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 2016
Previous Corresponding Period	Year Ended	30 September 2015

2. Results for announcement to the market

					$m
	Consolidated:				
2.1	Consolidated revenue from operations	down	(16.8)%	to	5,091.9
2.2	Profit after tax attributable to shareholders	up	>100%	to	342.8
2.3	Net profit for the period attributable to shareholders before individually material items	down	(8.3)%	to	389.1
	From continuing operations:				
2.1	Revenue from continuing operations	down	(9.9)%	to	5,091.9
2.2	Profit after tax from continuing operations attributable to shareholders	up	>100%	to	342.8
2.3	Net profit for the period from continuing operations attributable to shareholders before individually material items	down	(6.7)%	to	389.1

	Dividends			**Amount per security**	**Franked amount per security at 30% tax**
	Current period				
2.4	Final dividend	- Ordinary	Cents	29.0	8.0
2.4	Interim dividend	- Ordinary	Cents	20.5	10.0
	Previous corresponding period				
2.4	Final dividend	- Ordinary	Cents	56.0	20.0
2.4	Interim dividend	- Ordinary	Cents	40.0	14.0

2.5	Record date for determining entitlements to the dividend:	
	Ordinary Shares	11-Nov-16
	Payment date of dividend:	
	Ordinary Shares	9-Dec-16

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		*Previous corresponding period*	
Interim dividend:		Interim dividend:	
Ordinary	10.5 cents	Ordinary	26 cents
Final dividend:		Final dividend:	
Ordinary	21.0 cents	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 2016.

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 16 November to 24 November inclusive. The last date for receipt of election notices for participation in the final dividend under the DRP is Monday 14 November 2016. 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	326.4	365.1

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 4 November 2016

Review of Operations

Orica delivers a solid result and strong cash flow generation.

Statutory net profit after tax (NPAT) attributable to the shareholders of Orica for the full year ended 30 September 2016 was $342.8 million.

Summary

- Tragically, two fatalities occurred on 10 September 2016 as a result of an explosion at our packaged emulsion manufacturing plant in Chile
- Ammonium nitrate volumes at 3.54 million tonnes
- Net operating and investing cash flows(1) up 80% at $633 million, underpinned by the generation of operating cash, disciplined approach to capital expenditure(2) and continuing management of working capital
- Business improvement benefits of $76 million
- EBIT before individually material items(3) of $642 million
- NPAT before individually material items(4) of $389 million
- Significant reduction in net debt(5) to $1.5 billion; gearing(6) of 36%
- Final dividend of 29 cents per share. Full year payout ratio(7) of 48%, representing a combined dividend of 49.5 cents per share

Group Results

Year ended 30 September	2016 A$M	2015 A$M	Change %
Continuing Operations			
Sales revenue	5,091.9	5,653.3	(10%)
EBITDA(8)	908.1	977.5	(7%)
EBIT(3)	**642.2**	**684.8**	**(6%)**
Net interest expense	(84.3)	(82.2)	(3%)
Tax expense	(156.7)	(176.2)	11%
Non-controlling interests	(12.1)	(9.2)	(31%)
NPAT before individually material items(4)	**389.1**	**417.2**	**(7%)**
Individually material items after tax	(46.3)	(1,691.6)	
NPAT and individually material items (continuing operations)	**342.8**	**(1,274.4)**	**>100%**
NPAT (discontinued operations)	-	7.0	
NPAT and individually material items (statutory)	**342.8**	**(1,267.4)**	**>100%**

Note: numbers in this report are subject to rounding and stated in Australian dollars unless otherwise noted.

Review of Operations

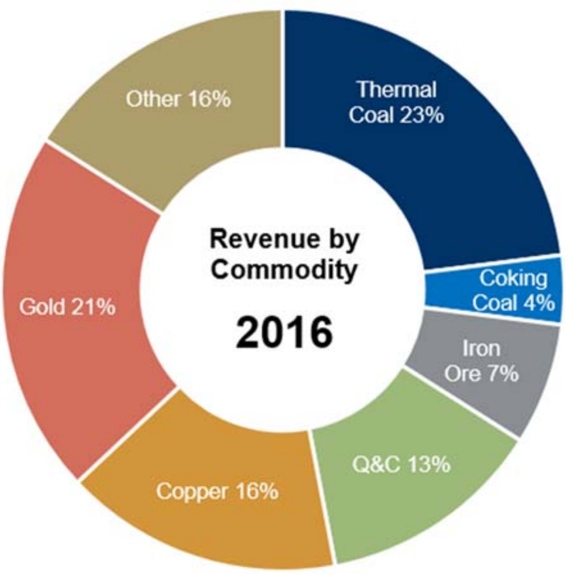
Business Summary

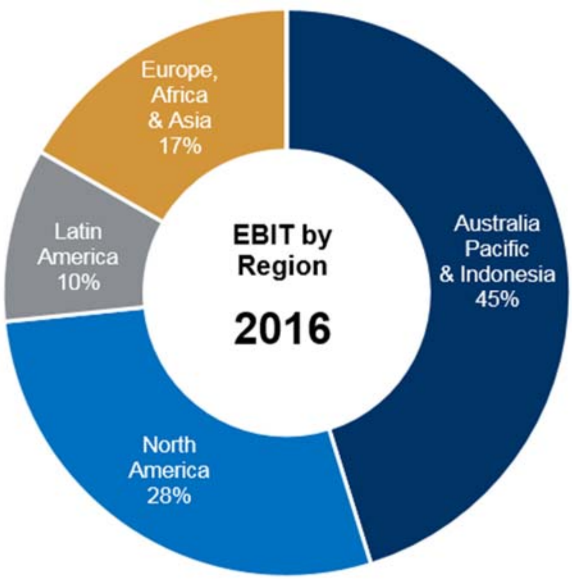
A summary of the performance of the segments for the 2016 and 2015 financial years is presented below.

Year ended 30 September 2016 A$M	AN Tonnes (i) ('000)	Sales Revenue (ii)	EBITDA	EBIT	Capital Expenditure
Australia, Pacific and Indonesia	1,204	1,544.7	440.5	315.1	113.0
North America	1,166	1,360.0	237.9	196.5	44.4
Latin America	615	920.0	94.3	69.2	20.2
Europe, Africa and Asia	556	1,141.3	151.7	116.5	36.5
Minova	-	406.5	15.2	0.1	5.6
Global Support	-	882.0	(31.5)	(55.2)	43.2
Eliminations	-	(1,162.6)	-	-	-
Orica Group	**3,541**	**5,091.9**	**908.1**	**642.2**	**262.9**

Year ended 30 September 2015 A$M	AN Tonnes (i) ('000)	Sales Revenue (ii)	EBITDA	EBIT	Capital Expenditure
Australia, Pacific and Indonesia	1,279	1,718.6	489.3	353.6	172.0
North America	1,249	1,490.8	251.6	212.4	48.3
Latin America	670	1,053.3	122.6	98.1	37.2
Europe, Africa and Asia	559	1,128.1	150.8	111.8	69.1
Minova	-	566.1	14.8	(19.4)	2.9
Global Support	-	959.6	(51.6)	(71.7)	113.5
Eliminations	-	(1,263.2)	-	-	
Orica Group	**3,757**	**5,653.3**	**977.5**	**684.8**	**443.0**

(i) Includes AN prill and solution and Emulsion products including bulk emulsion and packaged emulsion.
(ii) Includes external and inter-segment sales.

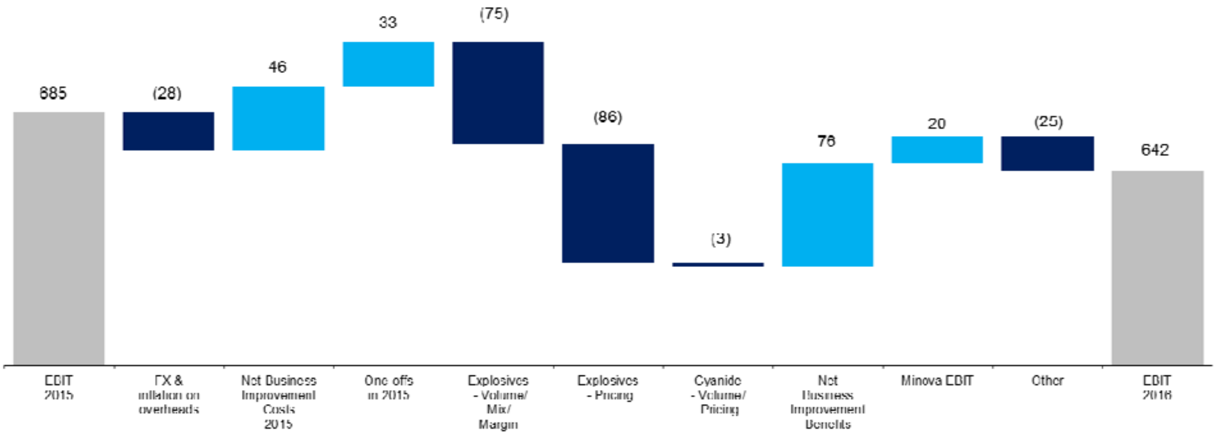




Note: The above charts exclude Global Support and Eliminations

Review of Operations

Ammonium nitrate volumes for 2016 were 3.54 million tonnes, down 6% on the pcp. Sales into coal markets across Australia and North America were down, with the combination of lower coal prices and lower domestic demand resulting in a number of customers' operations being closed or undertaking mine plan changes to reduce their short-term costs. Partly offsetting this impact was favourable global demand for gold which aided sales volumes into this segment across all regions.



Key items in the above chart:

FX and inflation on overheads
Inflation on fixed cost overheads had an adverse effect of $33 million. The average Australian Dollar exchange rate appreciated against most major currencies benefitting earnings by $5 million.

Explosives – volume/mix/margin
The impact of volume, mix and margin was unfavourable by $75 million due to mine plan changes and reconfigurations across customer operations in Australia, North America and Latin America and mine closures across all regions.

Explosives - pricing
Pricing was unfavourable by $86 million. All regions continue to remain under pricing pressure driven by the oversupply in domestic and global ammonium nitrate markets. The pricing impact was felt in the manufacturing regions of Australia Pacific & Indonesia and North America. Orica remains focused on maintaining a balanced outlook between retaining market share as well as securing plant loading.

Net business improvement benefits
Net business improvement benefits were $76 million, from supply chain efficiencies, operations and support cost programmes. Key drivers include optimisation of ammonium nitrate and Initiating Systems network, plant productivity, procurement savings, centralisation of transactional activities and further headcount reductions.

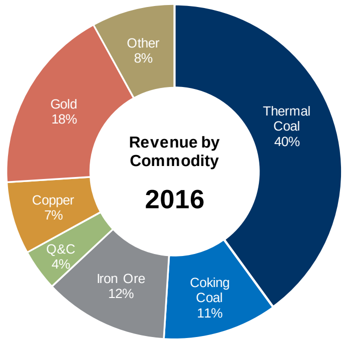
Minova
Improved performance is driven by lower depreciation of $19 million following the impairment in 2015 as well as expansion into new sectors and industries and the continued rigorous management of operational costs.

Other
There has been a number of one-off items in the year including customer closure costs and provisions in Norway and Venezuela respectively, increases to environmental provisions and lower associate income.

Review of Operations

Australia Pacific & Indonesia

Year ended 30 September	2016	2015	Change %
Total AN & Emulsion Volumes	1,204	1,279	(6%)
Emulsion as a % of total volumes	*58%*	*63%*	*(5%)*
Total sales revenue	1,544.7	1,718.6	(10%)
EBITDA	440.5	489.3	(10%)
EBIT	315.1	353.6	(11%)



Commodity exposure

Thermal and Coking Coal comprises the primary commodity exposure at 51%, reflecting Orica's extensive customer footprint and positioning across Eastern Australia and Indonesia. Pricing for coal was down during the year which saw a number of customers, particularly those with higher cost per tonne operations undertake mine plan changes to reduce their short-term costs, or close their operations. Sales into gold markets were steady, with customers buoyed by firm global prices. Despite reduced demand from Asian steel producers, iron ore volumes from Australian producers remained strong aided by their low cost per tonne position.

Volumes

Overall explosives volumes were down 6% (75kt) with reductions to Australian surface coal and metals customers, partly offset by growth in the Pilbara region and Indonesia. Demand from customers across the surface coal and metals regions were primarily impacted by customer mine plan changes, mine closures and operations being placed on care and maintenance. Pilbara volumes were up and in line with improvements in customer production, while Indonesia benefited from contract wins.

Sales of Initiating Systems, particularly EBS products were higher than the pcp, aided by improved product penetration. Volumes of conventional detonators were down on the pcp reflective of lower AN demand, lost customers as well as some product substitution with EBS products. Cyanide volumes were broadly in line with the pcp.

Revenue from advanced products and services as a percentage of total explosives revenue decreased to 24%, reflective of market conditions.

EBIT performance drivers

Volume, mix and margin was unfavourable in the year, attributable to external market impacts through mine planning reconfigurations and mine closures, as well as customers opting for lower services levels due to operational cost pressures.

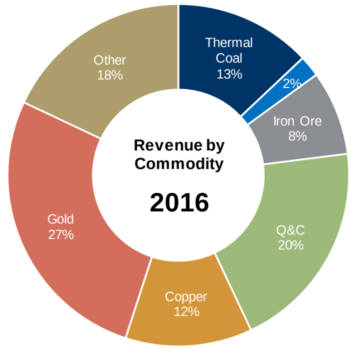
Price resets and contract renewals had a negative impact in 2016 with the oversupply in domestic and global ammonium nitrate markets continuing to place pressure on pricing. Orica remains focused on maintaining a balanced outlook between retaining market share as well as securing plant loading.

Business improvement benefits from procurement and supply chain initiatives and further optimisation across the operational and support workforce were achieved. Additional benefits were achieved through lower overheads and reduced depreciation.

Review of Operations

North America

Year ended 30 September	2016	2015	Change %
Total AN & Emulsion Volumes	1,166	1,249	(7%)
Emulsion as a % of total volumes	*39%*	*34%*	*5%*
Total sales revenue	1,360.0	1,490.8	(9%)
EBITDA	237.9	251.6	(5%)
EBIT	196.5	212.4	(7%)



Commodity exposure

Sales to the largest segments gold and quarry & construction (Q&C) markets remained strong, due to high gold prices and continued infrastructure projects across the region. Sales to thermal coal customers reduced as a result of significantly lower coal production impacted by energy substitution to lower cost natural gas. Weakness in the copper and iron ore segments also impacted sales.

Volumes

Explosives volumes were down 7% (83kt), impacted by lower volumes into US coal markets (down 16%), and the impact of customer drilling and production issues in Mexico (down 14%). The reduction in US coal market volumes was largely through indirect channels as a result of reduced customer production and a number of mine closures. Partially offsetting these impacts were higher volumes and favourable product mix into Canadian markets (up 7%) aided by contract wins and favourable gold prices. Q&C volumes were up on the back of infrastructure growth in the US.

Revenue from advanced products and services as a percentage of total explosives revenue increased to 26%. Service levels increased to metals customers in Canada and Q&C customers in the US. Product mix was favourable with higher premium bulk emulsion (up 5%) and improved integration and substitution of EBS products.

EBIT performance drivers

Volume, mix and margin was unfavourable, largely reflective of lower ammonium nitrate volumes across the US and Mexico, offset by higher volumes to metals customers in Canada. Product and customer mix was favourable through the impact of new contract wins and improved market placement of advanced products and service offerings. The impact of previously negotiated contracts has also adversely impacted margin in the second half.

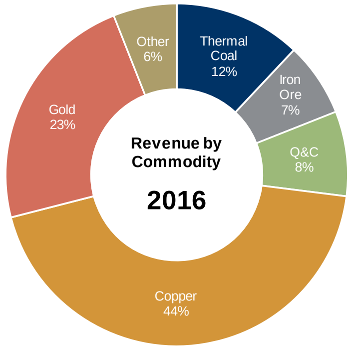
Price resets and contract renewals had a negative impact during the year, reflective of market conditions and continued pricing pressure.

Business improvement benefits were achieved from the continuation of supply chain initiatives; rationalisation of conventional detonator facilities; and further optimisation across the operational and support workforce. The result also benefited from the non-repeat of business improvement costs in 2015.

Review of Operations

Latin America

Year ended 30 September	2016	2015	Change %
Total AN & Emulsion Volumes	615	670	(8%)
Emulsion as a % of total volumes	*64%*	*62%*	*2%*
Total sales revenue	920.0	1,053.3	(13%)
EBITDA	94.3	122.6	(23%)
EBIT	69.2	98.1	(29%)



Commodity exposure

The composition of sales revenue by mining commodity remained in line with key commodity pricing. Firm gold prices supported activity in the segment which increased to represent 23% of revenue. Sales to copper customers were slightly down versus the pcp, however still represent the most significant portion of revenue at 44%.

Volumes

Explosives volumes were down 8% (55kt) with lower volumes in Chile and Argentina as a result of lower market demand and unfavourable weather conditions. Whilst Chile volumes were negatively impacted by a contract loss in late 2015, the business has been successful in retaining 100% of contracts in 2016 as well as benefitting from an expansion of operations at key customers in Brazil, in particular from iron ore and copper.

Cyanide volumes were up 16% buoyed by global demand for gold.

Revenue from advanced products and services as a percentage of total explosives revenue increased to 30%. This reflected the continued expansion of Orica's advanced services offering and associated pull through of premium products including bulk emulsion and EBS detonators, notably in Peru, Brazil and Colombia from recent contract wins.

EBIT performance drivers

Volume, mix and margin was unfavourable in the year, largely reflective of lower ammonium nitrate volumes across Chile and Argentina, partially offset by higher ammonium nitrate volumes into Brazil and improved cyanide sales across the region. Product and customer mix was favourable through new contracts and improved market placement of advanced products and service offerings.

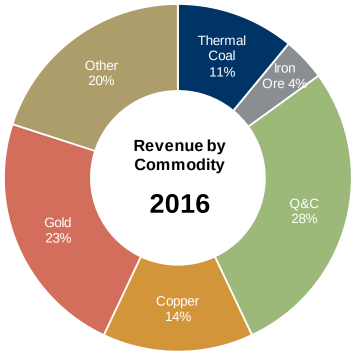
Price resets and contract renewals had a negative impact, reflecting pricing pressure in current markets.

Business improvement benefits, flowing from the continuation of supply chain initiatives and further optimisation across the operational and support workforce, had a favourable impact in the year.

Overheads and other expenses were unfavourable due to inflationary impacts in Argentina and Venezuela, as well as provisions taken for assets in Venezuela.

Europe, Africa and Asia (EAA)

Year ended 30 September	2016	2015	Change %
Total AN & Emulsion Volumes	556	559	(1%)
Emulsion as a % of total volumes	*88%*	*93%*	*(5%)*
Total sales revenue	1,141.3	1,128.1	1%
EBITDA	151.7	150.8	1%
EBIT	116.5	111.8	4%



Commodity exposure

Sales into gold markets across Africa and Asia were ahead of the pcp, buoyed by firm gold prices. Sales into the Q&C markets were slightly down against the pcp with delays in infrastructure projects across Europe partly offset by further penetration into niche tunnelling markets in Asia.

Volumes

Explosives volumes were broadly in line with the pcp. Volumes into the CIS and Turkey, aided by new projects and recovery in regional markets, showed particular improvement in the second half, which more than offset the impact of mine closures in the Nordics and UK. Volumes in Africa remained ahead of the pcp with a strong performance in the first half curtailed by a full service contract loss in the second half. Asia was down on the pcp, impacted by a low margin contract loss in India in 2015.

EBS volumes were up 30% versus the pcp, driven by increased penetration into the Tunnels markets in South East Asia and improved introduction into new customers in Africa and the CIS. Conventional detonator volumes were down 13% versus the pcp impacted by lower demand from a slow-down in China's coal sector.

Cyanide volumes across the region were up 17% with improved demand from customers in Africa and Asia notably in the second half of 2016.

Revenue from advanced products and services as a percentage of total explosives revenue increased to 20%, reflecting strategic growth and expansion in the CIS and Africa regions.

EBIT performance drivers

Volume, mix and margin was favourably impacted by customer and service mix with growth to higher margin customers in Africa and the CIS, offsetting the loss of lower margin business in India. Continued penetration of Orica's tunnels offering into South East Asia via higher margin EBS units also aided performance.

Business improvement benefits flowed from the continuation of supply chain initiatives and further optimisation across the operational and support workforce.

Price resets and contract renewals had a negative impact, reflecting market conditions.

The impact of ***overheads and other income*** was unfavourable. This was due to foreign exchange losses from the revaluation of trade working capital across the region, customer closure costs in Norway and inflationary impacts across the region.

Review of Operations

Minova

Year ended 30 September	2016	2015	Change %
Steel products ('000 tonnes)	111	174	(36%)
Resins & Powders ('000 tonnes)	113	162	(30%)
Total sales revenue	406.5	566.1	(28%)
EBITDA	15.2	14.8	3%
EBIT	0.1	(19.4)	>100%

Sector & Industry exposure

Minova operates across a number of sectors and industries including coal, hard rock, civil tunnelling, construction, geotechnical and services. Minova focuses on providing quality products, technical innovation and safe cost effective solution to technical ground control challenges.

Approximately 50% of the business is derived from coal markets across North America, Europe and Australia. Conditions in these markets during the year remained challenging with weak commodity pricing and lower domestic demand placing pressure on customer operations. Large coal companies in the US and Europe continue to work through financing challenges as well as reorganisation and market consolidation. Australia has seen a number of higher cost operations placed on care and maintenance during the period.

In other sectors and industries, Africa's operations have been impacted by customer mine closures in platinum and base metal markets. Infrastructure and tunnelling projects, particularly in Europe have been lower due to project delays.

Consolidation of some global competitors in key markets in North America and Europe should provide growth opportunities.

Volumes

Steel volumes were down 36% due to the combination of lower demand from coal markets, a contract loss in the US, as well as the strategic exit from low margin accounts across the regions.

Resins and Powders volumes were down 30% with lower volumes in North America continuing from the first half. Demand across Europe, particularly in Poland and the CIS, was also down in the second half versus the pcp, due to a number of customer closures as a result of reorganisation and financing challenges.

Performance summary

Amidst the challenging market conditions and resulting lower product volumes, EBITDA performance has improved by 3%. This is due to a combination of expansion into new sectors and industries as well as the continued rigorous management of operational costs. Expansion has been underpinned by a focus on opportunities to differentiate out of lower margin steel products and into the application of higher margin resins and powders. Cost reduction initiatives have aligned with market volumes changes to absorb overheads and maintain profitability. The impact of foreign exchange translation across the region was unfavourable, however this was offset by favourable one-off items.

Minova has completed its transition to a stand-alone global business. Geographical expansion is underway in complementary markets across North & Central Africa, Middle East and the America's. A strong pipeline of opportunities in diversified segments has been identified, specifically into hard rock and non-mining markets to expand the customer base outside coal.

Review of Operations

Global support

Year ended 30 September	2016	2015	Change %
EBIT	(55.2)	(71.7)	23%
Adjusted for:			
Net gain on asset sales	12.9	11.9	8%
Environmental provision	(15.0)	(15.0)	-
Adjusted EBIT	**(53.1)**	**(68.6)**	**23%**

EBIT

After adjusting for asset sales and environmental provisions, global support EBIT improved by $16 million due to the non-repeat of business improvement costs in 2015 and lower net hedging costs in 2016.

Asset sales in the period related to the divestment of land sites at Botany (NSW).

Net interest expense

Adjusted net interest expense of $116 million was slightly lower than the pcp.

Year ended 30 September	2016	2015	Change %
Statutory net interest expense	84.3	82.2	(3%)
Adjusted for:			
Capitalised interest	35.1	36.7	(4%)
Discounting on provisions	(3.3)	(1.6)	>100%
Adjusted net interest expense	**116.1**	**117.3**	**1%**

Tax expense

An effective tax rate from continuing operations of 28.1% (pcp: 29.2%) was lower due to an increase in other foreign tax deductions and a higher proportion of profits in jurisdictions with a tax rate less than 30% partly offset by an increase in non-deductible interest and a de-recognition of booked tax losses.

Individually Material Items

Loss after income tax includes the following individually material items:

A$M	Gross	Tax	Net
Settlement of Australian Tax Action	-	(41.0)	(41.0)
Profit on sale of shareholding in Thai Nitrate Company Ltd	16.7	(0.7)	16.0
Impact of Chile plant incident	(21.3)	-	(21.3)
Individually material items attributable to shareholders of Orica	**(4.6)**	**(41.7)**	**(46.3)**

Further information on these items is included in Orica's 2016 Financial Statements (note 1d).

Group Cash Flow

Year ended 30 September	2016	2015	Variance A$M
Net Operating cash flows	777.9	739.4	38.5
Net Investing cash flows (excluding Chemicals sale)	(145.1)	(387.4)	242.3
Net Operating and Investing Cash Flows[(1)]	**632.8**	**352.0**	**280.8**
Dividends – Orica Limited	(213.4)	(356.1)	142.7
Dividends – non controlling interest shareholders	(12.3)	(16.7)	4.4
Adjusted net cash flows	**407.1**	**(20.8)**	**427.9**
Cash flows from Chemicals sale	(30.8)	652.2	(683.0)
Movement in borrowings and other net financing cash flows[(9)]	(275.3)	(608.3)	333.0
Net cash flows[(10)]	**101.0**	**23.1**	**77.9**

Performance highlights

The Group delivered strong net operating and investing cash flows of $633 million, up 80% on the pcp. This reflects the continued focus on working capital and strict adherence to our capital and investment management framework. Group cash conversion was 106%, an improvement from 81% in 2015.

Net Operating cash flows

Net cash generated from operating activities was 5% higher than 2015. Despite lower earnings in 2016, the Group was able to improve trade working capital with year-end trade working capital finishing at $304 million. The improvement was delivered across all regions, particularly in receivables and inventory levels. Interest paid was broadly in-line with the pcp, while income tax payments were lower as a result of lower taxable earnings.

Net Investing cash flows

Net investing cash outflows were down approximately 60% versus the pcp, reflecting the disciplined approach to capital spend. Investment in growth capital was down approximately 60% with reductions across all regions. Sustaining capital was down 25% with lower number of projects at manufacturing sites in line with the group's scheduled asset management program. Plant turnarounds are scheduled in 2017 at both Kooragang Island and Carseland. The reduction in capital expenditure had no impact on safety, environment and regulatory capital spend.

Contributions to the construction of the Burrup plant were $51 million, down $24 million on the pcp. The plant is expected to be commissioned in 2017 and will see the remaining capital spend in 2017.

Dividends[(11)]

Cash dividends paid to Orica shareholders were lower as a result of the change to the payout ratio policy in the first half of 2016. There was also a higher take-up of the dividend reinvestment plan in 2016.

Review of Operations

Debt Management and Liquidity

Year ended 30 September	2016	2015	Variance A$M
Interest bearing liabilities	1,877.4	2,300.0	(422.6)
Less: Cash and cash equivalents	328.0	273.9	54.1
Net Debt(5)	1,549.4	2,026.1	(476.7)
Gearing %(6)	35.8%	40.4%	4.6 pts

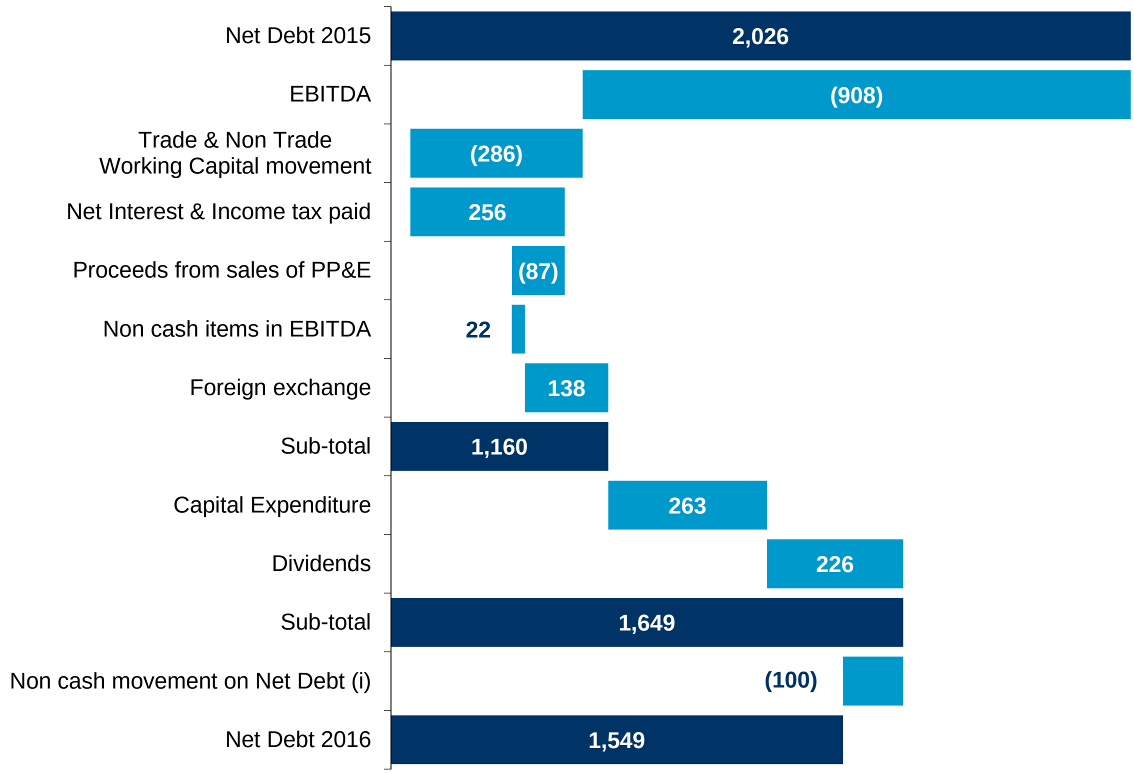
Interest bearing liabilities of $1,877 million comprises $1,791 million of US Private Placements and $86 million of committed and other bank facilities. The average duration of drawn debt is 5.4 years (5.8 years pcp).

Undrawn committed bank facilities of $1,767 million, with total debt facilities totalling $3,618 million provide for a strong liquidity position.

Gearing at 35.8% is at the low end of the Group targeted range of 35% - 45%. Since the first half of 2016, gearing has reduced by 7.3 points, reflecting the Group's diligent cash management and resulting reduction in net debt.

The table below illustrates the reduction in net debt for 2016.

Movement in Net Debt (A$m)

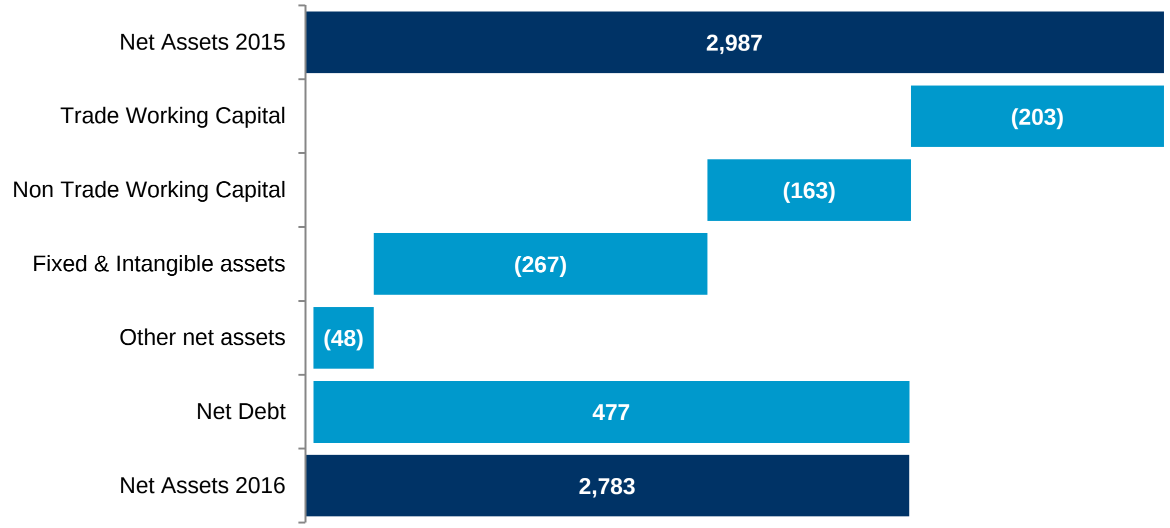


(i) Non cash movements on Net Debt comprise foreign exchange translation

Review of Operations

Group Balance Sheet

Movement in Net Assets (A$m)



Performance highlights

Maintaining a robust balance sheet whilst generating shareholder value is a core principle. This focus has continued throughout 2016 with performance improvements evident in the year-on-year movements explained below.

Trade working capital[12] The Group continued to focus its efforts on improving trade working capital with a reduction of $203 million. The improvement was delivered across all regions, particularly through reductions in receivables and inventory levels within the supply chain. Payables were slightly lower than the pcp. Working capital is expected to increase during 2017 due to the build-up of inventory in preparation for the scheduled Kooragang Island and Carseland shutdowns.

Non trade working capital[13] (NTWC) moved by $163 million, of which $23 million was from the collection of cash proceeds from PPE sales. Other major movements included the non-cash actuarial loss of $81 million on the Group's defined benefit plans, and the settlement of the Australian Taxation Office Part IV dispute and Norway Central Tax Office tax audit of $49 million.

Fixed & Intangible assets represent 65% of the Group's total assets. Orica is focused on ensuring value is generated from its asset base and that future investments are aligned with the capital and investment management framework. The reduction in assets of $267 million was largely due to the impact of foreign exchange translation. Total capital investment for the year was $263 million, being a 41% reduction from the pcp. Depreciation and amortisation expense at $266 million was down on the pcp due to the impact of asset impairments in 2015.

Other net assets decreased by $48 million largely from the impact of foreign exchange translation across investments, taxation and derivative financial instruments.

Review of Operations

Dividend

In May 2016, the Board announced a new dividend payout ratio policy, replacing the progressive dividend policy.

At the end of each financial reporting period, the Board will determine an appropriate total level of ordinary dividend per share, taking into account the results for the year, balance sheet and outlook. The Board expects the total payout ratio to be in the range of 40 to 70 percent of underlying earnings. It is also expected that the total dividend paid each year will be weighted towards the final dividend.

The Board has declared a final ordinary dividend of 29 cps. The dividend is 27.6% franked at 8 cps. The dividend represents a payout ratio of 55% and brings the full year payout ratio to 48%.

The dividend is payable to shareholders on 9 December 2016 and shareholders registered as at the close of business on 11 November 2016 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%.

Burrup Technical Ammonium Nitrate (TAN) Plant

A strategic decision was taken in 2012 to enter a joint venture with Yara (operator) for the Burrup TAN plant (Orica has a 45% economic interest with marketing rights).

Commissioning issues relating to the plant are currently being addressed by the operator, and Orica is currently evaluating all options for the plant for the delivery of economic returns. Commissioning plans, focusing on a ramp up in production, will be in line with market demand.

The Burrup TAN plant is a 30 year plus asset situated in the Pilbara region in Western Australia, a market that is expected to grow over the next five years.

Risk Management

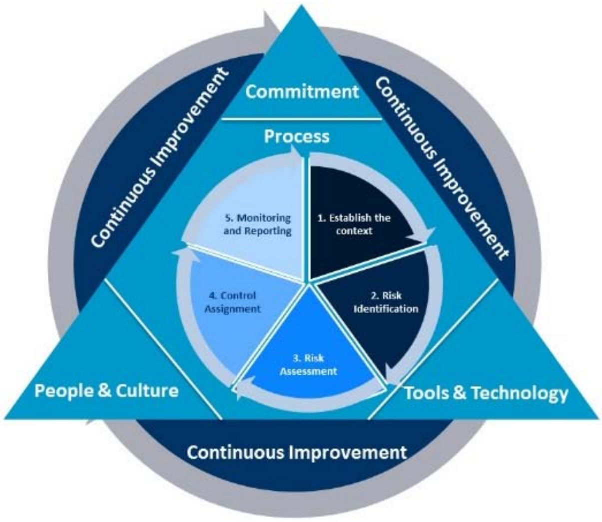
Orica's risk management framework (refer to diagram below) is consistent with AS/NZS ISO31000:2009 Risk Management – Principles and Guidelines, and facilitates the ongoing assessment, monitoring and reporting of risks, which otherwise could impede progress in delivering our strategic priorities.

Our risk management framework supports us in achieving our vision for risk management which is to integrate it into our operations and culture so that we continue to enhance our license to operate, improve our business resilience, and achieve our longer term strategy and vision.

Group Risk is responsible for designing the risk management framework, supporting its implementation in the business, and coordinating and aligning risk management activities across the Group. The design and effectiveness of Orica's risk management framework is evaluated by internal and external auditors and independent subject matter experts and is overseen by the Board Audit and Risk Committee. We use the results of these independent reviews to identify and implement opportunities to improve our risk management framework.

During 2016, an assessment of Orica's risk management framework was conducted by an independent risk management specialist and results reported to the Board Audit and Risk Committee. Key improvements made based on the review included the revision of our Risk Management Policy with the purpose of re-stating our commitment to risk management, and the explicit integration of our risk management process with the 5-Year planning framework. We also undertook a Group-wide activity to assess our material risks, which were reported to the Board and Executive Committee.

In respect of FY16, the Board Audit and Risk Committee has reviewed Orica's risk management framework and satisfied itself that it continues to be sound.



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

Through our risk assessment process, we have identified the material business risks that may affect the future financial performance of Orica, including any material exposure to economic, environmental and social sustainability risks. These risks are not listed in order of significance, nor are they all encompassing. Rather, they reflect the most significant risks identified at a whole-of-entity level.

(i) Safety, Health and Environment

Orica operates within hazardous environments, particularly in the areas of manufacturing, storage and transportation of raw materials, products and wastes. Material risks which can compromise the safety and health of our people, contractors, and the communities and environments that we operate within include an explosion during the storage and transportation of explosives, a fire or explosion at a manufacturing site, and the loss of containment of toxic materials.

These risks can cause personal injury and/or loss of life, damage to property and contamination of the environment. They may also 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.

We manage these risks through our focus on safety culture that is based on visible leadership and encouraging employees and contractors that work can only be undertaken when it is safe to do so. We also have Group-wide safety requirements and procedures which define the critical engineering and procedural controls which must be implemented across our operations, along with controls and monitoring programs related to plant and equipment maintenance and design. We also have compliance requirements for the transportation and storage of explosives, and train our employees and third parties in the operation and safe-handling of inventory and materials.

We continue to identify risk reduction opportunities in each of our operations and Regions, and focus our ongoing assurance program on assessing control design and effectiveness for all of our material risks related to safety, health and the environment.

The fatal incident that occurred in our Antofagasta, Chile operations in September 2016 has been fully investigated. Actions from the incident have been immediate and ongoing with implementation of these actions being reported at each Executive Committee and Board meeting.

(ii) Manufacturing and Supply

Having a supply chain which enables us to source and deliver quality products and services in a timely manner is key to delivering on our customer promise. To achieve this goal we continue to seek sustained process improvement initiatives and develop, manufacture and provide differentiated products, services and solutions which enhance value for customers.

Material risks which are inherent in our supply chain include a supply chain interruption due to external events beyond our control, product quality defects, and safeguarding our security-sensitive products. These risks can pose a threat to the safety and well-being of our people and the communities we operate in, and result in loss of customers, production malfunctions, disruption to our supply chain, and reputational damage.

An interruption to our supply chain may be driven by external events such as adverse weather conditions or natural disasters; or disruption to suppliers and business partners within our supply chain, including labour strikes or equipment breakdowns. To manage this risk we follow internal procedures to select suppliers and business partners who meet our standards in relation to continuity of supply, and have business continuity plans in place should an interruption occur.

In relation to product quality, we conduct quality assurance audits and have quality control procedures in place for raw materials and finished goods. We continue to focus on our customer feedback mechanism as a way of measuring product quality; and are further developing quality assessment guidelines for suppliers, and manufacturing quality guidelines for our sites.

With regard to safeguarding security-sensitive products, we comply with legislative controls for the distribution and movement of explosives, including the ‘Track and Trace’ technology requirements for Europe. We also have minimum performance requirements and procedures in place for managing physical security through the supply chain, and are enhancing our due diligence requirements for business partners (including security providers), suppliers, and customers so they meet our requirements.

(iii) Regulatory Compliance

As a global company with diverse operations, it is essential that we understand and comply with our regulatory requirements so that we maintain our license to operate. Core to this is our ability to comply with key regulatory requirements associated with sanctions, anti-trust and anti-bribery; and taxation.

We have a program designed to manage the risk of non-compliance with regulatory requirements related to sanctions, anti-trust and anti-bribery. Core to the program are procedures including the screening, monitoring and reporting of customers, business partners, suppliers, customers and countries against related obligations and sanctions; and the monitoring and reporting of requests for bribery or duress payments.

In relation to meeting our taxation regulatory requirements, we proactively engage with taxation authorities and legal representatives in various jurisdictions to enhance our understanding of our obligations. We have a tax strategy, policy and requirements in place which guide and govern our compliance with our regulatory requirements.

(iv) Markets

We are exposed to macro-economic risks which can have a direct impact on our future financial performance. This includes the cyclical downturn in the mining industry driven by slower economic growth in China and lower commodity prices. We are also exposed to the oversupply of ammonium nitrate (AN) due to lower demand, particularly in the coal sector, and the introduction of lower cost suppliers into our markets.

To manage these risks, operationally we have put in place measures to curtail production and renegotiate supply contracts to provide certainty in pricing and volumes. We also have a team responsible for monitoring structural changes globally so we can understand and plan for changing macro-economic conditions.

(v) Capital Expenditure

We are focused on reducing and managing our costs effectively. We have implemented a Capital and Investment Management framework, governed by a formalised Investment Committee, which prioritises investment decisions based meeting our regulatory requirements and growing our business.

Review of Operations

Tax Transparency Reporting

Orica believes that enhanced tax transparency is a critical element of ethical business behaviour.

Tax Policy - Orica's approach to tax

Orica's tax policy and approach to tax is published on orica.com. Some important aspects of that policy are set out in this report.

As an Australian mining services company with global operations, Orica generates a substantial amount and variety of taxes across its jurisdictions including income taxes, stamp duties, employment taxes and other taxes. Orica also collects and remits a number of taxes on trust including employment taxes and indirect taxes such as GST/VAT.

The taxes Orica pays and collects form a significant part of the economic contribution to the countries of operation.

Tax strategy and governance

Orica's tax strategy is reviewed by the Board of Directors annually. The tax strategy is aligned with the overall corporate strategy and supplements the Risk Management Policy.

The Chief Financial Officer has oversight responsibility over the tax risk management framework. Operational and governance responsibility for the execution of the Group's tax strategy rests with the Vice President Taxation, supported by a team of tax professionals. External tax expertise is used where required.

The Vice President Taxation reports on tax matters bi-annually to the Board Audit and Risk Committee.

Orica's approach to tax is applicable across the Orica Group and is reviewed and updated annually.

Compliance

Orica is committed to complying with all relevant revenue laws in a responsible manner, with all taxes properly due, accounted for and paid. A tax standard and relevant procedures are in place to ensure tax compliance obligations are managed.

There is an in house global tax team that manages Orica's tax affairs which is supplemented with external compliance support where required.

Structure

Orica does not support the use of artificial structures that are established just to avoid paying tax and have no commercial purpose. Orica will not enter into any tax avoidance activities.

Relationships with tax authorities

Orica aims for open, transparent and respectful relationships with the Australian Taxation Office and other tax authorities globally. Orica seeks advance rulings from taxation authorities on transactions where appropriate.

Use of tax havens

Tax havens are not used for tax planning purposes. Orica has operations in countries that are 'low tax' jurisdictions. There is genuine operational substance in these locations, or the entities are dormant.

Orica's overseas companies are subject to Australia's international tax rules (Controlled Foreign Corporation rules).

Transparency

Orica supports the ongoing global development of improved tax transparency to increase understanding of tax systems and build public trust.

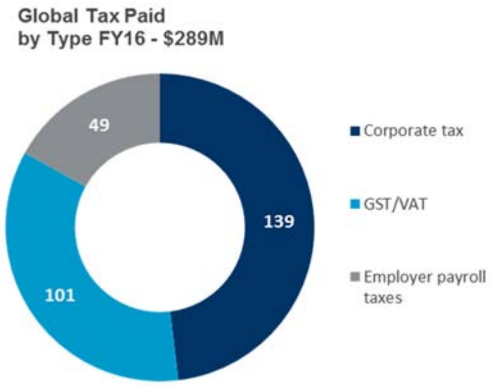
Review of Operations

On 3 May 2016, the Treasurer of Australia released a Corporate Tax Transparency Code. The Code was developed by the Board of Taxation in Australia and Orica has signed the Corporate Tax Transparency Code Register and is committed to applying the principles and the details of the Code.

Tax contribution summary

In 2016, Orica paid $139 million (2015 $163 million) globally in corporate income taxes and $49 million (2015 $51 million) globally in payroll taxes. Orica collected and remitted $101 million (2015 $114 million) globally in GST / VAT.

The charts show 2016 corporate income tax paid in each region (including withholding tax and trade taxes), and an analysis of total tax paid by type.



In Australia, Orica paid $51 million (2015 $63 million) in corporate income taxes, $17 million (2015 $21 million) in payroll tax and $3 million (2015 $4 million) in fringe benefits tax. Orica collected and remitted $45 million (2015 $71 million) in GST and $97 million (2015 $111 million) in 'pay as you go' withholding taxes.

Review of Operations

A reconciliation of accounting profit to income tax payable

	Consolidated 2016 A$M	Consolidated 2015 A$M
Before individually material items:		
Accounting profit/(loss) before tax	557.9	607.3
Prima facie income tax expense/(benefit) calculated at 30% on accounting profit	167.4	182.2
Material non-temporary differences		
variation in tax rates of foreign controlled entities	(35.1)	(29.1)
tax under/(over) provided in prior years	4.1	13.9
de-recognition of booked tax losses	21.2	-
non taxable profit on sale of property due to utilisation of capital losses	(3.9)	(3.6)
other foreign deductions	(24.8)	(12.0)
non allowable interest deductions	13.1	7.5
sundry items	14.7	14.6
Income tax expense/(benefit) before individually material items	156.7	173.5
Individually material items:		
Individually material items before tax	(4.6)	(1,884.4)
Prima facie income tax expense/(benefit) calculated at 30% on individually material items	(1.4)	(565.3)
Material non-temporary differences		
variation in tax rates of foreign controlled entities	(0.2)	(0.3)
settlement of Australian tax action	41.0	-
impact of Chile plant incident	6.4	-
non taxable profit on sale of business	(4.1)	-
impairment of intangibles – Minova	-	254.6
impairment of Ammonium Nitrate assets	-	177.4
impairment of other assets	-	79.4
Income tax expense/(benefit) on individually material items	41.7	(54.2)
Income tax expense/(benefit)	198.4	119.3
Material temporary differences		
Deferred tax	(55.0)	62.3
Tax payments less than tax charges	(4.9)	(18.4)
Income tax paid per the statement of cash flows	138.5	163.2

Effective tax rate for Australian and global operations

	Notes	Consolidated 2016	Consolidated 2015
Before individually material items:			
Australia	1.	44.3%	32.0%
Global operations (including Australia)		28.1%	28.6%

1. The tax rate is the percentage of income tax expense to accounting profit/loss before tax (before individually material items) adjusted to exclude exempt dividend income.

Review of Operations

International related party dealings

Orica prices its international related party dealings to reflect the substance in its operations in accordance with the 'arm's length principle' as defined in the Organisation for Economic Co-operation and Development (OECD) guidelines.

Orica has transfer pricing procedures which govern the pricing of all international related party dealings. Orica benchmarks and documents the outcome of its material dealings on an annual basis.

The material international related party dealings impacting Orica's Australian taxable income may be summarised as follows:

- The purchase of raw materials and finished products from related parties in Singapore and Indonesia. The products purchased are ammonia, caustic soda, bulk explosives and initiating systems;
- The sale of raw materials and finished products to related parties in Peru, Singapore, Chile, Papua New Guinea and New Zealand. The products sold include bulk explosives, packaged explosives, and initiating systems;
- The provision and receipt of services from entities resident in Singapore, Chile, Germany, the United States and South Africa. The nature of the services include general management, information technology, sales and marketing and logistics;
- The use of intellectual property with a related party in Singapore. The nature of the intellectual property includes technical knowhow related to the manufacture of Orica's products and the Orica name and trademarks; and
- The provision of contract research and development activities for a related party in Singapore.

Orica has a treasury function based in Melbourne which provides loans and accepts deposits from in excess of 40 group companies at market interest rates. The material transactions are with related parties in Germany, Indonesia, Russia and New Zealand. It also has a subsidiary in Singapore which acts as the Group's captive insurer.

Australian Tax Return Data for 2015

In December 2015, the Australian Taxation Office published specific income tax return data of corporate tax entities that report a total income of $100 million or more. For Orica, this information is provided in the table below.

	Notes	2015 A$M	2014 A$M
Total income	1.	2,802.0	2,884.0
Taxable income	2.	270.0	227.0
@ Tax Rate	3.	30%	30%
Tax liability		81.0	68.0
Offset reductions	4.	24.0	25.0
Tax payable		57.0	43.0

1. Total Australian income (includes sales, dividends, interest income etc.) before all expenses (for example, Interest, employee costs, depreciation etc.).
2. Taxable income after allowing for all deductible expenses and tax exempt income.
3. Australian Statutory tax rate.
4. Offset reductions of $24 million (2014 $25 million) relating to franking credits, foreign income tax and research and development.

Review of Operations

2017 Outlook

While there has been some external optimism on market conditions, we remain conservative and will continue to focus on business improvement initiatives that improve profitability and shareholder value.

Key assumptions for FY17 are:

- Global AN product volumes in the range of 3.5 million tonnes, +/- 5%.
- Cyanide volumes expected to be in line with FY16.
- Minova focused on improving performance under the new structure, and expected to remain cashflow positive.
- Headwinds of approximately $60 million expected from price resets; $50 million to $70 million from previously negotiated material input contracts; and increased depreciation and amortisation post Burrup commissioning. These headwinds are to be offset by FY16 business improvement initiative benefits and expected FY17 new business improvement initiatives.
- Continued focus on capital discipline will see FY17 capital expenditure in the range of $300 million to $320 million (including scheduled maintenance at Kooragang Island and Carseland and remaining Burrup spend).
- Effective tax rate (excluding individually material items) to be marginally higher than FY16, and interest expense will also rise following completion of the Burrup project.

Footnotes

(1) Equivalent to net cash flow from operating and investing activities (as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report) excluding net proceeds from the sale of Chemicals business.

(2) Comprises total payments for property, plant and equipment and intangibles as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report.

(3) EBIT (equivalent to Profit from operations in Note 16 within Appendix 4E – Orica Preliminary Final Report) from continuing operations before individually material items.

(4) Equivalent to net profit for the period after income tax expense before individually material items attributable to shareholders of Orica Limited disclosed in note 16 within Appendix 4E – Preliminary Final Report.

(5) Total interest bearing liabilities less cash and cash equivalents as disclosed in note 3 within Appendix 4E – Preliminary Final Report.

(6) Net debt / (net debt + total equity) as disclosed in note 3 within Appendix 4E – Preliminary Final Report.

(7) Dividend amount for the year / NPAT before individually material items.

(8) EBIT from continuing operations before individually material items plus Depreciation and Amortisation expense from continuing operations.

(9) Equivalent to net cash used in financing activities (as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report) excluding Dividends paid to Orica ordinary shareholders and non-controlling interests.

(10) Equivalent to net increase in cash held disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report.

(11) Comprises total dividends paid to Orica ordinary shareholders and non-controlling interests as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report.

(12) Comprises inventories, trade receivables and trade payables disclosed within Appendix 4E – Preliminary Final Report.

(13) Comprises other receivables, other assets, other payables and provisions.

Forward-looking statements

This Review of Operations ('Report') has been prepared by Orica Limited. The information contained is for informational purposes only. The information contained in this Report is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. This Report has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this Report. To the maximum extent permitted by law, none of Orica Limited, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence, for any loss arising from the use of the information contained in this Report. In particular, no representation or warranty, express or implied, is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this Report. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies.

Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

Past performance is no guarantee of future performance.

Non-International Financial Reporting Standards (Non-IFRS) information

This Report makes reference to certain non-IFRS financial information. This information is used by management to measure the operating performance of the business and has been presented as this may be useful for investors. This information has not been reviewed by the Group's auditor. Forecast information has been estimated on the same measurement basis as actual results.

Directors' Report

The directors of Orica Limited ('the Company' or 'Orica') present the Annual Report of the Company and its controlled entities (collectively 'the consolidated entity' or 'the Group') for the year ended 30 September 2016 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:

M W Broomhead, Chairman (1 December 2015 and as appointed Chairman 1 January 2016)

R Caplan, Chairman (retired 31 December 2015)

A Calderon, Managing Director and Chief Executive Officer

M N Brenner

I D Cockerill

Lim Chee Onn

K A Moses (appointed 1 July 2016)

M Parkinson (resigned 31 December 2015)

N L Scheinkestel (retired 1 December 2015)

G T Tilbrook

K Gray has been Company Secretary of Orica Limited since 5 October 2015.

Particulars of directors' and Company Secretary qualifications, experience and special responsibilities are 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 [1]		Audit and Risk Committee [1]		Human Resources and Compensation Committee [1]		Corporate Governance and Nominations Committee [1]		Safety, Health and Environment Committee [1]	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M W Broomhead[2]	7	7	-	-	-	-	4	4	-	-
M N Brenner	10	10	5	5	6	6	5	5	-	-
A Calderon[3]	10	10	-	-	-	-	-	-	-	-
I D Cockerill	10	10	-	-	6	6	5	5	5	5
Lim C O	10	10	5	5	4	4	5	5	5	5
K A Moses	2	2	-	-	-	-	2	1	-	-
G T Tilbrook	10	8	5	5	-	-	5	4	5	4
Former										
R R Caplan	3	3	-	-	-	-	1	1	-	-
M Parkinson	3	3	-	-	1	1	1	1	-	-
N L Scheinkestel	3	3	1	1	1	1	1	1	-	-

[1] Shows the number of meetings held and attended by each director during the period the director was a member of the Board or Committee.

[2] The Chairman of the Orica Board attends all Board Committee meetings as an 'ex officio' member of that Committee.

[3] The Executive Director attends all Committee meetings on an 'as needs' basis.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at 30 September 2016 and as at the date of this report is disclosed in the Remuneration Report.

Principal activities

The principal activities of the Group in the course of the financial year were the manufacture and distribution of commercial blasting systems including technical 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 Group and the expected results of those operations are covered generally in the review of operations and financial performance of the Group in the Annual Report.

Review and results of operations

A review of the operations of the Group during the financial year and of the results of those operations is contained 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 18 December 2015.	207.0
Interim dividend declared at the rate of 20.5 cents per share on ordinary shares, franked to 48.8% (10.0 cents) at the 30% corporate tax rate, paid 1 July 2016.	76.5
Total dividends paid	283.5

Since the end of the financial year, the directors have declared a final dividend to be paid at the rate of 29.0 cents per share on ordinary shares. This dividend will be franked to 27.6% (8.0 cents) at the 30% corporate tax rate.

Changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the year ended 30 September 2016.

Events subsequent to balance date

Dividends

On 4 November 2016, the directors declared a final dividend of 29.0 cents per ordinary share payable on 9 December 2016. The financial effect of this dividend is not included in the Annual Report for the year ended 30 September 2016 and will be recognised in the 2017 Annual Report.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2016, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group 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

Orica is not currently the subject of any legal proceedings involving environmental prosecutions.

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.

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 in good faith 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 certain instances, 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 on page 25 of 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 to the Annual Report.

Directors' Report - Remuneration Report 2016 (audited)

For the year ended 30 September

Contents

Executive Remuneration

Non-Executive Director Remuneration

Other remuneration information

Executive Remuneration

Section 1: Introduction and summary of FY2016 outcomes and changes proposed for FY2017

This section summarises Orica's overall approach to executive remuneration, provides a summary of FY2016 outcomes and highlights proposed changes for FY2017.

Objectives

The objectives of Orica's executive remuneration framework are to:

- attract, motivate and retain high calibre executive talent;
- align their interests with those of shareholders;
- incentivise superior performance against measures that are linked to shareholder value creation; and
- be clear and transparent.

Current framework

Orica's executive remuneration framework consists of three elements, namely Fixed Annual Remuneration (FAR), Short-Term Incentives (STI) and Long-Term Incentives (LTI). Within this framework:

- FAR is benchmarked to the median of an external market group to attract quality people who can deliver value for shareholders;
- STIs are designed to reward executives for the achievement of strategic and operational measures; and
- LTIs are designed to align executive remuneration with returns to shareholders over the longer term.

The manner in which FAR, STI and LTI operate together is described in greater detail in Sections 3 and 4.

Orica will undertake a comprehensive review of its incentive structures during FY2017 for implementation in FY2018. The key objectives of this review will be to focus on:

- fitness for purpose – alignment to business strategy;
- simplicity and transparency;
- higher equity based remuneration to align with shareholder returns; and
- global competitiveness.

(a) Financial outcomes for FY2016

Orica's 2016 net profit after tax from continuing operations before individually material items (NPAT) was $389.1 million, 7% lower than 2015, and earnings before interest and tax (EBIT) was $642.2 million, representing a decline of 6% on the prior year.

In a year of challenging markets, management focussed on optimising Orica's operational and financial performance to deliver sustainable benefits for the longer term. This included embedding a new regionally focussed operating model, increasing customer focus, the introduction of a new capital management framework, and a major project to pursue efficiencies across Orica's global manufacturing network.

In determining remuneration outcomes, the Board sought to balance achievement in these key areas with overall financial outcomes to shareholders. Following management's recommendation, the Board has also taken into consideration the impact of two tragic fatalities in Antofagasta, Chile in making downward adjustments to the STI outcomes for all Executives.

Executive remuneration outcomes for FY2016 included no change in fixed remuneration, average STI outcomes at approximately 39% of maximum opportunity, partially deferred, and no vesting of LTIs.

The table below provides a summary of the actual remuneration received for the performance year either as cash, other benefits or, in the case of prior equity awards, the value which vested. Unlike the statutory table in Section 5.1, which represents remuneration outcomes prepared in accordance with Australian Accounting Standards, this table shows the actual remuneration value received by current/continuing Executive Key Management Personnel (Executives).

Name	Annual remuneration paid in FY2016[1] $000	STI to be paid in cash[2] $000	Total cash payment $000	Prior year equity awards vested during year[3] $000	Other[4] $000	Total remuneration received $000
Executives						
Alberto Calderon	1,800.0	710.0	2,510.0	-	4.9	2,514.9
Thomas Schutte	950.0	440.7	1,390.7	-	11.0	1,401.7
James Bonnor	870.3	235.6	1,105.9	-	65.7	1,171.6
Tony Edmondstone	840.0	263.1	1,103.1	-	504.8	1,607.9
Richard Hoggard	949.7	157.2	1,106.9	-	1.2	1,108.1
Angus Melbourne	652.0	230.5	882.5	-	153.5	1,036.0
Sebastian Pinto	569.7	193.1	762.8	-	37.0	799.8
Total	6,631.7	2,230.2	8,861.9	-	778.1	9,640.0

(1) Annual remuneration paid includes actual base pay received and superannuation (or equivalent pension) contributions.
(2) In FY2016 STI will be delivered in cash and deferred equity that will vest 12 months post the grant date. Details of the STI deferral are included in Section 3.5.
(3) LTI that have vested. From FY2017, will include deferred STI that have vested.
(4) Includes cash value of sign-on, relocation assistance and other benefits provided (where applicable). Movements in annual leave and long-service leave balances have not been shown.

(b) Fixed remuneration

Fixed pay was again frozen at FY2014 levels for continuing Executive KMP. No pay rises will be awarded in FY2017 except where appropriate on account of a change in role or responsibilities or other exceptional circumstances.

Non-Executive Directors' fees were frozen for the sixth successive year.

(c) FY2016 Short-Term Incentive

Of the financial measures: EBIT and NPAT thresholds were not met; Gross Margin was between Target and Maximum; while Cash Conversion was at Maximum.

Overall Safety performance against scorecard metrics was between Target and Maximum reflecting that All Worker Reportable Case Rate (AWRCR) continued to improve, significant progress was made against critical overdue actions and completion of Safety Health & Environment (SHE) Assessments was above target. The downward adjustments to STI on account of the fatalities in Antofagasta, Chile are discussed below.

The Board considered performance against each element of the Business Scorecard for the STI Plan and applied its discretion to reach what it believed to be fair outcomes for our shareholders and Executives. In particular, as a consequence of the two tragic fatalities in Antofagasta, Chile, following management's recommendation, the Board decided that it was appropriate that the discretionary component of the STI be significantly reduced for both the CEO and Executives. This resulted in overall Business Performance outcomes being reduced by 20% for the CEO and 10% for Executives. In addition, the Board exercised its discretion to adjust Safety outcomes to zero for the Group Executive, Manufacturing & Supply, resulting in his Business Performance outcome being reduced by 38%.

The Board considers that these adjustments reflect our commitment to the safety of our people, the level of oversight which the Chief Executive and other Executives have for safety leadership and the level of management control over the causal factors of the fatalities.

Personal outcomes for Executives, including the personal discretionary component, reflected individual Executive contribution to Group outcomes and delivery of regional and functional priorities aligned to the new operating model.

In aggregate, and following the safety-related reduction to the Business Performance score, Business and Personal outcomes resulted in Executive KMP receiving an average STI award at around 39% of maximum and forfeiting on average 61% of their opportunity. 50% of the STI paid to the Managing Director and CEO and one-third of the STI paid to other Executive KMP will be delivered in deferred shares which remain restricted for a further 12 months following award.

(d) Long-Term Incentives tested this year

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, all shares were surrendered and forfeited to Orica in full settlement of the loan balance.

The FY2013 award under the Long Term Incentive Rights Plan (LTIRP), a legacy award held by some Executives, was also tested this year. The performance condition for LTIRP vesting was also not met and the awards lapsed.

(e) Summary of change proposed in respect of FY2017

A change will be made to the Return on Capital (ROC) vesting schedule in the Long-Term Incentive (LTI) plan to better align to shareholder outcomes and current market conditions.

For the FY2017 grant only, the threshold at which vesting occurs is to be increased while the level of ROC at which maximum vesting occurs will be reduced to recognise the current challenging market conditions. Further detail is in Section 7.7.

Section 2: Key Management Personnel

This section outlines the executives of the Company and Non-Executive Directors whose remuneration details are outlined in this Remuneration Report.

(a) Names and positions of Executive Key Management Personnel

The table below lists the Executives of the Company whose remuneration details are outlined in this Remuneration Report. These Executives, together with the 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. As a result of the regionally focused operating model launched effective 1 October 2015, Orica's Executive KMP has changed since the FY2015 report and the new KMP structure detailed below aligns with Orica's revised business model:

Name	Role in financial year 2016	Commencement date in role	Country of Residence
Executive Director			
Alberto Calderon	Managing Director and Chief Executive Officer	19 May 2015	Australia
Executive KMP			
Thomas Schutte	Chief Financial Officer	1 September 2015	Australia
James Bonnor	Group Executive & President, North America	1 October 2015	United States
Tony Edmondstone[(1)]	Group Executive & President, Europe, Africa and Asia	1 October 2015	Australia
Richard Hoggard[(1)]	Group Executive, Manufacturing & Supply	1 October 2015	Singapore
Angus Melbourne[(2)]	Group Executive and President, Australia Pacific & Indonesia	11 January 2016	Australia
Sebastian Pinto	Group Executive & President, Latin America	1 October 2015	Chile
Former Executive KMP		**Date ceased to hold office**	
Nick Bowen[(1)]	Group Executive Strategic Marketing and Technology	18 December 2015	Australia

[(1)] These individuals were also KMP in FY2015 but held different roles and titles.

[(2)] Effective 1 October 2016 Angus Melbourne will transition to a new Executive role of Chief Commercial Officer and will be based in Singapore. Darryl Cuzzubbo has been appointed to Group Executive and President Australia Pacific Indonesia, effective 1 October 2016.

Particulars of Executives' qualifications, experience and responsibilities are detailed in the Annual Report.

Directors' Report - Remuneration Report 2016 (audited)

For the year ended 30 September

(b) Names and positions of Non-Executive Directors Key Management Personnel

The Non-Executive Directors who held office during FY2016 are set out below:

Name	Role in financial year 2016	Commencement date in role	Country of Residence
Current Directors			
Malcolm Broomhead[1]	Non-Executive Director, Chairman	1 December 2015	Australia
Maxine Brenner	Non-Executive Director	8 April 2013	Australia
Ian Cockerill	Non-Executive Director	12 July 2010	South Africa
Karen Moses	Non-Executive Director	1 July 2016	Australia
Lim Chee Onn	Non-Executive Director	12 July 2010	Singapore
Gene Tilbrook	Non-Executive Director	14 August 2013	Australia
Former Directors		**Date ceased to hold office**	
Russell Caplan	Non-Executive Director, Chairman	31 December 2015	Australia
Martin Parkinson[2]	Non-Executive Director	31 December 2015	Australia
Nora Scheinkestel	Non-Executive Director	1 December 2015	Australia

[1] Malcolm Broomhead was appointed as Chairman 1 January 2016.
[2] Martin Parkinson joined the Orica Board 1 October 2015 and resigned from the Board within the same financial year.

Section 3: Remuneration Framework

Orica's executive remuneration strategy is to attract, motivate, reward and retain executives through a remuneration approach that drives performance, is globally relevant, competitive, aligns with shareholder interests and has a high perceived value.

This section outlines the elements of the Executive KMP remuneration framework in FY2016, Orica's principles in relation to fixed and total remuneration positioning, remuneration opportunity and mix and the key terms and conditions of Orica's incentive plans.

3.1 Remuneration framework

Orica's executive remuneration framework provides a combination of fixed remuneration and incentives intended to drive performance against both short and longer term Company objectives. The table below provides an overview of this framework and the specific performance linkages. Key terms of the short and long-term incentive plans are outlined in section 3.5.

	Executive remuneration component	Payment vehicle	Performance measure	Specific targets / performance link	Key FY2016 outcomes / FY2017 developments	Further dis-cussion in report
Fixed	Fixed Annual Remuneration (FAR)	Cash, superannuation & other benefits			No increase to FAR for Executive KMP in FY2016	***Section 3.2***
At-risk remuneration	Short-Term Incentive Plan (STI Plan)	Annual cash payment following release of end of year results. Business and Personal performance objectives operate independently and the weighted result for each of the Business and Personal performance objectives are multiplied together to determine the final STI amount Mandatory deferral of a proportion of STI paid into deferred shares. Deferred shares are subject to a continued employment condition for a 12 month period following award	**Business Objective 1** Safety, Health & Environment (SHE)	Improvements in: All Worker Recordable Case Rate; Safety Health and Environment Assessments; and Overdue Actions	Executive KMP STI payments were between threshold and target performance. The overall Business performance outcome was reduced by 20% for the CEO and 10% for other Executives to reflect the two tragic fatalities in Antofagasta, Chile. The Board exercised its discretion to adjust Safety outcomes to zero for the Group Executive, Manufacturing & Supply, resulting in his Business performance outcome being reduced by 38%.	***Sections 3.5 and 4.2***
			Business Objective 2 Earnings measures	Improvements in: - Earnings Before Interest & Tax*; and - Net Profit After Tax*		
			Business Objective 3 Margin measures	Improvements in: Gross Margin Cash Conversion		
			Business Objective 4 Board discretionary component			
			Personal Performance 3 personal objectives and Board discretionary component	Regional, functional and / or financial objectives specific to KMP area of influence		
	Current plan Long-Term Incentive Plan (LTIP) **Historical plans** Long Term Equity Incentive Plan (LTEIP) and Long Term Incentive Rights Plan (LTIRP)	**Current plan** Grant of rights over Orica shares measured over a three year performance period	**Current plan** Return on Capital (ROC) on 50% of rights granted Relative Total Shareholder Return (RTSR) on 50% of rights granted	**Current plan** Average ROC of between 15% (threshold) and 30% maximum RTSR percentile ranking must be above median (50% vest) to 75th percentile and above (100% vest) Measures align Executives to shareholder outcomes	During FY2016 the FY2013 award under the Long Term Equity Incentive Plan (LTEIP) was eligible for testing. No loan forgiveness was available and no capital gains were made. Shares awarded were forfeited back to Orica The FY2013 LTIRP award was also tested and forfeited.	***Sections 3.5 and 4.3***

* Before individually material items

3.2 Remuneration positioning

Executive FAR is generally set with reference to the market median for Australian listed companies of a comparable market capitalisation to Orica (between 50% to 200% of Orica's 12 month average market capitalisation). In addition, and particularly for roles located outside of Australia, additional sector or local industry specific data is taken into consideration in benchmarking Executive remuneration (where appropriate).

For each performance measure, threshold, target and maximum targets are set. For performance below threshold, no reward is earned. For performance at target, target rewards are earned. For performance at maximum, maximum rewards are earned. For performance between target and maximum, rewards are earned on a linear basis.

3.3 Remuneration opportunity

Set out below is the current fixed annual remuneration, target short-term and long-term incentive grant opportunity for each of the Executive KMP in respect of financial year 2016.

	FAR [1]	Target STI (% FAR)	FY16 LTI Rights opportunity[2] (% FAR)
Current Executive Director			
A Calderon[3]	1,800,000	100%	180%
Current Executive KMP			
T H Schutte	950,000	70%	100%
J K Bonnor[4]	870,302	60%	100%
T J Edmondstone[5]	840,000	60%	100%
R Hoggard[4]	949,663	60%	100%
A J Melbourne	900,000	60%	100%
S F Pinto[4]	569,694	60%	100%

(1) 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. The amounts set out in the table above are the Executives' fixed annual remuneration as at 30 September 2016.

(2) The number of performance rights allocated is determined based upon the 5-day volume weighted average price (VWAP) of Orica shares at the time of award. Performance rights were allocated to Executives under the FY2016 LTIP offer in February 2016.

(3) Alberto Calderon's FY2016 LTI grant was capped to 220,000 rights being the maximum number of rights approved by Orica shareholders at the 2015 AGM. This represents a grant value equal to 160% of Alberto Calderon's fixed remuneration and below the grant value specified in Alberto Calderon's contract of 180%.

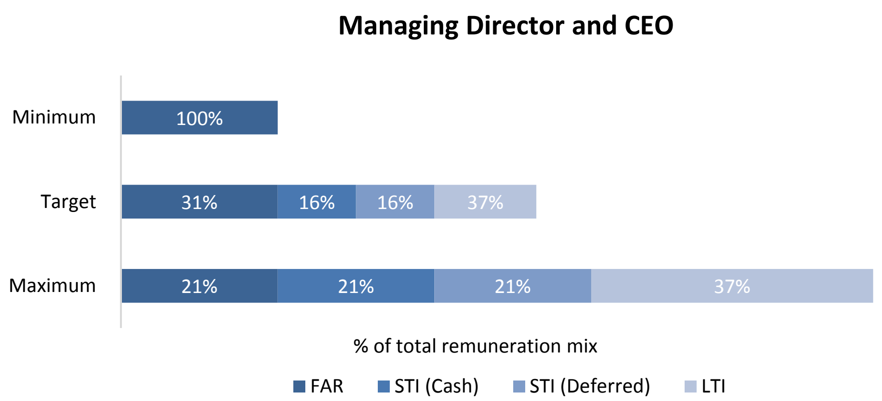
(4) For overseas based Executives, salary reported is based on the salary figure in overseas currency converted at the average foreign exchange rate for the year.

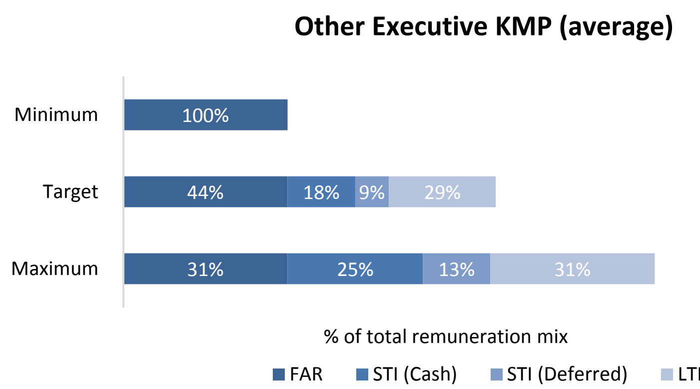
(5) FAR applicable from when TJ Edmondstone repatriated to Australia from Singapore (February 2016).

3.4 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 graphs below show the minimum target and maximum remuneration mix for financial year 2016, based on the earnings of the MD & CEO and other Executive KMP[1][2].

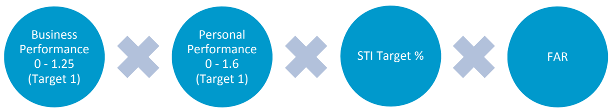




(1) Target remuneration mix assumes STI at target and a fair value calculation (as per Australian Accounting Standards Board, AASB 2) of the long term incentive (LTI) award at grant using an external valuation from PricewaterhouseCoopers.
(2) Maximum remuneration mix assumes STI at maximum (two times target) and LTI at grant value with no adjustment for fair value.

3.5 Summary of terms and conditions of at risk components

The key details of the Orica STI and LTI, are summarised below.

	Short-Term Incentive	Long-Term Incentive
Description	Annual incentive plan delivered in cash and deferred shares. For the MD & CEO, 50% of any STI award is delivered in cash and 50% in deferred shares. For other Executives, two thirds of any STI award is delivered in cash and one third is delivered in deferred shares following a 12 month deferral period.	Award of performance rights subject to a three year performance period.
Performance Conditions	Business performance measures representing financial and non-financial conditions. Personal performance measures representing objectives specific to each Executive's area of influence. Business and Personal objectives operate independently and the weighted result for each is then multiplied together to get the final result (see diagram below).  Details and weightings of the FY2016 performance conditions are outlined in section 4.2.	There are two performance conditions, 50% of Rights granted are subject to a Return on Capital (ROC) (1) performance condition and 50% are subject to Relative Total Shareholder Return (RTSR) performance (2). ROC was selected as it supports Orica's continued focus on effective capital allocation. RTSR was selected to align Executive reward under LTIP with returns delivered to shareholders. The ASX 100 was chosen as the RTSR comparator group because, in the absence of a sufficient number of direct competitor companies, the ASX 100 represents a meaningful group of companies that Orica competes with for shareholder capital and Executive talent.
Performance period	Performance is measured over the financial year preceding the STI payment date.	Three financial years.
Amount that can be earned	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). __Level of performance__ — __Percentage of FAR received__ Below threshold — 0% Between threshold and target — Up to 60% (70% for CFO & 100% for MD & CEO) Target — 60% (70% for CFO & 100% for MD & CEO) Above target — Up to 120% (140% for CFO & 200% for MD & CEO) Mandatory deferral of 50% of the STI payment for MD & CEO and one third for all other Executives into deferred Orica shares. The number of shares is based on the 5 day VWAP at the grant date after the annual results are announced.	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 MD & CEO, the number of Rights to be issued for FY2017 (subject to shareholder approval) will provide a grant opportunity in face value terms of 180% of FAR (estimated 117% fair value equivalent). For reasons of transparency to shareholders and simpler communication to Executives, Orica uses a face value allocation methodology. 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.
Vesting	***STI – Cash Component*** STI outcomes are determined by the Board at the end of the financial year. Financial measures comprising EBIT, NPAT, Gross Margin and Cash Conversion and safety measures comprising AWRCR, Process Safety, Risk assessment and audits are calculated based on the achievement against targets set at the commencement of the financial year. The Board confirms final awards based on overall Group and Personal performance. In accordance with the plan rules, the Board retains an overriding discretion in relation to payments (if any) under the STI Plan, regardless of whether any or all of the STI performance objectives have been satisfied. ***STI Deferred shares*** Use of deferral is designed to further align Executive remuneration to shareholders' interests by delivering an increased proportion of remuneration in Orica equity and to provide the ability for entitlements to be forfeited for misconduct as required. Executives generally will forfeit all deferred shares if they cease employment with Orica by reason of resignation or termination for	The number of Rights that vest is determined by performance outcomes compared with pre-determined Company performance measures. __**Performance condition - ROC (3 year average 1/10/2015 - 30/09/2018)**__ **% level of performance** — **% of rights vesting** Below 15% — 0% At 15% — 25% Between 15% and 30% — Straight line appreciation 25% to 100% 30% and above — 100% __**Performance condition - RTSR (percentile ranking against ASX 100)**__ **% level of performance** — **% of rights vesting** Below 50th percentile — 0% At 50th percentile — 50% Between 50th and 75th percentile — Straight line appreciation 50% to 100% 75th percentile and above — 100%

	cause during the 12 month deferral period, which commences on the grant date.	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.
Access to dividends	Executives receive dividends on unvested Orica shares during the 12 month deferral period.	Executives do not receive dividends on Orica LTI rights during the 3 year vesting period.
Forfeiture of award	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 if they cease employment as a good leaver.	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 LTIP rules enable the Board to determine the treatment of unvested Rights.
Change of control	Board discretion to pay some or all of the STI that may have been payable for that financial year. Unvested deferred shares would vest on change of control.	Board discretion to determine 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.

(1) ROC = EBITDA per year / Enterprise Value.
EBITDA = Earnings from Continuing Operations Before Individual Material Items, Depreciation, Amortisation, net borrowing costs and Tax.
Enterprise Value = Total Shareholders' Equity + Net Debt (at end of each year during the performance period), refer to note 3 of the Annual Report.
ROC is measured at the end of each financial year and averaged over 3 years following the end of the last financial year of the performance period [3].

(2) 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). The comparator group is determined by the constituents of the ASX 100 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.

(3) The Board reviewed the unvested long-term incentive grant made in 2015 under the LTIP, to ensure that Executives did not gain an advantage as a result of the asset impairment in FY2015. The Board determined for the purposes of calculating ROC in relation to the 2015 LTIP grant, it is to be calculated 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 performance years (2015 - 2017). For the FY2016 grant (to be tested in 2018) ROC will be calculated against the Enterprise Value as reported.

Section 4: Performance and outcomes

Orica's remuneration outcomes are aligned to business results and shareholder returns. This section demonstrates how remuneration outcomes are aligned to Orica's results for the year.

4.1 Overview of business performance

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	2012	2013	2014	2015	2016
Profit/(loss) from Operations ($m)	655.4	968.1	929.7	(1,195.0)	637.6
Individually material items – net expense ($m)[1]	367.2	-	-	1,884.4	4.6
EBIT ($m)[2]	1,022.6	968.1	929.7	689.4	642.2
Dividends per ordinary share (cents)	92.0	94.0	96.0	96.0	49.5
Closing share price ($ as at 30 September)[3]	24.87	20.06	18.90	15.04	15.20
3 month average share price (1 July to 30 September) each year	24.83	19.59	20.56	17.29	14.12
EPS growth (%)[2]	2.54%	(8.43%)	0.49%	(30.00%)	(8.81%)
NPAT ($m)[2]	650.2	592.5	602.5	424.2	389.1
External Sales ($m)	6,674.1	6,885.2	6,796.3	6,123.2	5,091.9
Cumulative TSR (%)[4]	4.80	(13.89)	(5.59)	(16.48)	(28.24)

(1) This figure is before interest, tax and non-controlling interest. After these items are taken into account, it equates to a loss of $367.2 million in 2012, $1,691.6 million in 2015 and $46.3 in 2016.
(2) Before individually material items.
(3) The opening share price for financial year 2012 was $22.40.
(4) Cumulative TSR has been calculated using the same start date for each period measured (1 October 2011). In calculating the cumulative TSR, 3 month average share prices (1 July to 30 September for each year) have been used.

4.2 Short-Term Incentive overview

(a) Summary of FY2016 STI performance conditions and performance level achieved

For FY2016, the Business performance, target weighting of each component and performance level achieved are summarised below:

Measure	Performance Objective	Weighting (at target)	Performance level achieved[1]
Business Performance			
SAFETY	Improvement in All Worker Recordable Case Rate (AWRCR)[2]	8.33%	◕
	Improvement in completion of scheduled Safety, Health & Environment (SHE) Assessments against specified SHE Management System[3]	8.33%	●
	Reduction in overdue actions arising from major risk assessments, audits and Incident Cause Analysis Method (ICAM) below target percentage	8.33%	●
EARNINGS	Improvement on previous year's Earnings Before Interest and Taxation (EBIT)[4]	12.50%	○
	Improvement in Net Profit After Tax (NPAT)[5]	12.50%	○
MARGIN	Improvement in Gross Margin percentage	12.50%	◕
	Improvement in Cash Conversion percentage	12.50%	●
DISCRETION	Payable at the Board's discretion	25%	◔
Personal Performance			
PERSONAL	Individual measures based on initiatives and key project deliverables linked to sustainable improvement in company performance, including Board discretionary component[6]	-	◕
Total STI	Overall STI outcome[7]	-	◔

Performance level
○ Threshold not met ◔ b/w Threshold & Target ◑ Target ◕ b/w Target & Maximum ● Maximum

[1] Performance level achieved is shown prior to the adjustments made by the Board to reflect the fatalities at the packaged explosives manufacturing plant in Antofagasta (Chile).
[2] Measures number of recordable cases (using Occupational Safety and Health Administration (USA) guidelines) per 200,000 hours worked by employees and contractors.
[3] Measures percentage completion of scheduled regional and site-level self-assessments.
[4] For STI purposes EBIT is defined as earnings from Continuing Operations before interest, tax and individually material items.
[5] NPAT is defined as Net Profit After Tax from Continuing Operations before individually material items attributable to shareholders of Orica Limited.
[6] Represents average STI outcomes for reportable Executives (compared to maximum STI opportunities).

In analysing FY2016 outcomes, performance against each component is outlined below:

- NPAT and EBIT targets were not achieved.
- Gross Margin was achieved between Target and Maximum. Cash Conversion was achieved at Maximum performance.
- Safety targets were set with input from the Board Safety, Health and Environment Committee and reflect Orica's commitments to continuously improving safety performance.

  Overall Safety performance against scorecard measures was between Target and Maximum, reflecting that AWRCR continued to improve, significant progress was made against critical overdue actions and completion of SHE Assessments was at Maximum performance.
- The Board considered performance against each element of the Business scorecard and applied its discretion to reach what it believed to be fair outcomes for our shareholders and Executives.

  In particular, as a consequence of the two tragic fatalities in Antofagasta, Chile, following management's recommendation, the Board decided that it was appropriate that the discretionary component of the STI be significantly reduced for both the CEO and Executives. This resulted in overall Business Performance outcomes being reduced by 20% for the CEO and 10% for Executives. In addition, the Board exercised its discretion to adjust Safety outcomes to zero for the Group Executive, Manufacturing & Supply, resulting in his Business Performance outcome being reduced by 38%.

  The Board considers that these adjustments reflect our commitment to the safety of our people, the level of oversight which the Chief Executive and other Executives have for safety leadership and the level of management control over the causal factors of the fatalities.

- Personal objectives for each Executive KMP were determined and approved by the Board at the commencement of the financial year. In financial year 2016, these objectives related to strategic priorities for each Executive KMP, including embedding the new operating model and other regional or functional initiatives, linked to revenue improvement and cost reduction.

- In aggregate, Business and Personal outcomes resulted in Executives receiving an average STI award at around 39% of maximum and forfeiting on average 61% of their opportunity.

(b) Short-Term Incentive outcome – FY2016

Details of the FY2016 outcomes for Executive KMP are set out in the table below.

For the year ended 30 September 2016	Maximum STI opportunity[1] $000	Actual STI paid in cash $000	Actual STI paid in deferred equity[2] $000	Actual STI payment as % of maximum	% of maximum STI forfeited
Current Executive KMP					
A Calderon	3,600.0	710.0	710.0	39.4	60.6
T H Schutte	1,330.0	440.7	220.3	49.7	50.3
J K Bonnor	1,021.1	235.6	117.8	34.6	64.4
T J Edmondstone[3]	1,010.6	263.1	131.5	39.1	60.9
R Hoggard	1,139.6	157.2	78.6	20.7	79.3
A J Melbourne[4]	779.0	230.5	115.2	44.4	55.6
S F Pinto	645.8	193.1	96.5	44.8	55.2
Former Executive KMP					
N R Bowen[5]	-	-	-	-	-

(1) For Australian based Executives, maximum STI opportunity is calculated on FAR inclusive of superannuation. For overseas based executives, maximum STI opportunity does not include the equivalent pension contributions.
(2) 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 arising from the 2016 STI outcome has been included in each Executive's share based payments expense in 2016 and the remainder will be included in 2017.
(3) Maximum STI opportunity reflects a pro-rated calculation of FAR paid in respect of employment in Singapore and Australia.
(4) A J Melbourne was eligible for a pro-rata STI payment from the date of his appointment.
(5) N R Bowen was not eligible for a payment under the FY2016 STI Plan. Refer to Section 7.6 for details of the severance payment made.

4.3 Long-Term Incentive overview

The table below summarises the Long-Term Incentive Plan awards tested in the current financial year together with awards that remain unvested.

Plan	Grant	Performance period	Performance measures applicable to award	Outcome
LTEIP	FY2013	FY2013 – FY2015	Availability of loan forgiveness is subject to: • Compound EPS growth condition (10% loan forgiveness at target) • Relative TSR ranking against ASX 100 (10% loan forgiveness at target)	Forfeited
LTIRP	FY2013	FY2013 – FY2015	Compound EPS growth condition (100%)	Forfeited
LTEIP	FY2014	FY2014 – FY2016	As above	Not yet tested[1]
LTIRP	FY2014	FY2014 – FY2016	As above	Not yet tested[1]
LTIP	FY2015	FY2015 - FY2017	Vesting of Rights is subject to: • Average ROC (50%) • Relative TSR ranking against ASX 100 (50%)	Not yet tested[1]
LTIP	FY2016	FY2016 – FY2018	As above	Not yet tested

(1) These awards are not expected to vest when they are formally tested.

LTEIP was the previous loan based equity incentive plan. The FY2013 LTEIP award was tested in November 2015. The availability of loan forgiveness under the FY2013 LTEIP award was subject to two performance hurdles, namely Earnings per Share (EPS) growth and Relative Total Shareholder Return (RTSR) against a comparator group of the ASX 100 (determined at the time the LTEIP award was granted). As the compound EPS growth over the plan period was below the threshold performance level, and Relative Total Shareholder Return was below median against the comparator group, no loan forgiveness was applied. Executives achieved no capital gains on their shares and forfeited their FY2013 LTEIP shares in full settlement of the outstanding loan balances.

There were no loans to Executive KMP other than for the LTEIP plan and over the past five years, the LTEIP has provided a loan forgiveness benefit in only one instance (2008 offer) and has provided modest capital appreciation to LTEIP participants in three of the past five years. This aligns vesting outcome to Executives with performance outcomes for shareholders over that period. Further information on LTEIP can be found in note 19 to the Annual Report.

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

For the year ended 30 September 2016	Opening balance $	Advances during FY2016[1] $	Repayments during FY2016[2] $	Closing balance $	Interest free value $	Highest indebtedness $
Current Executive KMP						
J K Bonnor	850,046	-	14,221	835,825	43,897	850,046
T J Edmondstone	1,768,789	-	891,839	876,950	56,172	1,768,789
R Hoggard	2,238,598	-	1,128,725	1,109,873	71,091	2,238,598
Former Executive KMP						
N R Bowen[3]	1,323,864	-	22,147	1,301,717	68,365	1,323,864
Total Executive KMP	6,181,297	-	2,056,932	4,124,365	239,525	6,181,297

(1) No new loan advances under the LTEIP were made in FY2016 as the plan has been replaced by the Long Term Incentive Plan (LTIP).
(2) Constitutes repayments including after tax dividends paid on the shares applied against the loan and forfeiture of LTEIP options.
(3) In accordance with the cessation provisions in the LTEIP rules, the Board determined that unvested LTEIP entitlements for N R Bowen remain on foot.

The FY2013 award under LTIRP (a legacy award held by some Executives) was also tested this year. The EPS performance condition for LTIRP vesting was not met and all of the awards lapsed.

Section 5: Remuneration tables and data

This section outlines Executive Key Management Personnel remuneration (in accordance with the Australian Accounting Standards).

5.1 Executive KMP remuneration

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

Remuneration outcomes presented in these tables are based on the requirements of accounting standards rather than the basis of take-home pay. Examples of what this means from a presentation of total package perspective are as follows:

- Part of STI awards are paid in deferred shares. These are recognised as an expense typically over two years, including the year of award. This year's outcome includes expenses relating to this year's and last year's restricted shares.
- LTI awards are recognised over a performance period of three years, the value detailed relates to their assessed value when originally granted to the Executive. Note the assessed value at grant can be significantly different to the value realised upon vesting if the share price moves materially.
- In some circumstances (LTEIP, LTIRP and LTIP plans) amounts that have previously been recorded as remuneration are reversed due to non-vesting of shares or rights where non market based performance hurdles are not met.

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For the year ended 30 September

	Short term employee benefits				Post-employment benefits				
	Base (Fixed) Pay $000	Cash STI Payment[1] $000	Other Benefits[2] $000	Other Long Term Benefits[3] $000	Super-annuation Benefits $000	Termination Benefits $000	**Total excluding SBP* Expense $000**	Share Based Payments Expense[4] [9] $000	**Total $000**
Current Executive Directors									
A Calderon[5]									
2016	**1,780.6**	**710.0**	**11.9**	**-**	**19.4**	**-**	**2,521.9**	**890.7**	**3,412.6**
2015	1,109.3	-	34.2	-	18.9	-	1,162.4	226.1	1,388.5
Former Executive Directors									
I K Smith									
2015	1,186.1	-	(60.0)	-	9.4	2,500.0	3,635.5	(2,142.0)	1,493.5
C B Elkington									
2015	931.1	678.5	4.6	15.9	18.9	924.7	2,573.7	1,163.6	3,737.3
Total Executive Directors									
2016	**1,780.6**	**710.0**	**11.9**	**-**	**19.4**	**-**	**2,521.9**	**890.7**	**3,412.6**
2015	3,226.5	678.5	(21.2)	15.9	47.2	3,424.7	7,371.6	(752.3)	6,619.3
Current Executive KMP									
T H Schutte									
2016	**950.0**	**440.7**	**22.2**	**-**	**-**	**-**	**1,412.9**	**212.0**	**1,624.9**
2015	79.2	-	554.1	-	-	-	633.3	-	633.3
J K Bonnor[6]									
2016	**850.9**	**235.6**	**78.4**	**9.4**	**19.4**	**-**	**1,193.7**	**171.7**	**1,365.4**
T J Edmondstone[6]									
2016	**827.0**	**263.1**	**550.4**	**38.4**	**13.0**	**-**	**1,691.9**	**279.7**	**1,971.6**
2015	808.9	155.8	573.4	9.7	-	-	1,547.8	91.6	1,639.4
R Hoggard[6]									
2016	**949.7**	**157.2**	**(2.4)**	**-**	**-**	**-**	**1,104.5**	**289.7**	**1,394.2**
2015	891.0	171.7	93.4	3.5	4.7	-	1,164.3	278.9	1,443.2
A J Melbourne[7]									
2016	**637.4**	**230.5**	**199.5**	**-**	**14.6**	**-**	**1,082.0**	**488.5**	**1,570.5**
S F Pinto[6]									
2016	**523.9**	**193.1**	**57.9**	**-**	**45.8**	**-**	**820.7**	**(36.4)**	**784.3**
Total Current Executive KMP									
2016	**4,738.9**	**1,520.2**	**906.0**	**47.8**	**92.8**	**-**	**7,305.7**	**1,405.2**	**8,710.9**
2015	1,779.1	327.5	1,220.9	13.2	4.7	-	3,345.4	370.5	3,715.9
Former Executive KMP									
N R Bowen									
2016	**204.7**	**-**	**352.7**	-	**4.8**	**950.0**	**1,512.2**	**234.9**	**1,747.1**
2015	931.1	168.9	4.6	-	18.9	-	1,123.5	370.2	1,493.7
A J P Larke[8]									
2015	375.2	-	3,304.6	6.4	7.8	-	3,694.0	502.1	4,196.1
Total Former Executive KMP									
2016	**204.7**	**-**	**352.7**	**-**	**4.8**	**950.0**	**1,512.2**	**234.9**	**1,747.1**
2015	1,306.3	168.9	3,309.2	6.4	26.7	-	4,817.5	872.3	5,689.8
Total Executive KMP									
2016	**4,943.6**	**1,520.2**	**1,258.7**	**47.8**	**97.6**	**950.0**	**8,817.9**	**1,640.1**	**10,458.0**
2015	3,085.4	496.4	4,530.1	19.6	31.4	-	8,162.9	1,242.8	9,405.7
Total									
2016	**6,724.2**	**2,230.2**	**1,270.6**	**47.8**	**117.0**	**950.0**	**11,339.8**	**2,530.8**	**13,870.6**
2015	6,311.9	1,174.9	4,508.9	35.5	78.6	3,424.7	15,534.5	490.5	16,025.0

* Share Based Payments (SBP).

(1) Cash STI Payment includes payments relating to 2016 performance accrued but not paid until FY2017.

(2) These benefits include relocation costs, car parking, medical and insurance costs, movement in annual leave accrual, sign on payments, spousal travel and costs associated with services related to employment (inclusive of any applicable fringe benefits tax). For overseas based Executives other benefits include up to 100% of relocation and travel allowances, reimbursement of accommodation, health insurance, family travel and education expenses.

(3) This benefit includes the movement in long service leave accrual.

(4) Refer to Section 3.5. This 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 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 nor may they be payable to the Executive at any other time if performance hurdles are not met. The mechanism which determines whether or not long term incentives vest in the future is described in Section 3.5.

(5) In FY2015 within the base pay for A Calderon is included $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 overseas based Executives, salary reported is based on the salary figure in overseas currency converted at the average foreign exchange rate for the year.

(7) On joining Orica A J Melbourne received a sign on payment of $150,000 and a grant of rights over 53,273 shares to compensate him for awards foregone from his previous employer. The rights granted vest in three equal tranches in November 2016, 2017 and 2018 subject to A J Melbourne's continued employment with Orica.

(8) 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.

(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 2016 and the remainder will be included in 2017.

5.2 Summary of awards held under Orica's Long-Term Incentive and STI deferred share arrangements

Details of LTIP and LTIRP rights, shares acquired under LTEIP and deferred shares awarded under the STI plan are set out in the table below:

For the year ended 30 September 2016	Grant date	Granted during FY2016	Lapsed	Balance at year end[2]	Value of instruments at grant date $	Value of equity instruments included in compensation for the year $
Current Executive Directors						
A Calderon						
LTIP rights	22 Feb 16	220,000	-	220,000	1,977,800	309,553
Deferred shares[1]	1 Dec 15	28,298	-	28,298	452,213	226,107
Current Executive KMP						
T H Schutte						
LTIP rights	22 Feb 16	72,353	-	72,353	650,453	101,805
J K Bonnor						
LTIP rights	22 Feb 16	65,137	-	65,137	585,582	91,652
LTIP rights	23 Feb 15	-	-	23,940	309,425	(18,030)
Deferred shares[1]	1 Dec 15	4,525	-	4,525	72,322	36,161
LTEIP shares	21 Feb 14	-	-	36,096	292,378	59,420
LTIRP rights	19 Dec 12	-	14,022	-	307,923	(56,453)
T J Edmondstone						
LTIP rights	22 Feb 16	63,975	-	63,975	575,135	90,017
LTIP rights	23 Feb 15	-	-	40,840	528,061	(30,758)
Deferred shares[1]	1 Dec 15	10,198	-	10,198	155,803	77,902
LTEIP shares	21 Feb 14	-	-	37,872	306,763	62,344
LTEIP shares	7 Feb 13	-	35,013	-	312,316	14,388
R Hoggard						
LTIP rights	22 Feb 16	72,698	-	72,698	653,555	102,290
LTIP rights	23 Feb 15	-	-	46,186	597,119	(34,784)
Deferred shares[1]	1 Dec 15	11,534	-	11,534	171,655	85,828
LTEIP shares	21 Feb 14	-	-	47,931	388,241	78,903
LTEIP shares	7 Feb 13	-	44,313	-	395,272	18,210
A J Melbourne						
LTIP rights	22 Feb 16	68,545	-	68,545	616,220	96,447
Sign-on-Rights	12 Jan 16	53,273	-	53,273	670,352	334,429
S F Pinto						
LTIP rights	22 Feb 16	40,488	-	40,488	363,987	56,969
LTIP rights	23 Feb 15	-	-	19,291	249,336	(14,529)
LTIRP rights	19 Dec 13	-	-	9,781	196,892	(114,853)
LTIRP rights	19 Dec 12	-	3,034	-	66,627	(12,215)
Former Executive KMP						
N R Bowen						
LTIP rights	23 Feb 15	-	16,571	33,141	642,776	24,317
Deferred shares[1]	1 Dec 15	10,572	-	10,572	168,941	84,471
LTEIP shares	21 Feb 14	-	-	56,216	455,350	126,122

(1) Deferred shares awarded on 1 December 2015 in respect of the FY2015 STI award.
(2) No awards were exercised during FY2016.

In FY2015 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 the LTIP issued and accounting values is detailed below:

Grant date	Vesting date	Number of rights issued	Number of rights held at 30 September 2016	Number of rights held at 30 September 2015	Number of participants at 30 September 2016	Number of participants at 30 September 2015	Fair value of rights at grant $
22 Feb 16	30 Nov 18	2,163,913	**2,079,875**	-	**215**	-	19,453,578
4 July 16[1]	30 Nov 18	150,793	**150,793**	-	**14**	-	1,090,987
23 Feb 15	30 Nov 17	1,505,466	**1,093,434**	1,288,862	**200**	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 ROC[2] $	Fair value per right RTSR[2] $
22 Feb 16	13.84	30	5.5	1.80	12.04	5.94
4 July 16[1]	12.39	30	4.5	1.62	11.23	3.24
23 Feb 15	19.85	25	4.0	1.88	17.92	7.93

[1] A supplementary LTI offer was made in July 2016 to selected Senior Managers other than Executive KMP who joined Orica after the grant date of the main offer in February 2016. The terms and conditions of this supplementary offer are the same as the main offer.
[2] 50% of Rights granted are subject to a Return on Capital (ROC) performance condition and 50% are subject to Relative Total Shareholder Return (RTSR) performance.

Non-Executive Director Remuneration

Section 6: Remuneration Policy, Structure and Outcomes

This section outlines Non-Executive Director's remuneration.

6.1 Overview of Non-Executive director's remuneration and arrangements

Fees for Non-Executive Directors (Directors) are set by reference to a number of relevant considerations:

- The individual's responsibilities and time commitment attaching to the role of Director and Committee membership;
- The Company's existing remuneration policies and survey data sourced from external specialists; and
- Fees paid by comparable companies and the level of remuneration required to attract and retain directors of the appropriate calibre.

Directors do not receive any form of performance based pay to preserve their independence.

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. Note; committee fees are not paid to the Chairman of the Board.

6.2 Non-Executive director fees and other benefits

The table below sets out the elements of Director fees and other benefits:

Fees/benefits	Description	2016 $	Included in shareholder approved cap
Board fees	**Main Board**		
	Chairman - Russell Caplan until retirement (31 December 2015), Malcolm Broomhead (appointed 1 January 2016)[1]	510,000	Yes
	Members - all Non-Executive Directors	170,000	
Committee fees	**Board Audit and Risk Committee (BARC)**		
	Chairman - Gene Tilbrook	45,000	
	Members - Maxine Brenner, Lim Chee Onn, Nora Scheinkestel until retirement (1 December 2015), Martin Parkinson (1 October - 31 December 2015)	22,500	
	Human Resources and Compensation Committee (HR&C)		
	Chairman – Nora Scheinkestel until retirement (1 December 2015), Maxine Brenner (appointed 2 December 2015)	45,000	Yes
	Members - Maxine Brenner, Ian Cockerill, Lim Chee Onn (appointed 1 Feb 2016), Martin Parkinson (1 October - 31 December 2015)	22,500	
	Safety, Health and Environment Committee (SH&E)		
	Chairman - Ian Cockerill	45,000	
	Members - Lim Chee Onn, Gene Tilbrook	22,500	
Superannuation	Superannuation contributions are made on behalf of the Directors at a rate of 9.5% being the current superannuation guarantee contribution rate. The Company makes contributions up to the Maximum Contributions Base to avoid imposition of the superannuation guarantee charge.		Yes
Other fees / benefits	Directors receive a travel allowance based on the hours travelled to a Board meeting. If travel to attend a meeting takes between 3 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 entitled to be paid additional fees for extra services or special exertions.		No

[1] Malcolm Broomhead joined the Orica Board 1 December 2015 and was appointed Chairman on 1 January 2016.

6.3 Non-Executive Director remuneration

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

	Short term employee benefits			Post-employment benefits	
	Directors Fees $000	Committee Fees $000	Other benefits[1] $000	Superannuation $000	Total $000
Current Directors					
M W Broomhead, Chairman					
2016	**396.7**	**-**	**-**	**15.9**	**412.6**
M N Brenner					
2016	**170.0**	**63.8**	**-**	**19.4**	**253.2**
2015	170.0	45.0	2.5	18.9	236.4
I D Cockerill[2]					
2016	**170.0**	**67.5**	**41.5**	**19.4**	**298.4**
2015	170.0	67.5	61.0	18.9	317.4
K A Moses					
2016	**42.5**	**-**	**-**	**4.0**	**46.5**
Lim Chee Onn					
2016	**170.0**	**60.0**	**20.0**	**19.4**	**269.4**
2015	170.0	45.0	12.5	18.9	246.4
G T Tilbrook					
2016	**170.0**	**67.5**	**12.5**	**19.4**	**269.4**
2015	170.0	56.3	15.0	18.9	260.2
Former Directors					
R R Caplan, Chairman					
2016	**127.5**	**-**	**-**	**4.8**	**132.3**
2015	510.0	-	2.5	18.9	531.4
M Parkinson					
2016	**42.5**	**11.3**	**-**	**5.1**	**58.9**
N L Scheinkestel					
2016	**28.3**	**11.3**	**-**	**3.8**	**43.4**
2015	170.0	67.5	2.5	18.9	258.9
Total Non-Executive Directors					
2016	**1,317.5**	**281.4**	**74.0**	**111.2**	**1,784.1**
2015	1,360.0	281.3	96.0	113.4	1,850.7

(1) These benefits include travel allowances payable to Non-Executive Directors.
(2) Other benefits for I D Cockerill includes spousal travel (inclusive of any fringe benefits tax).

Other remuneration information

Section 7: Remuneration governance and other remuneration arrangements

Effective governance is central to Orica's remuneration strategy and approach. This section outlines the key elements of Orica's remuneration governance, Executive KMP service agreements, treatment of departing Executives and proposed changes to the executive remuneration framework in FY2017.

7.1 Responsibility for setting remuneration

The Human Resources and Compensation Committee (the 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. Amongst other responsibilities, the Committee assists the Board in its oversight of:

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

7.2 Use of remuneration advisors during the year

No remuneration recommendations were received from Remuneration Consultants as defined under the Corporations Act 2001.

7.3 Executive and director share ownership

The Board considers it an important foundation of the Orica Executive framework that Executives and directors hold a significant number of Orica shares to encourage Executives to behave like long term investment owners.

(a) Executives

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 MD & CEO) over six years from the end of calendar year 2016 for existing Executives or from commencement of employment for new appointments.

(b) Non-Executive Directors

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 a reasonable time using personal funds and includes shares held in superannuation accounts or other entities controlled by the Director.

The table below sets out the number of shares held directly and indirectly by directors and Executive KMP:

	Balance at 1 October 2015	Acquired[1]	Net change other[2]	Balance at 30 September 2016	Number of shares & rights not vested
Executive KMP					
A Calderon	4,650	7,270	-	11,920	248,298
T H Schutte	-	-	-	-	72,353
J K Bonnor	-	-	-	-	129,698
T J Edmondstone	-	-	-	-	152,885
R Hoggard	1,227	20	-	1,247	178,349
A J Melbourne	-	-	-	-	121,818
S F Pinto	-	-	-	-	69,560
Former Executive KMP					
N R Bowen[3] [5]	-	-	-	-	99,929
Non-Executive Directors					
M W Broomhead[4]	30,300	-	-	30,300	-
M N Brenner	2,500	3,539	-	6,039	-
I D Cockerill	10,935	5,203	-	16,138	-
K A Moses[4]	8,000	-	-	8,000	-
Lim Chee Onn	11,000	-	-	11,000	-
G T Tilbrook	4,000	5,000	-	9,000	-
Former Non-Executive Directors					
R R Caplan[3]	40,178	-	-	40,178	-
M Parkinson[3]	-	-	-	-	-
N L Scheinkestel[3]	27,635	-	-	27,635	-
Total	140,425	21,032	-	161,457	1,078,889

(1) Shares acquired, including through the Dividend Reinvestment Plan (DRP).
(2) Net change other includes changes resulting from sales during the year.
(3) Balance at 30 September 2016 end represents balance on cessation of employment with Orica.
(4) M W Broomhead held 30,300 shares and K A Moses 8,000 shares on their appointment to the Orica Board.
(5) Refer to Section 7.6 for details of the severance payment made to N R Bowen.

7.4 Share trading policy and Malus

Malus

A Malus Standard was introduced in FY2015 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.

Securities dealing

All KMP are required to comply with Orica's Securities' Dealing Policy at all times and in respect of all Orica shares held, including, for Executive KMP, shares held under LTEIP or any other defined employee share plan. Trading is subject to pre-clearance and is not permitted during designated blackout periods unless there are exceptional circumstances. In addition, Executive KMP are prohibited from using any Orica shares as collateral in any margin loan or derivative arrangement.

7.5 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 Executive KMP	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	MD & CEO	6 months. Orica may elect to make payment in lieu of notice. In the event of Orica terminating the service agreement, the MD & CEO will be entitled to receive a termination payment of 6 months' salary in addition to the notice period. Should the MD & 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).
	Other Executive KMP	13 weeks (26 weeks for the CFO). Should the Company wish to terminate any of the other Executive KMP 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.

7.6 Arrangements for departing Executives

Former Group Executive, Strategic Marketing and Technology

The former Group Executive, Strategic Marketing and Technology, N R Bowen ceased employment with Orica on 18 December 2015. In addition to his statutory entitlements to accrued leave, under the terms of his severance agreement, he was entitled to a severance payment of $950,000 upon cessation of his employment equivalent to one times his average fixed remuneration over the past 3 years.

N R Bowen was not eligible for a payment under the FY2016 STI plan. In accordance with the cessation provisions in the STI deferred share plan, LTEIP and LTIP rules applying to mutually agreed separation, the Board determined that unvested deferred shares, LTEIP and LTIP entitlements remain on foot. The LTIP award retained has been pro-rated on the basis of time employed during the performance period.

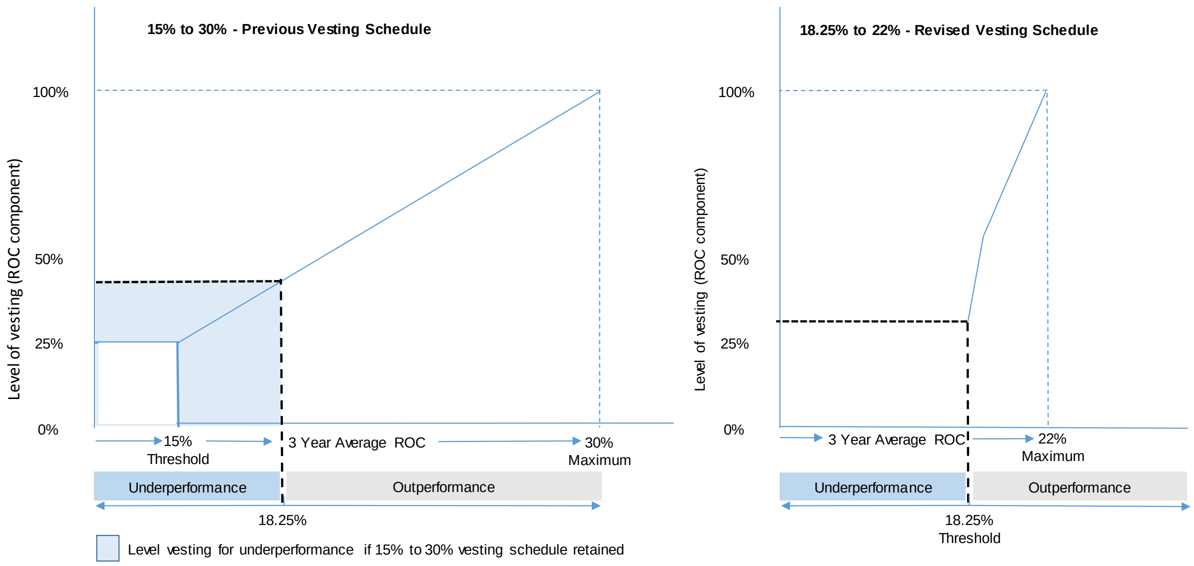
7.7 Proposed changes for financial year ended 30 September 2017

As outlined in Section 1, changes to Orica's existing incentive arrangements have been made for FY2017 so that the Return on Capital (ROC) vesting schedule in the LTI plan improves alignment between management and shareholder outcomes. The vesting schedule for the FY2017 grant is as follows:

Average ROC (3 year)	% rights subject to ROC vesting
Less than 18.25%	0%
18.25%	30%
Between 18.25% and 19.25%	Straight line vesting between 30% to 60%
19.25%	60%
Between 19.25% and 22%	Straight line vesting between 60% to 100%
22%	100%

This change would apply to the FY2017 grant only and, as illustrated in the diagram below, is proposed to remove the potential for the plan to reward underperformance (by increasing the threshold at which vesting occurs) and provide a genuine opportunity for outperformance to be rewarded by reducing the maximum to a level considered to represent genuine stretch in the current market conditions.

The previous 15%-30% target range was established in 2014 based on Orica's historic ROC performance and forecasted future performance based on market conditions at that time. Both the threshold and maximum targets have been adjusted in line with revised forecasted performance based on current market conditions. The Board considers that the 22% maximum continues to represent a challenging target for Executives requiring stretch levels of EBITDA growth over the performance period.



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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016.

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

M W Broomhead
Chairman

A Calderon
Managing Director and Chief Executive Officer

Dated at Melbourne this 4th day of November 2016.

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 2016 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

Alison Kitchen
Partner

Melbourne

4 November 2016

Income Statement

For the year ended 30 September

From continuing operations:

The income statement should be read in conjunction w ith note 16, discontinued operations and businesses disposed.

	Notes	Consolidated 2016 $m	2015 $m
Sales revenue	(1)	**5,091.9**	5,653.3
Other income	(1)	**64.1**	50.1
Expenses			
Raw materials and inventories		**(2,272.2)**	(2,671.9)
Employee benefits expense		**(1,092.5)**	(1,135.1)
Depreciation and amortisation expense	(1)	**(265.9)**	(292.7)
Purchased services		**(327.9)**	(360.7)
Repairs and maintenance		**(157.6)**	(155.5)
Impairment of property, plant & equipment	(7)	**(21.3)**	(947.6)
Impairment of intangibles	(8)	**-**	(894.0)
Impairment of investments	(9)	**-**	(49.3)
Outgoing freight		**(274.8)**	(255.8)
Lease payments - operating leases		**(41.1)**	(53.8)
Other expenses		**(104.3)**	(125.6)
Share of net profit of associates accounted for using the equity method	(14)	**39.2**	39.0
Total		**(4,518.4)**	(6,903.0)
Profit/(loss) from operations		**637.6**	(1,199.6)
Net financing costs			
Financial income		**29.6**	42.2
Financial expenses		**(113.9)**	(124.4)
Net financing costs		**(84.3)**	(82.2)
Profit/(loss) before income tax expense		**553.3**	(1,281.8)
Income tax expense	(11)	**(198.4)**	(122.0)
Profit/(loss) after tax but before profit and loss from discontinued operations		**354.9**	(1,403.8)
Profit from discontinued operations	(16)	**-**	7.4
Net profit/(loss) for the year		**354.9**	(1,396.4)
Net profit/(loss) for the year attributable to:			
Shareholders of Orica Limited		**342.8**	(1,267.4)
Non-controlling interests		**12.1**	(129.0)
Net profit/(loss) for the year		**354.9**	(1,396.4)

		cents	cents
Earnings per share			
Earnings per share attributable to ordinary shareholders of Orica Limited:			
From continuing operations:			
Basic earnings per share	(2)	**92.0**	(344.2)
Diluted earnings per share	(2)	**92.0**	(344.2)
Total attributable to ordinary shareholders of Orica Limited:			
Basic earnings per share	(2)	**92.0**	(342.3)
Diluted earnings per share	(2)	**92.0**	(342.3)

The Income Statement is to be read in conjunction w ith the notes to the financial statements set out on pages 31 to 80.

Statement of Comprehensive Income

For the year ended 30 September

	Notes	Consolidated 2016 $m	2015 $m
Net profit/(loss) for the year		**354.9**	(1,396.4)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations			
Exchange (loss)/gain on translation of foreign operations	(11c)	**(111.6)**	349.3
Net (loss)/gain on hedge of net investments in foreign subsidiaries	(11c)	**(162.7)**	133.7
Net exchange differences on translation of foreign operations		**(274.3)**	483.0
Sundry items:			
Net Cash flow hedges	(11c)	**2.8**	(75.9)
Items that will not be reclassified subsequently to profit or loss:			
Net actuarial (loss)/benefits	(11c)	**(59.2)**	7.3
Other comprehensive (loss)/income for the period		**(330.7)**	414.4
Total comprehensive income/(loss) for the period		**24.2**	(982.0)
Attributable to:			
Shareholders of Orica Limited		**14.8**	(868.3)
Non-controlling interests		**9.4**	(113.7)
Total comprehensive income/(loss) for the period		**24.2**	(982.0)

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 31 to 80.

Balance Sheet

As at 30 September

	Notes	Consolidated 2016 $m	2015 $m
Current assets			
Cash and cash equivalents	(3b)	**328.0**	273.9
Trade receivables	(5)	**565.4**	751.4
Other receivables		**122.3**	186.4
Inventories	(5)	**517.8**	598.7
Other assets		**44.4**	84.7
Total current assets		**1,577.9**	1,895.1
Non-current assets			
Other receivables		**28.9**	76.2
Investments accounted for using the equity method	(14)	**188.1**	203.5
Property, plant and equipment	(7)	**2,725.3**	2,917.9
Intangible assets	(8)	**1,558.8**	1,633.2
Deferred tax assets	(11d)	**408.3**	475.3
Other assets		**108.5**	120.1
Total non-current assets		**5,017.9**	5,426.2
Total assets		**6,595.8**	7,321.3
Current liabilities			
Trade payables	(5)	**778.8**	843.1
Other payables		**282.4**	284.9
Interest bearing liabilities	(3a)	**321.7**	157.2
Provisions	(6)	**166.1**	181.7
Other liabilities		**41.8**	62.4
Total current liabilities		**1,590.8**	1,529.3
Non-current liabilities			
Other payables		**7.2**	7.9
Interest bearing liabilities	(3a)	**1,555.7**	2,142.8
Provisions	(6)	**484.2**	444.0
Deferred tax liabilities	(11d)	**70.2**	106.8
Other liabilities		**104.5**	103.3
Total non-current liabilities		**2,221.8**	2,804.8
Total liabilities		**3,812.6**	4,334.1
Net assets		**2,783.2**	2,987.2
Equity			
Ordinary shares	(4a)	**2,025.3**	1,954.4
Reserves		**(489.9)**	(216.8)
Retained earnings		**1,247.1**	1,247.0
Total equity attributable to ordinary shareholders of Orica Limited		**2,782.5**	2,984.6
Non-controlling interests in controlled entities	(13)	**0.7**	2.6
Total equity		**2,783.2**	2,987.2

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 31 to 80.

Statement of Changes in Equity
For the year ended 30 September

	Ordinary shares $m	Retained earnings $m	Foreign currency translation reserve $m	Cash flow hedge reserve $m	Other reserves $m	Total $m	Non-controlling interests $m	Total equity $m
2015								
Balance at 1 October 2014	1,975.0	2,895.0	(537.4)	10.2	(79.8)	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
Total comprehensive income for the year	-	(1,260.1)	467.7	(75.9)	-	(868.3)	(113.7)	(982.0)
Transactions with owners, recorded directly in equity								
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)
Balance at the end of the year	1,954.4	1,247.0	(69.7)	(65.7)	(81.4)	2,984.6	2.6	2,987.2
2016								
Balance at 1 October 2015	**1,954.4**	**1,247.0**	**(69.7)**	**(65.7)**	**(81.4)**	**2,984.6**	**2.6**	**2,987.2**
Profit for the year	**-**	**342.8**	**-**	**-**	**-**	**342.8**	**12.1**	**354.9**
Other comprehensive income	**-**	**(59.2)**	**(271.6)**	**2.8**	**-**	**(328.0)**	**(2.7)**	**(330.7)**
Total comprehensive income for the year	**-**	**283.6**	**(271.6)**	**2.8**	**-**	**14.8**	**9.4**	**24.2**
Transactions with owners, recorded directly in equity								
Total changes in contributed equity	**70.9**	**-**	**-**	**-**	**-**	**70.9**	**-**	**70.9**
Share-based payments expense	**-**	**-**	**-**	**-**	**(4.3)**	**(4.3)**	**-**	**(4.3)**
Dividends/distributions	**-**	**(283.5)**	**-**	**-**	**-**	**(283.5)**	**-**	**(283.5)**
Dividends declared/paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**(11.3)**	**(11.3)**
Balance at the end of the year	**2,025.3**	**1,247.1**	**(341.3)**	**(62.9)**	**(85.7)**	**2,782.5**	**0.7**	**2,783.2**

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out in pages 31 to 80.

Statement of Cash Flows

For the year ended 30 September

	Notes	Consolidated 2016 $m Inflows/ (Outflows)	2015 $m Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**5,796.7**	6,697.5
Payments to suppliers and employees		**(4,820.5)**	(5,723.5)
Interest received		**30.0**	41.0
Borrowing costs		**(147.3)**	(165.9)
Dividends received		**38.4**	34.3
Other operating revenue received		**19.1**	19.2
Net income taxes paid		**(138.5)**	(163.2)
Net cash flows from operating activities	(3b)	**777.9**	739.4
Cash flows from investing activities			
Payments for property, plant and equipment		**(211.3)**	(351.9)
Payments for intangibles		**(51.6)**	(101.4)
Payments for purchase of businesses/controlled entities and Investments		**(3.8)**	(1.3)
Proceeds from sale of property, plant and equipment		**87.4**	59.4
Net proceeds from sale of businesses/controlled entities		**17.5**	702.0
Proceeds from sale of investments		**16.7**	1.2
Disposal costs from sale of businesses/controlled entities		**(30.8)**	(43.2)
Net cash flows (used)/from in investing activities		**(175.9)**	264.8
Cash flows from financing activities			
Proceeds from long term borrowings		**3,551.4**	3,320.6
Repayment of long term borrowings		**(3,686.0)**	(3,388.6)
Net movement in short term financing		**(139.9)**	(487.6)
Payments for buy-back of ordinary shares		**-**	(53.5)
Dividends paid - Orica ordinary shares		**(213.4)**	(356.1)
Dividends paid - non-controlling interests		**(12.3)**	(16.7)
Payments for finance leases		**(1.6)**	(0.3)
Proceeds from issue of ordinary shares		**0.8**	1.1
Net cash used in financing activities		**(501.0)**	(981.1)
Net (decrease)/increase in cash held		**101.0**	23.1
Cash at the beginning of the year		**260.8**	213.7
Effects of exchange rate changes on cash		**(45.6)**	24.0
Cash at the end of the year	(3b)	**316.2**	260.8

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 31 to 80.

Notes to the Financial Statements
For the year ended 30 September

About this report

This is the Annual Report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the Group') for the year ended 30 September 2016.

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, superannuation commitments 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 2016/191 dated 24 March 2016.

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

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 2016.

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).

With effect from 1 October 2015 a new operating model has been implemented with more accountability within the regions for end-to end customer service delivery, operational and financial performance.

The reporting segments under the new operating model are as follows:

Reportable segments	Products/services
• Australia/Pacific and Indonesia • North America • Latin America • Europe, Africa and Asia	Manufacture and supply of commercial explosives and blasting systems including technical services and solutions to the mining and infrastructure markets, and supply of mining chemicals including sodium cyanide for gold extraction.
• Minova	Manufacture and supply of specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.
• Global Support	Corporate and support costs which cannot otherwise be allocated to other segments on a reasonable basis, operation of the Botany Groundwater Treatment Plant and non-operating assets.
• Chemicals *	Manufacture, distribution and trading of a broad range of industrial and specialty Chemicals for use in a wide range of industries, which include water treatment, pulp and paper, food and beverage, construction and mining.

* In FY 2015 Chemicals business was sold on 27 February 2015 and has been disclosed as a Discontinued Operation.

Prior period comparative segment information has been restated.

1. Segment report (continued)

(b) **Reportable segments 2016 $m**

Reportable segments 2016 $m	Australia/Pacific and Indonesia	North America	Latin America	Europe, Africa and Asia	Minova	Global Support	Eliminations	Total Continuing	Discontinued Operations [2]	Eliminations	Consolidated
Revenue											
External sales	1,487.6	1,198.6	878.5	1,098.7	399.5	29.0	-	5,091.9	-	-	5,091.9
Inter-segment sales	57.1	161.4	41.5	42.6	7.0	853.0	(1,162.6)	-	-	-	-
Total sales revenue	1,544.7	1,360.0	920.0	1,141.3	406.5	882.0	(1,162.6)	5,091.9	-	-	5,091.9
Other income (refer to note 1c)[1]	(0.9)	9.1	19.6	(7.5)	4.9	22.2	-	47.4	-	-	47.4
Total revenue and other income	1,543.8	1,369.1	939.6	1,133.8	411.4	904.2	(1,162.6)	5,139.3	-	-	5,139.3
Results before individually material items											
Profit/(loss) before financing costs and income tax	315.1	196.5	69.2	116.5	0.1	(55.2)	-	642.2	-	-	642.2
Financial income											29.6
Financial expenses											(113.9)
Profit before income tax expense											557.9
Income tax expense											(156.7)
Profit after income tax expense											401.2
Profit attributable to non-controlling interests											(12.1)
Profit after income tax expense before individually material items attributable to shareholders of Orica Limited											389.1
Individually material items (refer to note 1d)											
Gross individually material items	-	-	(21.3)	16.7	-	-	-	(4.6)	-	-	(4.6)
Tax on individually material items	-	-	-	(0.7)	-	(41.0)	-	(41.7)	-	-	(41.7)
Net individually material items attributable to non-controlling interests											-
Individually material items attributable to shareholders of Orica											(46.3)
Net profit for the period attributable to shareholders of Orica Limited											342.8
Segment assets	2,676.4	858.0	533.8	837.7	372.3	1,317.6	-	6,595.8	-	-	6,595.8
Segment liabilities	406.4	197.0	156.0	269.4	84.6	2,699.2	-	3,812.6	-	-	3,812.6
Investments accounted for using the equity method	4.2	176.0	4.8	2.2	-	0.9	-	188.1	-	-	188.1
Acquisitions of PPE and intangibles	146.9	44.4	19.4	27.3	4.7	42.9	-	285.6	-	-	285.6
Impairment of PPE	1.3	-	18.6	1.4	-	-	-	21.3	-	-	21.3
Impairment of inventories	0.4	1.6	1.8	3.8	5.1	3.0	-	15.7	-	-	15.7
Impairment of trade receivables	1.3	0.3	13.9	10.6	5.2	2.3	-	33.6	-	-	33.6
Depreciation and amortisation	125.4	41.4	25.1	35.2	15.1	23.7	-	265.9	-	-	265.9
Non-cash expenses: - share based payments	(1.4)	(1.1)	(0.3)	-	(0.3)	(1.2)	-	(4.3)	-	-	(4.3)
Share of associates net profit equity accounted	2.1	28.7	2.4	6.0	-	-	-	39.2	-	-	39.2

[1] Includes foreign currency gains/losses in various reportable segments and excludes profit on sale of shares in Thai Nitrates Company Ltd disclosd in individually material items.

[2] 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 2015 $m

Reportable segments 2015 $m	Australia/Pacific and Indonesia	North America	Latin America	Europe, Africa and Asia	Minova	Global Support	Eliminations	Total Continuing	Discontinued Operations [2]	Eliminations	Consolidated
Revenue											
External sales	1,659.2	1,310.9	992.4	1,099.6	562.3	23.8	-	5,648.2	475.0	-	6,123.2
Inter-segment sales	59.4	179.9	60.9	28.5	3.8	935.8	(1,263.2)	5.1	22.4	(27.5)	-
Total sales revenue	1,718.6	1,490.8	1,053.3	1,128.1	566.1	959.6	(1,263.2)	5,653.3	497.4	(27.5)	6,123.2
Other income (refer to note 1c)[1]	(2.9)	3.6	17.7	9.5	(5.1)	27.3	-	50.1	0.8	-	50.9
Total revenue and other income	1,715.7	1,494.4	1,071.0	1,137.6	561.0	986.9	(1,263.2)	5,703.4	498.2	(27.5)	6,174.1
Results before individually material items											
Profit/(loss) before financing costs and income tax	353.6	212.4	98.1	111.8	(19.4)	(71.7)	-	684.8	4.6	-	689.4
Financial income											42.3
Financial expenses											(124.4)
Profit before income tax expense											607.3
Income tax expense											(173.5)
Profit after income tax expense											433.8
Profit attributable to non-controlling interests											(9.6)
Profit after income tax expense before individually material items attributable to shareholders of Orica Limited											424.2
Individually material items (refer to note 1d)											
Gross individually material items	(647.8)	(13.3)	(47.2)	(293.1)	(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
Individually material items attributable to shareholders of Orica											(1,691.6)
Net loss for the period attributable to shareholders of Orica Limited											(1,267.4)
Segment assets	2,947.6	918.7	629.5	950.6	467.2	1,407.7	-	7,321.3	-	-	7,321.3
Segment liabilities	429.3	254.2	232.2	318.7	38.3	3,061.4	-	4,334.1	-	-	4,334.1
Investments accounted for using the equity method	2.1	192.0	5.3	4.1	-	-	-	203.5	-	-	203.5
Acquisitions of PPE and intangibles	203.3	48.3	37.2	64.4	2.9	147.2	-	503.3	6.8	-	510.1
Impairment of PPE	645.4	1.5	44.8	233.5	17.5	4.9	-	947.6	-	-	947.6
Impairment of intangibles	-	-	2.7	20.7	829.8	40.8	-	894.0	-	-	894.0
Impairment of inventories	2.4	4.3	1.1	5.2	1.2	4.0	-	18.2	0.9	-	19.1
Impairment of trade receivables	7.9	0.9	3.9	2.8	4.0	3.1	-	22.6	0.1	-	22.7
Impairment of investments	-	11.8	-	32.5	3.3	1.7	-	49.3	-	-	49.3
Depreciation and amortisation	135.7	39.2	24.5	39.0	34.2	20.1	-	292.7	13.0	-	305.7
Non-cash expenses: - share based payments	0.6	0.5	0.2	0.8	0.2	(3.7)	-	(1.4)	(0.2)	-	(1.6)
Share of associates net profit equity accounted	2.2	35.4	1.7	(0.3)	-	-	-	39.0	-	-	39.0

[1] Includes foreign currency gains/losses in various reportable segments.

[2] 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 2016 $m	Consolidated 2015 $m
(c) Other income		
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 (disposed in FY2015) other income.		
Other income	**19.1**	19.2
Net foreign currency gains	**16.1**	24.2
Profit from sale of investments/businesses *	**20.0**	0.6
Net profit on sale of property, plant and equipment	**8.9**	6.1
Total other income	**64.1**	50.1

*Includes profit on sale of Thai Nitrate Company Limited of $16.7 million disclosed as an individually material item in note 1(d) below.

	2016 Gross $m	2016 Tax $m	2016 Net $m	2015 Gross $m	2015 Tax $m	2015 Net $m
(d) Individually material items						
Profit/(loss) after income tax includes the following individually material items of expense:						
Settlement of Australian Tax Action [1]	**-**	**(41.0)**	**(41.0)**	-	-	-
Profit on sale of shareholding in Thai Nitrate Company Ltd [2]	**16.7**	**(0.7)**	**16.0**	-	-	-
Impact of Chile plant incident [3]	**(21.3)**	**-**	**(21.3)**	-	-	-
Impairment of Minova 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	**(4.6)**	**(41.7)**	**(46.3)**	(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	**(4.6)**	**(41.7)**	**(46.3)**	(1,745.8)	54.2	(1,691.6)

(1) In note 11 of the 2015 Annual Report, Orica disclosed as a Contingent Tax Liability that it was awaiting the outcome of its appeal to the Federal Court of Australia in relation to a financing arrangement of its US Group. On 7 December 2015, the Federal Court handed down a decision in favour of the Australian Taxation Office. Accordingly, an expense of $41 million has been recognised in the current period which consists of tax, penalties, interest and costs.

(2) In 2016, Orica agreed to sell its 50% shareholding in Thai Nitrate Company Limited (TNC) and settle all outstanding legal proceedings with its partner TPI Polene PLC (TPI) in return for TPI settling all outstanding legal proceedings with Orica and payment for the purchase of the TNC shares and outstanding dividends to Orica. Accordingly, the net profit on sale of TNC has been recorded as an individually material item with previously unrecorded profits of TNC of $6.5 million being recorded as share of net profit of associates accounted for using the equity method.

(3) Costs incurred and asset writedowns due to the plant explosion at the packaged emulsion plant in Antofagasta, Chile in September 2016.

1. Segment report (continued)

(e) Geographical segments

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

	Revenue		Non-current assets *	
	2016	2015	**2016**	2015
	$m	$m	**$m**	$m
Australia	**1,307.0**	1,704.1	**2,279.4**	2,348.1
United States of America	**712.2**	904.7	**410.2**	455.0
Other **	**3,072.7**	3,514.4	**1,828.4**	2,040.7
Consolidated	**5,091.9**	6,123.2	**4,518.0**	4,843.8

* 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 Groups total revenues.

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.

Other income

Profits and losses from sale of businesses, controlled entities and other non-current assets are recognised when there is a signed 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).

2. Earnings per share (EPS)

	Consolidated 2016 $m	2015 $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 profit/(loss) for the period from continuing operations	**354.9**	(1,403.8)
Net (profit)/loss for the period attributable to non-controlling interests	**(12.1)**	129.4
Net profit/(loss) for the period from continuing operations attributable to ordinary shareholders	**342.8**	(1,274.4)
Net profit for the period from discontinued operations and non-controlling interests	**-**	7.0
Net profit for the year from discontinued operations attributable to non-controlling interests	**-**	(0.4)
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica Limited	**342.8**	(1,267.8)

	Number of shares 2016	2015
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	**372,408,452**	370,308,564
Effect of executive share options and rights*	**373,273**	2,619
Number for diluted earnings per share	**372,781,725**	370,311,183
* The w eighted average number of options and rights that have not been included in the calculation of diluted earnings per share as they are not dilutive.	**3,554,358**	3,212,191

	Cents per share 2016	Cents per share 2015
From continuing operations		
Basic earnings per share	**92.0**	(344.2)
Diluted earnings per share	**92.0**	(344.2)
From discontinued operations		
Basic earnings per share	**-**	1.9
Diluted earnings per share	**-**	1.9
Total attributable to ordinary shareholders of Orica Limited		
Basic earnings per share	**92.0**	(342.3)
Diluted earnings per share	**92.0**	(342.3)

(ii) Adjusted for individually material items

	Consolidated 2016 $m	2015 $m
Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica Limited		
Net profit/(loss) for the period	**354.9**	(1,403.8)
Net(profit)/loss for the period attributable to non-controlling interests	**(12.1)**	129.4
Adjusted for individually material items (refer to note 1 (d))	**46.3**	1,691.6
Net profit for the period from continuing operations attributable to ordinary shareholders	**389.1**	417.2
Net profit for the period from discontinued operations	**-**	7.4
Net profit for the year from discontinued operations attributable to non-controlling interests	**-**	(0.4)
Earnings used in calculation of EPS attributable to ordinary shareholders of Orica Limited	**389.1**	424.2

	Cents per share 2016	Cents per share 2015
From continuing operations		
Basic earnings per share	**104.5**	112.7
Diluted earnings per share	**104.4**	112.7
From discontinued operations		
Basic earnings per share	**-**	1.9
Diluted earnings per share	**-**	1.9
Total attributable to ordinary shareholders of Orica Limited before individually material items		
Basic earnings per share	**104.5**	114.6
Diluted earnings per share	**104.4**	114.6

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. 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 financial performance.

3. Net debt

In order to maintain an 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 level of borrowings. Currently, Orica maintains a dividend payout ratio policy and expects the total payout ratio to be in the range of 40 to 70 percent of underlying earnings. It is also expected that the total dividend paid each year will be weighted towards the final dividend.

Orica monitors debt capacity against a number of key credit metrics, principally including the gearing ratio (debt divided by debt plus equity) and the interest cover ratio (EBIT excluding individually material items, divided by net financing costs adjusted for capitalised borrowing costs). These ratios together with performance measure criteria determined by Standard & Poor's are targeted in support of the maintenance of an investment grade credit rating, which facilitates access to borrowings from a range of sources.

The Group's current target level for gearing is 35% to 45% and for interest cover is 5 times or greater. Ratios may move outside of these target ranges for relatively short periods of time after major acquisitions or other significant transactions.

In addition, the gearing and interest cover ratios are monitored to ensure an adequate buffer against a covenant levels under various financing facilities.

The gearing ratio is calculated as follows:

	Consolidated	
	2016	2015
	$m	$m
Interest bearing liabilities (refer to note 3a)	**1,877.4**	2,300.0
less cash and cash equivalents (refer to note 3b)	**(328.0)**	(273.9)
Net debt	**1,549.4**	2,026.1
Total equity	**2,783.2**	2,987.2
Net debt and total equity	**4,332.6**	5,013.3
Gearing ratio (%)	**35.8%**	40.4%
The interest ratio is calculated as follows:		
EBIT (excluding individually material items)	**642.2**	689.4
Net financing costs	**84.3**	82.1
Capitalised borrowing costs	**35.1**	36.7
	119.4	118.8
Interest cover ratio (times)	**5.4**	5.8

	Consolidated		Consolidated		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015
	$m	$m	**$m**	$m	**$m**	$m
	Current		Non-current		Total	
(a) Interest bearing liabilities						
Unsecured						
private placement [(1)]	**292.0**	121.3	**1,498.6**	1,916.0	**1,790.6**	2,037.3
export finance facility	**15.4**	16.8	**45.9**	66.8	**61.3**	83.6
other loans	**12.7**	17.6	**9.0**	156.3	**21.7**	173.9
Lease liabilities [(2)]	**1.6**	1.5	**2.2**	3.7	**3.8**	5.2
	321.7	157.2	**1,555.7**	2,142.8	**1,877.4**	2,300.0

[(1)] Orica Limited provides guarantees on these facilities refer to note 17 for further details.

[(2)] $5.9m (2015 $9.7m) 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 2016 $m	2015 $m
3 (b) Notes to the statement of cash flows		
Reconciliation of cash		
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	**328.0**	273.9
Bank overdraft	**(11.8)**	(13.1)
	316.2	260.8
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities		
Profit/(loss) from ordinary activities after income tax expense	**354.9**	(1,396.4)
Depreciation and amortisation	**265.9**	305.7
Net profit on sale of property, plant and equipment	**(8.9)**	(6.1)
Impairment of intangibles	**-**	894.0
Impairment of property, plant and equipment	**21.3**	947.6
Impairment of investments	**-**	49.3
Net (profit)/loss on sale of businesses and controlled entities	**(3.3)**	11.3
Net (profit) on sale of investments	**(16.7)**	-
Share based payments expense	**(4.3)**	(1.6)
Share of associates' net loss/(profit) after adding back dividends received	**(0.8)**	(4.7)
Unwinding of discount on provisions	**3.3**	1.6
Other	**(1.5)**	(6.4)
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities		
decrease/(increase) in trade and other receivables	**281.1**	(184.8)
decrease/(increase) in inventories	**76.2**	(43.7)
decrease/(increase) in net deferred taxes	**48.5**	(102.2)
(decrease)/ increase in payables and provisions	**(237.1)**	223.0
(decrease)/increase in income taxes payable	**(0.7)**	52.8
Net cash flows from operating activities	**777.9**	739.4

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, unless they are liabilities designated in a fair value relationship in which case they continue to be measured at fair value (refer to note 10a).

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

Movements in issued and fully paid shares of Orica since 1 October 2014 were as follows:

Details	Date	Number of shares	Issue price $	$m
Ordinary shares				
Opening balance of ordinary shares issued	1-Oct-14	372,743,291		1,975.0
Share movements under market share buy-back	Various	(2,629,765)		(21.7)
Shares issued under the Orica GEESP plan		-		1.1
Balance at the end of the year	**30-Sep-15**	**370,113,526**		**1,954.4**
Shares issued under the Orica dividend reinvestment plan	**18-Dec-15**	**3,318,655**	**15.27**	**50.7**
Shares issued under the Orica dividend reinvestment plan	**1-Jul-16**	**1,497,325**	**12.99**	**19.4**
Shares issued under the Orica GEESP plan		**-**		**0.8**
Balance at the end of the year	**30-Sep-16**	**374,929,506**		**2,025.3**

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.

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

Other Reserves: Other reserves represents share based payments reserves and equity reserves arising from the purchase of non-controlling interests.

(c) Dividends

	Consolidated	
	2016 $m	2015 $m
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary shares		
interim dividend of 40 cents per share, 35.0 % franked at 30%, paid 1 July 2015		148.0
interim dividend of 20.5 cents per share, 48.8% franked at 30%, paid 1 July 2016	**76.5**	
final dividend of 56 cents per share, 35.7% franked at 30.0%, paid 19 December 2014		208.1
final dividend of 56 cents per share, 35.7% franked at 30.0%, paid 18 December 2015	**207.0**	
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	**213.4**	289.2
DRP - satisfied by issue of shares	**70.1**	-
DRP - satisfied by the purchase of shares on open market	**-**	66.9

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

Final dividend on ordinary shares of 29.0 cents per share, 27.6% franked at 30%, payable 9 December 2016. Total franking credits related to this dividend are $12.9 million (2015 $31.7 million).

The financial effect of the final dividend on ordinary shares has not been brought to account in the Annual Report for the year ended 30 September 2016 - however will be recognised in the 2017 Annual 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 2016 are $22.2 million (2015 $5.8 million).

Section C. Operating assets and liabilities

This section highlights current year drivers of the Group's operating and investing 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 in order to maximise operating cash flow.

	Consolidated	
	2016 $m	2015 $m
Inventories (i)	**517.8**	598.7
Trade receivables (ii)	**565.4**	751.4
Trade payables (iii)	**(778.8)**	(843.1)
Trade working capital	**304.4**	507.0

(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 $33.9 million (2015 $26.7 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	
	2016 Gross $m	2016 Allowance $m	2015 Gross $m	2015 Allowance $m
Not past due	**534.6**	**-**	695.7	-
Past due 0 - 120 days	**34.7**	**(3.9)**	42.9	(1.0)
Past 120 days	**53.8**	**(53.8)**	39.3	(25.5)
	623.1	**(57.7)**	777.9	(26.5)

Recognition and Measurement

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

(iii) Trade payables

Recognition and Measurement

Trade payables, including costs not yet billed, are recognised when the Group 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.

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 in FY2015 were $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, $7.3 million paid to the Central Tax Office of Norway (CTO) and a deferred tax asset in relation to prior years' Norwegian tax losses of $22.6 million. These matters have been settled in FY2016.

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. 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 carrying value of various elements of working capital – principally inventory and accounts receivable. Provisions are established for obsolete or slow moving inventories and bad or doubtful receivables. 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

	Consolidated	
	2016 $m	2015 $m
Current		
Employee entitlements [(1)]	**60.1**	65.1
Environmental and decommissioning [(2)]	**61.1**	62.8
Other	**44.9**	53.8
	166.1	181.7
Non-current		
Employee entitlements [(1)]	**43.1**	43.5
Retirement benefit obligations (see note 20c)	**253.0**	194.3
Environmental and decommissioning [(2)]	**173.0**	179.3
Other	**15.1**	26.9
	484.2	444.0

[(1)] $29.7m (2015 $27.5m) was expensed to the profit and loss in relation to employee entitlements during the year.

[(2)] Payments of $32.4m (2015 $32.4m) were made during the year in relation to environmental and decommissioning provisions.

Significant increases in environmental and decommissioning provisions during the year include an increase to the Deer Park provision of $15 million.

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 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 Group has a present obligation. These have been calculated at nominal amounts based on the wage and salary rates that the Group 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 Group'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

In certain circumstances, the Group has an obligation to dismantle and remove an asset and to restore the site on which it is located. The present value of the estimated costs of dismantling and removing the 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 given the lack of known remediation techniques.

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 raised 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 of contaminated water, 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 2021. 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.

In respect of the Botany hexachlorobenzene (HCB) waste currently safely stored in containers at the Botany site in Sydney (Australia), Orica are exploring the option for this waste to be exported for safe and permanent destruction. The calculation of the provision continues to be for the safe storage of the HCB waste whilst this option is being explored.

The total environmental and decommissioning provision comprises:

	Consolidated	
	2016 **$m**	2015 $m
Botany Groundwater remediation	**64.1**	63.8
Botany (HCB) storage	**35.4**	34.3
Burrup Plant	**20.1**	23.3
Deer Park remediation	**39.6**	35.6
Yarraville remediation	**31.0**	31.6
Other provisions	**43.9**	53.5
Total	**234.1**	242.1

Significant increases in provisions during the year include an increase to the Deer Park provision of $15 million.

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
2015				
Cost at 1 October 2014		777.5	4,482.4	5,259.9
Accumulated depreciation		(256.4)	(2,085.6)	(2,342.0)
Total carrying value		521.1	2,396.8	2,917.9
Movement				
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
2016				
Cost at 1 October 2015		**822.7**	**4,292.9**	**5,115.6**
Accumulated depreciation		**(297.9)**	**(2,092.4)**	**(2,390.3)**
Total carrying value		**524.8**	**2,200.5**	**2,725.3**
Movement				
Carrying amount at the beginning of the year		**521.1**	**2,396.8**	**2,917.9**
Additions		**46.1**	**185.0**	**231.1**
Disposals		**(13.9)**	**(38.1)**	**(52.0)**
Depreciation expense		**(26.4)**	**(207.6)**	**(234.0)**
Impairment expense		**-**	**(21.3)**	**(21.3)**
Foreign currency exchange differences		**(2.1)**	**(114.3)**	**(116.4)**
Carrying amount at the end of the year	30-Sep-2016	**524.8**	**2,200.5**	**2,725.3**

Included in the above are significant assets under construction (Burrup plant) of $529.9 million (2015 $495.2 million).

Recognition and Measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item and includes capitalised interest (refer note 3). 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 Group 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

8. Intangible assets

Consolidated	Goodwill $m	Patents trademarks and rights $m	Customer contracts and relationships $m	Software $m	Other $m	Total $m
2015						
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)
Net carrying amount	1,159.2	237.4	2.2	204.3	30.1	1,633.2
Movement						
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 [1]	(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
Carrying amount at the end of the year	**1,159.2**	**237.4**	**2.2**	**204.3**	**30.1**	**1,633.2**
2016						
Cost	**2,234.9**	**287.8**	**67.4**	**294.1**	**57.9**	**2,942.1**
Accumulated impairment losses of goodwill	**(1,203.6)**	**-**	**-**	**-**	**-**	**(1,203.6)**
Accumulated amortisation	**-**	**(43.2)**	**(67.4)**	**(52.1)**	**(17.0)**	**(179.7)**
Net carrying amount	**1,031.3**	**244.6**	**-**	**242.0**	**40.9**	**1,558.8**
Movement						
Carrying amount at the beginning of the year	**1,159.2**	**237.4**	**2.2**	**204.3**	**30.1**	**1,633.2**
Additions	**-**	**8.6**	**-**	**30.6**	**15.3**	**54.5**
Amortisation expense	**-**	**(7.6)**	**(2.2)**	**(20.1)**	**(2.0)**	**(31.9)**
Foreign currency exchange differences	**(127.9)**	**6.2**	**-**	**27.2**	**(2.5)**	**(97.0)**
Carrying amount at the end of the year	**1,031.3**	**244.6**	**-**	**242.0**	**40.9**	**1,558.8**

[1] FY 2015 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 Group, 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.

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.

9. Impairment testing of assets

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.

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 the higher of value in use or fair value less costs to dispose. Value in use 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 does not take into account future development. The value in use calculations use cash flow projections which do not exceed 5 years based on actual operating results and the operating budgets approved by the Board of Directors. Fair value less costs to dispose is the value that would be received in exchange for an asset in an orderly transaction.

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.

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.

Key Assumptions

	Discount Rates 2016 %	**Terminal Growth Rates 2016 %**	**Goodwill 2016 $m**	Discount Rates 2015 %	Terminal Growth Rates 2015 %	Goodwill 2015 $m
Australia/Pacific and Indonesia	**13.8 - 15.5**	**0.0 - 5.5**	**363.9**	13.8 - 15.9	2.7 - 5.5	382.9
North America	**12.7 - 15.5**	**3.2 - 5.5**	**134.4**	11.2 - 13.8	3.1 - 3.1	155.4
Latin America	**11.7 - 13.8**	**0.0 - 6.4**	**132.8**	16.2 - 16.6	0.0 - 6.4	148.0
Europe, Africa and Asia	**8.2 - 20.2**	**(0.8) - 7.7**	**208.0**	8.2 - 21.0	0.0 - 8.4	251.2
Minova	**8.3 - 18.9**	**0.0 - 6.0**	**192.2**	8.2 - 23.6	0.0 - 7.5	221.7
Global Support	**13.8 - 13.8**	**3.2 - 3.2**	**-**	13.8 - 13.8	0.0 - 0.0	-
Total			**1,031.3**			1,159.2

With the exception of the Minova cash generating unit which applies forecast cash flows for the next five years and thereafter terminal growth rates, for other CGU's terminal growth rates are applied after one year of forecast cash flows.

2015 impairment

In 2015, following 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 wrote down assets relating to the Minova business and ammonium nitrate (primarily the Bontang, Indonesia plant) and other assets.

9. Impairment testing of assets (continued)

Sensitivity

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.

In particular, the carrying value of Minova is reliant on achieving significant growth in short term cash flows. In addition to the existing ground support and ventilation products, a new strategy focussing on an expanded portfolio of products dedicated to general construction, civil and geotechnical applications has been introduced. The cash flow growth over the next five years is driven by an increase in sales from the new and existing portfolio of products. The business is forecasting for EBIT to return to approximately fifty percent of 2012 levels by the end of year five in the cash flow model.

Sensitivity analysis was undertaken to examine the effect of changes in key variables for each CGU. Any variation in the key assumptions of the Minova 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.

Critical accounting judgements and estimates

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

In particular, significant judgement is required for purposes of CGU definition to determine whether cash flows generated from an asset such as the group’s significant ammonium nitrate manufacturing plants are capable of generating separately identifiable cash flows. This is because Orica’s mining services offering includes supply of initiating systems, technical services and solutions and supply of mining chemicals in addition to ammonium nitrate which are bundled into a customer service offering.

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.

The Group's principal financial risks are associated with

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

(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. As at September, the fixed rate borrowings after the impact of interest rate swaps and cross currency swaps were $940 million (2015 $1,024 million) and the borrowings designated in a fair value relationship were $558 million (2015 $892 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 $2.7m (2015 $3m) impact on profit before tax and a $1.9m (2015 $2.2m) 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 $53.3 million (2015 $78.8 million gain).

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.

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 on profit and equity had exchange rates been 10% higher or lower than the year end rate with all other variables held constant. The 10% higher sensitivity represents the Australian Dollar strengthening against the other currencies.

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).

				2016			
	USD	CAD	NZD	NOK	SEK	EUR	GBP
	$m	$m	$m	$m	$m	$m	$m
Cash [1]	**2,557.5**	**544.8**	**4.2**	**-**	**176.1**	**956.7**	**336.1**
Trade and other receivables	**125.6**	**26.0**	**0.2**	**0.4**	**2.1**	**19.1**	**20.4**
Trade and other payables	**(190.3)**	**(27.8)**	**(0.2)**	**(0.3)**	**(9.2)**	**(38.2)**	**(1.1)**
Interest bearing liabilities [1]	**(2,393.0)**	**(187.1)**	**(29.3)**	**(17.4)**	**(44.6)**	**(812.9)**	**(150.6)**
Net derivatives	**456.1**	**44.2**	**3.6**	**(76.9)**	**11.9**	**46.8**	**44.7**
Net exposure	**555.9**	**400.1**	**(21.5)**	**(94.2)**	**136.3**	**171.5**	**249.5**
Effect on profit/(loss) before tax							
If exchange rates were 10% lower	**5.6**	**(0.7)**	**0.0**	**(0.2)**	**(2.2)**	**(2.3)**	**2.2**
If exchange rates were 10% higher	**(5.1)**	**0.5**	**(0.1)**	**0.2**	**1.8**	**1.8**	**(1.8)**
Increase/(decrease) in equity							
If exchange rates were 10% lower	**46.1**	**31.9**	**(1.6)**	**(7.4)**	**10.3**	**13.5**	**19.6**
If exchange rates were 10% higher	**(38.0)**	**(26.1)**	**1.3**	**6.0**	**(8.4)**	**(11.1)**	**(16.0)**

				2015			
	USD	CAD	NZD	NOK	SEK	EUR	GBP
	$m	$m	$m	$m	$m	$m	$m
Cash [1]	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 [1]	(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							
If exchange rates were 10% lower	4.0	(0.8)	-	-	(1.0)	(4.6)	1.4
If exchange rates were 10% higher	(3.0)	0.6	-	0.1	0.8	3.7	(1.1)
Increase/(decrease) in equity							
If exchange rates were 10% lower	4.9	37.2	(16.0)	(5.6)	12.0	6.9	22.9
If exchange rates were 10% higher	(4.1)	(30.4)	13.1	4.6	(9.8)	(5.7)	(18.7)

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

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 applying 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 applying at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

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. Forty seven percent of the Group's investment in foreign operations was hedged in this manner as at 30 September 2016 (2015 55.0%).

As at reporting date, derivative instruments designated as hedging net investment exposures had a fair value of $3.7 million liability (2015 $69.3 million liability).

(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 is exposed to credit risk from trade and other receivables and financial instrument contracts that are outstanding at year end.

Orica minimises the credit risk associated with trade and other receivables by undertaking transactions with a large number of customers in various countries. The creditworthiness of customers is reviewed prior to granting credit, using trade references and credit reference agencies. Credit limits are established and monitored for each customer, and these limits represent the highest level of exposure that a customer can reach. Trade credit insurance is purchased when required.

Orica's maximum exposure to trade and other receivables at 30 September 2016 is $716.6 million (2015 $1,014 million)

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 2016, the sum of all derivative contracts with a positive fair value was $90.4 million (2015 $112.5 million). 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 forecast inflows and outflows that relate to financial assets and liabilities.

10. Financial risk management (continued)

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

	2016 $m	2015 $m
Unsecured bank overdraft facilities		
Unsecured bank overdraft facilities available	**122.0**	128.8
Amount of facilities undrawn	**110.3**	115.7
Committed standby and loan facilities		
Committed standby and loan facilities available	**3,618.0**	3,933.0
Amount of facilities unused	**1,767.0**	1,670.0

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 2017 to 25 October 2030 (2015 28 April 2016 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:

	As at 30 September 2016				As at 30 September 2015			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Consolidated	$m	$m	$m	$m	$m	$m	$m	$m
Non-derivative financial assets								
Cash	**328.0**	**-**	**-**	**-**	273.9	-	-	-
Trade and other receivables [1]	**687.7**	**28.9**	**-**	**-**	937.8	74.9	-	-
Derivative financial assets	**1,446.5**	**54.9**	**536.6**	**20.8**	1,356.5	51.5	326.0	292.8
Financial assets	**2,462.2**	**83.8**	**536.6**	**20.8**	2,568.2	126.4	326.0	292.8
Non-derivative financial liabilities								
Trade and other payables [1]	**1,061.2**	**7.2**	**-**	**-**	1,128.1	7.9	-	-
Bank overdrafts	**11.8**	**-**	**-**	**-**	13.1	-	-	-
Bank loans	**-**	**-**	**-**	**-**	2.6	59.3	90.1	-
Export finance facility	**17.0**	**16.7**	**32.0**	**-**	18.2	18.2	54.0	-
Private placement	**370.9**	**70.9**	**752.7**	**1,053.9**	210.6	377.5	361.2	1,682.4
Other long term borrowings	**0.6**	**3.3**	**10.6**	**-**	-	2.7	13.1	-
Lease liabilities	**1.6**	**1.1**	**1.1**	**-**	1.6	1.8	1.8	-
Derivative financial liabilities	**1,473.3**	**80.1**	**519.5**	**11.7**	1,349.8	69.6	392.7	225.2
Financial liabilities	**2,936.4**	**179.3**	**1,315.9**	**1,065.6**	2,724.0	537.0	912.9	1,907.6
Net outflow	**(474.2)**	**(95.5)**	**(779.3)**	**(1,044.8)**	(155.8)	(410.6)	(586.9)	(1,614.8)

[1] Excludes derivative financial instruments.

(e) Commodity risk management

Commodity Risk refers to the risk that Orica's profit / loss or equity will fluctuate due to the changes in commodity prices. At reporting date Orica has derivative contracts which are exposed to fluctuations in the price of Brent Crude Oil entered into to fix the price of future gas supply contracts.

The table below includes Orica's derivative contracts that are exposed to changes in Brent Crude Oil at 30 September and the impact of a 10 per cent change in observable prices (holding all other things constant) on profit / loss or equity based solely on Orica's price exposures existing at the reporting date but does not take into account any mitigating actions that management might undertake if the price change occurred.

	2016		2015	
	Effect on profit/(loss) before tax	Increase/(decrease) in equity	Effect on profit/(loss) before tax	Increase/(decrease) in equity
	$m	$m	$m	$m
10% decrease in observable prices	**-**	**(9.2)**	-	(10.7)
10% Increase in observable prices	**-**	**9.2**	-	10.7

10. Financial risk management (continued)

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 Financial Instruments: Disclosures. 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.

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.

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 2016, Orica paid $187.4 million (2015 $213.8 million) globally in corporate taxes and payroll taxes. Orica collected and remitted $100.8 million (2015 $113.9 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) Income tax expense/(benefit) recognised in the income statement	Continuing 2016 $m	Dis-continued 2016 $m	Consolidated 2016 $m	Continuing 2015 $m	Dis-continued 2015 $m	Consolidated 2015 $m
Current tax expense						
Current year	**139.3**	**-**	**139.3**	170.4	(2.7)	167.7
Deferred tax	**55.0**	**-**	**55.0**	(62.3)	-	(62.3)
Under provided in prior years	**4.1**	**-**	**4.1**	13.9	-	13.9
Total income tax expense/(benefit) in income statement	**198.4**	**-**	**198.4**	122.0	(2.7)	119.3
(b) Reconciliation of income tax expense to prima facie tax payable						
Income tax expense/(benefit) attributable to profit before individually material items						
Profit from operations before individually material items	**557.9**	**-**	**557.9**	602.6	4.7	607.3
Prima facie income tax expense calculated at 30% on profit	**167.4**	**-**	**167.4**	180.8	1.4	182.2
Tax effect of items which (decrease)/increase tax expense:						
variation in tax rates of foreign controlled entities	**(35.1)**	**-**	**(35.1)**	(28.7)	(0.4)	(29.1)
tax under provided in prior years	**4.1**	**-**	**4.1**	13.9	-	13.9
de-recognition of booked tax losses	**21.2**	**-**	**21.2**	-	-	-
non taxable profit on sale of property due to utilisation of capital losses	**(3.9)**	**-**	**(3.9)**	(3.6)	-	(3.6)
other foreign deductions	**(24.8)**	**-**	**(24.8)**	(12.0)	-	(12.0)
non allowable interest deductions	**13.1**	**-**	**13.1**	7.5	-	7.5
sundry items	**14.7**	**-**	**14.7**	18.3	(3.7)	14.6
Income tax expense/(benefit) attributable to profit before individually material items	**156.7**	**-**	**156.7**	176.2	(2.7)	173.5
Income tax expense/(benefit) attributable to individually material items						
Profit/(loss) from individually material items	**(4.6)**	**-**	**(4.6)**	(1,884.4)	-	(1,884.4)
Prima facie income tax expense calculated at 30% on individually material items	**(1.4)**	**-**	**(1.4)**	(565.3)	-	(565.3)
Tax effect of items which (decrease)/increase tax expense:						
variation in tax rates of foreign controlled entities	**(0.2)**	**-**	**(0.2)**	(0.3)	-	(0.3)
settlement of Australian Tax Action	**41.0**	**-**	**41.0**	-	-	-
impact of Chile plant incident	**6.4**	**-**	**6.4**	-	-	-
non taxable profit on sale of shareholding in Thai Nitrate Company Ltd	**(4.1)**	**-**	**(4.1)**	-	-	-
impairment of intangibles - Minova	**-**	**-**	**-**	254.6	-	254.6
impairment of Ammonium Nitrate assets	**-**	**-**	**-**	177.4	-	177.4
impairment of other assets	**-**	**-**	**-**	79.4	-	79.4
Income tax expense/(benefit) attributable to profit/(loss) on individually material items	**41.7**	**-**	**41.7**	(54.2)	-	(54.2)
Income tax expense/(benefit) reported in the income statement	**198.4**	**-**	**198.4**	122.0	(2.7)	119.3

11. Taxation (continued)

(c) Income tax recognised in comprehensive income:

	Consolidated 2016 $m Before tax	2016 $m Tax (expense) benefit	2016 $m Net of tax	2015 $m Before tax	2015 $m Tax (expense) benefit	2015 $m Net of tax
Net (loss)/gain on hedge of net investments in foreign subsidiaries	**(165.8)**	**3.1**	**(162.7)**	56.1	77.6	133.7
Cash flow hedges						
- Effective portion of changes in fair value	**4.7**	**(1.4)**	**3.3**	(101.3)	30.4	(70.9)
- Transferred to Income Statement	**(0.7)**	**0.2**	**(0.5)**	(7.1)	2.1	(5.0)
Exchange (losses)/gains on translation of foreign operations	**(111.6)**	**-**	**(111.6)**	349.3	-	349.3
Actuarial (losses)/benefits on defined benefit plans	**(81.1)**	**21.9**	**(59.2)**	9.1	(1.8)	7.3
	(354.5)	**23.8**	**(330.7)**	306.1	108.3	414.4

(d) Recognised deferred tax assets and liabilities

Consolidated	Balance Sheet 2016 $m	Balance Sheet 2015 $m	Income Statement 2016 $m	Income Statement 2015 $m
Deferred tax assets				
Trade and other receivables	**15.2**	1.2	**(14.1)**	1.5
Inventories	**16.7**	16.3	**(0.4)**	(2.7)
Property, plant and equipment	**59.0**	83.9	**24.9**	(57.6)
Intangible assets	**-**	27.7	**27.7**	14.8
Trade and other payables	**40.0**	61.1	**21.1**	(11.5)
Interest bearing liabilities	**156.3**	191.4	**25.3**	(33.0)
Provision for employee entitlements	**25.5**	26.9	**1.4**	3.4
Provision for retirement benefit obligations	**52.1**	36.1	**5.9**	2.9
Provisions for environmental and decommissioning	**65.4**	65.4	**-**	(17.9)
Tax losses	**167.6**	154.0	**(1.3)**	(39.5)
Other items	**7.5**	6.2	**(1.3)**	(1.9)
Deferred tax assets	**605.3**	670.2		
Less set-off against deferred tax liabilities	**(197.0)**	(194.9)		
Net deferred tax assets	**408.3**	475.3		
Deferred tax liabilities				
Property, plant and equipment	**183.4**	191.1	**(7.4)**	47.1
Intangible assets	**17.1**	20.4	**(3.3)**	(1.5)
Interest bearing liabilities	**29.1**	34.1	**(5.0)**	10.8
Undistributed profits of foreign subsidiaries	**19.0**	18.5	**0.5**	2.5
Other items	**18.6**	37.6	**(19.0)**	20.3
Deferred tax liabilities	**267.2**	301.7		
Less set-off against deferred tax assets	**(197.0)**	(194.9)		
Net deferred tax liabilities	**70.2**	106.8		
Deferred tax expense			**55.0**	(62.3)

11. Taxation (continued)

(e) Unrecognised deferred tax assets

	Consolidated 2016 $m	2015 $m
Tax losses not booked	**57.0**	31.1
Capital losses not booked	**88.0**	92.3
Temporary differences not booked	**219.7**	245.5

Tax losses not booked expire between 2017 and 2031.

(f) Taxes paid by the Group were as follows:

	Consolidated 2016 $m	2015 $m
Income taxes:		
Income taxes paid including withholding taxes	**138.5**	163.2
Other taxes:		
Taxes on wages and salaries paid by the employer	**48.9**	50.6
Net Goods and Services Tax/Value Added Taxes paid	**100.8**	113.9
Total taxes paid	**288.2**	327.7

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.

11. Taxation (continued)

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 not provided for and 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 a result of an income tax audit covering the 2005 to 2015 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 of the possible reassessment for the 2005 to 2015 years is approximately $90m. Assessments for the period 2005 to 2008 have been received. Orica believes that the laws do not apply to these arrangements and in addition should not be applied retrospectively.

(iii) Brazilian Tax Action

The Brazilian Taxation authority is claiming unpaid taxes, interest and penalties of approximately $40 million for the 1997 financial year relating to an alleged understatement of income based on an audit of production records. Orica believes the auditor has misread those production records. ICI Plc, the vendor of the business to Orica, has been notified to preserve Orica's rights under the tax indemnity obtained upon acquisition of the business which provides indemnity for amounts exceeding certain limits. The Brazilian Taxation authority has been granted security over the Lorena site as well as a bank guarantee of up to approximately $48 million.

(iv) Australian Tax Audit

As a result of an income tax audit covering the 2010 to 2011 years, the Australian Taxation Office (" the ATO") has challenged Orica's tax returns in relation to thin capitalisation valuations of land and buildings and intellectual property resulting in a denial of interest deductions. Assessments for 2010 and 2011 amounting to $17 million have been received from the ATO. Interest for this period is estimated at $5 million. The amount of the possible reassessment for the years beyond 2011 to 2015, including interest is approximately $49 million. Orica believes that the valuations are in accordance with the tax law and has lodged objections against the assessments.

As part of the income tax audit for 2010 and 2011, the ATO has indicated its intention to challenge the residence of a German subsidiary of Orica. The ATO considers that the subsidiary should be a resident of Australia. The amount of possible reassessment for the 2010 to 2011 years including interest is $37 million. The amount of possible reassessment for the years 2011 to 2015, including interest, is $31 million. Orica believes the subsidiary is a German resident and only German tax, not Australian tax is payable on the relevant income.

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.

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 Group, 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 Group are eliminated in full.

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

13. Non-controlling interests in controlled entities

	Consolidated 2016 $m	Consolidated 2015 $m
Non-controlling interests in shareholders' equity at balance date is as follows:		
Contributed equity	**66.6**	66.6
Reserves	**(7.8)**	(1.9)
Retained earnings	**(58.1)**	(62.1)
	0.7	2.6
The following table summarises the information relating to non-controlling interests on a 100% basis. The amounts disclosed are before inter-company eliminations.		
Current assets	**453.4**	545.4
Current liabilities	**223.8**	302.2
Current net assets	**229.6**	243.2
Non-current assets	**403.6**	430.7
Non-current liabilities	**635.7**	709.2
Non-current net (liabilities)/assets	**(232.1)**	(278.5)
Net assets/(liabilities)	**(2.5)**	(35.3)
Carrying amount of non-controlling interests	**0.7**	2.6
Sales Revenue	**840.9**	844.7
Net profit/(loss) for the year	**69.9**	(556.6)
Other comprehensive income	**(33.2)**	107.1
Total comprehensive income	**36.7**	(449.5)
Profit/(loss) allocated to non-controlling interests	**12.1**	(129.0)
Other comprehensive income related to non-controlling interests	**(2.7)**	15.3
Total	**9.4**	(113.7)
Dividends paid - non-controlling interests	**(12.3)**	(16.7)
Cash flows from/(used in) operating activities	**1.7**	(9.2)
Cash flows used in investments activities	**(5.2)**	(12.8)
Cash flows (used in)/from financing activities	**(13.1)**	29.0
Net increase in cash and cash equivalents	**(16.6)**	7.0

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

(a) Investments accounted for using the equity method

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

Name	Principal activity	Balance date	Ownership 2016 %	Ownership 2015 %	Consolidated Carrying amount 2016 $m	Consolidated Carrying amount 2015 $m
Nelson Brothers, LLC [1]	Manufacture and sale of explosives	30 Sep	**50.0**	50.0	**35.1**	43.9
Nelson Brothers Mining Services LLC [1]	Supply of explosives	30 Sep	**50.0**	50.0	**34.2**	34.1
Southwest Energy LLC [1]	Sale of explosives	30 Sep	**50.0**	50.0	**105.2**	113.4
Other	Various				**13.6**	12.1
					188.1	203.5

[1] Entities are incorporated in USA.

Summary of profit and loss of associates:	2016 $m	2015 $m
The aggregate net profit after tax of associates on a 100% basis are:	**78.9**	78.6
Orica's share of net profit after tax of associates is:	**39.2**	39.0

(b) Joint operations

The Group owns a 45% interest of Yara Pilbara Nitrates Pty Ltd, the remaining shares are held by subsidiaries in the Yara Internatioanl ASA group. The entity will own and operate a 330,000 tonnes per annum industrial grade ammonium nitrate plant on the Burrup Peninsula (Western Australia, Australia).

Construction of the plant was completed in August 2016 and Orica expect the plant to be commissioned in financial year 2017, with production progressively ramped up over the following 12 - 18 months to around 70% of the full capacity.

Yara Pilbara Nitrates will operate as a toll manufacturer, receiving a tolling fee from entities within the Group and the Yara group. The Orica and Yara group have rights to 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:

	2016 $000	2015 $000
Sales of goods to associates	**354,522**	368,716
Purchases of goods from associates	**61,714**	106,344
Dividend income received from associates	**38,361**	34,284
Income received from leasing	**1**	1,452
Interest income received from associates	**4**	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.

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

The Group has not acquired any businessess or entities in either 2015 or 2016.

16. Discontinued operations and businesses disposed

This note shows the results of the continuing businesses and the discontinued business.
In FY 2015, 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 2016 $m	Dis-continued 2016 $m	Consolidated 2016 $m	Continuing 2015 $m	Dis-continued 2015 $m	Consolidated 2015 $m
Sales revenue [2]	**5,091.9**	**-**	**5,091.9**	5,653.3	497.4	6,123.2
Other income	**64.1**	**-**	**64.1**	50.1	0.8	50.9
Expenses						
Raw materials and inventories [2]	**(2,272.2)**	**-**	**(2,272.2)**	(2,671.9)	(275.4)	(2,919.8)
Employee benefits expense	**(1,092.5)**	**-**	**(1,092.5)**	(1,135.1)	(49.3)	(1,184.4)
Depreciation and amortisation expense	**(265.9)**	**-**	**(265.9)**	(292.7)	(13.0)	(305.7)
Purchased services	**(327.9)**	**-**	**(327.9)**	(360.7)	(26.0)	(386.7)
Repairs and maintenance	**(157.6)**	**-**	**(157.6)**	(155.5)	(4.0)	(159.5)
Impairment of property, plant & equipment	**(21.3)**	**-**	**(21.3)**	(947.6)	-	(947.6)
Impairment of intangibles	**-**	**-**	**-**	(894.0)	-	(894.0)
Impairment of investments	**-**	**-**	**-**	(49.3)	-	(49.3)
Outgoing freight	**(274.8)**	**-**	**(274.8)**	(255.8)	(36.2)	(292.0)
Lease payments - operating leases	**(41.1)**	**-**	**(41.1)**	(53.8)	(3.1)	(56.9)
Other expenses [3]	**(104.3)**	**-**	**(104.3)**	(125.6)	(86.6)	(212.2)
Share of net profit of associates accounted for using the equity method	**39.2**	**-**	**39.2**	39.0	-	39.0
Total	**(4,518.4)**	**-**	**(4,518.4)**	(6,903.0)	(493.6)	(7,369.1)
Profit/(loss) from operations	**637.6**	**-**	**637.6**	(1,199.6)	4.6	(1,195.0)
Net financing costs						
Financial income	**29.6**	**-**	**29.6**	42.2	0.1	42.3
Financial expenses	**(113.9)**	**-**	**(113.9)**	(124.4)	-	(124.4)
Net financing costs	**(84.3)**	**-**	**(84.3)**	(82.2)	0.1	(82.1)
Profit/(loss) before income tax expense	**553.3**	**-**	**553.3**	(1,281.8)	4.7	(1,277.1)
Income tax (expense)/benefit	**(198.4)**	**-**	**(198.4)**	(122.0)	2.7	(119.3)
Net profit/(loss) for the year	**354.9**	**-**	**354.9**	(1,403.8)	7.4	(1,396.4)
Net profit/(loss) for the year attributable to:						
Shareholders of Orica Limited	**342.8**	**-**	**342.8**	(1,274.4)	7.0	(1,267.4)
Non-controlling interests	**12.1**	**-**	**12.1**	(129.4)	0.4	(129.0)
Net profit/(loss) for the year	**354.9**	**-**	**354.9**	(1,403.8)	7.4	(1,396.4)

[1] In FY 2015 the $4.6 million profit from operations (for Chemicals business within Discontinued operations) is for the five months period ended 27 February 2015.

[2] FY 2015 Consolidated includes elimination of inter-segment sales of $27.5m

[3] The 2015 Discontinued operations includes $26.7 million pre tax loss ($13.5m loss post tax) on sale of Chemicals business.

16. Discontinued operations and businesses disposed (continued)

Reconciliation of net profit after tax	Continuing 2016 $m	Dis-continued 2016 $m	Consolidated 2016 $m	Continuing 2015 $m	Dis-continued 2015 $m	Consolidated 2015 $m
Before individually material items						
Profit from operations	**642.2**	**-**	**642.2**	684.8	4.6	689.4
Net financing costs	**(84.3)**	**-**	**(84.3)**	(82.2)	0.1	(82.1)
Profit before income tax expense	**557.9**	**-**	**557.9**	602.6	4.7	607.3
Income tax (expense)/benefit	**(156.7)**	**-**	**(156.7)**	(176.2)	2.7	(173.5)
Profit after tax before non-controlling interests	**401.2**	**-**	**401.2**	426.4	7.4	433.8
Non-controlling interests	**12.1**	**-**	**12.1**	9.2	0.4	9.6
Profit after tax before individually material items	**389.1**	**-**	**389.1**	417.2	7.0	424.2
Individually material items						
Loss before income tax expense	**(4.6)**	**-**	**(4.6)**	(1,884.4)	-	(1,884.4)
Income tax (loss)/benefit	**(41.7)**	**-**	**(41.7)**	54.2	-	54.2
Loss after tax before non-controlling interests	**(46.3)**	**-**	**(46.3)**	(1,830.2)	-	(1,830.2)
Non-controlling interests	**-**	**-**	**-**	(138.6)	-	(138.6)
Loss after tax from individually material items	**(46.3)**	**-**	**(46.3)**	(1,691.6)	-	(1,691.6)
Net profit/(loss) after tax						
Profit/(loss) from operations	**553.3**	**-**	**553.3**	(1,281.8)	4.7	(1,277.1)
Income tax (expense)/benefit	**(198.4)**	**-**	**(198.4)**	(122.0)	2.7	(119.3)
Profit/(loss) after tax before non-controlling interests	**354.9**	**-**	**354.9**	(1,403.8)	7.4	(1,396.4)
Non-controlling interests	**12.1**	**-**	**12.1**	(129.4)	0.4	(129.0)
Net profit after tax	**342.8**	**-**	**342.8**	(1,274.4)	7.0	(1,267.4)
Net Profit for the year attributable to:						
Shareholders of Orica Limited	**342.8**	**-**	**342.8**	(1,274.4)	7.0	(1,267.4)
Non-controlling interests	**12.1**	**-**	**12.1**	(129.4)	0.4	(129.0)
Net profit for the year	**354.9**	**-**	**354.9**	(1,403.8)	7.4	(1,396.4)

16. Discontinued operations and businesses disposed (continued)

Disposal of businesses and controlled entities
The follow ing businesses and controlled entities w ere disposed of:

2016:
On 30 September 2016 Orica disposed of explosives businesses in Germany, Poland, Czech Republic and Slovakia.

2015:
The Chemicals business w as sold on 27 February 2015 and is reported as discontinued operations.
Orica also sold the business assets of Orica Mountain West Inc on 1 September 2015.

	Consolidated	
	2016	2015
	$m	$m
Consideration		
sale price	**26.0**	755.1
less disposal costs and initial purchase price adjustments deducted from the purchase price	**-**	(47.0)
	26.0	708.1
Cash disposed	**(8.5)**	(2.6)
Net consideration	**17.5**	705.5
Less further disposal costs including purchase price adjustments	**(10.6)**	(75.6)
Net consideration [(1)]	**6.9**	629.9
Carrying value of net assets of businesses/controlled entities disposed		
trade and other receivables	**9.9**	187.3
inventories	**5.0**	172.4
property, plant and equipment	**-**	338.2
intangibles	**-**	143.5
other assets	**0.2**	19.4
investment	**0.9**	0.4
payables and interest bearing liabilities	**(10.3)**	(141.3)
provision for employee entitlements	**(0.7)**	(21.3)
provision for retirement benefit obligations/curtailments	**(2.0)**	(11.6)
provision for income tax	**(0.5)**	(36.0)
foreign currency translation reserve	**1.1**	(6.9)
	3.6	644.1
Less non-controlling interests at date of disposal	**-**	(2.9)
Profit/(loss) on sale of business/controlled entities	**3.3**	(11.3)

[(1)] In FY 2015 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).

	2016	2015
	$m	$m
Cash flows used in discontinued operations - Chemicals Business		
Cash flow s used in operating activities	**-**	(12.8)
Cash flow s used in investing activities	**-**	(10.4)
Cash flow s used in financing activities	**-**	(4.6)
Net cash flow s used in discontinued operations	**-**	(27.8)

17. Parent Company disclosure - Orica Limited

	Company 2016 $m	Company 2015 $m
Total current assets	**1,488.2**	1,093.1
Total assets	**3,554.3**	3,185.0
Total current liabilities	**167.9**	243.1
Total liabilities	**1,117.9**	960.8
Equity		
Ordinary shares	**2,025.3**	1,954.4
Retained earnings	**411.1**	269.8
Total equity attributable to ordinary shareholders of Orica Limited	**2,436.4**	2,224.2
Net profit for the year and total comprehensive income	**425.1**	134.2

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. 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 calender years 2017 and 2030 (2015: between calendar years 2015 and 2030) (see note 3). Orica Limited has also provided guarantees for senior committed bank facilities.

18. Deed of cross guarantee

The parent entity, Orica Limited, and certain subsidiaries Initiating Explosives Systems Pty Ltd, Orica Australia Pty Ltd, Orica Investments Pty Ltd are subject to a Deed of Cross Guarantee (Deed) under which each company guarantees the debts of the others:

By entering into the Deed, the wholly owned subsidiaries have been relieved from the requirement to prepare a financial report and director's report under ASIC Class Order 98/1418 dated 13 August 1998 (as amended).

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

	Closed Group	
	2016	2015
	$m	$m
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**-**	-
Trade and other receivables	**179.0**	384.4
Inventories	**133.2**	128.9
Other assets	**9.1**	16.6
Total current assets	**321.3**	529.9
Non-current assets		
Trade and other receivables	**5.3**	24.4
Investments accounted for using the equity method	**2.3**	2.0
Other financial assets	**6,874.2**	4,601.1
Property, plant and equipment	**774.0**	845.6
Intangible assets	**248.2**	249.4
Deferred tax assets	**197.9**	187.1
Total non-current assets	**8,101.9**	5,909.6
Total assets	**8,423.2**	6,439.5
Current liabilities		
Trade and other payables	**429.4**	497.6
Interest bearing liabilities [(1)]	**154.1**	2,045.4
Provisions	**113.2**	169.8
Total current liabilities	**696.7**	2,712.8
Non-current liabilities		
Trade and other payables	**0.7**	1.0
Interest bearing liabilities	**4,421.6**	836.8
Deferred tax liabilities	**140.1**	149.0
Provisions	**241.7**	201.2
Total non-current liabilities	**4,804.1**	1,188.0
Total liabilities	**5,500.8**	3,900.8
Net assets	**2,922.4**	2,538.7
Equity		
Ordinary shares	**2,025.3**	1,976.1
Reserves	**412.9**	385.1
Retained profits	**484.2**	177.5
Total equity	**2,922.4**	2,538.7

Summarised income statement and retained profits		
Profit before income tax expense	**694.0**	235.0
Income tax expense	**(76.3)**	(15.2)
Profit from operations	**617.7**	219.8
Retained profits at the beginning of the year	**177.5**	309.1
Actuarial gains recognised directly in equity	**(27.5)**	4.7
Ordinary dividends – interim	**(76.5)**	(148.0)
Ordinary dividends – final	**(207.0)**	(208.1)
Retained profits at the end of the year	**484.2**	177.5

[(1)] 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.

Section G. Reward and recognition

Orica operates in more than 50 countries and has more than 11,000 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

The following plans have options or rights ("instruments") over Orica shares outstanding at 30 September 2015 or 30 September 2016:

- The Long Term Incentive Plan (LTIP) (Refer to Remuneration Report Section 3.5 and 5.2).
- LTEIP shares which are treated as options for accounting purposes
- Long Term Incentive Rights Plan (LTIRP)
- Sign-on Rights Plans

Orica engaged PwC to value issued instruments. 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 instruments held at 30 September. The assumptions underlying the instrument valuations are: (a) the exercise price of the instrument, (b) the life of the instrument, (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 instrument.

(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 LTEIP instruments and values is shown in the following table:

Grant date	Vesting date	Number of instruments issued	Number of instruments held at 30 September 2016	Number of instruments held at 30 September 2015	Number of participants at 30 September 2016	Number of participants at 30 September 2015	Value of instruments at grant date (1) $
21 Feb 14	23 Jan 17	839,544	522,534	522,534	7	9	6,800,306
11 Mar 13	23 Jan 16	33,919	-	33,919	-	1	282,545
7 Feb 13	23 Jan 16	704,355	-	377,356	-	8	6,282,847
24 Feb 12	23 Jan 15	305,302	-	-	-	-	2,842,362
19 Dec 11	23 Jan 15	592,713	-	-	-	-	4,747,631
		2,475,833	522,534	933,809	7	18	20,955,691

19. Employee share plans and Remuneration (continued)

(1) The assumptions underlying the instruments valuations are:

Grant date	Price of Orica Shares at grant date $	Expected volatility in share price %	Dividends expected on shares (2) %	Risk free interest rate %	Fair value per instrument (3) $
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 2011 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 instrument) is adjusted to an expense based on the actual EPS growth achieved. The range of fair values per instrument 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 14	Issued during the period	Exercised during the period	Lapsed during the period	Balance 30 Sep 15	Issued during the period	Exercised during the period	Lapsed during the period	Balance 30 Sep 16
18 Nov 16	23 Jan 17	839,544	-	-	(317,010)	522,534	**-**	**-**	**-**	522,534
18 Nov 15	23 Jan 16	33,919	-	-	-	33,919	**-**	**-**	**(33,919)**	-
18 Nov 15	23 Jan 16	670,436	-	-	(293,080)	377,356	**-**	**-**	**(377,356)**	-
18 Nov 14	23 Jan 15	305,302	-	-	(305,302)	-	**-**	**-**	**-**	-
18 Nov 14	23 Jan 15	451,683	-	-	(451,683)	-	**-**	**-**	**-**	-
Total		2,300,884	-	-	(1,367,075)	933,809	**-**	**-**	**(411,275)**	522,534

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 were granted a number of rights, which vest upon the satisfaction of the relevant performance hurdle. The number of rights granted to each employee was 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 was 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.
- Holders of rights that leave the Group 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.

19. Employee share plans and Remuneration (continued)

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 2016	Number of rights held at 30 September 2015	Number of participants at 30 September 2016	Number of participants at 30 September 2015	Fair value of rights at grant date [(1)] $
19 Dec 12	19 Dec 15	717,397	-	435,036	-	206	15,754,038
1 April 13	19 Dec 15	24,293	-	8,481	-	2	533,960
19 Dec 13	19 Dec 16	744,827	457,057	523,867	182	205	14,993,368
		1,486,517	457,057	967,384	182	413	31,281,366

[(1)] 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 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

(a) (iii) Sign-on Rights Allocations

For a select group of senior managers who join Orica post allocation of a LTIRP or LTIP grant (and who 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/LTIP 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 Group 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.

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 2016	Number of rights held at 30 September 2015	Number of participants at 30 September 2016	Number of participants at 30 September 2015	Value of rights at grant date [(1)] $
19 Dec 11 – 10 Jun14	30 Nov 13 – 2 Jan 16	68,585	-	13,671	-	7	1,474,670
12 Jan 16 – 5 Sep 16	30 Jun 16 – 17 Nov 18	66,909	66,909	-	3	-	853,559

[(1)] 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
12 Jan 16 – 5 Sep 16	13.88-14.31	30	4.5-5.5	1.49-2.01	11.92-13.72

(a) (iv) Sign-on share allocations

At the discretion of the Board, a grant of restricted shares was made to two senior managers on joining Orica to compensate them for having forgone at risk remuneration from their previous employer. The restricted share allocation was made on the following basis:

- The employees were granted a number of shares, which vest upon satisfaction of a time based hurdle aligned to the date at which awards from their previous employers would have been released.
- The number of shares was determined based on the value of at risk remuneration foregone from their previous employers.
- Each share carries access to dividend and voting rights during the restricted period.
- If the employees leave the Group prior to the end of restricted period they will, in general, forfeit their shares. The Board has discretion to allow the shares to vest if the holder leaves due to death, disability or other Board approved reason prior to the vesting date.

Sign-on share allocation, value and related information is shown in the following table:

Grant dates	Vesting date	Number of shares issued	Number of shares at 30 September 2016	Number of shares held at 30 September 2015	Number of participants at 30 September 2016	Number of participants at 30 September 2015	Value of shares at grant date [(1)] $
7 Jan 16 – 24 May 16	30 Aug 16 – 1 Jun 17	21,706	5,567	-	1	-	299,018

[(1)] 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 $
7 Jan 16 – 24 May 16	13.61-14.04	30	0-4.5	1.67-1.98	13.01-14.04

(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	
	2016 $000	2015 $000
Short term employee benefits	**11,897.9**	13,731.4
Other long term benefits	**47.8**	35.5
Post employment benefits	**228.2**	193.6
Share-based payments	**2,530.8**	490.5
Termination benefits	**950.0**	3,424.7
	15,654.7	17,875.7

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. Actuarial gains and losses for post-retirement plans are recognised in other comprehensive income. The Group'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 Group's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

(a) Superannuation plans

The Group 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
- 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 Group 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 2016 was $35.1 million (2015 $37.4 million).

(c) Defined benefit pension plans

The Group participates in several Australian 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 Willis Towers Watson to consolidate those results globally. During the year, the Group made employer contributions of $28.2 million (2015 $29.3 million) to defined benefit plans. The Group's external actuaries have forecast total employer contributions and benefit payments to defined benefit plans of $40 million for 2017.

20. Superannuation commitments (continued)

(c) (i) Balance sheet amounts

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

	2016 $m	2015 $m
Present value of the funded defined benefit obligations	**653.3**	633.8
Present value of unfunded defined benefit obligations	**112.5**	113.9
Fair value of defined benefit plan assets	**(512.9)**	(556.0)
Deficit	**252.9**	191.7
Restriction on assets recognised	**0.1**	1.3
Net liability in the balance sheet	**253.0**	193.0
Amounts in balance sheet:		
Liabilities	**253.6**	195.1
Assets	**(0.6)**	(2.1)
Net liability recognised in balance sheet at end of year	**253.0**	193.0

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

The amounts recognised in the income statement are as follows:

	2016 $m	2015 $m
Current service cost	**15.4**	17.3
Interest cost on net defined benefit obligation	**6.2**	7.0
Curtailment or settlement gains	**-**	(12.6)
Total included in employee benefits expense	**21.6**	11.7

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

	2016 $m	2015 $m
Actuarial (losses)/gains on defined benefit obligations:		
Due to changes in demographic assumptions	**(10.6)**	(5.5)
Due to changes in financial assumptions	**(83.7)**	14.1
Due to experience adjustments	**(3.9)**	(11.3)
Total	**(98.2)**	(2.7)
Change in irrecoverable surplus other than interest	**1.4**	0.1
Return on plan assets greater than discount rate	**15.7**	11.7
Total (losses)/gains recognised via the Statement of Comprehensive Income	**(81.1)**	9.1
Tax benefit/(expense) on total (losses)/gains recognised via the Statement of Comprehensive Income	**21.9**	(1.8)
Total (losses)/gains after tax recognised via the Statement of Comprehensive Income	**(59.2)**	7.3

(c) (iv) Reconciliations

	2016 $m	2015 $m
Reconciliation of present value of the defined benefit obligations:		
Balance at the beginning of the year	**747.7**	798.5
Current service cost	**15.4**	17.3
Interest cost	**28.3**	29.9
Actuarial losses	**98.2**	2.7
Contributions by plan participants	**1.9**	2.4
Benefits paid	**(61.0)**	(68.5)
Settlements/curtailments	**(23.0)**	(70.7)
Exchange differences on foreign funds	**(41.7)**	36.1
Balance at the end of the year	**765.8**	747.7

20. Superannuation commitments (continued)

	2016 $m	2015 $m
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	**556.0**	594.1
Interest income on plan assets	**22.1**	23.0
Actuarial gains	**15.7**	11.6
Contributions by plan participants	**1.9**	2.4
Contributions by employer	**28.2**	29.3
Benefits paid	**(61.0)**	(68.5)
Settlements/curtailments	**(20.8)**	(57.9)
Other	**(2.0)**	-
Exchange differences on foreign funds	**(27.2)**	22.0
Balance at the end of the year	**512.9**	556.0

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

	2016 $m	2015 $m
Comprising:		
Quoted in active markets:		
Equities	**200.9**	192.4
Debt securities	**217.5**	197.8
Property	**10.4**	3.8
Other quoted securities	**32.0**	51.7
Other:		
Property	**22.8**	35.9
Insurance contracts	**5.8**	20.8
Cash and cash equivalents	**23.5**	53.6
	512.9	556.0

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	
	2016	2015	+1% $m	-1% $m
Rate of increase in pensionable remuneration	**3.15%**	3.40%	24	(20)
Rate of increase in pensions in payment	**2.30%**	2.49%	23	(19)
Discount rate for pension plans	**3.11%**	4.06%	(90)	113

The expected age at death for persons aged 65 is 87 years for men and 90 years for women at 30 September 2016. A change of 1 year in the expected age of death would result in an $18 million movement in the defined benefit obligation at 30 September 2016.

20. Superannuation commitments (continued)

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. Actuarial gains and losses from post retirement plans, 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.

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 $47.6 million (2015 $98.0 million) and later than one but less than five years was $0.2 million (2015 $3.8 million).

	Consolidated	
	2016 $m	2015 $m
Lease commitments		
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:		
no later than one year	**50.3**	69.7
later than one, no later than five years	**95.4**	108.5
later than five years	**33.4**	26.6
	179.1	204.8
Representing:		
cancellable operating leases	**49.3**	90.6
non-cancellable operating leases	**129.8**	114.2
	179.1	204.8
Non-cancellable operating lease commitments payable:		
no later than one year	**28.4**	31.1
later than one, no later than five years	**70.5**	59.8
later than five years	**30.9**	23.3
	129.8	114.2

22. Contingent liabilities

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

(a) Guarantees, indemnities and warranties

- The Group 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 Group 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.

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 not provided for and 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.

23. Auditors' remuneration

	Consolidated	
	2016 $000	2015 $000
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	**3,772**	3,722
– Other regulatory audit services	**-**	80
Auditors of the Company – overseas KPMG firms		
– Audit and review of financial reports [(1)]	**2,151**	2,321
	5,923	6,123
Other services [(2)]		
Auditors of the Company – KPMG Australia		
– other assurance services	**42**	268
	42	268
	5,965	6,391

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.

(1) Fees paid or payable for overseas subsidiaries' local lodgement purposes.

(2) 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 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.

24. Events subsequent to balance date

Dividends

On 4 November 2016, the directors declared a final dividend of 29.0 cents per ordinary share payable on 9 December 2016. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2016 and will be recognised in the 2017 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2016, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group 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 2015 and 2016 (non controlling direct 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
Company			
Orica Limited			
Controlled Entities			
ACF and Shirleys Pty Ltd (c)		Minova Ksante Sp. z o.o.	Poland
Alaska Pacific Powder Company	USA	Minova MAI GmbH	Austria
Altona Properties Pty Ltd (c) - 37.4%		Minova Mexico S.A. de C.V.	Mexico
Aminova International Limited	Hong Kong	Minova MineTek Private Limited	India
Ammonium Nitrate Development and	Thailand	Minova Mining Services SA	Chile
Production Limited - 0.1%		Minova Nordic AB	Sweden
Anbao Insurance Pte Ltd	Singapore	Minova Romania S.R.L. (a)	Romania
Arboleda S.A	Panama	Minova Ukraina OOO - 10%	Ukraine
ASA Organizacion Industrial S.A. de C.V.	Mexico	Minova (Tianjin) Co., Ltd.	China
Australian Fertilizers Pty Ltd (c)		Minova Weldgrip Limited	UK
Barbara Limited	UK	Mintun 1 Limited	UK
Beijing Ruichy Minova Synthetic	China	Mintun 2 Limited	UK
Material Company Limited		Mintun 3 Limited	UK
BST Manufacturing, Inc.	USA	Mintun 4 Limited	UK
Chemnet Pty Limited (c)		MMTT Limited	UK
CJSC (ZAO) Carbo-Zakk - 6.3%	Russia	Nitedals Krudtvaerk AS	Norway
Controladora DNS de RL de CV	Mexico	Nitro Asia Company Inc. - 41.6%	Philippines
Curasalus Insurance Pty Ltd (a)			
Cyantific Instruments Pty Ltd (c)		Nitro Consult AB	Sweden
Dansel Business Corporation	Panama	Nitro Consult AS	Norway
Dyno Nobel Nitrogen AB (b)	Sweden	Nitroamonia de Mexico S.A de C.V.	Mexico
Dyno Nobel VH Company LLC - 49%	USA	Nobel Industrier AS	Norway
Eastern Nitrogen Pty Ltd (c)		Nordenfjeldske Spraengstof AS	Norway
Emirates Explosives LLC - 35%	United Arab Emirates	Northwest Energetic Services LLC - 48.7%	USA
Orica Hydraulics Inc.	USA	Nutnim 1 Limited	UK
Eurodyn Sprengmittel GmbH (d)	Germany	Nutnim 2 Limited	UK
Explosivos de Mexico S.A. de C.V. - 1.3%	Mexico	OOO Minova	Russia
Explosivos Mexicanos S.A. de C.V.	Mexico	OOO Minova TPS - 6.3%	Russia
Fortune Properties (Alrode) (Pty) Limited	South Africa	Orica-CCM Energy Systems Sdn Bhd - 45%	Malaysia
GeoNitro Limited - 40%	Georgia	Orica-GM Holdings Limited - 49%	UK
Hallowell Manufacturing LLC	USA	Orica Africa (Pty) Ltd	South Africa
Hebben & Fischbach Chemietechnik GmbH (e)	Germany	Orica Argentina S.A.I.C.	Argentina
Hunan Orica Nanling Civil Explosives Co., Ltd - 49%	China	Orica Australia Pty Ltd	
Indian Explosives Private Limited	India	Orica Australia Securities Pty Ltd (c)	
Initiating Explosives Systems Pty Ltd		Orica BKM SASU - 25%	Democratic Republic of Congo
Jiangsu Orica Banqiao Mining Machinery	China		
Company Limited - 50.5%		Orica Belgium S.A.	Belgium
Joplin Manufacturing Inc.	USA	Orica Blast & Quarry Surveys Limited - 25%	UK
JV Minova Kazakhstan Limited Liability	Kazakhstan	Orica Bolivia S.A.	Bolivia
Partnership - 20%			
LLC Orica Logistics	Russia	Orica Brasil Ltda	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
Minova Asia Pacific Ltd	Taiwan	Orica Caribe, S.A.	Panama
Minova Australia Pty Ltd		Orica Centroamerica S.A.	Costa Rica
Minova Bohemia s.r.o.	Czech Republic	Orica Chile Distribution S.A.	Chile
		Orica Chile S.A.	Chile
Minova CarboTech GmbH	Germany	Orica CIS CJSC	Russia
Minova Carbotech Tunnelling Engineering	China	Orica Colombia S.A.S.	Colombia
(Shanghai) Company Limited		Orica Czech Republic s.r.o. (d)	Czech Republic
Minova Codiv S.L.	Spain	Orica Denmark A/S	Denmark
Minova Ekochem S.A.	Poland	Orica Dominicana S.A.	Dominican Republic
Minova Holding GmbH	Germany		
Minova Holding Inc	USA	Orica DRC SARL	Democratic Republic of Congo
Minova International Limited	UK		

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 Eesti OU - 35%	Estonia	Orica Nitrates Philippines Inc - 4%	Philippines
Orica Europe FT Pty Ltd (c)		Orica Nitratos Peru S.A.	Peru
Orica Europe Investments Pty Ltd (c)		Orica Nitro Patlayici Maddeler Sanayi ve	Turkey
Orica Europe Management GmbH	Germany	Ticaret Anonim Sirketi - 49.0%	
Orica Europe Pty Ltd & Co KG	Germany	Orica Nitrogen LLC	USA
Orica Explosives Holdings Pty Ltd		Orica Nominees Pty Ltd (c)	
Orica Explosives Holdings No 2 Pty Ltd		Orica Norway AS	Norway
Orica Explosives Holdings No 3 Pty Ltd (c)		Orica Norway Holdings AS	Norway
Orica Explosives Research Pty Ltd (c)		Orica Panama S.A. - 40%	Panama
Orica Explosives Technology Pty Ltd		Orica Philippines Inc - 5.5%	Philippines
Orica Explosivos Industriales, S.A.	Spain	Orica Poland Sp. z.o.o. (d)	Poland
Orica Export Inc.	USA	Orica Portugal, S.G.P.S., S.A.	Portugal
Orica Finance Limited		Orica Qatar LLC - 40%	Qatar
Orica Finance Trust		Orica Securities (UK) Limited	UK
Orica Finland OY	Finland	Orica Servicos de Mineracao Ltda	Brazil
Orica GEESP Pty Ltd (c)		Orica Share Plan Pty Limited (c)	
Orica Germany GmbH (d)	Germany	Orica Senegal SARL	Senegal
Orica Ghana Limited	Ghana	Orica Singapore Pte Ltd	Singapore
Orica Grace US Holdings Inc.	USA	Orica Slovakia s.r.o. (d)	Slovakia
Minova USA Inc	USA	Orica South Africa Holdings (Pty) Limited	South Africa
(formerly Orica Ground Support Inc)		Orica St. Petersburg LLC	Russia
Orica Holdings Pty Ltd (c)		Orica Sweden AB	Sweden
Orica Ibéria, S.A.	Portugal	Orica Sweden Holdings AB	Sweden
Orica IC Assets Holdings Limited Partnership		Orica Tanzania Limited	Tanzania
Orica IC Assets Pty Ltd		Orica UK Limited	UK
Orica IC Investments Pty Ltd (c)		Orica US Finance LLC	USA
Orica International IP Holdings Inc.	USA	Orica US Holdings General Partnership	USA
Orica International Pte Ltd	Singapore	Orica USA Inc.	USA
Orica Investments (Indonesia) Pty Limited (c)		Orica U.S. Services Inc.	USA
Orica Investments (NZ) Limited	NZ	Orica Venezuela C.A.	Venezuela
Orica Investments (Thailand) Pty Limited (c)		Orica (Weihai) Explosives Co Ltd - 20%	China
Orica Investments Pty Ltd		Orica Zambia Limited	Zambia
Orica Japan Co. Ltd	Japan	OriCare Canada Inc.	Canada
Orica Kazakhstan Joint Stock Company	Kazakhstan	Oricorp Comercial S.A. de C.V.	Mexico
Orica Logistics Canada Inc.	Canada	Oricorp Mexico S.A. de C.V.	Mexico
Orica Mauritania SARL	Mauritania	Penlon Proprietary Limited (c)	
Orica Med Bulgaria AD - 40%	Bulgaria	Project Grace	UK
Orica Mining Services (Namibia)	Namibia	Project Grace Holdings	UK
(Proprietary) Limited		Project Grace Incorporated	USA
Orica Mining Services (Hong Kong) Ltd	Hong Kong	PT Kalimantan Mining Services	Indonesia
Orica Mining Services Peru S.A.	Peru	PT Kaltim Nitrate Indonesia - 10%	Indonesia
Orica Mining Services Portugal S.A.	Portugal	PT Orica Mining Services	Indonesia
Orica Mining Services South Africa (Pty) Ltd - 25%	South Africa	Retec Pty Ltd (c)	
Orica Mining Services (Thailand) Limited	Thailand	Rui Jade International Limited	Hong Kong
Orica Mongolia LLC - 51%	Mongolia	Sarkem Pty Ltd (c)	
Orica Mountain West Inc.	USA	Sprengmittelvertrieb in Bayern GmbH (d)	Germany
Orica Mozambique Limitada	Mozambique	Sprengstoff-Verwertungs GmbH	Germany
Orica Netherlands Finance B.V.	Netherlands	Taian Ruichy Minova Ground Control	China
Orica New Zealand Finance Limited	NZ	Technology Co., Ltd	
Orica New Zealand Limited	NZ	Tec Harseim Do Brasil Ltda (a)	Brazil
Orica New Zealand Securities Limited	NZ	Transmate S.A. - 29.8%	Belgium
Orica New Zealand Superfunds Securities Limited	NZ	White Lightning Holdings, Inc	Philippines

(a) Liquidated in 2016.
(b) In liquidaton.
(c) Small proprietary company - no separate statutory accounts are prepared.
(d) Divested in 2016.
(e) Merged in 2016.

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 Group in its consolidated financial report for the year ended 30 September 2015.

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

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality – available for annual reporting periods beginning on or after 1 July 2015.

This standard does not have a material effect on the financial statements and impact mainly on disclosures.

(ii) Recently issued or amended accounting standards

Significant standards taking effect from 1 October 2016 and later are listed below:

- 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, AASB 2015-8, AASB 2016-3 Amendments to Australian Accounting Standards arising from AASB 15 available for annual reporting periods on or after 1 January 2018.
- AASB 16 Leases – available for annual reporting periods on or after 1 January 2019.

The Group expects to adopt these standards in the 2017 and subsequent financial years.

The impact of adopting AASB 9 or AASB 15 is not expected to be material.

The financial impact of adopting AASB 16 has not yet been determined.

Directors' Declaration

We, Malcolm William Broomhead 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 26 to 80, and the Remuneration report in the Directors' report, set out on pages 4 to 24, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Group as at 30 September 2016 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 18 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 2016.

The directors draw attention to "About this report" on page 31 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

M W Broomhead

Chairman

A Calderon

Managing Director and Chief Executive Officer

Dated at Melbourne this 4th day of November 2016.

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 2016, 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.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 September 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Orica Limited for the year ended 30 September 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Alison Kitchen
Partner

Melbourne

4 November 2016

Paul Cenko
Partner

Melbourne

4 November 2016

Five Year Financial Statistics

For the year ended 30 September

Orica consolidated	2016	2015	2014	2013 [1]	2012 [1]
Profit & Loss (A$M)					
Sales	**5,091.9**	6,123.2	6,796.3	6,885.2	6,674.1
Earnings before depreciation, amortisation, net borrowing costs and tax	**908.1**	995.1	1,230.5	1,252.5	1,274.0
Depreciation and amortisation (excluding goodwill)	**(265.9)**	(305.7)	(300.8)	(284.4)	(251.4)
Goodwill amortisation	**-**	-	-	-	-
Earnings before net borrowing costs and tax (EBIT)	**642.2**	689.4	929.7	968.1	1,022.6
Net borrowing costs	**(84.3)**	(82.1)	(115.8)	(150.2)	(128.2)
Individually material items before tax	**(4.6)**	(1,884.4)	-	-	(367.2)
Taxation expense	**(198.4)**	(119.3)	(187.9)	(208.0)	(103.4)
Non-controlling interests	**(12.1)**	(129.0)	(23.5)	(17.4)	(21.0)
Profit/(loss) after tax and individually material items	**342.8**	(1,525.4)	602.5	592.5	402.8
Individually material items after tax attributable to members of Orica Limited	**(46.3)**	(1,691.6)	-	-	(247.4)
Profit after tax before individually material items net of tax	**389.1**	424.2	602.5	592.5	650.2
Dividends/distributions	**283.5**	356.1	349.3	339.0	341.0
Financial Position (A$M)					
Current assets	**1,577.9**	1,895.1	2,137.3	2,149.8	2,033.2
Property, plant and equipment	**2,725.3**	2,917.9	3,794.9	3,583.2	3,071.3
Investments	**188.1**	203.5	208.0	197.7	165.8
Intangibles	**1,558.8**	1,633.2	2,388.5	2,340.0	2,046.9
Other non-current assets	**545.7**	671.6	310.5	342.8	295.2
Total assets	**6,595.8**	7,321.3	8,839.2	8,613.5	7,612.4
Current borrowings and payables	**1,382.9**	1,285.2	1,775.8	1,703.4	1,412.9
Current provisions	**207.9**	244.1	181.5	251.6	165.3
Non current borrowings and payables	**1,562.9**	2,150.7	1,997.0	2,180.7	2,275.1
Non current provisions	**658.9**	654.1	485.8	467.9	512.5
Total liabilities	**3,812.6**	4,334.1	4,440.1	4,603.6	4,365.8
Net assets	**2,783.2**	**2,987.2**	**4,399.1**	**4,009.9**	**3,246.6**
Equity attributable to ordinary shareholders of Orica Limited	**2,782.5**	2,984.6	4,263.0	3,871.0	3,121.6
Equity attributable to non-controlling interests	**0.7**	**2.6**	**136.1**	**138.9**	**125.0**
Total shareholders' equity	**2,783.2**	**2,987.2**	**4,399.1**	**4,009.9**	**3,246.6**

Five Year Financial Statistics

For the year ended 30 September

Orica consolidated	2016	2015	2014	2013 [1]	2012 [1]
Number of ordinary shares on issue at year end (millions)	374.9	370.1	372.7	368.2	365.6
Weighted average number of ordinary shares on issue (millions)	372.3	370.3	368.1	363.7	360.6
Basic earnings per ordinary share					
- before individually material items (cents)	104.5	114.6	163.7	162.9	177.9
- including individually material items (cents)	92.0	(342.3)	163.7	162.9	109.2
Dividends per ordinary share (cents)	49.5	96.0	96.0	94.0	92.0
Dividend franking (percent)	36.4	35.4	37.5	74.5	41.3
Dividend yield - based on year end share price (percent)	3.3	6.4	5.1	4.7	3.7
Closing share price range – High	$16.92	$22.56	$24.78	$27.31	$27.97
Low	$12.26	$14.86	$18.51	$17.61	$22.40
Year end	$15.20	$15.04	$18.90	$20.06	$24.87
Stockmarket capitalisation at year end ($m)	5,698.9	5,566.3	7,044.0	7,386.1	9,092.5
Net tangible assets per share ($)	3.26	3.65	5.03	4.16	2.94
Ratios					
Profit margin - earnings before net borrowing costs and tax/sales (percent)	12.6	11.3	13.7	14.1	15.3
Net debt (millions)	1,549.4	2,026.1	2,236.7	2,334.2	2,298.1
Gearing (net debt/net debt plus equity) (percent)	35.8	40.4	33.7	36.8	41.4
Interest cover (EBIT/net borrowing costs excluding capitalised interest) (times)	5.4	5.8	6.5	6.0	6.1
Net capital expenditure on plant and equipment (Cash Flow) ($m)	(123.9)	(292.5)	(392.7)	(596.1)	(558.0)
Net cash flow from (acquisition)/sale of businesses/controlled entities ($m)	(13.3)	658.7	0.4	(2.2)	(11.3)
Return on average shareholders' funds					
- before individually material items (percent)	13.5	11.7	14.8	16.9	18.9
- including individually material items (percent)	11.9	(42.1)	14.8	16.9	11.7

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