

**Appendix 4E**  
**Preliminary final report**  
**ORICA LIMITED**

ABN 24 004 145 868

**1. Details of the reporting period and the previous corresponding period**

Reporting Period	Year Ended	30 September 2013
Previous Corresponding Period	Year Ended	30 September 2012

**2. Results for announcement to the market**

<b>Consolidated:</b>				<b>\$m</b>
2.1 Consolidated revenue from operations	up	3.4%	to	6,898.1
2.2 Profit after tax attributable to shareholders	up	49.4%	to	601.6
2.3 Net profit for the period attributable to shareholders before individually material items	down	(7.5)%	to	601.6

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security at 30% tax</b>
<i>Current period</i>		
2.4 Final dividend - Ordinary Cents	55.0	55.0
2.4 Interim dividend - Ordinary Cents	39.0	15.0
<i>Previous corresponding period</i>		
2.4 Final dividend - Ordinary Cents	54.0	24.0
2.4 Interim dividend - Ordinary Cents	38.0	14.0
2.5 Record date for determining entitlements to the dividend:		
Ordinary Shares	25-Nov-13	
Payment date of dividend:		
Ordinary Shares	13-Dec-13	

2.6 Brief explanation of figures 2.1 to 2.4:

i) It is anticipated that dividends in the near future are unlikely to be franked at a rate of more than 50%.

ii) Conduit foreign income (CFI) component:

<i>Current period</i>		<i>Previous corresponding period</i>	
Interim dividend:		Interim dividend:	
Ordinary	24 cents	Ordinary	24 cents
Final dividend:		Final dividend:	
Ordinary	Nil cents	Ordinary	30 cents

iii) For the profit commentary and any other significant information needed by an investor to make an informed assessment of Orica's results please refer to the accompanying Orica Limited Profit Report.

3. **Income Statement - refer attached**
4. **Balance Sheet - refer attached**
5. **Statement of Cash Flows - refer attached**
6. **Reserves and retained earnings - refer attached, Statement of Changes in Equity**
7. **Details of individual dividends and payment dates - refer attached, Note 25 Dividends and distributions**
8. **Details of dividend reinvestment plan**

The Company's Dividend Reinvestment Plan (DRP) continues to be available to eligible shareholders. For the final dividend, shares will be allocated based on the arithmetic average of the daily volume weighted average market price of all shares sold through a normal trade on the ASX for a period of 7 days from 27 November to 5 December inclusive. The last date for receipt of election notices for participation in the final dividend under the DRP is Monday 25 November 2013. Shares issued pursuant to the DRP will rank equal to all other ordinary shares. No discount applies to the DRP.

9. **Net tangible assets**

	Current period	Previous corresponding period
	Cents	Cents
Net tangible asset backing per ordinary security	444.1	293.9

10. **Control gained/lost over entities having a material effect - refer attached, Note 27 Businesses and non-controlling interests acquired and Note 28 Businesses disposed**
11. **Details of associates and joint venture entities - refer attached, Note 11 Investments accounted for using the equity method**
12. **Significant information - refer press release attached**
13. **For foreign entities, which set of accounting standards is used in compiling the report - not applicable**
14. **Commentary on results for the period - refer press release attached**
15. **This report is based on a financial report which have been audited. The audit report, which is unmodified, will be made available with the Company's financial report, which also contains the Directors report (including the audited Remuneration Report) and the Directors Declaration. These will all be released at the same time as part of the Company's Annual Report which is nearing completion and will be released in early December 2013.**

Annette Cook  
Company Secretary  
Date 11 November 2013

# Income Statement

For the year ended 30 September

		Consolidated	
		2013	2012
	Notes	\$m	\$m
<b>Sales revenue</b>	(3)	<b>6,898.1</b>	6,674.1
<b>Other income</b>	(3)	<b>43.0</b>	67.5
<b>Expenses</b>			
Changes in inventories of finished goods and work in progress		35.9	47.9
Raw materials and consumables used and finished goods purchased for resale		(3,343.7)	(3,306.0)
Share based payments		(16.0)	(17.9)
Other employee benefits expense		(1,230.6)	(1,109.3)
Depreciation expense	(4c)	(247.9)	(214.7)
Amortisation expense	(4c)	(36.5)	(36.7)
Purchased services		(322.7)	(283.7)
Repairs and maintenance		(196.1)	(182.6)
Impairment of goodwill	(29)	(5.7)	(367.2)
Outgoing freight		(326.2)	(302.7)
Lease payments - operating leases		(66.9)	(67.0)
Other expenses		(233.3)	(283.7)
Share of net profit of associates accounted for using the equity method	(11)	33.4	37.4
		<b>(5,956.3)</b>	(6,086.2)
<b>Profit from operations</b>		<b>984.8</b>	655.4
<b>Net financing costs</b>			
Financial income	(4a)	34.2	32.9
Financial expenses	(4b)	(184.4)	(161.1)
<b>Net financing costs</b>		<b>(150.2)</b>	(128.2)
<b>Profit before income tax expense</b>		<b>834.6</b>	527.2
Income tax expense	(5)	(213.4)	(103.4)
<b>Net profit for the year</b>		<b>621.2</b>	423.8
<b>Net profit for the year attributable to:</b>			
Shareholders of Orica Limited		601.6	402.8
Non-controlling interests		19.6	21.0
<b>Net profit for the year</b>		<b>621.2</b>	423.8
		<b>cents</b>	cents
<b>Earnings per share</b>			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
Total attributable to ordinary shareholders of Orica Limited:			
Basic	(6)	165.4	109.2
Diluted	(6)	165.2	109.1

The Income Statement is to be read in conjunction with the notes to the financial statements set out on pages 6 to 77.

# Statement of Comprehensive Income

For the year ended 30 September

		Consolidated	
		2013	2012
	Notes	\$m	\$m
<b>Profit for the year</b>		<b>621.2</b>	423.8
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
<i>Cash flow hedges</i>			
Effective portion of changes in fair value	(5c)	15.0	3.5
Transferred loss to Income Statement	(5c)	(4.1)	(9.4)
Tax on cash flow hedges	(5c)	(3.3)	1.7
<i>Net Cash flow hedges</i>		<u>7.6</u>	(4.2)
<i>Exchange differences on translation of foreign operations</i>			
Exchange gain/(loss) on translation of foreign operations	(5c)	157.6	(103.6)
Net gain/(loss) on hedge of net investments in foreign subsidiaries	(5c)	178.9	(99.8)
Tax benefit/(expense) on exchange differences on translating foreign operations	(5c)	23.5	(18.4)
<i>Net exchange differences on translation of foreign operations</i>		<u>360.0</u>	(221.8)
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
<i>Retained earnings</i>			
Actuarial benefits/(losses) on defined benefit plans	(5c)(38)	24.9	(58.0)
Tax (expense)/benefit on actuarial benefits/(losses) on defined benefit plans	(5c)(38)	(7.7)	16.5
<i>Net retained earnings</i>		<u>17.2</u>	(41.5)
<b>Other comprehensive income for the year</b>		<b>384.8</b>	(267.5)
<b>Total comprehensive income for the year</b>		<b>1,006.0</b>	156.3
<b>Attributable to:</b>			
Shareholders of Orica Limited		973.4	142.6
Non-controlling interests		32.6	13.7
<b>Total comprehensive income for the year</b>		<b>1,006.0</b>	156.3

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 6 to 77.

# Balance Sheet

As at 30 September

		Consolidated	
	Notes	2013 \$m	2012 \$m
<b>Current assets</b>			
Cash and cash equivalents	(7)	225.3	235.8
Trade and other receivables	(8)	1,050.6	1,035.3
Inventories	(9)	793.1	693.6
Other assets	(10)	69.5	61.3
Other financial assets - derivative assets	(12)	11.4	12.0
<b>Total current assets</b>		<b>2,149.9</b>	<b>2,038.0</b>
<b>Non-current assets</b>			
Trade and other receivables	(8)	97.3	50.0
Investments accounted for using the equity method	(11)	435.5	206.4
Other financial assets - derivative assets	(12)	1.4	3.7
Other financial assets	(12)	0.7	0.6
Property, plant and equipment	(13)	3,455.4	3,034.4
Intangible assets	(14)	2,217.9	2,046.8
Deferred tax assets	(15)	218.5	223.8
Other assets	(10)	26.7	19.9
<b>Total non-current assets</b>		<b>6,453.4</b>	<b>5,585.6</b>
<b>Total assets</b>		<b>8,603.3</b>	<b>7,623.6</b>
<b>Current liabilities</b>			
Trade and other payables	(16)	1,235.8	1,058.9
Other financial liabilities - derivative liabilities	(16)	19.5	10.4
Interest bearing liabilities	(17)	443.9	346.0
Current tax liabilities	(18)	80.0	2.4
Provisions	(19)	173.3	162.6
<b>Total current liabilities</b>		<b>1,952.5</b>	<b>1,580.3</b>
<b>Non-current liabilities</b>			
Trade and other payables	(16)	12.3	12.4
Other financial liabilities - derivative liabilities	(16)	55.7	73.7
Interest bearing liabilities	(17)	2,112.7	2,189.0
Deferred tax liabilities	(20)	52.4	56.4
Provisions	(19)	423.6	465.3
<b>Total non-current liabilities</b>		<b>2,656.7</b>	<b>2,796.8</b>
<b>Total liabilities</b>		<b>4,609.2</b>	<b>4,377.1</b>
<b>Net assets</b>		<b>3,994.1</b>	<b>3,246.5</b>
<b>Equity</b>			
Ordinary shares	(21)	1,877.9	1,795.1
Reserves	(22)	(680.9)	(1,049.8)
Retained earnings	(22)	2,656.0	2,376.2
<b>Total equity attributable to ordinary shareholders of Orica Limited</b>		<b>3,853.0</b>	<b>3,121.5</b>
Non-controlling interests in controlled entities	(23)	141.1	125.0
<b>Total equity</b>		<b>3,994.1</b>	<b>3,246.5</b>

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 6 to 77.

# Statement of Changes in Equity

For the year ended 30 September

	Ordinary shares	Retained earnings	Share based payments reserve	Cash flow hedging reserve	Foreign currency translation reserve	Equity reserve arising from purchase of non-controlling interests	Total	Step-Up Preference Securities	Non-controlling interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>2012</b>										
Balance at 1 October 2011	1,749.9	2,363.4	65.4	(11.5)	(715.5)	(187.4)	3,264.3	490.0	121.3	3,875.6
Profit for the year	-	402.8	-	-	-	-	402.8	-	21.0	423.8
Other comprehensive income	-	(41.5)	-	(4.2)	(214.5)	-	(260.2)	-	(7.3)	(267.5)
<b>Total comprehensive income for the year</b>	-	361.3	-	(4.2)	(214.5)	-	142.6	-	13.7	156.3
<b>Transactions with owners, recorded directly in equity</b>										
Total changes in contributed equity	45.2	-	-	-	-	-	45.2	-	1.2	46.4
Share-based payments expense	-	-	17.9	-	-	-	17.9	-	-	17.9
Reclassification to interest bearing liabilities	-	(10.0)	-	-	-	-	(10.0)	(490.0)	-	(500.0)
Divestment of non-controlling interests	-	0.3	-	-	-	-	0.3	-	(1.2)	(0.9)
Dividends/distributions	-	(338.8)	-	-	-	-	(338.8)	-	-	(338.8)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	-	-	(10.0)	(10.0)
<b>Balance at the end of the year</b>	<b>1,795.1</b>	<b>2,376.2</b>	<b>83.3</b>	<b>(15.7)</b>	<b>(930.0)</b>	<b>(187.4)</b>	<b>3,121.5</b>	<b>-</b>	<b>125.0</b>	<b>3,246.5</b>
<b>2013</b>										
Balance at 1 October 2012	1,795.1	2,376.2	83.3	(15.7)	(930.0)	(187.4)	3,121.5	-	125.0	3,246.5
Profit for the year	-	601.6	-	-	-	-	601.6	-	19.6	621.2
Other comprehensive income	-	17.2	-	7.6	347.0	-	371.8	-	13.0	384.8
<b>Total comprehensive income for the year</b>	-	618.8	-	7.6	347.0	-	973.4	-	32.6	1,006.0
<b>Transactions with owners, recorded directly in equity</b>										
Total changes in contributed equity	82.8	-	-	-	-	-	82.8	-	4.0	86.8
Share-based payments expense	-	-	16.0	-	-	-	16.0	-	-	16.0
Acquisition of non-controlling interests	-	-	-	-	-	(1.7)	(1.7)	-	(1.6)	(3.3)
Divestment of non-controlling interests	-	-	-	-	-	-	-	-	(0.4)	(0.4)
Dividends/distributions	-	(339.0)	-	-	-	-	(339.0)	-	-	(339.0)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	-	-	(18.5)	(18.5)
<b>Balance at the end of the year</b>	<b>1,877.9</b>	<b>2,656.0</b>	<b>99.3</b>	<b>(8.1)</b>	<b>(583.0)</b>	<b>(189.1)</b>	<b>3,853.0</b>	<b>-</b>	<b>141.1</b>	<b>3,994.1</b>

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out in pages 6 to 77.

# Statement of Cash Flows

For the year ended 30 September

		Consolidated	
	Notes	2013 \$m	2012 \$m
		Inflows/ (Outflows)	Inflow s/ (Outflow s)
<b>Cash flows from operating activities</b>			
Receipts from customers		7,615.4	7,069.6
Payments to suppliers and employees		(6,307.7)	(6,239.9)
Interest received		34.0	32.9
Borrowing costs		(187.3)	(191.1)
Dividends received		25.2	31.2
Other operating revenue received		20.9	15.5
Net income taxes paid		(141.8)	(174.1)
<b>Net cash flows from operating activities</b>	(26)	<b>1,058.7</b>	<b>544.1</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(542.3)	(586.5)
Payments for intangibles		(30.3)	(42.4)
Payments for purchase of investments		(201.1)	(40.9)
Payments for purchase of businesses/controlled entities	(27)	(2.7)	(13.8)
Payments of deferred consideration from prior acquisitions		-	(29.3)
Proceeds from sale of property, plant and equipment		31.3	28.5
Proceeds from sale of investments		1.3	8.0
Proceeds from sale of businesses/controlled entities	(28)	0.5	2.5
<b>Net cash flows used in investing activities</b>		<b>(743.3)</b>	<b>(673.9)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings		6,585.1	7,284.5
Repayment of long term borrowings		(6,776.2)	(7,178.3)
Net movement in short term financing		112.1	235.1
Payments for finance leases		(1.1)	(5.4)
Proceeds from issue of ordinary shares		39.4	24.3
Proceeds from issue of shares to non-controlling interests		4.0	1.2
Payments for buy-back of ordinary shares - LTEIP		(9.6)	(19.9)
Dividends paid - Orica ordinary shares		(286.0)	(289.1)
Distributions paid - Step-Up Preference Securities		-	(11.1)
Dividends paid - non-controlling interests		(18.8)	(8.5)
<b>Net cash (used in)/from financing activities</b>		<b>(351.1)</b>	<b>32.8</b>
<b>Net decrease in cash held</b>		<b>(35.7)</b>	<b>(97.0)</b>
Cash at the beginning of the year		227.9	343.3
Effects of exchange rate changes on cash		13.9	(18.4)
<b>Cash at the end of the year</b>	(26)	<b>206.1</b>	<b>227.9</b>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 6 to 77.

# Notes to the Financial Statements

For the year ended 30 September 2013

1	Accounting policies	7
2	Segment report	15
3	Sales revenue and other income	19
4	Specific profit and loss income and expenses	19
5	Income tax expense	20
6	Earnings per share (EPS)	23
7	Cash and cash equivalents	24
8	Trade and other receivables	24
9	Inventories	27
10	Other assets	27
11	Investments accounted for using the equity method	28
12	Other financial assets	29
13	Property, plant and equipment	30
14	Intangible assets	32
15	Deferred tax assets	33
16	Trade and other payables	33
17	Interest bearing liabilities	34
18	Current tax liabilities	35
19	Provisions	35
20	Deferred tax liabilities	37
21	Contributed equity	38
22	Reserves and retained earnings	40
23	Non-controlling interests in controlled entities	41
24	Parent Company disclosure - Orica Limited	42
25	Dividends and distributions	43
26	Notes to the statement of cash flows	44
27	Businesses and non-controlling interests acquired	45
28	Businesses disposed	46
29	Impairment testing of goodwill	47
30	Commitments	48
31	Auditors' remuneration	49
32	Critical accounting judgements and estimates	49
33	Contingent liabilities	51
34	Financial and capital management	53
35	Events subsequent to balance date	62
36	Employee share plans	63
37	Related party disclosures	66
38	Superannuation commitments	68
39	Investments in controlled entities	74
40	Deed of cross guarantee	77

# Notes to the Financial Statements

For the year ended 30 September 2013

## 1. Accounting policies

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

### (i) Basis of preparation

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

### (ii) Statement of compliance

The financial report is a general purpose financial report which has been prepared by a for-profit entity in accordance with the requirements of applicable Australian Accounting Standards and the Corporations Act 2001 and complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 11 November 2013. The financial report is presented in Australian dollars which is Orica's functional and presentation currency.

This financial report has been prepared on the basis of Australian Accounting Standards on issue that are effective or early adopted by Orica as at 30 September 2013.

Except as described below, the accounting policies applied by the Group in the financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 September 2013. The standard relevant to Orica that has been adopted during the year is:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income - applicable for annual reporting periods beginning on or after 1 July 2012.

This standard has had no significant impact on the financial statements.

The standards relevant to Orica that have not been early adopted are:

Effective for Orica from 1 October 2013:

Consolidated Financial Statements and Joint Arrangements

- AASB 10 Consolidated Financial Statements – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 11 Joint Arrangements – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 12 Disclosure of Interests in Other Entities – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 127 Separate Financial Statements – applicable for annual reporting periods beginning on or after 1 January 2013.

- AASB 128 Investments in Associates and Joint Ventures – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.

These standards revise the definition of control and the types of joint arrangements. It is expected that Yara Pilbara Nitrates Pty Ltd will be accounted for as a jointly controlled entity instead of an investment accounted for using the equity method and for Orica Mining Services Pilbara Pty Ltd to be accounted for as an investment accounted for using the equity method instead of consolidated. These changes are not expected to have a material effect on net profit for the year (although line items in the Income Statement will change) nor on Shareholders Equity (although line items in the Balance Sheet will change).

Employee benefits

- AASB 119 Employee Benefits – applicable for annual reporting periods on or after 1 January 2013.
- AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures.

If the new standard had been adopted in the current period, the provision balance as at 30 September 2012 would have reduced by approximately \$10 million and profit after income tax for 2013 would have been approximately \$9 million lower. The major ongoing effect of the employee benefits standard is that the expected return on assets in defined benefit funds are limited to the discount rates applied to the net defined benefit asset or liability.

Fair Value measurement

- AASB 13 Fair Value Measurement – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 – applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) - applicable for annual reporting periods beginning on or after 1 January 2013.

These standards are expected to impact mainly on disclosures in the financial statements.

Other standards

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements – applicable for annual reporting periods beginning on or after 1 July 2013.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities - applicable for annual reporting periods beginning on or after 1 January 2013.

# Notes to the Financial Statements

For the year ended 30 September 2013

## 1. Accounting policies (continued)

- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle - applicable for annual reporting periods beginning on or after 1 January 2013.

These standards are expected to impact mainly on disclosures in the financial statements.

Standards taking effect from 1 October 2014 and later

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities - applicable for annual reporting periods beginning on or after 1 January 2014.
- AASB 9 Financial Instruments - applicable for annual reporting periods beginning on or after 1 January 2015.
- AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 – [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] - available for annual reporting periods beginning on or after 1 January 2013
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) – available for annual reporting periods on or after 1 January 2013.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets - applicable for annual reporting periods beginning on or after 1 January 2014.

The consolidated entity expects to adopt these standards in the 2015 and subsequent financial years - however the financial impact of adopting the new or amended standards has not yet been determined.

### (iii) Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to the Income Statement in the period of acquisition.

The non-controlling interest's share of net assets is stated at their proportion of the fair values of the assets and liabilities and contingent liabilities recognised of each subsidiary.

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

## (iv) Revenue recognition

### *Sales revenue*

External sales are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. External sales are recognised when the significant risks and rewards of ownership are transferred to the purchaser, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

### *Other income*

Profits and losses from sale of businesses, controlled entities and other non-current assets are recognised when there is a signed unconditional contract of sale. Dividends are recognised in the Income Statement when declared.

### *Construction contracts*

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified and total contract revenue and costs to complete can be reliably estimated. Stage of completion is measured by reference to an assessment of physical work completed to date as a percentage of estimated total work for each contract. An expected loss is recognised immediately as an expense.

## (v) Financial income & borrowing costs

### *Financial income*

Financial income includes interest income on funds invested and the non designated portion of the net investment hedging derivatives. These are recognised in the Income Statement as accrued.

### *Borrowing costs*

Borrowing costs include interest, unwinding of the effect of discounting on provisions, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings, including lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average interest rate.

## (vi) Research and development costs

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

## (vii) Share based payments

Equity settled share based payments are externally measured at fair value at the date of grant using an option valuation model. This valuation model generates possible future share prices based on similar assumptions that underpin relevant option pricing models and reflects the value (as at grant date) of options granted. The assumptions underlying the options valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends

# Notes to the Financial Statements

For the year ended 30 September 2013

## 1. Accounting policies (continued)

expected on the shares and (f) the risk-free interest rate for the life of the option.

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

The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to vesting conditions not being met.

For the December 2010 and subsequent years issues under the Long Term Equity Incentive Plan, the share based payment expense will be adjusted to an expense based on actual EPS growth achieved.

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

### (viii) Carbon emissions

Allocated carbon emissions permits are recognised at nil value. Carbon emissions permits purchased to meet the Group's settlement requirements are initially recorded at cost within intangible assets. A liability is recognised when the Group's carbon emissions exceed the emissions permits held. The liability together with any net gain resulting from the sale of permits is recognised in other expenses. Liabilities are measured at nominal value up to the level of allocated permits held and at the cost of purchased permits up to the level of purchased permits held.

### (ix) Taxation

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

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

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

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

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

#### *Tax consolidation*

Orica Limited is the parent entity in the tax consolidated group comprising all wholly-owned Australian entities.

Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the parent entity recognises the tax effects of its own transactions and the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary entities.

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

### (x) Inventories

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

### (xi) Construction work in progress

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

### (xii) Trade and other receivables

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

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

### (xiii) Investments accounted for using the equity method

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

### (xiv) Other financial assets

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

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

# Notes to the Financial Statements

For the year ended 30 September 2013

## 1. Accounting policies (continued)

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

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

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

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

### (xvi) Property, plant and equipment and depreciation

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

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

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

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

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

As required under AASB 116, *Property, plant and equipment*, Orica reviewed and changed the estimate of useful lives and depreciation rates of major ammonium nitrate manufacturing plants during the year. The effect of this change in estimate was to reduce the depreciation expense for this year and future years by approximately \$24 million per year.

### (xvii) Leased assets

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

Assets under finance lease are capitalised at the present value of the minimum lease payments and amortised on a straight-line basis over the period during which benefits are expected to flow from the use of the leased assets.

A corresponding liability is established and each lease payment is allocated between finance charges and reduction of the liability.

Operating leases are not capitalised and lease rental payments are taken to the Income Statement on a straight-line basis.

### (xviii) Intangible assets

#### *Identifiable intangibles*

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

Identifiable intangible assets with a finite life (customer contracts, patents, software, brand names, trademarks and licences) are amortised on a straight-line basis over their expected useful life to the consolidated entity, being up to thirty years. Identifiable intangible assets with an indefinite life (brand names and trademarks) are not amortised but the recoverable amount of these assets is tested for impairment at least annually as explained under impairment of assets (see note xxvi).

#### *Unidentifiable intangibles*

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

#### *Subsequent expenditure*

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

### (xix) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the liabilities on an effective interest basis.

Amortised cost is calculated by taking into account any issue costs and any discount or premium on issuance. Gains and losses are recognised in the Income Statement in the event that the liabilities are derecognised.

### (xx) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain and a reliable estimate of the liability is able to be assessed. If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the effect of discounting on provisions is recognised as a borrowing cost.

#### *Environmental*

Estimated costs for the remediation of soil, groundwater and untreated waste that have arisen as a result of past events are provided for where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed.

# Notes to the Financial Statements

For the year ended 30 September 2013

## 1. Accounting policies (continued)

However, where the cost relates to land held for resale then, to the extent that the expected realisation exceeds both the book value of the land and the estimated cost of remediation, the cost is capitalised as part of the holding value of that land. For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been capitalised, expensed or provided for.

### *Decommissioning*

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

### *Self insurance*

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

### *Employee entitlements*

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

The present value is determined using interest rates applicable to government guaranteed securities with maturities approximating the terms of the consolidated entity's obligations.

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

### *Contingent liabilities on acquisition of controlled entities*

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

### *Superannuation*

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

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

comprehensive income. The consolidated entity's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds or in countries where there is no deep market in such bonds, the market yields on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

### *Restructuring and employee termination benefits*

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

### *Onerous contracts*

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

A provision is recognised to the extent that the contractual obligations exceed unrecognised assets.

## (xxi) Trade and other payables

### *Dividends*

A liability for dividends payable (including distributions on the Step-Up Preference Securities) is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

## (xxii) Foreign currency

### *Functional currency*

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

### *Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the entity at the foreign exchange rate ruling at that date.

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

### *Financial statements of foreign operations*

The assets and liabilities of foreign operations, including

# Notes to the Financial Statements

For the year ended 30 September 2013

## 1. Accounting policies (continued)

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

The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. The revenues and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Prior to translating the financial statements of foreign operations in hyperinflationary economies, the financial statements, including comparatives, are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the balance sheet date.

### *Net investment in foreign operations*

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

### **(xxiii) Financial instruments**

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

Financial instruments are recognised initially at cost. Subsequent to initial recognition, financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement.

However, where financial instruments qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

### *Hedging*

#### *Cash flow hedges*

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

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

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

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative

gain or loss is removed from other comprehensive income and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects the Income Statement.

The ineffective part of any gain or loss is recognised immediately in the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

### *Fair value hedges*

The consolidated entity uses fair value hedges to mitigate the risk of changes in the fair value of its foreign currency borrowings from foreign currency and interest rate fluctuations over the hedging period.

Under a fair value hedge gains or losses from remeasuring the fair value of the hedging instrument are recognised in the Income Statement, together with gains or losses in relation to the hedged item.

### *Hedge of monetary assets and liabilities*

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

### *Investments in debt and equity securities*

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

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

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

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

### *Hedge of net investment in foreign operations*

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

# Notes to the Financial Statements

For the year ended 30 September 2013

## 1. Accounting policies (continued)

### *Anticipated transactions*

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables and payables outstanding at balance date are translated at the exchange rates current at that date.

Exchange gains and losses on retranslation of outstanding receivables and payables are taken to the Income Statement. Where a hedge transaction is designated as a hedge of the anticipated purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, gains and losses on the hedge, arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the Income Statement.

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

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

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

### **(xxiv) Cash and cash equivalents**

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

### **(xxv) Share capital**

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

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

#### *Step-Up Preference Securities*

Step-Up Preference Securities (SPS) were included in equity. A provision for distributions payable was recognised in the reporting period in which the distributions were declared (refer to note 21). SPS were repurchased for \$100 per SPS on 29 November 2011.

### **(xxvi) Impairment of assets**

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

amount to its carrying amount. The recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use.

The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the cash generating unit to which the asset belongs.

A cash generating unit (CGU) is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets with each CGU being no larger than a segment. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes, subject to being at no greater than the segments reported in note 2. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

In calculating recoverable amount, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit.

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

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

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

#### *Reversals of impairment*

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of goodwill is not reversed.

### **(xxvii) Goods and services tax**

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

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

# Notes to the Financial Statements

For the year ended 30 September 2013

## 1. Accounting policies (continued)

### (xxviii) Rounding

The amounts shown 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.

### (xxix) Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

# Notes to the Financial Statements

For the year ended 30 September 2013

## 2. Segment report

Segment information is presented in respect of the consolidated entity's internal management structure as reported to the Group's Chief Operating Decision Maker (CODM). The CODM for the Group has been assessed as the Group's Managing Director. Following the Orica restructure from 1 October 2012, the segments have been re-evaluated and the comparative period has been restated.

The consolidated entity's operations have been divided into seven reportable segments comprising: Mining Services: Australia/Pacific, North America, Latin America, EMEA (Europe, Middle East & Africa) and Other; Chemicals and Other.

The consolidated entity's policy is to transfer products internally at negotiated commercial prices. Other income includes royalties, profit on sale of property, plant and equipment, profit from the sale of businesses and controlled entities and foreign currency gains.

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

Defined reportable segments	Products/services
Mining Services* - Australia/Pacific - North America - Latin America - EMEA - Other**	Manufacture and supply of commercial explosives and blasting systems to the mining and infrastructure markets, the provision of ground support services in mining and tunnelling and supply of sodium cyanide for gold extraction.
Chemicals	Manufacture, distribution and trading of a broad range of industrial and specialty chemicals for use in a wide range of industries, which include water treatment, pulp and paper, food and beverage, construction and mining.
Other	Minor activities, operation of the Botany Groundwater Recycling Business, non-operating assets, corporate and support costs and financial items such as foreign currency gains/losses.

\*Mining Services includes Mining Chemicals (previously included in Chemicals) and former Minova (previously disclosed as a separate segment).

\*\*Mining Services Other segment includes Mining Services global head office, global hub activities (including research and development, global purchasing and supply chain), other support costs and Asia.

Prior period comparative segment information has been restated.

# Notes to the Financial Statements

For the year ended 30 September

## 2. Segment report (continued)

Reportable segments 2013 \$m	Mining Services Australia/Pacific	Mining Services North America	Mining Services Latin America	Mining Services EMEA	Mining Services Other	Eliminations	Total Mining Services	Chemicals	Other	Eliminations	Consolidated
<b>Revenue</b>											
External sales	1,974.0	1,390.1	956.7	922.7	505.6	-	5,749.1	1,146.5	2.5	-	6,898.1
Inter-segment sales	115.5	181.9	40.6	15.7	812.3	(1,144.9)	21.1	52.3	0.3	(73.7)	-
Total sales revenue	2,089.5	1,572.0	997.3	938.4	1,317.9	(1,144.9)	5,770.2	1,198.8	2.8	(73.7)	6,898.1
Other income <sup>(1)</sup>	(0.8)	17.7	13.0	(0.9)	11.7	-	40.7	2.5	(0.2)	-	43.0
Total revenue and other income	2,088.7	1,589.7	1,010.3	937.5	1,329.6	(1,144.9)	5,810.9	1,201.3	2.6	(73.7)	6,941.1
<b>Results</b>											
Profit/(loss) before individually material items, net financing costs and income tax expense	623.3	108.9	86.7	63.8	110.0	-	992.7	92.0	(99.9)	-	984.8
Financial income											34.2
Financial expense											(184.4)
<b>Profit before income tax expense</b>											834.6
Income tax expense											(213.4)
<b>Profit after income tax expense</b>											621.2
Profit attributable to non-controlling interests											(19.6)
<b>Net profit for the period attributable to shareholders of Orica Limited</b>											601.6
Segment assets	2,969.8	1,128.2	774.3	1,091.7	1,185.4	-	7,149.4	839.2	614.7	-	8,603.3
Segment liabilities	409.9	199.3	225.9	242.4	293.7	-	1,371.2	221.0	3,017.0	-	4,609.2
Net Assets	2,559.9	928.9	548.4	849.3	891.7	-	5,778.2	618.2	(2,402.3)	-	3,994.1
Investments accounted for using the equity method	239.6	152.9	3.4	8.9	29.6	-	434.4	1.0	0.1	-	435.5
Acquisitions of PPE and intangibles	281.3	69.1	40.9	47.6	78.9	-	517.8	22.5	38.1	-	578.4
Impairment of intangibles	-	-	-	-	5.7	-	5.7	-	-	-	5.7
Impairment of inventories	4.2	2.5	0.3	2.9	1.8	-	11.7	1.1	-	-	12.8
Impairment of trade receivables	1.0	1.6	0.1	3.4	3.6	-	9.7	1.8	-	-	11.5
Impairment of investments	-	-	-	0.3	-	-	0.3	-	-	-	0.3
Depreciation	101.0	35.4	21.4	30.8	25.6	-	214.2	30.2	3.5	-	247.9
Amortisation	3.8	12.9	0.3	7.0	8.8	-	32.8	0.6	3.1	-	36.5
Non-cash expenses other than depreciation and amortisation: - share based payments	2.3	2.1	0.8	0.9	4.4	-	10.5	1.1	4.4	-	16.0
Share of associates net profit equity accounted	(1.2)	33.4	1.1	0.2	-	-	33.5	(0.1)	-	-	33.4

<sup>(1)</sup> Includes foreign currency gains/losses in various reportable segments.

# Notes to the Financial Statements

For the year ended 30 September

## 2. Segment report (continued)

Reportable segments 2012 \$m	Mining Services Australia/Pacific	Mining Services North America	Mining Services Latin America	Mining Services EMEA	Mining Services Other	Eliminations	Total Mining Services	Chemicals	Other	Eliminations	Consolidated
<b>Revenue</b>											
External sales	1,881.6	1,338.0	911.9	938.0	496.1	-	5,565.6	1,106.6	1.9	-	6,674.1
Inter-segment sales	124.2	171.2	33.8	13.1	742.5	(1,020.6)	64.2	92.8	0.3	(157.3)	-
Total sales revenue	2,005.8	1,509.2	945.7	951.1	1,238.6	(1,020.6)	5,629.8	1,199.4	2.2	(157.3)	6,674.1
Other income <sup>(1)</sup>	10.5	5.2	2.7	30.3	8.0	-	56.7	4.2	6.6	-	67.5
Total revenue and other income	2,016.3	1,514.4	948.4	981.4	1,246.6	(1,020.6)	5,686.5	1,203.6	8.8	(157.3)	6,741.6
<b>Results</b>											
Profit/(loss) before individually material items, net financing costs and income tax expense	518.4	144.2	83.8	135.4	127.7	-	1,009.5	100.4	(87.3)	-	1,022.6
Financial income											32.9
Financial expense											(161.1)
<b>Profit before income tax expense</b>											894.4
Income tax expense											(223.2)
<b>Profit after income tax expense</b>											671.2
Profit attributable to non-controlling interests											(21.0)
<b>Profit after income tax expense before individually material items attributable to shareholders of Orica Limited</b>											650.2
<b>Individually material items</b>											
Gross individually material items	-	(307.2)	-	-	(60.0)	-	(367.2)	-	-	-	(367.2)
Tax on individually material items	-	119.8	-	-	-	-	119.8	-	-	-	119.8
<b>Individually material items attributable to shareholders of Orica Limited</b>		<b>(187.4)</b>			<b>(60.0)</b>		<b>(247.4)</b>				<b>(247.4)</b>
<b>Net profit for the period attributable to shareholders of Orica Limited</b>											402.8
Segment assets	2,497.5	1,023.7	642.5	995.0	1,004.6	-	6,163.3	826.6	633.7	-	7,623.6
Segment liabilities	364.1	215.4	147.5	228.2	202.0	-	1,157.2	205.2	3,014.7	-	4,377.1
Net Assets	2,133.4	808.3	495.0	766.8	802.6	-	5,006.1	621.4	(2,381.0)	-	3,246.5
Investments accounted for using the equity method	40.6	127.3	2.9	8.2	27.1	-	206.1	0.3	-	-	206.4
Acquisitions of PPE and intangibles	289.1	63.7	68.6	77.4	127.6	-	626.4	24.9	23.0	-	674.3
Impairment of PPE	0.2	-	-	-	-	-	0.2	-	-	-	0.2
Impairment of intangibles	-	307.2	-	-	60.0	-	367.2	-	-	-	367.2
Impairment of inventories	0.9	0.5	1.0	0.4	-	-	2.8	1.4	-	-	4.2
Impairment of trade receivables	-	0.2	0.1	1.8	1.1	-	3.2	0.7	-	-	3.9
Impairment of investments	-	-	-	-	-	-	-	-	0.1	-	0.1
Depreciation	89.5	39.1	16.6	22.9	14.9	-	183.0	28.1	3.6	-	214.7
Amortisation	3.7	12.5	1.1	6.5	8.9	-	32.7	0.7	3.3	-	36.7
Non-cash expenses other than depreciation and amortisation: - share based payments	2.2	1.8	0.7	1.2	4.0	-	9.9	1.3	6.7	-	17.9
Share of associates net profit equity accounted	-	36.6	1.0	-	-	-	37.6	(0.2)	-	-	37.4

<sup>(1)</sup> Includes foreign currency gains/losses in various reportable segments.

# Notes to the Financial Statements

For the year ended 30 September

## 2. Segment report (continued)

### Geographical segments

The presentation of the geographical segments is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

2013 \$m	Australia	United States of America	Other *	Consolidated
<b>Revenue from external customers</b>				
External sales from continuing operations	2,398.1	840.6	3,659.4	6,898.1
<b>Location of non-current assets</b>				
Non-current assets **	2,521.8	728.6	2,982.4	6,232.8

2012 \$m	Australia	United States of America	Other *	Consolidated
<b>Revenue from external customers</b>				
External sales from continuing operations	2,329.1	833.3	3,511.7	6,674.1
<b>Location of non-current assets</b>				
Non-current assets **	2,120.6	652.7	2,583.8	5,357.1

\* Other than Australia and United States of America, sales to other countries are individually less than 10% of the consolidated entity's total revenues.

\*\* Excluding: other financial assets, deferred tax assets and post-employment benefit assets.

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2013	2012
	\$m	\$m
<b>3. Sales revenue and other income</b>		
<b>Sales revenue</b>	<b>6,898.1</b>	6,674.1
<b>Other income</b>		
Royalty income	-	0.3
Other income	<b>20.9</b>	15.0
Net foreign currency gains	<b>12.1</b>	15.7
Profit from sale of businesses/controlled entities/investments	-	3.7
Profit on sale of property, plant and equipment	<b>10.0</b>	32.8
<b>Total other income</b>	<b>43.0</b>	67.5
<b>4. Specific profit and loss income and expenses</b>		
<b>a) Financial income:</b>		
Interest income received/receivable from:		
external parties	<b>34.2</b>	32.9
<b>Total financial income</b>	<b>34.2</b>	32.9
<b>b) Financial expenses:</b>		
Borrowing costs paid/payable to:		
external parties	<b>188.3</b>	192.7
capitalised interest	<b>(11.9)</b>	(38.1)
unwinding of discount on provisions	<b>7.7</b>	5.9
finance charges – finance leases	<b>0.3</b>	0.6
<b>Total financial expenses</b>	<b>184.4</b>	161.1
<b>Net financing costs</b>	<b>150.2</b>	128.2
<b>c) Profit before income tax expense is arrived at after charging/(crediting):</b>		
Depreciation on property, plant and equipment:		
buildings and improvements	<b>25.2</b>	22.1
machinery, plant and equipment	<b>222.7</b>	192.6
<b>Total depreciation on property, plant and equipment</b>	<b>247.9</b>	214.7
Amortisation of intangibles	<b>36.5</b>	36.7
Amounts provided for:		
trade receivables impairment	<b>11.5</b>	3.9
doubtful debts – other receivables	-	0.1
employee entitlements	<b>53.4</b>	55.6
environmental liabilities	<b>22.5</b>	36.2
inventory impairment	<b>12.8</b>	4.2
investment impairment	<b>0.3</b>	0.1
restructuring and rationalisation provisions	<b>2.0</b>	1.0
decommissioning	<b>1.6</b>	-
other provisions	<b>7.3</b>	11.5
Bad debts written off to impairment allowance	<b>5.0</b>	2.0
Bad debts written off in respect of other receivables	<b>0.1</b>	0.5
Lease payments – operating leases	<b>66.9</b>	67.0
Loss on disposal of businesses/controlled entities	<b>0.4</b>	-
Research and development	<b>47.1</b>	46.8

# Notes to the Financial Statements

For the year ended 30 September

	2013			2012		
	Gross \$m	Tax \$m	Net \$m	Gross \$m	Tax \$m	Net \$m
<b>4. Specific profit and loss income and expenses (continued)</b>						
<b>d) Profit after income tax includes the following individually material items of (expense)/income:</b>						
Impairment of intangibles						
Write down of goodwill in Mining Services - North America and Other Segments <sup>(1)</sup>	-	-	-	(367.2)	119.8	(247.4)
Individually material items	-	-	-	(367.2)	119.8	(247.4)
Non-controlling interests in individually material items	-	-	-	-	-	-
Individually material items attributable to shareholders of Orica	-	-	-	(367.2)	119.8	(247.4)

<sup>(1)</sup> In financial year 2012, the carrying value of intangibles in the former Minova segment were written down by \$367.2m to their recoverable amount.

	Consolidated	
	2013 \$m	2012 \$m
<b>5. Income tax expense</b>		
<b>a) Income tax expense recognised in the income statement</b>		
Current tax expense		
Current year	209.7	129.0
Deferred tax	4.0	(21.2)
(Over)/under provided in prior years	(0.3)	(4.4)
<b>Total income tax expense in income statement</b>	<b>213.4</b>	<b>103.4</b>
<b>b) Reconciliation of income tax expense to prima facie tax payable</b>		
<b>Income tax expense attributable to profit before individually material items</b>		
Prima facie income tax expense calculated at 30% on profit before individually material items	250.4	268.3
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	(16.1)	(10.7)
tax (over)/under provided in prior years	(0.3)	(4.4)
non allowable share based payments	4.8	5.4
non allowable goodwill written off	1.7	-
non taxable profit on sale of property, plant and equipment	-	(5.3)
other foreign deductions	(34.4)	(33.8)
sundry items	7.3	3.7
<b>Income tax expense attributable to profit before individually material items</b>	<b>213.4</b>	<b>223.2</b>
<b>Income tax benefit attributable to individually material items</b>		
Prima facie income tax (benefit)/expense calculated at 30% on loss from individually material items	-	(110.2)
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	-	(27.6)
non allowable impairment of intangibles - former Minova segment	-	18.0
<b>Income tax benefit attributable to loss from individually material items</b>	<b>-</b>	<b>(119.8)</b>
<b>Income tax expense reported in the income statement</b>	<b>213.4</b>	<b>103.4</b>

# Notes to the Financial Statements

For the year ended 30 September

## 5. Income tax expense (continued)

### c) Income tax recognised in comprehensive income:

	Consolidated					
	2013		2012			
	\$m	\$m	\$m	\$m	\$m	\$m
Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax	
Net gain/(loss) on hedge of net investments in foreign subsidiaries	178.9	23.5	202.4	(99.8)	(18.4)	(118.2)
Cash flow hedges						
- Effective portion of changes in fair value	15.0	(4.5)	10.5	3.5	(1.1)	2.4
- Transferred to Income Statement	(4.1)	1.2	(2.9)	(9.4)	2.8	(6.6)
Exchange gains/(losses) on translation of foreign operations	157.6	-	157.6	(103.6)	-	(103.6)
Actuarial benefits/(losses) on defined benefit plans	24.9	(7.7)	17.2	(58.0)	16.5	(41.5)
	372.3	12.5	384.8	(267.3)	(0.2)	(267.5)

### d) Recognised deferred tax assets and liabilities

Consolidated	Notes	Balance Sheet		Income Statement	
		2013	2012	2013	2012
		\$m	\$m	\$m	\$m
<b>Deferred tax assets</b>					
Trade and other receivables		3.9	2.1	(1.8)	(0.1)
Inventories		14.7	12.4	(2.3)	1.4
Property, plant and equipment		26.7	14.8	(11.9)	(4.1)
Intangible assets		51.7	62.5	10.8	(49.6)
Trade and other payables		42.4	34.6	(7.8)	11.8
Interest bearing liabilities		57.2	39.8	16.3	32.8
Provision for employee entitlements		34.4	30.0	(4.4)	(3.4)
Provision for retirement benefit obligations		44.6	56.1	3.8	7.9
Provisions for restructuring and rationalisation		0.8	1.1	0.3	0.6
Provisions for environmental		49.5	53.1	3.6	11.0
Provisions for decommissioning		3.1	3.2	0.1	-
Tax losses		109.5	78.6	(54.2)	12.0
Other items		1.7	4.1	2.4	1.2
<b>Deferred tax assets</b>		440.2	392.4		
Less set-off against deferred tax liabilities		(221.7)	(168.6)		
<b>Net deferred tax assets</b>	(15)	218.5	223.8		
<b>Deferred tax liabilities</b>					
Inventories		6.9	5.2	1.7	0.3
Property, plant and equipment		189.1	148.0	41.1	19.2
Intangible assets		27.7	29.8	(2.1)	(58.7)
Interest bearing liabilities		24.5	20.4	4.1	(0.4)
Undistributed profits of foreign subsidiaries		14.0	11.1	2.9	0.6
Other items		11.9	10.5	1.4	(3.7)
<b>Deferred tax liabilities</b>		274.1	225.0		
Less set-off against deferred tax assets		(221.7)	(168.6)		
<b>Net deferred tax liabilities</b>	(20)	52.4	56.4		
<b>Deferred tax expense/(benefit)</b>				4.0	(21.2)

# Notes to the Financial Statements

For the year ended 30 September

## 5. Income tax expense (continued)

### e) Unrecognised deferred tax assets and liabilities

	Consolidated	
	2013	2012
	\$m	\$m
Tax losses not booked	6.5	5.5
Capital losses not booked	35.4	33.9
Temporary differences not booked	0.9	0.9

Geographical analysis of tax losses not booked at 30 September 2013:

	Tax losses	Capital losses	Expiry date
	\$m	\$m	
Australia	0.6	34.7	Indefinite
Other	5.9	0.7	Between 2014 and 2031
	6.5	35.4	

### f) Unrecognised temporary differences

	Consolidated	
	2013	2012
	\$m	\$m
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised	898.5	703.9
Unrecognised deferred tax liabilities relating to the above temporary differences	83.0	68.2

### g) Taxes paid in 2013

#### Income taxes:

Orica operates in a number of countries around the world and is subject to local tax rules in each of those countries.

The tax expense for the year was \$213.4 million on a profit before income tax of \$834.6 million giving an effective tax rate of 25.6%.

This varies from the standard Australian tax rate of 30% due primarily to different tax rates in countries that Orica operates in as well as non taxable income and non allowable deductions in various countries.

The amount of income tax paid is shown below and differs from the tax expense due to the timing of tax payments to tax authorities and differences between the timing of deductions for accounting and tax purposes.

#### Other taxes:

In various jurisdictions around the world, Orica pays taxes based on the amount of wage and salary payments to its employees. The amounts paid are shown below.

In addition, in various jurisdictions, Orica is required to charge its customers goods and services tax, value added tax and similar taxes and obtains a deduction for similar taxes paid to its suppliers.

The net amount paid in relation to the taxes is shown below.

Taxes paid by the Group during the year were as follows:

	2013
	\$m
<b>Income taxes:</b>	
Income taxes paid including withholding taxes	141.8
<b>Other taxes:</b>	
Taxes on wages and salaries paid by the employer	52.3
Net Goods and Services Tax/Value Added Taxes paid	186.3
<b>Total taxes paid</b>	<b>380.4</b>

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2013	2012
	\$m	\$m

## 6. Earnings per share (EPS)

### (i) As reported in the income statement

#### Reconciliation of earnings used in the calculation of EPS attributable to ordinary shareholders of Orica Limited

Net profit for the period	621.2	423.8
Net profit for the period attributable to non-controlling interests	(19.6)	(21.0)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)*	-	(8.9)
<b>Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica Limited</b>	<b>601.6</b>	<b>393.9</b>

\* On 13 October 2011 Orica decided to repurchase the SPS and the SPS were reclassified to interest bearing liabilities from that date. Until 12 October 2011 the SPS were treated as equity for accounting purposes.

	Number	Number
<b>Weighted average number of shares used as the denominator:</b>		
<b>Number for basic earnings per share</b>	<b>363,687,959</b>	360,571,799
<b>Effect of executive share options and rights</b>	<b>577,759</b>	523,432
<b>Number for diluted earnings per share</b>	<b>364,265,718</b>	361,095,231

The following Orica Long Term Equity Incentive Plans (LTEIP) and Long Term Incentive Rights Plans (LTIRP) have not been included in the calculation for diluted earnings per share as they are not dilutive:

Issue date:	Exercisable between:		
- 26 Jun 2009	- 18 Nov 11 to 23 Jan 12	-	5,670
- 15 Dec 2009	- 19 Nov 12 to 23 Jan 13	416,002	1,553,482
- 17 Dec 2010	- 19 Nov 13 to 23 Jan 14	1,536,003	1,718,641
- 19 Dec 2011	- 18 Nov 14 to 23 Jan 15	495,724	464,427
- 24 Feb 2012	- 18 Nov 14 to 23 Jan 15	305,302	183,181
- 7 Feb 2013	- 18 Nov 15 to 23 Jan 16	453,489	-
- 11 Mar 2013	- 18 Nov 15 to 23 Jan 16	18,214	-

	Consolidated	
	2013	2012
	Cents	Cents
	per share	per share
<b>Total attributable to ordinary shareholders of Orica Limited</b>		
Basic earnings per share	165.4	109.2
Diluted earnings per share	165.2	109.1

### (ii) Adjusted for individually material items

	\$m	\$m
<b>Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica Limited</b>		
Net profit for the period	621.2	423.8
Net profit for the period attributable to non-controlling interests	(19.6)	(21.0)
Distribution on Orica Step-Up Preference Securities (net of tax benefit)	-	(8.9)
Adjusted for individually material items	-	247.4
<b>Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica Limited</b>	<b>601.6</b>	<b>641.3</b>
	<b>Cents</b>	<b>Cents</b>
	<b>per share</b>	<b>per share</b>
<b>Total attributable to ordinary shareholders of Orica Limited before individually material items</b>		
Basic earnings per share	165.4	177.9
Diluted earnings per share	165.2	177.6

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2013	2012
	\$m	\$m
<b>7. Cash and cash equivalents</b>		
Cash at bank and on hand	202.9	206.3
Deposits at call		
external	22.4	29.5
	<b>225.3</b>	<b>235.8</b>

## (i) Fair values

The directors consider the net carrying amount of cash and cash equivalents to approximate their fair value due to their short term to maturity.

	Consolidated	
	2013	2012
	\$m	\$m
<b>8. Trade and other receivables</b>		
<b>Current</b>		
Trade receivables (i)		
external	933.2	892.7
associated companies	12.3	4.1
Less allowance for impairment (i) (ii)		
external	(19.2)	(12.7)
	<b>926.3</b>	<b>884.1</b>
Other receivables (ii)		
external	124.4	151.7
Less allowance for impairment (iii) (iv)		
external	(0.1)	(0.5)
	<b>124.3</b>	<b>151.2</b>
	<b>1,050.6</b>	<b>1,035.3</b>
<b>Non-current</b>		
Other receivables (vii)		
external <sup>(1) (2)</sup>	97.3	49.6
retirement benefit surplus (see note 38)	-	0.4
	<b>97.3</b>	<b>50.0</b>

<sup>(1)</sup> Includes \$18.6 million (2012 \$18.6 million) that was paid to the Australian Tax Office (ATO) during the year ended 30 September 2012 in relation to a tax audit. The ATO is currently conducting a tax audit in relation to a financing arrangement by Orica of its US group between 2004 and 2006. The ATO has issued amended assessments in relation to the 2004, 2005 and 2006 years totalling \$50.6 million (including interest and penalties). Orica has objected to all three assessments. In accordance with the ATO administrative practice, Orica has paid 50% of the primary tax and interest arising from the assessments, which has been recognised as a non-current receivable (see also note 33 c iv).

<sup>(2)</sup> Financial year 2013 includes \$6.8 million paid to the Central Tax Office of Norway (CTO) during the year ended 30 September 2013 and a deferred tax asset in relation to prior years' tax losses of \$23.3m that has been utilised to offset the tax liability in respect of a tax audit relating to the transfer of the Dyno Nobel house brand in conjunction with Orica's acquisition of the Dyno Nobel's explosives business in the the 2005 income year. Orica has objected against the reassessment. While the tax audit is in progress, Orica is required to settle the remaining liability of approximately \$16.4 million as they fall due between 2014 and 2054. The tax paid and the deferred tax asset offset totalling \$30.1 million has been recognised as a non-current receivable (see also note 33 c ii).

# Notes to the Financial Statements

For the year ended 30 September

## 8. Trade and other receivables (continued)

### (i) Trade receivables and allowance for impairment

The ageing of trade receivables and allowance for impairment is detailed below:

	Consolidated		Consolidated	
	2013	2013	2012	2012
	Gross	Allowance	Gross	Allowance
	\$m	\$m	\$m	\$m
Not past due	765.6	-	753.5	-
Past due 0 - 30 days	69.9	(0.7)	67.9	(0.1)
Past due 31 - 60 days	29.7	(0.4)	27.7	(0.1)
Past due 61 - 90 days	15.5	(0.4)	11.2	(0.1)
Past due 91 - 120 days	8.0	(0.2)	5.2	(0.1)
Past 120 days	56.8	(17.5)	31.3	(12.3)
	<b>945.5</b>	<b>(19.2)</b>	<b>896.8</b>	<b>(12.7)</b>

Trade receivables are carried at amounts due. Receivables that are not past due and not impaired are considered recoverable. Payment terms are generally 30 days from end of month of invoice date. A risk assessment process is used for all accounts, with a stop credit process in place for most long overdue accounts. Credit insurance cover is obtained where appropriate.

The collectability of trade receivables is assessed continuously and at balance date specific allowances are made for any doubtful trade receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

The following basis has been used to assess the allowance for doubtful trade receivables:

- a statistical approach to determine the historical allowance rate for various tranches of receivables;
- an individual account by account assessment based on past credit history; and
- prior knowledge of debtor insolvency or other credit risk.

No material security is held over trade receivables.

Trade receivables have been aged according to their due date in the above ageing analysis.

There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

### (ii) Movement in allowance for impairment of trade receivables

The movement in the allowance for impairment in respect of trade receivables is detailed below:

	Consolidated	
	2013	2012
	\$m	\$m
Opening balance	(12.7)	(12.9)
Allowances made during the year	(11.5)	(3.9)
Additions through acquisition of entities	-	(0.8)
Reductions through disposal of entities	0.1	-
Allowances utilised during the year	5.0	2.0
Allowances written back during the year	1.0	1.7
Foreign currency exchange differences	(1.1)	1.2
Closing balance	<b>(19.2)</b>	<b>(12.7)</b>

# Notes to the Financial Statements

For the year ended 30 September

## 8. Trade and other receivables (continued)

### (iii) Current other receivables and allowance for impairment

	Consolidated		Consolidated	
	2013	2013	2012	2012
	Gross	Allowance	Gross	Allowance
	\$m	\$m	\$m	\$m
Not past due	120.3	-	140.1	-
Past due 0 - 30 days	0.1	-	2.9	-
Past due 31 - 60 days	-	-	2.6	-
Past 120 days	4.0	(0.1)	6.1	(0.5)
	<b>124.4</b>	<b>(0.1)</b>	<b>151.7</b>	<b>(0.5)</b>

Other receivables generally arise from transactions outside the usual operating activities of the consolidated entity.

Interest may be charged where the terms of repayment exceed agreed terms.

Other receivables are carried at amounts due. Payment terms vary. A risk assessment process is used for all accounts, with a stop credit and follow up process in place for most long overdue accounts.

Other receivables have been aged according to their due date in the above ageing analysis.

The collectability of other receivables is assessed at balance date and specific allowances are made for any doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

### (iv) Movement in allowance for impairment of current other receivables

The movement in the allowance for impairment in respect of current other receivables is detailed below:

	Consolidated	
	2013	2012
	\$m	\$m
Opening balance	(0.5)	(1.2)
Allowances made during the year	-	(0.1)
Allowances utilised during the year	0.1	0.5
Allowances written back during the year	0.3	0.2
Foreign currency exchange differences	-	0.1
Closing balance	<b>(0.1)</b>	<b>(0.5)</b>

### (v) Fair values

The net carrying amount of trade and other receivables approximates their fair values. For receivables with a remaining life of less than one year, carrying value reflects fair value. All other significant receivables are discounted to determine carrying value and fair value.

The maximum exposure to credit risk is the carrying value of receivables. No material collateral is held as security over any of the receivables.

# Notes to the Financial Statements

For the year ended 30 September

## 8. Trade and other receivables (continued)

### (vi) Concentrations of credit risk

The consolidated entity is exposed to the following concentrations of credit risk in regards to its current trade and other receivables:

	Consolidated	
	2013	2012
	%	%
Mining Services:		
- Australia/Pacific	16.8	19.1
- North America	12.4	12.2
- Latin America	14.0	13.4
- EMEA	21.1	21.9
- Mining Other	16.7	14.8
Chemicals	16.8	15.8
Other	2.2	2.8
	<b>100.0</b>	<b>100.0</b>

  

	Consolidated	
	2013	2012
	%	%
Australia	24.9	28.1
New Zealand	2.8	2.6
Asia	18.9	16.5
North America	10.1	9.4
Latin America	21.9	22.0
Europe	17.0	17.0
Other	4.4	4.4
	<b>100.0</b>	<b>100.0</b>

### (vii) Non current receivables

All non current receivables are carried at amounts that approximate their fair value. As at 30 September none are past due. None are considered impaired.

	Consolidated	
	2013	2012
	\$m	\$m
<b>9. Inventories</b>		
Raw materials and stores	342.2	278.6
Work in progress	28.1	24.9
Finished goods	422.8	390.1
	<b>793.1</b>	<b>693.6</b>

\* Inventories have been shown net of provision for impairment of \$19.7 million (2012 \$12.4 million).

## 10. Other assets

### Current

Prepayments and other assets	69.5	61.3
	<b>69.5</b>	<b>61.3</b>

### Non-current

Prepayments and other assets	26.7	19.9
	<b>26.7</b>	<b>19.9</b>

# Notes to the Financial Statements

For the year ended 30 September

			Consolidated			
			2013 %	2012 %	2013 \$m	2012 \$m
<b>11. Investments accounted for using the equity method</b>						
Name	Principal activity	Balance date	Owner ship	Carrying amount		
Beijing Sino-Australia Orica Watercare Technology and Equipment Co. Ltd <sup>(1)</sup>	Sale of water treatment equipment and resin	30 Sep	<b>45.0</b>	45.0	<b>0.2</b>	0.3
Botany Industrial Park Pty Limited	Facility management service	30 Sep	<b>33.4</b>	33.4	-	-
Exor Explosives Limited <sup>(6)</sup>	Manufacture and sale of explosives	31 Dec	<b>50.0</b>	50.0	<b>0.3</b>	0.6
FiReP Holding AG <sup>(11)</sup>	Manufacture and sale of strata support and ventilation products	31 Dec	<b>25.0</b>	25.0	<b>2.7</b>	2.4
Geneva Nitroaen LLC <sup>(7)</sup>	Manufacture and sale of explosives	30 Sep	<b>50.0</b>	50.0	<b>9.0</b>	7.3
Geodynamics B.V. <sup>(8)(d)</sup>	Manufacture and sale of explosives	31 Dec	-	-	-	-
Irish Mining Emulsion Systems Ltd <sup>(9)</sup>	Manufacture and sale of explosives	30 Sep	<b>50.0</b>	50.0	<b>0.4</b>	0.2
Kitikmeot Blasting Services Inc. <sup>(2)</sup>	Explosives service provider	31 Oct	<b>49.0</b>	49.0	<b>0.5</b>	0.4
MicroCoal Inc. <sup>(7)(e)</sup>	Development and commercialisation of coal dewatering process	31 Dec	-	41.8	-	-
Mineral Carbonation International Pty Limited <sup>(b)</sup>	Develop carbon capture technology	30 Sep	<b>39.9</b>	-	<b>0.1</b>	-
MSW-Chemie GmbH <sup>(10)</sup>	Manufacture and sale of explosives	31 Dec	<b>31.5</b>	31.5	<b>0.5</b>	0.5
Nelson Brothers, LLC <sup>(7)</sup>	Manufacture and sale of explosives	31 Dec	<b>50.0</b>	50.0	<b>29.2</b>	25.3
Nelson Brothers Mining Services LLC <sup>(7)</sup>	Supply of explosives	31 Dec	<b>50.0</b>	50.0	<b>24.0</b>	20.6
Orica Graneles S.A. <sup>(3)(b)</sup>	Import and distribution of amino acids for animal feed	31 Dec	<b>50.0</b>	-	<b>0.8</b>	-
Orica-UMMC LLC <sup>(5)</sup>	Manufacture and sale of explosives	31 Dec	<b>50.0</b>	50.0	<b>4.1</b>	3.7
Pigment Manufacturers of Australia Limited	Non-operating company	31 Dec	<b>50.0</b>	50.0	-	-
PIIK Limited Partnership <sup>(2)</sup>	Sale of explosives	30 Sep	<b>49.0</b>	49.0	-	-
Sahtu Explosives Limited <sup>(2)</sup>	Explosives service provider	31 Oct	<b>49.0</b>	49.0	-	-
Southwest Energy LLC <sup>(7)</sup>	Sale of explosives	30 Sep	<b>50.0</b>	50.0	<b>90.1</b>	73.6
Sprewa Sprengmittel GmbH <sup>(10)</sup>	Sale of explosives	31 Dec	<b>24.0</b>	24.0	<b>0.8</b>	0.7
SVG&FNS Philippines Holdings Inc <sup>(12)</sup>	Investment company	31 Dec	<b>40.0</b>	40.0	-	-
Thai Nitrate Company Ltd <sup>(13)(f)</sup>	Manufacture and sale of explosives	31 Dec	<b>50.0</b>	50.0	<b>29.6</b>	27.1
Tlcho Blasting Services Inc. <sup>(2)</sup>	Explosives service provider	31 Oct	<b>49.0</b>	49.0	<b>0.1</b>	0.1
Troisdorf GmbH <sup>(10)</sup>	Holder of operating permits	30 Sep	<b>50.0</b>	50.0	-	-
Ulaex SA <sup>(14)</sup>	Manufacture and sale of explosives	31 Dec	<b>50.0</b>	50.0	<b>3.4</b>	2.9
Wuraendorf GmbH <sup>(10)</sup>	Holder of operating permits	31-Dec	<b>50.0</b>	50.0	<b>0.1</b>	0.1
Yara Pilbara Nitrates Pty Ltd <sup>(a)(c)</sup>	Manufacture and sale of explosives	31 Dec	<b>45.0</b>	45.0	<b>239.6</b>	40.6
					<b>435.5</b>	<b>206.4</b>

Entities are incorporated in Australia except: <sup>(1)</sup> China, <sup>(2)</sup> Canada, <sup>(3)</sup> Chile <sup>(4)</sup> Mexico, <sup>(5)</sup> Russia, <sup>(6)</sup> UK, <sup>(7)</sup> USA, <sup>(8)</sup> Holland, <sup>(9)</sup> Ireland, <sup>(10)</sup> Germany, <sup>(11)</sup> Switzerland, <sup>(12)</sup> Philippines, <sup>(13)</sup> Thailand, <sup>(14)</sup> Cuba.

<sup>(a)</sup> Acquired in 2012.

<sup>(b)</sup> Acquired in 2013.

<sup>(c)</sup> Previously Burrup Nitrates Pty Ltd.

<sup>(d)</sup> Disposed of in 2012.

<sup>(e)</sup> Disposed of in 2013.

<sup>(f)</sup> Orica holds its 50% equity interest in Thai Nitrate Company Ltd (TNC) through two subsidiary companies, Orica Norway AS (39%) and Ammonium Nitrate Development and Production Limited (11%). The remaining 50% equity interest in TNC is held by TPI Polene PLC (TPIP), an entity listed on the Thailand Stock Exchange, and four individuals associated with TPIP. The South Bangkok Civil Court issued a judgement on 5 October 2011 that Orica Norway AS transfer its 39% shareholding in TNC to TPIP for a consideration equal to the relevant portion of TNC's net asset value at June 2006, less dividends paid since that date.

In July 2013, the Thai Court of Appeals overturned the earlier decision of the South Bangkok Civil Court and upheld Orica Norway AS's right to retain its 39% shareholding in TNC. The matter has been further appealed to the Supreme Court of Thailand, but no decision has yet been handed down.

# Notes to the Financial Statements

For the year ended 30 September

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

	Consolidated	
	2013	2012
	\$m	\$m
<b>Results of associates</b>		
Share of associates' profit from ordinary activities before income tax	33.4	37.4
Share of associates' income tax expense relating to profit from ordinary activities	-	-
Share of associates' net profit equity accounted	33.4	37.4
<b>Share of post-acquisition accumulated profits/(losses) and reserves attributable to associates</b>		
Share of associates' accumulated losses at the beginning of the year	(0.7)	(6.9)
Share of associates' net profit equity accounted	33.4	37.4
Less dividends from associates	(25.2)	(31.2)
Share of associates' accumulated profits/(losses) at the end of the year	7.5	(0.7)
<b>Movements in carrying amounts of investments</b>		
Carrying amount of investments in associates at the beginning of the year	206.4	172.1
Investments in associates acquired during the year	201.1	40.9
Investments in associates disposed of/consolidated as a subsidiary during the year	-	(6.0)
Adjustment to deferred consideration	-	5.0
Impairment of investments	(0.3)	(0.1)
Share of associates' net profit equity accounted	33.4	37.4
Less dividends from associates	(25.2)	(31.2)
Effects of exchange rate changes	20.1	(11.7)
Carrying amount of investments in associates at the end of the year	435.5	206.4
<b>Summary of profit and loss and balance sheets of associates on a 100% basis</b>		
The aggregate revenue, net profit after tax, assets and liabilities of associates are:		
Revenue	714.6	709.6
Net profit after tax	69.8	78.7
Assets	669.6	397.0
Liabilities	153.9	113.2

## 12. Other financial assets

<b>Current - other financial assets - derivative assets (i)</b>		
cross currency interest rate swaps - net investment	0.3	4.9
forward foreign exchange contracts/options	11.1	7.0
interest rate swaps	-	0.1
	11.4	12.0
<b>Non-current - other financial assets - derivative assets (i)</b>		
cross currency interest rate swaps - debt principal	0.5	-
cross currency interest rate swaps - net investment	-	0.5
interest rate swaps	0.9	3.2
	1.4	3.7
<b>Non-current - other financial assets</b>		
Interest in unlisted entities	0.7	0.6
	0.7	0.6

### (i) Derivative assets

Refer to note 34 for details on the financial risk management and use of derivative financial instruments.

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2013	2012
	\$m	\$m
<b>13. Property, plant and equipment</b>		
<b>Land, buildings and improvements</b>		
at cost	738.6	621.8
accumulated depreciation	(210.3)	(163.5)
<b>Total carrying value</b>	<b>528.3</b>	<b>458.3</b>
<b>Machinery, plant and equipment</b>		
<b>Gross book value</b>		
at cost	4,747.0	4,155.4
under finance lease	35.7	34.5
	<b>4,782.7</b>	<b>4,189.9</b>
<b>Accumulated depreciation</b>		
at cost	(1,842.6)	(1,603.2)
under finance lease	(13.0)	(10.6)
	<b>(1,855.6)</b>	<b>(1,613.8)</b>
<b>Net carrying value</b>		
at cost	2,904.4	2,552.2
under finance lease	22.7	23.9
<b>Total carrying value</b>	<b>2,927.1</b>	<b>2,576.1</b>
<b>Total net carrying value of property, plant and equipment</b>	<b>3,455.4</b>	<b>3,034.4</b>

**(i) Capitalised borrowing costs**

Interest amounting to \$9.4 million (2012 \$35.3 million) was capitalised to property, plant and equipment, calculated at the average rate of 5.7% (2012 5.7%).

**(ii) Significant assets under construction <sup>(1)</sup>**

Included in Property, Plant and Equipment is an amount of \$305.8 million (2012 \$182.6 million) of assets under construction relating to:

	Consolidated	
	2013	2012
	\$m	\$m
Kooragang Island plant uprate	189.1	109.0
Nanling detonator plant	116.7	73.6
	<b>305.8</b>	<b>182.6</b>

<sup>(1)</sup> Note that the assets under construction balances are translated at year end foreign exchange rates and includes capitalised interest on the projects.

# Notes to the Financial Statements

For the year ended 30 September

## 13. Property, plant and equipment (continued)

### (ii) Reconciliations

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

		Land, buildings and improvements \$m	Machinery, plant and equipment \$m	Total \$m
<b>Consolidated</b>				
<b>2012</b>				
Carrying amount at the beginning of the year	01-Oct-2011	398.2	2,311.5	2,709.7
Additions		103.2	525.8	629.0
Disposals		(15.3)	(13.2)	(28.5)
Additions through acquisition of entities (see note 27)		-	4.7	4.7
Disposals through disposal of entities (see note 28)		-	(1.1)	(1.1)
Depreciation expense		(22.1)	(192.6)	(214.7)
Impairment of property, plant and equipment		-	(0.2)	(0.2)
Foreign currency exchange differences		(5.7)	(58.8)	(64.5)
Carrying amount at the end of the year	30-Sep-2012	<b>458.3</b>	<b>2,576.1</b>	<b>3,034.4</b>
<b>2013</b>				
Additions		<b>90.3</b>	<b>455.2</b>	<b>545.5</b>
Disposals		<b>(9.2)</b>	<b>(6.5)</b>	<b>(15.7)</b>
Depreciation expense		<b>(25.2)</b>	<b>(222.7)</b>	<b>(247.9)</b>
Foreign currency exchange differences		<b>14.1</b>	<b>125.0</b>	<b>139.1</b>
Carrying amount at the end of the year	30-Sep-2013	<b>528.3</b>	<b>2,927.1</b>	<b>3,455.4</b>

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2013	2012
	\$m	\$m
<b>14. Intangible assets</b>		
Goodwill	2,354.9	2,158.6
Less accumulated impairment losses	(451.6)	(401.4)
Total net book value of goodwill	1,903.3	1,757.2
Patents, trademarks and rights	134.2	124.0
Less accumulated amortisation	(60.5)	(57.5)
Total net book value of patents, trademarks and rights	73.7	66.5
Brand names	20.0	18.1
Less accumulated amortisation	(15.2)	(11.7)
Total net book value of brand names	4.8	6.4
Software	172.9	132.8
Less accumulated amortisation	(57.7)	(45.6)
Total net book value of software	115.2	87.2
Customer contracts and relationships	269.4	243.5
Less accumulated amortisation	(148.5)	(114.0)
Total net book value of customer contracts and relationships	120.9	129.5
<b>Total net book value of intangibles</b>	<b>2,217.9</b>	<b>2,046.8</b>

Reconciliations of the carrying values of intangible assets at the beginning and end of the years are set out below:

Consolidated	Goodwill \$m	Patents trademarks and rights		Brand names \$m	Software \$m	Customer contracts \$m	Total \$m
		\$m	\$m				
<b>2012</b>							
Carrying amount at the beginning of the year	2,214.9	74.3	8.7	49.1	158.4	2,505.4	
Additions	-	0.6	-	44.7	-	45.3	
Additions through acquisition of entities (see note 27)	4.5	2.4	-	-	-	6.9	
Fair value adjustment on prior year acquisitions (see note 27)	2.0	-	-	-	-	2.0	
Disposals through disposal of entities (see note 28)	(0.2)	-	-	-	-	(0.2)	
Amortisation expense	-	(8.7)	(2.1)	(5.9)	(20.0)	(36.7)	
Impairment expense (see note 29)	(367.2)	-	-	-	-	(367.2)	
Foreign currency exchange differences	(96.8)	(2.1)	(0.2)	(0.7)	(8.9)	(108.7)	
Carrying amount at the end of the year	<b>1,757.2</b>	<b>66.5</b>	<b>6.4</b>	<b>87.2</b>	<b>129.5</b>	<b>2,046.8</b>	
<b>2013</b>							
Additions	-	-	-	32.9	-	32.9	
Disposals through disposal of entities (see note 28)	(0.2)	-	-	-	-	(0.2)	
Amortisation expense	-	(4.7)	(2.2)	(7.4)	(22.2)	(36.5)	
Impairment expense (see note 29)	(5.7)	-	-	-	-	(5.7)	
Foreign currency exchange differences	152.0	11.9	0.6	2.5	13.6	180.6	
Carrying amount at the end of the year	<b>1,903.3</b>	<b>73.7</b>	<b>4.8</b>	<b>115.2</b>	<b>120.9</b>	<b>2,217.9</b>	

#### Capitalised borrowing costs

Interest amounting to \$2.5 million (2012 \$2.8 million) was capitalised to intangibles assets, calculated at the average rate of 5.7% (2012 7.0%).

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2013	2012
	\$m	\$m
<b>15. Deferred tax assets</b>		
Net deferred tax assets (see note 5)	218.5	223.8
<b>16. Trade and other payables</b>		
<b>Current</b>		
Trade payables		
external	1,019.1	854.3
associated companies	1.5	1.5
Other payables		
external	215.2	203.1
	<b>1,235.8</b>	<b>1,058.9</b>
<b>Current - other financial liabilities - derivative liabilities</b>		
<b>Derivative financial instruments</b>		
cross currency interest rate swaps - debt principal	-	4.9
cross currency interest rate swaps - net investment	6.0	0.1
forward foreign exchange contracts	13.5	5.4
	<b>19.5</b>	<b>10.4</b>
<b>Non-current</b>		
Other payables		
external	12.3	12.4
	<b>12.3</b>	<b>12.4</b>
<b>Non-current - other financial liabilities - derivative liabilities</b>		
<b>Derivative financial instruments</b>		
cross currency interest rate swaps - debt principal	32.7	45.4
cross currency interest rate swaps - net investment	10.0	6.5
interest rate swaps	13.0	21.8
	<b>55.7</b>	<b>73.7</b>

## Significant terms and conditions

Trade and other payables, including expenditures not yet billed, are recognised when the consolidated entity becomes obliged to make future payments as a result of a purchase of goods or services. Trade payables are normally settled within 60 days from invoice date or within the agreed payment terms with the supplier. Trade and other payables are non-interest bearing and include liabilities in respect of trade financing within the normal operating cycle of the business.

## Fair values

The carrying amount of trade and other payables approximate their fair values due to their short term nature.

## Derivative financial instruments

Refer to note 34 for details on the financial risk management of derivative financial instruments.

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2013	2012
	\$m	\$m
<b>17. Interest bearing liabilities</b>		
<b>Current</b>		
Unsecured		
bank overdrafts	19.2	7.9
commercial paper	377.2	292.3
other short term borrowings	33.4	6.2
other loans		
private placement <sup>(1)</sup>	-	38.4
export finance facility <sup>(2)</sup>	12.7	-
Lease liabilities (see note 30)	1.4	1.2
	<b>443.9</b>	<b>346.0</b>
<b>Non-current</b>		
Unsecured		
bank loans	159.1	743.1
other loans		
private placement <sup>(1)</sup>	1,870.0	1,347.2
export finance facility <sup>(2)</sup>	75.9	89.9
other	2.6	2.7
Lease liabilities (see note 30)	5.1	6.1
	<b>2,112.7</b>	<b>2,189.0</b>

<sup>(1)</sup> **Private placement**

Orica Limited guaranteed senior notes issued in the US private placement market in 2003, 2005, 2010 and 2013. The notes have maturities between 2015 and 2030 (2012: between 2012 and 2030).

<sup>(2)</sup> **Export finance facility**

Loans provided to Orica Limited in financial year 2010 by Australia's export credit agency (Export Finance and Insurance Corporation), and by banks, guaranteed by Germany's export credit agency (Euler Hermes Kreditversicherungs-AG (Hermes)).

**Fair values**

The carrying amounts of the consolidated entity's current and non-current interest bearing liabilities approximate their fair values. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates as at 30 September 2013 varying from 0.1% to 5.0% (2012 0.1% to 4.3%) depending on the type of borrowing.

**Assets pledged as security**

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Consolidated	
	2013	2012
	\$m	\$m
Finance leases		
Property, plant and equipment	22.7	23.9
	<b>22.7</b>	<b>23.9</b>

In the event of default by Orica, the rights to the leased assets transfer to the lessor.

**Defaults and breaches**

During the current and prior year, there were no defaults or breaches of covenants on any loans.

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2013	2012
	\$m	\$m
<b>18. Current tax liabilities</b>		
Provision for income tax	<b>80.0</b>	2.4

## 19. Provisions

### Current

Employee entitlements	<b>80.6</b>	75.3
Restructuring and rationalisation	<b>4.7</b>	3.7
Environmental	<b>69.5</b>	61.3
Decommissioning	<b>2.0</b>	2.1
Other	<b>16.5</b>	20.2
	<b>173.3</b>	162.6

### Non-current

Employee entitlements	<b>53.8</b>	46.4
Retirement benefit obligations (see note 38)	<b>214.1</b>	240.9
Environmental	<b>118.5</b>	141.4
Decommissioning	<b>10.2</b>	8.7
Contingent liabilities on acquisition of controlled entities	<b>15.9</b>	17.4
Other	<b>11.1</b>	10.5
	<b>423.6</b>	465.3

### Aggregate employee entitlements

Current	<b>80.6</b>	75.3
Non-current	<b>267.9</b>	287.3
	<b>348.5</b>	362.6

### Reconciliations

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

	Consolidated
	\$m
<b>Current provision - restructuring and rationalisation</b>	
Carrying amount at the beginning of the year	<b>3.7</b>
Provisions made during the year	<b>2.0</b>
Provisions written back during the year	<b>(0.2)</b>
Payments made during the year	<b>(1.0)</b>
Foreign currency exchange differences	<b>0.2</b>
Carrying amount at the end of the year	<b>4.7</b>

# Notes to the Financial Statements

For the year ended 30 September

## 19. Provisions (continued)

	Consolidated
	\$m
<b>Current provision - environmental</b>	
Carrying amount at the beginning of the year	61.3
Provisions made during the year	21.1
Provisions written back during the year	(5.3)
Payments made during the year	(36.1)
Provision transferred from non-current	26.2
Foreign currency exchange differences	2.3
Carrying amount at the end of the year	69.5
<b>Current provision - decommissioning</b>	
Carrying amount at the beginning of the year	2.1
Payments made during the year	(0.2)
Provision transferred from non-current	0.1
Carrying amount at the end of the year	2.0
<b>Current provision - other</b>	
Carrying amount at the beginning of the year	20.2
Provisions made during the year	6.5
Provisions written back during the year	(9.9)
Payments made during the year	(0.8)
Provision transferred from non-current	0.1
Foreign currency exchange differences	0.4
Carrying amount at the end of the year	16.5
<b>Non-current provision - environmental</b>	
Carrying amount at the beginning of the year	141.4
Provisions made during the year	1.4
Provisions written back during the year	(8.1)
Payments made during the year	(0.2)
Unwinding of discount on provisions (see note 4)	7.7
Provision transferred to current	(26.2)
Foreign currency exchange differences	2.5
Carrying amount at the end of the year	118.5

# Notes to the Financial Statements

For the year ended 30 September

## 19. Provisions (continued)

	Consolidated
	\$m
<b>Non-current provision - decommissioning</b>	
Carrying amount at the beginning of the year	8.7
Provisions made during the year	1.6
Provision transferred to current	(0.1)
Carrying amount at the end of the year	10.2
<b>Non-current provision - contingent liabilities on acquisition of controlled entities</b>	
Carrying amount at the beginning of the year	17.4
Payments made during the period	(2.2)
Foreign currency exchange differences	0.7
Carrying amount at the end of the year	15.9
<b>Non-current provision - other</b>	
Carrying amount at the beginning of the year	10.5
Provisions made during the year	0.8
Payments made during the period	(0.7)
Provision transferred to current	(0.1)
Foreign currency exchange differences	0.6
Carrying amount at the end of the year	11.1

### Environmental provision

Estimated costs for the remediation of soil, groundwater and untreated waste that have arisen as a result of past events have been provided where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed (refer to notes 32 and 33).

	Consolidated	
	2013	2012
	\$m	\$m
Total environmental provision comprises:		
Botany Groundwater remediation	59.2	55.9
Hexachlorobenzene (HCB) waste remediation	35.7	39.8
Botany Mercury remediation	18.2	15.7
Dyno Nobel sites remediation	17.2	25.6
Seneca remediation	8.6	11.2
Yarraville remediation	18.0	19.5
Villawood remediation	15.5	16.7
Other environmental provisions	15.6	18.3
Total environmental provisions	188.0	202.7

### Decommissioning provision

A provision is recognised for the present value of the estimated costs of dismantling and removing an asset and restoring the site on which it is located where a legal or constructive obligation exists and a reliable estimate of the liability is able to be assessed (refer to note 32).

### Contingent liabilities on acquisition of controlled entities

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

### Other provision

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

## 20. Deferred tax liabilities

	Consolidated	
	2013	2012
	\$m	\$m
Net deferred tax liabilities (see note 5)	52.4	56.4

# Notes to the Financial Statements

For the year ended 30 September

Consolidated  
2013                      2012  
\$m                        \$m

## 21. Contributed equity

### Issued and fully paid:

Ordinary shares - 368,203,632 (2012 365,642,802)	1,877.9	1,795.1
Step-Up Preference Securities - nil (2012 nil) <sup>(1)</sup>	-	-
<b>Balance at end of year</b>	<b>1,877.9</b>	<b>1,795.1</b>

Movements in issued and fully paid shares of Orica since 1 October 2011 were as follows:

Details	Date	Number of shares	Issue price \$	\$m
<b>Ordinary shares</b>				
Opening balance of ordinary shares issued	1-Oct-11	363,966,570		1,749.9
Shares issued under the Orica dividend reinvestment plan (note 25)	9-Dec-11	1,040,467	24.40	25.4
Shares issued under the Orica dividend reinvestment plan (note 25)	2-Jul-12	635,765	24.18	15.4
Share movements under the Orica LTEIP plan (Remuneration Report) <sup>(3)</sup>		-		3.0
Shares issued under the Orica GEESP plan (note 36) <sup>(2)</sup>		-		1.4
<b>Balance at end of the year</b>	<b>30-Sep-12</b>	<b>365,642,802</b>		<b>1,795.1</b>
Shares issued under the Orica dividend reinvestment plan (note 25)	14-Dec-12	1,043,714	23.92	25.0
Shares issued under the Orica dividend reinvestment plan (note 25)	1-Jul-13	1,335,231	20.96	28.0
Share movements under the Orica LTEIP plan (Remuneration Report) <sup>(3)</sup>		181,885		28.4
Shares issued under the Orica GEESP plan (note 36) <sup>(2)</sup>		-		1.4
<b>Balance at end of the year</b>	<b>30-Sep-13</b>	<b>368,203,632</b>		<b>1,877.9</b>
<b>Step-Up Preference Securities</b>				
Opening balance - gross <sup>(1)</sup>	1-Oct-2011	5,000,000	100.00	500.0
Opening balance - costs <sup>(1)</sup>				(10.0)
Reclassification to interest bearing liabilities	13-Oct-2011	(5,000,000)	100.00	(500.0)
Transfer to retained earnings	13-Oct-2011			10.0
<b>Balance at end of the year</b>	<b>30-Sep-12</b>	<b>-</b>		<b>-</b>

<sup>(1)</sup> Shares issued and costs incurred in 2006 pursuant to the Step-Up Preference Securities issued in accordance with the prospectus dated 17 February 2006. Until 12 October 2011 the SPS were treated as equity for accounting purposes. SPS were repurchased for \$100 per SPS on 29 November 2011.

<sup>(2)</sup> Shares issued under the Orica general employee exempt share plan.

# Notes to the Financial Statements

For the year ended 30 September

## 21. Contributed equity (continued)

Details	Date	Number of shares	Issue price * \$	\$m
<b>(3) Share movements under the Orica LTEIP plans (Remuneration Report section H)</b>				
2011/2012				
Shares bought back	Various	-	-	(19.9)
Shares issued - loan repayment	Various	-	-	22.9
<b>Movement for the year</b>	<b>30-Sep-12</b>	<b>-</b>	<b>-</b>	<b>3.0</b>
2012/2013				
Shares issued	14-Feb-13	81,811	26.23	-
Shares issued	2-Apr-13	100,074	23.81	-
Shares bought back	Various	-	-	(9.6)
Shares issued - loan repayment	Various	-	-	38.0
<b>Movement for the year</b>	<b>30-Sep-13</b>	<b>181,885</b>	<b>-</b>	<b>28.4</b>

Under the LTEIP, eligible executives are provided with a three year, interest free, non-recourse loan from Orica for the sole purpose of acquiring shares in Orica. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. The shares issued to the executives are either purchased on market, issued as new shares by Orica or reissued unvested shares by Orica. Shares issued under this plan in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Shares issued under this plan are recognised as shares issued at nil value, with a share based payments expense recognised in the income statement based on the value of the options. Shares purchased on-market under the plans are recognised as a share buy-back. Repayments of share loans are recognised as share capital.

The LTEIP vests after three years.

\* Issue price was based on VWAP (volume-weighted average price) at the time of issue.

The amounts recognised in the financial statements of Orica in relation to executive share options during the financial year were:

	Consolidated	
	2013	2012
	\$m	\$m
Bought back ordinary share capital	(9.6)	(19.9)

### LTEIP options over unissued shares (refer to Remuneration Report Section H):

Exercisable between	Balance 30 Sep 11	Issued during year	Exercised during year	Lapsed during year	Balance 30 Sep 12	Issued during year	Exercised during year	Lapsed during year	Balance 30 Sep 13
18 Nov 15 - 23 Jan 16	-	-	-	-	-	33,919	-	-	33,919
18 Nov 15 - 23 Jan 16	-	-	-	-	-	704,355	-	-	704,355
18 Nov 14 - 23 Jan 15	-	305,302	-	-	305,302	-	-	-	305,302
18 Nov 14 - 23 Jan 15	-	592,713	-	-	592,713	-	(48,213)	(92,817)	451,683
19 Nov 13 - 23 Jan 14	1,799,507	-	(18,216)	(95,702)	1,685,589	-	(47,159)	(218,515)	1,419,915
19 Nov 12 - 23 Jan 13	1,634,031	-	(26,640)	(75,801)	1,531,590	-	(1,527,773)	(3,817)	-
18 Nov 11 - 23 Jan 12	40,580	-	(40,580)	-	-	-	-	-	-
18 Nov 11 - 23 Jan 12	2,270,963	-	(2,265,048)	(5,915)	-	-	-	-	-
<b>Total</b>	<b>5,745,081</b>	<b>898,015</b>	<b>(2,350,484)</b>	<b>(177,418)</b>	<b>4,115,194</b>	<b>738,274</b>	<b>(1,623,145)</b>	<b>(315,149)</b>	<b>2,915,174</b>

### Rights over unissued shares (refer to note 36 and Remuneration Report section H):

Vesting date	Balance 30 Sep 11	Issued during year	Exercised during year	Lapsed during year	Balance 30 Sep 12	Issued during year	Exercised during year	Lapsed during year	Balance 30 Sep 13
19 Dec 15	-	-	-	-	-	24,293	-	-	24,293
19 Dec 15	-	-	-	-	-	717,397	-	(74,081)	643,316
4 Mar 15	-	-	-	-	-	3,836	-	-	3,836
19 Dec 14	-	664,845	-	(15,680)	649,165	-	-	(89,522)	559,643
4 Mar 14	-	-	-	-	-	3,835	-	-	3,835
30 Nov 13	-	7,942	-	-	7,942	-	-	-	7,942
15 Oct 13	-	-	-	-	-	4,885	(4,885)	-	-
31 Mar 13	-	108,246	-	-	108,246	-	(108,246)	-	-
01 Sep 13	-	6,148	-	-	6,148	-	(6,148)	-	-
<b>Total</b>	<b>-</b>	<b>787,181</b>	<b>-</b>	<b>(15,680)</b>	<b>771,501</b>	<b>754,246</b>	<b>(119,279)</b>	<b>(163,603)</b>	<b>1,242,865</b>

# Notes to the Financial Statements

For the year ended 30 September

	Notes	Consolidated	
		2013	2012
		\$m	\$m
<b>22. Reserves and retained earnings</b>			
<b>(a) Reserves</b>			
Share based payments		99.3	83.3
Cash flow hedging		(8.1)	(15.7)
Foreign currency translation		(583.0)	(930.0)
Equity - arising from purchase of non-controlling interests		(189.1)	(187.4)
<b>Balance at end of the year</b>		<b>(680.9)</b>	<b>(1,049.8)</b>
<b>Movement in reserves during the year</b>			
<b>Share based payments</b>			
Balance at beginning of year		83.3	65.4
Share based payments expense		16.0	17.9
<b>Balance at end of the year</b>		<b>99.3</b>	<b>83.3</b>
<b>Cash flow hedging</b>			
Balance at beginning of year		(15.7)	(11.5)
Movement for period		10.9	(5.9)
Tax effect of movement in cash flow hedge reserve		(3.3)	1.7
<b>Balance at end of the year</b>		<b>(8.1)</b>	<b>(15.7)</b>
<b>Foreign currency translation</b>			
Balance at beginning of year		(930.0)	(715.5)
Translation of overseas controlled entities at the end of the year		323.5	(196.1)
Tax effect of translation of overseas controlled entities at the end of the year		23.5	(18.4)
<b>Balance at end of the year</b>		<b>(583.0)</b>	<b>(930.0)</b>
<b>Equity - arising from purchase of non-controlling interests</b>			
Balance at beginning of year		(187.4)	(187.4)
Purchase of non-controlling interests (see note 27)		(1.7)	-
<b>Balance at end of the year</b>		<b>(189.1)</b>	<b>(187.4)</b>
<b>(b) Retained earnings</b>			
Retained earnings at the beginning of the year		2,376.2	2,363.4
Profit after income tax attributable to shareholders of Orica		601.6	402.8
Defined benefit fund superannuation movement (net of tax)	(38)	17.2	(41.5)
Transfer of cost related to issue of Step-Up Preference Securities		-	(10.0)
Disposal of non-controlling interests		-	0.3
Dividends/distributions:	(25)		
Step-Up Preference Securities distributions		-	(11.1)
Less tax credit on Step-Up Preference Securities distributions		-	2.2
Ordinary dividends – interim		(142.5)	(137.9)
Ordinary dividends – final		(196.5)	(192.0)
<b>Retained earnings at end of the year</b>		<b>2,656.0</b>	<b>2,376.2</b>

## Share based payments reserve

The amount charged to the share based payments reserve each year represents the share based payments expense.

## Cash flow hedging reserve

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

## Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a foreign operation.

## Equity reserve arising from purchase of non-controlling interests

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

The movement for the year ended 30 September 2013 relates to purchase of 20% non-controlling interests in JV Minova Kazakhstan Limited Liability Partnership.

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated		Consolidated	
	2013	2012	2013	2012
	%	%	\$m	\$m
<b>23. Non-controlling interests in controlled entities</b>				
Ordinary share capital of controlled entities held by non-controlling interests in:				
Altona Properties Pty Ltd	37.4	37.4	-	-
Ammonium Nitrate Development and Production Limited	0.1	0.1	-	-
Bamble Mekaniske Industri AS <sup>(1)</sup>	-	40.0	-	0.3
Bronson & Jacobs International Co. Ltd	51.0	51.0	-	-
CJSC (ZAO) Carbo-Zakk	6.3	6.3	0.1	0.1
Dyno Nobel VH Company LLC	49.0	49.0	1.0	1.0
Emirates Explosives LLC	35.0	35.0	2.1	2.1
Explosivos de Mexico S.A. de C.V.	1.3	1.3	-	-
GeoNitro Limited	35.0	35.0	0.5	0.5
Hunan Orica Nanling Civil Explosives Co., Ltd	49.0	49.0	18.4	14.6
Jiangsu Orica Banqiao Mining Machinery Company Limited	49.0	49.0	0.9	0.9
JV Minova Kazakhstan Limited Liability Partnership <sup>(3)</sup> (formerly TOO "Minova Kasachstan")	20.0	40.0	0.2	0.5
Minova MineTek Private Limited	24.0	24.0	0.2	0.2
Minova Mining Services SA	49.0	49.0	1.4	1.4
Minova Ukraina OOO	10.0	10.0	0.3	0.3
Nitro Asia Company Inc.	41.6	41.6	0.1	0.1
Northwest Energetic Services L.L.C.	48.7	48.7	1.8	1.8
OOO Minova TPS	6.3	6.3	-	-
Orica Blast & Quarry Surveys Limited	25.0	25.0	0.6	0.6
Orica-CCM Energy Systems Sdn Bhd	45.0	45.0	0.6	0.6
Orica-GM Holdings Ltd	49.0	49.0	12.6	12.6
Orica Eesti OU	35.0	35.0	2.6	2.6
Orica Med Bulgaria AD	40.0	40.0	2.6	2.6
Orica Mining Services Peru S.A.	0.9	0.9	-	-
Orica Mongolia LLC <sup>(2)</sup>	15.0	15.0	-	-
Orica Nitrates Philippines Inc	4.0	4.0	0.2	0.2
Orica Nitro Patlayici Maddeler Sanayi ve Ticaret Anonim Sirketi	49.0	49.0	1.7	1.7
Orica Panama S.A.	40.0	40.0	0.5	0.5
Orica Philippines Inc	5.5	5.5	0.1	0.1
Orica Qatar LLC <sup>(4)</sup>	40.0	-	0.1	-
Orica (Weihai) Explosives Co Ltd	20.0	20.0	6.1	6.1
PT Kaltim Nitrate Indonesia	10.0	10.0	11.0	11.0
Teradoran Pty Limited <sup>(2)</sup>	-	-	-	-
Transmate S.A.	29.8	29.8	-	-
			<b>65.7</b>	<b>62.4</b>
Non-controlling interests in shareholders' equity at balance date is as follows:				
Contributed equity			65.7	62.4
Reserves			(9.0)	(22.3)
Retained earnings			84.4	84.9
			<b>141.1</b>	<b>125.0</b>

<sup>(1)</sup> Non-controlling interests disposed of by Orica during the 2013 year.

<sup>(2)</sup> Non-controlling interests disposed of by Orica during the 2012 year.

<sup>(3)</sup> Non-controlling interests purchased by Orica during the 2013 year.

<sup>(4)</sup> Non-controlling interests through new incorporations during the 2013 year.

# Notes to the Financial Statements

For the year ended 30 September

	Company	
	2013	2012
	\$m	\$m
<b>24. Parent Company disclosure - Orica Limited</b>		
Total current assets	632.4	510.7
Total assets	2,595.7	2,475.1
Total current liabilities	273.8	300.3
Total liabilities	275.3	301.8
<b>Equity</b>		
Ordinary shares	1,877.9	1,795.1
Retained earnings	442.5	378.2
<b>Total equity attributable to ordinary shareholders of Orica Limited</b>	<b>2,320.4</b>	<b>2,173.3</b>
<b>Net profit for the year</b>	<b>403.3</b>	<b>237.8</b>

The Company did not have any contractual commitments for the acquisition of property, plant or equipment in the current or previous years.

#### *Contingent liabilities and contingent assets*

Under the terms of a Deed of Cross Guarantee entered into in accordance with the ASIC Class Order 98/1418 dated 13 August 1998 (as amended), each company which is a party to the Deed has covenanted with the Trustee of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies. The closed group of entities which are party to the Deed are disclosed in note 40. A consolidated balance sheet and income statement for this closed group is shown in note 40.

Orica Limited has provided guarantees to Export Finance and Insurance Corporation and banks for loans relating to the Bontang Ammonium Nitrate plant (see note 17).

Orica Limited guaranteed senior notes issued in the US private placement market in 2003, 2005, 2010 and 2013. The notes have maturities between 2015 and 2030 (2012: between 2012 and 2030) (see note 17).

## Orica Limited Statement of Changes in Equity

	Ordinary shares	Retained earnings	Total	Step-Up Preference Securities	Total equity
	\$m	\$m	\$m	\$m	\$m
<b>2012</b>					
Balance at 1 Oct 2011	1,749.9	489.2	2,239.1	490.0	2,729.1
Profit for the year	-	237.8	237.8	-	237.8
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>237.8</b>	<b>237.8</b>	<b>-</b>	<b>237.8</b>
<b>Transactions with owners, recorded directly in equity</b>					
Total changes in contributed equity	45.2	-	45.2	-	45.2
Reclassification to interest bearing liabilities	-	(10.0)	(10.0)	(490.0)	(500.0)
Dividends/distributions paid	-	(338.8)	(338.8)	-	(338.8)
<b>Balance at the end of the year 30-Sep-2012</b>	<b>1,795.1</b>	<b>378.2</b>	<b>2,173.3</b>	<b>-</b>	<b>2,173.3</b>
<b>2013</b>					
Profit for the year	-	403.3	403.3	-	403.3
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>403.3</b>	<b>403.3</b>	<b>-</b>	<b>403.3</b>
<b>Transactions with owners, recorded directly in equity</b>					
Total changes in contributed equity	82.8	-	82.8	-	82.8
Dividends/distributions	-	(339.0)	(339.0)	-	(339.0)
<b>Balance at the end of the year 30-Sep-2013</b>	<b>1,877.9</b>	<b>442.5</b>	<b>2,320.4</b>	<b>-</b>	<b>2,320.4</b>

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2013	2012
	\$m	\$m
<b>25. Dividends and distributions</b>		
Dividends paid or declared in respect of the year ended 30 September were:		
<b>Ordinary shares</b>		
interim dividend of 38 cents per share, 36.8% franked at 30%, paid 2 July 2012		137.9
interim dividend of 39 cents per share, 38.5% franked at 30%, paid 1 July 2013	<b>142.5</b>	
final dividend of 53 cents per share, 100% franked at 30%, paid 9 December 2011		192.0
final dividend of 54 cents per share, 44.4% franked at 30%, paid 14 December 2012	<b>196.5</b>	
Distributions paid in respect of the year ended 30 September were:		
<b>Step-Up Preference Securities</b>		
distribution at 6.52% per annum, per security, unfranked, paid 30 November 2011 for the period from 31 May 2011 to 29 November 2011 <sup>(1)</sup>	-	11.1
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	<b>286.0</b>	289.1
satisfied by issue of shares	<b>53.0</b>	40.8
Distributions paid in cash <sup>(1)</sup>	-	16.3
No distributions were satisfied by the issue/purchase of shares.		

<sup>(1)</sup> Total distribution paid for financial year 2012 was \$16.3 million and has been allocated between dividends (\$11.1 million) and interest (\$5.2 million) based on the equity/debt classification over the distribution period.

## Subsequent events

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

Final dividend on ordinary shares of 55.0 cents per share, 100% franked at 30%, payable 13 December 2013.

Total franking credits related to this dividend are \$86.8 million.

The financial effect of the final dividend on ordinary shares has not been brought to account in the financial statements for the year ended 30 September 2013 - however will be recognised in the 2014 annual financial report.

## Franking credits

Franking credits available at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and the payment of the final dividend for 2013 are \$39.3 million (2012 \$42.0 million).

# Notes to the Financial Statements

For the year ended 30 September

	Notes	Consolidated 2013 \$m	2012 \$m
<b>26. Notes to the statement of cash flows</b>			
<b>Reconciliation of cash</b>			
Cash at the end of the year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash	(7)	225.3	235.8
Bank overdraft	(17)	(19.2)	(7.9)
		<b>206.1</b>	<b>227.9</b>
<b>Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities</b>			
Profit from ordinary activities after income tax expense		621.2	423.8
Depreciation and amortisation		284.4	251.4
Share based payments expense		16.0	17.9
Share of associates' net (profit)/loss after adding back dividends received		(8.2)	(6.2)
Finance charges - finance leases		0.3	0.6
Unwinding of discount on provisions		7.7	5.9
(Decrease)/increase in net interest payable		(0.4)	(4.2)
(Increase)/decrease in net interest receivable		(0.2)	0.1
Impairment of intangibles		5.7	367.2
Impairment of property, plant and equipment		-	0.2
Impairment of inventories		12.8	4.2
Impairment of investments		0.3	0.1
Net loss/(profit) on sale of businesses and controlled entities/investments		0.4	(3.7)
Net profit on sale of property, plant and equipment		(10.0)	(32.8)
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities			
increase in trade and other receivables		(76.2)	(90.4)
increase in inventories		(113.8)	(82.2)
decrease in net deferred taxes		(9.6)	(37.1)
increase/(decrease) in payables and provisions		257.2	(224.2)
increase/(decrease) in income taxes payable		71.1	(46.5)
<b>Net cash flows from operating activities</b>		<b>1,058.7</b>	<b>544.1</b>

# Notes to the Financial Statements

For the year ended 30 September

## 27. Businesses and non-controlling interests acquired

Accounting standards require the fair value of the net assets acquired to be recognised. These financial statements include the preliminary purchase price allocation of acquired net assets. Accounting standards permit a measurement period during which acquisition accounting can be finalised following the acquisition date. The measurement period shall not exceed one year from the acquisition date.

### Consolidated - 2013

#### Acquisition of businesses and controlled entities

During financial year 2013 the consolidated entity has not acquired any businesses or entities.

#### Acquisition of non-controlling interest:

JV Minova Kazakhstan Limited Liability Partnership, on 12 April 2013 Orica acquired additional 20%.

	Total
2013	\$m
Decrease in non-controlling interests	(1.6)
Equity reserve	(1.7)
Deferred consideration	0.6
<b>Total consideration</b>	<b>(2.7)</b>

### Consolidated - 2012

#### Acquisition of businesses and controlled entities

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

#### Businesses

Business assets of Atlas Copco MAI GmbH on 6 October 2011.

2012	Book values \$m	Fair value adjustments \$m	Total \$m	Amended Acquisitions <sup>(1)</sup> \$m
Consideration				
cash paid	13.8	-	13.8	-
Outflow of cash	13.8	-	13.8	-
<b>Total consideration</b>	<b>13.8</b>	<b>-</b>	<b>13.8</b>	<b>-</b>
Fair value of net assets of businesses/controlled entities acquired				
trade and other receivables	-	-	-	(0.8)
inventories	2.5	-	2.5	-
property, plant and equipment	4.7	-	4.7	-
intangibles	2.4	-	2.4	-
provision for employee entitlements	(0.3)	-	(0.3)	-
provision for environmental	-	-	-	(1.4)
provision for deferred tax	-	-	-	0.2
	9.3	-	9.3	(2.0)
<b>Goodwill on acquisition</b>			<b>4.5</b>	

<sup>(1)</sup> Amendments made in financial year 2012 but related to acquisitions made prior to financial year 2012.

#### Results contributed by acquired entities since acquisition date:

	\$m
Revenue for the year	25.2
EBITDA for the year	2.6

The unaudited operating revenue and earnings before interest, tax, depreciation and amortisation for the acquired businesses and entities for the twelve months to 30 September 2012 are as follows:

	\$m
Operating revenue	25.2
EBITDA	2.6

The unaudited information at the time of acquisition was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of these entities is attributable mainly to the skills and technical talent of the acquired businesses' work forces and the synergies expected to be achieved from integrating these businesses. None of the goodwill recognised is expected to be deductible for income tax purposes.

# Notes to the Financial Statements

For the year ended 30 September

## 28. Businesses disposed

### Disposal of businesses/controlled entities

The following businesses and controlled entities were disposed of:

#### 2013:

Bamble Mekaniske Industri AS on 1 October 2012 (60% holding).

#### 2012:

Teradoran Pty Limited on 10 February 2012 (67.0% holding).

	Consolidated	
	2013	2012
	\$m	\$m
Consideration		
cash received	0.2	2.0
cash disposed	-	(0.1)
debt disposed	0.3	0.6
Inflow of cash	0.5	2.5
Net consideration	0.5	2.5
Carrying value of net assets of businesses/controlled entities disposed		
trade and other receivables	1.4	1.2
inventories	1.5	1.3
property, plant and equipment	-	1.1
intangibles	0.2	0.2
other assets	-	0.3
investment	0.2	-
payables and interest bearing liabilities	(1.8)	(0.7)
provision for employee entitlements	(0.2)	(0.3)
	1.3	3.1
Less non-controlling interests at date of disposal	(0.4)	(0.9)
	0.9	2.2
<b>(Loss)/profit on sale of business/controlled entities</b>	<b>(0.4)</b>	<b>0.3</b>

# Notes to the Financial Statements

For the year ended 30 September

## 29. Impairment testing of goodwill

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGU), or groups of cash generating units expected to benefit from the synergies. Each unit or group of units to which goodwill has been allocated shall:

- represent the lowest level at which is internally monitored; and
- not be larger than a segment.

Following the Orica restructure, which took effect from 1 October 2012, Orica's reporting segments were re-evaluated. Goodwill is internally monitored at the new segment level. Accordingly, impairment testing of goodwill is undertaken at the segment level.

The carrying amounts of goodwill in each segment are as follows:

	Consolidated	
	2013	2012
	\$m	\$m
Mining Services:		
- Australia/Pacific	891.4	835.9
- North America	269.8	246.7
- Latin America	207.5	194.2
- EMEA	328.3	301.3
- Other	60.4	41.3
Chemicals	145.9	137.8
<b>Total</b>	<b>1,903.3</b>	<b>1,757.2</b>

The recoverable amount of goodwill with indefinite lives is assessed based on value in use. The value in use calculations use cash flow projections based on actual operating results and the operating budgets and forecasts approved by the Board of Directors. Cash flow projections are calculated using the 2014 budgeted/forecast cash flows and industry growth rates going forward.

The discount rates for each CGU were calculated using rates based on an external assessment of the Group's pre-tax weighted average cost of capital in conjunction with risk specific factors to the countries in which the CGUs operate. The pre-tax discount rates applied in the discounted cash flow model range between 10% and 21% (2012 9% - 23%). Foreign currency cash flows are discounted using the functional currency of the CGUs and then translated to Australian Dollars using the closing exchange rate.

The key assumptions regarding the range of discount and growth rates used in the calculation of value in use are as follows:

	Discount Rates 2013 %	Terminal Growth Rates Rates 2013 %	Discount Rates 2012 %	Terminal Growth Rates Rates 2012 %
Mining Services:				
- Australia/Pacific	15.0% - 15.6%	0.0% - 6.0%	13.5% - 19.5%	2.6% - 6.8%
- North America	13.2% - 13.2%	0.0% - 2.0%	13.5% - 15.7%	0.0% - 3.6%
- Latin America	17.8% - 17.8%	0.0% - 10.1%	13.5% - 22.5%	0.0% - 10.3%
- EMEA	10.0% - 20.7%	0.0% - 10.2%	9.7% - 22.6%	0.0% - 15.6%
- Other	12.6% - 19.0%	0.0% - 10.2%	12.7% - 19.1%	0.0% - 8.5%
Chemicals	13.6% - 13.6%	0.0% - 2.9%	13.5% - 14.5%	0.0% - 5.3%

The value in use calculations are sensitive to changes in discount rates, earnings and foreign exchange rates varying from the assumptions and forecast data used in the impairment testing. As such, sensitivity analysis was undertaken to examine the effect of a change in a variable on each CGU.

The impairment charge for intangibles with indefinite lives during the 2013 year relates to a specific asset in the Mining Services - Other Segment while the impairment charge for intangibles with indefinite lives during the 2012 year related to the Minova former segment.

	Consolidated	
	2013	2012
	\$m	\$m
Goodwill	5.7	367.2
<b>Total</b>	<b>5.7</b>	<b>367.2</b>

# Notes to the Financial Statements

For the year ended 30 September

	Consolidated	
	2013	2012
	\$m	\$m
<b>30. Commitments</b>		
<b>Capital expenditure commitments</b>		
Capital expenditure on property, plant and equipment and business acquisitions contracted but not provided for and payable:		
no later than one year	22.2	60.5
later than one, no later than five years	-	1.6
	<b>22.2</b>	<b>62.1</b>
<p>In financial year 2012 Orica Ltd announced that it has agreed to form a joint venture with Yara and Apache to build a 330,000 tonnes per annum industrial grade ammonium nitrate plant on the Burrup Peninsula. The joint venture is owned 45% (Orica), 45% (Yara) and 10% (Apache). Construction of the plant is expected to have a capital cost of approximately US\$800 million and be completed by the end of 2015. At 30 September 2013, approximately \$128.9 million (2012 38.2 million) has been paid to the joint venture entity for construction costs.</p>		
<b>Lease commitments</b>		
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:		
no later than one year	71.8	64.0
later than one, no later than five years	147.8	147.5
later than five years	41.7	31.6
	<b>261.3</b>	<b>243.1</b>
Representing:		
cancellable operating leases	155.2	158.8
non-cancellable operating leases	106.1	84.3
	<b>261.3</b>	<b>243.1</b>
Non-cancellable operating lease commitments payable:		
no later than one year	26.4	19.6
later than one, no later than five years	58.3	49.6
later than five years	21.4	15.1
	<b>106.1</b>	<b>84.3</b>
Finance lease commitments payable:		
no later than one year	1.4	1.2
later than one, no later than five years	5.0	5.2
later than five years	1.0	2.1
	<b>7.4</b>	<b>8.5</b>
Less future finance charges	(0.9)	(1.2)
Present value of minimum lease payments provided for as a liability	<b>6.5</b>	<b>7.3</b>
Representing lease liabilities: (see note 17)		
current	1.4	1.2
non-current	5.1	6.1
	<b>6.5</b>	<b>7.3</b>

# Notes to the Financial Statements

For the year ended 30 September

Consolidated  
2013 2012  
\$000 \$000

## 31. Auditors' remuneration

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

Audit services		
Auditors of the Company – KPMG Australia		
– Audit and review of financial reports	4,914	4,834
– Other regulatory audit services	592	356
Auditors of the Company – overseas KPMG firms		
– Audit and review of financial reports <sup>(1)</sup>	1,994	1,795
	<b>7,500</b>	<b>6,985</b>
Other services <sup>(2)</sup>		
Auditors of the Company – KPMG Australia		
– other assurance services	-	52
	-	52
	<b>7,500</b>	<b>7,037</b>

From time to time, KPMG, the auditors of Orica, provide other services to the Group, which are subject to strict corporate governance procedures adopted by the Company which encompass the selection of service providers and the setting of their remuneration.

<sup>(1)</sup> Fees paid or payable for overseas subsidiaries' local lodgement purposes.

<sup>(2)</sup> The Board Audit and Risk Committee must approve any other services provided by KPMG above a value of \$100,000 per assignment and it also reviews and approves at year end other services provided by KPMG below a value of \$100,000. The guidelines adopted by KPMG for the provision of other services ensure their statutory independence is not compromised.

## 32. Critical accounting judgements and estimates

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

### *Contingent liabilities*

In the normal course of business, contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from environmental liabilities connected with current or former sites. Where management are of the view that potential liabilities have a low probability of crystallising or it is not possible to quantify them reliably, they are disclosed as contingent liabilities. These are not provided for in the financial statements but are disclosed in note 33.

### *Environmental and decommissioning provisions*

The business of the Group is subject to a variety of laws and regulations in the jurisdictions in which it operates or maintains properties. Provisions for expenses (refer to note 19) that may be incurred in complying with such laws and regulations are set aside if environmental inquiries or remediation measures are probable and the costs can be reliably estimated. For sites where there are uncertainties with respect to what Orica's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been provided. It is also assumed that the methods planned for environmental remediation will be able to treat the issues within the expected time frame.

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

Changes in the assumptions underlying these estimated costs may impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

# Notes to the Financial Statements

For the year ended 30 September

## 32. Critical accounting judgements and estimates (continued)

In respect of the Botany groundwater (New South Wales, Australia) contamination, Orica is continuing to conduct extensive remediation activities, including the operation of a Groundwater Treatment Plant, to treat the groundwater at Botany, which is contaminated with pollutants from historical operations. A provision exists (refer to note 19) to cover the estimated costs associated with remediation until 2018. Costs are expected to be incurred after this date, but it is not possible to predict the time frame over which remediation will be required or the form the remediation will take and therefore it is not possible to reliably estimate any associated costs. In light of ongoing discussions with regulatory authorities and following an assessment of currently available technologies to treat the contamination, Orica intends to maintain a provision at current levels that takes into account the estimated costs associated with remediation commitments over this period. The provision will continue to be re-evaluated based on future regulatory assessments and advancements in appropriate technologies.

Orica is committed to finding a solution for destruction of its HCB waste. There are no facilities to treat the HCB waste in Australia and Orica's export applications have been unsuccessful. Given the complex technical, social and political aspects of the HCB waste, Orica continues to safely store the waste. A provision has been established in respect of this matter (refer to note 19).

Orica received results indicating elevated concentrations of mercury in soil and groundwater at the southern end of the Botany site and at adjacent offsite locations. Orica started remediating the site in May 2011 using a soil washing technology to remove mercury. The soil washing plant was not able to sustain adequate reliable operation and Orica decided to suspend the works. Orica submitted a new remediation action plan which satisfied the NSW Environment Protection Authority requirements, and Orica restarted works in August 2013. A provision has been established for remediation activities in respect of this matter.

### *Legal proceedings*

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

### *Warranties and Indemnities*

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

### *Defined benefit superannuation fund obligations*

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

### *Property, plant and equipment and definite life intangible assets*

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

### *Financial instruments at fair value*

The Group measures a number of financial instruments at fair value. These fair values are based on observable market data which is used to estimate future cash flows and discount them to present value. Management's aim is to use and source this data consistently from period to period. While management believes the assumptions used are appropriate, a change in assumptions would impact the fair value calculations.

# Notes to the Financial Statements

For the year ended 30 September

## 32. Critical accounting judgements and estimates (continued)

### *Impairment of assets*

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (CGU). The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell or value in use. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGUs. For the purposes of impairment testing, goodwill is allocated to cash generating units, or groups of cash generating units expected to benefit from the synergies. Each unit or group of units to which goodwill has been allocated shall represent the lowest level at which is internally monitored and not be larger than a segment. Following the Orica restructure, which took effect from 1 October 2012, Orica's reporting segments were re-evaluated. Goodwill is internally monitored at the new segment level. Accordingly, impairment testing of goodwill is undertaken at the segment level.

The determination of value in use requires the estimation and discounting of future cashflows. The estimation of the cashflows considers information available at balance date which may result in cashflows deviating from actual developments. This includes, among other things, expected revenue from sales of products, the return on assets, future costs and discount rates. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows may impact the carrying value of the respective assets.

### *Current asset provisions*

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

### *Taxation*

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

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

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

## 33. Contingent liabilities

### *(a) Environmental*

#### *(a) (i) General*

In accordance with the current accounting policy, for sites where the requirements have been assessed and are capable of reliable measurement, estimated regulatory and remediation costs have been capitalised, expensed as incurred or provided for. For environmental matters where there are significant uncertainties with respect to the extent of Orica's remediation obligations or the remediation techniques that might be approved, no reliable estimate can presently be made of regulatory and remediation costs and any costs are expensed as incurred.

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

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

Orica is investigating suitable remediation options for Dense Non-Aqueous Phase Liquid (DNAPL) source areas at Botany giving rise to the groundwater contamination which is being remediated by the Groundwater Treatment Plant. No provision has been established for remediation activities in respect of DNAPL as a reliable estimate is not possible at this time.

#### *(a)(ii) Environmental Prosecutions*

The NSW Environment Protection Authority has issued legal proceedings against Orica in relation to environmental incidents at the Botany and Kooragang Island sites that occurred during 2010 and 2011. Orica has entered guilty pleas to the charges

# Notes to the Financial Statements

For the year ended 30 September

## 33. Contingent liabilities (continued)

involved in those legal proceedings. A sentencing and mitigation hearing of those proceedings was conducted in December 2012. The proceedings are currently adjourned pending a decision by the New South Wales Land and Environment Court.

Orica is also the subject of legal proceedings issued by the Victorian Environment Protection Authority in relation to an incident involving fluorosilicic acid that occurred in September 2010 in Gippsland, Victoria. Orica is yet to enter a plea in relation to the alleged offences in those proceedings.

It is probable that Orica will incur penalties as a consequence of these legal proceedings. However where it is not possible to reliably assess the amount of any such fines or other penalties, no provisions have been made with respect to these environmental prosecutions.

### *(b) WorkCover Prosecutions*

The New South Wales WorkCover Authority has issued two sets of legal proceedings against Orica Australia in relation to two separate incidents at the Kooragang Island site on 9 November 2011. Orica Australia is yet to enter a plea in relation to the alleged offences in those legal proceedings.

### *(c) Taxation*

#### *(c) (i) Investigations and audits*

Consistent with other companies of the size and diversity of Orica, the Group is the subject of ongoing information requests, investigations and audit activities by Tax and Regulatory Authorities in jurisdictions in which Orica operates. Orica co-operates fully with the Tax and Regulatory Authorities. It is possible that Orica may incur fines and/or other penalties as a consequence of these investigations and audits.

#### *(c) (ii) Brazilian Tax Action*

The Brazilian Taxation authority is claiming unpaid taxes relating to the 1997 financial year of approximately \$25 million. ICI Plc, the vendor of the business to Orica, has been notified to preserve Orica's rights under the tax indemnity obtained upon acquisition of the business which provides indemnity for amounts exceeding certain limits. The Brazilian Taxation authority has been granted security over the Lorena site as well as a bank guarantee of up to approximately \$9 million.

#### *(c) (iii) Norway Tax Action*

The Tax Office in Norway has issued a final assessment for tax and interest amounting to approximately \$32.5 million, resulting from a reassessment of Orica Norway's tax return for the 2005 income year relating to a transfer of the Dyno Nobel house brand in conjunction with Orica's acquisition of Dyno Nobel's explosives business. Orica has received external legal advice and is pursuing this matter through an administrative complaints process. Orica has paid a portion of the primary tax and interest arising from the assessment, which has been recognised as a non-current receivable.

#### *(c) (iv) Australian Tax Action*

The Australian Taxation Office ("ATO") has issued amended assessments in relation to the 2004, 2005 and 2006 years totalling \$50.6m in relation to a financing arrangement by Orica of its US group between 2004 and 2006. Orica has received external legal advice and objected against all three assessments. In accordance with the ATO administrative practice, Orica has paid 50% of the primary tax and interest arising from the assessments, which has been recognised as a non-current receivable.

### *(d) Guarantees, indemnities and warranties*

- The consolidated entity has entered into various long term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.
- The consolidated entity has entered into various sales contracts where minimum savings are guaranteed to customers and such savings are expected to be achieved in the ordinary course of business.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and assets which were divested during the current and prior years include commercial warranties and indemnities to the purchasers.
- Orica Limited guaranteed senior notes issued in the US private placement market in 2003, 2005, 2010 and 2013. The notes have maturities between 2015 and 2030.

# Notes to the Financial Statements

For the year ended 30 September

## 34. Financial and capital management

### Capital management

Orica's objectives when managing capital (net debt and total equity) are to safeguard the Group's ability to continue as a going concern and to ensure that the capital structure enhances, protects and balances financial flexibility against minimising the cost of capital.

In order to maintain the appropriate capital structure, the Group may adjust the amount of dividends paid to shareholders, utilise a dividend reinvestment plan, return capital to shareholders or issue new equity, in addition to incurring an appropriate mix of long and short term borrowings. Currently, Orica's dividend policy is to pay a progressive dividend.

Orica monitors capital on the basis of the accounting gearing ratio (which is calculated as net debt divided by net debt plus shareholders equity). In addition, Orica monitors various other credit metrics, principally an interest cover ratio (EBIT excluding individually material items, divided by net financing costs adjusted for capitalised borrowing cost) and funds from operations (FFO) divided by a total debt measure.

The Group's current target level for adjusted gearing is 35% to 45% and for interest cover is 5 times or greater. These, together with an appropriate FFO/total debt measure, are targeted to maintain a strong investment grade credit profile, which should facilitate access to borrowings from a diverse range of sources. Ratios may move outside of these target ranges for relatively short periods of time after major acquisitions or other significant transactions.

The gearing level and interest cover are also monitored to ensure an adequate buffer against covenant levels under various facilities.

	Consolidated	
	2013 \$m	2012 \$m
The net debt to gearing ratios are calculated as follow s:		
Interest bearing borrow ings	2,556.6	2,535.0
Less cash and cash equivalents	(225.3)	(235.8)
<b>Net debt</b>	<b>2,331.3</b>	<b>2,299.2</b>
<b>Total Equity</b>	<b>3,994.1</b>	<b>3,246.5</b>
<b>Net debt and total equity</b>	<b>6,325.4</b>	<b>5,545.7</b>
<b>Gearing ratio (%)</b>	<b>36.9%</b>	<b>41.5%</b>

The interest cover ratio is calculated as follow s:

	2013 \$m	2012 \$m
EBIT <sup>(1)</sup>	984.8	1,022.6
Net financing costs	150.2	128.2
Capitalised borrow ing costs	11.9	38.1
<b>Interest cover ratio (times)</b>	<b>6.1</b>	<b>6.1</b>

<sup>(1)</sup> Before individually material items

The Group self-insures for certain insurance risks under the *Singapore Insurance Act*. Under this Act, authorised general insurers, including Anbao Insurance Pte Ltd (the Orica self-insurance company), are required to maintain a minimum amount of capital. For the financial year ended 30 September 2013, Anbao Insurance Pte Ltd maintained capital in excess of the minimum requirements prescribed under this Act.

# Notes to the Financial Statements

For the year ended 30 September

## 34. Financial and capital management (continued)

### Financial risk factors

The Group's principal financial risks are associated with foreign exchange, interest rate, liquidity and credit risk.

The Group's overall risk management program seeks to mitigate these risks and reduce the volatility of Orica's financial performance. Financial risk management is carried out centrally by the Group's Treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management and policies covering specific areas, such as foreign exchange, interest rate and credit risk as well as the use of derivative and non-derivative financial instruments and the investment of excess liquidity. Orica enters into derivative instruments for risk management purposes only. Derivative transactions are entered into to hedge the risks relating to underlying physical positions arising from business activities. Derivative transactions to hedge risks such as interest rate and foreign currency movements principally include interest rate swaps, cross currency interest rate swaps, forward exchange contracts and vanilla European option contracts.

### Classification of financial assets and financial liabilities

The Group's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing liabilities and derivatives.

For measurement purposes the Group classifies financial assets and financial liabilities into the following categories: (a) financial assets and liabilities at fair value through profit and loss, (b) loans and other receivables and (c) financial liabilities at amortised cost. The Group does not have any financial assets categorised as held-to-maturity or as available-for-sale.

#### *Financial assets and liabilities at fair value through profit and loss*

This category combines financial assets and liabilities that are held for trading. A financial asset or liability is classified in this category if it is acquired principally for the purpose of selling in the short term or if it is so designated by management. The Group holds a number of derivative instruments for economic hedging purposes under Board approved risk management policies, which do not meet the criteria for hedge accounting under Accounting Standards. These derivatives are required to be categorised as held for trading. Assets and liabilities in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date (refer notes 12 and 16). Movements in the fair value of those derivatives that meet the accounting criteria as cash flow hedges and are designated as such are recognised in to the cash flow hedge reserve in equity.

#### *Loans and other receivables*

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where maturities are greater than 12 months after the balance sheet date when they are classified as non-current. Loans and receivables are classified as 'receivables' in the balance sheet (refer note 8).

#### *Amortised cost*

Financial liabilities measured in this category are initially recognised at their fair value and are then subsequently re-measured at amortised cost using the effective interest rate method. This includes the Group's short-term non-derivative financial instruments (refer note 16) and its interest bearing liabilities (refer note 17).

### Risks and mitigation

The risks associated with the financial instruments and the policies for minimising these risks are detailed below:

#### Interest rate risk management

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Group is primarily exposed to interest rate risk on outstanding interest bearing liabilities. Non-derivative interest bearing assets are predominantly short-term liquid assets. Interest bearing liabilities issued at fixed rates expose the Group to fair value interest rate risk while borrowings issued at a variable rate give rise to cash flow interest rate risk.

Interest rate risk on long-term interest bearing liabilities is managed by adjusting the ratio of fixed interest debt to variable interest debt. This is managed within policies determined by the Orica Board of Directors via the use of interest rate swaps and cross currency interest rate swaps. Under the policy, up to 90% of debt with a maturity of less than one year can be fixed. This reduces on a sliding scale to year five where a maximum 50% of debt with a maturity of between five and ten years can be fixed. Beyond this, a maximum 25% of the debt with a maturity of between ten and twenty years can be fixed. The Group operated within this range during both the current year and the prior year and as at September, the fixed rate borrowings after the impact of interest rate swaps and cross currency swaps were \$1,098 million (2012 \$761 million).

# Notes to the Financial Statements

For the year ended 30 September

## 34. Financial and capital management (continued)

### Interest Rate Sensitivity

The table below shows the effect on profit from operations, net profit after tax and shareholders' equity if interest rates at year end had been 10% higher or lower based on the relevant interest rate yield curve applicable to the underlying currency the borrowings or derivatives are denominated in (including Australian dollars, Euros, Canadian dollars, New Zealand dollars and United States dollars) with all other variables held constant, taking into account all underlying exposures and related hedges and does not include the impact of any management action that might take place if these events occurred. A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. Directors cannot nor do not seek to predict movements in interest rates.

	Consolidated	
	2013	2012
	\$m	\$m
<b>Effect on profit before tax increase/(decrease)</b>		
If interest rates were 10% higher, with all other variables held constant	(1.0)	(3.2)
If interest rates were 10% lower, with all other variables held constant	1.0	3.2
<b>Effect on profit after tax increase/(decrease)</b>		
If interest rates were 10% higher, with all other variables held constant	(0.7)	(2.2)
If interest rates were 10% lower, with all other variables held constant	0.7	2.2
<b>Effect on shareholders' equity increase/(decrease)</b>		
If interest rates were 10% higher, with all other variables held constant	1.0	0.8
If interest rates were 10% lower, with all other variables held constant	(1.0)	(0.8)

### Foreign exchange risk management

#### Foreign exchange risk - transactional

Foreign exchange risk refers to the risk that the value of a financial commitment, recognised asset or liability or cash flow will fluctuate due to changes in foreign currency rates.

The Group is exposed to foreign exchange risk primarily due to significant sales and/or purchases denominated, either directly or indirectly, in currencies other than the functional currencies of the Group's subsidiaries.

In regard to foreign currency risk relating to sales and purchases, the Group hedges up to 100% of committed exposures.

Anticipated exposures are hedged by applying a declining percentage of cover the further the time to the transaction date. Only exposures that can be forecast to a high probability are hedged. Transactions can be hedged for up to five years. The derivative instruments used for hedging purchase and sale exposures are bought vanilla option contracts and forward exchange contracts. Forward exchange contracts may be used only under Board policy for committed exposures and anticipated exposures expected to occur within 12 months. Bought vanilla option contracts may be used for all exposures. These contracts are designated as cash flow hedges and are recognised at their fair value. The currencies giving rise to this risk are primarily U.S. Dollar (USD), Euro (EUR), Canadian Dollar (CAD), New Zealand Dollar (NZD), Norwegian Kroner (NOK), Swedish Kronor (SEK) and Great Britain Pound (GBP).

# Notes to the Financial Statements

For the year ended 30 September

## 34. Financial and capital management (continued)

### Exchange rate sensitivity

The Group's exposure to foreign currency risk including both external balances and internal balances (eliminated on consolidation) at the reporting date was as follows (Australian dollar equivalents):

	2013						
	USD \$m	CAD \$m	NZD \$m	NOK \$m	SEK \$m	EUR \$m	GBP \$m
Cash <sup>(1)</sup>	3,041.6	97.0	3.4	65.2	1,252.7	1,358.7	351.9
Trade and other receivables	296.5	49.6	0.1	0.3	16.0	62.2	2.4
Trade and other payables	(347.3)	(27.1)	(0.3)	(0.4)	(11.3)	(54.7)	(0.6)
Interest bearing liabilities <sup>(1)</sup>	(2,902.4)	(34.9)	(84.2)	(18.8)	(518.4)	(1,208.6)	(92.7)
Net derivatives	415.9	(52.3)	(41.3)	(90.3)	(0.4)	(95.3)	(0.1)
Net exposure	504.3	32.3	(122.3)	(44.0)	738.6	62.3	260.9

  

	2012						
	USD \$m	CAD \$m	NZD \$m	NOK \$m	SEK \$m	EUR \$m	GBP \$m
Cash <sup>(1)</sup>	2,511.4	46.6	1.7	63.0	1,076.8	1,124.4	308.8
Trade and other receivables	206.8	33.3	0.2	0.3	9.9	41.0	1.7
Trade and other payables	(247.4)	(29.3)	(1.7)	(1.5)	(12.2)	(46.4)	(2.4)
Interest bearing liabilities <sup>(1)</sup>	(2,166.0)	(35.6)	(54.9)	(5.7)	(453.5)	(939.7)	(64.6)
Net derivatives	351.6	(48.8)	(39.3)	(83.6)	-	(81.6)	-
Net exposure	656.4	(33.8)	(94.0)	(27.5)	621.0	97.7	243.5

<sup>(1)</sup> Includes internal deposits and interest bearing liabilities used for Group cash management purposes.

The following tables show the effect on profit and equity of the Group if exchange rates as at 30 September had been 10% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges and does not include the impact of any management actions that might take place if these events occurred. A sensitivity of 10% has been selected, as this is considered reasonably possible given the current level and volatility of exchange rates based on an historical analysis. Directors cannot nor do not seek to predict movements in exchange rates. However, it should be noted that it is unlikely that all currencies would move in the same direction and by the same percentage. Major exposures are against the USD, CAD, NZD, NOK, SEK, EUR and GBP.

A 10% sensitivity would move year end rates as follows (against the Australian Dollar):

	2013			2012		
	10% lower	As reported	10% higher	10% lower	As reported	10% higher
U.S. Dollar	0.8363	0.9292	1.0221	0.9415	1.0461	1.1507
Canadian Dollar	0.8616	0.9573	1.0530	0.9220	1.0244	1.1268
New Zealand Dollar	1.0094	1.1215	1.2337	1.1300	1.2555	1.3811
Norwegian Kroner	5.0044	5.5604	6.1164	5.3629	5.9588	6.5547
Swedish Kronor	5.3721	5.9690	6.5659	6.1355	6.8172	7.4989
Euro	0.6193	0.6881	0.7569	0.7281	0.8090	0.8899
Great Britain Pound	0.5172	0.5747	0.6322	0.5792	0.6436	0.7080

# Notes to the Financial Statements

For the year ended 30 September

## 34. Financial and capital management (continued)

The effect on profit from operations, net profit after tax and shareholders' equity of a movement in individual exchange rates on both external balances and internal balances (eliminated on consolidation) of Cash, Trade and other receivables, Trade and other payables, Interest bearing liabilities and net derivatives at the end of the reporting date would be as follows:

	2013		2012	
	(10%) \$m	10% \$m	(10%) \$m	10% \$m
<b>Effect on profit/(loss) from operations from a movement in:</b>				
U.S. Dollar	(0.8)	(1.8)	(0.8)	(2.0)
Canadian Dollar	3.7	(3.0)	0.8	(0.7)
New Zealand Dollar	(0.6)	0.4	(1.0)	0.8
Norwegian Kroner	-	-	(0.2)	0.2
Swedish Kronor	0.5	(0.4)	(0.3)	0.3
Euro	1.4	(1.4)	(0.5)	0.4
Great Britain Pound	(0.1)	0.1	-	-
<b>Effect on net profit/(loss) after tax from a movement in:</b>				
U.S. Dollar	(0.6)	(1.3)	(0.5)	(1.4)
Canadian Dollar	2.6	(2.1)	0.6	(0.5)
New Zealand Dollar	(0.4)	0.3	(0.7)	0.6
Norwegian Kroner	-	-	(0.1)	0.1
Swedish Kronor	0.3	(0.2)	(0.2)	0.2
Euro	1.0	(1.0)	(0.4)	0.3
Great Britain Pound	-	-	-	-
<b>Increase/(decrease) on shareholders' equity from a movement in:</b>				
U.S. Dollar	63.9	(49.8)	52.9	(39.2)
Canadian Dollar	1.5	(1.2)	(2.6)	2.1
New Zealand Dollar	(4.9)	4.0	(7.3)	5.9
Norwegian Kroner	(1.9)	1.6	(2.2)	1.8
Swedish Kronor	59.3	(48.5)	48.3	(39.5)
Euro	13.8	(11.3)	10.0	(8.0)
Great Britain Pound	23.0	(18.8)	18.9	(15.5)

# Notes to the Financial Statements

For the year ended 30 September

## 34. Financial and capital management (continued)

### *Foreign currency risk - translational*

Foreign currency earnings translation risk arises primarily as a result of earnings in USD, NZD, NOK, SEK, Chilean Peso (CLP), Mexican Peso (MXN) and CAD being translated into AUD. Derivative contracts to hedge earnings exposures do not qualify for hedge accounting under Accounting Standards. However, Board approved policy allows hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates. At 30 September 2013, the fair value of these derivatives was \$nil (2012 \$nil).

Foreign currency net investment translation risk is managed within policies determined by the Board of Directors. Hedging of exposures is undertaken centrally by the Group's Treasury department primarily through originating debt in the currency of the foreign operation or by raising debt in a different currency and effectively swapping the debt to the currency of the foreign operation (see below cross currency interest rate swaps under interest rate risk management). The remaining translation exposure is managed, where considered appropriate, through forward foreign exchange derivative instruments or cross currency swaps. Gains and losses resulting from these hedging activities are recorded in the foreign currency translation reserve within the equity section of the balance sheet and offset against the foreign exchange impact resulting from the translation of the net assets of foreign operations. Thirty two percent of the Group's investment in foreign operations was hedged in this manner as at 30 September 2013 (2012 26.0%).

As at reporting date, derivative instruments designated as hedging net investment exposures had a fair value of \$108.6 million loss (2012 \$81.0 million loss).

### Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under a contract or arrangement. The Group has exposure to credit risk on all financial assets included within the balance sheets. For discussion on how this risk in relation to receivables is managed refer to note 8. In regards to credit risk arising from derivatives and cash, this is the credit exposure to financial institutions that are counterparties to derivative contracts and cash deposits, with a positive fair value from Orica's perspective. As at 30 September 2013, the sum of all contracts with a positive fair value was \$12.8 million (2012 \$15.7 million).

To manage this risk, the Group restricts dealings to highly rated counterparties approved within its credit limit policy. The higher the credit rating of the counterparty, the higher the Group's allowable exposure is to that counterparty under the policy. The Group does not hold any credit derivatives to offset its credit exposures.

# Notes to the Financial Statements

For the year ended 30 September

## 34. Financial and capital management (continued)

### Liquidity risk management

Liquidity risk arises from the possibility that there will be insufficient funds available to make payment as and when required.

The Group manages this risk via:

- maintaining an adequate level of undrawn committed facilities in various currencies that can be drawn upon at short notice;
- using instruments that are readily tradeable in the financial markets;
- monitoring duration of long term debt;
- spreading, to the extent practicable, the maturity dates of long-term debt facilities; and
- comprehensively analysing of all inflows and outflows that relate to financial assets and liabilities.

Facilities available and the amounts drawn and undrawn are as follows:

	2013 \$m	2012 \$m
<b>Unsecured bank overdraft facilities</b>		
Unsecured bank overdraft facilities available	113.7	105.3
Amount of facilities undrawn	94.5	97.4
<b>Committed standby and loan facilities</b>		
Committed standby and loan facilities available	4,232.4	3,724.1
Amount of facilities unused	2,114.7	1,505.5

The bank overdrafts are payable on demand and are subject to an annual review. The repayment dates of the committed standby and loan facilities range from 6 May 2014 to 25 October 2030 (2012: 24 October 2012 to 25 October 2030).

The contractual maturity of the Groups' fixed and floating rate financial instruments and derivatives are shown in the table below. The amounts shown represent the future undiscounted principal and interest cash flows:

Consolidated	As at 30 September 2013				As at 30 September 2012			
	Less				Less			
	than 1	1 to 2	2 to 5	Over 5	than 1	1 to 2	2 to 5	Over 5
	year	years	years	years	year	years	years	years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Non-derivative financial assets</b>								
Cash	225.3	-	-	-	235.8	-	-	-
Trade and other receivables <sup>(1)</sup>	1,050.6	97.3	-	-	1,035.3	49.6	-	-
Derivative financial assets	1,271.1	52.4	153.5	427.6	871.2	50.7	137.7	396.9
<b>Financial assets</b>	<b>2,547.0</b>	<b>149.7</b>	<b>153.5</b>	<b>427.6</b>	<b>2,142.3</b>	<b>100.3</b>	<b>137.7</b>	<b>396.9</b>
<b>Non-derivative financial liabilities</b>								
Trade and other payables <sup>(1)</sup>	1,235.8	12.3	-	-	1,058.9	12.4	-	-
Bank overdrafts	19.2	-	-	-	7.9	-	-	-
Bank loans	5.6	5.6	167.4	-	37.4	540.7	250.2	-
Export finance facility	14.0	13.8	40.2	25.7	1.8	1.8	5.5	96.6
Other short term borrowings	33.4	-	-	-	6.2	-	-	-
Private placement	82.1	346.6	606.4	1,462.4	100.2	60.3	800.5	858.0
Other long term borrowings	-	1.6	1.0	-	-	1.7	1.0	-
Lease liabilities	1.7	1.3	3.4	1.0	1.3	1.5	3.3	2.1
Derivative financial liabilities	1,286.8	58.0	197.0	484.0	878.7	61.2	186.0	470.8
<b>Financial liabilities</b>	<b>2,678.6</b>	<b>439.2</b>	<b>1,015.4</b>	<b>1,973.1</b>	<b>2,092.4</b>	<b>679.6</b>	<b>1,246.5</b>	<b>1,427.5</b>
<b>Net outflow</b>	<b>(131.6)</b>	<b>(289.5)</b>	<b>(861.9)</b>	<b>(1,545.5)</b>	49.9	(579.3)	(1,108.8)	(1,030.6)

<sup>(1)</sup> Excludes derivative financial instruments.

# Notes to the Financial Statements

For the year ended 30 September

## 34. Financial and capital management (continued)

### Cash flow hedges

Cash flow hedges are used to hedge exposures relating to borrowings and ongoing business activities, where there is a highly probable sale, purchase or settlement commitment in foreign currencies.

#### Foreign exchange transactions

The hedging of foreign exchange transactions is described under foreign currency risk above.

The fair value of forward exchange contracts and options used as hedges of foreign exchange transactions at 30 September 2013 was a net \$2.4 million loss (2012 \$1.6 million gain), comprising assets of \$11.1 million (2012 \$7.0 million) and liabilities of \$13.5 million (2012 \$5.4 million).

Gains and losses recognised in the cash flow hedge reserve on all foreign currency hedges of anticipated purchases and sales and the timing of their anticipated recognition as part of sales or purchases are:

Term	Net deferred (gains)/losses	
	2013 \$m	2012 \$m
Not later than one year	(0.2)	(0.6)
Total	(0.2)	(0.6)

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

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

#### Interest rate swap contracts

Interest rate or cross currency interest rate swaps are classified as cash flow hedges if they are used to transfer floating rate debt into fixed rate debt and they are stated at fair value. All gains and losses attributable to the hedged risk are taken directly to equity and reclassified into the Income Statement when the interest expense is recognised. All swaps are matched directly against the appropriate loans and interest expense. There was a derivative liability of \$13.0 million as at 30 September 2013 (2012 \$21.8 million).

The notional amounts of interest rate swaps as summarised below represent the contract or face values of these derivatives. The notional amounts do not represent amounts exchanged by the parties. The amounts to be exchanged are net settled and will be calculated with reference to the notional amounts and the pay and receive interest rates determined under the terms of the derivative contracts. Each contract involves quarterly or semi-annual payment or receipt of the net amount of interest:

	2013 \$m	2012 \$m
<b>Floating to fixed swaps</b>		
One to five years	350.0	350.0

### Fair value hedges

#### Cross currency interest rate and interest rate swap contracts

During the period the Group held cross currency interest rate and interest rate swaps to mitigate the Group's exposure to changes in the fair value of foreign denominated debt from fluctuations in foreign currency and interest rates. The hedged items designated were a portion of the Group's foreign currency denominated borrowings. The changes in the fair values of the hedged items resulting from movements in exchange rates and interest rates are offset against the changes in the value of the cross currency interest rate and interest rate swaps. The objective of this hedging is to convert foreign currency borrowings to floating rate Australian dollar borrowings.

For the Group, re-measurement of the hedged items resulted in a loss before tax of \$25.5 million (2012 \$20.8 million gain) and the changes in the fair value of the hedging instruments resulted in a gain before tax of \$25.5 million (2012 \$20.0 million loss) resulting in a net gain before tax of \$nil million (2012 \$0.8 million gain) recorded in finance costs.

The fair value of these swaps at 30 September 2013 was \$66.7 million (2012 \$39.3 million), comprising assets of \$86.8 million (2012 \$84.0 million) and liabilities of \$20.1 million (2012 \$44.7 million).

#### Derivatives not designated in a hedging relationship

Certain derivative instruments do not qualify for hedge accounting, despite being commercially valid economic hedges of the relevant risks. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement (for example, changes in the fair value of vanilla bought European options used to hedge translation of foreign earnings).

# Notes to the Financial Statements

For the year ended 30 September

## 34. Financial and capital management (continued)

### *Interest rate swaps*

The change in fair value of swaps executed as economic hedges for which hedge accounting was not applied was nil for the financial year ending 30 September 2013 (2012 nil).

### **Fair values of derivatives**

The carrying value of derivatives disclosed in notes 12 and 16 equal their fair values. Valuation techniques include where applicable, reference to prices quoted in active markets, discounted cash flow analysis, fair value of recent arm's length transactions involving the same instruments or other instruments that are substantially the same, and option pricing models.

The fair value of forward exchange contracts are calculated by reference to forward exchange market rates for contracts within similar maturity profiles at the time of valuation.

The fair values of cross currency interest rate swaps and interest rate swaps and other financial liabilities measured at fair value are determined using valuation techniques which utilise data from observable markets. Assumptions are based on market conditions existing at each balance date. The fair value is calculated as the present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived and representative of Orica's cost of borrowings.

### *Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
<b>30 September 2013</b>				
Derivative financial assets	-	12.8	-	12.8
Derivative financial liabilities	-	(75.2)	-	(75.2)
	-	(62.4)	-	(62.4)
<b>30 September 2012</b>				
Derivative financial assets	-	15.7	-	15.7
Derivative financial liabilities	-	(84.1)	-	(84.1)
	-	(68.4)	-	(68.4)

During the current and previous year there were no transfers between the fair value hierarchy levels.

# Notes to the Financial Statements

For the year ended 30 September

## **35. Events subsequent to balance date**

On 11 November 2013, the directors declared a final dividend of 55.0 cents per ordinary share payable on 13 December 2013. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2013 and will be recognised in the 2014 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2013, 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.

# Notes to the Financial Statements

For the year ended 30 September

## 36. Employee share plans

### Employees' options entitlement

Other than the LTEIP shares which are treated as options for accounting purposes, the Long Term Incentive Rights Plan (LTIRP), the Sign-on and the Retention Rights Plans, there are no other options over Orica shares outstanding at 30 September 2012 or 30 September 2013.

#### (a) (i) Long Term Incentive Rights Plan (LTIRP)

In financial year 2012 LTIRP was adopted as the long term incentive component of remuneration for senior executives (excluding the Executive Committee) selected by the Board based on the role of the individual in guiding the future success of the Company. Invitations to participate in LTIRP are made on the following basis:

- Senior executives are granted a number of rights, which vest upon the satisfaction of the relevant performance hurdle. The number of rights granted to each employee is based on a specified percentage in the range of 15% to 60% of their fixed remuneration, depending on the individual's role and responsibility.
- Each right is an entitlement to be allocated one ordinary share in Orica (or such other number adjusted in accordance with the terms of the LTIRP rules).
- Rights are unlisted and do not carry any dividend or voting rights.
- Shares allocated upon vesting of rights may be either newly issued shares or existing shares acquired on market.
- As the LTIRP is offered to senior executives below the Executive Committee level, it was considered more appropriate to set a single hurdle representing a minimum level of acceptable performance before vesting should occur, rather than the aggressive conditions applicable to LTEIP. The relevant performance hurdle is based on Orica achieving 2% EPS compound growth per annum over three years.
- Holders of rights that leave the consolidated entity prior to the end of the performance period will, in general, forfeit their rights. The Board has discretion to allow a number of rights to be tested and vest if the holder leaves due to death, disability or other Board approved reasons.
- The fair value of these long term incentives are expensed over the three year vesting period.

The number of LTIRP issued, values and related information is shown in the following table:

Grant date	Vesting date	Number of rights issued	Number of rights held at 30 September 2013	Number of rights held at 30 September 2012	Number of participants at 30 September 2013	Number of participants at 30 September 2012	Value of rights at grant date <sup>(1)</sup>
							\$
19 Dec 11	19 Dec 14	664,845	559,643	649,165	279	310	14,586,699
19 Dec 12	19 Dec 15	717,397	643,316	-	291	-	15,754,038
1 April 13	19 Dec 15	24,293	24,293	-	5	-	533,960
		1,406,535	1,227,252	649,165	575	310	30,874,697

<sup>(1)</sup> The assumptions underlying the rights valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Fair value per right <sup>(2)</sup>
	\$	%	%	%	\$
19 Dec 11	24.68	25	4	2.99	21.94
19 Dec 12	24.70	25	4	2.77	21.96
1 April 13	24.45	25	4	2.88	21.98

<sup>(2)</sup> The option valuations prepared by PwC use methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflect the value (as at grant date) of options held at 30 September. The assumptions underlying the option valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option.

# Notes to the Financial Statements

For the year ended 30 September

## 36. Employee share plans (continued)

### (a) (ii) Sign-on Rights Allocations

For a select group of senior managers who join Orica post allocation of a LTIRP grant (and generally having forgone at-risk remuneration from their previous employer) rights may be allocated at the discretion of the Orica Board. Allocations are made on the following basis:

- Employees are granted a number of rights, which vest upon the satisfaction of a time based hurdle, generally aligned to their anniversary of joining Orica.
- The number of rights granted to each employee is based on either a specified percentage of their fixed remuneration, or a straight dollar value. The value is determined on an individual basis, but generally aligned to either their future LTIRP grant percentage or the foregone at-risk remuneration from their previous employer.
- Each right is an entitlement to be allocated one ordinary share in Orica.
- Rights are unlisted and do not carry any dividend or voting rights.
- Shares allocated upon vesting of rights may be either newly issued shares or existing shares acquired on market.
- Holders of rights that leave the consolidated entity prior to the end of the performance period will, in general, forfeit their rights. The Board has discretion to allow a number of rights to be tested and vest if the holder leaves due to death, disability or other Board approved reason.

Sign-on Rights allocations, values and related information is shown in the following table:

Grant date	Vesting date	Number of rights issued	Number of rights held at 30 September 2013	Number of rights held at 30 September 2012	Number of participants at 30 September 2013	Number of participants at 30 September 2012	Value of rights at grant date <sup>(1)</sup>
							\$
19 Dec 11	30 Nov 13	7,942	<b>7,942</b>	7,942	<b>1</b>	1	181,554
1 Sep 12	1 Sep 13	6,148	-	6,148	-	1	143,064
15 Oct 12	30 Jun 13	4,885	-	-	-	-	121,197
11 Mar 13	4 Mar 14	3,835	<b>3,835</b>	-	<b>1</b>	-	95,492
11 Mar 13	4 Mar 15	3,836	<b>3,836</b>	-	<b>1</b>	-	91,872
		26,646	<b>15,613</b>	14,090	<b>3</b>	2	633,179

<sup>(1)</sup> The assumptions underlying the rights valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Fair value per right <sup>(2)</sup>
	\$	%	%	%	\$
19 Dec 11	24.68	25	4	3.13	22.86
1 Sep 12	24.20	25	4	2.86	23.27
15 Oct 12	25.51	25	4	2.58	24.81
11 Mar 13	25.90	25	4	2.88	24.90
11 Mar 13	25.90	25	4	2.90	23.95

<sup>(2)</sup> The option valuations prepared by PwC use methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflect the value (as at grant date) of options held at 30 September. The assumptions underlying the option valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option.

# Notes to the Financial Statements

For the year ended 30 September

## 36. Employee share plans (continued)

### (b) (i) General Employee Exempt Share Plan - Australia

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

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

Grant date	Date shares become unrestricted	Number of participants at 30 September 2013	Number of participants at 30 September 2012	Shares held at 30 September 2013	Shares held at 30 September 2012
10 Jan 11	10 Jan 14	1,155	1,248	45,045	48,672
9 Jan 12	9 Jan 15	1,247	1,352	51,127	55,432
8 Jan 13	8 Jan 16	1,375	-	52,250	-
				<b>148,422</b>	<b>104,104</b>

### (b) (ii) General Employee Exempt Share Plan - New Zealand

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

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

Grant date	Date shares become unrestricted	Number of participants at 30 September 2013	Number of participants at 30 September 2012	Shares held at 30 September 2013	Shares held at 30 September 2012
1 Oct 09	30 Sept 12	33	63	858	1,638
1 Oct 10	30 Sept 13	63	75	1,449	1,725
1 Oct 11	30 Sept 14	63	80	1,701	2,160
1 Oct 12	30 Sept 15	80	-	1,920	-
				<b>5,928</b>	<b>5,523</b>

# Notes to the Financial Statements

For the year ended 30 September

## 37. Related party disclosures

### (a) Key Management Personnel compensation summary

As deemed under AASB 124 *Related Parties Disclosures*, Key Management Personnel (KMP) include each of the directors, both executive and non-executive, and those members of the Executive Committee who have authority and responsibility for planning, directing and controlling the activities of Orica. In this report, "Executive KMP" refers to the KMP other than the Non-Executive Directors. Non-Executive Directors have oversight of the strategic direction of the Group but no direct involvement in the day to day management of the business.

A summary of the Key Management Personnel compensation is set out in the following table:

	Consolidated	
	2013 \$000	2012 \$000
Short term employee benefits	13,290.8	10,689.2
Other long term benefits	189.5	273.8
Post employment benefits	226.2	213.3
Share-based payments	5,452.8	6,947.3
Termination benefits	2,416.8	3,806.6
	<b>21,576.1</b>	<b>21,930.2</b>

Information regarding individual directors and executives compensation and some equity instruments disclosure as permitted by Corporation Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

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

The relevant interests of Key Management Personnel in the share capital of the consolidated entity are:

As at 30 September 2013	Balance 1 October 2012	Acquired <sup>(1)</sup>	Net change other <sup>(2)</sup>	Fully paid ordinary shares held at 30 September 2013 <sup>(3)</sup>
<b>Non-Executive Directors</b>				
P J Duncan	15,936	-	-	15,936
M N Brenner *	-	-	-	-
A Calderon *	-	-	-	-
R R Caplan	11,291	6,989	-	18,280
I Cockerill	6,094	137	-	6,231
Lim C O	11,000	-	-	11,000
N L Scheinkestel	21,126	3,265	-	24,391
G T Tilbrook *	-	4,000	-	4,000
M Tilley	6,329	-	-	6,329
<b>Former</b>				
G A Hounsell **	12,359	273	-	12,632
	<b>84,135</b>	<b>14,664</b>	<b>-</b>	<b>98,799</b>

As at 30 September 2012	Balance 1 October 2011	Acquired <sup>(1)</sup>	Net change other <sup>(2)</sup>	Fully paid ordinary shares held at 30 September 2012 <sup>(3)</sup>
<b>Non-Executive Directors</b>				
P J Duncan	15,936	-	-	15,936
R R Caplan	8,825	2,466	-	11,291
I Cockerill	6,000	94	-	6,094
G A Hounsell	11,918	441	-	12,359
Lim C O	1,000	10,000	-	11,000
N L Scheinkestel	18,032	3,094	-	21,126
M Tilley	6,329	-	-	6,329
<b>Former</b>				
M E Beckett **	78,235	1,700	-	79,935
	<b>146,275</b>	<b>17,795</b>	<b>-</b>	<b>164,070</b>

\* M N Brenner was appointed as a director on 8 April 2013. A Calderon and G T Tilbrook were appointed as directors on 14 August 2013.

\*\* Closing balance is at cessation of directorship.

# Notes to the Financial Statements

For the year ended 30 September

## 37. Related party disclosures (continued)

As at 30 September 2013	Fully paid ordinary shares held at 1 October 2012	Acquired <sup>(1)</sup>	Net change other <sup>(2)</sup>	Fully paid ordinary shares held at 30 September 2013 <sup>(3)</sup>	Options for fully paid ordinary shares held at 30 September 2013 <sup>(4) (5)</sup>
<b>Executive KMP</b>					
I K Smith	-	-	-	-	598,382
N A Meehan	70,355	84,912	(57,990)	97,277	190,428
A M Andrew	-	5,889	(5,889)	-	42,541
T J Edmonstone	-	24,590	(24,590)	-	72,930
C B Elkington	-	49,773	(49,773)	-	124,921
R Hoggard	23	10,103	(9,062)	1,064	62,842
A J P Larke	-	64,979	(64,979)	-	144,419
<b>Former</b>					
J Beevers *	4,750	88,367	(93,117)	-	-
P McEwan *	-	46,941	(33,574)	13,367	-
G J Witcombe *	183,535	141,970	(325,505)	-	-
	258,663	517,524	(664,479)	111,708	1,236,463

As at 30 September 2012	Fully paid ordinary shares held at 1 October 2011	Acquired <sup>(1)</sup>	Net change other <sup>(2)</sup>	Fully paid ordinary shares held at 30 September 2012 <sup>(3)</sup>	Options for fully paid ordinary shares held at 30 September 2012 <sup>(4) (5)</sup>
<b>Executive KMP</b>					
I K Smith	-	-	-	-	305,302
N A Meehan	54,949	85,406	(70,000)	70,355	206,955
J Beevers	4,750	84,516	(84,516)	4,750	196,318
C B Elkington	-	47,418	(47,418)	-	126,551
A J P Larke	-	67,613	(67,613)	-	160,807
P McEwan	-	40,580	(40,580)	-	116,309
G J Witcombe	143,535	67,613	(27,613)	183,535	141,970
<b>Former</b>					
G R Liebelt *	639,548	409,872	(250,000)	799,420	872,009
	842,782	803,018	(587,740)	1,058,060	2,126,221

\* Closing balance is at cessation of employment with Orica and post exercising LTEIP/Retention Rights during financial year 2013.

<sup>(1)</sup> Includes purchase and exercise of options by Executive KMP and shares acquired, including through the Dividend Reinvestment Plan (DRP), by Non-Executive directors and Executive KMP.

<sup>(2)</sup> Net change other includes changes resulting from sales during the year by Non-Executive directors and by Executive KMP, of which a significant portion was used to repay LTEIP loans.

<sup>(3)</sup> Includes trust shares for Executive KMP under the LTEIP scheme.

<sup>(4)</sup> These interests include shares acquired under a loan agreement. A general description of these agreements (LTEIP) is provided in the Remuneration Report. Under AASB 2 Share-based Payments, LTEIP plans are deemed to be option plans for compensation purposes and the amounts receivable from employees in relation to these loans and share capital issued under these schemes are not recognised. The LTEIP vests after three years.

<sup>(5)</sup> Including rights held under Rights schemes.

### (c) Controlled entities

Interests in subsidiaries are set out in note 39.

### (d) Transactions with controlled entities

Transactions between Orica Limited and entities in the Group during the year included:

- Interest revenue received and paid by Orica Limited for money deposited and borrowed;
- Dividend income received by Orica Limited;

# Notes to the Financial Statements

For the year ended 30 September

## 37. Related party disclosures (continued)

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

	2013	2012
	\$000	\$000
Net interest received by Orica Limited	8,460	45,072
Dividend income received by Orica Limited	400,000	200,000

### (e) Transactions with other related parties

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

Transactions during the year with Non-Executive directors were:

In financial year 2012, Orica purchased wine for the amount of \$6,600 from Toolangi Vineyards Pty. Ltd. Toolangi Vineyards Pty. Ltd. is a related entity to G A Hounsell.

Transactions during the year with associates were:

	2013	2012
	\$000	\$000
Sales of goods to associates	319,369	228,568
Purchases of goods from associates	80,800	65,077
Dividend income received from associates	25,173	31,241

### Additional related party disclosures

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

Dividend income	note 3
Financial income and expenses	note 4
Trade and other receivables	note 8
Investments	note 11, 39
Trade and other payables	note 16
Interest bearing liabilities	note 17
Options and shares	note 21, 36

## 38. Superannuation commitments

### (a) Superannuation plans

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

#### Company sponsored plans

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

#### Government plans

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

# Notes to the Financial Statements

For the year ended 30 September

## 38. Superannuation commitments (continued)

Industry plans

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

### (b) Defined contribution pension plans

The consolidated entity contributes to several defined contribution pension plans on behalf of its employees. The amount recognised as an expense for the financial year ended 30 September 2013 was \$47.1 million (2012 \$45.4 million).

### (c) Defined benefit pension plans

The consolidated entity participates in several local and overseas defined benefit post-employment plans that provide benefits to employees upon retirement. Plan funding is carried out in accordance with the requirements of trust deeds and the advice of actuaries. The information within these financial statements has been prepared by the local plan external actuaries. Orica were assisted by Towers Watson Australia to globally consolidate those results. During the year, the consolidated entity made employer contributions of \$33.0 million (2012 \$32.5 million) to defined benefit plans. The Group's external actuaries have forecast total employer contributions and benefit payments to defined benefit plans of \$34.9 million for 2014.

#### (c) (i) Balance sheet amounts

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

	2013 \$m	2012 \$m
Present value of the funded defined benefit obligations	664.3	630.1
Present value of unfunded defined benefit obligations	92.5	84.2
Fair value of defined benefit plan assets	(542.8)	(474.1)
Deficit	214.0	240.2
Restriction on assets recognised	0.1	0.3
Net liability in the balance sheet	214.1	240.5
<b>Amounts in balance sheet:</b>		
Liabilities	214.1	240.9
Assets	-	(0.4)
<b>Net liability recognised in balance sheet at end of year</b>	<b>214.1</b>	<b>240.5</b>

#### (c) (ii) Categories of plan assets

The major categories of plan assets are as follows:

	2013 \$m	2012 \$m
Cash and net current assets	58.5	43.4
Equity instruments	228.8	215.2
Fixed interest securities	157.6	141.4
Property	46.6	41.4
Other assets	51.3	32.7
	<b>542.8</b>	<b>474.1</b>

# Notes to the Financial Statements

For the year ended 30 September

## 38. Superannuation commitments (continued)

### c) (iii) Reconciliations

	2013 \$m	2012 \$m
Reconciliation of present value of the defined benefit obligations:		
Balance at the beginning of the year	714.3	642.2
Current service cost	16.9	14.3
Interest cost	28.1	27.9
Actuarial (gains)/losses	(8.5)	72.7
Contributions by plan participants	2.9	3.3
Benefits paid	(32.4)	(35.5)
Settlements/curtailments	(0.9)	(0.1)
Exchange differences on foreign funds	36.4	(10.5)
Balance at the end of the year	<u>756.8</u>	<u>714.3</u>
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	474.1	437.3
Expected return on plan assets	30.7	29.4
Actuarial gains	16.2	13.9
Contributions by plan participants	2.9	3.3
Contributions by employer	33.0	32.5
Benefits paid	(32.4)	(35.5)
Settlements/curtailments	(0.9)	(0.8)
Exchange differences on foreign funds	19.2	(6.0)
Balance at the end of the year	<u>542.8</u>	<u>474.1</u>

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

### (c) (iv) Amounts recognised in the income statement

The amounts recognised in the income statement are as follows:

	2013 \$m	2012 \$m
Current service cost	16.9	14.3
Interest cost	28.1	27.9
Expected return on plan assets	(30.7)	(29.4)
Curtailement or settlement losses	-	0.7
Total included in employee benefits expense	<u>14.3</u>	<u>13.5</u>

### (c) (v) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate	2.43% - 10.83%	2.25% - 9.20%
Expected return on plan assets	4.00% - 9.62%	4.00% - 9.62%
Future salary increases	2.25% - 8.00%	2.25% - 7.00%
Future inflation	1.75% - 5.20%	1.75% - 4.50%
Future pension increases	0.10% - 5.20%	0.10% - 4.50%
Healthcare cost trend rates (ultimate)	4.40% - 4.50%	4.40% - 4.50%

# Notes to the Financial Statements

For the year ended 30 September

## 38. Superannuation commitments (continued)

A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase \$m	One percentage point decrease \$m
Effect on the aggregate of the service cost and interest cost	0.4	(0.3)
Effect on the defined benefit obligation	3.5	(2.8)

### (c) (vi) Historic summary

Amounts for the current and previous periods are as follows:

	2013 \$m	2012 \$m	2011 \$m	2010 \$m	2009 \$m
Defined benefit plan obligation	756.8	714.3	642.2	631.8	715.7
Plan assets	(542.8)	(474.1)	(437.3)	(439.0)	(545.8)
Restriction on assets recognised	0.1	0.3	1.1	4.9	2.9
Deficit	214.1	240.5	206.0	197.7	172.8
Experience adjustments arising on plan liabilities - loss/(gain)	14.9	5.5	(4.7)	8.8	(7.5)
Experience adjustments arising on plan assets - gain/(loss)	16.2	14.2	(20.8)	(8.4)	(61.4)
Actual return on plan assets	46.9	43.6	9.0	26.8	(19.2)

### (c) (vii) Amounts included in the statement of comprehensive income

	2013 \$m	2012 \$m
Net actuarial gains/(losses)	24.7	(58.8)
Change in the effect of asset ceiling	0.2	0.8
Total gains/(losses) recognised via the Statement of Comprehensive Income	24.9	(58.0)
Tax (expense)/benefit on total gains/(losses) recognised via the Statement of Comprehensive Income	(7.7)	16.5
Total gains/(losses) after tax recognised via the Statement of Comprehensive Income	17.2	(41.5)

The consolidated entity has elected under AASB 119 *Employee Benefits*, to recognise all actuarial gains/losses in the Statement of Comprehensive Income. The cumulative amount of net actuarial losses/gains (before tax) included in the Statement of Comprehensive Income as at 30 September 2013 is \$174.3 million - loss (2012 \$199.2 million - loss).

### (c) (viii) Expected rate of return on assets assumption

The overall expected rate of return on assets assumption is determined by weighting the expected long-term rate of return for each asset class by the target allocation of plan assets to each class. The rates of return used for each class are net of investment tax and investment fees and are used in calculating the employee benefits expense. Starting 1 October 2013, the expected rate of return on assets will no longer be used to determine employee benefits expense, as it is replaced by interest income on assets, calculated using the discount rate, in accordance with the revisions to AASB 119 (refer to (c) (ix)).

# Notes to the Financial Statements

For the year ended 30 September

## 38. Superannuation commitments (continued)

### (c) (ix) Surplus/(deficit) for major defined benefit plans

30 September 2013	Accrued Benefits	Fund Assets	Accrued (deficit)/surplus	Current contribution recommendation	Discount rate	Expected return on plan assets*	Future salary increases
Plan	\$m	\$m	\$m		%	%	%
The Flexible Benefits Super Fund <sup>(2a)</sup>	358.4	289.9	(68.5)	14.2% of salaries	3.60	-	3.25
Pension Plan for Employees of Orica Canada Inc <sup>(2b)</sup>	128.8	114.2	(14.6)	Set in accordance with local annual funding requirements	4.80	-	3.25
Post Retirement Benefits (Canada) <sup>(2c)</sup>	19.3	-	(19.3)	Based on benefit payments	4.80	-	n/a
Orica Pension Scheme (UK) <sup>(2b)</sup>	45.1	39.4	(5.7)	31.2% of pensionable earnings	4.90	-	3.40
Dyno Nobel Sweden AB <sup>(2d)</sup>	34.8	-	(34.8)	Based on benefit payments	3.80	-	3.50
Nitro Consult AB (Sweden) <sup>(2d)</sup>	12.7	-	(12.7)	Based on benefit payments	3.80	-	3.50
Dyno DNE (Norway) <sup>(2e)</sup>	20.0	19.0	(1.0)	Insurance premiums	4.25	-	3.50
Dyno Defence (Norway) <sup>(2e)</sup>	3.4	3.6	0.2	Insurance premiums	4.25	-	3.50
Dynea HK (Norway) <sup>(2e)</sup>	6.7	3.3	(3.4)	Insurance premiums	4.25	-	3.50
Orica New Zealand Ltd Retirement Plan <sup>(2b)</sup>	29.4	20.5	(8.9)	15.8% of salaries	3.00	-	3.50
Orica USA Inc. Retirement Income Plan <sup>(2b)</sup>	29.7	21.6	(8.1)	Set in accordance with local annual funding requirements	4.50	-	n/a
Minova USA Retirement Plans <sup>(2b)</sup>	22.3	16.3	(6.0)	Set in accordance with local annual funding requirements	4.50	-	n/a
Orica's Benefit Plan (Brazil) <sup>(2b)</sup>	5.9	4.8	(1.1)	Set in accordance with local annual funding requirements	10.83	-	7.30
Other <sup>(1)</sup>	40.3	10.2	(30.1)	Various	Various	-	Various
	756.8	542.8	(214.0)	* Refer to note 38(c) (viii)			
<b>Restriction on assets recognised</b>			(0.1)				
			(214.1)				

30 September 2012	Accrued Benefits	Fund Assets	Accrued (deficit)/surplus	Current contribution recommendation	Discount rate	Expected return on plan assets	Future salary increases
Plan	\$m	\$m	\$m		%	%	%
The Flexible Benefits Super Fund <sup>(2a)</sup>	347.5	257.4	(90.1)	13.0% of salaries	2.90	7.00	3.75
Pension Plan for Employees of Orica Canada Inc <sup>(2b)</sup>	115.3	93.0	(22.3)	Set in accordance with local annual funding requirements	4.75	5.80	3.25
Post Retirement Benefits (Canada) <sup>(2c)</sup>	18.8	-	(18.8)	Based on benefit payments	4.75	n/a	n/a
Orica Pension Scheme (UK) <sup>(2b)</sup>	37.7	31.0	(6.7)	25.0% of pensionable earnings	4.10	5.50	2.70
Dyno Nobel Sweden AB <sup>(2d)</sup>	32.7	-	(32.7)	Based on benefit payments	3.50	n/a	3.50
Nitro Consult AB (Sweden) <sup>(2d)</sup>	11.3	-	(11.3)	Based on benefit payments	3.50	n/a	3.50
Dyno DNE (Norway) <sup>(2e)</sup>	19.5	17.9	(1.6)	Insurance premiums	2.25	4.10	3.50
Dyno Defence (Norway) <sup>(2e)</sup>	3.4	3.4	-	Insurance premiums	2.25	4.10	3.50
Dynea HK (Norway) <sup>(2e)</sup>	7.0	3.6	(3.4)	Insurance premiums	2.25	4.10	3.50
Orica New Zealand Ltd Retirement Plan <sup>(2b)</sup>	29.4	18.4	(11.0)	15.8% of salaries	2.60	5.40	3.50
Orica USA Inc. Retirement Income Plan <sup>(2b)</sup>	29.0	18.8	(10.2)	Set in accordance with local annual funding requirements	3.75	7.25	n/a
Minova USA Retirement Plans <sup>(2b)</sup>	21.6	14.2	(7.4)	Set in accordance with local annual funding requirements	3.75	7.25	n/a
Orica's Benefit Plan (Brazil) <sup>(2b)</sup>	6.4	5.5	(0.9)	Set in accordance with local annual funding requirements	9.20	9.62	6.59
Other <sup>(1)</sup>	34.7	10.9	(23.8)	Various	Various	Various	Various
	714.3	474.1	(240.2)				
<b>Restriction on assets recognised</b>			(0.3)				
			(240.5)				

# Notes to the Financial Statements

For the year ended 30 September

## 38. Superannuation commitments (continued)

<sup>(1)</sup> Other international plans comprise the following:

Dyno Nobel HK (Norway)  
Dyno Nobel Retirement Plans (Mexico)  
Eurodyn (Europe)  
Excess Plan (Canada)  
High Income Earners Arrangement (Canada)  
Indian Explosives Limited Employees Management Staff Superannuation  
Indian Explosives Limited Employees Superannuation Fund  
Indian Explosives Limited Gratuity Fund  
Indian Explosives Limited Management Staff Leave Encashment Scheme  
Indian Explosives Limited Management Staff Pension (DB) Fund  
Indian Explosives Limited Non-Management Staff Leave Encashment Scheme  
International Pension Plan (Canada & Australia)  
Jubilee (Europe)  
Minova Carbotech Pension Plans (Germany)  
Minova Holding Pension Plans (Germany)  
Old Age Part-time Program (Incentives for Early Retirement) (Europe)  
Orica Belgium  
Orica Europe GmbH & Co. KG  
Orica Germany  
Orica USA Inc. Retiree Medical Plan  
Philippine Explosives Corporation Factory Workers Retirement Plan  
Philippine Explosives Corporation Monthly-Paid Employees Retirement Plan  
Self-insured Long-Term Disability (LTD) plan (Canada)

<sup>(2)</sup> The major defined benefit plans of the consolidated entity are categorised as follows:

- (a) Funded lump sum retirement benefits based on final average pensionable earnings;
- (b) Funded pension retirement benefits based on final average pensionable earnings;
- (c) Post retirement life, dental and medical coverage;
- (d) Unfunded pension retirement benefits based on final average pensionable earnings; and
- (e) Arrangements for each Norway entity are a combination of funded and unfunded pension benefits based on final average pensionable earnings.

# Notes to the Financial Statements

For the year ended 30 September

## 39. Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2012 and 2013:

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
<b>Company</b>			
Orica Limited			
<b>Controlled Entities</b>			
ACF and Shirleys Pty Ltd (d)		JV Minova Kazakhstan Limited Liability Partnership (formerly TOO "Minova Kasachstan")	Kazakhstan
Active Chemicals Chile S.A.	Chile	LLC Orica Logistics	Russia
Alaska Pacific Powder Company	USA	Marplex Australia (Holdings) Pty Ltd	
Altona Properties Pty Ltd (d)		Marplex Australia Pty Ltd	
Aminova International Limited	Hong Kong	Mining Quarry Services SPRL	Belgium
Ammonium Nitrate Development and Production Limited	Thailand	Minova AG	Switzerland
Anbao Insurance Pte Ltd	Singapore	Minova Arnall Sp. z o.o.	Poland
Andean Mining & Chemicals Limited	Jersey	Minova Asia Pacific Ltd	Taiwan
Arboleda S.A	Panama	Minova Australia Pty Ltd	
ASA Organizacion Industrial S.A. de C.V.	Mexico	Minova Bohemia s.r.o.	Czech Republic
Australian Fertilizers Pty Ltd (d)		Minova BWZ GmbH	Germany
Bamble Mekaniske Industri AS (f)	Norway	Minova CarboTech GmbH	Germany
Barbara Limited	UK	Minova Carbotech Tunnelling Engineering (Shanghai) Company Limited	China
Beijing Ruichy Minova Synthetic Material Company Limited	China	Minova Codiv S.L.	Spain
Brasex Participacoes Ltda (e)	Brazil	Minova Ekochem S.A.	Poland
Bronson and Jacobs (H.K.) Limited	Hong Kong	Minova Holding GmbH	Germany
Bronson and Jacobs (Shanghai) International Trading Co. Ltd	China	Minova Holding Inc	USA
Bronson & Jacobs (GZFTZ) Ltd (c)	China	Minova International Limited	UK
Bronson & Jacobs International Co. Ltd	Thailand	Minova Ksante Sp. z o.o.	Poland
Bronson & Jacobs (Malaysia) Sdn Bhd	Malaysia	Minova MAI GmbH	Austria
Bronson & Jacobs Pty Ltd		Minova Mexico S.A. de C.V.	Mexico
Bronson & Jacobs (S.E. Asia) Pte Limited	Singapore	Minova MineTek Private Limited	India
Bronson & Jacobs (Shanghai) Chemical Trading Co., Ltd (c)	China	Minova Mining Services SA	Chile
BST Manufacturing, Inc.	USA	Minova Nordic AB	Sweden
Chemnet Pty Limited (d)		Minova Romania S.R.L.	Romania
CJSC (ZAO) Carbo-Zakk	Russia	Minova Ukraina OOO	Ukraine
Controladora DNS de RL de CV	Mexico	Minova (Tianjin) Co., Ltd.	China
Curasalus Insurance Pty Ltd (d)		Minova USA Inc	USA
Cyantific Instruments Pty Ltd (d)		Minova Weldgrip Limited	UK
Dans el Business Corporation	Panama	Mintun 1 Limited	UK
Dyno Nobel Nitrogen AB (c)	Sweden	Mintun 2 Limited	UK
Dyno Nobel VH Company LLC	USA	Mintun 3 Limited	UK
D.C. Guelich Explosive Company	USA	Mintun 4 Limited	UK
Eastern Nitrogen Pty Ltd (d)		MMTT Limited	UK
Emirates Explosives LLC	United Arab Emirates	Nitedals Krudtvaerk AS	Norway
Emrick & Hill., Inc	USA	Nitro Asia Company Inc.	Philippines
Engineering Polymers Pty Ltd (d)		Nitro Consult AB	Sweden
Eurodyn Sprengmittel GmbH	Germany	Nitro Consult AS	Norway
Explosivos de Mexico S.A. de C.V.	Mexico	Nitroamonia de Mexico S.A de C.V.	Mexico
Explosivos Mexicanos S.A. de C.V.	Mexico	Nobel Industrier AS	Norway
Fortune Properties (Alrode) (Pty) Limited	South Africa	Nordenfjeldske Sprengstof AS	Norway
FS Resin (Pty) Limited	South Africa	Northwest Energetic Services LLC	USA
Forbusi Importadora e Exportadora Ltda	Brazil	Nutnim 1 Limited	UK
GeoNitro Limited	Georgia	Nutnim 2 Limited	UK
Hallowell Manufacturing LLC	USA	OOO Minova	Russia
Hebben & Fischbach Chemietechnik GmbH	Germany	OOO Minova TPS	Russia
Hunan Orica Nanling Civil Explosives Co., Ltd	China	Orica-CCM Energy Systems Sdn Bhd	Malaysia
Indian Explosives Limited	India	Orica-GM Holdings Limited	UK
Industry Project Consultants Pty Ltd (d)		Orica Argentina S.A.I.C.	Argentina
Initiating Explosives Systems Pty Ltd (a)		Orica Australia Pty Ltd (a)	
International Project Advisors Pty Ltd (d)		Orica Australia Securities Pty Ltd (d)	
Jiangsu Orica Banqiao Mining Machinery Company Limited	China	Orica Belgium S.A.	Belgium
Joplin Manufacturing Inc.	USA	Orica Blast & Quarry Surveys Limited	UK
		Orica Bolivia S.A.	Bolivia
		Orica Brasil Ltda	Brazil
		Orica Brasil Produtos Quimicos Ltda	Brazil

# Notes to the Financial Statements

For the year ended 30 September

## 39. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia	Name of Entity	Place of incorporation if other than Australia
Orica Caledonie SAS	New Caledonia	Orica Mining Services Portugal S.A.	Portugal
Orica Canada Inc	Canada	Orica Mining Services (Thailand) Limited	Thailand
Orica Canada Investments ULC	Canada	Orica Mongolia LLC	Mongolia
Orica Caribe, S.A.	Panama	Orica Mountain West Inc.	USA
Orica Centroamerica S.A.	Costa Rica	Orica Mozambique Limitada	Mozambique
Orica Chemicals Argentina S.A.	Argentina	Orica Nelson Quarry Services Inc.	USA
Orica Chemicals Chile S.A.	Chile	Orica Netherlands Finance B.V.	Holland
Orica Chemicals Colombia S.A.S.	Colombia	Orica New Zealand Finance Limited	NZ
Orica Chemicals Peru S.A.	Peru	Orica New Zealand Ltd	NZ
Orica Chemicals Trading Agency (Beijing) Co., Ltd.	China	Orica New Zealand Securities Limited	NZ
Orica Chile Distribution S.A.	Chile	Orica New Zealand Superfunds Securities Ltd	NZ
Orica Chile S.A.	Chile	Orica Nitrates Philippines Inc	Philippines
Orica CIS CJSC	Russia	Orica Nitratos Peru S.A.	Peru
Orica Clarendon NZ Limited	New Zealand	Orica Nitro Patlayici Maddeler Sanayi ve Ticaret Anonim Sirketi	Turkey
Orica Clarendon Pty Ltd (d)		Orica Nitrogen LLC	USA
Orica Colombia S.A.S.	Colombia	Orica Nominees Pty Ltd (d)	
Orica Czech Republic s.r.o.	Czech Republic	Orica Norway AS	Norway
Orica Denmark A/S	Denmark	Orica Norway Holdings AS	Norway
Orica Dominicana S.A.	Dominican Republic	Orica Panama S.A.	Panama
		Orica Philippines Inc	Philippines
Orica Eesti OU	Estonia	Orica Poland Sp. z.o.o.	Poland
Orica Europe FT Pty Ltd (d)		Orica Portugal, S.G.P.S., S.A.	Portugal
Orica Europe Investments Pty Ltd (d)		Orica Qatar LLC (b)	Qatar
Orica Europe Management GmbH	Germany	Orica Securities (UK) Limited	UK
Orica Europe Pty Ltd & Co KG	Germany	Orica Servicos de Mineracao Ltda	Brazil
Orica Explosives Holdings Pty Ltd		Orica Share Plan Pty Limited (d)	
Orica Explosives Holdings No 2 Pty Ltd		Orica Senegal SARL	Senegal
Orica Explosives Holdings No 3 Pty Ltd (d)		Orica Singapore Pte Ltd	Singapore
Orica Explosives Research Pty Ltd (d)		Orica Slovakia s.r.o.	Slovakia
Orica Explosives Technology Pty Ltd		Orica Solomon Islands Pty Limited	Solomon Islands
Orica Explosives (Thailand) Co Ltd	Thailand	Orica South Africa (Proprietary) Limited	South Africa
Orica Explosivos Industriales, S.A.	Spain	Orica St. Petersburg LLC	Russia
Orica Export Inc.	USA	Orica Sweden AB	Sweden
Orica Fiji Ltd	Fiji	Orica Sweden Holdings AB	Sweden
Orica Finance Limited		Orica Tanzania Limited	Tanzania
Orica Finance Trust		Orica UK Limited	UK
Orica Finland OY	Finland	Orica US Holdings General Partnership	USA
Orica GEESP Pty Ltd (d)		Orica USA Inc.	USA
Orica Germany GmbH	Germany	Orica U.S. Services Inc.	USA
Orica Ghana Limited	Ghana	Orica Venezuela C.A.	Venezuela
Orica Grace US Holdings Inc.	USA	Orica Watercare Inc.	USA
Orica Holdings Pty Ltd (d)		Orica (Weihai) Explosives Co Ltd	China
Orica Ibéria, S.A.	Portugal	Orica Zambia Limited	Zambia
Orica IC Assets Holdings Limited Partnership		Oricare Canada Inc.	Canada
Orica IC Assets Pty Ltd		Oricorp Comercial S.A. de C.V.	Mexico
Orica IC Investments Pty Ltd (d)		Oricorp Mexico S.A. de C.V.	Mexico
Orica International IP Holdings Inc.	USA	Penlon Proprietary Limited (d)	
Orica Intemational Pte Ltd	Singapore	Project Grace Holdings	UK
Orica Investments (Indonesia) Pty Limited (d)		Project Grace Incorporated	USA
Orica Investments (NZ) Limited	NZ	Project Grace	UK
Orica Investments (Thailand) Pty Limited (d)		PT Baktijala Kencana Citra	Indonesia
Orica Investments Pty Ltd (a)		PT Kalimantan Mining Services	Indonesia
Orica Japan Co. Ltd	Japan	PT Kaltim Nitrate Indonesia	Indonesia
Orica Kazakhstan Joint Stock Company	Kazakhstan	PT Orica Mining Services	Indonesia
Orica Logistics Canada Inc.	Canada	Retec Pty Ltd (d)	
Orica Mauritania SARL	Mauritania	Rui Jade International Limited	Hong Kong
Orica Med Bulgaria AD	Bulgaria	Sarkem Pty Ltd (d)	
Orica Mining Services (Namibia) (Proprietary) Limited	Namibia	Southern Blasting Services, Inc.	USA
Orica Mining Services (Hong Kong) Ltd	Hong Kong	Sprengmittelvertrieb in Bayem GmbH	Germany
Orica Mining Services Peru S.A.	Peru	Sprengstoff-Verwertungs GmbH	Germany
Orica Mining Services Pilbara Pty Ltd		Stratabolt Products (Pty) Limited	South Africa
		Stratabolt (Pty) Limited	South Africa

# Notes to the Financial Statements

For the year ended 30 September

## 39. Investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia
Taian Ruichy Minova Ground Control Technology Co., Ltd	China
Tec Harseim Do Brazil Ltda	Brazil
Transmate S.A.	Belgium
White Lightning Holding Co Inc	Philippines

(a) These controlled entities have each entered into a Deed of Cross Guarantee with Orica in respect of relief granted from specific accounting and financial reporting requirements in accordance with the ASIC Class Order 98/1418.

(b) Incorporated in 2013.

(c) In liquidation.

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

(e) Merged in 2013.

(f) Divested in 2013.

# Notes to the Financial Statements

For the year ended 30 September

Closed Group  
2013      2012  
\$m      \$m

## 40. Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 dated 13 August 1998 (as amended), are disclosed in note 39. A consolidated income statement and consolidated balance sheet for this closed group is shown below.

### Summarised balance sheet

#### Current assets

Cash and cash equivalents	1,701.9	1,592.2
Trade and other receivables	327.1	281.8
Inventories	222.1	169.8
Other assets	12.1	12.0
<b>Total current assets</b>	<b>2,263.2</b>	<b>2,055.8</b>

#### Non-current assets

Trade and other receivables	23.2	21.9
Investments accounted for using the equity method	241.5	42.3
Other financial assets	3,243.0	3,228.4
Property, plant and equipment	1,163.3	1,089.5
Intangible assets	236.0	81.7
Deferred tax assets	176.0	151.1
Other assets	19.6	14.2
<b>Total non-current assets</b>	<b>5,102.6</b>	<b>4,629.1</b>

<b>Total assets</b>	<b>7,365.8</b>	<b>6,684.9</b>
---------------------	----------------	----------------

#### Current liabilities

Trade and other payables	511.5	439.2
Interest bearing liabilities	321.9	654.1
Current tax liabilities	57.7	44.7
Provisions	108.2	33.7
<b>Total current liabilities</b>	<b>999.3</b>	<b>1,171.7</b>

#### Non-current liabilities

Trade and other payables	5.2	5.1
Interest bearing liabilities	3,320.1	2,494.9
Deferred tax liabilities	142.6	112.8
Provisions	223.0	255.7
<b>Total non-current liabilities</b>	<b>3,690.9</b>	<b>2,868.5</b>

<b>Total liabilities</b>	<b>4,690.2</b>	<b>4,040.2</b>
--------------------------	----------------	----------------

<b>Net assets</b>	<b>2,675.6</b>	<b>2,644.7</b>
-------------------	----------------	----------------

#### Equity

Ordinary shares	1,877.9	1,795.1
Reserves	372.3	359.8
Retained profits	425.4	489.8
<b>Total equity attributable to ordinary shareholders of Orica</b>	<b>2,675.6</b>	<b>2,644.7</b>

### Summarised income statement and retained profits

Profit before income tax expense	368.1	252.6
Income tax expense	(103.4)	(107.7)

<b>Profit from operations</b>	<b>264.7</b>	<b>144.9</b>
-------------------------------	--------------	--------------

Retained profits at the beginning of the year	489.8	717.6
---	-------	-------

Actuarial losses recognised directly in equity	9.9	(23.9)
--	-----	--------

#### Dividends/distributions:

Step-Up Preference Securities distributions	-	(11.1)
---	---	--------

Less tax credit on Step-Up Preference Securities distributions	-	2.2
--	---	-----

Transfer of cost related to issue of Step-Up Preference Securities	-	(10.0)
--	---	--------

Ordinary dividends – interim	(142.5)	(137.9)
------------------------------	---------	---------

Ordinary dividends – final	(196.5)	(192.0)
----------------------------	---------	---------

<b>Retained profits at the end of the year</b>	<b>425.4</b>	<b>489.8</b>
--	--------------	--------------



## **Independent auditor's report to the members of Orica Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Orica Limited (the Company), which comprises the consolidated balance sheet as at 30 September 2013, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 40 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 September 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

### **Report on the remuneration report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Orica Limited for the year ended 30 September 2013, complies with Section 300A of the *Corporations Act 2001*.



KPMG



Gordon Sangster  
*Partner*

Melbourne

11 November 2013