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 2020
Previous Corresponding Period	Year Ended	30 September 2019

2. Results for announcement to the market

	Consolidated:		**Change $m**			**$m**
2.1	Consolidated revenue from operations	down	(266.7)	(4.5)%	to	5,611.3
2.2	Profit/(loss) after tax attributable to shareholders	down	(76.8)	(31.3)%	to	168.3
2.3	Net profit for the period attributable to shareholders before individually significant items	down	(72.6)	(19.5)%	to	299.3

	Dividends			**Amount per security**	**Franked amount per security at 30% tax**
	Current period				
2.4	Final dividend	- Ordinary	Cents	16.5	0.0
2.4	Interim dividend	- Ordinary	Cents	16.5	0.0
	Previous corresponding period				
2.4	Final dividend	- Ordinary	Cents	33.0	5.0
2.4	Interim dividend	- Ordinary	Cents	22.0	0.0

2.5 Record date for determining entitlements to the dividend:
Ordinary Shares: 1-Dec-20

Payment date of dividend:
Ordinary Shares: 15-Jan-21

2.6 Brief explanation of figures 2.1 to 2.4:

i) It is anticipated that dividends in the near future will be franked at a rate of no more than 20%.

ii) Conduit foreign income (CFI) component:

Current period		*Previous corresponding period*	
Interim dividend:		Interim dividend:	
Ordinary	16.5 cents	Ordinary	22.0 cents
Final dividend:		Final dividend:	
Ordinary	16.5 cents	Ordinary	28.0 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 2020.

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 4 December to 14 December inclusive. The last date for receipt of election notices for participation in the final dividend under the DRP is Wednesday 2 December 2020. 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	343.2	334.7

10. **Control relinquished over entities - refer attached, Note 15 Businesses disposed**
11. **Details of associates and joint venture entities - refer attached, Note 13 Equity accounted investees 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**

Strong performance in a COVID-19 environment

Statutory net profit after tax (NPAT) attributable to the shareholders of Orica for the year ended 30 September 2020 was $168 million, down 31% on the prior corresponding period (pcp) with underlying EBIT(1) of $605 million down 9% on the pcp

Summary

- Underlying EBIT(1) of $605 million, down 9% on the pcp, before individually significant items
- Underlying NPAT(2) down 20% on the pcp, before $131 million of individually significant items after tax
- Ammonium nitrate (AN) volumes down 1% on the pcp at 3.93 million tonnes, and down 4% on the pcp excluding Exsa volumes
- Prolonged COVID-19 impacts, with more severe impacts in developing markets
- Underlying earnings per share(3) down 23% to 75.7 cents per share
- Net Operating cash flows(4) of $277 million and cash conversion of 74.4%
- Capital expenditure of $472 million(5) includes $78 million of rectification works at Burrup
- Net debt(6) of $1.8 billion and gearing(7) at 36.4%
- Unfranked final dividend of 16.5 cents per share

Group Results

Year ended 30 September	2020 A$M	2019 A$M	Change %
Sales revenue	5,611.3	5,878.0	(5%)
EBITDA(8)	955.8	941.1	2%
EBIT(1)	**604.5**	**664.7**	**(9%)**
Net interest expense	(149.6)	(109.7)	(36%)
Tax expense	(146.4)	(177.7)	18%
Non-controlling interests	(9.2)	(5.4)	(70%)
NPAT before individually significant items(2)	**299.3**	**371.9**	**(20%)**
Individually significant items after tax	(131.0)	(126.8)	(3%)
NPAT after individually significant items (statutory)	**168.3**	**245.1**	**(31%)**

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

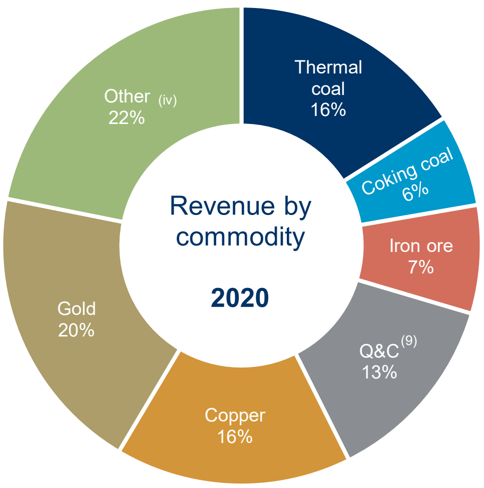
Business Summary

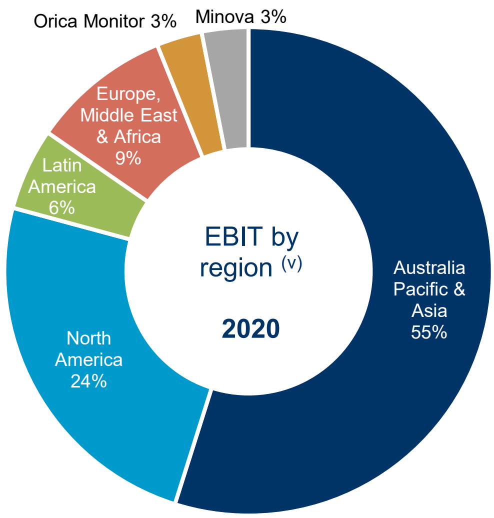
A summary of the performance of the segments for the 2020 and 2019 financial years is presented below:

Year ended 30 September 2020 A$M	AN Tonnes (i), (ii) ('000)	Sales Revenue (iii)	EBITDA(8)	EBIT(1)	Capital Expenditure(5)
Australia Pacific & Asia (APA)	1,763	2,193.9	518.1	369.5	169.3
North America	1,023	1,476.4	234.1	163.7	52.5
Latin America	694	895.6	70.6	36.6	16.9
Europe, Middle East & Africa (EMEA)	450	912.4	94.5	62.4	32.7
Minova	-	470.7	32.2	20.8	12.1
Orica Monitor	-	98.4	33.1	20.3	14.3
Global Support	-	635.8	(26.8)	(68.8)	174.1
Eliminations	-	(1,071.9)	-	-	-
Orica Group	**3,930**	**5,611.3**	**955.8**	**604.5**	**471.9**

Year ended 30 September 2019 A$M	AN Tonnes (i) ('000)	Sales Revenue (iii)	EBITDA(8)	EBIT(1)	Capital Expenditure(5)
Australia Pacific & Asia (APA)	1,682	2,106.0	508.9	382.7	159.1
North America	1,128	1,590.5	236.9	192.1	39.5
Latin America	718	969.9	66.5	43.8	29.4
Europe, Middle East & Africa (EMEA)	444	911.2	93.9	67.9	43.6
Minova	-	595.1	24.3	15.2	7.6
Orica Monitor	-	97.2	30.9	22.3	12.7
Global Support	-	1,210.4	(20.3)	(59.3)	132.1
Eliminations	-	(1,602.3)	-	-	-
Orica Group	**3,972**	**5,878.0**	**941.1**	**664.7**	**424.0**

(i) Includes ammonium nitrate prill and solution as well as bulk and packaged emulsion
(ii) Includes 98 thousand tonnes sold from Exsa S.A. (Exsa)
(iii) Includes external and inter-segment sales





(iv) Includes Minova and Orica Monitor
(v) Excludes Global Support

Review of Operations

Nothing is more important at Orica than keeping our people safe, as we continue to have a relentless focus on major hazards and fatality prevention. During this year of unprecedented change and disruption from bushfires, extreme weather events and the COVID-19 pandemic, our commitment to the health and wellbeing of our team and wider communities has been highlighted more than ever before.

In the early stages of the COVID-19 pandemic, crisis management teams were activated at a country, regional and global level, allowing us to respond to the rapidly changing situation in a consistent and quick manner. We continue to adapt our working practices as the situation evolves to provide for the health and safety of our people, customers and communities. Globally we have implemented controls to prevent infection in our workplaces, including temperature testing, physical distancing and sanitisation. Managing our people's psychological health has also been an important focus. Where our plants are operating, our enhanced safety and health controls are in place to protect the health and wellbeing of our people. In some areas where our leaders were unable to travel, we introduced augmented reality technology to allow remote safety verifications and technical support.

Over the past five years there has been a clear reduction in the number of serious injuries. The full year Serious Injury Case Rate reduced 29% on the pcp, underpinned by a relentless focus on Major Hazard Management. The Total Recordable Injury Frequency rate was in line with the pcp, with the vast majority of cases being minor injuries such as cuts and sprains.

Environmental programs continue to be embedded across the business, and there were no major environmental incidents during the period. Orica is on track to align corporate governance and climate risk disclosure to the recommendations of the Task Force on Climate-related Financial Disclosures.

In pursuing our strategic objectives, three milestones were successfully completed in the second half:

1. The Burrup plant commenced production in May 2020 and produced approximately 100 thousand tonnes of high quality product in the second half. The plant achieved an Overall Equipment Effectiveness (OEE) of 85% since operations commenced, with very positive feedback from customers. The plant remains a key strategic asset in a key growth market.
2. Since 30 April 2020, 96.8% of total Exsa S.A. (Exsa) shares have been acquired, and the integration of the Exsa business has progressed in line with plan. Synergies from the acquisition are expected to materialise from the 2021 financial year.
3. The largest and final phase of the SAP project was implemented in July 2020.

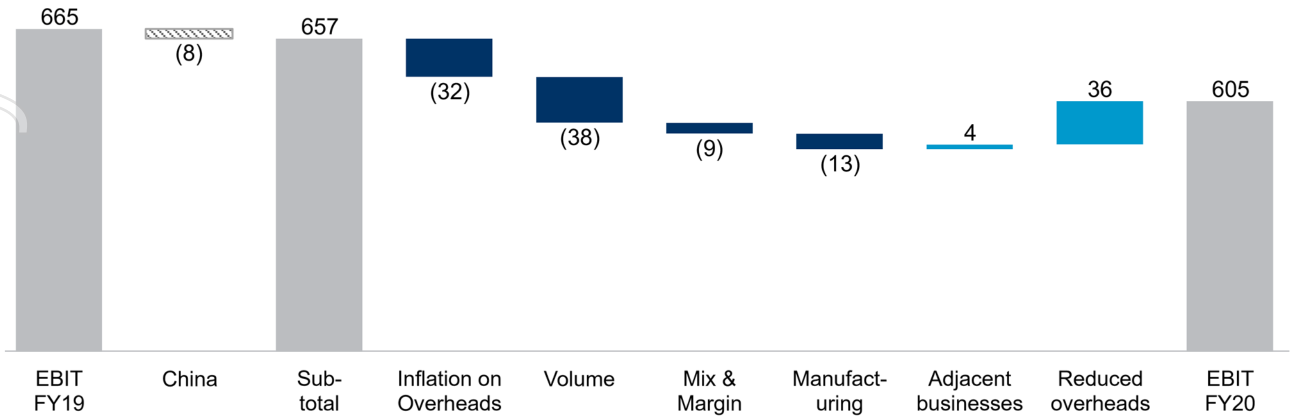
The achievement of these strategic objectives through a challenging period has further solidified Orica's platform for future growth.

Following a strong first half, momentum into the second half was disrupted by the COVID-19 pandemic which led to lockdowns and lower levels of mining activity in many countries across our markets. As a result, full year AN volumes were down 4% on the pcp, excluding 98 thousand tonnes sold by the recently acquired Exsa business since acquisition in May 2020. Including Exsa, AN volumes were down 1% on the pcp. While volume growth in Australia remained strong through the pandemic and mining activity in the United States of America (USA) was resilient, other geographical regions were impacted to varying degrees, and most severely in developing countries. Other structural impacts affecting the business include weakening and uncertain coal markets – particularly in the USA and Indonesia.

Sales revenue decreased by 5% on the pcp to $5.6 billion. This was largely the result of lower second half volumes, further impacted by decreased revenue from Minova, negative pricing in competitive markets and the impact of an ownership structure change of the China business which is no longer consolidated in Orica's results.

EBIT of $605 million was down 9% on the pcp after solid first half growth. In addition to reduced volumes, EBIT was impacted by the change in ownership structure of the China business. Higher gas costs on the east coast of Australia reduced EBIT by $12 million. Reductions in some sales prices in the current price sensitive environment along with lower recoveries of plant fixed costs due to reduced sales volumes further impacted EBIT. These factors were partly offset by growth in adjacent businesses and benefits from reduced overheads and management initiatives implemented to mitigate COVID-19 impacts.

FY19 to FY20 EBIT (A$M)



Key items in the chart above:

China, *($8 million)*

As previously reported, a new joint venture with Guizhou Jiulian Industrial Explosives was formed in the second half of the 2019 financial year. While the results from China subsidiaries were consolidated until June 2019, the joint venture's net profit after tax is no longer consolidated and is now treated as an after tax 49% equity accounted investment.

Inflation on Overheads, *($32 million)*

Inflation on fixed overhead costs had an adverse impact of $32 million.

Volume, *($38 million)*

Excluding Exsa, total AN volumes decreased by 4% on the pcp. Although volumes in most developed countries remained strong with mining activities continuing as essential services, many developing markets suffered severely from government mandated lockdowns and reduced mining activity.

Cyanide volumes were strong in a tighter global market, particularly with growth from new customers in Peru and Asia. Offsetting this was the non-repeat of spot sales in Mexico in the pcp.

Initiating systems volumes were down on the pcp, with conventional detonator volumes impacted across the year by customer site disruptions, mine plan changes or closures. Conventional detonator sales in China in the pcp which are no longer consolidated in Orica's volumes due to the ownership structure change were offset by the inclusion of Exsa volumes in the second half.

Mix & Margin, *($9 million)*

Pricing has been under pressure following the consolidation of gold customers affecting margins most significantly in the USA and Africa. Latin America was also affected by contract extension negotiations occurring in a price sensitive environment. Australian east coast margins were reduced by higher gas costs.

This was partly offset by improved product mix from an ongoing shift towards electronic blasting system (EBS) and emulsion products, and favourable foreign exchange (FX).

Manufacturing, *($13 million)*

Manufacturing reliability and performance continued to be strong with OEE at our continuous AN plants above 80%, however lower demand in the second half and heightened safety protocols due to COVID-19 at plants impacted fixed costs and associated recoveries.

Adjacent businesses, *+$4 million*

The Minova result increased from the pcp, from improved pricing and demand for higher value products, together with a continued focus on manufacturing cost efficiencies and overhead cost reduction.

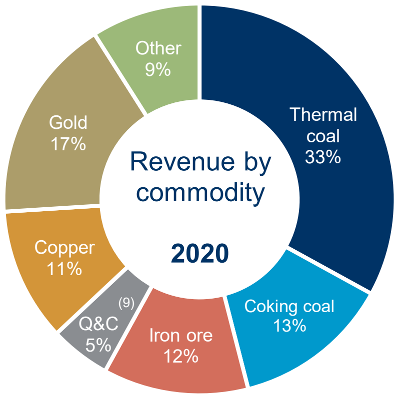
Following a strong first half, the Orica Monitor result was reduced by a shift from radar sales to leases due to customer capital constraints.

Reduced overheads, *+$36 million*

Overheads were reduced compared to the pcp, including from management initiatives implemented to mitigate COVID-19 impacts in the second half, reduced non-billable labour overheads and a reduction in discretionary spend.

Australia Pacific & Asia

Year ended 30 September	2020	2019	Change
Total AN & Emulsion Volumes ('000 tonnes)	1,763	1,682	*5%*
Total sales revenue (A$M)	2,193.9	2,106.0	*4%*
EBITDA[8] (A$M)	518.1	508.9	*2%*
EBIT[1] (A$M)	369.5	382.7	*(3%)*



Commodity exposure

A significant reduction in thermal coal demand in Indonesia and lower sales in India led the decreased thermal coal exposure compared to the pcp. Coking coal exposure increased from new business and expansion from existing customers on the east coast of Australia. Contribution from gold increased on the pcp from both higher cyanide sales and strengthened explosives demand in gold markets, while copper exposure increased from the ramp up of new business in Mongolia.

Performance drivers

COVID-19

Mining was deemed an essential service in Australia, and together with effective contingency planning, this allowed supply to customers to continue, largely uninterrupted. Negative impacts were broadly limited to increased supply chain and manufacturing costs together with deferred supply at a small number of customer sites in the last quarter. In contrast, the situation in Asia was more severe, particularly in Indonesia where customer activities were either reduced or temporarily shut down as a result of COVID-19.

Volume

Explosives volumes were strong in Australia despite COVID-19 effects in the second half and impacts from bushfires and extreme weather in the first half. The growth in an increasingly challenging coal market was underpinned by contract wins and sales to competitors. Volumes were up in the Pilbara region due to a strong iron ore market. Softening in the Indonesian thermal coal market led to a reduction in explosives volumes in Asia, partly offset by the ramp up of new customer activity in Mongolia.

EBS volume growth momentum continued from further customer conversion in Australia. New business in Mongolia and the Philippines partly offset the effect of reduced conventional detonator sales in China in the pcp which are no longer consolidated in Orica's volumes due to the ownership structure change.

Cyanide volumes increased on the pcp from new business in Asia and higher demand in Australia.

Technology-based product sales grew on the pcp, albeit constrained by new trial delays as specialists required to manage implementations could not be mobilised to sites due to COVID-19 limitations.

EBIT

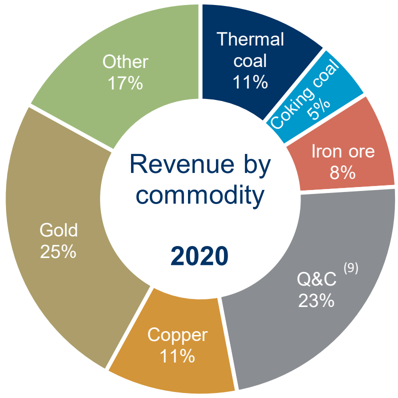
Excluding the $8 million impact from the ownership structure change of the China business, EBIT decreased 1% on the pcp. The region continued to drive increased uptake of advanced products which, in combination with management cost initiatives, partially mitigated several challenges faced during the period. Beside COVID-19, these included extreme weather events in the first half and a new gas supply contract effective from January 2020.

The Burrup plant commenced production in May 2020, manufacturing high quality product in line with expectations, driving an improvement in sourcing costs on the pcp.

Adjusting for the depreciation expense recognised in accordance with AASB 16 *Leases* from 1 October 2019, EBITDA decreased 3% on the pcp.

North America

Year ended 30 September	2020	2019	Change
Total AN & Emulsion Volumes ('000 tonnes)	1,023	1,128	*(9%)*
Total sales revenue (A$M)	1,476.4	1,590.5	*(7%)*
EBITDA[8] (A$M)	234.1	236.9	*(1%)*
EBIT[1] (A$M)	163.7	192.1	*(15%)*



Commodity exposure

The varying performance across the region resulted in a significant shift in commodity exposure compared to the pcp. Revenue contribution from Quarry & Construction (Q&C) markets in the USA increased, supported by strong government funding for small to medium sized infrastructure projects. This was offset by lower gold exposure due to prolonged customer mine closures and a slowdown in activity due to COVID-19 in Mexico.

Performance drivers

COVID-19

Mining in the USA was deemed an essential service early in the COVID-19 pandemic, allowing ongoing operations. In contrast, mining was deemed non-essential in Quebec, Canada leading to mandated shutdowns in March and April. The ramp up since April has been slow, with limitations from strict safety protocols on sites. Mexico was the worst impacted market in the region as mining was also deemed non-essential and many mines were shut in April and May. Although mines have since begun reopening, overall activity continues to be constrained as the pandemic remains widespread across the country.

Volume

Explosives volumes reduced by 9% on the pcp due to negative COVID-19 impacts in Canada and Mexico and continued geopolitical issues in Mexico. This was partly offset by slight explosives volume growth in the USA, following a strong first half in the Q&C sector. Second half Q&C volumes reflected a decline in larger infrastructure projects, offset by increased demand in small to medium sized projects. Abundant supplies of natural gas and resulting lower gas prices in the USA have shifted demand away from thermal coal, thus impacting explosives demand.

Both EBS and conventional detonators were down on the pcp as a result of COVID-19 shutdowns and the negative thermal coal impact in the USA while conventional detonator volumes across the region were impacted by temporary mine closures and production slowdowns.

Uptake of WebGen™ wireless detonators and BlastIQ™ technology further improved on the pcp, however further trials have been temporarily delayed due to COVID-19.

EBIT

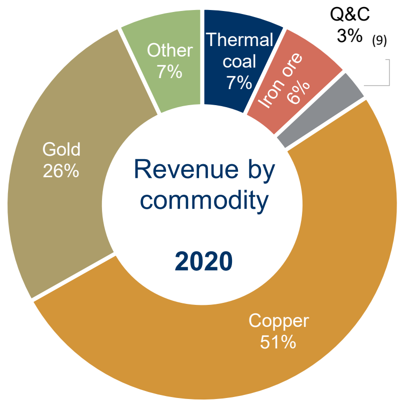
In addition to COVID-19 related volume reductions, results decreased on the pcp due to lower recoveries of fixed costs in the manufacturing plants, and the previously reported pricing impact from gold customer consolidation in the USA. Lower explosives volumes in Mexico and the non-repeat of cyanide sales in the pcp further contributed to the lower EBIT result.

These were partially offset by ongoing cost efficiency improvements across the region, positive FX movements and initial benefits from the closure of the Hallowell plant.

Adjusting for the depreciation expense recognised in accordance with AASB 16 *Leases* from 1 October 2019, EBITDA decreased 10% on the pcp.

Latin America

Year ended 30 September	2020	2019	Change
Total AN & Emulsion Volumes ('000 tonnes)	694	718	*(3%)*
Total sales revenue (A$M)	895.6	969.9	*(8%)*
EBITDA[8] (A$M)	70.6	66.5	*6%*
EBIT[1] (A$M)	36.6	43.8	*(16%)*



Commodity exposure

A significant shift in the region's commodity exposure reflects the inclusion of Exsa revenue from May 2020, resulting in greater exposure to copper and gold and a corresponding relative reduction in revenue contribution from thermal coal. This shift towards gold and copper was further increased by new contracts and strong cyanide demand. Lower explosives volumes to a customer in Colombia, following a change to their business model, also reduced the region's exposure to thermal coal.

Performance drivers

COVID-19

The Peruvian market was among the worst affected by COVID-19 with widespread partial or complete suspension of operations on customer mine sites driving a significant impact to the region's result. Colombia was also heavily impacted by government quarantine measures, which together with lower commodity prices, and significantly reduced coal demand, led to temporary mine and quarry closures. In Chile, mining was deemed as an essential service which partially mitigated the COVID-19 impact in the mining sector.

Volume

Although first half results in the region were strong, the prolonged and severe government mandated restrictions to mining activity heavily impacted second half volumes. Explosives volumes were also impacted by the change in a major Colombian customer's business model, shifting their requirements from explosives products towards the provision of services. This was partly offset by new emulsion sales to a customer in the copper sector in Peru, and the inclusion of Exsa sales volumes of 98 thousand tonnes.

EBS sales excluding Exsa were in line with the pcp, following positive customer conversion in the first half. Conventional detonator volumes decreased due to customer site disruptions and fewer competitor sales.

Cyanide volumes were higher than in the pcp from new customer wins in Brazil and Argentina, together with higher demand from existing customers in Peru.

EBIT

Following a strong first half, the significant COVID-19 impact to the region in the second half was partly mitigated by management initiatives such as business rightsizing, improved procurement costs, reduced fixed costs, leveraging augmented reality technology to ensure ongoing service delivery and a reduction in discretionary spend.

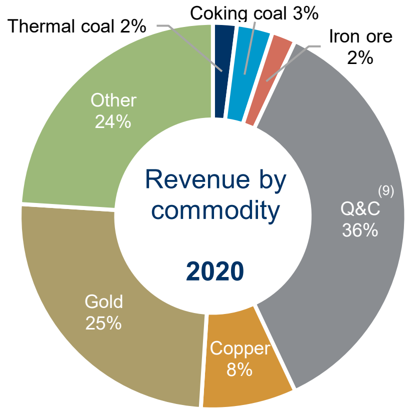
Improved cyanide pricing partly offset negative explosives pricing impacts which occurred as a result of contract negotiations in the current price sensitive market.

The integration of the newly acquired Exsa business is progressing in line with plan despite challenges from COVID-19 and significant disruptions to mining activity in Peru. This has enabled the achievement of major milestones such as the production of Orica branded products and the commencement of bulk AN imports. The Exsa business delivered a neutral underlying EBIT result in the 2020 financial year.

Adjusting for the depreciation expense recognised in accordance with AASB 16 *Leases* from 1 October 2019, EBITDA decreased 5% on the pcp.

Europe, Middle East & Africa

Year ended 30 September	2020	2019	Change
Total AN & Emulsion Volumes ('000 tonnes)	450	444	*1%*
Total sales revenue (A$M)	912.4	911.2	-
EBITDA[8] (A$M)	94.5	93.9	*1%*
EBIT[1] (A$M)	62.4	67.9	*(8%)*



Commodity exposure

Despite a slowdown in infrastructure projects in the Nordics, Q&C remained the most significant commodity for the region during the year. Gold exposure decreased on the pcp, having been particularly impacted by COVID-19 in Africa, partly offset by pricing benefits from a tightening in global cyanide markets. Exposure to the phosphate market remained strong as a result of continued demand in the Commonwealth of Independent States (CIS).

Performance drivers

COVID-19

Early impacts from COVID-19 commenced in April 2020, with lockdowns enforced at customer mine and quarry sites in Belgium, Spain, Portugal and parts of the Nordics in the second half.

Mining activity impacts were varied across Africa, delaying growth in the key strategic market. Total lockdowns were mandated in South Africa and Namibia, and restrictions were imposed in many other countries across the continent. Two customer mines were closed for care and maintenance in the Democratic Republic of Congo.

Volume

Explosives volumes in the first half were led by key growth markets in the CIS and across Africa, driven both by new contract wins and higher demand from existing customers. Although COVID-19 disrupted growth momentum, full year explosives volumes increased on the pcp in both the CIS and Africa. Explosives volumes in Europe were impacted by a decline in the Estonian oil shale market which led to customer plant closures. Postponed government spending on new projects in Norway resulted in lower tunnelling and construction activity.

EBS volumes increased on the pcp, from positive customer conversion in Norway, partly offset by negative product mix in Africa. Conventional detonator volumes were significantly impacted in the second half due to COVID-19 business disruptions across the region.

Cyanide volumes were lower than the pcp due to customer cost pressures in Africa.

EBIT

After a strong first half, EBIT in the second half was lower than the pcp, with mining activity significantly slowed by the COVID-19 pandemic. A continued shift from conventional detonators to EBS in Norway was offset by a negative mix shift towards conventional detonators in Africa, driven by a customer's price-led procurement strategy. Unfavourable FX movements on trade working capital further impacted EBIT.

Overall, a tightening in global cyanide demand led to a pricing benefit. This, together with management initiatives and a continued focus on cost efficiency partly offset the negative COVID-19 impact.

Adjusting for the depreciation expense recognised in accordance with AASB 16 *Leases* from 1 October 2019, EBITDA decreased 6% on the pcp.

Minova

Year ended 30 September	2020	2019	Change
Steel products ('000 tonnes)	115	156	(26%)
Resins & Powders ('000 tonnes)	111	123	(10%)
Total sales revenue (A$M)	470.7	595.1	(21%)
EBITDA[8] (A$M)	32.2	24.3	33%
EBIT[1] (A$M)	20.8	15.2	37%

Performance drivers

Revenue was significantly impacted in the second half by COVID-19 related lockdowns in South Africa and India. Revenue was also driven lower by a reduction in steel surcharges and softer coal sector activity in the USA due to low natural gas prices.

In contrast, EBIT increased on the pcp due to pricing and supply chain improvements, manufacturing cost efficiencies together with the successful turnaround of the business which has continued a focus on overhead cost reduction.

Orica Monitor

Year ended 30 September	2020 A$M	2019 A$M	Change
EBIT[1]	20.3	22.3	(9%)

Performance drivers

The Orica Monitor segment comprises GroundProbe and Nitro Consult businesses.

GroundProbe sales were impacted in the second half by an increase in customers opting to lease radars over purchasing radars in a capital constrained environment. Remote geotechnical modelling revenue continues to rise, growing 28% on the pcp.

Despite a favourable EBITDA result on the pcp, EBIT was lower due to a greater depreciation expense on the larger GroundProbe radar lease fleet. Following restructuring activity in underperforming areas of the business in the first half, Nitro Consult delivered a positive full year EBIT result.

Global Support

Year ended 30 September	2020 A$M	2019 A$M	Change
EBIT[1]	(68.8)	(59.3)	(16%)

Global Support costs increased on the pcp, notably from arbitration costs associated with the Burrup plant.

Net interest expense

The net interest expense of $150 million increased on the pcp as a result of a higher unwinding of discount on provisions (non-cash), primarily as a result of a material decline in the discount rate applied to remeasure provisions as at 30 September 2020, combined with the recognition of interest expense on leases in accordance with AASB 16 *Leases*, effective from 1 October 2019.

Year ended 30 September	2020 A$M	2019 A$M	Variance A$M
Net interest expense excluding unwinding of discount on provisions and lease interest	(88.8)	(100.4)	11.6
Unwinding of discount on provisions	(48.2)	(9.3)	(38.9)
Lease interest	(12.6)	n/a	(12.6)
Net interest	**(149.6)**	**(109.7)**	**(39.9)**

Tax expense

The effective rate of 32% is in line with pcp.

Group Cash Flow

Year ended 30 September	2020 A$M	2019 A$M	Variance A$M
Net Operating cash flows[4]	277.4	746.4	(469.0)
Net Investing cash flows[10]	(660.4)	(368.4)	(292.0)
Net Operating and Investing cash flows	**(383.0)**	**378.0**	**(761.0)**
Dividends – Orica Limited	(179.4)	(177.2)	(2.2)
Dividends – non-controlling interest shareholders	(11.3)	(18.0)	6.7
Adjusted net cash flows	**(573.7)**	**182.8**	**(756.5)**
Movement in borrowings and other net financing cash flows[11]	1,126.6	(296.3)	1,422.9
Net cash flow inflow / (outflow)[12]	**552.9**	**(113.5)**	**666.4**

Performance highlights

Net Operating cash flows

Net cash generated from operating activities was impacted by an increase in working capital and lower earnings.

Net Investing cash flows

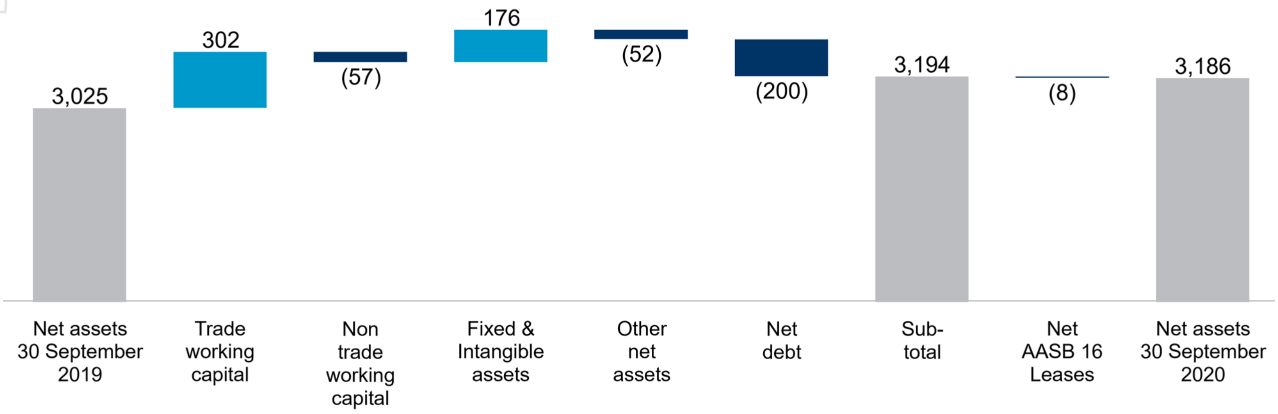
The increase in investing cash flows relates largely to the acquisition of Exsa and capital expenditure.

Movement in borrowings and other net financing cash flows

The cash inflow comprises $505 million in new equity through the equity raising in February 2020 to fund the Exsa acquisition and net borrowings of $682 million from debt facilities which includes the recent US Private Placement in June of $725 million.

Group Balance Sheet

Movement in net assets (A$M)



Performance highlights

Trade working capital **[13]** increased by $302 million on the pcp, including acquired Exsa trade working capital and significant items. Debtors increased by $156 million. The impact of initial billing delays following the implementation of the SAP system has materially contributed to the increase. Creditors decreased by $124 million as a consequence of softer trading conditions caused by COVID-19 and a planned alignment of payment terms following the SAP system implementation. Inventory increased by $22 million on the pcp due to Exsa; excluding Exsa underlying inventory was down $34 million in response to lower demand due to COVID-19.

Non trade working capital **[14]** was impacted by increased environmental and decommissioning provisions including significant items, partly offset by higher non trade debtors.

Fixed & Intangible assets increased by $176 million from the pcp due to additions of $511 million and acquired Exsa assets of $254 million which were partly offset by disposals of $6 million, depreciation and amortisation expense and impairment charges totalling $377 million, as well as a foreign exchange translation impact of $206 million.

Other net assets decreased by $52 million from the pcp, driven by the revaluation of financial instruments resulting from strengthening of the Australian Dollar.

AASB 16 Leases which became effective from 1 October 2019 resulted in a net $8 million decrease in net assets from 30 September 2019.

Balance Sheet Strength

Orica's Balance Sheet remains healthy, with significant headroom against both the gearing and interest cover debt covenants. Undrawn committed bank facilities of $1,510 million, complemented by cash of $921 million provides for a strong liquidity position.

Proactive pre-financing and refinancing of committed bank facilities, complemented by the recent US Private Placement bond issue results in limited near term refinancing requirements. Cash proceeds resulting from the bond issue are reflected in cash on hand at 30 September 2020. The bond issue was undertaken to refinance an existing October 2020 maturity ($469 million).

As we continue to face a period of uncertainty in the COVID-19 environment, Orica has remained focused on cash preservation. This includes placing a hold on discretionary spend and reviewing capital expenditure for opportunities for deferment.

Our strong financial position provides flexibility to invest for the future and positions Orica well for when normalised mining growth returns.

Debt Management and Liquidity

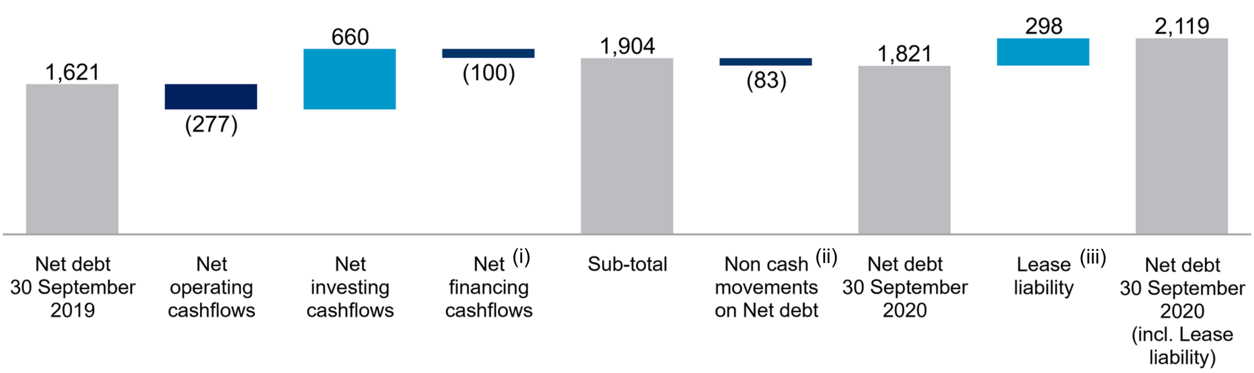
As at 30 September	2020 A$M	2019 A$M	Variance A$M
Interest bearing liabilities - excluding lease liabilities	(2,741.0)	(2,032.8)	(708.2)
Less: Cash and cash equivalents	920.5	412.6	507.9
Net debt [(6)]	(1,820.5)	(1,620.2)	(200.3)
Lease liabilities	(298.7)	(0.4)	(298.3)
Net debt – including lease liabilities	(2,119.2)	(1,620.6)	(498.6)
Gearing % - excluding Lease liabilities	36.4%	34.9%	1.5pts

Interest bearing liabilities of $2,741 million comprise $2,588 million of US Private Placements and $153 million of committed and other bank facilities. The average tenor of drawn debt is 5.0 years (2019 4.7 years).

Gearing excluding lease liabilities at 36.4% is within the Group's target range of 30-40%.

The chart below illustrates the movement in net debt from 30 September 2020.

Movement in net debt (A$M)



(i) Includes debt of $155 million assumed on acquisition of Exsa and subsequently paid down by Orica
(ii) Non-cash movements on Net debt comprise foreign exchange translation
(iii) Commenced 1 October 2019 under AASB 16 *Leases*

Individually significant items

Financial year ended 30 September 2020	Gross A$M	Tax A$M	Net A$M
Initiating systems network optimisation	(80.1)	13.0	(67.1)
Impairment expense	(63.4)	18.7	(44.7)
Operating model restructuring	(26.9)	7.7	(19.2)
Individually significant items attributable to shareholders of Orica	**(170.4)**	**39.4**	**(131.0)**

Initiating systems network optimisation

As part of the network optimisation program within our strategic priorities, the Minden, Hallowell (USA) and Tappen (Canada) plants will cease production. The resulting expense includes an impairment to Property, Plant and Equipment ($33 million), increase in environmental and decommissioning provision ($28 million), redundancies ($8 million) and inventory write offs ($11 million).

Impairment expense

The impairment review and the transition to the new SAP operating system led to the identification of $63 million of legacy IT assets that would no longer be utilised by the business.

Operating model restructuring

Headcount reductions as part of the ongoing review of the organisational structure resulted in redundancy costs of $27 million.

Dividend

Our strong result, healthy Balance Sheet and confidence in the future have enabled us to maintain a dividend, reduced to reflect continuing uncertainty in our operating environment.

The Board has declared a final ordinary dividend of 16.5 cents per share, unfranked. The dividend represents a payout ratio [15] of 50%. This brings the full year dividend to 33.0 cents per share, and a full year payout ratio of 45%.

The dividend is payable to shareholders on 15 January 2021 and shareholders registered as at the close of business on 1 December 2020 will be eligible for the final dividend. It is anticipated that dividends in the near future will be franked at no more than 20%.

Strategic priorities

Supporting our strategic objectives, we have a clear roadmap which focuses on moving towards leaner, more efficient operations and profitable growth, both of which are Orica's key value drivers over the medium to long term.

Exsa acquisition

The acquisition of Exsa represented a major milestone in a key strategic region with synergies to be unlocked in particular from the state-of-the-art, underutilised manufacturing facility at Lurin. Since the acquisition, Exsa plants have begun producing Orica branded product, and synergistic benefits have materialised from October 2020. The acquisition is on track to achieve over $50 million EBITDA contribution in 2023 financial year, including approximately $25 million in synergies.

Initiating systems network & product portfolio optimisation

The Group is undertaking a global project to rationalise its product portfolio, simplify and reduce its different technologies, and enable the optimisation of the initiating system (IS) plant network. This is expected to result in an increase in average IS plant utilisation from 48% to around 75% by 2023 and 80% by 2024.

During the 2020 financial year, the program has progressed with plant closures in North America having been announced. However, SKU rationalisation was slowed during the SAP system transition with prior momentum to be re-gained during the 2021 financial year.

Manufacturing reliability

During the year, the average OEE of all continuous AN plants exceeded the targeted 80%. The network was further strengthened by the commencement of production at the Burrup plant which will deliver an annualised EBIT of approximately $25 million going forward. An expected increase in cyanide production and an ongoing focus on maintaining our plants' strong manufacturing reliability will continue to support our strategic objectives.

Operating model execution

With the completion of the final phase of the SAP project, benefits will begin being embedded across the business. A major component of this is an ongoing review of the organisational structure which will be streamlined and aligned with the standardised end-to-end processes and increased automation of the SAP system.

A 20% annualised cash return on investment on the SAP project of approximately $60 million is expected by the 2023 financial year, with the improvements spread evenly over the next three years.

Technology rollout

Our penetration of new technology offerings continues, with particularly strong uptake of our digital solutions in the 2020 financial year. Although new WebGen™ trials have largely been paused due to challenges from COVID-19 in accessing mines and mobilising the relevant personnel, strong market demand remains and will continue to grow when normalised mining activity returns. The introduction of WebGen™ 200 together with achieving critical mass will drive profitable growth.

The EBIT uplift from new technology in the 2021 financial year is expected to be approximately $15 million, subject to global recovery from COVID-19 in the second half.

Outlook

COVID-19 recovery

Timing of recovery in markets across the globe is difficult to predict. Mining continues to be considered an essential service in key markets however challenges are anticipated to be significant through at least the first half of the 2021 financial year with some potential improvement in the second half.

A pre COVID-19 run rate is expected to be realised in developed countries, while developing countries continue to battle prolonged and more severe impacts than previously anticipated.

2021 financial year

EBIT for the first half of 2021 is expected to be lower than the pcp, followed by a substantial improvement in the second half, with overall EBIT growth for the full year. This is based on current expectations that COVID-19 will continue to impact our business in the first half, but conditions will improve in the second half. Our focus will remain on controllable factors, realising initial benefits from our strategic priorities and our solid platform for growth.

Based on the current view of mining activity, AN volume, excluding Exsa, is expected to grow by approximately 1% on the 2020 financial year.

We expect the initiatives from our strategic priorities to deliver between $40 million and $50 million EBIT benefit in the 2021 financial year, weighted more to the second half from:

- Initiating systems network & product portfolio optimisation
- Operating model execution
- Technology rollout

Exsa AN volumes for the 2021 financial year are expected to be approximately three times that of the pcp, given a full year of contribution. Realisation of synergies is expected to start ramping up in the second half of the 2021 financial year.

Positive EBIT contribution is expected from Burrup in its first full year of production.

Capital expenditure is expected to be $380 million to $400 million, excluding Burrup but including capital required for the newly acquired Exsa business. We will maintain our focus on our balance sheet strength and liquidity position.

Depreciation and amortisation expense is expected to increase by around 30%, largely attributable to depreciation from Burrup, the SAP system and Exsa.

Integrated within our strategic priorities is our objective of moving towards a decarbonised environment and achieving climate-resilient economic growth.

Footnotes

The following footnotes apply to this results announcement:

(1) Equivalent to profit/(loss) before financing costs and income tax as disclosed in Note 1(b) within Appendix 4E – Preliminary Final Report, before individually significant items

(2) Equivalent to profit after income tax expense before individually significant items attributable to shareholders of Orica Limited, as disclosed in Note 1(b) within Appendix 4E – Preliminary Final Report

(3) Basic earnings per share before individually significant items as disclosed in Note 2 within Appendix 4E – Preliminary Final Report

(4) Equivalent to net cash flows from operating activities, as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report

(5) Comprises spend on property, plant and equipment and intangible assets, on an accruals basis for the 2020 financial year to align with SAP reporting, and on a cash basis in prior years

(6) Total interest bearing liabilities – excluding lease liabilities less cash and cash equivalents, as disclosed in Note 3 within Appendix 4E – Preliminary Final Report

(7) Net debt / (net debt + total equity), where net debt excludes lease liabilities, as disclosed in Note 3 within Appendix 4E – Preliminary Final Report

(8) EBIT before individually significant items plus depreciation and amortisation expense

(9) Quarry and construction

(10) Equivalent to net cash flows used in investing activities, as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report

(11) 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

(12) Equivalent to net increase/(decrease) in cash held, as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report

(13) Comprises inventories, trade receivables and trade payables, as disclosed in the Balance Sheet within Appendix 4E – Preliminary Final Report

(14) Comprises other receivables, other payables and provisions, as disclosed in the Balance Sheet within Appendix 4E – Preliminary Final Report

(15) Dividend amount / NPAT before individually significant items

Forward-looking statements
This announcement has been prepared by Orica Limited. The information contained is for informational purposes only. The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. This announcement 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 presentation. 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 presentation. 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 announcement. 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. The 2020 Full Year Results presentation includes non-IFRS reconciliations. Forecast information has been estimated on the same measurement basis as actual results.

For further information

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The Directors of Orica Limited ('the Company' or 'Orica') present the Annual Report of the Company and its controlled entities (collectively 'the Group') for the year ended 30 September 2020 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
A Calderon, Managing Director and Chief Executive Officer ('CEO')
M N Brenner
Boon S F
Lim C O (retired 31 October 2019)
D W Gibson
K A Moses
G T Tilbrook
J R Beevers (appointed 1 February 2020)

On 1 March 2020, E O'Connor and K Anderson Llewellyn were each appointed as Company Secretary of Orica Limited. This position was previously held by K Gray.

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

Directors' meetings

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

Director	Scheduled Board Meetings [1]		Audit and Risk Committee [1]		Human Resources and Compensation Committee [1]		Nominations Committee [1]		Safety, Health, Environment, Community & Security Committee [1]		Innovation and Technology Committee [1]	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M W Broomhead[2]	11	11	-	-	-	-	6	6	-	-	1	1
M N Brenner	11	11	5	5	6	6	6	6	-	-	-	-
A Calderon[3]	11	11	-	-	-	-	-	-	-	-	-	-
D W Gibson	11	11	-	-	6	6	6	6	-	-	4	4
K A Moses	11	11	-	-	6	6	6	6	5	5	-	-
Boon S F	11	11	5	5	-	-	6	6	-	-	4	4
G T Tilbrook	11	11	5	5	-	-	6	6	5	5	-	-
J R Beevers[4]	6	6	-	-	-	-	4	4	4	4	3	3
Former												
Lim C O[5]	3	2	-	-	2	2	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 Managing Director and CEO attends Committee meetings on an 'as needs' basis.
(4) Mr J R Beevers was appointed to the Orica Board on 1 February 2020 and joined the Safety, Health, Environment, Community & Security Committee and the Innovation & Technology Committee on the 1 February 2020.
(5) Mr Lim Chee Onn retired from the Orica Board & Committees effective 31 October 2019.

Directors' interests in share capital

The relevant interest of each Director in the share capital of the Company 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.

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.

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 2020.

Dividends

Dividends paid or declared since the end of the previous financial year were:	$m
Final dividend at the rate of 33.0 cents per share on ordinary shares, 15.2% franked at 30%, paid 13 December 2019	125.6
Interim dividend declared at the rate of 16.5 cents per share on ordinary shares, unfranked, paid 8 July 2020	67.0
Total dividends paid	192.6

Since the end of the financial year, the Directors have declared a final dividend to be paid at the rate of 16.5 cents per share on ordinary shares. This dividend will be unfranked.

Events subsequent to balance date

Dividends

On 19 November 2020, the Directors declared a final dividend of 16.5 cents per ordinary share payable on 15 January 2021. The financial effect of this dividend is not included in the Annual Report for the year ended 30 September 2020 and will be recognised in the FY2021 Annual Report.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2020, 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 seeks to be compliant with 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.

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 its 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 insurance contract 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's 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's independence as set out in *APES 110 Code of Ethics for Professional Accountants (Including Independence Standards)*, 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.

A copy of the lead auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is contained on page 26 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 21 to the Annual Report.

Cover Letter (unaudited) to the Remuneration Report

Dear Shareholders,

On behalf of the Board, I am pleased to present Orica's 2020 Remuneration Report, for which we seek your support at our Annual General Meeting.

Performance alignment and impact of COVID-19

The 2020 financial year for Orica has been a year like no other with severe natural disasters in the first half, followed by the COVID-19 global pandemic in the second half. All employees across Orica have responded extremely well, and in relation to the pandemic have implemented measures to keep our people safe and well, maintaining reliable and safe operations, and supporting our local communities. Against this backdrop we have also managed to successfully deliver on all planned strategic initiatives and continue to build a strong platform for growth. On behalf of the Board, I would like to thank all of our employees for their significant effort and commitment throughout this unprecedented period.

While site closures in certain countries and travel restrictions initially disrupted portions of the workforce, a large majority of our employees have been able to continue working through the pandemic, including many flexibly at home. For our many manufacturing and operational employees who needed to work on-site, we took steps to adapt our workplaces to new regulations on social distancing and established new processes to ensure safe and productive work environments. We have maintained a strong relationship with the local communities in which we operate. There are many examples of our employees providing support to those communities including the provision of sanitising and personal protective equipment to those impacted by the pandemic.

With mining activities deemed as an essential service in most countries around the world, business impact due to COVID-19 was mixed based on geography. We have seen limited business impact in Australia, the United States of America and CIS countries, with Canada slowly recovering. However, demand in Peru, Colombia, Mexico, India, South Africa and parts of Europe and Asia has been adversely affected in the second half as the COVID-19 impact has been harsher and more sustained.

The business delivered a solid result in the first half which was in line with the Board's expectations, despite COVID-19 starting to gain momentum in March. Based on our knowledge at the time of our first half results in May as COVID-19 was beginning to peak, we expected Ammonium Nitrate volume demand to drop between 10-15% against expectations in the second half. Our year-end Earnings Before Interest and Tax (EBIT) result is broadly in line with these expectations.

We are pleased that despite a reduced EBIT compared to last year, we have been able to maintain distributions to shareholders which is reflective of strong balance sheet management and commitment to shareholder returns.

Short-term incentive
The impact of COVID-19 on the Group's performance was carefully considered in determining the award of this year's short-term incentive outcomes.

Group financial EBIT and Return on Net Assets (RONA) targets were based on the budget set prior to COVID-19. Outcomes for these metrics were significantly impacted by reduced demand in the second half of the year, which resulted in a below threshold outcome being achieved against both EBIT and RONA measures.

Excellent safety performance was achieved in FY2020 with a significant improvement in Serious Injury Case Rate (SICR) performance from the prior year. Measures relating to Key Control Verifications (KCV) and close out of critical actions were achieved at maximum performance at a Group level, both improving on prior year performance, reflecting the relentless focus within Orica to pro-actively manage and mitigate major hazards across the organisation. Importantly there were no fatalities in FY2020.

The final outcome for the CEO was 45.2% of his target opportunity (22.6% of maximum) and for other Executive Key Management Personnel (KMP) outcomes ranged between 37.6% and 82.6% of target. The performance of management was commendable throughout the second half of FY2020 with no interruption of supply to any customer, and the completion of both our SAP implementation and integration of Exsa remotely given workplace restrictions. However, given the impact of COVID-19 on the activity of our customers' mining operations and the resulting decline in EBIT, the Board considers the outcomes fairly reflect the shareholder experience during this period. STI outcomes and commentary are provided in Section 3.2 of this report.

Long-term incentive
There was partial vesting (77.15% of the total award) of the LTI awards granted in FY2017, with the performance period ending on 30 September 2019 and tested in November 2019. The Relative Total Shareholder Return (RTSR) metric was achieved at upper quartile vesting and the average Return on Capital (ROC) performance was achieved between target and maximum. In determining the outcome, the Board exercised its discretion to adjust for significant items to ensure they neither benefited nor disadvantaged management. This is noted in Section 3.3 of this report.

It is not anticipated that LTI awards granted in FY2018 (performance period ending on 30 September 2020 and tested in November 2020) will vest due to the average RONA performance being below the required threshold. It is expected that the decline in earnings in FY2020 due to the impact of COVID-19 will also have a detrimental impact on the two other LTIP grants currently on foot (FY2019 and FY2020) which are solely based on RONA performance. The Board will continue to review the appropriateness of the LTI targets within these plans in the context of COVID-19.

Changes in FY2020

During the year, no material changes were made to our remuneration framework, however two Safety, Health and Environment (SHE) metrics were refined to improve the measures as indicators of SHE performance. This is discussed in more detail in section 3.1 of this report. Further, based on feedback from investors, to enable shareholders to better understand how Short-Term Incentive (STI) outcomes are derived we have enhanced our STI disclosure to include the FY2020 target and the weighted outcome for each scorecard measure.

The Board did spend time strengthening the assessment of Executive performance when determining individual incentive outcomes. Leveraging our SAP investment, we have incorporated a process that aims to provide greater insight. This involves formalised feedback to the Board from functional leaders, the CEO and Chairs of each Board Committee. These insights are key inputs into the final determination of performance outcomes, including the overall exercise of discretion, which remains a key element of our framework.

Two members of the Executive KMP received increases in Fixed Annual Remuneration (FAR) – Christopher Davis (Chief Financial Officer) in recognition of his performance in the role since his appointment in October 2018 and to better align to market benchmarks, and Germán Morales (President Latin America & Supply) to reflect the additional scope of responsibilities in his role leading our Global Supply Chain function as well as integration of the newly acquired Exsa business in Peru. These increases were effective 1 January and 1 March 2020, respectively.

With respect to KMP changes, Sanjeev Gandhi joined the organisation in July 2020 as President, Australia Pacific and Asia and further strengthens Orica's world class leadership team. The Board also welcomed John Beevers as a Non-Executive Director in February 2020 while Lim Chee Onn retired from the Board having served since 2010.

Executive Remuneration for FY2021

Each year the Board tests the measures used to reward short and long-term performance so that they reflect the most relevant drivers of value in our business and remain aligned to Orica's strategic direction. While there will be no changes to the incentive structure or opportunity levels in FY2021, we will be making certain changes to our STI metrics. We will update two of our SHE metrics to replace existing lead indicators with outcome-based measures, including tracking high potential incidents. We recognise the importance of monitoring the environmental impact of our operations and in FY2021 we will include a metric which measures the Loss of Containment as one of our key potential impacts to the environment. Finally, a 'Cash Generation Efficiency' metric will be introduced to reflect the importance of cash flow in driving our on-going financial strength. More information on these new changes is outlined in Section 2 of this report.

The last major change to our remuneration framework was implemented at the start of FY2018 and was developed to support a transformation program aimed at optimising Orica's operating and capital efficiency. With large parts of this transformation now delivered, the Board intends to commence a formal review of the Executive Remuneration Framework in the coming year. The review will focus on ensuring the framework remains aligned to Orica's strategy, enables us to attract, engage and retain talent, motivates our people to deliver their best performance and aligns the interests of executives with our shareholders. Similar to the consultative engagement program we undertook before the last change in FY2018, we look forward to engaging with shareholders as we undergo this review process.

It remains our intention to encourage open dialogue with shareholders and other stakeholders, particularly around our remuneration practices and disclosures, and accordingly I welcome any feedback.

Yours faithfully,

Maxine Brenner
Chairman, Human Resources and Compensation Committee
19 November 2020

Remuneration Strategy and outcomes linked to business strategy and performance

At Orica, remuneration is linked to the drivers of our business strategy, helping to create long-term success for shareholders. The at-risk components of remuneration are tied to measures that reflect operating and capital efficiencies in both the short and long-term. Strategic drivers are reflected in STI and LTI performance measures – so that Executive incentives are linked to actual performance. The diagram below provides an overview of the Framework and the specific performance linkages. Key terms of the STI and LTI Plans are outlined in Section 3.1.

Our strategic drivers …	are reflected in STI and LTI performance measures …	so Orica's actual performance in FY2020 …	links to what Executives are paid.
Safety, Health & Environment	**Reduce the number of serious injuries and mitigate and manage risk from major hazards**	SICR rates fell to the lowest level since FY2016 as a result of a strong focus on preventing serious injuries. Maximum performance achieved for KCVs and close out of critical actions reflecting strong operational discipline.	
Business Transformation	**EBIT** Sustainably increase productivity and devolve responsibility to regional businesses.	Solid result in first half however final EBIT outcome was below threshold, predominantly due to reduced demand and increased freight costs in the second half of the year as a result of the COVID-19 pandemic	**CEO STI outcome in FY2020** = 45.2% of target (22.6% of maximum) **Average STI in FY2020 for Executive KMP, including the CEO** = 58.3% of target (29.2% of maximum)
	RONA Drive sustainable productivity improvement and efficient capital allocation.	. RONA outcome was below threshold, being significantly impacted by COVID-19 pandemic in second half of the year.	
	Personal objectives for each Executive (other than the CEO) reflect strategic priorities including enhancing Orica's development and use of technology, operating efficiency and adjacency growth.[1]	Progress on commercialisation of new technology despite COVID-19 impact limiting customer site access, implementation of global SAP platform and successful completion of the Exsa transaction. Achievement against personal objectives was on average above target.	
Long-term shareholder value creation	**RONA, together with holding locks** Drive sustainable productivity improvement and efficient capital allocation.	During FY2020, the FY2017 award was eligible for testing against two performance measures – Relative Total Shareholder Return (RTSR) and ROC. Maximum performance was achieved against RTSR; while performance between target and maximum was achieved against the ROC measure.	Partial LTI vesting of FY2017-19 LTI (77.15% of LTI awarded) in FY2020 for the CEO and eligible Executive KMP. FY2018-20 LTI (to be tested in November 2020) is not anticipated to vest.

[1] While not specifically included as an STI metric for the CEO, the Board continues to measure progress against rigorous, externally validated employee engagement and organisational health baselines and against plans to improve engagement and strengthen business conduct, ethics and compliance. Building and strengthening conduct and diversity is a specific focus area for the Human Resources and Compensation Committee and is included in the assessment of any exercise of discretion by the Board in relation to remuneration outcomes. The overall assessment of Executive performance was also strengthened when determining individual STI outcomes. Leveraging the SAP investment, a process has been implemented that aims to provide greater insight through formalised feedback from functional leads, the CEO and Chairs of each Board Committee.

Directors' Report – Remuneration Report 2020 (audited)

Contents

Section 1: Key Management Personnel

1.1 Executive Key Management Personnel

1.2 Non-Executive Directors Key Management Personnel

Section 2: Key stakeholder questions

2.1 What is Orica's Executive remuneration strategy?

2.2 How is Executive remuneration structured?

2.3 When is remuneration earned and received?

2.4 What is the remuneration mix for Executive KMP?

2.5 How much did Executives get paid in FY2020?

2.6 What have been the historical incentive outcomes for the CEO?

2.7 How is the CEO's salary determined?

2.8 What changes are proposed for the Executive Remuneration Framework in FY2021?

Section 3: Executive remuneration

3.1 Executive Remuneration Framework

3.2 Short-term incentive outcomes – link to performance

3.3 Long-term incentive outcome

3.4 Equity granted in FY2020

3.5 Overview of business performance – five-year comparison

3.6 Service agreements

Section 4: Non-Executive Director arrangements

4.1 Overview

4.2 Fees and other benefits

Section 5: Remuneration governance

5.1 Responsibility for setting remuneration

5.2 Use of remuneration advisors during the year

5.3 Securities dealing policy and Malus

5.4 Executive and Director share ownership

Section 6: KMP statutory disclosures

6.1 Executive KMP remuneration

6.2 Summary of awards held under Orica's LTI and STI deferred share arrangements

6.3 Non-Executive Director remuneration

Section 1. Key Management Personnel

1.1 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 Australian 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.

Name	Role in FY2020	Commencement date in role	Country of Residence
Executive Director			
Alberto Calderon	Managing Director and CEO	19 May 2015	Australia
Executive KMP			
Christopher Davis	Chief Financial Officer	1 October 2018	Australia
James Bonnor	President - North America	1 October 2015	United States
Darryl Cuzzubbo	Chief Manufacturing Officer	7 October 2019	Australia
Sanjeev Gandhi(1)	President - Australia Pacific & Asia	20 July 2020	Australia
Angus Melbourne(2)	Chief Commercial Officer	1 October 2016	Australia
Germán Morales	President - Latin America & Supply	1 September 2018	Chile
Thomas Schutte	President - Europe, Middle East and Africa	1 October 2017	United Kingdom
Former Executive KMP			
Carlos Duarte(3)	Group Executive, Manufacturing & Supply	1 October 2017	Australia

(1) Effective 20 July 2020, Sanjeev Gandhi joined Orica as President - Australia Pacific & Asia. James Crough acted as interim President - Australia Pacific & Asia from 7 October 2019 until 20 July 2020. James Crough is not disclosed as an Executive KMP in this report on the basis that an executive acting in an interim capacity is not considered to have the same level of authority for planning, directing and controlling the entity as a permanent appointment to the role.

(2) Effective 1 December 2019, Angus Melbourne relocated from Singapore to Australia.

(3) Carlos Duarte, Group Executive Manufacturing & Supply, ceased to be a KMP on 7 October 2019. Carlos was not eligible to participate in the FY2020 STI plan or FY2020 LTI offer.

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

1.2 Non-Executive Directors Key Management Personnel

The Non-Executive Directors who held office during FY2020 are set out below:

Name	Role in FY2020	Commencement date in role	Country of Residence
Current Directors			
Malcolm Broomhead	Non-Executive Director, Chairman	1 December 2015	Australia
John Beevers	Non-Executive Director	1 February 2020	Australia
Maxine Brenner	Non-Executive Director	8 April 2013	Australia
Boon Swan Foo	Non-Executive Director	6 May 2019	Singapore
Denise Gibson	Non-Executive Director	1 January 2018	United States
Karen Moses	Non-Executive Director	1 July 2016	Australia
Gene Tilbrook	Non-Executive Director	14 August 2013	Australia
Former Directors			
Lim Chee Onn(1)	Non-Executive Director	12 July 2010	Singapore

(1) Ceased to be a director on 31 October 2019

Section 2: Key stakeholder questions

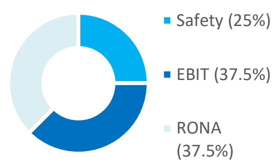
2.1 What is Orica's Executive remuneration strategy?

Orica's Executive Remuneration Strategy is illustrated below:

OBJECTIVE: COMPETITIVE REMUNERATION THAT ALIGNS EXECUTIVES WITH THE LONG-TERM SUCCESS OF ORICA AND ITS SHAREHOLDERS				
BOARD PRIORITIES	**Strong alignment** with shareholder returns	**Fit for purpose**, aligned to business strategy and driving desired business behaviours	**Simple and transparent**	**Globally competitive**, enabling Orica to attract and retain the best talent

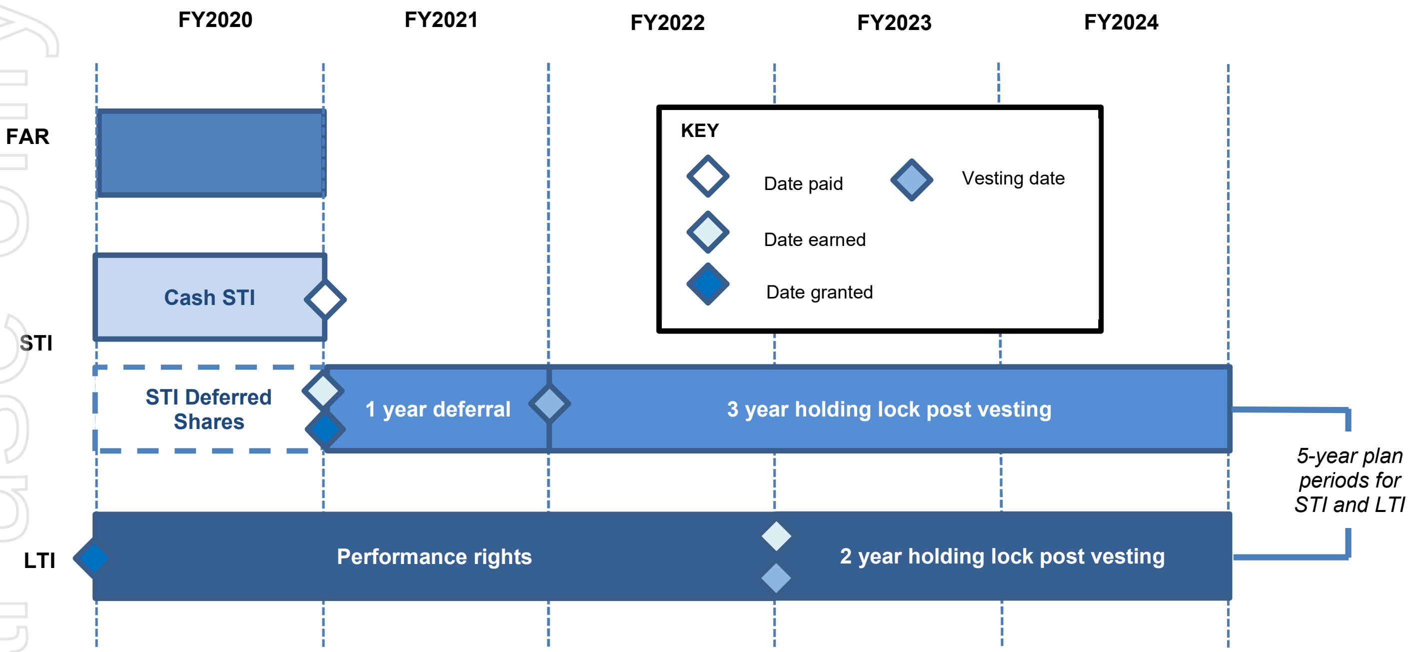
2.2 How is Executive remuneration structured?

Orica's FY2020 Executive Remuneration Framework focuses on delivery of the ongoing turnaround of the Company through operating safely, enhancing operating and capital efficiency and embedding those efficiencies for long-term improvement in capital returns. The inclusion of RONA as a standalone metric in both the STI and LTI plans reinforces the focus on sustainable productivity improvement and efficient capital allocation throughout Orica's transformation and across multiple time horizons. The diagram below provides an overview of the different remuneration components within the Framework.

		Significant proportion at risk Extended equity 'lock in' for STI and LTI (five-year plan periods) Overriding Board discretion to adjust as appropriate		
REMUNERATION COMPONENT	**FIXED ANNUAL REMUNERATION (FAR)**	**SHORT-TERM INCENTIVE (STI)**		**LONG-TERM INCENTIVE (LTI)**
PURPOSE	Provide competitive base pay to attract and retain the skills needed to manage a global business in a complex operating environment	Drive performance aligned to near term strategy and underpinning long-term value creation		Drive long-term value creation for shareholders Encourage an owner's mindset and long-term decision-making
DELIVERY	Base salary, superannuation (or pension equivalent) and allowances (per local market practice)	Portion as cash payment	Portion deferred into shares for one year with a further three-year holding lock	Performance rights (vesting after three years, subject to performance hurdles) with a further two-year holding lock
FY2020 APPROACH	Target FAR positioning is the **median** of a comparator group Comparators: custom group that reflects Orica's operations, size and has substantial global operations plus additional reference to ASX-listed companies with similar market capitalisation and geographic / role-specific benchmarks	**STI Performance Measures (CEO)**  		**LTI Performance Measure** RONA – averaged over 3 years For each year RONA is calculated as annual EBIT *divided by:* Rolling 12-month Net Operating Assets (NOA) = RONA

2.3 When is remuneration earned and received?

Remuneration is structured to reward Executives progressively across different timeframes with an emphasis on alignment with shareholders through extended holding locks and a five-year effective holding period. The diagram below illustrates the period over which FY2020 remuneration is earned and delivered, and when holding locks are lifted.



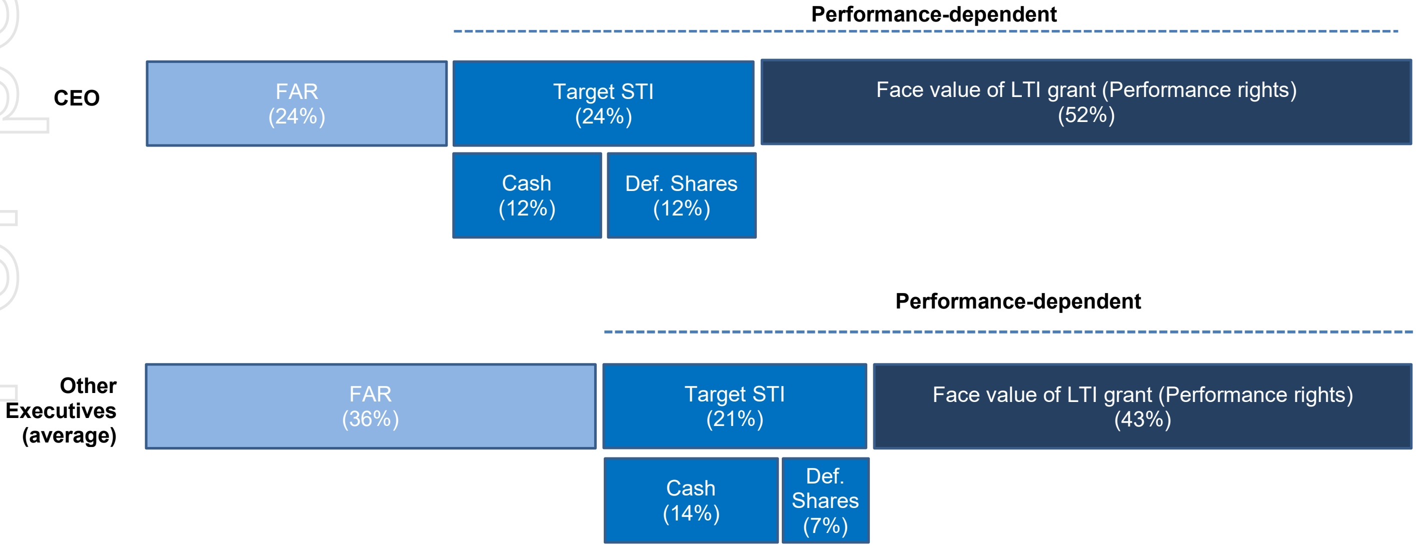
2.4 What is the remuneration mix for Executive KMP?

The remuneration mix for Executive KMP is weighted towards variable (at-risk) remuneration to provide alignment with the interests of shareholders and to drive performance against Orica's short-term and long-term business objectives.

Assuming target STI and the face value of LTI granted to Executives the remuneration mix is as follows:

- CEO: 76% of his remuneration is performance-based pay of which 64% is delivered as deferred shares or performance rights.
- Other Executive KMP: 64% of their remuneration (on average) is performance-based pay of which 50% is delivered as deferred shares or performance rights.

LTI is granted at face value (based on the volume weighted average price (VWAP) of Orica shares during the five trading days following the full year results announcement, rounded down to the nearest whole number of rights).



2.5 How much did Executives get paid in FY2020?

The table below presents the remuneration paid to, or vested for, Executive KMP in FY2020. Included in the value of prior year equity awards vested during the year is the face value of:

- deferred shares awarded as part of the FY2018 STI vesting in December 2019 but which remain subject to a holding lock until December 2022 (for selected overseas executives, where a tax liability arose at vesting, a portion of the deferred shares were released from restriction to settle the taxes due); and
- performance rights awarded as part of the FY2017-19 LTI Plan vesting in November 2019 (there were no holding locks applicable to shares acquired as a result of this vesting).

Executives (KMP)	Fixed Pay (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
Alberto Calderon	1,800.0	406.7	2,206.7	3,929.8	2.3	6,138.8
Christopher Davis	856.3	233.6	1,089.9	403.1	0.8	1,493.8
James Bonnor	940.5	200.6	1,141.1	966.1	342.0	2,449.2
Darryl Cuzzubbo	875.0	289.1	1,164.1	1,021.0	1.2	2,186.3
Sanjeev Gandhi(5)	205.1	-	205.1	-	191.4	396.5
Angus Melbourne	938.3	204.9	1,143.2	1,112.9	117.3	2,373.4
Germán Morales	708.1	179.3	887.4	131.8	51.9	1,071.1
Thomas Schutte	1,111.7	165.3	1,277.0	1,180.1	24.8	2,481.9
Former Executive KMP						
Carlos Duarte	17.3	-	17.3	300.7	-	318.0
Total	**7,452.3**	**1,679.5**	**9,131.8**	**9,045.5**	**731.7**	**18,909.0**

(1) Fixed Pay includes actual base pay received and superannuation (or equivalent pension) contributions.
(2) FY2020 STI will be delivered in two components: cash and deferred shares that will vest 12 months post the grant date and then be subject to a three-year holding lock.
(3) This amount relates to the face value (using the share price at the vesting date) of deferred STI from FY2018 that vested in December 2019 but remains subject to holding locks and partial vesting of the FY2017-19 LTI Plan in November 2019.
(4) Includes cash value of relocation assistance, the cost of meeting tax filing obligations associated with international assignments, other benefits and allowances provided (where applicable). Movements in annual leave and long-service leave balances have not been shown.
(5) Represents remuneration and other benefits paid since appointment. Mr. Gandhi's Fixed Annual Remuneration has been set at $1,000,000 AUD and he was not eligible to receive a short-term incentive in respect of FY2020.

Refer to section 6.1 – Executive KMP for remuneration table prepared in accordance with the accounting standards.

2.6 What have been the historical incentive outcomes for the CEO?

The table below shows the incentive plan outcomes for the CEO since his appointment to the role in May 2015 (note that the first LTI Plan the CEO participated in was the FY2016-18 Plan).

Financial Year (FY)	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
EBIT	$689.4m	$642.2m	$635.1m	$618.1m	$664.7m	$604.5m
Share price at start of LTI performance period ($)(1)	24.86	19.80	18.95	15.39	15.57	19.72
FY end share price ($)	15.04	15.20	19.77	17.03	22.54	15.43
STI (% of maximum)	34%	39%	53%	18%	56%	23%
Discretion exercised (STI)	Yes (reduced)	Yes (reduced)	Yes (reduced)	Yes (reduced)	No	No
LTI (% of rights vested)(2)	0%	0%	0%	24.88%	77.15%	0%(3)

(1) References LTI plan with final performance year aligned to respective financial year (e.g. FY2019 shows share price at beginning of FY2017).
(2) Represents outcome of LTI plan with final performance year aligned to respective financial year (e.g. FY2019 shows outcome of FY2017-19 LTIP).
(3) Represents anticipated vesting for the FY2018-20 LTI Plan.

In assessing performance against incentive targets the Board has overriding discretion to adjust final outcomes under the terms of both the STI and LTI plans to ensure executive reward outcomes are reflective of Orica's overall performance and aligned to shareholder expectations. The Board has exercised discretion to reduce CEO outcomes in four of the last six financial years. Factors that the Board has considered in exercising discretion include safety performance and the impact of fatalities together with the overall alignment of executive outcomes to financial performance and shareholder returns.

2.7 How is the CEO's salary determined?

As outlined in Section 3.1, when reviewing the CEO's salary the Board considers market benchmarking information from a Primary Comparator Group (made up of similar companies with respect to size, industry and complexity) and a Secondary Comparator Group (made up of similar companies with respect to size only). The fixed annual remuneration of the current CEO was set in May 2015 on appointment to the role and has not been adjusted since this time. The total package has changed once since 2015 (in 2018) when a two-year year holding lock on vested LTI shares was introduced. To maintain the value of total remuneration, taking into account these incremental holding locks but discounting for dividends and other benefits of deferral, the LTI opportunity was increased from 180% to 215% from FY2018 onwards.

2.8 What changes are proposed for the Executive Remuneration Framework in FY2021?

The Safety metrics of KCVs and close out of critical actions have been in the STI plan for several years and have resulted in significant and positive behavioural changes and performance improvements across the company. The leading indicators, in particular, were important in focusing behaviour on the effective roll out of the Major Hazard Management program. Given the initiative is largely implemented, it is considered that an outcome-based measure is now a more relevant metric. Accordingly, KCVs and close out of critical actions measures will be replaced with a High Potential Incident Injury Ratio metric. A new environmental metric will also be introduced, reflecting our focus on minimising the impact of our operations on our environment. This metric will be linked to Loss of Containment. Serious Injury Case Rate (SICR), introduced in FY2019, will continue in FY2021. All three SHE metrics will be equally weighted in the CEO scorecard. The FY2021 SHE metrics are designed to drive and maintain performance improvements in fatality prevention, eliminate serious injury, proactive reporting and management of high potential incidents and reduce the environmental impact of our operations.

We will also introduce a cash-flow measure (Cash Generation Efficiency) alongside existing financial metrics in the STI scorecard. This metric effectively compares our net cash from operating activities (adjusted to exclude items such as cash outlays related to growth capital) against our Earnings Before Interest Tax Depreciation and Amortisation (EBITDA). This will reduce the weighting of the RONA metric in the STI plan as equal weighting (25%) will apply to each financial metric (EBIT, RONA and Cash Generation Efficiency) in the CEO's FY2021 STI scorecard, with the remaining 25% reflecting the new group of SHE metrics outlined above.

FY2021 CEO Scorecard

Measure	Metric	Weighting (at target)
Safety, Health & Environment	Serious Injury Case Rate	8.33%
	High Potential Incident Injury Ratio	8.33%
	Loss of Containment	8.33%
Financial	EBIT	25.0%
	RONA	25.0%
	Cash Generation Efficiency	25.0%

Section 3. Executive remuneration

3.1 Executive Remuneration Framework

The following table outlines the FY2020 Executive Remuneration Framework.

REMUNERATION POSITIONING	
Market position	Median for FAR and between Median and 75th percentile for total remuneration where outstanding performance is delivered.
Comparators	**Primary comparator group** – 17 listed companies from within the ASX100 in similar industries with at least 50% of revenue generated overseas and with market capitalisation of at least $2bn. The primary comparator group was last reviewed as at 30 June 2019, and (excluding Orica) comprised the following companies: Amcor Limited, Ansell Limited, BHP Billiton Limited, BlueScope Steel Limited, Brambles Limited, Caltex Australia Limited, CSL Limited, Fortescue Metals Group Limited, James Hardie Industries Plc, Newcrest Mining Limited, Oil Search Limited, Orora Limited, Rio Tinto Limited, ResMed Inc, South 32 Limited, Woodside Petroleum Limited and Worley Parsons Limited. **Secondary comparator group (reference)** – ASX listed companies with market capitalisation between 50% and 200% of Orica's 12-month average market capitalisation, all as at 30 June of the relevant financial year. In addition, and particularly for roles located outside of Australia, where appropriate, additional sector or local industry specific data is taken into consideration in benchmarking Executive's remuneration.
FAR	
Payment vehicle	FAR includes base salary, superannuation (or pension equivalent) and allowances (per local market practice).
STI	
Changes in FY2020	STI metrics remain unchanged from those used in FY2019 except for minor changes to the calculation methodology for SICR (to exclude occupational disease or illness that are attributable to chronic exposure to harmful agents over an extended period of time, usually years) and close out of critical actions (to expand the number of actions captured by this metric).
Payment vehicle	Cash and deferred shares.
Opportunity	CEO: 0% to 200% of FAR; 100% at target. Other Executives: 0% to 120% of FAR; 60% at target. For Executive KMP based outside of Australia opportunities are typically referenced to base salary only.
Performance Measures	CEO: Safety (25%); EBIT[(1)] (37.5%); RONA[(2)] (37.5%). Other Executives (in general): Safety (18.0%); EBIT[(1)] (23.50%); RONA[(2)] (23.50%); other strategic priorities (35%). For each measure, levels for threshold, target and maximum are set. Below threshold, no incentive is paid. Above threshold, straight-line vesting applies between threshold and target, and between target and maximum. For Regional Presidents, safety measures are solely based on Regional performance and financial metrics are more heavily weighted towards Regional outcomes reflecting the metrics and outcomes that are within the direct control of these KMP. While not specifically included as an STI metric for the CEO, the Board continues to measure progress against rigorous externally validated employee engagement, organisational health baselines, and against plans to improve engagement, strengthen business conduct and compliance frameworks. The determination of final performance outcomes for all Executives includes input from Board Committee Chairs and senior functional leaders (e.g., finance and safety).
Deferred STI	CEO: 50% of STI into deferred shares which vest after one-year and are subject to risk of forfeiture. Other Executives: one third of STI into deferred shares which vest after one-year and are subject to risk of forfeiture. The number of deferred shares granted is calculated using the five-day VWAP at the grant date immediately after the annual results are announced.
Holding lock	CEO and other Executives: following the one-year deferral period, vested shares are subject to a further three-year holding lock during which time Executives are restricted from trading in shares. Disposal restrictions may be lifted where an Executive is required to fund personal tax obligations arising from the vesting of shares.
Access to dividends	During both the deferral and holding lock periods, Executives are entitled to accumulate dividends.

(1) For STI purposes, EBIT is defined as earnings from Continuing Operations before interest, tax and individually significant items
(2) For STI purposes, RONA is defined as EBIT / Net operating assets. Net operating assets is defined as rolling 12-month average assets including net property, plant and equipment; intangibles at NBV; current and non-current investments in associates at current carrying value; trade working capital; non-trade working capital excluding environmental provisions.

LTI

Payment vehicle

Performance rights.

Opportunity (face value)

CEO: 215% of FAR grant at face value.

Other Executives: 120% of FAR grant at face value.

For Executive KMP based outside of Australia opportunities are referenced to base salary only.

The actual number of performance rights issued to each Executive was determined by dividing their respective grant values by the five-day VWAP of Orica shares following the announcement of Orica's FY2019 annual results ($23.80).

Performance period

Performance is measured over three financial years (FY2020, FY2021 and FY2022).

Performance measure

RONA[1] – calculated as annual EBIT[2]/rolling 12-month Net Operating Assets (calculated on an average basis over three financial years).

Targets and vesting schedule

The FY2020 vesting schedule for the RONA performance measure is as follows:

Average RONA over 3 years	% of Rights vesting
Below 13.4%	No vesting
At 13.4%	30% of rights vest
Between 13.4% and 14.5%	Straight line vesting between 30% and 60% of rights vest
At 14.5%	60% of rights vest
Between 14.5% and 15.5%	Straight line vesting between 60% and 100% of rights vest
At or above 15.5%	100% of rights vest

RONA targets reflect the Board's expectations for returns through the current industry / market cycle, Orica's Corporate Plan and Transformation Program. For the FY2020-22 LTI grant, the RONA required for maximum (stretch) vesting has again been set to reflect the achievement of RONA levels that generate long-term value for shareholders.

To achieve this, management must deliver EBIT growth rates over the plan period that are at least in line with 2nd quartile of EBIT growth rates achieved by ASX100 Industrials and Materials companies over the preceding three to five years. To achieve target or above-target vesting for this grant, management must deliver EBIT growth that is significantly above the Board's view of underlying explosives market growth.

The impact of IFRS-16 has been considered when setting the vesting schedule for the FY2020-22 LTI plan. The requirement to recognise leases on the balance sheet results in higher Net Operating Assets leading to a lower RONA on a comparative basis. On a like for like basis if the impact of IFRS-16 is excluded, the RONA target range for the FY2020-22 LTI is set at a performance level higher than the previous grant.

Holding locks

Following the three-year performance period, vested performance rights are converted into shares and are subject to a further two-year holding lock during which time Executives are restricted from dealing in those shares. The holding lock is designed to support an owner's mindset and provide alignment with shareholders. Disposal restrictions may be lifted where an Executive is required to fund personal tax obligations arising from the vesting of performance share rights (typically applies to non-Australian based Executives).

Access to dividends

Executives are not entitled to receive dividends on unvested performance rights during the three-year performance period. Once vested, Executives are entitled to receive dividends during the two-year holding lock.

(1) For LTI purposes, RONA is defined as EBIT / Net operating assets. Net operating assets is defined as rolling 12-month average assets including net property, plant and equipment; intangibles at NBV; current and non-current investments in associates at current carrying value; trade working capital; non-trade working capital excluding environmental provisions.

(2) For LTI purposes, EBIT is defined as earnings from Continuing Operations before interest, tax and individually significant items

The Board has an overriding discretion to adjust final outcomes under the terms of both the STI and LTI plans to ensure executive reward outcomes are reflective of Orica's overall performance and aligned to shareholder expectations.

Directors' Report – Remuneration Report 2020 (audited)

3.2 Short-term incentive outcomes – link to performance

(a) Summary of FY2020 STI performance conditions and performance level achieved

For FY2020, business and personal performance, target and target weighting of each component of the CEO's scorecard and performance level achieved are summarised below:

Measure	Target	Weighting (at target)	2020 outcome Threshold	2020 outcome Target	2020 outcome Max	Weighted Outcome (%)	Outcome commentary
Safety, Health & Environment	*Rewards a continuous focus on safe and reliable operations measured through a combination of lagging and leading indicators*						
SICR[1]	**0.181**	8.33%				**142.2%**	Safety performance across the Group was strong in FY2020, with improvements across all measures compared to FY2019. SICR rates fell to the lowest level since FY2016 as a result of a strong focus on preventing serious injuries and fatalities. KCVs and close out of critical actions were above maximum reflecting extraordinary efforts in conducting key control verifications and strong operational discipline to close out critical actions by the due date.
Key control verifications (KCV)[2]	**5,457**	8.33%				**200.0%**	
Close out of critical actions[3]	**90%**	8.33%				**200.0%**	
Earnings	*Measures improvements to earnings*						
EBIT[4]	**$703.2m**	37.5%				**0.0%**	EBIT outcome was below threshold, predominantly due to reduced demand and increased freight costs in the second half of the year as a result of the COVID-19 pandemic
Capital efficiency	*Rewards enhanced returns from invested capital, developing enabling technology and adjacency growth, optimising capital allocation and reallocation*						
RONA[5]	**13.4%**	37.5%				**0.0%**	RONA outcome was similarly below threshold and impacted by the COVID-19 pandemic
Board discretion	The Board did not apply discretion to the overall outcome						
Overall STI outcome					**% of Target**	**45.2%**	
					% of Maximum	**22.6%**	

(1) SICR measures the total number of Severity 3 and Severity 4 injuries and illnesses per 200,000 hours worked by employee/contractor. Excludes non-work-related injury/illness and occupational disease or illness that are attributable to chronic exposure to harmful agents over an extended period.

(2) Completion of scheduled Safety, Health & Environment (SHE) inspections categorised as Major Hazard Key Control Verification. SHE inspections measure number of completed Key Control Verifications.

(3) Close out of critical and high priority actions on or before the initial due date excluding action plans from Internal Audit and Group Standards Assurance assessments.

(4) For STI purposes, EBIT is defined as earnings from Continuing Operations before interest, tax and individually significant items.

(5) For STI purposes, RONA is defined as EBIT / Net operating assets. Net operating assets is defined as rolling 12-month average assets including net property, plant and equipment; intangibles at NBV; current and non-current investments in associates at current carrying value; trade working capital; non-trade working capital excluding environmental provisions.

In considering performance outcomes against the FY2020 targets, the Board reviewed the progress made against the mix of safety, financial and strategic objectives. The impact of COVID-19 on the Group's performance was also carefully considered in determining the award of this year's short-term incentive outcomes.

Group financial EBIT and RONA targets were based on the budget set prior to COVID-19. Prior to the impact of COVID-19, in the first half of the financial year, EBIT and RONA were tracking well against targets set. At the half-year it was estimated that COVID-19 would have a detrimental impact on Ammonium Nitrate volumes of between 10 -15% compared to expected pre-COVID volumes. The actual impact was at the upper end of this estimate with the pandemic affecting developing markets more significantly and for longer than initially anticipated. The reduced demand and higher freight costs significantly impacted year-end RONA and EBIT performance resulting in a below threshold outcome against both targets.

Excellent safety performance was achieved in FY2020 with a significant improvement in Serious Injury Case Rate performance from the prior year. Measures relating to Key Control Verifications and close out of critical actions were also achieved at maximum performance at a Group level reflecting a strong behavioural change within Orica to pro-actively mitigate and manage risk across the organisation. Importantly there were no fatalities in FY2020.

Personal objectives for each Executive (other than the CEO) were determined and approved by the Board at the commencement of the financial year. In FY2020 these related to the strategic priorities of each Executive, including enhancing Orica's development and use of technology, operating efficiency and adjacency growth. Achievement against these objectives was on average above target.

The CEO achieved an outcome of 45.2% of his target opportunity (22.6% of maximum) while other Executive KMP achieved outcomes ranging between 37.6% and 82.6% of target. The Board considers the overall outcomes are a fair reflection of FY2020 shareholder performance but recognises the considerable effort by management to minimise the impact of the downturn caused by the pandemic.

(b) Short-term incentive outcome – FY2020

Details of the FY2020 outcomes for eligible Executive KMP are set out in the table below:

For the year ended 30 September 2020	Maximum STI opportunity $000	Actual STI paid in cash $000	Actual STI paid in deferred equity [1] $000	Actual STI payment as % of maximum	% of maximum STI forfeited
Current Executive KMP					
Alberto Calderon	3,600.0	406.7	406.7	22.6%	77.4%
Christopher Davis	1,027.4	233.6	116.8	34.1%	65.9%
James Bonnor	1,137.2	200.6	100.3	26.5%	73.5%
Darryl Cuzzubbo	1,050.0	289.1	144.5	41.3%	58.7%
Angus Melbourne	1,121.8	204.9	102.4	27.4%	72.6%
Germán Morales	801.8	179.3	89.7	33.5%	66.5%
Thomas Schutte	1,319.8	165.3	82.6	18.8%	81.2%

(1) Under AASB 2 *Share-based Payments*, STI paid to Executives as deferred shares 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 FY2020 STI outcome has been included in each Executive KMP's share based payments expense in FY2020 and the remainder will be included in FY2021.

3.3 Long-term incentive outcome

The table below summarises the LTI Plan awards tested in the current financial year together with awards that remain unvested.

Plan	Grant	Performance period	Performance measures applicable to award	Outcome
LTIP	FY2017	FY2017 – FY2019	Vesting of performance rights subject to: ▪ Average Return on Capital (ROC) (50%); and ▪ Relative TSR ranking against ASX 100 (50%).	Partial vesting (77.15% of total grant)
LTIP	FY2018	FY2018 – FY2020	RONA (100%)	Not yet tested
LTIP	FY2019	FY2019 – FY2021	RONA (100%)	Not yet tested
LTIP	FY2020	FY2020 – FY2022	RONA (100%)	Not yet tested

FY2017 grant

The FY2017 grant was tested in November 2019 with 77.15% of the performance rights granted vesting as outlined below. In determining the Average ROC measure result, the Board applied discretion to adjust the Enterprise Value used in determining ROC to ensure management were not advantaged from the impairments to Minova, IT and other assets, the write down of defective assets at Burrup, and changes in environmental and restructuring provisions (which were all added back). The Board also applied discretion to remove the impact of GroundProbe in respect of the ROC calculation for FY2018 to ensure management were neither advantaged nor disadvantaged by the acquisition.

	Final outcome	Vesting position	% rights vesting by measure	% total rights vesting
Relative TSR	63.28% (78th percentile)	Above maximum (75th percentile)	100.00%	50.00%
ROC (3-year average)	19.06%	Between threshold (18.25%) and target (19.25%)	54.30%	27.15%
			TOTAL	**77.15%**

FY2018 grant

The FY2018-20 LTIP will tested in November 2020. It is not anticipated that the minimum RONA performance threshold will be met.

3.4 Equity granted in FY2020

The table below presents the equity granted at face value to Executive KMP for FY2020.

Executives	FY2020 LTI [(1)] $000	FY2019 Deferred shares [(2)] $000	Sign-on rights $000	Total $000
Alberto Calderon	3,870.0	1,000.5	-	4,870.5
Christopher Davis	1,050.0	190.4	-	1,240.4
James Bonnor	1,098.7	146.0	-	1,244.7
Darryl Cuzzubbo	1,050.0	165.6	-	1,215.6
Sanjeev Gandhi[(3)]	-	-	750.0	750.0
Angus Melbourne	1,103.7	216.4	-	1,320.1
Germán Morales	779.8	194.5	-	974.3
Thomas Schutte	1,300.1	265.0	-	1,565.1
Total	**10,252.3**	**2,178.4**	**750.0**	**13,180.7**

(1) Due to vest in November 2022 subject to satisfaction of performance conditions and then subject to a two-year holding lock.
(2) Not subject to any further performance conditions except continued employment for duration of deferral period and then subject to a three-year holding lock.
(3) A grant of rights was made to Sanjeev Gandhi. The rights will vest in two tranches (66.67% of the rights vest on 31 March 2021 and 33.33% of the rights vest on 31 December 2021) subject to Mr Gandhi remaining employed with Orica on the vesting dates.

3.5 Overview of business performance – five-year comparison

The table below summarises key indicators of the performance of the Company, relevant shareholder returns over the past five financial years and the impact this has had on STI and LTI vesting outcomes. This demonstrates the alignment of Orica's incentive awards with its performance.

Financial year ended 30 September	2016	2017	2018	2019	2020
Profit/(loss) from operations ($m)	637.6	635.1	242.8	468.8	434.1
Individually significant items ($m)[(1)]	4.6	–	375.3	195.9	170.4
EBIT ($m)[(2)]	642.2	635.1	618.1	664.7	604.5
Dividends per ordinary share (cents)	49.5	51.5	51.5	55.0	33.0
Closing share price ($ as at 30 September)[(3)]	15.20	19.77	17.03	22.54	15.43
3-month average share price (1 July to 30 September) each year	14.12	20.12	17.31	21.36	17.05
EPS growth (%)[(2)]	(8.8)	(1.7)	(16.6)	14.2	(22.7)
NPAT ($m)[(2)]	389.1	386.2	324.2	371.9	299.3
External Sales ($m)	5,091.9	5,039.2	5,373.8	5,878.0	5,611.3
Cumulative TSR (%)[(4)]	(14.08)	25.90	11.22	41.16	15.26
Average STI received as % of maximum opportunity for Executives	39.0	60.0	23.0	53.3	29.2

(1) This figure is before interest, tax and non-controlling interest.
(2) Before individually significant items.
(3) The opening share price for financial year 2016 was $15.39.
(4) Cumulative TSR has been calculated using the same start date for each period measured (1 October 2015). In calculating the cumulative TSR, three-month average share prices (1 July to 30 September for each year) have been used.

3.6 Service agreements

Remuneration and other terms of employment for Executives are formalised in service agreements. The terms and conditions of employment of each Executive reflects 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 Executives	Permanent full-time employment contract until notice given by either party.
Notice period to be provided by Executive	All Executives	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 months' salary is payable (in which case no notice is required to be given).
	Other Executives	Executives have either 13 weeks or 26 weeks notice period with the exception of Germán Morales. In accordance with Chilean employment law, Mr. Morales' notice period is one month. Executives are entitled to be paid an amount equal to 26 weeks FAR on termination (52 weeks in the case of James Bonnor and Thomas Schutte). In accordance with Chilean employment law, Germán Morales is entitled to one month's annual gross base salary for each year of service. A minimum payment equivalent to 6 months base salary will apply with a maximum payment of 11 months base salary.
Post-employment restraints	All Executives	Each Executive 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.

Section 4. Non-Executive Director arrangements

4.1 Overview

Fees for Non-Executive Directors (Directors) are set by reference to the following:

- 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;
- Fees paid by comparable companies and the level of remuneration required to attract and retain Directors of the appropriate calibre; and
- To preserve their independence, Directors do not receive any form of performance-based pay.

The current aggregate fee pool for Directors of $2,750,000 was approved by shareholders at the Company's 2019 Annual General Meeting. This increase in the fee pool was made as a result of the establishment of the Innovation and Technology Committee in FY2019, and to provide flexibility in accommodating any future changes to the Board.

As disclosed in the 2019 Remuneration Report, following a market benchmarking exercise changes were made to Board member base fees and the travel allowance. Details of Director fees and other benefits are shown in the table below.

The Company pays both superannuation and Committee fees to the Directors from this pool. Committee fees are not paid to the Chairman of the Board.

4.2 Fees and other benefits

The table below sets out the elements of Directors' fees and other benefits applicable in FY2020:

Fees/benefits	Description	2020 $	Included in shareholder approved cap
Board fees	**Main Board**		
	Chairman – Malcolm Broomhead	510,000	Yes
	Members – all Non-Executive Directors	177,000	
Committee fees	**Board Audit and Risk Committee**		
	Chairman – Gene Tilbrook	45,000	
	Members – Maxine Brenner, Boon Swan Foo	22,500	
	Human Resources and Compensation Committee		
	Chairman – Maxine Brenner	45,000	
	Members – Denise Gibson, Karen Moses	22,500	Yes
	Innovation and Technology Committee		
	Chairman – Denise Gibson	45,000	
	Members – John Beevers, Boon Swan Foo	22,500	
	Safety, Health, Environment, Community and Security Committee		
	Chairman – Karen Moses	45,000	
	Members – John Beevers, 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 subject to a cap at the Maximum Contributions Base.		Yes
Other fees/benefits	Directors receive a travel allowance based on the hours travelled to a Board meeting. The allowance paid is $3,000 per meeting for travel between 3 and 10 hours or $6,000 if travel time exceeds 10 hours. Directors are also entitled to be paid additional fees for extra services or special exertions.		No

Section 5. Remuneration governance

5.1 Responsibility for setting remuneration

The HR&C (the Committee) is delegated responsibility by the Board for reviewing and making recommendations on remuneration policies for the Company, including 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 Executives;

(b) level and structure of remuneration for Senior Executives, including STI and LTI 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 Orica's LTIP and General Employee Exempt Share Plan.

5.2 Use of remuneration advisors during the year

No remuneration recommendations were received from remuneration advisors as defined under the *Corporations Act 2001*.

5.3 Securities dealing policy and Malus

Securities dealing

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

Malus

Orica's Malus Standard 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 material misstatement in financial results;
- behaviour that brings Orica into disrepute or has the potential to do so;
- serious misconduct; or
- 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 or reputational standing, the extent to which any internal policies, external regulations and/or risk management requirements were breached and any other relevant matters.

5.4 Executive and Director share ownership

The Board considers that an important foundation of Orica's Executive Remuneration Framework is that each Executive and Director accumulate and hold a significant number of Orica shares to align their interests as long-term investors.

Executives

The Executive Minimum Shareholding Guideline requires each Executive to accumulate a minimum vested shareholding in Orica equivalent to 100% of FAR for the Managing Director and CEO and 50% of FAR for other Executives over six years from commencement of employment (by 31 December 2022 for Executives employed prior to 1 January 2015; the effective date of the guideline). Under the Framework, at target performance and vesting, Executives would exceed these guidelines.

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.

The table below sets out the number of shares held directly and indirectly by Directors and Executive KMP employed at 30 September 2020:

	Balance at 1 October 2019	Acquired[1]	Disposed	Balance at 30 September 2020	Minimum Shareholding Required[2]	Date Minimum Shareholding Required to be met[3]
Executive KMP						
Alberto Calderon	124,325	174,004	70,000	228,329	116,656	31 December 2022
Christopher Davis	13,904	17,276	8,000	23,180	28,354	30 September 2024
James Bonnor	22,101	41,013	31,924	31,190	29,791	31 December 2022
Darryl Cuzzubbo[4]	19,595	43,420	-	63,015	28,354	31 December 2022
Sanjeev Gandhi	-	-	-	-	29,806	19 July 2026
Angus Melbourne[4]	47,399	47,308	48,000	46,707	32,404	31 December 2022
Germán Morales	7,500	7,500	-	15,000	22,981	31 August 2024
Thomas Schutte	37,289	50,146	26,776	60,659	35,639	31 December 2022
Former Executive KMP						
Carlos Duarte[5]	12,500	-	-	12,500	-	-
Directors						
Malcolm Broomhead	36,100	1,884	-	37,984	33,052	
John Beevers[6]	7,727	-	-	7,727	11,471	
Maxine Brenner	9,539	-	-	9,539	11,471	
Boon Swan Foo	-	-	-	-	11,471	
Denise Gibson	-	3,000	-	3,000	11,471	
Karen Moses	11,000	-	-	11,000	11,471	
Gene Tilbrook	12,500	1,570	-	14,070	11,471	
Former Directors						
Lim Chee Onn[5]	11,000	-	-	11,000	-	

(1) Shares acquired, including deferred STI shares from FY2018 that have vested but remain subject to holding locks and shares acquired through the Dividend Reinvestment Plan (DRP).
(2) Calculated using the Orica closing share price on 30 September 2020.
(3) Directors are required to acquire a shareholding of at least one year's base fees over a reasonable time.
(4) Previously disclosed as 30 September 2022. Corrected to reflect the guideline which provides Executives employed prior to 1 January 2015 until 31 December 2022 to accumulate the minimum vested shareholding required.
(5) Closing balance on cessation of employment / directorship.
(6) Opening balance on commencement of directorship.

Section 6. KMP statutory disclosures

6.1 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 calculated with reference to the *Corporations Act 2001* and relevant Australian Accounting Standards rather than the basis of take-home pay.

	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	Termi-nation Benefits $000	Total excluding SBP* Expense $000	SBP Expense [4] [5] $000	Total $000
Current Executive KMP									
Alberto Calderon									
2020	**1,778.8**	**406.7**	**(86.6)**	**29.6**	**21.2**	**-**	**2,149.7**	**(111.3)**	**2,038.4**
2019	1,779.4	1,000.5	139.9	133.4	20.6	-	3,073.8	1,910.9	4,984.7
Christopher Davis									
2020	**835.1**	**233.6**	**(38.0)**	**21.5**	**21.2**	**-**	**1,073.4**	**(52.4)**	**1,021.0**
2019	779.4	380.8	280.5	76.4	20.6	-	1,537.7	301.1	1,838.8
James Bonnor[6]									
2020	**919.3**	**200.6**	**305.2**	**22.4**	**21.2**	**-**	**1,468.7**	**(77.3)**	**1,391.4**
2019	912.5	292.0	178.0	10.7	20.6	-	1,413.8	415.8	1,829.6
Darryl Cuzzubbo									
2020	**853.8**	**289.1**	**(2.1)**	**-**	**21.2**	**-**	**1,162.0**	**(51.5)**	**1,110.5**
2019	830.4	331.2	33.4	-	20.6	-	1,215.6	451.6	1,667.2
Sanjeev Gandhi									
2020	**205.1**	**-**	**206.7**	**-**	**-**	**-**	**411.8**	**154.4**	**566.2**
Angus Melbourne[6]									
2020	**917.1**	**204.9**	**100.3**	**-**	**21.2**	**-**	**1,243.5**	**(66.2)**	**1,177.3**
2019	983.7	432.8	248.1	-	-	-	1,664.6	574.3	2,238.9
Germán Morales[6]									
2020	**668.0**	**179.3**	**56.6**	**-**	**40.1**	**-**	**944.0**	**102.3**	**1,046.3**
2019	674.0	389.0	99.5	-	40.0	-	1,202.5	393.2	1,595.7
Thomas Schutte[6]									
2020	**1,078.7**	**165.3**	**24.8**	**-**	**33.0**	**-**	**1,301.8**	**(78.4)**	**1,223.4**
2019[7]	1,059.8	529.9	17.1	-	31.8	-	1,638.6	554.2	2,192.8
Total Current Executive KMP									
2020	**7,255.9**	**1,679.5**	**566.9**	**73.5**	**179.1**	**-**	**9,754.9**	**(180.4)**	**9,574.5**
2019	7,019.2	3,356.2	996.5	220.5	154.2	-	11,746.6	4,601.1	16,347.7
Former Executive KMP									
Carlos Duarte									
2020	**17.3**	**-**	**-**	**-**	**-**	**-**	**17.3**	**(228.7)**	**(211.4)**
2019	900.0	234.0	56.0	-	-	-	1,190.0	547.0	1,737.0
Total									
2020	**7,273.2**	**1,679.5**	**566.9**	**73.5**	**179.1**	**-**	**9,772.2**	**(409.1)**	**9,363.1**
2019	7,919.2	3,590.2	1,052.5	220.5	154.2	-	12,936.6	5,148.1	18,084.7

* Share-based payment (SBP).

(1) Cash STI Payment includes payments relating to FY2020 performance accrued but not paid until FY2021.

(2) These benefits include relocation costs, car parking, medical and insurance costs and movements in annual leave accrual (inclusive of any applicable fringe benefits tax). For overseas based Executives other benefits include reimbursement of accommodation, relocation expenses, health insurance and taxation services. A negative balance may appear where the leave accrual has decreased from the prior year.

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

(4) This includes the value calculated under AASB 2 *Share-based Payment* to Executives which vests over three years. Value only accrues to the Executive when performance conditions have been met. The share-based payment 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 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 long-term incentives vest in the future is described in Section 3.1. Where a negative SBP Expense is shown, this represents a write-back of a previous share-based payment accrual based on a revised estimate of performance conditions being met.

(5) Under AASB 2 *Share-based Payment*, 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 payment expense in FY2020 and the remainder will be included in FY2021.

(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) The Base (Fixed) Pay disclosed for Tom Schutte in FY2019 was only 11 months of his annual salary. This under-statement of fixed remuneration also impacted disclosed cash-STI and superannuation amounts together with the corresponding remuneration totals. This under-statement has been corrected for FY2019 comparative purposes in the above table.

6.2 Summary of awards held under Orica's LTI and STI deferred share arrangements

Details of LTIP performance rights, sign-on rights and deferred shares awarded under the STI plan are set out in the table below:

For the year ended 30 September 2020	Grant date	Granted during FY2020	Vested	Lapsed	Balance at year end	Fair value of instruments at grant date $	Value of equity instruments included in compensation for the year $
Current Executive KMP							
Alberto Calderon							
FY2020 LTIP Performance rights	10 Jan 20	162,584	-	-	162,584	3,139,497	-
FY2019 LTIP Performance rights	11 Jan 19	-	-	-	213,223	3,136,510	(830,253)
FY2018 LTIP Performance rights	5 Jan 18	-	-	-	207,841	3,273,496	(204,594)
FY2017 LTIP Performance rights	30 Dec 16	-	148,700	44,042	-	2,639,602	219,939
FY2019 STI Deferred shares	3 Dec 19	42,033	-	-	42,033	1,000,518	500,259
FY2018 STI Deferred shares[1]	3 Dec 18	-	18,183	-	-	330,021	-
Christopher Davis							
FY2020 LTIP Performance rights	10 Jan 20	44,112	-	-	44,112	851,803	-
FY2019 LTIP Performance rights	11 Jan 19	-	-	-	52,892	778,041	(205,952)
FY2019 STI Deferred shares	3 Dec 19	7,998	-	-	7,998	190,400	95,200
James Bonnor							
FY2020 LTIP Performance rights	10 Jan 20	46,160	-	-	46,160	891,350	-
FY2019 LTIP Performance rights	11 Jan 19	-	-	-	52,863	777,615	(205,839)
FY2018 LTIP Performance rights	5 Jan 18	-	-	-	51,529	811,582	(49,275)
FY2017 LTIP Performance rights	30 Dec 16	-	36,927	10,937	-	655,497	54,618
FY2019 STI Deferred shares	3 Dec 19	6,133	-	-	6,133	146,005	73,002
FY2018 STI Deferred shares[1]	3 Dec 18	-	4,086	-	-	74,161	-
Darryl Cuzzubbo							
FY2020 LTIP Performance rights	10 Jan 20	44,112	-	-	44,112	851,803	-
FY2019 LTIP Performance rights	11 Jan 19	-	-	-	54,056	795,164	(210,485)
FY2018 LTIP Performance rights	5 Jan 18	-	-	-	52,691	829,883	(50,385)
FY2017 LTIP Performance rights	30 Dec 16	-	36,716	10,874	-	651,745	54,313
FY2019 STI Deferred shares	3 Dec 19	6,956	-	-	6,956	165,591	82,795
FY2018 STI Deferred shares[1]	3 Dec 18	-	6,704	-	-	121,678	-
Sanjeev Gandhi							
Sign-on rights[2]	20 July 20	45,180	-	-	45,180	749,988	154,442
Angus Melbourne							
FY2020 LTIP Performance rights	10 Jan 20	46,370	-	-	46,370	895,405	-
FY2019 LTIP Performance rights	11 Jan 19	-	-	-	59,237	871,376	(230,658)
FY2018 LTIP Performance rights	5 Jan 18	-	-	-	57,742	909,437	(55,216)
FY2017 LTIP Performance rights	30 Dec 16	-	40,704	12,056	-	722,548	60,201
FY2019 STI Deferred shares	3 Dec 19	9,091	-	-	9,091	216,414	108,207
FY2018 STI Deferred shares[1]	3 Dec 18	-	6,604	-	-	119,863	-
Germán Morales							
FY2020 LTIP Performance rights	10 Jan 20	32,759	-	-	32,759	632,576	-
FY2019 LTIP Performance rights	11 Jan 19	-	-	-	43,110	634,148	(167,863)
FY2019 STI Deferred shares	3 Dec 19	8,170	-	-	8,170	194,491	97,245
Sign-on rights	3 Sep 18	-	7,500	-	-	256,200	128,100
Thomas Schutte							
FY2020 LTIP Performance rights	10 Jan 20	54,618	-	-	54,618	1,054,674	-
FY2019 LTIP Performance rights	11 Jan 19	-	-	-	65,624	965,329	(255,528)
FY2018 LTIP Performance rights	5 Jan 18	-	-	-	63,967	1,007,480	(61,168)
FY2017 LTIP Performance rights	30 Dec 16	-	43,600	12,913	-	773,946	64,493
FY2019 STI Deferred shares	3 Dec 19	11,131	-	-	11,131	264,960	132,480
FY2018 STI Deferred shares[1]	3 Dec 18	-	6,546	-	-	118,810	-
Former Executive KMP							
Carlos Duarte							
FY2019 LTIP Performance rights	11 Jan 19	-	-	-	59,504	875,304	(231,698)
FY2018 LTIP Performance rights	5 Jan 18	-	-	-	58,002	913,532	(55,456)
FY2019 STI Deferred shares	3 Dec 19	4,915	-	-	4,915	116,992	58,496
FY2018 STI Deferred shares[1]	3 Dec 18	-	4,710	-	-	85,487	-
Sign-on rights	27 Oct 17	-	12,500	-	-	522,750	-

(1) The FY2018 Deferred Shares vested on 2 December 2019. Per the terms and conditions of grant, the vested shares remain subject to disposal restrictions via a holding lock for a further three years following vesting which prevents Executives from selling the vested shares during this period. In the US, UK and Singapore where a tax charge to participants arose at vesting, Executives were permitted to sell sufficient shares to cover the tax liability at vesting with the remaining shares subject to a holding lock.

(2) A grant of rights was made to Sanjeev Gandhi. The rights will vest in two tranches (66.67% of the rights vest on 31 March 2021 and 33.33% of the rights vest on 31 December 2021) subject to Mr Gandhi remaining employed with Orica on the vesting dates.

The number of rights issued and the fair value of rights issued are:

Grant date	Vesting date	Number of rights issued	Number of rights held at 30 September 2020	Number of rights held at 30 September 2019	Number of participants at 30 September 2020	Number of participants at 30 September 2019	Fair value of rights at grant date $
10 Jan 20	30 Nov 22	939,811	886,806	-	317	-	19,623,254
10 Jan 20[1]	30 Nov 22	507,595	474,827	-	8	-	9,801,689
08 Aug 19[2]	30 Nov 21	122,489	106,241	122,489	16	19	1,947,575
11 Jan 19	30 Nov 21	1,139,030	1,001,594	1,131,808	300	320	18,110,577
11 Jan 19[1]	30 Nov 21	730,711	630,395	670,937	10	11	10,748,759
20 July 18[2]	30 Nov 20	117,150	86,906	113,434	17	20	1,995,065
5 Jan 18	30 Nov 20	1,751,427	1,331,560	1,493,535	268	285	28,911,209
10 July 17[2]	30 Nov 19	98,410	-	76,920	-	36	1,742,349
30 Dec 16	30 Nov 19	1,712,055	-	1,459,541	-	244	23,446,593

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 RONA [3] $	Fair value per right ROC [4] $	Fair value per right RTSR [4] $
10 Jan 20	22.71	20	3.00	0.79	20.88	-	-
10 Jan 20[1]	22.71	20	3.00	0.79	19.31	-	-
08 Aug 19[2]	22.51	25	3.00	1.81	15.90	-	-
11 Jan 19	17.30	25	3.00	1.81	15.90	-	-
11 Jan 19[1]	17.30	25	3.00	1.81	14.71	-	-
20 July 18[2]	17.93	25	3.00	2.07	17.03	-	-
5 Jan 18	18.53	25	3.00	2.07	17.03	-	-
5 Jan 18[1]	18.53	25	3.00	2.07	15.75	-	-
10 July 17[2]	20.68	25	3.00	1.73	-	19.35	16.06
30 Dec 16	17.68	30	3.75	1.96	-	15.87	11.52

(1) For Executives, grants made include a two-year holding lock on shares acquired following vesting. A discount to the fair value has been made to reflect lack of marketability during this period.

(2) A supplementary LTI offer was made in July 2017, July 2018 and August 2019 to selected senior management other than Executives who joined Orica after the grant date of the main offer in December 2016, January 2018 and January 2019. The terms and conditions of this supplementary offer are the same as the main offer.

(3) For Executives the FY2018, FY2019 and FY2020 LTI plan performance rights granted are subject to a single performance condition, RONA.

(4) For Executives 50% of performance rights granted are subject to a ROC performance condition and 50% are subject to RTSR performance.

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					
Malcolm Broomhead, Chairman					
2020	**510.0**	**-**	**6.3**	**21.2**	**537.5**
2019	510.0	-	18.0	20.6	548.6
John Beevers[2]					
2020	**118.0**	**30.0**	**6.0**	**14.2**	**168.2**
Maxine Brenner					
2020	**175.3**	**67.5**	**6.0**	**21.2**	**270.0**
2019	170.0	67.5	15.0	20.6	273.1
Denise Gibson					
2020	**175.3**	**67.5**	**6.0**	**21.2**	**270.0**
2019	170.0	41.3	25.8	20.6	257.7
Boon Swan Foo					
2020	**175.3**	**45.0**	**6.0**	**21.2**	**247.5**
2019	69.0	14.8	9.9	8.0	101.7
Karen Moses[3]					
2020	**191.0**	**67.5**	**15.0**	**5.2**	**278.7**
2019	170.0	48.8	17.4	20.6	256.8
Gene Tilbrook					
2020	**175.3**	**67.5**	**15.0**	**21.2**	**279.0**
2019	170.0	67.5	30.0	20.6	288.1
Former Directors					
Lim Chee Onn					
2020	**14.2**	**3.8**	**-**	**1.7**	**19.7**
2019	170.0	45.0	22.5	20.4	257.9
Ian Cockerill[4]					
2019	155.8	60.0	37.0	19.0	271.8
Total Directors					
2020	**1,534.4**	**348.8**	**60.3**	**127.1**	**2,070.6**
2019	1,584.8	344.9	175.6	150.4	2,255.7

(1) These benefits include travel allowances and car parking benefits.
(2) John Beevers was appointed as a Non-Executive Director on 1 February 2020.
(3) Karen Moses elected not to receive superannuation contributions from Orica from 1 January 2020.
(4) Ian Cockerill ceased to be a Director on 30 August 2019. Remuneration data has been included for comparative purposes only.

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.

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

M W Broomhead
Chairman
Dated at Melbourne 19 November 2020

A Calderon
Managing Director and Chief Executive Officer

KPMG

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 of Orica Limited for the financial year ended 30 September 2020 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

Penny Stragalinos

Partner

Melbourne

19 November 2020

Income Statement

For the year ended 30 September

	Notes	Consolidated 2020 $m	2019 $m
Sales revenue	(1b)	**5,611.3**	5,878.0
Other income	(1d)	**16.8**	23.1
Raw materials and inventories		**(2,578.1)**	(2,744.3)
Employee benefits expense		**(1,241.8)**	(1,250.2)
Depreciation and amortisation expense	(1b)	**(351.3)**	(276.4)
Purchased services		**(335.5)**	(373.1)
Repairs and maintenance		**(178.5)**	(169.8)
Initiating systems network optimisation	(1e)	**(80.1)**	-
Impairment of intangibles	(1e)	**(63.4)**	(36.1)
Operating model restructuring	(1e)	**(26.9)**	(21.5)
Write down of property, plant & equipment	(1e)	**-**	(155.0)
Environmental provisions for legacy sites	(1e)	**-**	(33.5)
Gain on formation of China joint venture	(1e)	**-**	50.2
Outgoing freight		**(290.6)**	(283.1)
Other expenses		**(83.5)**	(171.4)
Share of net profit of equity accounted investees	(13)	**35.7**	31.9
Total		**(5,194.0)**	(5,432.3)
Profit from operations		**434.1**	468.8
Net financing costs			
Financial income		**51.1**	49.6
Financial expenses		**(200.7)**	(159.3)
Net financing costs		**(149.6)**	(109.7)
Profit before income tax expense		**284.5**	359.1
Income tax expense	(11)	**(107.0)**	(108.6)
Net profit for the year		**177.5**	250.5
Net profit for the year attributable to:			
Shareholders of Orica Limited		**168.3**	245.1
Non-controlling interests		**9.2**	5.4
Net profit for the year		**177.5**	250.5
		cents	cents
Earnings per share attributable to ordinary shareholders of Orica Limited:			
Basic earnings per share	(2)	**42.5**	64.5
Diluted earnings per share	(2)	**42.4**	64.2

The Income Statement is to be read in conjunction with the accompanying notes to the financial statements.

Statement of Comprehensive Income

For the year ended 30 September

	Notes	Consolidated 2020 $m	2019 $m
Net profit for the year		**177.5**	250.5
Other comprehensive income			
Items that may be reclassified subsequently to income statement:			
Exchange differences on translation of foreign operations			
Exchange (loss)/gain on translation of foreign operations, net of tax	(11c)	**(357.8)**	111.9
Net gain/(loss) on hedge of net investments in foreign subsidiaries, net of tax	(11c)	**43.8**	(39.1)
Net exchange differences on translation of foreign operations		**(314.0)**	72.8
Sundry items:			
Net (loss)/gain on cash flow hedges, net of tax	(11c)	**(6.0)**	8.8
Items that will not be reclassified subsequently to income statement:			
Net actuarial loss on defined benefit obligations, net of tax	(11c)	**(8.2)**	(69.7)
Other comprehensive (loss)/income for the year		**(328.2)**	11.9
Total comprehensive (loss)/income for the year		**(150.7)**	262.4
Attributable to:			
Shareholders of Orica Limited		**(148.3)**	239.8
Non-controlling interests		**(2.4)**	22.6
Total comprehensive (loss)/income for the year		**(150.7)**	262.4

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

Balance Sheet

As at 30 September

	Notes	Consolidated 2020 $m	Consolidated Restated[1] 2019[2] $m
Current assets			
Cash and cash equivalents		**920.5**	412.6
Trade receivables	(5)	**837.7**	681.6
Other receivables		**139.1**	84.2
Inventories	(5)	**610.0**	587.5
Other assets		**156.7**	69.9
Total current assets		**2,664.0**	1,835.8
Non-current assets			
Other receivables		**46.3**	63.0
Equity accounted investees	(13)	**301.6**	301.3
Property, plant and equipment	(7)	**3,316.4**	2,899.6
Intangible assets[1]	(8)	**1,744.1**	1,694.6
Deferred tax assets	(11d)	**309.0**	317.2
Other assets		**74.9**	187.5
Total non-current assets		**5,792.3**	5,463.2
Total assets		**8,456.3**	7,299.0
Current liabilities			
Trade payables	(5)	**739.7**	863.2
Other payables		**426.3**	412.6
Interest bearing liabilities	(3a)	**682.4**	60.9
Provisions	(6)	**225.2**	193.1
Other liabilities		**95.8**	104.8
Total current liabilities		**2,169.4**	1,634.6
Non-current liabilities			
Other payables		**11.6**	7.1
Interest bearing liabilities	(3a)	**2,357.3**	1,972.3
Provisions	(6)	**639.4**	586.2
Deferred tax liabilities[1]	(11d)	**49.2**	73.4
Other liabilities		**43.4**	-
Total non-current liabilities		**3,100.9**	2,639.0
Total liabilities		**5,270.3**	4,273.6
Net assets		**3,186.0**	3,025.4
Equity			
Ordinary shares	(4a)	**2,659.1**	2,138.0
Reserves		**(670.3)**	(363.5)
Retained earnings		**1,148.4**	1,193.7
Total equity attributable to ordinary shareholders of Orica Limited		**3,137.2**	2,968.2
Non-controlling interests		**48.8**	57.2
Total equity		**3,186.0**	3,025.4

[1] Restated for the retrospective application of IAS 12 *Income taxes,* following *IFRIC agenda decision,* due to change in Orica accounting policy, refer to note 24 for further details.
[2] The Group initially applied AASB 16 *Leases* on 1 October 2020, using the modified retrospective approach. Under this approach, comparative information is not restated. Refer to note 24.

The Balance Sheet is to be read in conjunction with the accompanying notes to the financial statements.

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
2019								
Balance at 1 October 2018	2,110.1	1,232.3	(280.9)	(24.8)	(133.5)	2,903.2	64.8	2,968.0
AASB 9 transitional adjustment	-	(11.0)	-	-	-	(11.0)	-	(11.0)
Adjusted balance at 1 October 2018	2,110.1	1,221.3	(280.9)	(24.8)	(133.5)	2,892.2	64.8	2,957.0
Net profit for the year	-	245.1	-	-	-	245.1	5.4	250.5
Other comprehensive (loss)/income	-	(69.7)	55.6	8.8	-	(5.3)	17.2	11.9
Total comprehensive income for the year	-	175.4	55.6	8.8	-	239.8	22.6	262.4
Transactions with owners, recorded directly in equity								
Total changes in contributed equity (note 4)	27.9	-	-	-	-	27.9	-	27.9
Share-based payments expense	-	-	-	-	11.3	11.3	-	11.3
Divestment of non-controlling interests (note 15)	-	-	-	-	-	-	(13.1)	(13.1)
Dividends/distributions	-	(203.0)	-	-	-	(203.0)	-	(203.0)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	(17.1)	(17.1)
Balance at the end of the year	2,138.0	1,193.7	(225.3)	(16.0)	(122.2)	2,968.2	57.2	3,025.4
2020								
Balance at 1 October 2019	**2,138.0**	**1,193.7**	**(225.3)**	**(16.0)**	**(122.2)**	**2,968.2**	**57.2**	**3,025.4**
AASB 16 transitional adjustment (note 24)	**-**	**(2.6)**	**-**	**-**	**-**	**(2.6)**	**-**	**(2.6)**
IFRIC 23 transitional adjustment (note 24)	**-**	**(10.2)**	**-**	**-**	**-**	**(10.2)**	**-**	**(10.2)**
Adjusted balance at 1 October 2019	**2,138.0**	**1,180.9**	**(225.3)**	**(16.0)**	**(122.2)**	**2,955.4**	**57.2**	**3,012.6**
Net profit for the year	**-**	**168.3**	**-**	**-**	**-**	**168.3**	**9.2**	**177.5**
Other comprehensive (loss)/income	**-**	**(8.2)**	**(302.4)**	**(6.0)**	**-**	**(316.6)**	**(11.6)**	**(328.2)**
Total comprehensive income/(loss) for the year	**-**	**160.1**	**(302.4)**	**(6.0)**	**-**	**(148.3)**	**(2.4)**	**(150.7)**
Transactions with owners, recorded directly in equity								
Total changes in contributed equity (note 4)	**521.1**	**-**	**-**	**-**	**-**	**521.1**	**-**	**521.1**
Share-based payments expense	**-**	**-**	**-**	**-**	**1.6**	**1.6**	**-**	**1.6**
Acquisition of subsidiaries with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**4.9**	**4.9**
Dividends/distributions	**-**	**(192.6)**	**-**	**-**	**-**	**(192.6)**	**-**	**(192.6)**
Dividends declared/paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**(10.9)**	**(10.9)**
Balance at the end of the year	**2,659.1**	**1,148.4**	**(527.7)**	**(22.0)**	**(120.6)**	**3,137.2**	**48.8**	**3,186.0**

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

Statement of Cash Flows

For the year ended 30 September

	Notes	Consolidated 2020 $m Inflows/ (Outflows)	2019 $m Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**6,057.9**	6,434.9
Payments to suppliers and employees		**(5,600.6)**	(5,513.8)
Interest received		**51.1**	49.8
Borrowing costs		**(157.8)**	(161.9)
Dividends received		**23.0**	27.2
Other operating income received		**18.2**	17.7
Net income taxes paid		**(114.4)**	(107.5)
Net cash flows from operating activities	(3b)	**277.4**	746.4
Cash flows from investing activities			
Payments for property, plant and equipment		**(321.3)**	(300.4)
Payments for intangibles		**(202.8)**	(123.6)
Payments for purchase of investments		**-**	(4.8)
Proceeds from sale of, and other advances in relation to, property, plant and equipment		**8.4**	74.4
Payments for purchase of businesses/controlled entities	(14)	**(153.9)**	(0.9)
Net cash disposed from sale of businesses	(15)	**-**	(12.6)
Proceeds from sale of investments		**9.2**	-
Disposal costs from sale of businesses/controlled entities		**-**	(0.5)
Net cash flows used in investing activities		**(660.4)**	(368.4)
Cash flows from financing activities			
Proceeds from borrowings		**2,948.3**	2,169.1
Repayment of borrowings		**(2,266.1)**	(2,465.3)
Dividends paid - Orica ordinary shares	(4c)	**(179.4)**	(177.2)
Dividends paid - non-controlling interests		**(11.3)**	(18.0)
Principal portion of lease payments		**(61.0)**	(0.8)
Proceeds from issue of ordinary shares, net of costs		**505.4**	0.7
Net cash flows from/(used in) financing activities		**935.9**	(491.5)
Net increase/(decrease) in cash held		**552.9**	(113.5)
Cash at the beginning of the period		**412.6**	514.6
Effects of exchange rate changes on cash		**(45.0)**	11.5
Cash at the end of the period		**920.5**	412.6

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements – About this Report

For the year ended 30 September

	Page
Section A. Financial performance	**34**
1. Segment report	34
2. Earnings per share (EPS)	39
Section B. Capital management	**40**
3. Net debt	40
4. Contributed equity and reserves	43
Section C. Operating assets and liabilities	**45**
5. Working capital	45
6. Provisions	46
7. Property, plant and equipment	48
8. Intangible assets	49
9. Impairment testing of assets	50
Section D. Managing financial risks	**52**
10. Financial risk management	52
Section E. Taxation	**58**
11. Taxation	58
Section F. Group structure	**61**
12. Investments in controlled entities	61
13. Equity accounted investees and joint operations	61
14. Businesses and non-controlling interests acquired	63
15. Businesses disposed	65
16. Parent Company disclosure - Orica Limited	66
17. Deed of Cross Guarantee	67
Section G. Reward and recognition	**68**
18. Employee share plans and remuneration	68
19. Defined benefit obligations	69
Section H. Other	**72**
20. Contingent liabilities	72
21. Auditor's remuneration	73
22. Events subsequent to balance date	73
23. Investments in controlled entities	74
24. New accounting policies and accounting standards	76

Notes to the Financial Statements – About this Report

For the year ended 30 September

Basis of preparation

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 2020.

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.

The financial statements are presented in Australian dollars with all amounts rounded off, except where otherwise stated, to the nearest tenth of a million dollars, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 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 consolidated 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 are important to future performance.

Except as described in note 24, the financial statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period.

Significant accounting policies that apply to the overall financial statements

Foreign currencies

Functional and Presentation Currency
The Company's functional and presentation currency is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and Balances
Transactions in currencies other than the functional currency of the Company or entity concerned are recorded using the exchange rate on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies at the balance date are retranslated at closing exchange rates. Non-monetary assets are not retranslated unless they are carried at fair value. Gains and losses arising on the retranslation of monetary assets and liabilities are included in the income statement, except where the application of hedge accounting requires inclusion in other comprehensive income (refer to note 10).

Consolidation of Group Entities
On consolidation, assets and liabilities of foreign operations are translated into Australian dollars at the closing rate at balance date. The results of foreign operations are translated into Australian dollars at average exchange rates for the period where these do not materially differ from rates applicable on the date of the transaction. Foreign exchange differences arising on the retranslation of foreign operations are recognised directly in a separate component of equity.

Critical accounting judgements and estimates

Application of the Group accounting policies requires management to make judgements, and to apply estimates and assumptions to future events. The areas involving a higher degree of judgement or complexity, and which are material to the report, are highlighted in the following notes:

Note 3 Net debt
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 14 Businesses and non-controlling interests acquired
Note 19 Defined benefit obligations
Note 20 Contingent liabilities

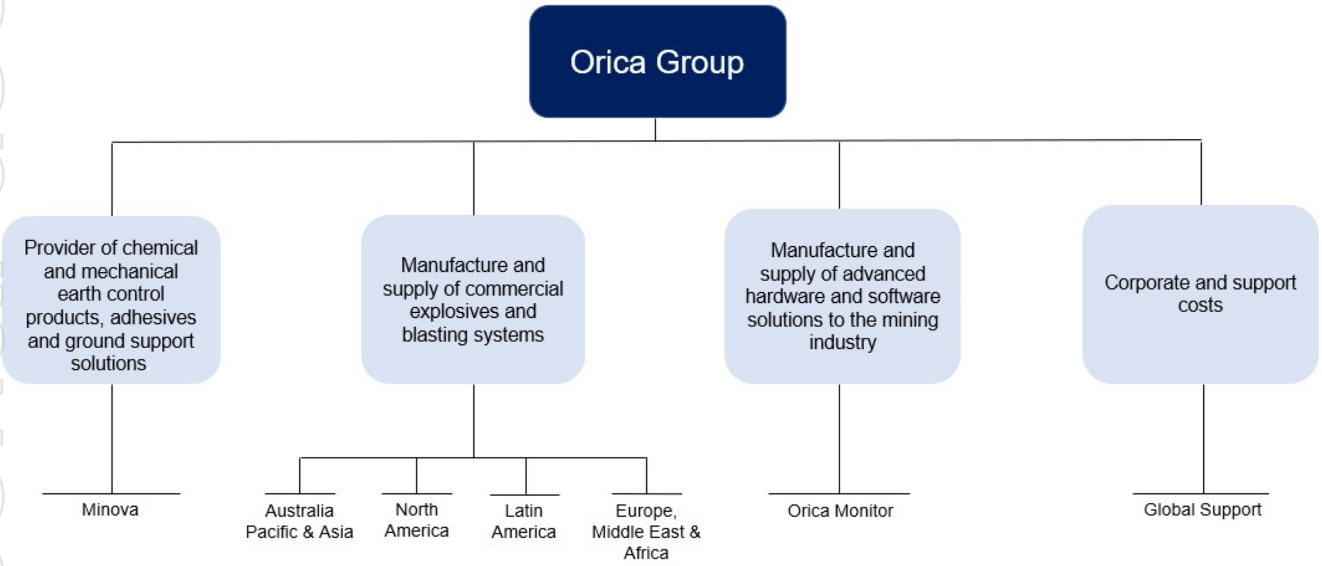
Section A. Financial performance

A key element of the Group's current strategy is to create sustainable shareholder value. This section highlights the results and performance of the Group for the year ended 30 September 2020.

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 CEO).



1. Segment report (continued)

(b) Reportable segments 2020 $m	Australia Pacific & Asia	North America	Latin America	Europe, Middle East & Africa	Minova	Orica Monitor	Global Support	Eliminations	Consolidated
Revenue									
External sales	2,050.6	1,260.0	855.6	882.8	468.3	94.0	-	-	5,611.3
Inter-segment sales	143.3	216.4	40.0	29.6	2.4	4.4	635.8	(1,071.9)	-
Total sales revenue	2,193.9	1,476.4	895.6	912.4	470.7	98.4	635.8	(1,071.9)	5,611.3
Other income (refer to note 1d)[1]	5.1	7.1	3.3	(2.0)	1.3	1.9	0.1	-	16.8
Total revenue and other income	2,199.0	1,483.5	898.9	910.4	472.0	100.3	635.9	(1,071.9)	5,628.1
Results before individually significant items									
Profit/(loss) before financing costs and income tax	369.5	163.7	36.6	62.4	20.8	20.3	(68.8)	-	604.5
Financial income									51.1
Financial expenses									(200.7)
Profit before income tax expense									454.9
Income tax expense									(146.4)
Profit after income tax expense									308.5
Less: Profit attributable to non-controlling interests									(9.2)
Profit after income tax expense before individually significant items attributable to shareholders of Orica Limited									299.3
Individually significant items (refer to note 1e)									
Gross individually significant items	(9.1)	(25.6)	(29.8)	(35.3)	(3.9)	(0.6)	(66.1)	-	(170.4)
Tax on individually significant items	2.6	6.7	8.4	1.3	1.1	0.1	19.2	-	39.4
Net individually significant items attributable to non-controlling interests									-
Individually significant items attributable to shareholders of Orica Limited									(131.0)
Profit for the year attributable to shareholders of Orica Limited									168.3
Segment assets	3,436.5	1,250.8	856.6	780.1	142.3	257.5	1,732.5	-	8,456.3
Segment liabilities	857.9	380.4	446.7	281.0	83.5	62.0	3,158.8	-	5,270.3
Equity accounted investees	76.9	193.8	13.6	2.4	-	-	14.9	-	301.6
Acquisitions of PPE and intangibles (excluding right of use assets)	199.1	52.5	16.9	32.7	12.0	14.3	183.6	-	511.1
Impairment of PPE	1.0	10.6	4.7	16.8	-	-	-	-	33.1
Impairment of intangibles	-	-	-	2.1	-	-	61.3	-	63.4
Depreciation and amortisation	148.6	70.4	34.0	32.1	11.4	12.8	42.0	-	351.3
Non-cash expenses: share based payments	1.4	1.0	0.4	1.0	-	0.3	1.2	-	5.3
Share of net profit/(loss) of equity accounted investees	3.6	29.3	2.9	1.1	-	-	(1.2)	-	35.7

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

1. Segment report (continued)

(b) Reportable segments 2019 $m	Australia Pacific & Asia	North America	Latin America	Europe, Middle East & Africa	Minova	Orica Monitor	Global Support	Eliminations	Consolidated
Revenue									
External sales	2,013.5	1,391.3	910.2	875.4	591.1	96.5	-	-	5,878.0
Inter-segment sales	92.5	199.2	59.7	35.8	4.0	0.7	1,210.4	(1,602.3)	-
Total sales revenue	2,106.0	1,590.5	969.9	911.2	595.1	97.2	1,210.4	(1,602.3)	5,878.0
Other income (refer to note 1d)(1)	5.8	5.5	(1.9)	4.1	0.4	0.5	8.7	-	23.1
Total revenue and other income	2,111.8	1,596.0	968.0	915.3	595.5	97.7	1,219.1	(1,602.3)	5,901.1
Results before individually significant items									
Profit/(loss) before financing costs and income tax	382.7	192.1	43.8	67.9	15.2	22.3	(59.3)	-	664.7
Financial income									49.6
Financial expenses									(159.3)
Profit before income tax expense									555.0
Income tax expense									(177.7)
Profit after income tax expense									377.3
Less: Profit attributable to non-controlling interests									(5.4)
Profit after income tax expense before individually significant items attributable to shareholders of Orica Limited									371.9
Individually significant items (refer to note 1e)									
Gross individually significant items	(112.2)	(1.4)	(5.4)	(3.9)	(0.8)	-	(72.2)	-	(195.9)
Tax on individually significant items	44.2	0.3	1.4	1.4	0.2	-	21.6	-	69.1
Net individually significant items attributable to non-controlling interests									-
Individually significant items attributable to shareholders of Orica Limited									(126.8)
Profit for the year attributable to shareholders of Orica Limited									245.1
Segment assets	3,065.6	971.2	559.3	720.1	196.6	239.2	1,547.0	-	7,299.0
Segment liabilities	583.2	203.4	199.1	246.3	84.7	40.8	2,916.1	-	4,273.6
Equity accounted investees	73.5	198.9	11.6	1.9	-	-	15.4	-	301.3
Acquisitions of PPE and intangibles	162.2	39.6	29.8	48.0	7.3	12.7	133.9	-	433.5
Write down of PPE	155.0	-	-	-	-	-	-	-	155.0
Impairment of intangibles	-	-	-	-	-	-	36.1	-	36.1
Depreciation and amortisation	126.2	44.8	22.7	26.0	9.1	8.6	39.0	-	276.4
Non-cash expenses: share based payments	2.6	1.8	1.6	1.7	0.3	-	4.4	-	12.4
Share of net profit/(loss) of equity accounted investees	1.7	26.4	2.9	0.9	-	-	-	-	31.9

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

1. Segment report (continued)

	Consolidated 2020 $m	Consolidated 2019 $m
(c) Disaggregation of revenue (by commodity/industry)		
Gold	**1,099.8**	1,172.3
Thermal Coal	**900.0**	1,025.2
Copper	**893.8**	798.5
Quarry and Construction	**731.0**	725.4
Iron Ore	**410.1**	437.9
Coking Coal	**350.0**	305.9
Minova	**468.3**	591.1
Orica Monitor	**94.0**	96.6
Other	**664.3**	725.1
Total disaggregated revenue	**5,611.3**	5,878.0

	Consolidated 2020 $m	Consolidated 2019 $m
(d) Other income		
Other income	**18.2**	17.7
Net foreign currency (losses)/gains	**(6.5)**	4.4
Net profit from sale of businesses	**-**	3.3
Net gain/(loss) on sale of property, plant and equipment	**0.9**	(2.3)
Profit from sale of investments	**4.2**	-
Total other income	**16.8**	23.1

	2020 Gross $m	2020 Tax $m	2020 Net $m	2019 Gross $m	2019 Tax $m	2019 Net $m
(e) Individually significant items						
Profit after income tax includes the following individually significant items of expense:						
Initiating systems network optimisation [1]	**(80.1)**	**13.0**	**(67.1)**	-	-	-
Impairment expense [2]	**(63.4)**	**18.7**	**(44.7)**	(36.1)	10.8	(25.3)
Operating model restructuring [3]	**(26.9)**	**7.7**	**(19.2)**	(21.5)	6.2	(15.3)
Gain on formation of China joint venture [4]	**-**	**-**	**-**	50.2	(4.5)	45.7
Environmental provisions for legacy sites	**-**	**-**	**-**	(33.5)	10.1	(23.4)
Write down of property, plant & equipment	**-**	**-**	**-**	(155.0)	46.5	(108.5)
Individually significant items	**(170.4)**	**39.4**	**(131.0)**	(195.9)	69.1	(126.8)
Individually significant items attributable to shareholders of Orica	**(170.4)**	**39.4**	**(131.0)**	(195.9)	69.1	(126.8)

[1] The Group is undertaking a global project to rationalise its product portfolio, simplify and reduce its different technologies, and enable the optimisation of the initiating system (IS) plant network. This project is expected to result in a substantial increase in the IS plant utilisation by 2024. The expense includes an impairment to PPE ($33.1m), increase in environmental and decommissioning provision ($27.9m), redundancies ($8.2m) and inventory write offs ($10.9m). Refer to note 6, note 7 and note 9.
[2] Refer to note 8 and note 9.
[3] As part of the global restructuring project, redundancy costs were recognised across the Group.
[4] Refer to note 15.

1. Segment report (continued)

(f) 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 [1]	
	2020	2019	**2020**	2019
	$m	$m	**$m**	$m
Australia	**1,608.3**	1,587.1	**3,037.7**	2,673.7
United States of America	**888.6**	931.4	**390.7**	354.1
Canada	**545.7**	576.5	**282.2**	356.5
Other [2]	**2,568.7**	2,783.0	**1,694.8**	1,585.5
Consolidated	**5,611.3**	5,878.0	**5,405.4**	4,969.8

(1) Excluding: financial derivatives (included within other assets and other liabilities), deferred tax assets and post-employment benefit assets.
(2) Other than Australia, United States of America and Canada, sales to other countries are individually less than 10% of the Group's total revenues.

Recognition and measurement

Revenue is recognised when, or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration includes a variable amount (net of trade discounts and volume rebates), the Group estimates the amount of consideration to which it will be entitled. The majority of the Group’s operations are conducted under Master Service Agreements which require customers to place orders for goods or services on a periodic basis. The performance obligations are identified at the point that the customer places the order.

Supply of products and provision of services

Revenue is derived from contractual agreements for either:

- the supply of products; or
- the supply of products and the provision of services.

Contracts for the supply of products are one performance obligation; and contracts for the supply of products and services include one or two separate performance obligations depending on whether the customer can benefit from the products independently of the services.

Product revenue is recognised when the goods are delivered to the contracted point of delivery as this is the point at which the customer gains control of the product and the performance obligation is satisfied by the Group.

Service revenue is recognised over time as the customer simultaneously receives and consumes the benefits of the Group’s performance. Where products and services are combined into one single performance obligation, revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group’s performance.

Contracts to provide a designated output

The provision of goods and services in contracts that provide a designated quantity of output results in the identification of a single performance obligation to deliver an integrated service to the customer. Revenue from this performance obligation is recognised over time as the customer simultaneously receives and consumes the benefits of the Group’s performance.

2. Earnings per share (EPS)

	Consolidated	
	2020 $m	2019 $m
(i) As reported in the income statement		
Earnings used in the calculation of basic EPS attributable to ordinary shareholders of Orica Limited		
Net profit for the year from continuing operations	**177.5**	250.5
Less: Net profit for the year attributable to non-controlling interests	**9.2**	5.4
Total	**168.3**	245.1

	Number of shares	
Weighted average number of shares used in the calculation:		
Number for basic earnings per share	**395,620,418**	379,967,950
Effect of dilutive share options and rights	**1,489,532**	1,656,530
Number for diluted earnings per share	**397,109,950**	381,624,480
The weighted average number of options and rights that have not been included in the calculation of diluted earnings per share	**3,044,873**	3,027,776

	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica Limited		
Basic earnings per share	**42.5**	64.5
Diluted earnings per share	**42.4**	64.2

	Consolidated	
	2020 $m	2019 $m
(ii) Adjusted for individually significant items		
Earnings used in the calculation of basic EPS adjusted for individually significant items attributable to ordinary shareholders of Orica Limited		
Net profit for the year	**177.5**	250.5
Less: Net profit for the year attributable to non-controlling interests	**9.2**	5.4
Adjusted for individually significant items (refer to note 1e)	**131.0**	126.8
Total adjusted	**299.3**	371.9

	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica Limited before individually significant items		
Basic earnings per share(1)	**75.7**	97.9
Diluted earnings per share(1)	**75.4**	97.5

(1) Earnings per share before individually significant items is a non-IFRS measure. Management excludes individually significant items from the calculation in order to enhance the comparability from year-to-year and provide investors with further clarity in order to assess the underlying performance of operations.

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, 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%-70% 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 the gearing ratio (net debt excluding lease liabilities divided by net debt excluding lease liabilities plus equity) and the interest cover ratio (EBIT excluding individually significant items, divided by net financing costs excluding lease interest). 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 enables access to borrowings from a range of sources. Of note, Orica's debt covenants are calculated exclusive of leases while Standard & Poor's adjusted ratios are inclusive of leases.

The Group's current target for gearing is 30%-40% and 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 covenant levels applicable to the various financing facilities.

	Consolidated	
	2020	2019
The gearing ratio is calculated as follows:	**$m**	$m
Interest bearing liabilities - excluding lease liabilities (refer to note 3a)	**2,741.0**	2,033.2
less cash and cash equivalents	**(920.5)**	(412.6)
Net debt	**1,820.5**	1,620.6
Total equity	**3,186.0**	3,025.4
Net debt and total equity	**5,006.5**	4,646.0
Gearing ratio (%)	**36.4%**	34.9%
The interest ratio is calculated as follows:		
EBIT (excluding individually significant items) (refer to note 1b)	**604.5**	664.7
Net financing costs excluding unwinding of discount on provisions(1)	**101.4**	100.4
Unwinding of discount on provisions(2)	**48.2**	9.3
Net financing costs	**149.6**	109.7
Less lease interest	**(12.6)**	-
Net financing costs excluding lease interest	**137.0**	109.7
Interest cover ratio (times)	**4.4**	6.1

(1) Net of capitalised borrowing costs of $9.5m (2019 $7.5m).

(2) The unwinding of discount on provisions increased by $38.9m primarily as a result of a material decline in the discount rate applied to measure the Botany groundwater provision. Refer to note 6 for further details.

3. Net debt (continued)

(a) Interest bearing liabilities

Current	Opening Balance $m	Adoption of AASB 16 $m	Non-cash movements $m	Net cash movements $m	Closing Balance $m
Unsecured					
Private Placement debt [(1)]	-	-	469.5	-	469.5
Export finance facility	17.1	-	0.2	(17.3)	-
Bank loans[(1)(2)]	34.0	-	131.6	(20.1)	145.5
Bank overdraft	8.4	-	-	(6.0)	2.4
Other loans	1.1	-	-	(1.1)	-
Lease liabilities [(3)]	0.3	67.3	71.0	(73.6)	65.0
Total	**60.9**	**67.3**	**672.3**	**(118.1)**	**682.4**
Non-current					
Unsecured					
Private Placement debt [(1)]	1,971.3	-	(575.0)	722.2	2,118.5
Bank loans[(1)]	-	-	-	4.6	4.6
Other loans	0.9	-	(0.3)	(0.1)	0.5
Lease liabilities [(3)]	0.1	186.4	47.2	-	233.7
Total	**1,972.3**	**186.4**	**(528.1)**	**726.7**	**2,357.3**
Total	**2,033.2**	**253.7**	**144.2**	**608.6**	**3,039.7**

(1) Orica Limited provides guarantees on certain facilities, refer to note 16 for further details.
(2) Included in the non-cash movements are bank loans acquired of $154.6m.
(3) In 2019, $6.8m of property, plant and equipment were pledged as security for finance leases.

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

	Notes	Consolidated 2020 $m	2019 $m
(b) Notes to the statement of cash flows			
Reconciliation of profit after income tax to net cash flows from operating activities			
Profit after income tax expense		177.5	250.5
Adjusted for the following items:			
Depreciation and amortisation	(1b)	351.3	276.4
Net (profit)/loss on sale of property, plant and equipment	(1d)	(0.9)	2.3
Impairment of intangibles	(8)	63.4	36.1
Impairment/write down of property, plant and equipment	(7)	33.1	155.0
Impairment of inventories		(3.3)	19.8
Net profit on sale of businesses		-	(53.5)
Net profit on sale of investments		(4.2)	-
Share based payments expense		5.3	12.4
Share of equity accounted investees net profit after adding back dividends received		(12.7)	(4.8)
Unwinding of discount on provisions		48.2	9.3
Other		4.2	2.4
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities			
(increase) in trade and other receivables		(147.4)	(41.7)
decrease in inventories		33.1	39.0
(increase) in net deferred taxes		(18.5)	(10.6)
(decrease)/increase in payables and provisions		(254.9)	71.4
increase/(decrease) in income taxes payable		3.2	(17.6)
Net cash flows from operating activities		**277.4**	**746.4**

3. Net debt (continued)

Recognition and Measurement

Cash and cash equivalents

Cash includes cash at bank, cash on hand and deposits at call.

Interest bearing liabilities, excluding lease liabilities

Interest bearing liabilities are initially recognised net of 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 10).

Borrowing costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets where interest on funds are capitalised.

Lease liabilities

The Group recognises all lease liabilities and corresponding right of use assets, with the exception of short-term (12 months or less) and low-value leases, on the balance sheet. Lease liabilities are recorded at the present value of fixed payments, variable lease payments that depend on an index or rate, amounts payable under residual value guarantees and extension options expected to be exercised. Where a lease contains an extension option which the Group can exercise without negotiation, lease payments for the extension period are included in the liability if the Group is reasonably certain that it will exercise the option. Variable lease payments not dependent on an index or rate are excluded from the liability. Lease payments are discounted at the incremental borrowing rate of the lessee unless the rate implicit in the lease can be readily determined.

Lease liabilities are remeasured when there is a change in future lease payments resulting from a change in an index or rate, or a change in the assessed lease term. A corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount has been reduced to zero.

The Group applied judgement to determine the incremental borrowing rates as well as the lease term for some lease contracts that include extension or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised.

The Group recognises depreciation of the right of use assets and interest on the lease liabilities in the income statement over the lease term. Repayments of lease liabilities are separated into a principal portion (presented within financing activities) and interest portion (presented within operating activities) in the cash flow statement.

Expenses relating to short-term and low-value leases of $31.7 million and variable lease payments not included in lease liabilities of $115.9 million have been recognised in the income statement. Total cash outflow for leases was $221.2 million.

Critical accounting judgements and estimates

- Determination of the discount rate to use
- Determination of whether it is reasonably certain that an extension or termination option will be exercised

4. Contributed equity and reserves

(a) Contributed equity

Movements in issued and fully paid shares of Orica since 1 October 2018 were as follows:

Details	Date	Number of shares	Issue price $	$m
Ordinary shares				
Opening balance of shares issued	1-Oct-18	379,214,789		2,110.1
Shares issued under the Orica dividend reinvestment plan	7-Dec-18	726,287	17.48	12.7
Shares issued under the Orica dividend reinvestment plan	1-Jul-19	635,545	20.67	13.1
Deferred shares issued to settle Short-Term Incentive				1.4
Shares issued under the Orica GEESP plan [1]				0.7
Balance at the end of the year	**30-Sep-19**	**380,576,621**		**2,138.0**
Shares issued under the Orica dividend reinvestment plan	**13-Dec-19**	**376,806**	**23.62**	**8.9**
Shares issued under the Institutional Share Placement, net of costs	**25-Feb-20**	**23,596,036**	**21.19**	**487.4**
Shares issued under Share Purchase Plan	**24-Mar-20**	**1,085,837**	**15.93**	**17.3**
Shares issued under the Orica dividend reinvestment plan	**8-Jul-20**	**243,515**	**17.51**	**4.3**
Deferred shares issued to settle Short-Term Incentive				**2.5**
Shares issued under the Orica GEESP plan [1]				**0.7**
Balance at the end of the year	**30-Sep-20**	**405,878,815**		**2,659.1**

[1] General Employee Exempt Share Plan (GEESP)

During the year, the Group completed an institutional share placement and a share purchase plan raising $504.7 million net of transaction costs. These proceeds were used to fund the Group's acquisition of Exsa S.A (refer to note 14) with the remaining funds to provide greater balance sheet flexibility to support investment in Orica's core capital initiatives and growth engines.

(b) Reserves

Recognition and Measurement

Foreign currency translation reserve

Records the foreign currency differences arising from the translation of foreign operations. The relevant portion of the reserve is recognised in the income statement when the foreign operation is disposed of.

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.

4. Contributed equity and reserves (continued)

(c) Dividends

	Consolidated 2020 $m	Consolidated 2019 $m
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary shares		
interim dividend of 22.0 cents per share, unfranked, paid 1 July 2019		83.5
interim dividend of 16.5 cents per share, unfranked, paid 8 July 2020	**67.0**	
final dividend of 31.5 cents per share, unfranked, paid 7 December 2018		119.5
final dividend of 33 cents per share, 15.2% franked at 30%, paid 13 December 2019	**125.6**	
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	**179.4**	177.2
DRP - satisfied by issue of shares	**13.2**	25.8

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

Final dividend on ordinary shares of 16.5 cents per share, unfranked, payable 15 January 2021. Total franking credits related to this dividend are nil (2019 $8.2 million).

The financial effect of the final dividend on ordinary shares has not been brought to account in the financial statements for the year ended 30 September 2020 - however will be recognised in the 2021 financial statements.

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 2020 are nil (2019 nil).

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

Trade working capital includes inventories, 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	
	2020	2019
	$m	$m
Inventories (i)	**610.0**	587.5
Trade receivables (ii)	**837.7**	681.6
Trade payables (iii)	**(739.7)**	(863.2)
Trade working capital	**708.0**	405.9

(i) Inventories
The classification of inventories is detailed below:

	Consolidated	
	2020	2019
	$m	$m
Raw materials	**219.8**	257.8
Work in progress	**2.3**	47.5
Finished goods	**387.9**	282.2
	610.0	587.5

Recognition and Measurement

Inventories are measured at the lower of cost and net realisable value. Cost is based on a first-in first-out or weighted average basis. For manufactured goods, cost includes direct material and fixed overheads based on normal operating capacity. Inventories have been shown net of provision for impairment of $45.7 million (2019 $36.4 million).

(ii) Trade receivables
The ageing of trade receivables and allowance for impairment is detailed below:

	Consolidated		Consolidated	
	2020	**2020**	2019	2019
	Gross	**Allowance**	Gross	Allowance
	$m	**$m**	$m	$m
Not past due	**750.7**	**-**	642.4	-
Past due 0 - 30 days	**78.5**	**-**	39.0	-
Past due 31 - 120 days	**37.3**	**(28.8)**	17.3	(17.1)
Past 120 days	**47.1**	**(47.1)**	46.0	(46.0)
	913.6	**(75.9)**	744.7	(63.1)

Recognition and Measurement

The collectability of trade and other receivables is assessed continuously, specific allowances are made for any doubtful trade and other receivables based on a review of all outstanding amounts at year end. The expected impairment loss calculation for trade receivables considers both quantitative information from historic credit losses as well as qualitative information on different customer/debtor profiles and segments. The net carrying amount of trade and other receivables approximates their fair values. A risk assessment process is used for all accounts, with a stop credit process in place for most long overdue accounts.

(iii) Trade payables

Recognition and Measurement

Trade and other payables are recognised when the Group is required to make future payments as a result of the purchase of goods or as services provided prior to the end of the reporting period. 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

Non-trade working capital includes all other receivables and payables not related to the purchase of goods and is recognised net of provisions for impairment of $20.9 million (2019 $21.1 million).

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. Actual expenses in future periods may be different from the provisions established and any such differences would impact future earnings of the Group.

COVID-19
Whilst the impact of COVID-19 has been considered, it did not have a material impact on the expected impairment loss on the closing receivables balance for the Group.

6. Provisions

	Consolidated	
	2020	2019
	$m	$m
Current		
Employee entitlements [1]	**103.3**	93.2
Environmental and decommissioning [2][3]	**92.8**	70.8
Restructuring	**13.6**	7.4
Other	**15.5**	21.7
	225.2	193.1
Non-current		
Employee entitlements [1]	**19.4**	23.0
Retirement benefit obligations (see note 19b)	**313.6**	307.5
Environmental and decommissioning [2][3]	**296.1**	246.3
Restructuring	**0.2**	0.3
Other	**10.1**	9.1
	639.4	586.2

[1] $63.0m (2019 $58.6m) was expensed to the income statement in relation to employee entitlements during the year.
[2] Payments of $48.2m (2019 $51.6m) were made during the year in relation to environmental and decommissioning provisions.
[3] Provisions of $43.5m (2019 $55.3m) have been capitalised as part of the carrying value of land.

The total environmental and decommissioning provision comprises:

	Consolidated	
	2020	2019
	$m	$m
Botany Groundwater remediation	**201.3**	171.3
Botany (HCB) waste	**31.3**	41.1
Burrup decommissioning	**56.5**	21.7
Initiating systems network optimisation	**27.9**	-
Deer Park remediation	**17.0**	22.0
Yarraville remediation	**19.3**	24.6
Other provisions	**35.6**	36.4
Total	**388.9**	317.1

Recognition and Measurement

Employee Entitlements

A liability for employee entitlements is recognised for the amount expected to be paid where the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and that obligation can be reliably measured.

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 a depreciable asset with a corresponding provision being 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 to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost.

6. Provisions (continued)

Environmental

Estimated costs for the remediation of soil, groundwater and untreated waste are recognised when there is a legal or constructive obligation to remediate and the associated costs can be reliably estimated.

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 carrying value of that land, otherwise it is expensed.

The amount of provision reflects the best estimate of the expenditure required to settle the obligation having regard to a range of potential scenarios, input from subject matter experts on appropriate remediation techniques and relevant technological advances.

Individually significant items

As part of the Initiating Systems Network Optimisation (ISNO) project sites were identified for closure which has resulted in a $27.9 million increase in the provision for environmental and decommissioning. As these costs are not expected to be recovered, the impact has been expensed to the income statement (see note 1e).

The redundancy costs associated with the operating model restructure and the ISNO project which have yet to be paid are included in the restructuring provision.

Critical accounting judgements and estimates

Botany groundwater remediation

Orica's historical operations at the Botany Industrial Park resulted in contamination of the soil and groundwater. Due to the complex nature of the chemicals involved and its distribution (e.g. Dense Non-Aqueous Phase Liquid (DNAPL), the lack of known practical remediation approaches and the unknown scale of the contamination, a practical solution to completely remediate the contamination has not been found. Orica continues to work in close cooperation with the New South Wales (NSW) Environmental Protection Authority (EPA) to address the contamination.

Orica has a current obligation to contain and mitigate the effects of the contamination on the groundwater at the site. Orica and the NSW EPA entered into a Voluntary Management Proposal to contain groundwater contamination while an effective remediation approach to the DNAPL source contamination is identified.

The findings from Orica's FY2018 review indicated that the cessation of groundwater extraction using the Groundwater Treatment Plant (GTP) is possible within an 18-year timeframe. After this period, Orica anticipates that the contamination levels will be materially below current levels and will be able to be managed through natural attenuation or less intensive technologies.

The technical review considered existing remediation technologies which would augment the existing 'pump and treat' methodology. One of these alternatives is being piloted, with the expectation that the operating costs of the GTP facility may reduce.

Orica regularly reviews the discount rate and inflation rate used in the provision calculation. A decrease in the 15-year Australian Government Bond rate, together with the discount unwind, partly offset by a reduction in the inflation rate has resulted in an increase to the provision of $43.5 million. Orica has reflected this increase in the provision in the financial report with the expense included within interest.

Burrup decommissioning

Similar to Botany groundwater remediation the decrease in the Australian Government Bond rate resulted in a $29.6 million increase to the provision. The increase has been included within additions to machinery, plant and equipment in note 7.

Provisions for other sites

For other sites where Orica has recognised a provision for environmental remediation, judgement is required in determining the future expenditure required to settle the obligation due to uncertainties in the assumptions regarding the nature or extent of the contamination, the application of relevant laws or regulations and the information available at certain locations where Orica no longer controls the site. Changes in these assumptions may impact future reported results. Subject to those factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, Orica believes the provision balances are appropriate based on currently available information. However, considering the uncertainties noted above the costs incurred in future periods may be greater than or less than the amounts provided.

Contingent environmental liabilities

Botany – remediation of source contamination

Specifically related to the remediation of DNAPL source contamination a reliable estimate of the costs to complete remediation is not possible given the lack of proven remediation techniques that can be effectively deployed at the site and uncertainty of the scale of the DNAPL contamination. This position was confirmed during the year when management held a strategy workshop with both remediation experts and the NSW EPA to review developments in applicable technology, the level of assessed contamination and whether alternate remediation approaches could be implemented.

6. Provisions (continued)

Other sites

In respect of historical and current operations, certain sites owned or used by the Group may require future remediation actions.

Sites with significant uncertainties relating to the following are disclosed as contingent liabilities:

- Sites where contamination is known or likely to exist, however the impact cannot be reliably measured due to uncertainties related to the extent of Orica's remediation obligations or the remediation techniques that may be utilised; or
- Sites where known contamination exists but does not pose a current threat to human health or the environment, therefore no regulatory or formal remediation action is probable.

Any costs associated with these matters are expensed as incurred.

7. Property, plant and equipment

	Owned assets		Leased assets		
Consolidated	Land, buildings and improvements $m	Machinery, plant and equipment $m	Land, buildings and improvements $m	Machinery, plant and equipment $m	Total $m
2019					
Cost	760.7	5,072.6	-	-	5,833.3
Accumulated impairment losses	-	(161.7)	-	-	(161.7)
Accumulated depreciation	(288.0)	(2,484.0)	-	-	(2,772.0)
Total carrying value	472.7	2,426.9	-	-	2,899.6
Movement					
Carrying amount at the beginning of the year	475.2	2,391.0	-	-	2,866.2
Additions	10.6	291.7	-	-	302.3
Disposals through disposal of entities (see note 15)	(10.1)	(14.9)	-	-	(25.0)
Disposals	(1.4)	(9.7)	-	-	(11.1)
Depreciation expense	(17.5)	(213.7)	-	-	(231.2)
Write down of property, plant & equipment	-	(155.0)	-	-	(155.0)
Transfer from intangible assets (see note 8)	-	35.6	-	-	35.6
Foreign currency exchange differences	15.9	101.9	-	-	117.8
Carrying amount at the end of the year	472.7	2,426.9	-	-	2,899.6
2020					
Cost	**761.1**	**5,335.1**	**193.8**	**167.5**	**6,457.5**
Accumulated impairment losses	**-**	**(194.8)**	**-**	**-**	**(194.8)**
Accumulated depreciation	**(333.7)**	**(2,542.0)**	**(25.9)**	**(44.7)**	**(2,946.3)**
Total carrying value	**427.4**	**2,598.3**	**167.9**	**122.8**	**3,316.4**
Movement					
Carrying amount at the beginning of the year	**472.7**	**2,426.9**	**-**	**-**	**2,899.6**
Transition adjustment to AASB 16	**-**	**-**	**140.1**	**110.0**	**250.1**
Additions	**16.1**	**311.5**	**25.4**	**57.4**	**410.4**
Additions through acquisitions of entities (see note 14)	**38.9**	**165.8**	**32.4**	**2.3**	**239.4**
Disposals	**-**	**(6.0)**	**-**	**-**	**(6.0)**
Transfers between property, plant & equipment assets	**(64.4)**	**64.4**	**-**	**-**	**-**
Depreciation expense	**(28.7)**	**(213.4)**	**(25.9)**	**(44.7)**	**(312.7)**
Impairment expense (see note 9)	**-**	**(33.1)**	**-**	**-**	**(33.1)**
Foreign currency exchange differences	**(7.2)**	**(117.8)**	**(4.1)**	**(2.2)**	**(131.3)**
Carrying amount at the end of the year	**427.4**	**2,598.3**	**167.9**	**122.8**	**3,316.4**

Individually significant items

As part of the ISNO project the Group recognised an impairment of $33.1 million (refer to note 9).

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 $77.1 million (2019 $92.3 million) and later than one but less than five years was $3.1 million (2019 nil).

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 to note 3). Subsequent costs are capitalised 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.

The right of use asset at initial recognition reflects the lease liability adjusted for any lease payments made before the commencement date plus any make good obligations and initial direct costs incurred (refer to note 3). The leases recognised by the Group under AASB 16 predominantly relate to property leases including offices and storage as well as plant & equipment leases including vehicles and rail cars (refer to note 24).

7. Property, plant and equipment (continued)

Critical accounting judgements and estimates

Management reviews the appropriateness of useful lives of assets at least annually, 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:

	Owned assets	Right of use assets - leased
Land	Indefinite	1 to 70 years
Buildings and improvements	25 to 40 years	1 to 20 years
Machinery, plant and equipment	3 to 40 years	1 to 15 years

8. Intangible assets

Consolidated	Goodwill $m	Patents, trademarks and rights $m	Software $m	Other $m	Total $m
2019 (restated)					
Cost[1]	2,670.1	162.7	556.4	165.2	3,554.4
Accumulated impairment losses	(1,475.9)	-	(51.0)	-	(1,526.9)
Accumulated amortisation	-	(98.8)	(133.6)	(100.5)	(332.9)
Net carrying amount	1,194.2	63.9	371.8	64.7	1,694.6
Movement					
Carrying amount at the beginning of the year[1]	1,055.3	269.3	321.0	57.3	1,702.9
Additions	-	-	116.7	14.5	131.2
Adjustment on acquisition of entities	(6.3)	-	-	-	(6.3)
Disposals through disposal of entities	-	(2.1)	-	-	(2.1)
Transfer between intangible assets	167.8	(167.8)	-	-	-
Transfer to property, plant & equipment (see note 7)	-	(35.6)	-	-	(35.6)
Amortisation expense	-	(5.1)	(28.5)	(11.6)	(45.2)
Impairment expense	-	-	(36.1)	-	(36.1)
Foreign currency exchange differences	(22.6)	5.2	(1.3)	4.5	(14.2)
Carrying amount at the end of the year	1,194.2	63.9	371.8	64.7	1,694.6
2020					
Cost	**2,630.3**	**210.7**	**621.3**	**182.0**	**3,644.3**
Accumulated impairment losses	**(1,475.9)**	**-**	**(114.4)**	**-**	**(1,590.3)**
Accumulated amortisation	**-**	**(127.4)**	**(77.4)**	**(105.1)**	**(309.9)**
Net carrying amount	**1,154.4**	**83.3**	**429.5**	**76.9**	**1,744.1**
Movement					
Carrying amount at the beginning of the year	**1,194.2**	**63.9**	**371.8**	**64.7**	**1,694.6**
Additions	**-**	**-**	**165.3**	**18.2**	**183.5**
Additions through acquisitions of entities (see note 14)	**6.3**	**28.6**	**-**	**13.9**	**48.8**
Transfer between intangible assets	**-**	**-**	**-**	**-**	**-**
Amortisation expense	**-**	**(6.0)**	**(19.0)**	**(13.6)**	**(38.6)**
Impairment expense	**-**	**-**	**(63.4)**	**-**	**(63.4)**
Foreign currency exchange differences	**(46.1)**	**(3.2)**	**(25.2)**	**(6.3)**	**(80.8)**
Carrying amount at the end of the year	**1,154.4**	**83.3**	**429.5**	**76.9**	**1,744.1**

(1) Restated for the retrospective application of IAS 12 *Income taxes,* following *IFRIC agenda decision,* due to change in Orica accounting policy, refer to note 24 for further details.

Individually significant items

As part of the impairment review and the transition to the new SAP operating system the Group recognised an impairment charge of $63.4 million (refer to note 9).

Recognition and Measurement

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.

Identifiable intangibles

Identifiable intangible assets with a finite life are amortised on a straight line basis over their expected useful life to the Group, being up to thirty years. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits of the specific asset to which it relates. All other expenditure is expensed as incurred.

8. Intangible assets (continued)

Critical accounting judgements and estimates

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

In calculating the Goodwill associated with the acquisition of Exsa, management has applied a number of valuation techniques to determine the fair value of assets acquired. Refer to note 14 for further details.

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 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. Value in use is determined by applying assumptions specific to the Group's continued use and does not consider future development. The value in use calculations use cash flow projections which do not exceed five 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 (CGU). CGUs 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.

Key assumptions

	Post-tax discount rates 2020 %	Weighted average post-tax discount rates 2020 %	Terminal growth rates 2020 %	Weighted average terminal growth rate 2020 %	Goodwill 2020 $m
Australia Pacific & Asia	**7.1-13.4**	**10.3**	**0.5-7.3**	**3.9**	**552.9**
North America	**7.5**	**7.5**	**1.6**	**1.6**	**155.8**
Latin America	**8.1-13.8**	**8.9**	**2.3-5.5**	**3.6**	**126.8**
Europe, Middle East & Africa	**6.8-18.0**	**9.6**	**1.2-11.5**	**3.6**	**203.8**
Minova	**8.1-9.5**	**9.1**	**1.2-7.3**	**2.6**	**-**
Orica Monitor	**7.4-9.0**	**8.9**	**2.0-2.6**	**2.6**	**115.1**
Global Support	**9.0**	**9.0**	**2.6**	**2.6**	**-**
Total					**1,154.4**

	Post-tax discount rates 2019 %	Weighted average post-tax discount rates 2019 %	Terminal growth rates 2019 %	Weighted average terminal growth rate 2019 %	Goodwill 2019 $m
Australia Pacific & Asia	7.9-12.3	10.2	0.5-7.7	3.6	574.8
North America	8.4	8.4	1.6	1.6	149.7
Latin America	9.4-12.4	10.4	1.5-5.5	3.7	142.1
Europe, Middle East & Africa	7.5-21.5	9.6	1.2-11.7	4.5	212.5
Minova	8.8-10.5	9.8	1.2-7.7	2.2	-
Orica Monitor(1)	8.0-9.8	9.5	2.0-2.6	2.5	115.1
Global Support	9.8	9.8	2.6	2.6	-
Total					1,194.2

(1) Restated for the retrospective application of IAS 12 *Income taxes,* following *IFRIC agenda decision,* due to change in Orica accounting policy, refer to note 24 for further details.

9. Impairment testing of assets (continued)

Critical accounting judgements and estimates

2020

Intangible Assets
As part of the impairment review and the transition to the new SAP operating system, Orica identified $63.4 million of historic IT assets that would no longer be utilised by the business.

Property, plant and equipment
The Group is undertaking a global project to rationalise its product portfolio, simplify and reduce its different technologies, and enable the optimisation of the initiating system (IS) plant network. This project is expected to result in a substantial increase in the IS plant network's utilisation by 2024.

As part of these plans, the Minden, Hallowell and Tappen plants will cease production, with further rationalisation of other manufacturing facilities planned.

This has resulted in an impairment charge of $33.1 million. In calculating the impairment charge management has used a value in use model to forecast the remaining cashflows to be generated by these plants before they cease production.

COVID-19
The Group continues to actively monitor the impact of the COVID-19 pandemic, including the impact on economic activity and financial reporting. During FY2020, the Group experienced lower volumes at certain operated assets and temporary shutdowns at some customer sites. Whilst COVID-19 has caused disruption and uncertainty to the Group's operating and economic assumptions (such as commodity prices, demand and supply volumes, operating costs and discount rates), given the long lived nature of the majority of the Group's assets, COVID-19 in isolation was not considered an indicator of impairment for the Group's asset values at 30 September 2020.

Significant judgement is required in determining the following key assumptions used to calculate the value in use, which has been updated to reflect the increase in uncertainty and the current risk environment:

- Revenue growth
- Foreign exchange rates
- Discount rates
- Future cash flows

The potential impact of COVID-19 has been considered in formulating these assumptions.

Ultimately due to the ongoing uncertainty as to the extent and duration of COVID-19 restrictions and the overall impact on economic activity, actual results may materially differ from the Group's internal assumptions. This may result in reassessment of indicators of impairment for the Group's assets in future reporting periods.

2019

Intangible Assets
As part of the impairment review and the transition to the new SAP operating system, Orica identified $36.1 million of IT assets that would no longer be utilised by the business.

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 other financial risks that 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

Financial risk management is carried out centrally by the Group's treasury function under policies approved by the Board.

The Group's principal financial risks are associated with:

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

(a) Interest rate risk

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 a fair value interest rate risk while borrowings issued at a variable rate give rise to a 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 Board via the use of interest rate swaps and cross currency interest rate swaps. As at September 2020, fixed rate borrowings after the impact of interest rate swaps and cross currency swaps were $1,462.7 million (2019 $1,169 million), representing a fixed/floating split of 53% and 47% respectively (2019 58% and 42%).

Interest rate sensitivity

A 10% movement in interest rates without management intervention would have a $5.0 million (2019 $5.3 million) impact on profit before tax and a $3.5 million (2019 $3.7 million) impact on shareholders' equity.

(b) Foreign exchange risk

i) Foreign exchange risk - transactional

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

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

Foreign exchange risk on foreign currency borrowings is managed using cross currency swaps and forward foreign exchange contracts. As at September, the notional balance of derivative contracts hedging foreign currency debt was $1,477.1 million (2019 $968.8 million).

In regard to foreign currency risk relating to sales and purchases, the Group may hedge up to 100% of committed exposures utilising a declining percentage over time methodology. 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. At reporting date, Orica held foreign exchange contacts with a net asset value of $6.8 million (2019 net asset of $1.6 million).

10. Financial risk management (continued)

Foreign exchange sensitivity

The table below shows the Group's main exposure to foreign currency transactional risk (Australian dollar equivalent) and the effect on profit or loss and equity had exchange rates been 10% higher or lower than the year end rate with all other variables held constant.

The analysis takes into account all underlying exposures and related hedges but not the impact of any management actions that might take place if these events occurred.

	2020 USD $m	2020 EUR $m	2019 USD $m	2019 EUR $m
Cash and cash equivalents	**123.4**	**18.5**	125.4	12.2
Trade and other receivables	**186.2**	**18.2**	103.5	20.8
Trade and other payables	**(173.0)**	**(11.3)**	(105.1)	(56.9)
Interest bearing liabilities	**(1,765.5)**	**(62.2)**	(1,566.6)	(62.4)
Net derivatives	**1,858.3**	**51.7**	1,548.4	67.6
Net exposure	**229.4**	**14.9**	105.6	(18.7)
Effect on profit/(loss) before tax				
If exchange rates were 10% lower	**8.8**	**1.3**	7.1	(3.0)
If exchange rates were 10% higher	**(7.2)**	**(1.0)**	(5.8)	2.6
Increase/(decrease) in equity				
If exchange rates were 10% lower	**17.8**	**1.2**	8.2	(1.5)
If exchange rates were 10% higher	**(14.6)**	**(0.9)**	(6.7)	1.3

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, CAD, MXN, PEN, RUB and KZT being translated into AUD. Derivative contracts to hedge earnings exposures do not qualify for hedge accounting under Australian Accounting Standards. Board approved policy allows hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates. At reporting date, Orica held no derivative contracts to hedge earnings exposures (2019 nil).

Net investment in foreign operations

Hedging of foreign investment exposures is undertaken primarily through originating debt in the functional currency of the foreign operation, or by raising debt in a different currency and swapping the debt to the currency of the foreign operation using derivative financial instruments. The remaining translation exposure is managed, where considered appropriate, using forward foreign exchange contracts, or cross currency interest rate swaps. As at reporting date, 33.4.% of the Group's net investment in foreign operations was hedged (2019 33.8%).

(c) Commodity price risk

Commodity price risk refers to the risk that Orica's profit or loss or equity will fluctuate due to changes in commodity prices.

Natural gas or ammonia are the primary feedstocks in Orica's production process. Orica manages its contract portfolio so that on a mass balance basis it seeks to maintain a low risk position across the contract cycle such that material input cost variations are passed through to customers in price variations through rise and fall adjustments contained in all significant contracts.

The Group may enter into derivative contracts to hedge commodity price risk that is not eliminated via contractual or other commercial arrangements. At reporting date, Orica held no commodity derivative contracts (2019 net liability of $8.7 million).

(d) Credit risk

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.

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.

The Group manages bank counterparty risk by ensuring that actual and potential exposure is monitored daily against counterparty credit limits, which have been assigned based on counterparty credit ratings. The Group does not hold any credit derivatives to offset its credit exposures.

10. Financial risk management (continued)

Orica's maximum exposure to credit risk as at 30 September is the carrying amount, net of impairment, of the financial assets as detailed in the table below:

Financial assets	2020 $m	2019 $m
Cash and cash equivalents	920.5	412.6
Derivative assets	152.2	171.4
Trade and other receivables	1,023.1	828.8
Total	2,095.8	1,412.8

(e) Liquidity risk

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.

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

	2020 $m	2019 $m
Unsecured bank overdraft facilities		
Unsecured bank overdraft facilities available	67.7	99.9
Amount of facilities undrawn	65.3	91.5
Committed standby and loan facilities		
Committed standby and loan facilities available	4,256.0	3,562.9
Amount of facilities unused	1,510.0	1,534.4

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 25 October 2020 to 25 October 2030 (2019 27 May 2020 to 25 October 2030).

The contractual maturity of the Group's financial liabilities including estimated interest payments as at 30 September are shown in the table below. The amounts shown represent the future undiscounted principal and interest cash flows and therefore differ from the carrying amount on the balance sheet:

2020	1 year or less $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Contractual cash flows $m	Carrying amount $m
Non derivative financial liabilities						
Interest bearing liabilities, excluding lease liabilities	718.7	93.7	900.8	1,574.9	3,288.1	2,741.0
Lease liabilities	71.1	59.4	109.0	138.2	377.7	298.7
Trade and other payables	1,166.0	11.6	-	-	1,177.6	1,177.6
Derivative financial liabilities						
Inflows	(335.0)	(19.0)	(55.4)	(643.7)	(1,053.1)	-
Outflows	340.0	20.9	64.3	688.0	1,113.2	47.1
Total	1,960.8	166.6	1,018.7	1,757.4	4,903.5	4,264.4

10. Financial risk management (continued)

2019	1 year or less $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Contractual cash flows $m	Carrying amount $m
Non derivative financial liabilities						
Interest bearing liabilities, excluding lease liabilities	155.2	576.2	809.5	939.7	2,480.6	2,032.8
Lease liabilities	0.3	0.1	-	-	0.4	0.4
Trade and other payables	1,275.8	7.1	-	-	1,282.9	1,282.9
Derivative financial liabilities						
Inflows	(811.3)	(0.1)	-	-	(811.4)	-
Outflows	824.1	0.1	-	-	824.2	12.5
Total	1,444.1	583.4	809.5	939.7	3,776.7	3,328.6

Fair value measurement

The balance sheet includes financial assets and financial liabilities that are measured at fair value. These fair values are categorised into hierarchy levels that are representative of the inputs used in measuring the fair value.

Valuation method	Level 1 - uses quoted prices for identical instruments in active markets.
	Level 2 - uses inputs for the asset or liability other than quoted prices that are observable either directly or indirectly.
	Level 3 - uses valuation techniques where one or more significant inputs are based on unobservable market data.

At reporting date, other assets and other liabilities on the balance sheet included derivatives carried at fair value and categorised as Level 2 as the inputs are observable. 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 using credit and debit valuation adjustments.

The fair values of forward exchange contracts are calculated by reference to forward exchange market rates for contracts with 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.

Derivative financial instruments	2020 Current $m	2020 Non-Current $m	2019 Current $m	2019 Non-Current $m
Derivative assets				
Designated as a hedge of interest bearing liabilities	**67.0**	**70.4**	-	165.7
Other	**14.8**	**-**	5.7	-
Total	**81.8**	**70.4**	5.7	165.7
Derivative liabilities				
Designated as a hedge of interest bearing liabilities	**-**	**(43.4)**	-	-
Other	**(3.7)**	**-**	(12.5)	-
Total	**(3.7)**	**(43.4)**	(12.5)	-

10. Financial risk management (continued)

Financial assets and liabilities carried at amortised cost

The fair value of cash and cash equivalents, trade and other receivables (note 5), and trade and other payables (note 5) approximates their carrying amount due to their short maturity.

Interest bearing liabilities excluding lease liabilities have a carrying amount of $2,741.0 million (2019 $2,032.8 million). The carrying amount of bank and other loans which are primarily short-term in nature approximates fair value. Private Placement debt which is primarily long-term in nature has a carrying amount of $2,587.9 million (2019 $1,971.3 million) and a fair value of $2,696.3 million (2019 $2,042.4 million). Fair value of Private Placement debt is determined as the present value of future contracted cash flows discounted using standard valuation techniques at applicable market yields having regard to timing of cash flows.

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. No financial assets or liabilities are currently held under netting arrangements.

Orica has entered into derivative transactions under International Swaps and Derivatives Association ('ISDA') master agreements 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. As Orica does not presently have a legally enforceable right of set-off, derivatives are presented on a gross basis on the balance sheet.

Derivatives and hedge accounting

The Group uses derivatives and other financial instruments to hedge its exposure to currency, interest rate and commodity price risk exposures arising from operational, financing and investing activities. Where applicable, these instruments are formally designated in hedge relationships as defined by AASB 9. To qualify for hedge accounting the Group formally designates and documents details of the hedge, risk management objective and strategy for entering into the arrangement and methodology used for measuring effectiveness.

Hedge accounting relationships are categorised according to the nature of the risks being hedged:

Hedge type	Description
Fair value hedge	Hedges the change in fair value of recognised assets and liabilities.
Cash flow hedge	Hedges the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or highly probable forecast transaction.
Net investment hedge	Hedges the foreign currency translation exposure of the net assets of foreign operations.

Critical terms of hedging instruments and hedged items are transacted to match on a 1:1 ratio by notional values. Matching critical terms enables economic offset thereafter to be determined qualitatively.

Hedge ineffectiveness arises primarily from the counterparties' and the Group's own credit risk which is included in the fair value of the derivative hedge instrument but not the hedge item. During the current and prior financial years, there was no material impact on profit or loss resulting from hedge ineffectiveness.

AASB 9 also allows certain costs of hedging to be deferred in equity. Gains or losses associated with 'currency basis' cost of hedging are deferred in the cash flow hedge reserve as they are not material for separate disclosure. The amounts are systematically released to the income statement to align with the hedged exposure.

Effects of hedge accounting on financial position and performance

Fair value and cash flow hedges

The table below shows the carrying amounts of the Group's Private Placement debt and the derivatives which are designated in fair value and/or cash flow hedge relationships (1) to hedge them:

- The carrying amount of the Private Placement debt includes foreign exchange remeasurements to year end rates and fair value adjustments when included in a fair value hedge;
- The breakdown of the hedging derivatives includes remeasurement of foreign currency notional values at year end rates, fair value movements due to interest rate risk, foreign currency cash flows designated into cash flow hedges, costs of hedging recognised in other comprehensive income and ineffectiveness recognised in the income statement; and
- Hedged value represents the carrying amount of the Private Placement debt adjusted for the carrying amount of the designated derivatives.

10. Financial risk management (continued)

		Fair value of derivatives					
2020	Carrying amount $m	Foreign exchange notional @ spot $m	Fair value interest rate risk $m	Balance in cash flow hedge reserve [3] $m	Recognised in income statement [2] $m	Total carrying amount (asset)/liability $m	Hedged value $m
Private Placement debt	**2,587.9**	**(75.2)**	**(51.2)**	**31.7**	**0.7**	**(94.0)**	**2,493.9**
2019							
Private Placement debt	1,971.3	(148.6)	(33.8)	14.5	2.2	(165.7)	1,805.6

(1) Individual derivative transactions may be included in more than one hedge type designation.
(2) Amounts recognised in the income statement are presented within financing costs.
(3) Includes cost of hedging as defined by AASB 9 of $8.1 million (2019 $2.4 million).

Net investment hedges

As at 30 September, hedging instruments designated in a net investment hedge consisted primarily of foreign currency debt and had a carrying amount of $906.5 million (2019 $939.9 million). During the period movements in the hedging instruments of $62.6 million gain (2019 $55.8 million loss) were recognised in the foreign currency translation reserve, with no ineffectiveness (2019 nil) recognised in the income statement.

Derivatives and hedge accounting – significant accounting policies

Valuation: Derivatives are measured at fair value at inception, and subsequently remeasured to fair value at each reporting date.

	Fair value hedges	Cash flow hedges	Net investment hedges
Gains or losses on fair value movements of the financial instrument	Recognised in the income statement, together with gains or losses in relation to the hedged item attributable to the risk being hedged.	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 amount 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 forecast transaction is no longer forecast to occur, the cumulative gain or loss is transferred immediately to the income statement.	Amounts remain deferred in the foreign currency translation reserve and are subsequently recognised in the income statement in the event of disposal of the foreign operation.

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 speculative purposes.

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 2020, Orica paid $175.6 million (2019 $167.4 million) globally in corporate taxes and payroll taxes. Orica collected and remitted $122.1 million (2019 $109.1 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 recognised in the income statement

	Consolidated	
	2020	2019
	$m	$m
Current tax expense		
Current year	**112.5**	98.4
Deferred tax	**(7.0)**	0.5
Under provided in prior years	**1.5**	9.7
Total income tax expense in income statement	**107.0**	108.6

(b) Reconciliation of income tax expense to prima facie tax payable

	2020 $m	2019 $m
Income tax expense attributable to profit before individually significant items		
Profit from operations before individually significant items	**454.9**	555.0
Prima facie income tax expense calculated at 30% on profit	**136.5**	166.5
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	**(12.6)**	(23.4)
tax under provided in prior years	**1.5**	9.7
recognition of previously unbooked temporary differences	**(16.6)**	-
non creditable withholding taxes	**12.3**	10.2
non allowable interest deductions	**21.9**	14.6
non allowable share based payments	**1.6**	3.7
recognition of tax losses	**(3.5)**	(10.5)
sundry items	**5.3**	6.9
Income tax expense attributable to profit before individually significant items	**146.4**	177.7
Income tax expense attributable to individually significant items		
Loss from individually significant items	**(170.4)**	(195.9)
Prima facie income tax expense calculated at 30% on individually significant items	**(51.1)**	(58.8)
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	**2.6**	0.3
non allowable initiating systems network optimisation expense	**8.1**	-
non allowable operating model restructuring expense	**1.0**	-
non taxable gain on formation of China joint venture	**-**	(10.6)
Income tax expense attributable to loss on individually significant items	**(39.4)**	(69.1)
Income tax expense reported in the income statement	**107.0**	108.6

11. Taxation (continued)

(c) Income tax recognised in Equity

	Consolidated					
	2020			2019		
	$m	$m	$m	$m	$m	$m
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Net gain/(loss) on hedge of net investments in foreign subsidiaries	**62.6**	**(18.8)**	**43.8**	(55.8)	16.7	(39.1)
Cash flow hedges						
- Effective portion of changes in fair value	**(16.5)**	**4.9**	**(11.6)**	(14.6)	4.4	(10.2)
- Transferred to income statement	**7.9**	**(2.3)**	**5.6**	27.2	(8.2)	19.0
Exchange (loss)/gain on translation of foreign operations	**(397.8)**	**40.0**	**(357.8)**	107.0	4.9	111.9
Net actuarial loss on defined benefit obligations	**(12.1)**	**3.9**	**(8.2)**	(96.7)	27.0	(69.7)
Recognised in comprehensive income	**(355.9)**	**27.7**	**(328.2)**	(32.9)	44.8	11.9
Deductible share issue costs	**(6.0)**	**1.8**	**(4.2)**	-	-	-
Total recognised in equity	**(361.9)**	**29.5**	**(332.4)**	(32.9)	44.8	11.9

(d) Recognised deferred tax assets and liabilities

	Balance Sheet		Income Statement	
		Restated[1]		
	2020	2019	2020	2019
Consolidated	$m	$m	$m	$m
Deferred tax assets				
Trade and other receivables	**16.2**	16.5	**(6.8)**	4.1
Inventories	**25.2**	18.8	**(3.6)**	(3.6)
Property, plant and equipment	**55.2**	60.5	**6.3**	(19.5)
Intangible assets	**1.5**	1.5	**-**	0.4
Trade and other payables	**50.7**	41.4	**(9.4)**	(0.2)
Interest bearing liabilities	**39.8**	39.1	**20.3**	26.2
Provision for employee entitlements	**30.8**	28.4	**(2.2)**	(3.1)
Provision for retirement benefit obligations	**64.9**	65.1	**2.7**	1.1
Provisions for environmental and decommissioning	**87.6**	88.9	**3.8**	(0.3)
Provisions for other	**19.3**	23.7	**13.2**	(22.9)
Tax losses	**118.8**	92.8	**(17.7)**	26.0
Other items	**6.6**	5.0	**0.8**	(0.7)
Deferred tax assets	**516.6**	481.7		
Less set-off against deferred tax liabilities	**(207.6)**	(164.5)		
Net deferred tax assets	**309.0**	317.2		
Deferred tax liabilities				
Inventories	**10.8**	6.3	**4.5**	(2.0)
Property, plant and equipment	**200.3**	198.7	**(19.7)**	(8.1)
Intangible assets[1]	**27.2**	23.3	**(8.6)**	11.4
Other items	**18.5**	9.6	**9.4**	(8.3)
Deferred tax liabilities	**256.8**	237.9		
Less set-off against deferred tax assets	**(207.6)**	(164.5)		
Net deferred tax liabilities	**49.2**	73.4		
Deferred tax expense			**(7.0)**	0.5

[1] Restated for the retrospective application of IAS 12 *Income taxes*, following *IFRIC agenda decision*, due to change in Orica accounting policy, refer to note 24 for further details.

	Consolidated	
	2020	2019
	$m	$m
Tax losses not booked	**66.6**	34.9
Capital losses not booked	**79.5**	84.8
Temporary differences not booked	**122.9**	168.8

Tax losses not booked expire between 2021 and 2031.

11. Taxation (continued)

Recognition and Measurement

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

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

Deferred tax balances are determined by calculating temporary differences based on the carrying amounts of assets and liabilities for financial reporting purposes and their amounts for taxation purposes. 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.

Critical accounting judgements and estimates

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. These include transfer pricing, indirect taxes and transaction-related issues. 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.

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.

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.

(i) Brazilian Tax Action

The Brazilian Taxation Authority (BTA) is claiming unpaid taxes, interest and penalties of approximately $25 million for the 1997 financial year relating to an alleged understatement of income based on an audit of production records. Orica believes BTA has misinterpreted those production records and recently received a favourable decision from the Brazilian Civil Court in relation to an excise dispute based on the same factual matter. This decision should support the income tax dispute.

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 BTA has been granted a bank guarantee of up to approximately $25 million.

(ii) Ghana Tax Audit

As a result of a tax audit, Ghana tax authorities have issued an assessment of approximately $14 million. The Ghana assessment covers the period from 2010 to 2016. This assessment was unexpected and arrived with very limited supporting documentation and credible argument. Orica believes that the assessment is not in accordance with the tax law and is continuing to strongly defend the matter.

Section F. Group structure

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 AASB 10 *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.

When the Group relinquishes control over a subsidiary, it derecognises its share of net assets. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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 23 for the list of investments in controlled entities.

13. Equity accounted investees 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 "Individually immaterial".

			Ownership		Profit/(loss) for the year		Consolidated Carrying value	
		Balance	**2020**	2019	**2020**	2019	**2020**	2019
Name	Principle activity	date	**%**	%	**$m**	$m	**$m**	$m
Nelson Brothers, LLC[1]	Manufacture and sale of explosives	30-Sep	**50.0**	50.0	**6.0**	8.0	**38.7**	40.8
Nelson Brothers Mining Services LLC[1]	Sale of explosives	30-Sep	**50.0**	50.0	**8.6**	7.6	**32.8**	37.1
Poly Orica Management Co., Ltd[2]	Manufacture and sale of explosives	31-Dec	**49.0**	49.0	**3.7**	1.2	**70.2**	66.6
Southwest Energy LLC[1]	Sale of explosives	30-Sep	**50.0**	50.0	**14.8**	10.8	**121.6**	120.5
Individually immaterial	Various				**2.6**	4.3	**38.3**	36.3
					35.7	31.9	**301.6**	301.3

(1) Entities are incorporated in USA
(2) Entity is incorporated in China

All equity accounted investees disclosed in the table above are classified as joint ventures.

13. Equity accounted investees and joint operations (continued)

The following table summarises the financial information of significant equity accounted investees as included in their own financial statements.

Equity Accounted Investees

2020 Name	Nelson Brothers, LLC $m	Nelson Brothers Mining Services LLC $m	Poly Orica Management Co., Ltd $m	Southwest Energy LLC $m
Balance Sheet				
Current assets	**59.1**	**29.5**	**82.7**	**82.6**
Non-current assets	**72.6**	**17.3**	**79.0**	**76.1**
Current liabilities	**(50.2)**	**(32.2)**	**(16.7)**	**(21.2)**
Non-current liabilities	**(29.0)**	**(1.7)**	**(2.0)**	**(6.9)**
Net assets (100%)	**52.5**	**12.9**	**143.0**	**130.6**
Group's share of net assets	**26.3**	**6.5**	**70.1**	**65.3**
Income Statement				
Revenue	**246.9**	**156.5**	**103.3**	**261.5**
Net profit	**10.5**	**15.9**	**8.8**	**25.5**
Total profit and comprehensive income (100%)	**10.5**	**15.9**	**8.8**	**25.5**
Group's share of total comprehensive income	**5.3**	**8.0**	**4.3**	**12.8**
Translation and other adjustments	**0.7**	**0.6**	**(0.6)**	**2.0**
Included in the Group's income statement	**6.0**	**8.6**	**3.7**	**14.8**
Dividends received by the Group	**6.3**	**8.9**	**-**	**7.8**

2019 Name	Nelson Brothers, LLC $m	Nelson Brothers Mining Services LLC $m	Poly Orica Management Co., Ltd $m	Southwest Energy LLC $m
Balance Sheet				
Current assets	62.0	34.7	71.5	84.5
Non-current assets	74.9	19.1	79.2	74.6
Current liabilities	(52.8)	(36.1)	(14.8)	(33.4)
Non-current liabilities	(31.1)	(2.8)	-	(3.2)
Net assets (100%)	53.0	14.9	135.9	122.5
Group's share of net assets	26.5	7.5	66.6	61.3
Income Statement				
Revenue	295.8	178.8	34.7	137.8
Net profit	16.0	17.0	4.3	24.4
Total profit and comprehensive income (100%)	16.0	17.0	4.3	24.4
Group's share of total comprehensive income	8.0	8.4	2.1	12.1
Translation and other adjustments	-	(0.8)	(0.9)	(1.3)
Included in the Group's income statement	8.0	7.6	1.2	10.8
Dividends received by the Group	9.3	7.4	-	10.5

(b) Joint operations

The Group owns 50% interest of Yara Pilbara Nitrates Pty Ltd, with the remaining shares held by subsidiaries in the Yara International ASA Group.

13. Equity accounted investees and joint operations (continued)

(c) Transactions with equity accounted investees

Transactions during the year with equity accounted investees were:

	2020 $m	2019 $m
Sales of goods to equity accounted investees	**447.8**	439.5
Purchase of goods from equity accounted investees	**105.9**	110.0
Dividend income received from equity accounted investees	**23.0**	27.2

(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.

Recognition and Measurement

Investments accounted for using the equity method

The Group's interests in investments accounted for using the equity method comprise interests in associates and joint ventures.

An associate exists where Orica holds an interest in the equity of an entity, generally of between 20% and 50%, and is able to significantly influence the decisions of the entity. A joint venture is an arrangement in which the Group has joint control.

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 obligations 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 applicable headings.

14. Businesses and non-controlling interests acquired

Consolidated – 2020

Acquisitions of business and controlled entities

Business combinations are accounted for under the acquisition method when control is transferred to the Group, in accordance with AASB 3 *Business Combinations*. 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. The transaction costs are expensed in the income statement.

Since 30 April 2020, the Group has acquired 96.8% of Exsa S.A. ("Exsa"). Exsa is a listed company based in Peru which specialises in the manufacture and distribution of industrial explosives and has a world class initiating systems facility. This acquisition is expected to further Orica's strategic initiatives and growth targets in the Latin America region.

These financial statements include the provisional purchase price allocation to the acquired net assets. In accordance with AASB 3, a measurement period of up to one year following the acquisition date is permitted during which acquisition accounting can be finalised.

The valuation techniques used for measuring the fair value of material intangibles were the relief-from-royalty method and income approach. The relief-from-royalty method was used to value Exsa's brand and associated trademarks and patents and Intellectual Property. This method measures the after-tax royalties or licence fees saved by owning the intangible asset.

Exsa's customer contracts have been valued using the income approach (specifically the multi-period excess earnings method). This method considers the earnings that are reasonably attributable to the existing customers based on analysis of the customer churn, relevant sales, margins and contributory assets.

Material plant, property, and equipment assets were valued using primarily the replacement cost approach.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

For other material assets acquired and liabilities assumed, book value approximates to fair value.

14. Businesses and non-controlling interests acquired (continued)

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. Changes in the Group's interest that do not result in a loss of control are accounted for as equity transactions.

The fair value of the identifiable assets and liabilities of Exsa as at the date of acquisition, based on the provisional fair value assessment, were:

	Exsa S.A. $m
Consideration	
cash paid	**169.6**
net cash acquired	**(15.7)**
Total consideration	**153.9**
Fair value of net assets of businesses/controlled entities acquired	
trade and other receivables	**46.9**
inventories	**55.6**
investments	**1.2**
property, plant and equipment	**204.7**
right of use assets	**34.7**
intangibles	**42.5**
other assets	**9.4**
deferred tax asset	**3.0**
payables and interest bearing liabilities	**(224.7)**
provision for employee entitlements	**(3.6)**
deferred income	**(1.4)**
other provisions	**(5.3)**
provision for deferred tax	**(10.5)**
Total fair value of net assets of businesses/controlled entities acquired	**152.5**
Non-controlling interest	**4.9**
Goodwill on acquisition	**6.3**

The Group incurred acquisition-related costs of $6.3 million. These amounts have been included in other expenses in the income statement for the year ended 30 September 2020. In addition the Group incurred a total of $12.6 million associated with the issuance of equity securities related to the transaction. These amounts have been accounted for in accordance with AASB 9 as an offset to equity.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

Results contributed by acquired entities since acquisition date:	$m
Revenue for the period	**100.4**
Loss before tax for the period [(1)]	**7.1**

[(1)] Loss before tax includes individually significant items relating to Initiating Systems Network Optimisation of $4.2m and net finance costs of $2.3m.

If the acquisition had occurred on 1 October 2019, the unaudited operating revenue and profit before tax for the Group for the year to 30 September 2020 would have been:	$m
Revenue for the year	**255.5**
Loss before tax for the year [(2)]	**18.2**

[(2)] Loss before tax includes individually significant items relating to Initiating Systems Network Optimisation of $4.2m and net finance costs of $7.2m.

The unaudited information at the time of acquisition was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses.

The goodwill of $6.3 million comprises the value of the skills and technical talent of the acquired business' work force and the synergies expected to be achieved through integrating the business. Goodwill is allocated entirely to the Latin America segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

14. Businesses and non-controlling interests acquired (continued)

Consolidated – 2019

The Group did not acquire any businesses or entities in the year to 30 September 2019.

Accounting standards permit a measurement period of up to one year during which acquisition accounting finalised following the acquisition date. The Group have finalised acquisition accounting on the GroundProbe acquisition which occurred on 15 January 2018, resulting in an adjustment to the deferred tax liability and a corresponding reduction in goodwill.

	2019 $m
Goodwill as at 1 October 2018	116.4
Adjusted deferred tax liability	(6.3)
Goodwill as at 30 September 2019	110.1

The deferred settlement for the additional 5% shareholding of Yara Pilbara Nitrates Pty Ltd (acquired in FY2018) was settled in the 2019 financial year.

15. Businesses disposed

Disposal of businesses/controlled entities

The following businesses and controlled entities were disposed of:

2020

The Group has not disposed of any businesses or entities in the year to 30 September 2020.

2019

On the 25 June 2019 Orica (Weijai) Explosives Co Ltd, Jiangsu Orica Banqiao Mining Machinery Company Limited and Hunan Orica Nanling Civil Explosives Co., Ltd (China Businesses) were disposed by the Group in exchange for a 49% stake of the newly formed Joint Venture.

During September 2019 OOO Minova Ukraina and NorthWest Energetic Services LLC were disposed by the Group.

	China Businesses $m	Other $m	Total $m
Consideration			
fair value of net assets acquired/sale price	65.4	5.5	70.9
Cash disposed	(17.9)	(0.1)	(18.0)
Net consideration	47.5	5.4	52.9
Less further disposal costs	(6.0)	(0.1)	(6.1)
Net consideration	41.5	5.3	46.8
Carrying value of net assets of businesses/controlled entities disposed			
trade and other receivables	11.3	2.2	13.5
inventories	7.7	3.3	11.0
property, plant and equipment	17.4	7.6	25.0
intangibles	1.9	0.2	2.1
other assets	2.3	0.3	2.6
trade and other payables	(7.8)	(7.3)	(15.1)
foreign currency translation reserve	(31.3)	(1.6)	(32.9)
	1.5	4.7	6.2
Less: Non-controlling interests at date of disposal	(10.2)	(2.9)	(13.1)
Profit on sale of business/controlled entities	50.2	3.5	53.7

The disposals resulted in a net cash outflow of $12.6 million being the cash disposed in the China businesses offset by the net consideration received for OOO Minova Ukraina and Northwest Energetic Services LLC.

16. Parent Company disclosure – Orica Limited

	Company	
	2020	2019
	$m	$m
Total current assets	**1,479.6**	1,088.6
Total assets	**3,045.8**	2,653.3
Total current liabilities	**170.1**	170.3
Total liabilities	**171.6**	522.2
Equity		
Ordinary shares	**2,659.1**	2,138.0
Retained earnings	**215.1**	(6.9)
Total equity attributable to ordinary shareholders of Orica Limited	**2,874.2**	2,131.1
Net profit and total comprehensive income for the year	**414.7**	26.2

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 under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785,* each wholly owned subsidiary 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 17.

Orica Limited guaranteed senior notes issued in the US Private Placement market in 2010, 2013, 2017 and 2020. The notes have maturities between calendar years 2020 and 2030 (2019: 2020 and 2030). Orica Limited has also provided guarantees for committed bank facilities.

17. Deed of Cross Guarantee

The parent entity, Orica Limited, and certain subsidiaries are subject to a Deed of Cross Guarantee (Deed) under which each company guarantees the debts of the others.

The parties to the Deed are:

- Initiating Explosives Systems Pty Ltd
- Orica Australia Pty Ltd
- Orica Investments Pty Ltd
- Orica Explosives Holdings Pty Ltd
- Orica Explosives Holdings No 2 Pty Ltd
- Orica Explosives Technology Pty Ltd
- Orica IC Assets Pty Ltd

By entering into the Deed, the wholly owned subsidiaries have been relieved from the requirement to prepare a financial report and Directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

A consolidated income statement and consolidated balance sheet are shown below:

Summarised Balance Sheet	2020 $m	2019 $m
Current assets		
Trade and other receivables	**429.4**	260.4
Inventories	**141.5**	142.2
Other assets[1]	**20.5**	11.9
Total current assets	**591.4**	414.5
Non-current assets		
Trade and other receivables	**2.3**	2.6
Equity accounted investees	**21.8**	20.9
Other financial assets	**6,977.6**	7,573.4
Property, plant and equipment	**1,334.3**	1,251.2
Intangible assets	**501.1**	442.3
Deferred tax assets	**75.7**	4.1
Total non-current assets	**8,912.8**	9,294.5
Total assets	**9,504.2**	9,709.0
Current liabilities		
Trade and other payables	**356.9**	548.7
Interest bearing liabilities	**15.5**	-
Current tax liabilities	**62.3**	11.4
Provisions	**138.2**	139.8
Total current liabilities	**572.9**	699.9
Non-current liabilities		
Trade and other payables	**1.7**	0.2
Interest bearing liabilities	**4,336.5**	5,698.6
Provisions	**339.8**	322.7
Total non-current liabilities	**4,678.0**	6,021.5
Total liabilities	**5,250.9**	6,721.4
Net assets	**4,253.3**	2,987.6
Equity		
Ordinary shares	**2,659.1**	2,138.0
Reserves	**678.0**	637.8
Retained earnings	**916.2**	211.8
Total equity	**4,253.3**	2,987.6

Summarised Income Statement and retained profits	2020 $m	2019 $m
Profit before income tax expense	**1,041.0**	104.8
Income tax expense	**(133.1)**	(39.6)
Profit from operations	**907.9**	65.2
Retained profits at the beginning of the year	**211.8**	383.9
Actuarial losses recognised directly in equity	**(10.9)**	(34.3)
Ordinary dividends - interim	**(67.0)**	(83.5)
Ordinary dividends - final	**(125.6)**	(119.5)
Retained profits at the end of the year	**916.2**	211.8

(1) Other assets include net tax receivables with Group entities outside the Deed of Cross Guarantee.

Section G. Reward and recognition

Orica operates in more than 50 countries and has more than 13,000 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.

18. Employee share plans and remuneration

The following plans have options or rights ("instruments") over Orica shares outstanding at 30 September 2019 and 30 September 2020:

The Long-Term Incentive Plan (LTIP)
Refer to Remuneration Report

Sign-on Rights
For a select group of senior managers who join Orica post allocation of an LTIP grant (and who generally have forgone at-risk remuneration from their previous employer) rights may be allocated at the discretion of the Orica Board.

Recognition and Measurement
The issued instruments are measured at fair value based on valuations prepared by PwC. The fair value is recognised in the income statement over the period that employees become entitled to the instruments.

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 KMP compensation is set out in the following table:

	Consolidated	
	2020	2019
	$000	$000
Short-term employee benefits	**11,463.1**	14,532.8
Other long-term benefits	**73.5**	220.5
Post employment benefits	**306.2**	301.8
Share based payments	**(409.1)**	5,148.1
Termination benefits	**-**	-
	11,433.7	20,203.2

Information regarding individual Directors and Executives compensation and some equity instrument disclosures as permitted by *Corporation Regulations 2M.3.03* are provided in the Remuneration Report.

19. Defined benefit obligations

Recognition and Measurement

Contributions to defined contribution superannuation funds are recognised in the income statement in the year in which the expense is incurred.

For each defined benefit scheme, the cost of providing retirement benefits is expensed in the income statement so as to recognise current and past service costs, interest cost on net liabilities, and the effect of any curtailments or settlements. Actuarial gains and losses are recognised in other comprehensive income. The Group's net liabilities in respect of defined benefit pension plans is the present value of the future benefit employees have earned, less the fair value of any plan assets.

(a) 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 2020 was $32.4 million (2019 $29.4 million).

(b) 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. 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 $27.3 million (2019 $26.3 million) to defined benefit plans. The Group's external actuaries have forecast total employer contributions and benefit payments to defined benefit plans of $30.1 million for 2021.

(c) (i) Balance Sheet amounts

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

	2020 $m	2019 $m
Present value of the funded defined benefit obligations	**750.8**	754.0
Present value of unfunded defined benefit obligations	**131.9**	140.6
Fair value of defined benefit plan assets	**(569.2)**	(587.2)
Deficit	**313.5**	307.4
Restrictions on assets recognised	**0.1**	0.1
Net liability in the balance sheet	**313.6**	307.5
Amounts in the balance sheet:		
Liabilities	**314.0**	307.9
Assets	**(0.4)**	(0.4)
Net liability recognised in balance sheet at end of the year	**313.6**	307.5

(c) (ii) Amounts recognised in the Income Statement

The amounts recognised in the income statement are as follows:

	2020 $m	2019 $m
Current service cost	**17.2**	14.8
Interest cost on net defined benefit liabilities	**6.3**	6.2
Losses from immediate recognition	**0.4**	-
Past service cost	**0.2**	-
Total included in employee benefits expense	**24.1**	21.0

19. Defined benefit obligations (continued)

(c) (iii) Amounts included in the Statement of Comprehensive Income

	2020 $m	2019 $m
Actuarial gains/(losses) on defined benefit obligations:		
Due to changes in demographic assumptions	**(12.9)**	8.3
Due to changes in financial assumptions	**(8.2)**	(129.0)
Due to experience adjustments	**11.5**	(9.2)
Total	**(9.6)**	(129.9)
Return on plan assets greater than discount rate	**(2.5)**	33.2
Total losses recognised via the Statement of Comprehensive Income	**(12.1)**	(96.7)
Tax benefit on total losses recognised via the Statement of Comprehensive Income	**3.9**	27.0
Total losses after tax recognised via the Statement of Comprehensive Income	**(8.2)**	(69.7)

(c) (iv) Reconciliations

	2020 $m	2019 $m
Reconciliation of present value of the defined benefit obligations:		
Balance at the beginning of the year	**894.6**	743.0
Current service cost	**17.2**	14.8
Interest cost	**21.9**	26.4
Actuarial losses	**9.6**	129.9
Contributions by plan participants	**1.0**	1.1
Benefits paid	**(42.8)**	(34.2)
Settlements/curtailments	**0.1**	-
Exchange differences on foreign funds	**(18.9)**	13.6
Balance at the end of the year	**882.7**	894.6

	2020 $m	2019 $m
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	**587.2**	528.2
Interest income on plan asset	**15.6**	20.2
Return on plan assets greater than discount rate	**(2.5)**	33.2
Contributions by plan participants	**1.0**	1.1
Contributions by employer	**27.3**	26.3
Benefits paid	**(42.8)**	(34.1)
Other	**-**	(0.2)
Exchange differences on foreign funds	**(16.6)**	12.5
Balance at the end of the year	**569.2**	587.2

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.

	2020 $m	2019 $m
Comprising:		
Quoted in active markets:		
Equities	**197.9**	212.2
Debt securities	**214.9**	236.3
Property	**11.1**	15.2
Other quoted securities	**87.9**	71.1
Other:		
Property	**25.5**	22.4
Insurance contracts	**4.6**	4.9
Cash and cash equivalents	**27.3**	25.1
	569.2	587.2

19. Defined benefit obligations (continued)

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.

	Weighted average of assumptions used p.a.		Change in assumptions	
			+1% p.a.	-1% p.a.
	2020	2019	$m	$m
Rate of increase in pensionable remuneration	**2.75%**	3.22%	**25.2**	**(21.5)**
Rate of increase in pension payments	**2.22%**	2.51%	**25.0**	**(24.9)**
Discount rate for pension plans	**2.37%**	2.53%	**(108.3)**	**135.5**

The expected age at death for persons aged 65 is 87 years for men and 89.5 years for women at 30 September 2020. A change of one year in the expected age of death would result in an $23.4 million movement in the defined benefit obligation at 30 September 2020.

Critical accounting judgements and estimates

The defined benefit obligation 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 Australian Accounting Standards and which management considers to be relevant information for shareholders.

20. 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 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.

(b) Legal, claims and other

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.

Critical accounting judgements and estimates

Where management are of the view that potential liabilities that arise in the normal course of business 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.

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. Proceedings can raise complex legal issues and are subject to many uncertainties 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. 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. Therefore, 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.

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.

21. Auditor's remuneration

	Consolidated 2020 $000	2019 $000
Total remuneration received, or due and receivable, by the auditors for:		
Audit services		
Auditor of the Company – KPMG Australia		
– Audit and review of financial reports	**4,781**	3,557
Auditor of the Company – overseas KPMG firms		
– Audit and review of financial reports [1]	**1,839**	1,816
	6,620	5,373
Other services		
Auditor of the Company – KPMG Australia		
– other services	**58**	162
	58	162
	6,678	5,535

[1] Fees paid or payable for overseas subsidiaries' local statutory requirements.

From time to time, KPMG, the auditor of Orica, provides 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.

22. Events subsequent to balance date

Dividends

On 19 November 2020, the Directors declared a final dividend of 16.5 cents per ordinary share payable on 15 January 2021. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2020 and will be recognised in the FY2021 financial statements.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2020, 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 these financial statements.

23. Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2019 and 2020 (non-controlling interests shareholding disclosed if not 100% owned):

Name of Entity	Place of incorporation if other than Australia
Company	
Orica Limited	
Controlled Entities	
ACF and Shirleys Pty Ltd [a]	
Alaska Pacific Powder Company	USA
Altona Properties Pty Ltd (b) - 37.4%	
Aminova International Limited	Hong Kong
Ammonium Nitrate Development and Production Limited - 9.3%	Thailand
Anbao Insurance Pte Ltd	Singapore
Arboleda S.A	Panama
ASA Organizacion Industrial S.A. de C.V.	Mexico
Australian Fertilizers Pty Ltd [a]	
Barbara Limited	UK
Beijing Ruichy Minova Synthetic Material Company Limited	China
Breca Soluciones de Voladuras S.A.C. [c]	Peru
BST Manufacturing, Inc.	USA
CJSC (ZAO) Carbo-Zakk - 6.25%	Russia
Controladora DNS de RL de CV	Mexico
Dansel Business Corporation	Panama
Dyno Nobel VH Company LLC - 49%	USA
Eastern Nitrogen Pty Ltd [a]	
Emirates Explosives LLC - 35%	United Arab Emirates
Explosivos de Mexico S.A. de C.V.	Mexico
Explosivos Mexicanos S.A. de C.V.	Mexico
Exsa Chile SpA - 3.2% [c]	Chile
Exsa Colombia S.A.S. - 3.2% [c]	Colombia
Exsa S.A. - 3.2% [c]	Peru
Fortune Properties (Alrode) (Pty) Limited	South Africa
GeoNitro Limited - 69.4%	Georgia
GP FinCo Pty Limited [b]	
GP HoldCo Pty Limited	
GroundProbe Australasia Pty Ltd [b]	
GroundProbe Colombia S.A.S.	Colombia
GroundProbe do Brasil	Brazil
GroundProbe International Pty Ltd [b]	
GroundProbe North America LLC	USA
GroundProbe Peru S.A.C.	Peru
GroundProbe Pty Ltd [b]	
GroundProbe South Africa (Proprietary) Ltd	South Africa
GroundProbe South America SA	Chile
GroundProbe Technologies Pty Ltd [b]	
GroundProbe (Nanjing) Mining Technology Co. Ltd	China
Hallowell Manufacturing LLC	USA
Holding EXSA S.A.C. - 3.2% [c]	Peru
Indian Explosives Private Limited	India
Initiating Explosives Systems Pty Ltd	
International Blasting Services Inc - 3.2% [c]	Panama
JSC "Orica CIS"	Russia
Minova Kazakhstan Limited Liability Partnership	Kazakhstan
LLC Orica Logistics	Russia
Minova Africa (Pty) Ltd - 25%	South Africa
Minova Africa Holdings (Pty) Limited	South Africa

Name of Entity	Place of incorporation if other than Australia
Minova AG	Switzerland
Minova Arnall Sp. z o.o.	Poland
Minova Asia Pacific Ltd [a]	Taiwan
Minova Australia Pty Ltd [b]	
Minova Bohemia s.r.o.	Czech Republic
Minova CarboTech GmbH	Germany
Minova Codiv S.L.	Spain
Minova Ekochem S.A.	Poland
Minova Holding GmbH	Germany
Minova Holding Inc	USA
Minova International Limited	UK
Minova Ksante Sp. z o.o.	Poland
Minova MAI GmbH	Austria
Minova Mexico S.A. de C.V.	Mexico
Minova MineTek Private Limited	India
Minova Mining Services SA	Chile
Minova Nordic AB	Sweden
Minova Runaya Private Limited (49%)	India
Minova Weldgrip Limited	UK
Minova USA Inc	USA
Mintun 1 Limited	UK
Mintun 2 Limited	UK
Mintun 3 Limited	UK
Mintun 4 Limited	UK
Orica Africa Holdings Limited	UK
Nitro Asia Company Inc. - 41.6%	Philippines
Nitro Consult AB	Sweden
Nitro Consult AS	Norway
Nitroamonia de Mexico S.A de C.V.	Mexico
Nobel Industrier AS	Norway
Nutnim 1 Limited	UK
Nutnim 2 Limited	UK
OOO Minova	Russia
Orica-CCM Energy Systems Sdn Bhd - 45%	Malaysia
Orica-GM Holdings Limited - 49%	UK
Orica Africa (Pty) Ltd	South Africa
Orica Argentina S.A.I.C.	Argentina
Orica Australia Pty Ltd	
Orica BKM SASU	Democratic Republic of Congo
Orica Belgium S.A.	Belgium
Orica Blast & Quarry Surveys Limited - 25%	UK
Orica Bolivia S.A.	Bolivia
Orica Brasil Ltda	Brazil
Orica Burkina Faso SARL	Burkina Faso
Orica Caledonie SAS	New Caledonia
Orica Canada Inc	Canada
Orica Canada Investments ULC	Canada
Orica Caribe, S.A.	Panama
Orica Centroamerica S.A.	Costa Rica
Orica Chile Distribution S.A.	Chile
Orica Chile S.A.	Chile
Orica Colombia S.A.S.	Colombia
Orica Cote D'Ivoire [d]	Ivory Coast
Orica Denmark A/S	Denmark

23. 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 Dominicana S.A.	Dominican Republic	Orica Nitro Patlayici Maddeler Sanayi ve Ticaret Anonim Sirketi - 49%	Turkey
Orica DRC SARL	Democratic Republic of Congo	Orica Nitrogen LLC	USA
		Orica Nominees Pty Ltd (b)	
		Orica Norway AS	Norway
Orica Eesti OU - 35%	Estonia	Orica Panama S.A.	Panama
Orica Europe FT Pty Ltd (b)		Orica Philippines Inc - 5.48%	Philippines
Orica Europe Investments Pty Ltd (a)		Orica Portugal, S.G.P.S., S.A.	Portugal
Orica Europe GmbH & Co KG	Germany	Orica Securities (UK) Limited	UK
Orica Europe Verwaltungs GmbH	Germany	Orica South Africa (Pty) Ltd - 26.47%	South Africa
Orica Explosives Holdings Pty Ltd		Orica Share Plan Pty Limited (b)	
Orica Explosives Holdings No 2 Pty Ltd		Orica Senegal SARL	Senegal
Orica Explosives Holdings No 3 Pty Ltd (b)		Orica Singapore Pte Ltd	Singapore
Orica Explosives Research Pty Ltd (b)		Orica St. Petersburg LLC	Russia
Orica Explosives Technology Pty Ltd		Orica Sweden AB	Sweden
Orica Explosivos Industriales, S.A.	Spain	Orica Sweden Holdings AB	Sweden
Orica Finance Limited		Orica Tanzania Limited	Tanzania
Orica Finance Trust (b)		Orica UK Limited	UK
Orica Finland OY	Finland	Orica US Finance LLC	USA
Orica GEESP Pty Ltd (a)		Orica US Holdings General Partnership	USA
Orica Ghana Limited	Ghana	Orica USA Inc.	USA
Orica Grace US Holdings Inc.	USA	Orica U.S. Services Inc.	USA
Orica Holdings Pty Ltd (b)		Orica Venezuela C.A. - 49%	Venezuela
Orica Ibéria, S.A.	Portugal	Orica Zambia Limited	Zambia
Orica IC Assets Holdings Limited Partnership (b)		OriCare Canada Inc.	Canada
Orica IC Assets Pty Ltd		Oricorp Comercial S.A. de C.V.	Mexico
Orica IC Investments Pty Ltd (a)		Oricorp Mexico S.A. de C.V.	Mexico
Orica International IP Holdings Inc.	USA	Penlon Proprietary Limited (b)	
Orica International Pte Ltd	Singapore	Project Grace	UK
Orica Investments (Indonesia) Pty Limited (b)		Project Grace Holdings	UK
Orica Investments (NZ) Limited	NZ	Project Grace Incorporated	USA
Orica Investments (Thailand) Pty Limited (b)		PT GroundProbe Indonesia	Indonesia
Orica Investments Pty Ltd		PT Kalimantan Mining Services	Indonesia
Orica Japan Co. Ltd	Japan	PT Kaltim Nitrate Indonesia - 10%	Indonesia
Orica Kazakhstan Joint Stock Company	Kazakhstan	PT Orica Mining Services	Indonesia
Orica Logistics Canada Inc.	Canada	Retec Pty Ltd (a)	
Orica Long Term Equity Incentive Plan Trust (b)		Rui Jade International Limited	Hong Kong
Orica Malaysia Sdn Bhd (d)	Malaysia	Sarkem Pty Ltd (a)	
Orica Mali SARL	Republic of Mali	White Lightning Holdings, Inc	Philippines
Orica Mauritania SARL	Mauritania		
Orica Med Bulgaria AD - 40%	Bulgaria		
Orica Mining Services (Namibia) (Proprietary) Limited	Namibia		
Orica Mining Services (Hong Kong) Ltd	Hong Kong		
Orica Mining Services Peru S.A.	Peru		
Orica Mining Services Portugal S.A.	Portugal		
Orica Mining Services (Thailand) Limited	Thailand		
Orica Mongolia LLC - 51%	Mongolia		
Orica Mountain West Inc.	USA		
Orica Mozambique Limitada	Mozambique		
Orica New Zealand Limited	NZ		
Orica New Zealand Superfund Securities Limited	NZ		
Orica Nitrates Philippines Inc - 4%	Philippines		

(a) Liquidated in 2020.
(b) No separate statutory accounts are required to be prepared in Australia.
(c) Acquired in 2020.
(d) Incorporated in 2020.

24. New accounting policies and accounting standards

Changes in accounting policies

The Group assessed and applied a number of new and revised accounting standards issued by the Australian Accounting Standards Board (AASB) which were required to be applied from 1 October 2019. The adoption of these standards has not resulted in any material changes to the Group's financial statements and primarily impact disclosures.

(i) New and amended accounting standards and interpretations adopted

Effective from 1 October 2019 the Group adopted the following new accounting standards.

AASB 16 Leases

The Group adopted AASB 16 as of 1 October 2019.

The Group applied the modified retrospective approach under which the right of use asset on transition equalled the lease liability adjusted by the amount of any prepaid or accrued lease payments. For existing finance leases, the carrying amounts before transition represented the 30 September 2019 values assigned to the right of use asset and lease liability.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right of use assets and liabilities for low-value leases and leases with less than 12 months of lease term as at 1 October 2019. Costs for these leases were expensed to the income statement.
- Relied on its onerous lease assessment under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before initial application as an alternative to an impairment review.
- Excluded initial direct costs from measuring the right of use assets at the date of initial application.
- Used hindsight when determining the lease term of the contract where it contains options to extend or terminate the lease.

The impact on transition to AASB 16 on the Group's 1 October 2019 balance sheet was an increase in lease liabilities (included in interest bearing liabilities) of $253.7 million, an increase in right of use assets (included in property, plant and equipment) of $250.1 million, net adjustments to deferred tax assets of $1.0 million, and a charge of $2.6 million to retained earnings.

The carrying value of the Group's right of use assets at 30 September 2020 is $290.7 million. During the period, depreciation of right of use assets of $70.6 million was expensed, and $12.6 million interest was recorded in net financing costs.

The weighted average incremental borrowing rate applied to the Group's lease liabilities recognised on the balance sheet at 1 October 2019 was 4.5%.

The below table shows the movement between the estimated liability as at 30 September 2019 and the liability recognised on 1 October 2019:

	Consolidated 1 October 2019 $m
Operating lease commitments at 30 September 2019 as disclosed in the Group's financial statements under AASB 117	**249.9**
Adjusted for:	
Present value discounting of lease liabilities	**(52.1)**
Short-term leases	**(20.0)**
Extension and termination options reasonably certain to be exercised	**49.0**
Contracts reassessed as lease agreements under AASB 16	**26.9**
Present value of existing finance leases at 30 September 2019	**0.4**
Lease liabilities recognised at 1 October 2019 under AASB 16	**254.1**

The Group's activities as a lessor are not material and hence there was no significant impact on the financial statements on adoption of AASB 16.

The Group's new leases accounting policy applied from 1 October 2019 is detailed in note 3 and note 7.

24. New accounting policies and accounting standards (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The Group adopted IFRIC 23 as of 1 October 2019. IFRIC 23 changes the method of calculating provisions for uncertain tax positions.

The Group previously recognised provisions based on the most likely amount of the liability, if any, for each separate uncertain tax position. This new interpretation requires a probability weighted average approach to be taken in situations where there is a wide range of possible outcomes. For tax issues with a binary outcome, the most likely amount method remains in use.

The Group concluded that there is an opening retained earnings adjustment of $10.2 million required on transition for the increase to the provision for uncertain tax positions.

IFRIC Agenda Decision – Multiple Tax Consequences of Recovering an Asset

The IFRS Interpretations Committee received a request about deferred tax when the recovery of the carrying amount of an asset gives rise to multiple tax consequences, specifically, where an entity acquires intangible assets as part of a business combination. The agenda decision in relation to this request confirmed how the tax base of an asset should be determined and how deferred tax should be measured and recognised.

In applying this decision from the IFRS Interpretations Committee, the Group has retrospectively recognised a deferred tax liability of $5.0 million, with a corresponding increase to goodwill, in relation to intangible assets previously acquired as part of the GroundProbe acquisition in 2018. The opening balance of goodwill and deferred tax liability have been restated at 1 October 2019.

There is no impact to the consolidated statement of cash flows or the consolidated statement of profit or loss and other comprehensive income as a consequence of this changed interpretation.

A number of other new standards are effective from 1 October 2019, but they do not have a material impact on the Group's Annual Report.

(ii) New and amended accounting standards and interpretations issued but not yet effective

There are no new standards or interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 27 to 77, and the Remuneration Report in the Directors' Report, set out on pages 3 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 2020 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 17 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 Corporations (Wholly-owned Companies) Instrument 2016/785.*

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 2020.

The Directors draw attention to "About this report" on page 33 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 19 November 2020

Independent Auditor's Report

To the shareholders of Orica Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Orica Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 September 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 September 2020
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of Orica Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Implementation of global Enterprise Resource Planning system ("4S")
- Impairment of property, plant and equipment and intangible assets
- Environmental and decommissioning provisions and contingent liability disclosures
- Uncertain tax positions and contingent liability disclosure

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Implementation of global Enterprise Resource Planning system ("4S")	
The key audit matter	**How the matter was addressed in our audit**
During the year the Group implemented a global Enterprise Resource Planning system. The implementation of this system, referred to as "4S", resulted in significant changes to the Group's financial reporting environment, including a change of the core general ledger used for financial reporting. The implementation of 4S introduced heightened audit risk as controls and processes established and embedded over a number of years required either changing or updating and migration into the new IT environment. This is a key audit matter due to the increased audit effort arising from the: • Significant impact the changes in the financial reporting systems and automated controls have had on the Group's control environment during the year. This required us to understand the nature and extent of the changes, including the nature of the revised automated controls and system based calculations, and the associated impacts on financial reporting and our audit. There is an increased risk of ineffective controls and gaps in automated processes associated with the new system immediately following the implementation of 4S and prior to stabilisation of the system. • Financial reporting risks associated with migration of historical and current year financial data from the existing systems to 4S, including the specific risks associated with the system cut-over period. • The Group's use of temporary processes to supplement the system generated data to mitigate risks associated with the implementation of 4S. These supplemental processes included manual elements to record certain transactions related to revenue recognition and cost accruals. Manual processes are generally associated with a higher risk of error. We involved Information Technology specialists to supplement our senior audit team members in assessing this key audit matter.	Working with our IT specialists, our procedures included: • Throughout the 4S implementation project, we assessed the scope, competence and objectivity of the Group's Internal Auditors, and considered the findings from their work in relation to each phase of the project to further inform our audit approach. *During the 4S pre-implementation phase* • We obtained an understanding of the Group's project governance and data migration plan specific to the implementation of 4S, through reading underlying documentation such as business process mapping documents and inquiries of key operational and IT management. • We obtained an understanding of the nature and extent of planned changes to the Group's processes, automated controls and system based calculations as they relate to financial reporting, to further inform our related audit approach. *During the 4S data migration phase and system cut-over period* • We tested key controls as they relate to the completeness and accuracy of the migration of historical and current year financial data to 4S. • We assessed the results of the Group's data conversion testing, data quality testing and reconciliations of financial data. *During the 4S post-implementation phase* • We tested the relevant general IT controls and IT application controls over financial reporting risks. Of particular focus were controls relating to system access, segregation of duties and change management. • We obtained an understanding of the Group's temporary processes to supplement the system generated data. We tested key controls as they relate to the manual elements of the supplemental processes to record certain transactions including revenue recognition and cost accruals. • On a sample basis, we assessed the transactions subject to temporary processes by (i) checking the integrity of manual calculations and (ii) comparing amounts from the Group's manual calculations to the amounts recorded in the financial statements.

Impairment of property, plant and equipment ($3,316.4M) and intangible assets ($1,744.1M)

Refer to Note 7 and Note 8 to the Financial Report

The key audit matter

A key audit matter for us was the recoverability of the Group's property, plant and equipment and intangible assets. This is a key audit matter due to the:

- Size of the carrying value of property, plant and equipment and intangible assets (being 60% of total assets).
- Higher estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic.
- Internal restructuring activities undertaken by the Group, including the scheduled closure of certain manufacturing sites which has resulted in impairment.
- Significant judgement we applied in evaluating the evidence available.

We focused on the following areas:

- The approved plan for the Group's restructuring activities, and the forecast cash flows to be generated through to the proposed date of closure of identified manufacturing sites.
- The significant forward-looking assumptions the Group applied in the value in use model, including:
  - Forecast operating cash flows: the Group has experienced business disruption in the current year as a result of COVID-19, which reduced business activity during the second half of FY20. These conditions, and the uncertainty of their continuation, increase the possibility of assets being impaired and the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider. We focused on the expected rate of recovery for the Group and the Group's future business plans when assessing the feasibility of the Group's forecast cashflows.

How the matter was addressed in our audit

Our procedures included:

- We considered the appropriateness of the value in use method applied by the Group to perform the annual impairment test against the requirements of the accounting standards.
- We tested key controls in the Group's valuation process, such as Board approval of budgets and review and approval of the impairment assessment, including cash flow forecasts, by examining the review and approval of information by the Board.
- We compared the forecast cash flows contained in the value in use model to the future business plans approved by the Board, reflecting the expected rate of recovery for the Group from the impacts of COVID-19.
- We assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas.
- We assessed the accuracy of previous Group cash flow forecasts for the respective CGUs to inform our evaluation of current forecasts incorporated in the models.
- We considered the sensitivity of the models by varying key assumptions such as forecast operating cash flows, terminal growth rates and discount rates, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.
- We challenged the Group's significant forecast cash flow and terminal growth rate assumptions in light of the impacts of COVID-19 and the expected rate of recovery in specific regions. We used our knowledge of the Group's operations, their past performance and our industry experience to evaluate the feasibility of these plans. We also compared forecast growth rates to authoritative published studies of industry trends and expectations, considering differences for the Group's operations.
- We assessed the scope, competence and objectivity of the Group's external expert engaged to assist with the determination of the discount rate for the respective CGUs.

Impairment of property, plant and equipment ($3,316.4M) and intangible assets ($1,744.1M) (continued)	
Refer to Note 7 and Note 8 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
- Terminal growth rates: in addition to the uncertainties described above, the Group's models are highly sensitive to changes in terminal growth rates. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. - Discount rates: these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Units (CGUs) are subject to from time to time, and the approach to incorporating risks into the cash flows or discount rates. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	• Working with our valuation specialists, we independently developed a discount rate range for each CGU, using publicly available market data for comparable entities, adjusted for risk factors specific to the Group and the industry it operates in. We compared the discount rates applied by the Group for each CGU to our acceptable range. • Working with our valuation specialists, we assessed the reasonableness of forecast cash flows by comparing the implicit earnings and asset multiples from the models to corresponding multiples of comparable entities. • We considered the appropriateness of the approach applied by the Group to determine the write down required to the specific manufacturing assets, against the requirements of the accounting standards. • We tested key controls in the Group's process for identifying assets impacted by the Group's restructuring program, including Steering Committee and Board review and approval of key decisions such as the specific sites considered for closure, timeframes and associated closure costs. • We recalculated the impairment charge in respect of certain manufacturing sites identified for closure against the recorded amount disclosed. • We assessed the disclosures in the financial report using our understanding of the matter obtained from our testing and against the requirements of the accounting standards.

Environmental and decommissioning provisions ($388.9M) and contingent liability disclosures

Refer to Note 6 to the Financial Report

The key audit matter

The estimation of environmental remediation and decommissioning provisions is considered a key audit matter due to the:

- Inherent complexity associated with the Group's estimation of remediation costs, particularly for potential contamination of ground beneath established structures and long term legacy matters, and in gathering persuasive audit evidence thereon.
- Internal restructuring activities undertaken by the Group, including the scheduled closure of certain manufacturing sites which give rise to heightened focus on the nature, timing and amount of decommissioning costs that are expected to be incurred.

The complexity in estimating the Group's environmental and decommissioning provisions is influenced by:

- The inherent challenges experienced by the Group in precisely determining the size and location of potential contamination beneath established structures.
- Current and potential future environmental and regulatory requirements and the impact on completeness of remediation activities within the provision estimate, including the activities which will be acceptable to regulators.
- The expected environmental remediation strategy and availability of any known techniques to remediate source contamination, in particular for treatment of Dense Non-Aqueous Phase Liquid source areas at Botany, New South Wales.
- Historical experience, and its use as a reasonable predictor when evaluating forecast costs.
- The expected timing of the expenditure given the long term nature of these exposures.

How the matter was addressed in our audit

Our procedures included:

- We tested key controls relating to the completeness, size and location of the Group's identification of areas which contain contamination and the related recognition and measurement of provisions, including the Group's review and authorisation of cost estimates.
- We tested the accuracy of historical remediation provisions by comparing to actual expenditure. We used this knowledge to challenge the Group's current cost estimates and to inform our further procedures.
- We made enquiries of various personnel regarding the Group's strategy for remediating certain source contamination.
- We read correspondence with regulatory authorities to understand their views about acceptable remediation techniques and compared this with the assumptions made in the Group's provision models.
- We obtained the Group's quotations for remediation activities, as well as other internal and external underlying documentation for the Group's determination of required future activities, their timing and associated cost estimates. We compared them to the nature and quantum of cost contained in the provision balance.
- We assessed the scope, competence and objectivity of the Group's internal and external experts engaged to assist in the determination of strategies to remediate contamination and the costing of remediation activities.
- We checked consistency of the Group's internal and external experts' assumptions to other underlying internal documentation considered and tested by us.
- We challenged the Group where provisions were unable to be made for source contamination, in particular for treatment of Dense Non-Aqueous Phase Liquid source areas at Botany, New South Wales, in relation to the existence of information which would enable a reliable estimate of the provision to be made. We compared this to our understanding of the matter and the criteria in the accounting standards for recording a provision.
- We tested the mathematical accuracy of the Group's provision models.
- We assessed the Group's disclosures using our knowledge of the business and the requirements of the accounting standards. In particular, we focused on the disclosure of uncertainties associated with the provision or exposure.

Uncertain tax positions and contingent liability disclosure	
Refer to Note 11 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's corporate structure reflects the nature of its global operations, which operate across multiple tax jurisdictions. A number of the Group's tax positions are presently subject to challenge by tax authorities. The ultimate outcome of these matters is inherently uncertain. Accounting for uncertain tax positions is a key audit matter due to: • The Group undertaking transactions in a number of tax jurisdictions which require the Group to make significant judgements about the interpretation of tax legislation and the application of accounting standard requirements. • The changing tax environment where there have been significant developments to enhance transparency of tax arrangements. We, with the involvement of our tax specialists, used significant judgment to assess the Group's position with reference to tax legislation, including the likely outcome of the Group's defence of its positions through legal appeal processes.	Working with our tax specialists, our procedures included: • We compared the Group's accounting policy for recognition of tax provisions and disclosures of taxation contingent liabilities against the requirements of the accounting standards. • We tested the Group's key controls for identification and assessment of uncertain tax positions. Our testing included challenging senior management and the Group's taxation department by inspecting correspondence with tax authorities and the Group's external tax advisors for evidence of significant uncertain tax positions not identified by the controls. • We considered the Group's methodologies, assumptions and estimates for significant tax positions and the likelihood of future tax outflows. Our evaluation was based on application of our knowledge of the industry, tax legislation and current regulatory focus areas, and recent rulings relevant to the uncertain tax positions. • We read correspondence with relevant tax authorities and considered both external tax and legal advice provided to the Group to check for any information which was contradictory to the Group's conclusions. • We checked the settlement of tax positions previously challenged by local tax authorities to external underlying documentation, such as correspondence with tax authorities. • We compared the positions adopted by the Group to our knowledge of latest interpretations by tax authorities and court rulings to test the positions adopted and their impact on amounts recorded or reported in the financial statements against the requirements of the accounting standards. • We made independent enquiries of the Group's external legal advisors to identify litigation and claims related to the Group's legal appeals and uncertain tax position. We compared their responses to the assessment made by the Group. • We assessed the Group's disclosures in respect of uncertain tax positions against the requirements of the accounting standards and our understanding of the matters.

Other Information

Other Information is financial and non-financial information in Orica Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Orica Limited for the year ended 30 September 2020 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 September 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Penny Stragalinos

Partner

Melbourne

19 November 2020

Five Year Financial Statistics

For the year ended 30 September

Orica consolidated ($m)	2020	2019	2018	2017	2016
Profit & Loss					
Sales	**5,611.3**	5,878.0	5,373.8	5,039.2	5,091.9
Earnings before depreciation, amortisation, net borrowing costs and tax	**955.8**	941.1	885.0	896.3	908.1
Depreciation and amortisation (excluding goodwill)	**(351.3)**	(276.4)	(266.9)	(261.2)	(265.9)
Earnings before net borrowing costs and tax (EBIT) before individually significant items	**604.5**	664.7	618.1	635.1	642.2
Net borrowing costs	**(149.6)**	(109.7)	(121.3)	(71.7)	(84.3)
Individually significant items before tax	**(170.4)**	(195.9)	(375.3)	-	(4.6)
Taxation expense	**(107.0)**	(108.6)	(156.0)	(164.0)	(198.4)
Non-controlling interests	**(9.2)**	(5.4)	(13.6)	(13.2)	(12.1)
Profit/(loss) after tax and individually significant items	**168.3**	245.1	(48.1)	386.2	342.8
Individually significant items after tax attributable to members of Orica Limited	**(131.0)**	(126.8)	(372.3)	-	(46.3)
Profit after tax before individually significant items net of tax	**299.3**	371.9	324.2	386.2	389.1
Dividends/distributions	**192.6**	203.0	181.2	197.1	283.5
Financial Position					
Current assets	**2,664.0**	1,835.8	1,960.3	1,784.8	1,577.9
Property, plant and equipment	**3,316.4**	2,899.6	2,866.2	2,741.5	2,725.3
Equity accounted investees	**301.6**	301.3	213.3	184.6	188.1
Intangibles	**1,744.1**	1,694.6	1,697.9	1,577.1	1,558.8
Other non-current assets	**430.2**	567.7	426.7	497.2	545.7
Total assets	**8,456.3**	7,299.0	7,164.4	6,785.2	6,595.8
Current borrowings and payables	**1,944.2**	1,336.7	1,357.2	1,084.1	1,382.9
Current provisions and other liabilities	**225.2**	297.9	254.2	213.2	207.9
Non-current borrowings and payables	**2,368.9**	1,979.4	2,010.7	1,937.4	1,562.9
Non-current provisions and other liabilities	**732.0**	659.6	574.3	587.0	658.9
Total liabilities	**5,270.3**	4,273.6	4,196.4	3,821.7	3,812.6
Net assets	**3,186.0**	3,025.4	2,968.0	2,963.5	2,783.2
Equity attributable to ordinary shareholders of Orica Limited	**3,137.2**	2,968.2	2,903.2	2,962.3	2,782.5
Equity attributable to non-controlling interests	**48.8**	57.2	64.8	1.2	0.7
Total shareholders' equity	**3,186.0**	3,025.4	2,968.0	2,963.5	2,783.2

Five Year Financial Statistics

For the year ended 30 September

Orica consolidated	2020	2019	2018	2017	2016
Number of ordinary shares on issue at year end (millions)	**405.9**	380.6	379.2	377.0	374.9
Weighted average number of ordinary shares on issue (millions)	**395.6**	380.0	378.2	376.2	372.4
Basic earnings per ordinary share					
- before individually significant items (cents)	**75.7**	97.9	86.0	102.7	104.5
- including individually significant items (cents)	**42.5**	64.5	(12.7)	102.7	92.0
Dividends per ordinary share (cents)	**33.0**	55.0	51.5	51.5	49.5
Dividend franking (percent)	**-**	9.1	-	5.8	36.4
Dividend yield - based on year end share price (percent)	**2.1**	2.4	3.0	2.6	3.3
Closing share price range – High	**$24.27**	$22.97	$21.37	$21.03	$16.92
Low	**$13.25**	$16.31	$16.34	$15.57	$12.26
Year end	**$15.43**	$22.54	$17.03	$19.77	$15.20
Stockmarket capitalisation at year end ($m)	**6,262.7**	8,578.2	6,548.0	7,454.1	5,698.9
Net tangible assets per share ($)	**3.43**	3.36	3.18	3.67	3.26
Ratios					
Profit margin - earnings before net borrowing costs and tax/sales (percent)	**10.8**	11.3	11.5	12.6	12.6
Net debt (excluding lease liabilities) (millions)	**1,820.5**	1,620.6	1,648.3	1,440.9	1,549.4
Gearing (net debt/net debt plus equity excluding lease liabilities) (percent)	**36.4**	34.9	35.7	32.7	35.8
Interest cover (EBIT/net borrowing costs excluding lease interest) (times)	**4.4**	6.1	5.1	8.9	7.6
Net capital expenditure on plant and equipment (Cash Flow) ($m)	**(312.9)**	(226.0)	(153.0)	(210.7)	(123.9)
Net cash flow from (acquisition)/sale of businesses/controlled entities ($m)	**(153.9)**	(14.0)	(252.8)	9.5	(13.3)
Return on average shareholders' funds					
- before individually significant items (percent)	**9.5**	12.7	11.1	13.4	13.5
- including individually significant items (percent)	**5.4**	8.3	(1.6)	13.4	11.9