Section H. Equity instruments held by executives

(a) The number of option (LTEIP) issues, values and related executive loan information in relation to Orica executives is shown in the following table (details of the Long Term Incentive Rights Plan (LTIRP) are in note 36):

Grant date	Number of options issued	Number of options held at 30 Sep	Number of participants at 30 Sep	Total loan at grant date $	Total loan at 30 Sep $	Maximum loan waiver opportunity over full loan period $	Loan repayments through dividends during year $	Value of options at grant date [(1)] $
As at 30 September 2012								
24 Feb 12	305,302	**305,302**	**1**	**8,029,443**	7,969,695	1,794,786	**59,748**	2,842,362
19 Dec 11	592,713	**592,713**	**7**	**14,924,513**	14,808,519	3,616,963	**115,994**	4,747,631
17 Dec 10	1,886,701	**1,685,589**	**275**	**47,601,466**	41,416,270	13,753,036	**818,076**	17,451,984
15 Dec 09	1,973,965	**1,531,590**	**234**	**48,934,592**	36,023,858	13,560,090	**853,713**	17,568,289
	4,758,681	**4,115,194**		**119,490,014**	100,218,342	32,724,875	**1,847,531**	42,610,266

Table 14

(1) The assumptions underlying the options valuations are:

Grant date	Price of Orica Shares at grant date	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Fair value per option [(2)] $
24 Feb 12	$26.62	25%	Nil	3.71%	9.31
19 Dec 11	$24.68	25%	Nil	2.99%	8.01
17 Dec 10	$25.20	25%	Nil	5.19%	9.25
15 Dec 09	$25.23	35%	Nil	4.53%	8.90

Table 15

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

Grant date	Less than 5% EPS growth per annum	EPS growth of 5% per annum	EPS growth of 10% per annum	EPS growth of 15% or higher per annum
24 Feb 12	5.87	7.44	9.31	11.32
19 Dec 11	5.02	6.37	8.01	9.89
17 Dec 10	6.10	7.50	9.25	11.10

On the demerger of DuluxGroup Limited on 9 July 2010, participating employees of both Orica and DuluxGroup received one DuluxGroup share for every one Orica share held previously under the Orica LTEIP scheme. At demerger date, the price of Orica shares was $25.68. The sale of these DuluxGroup shares result in the proceeds being applied towards repaying the loan (against which each tranche of shares were granted). For continuing Orica employees, the TSR target of each tranche was proportionately reduced to take account of DuluxGroup no longer being part of the Orica Group.

As a result of modifying the period in which the employees could exercise the options for DuluxGroup employees and the TSR targets for continuing Orica employees, an incremental share based payments expense was incurred. The incremental value per option was valued by PWC.

The assumptions underlying the options valuations are:

Grant date	Number of options held at 9 July 2010	Expected volatility in share price	Dividends expected on shares	Risk free interest rate	Incremental value per option $
Continuing Orica Employees					
15 Dec 09	1,785,616	30%	Nil	4.50%	0.65

Table 16

The terms of the LTEIP Plan apply equally to Executive KMP and other eligible executives of the Company.

The option valuations prepared by PWC use methodologies consistent with assumptions that apply under an adjusted form of the Black Scholes option pricing model and reflect the value (as at grant date) of options held at 30 September 2012. The assumptions underlying the option valuations are: (a) the exercise price of the option, (b) the life of the option, (c) the current price of the underlying securities, (d) the expected volatility of the share price, (e) the dividends expected on the shares, and (f) the risk-free interest rate for the life of the option. The share based payments expense recognised in the Income Statement for share based payment schemes in 2012 was $17.9 million (2011 $15.1 million).

Shares issued under employee incentive share plans in conjunction with non-recourse loans are accounted for as options. As a result, they are measured at fair value at the date of grant using an option valuation model which generates possible future share prices based on similar assumptions that underpin the Black Scholes option pricing model and reflects the value (as at grant date) of options granted. 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.