

**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 2015
Previous Corresponding Period	Year Ended	30 September 2014

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

<b>Consolidated:</b>				<b>\$m</b>
2.1 Consolidated revenue from operations	down	(9.9)%	to	6,123.2
2.2 Loss after tax attributable to shareholders	down	>100%	to	(1,267.4)
2.3 Net profit for the period attributable to shareholders before individually material items	down	(29.6)%	to	424.2
<b>From continuing operations:</b>				
2.1 Revenue from continuing operations	down	(1.2)%	to	5,653.3
2.2 Loss after tax from continuing operations attributable to shareholders	down	>100%	to	(1,274.4)
2.3 Net profit for the period from continuing operations attributable to shareholders before individually material items	down	(26.0)%	to	417.2

<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	56.0	20.0
2.4 Interim dividend - Ordinary Cents	40.0	14.0
<i>Previous corresponding period</i>		
2.4 Final dividend - Ordinary Cents	56.0	20.0
2.4 Interim dividend - Ordinary Cents	40.0	16.0

2.5 Record date for determining entitlements to the dividend:

Ordinary Shares

27-Nov-15

Payment date of dividend:

Ordinary Shares

18-Dec-15

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 35%.
- ii) Conduit foreign income (CFI) component:

*Current period*

Interim dividend:

Ordinary 26 cents

Final dividend:

Ordinary 36 cents

*Previous corresponding period*

Interim dividend:

Ordinary 24 cents

Final dividend:

Ordinary 36 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 Results for the Full Year Ended 30 September 2015.

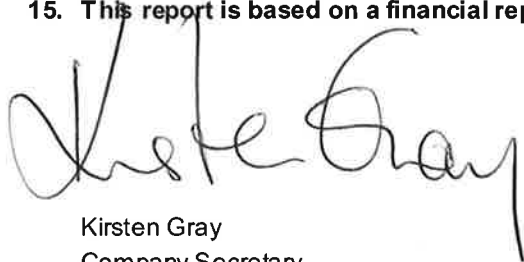
3. **Income Statement - refer attached**
4. **Balance Sheet - refer attached**
5. **Statement of Cash Flows - refer attached**
6. **Reserves and retained earnings - refer attached, Statement of Changes in Equity**
7. **Details of individual dividends and payment dates - refer attached, Note 4 Contributed Equity and Reserves**
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 trading days from 2 December to 10 December inclusive. The last date for receipt of election notices for participation in the final dividend under the DRP is Monday 30 November 2015. Shares issued and/or purchased on market 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	365.1	502.9

10. **Control lost over entities having a material effect - refer attached, Note 16 Discontinued operations and businesses disposed**
11. **Details of associates and joint venture entities - refer attached, Note 14 Investments accounted for using the equity method and joint operations**
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 has been audited**



Kirsten Gray  
Company Secretary  
Date 18 November 2015

# REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

- **Statutory net profit after tax (NPAT) for the full year ended 30 September 2015 was a loss of \$1,267.4 million. The previous corresponding period (pcp) was a profit of \$602.5 million.**
- **Individually material items after tax <sup>(1)</sup> was a loss of \$1,691.6 million relating to impairment of assets within the Group.**
- **On a continuing operations basis, NPAT before individually material items <sup>(2)</sup> was \$417.2 million (pcp: \$563.6 million). Including NPAT from discontinued operations of \$7.0 million, NPAT before individually material items was \$424.2 million.**

## Summary

- Total ammonium nitrate (AN) and emulsion product volumes at 3.76 million tonnes in-line with outlook provided on 7 August
- EBITDA <sup>(3)</sup> from continuing operations down 14% to \$978 million (pcp: \$1,132 million)
- EBIT <sup>(4)</sup> from continuing operations down 21% to \$685 million (pcp: \$863 million)
- Assets impaired during the year comprised, Ground Support business (\$848 million), ammonium nitrate assets (\$649 million) and other assets (\$195 million)
- Earnings per share from continuing operations before individually material items is 112.7 cents (pcp: 153.1 cents)
- Transformation program delivers benefits of \$175 million with one-off costs of \$81 million
- After excluding \$652 million from the sale of the Chemicals business, net operating and investing cash flows were \$352 million, down from \$461 million in the pcp
- Net debt <sup>(5)</sup> of \$2,026 million, down 9% on the pcp
- Gearing <sup>(6)</sup> at 40.4%, versus 33.7% in the pcp
- Interest cover from continuing operations (including capitalised interest) is 8.3 times <sup>(7)</sup> (pcp: 7.5 times)
- Final ordinary dividend of 56 cents per share, unchanged from pcp (payout ratio <sup>(8)</sup> 84% versus 59% in the pcp).

## Group Results

Year ended 30 September	2015 A\$M	2014 A\$M	Change %
Sales revenue	5,653.3	5,721.5	(1%)
Other Income	50.1	56.1	(11)%
<b>Total revenue (continuing operations)</b>	<b>5,703.4</b>	<b>5,777.6</b>	<b>(1%)</b>
<b>EBIT</b>			
Mining services	865.0	942.1	(8%)
Ground support	(19.4)	10.8	> (100%)
Corporate costs	(160.8)	(90.4)	(78%)
<b>Total EBIT (continuing operations)</b>	<b>684.8</b>	<b>862.5</b>	<b>(21%)</b>
Net interest expense	(82.2)	(114.8)	28%
Tax expense	(176.2)	(161.5)	(9%)
Non-controlling interests	(9.2)	(22.6)	59%
<b>NPAT before individually material items (continuing operations)</b>	<b>417.2</b>	<b>563.6</b>	<b>(26%)</b>
Individually material items after tax (continuing operations)	(1,691.6)	-	
<b>NPAT and individually material items (continuing operations)</b>	<b>(1,274.4)</b>	<b>563.6</b>	<b>&gt; (100%)</b>
NPAT (discontinued operations)	7.0	38.9	(82%)
<b>NPAT and individually material items (statutory)</b>	<b>(1,267.4)</b>	<b>602.5</b>	<b>&gt; (100%)</b>

## Commentary on Group Results (Continuing Operations)

### Revenue

- Sales revenue of \$5,653 million was down \$68 million on pcp, primarily driven by lower AN volumes in Australia, lower ground support volumes across most markets, lower average pricing for explosives, mining chemicals and ground support products. Offsetting this were increased AN volumes in North America and Asia, higher initiating systems and cyanide volumes, growth in revenue from advanced products and services and favourable foreign exchange movements.

### Corporate costs

- Corporate costs of \$161 million were higher than the pcp (\$90 million). The increase reflected transformation program costs and redundancies of \$31 million, increase in the Yarraville environmental provision of \$15 million, lower profit on the sale of assets of \$10 million, higher net hedging and insurance costs of \$10 million and higher depreciation and amortisation costs of \$5 million.

## Earnings before Interest and Tax (EBIT) before individually material items

- The following table describes the impact of the principal factors that affected EBIT for the 2015 financial year compared with the 2014 financial year.

	A\$M	A\$M
<b>EBIT for the year ended 30 September 2014</b>		<b>862.5</b>
Foreign exchange <sup>(1)</sup>		52.0
One-off items in 2014:		
Net gains on asset sales		(33.2)
<b>Adjusted EBIT for the year ended 30 September 2014</b>		<b>881.3</b>
Explosives – net volume, regional/product & customer mix		(135.2)
Explosives – net price impact		(56.9)
Mining Chemicals – net volume and price impact		(1.3)
Ground Support – net volume and price impact		(55.0)
Gross transformation benefits:		
Supply efficiency program	60.4	
Operations and Support cost program	114.7	175.1
Depreciation and amortisation		(14.0)
Net inflation & Other		5.5
<b>Adjusted EBIT for the year ended 30 September 2015</b>		<b>799.5</b>
Gross transformation costs		(81.3)
One-off items in 2015:		
Redundancies	(17.1)	
Environmental provision	(15.0)	
Net loss on asset sales	(1.1)	(33.4)
<b>EBIT for the year ended 30 September 2015</b>		<b>684.8</b>

(i) Retranslation of 2014 earnings at 2015 exchange rates.

## Net interest expense

- Net interest expense of \$82 million was lower than the pcp (\$115 million) due to cash proceeds from the sale of the Chemicals business, lower financing costs and higher capitalised interest, mainly associated with the Burrup ammonium nitrate plant.

Year ended 30 September	2015 A\$M	2014 A\$M	Change %
Statutory net interest expense	82.2	114.8	(28%)
Adjusted for:			
Capitalised interest	36.7	27.6	33%
<b>Adjusted net interest expense</b>	<b>118.9</b>	<b>142.4</b>	<b>(17%)</b>

# REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

## Tax expense

An effective tax rate from continuing operations of 29.2% (pcp: 21.6%) was higher due to a reduction in the foreign tax deductions, a prior year tax undercharge relating to foreign tax payable and a reduction in non taxable profit from asset sales due to the utilisation of capital losses. This was offset by a change in tax on the geographical profit mix.

## Individually Material Items

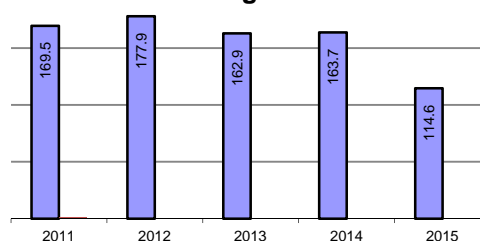
Loss after income tax includes the following individually material items of expense:

	Gross A\$M	Tax A\$M	Net A\$M
Impairment of:			
Ground Support business <sup>(i)</sup>	(848.4)	-	(848.4)
Ammonium Nitrate assets <sup>(ii)</sup>	(730.0)	41.5	(688.5)
Other assets <sup>(iii)</sup>	(306.0)	12.7	(293.3)
Total	(1,884.4)	54.2	(1,830.2)
Non-controlling interests in impairment of assets			138.6
<b>Individually material items attributable to shareholders of Orica</b>			<b>(1,691.6)</b>

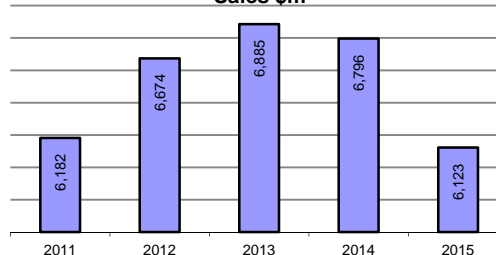
In August 2015, Orica announced that it had conducted a full review of its business and its operating model in the context of the ongoing challenging conditions facing the mining sector and the oversupplied ammonium nitrate market. Orica recognised the following impairments:

- (i) Following management's review of the business structure, the Ground Support business was re-established during August 2015 as a separate business and reportable segment to give it greater focus, to better assess its performance and provide greater optionality for its future. The 2015 operating results for this segment were down on prior periods due to weak volumes, particularly into global coal markets, and lower pricing in the USA. Goodwill in relation to Ground Support has been allocated to a separate segment. It therefore no longer benefits from the available headroom within its previously allocated regional Mining Services segment. As a result of the change in business structure and continued downturn, the carrying value of the goodwill and other identifiable assets in Ground Support are no longer supported and have therefore been impaired.
- (ii) Certain AN assets have been impaired due to a combination of factors. Orica's business has been impacted by an oversupply in the global ammonium nitrate (AN) market, the impact of the Burrup plant expected start up in 2016 and lower global AN demand and pricing. The impairment primarily consists of a \$462m partial writedown of the Bontang (Indonesia) manufacturing plant to \$248m (included in the Mining Services Other segment) and the write down of the Kooragang Island (KI) plant uprate project (included in the Mining Services Australia/Pacific segment) of \$175m. Given current market conditions for both prices and volumes and available capacity at other plants, proceeding with the Kooragang Island uprate project is considered not economically viable.
- (iii) As a result of the operating review, various assets around the Group have either been suspended or changed in status resulting in asset values being written down across the business to their recoverable amount. The impairment primarily consists of an Initiating Systems plant in China, (included in the Mining Services Other segment) of \$201m and software (included in the Other and eliminations segment) of \$33m. The current capacity of the Initiating Systems plant in China exceeds local Initiating Systems demand and plans to export require additional capital spend that are not in the Group's current strategic plan.

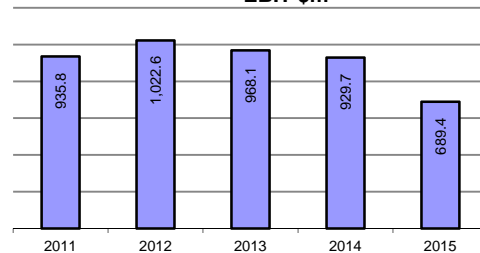
Earnings Per Share - cents



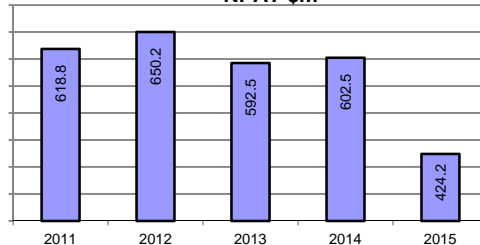
Sales \$m



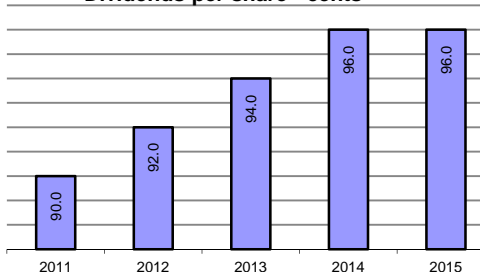
EBIT \$m



NPAT \$m



Dividends per share - cents



# REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

## Discontinued Operations

The sale of the Chemicals business was completed in February 2015 and is reported as discontinued operations. EBIT from discontinued operations was \$5 million for the period (pcp: \$67 million) and included the pre-tax accounting loss on sale of the Chemicals business of \$27 million.

NPAT of \$7 million included 5 months of earnings of \$20 million and an accounting net loss from divestment of \$13 million.

## Transformation Program

The purpose of the transformation program is to improve the Company's cost base, efficiency, asset management capabilities, customer focus and commercial agility to ensure Orica's capacity to sustain profitable growth across varying market conditions.

Good progress has been made on the transformation program during the year. Gross benefits of \$175 million were delivered during the year offset by associated one-off implementation costs of \$81 million.

Approximately \$60 million of the benefits were achieved through supply efficiencies and renegotiation of supplier contracts, rationalisation and optimisation of Orica's extensive AN and Initiating Systems (IS) networks, and product rationalisation.

The remaining benefits were achieved through manufacturing optimisation initiatives and labour efficiencies including improved plant productivity; increased capacity through plant debottlenecking, and organisational structural changes resulting in a reduction of 828 full time equivalent (FTE) employees in FY15.

For the 2016 financial year, the transformation program is forecast to deliver an incremental net benefit of approximately \$50 million - \$60 million.

## New Operating Model

During the year, Orica announced a new operating model to simplify operations, improve visibility of each area's performance, and enable the business to respond to customer needs more effectively. The new model ensures the areas of the business closest to the customers – the operating regions – have accountability for end-to-end customer service delivery, operational and financial performance. The regions will be supported by Group functions, which will embed global processes and standards to ensure consistency of service and governance company-wide. The model is effective from 1 October 2015.

# REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

## Performance Overview – Mining Services

Mining Services manufactures and supplies commercial explosives and blasting systems including services and solutions to the mining and infrastructure markets and supply of sodium cyanide for gold extraction.

### Explosives Sales Volumes and percent change vs. 2014

'000 tonnes	AN (i)		Emulsion Products (ii)		Total	
	kt	%	kt	%	kt	%
Australia/Pacific	319	(5%)	798	(9%)	1,117	(8%)
North America (iii)	825	5%	424	8%	1,249	6%
Latin America	254	1%	417	(1%)	670	-
EMEA	35	11%	390	(1%)	424	-
Asia (iv)	168	(2%)	129	7%	296	2%
<b>Total</b>	<b>1,600</b>	<b>2%</b>	<b>2,157</b>	<b>(2%)</b>	<b>3,757</b>	<b>(1%)</b>

(i) AN includes prill and solution.

(ii) Emulsion products include bulk emulsion & packaged emulsion.

(iii) 2014 AN volumes have been restated to exclude volumes sourced on behalf of joint venture partners.

(iv) Included in "Mining Services Other" as disclosed in Note 1 of the Appendix 4E – Orica Preliminary Final Report.

### Earnings

Year ended 30 September	2015 A\$M	2014 A\$M	Change %
<b>Sales Revenue</b>			
Explosives	4,789.8	4,745.8	1%
Mining Chemicals	300.1	318.0	(6%)
<b>Total Revenue</b>	<b>5,089.9</b>	<b>5,063.8</b>	<b>1%</b>
<b>EBIT</b>			
Australia / Pacific	447.6	549.5	(19%)
North America	122.8	112.6	9%
Latin America	69.7	71.5	(3%)
EMEA	94.5	82.3	15%
Other:			
Global Hub – North America	126.5	72.7	74%
Global Hub – Latin America	48.4	39.5	23%
Asia & Other (i)	(44.5)	14.0	> (100%)
Total Other	130.4	126.2	3%
<b>EBIT</b>	<b>865.0</b>	<b>942.1</b>	<b>(8%)</b>

(i) Includes Asia trading, Global Hub operational costs and other central costs associated with Mining Services.

Orica operates a Global Hub representing a centralised functional model across purchasing, manufacturing, supply chain and research and development activities. By centralising these activities into a single location, operational performance is optimised through centralised planning and control and removal of duplication. The North America and Latin America EBIT contributions as disclosed in their respective regional summaries include the Global Hub contributions associated with sales in these regions.

## Mining Services – Regional Summaries

### Australia/Pacific

Year ended 30 September	2015	2014	Change %
AN and emulsion product volumes ('000 tonnes)	1,117	1,213	(8%)
Total sales revenue (\$ million)	1,670.9	1,892.9	(12%)
EBIT (\$ million)	447.6	549.5	(19%)

### Volumes

Explosives volumes were down 8% (96kt) with a reduction in volumes into Eastern Australian coal markets (down 10%) and lower demand from iron ore (down 14%), partly offset by an increase in volume to third party suppliers. Underlying demand from coal markets was down 3% versus the prior year due to soft market conditions and mine planning changes, whilst a further 7% reduction in volume was due to net contract losses in the period. Volume into iron ore was impacted by subdued demand, postponement of customer growth plans in the Pilbara region as well as mine closures.

Lower demand negatively impacted utilisation rates at manufacturing facilities, with volume from the Yarwun ammonium nitrate production facility particularly impacted, down 26% (109kt) versus the pcp. Production capacity has now been curtailed at Yarwun, to approximately 290kt per annum.

Cyanide volumes were up 7% driven by a combination of new business and growth from existing customers.

### Onsite Services

Revenue from services (excluding advanced services) decreased 19% in the period, impacted by lower volume, contract losses and a decrease in service levels requested by customers due to cost pressures.

### Advanced products and services

Revenue from advanced products and services as a percentage of total explosives revenue increased to 23% from 21% in the pcp.

### Pricing

Pricing across all product groups was lower reflecting soft market conditions and strategic pricing arrangements agreed with a number of customers in return for contract extensions. These arrangements ensure volume and pricing certainty in future years.

### Costs

Underlying costs are down versus the pcp with net transformation benefits more than offsetting one-off costs associated with curtailing production at Yarwun.

# REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

## North America

Year ended 30 September	2015	2014	Change %
AN and emulsion product volumes ('000 tonnes)	1,249	1,175	6%
Total sales revenue (\$ million)	1,484.3	1,358.0	9%
<b>EBIT</b>			
Regional segment	122.8	112.6	9%
Add: Global Hub <sup>(i)</sup>	126.5	72.7	74%
<b>Total EBIT (\$ million)</b>	<b>249.3</b>	<b>185.3</b>	<b>35%</b>

(i) The EBIT represents earnings made by the Global Hub from North America customers.

### Volumes

Explosives volumes were up 6% (74kt), largely due to increased volumes into coal and iron ore markets. Volumes into coal markets were up 15% versus the pcp with market share gains, mostly through indirect channels, more than offsetting weak underlying market demand which was down approximately 8% versus 2014.

Quarry and construction markets in the USA showed moderate growth, although this was offset by lower construction and infrastructure projects in Canada.

Volumes into metals markets were up 7%, driven primarily by increased volumes into precious metals mines in Canada and increased volumes through indirect channels.

Higher demand positively impacted utilisation rates at the Carseland manufacturing facility, with production volume up 7% versus the pcp.

### Advanced products and services

Revenue from advanced products and services as a percentage of total explosives revenue increased to 24% from 21% in the pcp. This reflects the growing interest from miners to try new blasting techniques to drive mine productivity.

### Pricing

Pricing for explosives was slightly down due to price for term arrangements made during the period.

### Costs

Significant benefits were delivered through the transformation program, particularly through the supplier efficiency program, reducing the average cost of material inputs.

### Foreign Exchange

Foreign exchange movements contributed favourably to EBIT by \$31 million.

## Latin America

Year ended 30 September	2015	2014	Change %
AN and emulsion product volumes ('000 tonnes)	670	672	(0%)
Total sales revenue (\$ million)	1,003.6	963.5	4%
<b>EBIT</b>			
Regional segment	69.7	71.5	(3%)
Add: Global Hub <sup>(i)</sup>	48.4	39.5	23%
<b>Total EBIT (\$ million)</b>	<b>118.1</b>	<b>111.0</b>	<b>6%</b>

(i) The EBIT represents earnings made by the Global Hub from Latin America customers.

### Volumes

Explosives volumes were flat versus the pcp with growth in Peru and Argentina offset by lower volumes in Chile and Colombia.

Whilst overall volume was flat, mix had a negative impact with contract losses in full service accounts offset by contract wins in wholesale accounts delivering lower margins.

### Advanced products and services

Advanced products and services revenue increased 2% versus the pcp driven by projects in Chile and Peru which offset the impact of lower volumes resulting from a significant contract loss in Chile in the second half.

### Pricing

Pricing has come under some pressure during the period due to weak market conditions. Some strategic pricing arrangements have been agreed with a number of customers in the second half of the year in return for contract extensions.

### Costs

Net transformation benefits and additional regional efficiency initiatives have positively impacted EBIT in the period.

### Foreign Exchange

Foreign exchange movements contributed favourably to EBIT by \$17 million.

# REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

## Europe, Middle East and Africa (EMEA)

Year ended 30 September	2015	2014	Change %
AN and emulsion product volumes ('000 tonnes)	424	426	(0%)
Total sales revenue (\$ million)	814.2	754.6	8%
EBIT (\$ million)	94.5	82.3	15%

### Volumes

Explosives volumes were flat year on year, with growth in the Nordics and Africa offset by lower volumes into Turkey.

### Advanced products and services

Revenue from advanced products and services increased 25% in the period due mainly to new contracts in Norway and CIS and 42% growth in revenue from electronic blasting systems, mainly from Africa.

### Pricing

Pricing across explosives was generally flat to slightly down.

### Costs

The transformation program is well advanced with net benefits realised in the period.

### Foreign Exchange

Foreign exchange movements contributed favourably to EBIT by \$2 million.

## Other (Asia, Global Hub and Head Office)

Year ended 30 September	2015 A\$M	2014 A\$M	Change %
AN and emulsion product volumes ('000 tonnes)	296	291	2%
Total sales revenue (\$ million)	116.9	94.8	23%
<b>EBIT</b>			
Global Hub – North America	126.5	72.7	74%
Global Hub – Latin America	48.4	39.5	23%
Asia and Other	(44.5)	14.0	> (100%)
<b>Total EBIT (\$ million)</b>	<b>130.4</b>	<b>126.2</b>	<b>3%</b>

The respective hub contributions associated with centralising activities (including purchasing, manufacturing, supply chain and research and development) in relation to the North American and Latin American operations are discussed above.

### Volumes – Asia

Explosives volumes in Asia increased 2% (5kt) versus the pcp impacted by higher volumes in Indonesia, largely into the spot market, and India, offset by lower volumes into Mongolia and the Philippines.

Whilst volumes in Indonesian domestic markets were up versus the pcp, production volumes from the Bontang AN manufacturing facility were down 7% impacted by lower exports to Australia due to softness in the Pilbara iron ore market.

### Advanced products and services

Revenue from advanced products and services increased 17% versus the pcp driven by strong sales of electronic blasting systems and premium bulk products.

### Pricing

Pricing for explosives products declined versus the pcp with lower spot pricing in Indonesia impacted by the increased availability of imported AN. This has also put downward pressure on pricing in the Indonesian contracted market. Pricing in India also declined due to increased competition.

### Costs and Other Items

Costs were higher in 2015 due to incremental costs incurred on the supply efficiency transformation program of \$23 million, incremental impairments for trade receivables and inventories of \$11 million and the impairment of intangibles of \$7 million. In addition, the 2014 EBIT result included a gain on asset sale of \$8 million.

### Foreign Exchange

Foreign exchange movements contributed favourably to EBIT by \$2 million.

## Performance Overview – Ground Support

Ground Support manufactures and supplies specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.

### Earnings

Year ended 30 September	2015 A\$M	2014 A\$M	Change %
Total sales revenue	566.1	658.8	(14%)
EBIT	(19.4)	10.8	> (100%)

### Volumes

Continued weakness in demand across most markets resulted in weak volumes for both steel and resin/powders down 13% and 18% respectively versus the pcp.

### Revenue

Revenue was down 14% versus the pcp. This was due to weak volumes, particularly into global coal markets, and lower pricing, particularly in North America. Pricing elsewhere was flat to slightly down.

### Costs

Transformation activities had a positive impact on costs as the business continues to reduce costs in response to difficult market conditions.

### Foreign Exchange

As a result of the geographical spread of the business operations, foreign exchange movements did not impact EBIT.



# REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

## Group Balance Sheet

As at 30 September	2015 A\$M	2014 A\$M	Movement A\$M
Inventories	598.7	727.4	(128.7)
Trade Debtors	751.4	863.0	(111.6)
Trade Creditors	(843.1)	(944.3)	101.2
Total Trade Working Capital	507.0	646.1	(139.1)
Net Property, Plant & Equipment	2,917.9	3,794.9	(877.0)
Intangible assets	1,633.2	2,388.5	(755.3)
Net other liabilities	(44.8)	(193.7)	148.9
Net debt	(2,026.1)	(2,236.7)	210.6
<b>Net Assets</b>	<b>2,987.2</b>	<b>4,399.1</b>	<b>(1,411.9)</b>
Orica shareholders' equity	2,984.6	4,263.0	(1,278.4)
Non controlling interests	2.6	136.1	(133.5)
<b>Total Equity</b>	<b>2,987.2</b>	<b>4,399.1</b>	<b>(1,411.9)</b>

## Commentary on Balance Sheet

### Asset Impairment Impact

The table below describes the impact of the asset impairment on the Balance Sheet.

	Net Property, Plant & Equipment A\$M	Intangible assets A\$M	Net other assets A\$M	Tax A\$M	Total Impact A\$M	Non controlling interests A\$M	Total (Orica share) A\$M
Ground support businesses	(15.4)	(829.7)	(3.3)	-	(848.4)	-	(848.4)
Ammonium nitrate assets	(685.6)	-	(44.4)	41.5	(688.5)	39.8	(648.7)
Other assets	(246.6)	(57.1)	(2.3)	12.7	(293.3)	98.8	(194.5)
<b>Total</b>	<b>(947.6)</b>	<b>(886.8)</b>	<b>(50.0)</b>	<b>54.2</b>	<b>(1,830.2)</b>	<b>138.6</b>	<b>(1,691.6)</b>

### Other Balance Sheet Movements

Trade working capital (TWC) reduced by \$139 million. Excluding the impact of the Chemicals business sale of \$143 million, TWC increased by \$4 million comprising a foreign exchange translation impact of \$62 million, and an underlying decrease of \$58 million. The underlying improvement was largely due to a reduction in inventory of \$38 million and receivables of \$14 million.

Net Property, Plant & Equipment (PP&E) decreased by \$877 million primarily due to the impairment of assets of \$948 million and the disposal of the Chemicals business of \$338 million. These movements were partly offset by a net increase of \$409 million on group PP&E which included spend on growth and sustaining capital of \$316 million, capitalisation of interest of \$24 million, increases in environmental and remediation provisions of \$56 million, a positive foreign exchange translation impact of \$297 million less depreciation of \$263 million and disposals of \$21 million. Spending on growth projects in the period included the Burrup ammonium nitrate project of \$74 million and on-site emulsion plants in Brazil, Canada and CIS of \$22 million.

Intangible assets decreased by \$755 million primarily due to the impairment of assets of \$887 million and the disposal of the Chemicals business of \$144 million. These movements were partly

offset by a net increase of \$276 million on intangibles which included spend on global information technology platform and research and development projects of \$102 million, capitalisation of interest of \$13 million, a positive foreign exchange translation impact of \$210 million less amortisation of \$43 million and other disposals of \$7 million.

Net other liabilities decreased by \$149 million primarily due to an increase in net tax balances of \$234 million, impacted by the asset impairment and foreign exchange, and the disposal of the Chemicals business of \$53 million. This was partly offset by a \$106 million increase in provisions and deferred Chemicals separation costs and the receipt of proceeds from prior year asset sales reducing the net receivable by \$30 million.

Net debt decreased by \$211 million. The decrease is due to net proceeds received from the sale of the Chemicals business of \$652 million, net operating cash flows of \$739 million and net proceeds from the sale of surplus assets and investments and businesses of \$66 million, offset by capital expenditure of \$453 million, dividend payments of \$373 million and share buy-back spend of \$53 million. In addition, net debt was impacted by \$369 million from non-cash movements comprising foreign exchange translation and market valuations on derivatives.

### Share buy-back program

On the 2nd March 2015, Orica announced an on-market share buy-back program of up to \$400 million to be completed over 12 months.

On 7 August 2015, Orica announced it would review the buy-back in the context of the business environment, Orica's cash flow, dividend and gearing position. The total number of shares purchased under the buy-back was 2,629,765 for a total consideration of \$53.5 million. There has been no further share buy-back activity since that time. Within the context of the challenging operating environment and following discussions with a range of stakeholders, including investors, lenders and rating agencies, Orica has cancelled the share buy-back program with immediate effect.

### Debt Management

Net debt of \$2,026 million comprises cash at bank of \$274 million and gross debt of \$2,300 million.

Gross debt of \$2,300 million comprises \$2,037 million of US Private Placements and \$263 million of committed and other bank facilities. The duration of drawn debt is 5.8 years (5.7 years pcp).

Undrawn committed bank facilities of \$1,670 million, with total debt facilities totalling \$3,933 million provide for a strong liquidity position. Gearing increased to 40.4% (pcp: 33.7%), primarily as a result of the impairment of assets.

Orica's Standard & Poor's credit rating is BBB (Stable Outlook).

# REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

## Group Cash Flow

Year ended 30 September	2015 A\$M	2014 A\$M	Variance A\$M
EBIT	689.4	929.7	(240.3)
Add: Depreciation	263.0	262.2	0.8
Add: Amortisation	42.7	38.6	4.1
EBITDA	995.1	1,230.5	(235.4)
<i>Movement in Working Capital</i>			
Trade Working Capital <sup>(i)</sup>	(83.6)	51.0	(134.6)
Non trade Working Capital <sup>(ii)</sup>	8.9	(20.3)	29.2
Net interest paid	(124.9)	(143.3)	18.4
Net income tax paid	(163.2)	(209.5)	46.3
Non cash items and foreign exchange	107.1	8.7	98.4
<b>Net operating cash flows</b>	<b>739.4</b>	<b>917.1</b>	<b>(177.7)</b>
<i>Capital Expenditure</i>			
Sustaining capital <sup>(iii)</sup>	(193.1)	(202.7)	9.6
Growth capital <sup>(iv)</sup>	(260.2)	(301.0)	40.8
Total Capital Expenditure <sup>(v)</sup>	(453.3)	(503.7)	50.4
Acquisitions	(1.3)	(4.6)	3.3
Proceeds from surplus assets	59.4	50.1	9.3
Proceeds from sale of Chemicals business	652.2	-	652.2
Proceeds from sale of investment and businesses	7.8	1.6	6.2
<b>Net investing cash flows</b>	<b>264.8</b>	<b>(456.6)</b>	<b>721.4</b>
<b>Net operating and investing cash flows</b>	<b>1,004.2</b>	<b>460.5</b>	<b>543.7</b>
Net proceeds from share issues (inclusive of non controlling interests)	1.1	2.1	(1.0)
Net proceeds from LTEIP <sup>(vi)</sup>	-	13.9	(13.9)
Share buy back	(53.5)	-	(53.5)
Movement in borrowings	(555.9)	(176.4)	(379.5)
Dividends paid – Orica Limited	(356.1)	(267.4)	(88.7)
Dividends paid – non controlling interest shareholders	(16.7)	(17.4)	0.7
<b>Net financing cash flows</b>	<b>(981.1)</b>	<b>(445.2)</b>	<b>(535.9)</b>
<b>Net cash flows</b>	<b>23.1</b>	<b>15.3</b>	<b>7.8</b>

(i) Opening trade working capital (TWC) less closing TWC (excluding TWC acquired and disposed of during the year).

(ii) Non trade working capital: primarily includes other receivables, other assets, other payables and provisions. Movement: opening non trade working capital (NTWC) less closing NTWC (excluding NTWC acquired and disposed of during the year).

(iii) Capital expenditure other than growth expenditure.

(iv) Capital expenditure that results in earnings growth through either cost savings or increased revenue.

(v) Total growth and sustaining expenditure reconcile to total payments for property plant and equipment and intangibles as disclosed in the Statement of Cash Flows within the Appendix 4E – Orica Preliminary Final Report.

(vi) LTEIP: Long Term Employee Equity Incentive Plans.

## Commentary on Cash Flow movements

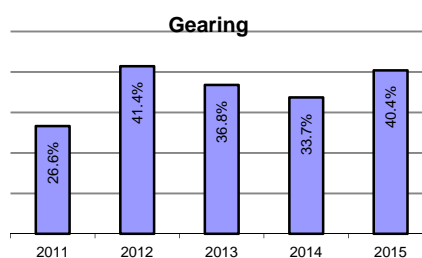
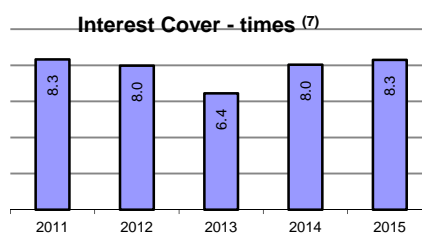
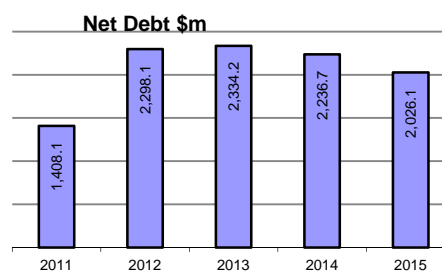
Net operating and investing cash flows increased by \$544 million to \$1,004 million (pcp: \$461 million). After excluding the net cash proceeds from the sale of the Chemicals business of \$652 million, net operating and investing cash flows decreased by \$109 million from the pcp. This was mainly due to lower net operating cash flows of \$178 million offset by lower capital expenditure of \$50 million.

Net operating cash inflows decreased by \$178 million to \$739 million (pcp: \$917 million). The decrease reflected lower earnings for 2015 of \$235 million (continuing operations: \$155 million and discontinued

operations: \$80 million) and higher cash outflows for trade working capital of \$135 million, of which \$102 million related to discontinued operations. These lower cashflows were partially offset by non cash items and foreign exchange movements of \$98 million, lower cash outflows on interest and income tax of \$65 million and higher cash inflows of \$29 million from non-trade working capital, impacted by increases in provisions.

Net investing cash increased by \$721 million to \$265 million (pcp: outflow \$457 million), mainly due to net cash proceeds received from the sale of the Chemicals business of \$652 million and lower spend on capital expenditure of \$50 million.

Net financing cash outflows increased by \$536 million to \$981 million (pcp: \$445 million). The increase reflected a net repayment of borrowings of \$380 million, higher dividend payments as a result of the on-market share purchase of \$657 million to satisfy the Dividend Reinvestment Plan (pcp: \$82 million worth of shares were issued to satisfy the Dividend Reinvestment Plan), share buy-back spend of \$53 million, and no repayments of LTEIP loans (pcp: \$14 million).



# REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

## Sustainability

### People

At the end of September 2015, our global workforce comprised 12,285 employees and 1,208 contractors working at over 400 locations in over 50 countries. During the year, 1,061 employees transferred to IXOM as part of the Chemicals sale and 828 FTE's were removed from continuing business operations as part of the transformation program. Over 83 percent of Orica's employees are now based outside of Australia.

The first wave of our program to train operational employees and supervisors to globally-consistent standards is substantially complete. All senior leaders participated in a global leadership program which is now being extended to managers. Orica's graduate program launched in Russia and is now active in 19 countries. Over 40 percent of the 2015 graduate program intake was female.

The Executive structure and team to support Orica's new operating model, which ensures that operating regions have accountability for end-to-end customer service delivery, operational and financial performance, supported by Group functions, was implemented. The structure below the Executive team and supporting standards will be put in place during 2016.

82 percent of Orica's employees have recently participated in a global Engagement Survey. This will provide the basis for actions in 2016 and beyond to ensure that all of our employees are engaged and motivated, and to reinforce our culture of respect, transparency, collaboration and performance.

### Safety, Health, Environment and Community (SHEC)

During 2015, Orica continued implementation of its revised Safety, Health, Environment and Community (SHEC) management system and underpinning processes and procedures, to support ongoing improvement in sustainability performance.

Key achievements and events in the past year included:

- In 2015 Orica remained fatality free. Orica achieved a Total Recordable Injury Frequency Rate (number of recordable cases per 1,000,000 hours worked) of 1.90, its best recorded performance and a 7% reduction on the 2014 result.
- Further implementation of the ENABLON integrated SHEC information management and reporting system, with new modules released to cover: SHE audits and assessments; regulatory permit and licence management; community initiatives and donations; and stakeholder relationship management.
- Development of Key Control Data Sheets (KCDSs) for identified critical and dominant controls relating to the Major Hazard Scenarios. The deployment of KCDSs to operating sites was commenced and will be fully implemented in the coming year, including integration with a semi-automated job hazard assessment and permit to work tool.
- Completion of the program to implement site-specific environmental management plans (EMPs) at all relevant Orica controlled operating sites. There are now around 400 sites with EMPs that will be updated on an annual basis and more comprehensively reviewed every three years.
- Implementation of the Orica Community Partnerships Program, which was established to ensure Orica's community investments better reflect the Company's global footprint and to build local community investment capability in business growth regions. Two program funding rounds have now been completed, with a total of 38 projects awarded funding across all six regions.
- Review of the Orica SHE Assurance program and realignment to the revised SHEC Management System Procedures and Key Control Data Sheets.

- Continued operation and review of measures to optimise the nitrous oxide abatement technology installations at Orica's nitric acid plants. Greenhouse gas abatement projects at sites in Australia, Canada and Indonesia have reduced nitrous oxide emissions by more than 750,000 tonnes of carbon dioxide equivalent (CO<sub>2</sub>-e) in 2015, compared to 2010 baseline performance.
- Progressed measures to address legacy issues associated with historical operations. Remediation projects at Deer Park, Villawood, Botany and Yarraville are progressing in consultation with communities and environmental regulators.

## Strategy and Risk

### Overview of Orica's business strategy

Orica's strategy is to create sustainable shareholder value through customer focused and capital efficient supply of advanced blasting services, mining chemicals and ground support services and products.

These are delivered through Orica-owned manufacturing and third-party sourcing that underpins security of supply for customers.

Orica's market-leading solutions maximise our customers' capacity to:

- transform mineral resources into recoverable reserves;
- increase mine productivity and mill throughput;
- increase mineral recovery;
- reduce energy consumption;
- operate safely; and
- improve noise, vibration and fume control.

Orica's capacity to ensure security of supply is a key differentiator and competitive advantage. The company's portfolio of third party supply arrangements and its broad footprint of manufacturing and distribution assets provide extensive supply capability across Australia Pacific, Asia, Europe, Africa, Latin America and North America.

### Risk Management

Our risk management approach is consistent with AS/NZS ISO31000:2009 Risk Management – Principles and Guidelines, and facilitates the ongoing assessment, monitoring and reporting of risks, which otherwise could impede progress in delivering our strategic priorities.

Core to Orica's risk management approach is a focus on the identification and application of effective controls to both prevent and mitigate the realisation of known risks. These controls are subject to regular verification and assessment to ensure they are functioning as required and opportunities for improvement are captured.

### Material Business risks that could adversely affect the achievement of future business performance

There are a number of risks, both specific to Orica and of a more general nature that may affect the future financial performance of Orica. A summary of Orica's approach to the mitigation of these key risks is outlined below.

#### (i) Changes to industry structure and competition

Orica's global reach allows the company to establish and maintain strategic relationships with customers and suppliers across multiple markets and product groups. Orica also works to retain and grow its market share through its differentiated products and services delivered through a global technical services network of mining engineers, blasting technicians and product support specialists to improve the efficiency, productivity and safety results of customers' operations.

# REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

## (ii) Adapting to global economic movements and market conditions

Orica recognises the need to adapt its operating model to align with structural changes in the market place and become more efficient, flexible and commercially agile to meet its customers' needs. To achieve this goal it continues to seek sustained process improvement initiatives and develop and provide differentiated products, services and solutions which enhance value for customers. The diverse spread of Orica's global operations also provides a geographic hedge against differing market conditions and exposure to growth opportunities across a diverse range of operating environments.

## (iii) Regulatory change

Orica maintains the capacity to monitor, assess and where necessary react to regulatory change and to maintain regulatory compliance.

Orica operates within hazardous environments, particularly in the areas of manufacturing, storage and transportation of raw materials, products and wastes. These potential hazards may cause personal injury and/or loss of life, damage to property and contamination of the environment, which may result in the suspension of operations and the imposition of civil or criminal penalties, including fines, expenses for remediation and claims brought by governmental entities or third parties that have the potential to adversely impact Orica's financial performance.

Orica is strongly focussed on the safety and health of its people, visitors and communities through a safety culture that is based on visible leadership and encouraging employees and contractors that no work be undertaken if it is not safe to do so.

Orica is committed to meeting its environmental obligations. Orica conducts remediation activities at its legacy sites. It does so in consultation with local communities and regulatory authorities, ensuring that responses consider the interests of all relevant parties and applicable environmental standards. In many instances the remediation work is regulated by statutory authorities and is the subject of ongoing stakeholder and community engagement.

## (iv) Maintaining social licence to operate

Orica recognises its social licence to operate is fundamental to the successful operation of the company. This is secured by earning and maintaining the respect and confidence of the communities in which it operates through constructive and respectful engagement and by making a positive contribution to the community.

## (v) Business disruption

Orica's ability to sustain business operations may be impeded by a significant business disruption. This could occur due to potential events such as a severe weather event, industrial action, local political instability in a foreign country in which it operates or a critical process failure. To manage these risks Orica continually monitors its business performance, executes business continuity programs and coordinates incident responses in the event incidents occur.

## (vi) Distribution or sub-optimal supply chain performance

Orica manages these risks through low-cost, multi-source, flexible supply chains of mining inputs to customers in key markets delivered through Orica's own manufacturing capabilities, capital-efficient joint ventures or alliances with supply partners.

## (vii) Adverse funding and other treasury matters

Orica manages funding and treasury related risks by maintaining appropriate gearing and financial metrics and a sufficient level of available debt facilities.

## Dividend

The directors have declared a final ordinary dividend of 56 cps. The dividend is 36% franked at 20 cps. The dividend is payable to shareholders on 18 December 2015 and shareholders registered as at the close of business on 27 November 2015 will be eligible for the final dividend. It is anticipated that dividends in the near future are unlikely to be franked at a rate of more than 35%.

## 2016 Outlook

With the benefits from self-help initiatives, recovery in volumes anticipated by market forecasters<sup>(1)</sup>, and subject to the forward price and volume curves for key commodities largely holding, some improvement in EBIT in FY16 is expected as earnings stabilise, with further improvement in FY17.

- Global explosives volumes in the range of 3.8 million tonnes (+/- 100kt), with reduced volumes in Australia offset by higher volumes in North America.
- Approximately \$55 million to \$60 million negative impact is expected in FY16 from price resets and contract renewals.
- Sodium cyanide volumes expected to be up approximately 5% to 10% compared to FY15. Continued growth in efficiencies will largely offset market impacts.
- Ground Support is expected to remain challenging. The separation of the business will ensure a focus on improving performance. The business is expected to remain cashflow positive.
- A continued focus on transformation initiatives, particularly in supplier and manufacturing efficiencies, is expected to deliver incremental net benefits of \$50 million – \$60 million. This will help offset a range of underlying cost pressures.
- Net interest costs to be approximately 25% to 30% higher than 2015.
- Depreciation and amortisation to be approximately \$300 million.
- Effective tax rate to be slightly lower than 2015 tax expense of 29%.
- Capital expenditure to be broadly in line with 2015.

<sup>(1)</sup> Wood Mackenzie Long Term Forecast Q3 2015

## Footnotes

Certain non-IFRS information has been included in this report. This information is considered by management in assessing the operating performance of the business and has not been reviewed by the Group's external auditor.

The following footnotes apply to this operating and financial review:

<sup>(1)</sup> Equivalent to Profit after income tax expense and individually material items attributable to shareholders of Orica Limited disclosed in Note 1 of the Appendix 4E – Orica Preliminary Final Report.

<sup>(2)</sup> Equivalent to Profit after income tax expense before individually material items attributable to shareholders of Orica Limited disclosed in Note 16 of the Appendix 4E – Orica Preliminary Final Report.

<sup>(3)</sup> EBIT from continuing operations before individually material items plus Depreciation and Amortisation from continuing operations.

<sup>(4)</sup> EBIT (equivalent to Profit from operations in Note 16 of the Appendix 4E – Orica Preliminary Final Report) from continuing operations before individually material items.

<sup>(5)</sup> Total interest bearing liabilities less cash and cash equivalents.

<sup>(6)</sup> Net debt / (net debt + equity).

<sup>(7)</sup> EBIT / Net interest expense.

<sup>(8)</sup> (Interim dividend cps x shares on issue at 31 March 2015) + (Final dividend cps x shares on issue at 30 September) / NPAT before individually material items.

# Directors' Report

The directors of Orica Limited ('the Company' or 'Orica') present the financial report of the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group') for the year ended 30 September 2015 and the auditor's report thereon.

## Directors

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

R R Caplan, Chairman

A Calderon, Managing Director and Chief Executive Officer (appointed 19 May 2015), Interim Managing Director and Chief Executive Officer (appointed 23 March 2015)

I K Smith, Managing Director and Chief Executive Officer (resigned on 23 March 2015)

C B Elkington, Executive Director Finance (resigned on 6 July 2015)

M N Brenner

I D Cockerill

Lim C O

M Parkinson (appointed 1 October 2015)

N L Scheinkestel

G T Tilbrook

On 5 October 2015, K Gray was appointed to the position of Company Secretary of Orica Limited. This position was previously held by C Hansen.

On 27 July 2015, Orica announced Dr Nora Scheinkestel will retire from the Board on 1 December 2015.

On 27 October 2015, Orica announced Russell Caplan will retire as Chairman on 31 December 2015. Malcolm Broomhead will join the Orica Board on 1 December 2015 and will become Chairman on 1 January 2016.

Particulars of directors' and Company Secretary qualifications, experience and special responsibilities are detailed in the Annual Report.

## Directors' meetings

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

Director	Scheduled Board Meetings <sup>(1)</sup>		Audit and Risk Committee <sup>(1)</sup>		Human Resources and Compensation Committee <sup>(1)</sup>		Corporate Governance and Nominations Committee <sup>(1)(8)</sup>		Safety, Health and Environment Committee <sup>(1)</sup>	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R R Caplan <sup>(2)(6)</sup>	12	12	5	5	4	4	7	7	5	5
M N Brenner	12	12	5	5	4	4	7	7	-	-
A Calderon <sup>(3)</sup>	12	12	2	2	-	-	3	3	2	2
I D Cockerill	12	12	-	-	-	-	7	7	5	5
Lim C O	12	12	3	3	4	4	7	7	5	5
N L Scheinkestel <sup>(7)</sup>	12	11	5	5	4	4	7	7	-	-
G T Tilbrook	12	11	5	5	-	-	7	7	3	3
<b>Former</b>										
I K Smith <sup>(3)(4)</sup>	5	5	-	-	-	-	-	-	-	-
C B Elkington <sup>(3)(5)</sup>	8	7	-	-	-	-	-	-	-	-

<sup>(1)</sup> Shows the number of meetings held and attended by each director during the period the director was a member of the Board or Committee.

<sup>(2)</sup> The Chairman of the Orica Board attends all Board Committee meetings as an 'ex officio' member of that Committee.

<sup>(3)</sup> The Executive Directors attend the Corporate Governance and Nominations Committee meetings on an 'as needs' basis.

<sup>(4)</sup> Resigned on 23 March 2015.

<sup>(5)</sup> Resigned on 6 July 2015.

<sup>(6)</sup> R R Caplan will retire from the Orica Board on 31 December 2015. M Broomhead will join the Orica Board on 1 December 2015 and will become a Chairman on 1 January 2016.

<sup>(7)</sup> Nora Scheinkestel will retire from the Board on 1 December 2015.

<sup>(8)</sup> The former Executive Directors were invited to attend certain meetings.

## Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at the date of this report is disclosed in the Remuneration Report. Directors' interests shown are as at 30 September 2015 - however there has been no change in holdings to the date of this report.

## Principal activities

The principal activities of the consolidated entity in the course of the financial year were the manufacture and distribution of commercial blasting systems including services and solutions, mining and tunnelling support systems to the mining and infrastructure markets, and various chemical products and services.

# Directors' Report

## Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the review of operations and financial performance of the consolidated entity in the Annual Report.

## Review and results of operations

A review of the operations of the consolidated entity during the financial year and of the results of those operations is contained on in the Annual Report.

## Dividends

Dividends paid or declared since the end of the previous financial year were:	\$m
Final dividend at the rate of 56.0 cents per share on ordinary shares, franked to 35.7% (20.0 cents) at the 30% corporate tax rate, paid 19 December 2014.	208.1
Interim dividend declared at the rate of 40.0 cents per share on ordinary shares, franked to 40.0% (16.0 cents) at the 30% corporate tax rate, paid 1 July 2015.	148.0
<b>Total dividends paid</b>	<b>356.1</b>

Since the end of the financial year, the directors have declared a final dividend to be paid at the rate of 56.0 cents per share on ordinary shares. This dividend will be franked to 35.7 % (20.0 cents) at the 30% corporate tax rate.

## Changes in the state of affairs

The Chemicals business was sold on 27 February 2015 and is reported as a discontinued operation.

There were no other significant changes in the state of affairs of the consolidated entity during the year ended 30 September 2015.

## Events subsequent to balance date

### *Dividends*

On 18 November 2015, the directors declared a final dividend of 56.0 cents per ordinary share payable on 18 December 2015. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2015 and will be recognised in the 2016 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2015, 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.

## Environmental regulations

Orica aspires to be a business that does no harm to people and the environment.

To deliver on this aspiration, Orica, as a minimum, seeks to be compliant with all applicable environmental laws and regulatory permissions relevant to its operations. Where instances of non-compliance occur, Orica's procedures require that relevant governmental authorities are notified in accordance with statutory requirements and internal investigations are conducted to determine the cause of the non-compliance to ensure the risk of recurrence is minimised.

The Company has committed major investments, both in terms of capital and resources, to improve its environmental performance at key sites in addition to its general maintenance program. The Company is working closely and co-operatively with regulators and government agencies in relation to these initiatives, as well as enhancing community engagement and consultation.

Orica continues to devote considerable resources to cleaning up legacy sites and is committed to dealing with environmental issues from the past in an honest and practical way.

### *Environmental prosecutions*

The NSW EPA and the NSW Office of Environment & Heritage issued legal proceedings against Orica alleging one breach of the NSW Protection of the Environment Operations Act and one breach of the NSW National Parks and Wildlife Act in relation to an overflow of grouting material at a mining operation near Newcastle. Orica entered guilty pleas in relation to those proceedings. A mitigation and sentencing hearing of this matter took place in June 2015 before His Honour, Chief Justice Preston, of the NSW Land & Environment Court. Orica was convicted of both offences and fined \$60,000 for each offence.

More specific details about Orica's sustainability initiatives and performance, including safety, health and environment, can be found on the Orica website – [www.orica.com/sustainability](http://www.orica.com/sustainability).

# Directors' Report

## Indemnification of officers

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the directors, the secretaries and other executive officers, against liabilities incurred whilst acting as such officers to the extent permitted by law.

In accordance with the Company's Constitution, the Company has entered into a Deed of Access, Indemnity and Insurance with each of the Company's directors and in a few cases specific indemnities have been provided. No director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the year.

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

## Non-audit services

During the year, KPMG, the Company's auditor, performed certain other services in addition to its audit responsibilities.

The Board is satisfied that the provision of non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

No officer of the Company was a former partner or director of KPMG. A copy of the lead auditor's independence declaration as required under Section 307C of the Corporations Act is contained in the Annual Report and forms part of this Directors' report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are disclosed in note 23.

# Directors' Report

## Cover Letter (unaudited) to the Remuneration Report

Dear Shareholder,

The Directors of Orica Limited present the Remuneration Report for the year ended 30 September 2015.

This year was one of change and challenge for Orica. The sale of the Chemicals business was completed, a new Managing Director and Chief Executive Officer, Alberto Calderon, was appointed and other changes in key management personnel also occurred. The appointment of Malcolm Broomhead, as a Non-Executive Director and Chairman from 1 January 2016, has also been announced. In accordance with the Listing Rules, Malcolm Broomhead will offer himself for election at the Annual General Meeting on 29 January 2016.

Orica's underlying profit result was significantly lower than in FY2014 and non-cash impairment charges of \$1,692m (after Tax and Non-Controlling Interest) were taken as a result of a full review of the business and its operating model in the context of challenging conditions facing the mining sector and oversupply in the ammonium nitrate market. The Remuneration Report reflects the effect on Executive remuneration of the non-cash impairment charges and the reduced underlying profit, while recognising the achievement of other important performance objectives including safety, gross margin, cash conversion and business transformation. In determining Executive remuneration outcomes, the Board has sought to align executive efforts in meeting some of the key targets set at the beginning of the year with shareholder outcomes. Executive remuneration outcomes include average Short-Term Incentive (STI) outcomes at approximately 32% of maximum opportunity, partially or fully deferred, no vesting of the Long-Term Equity Incentive Plan (LTEIP) and no benefit from the asset impairment in relation to FY2015 Long-Term Incentive grants.

Key remuneration outcomes for the year are summarised below:

<b>FROZEN PAY</b>	Fixed pay was frozen at FY2014 levels. No pay rises will be awarded in FY2016 except where appropriate on account of a change in role or responsibilities or other exceptional circumstances.
<b>REDUCED STI AWARD</b>	The challenging market conditions that led to revised profit guidance resulted in the Earnings before interest and tax (EBIT) and Net profit after tax (NPAT) measures applicable to the STI not being met. Management did, however, achieve threshold performance in relation to cash conversion and gross margin targets and good performance against safety targets. Board discretion on the Company Performance component was not awarded to continuing Executives. Management outperformed against personal transformation targets of cost and headcount reduction. However, the Board limited discretion to target on the Personal Performance component for continuing Executives. Taken together, these outcomes resulted in continuing Executives forfeiting on average 68% of their opportunity, with the average STI award at around 32% of maximum.
<b>INCREASED DEFERRAL FOR EXECUTIVES</b>	At his request, 100% of the Managing Director & CEO's STI payment has been deferred into Orica shares for 1 year (up from 50% as per the terms of his Service Agreement). The Board also determined that the proportion of STI payments for continuing Executives deferred into Orica shares would be increased from one-third to 50%.
<b>NIL LTI VESTING</b>	No benefit has been derived from the Long-Term Equity Incentive Plan (LTEIP) awards tested this year. The performance condition for loan forgiveness was not met and the value of Orica shares was less than the outstanding loan balance at the end of the performance period. Accordingly, shares were surrendered and forfeited to Orica in full settlement of the loan balance and no value was derived by Executives from this part of their remuneration package.
<b>IMPACT OF ASSET IMPAIRMENT ON LTI GRANTS</b>	The Board has reviewed the unvested 2015 grant made under the Long-Term Incentive Plan (LTIP), to ensure that Executives are not advantaged by the asset impairment. The Board has determined that Return on Capital (ROC) for the 2015 LTIP grant will be calculated for the performance period (2015-17) on the basis of the unimpaired Enterprise Value i.e., the impairment will be added back to Enterprise Value for the purposes of testing. Looking forward, ROC for the 2016 grant (tested in 2018) will be calculated on the basis of Enterprise Value (after impairment) over the performance period. The return range of 15-30% will be retained.
<b>NIL DIRECTOR FEE INCREASE</b>	Non-Executive Directors' fees were maintained at the same level for the fifth successive year.

The Human Resources and Compensation Committee and Board believe that these remuneration outcomes reflect alignment between rewarding Executive efforts in meeting some of the key targets whilst recognising shareholder outcomes.

## Implementation of the new Executive Remuneration Framework

The changes to the Executive Remuneration Framework outlined last year were implemented in financial year 2015. Grants under the rights-based Long Term Incentive Plan (which replaced the previous loan based LTEIP) were made in February 2015 as noted above. New minimum shareholding guidelines have been established and a new Malus standard providing for forfeiture of entitlements for misconduct has been introduced. Further details on the revised Executive Remuneration Framework can be found in Section B of this report.



# Directors' Report

## Key Management Personnel changes

Information on the remuneration arrangements of Alberto Calderon and Orica's new Chief Financial Officer, Tom Schutte, as well as information regarding the arrangements for Ian Smith and other KMP who ceased employment during the year are provided in Sections C and D of the report.



**Nora Scheinkestel**  
Chairman, Human Resources and Compensation Committee

# Directors' Report – Remuneration Report

## Remuneration Report (audited)

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## Section A. Remuneration Governance

### A.1 Human Resources and Compensation Committee composition, role and responsibility

The Human Resources and Compensation Committee (Committee) is delegated responsibility by the Board for reviewing and making recommendations on remuneration policies for the Company, including in particular, the policies governing the remuneration of Executives.

Activities of the Committee are governed by its Terms of Reference, which are available on the Company's website at [www.orica.com](http://www.orica.com). Amongst other responsibilities, the Committee assists the Board in its oversight of:

- remuneration policy for senior executives;
- level and structure of remuneration for senior executives, including short-term and long-term incentive plans;
- the company's compliance with applicable legal and regulatory requirements in respect of remuneration matters; and
- approval of the allocation of shares and awards under the Long Term Incentive Plan and General Employee Exempt Share Plan.

During financial year 2015, the Committee comprised four Non-Executive Directors: Nora Scheinkestel (Chairman), Ian Cockerill, Lim Chee Onn, who stepped down from the Committee in May 2015, and Maxine Brenner. Russell Caplan, as Company Chairman, also attended all Committee meetings.

### A.2 Use of Remuneration Consultants

In providing recommendations to the Committee, management received survey data sourced from external specialists and received external advice on matters relating to remuneration and prevailing regulatory and governance standards from Ernst & Young and 3 Degrees Consulting. No remuneration recommendations were received from Remuneration Consultants as defined under the Corporations Act 2001.

### A.3 Names and positions of Key Management Personnel

#### Executive Key Management Personnel

The table below lists the executives (Executives) of the Company whose remuneration details are outlined in this Remuneration Report. These Executives, together with the Non-Executive Directors, are defined as Key Management Personnel (KMP) under accounting standards. 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 Company but have no direct involvement in the day-to-day management of the business. Particulars of Executives' qualifications, experience and responsibilities are detailed in the Annual Report.

# Directors' Report – Remuneration Report

Name	Role in financial year 2015	Commencement date in role	Country of Residence
<b>Executive Directors</b>			
Alberto Calderon <sup>(1)</sup>	Managing Director and Chief Executive Officer	19 May 2015	Australia
<b>Executive KMP</b>			
Thomas Schutte	Chief Financial Officer	1 September 2015	Australia
Nick Bowen	Executive Global Head, Mining Services	11 November 2013	Australia
Tony Edmondstone	Executive Global Head, Supply	4 February 2013	Singapore
Richard Hoggard	Executive Global Head, Manufacturing	1 October 2012	Singapore
<b>Former Executive Directors</b>		<b>Date ceased to hold office</b>	<b>Country of residence</b>
Ian Smith	Managing Director and Chief Executive Officer	23 March 2015	Australia
Craig Elkington <sup>(2)</sup>	Executive Director Finance	30 September 2015	Australia
<b>Former Executive KMP</b>			
Andrew Larke <sup>(3)</sup>	Executive Global Head, Chemicals, Strategy & Planning	27 February 2015	Australia

<sup>(1)</sup> Alberto Calderon was a Non-Executive Director until appointed Interim Managing Director and CEO (Interim CEO) on 23 March 2015. He was appointed Managing Director and CEO on a permanent basis on 19 May 2015.

<sup>(2)</sup> Craig Elkington resigned on 6 July 2015 as a Director and ceased employment with Orica on 30 September 2015. Thomas Schutte was appointed CFO on 1 September 2015.

<sup>(3)</sup> Andrew Larke took up the position of CEO of IXOM following completion of the sale of the Chemicals business on 27 February 2015.

The disclosures in this report relate to Executive KMP during financial year 2015. As announced on 27 August 2015, Orica's Operating Model will change with effect from 1 October 2015 reflecting a regionally focused business model supported by central Group functions. As a result, Executive KMP disclosed in the 2016 Remuneration Report will change.

## Non-Executive Directors

The Non-Executive Directors who held office during financial year 2015 are set out below:

Name	Role	Commencement date in role	Country of Residence
<b>Current Directors</b> <sup>(1)</sup>			
Russell Caplan <sup>(2)</sup>	Non-Executive Director, Chairman	30 January 2014	Australia
Maxine Brenner	Non-Executive Director	8 April 2013	Australia
Ian Cockerill	Non-Executive Director	12 July 2010	South Africa
Lim Chee Onn	Non-Executive Director	12 July 2010	Singapore
Nora Scheinkestel <sup>(3)</sup>	Non-Executive Director	1 August 2006	Australia
Gene Tilbrook	Non-Executive Director	14 August 2013	Australia
<b>Former Directors</b>		<b>Date ceased to hold office</b>	<b>Country of residence</b>
Alberto Calderon <sup>(4)</sup>	Non-Executive Director	19 May 2015	Australia

<sup>(1)</sup> Dr Martin Parkinson joined the Board on 1 October 2015

<sup>(2)</sup> Russell Caplan will retire from the Orica Board on 31 December 2015. Malcolm Broomhead will join the Orica Board on 1 December 2015 and will become Chairman on 1 January 2016.

<sup>(3)</sup> Nora Scheinkestel will retire from the Board on 1 December 2015.

<sup>(4)</sup> Alberto Calderon was a Non-Executive Director until appointed Interim CEO on 23 March 2015. He was appointed CEO on a permanent basis on 19 May 2015.

## Section B. Remuneration Policy and Structure

### B.1 Remuneration Framework Components

This section outlines the elements of Executive KMP remuneration in financial year 2015, how remuneration is linked to performance and how remuneration outcomes are delivered. It reflects the changes to the Executive Remuneration Framework introduced in financial year 2015.

Orica's Remuneration framework is designed to attract, motivate, reward and retain executives through a remuneration approach that is globally relevant, competitive, aligns with shareholder interests and has a high perceived value. It also provides a combination of incentives intended to drive performance against the Company's short and longer term objectives. Orica's Remuneration framework for each Executive comprises three components:

- **Fixed Annual Remuneration (FAR):** salary and other benefits not subject to performance conditions;
- **Short-Term Incentive (STI):** an 'at risk' component, awarded on the achievement of performance conditions over a 12 month period that comprises both a cash component and a component deferred into equity; and

# Directors' Report – Remuneration Report

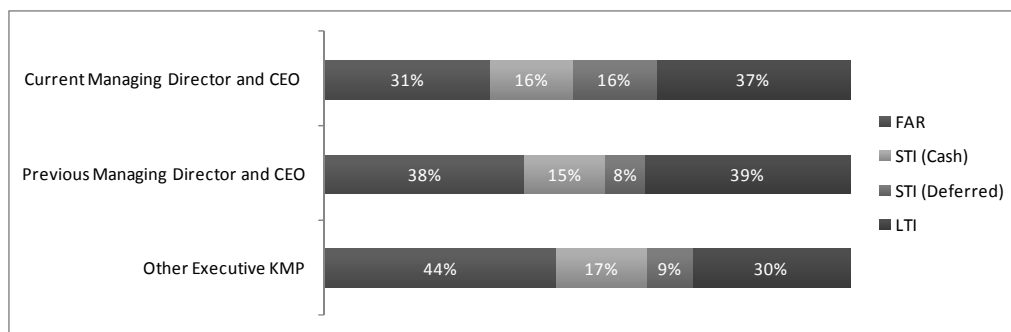
- **Long-Term Incentive (LTI):** an 'at risk' component, awarded on the achievement of performance conditions over a three year period that comprises an equity component only.

## Remuneration mix

The Board considers that a significant proportion of Executive remuneration should be 'at risk' to provide alignment with the interests of shareholders and to drive performance against the Company's short and longer term business objectives. The STI and LTI plans only provide material rewards to an Executive if the performance measures of each plan are met.

The graph below shows the target remuneration mix for financial year 2015, based on the earnings opportunity for all Executives excluding the newly appointed CFO <sup>(1)</sup> <sup>(2)</sup>.

A. Calderon's total remuneration has a lower fixed component and a higher proportion at risk compared to other KMP and the previous CEO.



<sup>(1)</sup> Remuneration mix assumes STI at target and a fair value calculation (as per Australian Accounting Standards Board, AASB 2) of the long term incentive (LTI) award at grant using an external valuation from PricewaterhouseCoopers.

<sup>(2)</sup> Remuneration mix for T Schutte is FAR - 42%, STI (Cash) - 19%, STI (Deferred) - 10% and LTI - 29%.

## B.2 Executive KMP Remuneration policy and structure

### Fixed Annual Remuneration

Fixed Annual Remuneration is set to attract and retain Executives with the right talent to achieve results. As such, it is generally set with reference to the market median for listed companies of a comparable market capitalisation to Orica, having regard to an individual's responsibilities, performance, qualifications, skills and experience.

Consideration is also given to business and individual performance and where appropriate, additional sector or industry-specific data is taken into consideration in benchmarking fixed remuneration.

### Short-Term Incentive

The Short-Term Incentive Plan is intended to drive performance against the Company's short-term business objectives. STI payments are at risk, subject to the achievement of pre-defined Company and Personal performance hurdles which are set annually by the Board at the beginning of the performance period. Under the plan, Company and Personal objectives operate independently and the weighted result for each is then multiplied together to determine the final STI amount.

In financial year 2015, the mandatory deferral of a proportion of STI paid into Orica shares for a period of 12 months was introduced for Executive KMP. Use of deferral is designed to further align Executive remuneration to shareholders by delivering an increased proportion of remuneration in Orica equity and to provide the ability for entitlements to be forfeited for misconduct if required.

Executives generally will forfeit all deferred shares if they cease employment with Orica by reason of resignation or termination for cause during the 12 month deferral period.

### What are the STI performance measures?

Each Executive KMP has a set of Company and Personal performance objectives. Company objectives common to all Executive KMP are selected to reflect Orica's focus on people and operational safety, financial performance arising from execution of business strategy and delivery against measures that impact long-term sustainability.

For each component of the STI, three performance levels are set.

- Threshold, below which no STI is paid;
- Target, typically reflects an improvement on historical achievement or a business improvement targeted outcome, in both cases in line with relevant corporate plans and budgets; and
- Maximum, which is materially better than Target.

# Directors' Report – Remuneration Report

For financial year 2015, the Company objectives were as follows:

Company objectives	Component	Weighting
<b>Safety, Health and Environment</b>	Reduction in overdue actions arising from major risk assessments, audits and ICAMs below target percentage <sup>(1)</sup>	8.33%
	Improvement in All Worker Recordable Case Rate (AWRCR) <sup>(2)</sup>	8.33%
	Improvement in Process Safety <sup>(3)</sup>	8.33%
<b>Earnings measures</b>	Improvement on previous year's Earnings Before Interest and Taxation (EBIT) <sup>(4)</sup>	12.50%
	Improvement in Net Profit After Tax (NPAT) <sup>(5)</sup>	12.50%
<b>Margin measures</b>	Improvement in Gross Margin percentage	12.50%
	Improvement in Cash Conversion percentage	12.50%
<b>Board discretion</b>	Amount which may be payable, determined at the Board's discretion	25.00%

<sup>(1)</sup> Incident Cause Analysis Method (ICAM) is Orica's global incident investigation method.

<sup>(2)</sup> Measures number of recordable cases (using Occupational Safety and Health Administration (USA) guidelines) per 200,000 hours worked by employees and contractors.

<sup>(3)</sup> Process Safety measure defined as Process Excursions (loss of Containment) = On and Off Site Environmental Impact (Severity 2, 3 and 4 incidents).

<sup>(4)</sup> For STI purposes EBIT is defined as earnings from Continuing Operations before interest, tax and individually material items.

<sup>(5)</sup> NPAT is defined as Net Profit After Tax from Continuing Operations before individually material items attributable to shareholders of Orica Limited.

In addition, each Executive is set three equally-weighted Personal objectives specific to their area of influence. A fourth discretionary component (weighted equally with the Personal objectives) is determined at the Board's discretion.

Objectives are approved by the Board at the start of each financial year and are set out in a formal Performance Agreement. Performance is measured over the financial year preceding the STI payment date.

## **What can an Executive earn through the STI Plan?**

The employment agreements of each Executive specify a target STI, expressed as a percentage of Fixed Remuneration (100% for the MD & CEO, 70% for the CFO and 60% for remaining Executives).

Each objective has a minimum threshold, below which no incentive is paid for that measure, and a maximum limit that caps payment (with a straight line scale applied between threshold and maximum). The Plan design allows for up to 2 times target STI to be earned (i.e., 200% of Fixed Remuneration for the MD & CEO, 140% for the CFO and 120% for remaining Executives) when maximum performance is achieved (125% for Company objectives multiplied by 160% for Personal objectives). An Executive will not be eligible for a payment if their employment is terminated due to misconduct or poor performance, nor in general if they resign before the end of the STI performance period. In limited circumstances, approved by the Board, a participant may be awarded a pro-rata STI payment.

The Board retains an overriding discretion in relation to payments (if any) under the STI Plan, regardless of whether any of the STI performance objectives have been satisfied. Where there is a change of control, the Board also has the discretion to pay some or all of the STI available for that financial year.

## **Long-Term Incentive (LTI)**

The Long Term Incentive Plan (LTIP) is intended to drive performance against the Company's long-term business objectives. The current plan was introduced in financial year 2015, replacing the previous loan-based equity incentive plan (LTEIP). Previously granted but unvested awards under LTEIP remain on foot as detailed in Section D.2. Further information on LTEIP can be found in note 19 to the financial statements.

# Directors' Report – Remuneration Report

## What are the LTIP performance measures?

Under the LTIP, 50% of the total Rights granted are subject to a Return on Capital (ROC) performance condition and the other 50% are subject to performance against a Relative Total Shareholder Return (RTSR) performance condition. These measures have been selected to align Executives to shareholder interests (RTSR) and return on capital (ROC).

Performance against each of the measures is assessed independently in determining LTIP vesting outcomes. The targets applicable for the financial year 2015 LTIP grants were as follows:

Performance measure	Performance period (01/10/2014 – 30/09/2017)	
<b>Return on Capital</b>	<b>ROC Performance (3 year average)</b>	<b>Percentage of performance rights subject to ROC vesting</b>
ROC is calculated by dividing Orica's EBITDA by Enterprise Value for each year of the relevant performance period.  Return on Capital = EBITDA/Enterprise Value  EBITDA = Earnings from Continuing Operations Before Depreciation, Amortisation, net borrowing costs and Tax Enterprise Value = Total Shareholders' Equity + Net Debt (at end of each year during the performance period) ROC for each of the three years of the performance period is then averaged to determine the overall outcome. ROC is measured at the end of each financial year and averaged following the end of the last financial year of the performance period <sup>(1)</sup>	Below 15%  At 15%  Between 15% and 30%	0%  25%  Straight line between 25% and 100%
<b>Relative Total Shareholder Return</b>	<b>Orica RTSR percentile ranking against ASX 100</b>	<b>Percentage of performance rights subject to RTSR vesting</b>
RTSR is calculated by measuring a combination of share price appreciation and dividends re-invested to show the total return to shareholders over the three year performance period. Orica's RTSR is then ranked on a relative basis with the RTSR performance against all companies in the ASX 100 (with no exclusions) at the start of the performance period. Orica receives an independent report that sets out Orica's TSR growth and that of each company in the RTSR comparator group.	Below 50th percentile 50th percentile (Target performance) Between 50th and 75th percentile 75th percentile and above (Maximum performance)	0% 50% Straight line between 50% and 100% 100%

<sup>(1)</sup> Refer to Section C.5 for further detail on the impact of the asset impairment on unvested and future LTI grants.

Performance is measured over a three year performance period. Each performance measure has a minimum level of performance, below which no vesting will occur. If the minimum performance level is not achieved, the Rights subject to this performance measure will be forfeited. The performance condition is only tested once at the end of the performance period. Any Rights that do not vest following testing of the performance conditions at the end of the performance period will lapse.

## What can an Executive KMP earn through the LTI Plan?

As a result of the Executive Remuneration Review in financial year 2014, Orica increased long-term incentive participation levels to reflect a greater weighting of Executive remuneration mix towards longer-term performance objectives and to align grant quantum with market benchmarks. With the introduction of the LTI Plan, the Board took the opportunity to review Orica's LTI allocation methodology which is used to determine the number of Rights to be granted to Executives. For reasons of transparency to shareholders and simpler communication to Executives, a face value allocation methodology was adopted.

Using face value, the actual number of Rights issued to each Executive is determined by dividing their respective LTI potential remuneration (expressed as a percentage of FAR) by the 5 day volume weighted average price (VWAP) of Orica shares at the time of award. The previous LTEIP grants were used as a reference point for establishing the quantum of FY2015 grants to Executives. As the LTEIP and LTIP grants differ in structure, both grants were valued on a fair value basis to enable comparison. The FY2015 grants were then converted using the face value approach discussed above. The number of Rights issued provides Executive KMP, excluding the MD & CEO, a grant opportunity in face value terms of 100% of FAR (estimated 65% fair value equivalent). For the new MD & CEO, the number of Rights to be issued for FY2016 (subject to shareholder approval) will provide a grant opportunity in face value terms of 180% of FAR (estimated 120% fair value equivalent). The fair value equivalents shown above are based on the AASB 2 accounting valuation of the FY2015 grants undertaken by PricewaterhouseCoopers following the date of grant on 23 February 2015.

Each Right entitles the Executive to receive one share in Orica upon vesting. The number of Rights that vest is determined by performance outcomes compared with pre-determined Company performance measures. If an Executive ceases employment with Orica due to resignation or dismissal for misconduct before the vesting date of the Rights, the Rights are forfeited and the Executive receives no benefit. In the case where an Executive ceases employment with Orica for any other reason such as retirement, redundancy, mutually agreed separation, ill-health etc., the cessation of employment provisions of the LTI Plan rules enable the Board to determine the treatment of unvested Rights.

Where there is a change of control, the Board may in its discretion determine the treatment of unvested Rights. If it does not exercise its discretion, a pro-rata number of Rights will vest only to the extent any performance conditions have been met on change of control.

# Directors' Report – Remuneration Report

## Service Agreements

Remuneration and other terms of employment for Executive KMP are formalised in service agreements. The terms and conditions of employment of each Executive reflect market conditions at the time of their contract negotiation on appointment or subsequently. The material terms of the employment contracts for the current executives are summarised in the table below and subject to applicable law.

Contractual Term	Executives affected	Conditions
Duration of contract	All	Permanent full-time employment contract until notice given by either party.
Notice period to be provided by Executive	All Executive KMP	6 months.
Notice period to be provided by Orica	CEO  Other Executive KMP	6 months. Orica may elect to make payment in lieu of notice. In the event of Orica terminating the service agreement, the CEO will be entitled to receive a termination payment of 6 month's salary in addition to the notice period. Should the CEO's service agreement be terminated by mutual agreement, 6 month's salary is payable (in which case no notice is required to be given).  13 weeks (26 weeks for T H Schutte). Should the Company wish to terminate any of the other Executive KMP other than the CEO for convenience, the Company must provide the Executive a payment equal to one times their average fixed annual remuneration over the preceding three years.
Post-employment restraints	All Executive KMP	Each of the Executive KMP has also agreed to restraints and non-solicitation undertakings as part of their service agreements, which will apply upon cessation of their employment to protect the legitimate business interests of Orica.

## Malus

A Malus Standard has been introduced which allows the Board to require any Executive to forfeit in full or in part any unvested LTIP or deferred STI award as a result of:

- (a) a material misstatement in financial results;
- (b) behaviour that brings Orica into disrepute or has the potential to do so;
- (c) serious misconduct; or
- (d) any other circumstance, which the Board has determined in good faith.

In considering whether any adjustment is necessary in respect of any or all participants, the Board may take into account the individual's level of responsibility, accountability or influence over the action or inaction, the quantum of the actual loss or damage, any impact on Orica's financial soundness, the extent to which any internal policies, external regulations and/or risk management requirements were breached and any other relevant matters.

## Minimum Shareholding Guidelines

An Executive Minimum Shareholding Guideline was introduced from 1 January 2015 which requires Executives to build their shareholding so that they have a significant exposure to Orica's share price performance. Executives must accumulate a minimum vested shareholding in Orica equivalent to 50% fixed remuneration (and 100% fixed remuneration for the CEO) over six years from the end of calendar year 2016 for existing employees or from commencement of employment for new appointments. Meaningful progress should be demonstrated over the course of the shareholding period and a progress report will be provided to the Committee on an annual basis. The total shareholding of Executives is shown in the table in Section D.4 of this Report.

## Share trading policy

All KMP are required to comply with Orica's 'Guidelines in dealing with Securities' at all times and in respect of all Orica shares held, including, for Executive KMP, shares held under LTEIP or any other employee share plan. Trading is generally only permitted during designated trading windows and subject to pre-clearance. In addition, Executive KMP are prohibited from using any Orica shares as collateral in any margin loan or derivative arrangement.

## B.3 Non-Executive Director Remuneration policy and structure

Fees for Non Executive Directors (Directors) are set by reference to a number of relevant considerations including responsibilities and time commitment attaching to the role of Director, the Company's existing remuneration policies, survey data sourced from external specialists, fees paid by comparable companies, and the level of remuneration required to attract and retain directors of the appropriate calibre. There are no additional retirement benefits and Directors do not receive any form of performance based pay.

To create alignment between Directors and shareholders, Directors are required to hold (or have a benefit in) shares in the Company equivalent in value to at least one year's base fees. Such holdings must be acquired over 6 years past appointment using personal funds and includes shares held in superannuation accounts or other entities controlled by the Director.

The current aggregate fee pool for Directors of \$2,500,000 was approved by shareholders at the Company's 2010 Annual General Meeting. The Company pays both superannuation and committee fees to the Directors out of the maximum aggregate fee pool. The table below sets out the elements of Director fees and other benefits.

# Directors' Report – Remuneration Report

Board Fees		Chair of Board <sup>(1)</sup>	Non-Executive Director
Board		\$510,000	\$170,000
Committee fees		Chair of Committee	Committee member
Audit and Risk Committee		\$45,000	\$22,500
Human Resources and Compensation Committee (HR&C)		\$45,000	\$22,500
Safety, Health and Environment Committee (SH&E)		\$45,000	\$22,500
Other Benefits			
<b>Superannuation</b>	Superannuation contributions are made on behalf of the Directors at a rate of 9.5% being the current superannuation guarantee contribution rate. The Company only makes contributions up to the amount required to avoid imposition of the superannuation guarantee charge and not on the total fees paid.		
<b>Other fees/benefits (not included in shareholder approved cap)</b>	Directors receive a travel allowance based on the hours travelled to a Board meeting. If travel to attend a meeting takes between 3 hours and 12 hours, the allowance paid is \$2,500 per meeting. If travel time exceeds 12 hours, the allowance paid is \$5,000 per meeting. Directors are also permitted to be paid additional fees for extra services or special exertions.		

<sup>(1)</sup> Committee fees are not paid to the Chairman of the Board.

## Section C. Financial year 2015 Executive Remuneration Outcomes

### C.1 Business Performance in financial year 2015

In financial year 2015, Orica experienced on-going challenging conditions facing the mining sector and the oversupplied ammonium nitrate market. Following a full review of the business, Orica recognised a non-cash impairment charge of \$1,691.6m (after Tax and Non-Controlling Interest) on certain property, plant and equipment, intangible and other assets.

#### Over the past five years:

- cumulative Total Shareholder Return (movement in the Company's share price plus dividends received by shareholders) was (13.57%) percent.
- an average of 93.6 cents per ordinary share per annum has been paid to shareholders in dividends.
- compound EBIT (before individually material items) per share (EPS) growth was approximately (9.2%) percent.

The table below summarises key indicators of the performance of the Company and relevant shareholder returns over the past five financial years.

Financial year ended 30 September	2011	2012	2013	2014	2015
Profit/(loss) from Operations (\$m)	1,028.3	655.4	968.1	929.7	(1,195.0)
Individually material items (\$m)	-	367.2	-	-	1,884.4 <sup>(4)</sup>
EBIT (\$m) <sup>(1)</sup>	1,028.3	1,022.6	968.1	929.7	689.4
Dividends per ordinary share (cents)	90.0	92.0	94.0	96.0	96.0
Closing share price (\$ as at 30 September) <sup>(2)</sup>	23.48	24.87	20.06	18.90	15.04
3 month average share price (1 July to 30 September) each year	24.56	24.83	19.59	20.56	17.29
EPS growth (%) <sup>(1)</sup>	(6.52%)	2.54%	(8.43%)	0.49%	(30.00%)
NPAT (\$m) <sup>(1)</sup>	642.3	650.2	592.5	602.5	424.2
External Sales (\$m)	6,182.3	6,674.1	6,885.2	6,796.3	6,123.2
Cumulative TSR (%) <sup>(3)</sup>	3.48	8.46	(10.89)	(2.30)	(13.57)

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

<sup>(2)</sup> The opening share price for financial year 2011 was \$25.71.

<sup>(3)</sup> Cumulative TSR has been calculated using the same start date for each period measured (1 October 2010). In calculating the cumulative TSR, 3 month average share prices (1 July to 30 September for each year) have been used in order to smooth out the effects of any share price fluctuations around the start and end dates of each period. The opening start average price for financial year 2011 was \$24.95.

<sup>(4)</sup> This figure is before interest, tax and non-controlling interest. After these items it equates to a loss of \$1,691.6m.



# Directors' Report – Remuneration Report

## C.2 Fixed Annual Remuneration in financial year 2015

Salaries for all Executive KMP were frozen at financial year 2014 levels. A Calderon was appointed on fixed remuneration (FAR) including statutory superannuation entitlements of \$1,800,000, a 28% decrease from the previous CEO's fixed remuneration of \$2,500,000. T H Schutte was appointed on FAR equivalent to the previous Executive Director Finance.

Name	FAR <sup>(1)</sup>
<b>Current Executive Directors</b>	
A Calderon	1,800,000
<b>Current Executive KMP</b>	
T H Schutte	950,000
N R Bowen	950,000
T J Edmondstone <sup>(2)</sup>	808,896
R Hoggard <sup>(3)</sup>	890,976

<sup>(1)</sup> Fixed Annual Remuneration (FAR) includes Base pay, and superannuation. FAR is reviewed annually by the Board following the end of each financial year and adjustments are, in general, effective from 1 January of the following year. Accordingly, the amounts set out in the table above are the Executives' fixed annual remuneration as at 30 September 2015.

<sup>(2)</sup> Salary based on Singapore dollar amount converted at average foreign exchange rate for the year.

<sup>(3)</sup> R Hoggard permanently relocated from Australia to Singapore in financial year 2015. At the time of relocation his Australian FAR was converted to Singapore dollars using the 12 month average exchange rate at the date of relocation. The Singapore component of his salary has been converted back to Australian dollars using an average foreign exchange rate for the year.

## C.3 Short-Term Incentive outcomes in financial year 2015

### Revision of STI targets due to sale of Chemicals business

Financial year 2015 STI targets were set prior to the sale of the Chemicals business and incorporated a full year's contribution from that business. Following the sale part way through the financial year, the Board determined that an adjustment to the STI targets was appropriate to reflect the changed status of the company. The Board determined that the most equitable and transparent approach was to remove Chemicals earnings for the full year. As a result, the following actions were taken:

- Earnings (EBIT and NPAT) targets were revised and measured on the basis of Orica's Continuing Operations only (approximately 11% reduction).
- Gross Margin target levels were reviewed and increased.
- Cash conversion and Safety target levels were also reviewed but no adjustments were made as the impact of the sale of the Chemicals business was not material.

### Performance against Short Term Incentive objectives in financial year 2015

Performance against each component of the STI plan is outlined below:

- NPAT and EBIT targets were set to represent an improvement on financial year 2014 performance. These targets were not achieved based on Orica's Continuing Operations in challenging market conditions.
- Safety targets were set with input from the Board Safety, Health and Environment Committee and reflect Orica's commitment to continuously improving safety performance. AWRRCR improved on 2014 performance, resulting in achievement between target and maximum. Process excursions were significantly below 2014, resulting in maximum achievement. Progress on overdue actions was just below the target set and remains an area of management's focus going forward.
- Gross Margin and Cash Conversion targets were set in line with financial year 2014 outcomes, which exceeded financial year 2014 performance targets significantly. The gross margin target was increased to reflect Continuing Operations and was achieved between threshold and target on this basis. The cash conversion target was set to represent an improvement on the 2014 target and was achieved between threshold and target.
- Considering the above and the non-cash impairment charges taken at year end, the Board determined not to award any discretionary component for Company performance to continuing Executives and as a result, a threshold outcome was achieved on the Company Performance component.
- Personal objectives for each Executive KMP were determined and approved by the Board at the commencement of the financial year. In 2015, these objectives related primarily to achievement of quantifiable transformation initiatives including delivery of gross cost and headcount savings. Management outperformed against transformation targets. However, the Board determined to limit discretion to target on the Personal Performance component for continuing Executives.
- Taken together, Company and Personal outcomes resulted in management forfeiting on average 68% of their opportunity, with the average STI award at around 32% of maximum.

# Directors' Report – Remuneration Report

Performance against the STI objectives for financial year 2015 is illustrated in the table below:

		Outcome for financial year 2015		
Company Performance Objective		Threshold	Target	Maximum
<b>Safety</b>	Percentage of overdue actions vs. target		●	
	All Worker Recordable Case Rate (AWRCR)			●
	Process Safety			●
<b>Earnings</b>	EBIT	Below Threshold		
	NPAT	Below Threshold		
<b>Margin</b>	Gross Margin		●	
	Cash Conversion		●	
<b>Discretion</b>		Not awarded		
<b>Personal Performance Objectives for continuing Executives</b>				
Individual measures based on initiatives and key project deliverables linked to sustainable improvement in company performance, including discretion			↔	
<b>Overall STI Outcome for continuing Executives</b>		●		

## Short Term Incentives awarded in financial year 2015

For the year ended 30 September 2015	Maximum STI opportunity \$000	Actual STI paid in cash \$000	Actual STI paid in deferred equity <sup>(4)</sup> \$000	Actual STI payment as % of maximum STI	% of Maximum STI payment forfeited/forgone
<b>Current Executive KMP</b>					
A Calderon <sup>(1)</sup>	1,331.5	Nil	452.2	34.0	66.0
T H Schutte <sup>(2)</sup>	-	-	-	-	-
N R Bowen	1,140.0	168.9	168.9	29.6	70.4
T J Edmondstone	970.7	155.8	155.8	32.1	67.9
R Hoggard	1,069.2	171.7	171.7	32.1	67.9
<b>Former Executive KMP</b>					
I K Smith <sup>(3)</sup>	-	-	-	-	-
C B Elkington <sup>(3)</sup>	1,140.0	678.5	-	59.5	40.5
A J P Larke <sup>(3)</sup>	-	-	-	-	-

<sup>(1)</sup> A Calderon was eligible for a pro-rata STI payment from the date of his permanent appointment to CEO (19 May 2015). He was not eligible for any incentive payment in respect of his period as Interim CEO.

<sup>(2)</sup> T Schutte was not eligible for any STI payment in financial year 2015 having commenced on 1 September 2015.

<sup>(3)</sup> A J P Larke's contractual arrangements in relation to the sale of Orica's Chemicals business provided for total incentive payments of \$3,300,000 in lieu of any participation in STI or LTIP in financial year 2015. For further details refer to Section C.6.

<sup>(4)</sup> Under AASB 2 Share Based Payments, STI paid to Executives as deferred equity is accounted for as a share based payment and expensed over two years. Accordingly, 50% of the value of the deferred equity has been included in the executives share based payments expense in 2015 and the remainder will be included in 2016.

# Directors' Report – Remuneration Report

## C.4 Long-Term Incentive outcomes

### Awards vesting in 2015 under the LTEIP

The 2011 LTEIP award was tested in November 2014. The 2011 LTEIP award had one performance hurdle, namely Earnings per Share (EPS) growth. As the compound EPS growth over the plan period was below the threshold performance level, no loan forgiveness was applied. Executives achieved no capital gains on their shares and forfeited their 2011 LTEIP shares in full settlement of the outstanding loan balances. No new awards were offered under LTEIP in the 2015 financial year.

The following table shows the current balances of the non-recourse loans for the Executive KMP:

For the year ended 30 September 2015	Opening balance \$	Advances during FY2015 <sup>(1)</sup> \$	Repayments during FY2015 <sup>(2)</sup> \$	Closing balance \$	Interest free value \$	Highest indebtedness \$
<b>Former Executive Directors</b>						
I K Smith <sup>(3)</sup>	22,781,525	-	22,781,525	-	445,230	22,781,525
C B Elkington <sup>(3)</sup>	3,607,721	-	1,078,091	2,529,630	155,387	3,607,721
<b>Current Executive KMP</b>						
N R Bowen	1,351,657	-	27,793	1,323,864	67,739	1,351,657
T J Edmondstone	1,804,823	-	36,034	1,768,789	90,477	1,804,823
R Hoggard	2,284,203	-	45,605	2,238,598	114,509	2,284,203
<b>Former Executive KMP</b>						
A J P Larke <sup>(3)</sup>	3,673,578	-	1,218,848	2,454,730	155,158	3,673,578
<b>Total Executive Key Management Personnel</b>	<b>35,503,507</b>	<b>-</b>	<b>25,187,896</b>	<b>10,315,611</b>	<b>1,028,500</b>	<b>35,503,507</b>

<sup>(1)</sup> No new loan advances under the LTEIP were made in financial year 2015 as the plan was replaced by the Long Term Incentive Plan.

<sup>(2)</sup> Constitutes repayments including after tax dividends paid on the shares applied against the loan and forfeiture of LTEIP options.

<sup>(3)</sup> Refer to Section C.6.

### Historic awards to Executive KMP under the LTEIP

Over the past five years, the LTEIP has provided a loan forgiveness benefit in only one instance and has provided modest capital appreciation to Plan participants in three of the past five years. Details of LTEIP benefits which have vested over the past 5 years are tabled below.

Plan	Hurdles (Target)	Vesting date	Allocation price	Perfor- mance period	LTEIP Performance Outcomes			
					Hurdle achievement	Was a capital benefit derived (i.e. did the Executives keep their shares?)	Was loan forgiveness / waiver granted?	Was the maximum loan forgiveness granted?
<b>2007 Offer</b>	TSR growth: average 20% pa or greater (compound)	Dec 2010	\$31.76	3 years	Below threshold	No	No	No
<b>2008 Offer</b>	TSR growth: average 20% pa or greater (compound)	Dec 2011	\$16.13	3 years	26.8% TSR growth	Yes	Yes	No
<b>2009 Offer</b>	TSR growth: average 20% pa or greater (compound)	Dec 2012	\$24.79	3 years	Below threshold	Yes	No	No
<b>2010 Offer</b>	EPS growth: average 10% pa or greater (compound)	Dec 2013	\$25.23	3 years	Below threshold	Yes	No	No
<b>2011 Offer</b>	EPS growth: average 10% pa or greater (compound)	Dec 2014	\$25.18	3 years	Below threshold	No	No	No

### Historic awards to Executive KMP under the Long Term Incentive Rights Plan (LTIRP)

Two of the current Executive KMP, T J Edmondstone and R Hoggard were issued rights under the LTIRP as senior Executives in December 2011. These were tested in November 2014 and did not vest so no benefit was provided. Further information on the LTIRP is provided in note 19 of the financial statements.

# Directors' Report – Remuneration Report

## **C.5 Impact of Asset Impairment on Unvested and Future LTI Grants**

The Board has reviewed the unvested long-term incentive grant made in 2015 under the LTIP, to ensure that Executives do not gain an advantage as a result of the asset impairment. The Board has determined that ROC for the 2015 LTIP grant will be calculated for the performance period (2015-17) on the basis of the unimpaired Enterprise Value i.e., the impairment (\$1.692 billion) will be added back to Enterprise Value at the end of each of the three years for the purpose of calculating ROC.

For the 2016 grant (to be tested in 2018) ROC will be calculated on the basis of an Enterprise Value (after impairment) over the performance period (2016-18) and the return range of 15-30% will be retained as it is considered to represent an appropriate ROC benchmark given market conditions.

## **C.6 Arrangements for departing Executives**

### **Former Managing Director and CEO**

The former Managing Director and CEO, I K Smith, ceased employment with Orica on 23 March 2015. His employment agreement was for a defined period and, upon cessation of employment, I K Smith was paid his contractual entitlements, including a payment of \$2.5 million, comprising a severance payment equal to 6 months of his fixed remuneration and payment in lieu of the 6 month notice period provided for under his contract.

In accordance with plan rules, I K Smith forfeited all of his unvested entitlements under Orica's short and long-term incentive plans.

### **Former Executive Director, Finance**

The former Executive Director, Finance, C B Elkington ceased employment with Orica on 30 September 2015. In addition to his statutory entitlements to accrued leave, under the terms of his service agreement, he was entitled to a severance payment of \$924,700 upon cessation of his employment equivalent to one times his average fixed remuneration over the past 3 years.

C B Elkington remained eligible for a full-year payment under the STI Plan and his STI payment represents an overall outcome at slightly above target level. In determining this outcome, the Board awarded a discretionary component in relation to both the Company and his Personal objectives, recognising his contribution to the sale of the Chemicals business and his assistance in transitioning to the new Chief Financial Officer. As C B Elkington ceased employment on 30 September 2015, no part of C B Elkington's STI was subject to further deferral.

In accordance with the cessation provisions of the LTEIP and LTIP rules applying to mutually agreed separation, the Board determined that unvested LTEIP and LTIP entitlements should remain 'on foot'.

### **Former Executive Global Head, Chemicals, Strategy and Planning**

A J P Larke became CEO of IXOM on 27 February 2015 (Orica's former Chemicals business) following its sale to funds advised by Blackstone. A J P Larke's contractual arrangements in relation to the sale of Orica's Chemicals business provided for total incentive payments of \$3,300,000 in lieu of any participation in STI or LTIP in financial year 2015. The incentive was paid in 3 instalments, one-third on Board approval of the sale, one-third on successful completion of the sale and one-third 6 months after successful completion of the sale. As A J P Larke transitioned to IXOM as CEO, his employment at Orica ceased with no entitlement to a termination payment.

In accordance with the cessation provisions of the LTEIP rules applying to mutually agreed separation, the Board determined that unvested LTEIP entitlements should remain 'on foot'.

# Directors' Report – Remuneration Report

## Section D. Executive KMP – Remuneration Tables and Data

### D.1 Nature and Amount of each Element of Remuneration of Executive KMP

Details of the nature and amount of each element of remuneration of Executive KMP are set out in the following table:

	Short term employee benefits			Post employment benefits	Termination Benefits	Other Long Term Benefits <sup>(3)</sup>	Total excluding SBP* Expense <sup>(4)</sup> \$000	Share Based Payments <sup>(4)</sup> <sup>(9)</sup> \$000	Total \$000
	Base (Fixed) Pay \$000	Cash STI Payment <sup>(1)</sup> \$000	Other Benefits <sup>(2)</sup> \$000	Super-annuation Benefits \$000					
<b>Current Executive Directors</b>									
<b>A Calderon <sup>(5)</sup></b>									
2015	1,109.3	-	34.2	18.9	-	-	1,162.4	226.1	1,388.5
2014	208.4	-	-	18.0	-	-	226.4	-	226.4
<b>Former Executive Directors</b>									
<b>I K Smith <sup>(6)</sup></b>									
2015	1,186.1	-	(60.0)	9.4	2,500.0	-	3,635.5	(2,142.0)	1,493.5
2014	2,481.9	1,554.0	(26.0)	18.0	-	-	4,027.9	2,159.4	6,187.3
<b>C B Elkington <sup>(6)</sup></b>									
2015	931.1	678.5	4.6	18.9	924.7	15.9	2,573.7	1,163.6	3,737.3
2014	926.1	372.6	25.0	18.0	-	39.1	1,380.8	347.5	1,728.3
<b>N A Meehan <sup>(7)</sup></b>									
2014	101.2	-	9.2	2.9	593.3	0.2	706.8	313.6	1,020.4
<b>Total Executive Directors</b>									
2015	3,226.5	678.5	(21.2)	47.2	3,424.7	15.9	7,371.6	(752.3)	6,619.3
2014	3,717.6	1,926.6	8.2	56.9	593.3	39.3	6,341.9	2,820.5	9,162.4
<b>Current Executive KMP</b>									
<b>T H Schutte</b>									
2015	79.2	-	554.1	-	-	-	633.3	-	633.3
<b>N R Bowen</b>									
2015	931.1	168.9	4.6	18.9	-	-	1,123.5	370.2	1,493.7
2014	829.9	365.6	323.8	16.5	-	-	1,535.8	107.1	1,642.9
<b>T J Edmondstone <sup>(8)</sup></b>									
2015	808.9	155.8	573.4	-	-	9.7	1,547.8	91.6	1,639.4
2014	740.6	281.9	570.4	-	-	10.7	1,603.6	194.8	1,798.4
<b>R Hoggard</b>									
2015	891.0	171.7	93.4	4.7	-	3.5	1,164.3	278.9	1,443.2
2014	813.2	316.4	18.8	18.0	-	23.3	1,189.7	236.1	1,425.8
<b>Total Current Executive KMP</b>									
2015	2,710.2	496.4	1,225.5	23.6	-	13.2	4,468.9	740.7	5,209.6
2014	2,383.7	963.9	913.0	34.5	-	34.0	4,329.1	538.0	4,867.1
<b>Former Executive KMP</b>									
<b>A J P Larke <sup>(6)</sup></b>									
2015	375.2	-	3,304.6	7.8	-	6.4	3,694.0	502.1	4,196.1
2014	893.5	734.4	49.5	18.0	-	21.3	1,716.7	358.6	2,075.3
<b>A M Andrew</b>									
2014	62.5	-	15.6	-	-	-	78.1	2.9	81.0
<b>Total Former Executive KMP</b>									
2015	375.2	-	3,304.6	7.8	-	6.4	3,694.0	502.1	4,196.1
2014	956.0	734.4	65.1	18.0	-	21.3	1,794.8	361.5	2,156.3
<b>Total Executive KMP</b>									
2015	3,085.4	496.4	4,530.1	31.4	-	19.6	8,162.9	1,242.8	9,405.7
2014	3,339.7	1,698.3	978.1	52.5	-	55.3	6,123.9	899.5	7,023.4
<b>Total</b>									
2015	6,311.9	1,174.9	4,508.9	78.6	3,424.7	35.5	15,534.5	490.5	16,025.0
2014	7,057.3	3,624.9	986.3	109.4	593.3	94.6	12,465.8	3,720.0	16,185.8

<sup>(1)</sup> Share Based Payments (SBP).

<sup>(2)</sup> Cash STI Payment includes payments relating to 2015 performance accrued but not paid until financial year 2016.

<sup>(3)</sup> These benefits include relocation costs, car parking, medical costs, movement in annual leave accrual, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax)

<sup>(4)</sup> This benefit includes the movement in long service leave accrual.

<sup>(5)</sup> Refer to Section D.2. Includes the value calculated under AASB 2 Share Based Payments to Executives which vest over three years. Value only accrues to the Executive when performance conditions have been met. The Share Based Payments expense represents the amount required under

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Accounting Standards to be expensed during the year in respect of current and past long term incentive allocations to Executives. These amounts are therefore not amounts actually received by Executives during the year or at any other time. The mechanism which determines whether or not long term incentives vest in the future is described in Section B.2.

- (5) Included within the base pay for A Calderon is \$106,400 of Director and Committee fees from when he was a Non-Executive Director. In the period 23 March 2015 to 19 May 2015, while serving as Interim CEO, A Calderon received a fee of \$185,000 per calendar month together with statutory entitlements to superannuation, in return for providing a service outside the ordinary scope of acting as a Director of Orica. A Calderon stepped down from the Audit & Risk and Safety Health and Environment Board Committees and received no other Board or Committee fees during this period. A Calderon was not entitled to any short- or long-term incentive payments related to his interim appointment.
- (6) For further details refer to Section C.6. A J P Larke's contractual arrangements in relation to the sale of Orica's Chemicals business provided for total incentive payments of \$3,300,000 in lieu of any participation in STI or LTIP in financial year 2015.
- (7) The Board determined in November 2013 that, notwithstanding his cessation of employment, N A Meehan would continue to participate in the LTEIP offers that remain 'on foot' and his participation would be treated in accordance with the relevant LTEIP rules in the same manner as all other participating Executives with the relevant share based payments expense under accounting standards being included 50% in his 2014 remuneration. In addition to his statutory entitlements to accrued leave, under the terms of N A Meehan's service agreement, he was entitled to a severance payment of \$1,186,598 upon cessation of his employment (equivalent to 1.0 times his fixed remuneration), 50% of which, under accounting standards, was included in his 2014 remuneration.
- (8) For overseas based Executives, other benefits include up to 100% of relocation and travel allowances, reimbursement of accommodation and living away from home expenses, health insurance, family travel, education and taxation expenses.
- (9) Under AASB 2 Share Based Payments, STI paid to Executives as deferred equity is accounted for as a share based payment and expensed over two years. Accordingly, 50% of the value of the deferred equity has been included in the executives share based payments expense in 2015 and the remainder will be included in 2016.

## D.2 Equity instruments granted to and exercised by Executive KMP

Details of equity instruments granted to and exercised by Executive KMP are set out in the following table:

For the year ended 30 September 2015	Grant date	Granted during FY2015	Exercised during FY2015 <sup>(1)</sup>	Exercised \$	Lapsed	Out-standing at year end	Exercise price \$	Value of options at grant date \$	Value of options included in compensation for the year \$
<b>Current Executive Directors</b>									
A Calderon <sup>(2)</sup>		-	-	-	-	-	-	-	-
<b>Former Executive Directors</b>									
I K Smith									
	24 Feb 12 <sup>(3)</sup>	-	-	- 305,302	-	-	N/A	2,842,362	-
	7 Feb 13 <sup>(3)</sup>	-	-	- 293,080	-	-	N/A	2,614,274	(1,537,808)
	21-Feb 14 <sup>(3)</sup>	-	-	- 317,010	-	-	N/A	2,567,781	(604,184)
	23 Feb 15 <sup>(4)</sup>	196,232	-	- 196,232	-	-	N/A	2,537,280	-
C B Elkington									
	19 Dec 11 <sup>(3)</sup>	-	-	- 42,742	-	-	N/A	342,363	17,880
	7 Feb 13 <sup>(3)</sup>	-	-	-	-	48,143	N/A	429,436	154,783
	21 Feb 14 <sup>(3)</sup>	-	-	-	-	56,216	N/A	455,350	348,209
	23 Feb 15 <sup>(4)</sup>	49,712	-	-	-	49,712	N/A	642,776	642,776
N A Meehan									
	19 Dec 11 <sup>(3)</sup>	-	-	- 62,289	-	-	N/A	498,935	-
	7 Feb 13 <sup>(3)</sup>	-	-	-	-	68,385	N/A	609,994	-
<b>Current Executive KMP</b>									
T H Schutte <sup>(2)</sup>		-	-	-	-	-	-	-	-
N R Bowen									
	21-Feb 14 <sup>(3)</sup>	-	-	-	-	56,216	N/A	455,350	160,712
	23 Feb 15 <sup>(4)</sup>	49,712	-	-	-	49,712	N/A	642,776	124,984
T J Edmondstone									
	19 Dec 11 <sup>(5)</sup>	-	-	- 13,387	-	-	N/A	293,710	(293,710)
	7 Feb 13 <sup>(3)</sup>	-	-	-	-	35,013	N/A	312,316	96,448
	21 Feb 14 <sup>(3)</sup>	-	-	-	-	37,872	N/A	306,763	108,269
	23 Feb 15 <sup>(4)</sup>	40,840	-	-	-	40,840	N/A	528,061	102,679
R Hoggard									
	19 Dec 11 <sup>(5)</sup>	-	-	- 8,302	-	-	N/A	182,146	(182,146)
	7 Feb 13 <sup>(3)</sup>	-	-	-	-	44,313	N/A	395,272	122,116
	21 Feb 14 <sup>(3)</sup>	-	-	-	-	47,931	N/A	388,241	137,026
	23 Feb 15 <sup>(4)</sup>	46,186	-	-	-	46,186	N/A	597,119	116,119
<b>Former Executive KMP</b>									
A J P Larke									
	19 Dec 11 <sup>(3)</sup>	-	-	- 48,669	-	-	N/A	389,839	20,360
	7 Feb 13 <sup>(3)</sup>	-	-	-	-	48,591	N/A	433,432	156,223
	21 Feb 14 <sup>(3)</sup>	-	-	-	-	52,559	N/A	425,728	325,557

(1) The combination of shares and the loan provided to fund those shares under LTEIP constitutes an option under AASB 2. These options vest over three years. Under the terms of LTEIP, the loan must be repaid before the Executives can deal with the shares. Accordingly, the exercise period of these options is the loan repayment period, which commences following the testing of the performance condition, typically in November after the annual results announcement, and continues for a period of 28 days. The options expire if the loan is not repaid within the repayment window. As at Sep 2015 no vested options are outstanding.

(2) A Calderon and T H Schutte did not participate in the financial year 2015 LTIP grant.

(3) Shares issued under LTEIP (refer to note 19 of the financial statements).

(4) Share rights granted under LTIP (refer to Section B.2)

(5) Share rights granted under LTIRP (refer to note 19 of the financial statements).

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## D.3 Long Term Incentive Plan (LTIP) held by Executive KMP

In financial year 2015 LTIP was adopted as the long term incentive component of remuneration for senior executives (including the Executive KMP) selected by the Board based on the role of the individual in guiding the future success of the Company. The number of Rights issued under LTIP issued, values and related information is shown in the following table. Details of LTEIP and LTIRP can be found in note 19 of the financial statements.

There were no loans to Executive KMP other than LTEIP Plan.

Grant date	Vesting date	Number of rights issued	Number of rights held at 30 September 2015	Number of rights held at 30 September 2014	Number of participants at 30 September 2015	Number of participants at 30 September 2014	Fair value of rights at grant date \$
23 Feb 15	30 Nov 17	1,505,466	1,288,862	-	211	-	19,465,675

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 \$
23 Feb 15	19.85	25	4.0	1.88%	12.93

## D.4 Relevant interests of Executive KMP in the share capital of the consolidated entity

	Balance 1 October 2014	Acquired <sup>(1)</sup>	Fully paid ordinary shares held at 30 September 2015	Options for fully paid ordinary shares held at 30 September 2015
<b>Executive KMP</b>				
A Calderon	2,300	2,350	4,650	-
T H Schutte	-	-	-	-
N R Bowen	-	-	-	105,928
T J Edmondstone	-	-	-	113,725
R Hoggard	1,226	1	1,227	138,430
<b>Former Executive KMP</b>				
I K Smith*	-	-	-	-
C B Elkington*	-	-	-	154,071
A J P Larke*	-	-	-	101,150
<b>Total</b>	<b>3,526</b>	<b>2,351</b>	<b>5,877</b>	<b>613,304</b>

\* Closing balance is at cessation of employment.

<sup>(1)</sup> Shares acquired, including through the Dividend Reinvestment Plan (DRP).

# Directors' Report – Remuneration Report

## E. Non-Executive Director – Remuneration Tables and Data

Non-Executive Directors have oversight of the strategic direction of the Company but no direct involvement in the day to day management of the business. Particulars of Non-Executive Director qualifications, experience and special responsibilities are detailed in the Annual Report. The names and positions of the Non-Executive Directors whose remuneration is disclosed in this report are provided in section A.3.

### E.1 Non-Executive Director Remuneration

Details of Non-Executive Directors' remuneration are set out in the following table:

For the year to 30 September 2015	Directors Fees <sup>(1)</sup>	Committee Fees			Super-annuation <sup>(2)</sup>	Other Benefits <sup>(3)</sup>	Total
		Audit and Risk	SH&E	HR&C			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Current Directors</b>							
<b>R R Caplan, Chairman</b>							
2015	510.0	-	-	-	18.9	2.5	531.4
2014	399.1	7.4	-	14.8	18.0	-	439.3
<b>M N Brenner</b>							
2015	170.0	22.5	-	22.5	18.9	2.5	236.4
2014	170.0	15.1	-	33.7	18.0	-	236.8
<b>I D Cockerill <sup>(4)</sup></b>							
2015	170.0	-	45.0	22.5	18.9	61.0	317.4
2014	170.0	-	37.6	15.1	18.0	49.5	290.2
<b>Lim Chee Onn</b>							
2015	170.0	5.6	22.5	16.9	18.9	12.5	246.4
2014	170.0	-	22.5	15.1	18.0	12.5	238.1
<b>N L Scheinkestel</b>							
2015	170.0	22.5	-	45.0	18.9	2.5	258.9
2014	170.0	29.8	-	37.6	18.0	-	255.4
<b>G T Tilbrook</b>							
2015	170.0	45.0	11.3	-	18.9	15.0	260.2
2014	170.0	37.6	-	-	18.0	15.0	240.6
<b>Former Director</b>							
<b>P J B Duncan, Chairman</b>							
2014	170.0	-	-	-	5.9	-	175.9
<b>M Tilley</b>							
2014	56.6	7.5	15.0	-	5.9	-	85.0
<b>Total Non-Executive Directors</b>							
2015	1,360.0	95.6	78.8	106.9	113.4	96.0	1,850.7
2014	1,475.7	97.4	75.1	116.3	119.8	77.0	1,961.3

<sup>(1)</sup> Represents Directors' remuneration earned during the financial year.

<sup>(2)</sup> Company superannuation contributions made on behalf of Non-Executive Directors.

<sup>(3)</sup> These benefits include travel allowances payable to Non-Executive Directors and any additional Committee fees paid to directors for extra services or special exertions.

<sup>(4)</sup> Other benefits for I D Cockerill include spousal travel (inclusive of any fringe benefits tax).

### E.2 Relevant interests of Non-Executive Directors in the share capital of the consolidated entity

	Balance 1 October 2014	Acquired <sup>(1)</sup>	Net change other <sup>(2)</sup>	Fully paid ordinary shares held at 30 September 2015
<b>Non-Executive Directors <sup>(3)</sup></b>				
R R Caplan	28,083	12,095	-	40,178
M N Brenner	-	2,500	-	2,500
I Cockerill	10,597	338	-	10,935
Lim Chee Onn	11,000	-	-	11,000
N L Scheinkestel	26,778	857	-	27,635
G T Tilbrook	4,000	-	-	4,000
<b>Total</b>	<b>80,458</b>	<b>15,790</b>	<b>-</b>	<b>96,248</b>

<sup>(1)</sup> Shares acquired, including through the Dividend Reinvestment Plan (DRP).

<sup>(2)</sup> Net change other includes changes resulting from sales during the year.

<sup>(3)</sup> A Calderon was a Non-Executive Director until appointed Interim CEO on 23 March 2015. On 19 May 2015 he was appointed CEO on a permanent basis. Details of A Calderon's relevant interests in the share capital of Orica are shown in Section D.4.



# Directors' Report

## Rounding

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

This Directors' Report is signed on behalf of the Board in accordance with a resolution of the directors of Orica Limited.



R R Caplan  
Chairman



A Calderon  
Managing Director and Chief Executive Officer

Dated at Melbourne this 18<sup>th</sup> day of November 2015.



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Alison Kitchen  
Partner

Melbourne  
18 November 2015

KPMG

KPMG

Paul Cenko  
Partner

Melbourne  
18 November 2015

# Income Statement

For the year ended 30 September

		Consolidated	
		2015	Restated 2014
	Notes	\$m	\$m
<b>From continuing operations:</b>			
The income statement should be read in conjunction with note 16, discontinued operations and businesses disposed.			
<b>Sales revenue</b>	(1)	<b>5,653.3</b>	5,721.5
<b>Other income</b>	(1)	<b>50.1</b>	56.1
<b>Expenses</b>			
Raw materials and inventories		<b>(2,671.9)</b>	(2,649.9)
Employee benefits expense		<b>(1,135.1)</b>	(1,156.9)
Depreciation and amortisation expense	(1)	<b>(292.7)</b>	(269.9)
Purchased services		<b>(360.7)</b>	(287.0)
Repairs and maintenance		<b>(155.5)</b>	(167.5)
Impairment of property, plant & equipment	(7)	<b>(947.6)</b>	-
Impairment of intangibles	(8)	<b>(894.0)</b>	-
Impairment of investments	(9)	<b>(49.3)</b>	(0.4)
Outgoing freight		<b>(255.8)</b>	(244.4)
Lease payments - operating leases		<b>(53.8)</b>	(57.2)
Other expenses		<b>(125.6)</b>	(115.1)
Share of net profit of associates accounted for using the equity method	(14)	<b>39.0</b>	33.2
Total		<b>(6,903.0)</b>	(4,915.1)
<b>(Loss)/profit from operations</b>		<b>(1,199.6)</b>	862.5
<b>Net financing costs</b>			
Financial income		<b>42.2</b>	35.3
Financial expenses		<b>(124.4)</b>	(150.1)
<b>Net financing costs</b>		<b>(82.2)</b>	(114.8)
<b>(Loss)/profit before income tax expense</b>		<b>(1,281.8)</b>	747.7
Income tax expense	(11)	<b>(122.0)</b>	(161.5)
<b>(Loss)/profit after tax but before profit and loss from discontinued operations</b>		<b>(1,403.8)</b>	586.2
Profit from discontinued operations	(16)	<b>7.4</b>	39.8
<b>Net (loss)/profit for the year</b>		<b>(1,396.4)</b>	626.0
<b>Net (loss)/profit for the year attributable to:</b>			
Shareholders of Orica Limited		<b>(1,267.4)</b>	602.5
Non-controlling interests		<b>(129.0)</b>	23.5
<b>Net (loss)/profit for the year</b>		<b>(1,396.4)</b>	626.0
		<b>cents</b>	<b>cents</b>
<b>Earnings per share</b>			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
From continuing operations:			
Basic earnings per share	(2)	<b>(344.2)</b>	153.1
Diluted earnings per share	(2)	<b>(344.2)</b>	152.9
Total attributable to ordinary shareholders of Orica Limited:			
Basic earnings per share	(2)	<b>(342.3)</b>	163.7
Diluted earnings per share	(2)	<b>(342.3)</b>	163.4

The Income Statement is to be read in conjunction with the notes to the financial statements set out on pages 28 to 77.

# Statement of Comprehensive Income

For the year ended 30 September

	Notes	Consolidated	
		2015	2014
		\$m	\$m
<b>Net (loss)/profit for the year</b>		<b>(1,396.4)</b>	626.0
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
<i>Exchange differences on translation of foreign operations</i>			
Exchange gain/(loss) on translation of foreign operations	(11d)	349.3	(13.2)
Net gain on hedge of net investments in foreign subsidiaries	(11d)	56.1	1.8
Tax benefit on hedge of net investments in foreign subsidiaries	(11d)	77.6	29.3
<b>Net exchange differences on translation of foreign operations</b>		<b>483.0</b>	17.9
<i>Sundry items:</i>			
Net Cash flow hedges		(75.9)	18.3
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Net actuarial benefits/(losses)		7.3	(10.9)
<b>Other comprehensive income for the year</b>		<b>414.4</b>	25.3
<b>Total comprehensive (loss)/income for the year</b>		<b>(982.0)</b>	651.3
<b>Attributable to:</b>			
Shareholders of Orica Limited		(868.3)	635.7
Non-controlling interests		(113.7)	15.6
<b>Total comprehensive (loss)/income for the year</b>		<b>(982.0)</b>	651.3

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 28 to 77.

# Balance Sheet

As at 30 September

	Notes	Consolidated	
		2015 \$m	2014 \$m
<b>Current assets</b>			
Cash and cash equivalents	(3b)	273.9	263.2
Trade receivables	(5)	751.4	863.0
Other receivables		186.4	180.8
Inventories	(5)	598.7	727.4
Other assets		84.7	102.9
<b>Total current assets</b>		<b>1,895.1</b>	<b>2,137.3</b>
<b>Non-current assets</b>			
Other receivables		76.2	76.0
Investments accounted for using the equity method	(14)	203.5	204.8
Property, plant and equipment	(7)	2,917.9	3,794.9
Intangible assets	(8)	1,633.2	2,388.5
Deferred tax assets	(11e)	475.3	202.5
Other assets		120.1	35.2
<b>Total non-current assets</b>		<b>5,426.2</b>	<b>6,701.9</b>
<b>Total assets</b>		<b>7,321.3</b>	<b>8,839.2</b>
<b>Current liabilities</b>			
Trade payables	(5)	843.1	944.3
Other payables		284.9	266.7
Interest bearing liabilities	(3a)	157.2	542.7
Provisions	(6)	181.7	172.2
Other liabilities		62.4	31.4
<b>Total current liabilities</b>		<b>1,529.3</b>	<b>1,957.3</b>
<b>Non-current liabilities</b>			
Other payables		7.9	6.9
Interest bearing liabilities	(3a)	2,142.8	1,957.2
Provisions	(6)	444.0	417.5
Deferred tax liabilities	(11e)	106.8	68.3
Other liabilities		103.3	32.9
<b>Total non-current liabilities</b>		<b>2,804.8</b>	<b>2,482.8</b>
<b>Total liabilities</b>		<b>4,334.1</b>	<b>4,440.1</b>
<b>Net assets</b>		<b>2,987.2</b>	<b>4,399.1</b>
<b>Equity</b>			
Ordinary shares	(4)	1,954.4	1,975.0
Reserves		(216.8)	(607.0)
Retained earnings		1,247.0	2,895.0
<b>Total equity attributable to ordinary shareholders of Orica Limited</b>		<b>2,984.6</b>	<b>4,263.0</b>
Non-controlling interests in controlled entities	(13)	2.6	136.1
<b>Total equity</b>		<b>2,987.2</b>	<b>4,399.1</b>

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 28 to 77.

# Statement of Changes in Equity

For the year ended 30 September

	Ordinary shares	Retained earnings	Foreign currency translation reserve	Other reserves	Total	Non-controlling interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>2014</b>							
Balance at 1 October 2013	1,877.9	2,654.2	(563.2)	(97.9)	3,871.0	138.9	4,009.9
Profit for the year	-	602.5	-	-	602.5	23.5	626.0
Other comprehensive income	-	(10.9)	25.8	18.3	33.2	(7.9)	25.3
<b>Total comprehensive income for the year</b>	-	591.6	25.8	18.3	635.7	15.6	651.3
<b>Transactions with owners, recorded directly in equity</b>							
Total changes in contributed equity	97.1	-	-	-	97.1	0.9	98.0
Share-based payments expense	-	-	-	9.9	9.9	-	9.9
Divestment of non-controlling interests	-	(1.5)	-	0.1	(1.4)	(2.2)	(3.6)
Dividends/distributions	-	(349.3)	-	-	(349.3)	-	(349.3)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	(17.1)	(17.1)
<b>Balance at the end of the year</b>	<b>1,975.0</b>	<b>2,895.0</b>	<b>(537.4)</b>	<b>(69.6)</b>	<b>4,263.0</b>	<b>136.1</b>	<b>4,399.1</b>
<b>2015</b>							
Balance at 1 October 2014	1,975.0	2,895.0	(537.4)	(69.6)	4,263.0	136.1	4,399.1
Loss for the year	-	(1,267.4)	-	-	(1,267.4)	(129.0)	(1,396.4)
Other comprehensive income	-	7.3	467.7	(75.9)	399.1	15.3	414.4
<b>Total comprehensive income for the year</b>	-	<b>(1,260.1)</b>	<b>467.7</b>	<b>(75.9)</b>	<b>(868.3)</b>	<b>(113.7)</b>	<b>(982.0)</b>
<b>Transactions with owners, recorded directly in equity</b>							
Total changes in contributed equity	(20.6)	(31.8)	-	-	(52.4)	-	(52.4)
Share-based payments expense	-	-	-	(1.6)	(1.6)	-	(1.6)
Divestment of non-controlling interests	-	-	-	-	-	(2.9)	(2.9)
Dividends/distributions	-	(356.1)	-	-	(356.1)	-	(356.1)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	(16.9)	(16.9)
<b>Balance at the end of the year</b>	<b>1,954.4</b>	<b>1,247.0</b>	<b>(69.7)</b>	<b>(147.1)</b>	<b>2,984.6</b>	<b>2.6</b>	<b>2,987.2</b>

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out in pages 28 to 77.

# Statement of Cash Flows

For the year ended 30 September

	Notes	Consolidated	
		2015 \$m	2014 \$m
		Inflows/ (Outflows)	Inflow s/ (Outflow s)
<b>Cash flows from operating activities</b>			
Receipts from customers		6,697.5	7,552.5
Payments to suppliers and employees		(5,723.5)	(6,339.8)
Interest received		41.0	33.7
Borrowing costs		(165.9)	(177.0)
Dividends received		34.3	35.5
Other operating revenue received		19.2	21.7
Net income taxes paid		(163.2)	(209.5)
<b>Net cash flows from operating activities</b>	(3b)	<b>739.4</b>	<b>917.1</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(351.9)	(442.8)
Payments for intangibles		(101.4)	(60.9)
Proceeds from sale of property, plant and equipment		59.4	50.1
Net proceeds from sale of businesses/controlled entities		658.8	0.4
Payments for purchase of investments		(1.3)	(4.0)
Proceeds from sale of investments		1.2	1.2
Payments of deferred consideration from prior acquisitions		-	(0.6)
<b>Net cash flows from/(used) in investing activities</b>		<b>264.8</b>	<b>(456.6)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings		3,320.6	4,254.6
Repayment of long term borrowings		(3,388.6)	(4,217.4)
Net movement in short term financing		(487.6)	(212.0)
Payments for buy-back of ordinary shares		(53.5)	-
Dividends paid - Orica ordinary shares		(356.1)	(267.4)
Dividends paid - non-controlling interests		(16.7)	(17.4)
Payments for finance leases		(0.3)	(1.6)
Proceeds from issue of ordinary shares		1.1	15.2
Proceeds from issue of shares to non-controlling interests		-	0.8
<b>Net cash used in financing activities</b>		<b>(981.1)</b>	<b>(445.2)</b>
<b>Net increase in cash held</b>		<b>23.1</b>	<b>15.3</b>
Cash at the beginning of the year		213.7	203.2
Effects of exchange rate changes on cash		24.0	(4.8)
<b>Cash at the end of the year</b>	(3b)	<b>260.8</b>	<b>213.7</b>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 28 to 77.

# Notes to the Financial Statements

For the year ended 30 September

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## About this report

This is the financial report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the Group') for the year ended 30 September 2015.

It 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.

It has been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets which have been measured at fair value. It is presented in Australian dollars which is Orica's functional and presentation currency.

The amounts shown 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.

Management has undertaken a thorough review to identify opportunities to make this report less complex and more useful for readers. This has included splitting note disclosures into sections to allow readers of this report to better understand how the Group has performed and how this report links back to Orica's strategy and principle risks outlined in the Operating and Financial Review.

Orica's Directors have included information in this report that they deem to be material and relevant to the understanding of the financial statements. Disclosure may be considered material and relevant if the dollar amount is significant due to size or nature, or the information is important to understand the:

- Group's current year results;
- impact of significant changes in Orica's business; or
- aspects of the Group's operations that is important to future performance.

Disclosure of information that is not material may undermine the usefulness of the financial report by obscuring important information.

In order to develop this financial report, management is required to make a number of judgements and apply estimates of the future as part of the application process of the Group's accounting policies. Judgements and estimates, which are material to this report, are highlighted in the following notes:

Note 5	<i>Working capital</i>
Note 6	<i>Provisions</i>
Note 7	<i>Property, Plant and Equipment</i>
Note 8	<i>Intangible assets</i>
Note 9	<i>Impairment testing of assets</i>
Note 11	<i>Taxation</i>
Note 20	<i>Superannuation commitments</i>
Note 22	<i>Contingent liabilities</i>



# Notes to the Financial Statements – Financial Performance

For the year ended 30 September

## Section A. Financial performance

A key element of the Group's current strategy, outlined in the Review of Operations and Financial Performance, is "to create sustainable shareholder value". This section highlights the results and performance of the Group for the year ended 30 September 2015.

### 1. Segment report

#### (a) Identification and description of segments

Orica's reportable segments are based on the internal management structure as reported to the Group's Chief Operating Decision Maker (the Group's Managing Director and Chief Executive Officer).

Following management's review of the business structure, the Ground Support business was re-established during August 2015 as a separate business and reportable segment in FY2015 to give it greater focus, to better assess its performance and provide greater optionality for its future.

Reportable segments	Products/services
Mining Services: - Australia/Pacific - North America - Latin America - EMEA* - Other**	Manufacture and supply of commercial explosives and blasting systems including services and solutions to the mining and infrastructure markets, and supply of mining chemicals including sodium cyanide for gold extraction.
Ground Support	Manufacture and supply of specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.
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.
Chemicals (sold on 27 February 2015 and has been disclosed as a Discontinued Operation)	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.

\* EMEA (Europe, Middle East & Africa)

\*\* 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 for the Ground Support business and the discontinued operation.

# Notes to the Financial Statements – Financial performance

For the year ended 30 September

## 1. Segment report (continued)

(b) Reportable segments 2015 \$m	Mining Services Australia/Pacific	Mining Services North America	Mining Services Latin America	Mining Services EMEA	Mining Services Other	Eliminations	Total Mining Services	Ground Support	Other and eliminations	Total Continuing Operations	Chemicals <sup>(1)</sup>	Eliminations	Consolidated
<b>Revenue</b>													
External sales	1,571.1	1,304.4	942.7	794.3	469.3	-	5,081.8	562.3	4.1	5,648.2	475.0	-	6,123.2
Inter-segment sales	99.8	179.9	60.9	19.9	956.9	(1,309.3)	8.1	3.8	(6.8)	5.1	22.4	(27.5)	-
Total sales revenue	1,670.9	1,484.3	1,003.6	814.2	1,426.2	(1,309.3)	5,089.9	566.1	(2.7)	5,653.3	497.4	(27.5)	6,123.2
<b>Other income (refer to note 1c)</b>	(1.1)	3.2	15.9	3.7	20.1	(0.3)	41.5	(5.1)	13.7	50.1	0.8	-	50.9
Total revenue and other income	1,669.8	1,487.5	1,019.5	817.9	1,446.3	(1,309.6)	5,131.4	561.0	11.0	5,703.4	498.2	(27.5)	6,174.1
<b>Results before individually material items</b>													
Profit/(loss) before financing costs and income tax	447.6	122.8	69.7	94.5	130.4	-	865.0	(19.4)	(160.8)	684.8	4.6	-	689.4
Financial income													42.3
Financial expenses													(124.4)
<b>Profit before income tax expense</b>													607.3
Income tax expense													(173.5)
<b>Profit after income tax expense</b>													433.8
Profit attributable to non-controlling interests													(9.6)
<b>Profit after income tax expense before individually material items attributable to shareholders of Orica Limited</b>													424.2
<b>Individually material items (refer to note 1d)</b>													
Gross individually material items	(186.5)	(13.3)	(47.2)	(73.4)	(681.0)	-	(1,001.4)	(848.4)	(34.6)	(1,884.4)	-	-	(1,884.4)
Tax on individually material items													54.2
Net individually material items attributable to non-controlling interests													138.6
<b>Individually material items attributable to shareholders of Orica Limited</b>													(1,691.6)
<b>Net loss for the period attributable to shareholders of Orica Limited</b>													(1,267.4)
<b>Segment assets</b>	2,619.6	972.2	650.2	782.2	598.1	-	5,622.3	467.2	1,231.8	7,321.3	-	-	7,321.3
<b>Segment liabilities</b>	358.9	244.9	223.8	222.8	258.3	-	1,308.7	38.3	2,987.1	4,334.1	-	-	4,334.1
Investments accounted for using the equity method	2.1	192.0	5.3	1.8	2.3	-	203.5	-	-	203.5	-	-	203.5
Acquisitions of PPE and intangibles	199.7	48.3	37.2	38.1	56.6	-	379.9	2.9	120.5	503.3	6.8	-	510.1
Impairment of PPE	186.5	1.5	44.8	34.7	662.6	-	930.1	17.5	-	947.6	-	-	947.6
Impairment of intangibles	-	-	2.7	6.3	22.0	-	31.0	829.8	33.2	894.0	-	-	894.0
Impairment of inventories	2.4	4.3	1.1	2.4	2.8	-	13.0	1.2	4.0	18.2	0.9	-	19.1
Impairment of trade receivables	0.1	0.9	3.9	0.5	10.2	-	15.6	4.0	3.0	22.6	0.1	-	22.7
Impairment of investments	-	11.8	-	32.6	-	-	44.4	3.3	1.6	49.3	-	-	49.3
Depreciation and amortisation	113.3	39.2	24.5	29.6	38.8	-	245.4	34.2	13.1	292.7	13.0	-	305.7
Non-cash expenses: - share based payments	0.6	0.5	0.2	0.2	1.1	-	2.6	0.2	(4.2)	(1.4)	(0.2)	-	(1.6)
Share of associates net profit equity accounted	2.2	35.4	1.7	0.1	(0.4)	-	39.0	-	-	39.0	-	-	39.0

30 <sup>(1)</sup> The Chemicals business was sold on 27 February 2015.

# Notes to the Financial Statements – Financial performance

For the year ended 30 September

## 1. Segment report (continued)

(b) Reportable segments	Mining Services Australia/Pacific	Mining Services North America	Mining Services Latin America	Mining Services EMEA	Mining Services Other	Eliminations	Total Mining Services	Ground Support	Other and eliminations	Total Continuing Operations	Chemicals <sup>(1)</sup>	Eliminations	Consolidated
2014													
\$m													
<b>Revenue</b>													
External sales	1,773.0	1,183.3	910.0	736.4	444.5	-	5,047.2	658.1	2.6	5,707.9	1,088.4	-	6,796.3
Inter-segment sales	119.9	174.7	53.5	18.2	894.7	(1,244.4)	16.6	0.7	(3.7)	13.6	56.6	(70.2)	-
Total sales revenue	1,892.9	1,358.0	963.5	754.6	1,339.2	(1,244.4)	5,063.8	658.8	(1.1)	5,721.5	1,145.0	(70.2)	6,796.3
<b>Other income (refer to note 1c)</b>	8.5	9.6	15.3	2.7	7.7	(0.9)	42.9	(1.7)	14.9	56.1	0.8	-	56.9
Total revenue and other income	1,901.4	1,367.6	978.8	757.3	1,346.9	(1,245.3)	5,106.7	657.1	13.8	5,777.6	1,145.8	(70.2)	6,853.2
<b>Results before individually material items</b>													
Profit/(loss) before financing costs and income tax	549.5	112.6	71.5	82.3	126.2	-	942.1	10.8	(90.4)	862.5	67.2	-	929.7
Financial income													35.3
Financial expenses													(151.1)
<b>Profit before income tax expense</b>													813.9
Income tax expense													(187.9)
<b>Profit after income tax expense</b>													626.0
Profit attributable to non-controlling interests													(23.5)
<b>Profit after income tax expense before individually material items attributable to shareholders of Orica Limited</b>													602.5
<b>Individually material items (refer to note 1d)</b>													
Gross individually material items													-
Tax on individually material items													-
Net individually material items attributable to non-controlling interests													-
<b>Individually material items attributable to shareholders of Orica Limited</b>													-
<b>Net profit for the period attributable to shareholders of Orica Limited</b>													602.5
Segment assets	2,604.4	858.0	631.3	796.7	1,098.0	-	5,988.4	1,245.9	813.6	8,047.9	791.3	-	8,839.2
Segment liabilities	367.3	184.6	220.2	217.4	308.6	-	1,298.1	86.1	2,874.1	4,258.3	181.8	-	4,440.1
Investments accounted for using the equity method	3.3	158.6	3.9	2.0	33.6	-	201.4	2.6	0.7	204.7	0.1	-	204.8
Acquisitions of PPE and intangibles	316.5	38.4	25.2	45.9	52.6	-	478.6	5.1	50.0	533.7	29.8	-	563.5
Impairment of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of intangibles	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of inventories	1.0	1.7	1.1	0.5	1.4	-	5.7	0.5	3.0	9.2	1.5	-	10.7
Impairment of trade receivables	1.0	0.1	0.3	0.4	0.6	-	2.4	1.9	2.1	6.4	2.9	-	9.3
Impairment of investments	-	-	-	-	-	-	-	-	0.4	0.4	-	-	0.4
Depreciation and amortisation	104.7	37.0	23.6	31.6	31.7	-	228.6	33.2	8.1	269.9	30.9	-	300.8
Non-cash expenses: - share based payments	1.9	2.0	0.6	0.8	3.7	-	9.0	0.8	(0.7)	9.1	0.8	-	9.9
Share of associates net profit equity accounted	3.0	28.7	1.4	0.2	-	-	33.3	(0.1)	-	33.2	(0.1)	-	33.1

<sup>(1)</sup> The Chemicals business was sold on 27 February 2015.

# Notes to the Financial Statements – Financial performance

For the year ended 30 September

## 1. Segment report (continued)

	Consolidated	
	2015	2014
	\$m	\$m
<b>(c) Other income</b>		
The note should be read in conjunction with note 16, discontinued operations and businesses disposed. The numbers below include other income from continuing operations but excludes Chemicals other income.		
Other income	19.2	21.0
Net foreign currency gains	24.2	1.9
Profit from sale of investments/businesses	0.6	-
Profit on sale of property, plant and equipment	6.1	33.2
<b>Total other income</b>	<b>50.1</b>	<b>56.1</b>

	2015			2014		
	Gross	Tax	Net	Gross	Tax	Net
	\$m	\$m	\$m	\$m	\$m	\$m
<b>(d) Individually material items</b>						
<b>(Loss)profit after income tax includes the following individually material items of (expense)income:</b>						
Impairment of Ground Support business	(848.4)	-	(848.4)	-	-	-
Impairment of Ammonium Nitrate assets	(730.0)	41.5	(688.5)	-	-	-
Impairment of other assets	(306.0)	12.7	(293.3)	-	-	-
Individually material items	(1,884.4)	54.2	(1,830.2)	-	-	-
Non-controlling interests in individually material items	(138.6)	-	(138.6)	-	-	-
Individually material items attributable to shareholders of Orica	(1,745.8)	54.2	(1,691.6)	-	-	-

Refer to note 9 for details on the above and of impairment testing.

# Notes to the Financial Statements – Financial performance

For the year ended 30 September

## 1. Segment report (continued)

### (e) 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.

	Revenue		Non-current assets *	
	2015	2014	2015	2014
	\$m	\$m	\$m	\$m
Australia	1,704.1	2,290.3	2,348.1	2,802.9
United States of America	904.7	897.3	455.0	750.4
Other **	3,514.4	3,608.7	2,040.7	2,914.9
<b>Consolidated</b>	<b>6,123.2</b>	<b>6,796.3</b>	<b>4,843.8</b>	<b>6,468.2</b>

\* Excluding: financial derivatives (included within other assets and other liabilities), deferred tax assets and post-employment benefit assets.

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

### (f) Recognition and measurement

#### 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.

Internal product transfers are at negotiated commercial prices.

#### 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.

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/(losses).

# Notes to the Financial Statements – Financial performance

For the year ended 30 September

## 2. Earnings per share (EPS)

Consolidated

2015  
\$m

2014  
\$m

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

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

Net (loss)/profit for the period from continuing operations	(1,403.8)	586.2
Net loss/(profit) for the period attributable to non-controlling interests	129.4	(22.6)
Net (loss)/profit for the period from continuing operations attributable to ordinary shareholders	(1,274.4)	563.6
Net profit for the period from discontinued operations and non-controlling interests	7.0	38.9
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica Limited	(1,267.4)	602.5

Number of shares

#### Weighted average number of shares used as the denominator:

Number for basic earnings per share	370,308,564	368,149,688
Effect of executive share options and rights *	2,619	558,509
Number for diluted earnings per share	370,311,183	368,708,197

\* The weighted average number of options and rights that have not been included in the calculation of diluted earnings per share as they are not dilutive.

3,212,191 3,070,311

	Cents per share	Cents per share
<b>From continuing operations</b>		
Basic earnings per share	(344.2)	153.1
Diluted earnings per share	(344.2)	152.9
<b>From discontinued operations</b>		
Basic earnings per share	1.9	10.6
Diluted earnings per share	1.9	10.5
<b>Total attributable to ordinary shareholders of Orica Limited</b>		
Basic earnings per share	(342.3)	163.7
Diluted earnings per share	(342.3)	163.4

### (ii) Adjusted for individually material items

\$m \$m

#### Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica Limited

Net (loss)/profit for the period	(1,403.8)	586.2
Net loss/(profit) for the period attributable to non-controlling interests	129.4	(22.6)
Adjusted for individually material items (refer to note 1 (d))	1,691.6	-
Net profit for the period from continuing operations attributable to ordinary shareholders	417.2	563.6
Net profit for the period from discontinued operations	7.4	39.8
Net profit for the year from discontinued operations attributable to non-controlling interests	(0.4)	(0.9)
Earnings used in calculation of diluted EPS attributable to ordinary shareholders of Orica Limited	424.2	602.5

	Cents per share	Cents per share
<b>From continuing operations</b>		
Basic earnings per share	112.7	153.1
Diluted earnings per share	112.7	152.9
<b>From discontinued operations</b>		
Basic earnings per share	1.9	10.6
Diluted earnings per share	1.9	10.5
<b>Total attributable to ordinary shareholders of Orica Limited before individually material items</b>		
Basic earnings per share	114.6	163.7
Diluted earnings per share	114.6	163.4

# Notes to the Financial Statements – Capital management

For the year ended 30 September

## Section B. 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. This section outlines the principal capital management initiatives that have been undertaken.

### 3. Net debt

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 such as a share buy-back or issue new equity, in addition to incurring an appropriate mix of borrowings. Currently, Orica's dividend policy is to pay a progressive dividend.

Orica monitors capital on the basis of the accounting gearing ratio. 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 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.

The gearing ratio is calculated as follows:

	Consolidated	
	2015	2014
	\$m	\$m
Interest bearing liabilities (refer to note 3a)	2,300.0	2,499.9
less cash and cash equivalents (refer to note 3b)	(273.9)	(263.2)
<b>Net debt</b>	<b>2,026.1</b>	<b>2,236.7</b>
Total equity	2,987.2	4,399.1
<b>Net debt and total equity</b>	<b>5,013.3</b>	<b>6,635.8</b>
<b>Gearing ratio (%)</b>	<b>40.4%</b>	<b>33.7%</b>

The interest ratio is calculated as follows:

EBIT (excluding individually material items)	689.4	929.7
Net financing costs	82.1	115.8
Capitalised borrowing costs	36.7	27.6
	<b>118.8</b>	<b>143.4</b>
<b>Interest cover ratio (times)</b>	<b>5.8</b>	<b>6.5</b>

	Consolidated		Consolidated		Consolidated	
	2015	2014	2015	2014	2015	2014
	\$m	\$m	\$m	\$m	\$m	\$m
	Current		Non-current		Total	
<b>(a) Interest bearing liabilities</b>						
Unsecured						
private placement <sup>(1)</sup>	121.3	267.1	1,916.0	1,680.6	2,037.3	1,947.7
export finance facility <sup>(2)</sup>	16.8	13.4	66.8	67.2	83.6	80.6
other loans	17.6	260.9	156.3	205.4	173.9	466.3
Lease liabilities	1.5	1.3	3.7	4.0	5.2	5.3
	<b>157.2</b>	<b>542.7</b>	<b>2,142.8</b>	<b>1,957.2</b>	<b>2,300.0</b>	<b>2,499.9</b>

<sup>(1)</sup> Orica Limited provides guarantees on these facilities refer to note 17 for further details.

<sup>(2)</sup> \$9.7m (2014 \$20.1m) of property, plant and equipment is pledged as security for finance leases. In the event of default by Orica, the rights to the leased assets transfer to the lessor.

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

# Notes to the Financial Statements – Capital management

For the year ended 30 September

	Consolidated	
	2015	2014
	\$m	\$m
<b>3 (b) 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	273.9	263.2
Bank overdraft	(13.1)	(49.5)
	<b>260.8</b>	<b>213.7</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	(1,396.4)	626.0
Depreciation and amortisation	305.7	300.8
Net profit on sale of property, plant and equipment	(6.1)	(33.2)
Impairment of intangibles	947.6	-
Impairment of property, plant and equipment	894.0	-
Impairment of investments	49.3	0.4
Net loss/(profit) on sale of businesses and controlled entities	11.3	-
Share based payments expense	(1.6)	9.9
Share of associates' net loss/(profit) after adding back dividends received	(4.7)	2.4
Unwinding of discount on provisions	1.6	1.9
Other	(6.4)	(0.2)
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities		
(increase)/decrease in trade and other receivables	(184.8)	69.5
(increase)/decrease in inventories	(43.7)	64.4
(increase)/decrease in net deferred taxes	(102.2)	53.4
increase/(decrease) in payables and provisions	223.0	(103.1)
increase/(decrease) in income taxes payable	52.8	(75.1)
<b>Net cash flows from operating activities</b>	<b>739.4</b>	<b>917.1</b>

## Recognition and Measurement

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

### 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.

### 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.



# Notes to the Financial Statements – Capital management

For the year ended 30 September

## 4. Contributed Equity and Reserves

### (a) Contributed Equity

On 2 March 2015 Orica announced a market share buy-back program of up to \$400 million over 12 months. On 7 August 2015 Orica announced it was reviewing the on-market share buy-back and the program was cancelled on 18 November 2015. \$53.5m of shares were bought back during the financial year and have been proportionally allocated to ordinary shares and retained earnings.

Movements in issued and fully paid shares of Orica since 1 October 2013 were as follows:

Details	Date	Number of shares	Issue price \$	\$m
<b>Ordinary shares</b>				
Opening balance of ordinary shares issued	1-Oct-13	368,203,632		1,877.9
Shares issued under the Orica dividend reinvestment plan	13-Dec-13	2,051,377	23.11	47.4
Shares issued under the Orica dividend reinvestment plan	1-Jul-14	1,818,929	19.03	34.5
Share movements under the Orica LTEIP plan (refer to Note 19):				
- Shares issued	21-Feb-14	669,353	24.25	-
- Shares Issued - loan repayment	Various	-	-	13.9
Shares issued under the Orica GEESP plan		-		1.3
Balance at the end of year	<b>30-Sep-14</b>	<b>372,743,291</b>		<b>1,975.0</b>
Share movements under market share buy-back	Various	<b>(2,629,765)</b>		<b>(21.7)</b>
Shares issued under the Orica GEESP plan		-		1.1
Balance at the end of year	<b>30-Sep-15</b>	<b>370,113,526</b>		<b>1,954.4</b>

### Recognition and Measurement

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 and net of any related income tax benefit.

### (b) Reserves

#### Recognition and Measurement

##### 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.

# Notes to the Financial Statements – Capital management

For the year ended 30 September

## 4. Contributed Equity and Reserves (continued)

(c) Dividends	Consolidated	
	2015	2014
	\$m	\$m

Dividends paid or declared in respect of the year ended 30 September were:

### Ordinary shares

interim dividend of 40 cents per share, 40% franked at 30%, paid 1 July 2014		147.6
interim dividend of 40 cents per share, 35.0 % franked at 30%, paid 1 July 2015	148.0	
final dividend of 55 cents per share, 100% franked at 30%, paid 13 December 2013		201.7
final dividend of 56 cents per share, 35.7% franked at 30.0%, paid 19 December 2014	208.1	

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan (DRP) during the year were as follows:

paid in cash	289.2	267.4
DRP - satisfied by issue of shares	-	81.9
DRP - satisfied by the purchase of shares on open market	66.9	-

### Subsequent events

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

Final dividend on ordinary shares of 56.0 cents per share, 35.7% franked at 30%, payable 18 December 2015.

Total franking credits related to this dividend are \$31.7 million (2014 \$31.9 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 2015 - however will be recognised in the 2016 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 2015 are \$5.8 million (2014 Nil).

# Notes to the Financial Statements – Operating assets and liabilities

For the year ended 30 September

## Section C. Operating assets and liabilities

This section highlights current year drivers of the Group's cash flows, as well as the key operating assets used and liabilities incurred to support delivering financial performance.

### 5. Working Capital

#### (a) Trade Working Capital (TWC)

Trade working capital includes receivables and payables that arise from normal trading conditions. The Group continuously looks to improve working capital efficiency to increase operating cash flow.

	Consolidated	
	2015	2014
	\$m	\$m
Inventories (i)	598.7	727.4
Trade receivables (ii)	751.4	863.0
Trade payables (iii)	(843.1)	(944.3)
<b>Trade working capital</b>	<b>507.0</b>	<b>646.1</b>

#### i) Inventories

##### Recognition and Measurement

Inventories are valued at the lower of cost and net realisable value. Inventories have been shown net of provision for impairment of \$26.7 million (2014 \$18.3 million). 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 purchased goods, cost is net cost into store.

#### ii) Trade receivables

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

	Consolidated		Consolidated	
	2015	2015	2014	2014
	Gross	Allowance	Gross	Allowance
	\$m	\$m	\$m	\$m
Not past due	695.7	-	751.7	-
Past due 0 - 120 days	42.9	(1.0)	80.7	(0.4)
Past 120 days	39.3	(25.5)	48.9	(17.9)
	<b>777.9</b>	<b>(26.5)</b>	<b>881.3</b>	<b>(18.3)</b>

##### Recognition and Measurement

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.

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 net carrying amount of trade and other receivables approximates their fair values.

#### iii) Trade payables

##### Recognition and Measurement

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

# Notes to the Financial Statements – Operating assets and liabilities

For the year ended 30 September

## 5. Working Capital (continued)

### (b) Non-Trade Working Capital (NTWC)

Non-Trade Working Capital includes all other receivables and payables not related to purchase of goods.

Included within other non-current assets are the following amounts relating to tax:

- \$18.6 million (2014 \$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. The matter was heard by Judge Tony Pagone in the Federal Court in October 2015 and has been reserved for judgement. 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.
- \$7.3 million (2014 \$6.8 million) paid to the Central Tax Office of Norway (CTO) and a deferred tax asset in relation to prior years' tax losses of \$22.6 million (2014 \$23.9 million) 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 2005 income year. Orica has objected against the reassessment. While the matter is in dispute, Orica is required to settle the remaining liability of approximately \$2.7 million (2014 \$3.5 million) as they fall due between 2015 and 2054.

### Recognition and Measurement

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

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.

### Critical accounting judgements and estimates

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.

## 6. Provisions

### Current

	Consolidated	
	2015	2014
	\$m	\$m
Employee entitlements <sup>(1)</sup>	65.1	79.3
Environmental and decommissioning <sup>(2)</sup>	62.8	53.0
Other	53.8	39.9
	<b>181.7</b>	<b>172.2</b>

### Non-current

Employee entitlements <sup>(1)</sup>	43.5	55.4
Retirement benefit obligations	194.3	207.8
Environmental and decommissioning <sup>(2)</sup>	179.3	128.8
Other	26.9	25.5
	<b>444.0</b>	<b>417.5</b>

<sup>(1)</sup> \$27.5m (2014 \$45.1m) was expensed to the profit and loss in relation to employee entitlements during the year.

<sup>(2)</sup> Payments of \$32.4m (2014 \$32.6m) were made during the year in relation to environmental and decommissioning provisions.

Significant increases in provisions during the year include an increase to the Yarraville provision of \$15 million following the Environmental Protection Authority's (EPA) support of thermal treatment as the method of the remediation (expensed to the income statement), a decommissioning provision for the Burrup Plant of \$20.7 million and a provision for Deer Park of \$33.3 million (capitalised to property, plant and equipment).

# Notes to the Financial Statements – Operating assets and liabilities

For the year ended 30 September

## 6. Provisions (continued) Recognition and Measurement

A provision is recognised when there is a legal or constructive obligation as a result of a past event, 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 can 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.

### Employee entitlements

Provisions are made for liabilities to employees for annual leave, sick leave and other 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, are accrued at the present value of future amounts expected to be paid.

The present value is determined using interest rates applicable to high quality Corporate and Government bonds 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.

### 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 can be assessed.

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, otherwise it is expensed.

### 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.

### Contingent environmental liabilities

In the normal course of business, contingent liabilities may arise 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.

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 treated 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.

# Notes to the Financial Statements – Operating assets and liabilities

For the year ended 30 September

## 6. Provisions (continued)

### Critical accounting judgements and estimates

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 costs 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 amount or timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

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 to cover the estimated costs including plant management fees associated with remediation until 2020. 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 the five year 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 hexachlorobenzene (HCB) waste. There are no facilities to treat the HCB waste in Australia and Orica's export applications have been unsuccessful. Orica continues to safely store the waste.

In prior years, 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 submitted a 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.

The total environmental and decommissioning provision comprises:

	Consolidated	
	2015	2014
	\$m	\$m
Botany Groundwater remediation	63.8	59.3
Botany (HCB) remediation	34.3	35.0
Botany Mercury remediation	1.7	9.1
Burrup Plant	23.3	-
Deer Park remediation	35.6	2.4
Yarraville remediation	31.6	17.2
Other provisions	51.8	58.8
<b>Total</b>	<b>242.1</b>	<b>181.8</b>

Significant increases in provisions during the year include an increase to the Yarraville provision of \$15 million following the Environmental Protection Authority's (EPA) support of thermal treatment as the method of the remediation (expensed to the income statement), a decommissioning provision for the Burrup Plant of \$20.7 million and a provision for Deer Park of \$33.3 million (capitalised to property, plant and equipment).

# Notes to the Financial Statements – Operating assets and liabilities

For the year ended 30 September

## 7. Property, plant and equipment

Consolidated	Land, buildings and improvements \$m	Machinery, plant and equipment \$m	Total \$m
<b>2014</b>			
Cost at 1 October 2013	773.2	5,311.3	6,084.5
Accumulated depreciation	(242.5)	(2,047.1)	(2,289.6)
<b>Total carrying value</b>	<b>530.7</b>	<b>3,264.2</b>	<b>3,794.9</b>
<b>Movement</b>			
Carrying amount at the beginning of the year	528.3	3,054.9	3,583.2
Additions	50.2	441.2	491.4
Disposals	(3.7)	(35.0)	(38.7)
Disposals through disposal of entities (see note 16)	-	(0.1)	(0.1)
Depreciation expense	(26.4)	(235.8)	(262.2)
Foreign currency exchange differences	(17.7)	39.0	21.3
Carrying amount at the end of the year	30-Sep-2014	530.7	3,264.2
		3,794.9	
<b>2015</b>			
Cost at 1 October 2014	777.5	4,482.4	5,259.9
Accumulated depreciation	(256.4)	(2,085.6)	(2,342.0)
<b>Total carrying value</b>	<b>521.1</b>	<b>2,396.8</b>	<b>2,917.9</b>
<b>Movement</b>			
Carrying amount at the beginning of the year	530.7	3,264.2	3,794.9
Additions	24.2	371.3	395.5
Disposals	(5.6)	(15.2)	(20.8)
Disposals through disposal of entities (see note 16)	-	(338.2)	(338.2)
Depreciation expense	(30.4)	(232.6)	(263.0)
Impairment expense (see note 9)	-	(947.6)	(947.6)
Foreign currency exchange differences	2.2	294.9	297.1
Carrying amount at the end of the year	30-Sep-2015	521.1	2,396.8
		2,917.9	

Significant assets under construction included above were \$495.2 million (2014 \$661.4 million).

### Recognition and Measurement

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.

### Critical accounting judgements and estimates

Management reviews the appropriateness of useful lives of assets at least annually and any changes to useful lives may affect prospective depreciation rates and asset carrying values.

Depreciation is recorded on a straight line basis using the following useful lives:

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

# Notes to the Financial Statements – Operating assets and liabilities

For the year ended 30 September

## 8. Intangible assets

<b>Consolidated</b>	Goodwill \$m	Patents trademarks and rights \$m	Customer contracts and relationships \$m	Software \$m	Other \$m	Total \$m
<b>2014</b>						
Cost	2,378.5	273.9	279.2	223.8	35.9	3,191.3
Accumulated impairment losses	(477.3)	-	-	-	-	(477.3)
Accumulated amortisation	-	(66.2)	(175.7)	(66.8)	(16.8)	(325.5)
<b>Net carrying amount</b>	<b>1,901.2</b>	<b>207.7</b>	<b>103.5</b>	<b>157.0</b>	<b>19.1</b>	<b>2,388.5</b>
<b>Movement</b>						
Carrying amount at the beginning of the year	1,903.3	195.8	120.9	115.2	4.8	2,340.0
Additions	-	6.5	-	50.2	15.4	72.1
Amortisation expense	-	(4.7)	(22.9)	(9.2)	(1.8)	(38.6)
Foreign currency exchange differences	(2.1)	10.1	5.5	0.8	0.7	15.0
<b>Carrying amount at the end of the year</b>	<b>1,901.2</b>	<b>207.7</b>	<b>103.5</b>	<b>157.0</b>	<b>19.1</b>	<b>2,388.5</b>
<b>2015</b>						
Cost	2,471.4	305.5	95.6	281.7	41.1	3,195.3
Accumulated impairment losses of goodwill	(1,312.2)	-	-	-	-	(1,312.2)
Accumulated amortisation	-	(68.1)	(93.4)	(77.4)	(11.0)	(249.9)
<b>Net carrying amount</b>	<b>1,159.2</b>	<b>237.4</b>	<b>2.2</b>	<b>204.3</b>	<b>30.1</b>	<b>1,633.2</b>
<b>Movement</b>						
Carrying amount at the beginning of the year	1,901.2	207.7	103.5	157.0	19.1	2,388.5
Additions	-	-	-	94.2	20.4	114.6
Disposals through disposal of entities (see note 16)	(140.4)	-	-	(2.5)	(0.6)	(143.5)
Amortisation expense	-	(5.1)	(24.0)	(12.9)	(0.7)	(42.7)
Impairment expense <sup>(1)</sup>	(738.0)	(16.0)	(93.6)	(36.4)	(10.0)	(894.0)
Foreign currency exchange differences	136.4	50.8	16.3	4.9	1.9	210.3
<b>Carrying amount at the end of the year</b>	<b>1,159.2</b>	<b>237.4</b>	<b>2.2</b>	<b>204.3</b>	<b>30.1</b>	<b>1,633.2</b>

<sup>(1)</sup> Includes \$7.2m of impairment expense not included in individually material items.

## Recognition and Measurement

### Identifiable intangibles

Identifiable intangible assets with a finite life (customer contracts and relationships, patents, software, capitalised development costs, trademarks and rights) 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 are not amortised but the recoverable amount of these assets is tested for impairment at least annually.

### Unidentifiable intangibles - Goodwill

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.

### 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.

### 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.

### Critical accounting judgements and estimates

Management reviews the appropriateness of useful lives of assets at least annually and any changes to useful lives may affect prospective amortisation rates and asset carrying values.



# Notes to the Financial Statements – Operating assets and liabilities

For the year ended 30 September

## 9. Impairment testing of assets

In August 2015, Orica announced that it had conducted a full review of its business and its operating model in the context of the ongoing challenging conditions facing the mining sector and the oversupplied ammonium nitrate market. Orica recognised the following impairments:

Write -down of assets by asset class:

	PPE	Goodwill	Identifiable Intangibles	Investments	Other	Gross	Tax	Net
	2015	2015	2015	2015	2015	2015	2015	2015
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Ground Support business	15.4	738.0	91.7	3.3	-	848.4	-	848.4
Ammonium Nitrate assets	685.6	-	-	44.4	-	730.0	(41.5)	688.5
Other assets	246.6	-	57.1	1.6	0.7	306.0	(12.7)	293.3
<b>Total write-down of assets</b>	<b>947.6</b>	<b>738.0</b>	<b>148.8</b>	<b>49.3</b>	<b>0.7</b>	<b>1,884.4</b>	<b>(54.2)</b>	<b>1,830.2</b>
								Non-controlling interests in write-down of assets (138.6)
								<b>Write-down attributable to shareholders of Orica Limited 1,691.6</b>

## Recognition and Measurement

### Methodology

Formal impairment tests are carried out annually for goodwill. In addition, formal impairment tests for all assets are performed when there is an indication of impairment. The Group conducts an internal review of asset values at each reporting period, which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future prices, costs and other market factors, are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated. Where idle assets have been identified, these are tested at the individual asset level.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the balance sheet to its recoverable amount. The recoverable amount is determined using value in use which is the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Group's continued use and cannot take into account future development. The value in use calculations use 5 year cash flow projections based on actual operating results and the operating budgets approved by the Board of Directors. In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash-generating units. Cash-generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups 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. The test of goodwill and its impairment is undertaken at the segment level.

### Ground Support business

Following management's review of the business structure, the Ground Support business was re-established during August 2015 as a separate business and reportable segment to give it greater focus, to better assess its performance and provide greater optionality for its future. The 2015 operating results for this segment were down on prior periods due to weak volumes, particularly into global coal markets, and lower pricing in the USA. Goodwill in relation to Ground Support has been allocated to a separate segment. It therefore no longer benefits from the available headroom within its previously allocated regional Mining Services segment. As a result of the change in business structure and continued downturn, the carrying value of the goodwill and other identifiable assets in Ground Support are no longer supported and have therefore been impaired.

### Ammonium Nitrate assets

Certain AN assets have been impaired due to a combination of factors. Orica's business has been impacted by an oversupply in the global ammonium nitrate (AN) market, the impact of the Burrup plant expected start up in 2016 and lower global AN demand and pricing. The impairment primarily consists of a \$462.3m partial write down of the Bontang (Indonesia) manufacturing plant to \$248m (included in the Mining Services Other segment) and the write down of the Kooragang Island (KI) plant uprate project (included in the Mining Services Australia/Pacific segment) of \$174.9m. Given current market conditions for both prices and volumes and available capacity at other plants proceeding with the KI uprate is considered not economically viable.

# Notes to the Financial Statements – Operating assets and liabilities

For the year ended 30 September

## 9. Impairment testing of assets (continued)

### Other assets

As a result of the operating review, various assets around the Group have either been suspended or changed in status resulting in asset values being written down across the business to their recoverable amount. The impairment primarily consists of a Initiating Systems plant in China, (included in the Mining Services Other segment) of \$201.3m and software (included in the Other and eliminations segment) of \$33.2m. The current capacity of the Initiating Systems plants in China exceeds local IS demand and plans to export require additional capital spend that are not in the Groups current strategic plan.

### Sensitivity

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. 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 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. Any variation in the key assumptions of the Ground Support business or the Bontang Indonesia manufacturing plant would result in a change in the assessed value in use. If the variation in assumptions had a negative impact on value in use, it could, in the absence of other factors require additional impairment to non-current assets. Key inputs to the value in use calculations include actual cash flows for the businesses, discount rates for Ground Support USA of 15.2%, Mining Services Indonesia of 16.8% and Mining Services China of 18.7% and growth rates for Ground Support USA of nil, Mining Services Indonesia of nil and Mining Services China of 6.3%.

Impairment testing of goodwill:

	Discount Rates	Terminal Growth Rates	Consolidated	Discount Rates	Terminal Growth Rates	Consolidated
	2015	2015	2015	2014	2014	2014
	%	%	\$m	%	%	\$m
Mining Services:						
- Australia/Pacific	13.8 - 15.9	2.7 - 3.3	413.0	14.9 - 15.6	0.0 - 6.0	890.2
- North America	11.2 - 13.8	3.1 - 3.1	162.9	12.7 - 12.7	0.0 - 3.0	271.5
- Latin America	16.2 - 16.6	0.0 - 6.4	149.2	15.9 - 16.6	0.0 - 6.9	208.2
- EMEA	8.2 - 21.0	0.0 - 8.4	212.4	8.8 - 33.7	0.0 - 8.5	326.2
- Other	9.6 - 20.5	0.0 - 7.5	-	9.5 - 21.8	0.0 - 7.1	66.4
Ground Support <sup>(1)</sup>	8.2 - 23.6	0.0 - 7.5	221.7	N/A	N/A	-
Chemicals	N/A	N/A	-	13.1 - 18.8	2.7 - 4.0	138.7
<b>Total</b>			<b>1,159.2</b>			<b>1,901.2</b>

<sup>(1)</sup> The discount rates for the Ground Support segment were not calculated in FY 2014 as it was not defined as a separate segment.

### Critical accounting judgements and estimates

The determination of value in use requires the estimation and discounting of future cashflows. The estimation of the cashflows is based on information available at balance date which may differ from cashflows which eventuate. 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.

# Notes to the Financial Statements – Managing financial risks

For the year ended 30 September

## Section D. Managing Financial Risks

Orica's Review of Operations and Financial Performance highlights funding and other treasury matters as material business risks that could adversely affect the achievement of future business performance.

This section discusses the principal market and financial risks the Group is exposed to and the risk management program, which seeks to mitigate these risks and reduce the volatility of Orica's financial performance.

### 10. Financial risk management

#### Financial risk factors

The Group's overall risk management program seeks to mitigate 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 Group's principal financial risks are associated with

- interest rate (note 10a)
- foreign exchange (note 10b)
- credit risk (note 10c) and
- liquidity (note 10d)

#### (a) Interest rate 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 \$1,024 million (2014 \$1,144 million).

#### Interest rate sensitivity

Orica has exposure to interest rate movements in the underlying currencies it deals in. A 10% movement in interest rates without management intervention would have a \$3m (2014 \$1.3m) impact on profit before tax and a \$2.2m (2014 \$0.4m) impact on shareholders' equity.

#### (b) Foreign exchange risk management

##### i) 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.

As at reporting date, cross currency interest rate swaps entered into to hedge debt principal had a fair value gain of \$78.8 million (2014 \$14.6 million loss).

#### 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.

# Notes to the Financial Statements – Managing financial risks

For the year ended 30 September

## 10. Financial risk management (continued)

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.

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.

### Exchange rate sensitivity

The table below shows the Group's exposure to foreign currency risk (Australian dollar equivalent) and the effect 10% sensitivity on exchange rates has on profit and equity with all other variables held constant.

The analysis takes into account all underlying exposures and related hedges but not the impact of any management actions that might take place if these events occurred. The net exposure includes both external and internal balances (eliminated on consolidation)

	USD \$m	CAD \$m	NZD \$m	2015 NOK \$m	SEK \$m	EUR \$m	GBP \$m
Cash <sup>(1)</sup>	2,729.5	590.4	3.8	23.5	252.6	1,031.1	421.6
Trade and other receivables	183.9	35.5	0.1	0.5	2.5	21.4	14.9
Trade and other payables	(187.7)	(38.2)	(0.5)	(0.4)	(11.9)	(53.8)	(0.5)
Interest bearing liabilities <sup>(1)</sup>	(3,329.1)	(147.8)	(210.4)	(13.1)	(109.4)	(899.3)	(168.3)
Net derivatives	417.6	-	(4.1)	(83.8)	0.2	(67.2)	(0.4)
Net exposure	(185.8)	439.9	(211.1)	(73.3)	134.0	32.2	267.3
Effect on profit/(loss) before tax							
(10%) Sensitivity	4.0	(0.8)	(0.0)	(0.0)	(1.0)	(4.6)	1.4
10% Sensitivity	(3.0)	0.6	(0.0)	0.1	0.8	3.7	(1.1)
Increase/(decrease) in equity							
(10%) Sensitivity	4.9	37.2	(16.0)	(5.6)	12.0	6.9	22.9
10% Sensitivity	(4.1)	(30.4)	13.1	4.6	(9.8)	(5.7)	(18.7)
	USD \$m	CAD \$m	NZD \$m	2014 NOK \$m	SEK \$m	EUR \$m	GBP \$m
Cash <sup>(1)</sup>	2,428.9	1,064.6	248.8	66.6	228.8	1,302.0	381.2
Trade and other receivables	205.2	67.3	1.5	0.9	2.6	39.7	6.4
Trade and other payables	(362.4)	(31.2)	(1.3)	(0.4)	(8.3)	(35.4)	(1.4)
Interest bearing liabilities <sup>(1)</sup>	(2,468.3)	(573.2)	(369.2)	(38.6)	(98.4)	(1,228.6)	(117.3)
Net derivatives	452.3	(51.2)	(41.7)	(88.4)	0.1	(93.4)	0.4
Net exposure	255.7	476.3	(161.9)	(59.9)	124.8	(15.7)	269.3
Effect on profit/(loss) before tax							
(10%) Sensitivity	(14.4)	4.2	(0.4)	0.1	(0.6)	(0.7)	0.5
10% Sensitivity	11.7	(3.5)	0.3	(0.0)	0.5	0.6	(0.4)
Increase/(decrease) in equity							
(10%) Sensitivity	36.4	38.3	(7.9)	(3.3)	10.7	2.4	21.7
10% Sensitivity	(29.8)	(31.4)	6.4	2.7	(8.8)	(1.9)	(17.7)

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

# Notes to the Financial Statements – Managing financial risks

For the year ended 30 September

## 10. Financial risk management (continued)

### ii) Foreign currency risk - translational

Foreign currency earnings translation risk arises primarily as a result of earnings generated by foreign operations with functional currencies of USD, NZD, NOK, SEK, CLP, COP, 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.

### Financial statements of foreign operations

The assets and liabilities of foreign operations, including 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.

Hedging of exposures is undertaken 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. 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. Fifty five percent of the Group's investment in foreign operations was hedged in this manner as at 30 September 2015 (2014 31.0%).

As at reporting date, derivative instruments designated as hedging net investment exposures had a fair value of \$69.3 million loss (2014 \$101.9 million loss).

### (c) 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 5. 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 2015, the sum of all contracts with a positive fair value was \$112.5 million (2014 \$56.5 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.

### (d) 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 all inflows and outflows that relate to financial assets and liabilities.

# Notes to the Financial Statements – Managing financial risks

For the year ended 30 September

## 10. Financial risk management (continued)

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

	2015 \$m	2014 \$m
<b>Unsecured bank overdraft facilities</b>		
Unsecured bank overdraft facilities available	128.8	116.1
Amount of facilities undrawn	115.7	66.6
<b>Committed standby and loan facilities</b>		
Committed standby and loan facilities available	3,933.0	3,774.0
Amount of facilities unused	1,670.0	1,552.8

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 28 April 2016 to 25 October 2030 (2014 28 April 2015 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 2015				As at 30 September 2014			
	Less than 1 year \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m	Less than 1 year \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m
Non-derivative financial assets								
Cash	273.9	-	-	-	263.2	-	-	-
Trade and other receivables <sup>(1)</sup>	937.8	74.9	-	-	1,043.8	74.3	-	-
Derivative financial assets	1,356.5	51.5	326.0	292.8	1,997.0	119.7	337.4	259.9
Financial assets	2,568.2	126.4	326.0	292.8	3,304.0	194.0	337.4	259.9
Non-derivative financial liabilities								
Trade and other payables <sup>(1)</sup>	1,128.1	7.9	-	-	1,211.0	6.9	-	-
Bank overdrafts	13.1	-	-	-	49.5	-	-	-
Bank loans	2.6	59.3	90.1	-	7.0	135.1	66.7	-
Export finance facility	18.2	18.2	54.0	-	14.7	14.7	44.2	14.3
Other short term borrowings	-	-	-	-	211.4	-	-	-
Private placement	210.6	377.5	361.2	1,682.4	353.3	172.4	600.1	1,403.6
Other long term borrowings	-	2.7	13.1	-	3.6	6.2	3.6	-
Lease liabilities	1.6	1.8	1.8	-	1.2	1.1	3.2	-
Derivative financial liabilities	1,349.8	69.6	392.7	225.2	1,985.8	137.2	329.4	259.1
Financial liabilities	2,724.0	537.0	912.9	1,907.6	3,837.5	473.6	1,047.2	1,677.0
Net outflow	(155.8)	(410.6)	(586.9)	(1,614.8)	(533.5)	(279.6)	(709.8)	(1,417.1)

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

## Recognition and Measurement

### Valuation of financial assets and liabilities (included within other on Balance sheet)

The carrying value of derivatives equals their fair values. All are defined as Level 2 under AASB 7. The inputs are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices). There has been no movement between levels since prior year.

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. Changes in default probabilities are included in the valuation of derivatives through the use of credit and debit valuation adjustments

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.

# Notes to the Financial Statements – Managing financial risks

For the year ended 30 September

## 10. Financial risk management (continued)

### Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet where Orica currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Orica also entered into master netting arrangements that do not meet the criteria for offsetting but allow for the related amounts to be set-off in certain circumstances, such as the event of default.

### Hedge accounting

The Group uses financial instruments to hedge its exposure to certain market risks arising from operational, financing and investing activities.

The Group holds financial instruments that qualify for hedge accounting under one of the three arrangements:

	Fair value hedges	Cash flow hedges	Net investment hedges
What the financial instrument is designated to hedge?	To mitigate the risk of changes in the fair value of its foreign currency borrowings from foreign currency and interest rate fluctuations.	As a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction.	As a hedge of risk of changes in foreign currency when net assets of a foreign operation are translated from their functional currency to Australian dollars.
Where are gains or losses on fair value movements of the financial instrument recorded?	Recognised in the Income Statement, together with gains or losses in relation to the hedged item.	The effective portion is recognised in other comprehensive income. The ineffective portion is recognised immediately in the Income Statement.	The effective portion is recognised in the foreign currency translation reserve in equity. The ineffective portion is recognised immediately in the Income Statement.
Discontinuation of hedge accounting	The cumulative gain or loss that has been recorded to the carrying value of the hedged item is amortised to the Income Statement using the effective interest method.	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.  If the hedged transaction is no longer expected to take place, then the cumulative gain or loss is recognised immediately in the Income Statement.	The cumulative gain or loss is removed from equity and recognised in the Income Statement in the event that the respective foreign operation is disposed of.

For a cash flow hedge arrangement that has a forecasted transaction that is being hedged, when the transaction occurs, the 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 when the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability.
- reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Income Statement, where a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability.
- recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the Income Statement, when the transaction is not covered by the above two statements

### Derivatives not in a designated hedge arrangement

Financial instruments that do not qualify for hedge accounting but remain economically effective, are accounted for as trading instruments. These instruments are classified as current and are stated at fair value, with any resultant gain or loss recognised in the Income Statement. The Group policy is to not hold or issue financial instruments for trading purposes.

# Notes to the Financial Statements – Taxation

For the year ended 30 September

## Section E. Taxation

This section outlines the taxes paid by Orica and the impact tax has on the Financial Statements.

Orica has operations in more than 50 countries, with customers in more than 100 countries. In 2015, Orica paid \$213.8 million (2014 \$262.1 million) globally in corporate taxes and payroll taxes. Orica collected and remitted \$113.9 million (2014 \$188.5 million) globally in GST / VAT.

As Orica operates in a number of countries around the world, it is subject to local tax rules in each of those countries. Orica's tax rate is sensitive to the geographic mix of profits earned in different countries with different tax rates, as tax will be due in the country where the profits are earned. Many of the jurisdictions Orica has operations in have headline tax rates lower than 30%.

### 11. Taxation

(a) Taxes paid by the Group were as follows:	Consolidated	
	2015 \$m	2014 \$m
<b>Income taxes:</b>		
Income taxes paid including withholding taxes	163.2	209.5
<b>Other taxes:</b>		
Taxes on wages and salaries paid by the employer	50.6	52.6
Net Goods and Services Tax/Value Added Taxes paid	113.9	188.5
<b>Total taxes paid</b>	<b>327.7</b>	<b>450.6</b>

	Continuing	Discontinued	Consolidated	Continuing	Discontinued	Consolidated
	2015 \$m	2015 \$m	2015 \$m	2014 \$m	2014 \$m	2014 \$m
<b>(b) Income tax expense/(benefit) recognised in the income statement</b>						
Current tax expense						
Current year	170.4	(2.7)	167.7	115.9	27.4	143.3
Deferred tax	(62.3)	-	(62.3)	49.6	(1.0)	48.6
Under/(over) provided in prior years	13.9	-	13.9	(4.0)	-	(4.0)
<b>Total income tax expense/(benefit) in income statement</b>	<b>122.0</b>	<b>(2.7)</b>	<b>119.3</b>	<b>161.5</b>	<b>26.4</b>	<b>187.9</b>

#### (c) Reconciliation of income tax expense to prima facie tax payable

##### Income tax expense attributable to profit

Prima facie income tax expense calculated at 30% on profit	(384.5)	1.4	(383.1)	224.3	19.9	244.2
Tax effect of items which (decrease)/increase tax expense:						
variation in tax rates of foreign controlled entities	(29.0)	(0.4)	(29.4)	(21.2)	0.5	(20.7)
tax under/(over) provided in prior years	13.9	-	13.9	(4.0)	-	(4.0)
non taxable profit on sale of property due to utilisation of capital losses	(3.6)	-	(3.6)	(10.2)	-	(10.2)
other foreign deductions	(4.5)	-	(4.5)	(32.4)	-	(32.4)
sundry items	18.3	(3.7)	14.6	5.0	6.0	11.0
impairment of intangibles - Ground Support	254.6	-	254.6	-	-	-
impairment of Ammonium Nitrate assets	177.4	-	177.4	-	-	-
impairment of other assets	79.4	-	79.4	-	-	-
<b>Income tax expense/(benefit) reported in the income statement</b>	<b>122.0</b>	<b>(2.7)</b>	<b>119.3</b>	<b>161.5</b>	<b>26.4</b>	<b>187.9</b>



# Notes to the Financial Statements – Taxation

For the year ended 30 September

## 11. Taxation (continued)

### (d) Income tax recognised in comprehensive income:

	Consolidated					
	2015	2015	2014		2014	
	\$m	\$m	\$m	\$m	\$m	\$m
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Net gain on hedge of net investments in foreign subsidiaries	56.1	77.6	133.7	1.8	29.3	31.1
Cash flow hedges						
- Effective portion of changes in fair value	(101.3)	30.4	(70.9)	26.3	(7.9)	18.4
- Transferred to Income Statement	(7.1)	2.1	(5.0)	(0.2)	0.1	(0.1)
Exchange gains/(losses) on translation of foreign operations	349.3	-	349.3	(13.2)	-	(13.2)
Actuarial benefits/(losses) on defined benefit plans	9.1	(1.8)	7.3	(12.6)	1.7	(10.9)
	<b>306.1</b>	<b>108.3</b>	<b>414.4</b>	<b>2.1</b>	<b>23.2</b>	<b>25.3</b>

### (e) Recognised deferred tax assets and liabilities

Consolidated	Notes	Balance Sheet		Income Statement	
		2015	2014	2015	2014
		\$m	\$m	\$m	\$m
<b>Deferred tax assets</b>					
Inventories		16.3	13.8	(2.7)	0.9
Property, plant and equipment		83.9	30.8	(57.6)	(3.6)
Intangible assets		27.7	42.5	14.8	9.2
Trade and other payables		68.2	50.6	(18.5)	(8.2)
Interest bearing liabilities		191.4	23.8	(33.0)	51.1
Provision for employee entitlements		26.9	35.2	3.4	(0.8)
Provision for retirement benefit obligations		36.1	40.8	2.9	3.3
Provisions for environmental and decommissioning		58.4	47.5	(10.9)	5.1
Tax losses		154.0	114.5	(39.5)	(5.9)
Other items		7.3	7.1	(0.4)	(0.8)
<b>Deferred tax assets</b>		<b>670.2</b>	<b>406.6</b>		
Less set-off against deferred tax liabilities		(194.9)	(204.1)		
<b>Net deferred tax assets</b>		<b>475.3</b>	<b>202.5</b>		
<b>Deferred tax liabilities</b>					
Property, plant and equipment		191.1	193.0	47.1	3.9
Intangible assets		20.4	21.9	(1.5)	(5.8)
Interest bearing liabilities		34.1	23.3	10.8	(1.2)
Undistributed profits of foreign subsidiaries		18.5	16.0	2.5	2.0
Other items		37.6	18.2	20.3	(0.6)
<b>Deferred tax liabilities</b>		<b>301.7</b>	<b>272.4</b>		
Less set-off against deferred tax assets		(194.9)	(204.1)		
<b>Net deferred tax liabilities</b>		<b>106.8</b>	<b>68.3</b>		
<b>Deferred tax expense</b>				<b>(62.3)</b>	<b>48.6</b>

### (f) Unrecognised deferred tax assets

	Consolidated	
	2015	2014
	\$m	\$m
Tax losses not booked	31.1	4.0
Capital losses not booked	92.3	26.2
Temporary differences not booked	245.5	0.9

Tax losses not booked expire between 2016 and 2030.

# Notes to the Financial Statements – Taxation

For the year ended 30 September

## 11. Taxation (continued)

### Recognition and Measurement

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.

### Contingent tax liabilities

In the normal course of business, contingent liabilities may arise from tax investigations or legal proceedings. 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.

#### (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.

#### (ii) German Tax Action

As the result of an income tax audit covering the 2005 to 2008 years, the German Central Tax Office ("the CTO") has challenged Orica's tax returns under laws which were announced in 2012 and introduced in 2013 in relation to a financing arrangement by Orica of its German group from 2005 onwards. The amount for the 2005 to 2008 years of the possible reassessment is approximately \$20m. No assessment has been received from the CTO for the subsequent years. Orica believes that the laws should not apply to these arrangements and in addition should not be applied retrospectively. The CTO has extended the audit beyond 2008 and may challenge the financing arrangement in the later years.

#### (iii) 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. The ATO rejected Orica's objections against the three assessments and Orica has appealed the matter to the Federal Court. The matter was heard by Judge Tony Pagone in the Federal Court in October 2015 and has been reserved for judgement. 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.

#### (iv) Norway Tax Action

The Tax Office in Norway has issued a final assessment for tax and interest amounting to approximately \$33 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 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.

#### (v) Brazilian Tax Action

The Brazilian Taxation authority is claiming unpaid taxes of approximately \$17 million plus inflation adjustments, interest and penalties of approximately \$26.5 million relating to the 1997 financial year. IC1 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.

# Notes to the Financial Statements – Taxation

For the year ended 30 September

## 11. Taxation (continued)

### **Critical accounting judgements and estimates**

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.

# Notes to the Financial Statements – Global footprint

For the year ended 30 September

## Section F. Global footprint

Orica has a diverse spread of global operations, which includes controlled entities incorporated in over 50 countries, as well as entering strategic partnering arrangements with certain third parties. This section highlights the Group structure including Orica's controlled entities, as well as those where Orica holds less than 100% interest.

### 12. Investments in controlled entities

#### Recognition and Measurement

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 10 Consolidated 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 identifiable 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.

Refer to note 25 for the list of investments in controlled entities.

	Consolidated	
	2015	2014
	\$m	\$m

### 13. Non-controlling interests in controlled entities

Non-controlling interests in shareholders' equity at balance date is as follows:

Contributed equity	66.6	66.6
Reserves	(1.9)	(16.9)
Retained earnings	(62.1)	86.4
	<b>2.6</b>	<b>136.1</b>

The following table summarised the information relating to non-controlling interests on a 100% basis.

The amounts disclosed are before inter-company eliminations.

Current assets	545.4	500.4
Current liabilities	302.2	269.4
<b>Current net assets</b>	<b>243.2</b>	<b>231.0</b>
Non-current assets	430.7	840.3
Non-current liabilities	709.2	549.3
<b>Non-current net (liabilities)/assets</b>	<b>(278.5)</b>	<b>291.0</b>
<b>Net (liabilities)/assets</b>	<b>(35.3)</b>	<b>522.0</b>
Carrying amount of non-controlling interests	2.6	136.1
Sales Revenue	844.7	795.4
Net (loss)/profit for the year	(556.6)	69.1
Other comprehensive income	107.1	7.0
<b>Total comprehensive income</b>	<b>(449.5)</b>	<b>76.1</b>
(Loss)/profit allocated to non-controlling interests	(129.0)	23.5
Other comprehensive income related to non-controlling interests	15.3	(7.9)
Total	(113.7)	15.6
Dividends paid - non-controlling interests	(16.7)	(17.4)
Cash flows (used in)/from operating activities	(9.2)	2.7
Cash flows (used in)/from investments activities	(12.8)	(5.8)
Cash flows from financing activities	29.0	11.6
<b>Net increase in cash and cash equivalents</b>	<b>7.0</b>	<b>8.5</b>

# Notes to the Financial Statements – Global footprint

For the year ended 30 September

## 14. Investments accounted for using the equity method and joint operations

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

The table below shows the material investments (based on carrying values). All other investments are included in "Other".

Name	Principal activity	Balance date	Ownership		Consolidated Carrying amount	
			2015 %	2014 %	2015 \$m	2014 \$m
Nelson Brothers, LLC <sup>(1)</sup>	Manufacture and sale of explosives	30 Sep	50.0	50.0	43.9	27.5
Nelson Brothers Mining Services LLC <sup>(1)</sup>	Supply of explosives	30 Sep	50.0	50.0	34.1	32.8
Southwest Energy LLC <sup>(1)</sup>	Sale of explosives	30 Sep	50.0	50.0	113.4	88.0
Thai Nitrate Company Ltd <sup>(2)</sup>	Manufacture and sale of explosives	31 Dec	50.0	50.0	-	30.1
Other	Various				12.1	26.4
					<b>203.5</b>	<b>204.8</b>

Entities are incorporated in: <sup>(1)</sup> USA, <sup>(2)</sup> Thailand.

### Summary of profit and loss of associates:

	2015 \$m	2014 \$m
The aggregate net profit after tax of associates on a 100% basis are:	78.6	70.2
Orica's share of net profit after tax of associates is:	39.0	33.1

### (b) Joint operations

The Group owns a 45% interest of Yara Pilbara Nitrates Pty Ltd in conjunction with Yara Australia Pty Ltd (34.6%) and Yara Pilbara Holdings Pty Ltd (20.4%) (ownership - Orica 45%, Yarra 45% and Apache 10%). The entity will operate a 330,000 tonnes per annum industrial grade ammonium nitrate plant on the Burrup Peninsula (Western Australia, Australia).

Construction of the plant at a capital cost of approximately US\$830 million (100% interest) will be completed in 2016 with Yara managing construction and the ongoing operation of the plant.

The parties have committed to require substantially all of the output to be sold to them and they have rights to substantially all of the economic benefits of the assets. The dependence of the manufacturing entity upon Orica and Yara for the generation of cash flows indicates that the parties have an obligation for the liabilities of the manufacturing arrangement and accordingly it is accounted for as a joint operation.

### (c) Transactions with associates

Transactions during the year with associates were:

	2015 \$000	2014 \$000
Sales of goods to associates	368,716	333,572
Purchases of goods from associates	106,344	91,113
Dividend income received from associates	34,284	35,545
Income received from leasing	1,452	2,081
Interest income received from associates	10	10

### (d) Transactions with related parties

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

# Notes to the Financial Statements – Global footprint

For the year ended 30 September

## 14. Investments accounted for using the equity method and joint operations (continued)

### Recognition and Measurement

#### Associate entities

Where Orica holds an interest in the equity of an entity, generally of between 20 per cent and 50 per cent, and is able to significantly influence the decisions of the entity, that entity is an associated entity. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

#### Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligation for the liabilities relating to the arrangement. Orica recognises its share of any jointly held or incurred assets, liabilities, revenue and expenses in the consolidated financial statements under appropriate headings.

## 15. Businesses and non-controlling interests acquired

#### Acquisition of businesses and controlled entities

During financial year 2015 and 2014 the consolidated entity has not acquired any businesses or entities.

# Notes to the Financial Statements – Global footprint

For the year ended 30 September

## 16. Discontinued operations and businesses disposed

This note shows the results of the continuing businesses and the discontinued business.

The Chemicals business was sold on 27 February 2015 and is reported as a Discontinued operation. Chemicals earnings for the period ended 30 September 2015 are included in the 2015 Discontinued numbers below.

For the year ended 30 September	Continuing	Discontinued	Consolidated	Continuing	Discontinued	Consolidated
	2015	2015	2015	2014	2014	2014
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Sales revenue</b> <sup>(2)</sup>	5,653.3	497.4	6,123.2	5,721.5	1,145.0	6,796.3
<b>Other income</b>	50.1	0.8	50.9	56.1	0.8	56.9
<b>Expenses</b>						
Raw materials and inventories <sup>(2)</sup>	(2,671.9)	(275.4)	(2,919.8)	(2,649.9)	(696.8)	(3,276.5)
Employee benefits expense	(1,135.1)	(49.3)	(1,184.4)	(1,156.9)	(109.7)	(1,266.6)
Depreciation and amortisation expense	(292.7)	(13.0)	(305.7)	(269.9)	(30.9)	(300.8)
Purchased services	(360.7)	(26.0)	(386.7)	(287.0)	(48.3)	(335.3)
Repairs and maintenance	(155.5)	(4.0)	(159.5)	(167.5)	(11.4)	(178.9)
Impairment of property, plant & equipment	(947.6)	-	(947.6)	-	-	-
Impairment of intangibles	(894.0)	-	(894.0)	-	-	-
Impairment of investments	(49.3)	-	(49.3)	(0.4)	-	(0.4)
Outgoing freight	(255.8)	(36.2)	(292.0)	(244.4)	(79.0)	(323.4)
Lease payments - operating leases	(53.8)	(3.1)	(56.9)	(57.2)	(11.0)	(68.2)
Other expenses <sup>(3)</sup>	(125.6)	(86.6)	(212.2)	(115.1)	(91.4)	(206.5)
Share of net profit of associates accounted for using the equity method	39.0	-	39.0	33.2	(0.1)	33.1
<b>Total</b>	<b>(6,903.0)</b>	<b>(493.6)</b>	<b>(7,369.1)</b>	<b>(4,915.1)</b>	<b>(1,078.6)</b>	<b>(5,923.5)</b>
<b>(Loss)/profit from operations</b>	<b>(1,199.6)</b>	<b>4.6</b>	<b>(1,195.0)</b>	<b>862.5</b>	<b>67.2</b>	<b>929.7</b>
<b>Net financing costs</b>						
Financial income	42.2	0.1	42.3	35.3	-	35.3
Financial expenses	(124.4)	-	(124.4)	(150.1)	(1.0)	(151.1)
<b>Net financing costs</b>	<b>(82.2)</b>	<b>0.1</b>	<b>(82.1)</b>	<b>(114.8)</b>	<b>(1.0)</b>	<b>(115.8)</b>
<b>(Loss)/profit before income tax expense</b>	<b>(1,281.8)</b>	<b>4.7</b>	<b>(1,277.1)</b>	<b>747.7</b>	<b>66.2</b>	<b>813.9</b>
Income tax (expense)/benefit	(122.0)	2.7	(119.3)	(161.5)	(26.4)	(187.9)
<b>Net (loss)/profit for the year</b>	<b>(1,403.8)</b>	<b>7.4</b>	<b>(1,396.4)</b>	<b>586.2</b>	<b>39.8</b>	<b>626.0</b>
<b>Net (loss)/profit for the year attributable to:</b>						
Shareholders of Orica Limited	(1,274.4)	7.0	(1,267.4)	563.6	38.9	602.5
Non-controlling interests	(129.4)	0.4	(129.0)	22.6	0.9	23.5
<b>Net (loss)/profit for the year</b>	<b>(1,403.8)</b>	<b>7.4</b>	<b>(1,396.4)</b>	<b>586.2</b>	<b>39.8</b>	<b>626.0</b>

<sup>(1)</sup> The \$4.6 million profit from operations (for Chemicals business within Discontinued operations) is for the five months period ended 27 February 2015 and the \$67.2 million profit for the 12 months period ended 30 September 2014.

<sup>(2)</sup> Consolidated includes elimination of inter-segment sales of \$27.5m (2014 \$70.2m).

<sup>(3)</sup> The 2015 Discontinued operations includes \$26.7 million pre tax loss (\$13.5m loss post tax) on sale of Chemicals business.

# Notes to the Financial Statements – Global footprint

For the year ended 30 September

## 16. Discontinued operations and businesses disposed (continued)

Reconciliation of net profit after tax	Continuing	Discontinued	Consolidated	Continuing	Discontinued	Consolidated
	2015 \$m	2015 \$m	2015 \$m	2014 \$m	2014 \$m	2014 \$m
<b>Before individually material items</b>						
Profit from operations	684.8	4.6	689.4	862.5	67.2	929.7
Net financing costs	(82.2)	0.1	(82.1)	(114.8)	(1.0)	(115.8)
Profit before income tax expense	602.6	4.7	607.3	747.7	66.2	813.9
Income tax (expense)/benefit	(176.2)	2.7	(173.5)	(161.5)	(26.4)	(187.9)
<b>Profit after tax before non-controlling interests</b>	<b>426.4</b>	<b>7.4</b>	<b>433.8</b>	<b>586.2</b>	<b>39.8</b>	<b>626.0</b>
Non-controlling interests	9.2	0.4	9.6	22.6	0.9	23.5
<b>Profit after tax before individually material items</b>	<b>417.2</b>	<b>7.0</b>	<b>424.2</b>	<b>563.6</b>	<b>38.9</b>	<b>602.5</b>
<b>Individually material items</b>						
Loss before income tax expense	(1,884.4)	-	(1,884.4)	-	-	-
Income tax benefit	54.2	-	54.2	-	-	-
<b>Loss after tax before non-controlling interests</b>	<b>(1,830.2)</b>	<b>-</b>	<b>(1,830.2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-controlling interests	(138.6)	-	(138.6)	-	-	-
<b>Loss after tax from individually material items</b>	<b>(1,691.6)</b>	<b>-</b>	<b>(1,691.6)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (loss)/profit after tax</b>						
(Loss)/profit before income tax expense	(1,281.8)	4.7	(1,277.1)	747.7	66.2	813.9
Income tax expense	(122.0)	2.7	(119.3)	(161.5)	(26.4)	(187.9)
<b>(Loss)/profit after tax before non-controlling interests</b>	<b>(1,403.8)</b>	<b>7.4</b>	<b>(1,396.4)</b>	<b>586.2</b>	<b>39.8</b>	<b>626.0</b>
Non-controlling interests	(129.4)	0.4	(129.0)	22.6	0.9	23.5
<b>Net (loss)/profit after tax</b>	<b>(1,274.4)</b>	<b>7.0</b>	<b>(1,267.4)</b>	<b>563.6</b>	<b>38.9</b>	<b>602.5</b>
<b>Net (loss)/profit for the year attributable to:</b>						
Shareholders of Orica Limited	(1,274.4)	7.0	(1,267.4)	563.6	38.9	602.5
Non-controlling interests	(129.4)	0.4	(129.0)	22.6	0.9	23.5
<b>Net (loss)/profit for the year</b>	<b>(1,403.8)</b>	<b>7.4</b>	<b>(1,396.4)</b>	<b>586.2</b>	<b>38.9</b>	<b>626.0</b>



# Notes to the Financial Statements – Global footprint

For the year ended 30 September

## 16. Discontinued operations and businesses disposed (continued)

### Disposal of businesses and controlled entities

The following businesses and controlled entities were disposed of:

#### 2015:

The Chemicals business was sold on 27 February 2015 and is reported as discontinued operations. Business assets of Orica Mountain West Inc. on 1 September 2015.

#### 2014:

Orica Nelson Quarry Services Inc. on 31 January 2014.

Business assets of Emrick & Hill., Inc on 30 September 2014.

	Consolidated	
	2015	2014
	\$m	\$m
Consideration		
sale price	755.1	1.6
less disposal costs and initial purchase price adjustments deducted from the purchase price	(47.0)	-
	708.1	1.6
Cash disposed	(2.6)	(1.2)
Net consideration	705.5	0.4
Less further disposal costs including purchase price adjustments	(75.6)	-
Cash received		
deferred settlement	-	1.6
Net consideration <sup>(1)</sup>	629.9	2.0
Carrying value of net assets of businesses/controlled entities disposed		
trade and other receivables	187.3	1.8
inventories	172.4	1.3
property, plant and equipment	338.2	0.1
intangibles	143.5	-
other assets	19.4	0.1
investment	0.4	-
payables and interest bearing liabilities	(141.3)	(1.3)
provision for employee entitlements	(21.3)	-
provision for retirement benefit obligations/curtailments	(11.6)	-
provision for income tax	(36.0)	(0.1)
foreign currency translation reserve	(6.9)	-
	644.1	1.9
Less non-controlling interests at date of disposal	(2.9)	-
(Loss)/profit on sale of business/controlled entities	(11.3)	0.1

<sup>(1)</sup> The difference of \$28.9m between net consideration and net proceeds from sale of business/controlled entities in the cashflow is due to chemicals disposal costs yet to be paid of \$27.3m and the receipt of \$1.6m from the sale of the business assets of Emrick & Hill., Inc (sold in FY2014).

	2015	2014
	\$m	\$m
<b>Cash flows used in discontinued operations - Chemicals Business</b>		
Cash flows (used in)/from operating activities	(12.8)	104.6
Cash flows (used in)/from investing activities	(10.4)	(27.0)
Cash flows (used in)/from financing activities	(4.6)	(84.7)
Net cash flows used in discontinued operations	(27.8)	(7.1)

### Disposal of non-controlling interest:

#### 2014:

Orica Mongolia LLC, in December 2013 Orica divested 36% of its interest.

Jiangsu Orica Banqiao Mining Machinery Company Limited, in December 2013 Orica divested 1.5% of its interest.

Orica Mining Services South Africa (Pty) Ltd, in April 2014 Orica divested 25% of its interest.

# Notes to the Financial Statements – Global footprint

For the year ended 30 September

	Company	
	2015	2014
	\$m	\$m
<b>17. Parent Company disclosure - Orica Limited</b>		
Total current assets	1,093.1	1,036.1
Total assets	3,185.0	3,003.4
Total current liabilities	243.1	502.1
Total liabilities	960.8	504.9
<b>Equity</b>		
Ordinary shares	1,954.4	1,975.0
Retained earnings	269.8	523.5
<b>Total equity attributable to ordinary shareholders of Orica Limited</b>	<b>2,224.2</b>	<b>2,498.5</b>
<b>Net profit for the year and total comprehensive income</b>	<b>134.2</b>	<b>430.3</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 25. A consolidated balance sheet and income statement for this closed group is shown in note 18.

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

Orica Limited guaranteed senior notes issued in the US private placement market in 2003, 2005, 2010 and 2013. The notes have maturities between calendar years 2015 and 2030 (2014: between calendar years 2015 and 2030) (see note 3).

# Notes to the Financial Statements – Global footprint

For the year ended 30 September

## 18. 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 25. A consolidated income statement and consolidated balance sheet for this closed group is shown below.

	Closed Group	
	2015	2014
	\$m	\$m
<b>Summarised balance sheet</b>		
<b>Current assets</b>		
Cash and cash equivalents	-	902.4
Trade and other receivables	384.4	351.2
Inventories	128.9	181.0
Other assets	16.6	23.6
<b>Total current assets</b>	<b>529.9</b>	<b>1,458.2</b>
<b>Non-current assets</b>		
Trade and other receivables	24.4	23.9
Investments accounted for using the equity method	2.0	2.9
Other financial assets	4,601.1	3,731.6
Property, plant and equipment	845.6	1,124.9
Intangible assets	249.4	326.5
Deferred tax assets	187.1	172.3
<b>Total non-current assets</b>	<b>5,909.6</b>	<b>5,382.1</b>
<b>Total assets</b>	<b>6,439.5</b>	<b>6,840.3</b>
<b>Current liabilities</b>		
Trade and other payables	497.6	486.9
Interest bearing liabilities <sup>(1)</sup>	2,045.4	3,176.2
Current tax liabilities	-	16.7
Provisions	169.8	87.3
<b>Total current liabilities</b>	<b>2,712.8</b>	<b>3,767.1</b>
<b>Non-current liabilities</b>		
Trade and other payables	1.0	1.2
Interest bearing liabilities	836.8	34.3
Deferred tax liabilities	149.0	159.8
Provisions	201.2	208.7
<b>Total non-current liabilities</b>	<b>1,188.0</b>	<b>404.0</b>
<b>Total liabilities</b>	<b>3,900.8</b>	<b>4,171.1</b>
<b>Net assets</b>	<b>2,538.7</b>	<b>2,669.2</b>
<b>Equity</b>		
Ordinary shares	1,976.1	1,975.0
Reserves	385.1	385.1
Retained profits	177.5	309.1
<b>Total equity</b>	<b>2,538.7</b>	<b>2,669.2</b>
<b>Summarised income statement and retained profits</b>		
Profit before income tax expense	235.0	288.1
Income tax expense	(15.2)	(65.7)
<b>Profit from operations</b>	<b>219.8</b>	<b>222.4</b>
Retained profits at the beginning of the year	309.1	428.0
Actuarial gains recognised directly in equity	4.7	8.0
Ordinary dividends – interim	(148.0)	(147.9)
Ordinary dividends – final	(208.1)	(201.4)
<b>Retained profits at the end of the year</b>	<b>177.5</b>	<b>309.1</b>

<sup>(1)</sup> These interest bearing liabilities are predominantly with Orica Finance Limited. At the date of this report there is no intention to re-call these borrowings other than out of available cash flows.

# Notes to the Financial Statements – Reward and recognition

For the year ended 30 September

## Section G. Reward and recognition

Orica operates in over 50 countries and has more than 12,000 employees. This section provides insights into the reward and recognition of employees, in addition to the employee benefits expense and employee provisions disclosed in the Income Statement and Note 6 respectively.

This section should be read in conjunction with the Remuneration Report, contained within the Directors' Report, which provides specific details on the setting of remuneration for Key Management Personnel.

## 19. Employee share plans and Remuneration

### Employees' options entitlement

The following plans have options over Orica shares outstanding at 30 September 2014 or 30 September 2015:

- The Long Term Incentive Plan (LTIP) (Refer to Remuneration Report Section B)
- LTEIP shares which are treated as options for accounting purposes
- Long Term Incentive Rights Plan (LTIRP)
- The Sign-on Rights Plans

Orica engaged PwC to value issued options. The valuations prepared by PwC use methodologies consistent with assumptions that apply under 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.

### (a) (i) Long Term Equity Incentive Plan (LTEIP)

The Orica Long-Term Equity Incentive Plan (LTEIP) was the long-term incentive component of the remuneration arrangements for Executive KMP from 2004 until Financial year 2015 when a performance rights plan was implemented. The LTEIP is an equity plan where shares are acquired up front through the provision of a non-recourse loan from the Company, provided for the sole purpose of acquiring shares in Orica. It operates much like a traditional option plan, as the outstanding loan balance is effectively the 'exercise price' that must be paid before any value can be realised. Maximum rewards under LTEIP arise where there is strong share price performance, strong earnings per share growth and strong relative total shareholder return performance.

The number of option (LTEIP) issues, values and related Executive loan information in relation to Orica Executive KMP is shown in the following table:

Grant date	Vesting date	Number of options issued	Number of options held at 30 September 2015	Number of options held at 30 September 2014	Number of participants at 30 September 2015	Number of participants at 30 September 2014	Value of options at grant date <sup>(1)</sup> \$
21 Feb 14	23 Jan 17	839,544	<b>522,534</b>	839,544	<b>9</b>	14	6,800,306
11 Mar 13	23 Jan 16	33,919	<b>33,919</b>	33,919	<b>1</b>	1	282,545
7 Feb 13	23 Jan 16	704,355	<b>377,356</b>	670,436	<b>8</b>	10	6,282,847
24 Feb 12	23 Jan 15	305,302	-	305,302	-	1	2,842,362
19 Dec 11	23 Jan 15	592,713	-	451,683	-	4	4,747,631
		2,475,833	<b>933,809</b>	2,300,884	<b>18</b>	30	20,955,691

# Notes to the Financial Statements – Reward and recognition

For the year ended 30 September

## 19. Employee share plans and Remuneration (continued)

(1) The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date \$	Expected volatility in share price %	Dividends expected on shares <sup>(2)</sup> %	Risk free interest rate %	Fair value per option <sup>(3)</sup> \$
21 Feb 14	24.30	25	Nil	3.05	8.10
11 Mar 13	25.90	25	Nil	2.97	8.33
7 Feb 13	26.73	25	Nil	2.78	8.92
24 Feb 12	26.62	25	Nil	3.71	9.31
19 Dec 11	24.68	25	Nil	2.99	8.01

(2) A net dividend yield of nil has been adopted as participants will fully benefit from dividend receipts as loan repayment during the life of the LTEIP instruments.

(3) Under the December 2010 and subsequent LTEIP schemes, a portion of the loan may be forgiven based on Orica's compound growth in earnings per share over a pre-determined performance period. Under accounting standards, the share based payments expense (fair value per option) is adjusted to an expense based on the actual EPS growth achieved. The range of fair values per option is:

Grant date	Less than 5% EPS growth per annum \$	EPS growth of 5% per annum \$	EPS growth of 10% per annum \$	EPS growth of 15% or higher per annum \$
21 Feb 14	6.77	7.42	8.10	8.83
11 Mar 13	6.90	7.47	8.33	9.09
7 Feb 13	7.53	8.20	8.92	9.78
24 Feb 12	5.87	7.44	9.31	11.32
19 Dec 11	5.02	6.37	8.01	9.89

### LTEIP options over unissued shares:

Exercisable between	Balance 30 Sep 13	Issued during the period	Exercised during the period	Lapsed during the period	Balance 30 Sep 14	Issued during the period	Exercised during the period	Lapsed during the period	Balance 30 Sep 15
18 Nov 16 - 23 Jan 17	-	839,544	-	-	839,544	-	-	(317,010)	522,534
18 Nov 15 - 23 Jan 16	33,919	-	-	-	33,919	-	-	-	33,919
18 Nov 15 - 23 Jan 16	704,355	-	-	(33,919)	670,436	-	-	(293,080)	377,356
18 Nov 14 - 23 Jan 15	305,302	-	-	-	305,302	-	-	(305,302)	-
18 Nov 14 - 23 Jan 15	451,683	-	-	-	451,683	-	-	(451,683)	-
19 Nov 13 - 23 Jan 14	1,419,915	-	(589,192)	(830,723)	-	-	-	-	-
<b>Total</b>	<b>2,915,174</b>	<b>839,544</b>	<b>(589,192)</b>	<b>(864,642)</b>	<b>2,300,884</b>	<b>-</b>	<b>-</b>	<b>(1,367,075)</b>	<b>933,809</b>

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.

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

In financial year 2012 LTIRP was adopted (replaced by LTIP in 2015) 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.
- LTIRP is offered to senior executives below the Executive Committee level. A single hurdle of Orica achieving 2% EPS compound growth per annum over three years was set for this scheme to represent the minimum level of acceptable performance before vesting can occur.

# Notes to the Financial Statements – Reward and recognition

For the year ended 30 September

## 19. Employee share plans and Remuneration (continued)

### (a) (ii) Long Term Incentive Rights Plan (LTIRP) (continued)

- 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 2015	Number of rights held at 30 September 2014	Number of participants at 30 September 2015	Number of participants at 30 September 2014	Fair value of rights at grant date <sup>(1)</sup>
							\$
19 Dec 11	19 Dec 14	664,845	-	451,166	-	229	14,586,699
19 Dec 12	19 Dec 15	717,397	<b>435,036</b>	494,530	<b>206</b>	237	15,754,038
1 April 13	19 Dec 15	24,293	<b>8,481</b>	24,293	<b>2</b>	5	533,960
19 Dec 13	19 Dec 16	744,827	<b>523,867</b>	651,058	<b>205</b>	251	14,993,368
		2,151,362	<b>967,384</b>	1,621,047	<b>413</b>	722	45,868,065

<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
	\$	%	%	%	\$
19 Dec 11	24.68	25	4.0	2.99	21.94
19 Dec 12	24.70	25	4.0	2.77	21.96
1 April 13	24.45	25	4.0	2.88	21.98
19 Dec 13	22.98	25	4.5	2.92	20.13

### Rights over unissued shares (includes Sign-on Rights below) :

Vesting date	Balance 30 Sep 13	Issued during the period	Exercised during the period	Lapsed during the period	Balance 30 Sep 14	Issued during the period	Exercised during the period	Lapsed during the period	Balance 30 Sep 15
Various	15,613	41,939	(15,641)	-	41,911	-	(23,038)	(5,202)	<b>13,671</b>

### (a) (iii) 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.

# Notes to the Financial Statements – Reward and recognition

For the year ended 30 September

## 19. Employee share plans and Remuneration (continued)

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

Grant dates	Vesting date	Number of rights issued	Number of rights held at 30 September 2015	Number of rights held at 30 September 2014	Number of participants at 30 September 2015	Number of participants at 30 September 2014	Value of rights at grant date <sup>(1)</sup>
							\$
19 Dec 11 – 10 Jun14	30 Nov 13 – 2 Jan 16	68,585	13,671	41,911	7	16	1,474,670

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

Grant dates	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Fair value per right
					\$
		%	%	%	
19 Dec 11 – 10 Jun14	19.34-25.90	25	4.0-4.5	2.79-3.13	18.05-24.90

### (b) 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.

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

	Consolidated	
	2015 \$000	2014 \$000
Short term employee benefits	13,731.4	13,510.0
Other long term benefits	35.5	94.6
Post employment benefits	193.6	229.2
Share-based payments	490.5	3,720.0
Termination benefits	3,424.7	593.3
	<b>17,875.7</b>	<b>18,147.1</b>

## 20. Superannuation commitments

### Recognition and Measurement

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 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.

### (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 or defined contribution basis.

# Notes to the Financial Statements – Reward and recognition

For the year ended 30 September

## 20. Superannuation commitments (continued)

- 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.

### 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 2015 was \$37.4 million (2014 \$47.3 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 consolidate those results globally. During the year, the consolidated entity made employer contributions of \$29.3 million (2014 \$35.4 million) to defined benefit plans. The Group's external actuaries have forecast total employer contributions and benefit payments to defined benefit plans of \$28.6 million for 2016.

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

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

	2015	2014
	\$m	\$m
Present value of the funded defined benefit obligations	633.8	690.2
Present value of unfunded defined benefit obligations	113.9	108.3
Fair value of defined benefit plan assets	(556.0)	(594.1)
Deficit	191.7	204.4
Restriction on assets recognised	1.3	1.7
Net liability in the balance sheet	193.0	206.1
<b>Amounts in balance sheet:</b>		
Liabilities	195.1	207.8
Assets	(2.1)	(1.7)
<b>Net liability recognised in balance sheet at end of year</b>	<b>193.0</b>	<b>206.1</b>

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

The amounts recognised in the income statement are as follows:

	2015	2014
	\$m	\$m
Current service cost	17.3	17.7
Interest cost on defined benefit obligation	7.0	7.2
Curtailement or settlement gains	(12.6)	-
Total included in employee benefits expense	11.7	24.9



# Notes to the Financial Statements – Reward and recognition

For the year ended 30 September

## 20. Superannuation commitments (continued)

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

	2015 \$m	2014 \$m
Actuarial gains/(losses) on defined benefit obligations:		
Due to changes in demographic assumptions	(5.5)	(6.6)
Due to changes in financial assumptions	14.1	(42.6)
Due to experience adjustments	(11.3)	(0.4)
Total	(2.7)	(49.6)
Change in irrecoverable surplus other than interest	0.1	(1.3)
Return on plan assets greater than discount rate	11.7	38.3
Total gains/(losses) recognised via the Statement of Comprehensive Income	9.1	(12.6)
Tax (expense)/benefit on total gains/(losses) recognised via the Statement of Comprehensive Income	(1.8)	1.7
Total gains/(losses) after tax recognised via the Statement of Comprehensive Income	7.3	(10.9)

### (c) (iv) Reconciliations

	2015 \$m	2014 \$m
Reconciliation of present value of the defined benefit obligations:		
Balance at the beginning of the year	798.5	748.7
Current service cost	17.3	17.7
Interest cost	29.9	30.4
Actuarial (gains)/losses	2.7	49.6
Contributions by plan participants	2.4	2.7
Benefits paid	(68.5)	(50.9)
Settlements/curtailments	(70.7)	-
Exchange differences on foreign funds	36.1	0.3
Balance at the end of the year	747.7	798.5

	2015 \$m	2014 \$m
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	594.1	542.8
Interest income on plan assets	23.0	23.2
Actuarial gains	11.6	38.3
Contributions by plan participants	2.4	2.7
Contributions by employer	29.3	35.4
Benefits paid	(68.5)	(50.9)
Settlements/curtailments	(57.9)	-
Exchange differences on foreign funds	22.0	2.6
Balance at the end of the year	556.0	594.1

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.

# Notes to the Financial Statements – Reward and recognition

For the year ended 30 September

## 20. Superannuation commitments (continued)

	2015 \$m	2014 \$m
Comprising:		
Quoted in active markets:		
Equities	192.4	228.6
Debt securities	197.8	185.0
Property	3.8	1.4
Other quoted securities	51.7	53.8
Other:		
Property	35.9	45.2
Insurance contracts	20.8	23.8
Cash and cash equivalents	53.6	56.3
	<b>556.0</b>	<b>594.1</b>

The principal assumptions applied in determining the present value of defined benefit obligations and their bases were as follows

- Rates of increase in pensionable remuneration, pensions in payment and healthcare costs: historical experience and management's long-term future expectations;
- Discount rates: prevailing long-term high quality bond yields, chosen to match the currency and duration of the relevant obligation; and
- Mortality rates: the local actuaries' designated mortality rates for the individual plans concerned.

The weighted averages for those assumptions and related sensitivity information are presented below. Sensitivity information indicates by how much the defined benefit obligations would increase or decrease if a given assumption were to increase or decrease with no change in other assumptions.

	Assumptions used		Change in assumptions	
	2015	2014	+1% \$m	-1% \$m
Rate of increase in pensionable remuneration	3.40%	3.48%	21	(18)
Rate of increase in pensions in payment	2.49%	2.28%	22	(17)
Discount rate for pension plans	4.06%	3.90%	(84)	106

The expected age at death for persons aged 65 is 87 years for men and 89 years for women at 30 September 2015. If members are one year older the defined benefit obligation at 30 September 2015 would decrease by \$17 million.

### Critical accounting judgements and estimates

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 judgement in relation to assumptions for future salary and superannuation increases, long term price inflation and bond rates. While management believes the assumptions used are appropriate, a change in the assumptions used may impact the earnings and equity of the Group.

# Notes to the Financial Statements – Other

For the year ended 30 September

## Section H. Other

This section includes additional financial information that is required by the accounting standards and management considers to be relevant information for shareholders.

### 21. Commitments

#### Capital expenditure commitments

Capital expenditure on property, plant and equipment and business acquisitions contracted but not provided for and payable no later than one year was \$98.0 million (2014 \$106.9 million) and later than one but less than five years was \$3.8 million (2014 \$3.2 million).

	Consolidated	
	2015	2014
	\$m	\$m
<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	69.7	72.9
later than one, no later than five years	108.5	110.7
later than five years	26.6	36.9
	<b>204.8</b>	<b>220.5</b>
Representing:		
cancellable operating leases	90.6	131.6
non-cancellable operating leases	114.2	88.9
	<b>204.8</b>	<b>220.5</b>
Non-cancellable operating lease commitments payable:		
no later than one year	31.1	24.7
later than one, no later than five years	59.8	43.8
later than five years	23.3	20.4
	<b>114.2</b>	<b>88.9</b>

### 22. Contingent liabilities

Contingent liabilities relating to Environmental are disclosed in note 6 and those relating to tax in note 11. All others are disclosed below.

#### (a) 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 by Orica Finance Limited in the US private placement market in 2003, 2005, 2010 and 2013. The notes have maturities between 2015 and 2030 (see note 3). Orica Limited has also provided guarantees for senior committed bank facilities (see note 17).

# Notes to the Financial Statements – Other

For the year ended 30 September

## 22. Contingent liabilities (continued)

### (b) Other

In 2013, the Polish Competition Authority brought down an adverse finding against 3 firms, including Minova Poland, in relation to the supply of ground support products to Polish coal mines during 2005 to 2010, fining Minova Poland \$4.7million. Orica is appealing the adverse finding and fine.

#### Critical accounting judgements and estimates

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.

#### 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 can 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.

	Consolidated	
	2015	2014
	\$000	\$000

## 23. 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	3,722	4,463
– Other regulatory audit services	80	226
Auditors of the Company – overseas KPMG firms		
– Audit and review of financial reports <sup>(1)</sup>	2,321	2,185
	<b>6,123</b>	<b>6,874</b>
Other services <sup>(2)</sup>		
Auditors of the Company – KPMG Australia		
– other assurance services	268	-
	<b>268</b>	<b>-</b>
	<b>6,391</b>	<b>6,874</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. In addition, the guidelines adopted by KPMG for the provision of other services ensure their statutory independence is not compromised.

# Notes to the Financial Statements – Other

For the year ended 30 September

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

### *Dividends*

On 18 November 2015, the directors declared a final dividend of 56.0 cents per ordinary share payable on 18 December 2015. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2015 and will be recognised in the 2016 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2015, 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 – Other

For the year ended 30 September

## 25. Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2014 and 2015 (non controlling interests shareholding disclosed if not 100% owned):

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 (f)		Minova Asia Pacific Ltd	Taiwan
Active Chemicals Chile S.A. (g)	Chile	Minova Australia Pty Ltd	
Alaska Pacific Powder Company	USA	Minova Bohemia s.r.o.	Czech Republic
Altona Properties Pty Ltd (f) - 37.4%		Minova BWZ GmbH (h)	Germany
Aminova International Limited	Hong Kong	Minova CarboTech GmbH	Germany
Ammonium Nitrate Development and Production Limited - 0.1%	Thailand	Minova Carbotech Tunnelling Engineering (Shanghai) Company Limited	China
Anbao Insurance Pte Ltd	Singapore	Minova Codiv S.L.	Spain
Andean Mining & Chemicals Limited (g)	Jersey	Minova Ekochem S.A.	Poland
Arboleda S.A	Panama	Minova Holding GmbH	Germany
ASA Organizacion Industrial S.A. de C.V.	Mexico	Minova Holding Inc	USA
Australian Fertilizers Pty Ltd (f)		Minova International Limited	UK
Barbara Limited	UK	Minova Ksante Sp. z o.o.	Poland
Beijing Ruichy Minova Synthetic Material Company Limited	China	Minova MAI GmbH	Austria
Bronson and Jacobs (H.K.) Limited (g)	Hong Kong	Minova Mexico S.A. de C.V.	Mexico
Bronson and Jacobs (Shanghai) International Trading Co. Ltd (g)	China	Minova MineTek Private Limited - 24.0%	India
Bronson & Jacobs International Co. Ltd (g)	Thailand	Minova Mining Services SA - 49.0%	Chile
Bronson & Jacobs (Malaysia) Sdn Bhd (g)	Malaysia	Minova Nordic AB	Sweden
Bronson & Jacobs Pty Ltd (g)		Minova Romania S.R.L.	Romania
Bronson & Jacobs (S.E. Asia) Pte Limited (g)	Singapore	Minova Ukraina OOO - 10.0%	Ukraine
Bronson & Jacobs (Shanghai) Chemical Trading Co., Ltd (d)	China	Minova (Tianjin) Co., Ltd.	China
BST Manufacturing, Inc.	USA	Minova Weldgrip Limited	UK
Chemnet Pty Limited (f)		Mintun 1 Limited	UK
CJSC (ZAO) Carbo-Zakk - 6.3%	Russia	Mintun 2 Limited	UK
Controladora DNS de RL de CV	Mexico	Mintun 3 Limited	UK
Curasalus Insurance Pty Ltd (c)		Mintun 4 Limited	UK
Cyantific Instruments Pty Ltd (f)		MMTT Limited	UK
Dansel Business Corporation	Panama	Nitedals Krudtvaerk AS	Norway
Dyno Nobel Nitrogen AB (c)	Sweden	Nitro Asia Company Inc. - 41.6%	Philippines
Dyno Nobel VH Company LLC - 49.0%	USA	Nitro Consult AB	Sweden
Eastern Nitrogen Pty Ltd (f)		Nitro Consult AS	Norway
Emirates Explosives LLC - 35.0%	United Arab Emirates	Nitroamonia de Mexico S.A de C.V.	Mexico
Orica Hydraulics Inc. (formerly Emrick & Hill., Inc)	USA	Nobel Industrier AS	Norway
Engineering Polymers Pty Ltd (g)		Nordenfjeldske Sprængstof AS	Norway
Eurodyn Sprengmittel GmbH	Germany	Northwest Energetic Services LLC - 48.7%	USA
Explosivos de Mexico S.A. de C.V. - 1.3%	Mexico	Nutnim 1 Limited	UK
Explosivos Mexicanos S.A. de C.V.	Mexico	Nutnim 2 Limited	UK
Fortune Properties (Alrode) (Pty) Limited	South Africa	OOO Minova	Russia
Forbuzi Importadora e Exportadora Ltda (g)	Brazil	OOO Minova TPS - 6.3%	Russia
GeoNitro Limited - 35.0%	Georgia	Orica-CCM Energy Systems Sdn Bhd - 45.0%	Malaysia
Hallowell Manufacturing LLC	USA	Orica-GM Holdings Limited - 49.0%	UK
Hebben & Fischbach Chemietechnik GmbH	Germany	Orica Africa (Pty) Ltd	South Africa
Hunan Orica Nanling Civil Explosives Co., Ltd - 49.0%	China	(formerly Orica South Africa (Proprietary) Limited)	
Indian Explosives Private Limited	India	Orica Argentina S.A.I.C.	Argentina
Initiating Explosives Systems Pty Ltd (a)		Orica Australia Pty Ltd (a)	
Jiangsu Orica Banqiao Mining Machinery Company Limited - 50.5%	China	Orica Australia Securities Pty Ltd (f)	
Joplin Manufacturing Inc.	USA	Orica BKM SASU - 25% (b)	Democratic Republic of Congo
JV Minova Kazakhstan Limited Liability Partnership - 20.0%	Kazakhstan	Orica Belgium S.A.	Belgium
LLC Orica Logistics	Russia	Orica Blast & Quarry Surveys Limited - 25.0%	UK
Marplex Australia (Holdings) Pty Ltd (g)		Orica Bolivia S.A.	Bolivia
Marplex Australia Pty Ltd (g)		Orica Brasil Ltda	Brazil
MIEX UK Limited (g)	UK	Orica Brasil Produtos Quimicos Ltda (g)	Brazil
Mining Quarry Services SPRL	Belgium	Orica Caledonie SAS	New Caledonia
Minova AG	Switzerland	Orica Canada Inc	Canada
Minova Arnall Sp. z o.o.	Poland	Orica Canada Investments ULC	Canada
		Orica Caribe, S.A.	Panama
		Orica Centroamerica S.A.	Costa Rica
		Orica Chemicals Argentina S.A. (g)	Argentina

# Notes to the Financial Statements – Other

For the year ended 30 September

## 25. List of 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 Chemicals Australia Operations Pty Ltd (g)		Orica Mining Services Portugal S.A.	Portugal
Orica Chemicals Chile S.A. (g)	Chile	Orica Mining Services South Africa (Pty) Ltd (formerly Stratabolt (Pty) Limited - 25.0%)	South Africa
Orica Chemicals Colombia S.A.S. (g)	Colombia	Orica Mining Services (Thailand) Limited	Thailand
Orica Chemicals Holdings Pty Ltd (formerly Orica Clarendon Pty Ltd) (g)		Orica Mongolia LLC - 51%	Mongolia
Orica Chemicals New Zealand Limited (formerly Orica Clarendon NZ Limited) (e)	New Zealand	Orica Mountain West Inc.	USA
Orica Chemicals Peru S.A. (g)	Peru	Orica Mozambique Limitada	Mozambique
Orica Chemicals Trading Agency (Beijing) Co., Ltd. (g)	China	Orica Netherlands Finance B.V.	Netherlands
Orica Chile Distribution S.A.	Chile	Orica New Zealand Finance Limited	NZ
Orica Chile S.A.	Chile	Orica New Zealand Limited	NZ
Orica CIS CJSC	Russia	Orica New Zealand Securities Limited	NZ
Orica Colombia S.A.S.	Colombia	Orica New Zealand Superfunds Securities Limited	NZ
Orica Czech Republic s.r.o.	Czech Republic	Orica Nitrates Philippines Inc - 4.0%	Philippines
Orica Denmark A/S	Denmark	Orica Nitrates Peru S.A.	Peru
Orica Dominicana S.A.	Dominican Republic	Orica Nitro Patlayici Maddeler Sanayi ve Ticaret Anonim Sirketi - 49.0%	Turkey
Orica DRC SARL	Democratic Republic of Congo	Orica Nitrogen LLC	USA
Orica Eesti OU - 35.0%	Estonia	Orica Nominees Pty Ltd (f)	
Orica Europe FT Pty Ltd (f)		Orica Norway AS	Norway
Orica Europe Investments Pty Ltd (f)		Orica Norway Holdings AS	Norway
Orica Europe Management GmbH	Germany	Orica Panama S.A. - 40.0%	Panama
Orica Europe Pty Ltd & Co KG	Germany	Orica Philippines Inc - 5.5%	Philippines
Orica Explosives Holdings Pty Ltd		Orica Poland Sp. z o.o.	Poland
Orica Explosives Holdings No 2 Pty Ltd		Orica Portugal, S.G.P.S., S.A.	Portugal
Orica Explosives Holdings No 3 Pty Ltd (f)		Orica Qatar LLC - 40.0%	Qatar
Orica Explosives Research Pty Ltd (f)		Orica Securities (UK) Limited	UK
Orica Explosives Technology Pty Ltd		Orica Servicos de Mineracao Ltda	Brazil
Orica Explosivos Industriales, S.A.	Spain	Orica Share Plan Pty Limited (f)	
Orica Export Inc.	USA	Orica Senegal SARL	Senegal
Orica Fiji Ltd (g)	Fiji	Orica Singapore Pte Ltd	Singapore
Orica Finance Limited		Orica Slovakia s.r.o.	Slovakia
Orica Finance Trust		Orica Solomon Islands Pty Limited (d)	Solomon Islands
Orica Finland OY	Finland	Orica South Africa Holdings (Pty) Limited (formerly FS Resin (Pty) Limited)	South Africa
Orica GEESP Pty Ltd (f)		Orica St. Petersburg LLC	Russia
Orica Germany GmbH	Germany	Orica Sweden AB	Sweden
Orica Ghana Limited	Ghana	Orica Sweden Holdings AB	Sweden
Orica Grace US Holdings Inc.	USA	Orica Tanzania Limited	Tanzania
Orica Ground Support Inc (formerly Minova USA Inc)	USA	Orica UK Limited	UK
Orica Holdings Pty Ltd (f)		Orica US Finance LLC	USA
Orica Ibéria, S.A.	Portugal	Orica US Holdings General Partnership	USA
Orica IC Assets Holdings Limited Partnership		Orica USA Inc.	USA
Orica IC Assets Pty Ltd		Orica U.S. Services Inc.	USA
Orica IC Investments Pty Ltd (f)		Orica Venezuela C.A.	Venezuela
Orica International IP Holdings Inc.	USA	Orica Watercare Inc. (g)	USA
Orica International Pte Ltd	Singapore	Orica (Weihai) Explosives Co Ltd - 20.0%	China
Orica Investments (Indonesia) Pty Limited (f)		Orica Zambia Limited	Zambia
Orica Investments (NZ) Limited	NZ	OricCare Canada Inc.	Canada
Orica Investments (Thailand) Pty Limited (f)		Oricorp Comercial S.A. de C.V.	Mexico
Orica Investments Pty Ltd (a)		Oricorp Mexico S.A. de C.V.	Mexico
Orica Japan Co. Ltd	Japan	Penlon Proprietary Limited (f)	
Orica Kazakhstan Joint Stock Company	Kazakhstan	Project Grace	UK
Orica Logistics Canada Inc.	Canada	Project Grace Holdings	UK
Orica Mauritania SARL	Mauritania	Project Grace Incorporated	USA
Orica Med Bulgaria AD - 40.0%	Bulgaria	PT Bronson & Jacobs Indonesia (formerly PT Baktjaka Kencana Citra) (g)	Indonesia
Orica Mining Services (Namibia) (Proprietary) Limited	Namibia	PT Kalimantan Mining Services	Indonesia
Orica Mining Services (Hong Kong) Ltd	Hong Kong	PT Kaltim Nitrate Indonesia - 10.0%	Indonesia
Orica Mining Services Peru S.A.	Peru	PT Orica Mining Services	Indonesia
		Retec Pty Ltd (f)	
		Rui Jade International Limited	Hong Kong
		Sarkem Pty Ltd (f)	

# Notes to the Financial Statements – Other

For the year ended 30 September

## 25. List of investments in controlled entities (continued)

Name of Entity	Place of incorporation if other than Australia
Southern Blasting Services, Inc. (h)	USA
Sprengmittelvertrieb in Bayem GmbH	Germany
Sprengstoff-Verwertungs GmbH	Germany
Stratabolt Products (Pty) Limited (e)	South Africa
Taian Ruichy Minova Ground Control Technology Co., Ltd	China
Tec Harseim Do Brazil Ltda	Brazil
Transmate S.A. - 29.8%	Belgium
Watercare Investments Pty Ltd (g)	
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) Non-controlling interest through new incorporations during the 2015 year.

(c) In liquidation.

(d) Liquidated in 2015.

(e) Deregistered in 2015.

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

(g) Divested in 2015.

(h) Merged in 2015.



# Notes to the Financial Statements – Other

For the year ended 30 September

## 26. New accounting policies

### (i) Changes in accounting policies

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 2014.

The standards relevant to Orica that have been adopted during the period are:

- 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 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.
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting – applicable for annual reporting periods beginning on or after 1 January 2014.
- AASB 2014-1 Amendments to Australian Accounting Standards arising from AASB 119 Defined Benefit Plans: Employee Contributions [Operative dates: Part A-C – 1 July 2014].

These standards do not have a material effect on the financial statements and impact mainly on disclosures.

### (ii) Recently issued or amended accounting standards

Standards taking effect from 1 October 2015 and later

- 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 2018.
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) – available for annual reporting periods on or after 1 January 2018.
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 – available for annual reporting periods on or after 1 January 2016.
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality – available for annual reporting periods on or after 1 July 2015.
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle - available for annual reporting periods on or after 1 January 2016.
- AASB 9 (2014) Financial Instruments, AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) - available for annual reporting periods on or after 1 January 2018.
- AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 available for annual reporting periods on or after 1 January 2018.
- AASB 2014-1 Amendments to Australian Accounting Standards arising from AASB 119 Defined Benefit Plans: Employee Contributions [Operative dates: Part D – 1 Jan 2016; Part E – 1 Jan 2018].
- AASB 2014-3 Amendments to Australian Accounting Standards Accounting for Acquisitions of Interests in Joint Operations - available for annual reporting periods on or after 1 January 2016.
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation - available for annual reporting periods on or after 1 January 2016.

The consolidated entity expects to adopt these standards in the 2016 and subsequent financial years - however the financial impact of adopting the new or amended standards has not yet been determined.

# Directors' Declaration

We, Russell Ronald Caplan and Alberto Calderon, being directors of Orica Limited, do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

(a) the consolidated financial statements and notes, set out on pages 23 to 77, and the Remuneration report in the Directors' report, set out on pages 4 to 20, are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position of the consolidated entity as at 30 September 2015 and of its performance for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

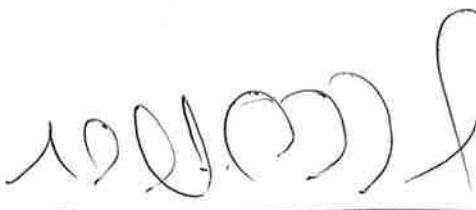
There are reasonable grounds to believe that the Company and the controlled entities identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 September 2015.

The directors draw attention to "About this report" on page 28 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.



R R Caplan  
Chairman



A Calderon  
Managing Director and Chief Executive Officer

Dated at Melbourne this 18<sup>th</sup> day of November 2015.



## **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 2015, 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 26 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 the notes to the financial statements, 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.



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Alison Kitchen  
Partner

Melbourne  
18 November 2015

KPMG

KPMG

Paul Cenko  
Partner

Melbourne  
18 November 2015

# Ten Year Financial Statistics

Orica consolidated		2015 \$m	2014 \$m
<b>Sales</b>		<b>6,123.2</b>	<b>6,796.3</b>
Earnings before depreciation, amortisation, net borrowing costs and tax		995.1	1,230.5
Depreciation and amortisation (excluding goodwill)		(305.7)	(300.8)
Goodwill amortisation		-	-
<b>Earnings before net borrowing costs and tax (EBIT)</b>		<b>689.4</b>	<b>929.7</b>
Net borrowing costs		(82.1)	(115.8)
Individually material items before tax		(1,884.4)	-
Taxation expense		(119.3)	(187.9)
Non-controlling interests		(129.0)	(23.5)
<b>Profit/(loss) after tax and individually material items</b>		<b>(1,525.4)</b>	<b>602.5</b>
<b>Individually material items after tax attributable to members of Orica Limited</b>		<b>(1,691.6)</b>	<b>-</b>
<b>Profit after tax before individually material items net of tax</b>		<b>424.2</b>	<b>602.5</b>
Dividends/distributions		356.1	349.3
Current assets		1,895.1	2,137.3
Property, plant and equipment		2,917.9	3,794.9
Investments		203.5	208.0
Intangibles		1,633.2	2,388.5
Other non-current assets		671.6	310.5
<b>Total assets</b>		<b>7,321.3</b>	<b>8,839.2</b>
Current borrowings and payables		1,285.2	1,775.8
Current provisions		244.1	181.5
Non current borrowings and payables		2,150.7	1,997.0
Non current provisions		654.1	485.8
<b>Total liabilities</b>		<b>4,334.1</b>	<b>4,440.1</b>
<b>Net assets</b>		<b>2,987.2</b>	<b>4,399.1</b>
Equity attributable to ordinary shareholders of Orica Limited		2,984.6	4,263.0
Equity attributable to Step-Up Preference Securities holders		-	-
Equity attributable to non-controlling interests		2.6	136.1
<b>Total shareholders' equity</b>		<b>2,987.2</b>	<b>4,399.1</b>
Number of ordinary shares on issue at year end	millions	370.1	372.7
Weighted average number of ordinary shares on issue	millions	370.3	368.1
<b>Basic earnings per ordinary share</b>			
<b>before individually material items</b>	<b>cents</b>	<b>114.6</b>	<b>163.7</b>
<b>including individually material items</b>	<b>cents</b>	<b>(342.3)</b>	<b>163.7</b>
<b>Dividends per ordinary share</b>	<b>cents</b>	<b>96.0</b>	<b>96.0</b>
<b>Dividend franking</b>	<b>%</b>	<b>35.4</b>	<b>37.5</b>
<b>Dividend yield</b> (based on year end share price)	<b>%</b>	<b>6.4</b>	<b>5.1</b>
Closing share price range – High		<b>\$22.56</b>	<b>\$24.78</b>
Low		<b>\$14.86</b>	<b>\$18.51</b>
Year end		<b>\$15.04</b>	<b>\$18.90</b>
Stockmarket capitalisation at year end	\$m	5,566.3	7,044.0
<b>Net tangible assets per share</b>	<b>\$</b>	<b>3.65</b>	<b>5.03</b>
<b>Profit margin</b> (earnings before net borrowing costs and tax/sales)	<b>%</b>	<b>11.3</b>	<b>13.7</b>
<b>Net debt</b>		<b>2,026.1</b>	<b>2,236.7</b>
<b>Gearing</b> (net debt/net debt plus equity)	<b>%</b>	<b>40.4</b>	<b>33.7</b>
<b>Interest cover</b> (EBIT/net borrowing costs excluding capitalised interest)	<b>times</b>	<b>5.8</b>	<b>6.5</b>
<b>Net capital expenditure on plant and equipment (Cash Flow)</b>		<b>(292.5)</b>	<b>(392.7)</b>
<b>Net capital proceeds/(expenditure) on acquisitions (Cash Flow)</b>		<b>658.7</b>	<b>0.4</b>
<b>Return on average shareholders' funds</b>			
<b>before individually material items</b>	<b>%</b>	<b>11.7</b>	<b>14.8</b>
<b>including individually material items</b>	<b>%</b>	<b>(42.1)</b>	<b>14.8</b>

(1) Income statement for 2013 and balance sheets for 2013 and 2012 are stated under revised accounting standards.

# Ten Year Financial Statistics

Restated <sup>(1)</sup>	Restated <sup>(1)</sup>						
2013	2012	2011	2010	2009	2008	2007	2006
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>6,885.2</b>	<b>6,674.1</b>	<b>6,182.3</b>	<b>6,539.3</b>	<b>7,411.0</b>	<b>6,544.1</b>	<b>5,527.2</b>	<b>5,359.2</b>
1,252.5	1,274.0	1,252.5	1,340.9	1,330.2	1,188.8	995.9	814.6
(284.4)	(251.4)	(224.2)	(239.5)	(247.7)	(218.7)	(183.2)	(156.9)
-	-	-	-	-	-	-	-
<b>968.1</b>	<b>1,022.6</b>	<b>1,028.3</b>	<b>1,101.4</b>	<b>1,082.5</b>	<b>970.1</b>	<b>812.7</b>	<b>657.7</b>
(150.2)	(128.2)	(123.5)	(127.6)	(133.5)	(157.7)	(122.6)	(92.2)
-	(367.2)	-	715.6	(139.6)	(41.6)	(22.3)	70.8
(208.0)	(103.4)	(241.4)	(334.7)	(228.0)	(203.5)	(154.4)	(74.9)
(17.4)	(21.0)	(21.1)	(36.0)	(39.6)	(27.7)	(25.7)	(22.3)
<b>592.5</b>	<b>402.8</b>	<b>642.3</b>	<b>1,318.7</b>	<b>541.8</b>	<b>539.6</b>	<b>487.7</b>	<b>539.1</b>
-	(247.4)	-	<b>642.9</b>	<b>(104.3)</b>	<b>(32.7)</b>	<b>(10.1)</b>	<b>158.8</b>
<b>592.5</b>	<b>650.2</b>	<b>642.3</b>	<b>675.8</b>	<b>646.1</b>	<b>572.3</b>	<b>497.8</b>	<b>380.3</b>
339.0	341.0	359.5	1,098.3	378.0	326.0	303.7	207.1
2,149.8	2,033.2	1,985.2	1,831.9	1,994.4	2,458.2	1,955.2	2,479.7
3,583.2	3,071.3	2,709.7	2,235.2	2,075.0	2,052.3	1,742.9	1,603.1
197.7	165.8	172.1	162.6	168.3	209.3	125.6	125.9
2,340.0	2,046.9	2,505.4	2,510.9	2,756.5	3,012.6	2,055.5	1,141.3
342.8	295.2	255.8	248.8	360.0	275.4	335.2	362.8
<b>8,613.5</b>	<b>7,612.4</b>	<b>7,628.2</b>	<b>6,989.4</b>	<b>7,354.2</b>	<b>8,007.8</b>	<b>6,214.4</b>	<b>5,712.8</b>
1,703.4	1,412.9	1,229.0	1,215.5	1,316.9	1,777.8	1,625.4	981.0
251.6	165.3	228.4	343.4	298.8	301.8	332.3	319.1
2,180.7	2,275.1	1,769.3	1,305.1	1,279.8	1,107.2	1,098.6	1,272.5
467.9	512.5	525.9	492.8	485.9	502.6	530.5	472.0
<b>4,603.6</b>	<b>4,365.8</b>	<b>3,752.6</b>	<b>3,356.8</b>	<b>3,381.4</b>	<b>3,689.4</b>	<b>3,586.8</b>	<b>3,044.6</b>
<b>4,009.9</b>	<b>3,246.6</b>	<b>3,875.6</b>	<b>3,632.6</b>	<b>3,972.8</b>	<b>4,318.4</b>	<b>2,627.6</b>	<b>2,668.2</b>
3,871.0	3,121.6	3,264.3	3,032.7	3,370.7	3,731.5	2,076.7	2,126.6
-	-	490.0	490.0	490.0	490.0	490.0	490.0
138.9	125.0	121.3	109.9	112.1	96.9	60.9	51.6
<b>4,009.9</b>	<b>3,246.6</b>	<b>3,875.6</b>	<b>3,632.6</b>	<b>3,972.8</b>	<b>4,318.4</b>	<b>2,627.6</b>	<b>2,668.2</b>
368.2	365.6	364.0	362.1	360.0	359.2	307.9	309.2
363.7	360.6	357.5	355.5	353.9	320.0	306.3	300.8
<b>162.9</b>	<b>177.9</b>	<b>173.5</b>	<b>185.6</b>	<b>174.6</b>	<b>170.0</b>	<b>149.5</b>	<b>126.4</b>
<b>162.9</b>	<b>109.2</b>	<b>173.5</b>	<b>366.4</b>	<b>145.2</b>	<b>159.8</b>	<b>146.3</b>	<b>179.2</b>
<b>94.0</b>	<b>92.0</b>	<b>90.0</b>	<b>95.0</b>	<b>97.0</b>	<b>94.0</b>	<b>89.0</b>	<b>74.0</b>
<b>74.5</b>	<b>41.3</b>	<b>78.9</b>	<b>73.7</b>	<b>35.1</b>	<b>36.2</b>	<b>34.8</b>	<b>40.5</b>
4.7	3.7	3.8	3.7	4.1	4.5	3.0	3.3
<b>\$27.31</b>	<b>\$27.97</b>	<b>\$27.75</b>	<b>\$27.75</b>	<b>\$24.15</b>	<b>\$32.18</b>	<b>\$33.90</b>	<b>\$26.45</b>
<b>\$17.61</b>	<b>\$22.40</b>	<b>\$21.44</b>	<b>\$21.95</b>	<b>\$11.30</b>	<b>\$20.95</b>	<b>\$21.78</b>	<b>\$17.78</b>
<b>\$20.06</b>	<b>\$24.87</b>	<b>\$23.48</b>	<b>\$25.71</b>	<b>\$23.50</b>	<b>\$20.95</b>	<b>\$30.10</b>	<b>\$22.47</b>
7,386.1	9,092.5	8,546.7	9,310.0	8,459.0	7,525.2	9,268.2	6,948.1
<b>4.16</b>	<b>2.94</b>	<b>2.08</b>	<b>1.44</b>	<b>1.71</b>	<b>2.00</b>	<b>0.07</b>	<b>3.19</b>
<b>14.1</b>	<b>15.3</b>	<b>16.6</b>	<b>16.8</b>	<b>14.6</b>	<b>14.8</b>	<b>14.7</b>	<b>12.3</b>
<b>2,334.2</b>	<b>2,298.1</b>	<b>1,408.1</b>	<b>1,051.6</b>	<b>1,094.5</b>	<b>1,020.5</b>	<b>1,305.7</b>	<b>302.1</b>
<b>36.8</b>	<b>41.4</b>	<b>26.6</b>	<b>22.4</b>	<b>21.6</b>	<b>19.1</b>	<b>33.2</b>	<b>10.2</b>
<b>6.0</b>	<b>6.1</b>	<b>6.4</b>	<b>7.5</b>	<b>7.8</b>	<b>6.1</b>	<b>6.6</b>	<b>7.1</b>
<b>(596.1)</b>	<b>(558.0)</b>	<b>(646.6)</b>	<b>(517.3)</b>	<b>(345.6)</b>	<b>(394.8)</b>	<b>(280.9)</b>	<b>(329.2)</b>
<b>(2.2)</b>	<b>(11.3)</b>	<b>(60.9)</b>	<b>(162.1)</b>	<b>(107.3)</b>	<b>(866.2)</b>	<b>(917.7)</b>	<b>(875.6)</b>
<b>16.9</b>	<b>18.9</b>	<b>17.7</b>	<b>18.3</b>	<b>16.0</b>	<b>16.9</b>	<b>19.2</b>	<b>19.3</b>
<b>16.9</b>	<b>11.7</b>	<b>17.7</b>	<b>35.7</b>	<b>13.4</b>	<b>15.9</b>	<b>18.8</b>	<b>27.3</b>

# Shareholders' Statistics

As at 10 November 2015

## Distribution of ordinary shareholders and shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	36,360	65.24%	14,254,602	3.85%
1,001	–	5,000	16,880	30.28%	34,861,045	9.42%
5,001	–	10,000	1,700	3.05%	11,643,855	3.15%
10,001	–	100,000	743	1.33%	14,048,013	3.80%
100,001 and over			57	0.10%	295,306,011	79.78%
<b>Total</b>			<b>55,740</b>	<b>100.00%</b>	<b>370,113,526</b>	<b>100.00%</b>

Included in the above total are 2,732 shareholders holding less than a marketable parcel of 25 shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 76.14% of that class of shares.

## Twenty largest ordinary fully paid shareholders

	Shares	% of total
HSBC Custody Nominees (Australia) Limited)	149,072,933	40.28%
J P Morgan Nominees Australia Limited	59,203,305	16.00%
National Nominees Limited	26,485,014	7.16%
Citicorp Nominees Pty Limited	17,303,046	4.68%
BNP Paribas Noms Pty Ltd (DRP)	7,192,318	1.94%
BNP Paribas Noms Pty Ltd (Agency lending DRP A/C)	2,946,902	0.80%
Australian Foundation Investment Company Limited	2,711,626	0.73%
Argo Investments Limited	2,557,983	0.69%
HSBC Custody Nominees (Australia) Limited (NT-Commonwealth Super Corp A/C)	2,083,385	0.56%
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	2,034,365	0.55%
RBC Investor Services Australia Nominees Pty Limited (BK Cust A/C)	1,755,037	0.47%
RBC Investor Services Australia Nominees Pty Limited (MBA A/C)	1,686,194	0.46%
The Senior Master of the Supreme Court (Common Fund No 3)	1,213,211	0.33%
RBC Investor Services Australia Nominees Pty Limited (MBA A/C)	1,081,900	0.29%
HSBC Custody Nominees (Australia) Limited) - A/C 3	1,036,699	0.28%
Australian United Investment Company Limited	750,000	0.20%
HSBC Custody Nominees (Australia) Limited)	749,551	0.20%
Gwynvill Investments Pty Ltd	618,047	0.19%
AMP Life Limited	618,047	0.17%
BNP Paribas Noms (NZ) Ltd (DRP)	589,510	0.16%
<b>Total</b>	<b>281,689,073</b>	<b>76.14%</b>

## Register of substantial shareholders

The names of substantial shareholders in the company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates, are as follows:

2 July 2015	Harris Associates	47,453,544	12.79%
25 August 2015	MFS Investment Management	29,815,901	8.06%
20 August 2015	Schroder Investment Management	27,243,942	7.36%
9 January 2015	M&G Investment Management	25,929,056	6.95%