperation and teamwork across the company for the benefit of the corporation as a whole
- Build a relationship of cooperation and teamwork with our customers, suppliers and business partners for mutual benefit.

*Russell Paice, Consumer Products*

# Financial Highlights

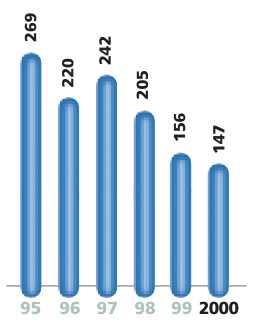
*Consumer Products' new technical centre at Clayton (Victoria, Australia)*




Sales ($billion)

### Sales

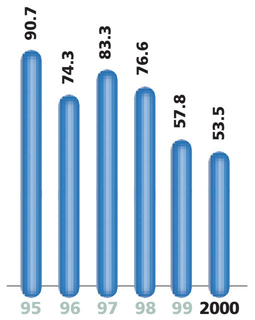
The decrease in sales revenue was mainly due to the divestment of non core businesses and to the equity accounting of some significant joint ventures. With equity accounting, sales are not brought to account.




Profit after tax before abnormal items ($m)

### Profit after tax and before abnormal items

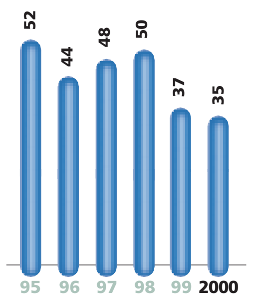
The reduction in 2000 was mainly due to the loss in Australian Vinyls as a result of higher feedstock costs and lower volumes.




Earnings per share before abnormal items (cents)

### Earnings per share (EPS) before abnormal items

EPS fell in line with reduced profitability and an increased number of shares due to the Dividend Reinvestment Plan.

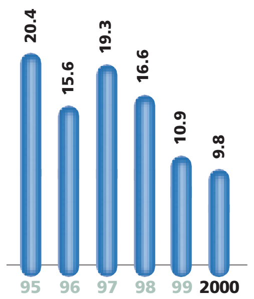



Dividend (cents)

### Dividend per share

The Orica Board's current policy is to distribute between 55–65% of available preabnormal profit. This year the total dividend was 35 cents representing 65.5% of preabnormal profits. The total dividend will be franked to 11.2 cents per share (32%).

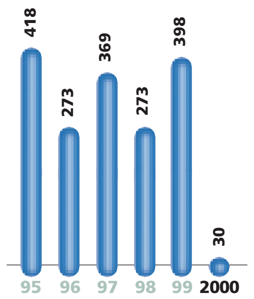
| For the year to 30 September | | 2000 | 1999 | change |
|---|---|---|---|---|
| **Sales** | ($billion) | **3.67** | 3.96 | -7% |
| **Operating profit before income tax and abnormal items** | ($m) | **235.1** | 258.4 | -9% |
| **Net profit attributable to shareholders** | | | | |
| – before abnormal items | ($m) | **147.0** | 156.4 | -6% |
| – after abnormal items | ($m) | **113.7** | 186.2 | -39% |
| **Interim dividend** | (cents) | **16** | 15 | +7% |
| **Final dividend** | (cents) | **19** | 22 | -14% |
| **Total dividend** | (cents) | **35** | 37 | -5% |
| **Return on average shareholders' equity before abnormal items** | (%) | **9.8** | 10.9 | |
| **Net borrowings** | ($m) | **777.4** | 709.8 | +9% |
| **Gearing** | (%) | **32.1** | 30.8 | |
| **Net tangible asset backing per share** | ($) | **4.58** | 4.46 | +3% |
| **Interest cover before abnormal items** | (times) | **6.1** | 6.7 | |




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

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

Lower profitability and investment in future growth of the core businesses has reduced return on shareholder funds.



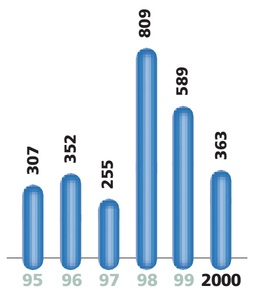

Cash flow from operations ($m)

### Cash flow from operations

Cash flow from operations is lower due to an increase in working capital, lower margin sales and an increase in tax paid.

### Abnormal losses

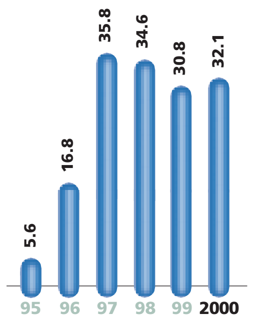
The abnormal loss was due to provisions for restructuring, additional provisions for the destruction of historical waste at the Botany site, and the impact of amended tax assessments in respect of a sale and lease back transaction. This was partially offset by profit from the sale of businesses and other assets.




Capital expenditure and acquisitions ($m)

### Capital expenditure and acquisitions

The capital spent on the acquisition of new businesses, on the maintenance of capacity and the development of existing businesses, returned to more normal levels but is a significant investment in growth.

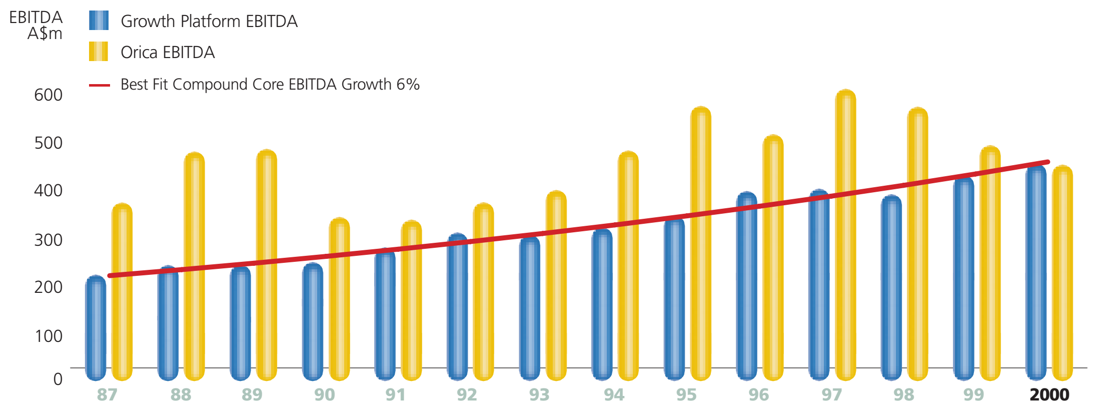



Gearing (%)

### Gearing (net debt/net debt plus shareholders funds)

Orica has a long term gearing target (net debt/net debt plus shareholders funds) in the range of 30–40%. This range allows Orica to balance new investment opportunities as they arise with prudent financial management. The gearing at year end of 32.1% was close to the bottom of the target range. It is important to note that the range is an indication of long term gearing and, for shorter periods of time, the company's gearing may move outside the range.

### Long term growth of core businesses




The graph above shows the historical performance of the current core businesses compared with the overall company EBITDA performance as reported at the time. The core businesses have shown steady growth over the period of approximately 6% per annum with little cyclical variation.

# Orica – a Global Business

### Europe

Our Explosives business has sole or joint venture operations in the United Kingdom, France, Spain, Germany, Turkey, Kazakhstan, Kyrgyzstan and the United Arab Emirates.

### India

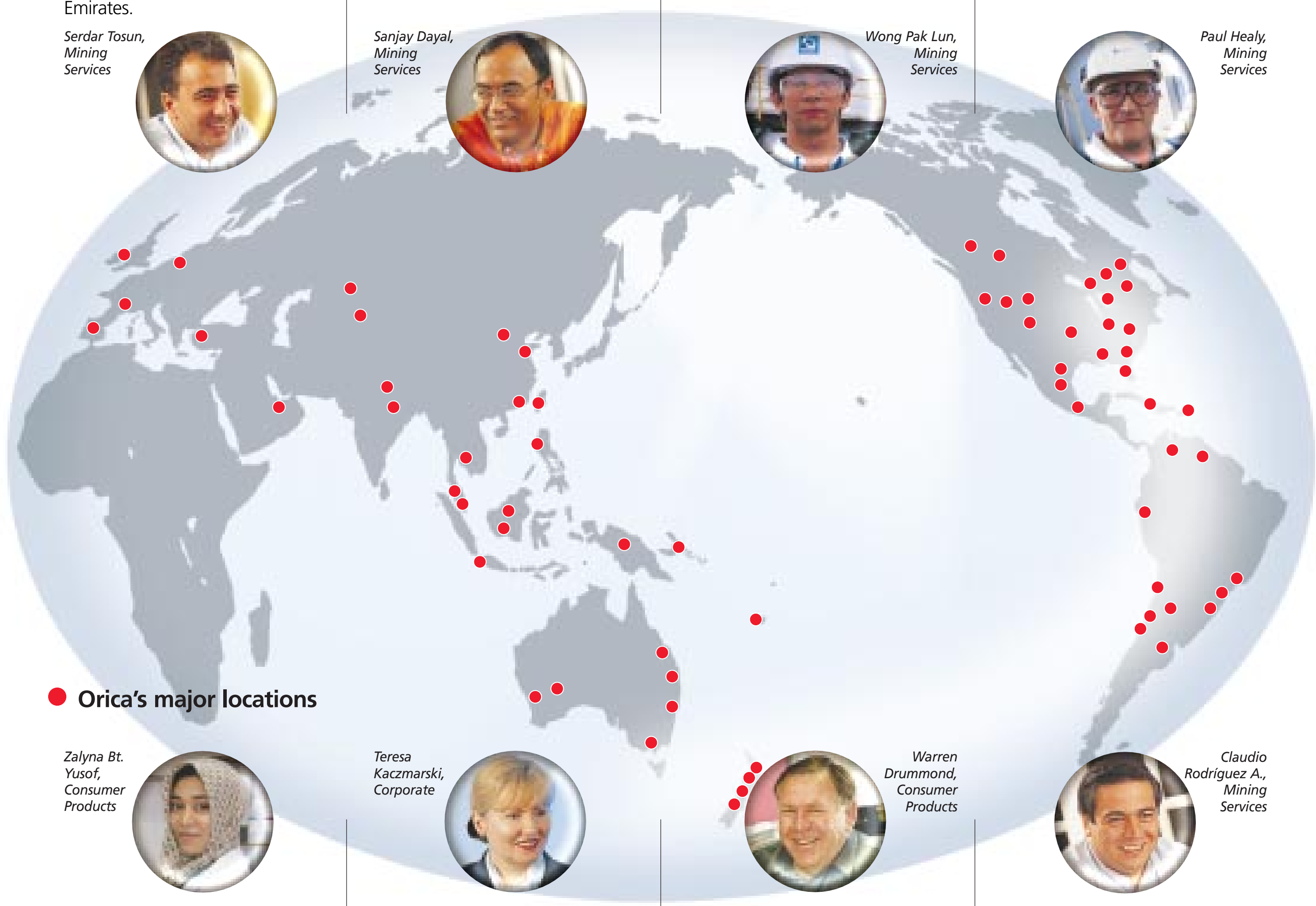
A joint venture represents Explosives interests in the rapidly growing Indian market.

### Hong Kong China

Explosives operates in Hong Kong and China, and Adhesives & Resins has a partner in China.

### North America

Our Explosives business has operations and research facilities in the USA and Canada, as well as being involved in joint ventures.




### Asia Pacific

All core businesses have operations or sales interests in this region, primarily in Singapore, Philippines, Malaysia, Thailand, Indonesia, Papua New Guinea and Fiji.

### Australia

All the core businesses have leading positions in their Australian markets.

### New Zealand

Chemicals, Consumer Products and Mining Services all have operations in New Zealand, and Agricultural Chemicals is represented in this market by Crop Care.

### Latin America

Our Explosives business has operations in Chile, Argentina, Brazil, Mexico, Peru, Dominican Republic, Guyana, Puerto Rico and, most recently, a joint venture in Venezuela.



*MIEX® pilot plant at Deer Park (Victoria, Australia)*

# Orica's Core Businesses

### Mining Services

Orica is the world's leading supplier of commercial explosives and blasting services to the mining, quarrying and construction industries.

Turn to page 11 for more on this business.

### Agricultural Chemicals

Our agricultural chemical interests are represented by Incitec Ltd, majority owned by Orica, and Crop Care Australasia, a joint venture between Orica and Incitec. Incitec is one of Australia's largest manufacturers of fertilizers and industrial chemicals, while Crop Care Australasia manufactures and distributes crop protection products.

Turn to page 12 for more on this business.

### Consumer Products

Orica is the leading manufacturer and supplier of paint and paint preparation products in Australia, New Zealand and the South West Pacific, marketing products under well known brands such as Dulux, Berger, Cabot's and Selleys. Consumer Products also has a Powder Coatings business, which supplies decorative and functional coatings for industrial use.

Turn to page 13 for more on this business.

### Chemicals

Orica is the leading supplier of industrial and specialty chemicals in Australia and New Zealand. Key products include chlorine and sodium hypochlorite for water treatment, caustic soda, raw materials for surface coatings, and adhesives and resins for wood panel boards. The Chemnet trading and distribution business covers Australia, New Zealand, Fiji and Papua New Guinea.

Turn to page 14 for more on this business.

# Investing for a Profitable Future

*Joint message from chairman Ben Lochtenberg and managing director and chief executive officer Philip Weickhardt*

*Ben Lochtenberg (left) and Philip Weickhardt*

*Customers are offered a complete range of commercial explosives services, ranging from the supply of bulk and packaged explosives to total blasting services*

## Strategy for future growth

Three years ago we announced a far reaching strategy for reshaping the company as a basis for delivering sustainable growth in the future.

The strategy involved some tough decisions. We had just become an independent company, and with our new found independence came threats as well as opportunities. We recognised that the company's strategy had in the past been aligned to our parent company, and we had to assess whether our businesses, procedures and all parts of our organisational structure were appropriate for our future. We took advantage of this new situation to review everything we did, why we did it and how we did it.

Since then we have reshaped and sharpened the focus of our core businesses of Mining Services, Agricultural Chemicals, Consumer Products and Chemicals. We have sold businesses that no longer fitted our strategy, acquired other businesses that did, and completed the joint ventures in our Plastics businesses to create greater long term value. We have sought efficiencies and economies wherever we can, and have introduced a shared services model for Information Technology (IT), Finance, Engineering, Human Resources and now Safety, Health and Environment, to service all our businesses. We have simplified business processes so that we can compete more effectively and responsively in a competitive global marketplace.

The bulk of the reshaping with a number of divestments is now complete, or as complete as one can ever expect in this changing world. We are actively building our Explosives business in new markets in Europe, North America, Latin America and Asia, as well as Australia and New Zealand, and are improving our products and services to customers in all our businesses. We continue to bring new technology such as our i-kon™ electronic detonator system and MIEX® water treatment process to the marketplace, and we are utilising e-commerce technology to offer electronic shopfronts to our customers. Evidence of the improvements we are achieving in our International Explosives business is becoming apparent.

We have made progress at Orica, but continuing effort is needed to attain our goals. World events not controlled by the company such as the Asian economic crisis, recent soaring energy costs and unfavourable weather, have intervened and impacted on the company over the past three years. Despite this, our pursuit of 'self-help' efficiencies has enabled us to deliver profits and significantly 'reform' the company at the same time. We are now focusing our efforts on achieving improved profitability and increased shareholder value from our reshaped business portfolio.

## Business reports

Orica is the world's leading supplier of commercial explosives and blasting services and, in the 1999/2000 year, Mining Services showed a stronger performance again with improved results from the international business. The business also benefited somewhat from the weaker Australian dollar. The improvement was partially offset, as foreshadowed at last year's Annual General Meeting, by lower average prices and volumes in Australia due to the introduction of additional competitor ammonium nitrate capacity.

North America made major improvements to its operations this year through a second joint venture with Nelson Brothers, increased capacity at Carseland (Alberta, Canada), further automation at Brownsburg (Quebec, Canada) and the establishment of the technical centre in Denver (Colorado, USA). During the year, prices for products were lower due to intense competition but volumes were significantly better due to winning a number of significant contracts. The acquisition of ammonium nitrate plants from LaRoche Industries will improve the sourcing position of that product in the USA.

Profitability improved in Latin America, in virtually all countries. The business improved both sales volumes and prices and also benefited from a new favourable ammonium nitrate supply contract with Enaex (Chile). The new joint venture in Venezuela is also providing new opportunities.

The European business continued its expansion, winning contracts in Kazakhstan and Kyrgyzstan and further success in Turkey. The announcement of the proposed acquisition of DNES in Germany and Estonia and the joint venture with Kimit in Scandinavia will result in further growth of this business.

The Australian and Asian businesses won significant contracts during the year and consolidated their position in the region, notably with the establishment of a new explosives plant in China (the first such investment in the explosives business by a foreign company) and a joint venture in India. The Australian business partially compensated for the decrease in prices and volumes by reducing operating costs and delivered a good result.

Through Incitec, one of Australia's largest manufacturers of fertilizers and related products, the Agricultural Chemicals core business had a much better second half year after the disappointing first half result. The Fertilizer business in particular benefited from strong volumes and higher prices in the second half, resulting in one of the best half year results ever recorded by that business. Plant performance overall was much better than last year and contributed to the overall improvement. The crop protection business, Crop Care, continued to face difficult seasonal conditions with sales and profitability considerably lower than last year.

A leading manufacturer and supplier of paint and paint preparation products in Australia, New Zealand and South West Pacific, Consumer Products lifted profitability but experienced lower sales. The reduction in sales was due to the divestment of the polyester resins business in the second half last year. The best performing business in this sector was Australian Paints, which lifted sales and profitability in the Retail and Trade sectors. The business continued to release innovative products and, once again, demonstrated its strong position in the marketplace by winning a number of Supplier of the Year awards from its customers. If the effects of the divested polyester resins business are removed, sales would have been higher than last year by 2% and earnings would have been higher by 3%.

A leading supplier of industrial and specialty chemicals in Australia and New Zealand, Chemicals increased its profitability, largely due to efficiency and productivity gains resulting from the restructuring undertaken last year and the move to shared corporate services. However, revenue was down compared to last year due to the sale of the polyurethanes business in the first half year, and reduced prices in a number of businesses.

Plastics, which is reported under non core businesses, had a difficult year. Australian Vinyls, a joint venture with PolyOne (formerly Geon), experienced difficult trading conditions particularly in the second half year with a spike in raw material prices combined with PVC imports at dumped prices, resulting in a loss for the year. This has now been corrected and the business is expected to trade profitably in the coming year. Volumes were strong in the first half year but fell away in the second half as the building industry slowed. Qenos, a joint venture with ExxonMobil, began to benefit from the synergies arising from the joint venture.

Paralleling these activities were the highly successful projects we completed to make the transition to the new millennium and to have all our business systems ready for the introduction of Australia's Goods and Services Tax (GST) on 1 July 2000.

## Orica's priorities for 2001

- Strive for significant improvements in returns on funds employed
- Expand core businesses
- Drive for continuing productivity improvements
- Maximise the performance of our non core businesses
- Pursue our 2005 safety, health and environment targets
- Develop and realise the full potential of our people

*Orica prides itself on its pursuit of leading edge IT solutions*

## Investing in the future

We have also invested significantly in our IT systems this year, building an infrastructure to support e-commerce initiatives. Several of our businesses have already established sophisticated electronic shopfronts with customers and suppliers. In addition, a new intranet was launched, with employees in Australia and New Zealand being the first to come on board. Soon other employees from around the world will have the opportunity to use this powerful tool for sharing information and for communication across our company.

A continuous business improvement ethic at Orica is well established and, in the coming year, we will intensify our efforts to develop a culture that encourages all our people to contribute to the full extent of their potential. We have programs and projects across the company to bring out the entrepreneurial thinking of our people, and to fully realise the potential of their extensive technical and creative abilities. The commitment and enthusiasm of our people involved in these activities has been stimulating, and is recognised at our annual Excellence Awards.

Orica is a company with a strong commitment to values like quality, outstanding customer service and satisfaction, leadership, teamwork and particularly, safety, health and care for the environment. We aspire to be among the world's best companies and this year delivered a best ever safety performance as measured by our recordable injury rate. The company finished the year with a recordable injury rate that is outstanding when compared to other Australian businesses.

Our ultimate goal is to conduct our business with zero injuries and zero work related illnesses. Our setting of new safety, health and environment targets to continue to improve our performance in the coming five years to 2005 is part of this drive. In addition to traditional measures, we have introduced aspects that relate to the operations of our company and our role in society. In particular we have set objectives for material efficiency, reduction of greenhouse gas emissions, product life cycle risk assessments and social responsibility, which are all consistent with our commitment to the sustainability of our business and the world we live in. Our inclusion in the Dow Jones sustainability index this year is external endorsement of Orica's safety, health and environment performance initiatives.

Orica is in a strong financial position and has the capability and the determination to grasp the opportunities that will bring further profitable growth to our businesses. We are a company with a clear strategy and vision of where we want to go, and we have a strong management team and resourceful and talented employees to help take us there. Our core business platforms have in aggregate demonstrated a steady level of profitable growth for more than a decade (see the graph on page 3 which demonstrates that this has averaged 6%). This has occurred during a period of major reshaping internally and during a tough economic environment for chemical companies around the world. We are now determined to accelerate this profitable growth by further investments in our core business platforms.

**Ben Lochtenberg**
Chairman

**Philip Weickhardt**
Managing Director

*Pusadee Thientaworn, Mining Services*

*Andrew Goslett, Consumer Products*

## At a glance – the 2000 results

Orica reported a full year profit after tax and before abnormal items of $147 million, down 6% on the 1999 result.

Three of the company's four core businesses – Mining Services, Chemicals, and Consumer Products – increased their profitability, while the fourth, Agricultural Chemicals, was down due to unfavourable seasonal conditions and reduced earnings in the Crop Care business. In addition, the non-core Australian Vinyls subsidiary was well down due to a short term raw material pricing spike, which has since been reversed, and low priced imports which we believe were dumped.

Profit after tax and abnormal items was $113.7 million, down from $186.2 million in 1999. Abnormal items included an increase of $29.5 million (after tax) to the provision for the destruction of historical waste at the company's Botany, (New South Wales, Australia) site. We recognise that abnormal losses are unwelcome, but it should be noted that in the last four years including this year's result the net balance of abnormals declared by Orica has been a profit of over $116 million.

At year end net debt was $777.4 million, up $67.6 million on 1999, gearing (expressed as debt to debt plus equity) was 32.1% and interest cover was 6.1 times. At these levels the company is in a strong position to fund new investments.

In October 2000, as part of the strategic capital management program, the company refinanced some of its debt portfolio through a long term private placement with institutions in the USA and Canada. The maturity of these notes is seven to 12 years and this has advantageously diversified the company's funding sources, while continuing our practice of matching foreign assets with foreign currency borrowings.

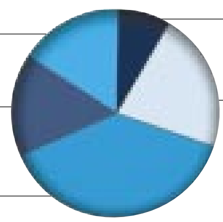
*A robot loads empty paint cans at the start of the filling line at Rocklea (Queensland, Australia)*

# Review of Operations


## Orica businesses will gain advantage by:

- Providing a safe and rewarding work environment for employees
- Being world competitive and innovative
- Delivering outstanding customer satisfaction
- Developing the full potential of our people to deliver superior results

**Contribution to total 2000 sales**




*Clinton Smith at the site of one of Orica's tunnelling projects in Hong Kong*

# Mining Services

Our Explosives business is the world's leading supplier of commercial explosives and fully integrated blasting services to the mining, quarrying and construction industries. It operates in more than 30 countries with manufacturing facilities in Australia, the USA, Canada, Brazil, Mexico, Chile, Argentina, Venezuela, Guyana, the UK, Spain, Turkey, Kazakhstan, Kyrgyzstan, the United Arab Emirates, New Zealand, the Philippines, Malaysia, China, Indonesia and Thailand. Our sodium cyanide business, which provides a key raw material for the gold mining sector, is included in this sector report.

## Review

- Orica continued its expansion into new markets, establishing operations in Venezuela, Kazakhstan, Kyrgyzstan, India and China. It announced agreements to acquire Dynamit Nobel GmbH Explosivstoff und Systemtechnik (DNES) commercial explosives and detonators business in Germany and Estonia, and to form a joint venture with Kimit in Scandinavia.
- Orica's share of the North American commercial explosives market grew, with the business winning major new contracts and benefiting from the reorganisation of our surface mining business to include two new joint ventures with Nelson Brothers.
- Large contracts with Inco and Falconbridge in Canada and Rio Tinto in Australia and the Americas were won through a combination of new technology, process improvement, cost efficiencies and global teamwork by our people.
- Plant improvements continued with the uprate of the Carseland (Alberta, Canada) ammonium nitrate (AN) plant to 515,000 tonnes a year, further automation of the Brownsburg (Quebec, Canada) and Helidon (Queensland, Australia) detonator assembly operations and expansion of the Cuatrociénegas (Mexico) packaged explosives plant.
- Sales volume of sodium cyanide to the gold mining industry increased significantly over the year, including exports to Asia, Oceania, South America and Africa.

### Financial Performance ($m)

| | 2000 | 1999 | Change |
|---|---|---|---|
| Total revenue | **1,413.0** | 1,361.7 | +4% |
| Earnings before interest and tax and before abnormal items | **126.3** | 113.2 | +12% |
| Average capital employed | **942.1** | 860.7 | +9% |
| Return on average capital employed* | **8.8%** | 9.0% | |

* Definition on page 15

Revenue increased in the international business mainly reflecting higher volumes from growth in market share, expansion into new markets and the lower Australian dollar. This was partly offset by lower revenues in Australia. The higher capital employed is principally attributable to new investments in China and capacity expansion in Canada.

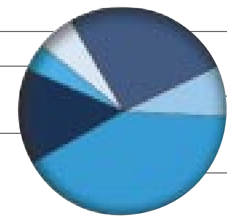

## Progress against business strategies

- **Create lowest cost platforms to supply customers with leading high performance products and blasting services.** The acquisition of DNES will give Orica a centre of excellence in advanced detonator technology complementing the activities of the new US$13.5 million technical centre in Denver (Colorado, USA), Brownsburg and our other centre at Kurri Kurri (New South Wales, Australia).
- **Expand in existing markets by investment in world scale, lowest cost ammonium nitrate capacity.** The successful uprate of Orica's Carseland ammonium nitrate (AN) plant supports our sales of explosives in North America. The acquisition of industrial grade AN plants from LaRoche Industries Inc. in the USA also gives the North American business additional AN manufacturing capability.
- **Expand into new markets and improve the position in existing markets by acquisition or joint ventures.** During the year the business expanded its operations in Europe, Central Asia, Asia, Latin America and the USA.
- **Maintain focus on the safety of its operations and products.** Employee injuries were reduced by almost 50%.
- **Create a global marketing platform that offers customers a common image, product and service package.** The new i-kon™ electronic detonator system (pictured here) launched globally in September 2000 sets a new benchmark in safety, performance and reliability for the mining industry.

## The year ahead

Explosives will continue to strengthen customer relationships globally; realise the benefits of the new electronic detonators; deliver increased returns from new investments and exploit industry rationalisation opportunities. While the current environment of high oil and gas prices has increased costs, reasonable levels of demand are expected from our explosives customers. This, together with anticipated AN price increases and ongoing cost and efficiency benefits, positions the business for improved earnings performance.

**Sales breakdown**

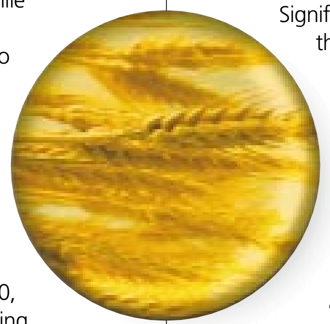


# Agricultural Chemicals

Our agricultural chemical interests are represented by two separate businesses within Incitec Ltd, which is 76.6% owned by Orica. Incitec is Australia's largest manufacturer of nitrogen based chemicals and its business, Incitec Fertilizers, is a leading supplier of phosphatic and nitrogenous fertilizer nutrients in eastern and southern Australia. Crop Care Australasia, a 50–50 joint venture between Incitec and Orica, is the leading supplier of a range of herbicides, insecticides and fungicides to markets in Australia, New Zealand, Papua New Guinea and the Pacific Islands.

## Review

- Incitec Fertilizers increased sales volumes and market share during the year and record sales volumes were achieved. While seasonal conditions were not as favourable for crop protection chemicals, the Crop Care business was also able to improve its market share during the year.
- Incitec Fertilizers opened a new $45 million granular urea plant at Gibson Island (Queensland, Australia) in January 2000, reducing production costs and improving product quality and environmental performance.
- Crop Care's new $4 million liquid herbicide plant at Brendale (Queensland, Australia) opened in May 2000, delivering cost benefits as well as product for expanding agricultural markets.
- The $5.6 million upgrade of the Kooragang Island (New South Wales, Australia) Granulock plant, completed in February 2000, has increased capacity and also delivers a higher quality specialty fertilizer product that is easier for farmers to apply.
- Incitec announced in September 2000 that it will exit its position in rural merchandising group, Grow Force.



### Financial Performance ($m)

| | **2000** | 1999 | Change |
|---|---|---|---|
| Total revenue | **799.7** | 826.4 | -3% |
| Earnings before interest and tax and before abnormal items | **51.3** | 56.3 | -9% |
| Average capital employed | **333.0** | 295.8 | +13% |
| Return on average capital employed* | **10.3%** | 12.4% | |

* Definition on page 15

Revenue and earnings were adversely affected by lower results from the crop protection chemicals business due to unfavourable seasonal conditions and price competition in some market segments. Urea prices firmed during the year which, together with a lower Australian dollar, improved nitrogen fertilizer revenue and earnings. Investments to improve operating efficiencies and product quality differentiation, and the crop protection business results lowered the return on capital employed.

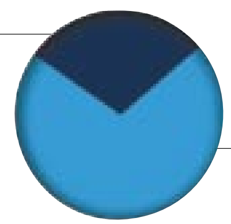
## Progress against business strategies

- **Continue to develop advanced products and delivery systems to enhance the productivity of the Australian agricultural sector.**
  Productivity improvements of $9 million per annum were achieved during the year through the restructuring of manufacturing operations and distribution systems.
- **Build partnerships with customers and world competitive suppliers.**
  Incitec Fertilizers significantly expanded its market position in southern Australia by building its relationship with customers.
- **Reduce emissions to air and water from its operations.**
  Significant reductions were achieved at Gibson Island and this was recognised by the granting of the industry's 2000 PACIA Environment Award.
- **Expand product range through technical innovation.**
  Granulock sales increased significantly during the year as a result of improved product quality, and Crop Care's new herbicide, Affinity 400 DF, was positively received by farmers in Australia and New Zealand.
- **Monitor developments of greenhouse gas abatement measures.**
  Incitec has signed a Greenhouse Challenge Cooperative Agreement with the Australian Greenhouse Office and is participating with industry groups developing constructive abatement measures.

## The year ahead

With consensus forecasts for international urea prices, a continuation of the weak Australian dollar and favourable weather, the outlook is for earnings growth. The business will continue to focus on productivity improvements and growth opportunities to improve its market position and earnings.

### Sales breakdown







*Consumer Products' new filling line at Rocklea (Queensland, Australia)*

# Consumer Products

In Australia and New Zealand, Consumer Products markets an extensive range of products through well-known brand names such as Dulux, Berger, British Paints, Levene, Cabot's, Feast Watson, Intergrain, Walpamur, Acratex, Selleys, Rota Cota and Polyglaze.

Consumer Products is organised into eight Strategic Business Units: Trade Decorative Coatings, Retail Decorative Coatings, Texture Coatings, Protective Coatings, Woodcare, Powder Coatings, Selleys, and Decorative New Zealand.

## Review

- Once again the business received a number of major supplier awards in recognition of the business' strong customer service focus and commitment to building long term partnerships. In Australia, Dulux Australia won the BBC Hardware, Mitre 10 and 3D Paint Store Supplier of the Year awards. Dulux was Mitre 10's largest supplier for the second year in a row. Orica Woodcare (featuring the Cabot's, Feast Watson and Intergrain brands) won the 3D customer service award. In New Zealand Dulux won the Guthrie Bowron Supplier of the Year Award.
- The business improved its manufacturing facilities at Rocklea (Queensland, Australia) and completed a new technical centre at Clayton (Victoria, Australia).
- In July 2000, the business launched www.duluxtradeonline.com.au an electronic shopfront designed to deliver online trading access to trade painters, government and trade corporate accounts.
- New products and initiatives exploiting technology for the benefit of the business were launched during the year (see Innovation on pages 18 and 19).

### Financial Performance ($m)

| | **2000** | 1999 | Change |
|---|---|---|---|
| Total revenue | **638.0** | 626.9 | +2% |
| Earnings before interest and tax and before abnormal items | **63.3** | 63.0 | +1% |
| Average capital employed | **217.0** | 176.1 | +23% |
| Return on average capital employed* | **18.9%** | 22.3% | |

* Definition on page 15

Higher revenues mainly reflect higher volumes and prices in the decorative paints sector. Higher underlying earnings were partly offset by the effect of the divestment of the polyester resins business late last year. Commissioning of the Rocklea (Queensland, Australia) manufacturing automation and distribution centre and the new technical centre at Clayton (Victoria, Australia) increased capital employed.

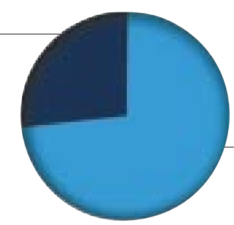
## Progress against business strategies

- **Maintain a strong R&D program and increase the rate of product innovation.**
  A new $12 million Research and Development Technology Centre at Clayton was completed in September 2000, for the continuing development of new products for the decorative paints and architectural coatings markets.
- **Continue to improve our relationships with customers and suppliers.**
  This year over 3000 retailers/customers from Australia and New Zealand took the opportunity to learn about and use our products at the Orica Consumer Products Academy.
- **Ensure costs are world competitive.**
  The major $16 million upgrade of the Rocklea manufacturing plant was completed in 2000, involving the installation of two automated high speed paint filling lines and construction of a new distribution centre shared by Consumer Products and Chemicals.
- **Reduce manual handling injuries.**
  There has been a 30% reduction in injuries this year, although the rate is still too high.
- **Grow the business in offshore markets.**
  The Texture Coatings manufacturing facility in Malaysia began to supply product in Malaysia and surrounding regions in 2000.

## The year ahead

The business looks forward to reaping the benefits that flow from the Rocklea upgrade, innovative new product introductions and its new technical centre, as well as the electronic shopfront for trade professionals which lowers the cost of supply. It does however, face uncertain conditions with forecasts of reduced demand by Australia's housing and construction industry.

### Sales breakdown



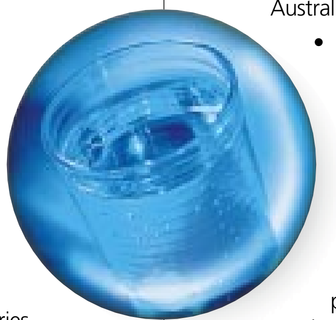
# Review of Operations

## Chemicals

Orica is the leading supplier of chemical products and services in Australia, New Zealand and in the Asia Pacific region. Key products include: formulated dairy cleaners; sanitisers and water treatment chemicals; solvents and monomers for the surface coatings market; adhesives and resins for the wood panels and specialty binders markets; and a broad range of inorganic and organic chemicals for use in the manufacture of household and institutional cleaners, and for the food and beverage, engineering, construction and mining industries. Incitec's Industrial Chemicals, included in this sector, sells ammonium nitrate to the Australian Explosives business, and also manufactures specialty sulphur products, industrial urea and ammonia, and alum used in water treatment.

### Review

- The Chemicals business has improved profitability with process and cost efficiency improvements in all units.
- The newly constructed MIEX® Resin Pilot Plant at Deer Park (Victoria, Australia) produced its first development batch in August, marking another milestone for this water treatment technology which removes dissolved organic compounds from drinking water prior to disinfection.
- In New Zealand, Chemnet and Kiwi Co-operative Dairies signed a long term exclusive agreement for bulk chemical supply and in plant technical service, providing Kiwi Dairies with the most cost effective cleaning of its plants.
- Incitec's Industrial Chemicals business recorded generally strong sales of its key products, with overall performance buoyed by improved plant performance.
- The Polyurethanes business was sold to Huntsman Corporation for $48 million in February.



**Financial Performance ($m)**

| | **2000** | 1999 | Change |
|---|---|---|---|
| Total revenue | **711.8** | 813.8 | -13% |
| Earnings before interest and tax and before abnormal items | **61.9** | 60.4 | +2% |
| Average capital employed | **373.4** | 337.4 | +11% |
| Return on average capital employed* | **11.0%** | 11.3% | |

* Definition on page 15

Lower revenues were mainly attributable to the divestment of the polyurethanes business during the year and lower prices in some business segments.

Earnings increased despite the polyurethanes divestment, reflecting significant gains in cost performance. Average capital employed increased, mainly due to expenditure on new chlorine plants due for commissioning in 2001.

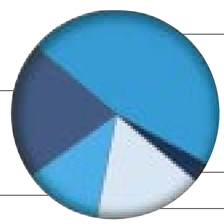
### Progress against business strategies

- **Build partnerships with customers and world competitive suppliers.**
  Chemnet's Pulp and Paper business renewed its partnership arrangement with Fletcher Challenge Paper Australasia and Tasman Pulp (now Norske Skog) in a strategic supply partnership covering all operations in Australia and New Zealand.
- **Continue to realise productivity improvements and cost efficiencies.**
  A $145 million reinvestment in the ChlorAlkali business is underway with new, significantly more energy efficient plants being built at Laverton (Victoria, Australia) and Botany (New South Wales, Australia), due for completion in 2001.
- **Assist customers with safe storage, handling and use of chemicals.**
  Chlorine Safeguard was introduced this year to assist customers with the safe management of chlorine. Safeguard won the industry's 2000 TG Crane/PACIA Health and Safety Award.
- **Innovate through partnerships with research organisations.**
  Orica Watercare entered into a long-term research partnership with CSIRO Entomology for the development of enzymes for bioremediation and with the Australian Nuclear Science and Technology Organisation for novel mineral beneficiation processes.
- **Achieve world competitive performance standards in all business processes and systems.**
  The internet shopfront, www.orica-chemicals.com, was launched and the first internet sales were transacted. It automatically interfaces with our internal business computer systems.

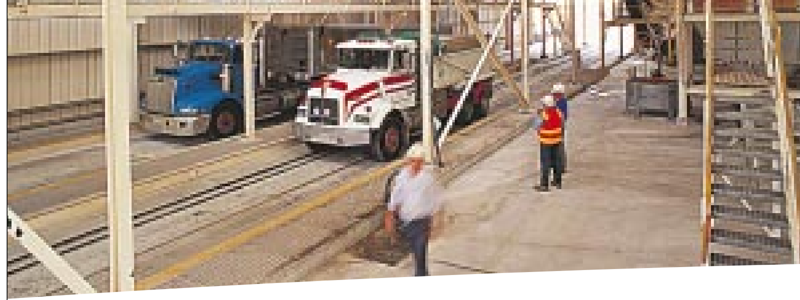
### The year ahead

The business aims to strengthen its market position through growth in chemicals trading by expanding the range of products and services and, if appropriate opportunities become available, through new acquisitions. The new chlorine production facilities at Laverton and Botany will deliver benefits, and commercial exploitation of the MIEX® technology will be accelerated.

**Sales breakdown**





*Incitec's new distribution centre at Gibson Island (Queensland, Australia)*

## Non-core businesses

### Plastics and other

Our Plastics business is represented through two joint ventures. Australian Vinyls, a joint venture with the USA company PolyOne, which manufactures polyvinyl chloride (PVC) and PVC compounds, and Qenos Holdings Pty Ltd, a joint venture with ExxonMobil Corporation, which manufactures polyethylene, polypropylene and synthetic rubber.

The 'other' segment includes minor, discontinued, divested businesses and non operating assets, and unallocated corporate charges.

### Review

- Australian Vinyls experienced difficult trading conditions in 2000, particularly in the second half year. Higher raw material prices and downward pressure on PVC prices, due in part to imports at dumped prices and a significant decline in demand in some market sectors in the second half year, contributed to a disappointing financial performance.
- The equity accounted share of Qenos' profit reflects a full year effect for the first time. While the result reflects some gains from the merging of the previous ExxonMobil and Orica businesses, increased feedstock costs constrained margins, and continued shortages of ethane from the Longford (Victoria, Australia) facility limited production.
- Orica sold its Moomba (South Australia) to Botany (New South Wales, Australia) ethane pipeline for approximately $124 million. A long term transportation contract has been put in place with the new owners for the supply of ethane to the Qenos plant at Botany.
- GBC Scientific Equipment was sold in the first half year.
- Cast Film business in Australia and Malaysia was also sold in the first half year.

**Plastics**
**Financial Performance ($m)**

| | **2000** | 1999 | Change |
|---|---|---|---|
| Total revenue | **329.0** | 497.0 | -34% |
| Earnings before interest and tax and before abnormal items | **13.3** | 33.6 | -60% |
| Average capital employed | **252.2** | 256.6 | -2% |
| Return on average capital employed* | **10.3%** | 8.0% | |

* See definition on this page

Revenue was lowered by the full year effect of the formation of the Qenos polyethylene joint venture which is equity accounted. Lower earnings from PVC, attributable to reduced margins and volumes also lowered returns on capital employed.

### Progress against business strategies

- **Complete the realisation of synergies arising from the Qenos joint venture, expand market share and optimise value growth through productivity improvements.**
  Rationalisation of production has begun with planned expenditure of $15 million underway at Botany (New South Wales, Australia) to increase high density polyethylene capacity to replace imports.
- **Recover margins in Australian Vinyls through rebalancing feedstock sourcing, productivity gains, and implementation of a low cost option to rationalise the number of compounds business operating sites.**
  Options to improve the feedstock position are being implemented and rationalisation of the compound sites is anticipated in the 2001/2002 period.

### The year ahead

Australian Vinyls expects a turnaround in margins in the period ahead as a result of more advantageous arrangements being put in place for feedstock sourcing. Some volume improvement is also expected compared to the depressed experience in the second half of 2000, but the risk of decline in the housing and construction sector raises uncertainties about overall PVC demand.

At Qenos, high feedstock prices are expected to be a feature of business conditions and will constrain margins. Competitive import parity prices will increase as a result of the lower Australian dollar. Commissioning of high density polyethylene capacity at Botany will bring benefits as will the continued drive for cost efficiency and productivity improvements.

**Definition**

**Return on average capital employed** compares operating profit before interest and after tax (before abnormal items) attributable to members of Orica with a straight line average of capital employed.

# Safety, Health and Environment

*At Orica we are committed to managing all our activities with concern for people and the environment and conducting our business for the benefit of society without compromising the quality of life of future generations.*

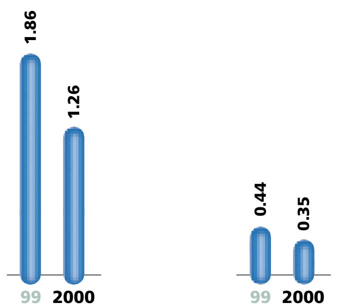
## Safety and health

This year the number of work related injuries and illnesses suffered by our employees and contractors has been significantly reduced to a record low figure for Orica. Any satisfaction with this improvement is tempered by the deaths at work of two of our employees and also by a number of incidents involving the transport of our products.

However, both the number and, overall, the severity of incidents have decreased. Last year there were 193 employee and 48 contractor recordable cases. This year with a slightly smaller workforce we have had 121 and 38 recordable cases, respectively.

For employees this equates to a recordable case rate (RCR) of 1.26 per 200,000 hours and a lost workday case rate (LWCR) of 0.35. For contractors, that is those formally employed by others doing work for us on our sites, the recordable case rate was 1.85 and the lost workday case rate was 0.39.

**Recordable case rate** **Lost workday case rate**




*Employees – number of recordable cases per 200,000 hours worked*

This is the second full year that the company has reported its injuries and illnesses using the US OSHA (Occupational Safety & Health Administration) system. The company chose this system because of its comprehensiveness and rigour and because it facilitated benchmarking with the safest companies in the world. For example, member companies of the US Chemical Manufacturers Association had an average recordable case rate of 2.13 and a lost workday case rate of 0.38 in 1999. The Orica performance is outstanding when compared to other Australian companies.

The company transports large quantities of often hazardous materials over long distances to its customers. Most of this transport is by road and undertaken by contract carriers. In distributing its products, during this past year the company was involved in 23 significant incidents resulting in loss of material or damage, injury or traffic disruption. Five of these incidents involved fatalities, but independent investigations in each case concluded that the incidents were not within the control of the company.

## Environment

Orica is committed to managing its operations to minimise their impact on the environment and on neighbours, and to meet community expectations of performance including, of course, legislative and licence requirements. Our sites are encouraged to report their performance directly to their neighbouring communities.

We regret that in this past year there have been a total of eight incidents at Orica's operations that have led to losses of containment of chemicals that have had an impact on or had the potential to affect the environment or neighbouring communities.

Orica sites undertook over 27,120 scheduled tests as part of their environmental licence requirements. Of these tests 74 were not completed successfully or were over the specified limit. Any breaches were reported as required to the authorities.

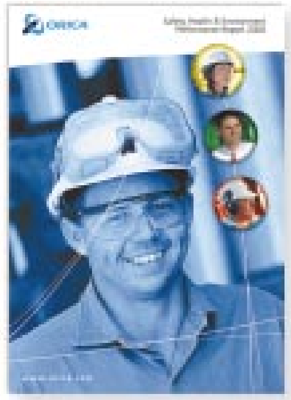
Sites have set waste reduction targets in line with their specific environmental impacts. In view of public environmental concerns, particular attention is being given to reducing energy use and the abatement of greenhouse gases, particularly carbon dioxide, supporting the Australian Greenhouse Challenge and other programs.

Orica internationally consumes a total of 27,000 terajoules of energy a year in carrying out its operations. This includes natural gas consumed by the Incitec operations at Gibson Island (Queensland, Australia) and Kooragang Island (New South Wales, Australia) in the manufacture of ammonia. The total release of carbon dioxide, including that as a consequence of electrical energy consumption, was 1.8 million tonnes.

Orica continues an active program of remediating former manufacturing sites. Completed land management projects in the past year include Cabarita (New South Wales, Australia) and Cheltenham (Victoria, Australia), while significant progress has been achieved in major projects at Rhodes and Botany (both New South Wales, Australia). A preferred technology has been chosen for the HCB destruction process at Botany.

Orica has commenced assessment of potential legacy issues at sites of former operations in New Zealand. Existing Orica sites are required to investigate, monitor and control operations to ensure current operations avoid creation of legacy management issues.

*Howard Baker, Agricultural Chemicals*



*More details on our Safety, Health & Environment (SH&E) performance including information on Orica's SH&E management processes and Challenge 2005 objectives and milestones are contained in the 2000 Safety, Health & Environment Performance Report, which is being sent to shareholders who have chosen to receive the full annual report. It can be viewed on our internet site (orica.com), or ring +613 9665 7309 to obtain a copy.*

## Prosecutions

In November 1999 Incitec was fined $25,000 in the NSW Land Protection Court for breaches of the NSW Environment Protection Act relating to a release of ammonia at Kooragang Island (New South Wales, Australia) in June 1998.

In February 2000 Australian Vinyls was fined $10,000 in the Melbourne Magistrates Court for breaches of the Victorian Environment Protection Act in relation to a release of vinyl chloride monomer from the Laverton (Victoria, Australia) plant in November 1999.

In March 2000 Orica pleaded guilty to four charges of breaches of the Victorian Dangerous Goods (Storage and Handling) and Occupational Health and Safety Acts (Australia) relating to the Deer Park (Victoria, Australia) site and was a fined a total of $35,000.

In April 2000 the company pleaded guilty to six offences under the UK Explosives Act and the Health and Safety at Work Act and was fined £30,000 over breaches at the Muirside, United Kingdom site.

In May 2000 the Incitec site at Port Kembla (New South Wales, Australia) was issued an infringement notice with a fine of $550 for breaches of the NSW Confined Spaces Regulations.

In September 2000 Incitec pleaded guilty to offences under the NSW Environment Protection Act related to a release of acid into an effluent drain at Kooragang Island (New South Wales, Australia) in March 1999. Incitec was fined $25,000.

The USA business has received a total of 35 minor citations from the US Mines Safety & Health Administration. The total of the fines for these citations was less than $US5,000.

In each case actions have been taken to ensure future compliance.

## Customers and the community

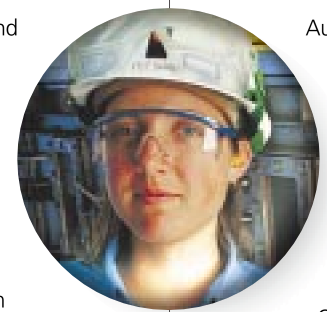
Orica is committed to responsible stewardship of its products and services throughout their life cycle where this is possible. Up to date safety and health information and, in some cases, training is provided to customers and advice is given on appropriate disposal of wastes associated with the products. There is a constant effort to seek products that lessen the risk of adverse human and environmental potential impact. The company also provides an emergency response service to answer urgent enquiries on its products from both the public and authorities.

*Kylie Barker, Agricultural Chemicals*

## Awards

Orica's Watercare business was awarded the 2000 TG Crane/PACIA Health and Safety award for its Chlorine Safeguard product stewardship program. Through the program an information package, training and other services are made available to customers for the safe handling of chlorine.

A team from Incitec was awarded the 2000 PACIA Environment award for environmental improvements introduced in the urea granulation plant at Gibson Island (Queensland, Australia). Urea dust and ammonia emissions to air and dissolved solids to the Brisbane River have been substantially reduced.



Australian Vinyls won an Outstanding Achievement award at the Sustainable Energy Authority of Victoria 2000 Energy Smart Awards. The award recognised the savings achieved at the Altona and Laverton plants (both Victoria, Australia) and the development and implementation of a comprehensive energy strategy.

## SH&E leadership

Orica's SH&E Council, consisting of members of the Executive Team and the Corporate SH&E Manager, is the forum for SH&E strategy development as well as for SH&E governance of the company. SH&E is a line management responsibility and managers are accountable for the SH&E performance of their operations.

## Orica and greenhouse

Orica recognises that the balance of scientific evidence indicates that the increase of carbon dioxide levels in the atmosphere is resulting in climate change and that such climate change could have adverse environmental and health effects. It therefore supports activities to reduce the emissions of greenhouse gases and the efforts of governments in this regard. However, in establishing greenhouse gas abatement measures such as emissions trading, Orica believes that companies which have taken early action to reduce greenhouse gas emissions should not be disadvantaged, and that consideration be given to manufacturers competing against suppliers from developing countries with no emissions reduction targets. While monitoring developments, Orica has set itself aggressive greenhouse gas reduction targets and is considering potential greenhouse gas emission costs when assessing future expenditure proposals.

# Innovation

*To win against the world's best, Orica must nurture and develop innovative ideas and utilise technology so that those projects which have the potential to sustain or reshape the company can be explored as early as possible.*

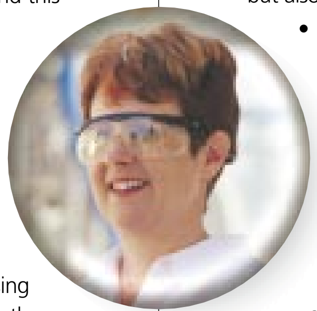
## Looking to the future

Orica is built on a strong research and technology base, and it will continue to rely on new and improved products, novel manufacturing processes, smart technology and innovative people, to bring success in the future.

This does not happen overnight as our commercialisation of the MIEX® resin for water treatment and our recent launch of the i-kon™ electronic detonator system show. Both evolved from idea to product over a 20 year period. Dulux Wash & Wear 101 was also developed after many years' work on the underlying latex chemistry.

Orica depends on having new products in the pipeline and this year's addition of two new technology centres – one at Denver (Colorado, USA) for the Explosives business and another at Clayton (Victoria, Australia) for Consumer Products – will ensure that this tradition continues.

In addition, Orica has established a Strategic Technology Fund to explore the potential of ideas and new science from outside the company, with the aim of identifying new opportunities for future business growth over the next five to 10 years. This means accessing the body of knowledge being created within universities, the leading Australian research organisation CSIRO, and other research institutes both within Australia and overseas.



*Betty Eaton, Agricultural Chemicals*

## Key to marketing success

The introduction of innovative new products and services are critical to Orica building and strengthening its position in key markets.

Some recent examples:

- Explosives developed the Eclipse range of emulsion based explosive products to enable customers to mine safely in areas where sulphide ores react exothermically with ammonium nitrate based products. Supported by an extensive product stewardship program, Orica has sold over 70,000 tonnes in Australia and South East Asia. The most extreme example of this product's application is at the Lihir Island gold mine in Papua New Guinea where the rock is not only reactive but also geothermally heated up to 150 degrees Celsius.
- Selleys has had strong sales of Polycell Polyfilla Squeeze & Fill in the United Kingdom, following on from the successful launch of Polyfilla Fastfill and No More Gaps Squeeze Pack in the Australian market. Selleys developed, manufactured and supplied the product to the UK market in less than five months.
- Dulux Wash & Wear 101, a washable, stain resistant, hard wearing paint finish, and Dulux Weathershield X10, which offers 10 year protection through all weather conditions, have increased sales of premium branded products in Australia and New Zealand.
- Orica supplied the paint for the Sydney Olympic village. BreatheEasy was used as the major interior broadwall coating, while Dulux Weathershield X10 was used on the outside. BreatheEasy is a fume free paint that has been endorsed by the Asthma Foundation of Victoria.
- Incitec's new urea granulator plant at Gibson Island (Queensland, Australia) now produces a world class product that meets the increasing quality standards of Australian agricultural customers, consolidating the market position of Australian manufactured urea.


*Utilising latest technology, Dulux Wash & Wear 101 has impressed customers with its long lasting and durable finish*

*www.orica-chemical.com is a customer self service shopfront which is fully integrated with Orica's SAP business system*

*Dulux Estimate™, a hand held quoting device, is being developed to help professional painters with on the spot quoting*

## New to the market

- The i-kon™ electronic detonator system launched worldwide in September 2000, delivers greater accuracy, safety and flexibility with blasts.
- As the world's first magnetic ion exchange resin process for water treatment, MIEX®, is opening up new international opportunities in countries such as the USA, where water quality standards are becoming more stringent. Orica is working with the CSIRO on this project.
- Incitec Fertilizer's EASY N, a liquid fertilizer that is applied through irrigation systems, is staking a claim with the vineyard, vegetable and orchard markets. Utilising the unique combination of Orica's ammonium nitrate capability with Incitec's urea manufacture, EASY N was developed to give growers a highly cost effective source of nitrogen for their crops.
- Utilising e-commerce technology to improve customer service and efficiency, Orica launched a number of customer service shopfronts, including www.duluxtradeonline.com.au and www.orica-chemicals.com, with similar applications for Incitec well underway.
- The recently launched home renovating advisory service, Myspace.com.au, aims to use an internet shopfront to bring together home owners and service providers to deliver an efficient and positive experience in the home renovation market.
- Orica joined forces with 13 other major Australian companies in July 2000 to found corProcure, Australia's largest horizontal marketplace for procuring goods and services.
- Orica launched an intranet in September 2000 aimed at improving communications with all employees. A new Human Resources system will soon deliver a sophisticated self service capability via the intranet to Orica employees.

*The newly constructed MIEX® Resin Pilot Plant produced its first development batch in August 2000*


*Dulux WonderWalls, a new range of Dulux paints specifically designed for decorating children's rooms, was launched in May 2000. The range includes paint that magnets stick to, chalk board paint, 60 specific topcoat colours, fairy dust and 'slap up' magnetic characters to decorate walls.*

# Orica People

*Hong Kong's Shek O Plant operating staff, from left: M T Yu, Clayton Chan, Wong Pak Lun, C Y Tam, Clinton Smith, So Chi Ming, Wong Po Lun, Ng Mo Lam*

*To win against the world's best, we recognise that we not only need the best products and services, but the best people.*

*Fiona O'Neill and Steven Toth from Consumer Products*

## Making the most of our people

Orica has approximately 9000 people working in 30 countries across the globe. We aim to assist all of our employees realise their potential for their own benefit and for that of the company, with the assurance that they are working in operations which have regard for the highest standards of safety, health and care for the environment.

We know our ability to meet our vision is in the hands of our people.

For this reason we are committed to attracting very high calibre people to the organisation – and to keeping the very high calibre people we already have at Orica.

We invest in our people with graduate development programs, other specialist training including executive management and leadership development programs, and with initiatives such as Live Wire, where employees are encouraged to pursue entrepreneurial and innovative business ideas. Through projects like this, and through media such as our Globe intranet, we are increasingly giving our people the opportunity to communicate their fresh ideas to the rest of the organisation.

These programs and opportunities are supported by the performance management agreement process where employees establish personal objectives each year. This process gives employees a clear understanding of what Orica expects of them in the way of performance standards, and it gives the company a clear understanding of the career goals, development needs and expectations of each employee.

Reward and recognition is an essential part of developing our people. At our annual Excellence Awards we recognise and reward exceptional performance and teamwork of our people, sharing this with employees from across our company in a day of recognition and celebration.

As well as providing ongoing development, opportunities and encouragement for existing employees, Orica continues to seek highly talented people from outside to enrich the organisation with their knowledge, their energy and diversity of experience.

It is pleasing to find that in the last year an increasing number of applicants for positions at Orica have seen the company as offering them opportunities that many other companies cannot.

*Jane Slack-Smith, from our Explosives business in Australia, won a Churchill Fellowship to study remediation blasting around the world. Through remediation blasting, former mining and quarry sites are much more efficiently converted into safe reuseable land. Winning the Churchill Fellowship is great recognition of Jane's work.*

*Hung Nguyen, a scientist with our Chemicals business, was awarded a CSIRO medal for his contribution to the development of the MIEX® resin. CSIRO is Australia's leading research organisation and the awarding of the medal to Hung was the first made by that organisation to someone from a commercial company.*

*Eric Jacobsen, plant manager with Adhesives & Resins business at Deer Park (Victoria, Australia), joined Orica in 1996 attracted by the company's two year work rotation program for new graduates. Now Eric supervises another generation of graduates and is enrolled in an Orica management and leadership development program.*

*Plant Technicians Steve Humalisto (left) and Allister Powell at the granulator melt headers in the new urea granulation plant at Gibson Island (Queensland, Australia)*

# Executive Team

The Executive Team comprises the CEO Philip Weickhardt, the executive directors and general managers of the businesses and the functional groups, Incitec managing director, general counsel and the strategic planning manager.

The Executive Team is the leader of the company's Vision and Values and, as such, is not only involved in current business performance, but also with future growth and external relationships.

At its monthly meeting the Executive Team reviews business performance and major company initiatives as well as strategies for safety, health and the environment, profitable growth, e-commerce, human resources, technology and other functions.

Through rigorous implementation of Orica's Vision and Values and associated strategies, the Executive Team is focused on delivering value for shareholders.

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

Managing Director and Chief Executive Officer

Joined the ICI Group in 1971 and this company in 1974. Appointed an Executive Director in 1994. Has held several senior management positions in the company. Appointed managing director and chief executive officer in June 1997. Also a member of the Business Council of Australia.

Age 52

**Terry Keating**
BSc, MSc, PhD

Strategic Planning Manager

Joined ICI (UK) in 1969 holding senior positions in Research & Development, purchasing and ICI Petroleum. Seconded to ICI Australia in 1986. Joined this company in 1989. Has held a number of senior positions in Plastics, Finance and Planning. Director of Incitec Ltd, Qenos Holdings Pty Ltd and Australian Vinyls Corporation Limited.

Age: 58

**Graeme Liebelt**
BEc (Hons)

Executive Director and CEO International 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 International Explosives in August 2000.

Age 46

**GM Australia/Asia**
Julian Segal
**Chief Financial Officer**
Anthony Reeves
**Senior Vice President Business Development**
Darrell Williams
**Senior Vice President Strategic Planning**
Philippe Etienne
**Senior Vice President Operations**
Alan King
**President Orica Canada, Orica USA**
David P. Taylor
Jim O'Reilly, Sr. VP, Quarry & Construction and Independent Distributors
Chris Spriggs, VP Finance & Administration and CFO
Christopher Hunter, VP Mining Services
John McLaughlin, VP Initiation Systems
Milt MacGregor, VP Ammonium Nitrate Products
Charles Jackson, VP Marketing and Commercial Services
**President Latin America**
Les Miller
Sergio Lafratta – Director of Business Development and Marketing
Antonio Cyrino de Sá – Managing Director Brazil
Gabriel Larrondo – Managing Director Chile
Mike Moffat – General Manager Argentina
Marco Menin – General Manager Central America & Caribbean
Claudio Rodriguez – General Manager Mexico
Dennis Tremblay – General Manager Venezuela
Arthur Darivas – Financial Controller
**GM Europe**
Stephen Connolly
Serdar Tosun – GM Turkey
Enrique Palomino – GM Spain
Claude Roth – GM France
Colin Alston – GM Emirates
Patrick Kennedy – GM UK
David Tierney – Finance, IT and HR
Brian Allison – Engineering

**Tony Larkin**
FCPA, FAICD, FFTA (Hon)

Executive Director Finance

Joined the company in June 1998 with responsibility for Finance, Treasury, Taxation, Investments, Acquisitions and Divestments, Risk and Insurance Management, Internal Audit, Investor Relations, Corporate Affairs, Legal and Secretariat. Previously Group Treasurer BHP and from 1993 to 1997 seconded to Fosters Brewing Group as Senior Vice President Finance and Investor Relations. From August 2000 appointed a Director and Chairman of Incitec Ltd, Chairman of Australian Vinyls Corporation Limited, Chairman of Qenos Holdings Pty Ltd and Chairman of the e-Commerce Advisory Panel.

Age 58

**Controller/Mgr – Finance Shared Services**
John Lee
**Investor Relations Mgr**
James Brookes
**Investments Mgr**
Richard Giles
**Treasurer**
Andrew Eddy
**Risk & Insurance Mgr**
David Lyons
**Acquisitions & Divestments Mgr**
Geoff Watson
**Group Taxation Mgr**
Ross Lyons
**General Counsel**
Michael Barron

**Gerald (Jerry) Adams**
BA, MBA

General Manager, Orica Consumer Products

Joined Orica Consumer Products in April 2000 as general manager Consumer Products with responsibility for Dulux, Selleys, Powder Coatings and Woodcare. Previous recent roles include President & CEO of Box USA (a subsidiary of 4M Corporation) between 1996 and 1998, and Group General Manager of Amcor Fibre Packaging & Chief Executive of Australian Corrugated Box Business of Amcor (Australia) between 1992 and 1996.

Age 47

**GM Decorative**
Peter Bailey
**GM Dulux New Zealand**
Peter Brindley
**GM Woodcare**
Andrew Ingleton
**GM Operations**
Malcolm Walters
**Business Mgr – Powder Coatings**
Steve Walker
**GM Finance/IT/Planning**
Michael Donnelly
**GM Selleys Chemical Company**
Martin Ward
**GM Technology**
John Lyons
**GM Acquisitions Asia**
Tony Millar
**Group Human Resources Mgr**
Rob Weaver

**Barbara Gibson**
BSc, FTSE

General Manager Chemicals Group

Joined the company in 1985. General Manager Chemicals Group since July 1997. Previously General Manager Advanced Sciences Group, General Manager Corporate Advisory Group and General Manager Research Group. Manager responsible for strategic procurement, Chairman of Orica New Zealand Ltd. Also Director of Incitec Ltd and Deputy Chairman Biota Holdings Ltd.

Age 52

**Div GM ChlorAlkali**
Patrick Largier
**Div GM Mining and Resources**
Peter Walker
**Div GM Chemnet**
Graeme Jacobs
**Div GM Adhesives and Resins**
Graham Bird
**Chemicals Group SH&E Mgr**
Patrick Hanrahan
**Chemicals Group HR Mgr**
David McKinnon
**Chemicals Financial Controller**
James Fazzino
**Chemicals Acquisition and Planning Mgr**
John MacKenzie
**Chemicals Group IT Mgr**
Abdul Hussein

**Kevin Lynch**
BSocSc, MBA

General Manager Human Resources

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

Age 44

**Organisation Development Mgr**
David Gunzburg
**HR Shared Services Mgr & Remunerations and Benefits Mgr**
Wendy Attwater

**Roy Rose**
BSc

General Manager Technology Group

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

Age 53

**Engineering Shared Services Mgr**
Gregory McPhee
**Corp Engineering & Manufacturing Mgr**
Barry Hooper
**IT Shared Services Mgr**
Keith Revell
**Chief Information Officer**
Philip Nesci
**Property Infrastructure Mgr**
John Loschiavo
**Group Security Mgr**
Robert Fero
**Corp SH&E Mgr**
Patrick Hanrahan

**Greg Witcombe**
BSc

Managing Director Incitec Ltd

Joined the company in 1977 and has held several senior management positions including General Manager Polyethylene Group in 1997. Appointed Managing Director of Incitec Ltd in October 1998. Chairman of Crop Care Australasia.

Age 46

**GM Fertilizers**
Gordon Davis
**GM Crop Care Australasia**
Mark Allison
**GM Industrial Chemicals**
Robert Ravens
**GM Manufacturing**
Richard Hoggard
**Finance Mgr**
David Lamont
**Corporate Planning Mgr**
Bill Surman
**Human Resources Mgr**
Ivan Wood
**Group SHE Mgr**
Steve Hessel
**Company Secretary**
Simon Moran

**Julian Segal**
BSc (Chem Eng), MBA

General Manager Explosives Australia/Asia

Appointed General Manager Explosives in 1999.

Age 45

**Mgr Finance & IT**
Jackie Bottomley
**Mgr AN & EP Products**
Lindsay Smith
**Mgr IS, PE Products & Deployment**
Andrew Coleman
**Mgr Asia**
Sanjay Dayal
**Mgr Mining**
David Gibson
**Mgr Quarry & Construction**
Daryl Roe
**Technical & Operations Support Mgr**
John Beevers
**Knowledge Based Business Mgr**
Neville Moxon
**HR Mgr**
Brian Connell

**Michael Barron**
BEc, LLB

General Counsel

Joined Orica in 1985. General Counsel since 1993.

Age 45

**Company Secretary**
Richard Kneebone
**Corporate Affairs Mgr**
Mike Feehan
**Chief Internal Auditor**
Chris Williams

# Board Members

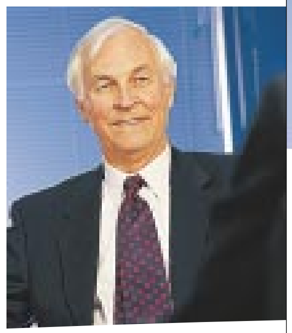
**B H Lochtenberg**
BE (Hons) DPhil FTSE

Age 69

Chairman

Non executive director since 1992 appointed chairman March 1995. Chairman of the Board's Remuneration & Appointments Committee.

Chairman of the Mental Health Research Institute of Victoria Inc. Director and deputy chairman of Webjet Ltd. Director of Capral Aluminium Ltd, The Australian Foundation for Science Limited and Melbourne University Private Limited. Member, Council of the University of Melbourne. Former regional chairman of Imperial Chemical Industries PLC and chairman of ICI Americas Inc and ICI Canada Inc. Resident Melbourne, Australia.



**P L Weickhardt**
BSc (Hons) MSc FRACI FTSE

Age 52

Managing Director & Chief Executive Officer

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

**P J Clinch**
BE (Hons) BEc

Age 58

Executive director and chief executive officer of international explosives, retires 2 November 2000.

Previously executive director of ICI Australia Ltd and as chief executive officer, ICI Explosives became a non executive director in 1994 serving until 1997. Rejoined the Orica board in May 1998. Resident Sydney, Australia.

**A B Daniels OAM**

Age 65

Non executive director since March 1995 and a member of the Board's Remuneration and Appointments Committee.

Director of Commonwealth Bank of Australia, Pacific Dunlop Limited, Pasminco Limited and The Australian Gas Light Company. Former managing director of Tubemakers Limited. Resident Sydney, Australia.

**B Healey**

Age 66

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

Chairman of Biota Holdings Ltd, Centro Properties Ltd and Portfolio Partners Ltd. Director of Citipower Pty, Foster's Brewing Group Ltd and Norwich Union Australia Ltd. Former senior Vice President of Nabisco Inc, Sara Lee Corporation and chief executive of Nicholas Kiwi worldwide. Resident Melbourne, Australia.

**G E Heeley**
BEc FCPA FCA

Age 66

Non executive director since April 1993. Chairman of the Board's Audit Committee and a member of the Remuneration and Appointments Committee.

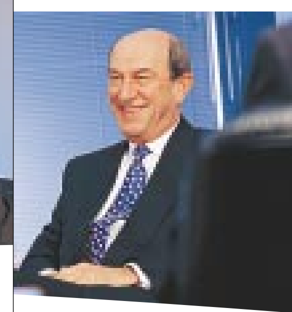
Director of AXA Asia Pacific Holdings Ltd, Bank of Tokyo-Mitsubishi (Australia) Ltd, David Jones Ltd, Swiss Re Australia Ltd and The Jack Brockhoff Foundation Ltd. Former executive director and executive general manager finance of The Broken Hill Proprietary Company Ltd,. Resident Melbourne, Australia.

**A C Larkin**
FCPA FAICD FFTA (Hon)

Age 58

Executive director finance appointed June 1998.

Chairman of Incitec Ltd, Qenos Holdings Pty Ltd, Australian Vinyls Corporation Limited and e-Commerce Advisory Panel. Functional responsibility for finance, internal audit, insurance, treasury, taxation, corporate affairs, legal, secretariat, investments management, acquisitions and divestments and investor relations. Former group treasurer The Broken Hill Proprietary Company Ltd and senior vice president finance and investor relations Foster's Brewing Group Ltd. Resident Melbourne, Australia.



**G R Liebelt**
BEc (Hons)

Age 46

Executive director since July 1997.

Chief Executive Officer, International Explosives as of 1 August 2000, and functional responsibility for safety health and environment. Previously chairman of Incitec Ltd, general manager of Plastics and managing director of Dulux. Resident Denver, USA.

**D P Mercer**
BSc (Hons) MA(Econ)

Age 59

Non executive director since October 1997. Member of the Board's Remuneration and Appointments Committee.

Chairman of Australia Pacific Airports Corporation Ltd and The Australian Information Economy Advisory Council. 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 Melbourne Australia.

**C M Walter**
LLB (Hons) LLM MBA

Age 48

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

Director of Australian Stock Exchange Ltd, Committee for Economic Development of Australia (CEDA), Melbourne Business School Ltd, National Australia Bank Ltd, Queensland Investment Corporation and Vodafone Pacific Ltd. Former Melbourne managing partner of Clayton Utz. Resident Melbourne Australia.

# Corporate Governance


*Protection and enhancement of long term shareholder value is a key outcome of good corporate governance.*

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

The board has established general principles under which it and management operate to ensure that business is carried out in the best interests of shareholders and other stakeholders. The board responsibilities include:

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


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

## The Board

***Composition***

The board currently comprises 10 directors: six independent non-executive directors, including the chairman, and four executive directors, including the managing director. On 2 November 2000 executive director Mr P J Clinch retires. Details of the directors, their qualifications and experience are set out on pages 24 and 25.

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 kept under review.

***Board meetings***

The number of board meetings held and the attendance details are set out in the directors' report on page 31.

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

***Independence***

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

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 interest which could potentially conflict with those of the company.

***Appointment terms***

Apart from the managing director, directors are subject to shareholder re-election by rotation at least every three years. Non-executive directors appointed since 1 October 1998 are appointed for a maximum term of ten years or on attaining 70 years of age, whichever is the earlier. All directors must obtain the chairman's prior approval before accepting appointment to a 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. 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.

***Directors' Orica shareholdings***

Directors are required to hold a minimum of 1,000 shares. Their current shareholdings are shown on page 31. Directors and relevant employees may only buy or sell Orica shares during two month periods following the annual and half-year results' announcement and the annual general meeting and only when not in possession of any undisclosed price-sensitive information.

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

***Directors' fees***

Non-executive directors' fees are determined by the board within the aggregate amount of $750,000 which was approved by shareholders at the 1998 Annual General Meeting. In determining the level of fees in the context of the nature of the directors' work and responsibilities, the board reviews external professional advice and survey data on fees paid by comparable companies and considers this against the level of remuneration required to attract and compensate directors of the appropriate calibre.

The amount of directors' fees paid to each non-executive director is presently $60,000 per annum and the chairman receives a multiple of three times this amount. Additional annual fees of $7,500 are paid to members of the Audit Committee, the chairman of which is paid $15,000. No additional fees are payable to the members of the Remuneration & Appointments Committee. Non-executive directors do not participate in any equity incentive schemes.

Retiring non-executive directors are entitled to an allowance, up to a maximum of their last three years' remuneration after five years' service (pro rata for a lesser period). Any superannuation entitlements attributable to compulsory company contributions (currently 8% of remuneration for eligible directors) are deducted from this allowance.


The total remuneration of non-executive directors for 2000 was $548,250 and the details of remuneration paid to each non-executive director during 2000 is set out on page 34.

***Board committees***

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

***Audit Committee***

The Audit Committee comprises three independent non-executive directors. The current chairman is Mr G E Heeley and the other members are Mr B Healey and Mrs C M Walter. It assesses and reviews external and internal audits and any material issues arising from these audits, and is charged with assessing the adequacy of the company's financial and operating risk management controls, compliance with legal requirements and ethical guidelines affecting the company and corporate governance practices. 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 auditors attend meetings and meet privately with the Committee at least twice per year.

***Remuneration and Appointments Committee***

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

# Corporate Governance

***Board appraisal***

The board carries out a formal annual review of its performance against its responsibilities and examines the processes and effectiveness of each of its board meetings against continuous improvement criteria. A discussion with individual directors is undertaken by the chairman.

***Appraisal of managing director***

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.

## 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 required by the program.

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

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

## Shareholders

The company has a well established practice of providing relevant and timely information to its shareholders (enhanced by its use of its internet site) and supported by a formal policy and procedures on continuous disclosure.

## 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 in the day-to-day performance of their duties and in any situations where their actions could influence respect for the company.

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
- 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 regularly by the board and processes are in place to promote and communicate these policies.

*All employees receive a copy of the Code of Ethics. It is printed in English, French, Spanish and Portuguese*

# Concise Financial Report

The financial statements and other specific disclosures in the concise financial report on pages 36 to 49 have been derived from Orica Limited and its controlled entities' 2000 full financial report. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. A more comprehensive understanding of the financial performance, financial position and financing and investing activities of the consolidated entity than the concise report is able to provide, is given in the full financial report.

A copy of the full financial report, including the audit report on the full financial report, is available and will be sent to any shareholder without charge on request by telephoning the Corporate Affairs Division on +61 3 9665 7246. It can also be accessed via the Internet at www.orica.com



# Directors' Report

The directors of Orica Limited (the company or Orica) present their Annual Report together with the report on the year's activities and the concise financial report of the consolidated entity, being the company and its controlled entities for the year ended 30 September 2000 and the audit report thereon.

## Directors

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

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

The office of company secretary is held by R S Kneebone. Particulars of directors' qualifications, experience and special responsibilities are detailed on pages 24 and 25.

## Directors' interests in share capital

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

| **Director** | Fully paid ordinary shares | Options for fully paid ordinary shares* |
|---|---|---|
| B H Lochtenberg | 15,000 | – |
| P L Weickhardt | 36,589 | 595,000 |
| P J Clinch | 20,513 | 225,000 |
| A B Daniels | 10,979 | – |
| B Healey | 2,300 | – |
| G E Heeley | 13,000 | – |
| A C Larkin | 28,430 | 300,000 |
| G R Liebelt | 30,022 | 330,000 |
| D P Mercer | 2,000 | – |
| C M Walter | 10,000 | – |
| | 168,833 | 1,450,000 |

* Issued under the Orica Executive Share Option Plan approved by shareholders on 10 June 1987, amended by a further deed approved by shareholders on 27 February 1995 and the Orica Share Option Plan approved by shareholders on 16 December 1998. All options have been issued in accordance with these plans subsequent to approval by shareholders at an Annual General Meeting.

## Directors' meetings

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

| **Director** | **Board** | | **Audit Committee** | | **Remuneration and Appointments Committee** | |
|---|---|---|---|---|---|---|
| | Held(1) | Attended(2) | Held(1) | Attended(2) | Held(1) | Attended(2) |
| B H Lochtenberg | 10 | 10 | – | – | 5 | 5 |
| P L Weickhardt | 10 | 10 | – | – | – | – |
| P J Clinch | 10 | 10 | – | – | – | – |
| A B Daniels | 10 | 10 | – | – | 5 | 5 |
| B Healey | 10 | 9 | 4 | 4 | 5 | 5 |
| G E Heeley | 10 | 10 | 4 | 4 | 5 | 4 |
| A C Larkin | 10 | 10 | – | – | – | – |
| G R Liebelt | 10 | 10 | – | – | – | – |
| D P Mercer | 10 | 10 | – | – | 5 | 4 |
| C M Walter | 10 | 8 | 4 | 4 | 5 | 4 |

(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.

# 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, fertilizers and crop care products, consumer products, chemicals and plastics.

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 2000 were: | $m |
|---|---|
| Interim dividend at the rate of 2.5 cents per share on 2,000,000 preference shares, franked to 40% (1.0 cents) at the 34% corporate tax rate. | 0.05 |
| Final dividend at a rate of 2.5 cents per share on 2,000,000 preference shares, franked to 25% (0.6 cents) at the 34% corporate tax rate. | 0.05 |
| Interim dividend at the rate of 16 cents per share on 274,633,713 ordinary shares, franked to 40% (6.4 cents) at the 34% corporate tax rate. | 43.90 |
| The directors have declared a final dividend to be paid at the rate of 19 cents per share on 275,761,177 ordinary shares, for which provision has been made in the financial statements. This dividend will be franked to 25% (4.8 cents) at the 34% corporate tax rate. | 52.40 |
| Total dividend distribution | 96.40 |

In addition, the final dividend of 22 cents per share in respect of the financial year ended 30 September 1999, referred to in the previous directors' report, was paid in cash or satisfied by the issue of shares under the dividend reinvestment plan on 17 December 1999. The full amount of $60.1m was provided in the 1999 financial statements. This dividend was franked to 36.4% (8 cents) at the 36% 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 10 to 15.

## 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 2000 are as follows:

*Divestments*

- 19 January 2000 – disposed the Kelvin supply ship, which realised a profit after tax of $12.1m.
- 3 March 2000 – disposed of the polyurethanes business to Huntsman Corporation, generating a net profit of $26.1m after tax.
- 14 July 2000 – disposed of the Moomba to Botany ethane pipeline. No material profit or loss arose from this disposal.

*Acquisitions/Investments*

- March 2000 – Acquisition of the Ammonium Nitrate and Packaged Explosives plants at Joplin, Missouri in the United States of America (USA).
- April 2000 – formation of a second joint venture with Nelson Brothers Inc. of Birmingham, Alabama, USA. This joint venture, 'Nelson Bros LLC', is 50% owned and combined Nelson Brothers Inc's and the economic entity's explosives surface mining operations in Eastern USA, incorporating the assets, operations and surface mining technologies of both entities.

## Events subsequent to balance date

The directors have not become aware of any significant matter or circumstance that has arisen since 30 September 2000, 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 10 to 15. Key likely developments comprise:

- August 2000 – Orica was the successful bidder in a court managed auction of two industrial grade ammonium nitrate plants from LaRoche Industries located in Utah and Illinois, USA for approximately $44m. The completion of this acquisition is subject to regulatory approvals.
- August 2000 – Orica signed a letter of intent with the German company, Dynamit Nobel, GmbH Explosivstoff und Systemtechnik (DNES) to acquire its industrial explosives business for approximately $75m. Whilst negotiations are well advanced, it is subject to regulatory approval and is expected to be completed next financial year.

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.



## Directors' and senior executives' emoluments

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

(a) support the company's philosophy and values;

(b) reinforce both the short and long term objectives of the company;

(c) provide a common interest between management and shareholders; and

(d) be sufficiently competitive in the markets in which the company operates to attract, motivate and retain high calibre employees.

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

Details of the nature and amount of each element of emoluments paid to all officers who occupied the position of executive director during the year are set out in the table below. The table also discloses details of the nature and amount of each element of emoluments of the five highest remunerated senior executives.

The number of options issued under the Orica Share Option Plan during the year are listed below. These options have a maximum life of ten years and are not exercisable before 1 January 2003, and then only if performance hurdles are achieved. The performance hurdles are designed to ensure that options can only be exercised by reference to the total shareholder return (TSR) of Orica relative to a peer group of companies (ASX100). The number of options which become exercisable depends on where Orica ranks in its peer group when the group is arranged in terms of total shareholder return for the relevant performance period. No options are exercisable unless Orica's TSR is equal to or exceeds the median TSR of the ASX 100. Full exercise of options requires Orica's TSR to be better than 75% of companies in the ASX 100. Performance tests are carried out after, three, four and five years after allotment date and if the performance tests have not been successfully achieved by year five, the options lapse.

| Executive directors and senior executives | Cash benefits | | Non cash benefits | | Total | No. of |
|---|---|---|---|---|---|---|
| | Salary | Incentive payments | Superannuation contributions | Other[3] | | Options Issued[1] |
| | $000 | $000 | $000 | $000 | $000 | |
| **Executive Directors** | | | | | | |
| P L Weickhardt<br>Managing Director and Chief Executive Officer | 671.4 | 137.4 | 132.3 | 32.8 | 973.9 | 225,000 |
| P J Clinch[3]<br>Executive Director, and Chief Executive Officer, International Explosives | 813.9 | 419.6 | 103.4 | 45.3 | 1,382.2 | 115,000 |
| A C Larkin<br>Executive Director Finance | 473.3 | 183.7 | 32.5 | 92.0 | 781.5 | 115,000 |
| G R Liebelt[3]<br>Executive Director | 499.3 | 90.3 | 74.0 | 134.1 | 797.7 | 115,000 |
| **Senior Executives** | | | | | | |
| T Fincham[2]<br>Divisional General Manager Orica Films | 593.7 | 16.6 | 14.6 | 11.5 | 636.4 | – |
| A D King[3]<br>Senior Vice President Operations – International Explosives | 463.7 | 114.1 | – | 129.4 | 707.2 | 53,000 |
| A J Reeves[3]<br>Chief Financial Officer – Orica International Management Inc | 413.1 | 122.8 | 27.1 | 99.2 | 662.2 | 53,000 |
| D P Taylor[4]<br>President Explosives (USA and Canada) | 570.1 | 218.0 | – | 68.9 | 857.0 | – |
| J Watt[2]<br>General Manager Organisation Transition | 553.4 | 73.4 | 9.9 | 110.2 | 746.9 | – |

1 Using the Black Scholes Option Pricing Model, based on an exercise price of $8.31 per share, a range of values of each option issued during the financial year can be calculated applying reasonable ranges of probabilities of exercising the option and the expected volatility of the underlying share. In the opinion of the Directors, on the grounds that the options cannot be traded, and given the nature of the performance hurdles that have been established for these options, it is not appropriate to attribute a fair market value or range of fair market values prior to the performance hurdles being achieved.

2 Includes entitlements paid on retirement.

3 Includes expatriate allowances paid, where applicable.

4 Mr Taylor is remunerated for certain executive officer services under a contract between Orica and Wimase Limited, a corporation in which Mr. Taylor is the controlling shareholder. The total amount paid to Wimase Limited, including amounts reimbursed for services provided by Mr. Taylor during the twelve months ended 30 September 2000, amounted to $856,988.

# Directors' Report

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 required to attract and retain directors of the appropriate calibre. Non-executive directors are not entitled to any form of incentive payments. On leaving the board, depending on their length of service, non-executive directors are entitled to a retiring allowance of up to a maximum of three years' fees.

| **Non-executive directors** | **Fees $000** | **Superannuation contributions $000** | **Total $000** |
|---|---|---|---|
| B H Lochtenberg, Chairman | 180.0 | 13.5 | 193.5 |
| A B Daniels | 60.0 | 4.5 | 64.5 |
| B Healey | 67.5 | 5.1 | 72.6 |
| G E Heeley | 75.0 | 5.6 | 80.6 |
| D P Mercer | 60.0 | 4.5 | 64.5 |
| C M Walter | 67.5 | 5.1 | 72.6 |

## Options

During the year, the company granted options over 1,505,000 unissued ordinary shares to 71 executives under the Orica Share Option Plan. Each option relates to one fully paid ordinary share and the said options are exercisable at $8.31 per share between 1 January 2003 and 31 December 2009 subject to performance hurdles.

The names of persons who currently hold options in Orica's share option plans are entered in the registers of options kept by the company pursuant to Section 170 of the Corporations Law. The registers may be inspected free of charge. Pursuant to Australian Securities and Investments Commission (ASIC) Class Order 97/1011, issued on 9 July 1997, the directors have taken advantage of relief available from the requirement to disclose the names of persons, not being directors or the five highest remunerated senior executives, to whom options are issued, and the number of options issued to each person.

Particulars of options granted to and exercised by the executive directors under Orica's share option plans to the date of this report are shown in the table below. The table also discloses options granted and exercised by the five highest remunerated senior executives, excluding executive directors, under Orica's share option plans.

The exercise price of options issued under Orica's share option plans is set at the market price at the date of issue. The ability to exercise these options is conditional on the company achieving prescribed performance hurdles.

| | **Granted during the year** | **Exercised during the year** | **Outstanding at year end** | **Exercise price** | **Date first exercisable** |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| P L Weickhardt | 225,000 | – | 225,000 | $8.31 | 1 Jan 2003^ |
| | | – | 200,000 | $8.57 | 1 Jan 2002^ |
| | | – | 170,000 | $10.88 | 27 Feb 2001* |
| P J Clinch | 115,000 | – | 115,000 | $8.31 | 1 Jan 2003^ |
| | | – | 110,000 | $8.57 | 1 Jan 2002^ |
| A C Larkin | 115,000 | – | 115,000 | $8.31 | 1 Jan 2003^ |
| | | – | 185,000 | $8.57 | 1 Jan 2002^ |
| G R Liebelt | 115,000 | – | 115,000 | $8.31 | 1 Jan 2003^ |
| | | – | 110,000 | $8.57 | 1 Jan 2002^ |
| | | – | 105,000 | $10.88 | 27 Feb 2001* |
| **Senior Executives** | | | | | |
| T Fincham | – | – | – | – | – |
| A D King | 53,000 | – | 53,000 | $8.31 | 1 Jan 2003^ |
| | | – | 25,000 | $8.57 | 1 Jan 2002^ |
| | | – | 30,000 | $10.88 | 27 Feb 2001* |
| A J Reeves | 53,000 | – | 53,000 | $8.31 | 1 Jan 2003^ |
| | | – | 40,000 | $8.57 | 1 Jan 2002^ |
| D P Taylor | – | – | – | – | – |
| J Watt | – | – | – | – | – |

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

^ The expiry date for options issued under the Orica Share Option Plan is ten years from the date issued.



No person entitled to exercise an option in the company has, by virtue of the option, a right to participate in a share issue of any other body corporate of the group.

No ordinary shares were issued during the financial year as a consequence of the exercise of options. As at the date of this report, there are 3,060,000 unissued ordinary shares under option. The price of issue and expiration dates of those unissued shares are set out in note 19 to the full 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 test results indicate consistent compliance as follows:

| | **2000** | 1999 |
|---|---|---|
| Number of tests | **27,121** | 26,601 |
| Percentage of test results in compliance | **99.7** | 99.5 |

The company received seven environmental prosecutions during the year, the details of which are provided on page 17.

More specific details of Orica's safety, health and environmental performance, including management processes, are available on pages 16 to 17 and in the Safety, Health & Environment Performance Report 2000.

## 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 a 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.

B H Lochtenberg
Chairman

*Dated at Melbourne this 26th day of October 2000.*

# Consolidated Profit and Loss Statement

**For the year ended 30 September 2000**

| | Notes | Consolidated 2000 $m | 1999 $m |
|---|---|---|---|
| **Revenue** | (2) | **3,970.2** | 4,416.0 |
| **Operating profit before income tax and abnormal items** | | **235.1** | 258.4 |
| Abnormal items before income tax | (3) | **(46.7)** | (33.7) |
| **Operating profit before income tax** | | **188.4** | 224.7 |
| Income tax attributable to operating profit | | **(65.1)** | (26.7) |
| **Operating profit after income tax** | | **123.3** | 198.0 |
| Outside equity interests in operating profit after income tax | | **(9.6)** | (11.8) |
| **Operating profit after income tax attributable to members of Orica** | | **113.7** | 186.2 |
| Retained profits at the beginning of the financial year | | **862.3** | 776.9 |
| **Total available for appropriation** | | **976.0** | 963.1 |
| Dividends: | (6) | | |
| Preference – declared/paid | | **(0.1)** | (0.1) |
| Ordinary – interim paid | | **(43.9)** | (40.6) |
| Ordinary – final declared/paid | | **(52.4)** | (60.1) |
| **Retained profits at the end of the financial year** | | **879.6** | 862.3 |
| | | **cents** | cents |
| **Earnings per share** | (5) | | |
| Including abnormal items | | **41.4** | 68.8 |
| Excluding abnormal items | | **53.5** | 57.8 |
| | | **$m** | $m |
| **Operating profit after income tax attributable to members of Orica is comprised of:** | | | |
| Operating profit after tax and before abnormal items | | **147.0** | 156.4 |
| Abnormal items after income tax | (3) | **(33.3)** | 29.8 |
| Operating profit after income tax and abnormal items | | **113.7** | 186.2 |

The consolidated profit and loss statement is to be read in conjunction with the discussion and analysis on page 37 and the notes to the financial statements set out on 43 to 49.



# Discussion and Analysis of the Consolidated Profit and Loss Statement

Total operating profit before income tax and abnormal items (NPBT) and operating revenue for the Group comprised:

| | NPBT 2000 $m | Change from 1999 Increase/(decrease) $m | % | Revenue 2000 $m | Change from 1999 Increase/(decrease) $m | % |
|---|---|---|---|---|---|---|
| Mining Services | **126.3** | 13.1 | 11.6 | **1,409.1** | 50.1 | 3.7 |
| Agricultural Chemicals | **51.3** | (5.0) | (8.9) | **797.4** | (29.0) | (3.5) |
| Consumer Products | **63.3** | 0.3 | 0.5 | **637.6** | 11.0 | 1.8 |
| Chemicals | **61.9** | 1.5 | 2.5 | **609.5** | (81.5) | (11.8) |
| Core Segments | **302.8** | 9.9 | 3.4 | **3,453.6** | (49.4) | (1.4) |
| Non Core Segments | **(20.8)** | (31.9) | – | **348.6** | (178.0) | (33.8) |
| Interest income/(expense) | **(46.0)** | (0.8) | (1.8) | **13.0** | 5.5 | 73.3 |
| Other income/(expense)[1] | **(0.9)** | (0.5) | – | **155.0** | (223.9) | (59.1) |
| | **235.1** | (23.3) | (9.0) | **3,970.2** | (445.8) | (10.1) |

(1) Includes divestments and foreign currency gains/losses on loans and borrowings.

Operating profit before income tax and abnormal items was down $23.3 million (9%) to $235.1 million from $258.4 million last year.

## Business Performance

**Mining Services** – Earnings increased by $13.1 million (11.6%) over last year, whilst revenue grew by $50.1 million (3.7%). The Australian business partially compensated for a decrease in selling prices and volumes by reducing operating costs. In the North American business, selling prices were lower but volumes were significantly better due to several larger contracts won during the year. Latin American profitability improved across the region; the business improved both sales volumes and prices. The European business continued its expansion and continued its success in Turkey. The sodium cyanide business improved its profitability with increased volumes and lower costs, whilst selling prices remained similar to last year.

**Agricultural Chemicals** – Earnings decreased by $5 million (8.9%) over last year, whilst revenue declined by $29 million (3.5%). The Agricultural Chemicals business had a much better second half after the disappointing first half result. The Fertilizer business in particular benefited in the second half from higher volumes and prices and favourable seasonal conditions. The crop protection business, Crop Care, continued to face difficult seasonal conditions with sales and profitability considerably lower than last year.

**Consumer Products** – Earnings increased by $0.3 million (0.5%) over last year. Total revenue grew by $11 million (1.8%) despite the divestment of the polyester resins business in the second half of last year. Australian Paints was the best performing business; it lifted sales and profitability in the Retail and Trade Decorative sectors with higher volumes and prices. Selleys had a difficult year with intense price competition in a number of market sectors reducing sales and profitability after its record profit last year.

**Chemicals** – Earnings increased by $1.5 million (2.5%) over last year, whilst revenue decreased by $81.5 million (11.8%). Revenue was down compared to last year due to the sale of the Polyurethanes business in the first half this year.

Despite the drop in revenue, the business increased its profitability. The distribution business, Chemnet, had better volumes in Australia and also in the New Zealand dairy sector. The Incitec Industrial Chemicals business, reported in this segment, had lower sales but improved margins to produce a higher profit. Volumes were also up in Adhesives & Resins as the demand for medium density fibreboard continued to improve.

**Non Core Segments – Plastics**: Australian Vinyls Corporation experienced difficult trading conditions in the second half. Volumes were high in the first half but fell away in the second half as the building industry slowed. Of the total reduction in earnings in the non core segment, Australian Vinyls Corporation accounted for $23.4 million.

Net interest expense was $0.8 million higher than last year. The group's interest cover was 6.1 times compared to 6.7 times last year.

Income tax expense attributable to operating profit at $65.1 million has increased by $38.4 million over last year. This increase was mainly due to a lower level of non taxable abnormal profits from divestment of major businesses during the current year.

Abnormal items before tax was a loss of $46.7 million, which was $13 million higher than last year and comprised profit on sale of major businesses and assets ($53.5 million), more than offset by business restructuring and rationalisation provisions of $52 million, an additional provision for the destruction of historical waste at Botany site of $40 million and a $8.2 million expense in relation to amended tax assessments.

# Consolidated Balance Sheet

**As at 30 September 2000**

| | Consolidated 2000 $m | 1999 $m |
|---|---|---|
| **Current assets** | | |
| Cash | **87.2** | 104.1 |
| Receivables | **608.3** | 682.9 |
| Inventories | **642.8** | 561.0 |
| Other | **26.4** | 29.8 |
| **Total current assets** | **1,364.7** | 1,377.8 |
| **Non-current assets** | | |
| Receivables | **4.1** | 4.4 |
| Investments | **264.6** | 239.4 |
| Property, plant and equipment | **1,484.0** | 1,444.3 |
| Intangibles | **249.6** | 258.4 |
| Other | **212.3** | 205.3 |
| **Total non-current assets** | **2,214.6** | 2,151.8 |
| **Total assets** | **3,579.3** | 3,529.6 |
| **Current liabilities** | | |
| Accounts payable | **532.7** | 531.4 |
| Borrowings | **312.3** | 280.0 |
| Provisions | **266.3** | 312.3 |
| **Total current liabilities** | **1,111.3** | 1,123.7 |
| **Non-current liabilities** | | |
| Accounts payable | **–** | 0.1 |
| Borrowings | **552.3** | 533.9 |
| Provisions | **271.9** | 274.7 |
| **Total non-current liabilities** | **824.2** | 808.7 |
| **Total liabilities** | **1,935.5** | 1,932.4 |
| **Net assets** | **1,643.8** | 1,597.2 |
| **Shareholders' equity** | | |
| Share capital | **484.8** | 465.0 |
| Reserves | **147.0** | 149.4 |
| Retained profits | **879.6** | 862.3 |
| **Shareholders' equity attributable to members of Orica** | **1,511.4** | 1,476.7 |
| Outside equity interests in controlled entities | **132.4** | 120.5 |
| **Total shareholders' equity** | **1,643.8** | 1,597.2 |

The consolidated balance sheet is to be read in conjunction with the discussion and analysis on page 39 and the notes to the financial statements set out on pages 43 to 49.



# Discussion and Analysis of the Consolidated Balance Sheet

Orica's net assets have increased by 2.9% to $1.64 billion over the year.

The major balance sheet movements were:

Total assets have increased by $49.7 million principally due to:

- an increase in current inventories of $81.8 million mainly driven by exchange rate movements impacting the Explosives business, seasonal conditions affecting the Crop Care business and higher raw material prices impacting the inventory values of Australian Vinyls Corporation.
- an increase of $25.2 million in non-current investments mainly reflecting an increase in the equity accounted value of investments in associates and new investments in Nelson Brothers LLC and Precision Blasting Systems GmbH.
- an increase of $39.7 million in property, plant and equipment largely due to capital expenditures of $318.8 million, partially offset by asset disposals of $171.4 million, depreciation of $139.1 million and the impact of exchange rate movements.
- a decrease in current receivables of $74.6 million, largely due to a $81.6 million reduction in sundry debtors/loans following the $125.7 million loan repayment from Qenos Holdings Pty Ltd, offset partially by a $7 million increase in trade debtors.

Total liabilities have increased by $3.1 million principally due to:

- an increase in borrowings of $50.7 million, resulting in a gearing ratio (net debt to net debt plus equity) of 32.1% compared to 30.8% in the previous year.
- a net decrease in total provisions of $48.8 million, despite additions to provisions for environmental expenditures, business restructuring and rationalisation this year. The net decrease is mainly due to spending against restructuring, rationalisation, tax and environmental provisions.

Share capital has increased by $19.8 million, representing 2,522,538 shares issued under the dividend reinvestment plan and 83,548 shares issued under the employee incentive scheme.

Outside equity interests in controlled entities has increased by $11.9 million to $132.4 million.

# Consolidated Statement of Cash Flows

**For the year ended 30 September 2000**

| | Consolidated **2000** **$m** **Inflows/ (Outflows)** | Consolidated 1999 $m Inflows/ (Outflows) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | **3,660.6** | 3,974.1 |
| Payments to suppliers and employees | **(3,540.3)** | (3,530.7) |
| Interest received | **13.1** | 6.9 |
| Borrowing costs | **(63.4)** | (52.2) |
| Dividends received | **1.5** | – |
| Royalties and other trading revenue received | **45.4** | 26.7 |
| Net income taxes paid | **(86.5)** | (26.6) |
| **Net cash flows from operating activities** | **30.4** | 398.2 |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(318.8)** | (264.2) |
| Payments for intangibles | **(6.4)** | (0.8) |
| Payments for purchase of investments | **(37.7)** | (287.2) |
| Payments for purchase of businesses/controlled entities | **(0.4)** | (37.2) |
| Proceeds from sale of property, plant and equipment | **83.7** | 43.1 |
| Proceeds from sale of intangibles | **–** | 0.4 |
| Proceeds from sale of investments | **30.0** | 15.0 |
| Proceeds from sale of businesses/controlled entities | **153.0** | 321.9 |
| Proceeds from/(net loan to) associated company | **125.7** | (153.5) |
| **Net cash flows from/(used in) investing activities** | **29.1** | (362.5) |
| **Cash flows from financing activities** | | |
| Proceeds from long term borrowings | **1.8** | 429.0 |
| Repayment of long term borrowings | **(22.5)** | (378.0) |
| Net movement in short term financing | **32.6** | 26.5 |
| Principal repayments under finance leases | **(1.1)** | (0.6) |
| Proceeds from issue of shares | **–** | 13.9 |
| Dividends paid | **(94.4)** | (101.9) |
| **Net cash flows (used in) financing activities** | **(83.6)** | (11.1) |
| **Net (decrease)/increase in cash held** | **(24.1)** | 24.6 |
| Cash at the beginning of the financial year | **99.9** | 79.2 |
| Effects of exchange rate changes on cash | **4.4** | (3.9) |
| **Cash at the end of the financial year** | **80.2** | 99.9 |

The consolidated statement of cash flows is to be read in conjunction with the discussion and analysis on page 41 and the notes to the financial statements set out on pages 43 to 49.



# Discussion and Analysis of the Consolidated Statement of Cash Flows

## Net cash flows from operating activities

Net cash inflows from operations of $30.4 million were lower than the previous year by $367.8 million. Receipts from customers were 7.9% lower than the previous year, whilst payments to suppliers and employees were in line with last year, mainly due to increased inventory levels and ongoing spending against restructuring and rationalisation provisions. Net income tax payments have increased by $59.9 million, reflecting tax instalments paid during the current year, based on the 1999 taxable income being higher than the previous year together with the receipt of tax refunds in the prior year. In addition, tax payments have been adversely impacted by over $40 million of amended tax assessments in relation to the sale and leaseback transaction undertaken in 1989–90.

## Net cash flows from investing activities

Net cash inflows from investing activities totalled $29.1 million compared to a net outflow in the previous year of $362.5 million. Payments for capital expenditure were $318.8 million for the financial year, up $54.6 million (20.7%) on 1999. This included expenditure on the investment in ChlorAlkali, MIEX pilot plant, Brisbane (Rocklea) Paints manufacturing redevelopment, Explosives technical centre in Denver USA, Explosives plant in Weihai, China and the Yarwun ammonia terminal in Queensland.

Net proceeds from the sale of businesses/controlled entities and investments of $144.9 million, mainly due to the divestment of the polyurethanes and plastic films businesses and the ethane pipeline during the year, was $132.4 million higher than last year's business divestments realisations.

During the year, Qenos Holdings Pty Ltd made loan repayments of $125.7 million to Orica compared to a net loan advanced last year of $153.5 million.

## Net cash flows from financing activities

Net cash outflows from financing activities were $83.6 million, up $72.5 million on the previous year. Dividends paid during the year were $94.4 million, compared to $101.9 million in the previous year, a decrease of $7.5 million. Net repayments of borrowings were $20.7 million compared to net proceeds from borrowings in the prior year of $51 million.

# Notes to the Financial Statements



## 1. Basis of preparation of concise financial report

The concise financial report has been prepared in accordance with the Corporations Law, Accounting Standard AASB1039 'Concise Financial Reports' and applicable Urgent Issues Group Consensus Views.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's full financial report.

The principal accounting policies adopted in preparing the concise financial report have been consistently applied except as otherwise indicated.

Where necessary, comparative figures have been adjusted to conform with any changes to presentation in 2000.

# Notes to the Financial Statements

| | Consolidated 2000 $m | Consolidated 1999 $m |
|---|---|---|
| **2. Revenue** | | |
| **Revenue from operating activities** | | |
| External sales | **3,672.7** | 3,959.8 |
| Royalty income | **3.7** | 4.9 |
| Dividend income: | | |
| external parties | **0.4** | – |
| Interest income: | | |
| associated companies | **6.9** | 2.0 |
| external parties – banks | **6.1** | 5.5 |
| Other income | **41.7** | 21.8 |
| **Revenue from non-operating activities** | | |
| Sale of businesses/controlled entities | **155.0** | 378.9 |
| Sale of property, plant and equipment | **83.7** | 43.1 |
| **Total revenue** | **3,970.2** | 4,416.0 |

| | 2000 Gross $m | 2000 Tax $m | 2000 Net $m | 1999 Gross $m | 1999 Tax $m | 1999 Net $m |
|---|---|---|---|---|---|---|
| **3. Abnormal items** | | | | | | |
| Profit on sale of major businesses:[1] | | | | | | |
| Polyurethanes | **24.2** | **1.9** | **26.1** | – | – | – |
| Technical Coatings | **–** | **–** | **–** | 13.2 | (0.2) | 13.0 |
| Surfactants | **–** | **–** | **–** | 25.1 | 11.9 | 37.0 |
| Polyethylene | **–** | **–** | **–** | 37.1 | 12.0 | 49.1 |
| Profit on sale of other assets[1] | **29.3** | **(4.6)** | **24.7** | – | – | – |
| Restructuring and rationalisation costs[2] | **(52.0)** | **9.7** | **(42.3)** | (79.6) | 30.1 | (49.5) |
| Writedown of assets | **–** | **–** | **–** | (14.5) | 1.2 | (13.3) |
| Provision in respect of customer guarantees | **–** | **–** | **–** | (15.0) | 5.4 | (9.6) |
| Amended tax assessment – sale and leaseback transaction[3] | **(8.2)** | **(4.3)** | **(12.5)** | – | – | – |
| Remediation costs[4] | **(40.0)** | **10.5** | **(29.5)** | – | – | – |
| Abnormal items | **(46.7)** | **13.2** | **(33.5)** | (33.7) | 60.4 | 26.7 |
| Outside equity interests in abnormal items | **(0.4)** | **0.2** | **(0.2)** | (4.8) | 1.7 | (3.1) |
| Abnormal items attributable to members of Orica | **(46.3)** | **13.0** | **(33.3)** | (28.9) | 58.7 | 29.8 |

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

(2) Restructuring and rationalisation costs include redundancy and associated costs relating to the restructuring and reorganisation of support services, Consumer Products and explosives businesses.

(3) The Australian Taxation Office issued amended income tax assessments which disallow deductions claimed in respect of a sale and leaseback transaction undertaken in 1989–90. Orica has lodged objections to the assessments received and has legal opinion to support its position.

(4) Provision for legacy waste destruction costs associated with the Botany site.



## 4. Segment report

The consolidated entity's operations have been divided into four core segments comprising Mining Services, Agricultural Chemicals, Consumer Products and Chemicals. Plastics and Other businesses are shown as non core segments; Other includes minor, discontinued, divested businesses, non operating assets and corporate costs.

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. Unallocated items comprise financial items, such as interest and foreign currency gains/losses on borrowings and proceeds on sale of businesses.

| Defined business areas | Revenue external to the consolidated entity | Inter-segment revenue | Total revenue | Operating profit before income tax and abnormal items | Abnormal items | Operating profit before income tax and after abnormal items | Segment assets | Capital expenditure | Depreciation and amortisation |
|---|---|---|---|---|---|---|---|---|---|
| **2000** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** |
| **Core Segments** | | | | | | | | | |
| Mining Services | **1,409.1** | **3.9** | **1,413.0** | **126.3** | **(37.0)** | **89.3** | **1,460.3** | **136.4** | **81.2** |
| Agricultural Chemicals | **797.4** | **2.3** | **799.7** | **51.3** | **–** | **51.3** | **586.5** | **34.9** | **21.1** |
| Consumer Products | **637.6** | **0.4** | **638.0** | **63.3** | **(1.7)** | **61.6** | **396.0** | **32.7** | **13.0** |
| Chemicals | **609.5** | **102.3** | **711.8** | **61.9** | **–** | **61.9** | **521.6** | **80.4** | **25.9** |
| Subtotal – Core Segments | **3,453.6** | **108.9** | **3,562.5** | **302.8** | **(38.7)** | **264.1** | **2,964.4** | **284.4** | **141.2** |
| **Non Core Segments** | | | | | | | | | |
| Plastics | **329.0** | **–** | **329.0** | **13.3** | **1.0** | **14.3** | **375.2** | **4.2** | **13.4** |
| Other | **19.6** | **–** | **19.6** | **(34.1)** | **(24.9)** | **(59.0)** | **120.5** | **24.5** | **6.8** |
| Subtotal – Non Core Segments | **348.6** | **–** | **348.6** | **(20.8)** | **(23.9)** | **(44.7)** | **495.7** | **28.7** | **20.2** |
| Eliminations | **–** | **(108.9)** | **(108.9)** | **–** | **–** | **–** | **–** | **–** | **–** |
| Subtotal | **3,802.2** | **–** | **3,802.2** | **282.0** | **(62.6)** | **219.4** | **3,460.1** | **313.1** | **161.4** |
| Unallocated items | **168.0** | **–** | **168.0** | **(46.9)** | **15.9** | **(31.0)** | **119.2** | **–** | **–** |
| Consolidated | **3,970.2** | **–** | **3,970.2** | **235.1** | **(46.7)** | **188.4** | **3,579.3** | **313.1** | **161.4** |
| **1999** | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| **Core Segments** | | | | | | | | | |
| Mining Services | 1,359.0 | 2.7 | 1,361.7 | 113.2 | (26.7) | 86.5 | 1,179.7 | 97.5 | 72.4 |
| Agricultural Chemicals | 826.4 | – | 826.4 | 56.3 | (13.6) | 42.7 | 492.7 | 44.4 | 16.9 |
| Consumer Products | 626.6 | 0.3 | 626.9 | 63.0 | (8.7) | 54.3 | 323.5 | 18.7 | 13.5 |
| Chemicals | 691.0 | 122.8 | 813.8 | 60.4 | (13.7) | 46.7 | 493.4 | 82.0 | 26.9 |
| Subtotal – Core Segments | 3,503.0 | 125.8 | 3,628.8 | 292.9 | (62.7) | 230.2 | 2,489.3 | 242.6 | 129.7 |
| **Non Core Segments** | | | | | | | | | |
| Plastics | 478.3 | 18.7 | 497.0 | 33.6 | (32.8) | 0.8 | 489.0 | 7.7 | 30.4 |
| Other | 48.3 | 7.5 | 55.8 | (22.5) | (13.6) | (36.1) | 293.7 | 17.3 | 16.0 |
| Subtotal – Non Core Segments | 526.6 | 26.2 | 552.8 | 11.1 | (46.4) | (35.3) | 782.7 | 25.0 | 46.4 |
| Eliminations | – | (152.0) | (152.0) | – | – | – | – | – | – |
| Subtotal | 4,029.6 | – | 4,029.6 | 304.0 | (109.1) | 194.9 | 3,272.0 | 267.6 | 176.1 |
| Unallocated items | 386.4 | – | 386.4 | (45.6) | 75.4 | 29.8 | 257.6 | – | – |
| Consolidated | 4,416.0 | – | 4,416.0 | 258.4 | (33.7) | 224.7 | 3,529.6 | 267.6 | 176.1 |

# Notes to the Financial Statements

## 4. Segment report (continued)

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

**Defined business areas**

| | |
|---|---|
| Mining Services | Manufacture and supply of explosives, initiating systems and blasting technology to the mining, quarrying, construction and exploration industries and sodium cyanide to the gold mining industry. |
| Agricultural Chemicals | Manufacture, import and supply of nitrogen, phosphate and other fertilizers and crop care products including herbicides, insecticides and fungicides. |
| Consumer Products | Manufacture and supply of paints and other surface coatings to the decorative and technical markets and a range of home handyman and car use products. |
| 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 ammonia, ammonium nitrate and urea for industrial applications. |
| Plastics | Manufacture and supply of polyethylene and polypropylene, synthetic rubber and specialty plastics (provided through Qenos Holdings Pty Ltd since 1 July 1999), vinyl and a range of plastic films. |
| Other | Includes other minor, discontinued, divested businesses, non-operating assets and corporate costs. |

| Geographic areas | Revenue external to the consolidated entity | Inter-segment revenue | Total revenue | Operating profit before income tax and abnormal items | Abnormal items | Operating profit before income tax and after abnormal items | Segment assets | Capital expenditure | Depreciation and amortisation |
|---|---|---|---|---|---|---|---|---|---|
| **2000** | | | | | | | | | |
| | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** |
| Australia | **2,528.9** | **50.8** | **2,579.7** | **185.1** | **(26.6)** | **158.5** | **2,314.7** | **193.0** | **110.3** |
| New Zealand | **277.7** | **7.8** | **285.5** | **21.2** | **(4.9)** | **16.3** | **132.3** | **4.5** | **6.1** |
| Americas | **793.9** | **7.7** | **801.6** | **48.9** | **(31.1)** | **17.8** | **794.7** | **87.2** | **35.5** |
| Other | **201.7** | **2.8** | **204.5** | **26.8** | **–** | **26.8** | **218.4** | **28.4** | **9.5** |
| Eliminations | **–** | **(69.1)** | **(69.1)** | **–** | **–** | **–** | **–** | **–** | **–** |
| Subtotal | **3,802.2** | **–** | **3,802.2** | **282.0** | **(62.6)** | **219.4** | **3,460.1** | **313.1** | **161.4** |
| Unallocated items | **168.0** | **–** | **168.0** | **(46.9)** | **15.9** | **(31.0)** | **119.2** | **–** | **–** |
| Consolidated | **3,970.2** | **–** | **3,970.2** | **235.1** | **(46.7)** | **188.4** | **3,579.3** | **313.1** | **161.4** |
| 1999 | | | | | | | | | |
| | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| Australia | 2,821.1 | 62.9 | 2,884.0 | 232.3 | (89.3) | 143.0 | 2,351.2 | 196.7 | 130.4 |
| New Zealand | 304.3 | 5.7 | 310.0 | 21.3 | (5.8) | 15.5 | 153.2 | 6.2 | 7.3 |
| Americas | 717.6 | 4.3 | 721.9 | 27.1 | (6.6) | 20.5 | 624.6 | 47.4 | 30.2 |
| Other | 186.6 | 1.7 | 188.3 | 23.3 | (7.4) | 15.9 | 143.0 | 17.3 | 8.2 |
| Eliminations | – | (74.6) | (74.6) | – | – | – | – | – | – |
| Subtotal | 4,029.6 | – | 4,029.6 | 304.0 | (109.1) | 194.9 | 3,272.0 | 267.6 | 176.1 |
| Unallocated items | 386.4 | – | 386.4 | (45.6) | 75.4 | 29.8 | 257.6 | – | – |
| Consolidated | 4,416.0 | – | 4,416.0 | 258.4 | (33.7) | 224.7 | 3,529.6 | 267.6 | 176.1 |



| | Consolidated | |
|---|---|---|
| | **2000** | 1999 |
| | **Cents per share** | Cents per share |
| **5. Earnings per share** | | |
| Basic earnings per share | | |
| including abnormal items | **41.4** | 68.8 |
| excluding abnormal items | **53.5** | 57.8 |
| Diluted earnings per share is not materially different from basic earnings per share | | |
| | **Number** | Number |
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share | **274,567,879** | 270,601,332 |
| | **$m** | $m |
| **Reconciliation of earnings used in the calculation of basic earnings per share** | | |
| Operating profit after income tax | **123.3** | 198.0 |
| Less outside equity interests | **(9.6)** | (11.8) |
| Less preference share dividends appropriated | **(0.1)** | (0.1) |
| Earnings used in calculation of basic earnings per share | **113.6** | 186.1 |

# Notes to the Financial Statements

| | Company 2000 $m | Company 1999 $m |
|---|---|---|
| **6. Dividends** | | |
| Dividends paid or declared in respect of the year ended 30 September were: | | |
| Ordinary | | |
| interim dividend of 15 cents per share, franked to 40% at 36%, paid 2 Jul 1999 | | 40.6 |
| interim dividend of 16 cents per share, franked to 40% at 34%, paid 2 Jul 2000 | **43.9** | |
| final dividend of 22 cents per share, franked to 36.4% at 36%, paid 17 Dec 1999 | | 60.1 |
| final dividend of 19 cents per share, franked to 25% at 34%, payable 14 Dec 2000 | **52.4** | |
| Preference | | |
| interim dividend of 2.5 cents per share, franked to 40% at 36%, paid 31 Jul 1999 | | 0.05 |
| interim dividend of 2.5 cents per share, franked to 40% at 34%, paid 31 Jul 2000 | **0.05** | |
| final dividend of 2.5 cents per share, franked to 36.4% at 36%, paid 31 Jan 2000 | | 0.05 |
| final dividend of 2.5 cents per share, franked to 25% at 34%, payable 31 Jan 2001 | **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 | **85.0** | 95.0 |
| satisfied by issue of shares | **19.1** | 23.7 |
| Franking Credits | | |
| franking credits available at the 34% 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 (1999 nil). | | |

Franking credits arising from tax payments relating to the amended income tax assessments in respect of a Sale and Leaseback transaction amounting to $43.2m (1999 nil) will not be used to frank dividends while the tax is in dispute. The final dividend will be franked to 25% at the 34% rate.

| | Consolidated 2000 $m | Consolidated 1999 $m |
|---|---|---|
| **7. Contingent liabilities** | | |
| (Unsecured unless stated) | | |
| **Details and estimated amounts of contingent liabilities (for which no provisions are included in the accounts) arising in respect of:** | | |
| Repayment of debentures assigned under contract | **–** | 1.0 |

**Other contingent liabilities**

*Discounted bills of exchange*

A discounted bill of exchange facility is in place with a bank and is utilised by a number of customers for the purpose of trade finance. The majority of these discounted bills of exchange are issued for periods of 60, 90 or 120 days.

Total discounted bills of exchange outstanding at year end amounted to $67.0m (1999 $75.5m).

*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, 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 33 of the full financial statements. A consolidated balance sheet and profit and loss statement for this closed group is shown in note 34 of the full financial statements.

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

There are guarantees relating to certain leases of 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 included normal commercial warranties and indemnities to the purchasers. The company is not aware of any exposure under these warranties and indemnities.



## 7. Contingent liabilities (continued)

*Sale and Leaseback transaction*

In October 1989 a subsidiary of Incitec Limited, Eastern Nitrogen Limited, entered into a 'Sale and Leaseback' arrangement whereby an ammonia plant located at Newcastle was sold for a cash consideration of $71.4m. During the 1992 financial year, the Australian Taxation Office (ATO) completed a routine tax audit of the Incitec group for the years 1986–1990 and the treatment of the Sale and Leaseback transaction is the only audit issue which has not been satisfactorily resolved. This transaction has been the subject of amended assessments for 1989–1991 whereby certain expenditure previously deducted in income tax returns has been disallowed by the ATO. These assessments amounted to $3.7m including penalties of $1.3m. A single judge of the Federal Court upheld the validity of the assessments on 5 November 1999. An appeal from this decision was heard by the Full Court of the Federal Court on 21 and 22 August 2000. The Full Court has reserved its judgement.

If the approach adopted by the ATO were to be extended to the end of this financial year and amended tax assessments were issued, and if the ATO position was upheld by the Courts, the cumulative amount of tax to be charged against profits, after taking account of timing differences, could be up to $18.5 million. This includes the $3.7 million of tax and penalties already paid.

*Claims*

The company and a number of its controlled entities were parties to a class action relating to the use of the insecticide Helix. The final claims in the class action were settled in August 2000. All settlements and awards of damages have been paid by the company's insurers. The company believes that any future litigation is unlikely.

Zeneca Ltd and Zeneca Corp ('applicants') have commenced proceedings in the Federal Court of Australia against a controlled entity, Crop Care Australasia Pty Ltd. The proceedings relate to the selective herbicides 'Achieve' and 'Venture' formulated by Crop Care for Zeneca Ltd under a Toll Formulation Agreement. The applicants are claiming damages for alleged breach of contract, breach of section 52 of the Trade Practices Act and negligence by Crop Care in relation to 'Achieve' and 'Venture' sold by Zeneca Corp for the 1998 spraying season in Canada. The applicants are claiming losses and damages of approximately $85 million. Crop Care denies liability and is vigorously defending the claim. Crop Care has also issued a cross claim against Zeneca in relation to this matter. A trial is currently anticipated for mid 2001. Orica and Crop Care believe the claim is without merit and will be successfully defended. Orica has therefore not made any provision in relation to the claim.

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

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

# Directors' Declaration on the Concise Financial Report set out on pages 36 to 49

I, Bernard Hendrik Lochtenberg, being a director of Orica Limited, do hereby state in accordance with a resolution of the directors that, in the opinion of the directors, the financial report set out on pages 36 to 49:

(a) has been derived from or is consistent with the full financial report for the year ended 30 September 2000; and

(b) complies with Accounting Standard AASB1039: 'Concise Financial Reports'.

B H Lochtenberg
Chairman

*Dated at Melbourne this 26th day of October 2000*

# Audit Report

**For the year ended 30 September 2000**

## Independent Audit Report on Concise Financial Report to the Members of Orica Limited

### Scope

We have audited the concise financial report of Orica Limited and its controlled entities for the financial year ended 30 September 2000, consisting of the profit and loss statement, balance sheet, statement of cash flows, accompanying notes 1 to 7, and the accompanying discussion and analysis on the profit and loss statement, balance sheet and statement of cash flows set out on pages 36 to 49 in order to express an opinion on it to the members of the company. The company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Orica Limited and its controlled entities for the year ended 30 September 2000. Our audit report on the full financial report was signed on 26th October, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 'Concise Financial Reports' issued in Australia.

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

### Audit opinion

In our opinion the concise financial report of Orica Limited and its controlled entities for the year ended 30 September 2000 complies with AASB 1039 'Concise Financial Reports'.

KPMG

J W Nicholls
Partner

*Dated at Melbourne this 26th day of October 2000*

# Shareholders' Statistics

**As at 11 October 2000**

### Distribution of Ordinary Shareholders and Shareholdings

| Size of holding | Number of holders | | Number of shares | |
|---|---|---|---|---|
| 1 – 1,000 | 43,978 | 65.91% | 21,045,838 | 7.63% |
| 1,001 – 5,000 | 19,916 | 29.84% | 42,515,246 | 15.42% |
| 5,001 – 10,000 | 1,858 | 2.78% | 13,316,558 | 4.83% |
| 10,001 – 100,000 | 862 | 1.29% | 17,867,239 | 6.48% |
| 100,001 and over | 120 | 0.18% | 181,016,296 | 65.64% |
| Total | 66,734 | 100.00% | 275,761,177 | 100.00% |

Included in the above total are 2,707 shareholders holding less than a marketable parcel of 89 shares. The holdings of the 20 largest holders of fully paid ordinary shares represent 56.25% of that class of shares.

### Twenty largest ordinary fully paid shareholders

| | Shares | % of total |
|---|---|---|
| Chase Manhattan Nominees Limited | 32,415,246 | 11.75 |
| BT Custodial Services Pty Limited | 18,282,153 | 6.63 |
| National Nominees Limited | 17,712,929 | 6.42 |
| Westpac Custodian Nominees Limited | 15,163,795 | 5.50 |
| ANZ Nominees Limited | 10,580,705 | 3.84 |
| Perpetual Nominees Limited | 9,996,862 | 3.63 |
| Mercantile Mutual Life Insurance Company Limited | 6,045,964 | 2.19 |
| Commonwealth Custodial Services Limited | 5,978,242 | 2.17 |
| MLC Limited | 5,350,766 | 1.94 |
| Citicorp Nominees Pty Limited | 4,681,580 | 1.69 |
| Queensland Investment Corporation | 4,457,192 | 1.62 |
| Perpetual Trustees Australia Limited | 3,785,450 | 1.37 |
| AMP Nominees Pty Limited | 3,601,705 | 1.31 |
| Perpetual Trustees Nominees Limited | 3,296,470 | 1.20 |
| AMP Life Limited | 3,184,633 | 1.15 |
| Guardian Trust Australia Limited | 2,673,801 | 0.97 |
| Australian Foundation Investment Company Limited | 2,408,840 | 0.87 |
| Tyndall Life Insurance Company Limited | 1,896,917 | 0.69 |
| CSS Board | 1,816,365 | 0.66 |
| National Australia Financial Management Limited | 1,799,952 | 0.65 |
| Total | 155,129,567 | 56.25 |

### 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:

| | | | |
|---|---|---|---|
| 13 October 1999 | Delaware International Advisors Limited | 19,236,509 | 7.04% |
| 30 November 1999 | Royal and Sun Alliance Australia Holdings Limited | 17,017,716 | 6.23% |
| 24 July 2000 | Principal Mutual Holdings Company | 17,054,206 | 6.21% |
| 14 August 2000 | Perpetual Trustees Australia Limited | 29,424,930 | 10.67% |
| 12 September 2000 | Maple-Brown Abbott Limited | 14,249,772 | 5.17% |

### Distribution of Preference Shareholders and Shareholdings

| Size of holding | Number of holders | | Number of shares | |
|---|---|---|---|---|
| 1 – 1,000 | 284 | 76.97% | 87,511 | 4.38% |
| 1,001 – 5,000 | 45 | 12.20% | 121,007 | 6.05% |
| 5,001 – 10,000 | 14 | 3.79% | 106,917 | 5.34% |
| 10,001 – 100,000 | 24 | 6.50% | 613,803 | 30.69% |
| 100,001 and over | 2 | 0.54% | 1,070,762 | 53.54% |
| Total | 369 | 100.00% | 2,000,000 | 100.00% |

Included in the above total are 211 shareholders holding less than a marketable parcel of 480 shares. The holdings of the 20 largest holders of 5% cumulative preference shares represent 80.74% of that class of shares.

### Twenty largest 5% cumulative preference shareholders

| | Shares | % of total |
|---|---|---|
| NRMA Nominees Pty Limited | 938,722 | 46.94 |
| Super John Pty Limited | 132,040 | 6.60 |
| Winpar Holdings Limited | 63,493 | 3.17 |
| Mr John Frederick Bligh | 58,153 | 2.91 |
| J S Millner Holdings Pty Ltd | 55,300 | 2.77 |
| Patmic Pty Ltd | 40,300 | 2.01 |
| Robert John Charles Catto | 36,102 | 1.80 |
| Ms Nina Tschernykow | 34,500 | 1.72 |
| Gowing Bros Ltd | 33,400 | 1.67 |
| Mr Ian Edward Morton | 30,000 | 1.50 |
| Mr Ian Morton | 29,600 | 1.48 |
| Great Northern Laundry Pty Ltd | 26,000 | 1.30 |
| Grampian Hills Pty Ltd | 21,400 | 1.07 |
| Mr Allistair Hazard | 20,930 | 1.05 |
| Henley Underwriting & Investment Company Pty Limited | 18,000 | 0.90 |
| Robert Franklin Cameron | 16,936 | 0.85 |
| Mr Douglas Robert Graham Neild | 15,500 | 0.78 |
| Mr Eric Raymond Arnold Elsey | 15,207 | 0.76 |
| Arthurs Trading Co Pty Ltd | 15,000 | 0.75 |
| Mrs Deborah Lee Morton | 14,136 | 0.71 |
| Total | 1,614,719 | 80.74 |

### 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**

| | | 2000 $m | 1999 $m | 1998 $m | 1997 $m | 1996 $m | 1995 $m | 1994 $m | 1993 $m | 1992 $m | 1991 $m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | | **3,672.7** | **3,959.8** | **3,935.2** | **3,602.1** | **3,457.6** | **3,365.3** | **3,060.5** | **2,834.8** | **2,769.0** | **2,836.7** |
| Earnings before net interest and tax | | 281.1 | 303.6 | 389.1 | 438.6 | 376.3 | 423.5 | 313.2 | 240.2 | 199.2 | 182.9 |
| Depreciation and amortisation | | 161.4 | 176.1 | 171.4 | 158.9 | 130.4 | 137.3 | 154.2 | 146.8 | 164.2 | 144.4 |
| **Trading cash flow** | | **442.5** | **479.7** | **560.5** | **597.5** | **506.7** | **560.8** | **467.4** | **387.0** | **363.4** | **327.3** |
| Net interest | | 46.0 | 45.2 | 62.7 | 37.0 | 26.2 | 15.4 | 29.0 | 36.9 | 40.9 | 66.4 |
| Operating profit before income tax and abnormal items | | 235.1 | 258.4 | 326.4 | 401.6 | 350.1 | 408.1 | 284.2 | 203.3 | 158.3 | 116.5 |
| Operating profit after tax and before abnormal items | | 147.0 | 156.4 | 204.6 | 242.2 | 220.1 | 268.8 | 187.4 | 125.2 | 91.4 | 68.3 |
| **Operating profit after tax and abnormal items** | | **113.7** | **186.2** | **434.9** | **132.2** | **197.1** | **268.8** | **167.5** | **118.9** | **85.4** | **126.5** |
| Dividends | | 96.4 | 100.8 | 134.1 | 134.0 | 130.5 | 154.2 | 97.9 | 68.2 | 53.4 | 44.4 |
| Current assets | | 1,364.7 | 1,377.8 | 1,387.5 | 1,184.2 | 1,130.0 | 1,126.4 | 1,057.1 | 1,003.6 | 976.7 | 1,018.0 |
| Property, plant and equipment | | 1,484.0 | 1,444.3 | 1,736.2 | 1,591.7 | 1,568.6 | 1,351.6 | 1,173.5 | 1,133.9 | 1,118.9 | 1,125.2 |
| Investments | | 264.6 | 239.4 | 17.3 | 1.5 | 1.1 | 1.6 | 1.8 | 4.5 | 3.9 | 3.1 |
| Intangibles | | 249.6 | 258.4 | 297.0 | 65.6 | 44.6 | 49.0 | 43.6 | 47.1 | 49.4 | 62.4 |
| Other non-current assets | | 216.4 | 209.7 | 209.4 | 118.6 | 99.1 | 127.1 | 116.4 | 161.9 | 206.1 | 158.3 |
| **Total assets** | | **3,579.3** | **3,529.6** | **3,647.4** | **2,961.6** | **2,843.4** | **2,655.7** | **2,392.4** | **2,351.0** | **2,355.0** | **2,367.0** |
| Current payables | | 532.7 | 531.4 | 564.1 | 481.5 | 479.7 | 467.8 | 533.9 | 464.0 | 441.3 | 403.6 |
| Current borrowings | | 312.3 | 280.0 | 306.6 | 583.9 | 143.4 | 102.7 | 97.7 | 82.6 | 41.5 | 74.6 |
| Current provisions | | 266.3 | 312.3 | 340.4 | 294.0 | 262.1 | 340.4 | 273.6 | 225.6 | 235.1 | 205.4 |
| Non-current payables | | – | 0.1 | 1.3 | 2.5 | 2.7 | 2.2 | 2.6 | 55.0 | 105.6 | 166.5 |
| Non-current borrowings | | 552.3 | 533.9 | 578.4 | 160.3 | 236.0 | 75.4 | 0.4 | 107.6 | 175.6 | 193.8 |
| Non-current provisions | | 271.9 | 274.7 | 343.2 | 259.7 | 203.8 | 221.3 | 161.0 | 146.2 | 144.2 | 134.2 |
| **Total liabilities** | | **1,935.5** | **1,932.4** | **2,134.0** | **1,781.9** | **1,327.7** | **1,209.8** | **1,069.2** | **1,081.0** | **1,143.3** | **1,178.1** |
| **Net assets** | | **1,643.8** | **1,597.2** | **1,513.4** | **1,179.7** | **1,515.7** | **1,445.9** | **1,323.2** | **1,270.0** | **1,211.7** | **1,188.9** |
| Shareholders' equity | | 1,511.4 | 1,476.7 | 1,390.0 | 1,072.0 | 1,440.5 | 1,377.6 | 1,263.8 | 1,205.9 | 1,148.7 | 1,131.1 |
| Equity attributable to minority interests | | 132.4 | 120.5 | 123.4 | 107.7 | 75.2 | 68.3 | 59.4 | 64.1 | 63.0 | 57.8 |
| **Total shareholders' equity** | | **1,643.8** | **1,597.2** | **1,513.4** | **1,179.7** | **1,515.7** | **1,445.9** | **1,323.2** | **1,270.0** | **1,211.7** | **1,188.9** |
| **Profit margin** (earnings before net interest and tax/sales) | % | **7.7** | **7.7** | **9.9** | **12.2** | **10.9** | **12.6** | **10.2** | **8.5** | **7.2** | **6.5** |
| **Interest cover** (earnings before net interest and tax/net interest) | times | **6.1** | **6.7** | **6.2** | **11.9** | **14.4** | **27.5** | **10.8** | **6.5** | **4.9** | **2.8** |
| **Gearing** (net debt/net debt plus equity) | % | **32.1** | **30.8** | **34.6** | **35.8** | **16.8** | **5.6** | **5.2** | **10.9** | **16.6** | **19.6** |
| **Earnings per share including abnormal items** | cents | **41.4** | **68.8** | **162.8** | **45.4** | **66.5** | **90.7** | **56.5** | **40.1** | **28.9** | **42.8** |
| **Dividends per share** | cents | **35.0** | **37.0** | **50.0** | **48.0** | **44.0** | **52.0** | **33.0** | **23.0** | **18.0** | **15.0** |
| **Dividend franking** | % | **32.0** | **37.9** | **42.0** | **100.0** | **65.7** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| **Share price range – High** | | **$8.66** | **$9.60** | **$13.12** | **$13.85** | **$12.25** | **$11.60** | **$11.50** | **$8.40** | **$6.12** | **$4.55** |
| **Low** | | **$5.58** | **$7.97** | **$7.80** | **$10.80** | **$8.93** | **$8.70** | **$8.29** | **$4.46** | **$4.45** | **$3.06** |

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# Shareholder Information

### Stock Exchange listing

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

### Orica's Share Registrar

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

GPO Box 1736P
Melbourne Victoria 3001
Australia

Telephone: **1800 177 752**
(for callers within Australia)
+61 3 9615 9999
Facsimile: +61 3 9615 9900
E-mail: **registrars@aprl.com.au**
website:
**www.registrars.perpetual.com.au**

### InvestorLine

Callers within Australia can call the toll-free Orica InvestorLine on **1800 177 752** to obtain information on their investment with Orica. This is a 24 hours a day, seven days a week service. Before you call, make sure you have your security holder reference number (SRN) or holder identification number (HIN) handy. One call to the InvestorLine gives you access to:

- your current shareholding balance
- history of payment details
- information on holder details
- dividend/tax file number (TFN) information
- previous day's closing price on ASX

You can also obtain the following forms by calling InvestorLine:

- change of address notification
- name correction request and indemnity
- transfer of ownership forms
- tax file number notification
- direct credit form ie banking instructions
- Dividend Reinvestment Plan application form

### Internet enquiries

You can access information about your shareholding by clicking on www.registrars.perpetual.com.au, choosing the 'Holder Information' menu option and entering 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.

You can obtain the following information from the Share Registrar's website:

- your current shareholding balance
- whether your tax file number is recorded
- your current dividend payment instructions
- your current annual report election
- change your annual report election
- check a previous holding balance
- access details of recently paid dividends
- lodge your tax file number

The following forms can be downloaded directly from the Share Registrar's website:

- change of address notification
- name correction request and indemnity
- probate and transfer to executor forms
- direct credit instructions
- tax file number notification
- transfer of ownership forms

### 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.

It is recommended that you make an election to receive your dividends by way of direct credit as this is the most secure form of payment.

### Participation in Dividend Reinvestment Plan

If you are a resident of Australia or New Zealand or have an address on the share register that is in Australia or New Zealand, you may participate in the company's Dividend Reinvestment Plan ('DRP') in accordance with the Rules of the DRP.

### Change of name

For issuer-sponsored holdings: Please notify Orica's Share Registrar in writing if you change your name. If a minor change in the name is to be made (eg to correct spelling) you may complete a *Name Correction and Indemnity Form*.

For CHESS/broker-sponsored holdings: Please advise your broker in writing.

### Change of address

For issuer-sponsored holdings: Please notify Orica's Share Registrar in writing if you change your address. Alternatively, you can complete a *Change of Address Notification Form*. Change of Address notifications can be mailed or faxed to Orica's Share Registrar.

For CHESS/broker-sponsored holdings: You will need to notify your broker in writing of your change of address.

### Consolidation of multiple holdings

If you have multiple shareholding accounts that you wish to consolidate into a single account, please notify Orica's Share Registrar in writing, quoting your SRNs for these accounts and nominating the account to which the holdings are to be consolidated.

### Tax and dividend payments

For Australian registered shareholders who have not quoted their TFNs, the company is obliged to deduct tax from dividends unless the dividends are fully franked.
If you have not already quoted your TFN, you may do so by contacting Orica's Share Registrar or by registering your TFN at the Share Registrar's website.

### Annual report

Shareholders are entitled to receive an annual report. You may elect to receive a full annual report or a concise annual report, alternatively you may elect to receive no annual report. If you do not make an annual report election, you will receive the concise annual report. Please contact Orica's Share Registrar if you wish to make or change your annual report election.

An annual report election can also be completed at the Share Registrar's website. Regardless of whether you elect to receive a full or concise annual report or no annual report, you will continue to receive Shareholder Meeting notices.

### Orica communications

News releases, announcements to the ASX, shareholder publications and the text of the Chairman's and Managing Director's addresses at the AGM are published on the Orica Limited website at www.orica.com. The Orica website provides essential information about the company and offers insights into Orica's businesses. Educational material can also be obtained from the Orica website.

Orica's printed communications for shareholders include the Annual Report, the Safety, Health and Environment Performance Report and the half year report which provides a review of the company's performance in the six months ending 31 March. An investor factbook is published twice yearly and can also be downloaded from the Orica website.

Copies of these publications are available on request from Orica's Corporate Affairs:
Telephone: (03) 9665 7246
International: +61 3 9665 7246
Facsimile: (03) 9665 7771
International: +61 3 9665 7771
Email: corporate_internet@orica.com

## Auditors

KPMG

**HIN** – holder identification number
**SRN** – security holder reference number
**TFN** – tax file number
**ASX** – Australian Stock Exchange

### Shareholder Calendar (dates subject to change)

**Books close for 2000 final dividend**
28 November 2000

**2000 final dividend paid**
14 December 2000

**Half year results and 2001 interim dividend announced**
2 May 2001

**Books close for 2001 interim dividend**
21 June 2001

**2001 interim dividend paid**
6 July 2001

**2001 full year results and 2001 final dividend announced**
To be advised

**2001 AGM**
To be advised

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On our website you can find:

## About Orica
The history, the turnover, the number of employees and more are all here in the fact file. There's also a world map showing our main centres.

## Mining Services
Orica is the world's leading supplier of commercial explosives and blasting technology. Find out more about this important business and check our links to Mining Services' own sites.

## Agricultural Chemicals
Through Incitec and Crop Care Orica manufactures and delivers fertilizers and a range of crop protection products. Find out more about this business sector.

## Chemicals
Chemnet, Watercare and Adhesives & Resins are just some of Orica's businesses featured in this section. Follow the link to Chemicals' on-line shopfront.

## Consumer Products
This business is made up of Decorative paints, Woodcare products, Texture and Powder Coatings and Selleys. This business sector represents a number of well known brand names.

## Environment
Orica is committed to reporting its progress on safety, health and environmental performance. This section covers the annual Safety, Health and Environment Performance Report, and environmental issues. It is the place where site environment reports can be found.

## Orica Addresses
The address and phone numbers of our main offices around the world are listed.

## News Releases
All Orica's press releases are posted to the website.

## Investor Information
Important investor information as well as the share price, key corporate reports and Australian Stock Exchange releases can be found here.

## Career Opportunities
An important area for people considering a career at Orica. Our graduate recruitment program and current vacancies are detailed here.

## Educational Resources
This is well used by students and teachers. It also provides a complete listing of educational resource materials prepared by the company for use in the classroom at primary and secondary levels.

## Orica Limited
ABN 24 004 145 868

Registered and head office:
1 Nicholson Street
Melbourne Victoria 3000

Postal address:
GPO Box 4311
Melbourne Victoria 3001

Telephone:
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International:
+ 61 3 9665 7111

Facsimile:
(03) 9665 7937

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+ 61 3 9665 7937

## State/International offices

**South Australia**
22 Sutton Terrace
Marleston SA 5033
Australia

**Western Australia**
Level 4, Kirin Centre
15 Ogilvie Road
Mt Pleasant WA 6153
Australia

**Tasmania**
2 Canal Street
Launceston TAS 7250
Australia

**New South Wales**
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Smiths Snackfood Building
799 Pacific Highway
Chatswood NSW 2067
Australia

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## Shareholder and analyst enquiries:

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