

2019

ANNUAL REPORT

WHERE WE OPERATE



**NO.1 GLOBAL
SUPPLIER OF
COMMERCIAL
EXPLOSIVES**



**MORE THAN
12,000
EMPLOYEES**



**CUSTOMERS
IN MORE
THAN 100
COUNTRIES**

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ABOUT US

At Orica, we're transforming drill and blast through technology to make mining safer and more efficient.

Since our early beginnings in 1874, we've grown to become the global leader in mining and civil blasting, with operations spanning more than 100 countries. We're here to create, develop and deliver blasting solutions that help miners extract resources more productively, while helping manage their critical risks.

With more than 145 years of experience and innovation, we do this safely and responsibly while continually finding ways to reduce our impact on the environment and make a lasting contribution to the communities around our operations.

Our world-leading products and services range from blasting to geotechnical monitoring, mineral processing and ground support across the mining, quarrying, construction, agriculture and oil and gas markets. Backed by our flexible global supply chain of manufacturing plants, joint ventures and supply alliances, we're able to deliver on time, every time, no matter where our customers are around the world.

We are committed to leading the industry's transformation through digital technologies and automation, realising growth opportunities and delivering long-term value for our shareholders.

Our more than 12,000 employees and contractors drive our performance and ensure our success now and into the future. As a truly global company, we know that our inclusive and diverse workforce – that is representative of the countries where we operate – is our greatest strength. We work together as one team and are guided by the values of Our Charter.

OUR VALUES



Safety is our priority. Always

The most important thing is that we all return home, safely, every day.

- We care and take accountability for everyone's safety and wellbeing, including our own.
- We recognise the risks we face in our work and follow all safety controls.
- We speak up when we see hazards or causes of potential harm.



We respect and value all

Our care for each other, our customers, communities and the environment builds trusted relationships.

- We treat everyone fairly, with dignity and we value diversity.
- We work with our local communities to contribute positively.
- We find ways to minimise our impact on the environment in all our actions.



Together we succeed

Collaboration makes us better, individually and collectively.

- We freely share information and ideas with our colleagues.
- We are a team. We take accountability and responsibility for our team's performance.
- We partner with our customers for a better understanding and result.



We act with integrity

We are open and honest, and we do what is right.

- We are transparent in all our communications.
- We always demonstrate ethical conduct and sustainable practices.
- We are trusted because we do what we say we will.



We are committed to excellence

We take accountability for our business and for delivering outstanding results.

- We bring our best effort every day and trust our colleagues to do the same.
- We understand our tasks and how we contribute to Orica's overall success.
- We look for ways to deliver higher performance and adapt swiftly to changing needs.



2019: OUR YEAR

Continued momentum in profitable growth.

AN VOLUMES¹

3.97mt

▲ 4%
PCP: 3.82mt

REVENUE (A\$)

\$5,878m

▲ 9%
PCP: \$5,374m

EBIT (A\$)²

\$665m

▲ 8%
PCP: \$618m



UNDERLYING NPAT³

\$372m

▲ 15%
PCP: \$324m

DIVIDEND

55cps

56% PAYOUT RATIO⁴

RONA⁵

13.5%

▲ 1.0pt



1. Includes Ammonium Nitrate prill and solution as well as Emulsion products including bulk emulsion and packaged emulsion.
2. Equivalent to profit/(loss) before financing costs and income tax, as disclosed in Note 1(b) to the financial statements, before individually significant items.
3. Equivalent to profit after income tax expense before individually significant items attributable to shareholders of Orica Limited disclosed in Note 1(b) to the financial statements.
4. Dividend amount/Underlying NPAT.
5. 12 month EBIT/Rolling 12 month Average Operating Net Assets where Operating Net Assets = Property, Plant & Equipment, Intangibles, Equity Accounted Investees and working capital excluding environmental provisions.

CHAIRMAN'S MESSAGE



In 2019, we have built momentum across Orica, improving our core business capability and advancing our strategic agenda to further commercialise Orica's technology-led innovations.

UPLIFT IN PERFORMANCE AND PROGRESS ON LONG-TERM POSITIONING

This progress has been accompanied by a pleasing turnaround in Orica's financial performance with the restoration of profitable growth.

Statutory net profit after tax was \$245 million, compared to a loss of \$48 million in 2018 and earnings before interest and tax (before individually significant items) was \$665 million, an increase of 8 per cent from the prior year.

Orica is well placed to simultaneously improve the fundamentals of its core operations, drive market understanding and adoption of our technology innovations and pursue growth opportunities in a disciplined manner within our capital management framework.

CAPITAL MANAGEMENT

Orica's balance sheet remains strong and gearing at 34.9 per cent remains within the company's target range of 30-40 per cent.

The Board has declared a final ordinary dividend of 33 cents per share (5.0 cents franked), bringing the total dividend to 55.0 cents per share, up 3.5 cents per share. This reflects a payout ratio of 56 per cent of underlying earnings.

GOVERNANCE AND CULTURE

This year we have witnessed significant discussion in the Australian business community on the importance of corporate culture and accountability, and how these factors shape behaviour and risk management. The Orica Board has followed this debate closely and shares the view that governance and strong internal cultures are indicative of well-run businesses.

At Orica, the centrepiece driving acceptable standards remains accountable leadership, a compliance culture based around the Orica Code of Business Conduct and an organisational design underpinned by clear, consistent responsibilities contained in Group Policies, Standards and Procedures.

While unethical, illegal or improper behaviour can be confidentially and anonymously reported through Orica's Speak-Up service, an updated Whistleblower Policy was endorsed by the Board this year, responding to new requirements enacted in Australia.

The Board Reporting Framework has also been updated ensuring that the information received by the Board reflects evolving community standards and governance best practice.

During the year we have established a new Innovation and Technology Board Committee in support of Orica's investment in technology-led growth and commercialisation of products.

BOARD RENEWAL

Ian Cockerill and Lim Chee Onn retired from the Board in 2019 after making a significant contribution over their nine years of service. In May 2019, Boon Swan Foo joined the Board, bringing a deep understanding of a variety of industries and markets across Asia, including China. The Board will continue to progress succession planning processes to ensure that it has the skills and experience that will be required in the future.

SUSTAINABILITY

Orica takes its corporate social responsibility seriously. We have identified sustainability issues including safety, environmental protection, product security, climate risk, diversity and ethical conduct as being most material for our business.

You can review our performance against our sustainability commitments in our 2019 Sustainability Report. I am confident that our approach is creating a more resilient business aligned to our values, our commercial strategy and the expectations of our people and stakeholders.

OUTLOOK

Orica's future success will demand consistent improvements across our core business and the on-going commercialisation of the innovation pipeline. Underpinning this will be a continued focus on safety, with the application of rigorous controls and compliance measures. We believe we have a good platform to deliver long-term, sustainable value for our shareholders.

On behalf of the Orica Board, I thank our shareholders for their continued support. We would also like to thank the entire Orica team around the world for their dedication and effort during the year.

Malcolm Broomhead
Chairman

MANAGING DIRECTOR'S MESSAGE



2019 has been a year of important progress for Orica. After 12 months of diligent and focused effort, our company is a safer place to work, the momentum in profitable growth has continued and we are organisationally stronger.

CONTINUED MOMENTUM OF PROFITABLE GROWTH

Nothing is more important to Orica than keeping our people safe and I am pleased to report that, once again, there have been no fatalities across the Group.

Our continued focus on identifying and managing major hazards, with standardised controls for our people and customers, is delivering results. During the year over 9,300 key control verifications were conducted with results consistently indicating that the major hazard key controls were 100 per cent effective, 100 per cent of the time.

At the same time, we have complemented our traditional Total Recordable Injury Frequency Rate measure with a new metric called Serious Injury Case Rate (SICR), that includes personal injury and illness incidents that result in an actual serious impact. Making Orica an even safer place to work remains our number one priority.

Financially, this is a pleasing set of results. Our growth drivers are starting to deliver, and we are seeing continuing momentum in profitable growth. Earnings before interest and tax (before individually significant items) increased by 8 per cent to \$665 million with explosives volumes increasing by 4 per cent to 3.97 million tonnes.

Each of the regions delivered a strong result, particularly Europe, Middle East and Africa with an increased EBIT of 24 per cent and increased market share driving growth in Australia Pacific and Asia. Growth in the Canadian market in North America and the earlier than expected business recovery in Latin America contributed to the result. We are particularly pleased with the ongoing strong performance of our GroundProbe™ business which continues to track ahead of expectations. After several years of management focus the Minova business has also delivered an improved result in this period.

We continue to make good progress in making Orica a more efficient and effective business. Reliability and utilisation of our manufacturing plants globally have improved and our focus on cost management is delivering results.

Our long-term strategic investment in research and development is seeing increasing customer adoption of our expanding best-in class technology solutions. Our wireless detonator, WebGen™, and digital blast management platform, BlastIQ™, passed several important commercial milestones over the past year.

Progress on rectification at the Burrup plant continues within plan and the plant is expected to be fully operational in the second half of the 2020 financial year. The strategic value of having production close to our customers in the Pilbara region remains very strong.

PEOPLE AND CAPABILITY

During the year we conducted an Organisational Health Survey and were encouraged that the majority of our people around the world took the opportunity to give us their feedback.

Key findings included that our workforce is positive and engaged, and our safety culture is strong. While these are very pleasing results, we always strive to do better and will use the data to identify areas where we can further improve engagement and productivity.

OUTLOOK

We expect the momentum in profitable growth this year to continue into 2020, with higher EBIT underpinned by further penetration of our technology-based solutions, increased demand across all regions and a fully operational Burrup plant in the second half.

A key initiative will be the final phase of the SAP project which will, alongside our embedded operating model, improve the way we work and create value for customers and shareholders.

This positive result and outlook are the result of long-term investments of time and resources by the leadership team and our people, building a safer and more resilient business. I thank them for their dedication and commitment and look forward to continuing our work.

Alberto Calderon
Managing Director and CEO

SUSTAINABILITY

Maintaining our licence to operate is based on the expectation that we operate safely and responsibly.

2019: HIGHLIGHTS



Zero

sustained fatality free



Over 9,300

verifications of key
safety controls



22%

female employment in
senior management roles

OUR APPROACH

As the relationship between business and sustainability continues to evolve, our ability to maintain stakeholder trust is increasingly tied to how we manage, improve and disclose our environmental, social and governance performance.

Our approach to sustainability is based on understanding the issues of concern and responding openly and transparently to embed sustainable practices in our products, services and the way we run our business. This is allowing us to create a more resilient company that is aligned to our values, commercial strategy and the expectations of our people and stakeholders.

Our sustainability report provides stakeholders with more detailed disclosure on our non-financial performance. This includes performance against our sustainability targets, our approach to material sustainability topics and how we are managing social and environmental risk while capitalising on new opportunities.

PROTECTING AND DEVELOPING OUR PEOPLE

Nothing is more important than keeping our people, customers and communities safe. We maintain a relentless focus on preventing injury and illness and improving how we manage health and safety risks across our business.

No fatalities were recorded in FY19 and this remains our priority in the future. We continued to build the capacity of our frontline leaders resulting in over 45,000 safety interactions performed during the year, a two-fold increase from FY18.

To better understand the severity of injuries and illness in our business and to drive improvement and learnings in these areas, we increased our focus on serious incidents. While there was a reduction in injury severity, our Serious Injury Case Rate performance did not meet our FY19 target. Our All Worker Recordable Case Rate also increased with growth in injury reporting, although most events were at the lower end of the severity spectrum. As a consequence, our rate of lost work days reduced from FY18.

The convergence of new technologies is enabling us to think differently, operate more precisely and, most importantly, remove people from harm's way. In FY19 we continued to commercialise WebGen™ which uses wireless technology to initiate blasts through rock, water or air from surface control rooms. With the manual task of connecting down-lines and surface wires removed, we are improving productivity and keeping people safer.

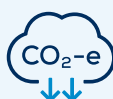
Engaged, diverse and highly capable people are integral to delivering on our business strategy. We've made significant progress and since 2016 have achieved a six-point increase in our organisational health score. This year female representation in senior management increased to 22 per cent, up from 21 per cent in FY18.

During FY19, we continued to build critical capabilities to help deliver our business strategy with a focus on creating pipelines of high calibre, diverse talent for senior management, commercial and technical positions. Our flagship Enterprise Leaders Programme (ELP) has continued while our graduate programme grew to over 70 participants globally. This programme is building a diverse pipeline of talent, with graduates originating from around 19 different countries and 41 per cent female.



Adopted TCFD¹

to guide our phased approach to disclosure of climate-related information from FY20



6%

reduction in operational scope 1 & 2 greenhouse gas emissions



\$1.9 million

invested in local communities

OPERATING RESPONSIBLY

Conducting our business with integrity is central to who we are.

In FY19 we established a monitoring and assurance program in 10 priority countries selected using a risk-based approach, to assess the effectiveness of our ethics and compliance controls. The results of our assurance program have resulted in several corrective and preventative actions which will be implemented to continually improve our performance.

Following our enterprise-wide review of product security last year, we continued to strengthen our governance and management of material supply chain risks. Our Product Security Group Standard was reviewed and updated, and a global security event monitoring and management system was established to address security-related events.

We also updated our Whistleblower Policy this year in response to new requirements enacted in Australia.

MINIMISING OUR ENVIRONMENTAL FOOTPRINT

We aim to comply with relevant environmental legislation, licences and environmental consents across our global operations. In FY19, there were no significant (severity 3 or greater) environmental incidents.

Our manufacturing and business activities generate greenhouse gas (GHG) emissions. As the global economy decarbonises and adopts new technologies and sources of energy, we are exposed to long-term physical and transitional risks including shifts in commodity demand and customer mix.

This year our operational Scope 1 and Scope 2 greenhouse gas emissions reduced six per cent from FY18 levels, contributing to meeting our FY19 emissions intensity target. This is a result of replacing ageing abatement catalyst and ongoing emissions abatement trials at our nitric acid plants. Trials will continue into FY20 as we seek to define a viable emissions abatement pathway over the next decade in which we can confidently invest.

Climate change is a material business risk and we are taking a phased approach to understanding and managing climate-related risks and opportunities. In FY19 we updated our Climate Change Policy. New enhancements include a renewed commitment to reducing our operational emissions and adopting the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations to progressively guide our future climate-related disclosures.

SUPPORTING LOCAL COMMUNITIES

Across our global operations, we continued to make a significant direct socio-economic contribution to surrounding communities.

In FY19 our community investment totalled \$1.9 million with 46 per cent directed to projects supporting education and young people. We implemented a process for measuring community sentiment at seven of our major global manufacturing sites. These insights will help shape our stakeholder engagement and community investment priorities in FY20 and beyond.

Our 2019 Sustainability Report complements this 2019 Annual Report and Corporate Governance Statement and is available on our website.

1. Recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

BOARD MEMBERS



MALCOLM BROOMHEAD AO
BE, MBA

Non-Executive Director of Orica Limited since December 2015 and Chairman as of 1 January 2016. Chairman of the Nominations Committee and member of the Innovation and Technology Committee.

Director of BHP Group Limited & Plc. Former Chairman of Asciano Limited.

Director of the Walter & Eliza Hall Institute, and Council Member of Opportunity International Australia.



ALBERTO CALDERON
PhD Econ, M Phil Econ, JD Law, BA Econ

Non-Executive Director since August 2013. Appointed Managing Director and Chief Executive Officer on 19 May 2015.

Former Group Executive and Chief Executive of BHP Aluminium, Nickel and Corporate Development. Former Chief Executive Officer of Cerrejón Coal Company and Colombian oil company, Ecopetrol.



MAXINE BRENNER
BA LLB

Non-Executive Director since April 2013. Chairman of the Human Resources and Compensation Committee and member of the Board Audit and Risk Committee and the Nominations Committee.

Director of Origin Energy Limited, Qantas Airways Limited and Growthpoint Properties Australia Limited. Former director of companies including Neverfail Australia Ltd, Treasury Corporation of NSW and Federal Airports Corporation. Former Managing Director of Investment Banking at Investec Bank (Australia) Ltd. Former member of the Takeovers Panel.



DENISE GIBSON
BA (Business Administration), MBA (Management)

Non-executive Director since January 2018. Chairman of the Innovation and Technology Committee and member of the Human Resources & Compensation Committee and the Nominations Committee.

Co-founder and Chairman of Ice Mobility. Director of Aerial Technologies Inc., NASDAQ-listed VOXX International Corporation and ORBCOMM Inc., and a director of the Consumer Technology Association and the Consumer Technology Association Foundation, both not-for-profit organisations. Founder and former CEO of Brightstar US.



KAREN MOSES
BEd, DipEd, FAICD

Non-Executive Director since July 2016. Chairman of the Safety, Health, Environment, Community & Security Committee, and member of the Human Resources & Compensation Committee and the Nominations Committee.

Director of Boral Limited, Charter Hall Group, Snowy Hydro Limited and Sydney Symphony Limited, and a Fellow of the Senate of Sydney University. Former director of companies including Sydney Dance Company, SAS Trustee Corporation, Australia Pacific LNG Pty Limited, Origin Energy Limited, Contact Energy Limited, Energia Andina S.A., Australian Energy Market Operator Ltd, VENCORP and Energy and Water Ombudsman (Victoria) Limited.



GENE TILBROOK
BSc, MBA, FAICD

Non-Executive Director since August 2013. Chairman of the Board Audit and Risk Committee and member of the Safety, Health, Environment, Community & Security Committee and the Nominations Committee.

Non-Executive Director of GPT Group and Woodside Petroleum. Director of the Bell Shakespeare Company. Former director of Aurizon Holdings and Fletcher Building. Former Executive Director of Wesfarmers Limited.

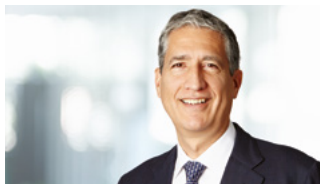


BOON SWAN FOO
BA, MBA

Non-executive Director since May 2019. Member of the Innovation and Technology Committee, Board Audit and Risk Committee and the Nominations Committee.

Chairman and Non-executive Director of SGX-ST-listed Global Investments Limited, Chairman of Allgrace Investment Management Private Limited, and Chairman of Singapore Consortium Investment Management Limited. External Director of China Huadian Corporation Ltd and External Director of China Baowu Steel Group Corporation Ltd. Former Senior Advisor to Temasek International Advisors Pte Ltd, and a former Non-executive Director of Singbridge Holdings Pte Ltd, Singbridge International Singapore Pte Ltd and Sino-Singapore Guangzhou Knowledge City Investment and Development Company.

EXECUTIVE COMMITTEE



ALBERTO CALDERON

PhD Econ, M Phil Econ, JD Law, BA Econ

Managing Director and Chief Executive Officer

Alberto was appointed Chief Executive Officer in May 2015, having been a Non-Executive Director since August 2013. Alberto is a former Group Executive and Chief Executive of BHP Aluminium, Nickel and Corporate Development. He is also a former Chief Executive Officer of Cerrejón Coal Company and Colombian oil company, Ecopetrol. Prior to this, Alberto was Executive Director of the International Monetary Fund, held senior roles in the Colombian government, and has been a Board member of a range of private, public and non-government organisations.



JAMES BONNOR

BCom, (Econ, Mark)

President – North America

James was appointed Group Executive and President, North America in October 2015. He has more than 20 years of commercial and operational experience with Orica where he has held a range of management, sales, marketing, and customer relationship roles across international market segments including Australia, New Zealand and Latin America.



JAMES CROUGH

GAID, MBA, FCPA, Bcomm

President – Australia Pacific and Asia (interim)

James was appointed Group Executive and President, Australia Pacific and Asia in October 2019 after first joining Orica as Vice President Finance, Australia Pacific and Asia in 2019. James has held senior leadership positions at Incitec Pivot Ltd and has more than 25 years' experience across international commodity trading, global manufacturing, integrated supply chain, procurement, product management and pricing, marketing and sales.



DARRYL CUZZUBBO

BEng (1st class Hons) Mechanical Engineering, Masters (Hons) Total Quality Management, MBA

Chief Manufacturing Officer

Darryl was appointed to his current role in October 2019 after having held the role of Group Executive and President, Australia Pacific and Asia since 2016. He joined Orica in 2015 after a 24 year career with BHP where he held senior positions in group-wide functions as well as the Australian and South African coal and copper businesses with responsibility for operations, expansion projects and transformational change programs.



CHRISTOPHER DAVIS

BCom, Acc; Chartered Accountant

Chief Financial Officer

Christopher was appointed Chief Financial Officer in October 2018 and has responsibility for the group-wide finance function as well as investor relations and group risk and assurance. Before joining Orica, Christopher held senior financial and executive roles within Anglo American Plc, including as CEO of its subsidiary Scaw Metals Group from 2009 to 2013 and CFO from 2008.



CARLOS DUARTE

BSc Aeronautical Engineering, MBA

Group Executive

Carlos is focused on the delivery of the contractual arbitration of Burrup ahead of his retirement in 2020. Carlos joined Orica in October 2017 following more than 30 years at global oil and gas technology and services company, Schlumberger. During his time at Schlumberger, Carlos held several senior leadership positions including Vice President, Supply Chain, Vice President, Manufacturing, and Vice President, New Businesses.



KIRSTEN GRAY

BA/LLB (Hons), PDM

Company Secretary & Chief Corporate Services Officer

Kirsten joined Orica in October 2015 and has responsibility for the legal function, company secretariat, sustainability and corporate affairs. She joined Orica after a 20 year career with BHP, where she held senior global legal positions. Kirsten has deep experience in corporate governance, global mergers and acquisitions and general commercial law.



ADAM L. HALL

BCom, LLB (Hons), MBA (HD)

Chief Development Officer

Adam was appointed Chief Development Officer in June 2019, with responsibility for corporate strategy, mergers and acquisitions, and Orica's Agriculture and Monitor divisions. Prior to joining Orica, Adam led Corporate Development and Industrial Gases for CF Industries in the USA. Adam brings 20 years' global experience in strategy and business development, having led transformational deals in his corporate roles with CF Industries and global agribusiness leader, Bunge.



RYAN KERR

BCom, Industrial Psychology BCom (Hons), Business Economics, MBA

Chief People Officer (interim)

Ryan joined Orica in January 2018 as Vice President HR EMEA & CIS after having worked across the professional services, pulp and paper and resources sectors in various HR roles in South Africa, Australia and the United Kingdom over a 24 year period.



ANGUS MELBOURNE

BEng (Hons) Mechanical Engineering, BSc Applied Mathematics

Chief Commercial Officer

Angus joined Orica in 2016 and has responsibility for strategic marketing and technology and Orica's China business. He joined Orica following a 25 year career at Schlumberger where he held a number of senior roles responsible for research and development, engineering, manufacturing, operations and sales. Angus's experience at Schlumberger included responsibility for explosives and perforating products research, development and manufacturing.



GERMÁN MORALES

MSc, Civil Engineering, Executive MBA

President – Latin America

Germán joined Orica in September 2018 following 18 years at commercial explosives manufacturer and distributor Maxam. At Maxam, Germán held business leadership roles in Europe, Middle East and Africa, the Americas and Australasia, served as a Board member for several Maxam companies around the world, and most recently was the Senior Executive Director and General Manager Civil Explosives.



THOMAS SCHUTTE

BCom (Hons) Acc; Chartered Accountant (SA)

President – Europe, Middle East and Africa

Thomas was appointed to his role in October 2017 after having held the role of Chief Financial Officer since September 2015. Before joining Orica Thomas spent 20 years with BHP where he held a number of leadership positions, including President and CEO Samancor Manganese Ltd, President Global Marketing and CFO of the Global Commercial Group.

REVIEW OF OPERATIONS

CONTINUING MOMENTUM IN PROFITABLE GROWTH

Statutory net profit after tax (NPAT) attributable to the shareholders of Orica for the year ended 30 September 2019 was \$245 million; NPAT before individually significant items⁽¹⁾ was \$372 million, up 15% on the prior corresponding period (pcp).

SUMMARY

- EBIT⁽²⁾ of \$665 million, up 8% on the pcp with strong business performance across all regions and improvement in manufacturing operations
- Underlying earnings per share⁽³⁾ up 14% to 97.9 cents per share
- Ammonium nitrate (AN) volumes up 4% on the pcp at 3.97 million tonnes
- Sales revenue of \$5.9 billion increased by 9% from higher volumes and services, increased penetration of advanced products and favourable foreign exchange movements
- Strong performance from technology, GroundProbe™ and Minova
- Individually significant items of \$127 million after tax, largely arising in the first half of this year
- Net operating and investing cash inflows⁽⁴⁾ of \$378 million
- Capital expenditure of \$424 million⁽⁵⁾ includes \$37 million on rectification works at Burrup
- Net debt⁽⁶⁾ of \$1.6 billion and gearing⁽⁷⁾ at 34.9%
- Final dividend of 33.0 cents per share (5.0 cents franked), bringing the full year dividend to 55.0 cents per share

GROUP RESULTS

Year ended 30 September	2019 A\$m	2018 A\$m	Change %
Sales revenue	5,878.0	5,373.8	9%
EBITDA ⁽⁸⁾	941.1	885.0	6%
EBIT⁽²⁾	664.7	618.1	8%
Net interest expense	(109.7)	(121.3)	10%
Tax expense	(177.7)	(158.0)	(12%)
Non-controlling interests	(5.4)	(14.6)	63%
NPAT before individually significant items⁽¹⁾	371.9	324.2	15%
Individually significant items after tax	(126.8)	(372.3)	66%
NPAT after individually significant items (statutory)	245.1	(48.1)	

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

REVIEW OF OPERATIONS

BUSINESS SUMMARY

A summary of the performance of the segments for the 2019 and 2018 financial years is presented below:

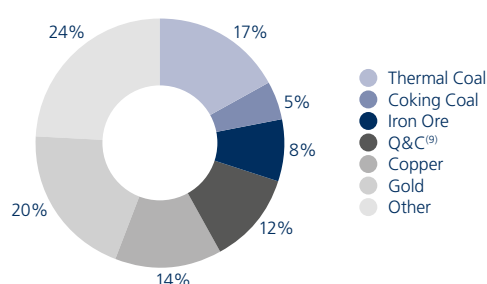
Year ended 30 September 2019 A\$m	AN Tonnes ⁽ⁱ⁾ ('000)	Sales Revenue ⁽ⁱⁱ⁾	EBITDA ⁽⁸⁾	EBIT ⁽²⁾	Capital Expenditure
Australia Pacific & Asia (APA)	1,682	2,106.0	508.9	382.7	159.1
North America	1,128	1,590.5	236.9	192.1	39.5
Europe, Middle East & Africa (EMEA)	444	911.2	93.9	67.9	43.6
Latin America	718	969.9	66.5	43.8	29.4
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

Year ended 30 September 2018 A\$m	AN Tonnes ⁽ⁱ⁾ ('000)	Sales Revenue ⁽ⁱⁱ⁾	EBITDA ⁽⁸⁾	EBIT ⁽²⁾	Capital Expenditure
Australia Pacific & Asia (APA)	1,626	1,944.2	505.5	381.9	109.7
North America	1,112	1,430.3	226.8	185.6	38.6
Europe, Middle East & Africa (EMEA)	462	807.2	78.8	54.8	35.5
Latin America	618	899.8	67.1	43.2	21.7
Minova	–	519.0	6.2	(2.3)	8.5
Orica Monitor	–	66.7	10.5	4.8	5.7
Global Support	–	1,041.6	(9.9)	(49.9)	102.4
Eliminations	–	(1,335.0)	–	–	–
Orica Group	3,818	5,373.8	885.0	618.1	322.1

(i) Includes ammonium nitrate prill and solution as well as bulk and packaged emulsion.

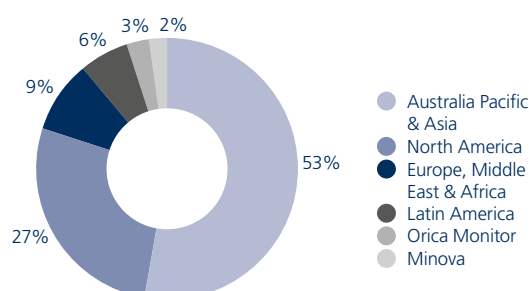
(ii) Includes external and inter-segment sales.

REVENUE BY COMMODITY 2019



Note: The above charts exclude Global Support and Eliminations.

EBIT BY REGION 2019



Nothing is more important to Orica than keeping our people safe. Making sure that every Orica site remains fatality free is our primary goal. Once again, there have been no fatalities across the Group.

During the year, a global pilot for the Major Hazards Management process was launched which seeks to take the day-to-day management of Major Hazards to the next level. In the 2019 financial year over 9,300 key control verifications were conducted. Results consistently confirmed that the major hazard key controls were 100% effective, 100% of the time.

The traditional total recordable injury frequency rate (TRIFR) measure has been complemented with a new metric called Serious Injury Case Rate (SICR). This measure includes personal injury and illness incidents that result in an actual serious impact. It enables a better understanding of the severity of injuries and illness in the business and drives a focus on investigations, improvement opportunities and learning in these areas. During this financial year the SICR performance has been stable on previous years.

REVIEW OF OPERATIONS

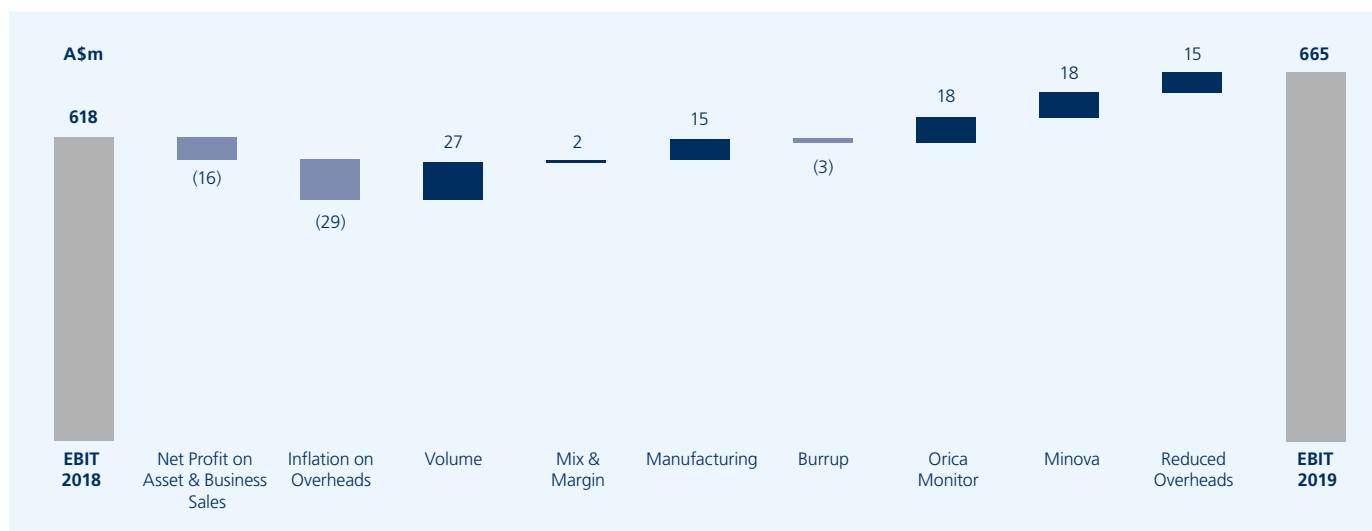
TRIFR increased slightly during the year due to an increase in low severity injuries, with the vast majority of these events being at the lower end of the severity spectrum.

Environmental programs continue to be embedded across the business. There were no breaches of environmental permits and licences. During the year, there was a 6% reduction in Scope 1 and Scope 2 greenhouse gas (GHG) emissions and intensity continues to improve against 2018 levels.

AN volumes were up by 4% on the pcg, supported by strong demand led by Latin America. Sales revenue increased by 9%

on the pcg to \$5.9 billion from higher volumes and services, increased penetration of advanced products and favourable foreign exchange movements.

EBIT of \$665 million was up 8% on the pcg. This was driven by higher volumes and services, the non-repeat of unplanned maintenance shutdowns that occurred in the pcg, the impact of strong returns from GroundProbe™ and the turn-around in Minova's performance. Cyanide also continues to be a strong contributor. These benefits were partly offset by the impact of prices on previously reported contract renewals and the continued impact of sourcing costs in the Pilbara.



Key items in the above chart:

Net profit on asset & business sales were down on the pcg due to larger one-off transactions in the second half of 2018.

Inflation on fixed overhead costs had an adverse effect of \$29 million.

Volume

Total AN volumes improved by 4% through new business and higher demand from existing customers in Latin America, Australia Pacific & Asia, Canada and the CIS, partly offset by lower volumes in Mexico and Turkey.

Sales volumes of higher margin advanced Electronic Blasting Systems (EBS) were up 7% with improvement across most regions. Total detonator sales volumes were down as a result of a reduction in conventional detonator volumes.

Mix & Margin

Improved service margins were realised in most regions particularly in Australia, Indonesia, Middle East and the CIS driven by growth in new and existing customers.

This was offset by the impact of prices on previously reported contract renewals.

Manufacturing

Manufacturing performance improved overall as unplanned maintenance shutdowns impacting Australia in the pcg did not recur, and overall efficiency improved at initiating system plants in the EMEA region. This was partly offset by a planned turnaround at the Yarwun cyanide plant, disruption of utilities supply at Bontang in the first half, lower EBS production at Brownsburg following a strategic decision to reduce inventory, and a temporary outage at Carseland in the second half.

Burrup

Orica is continuing to work closely with its joint venture partner, Yara, to resolve technical issues with the plant, and rectification work is on track within plan. The plant produced 40 thousand tonnes of AN prill in the second half of 2019 during a testing phase. The plant is now shut down for installation of critical components and is scheduled to commence operations in the second half of 2020 financial year.

The Pilbara region continued to incur significant sourcing and freight costs as rectification works at the Burrup plant are being completed. Furthermore, ongoing administrative overheads as well as costs associated with the arbitration proceedings continue to be incurred.

Orica Monitor

GroundProbe™ representing the majority of Orica Monitor's earnings, outperformed its investment case expectation and achieved over 10% RONA in the first full year of ownership.

Minova

Minova derived revenue from new sectors and across an expanded product and services range, predominantly in the Americas and Australia Pacific. The benefits of the restructuring activities have seen a reduction in overhead costs. The focus will remain on increasing product penetration and growth in new geographies and sectors.

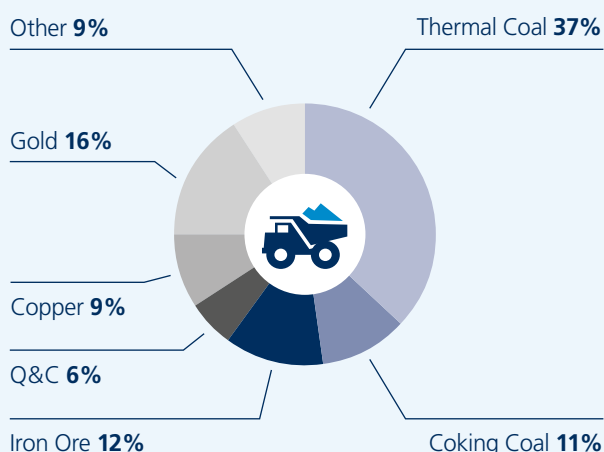
Reduced Overheads

Benefits from recent restructuring activity reduced overheads compared to the pcg. This was partly offset by increased costs associated with technology roll-out and temporary costs to support the SAP project.

AUSTRALIA PACIFIC & ASIA



REVENUE BY COMMODITY 2019



Year ended 30 September	2019	2018	Change
Total AN & emulsion volumes ('000 tonnes)	1,682	1,626	3%
Total sales revenue (A\$m)	2,106.0	1,944.2	8%
EBITDA ⁽⁸⁾ (A\$m)	508.9	505.5	1%
EBIT ⁽²⁾ (A\$m)	382.7	381.9	Nil

COMMODITY EXPOSURE

Thermal coal remains the most significant commodity for the region. Activity in the coal and iron ore markets remains strong as demand for high quality products continues, while the gold market has been supported by stable prices.

PERFORMANCE DRIVERS

Volume

Explosives volumes were up on the pcg, underpinned by growth and higher activity in the Pilbara and metals segments, strong demand from existing customers (particularly coal in Australia), and increased sales to competitors.

EBS volumes were higher from increased demand and customer conversion, particularly in Indonesia. Sales of conventional detonators were lower than the pcg, notably in the Philippines due to temporary permitting issues in the first half.

There has been further introduction of technology based products. A key milestone for our WebGen™ wireless detonators was the world's largest open-cut stratablast using ~2,000 units in a single blast.

Cyanide volumes were ahead of the pcg, as a result of higher sales to existing customers as well as incremental spot sales.

EBIT

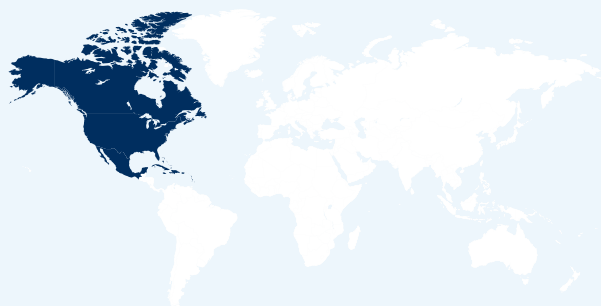
EBIT is marginally ahead of the pcg as the impact of previously reported pricing on contract renewals was offset by favourable volumes and conversion to EBS, higher uptake of services and an initial adoption of new technology products. Investment in manufacturing plants and the non-repeat of unplanned maintenance shutdowns enabled improved manufacturing reliability.

Burrup continues to be impacted by the ongoing costs associated with sourcing volumes for the Pilbara customers and increased costs associated with arbitration proceedings.

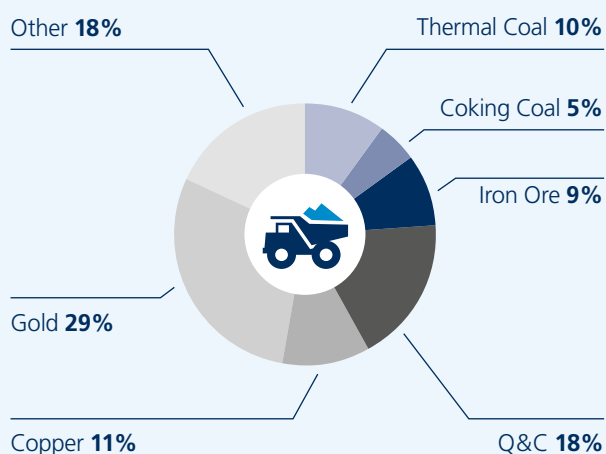
OUTLOOK

Volumes are expected to strengthen in the next financial year due to higher demand in Australia and new contracts in the Pilbara. Positive EBIT contribution is expected from the Burrup plant in the second half of the 2020 financial year and EBIT margins are anticipated to improve once Burrup reaches full production.

NORTH AMERICA



REVENUE BY COMMODITY 2019



Year ended 30 September	2019	2018	Change
Total AN & emulsion volumes ('000 tonnes)	1,128	1,112	1%
Total sales revenue (A\$m)	1,590.5	1,430.3	11%
EBITDA ⁽⁸⁾ (A\$m)	236.9	226.8	4%
EBIT ⁽²⁾ (A\$m)	192.1	185.6	3%

COMMODITY EXPOSURE

Demand in the gold market in North America improved on the pcg from growth in Canada and continued strong demand in the USA. The Q&C market remained steady despite unfavourable weather conditions and a tightening in the skilled labour market, while demand from copper was lower due to production issues at a number of mines. Demand for thermal coal remains stable, while iron ore improved in the USA and Canada, aided by firmer prices.

PERFORMANCE DRIVERS

Volume

Explosives volumes were slightly ahead of the pcg, with higher sales in Canada offset by lower volumes in Mexico due to community issues at a key customer site.

EBS volumes were up 7%, largely driven by an increase in demand in Canada and Mexico due to a shift into more advanced products, while conventional detonator sales were down on the pcg.

The introduction of our WebGen™ wireless detonators in the Canadian underground segment continued with a number of service based contracts signed.

EBIT

EBIT across the region benefitted from improved emulsion and EBS mix, notably in Canada, higher services activity in the USA, spot sales of cyanide in Mexico and foreign exchange gains. The temporary outage at the Carseland plant and a strategic decision to temporarily lower EBS production at the Brownsburg plant to reduce inventory levels offset some of the gains in the second half.

Joint venture operations in North America performed well.

OUTLOOK

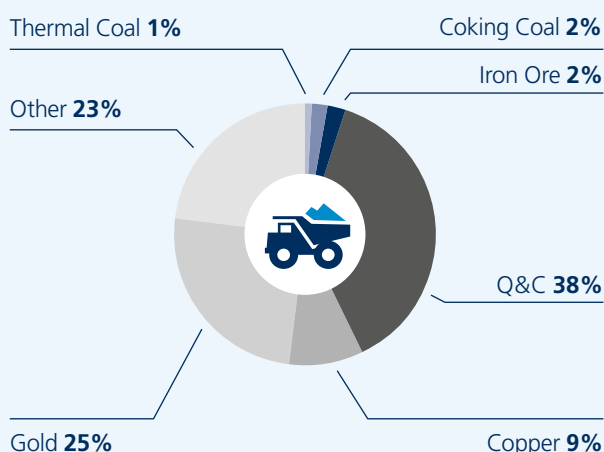
Volumes are expected to grow driven by the gold, copper and Q&C sectors despite the ongoing competitive pressure. Services growth, continued focus on technology offerings as well as further overhead efficiencies are expected to continue to improve EBIT.

REVIEW OF OPERATIONS

EUROPE, MIDDLE EAST & AFRICA



REVENUE BY COMMODITY 2019



Year ended 30 September	2019	2018	Change
Total AN & emulsion volumes ('000 tonnes)	444	462	(4%)
Total sales revenue (A\$m)	911.2	807.2	13%
EBITDA ⁽⁸⁾ (A\$m)	93.9	78.8	19%
EBIT ⁽²⁾ (A\$m)	67.9	54.8	24%

COMMODITY EXPOSURE

Sales into the Q&C markets were strong and ahead of the pcg, underpinned by growth in the Middle East, while activity in the gold and copper sector increased from higher demand in Africa and Russia. Other revenue includes diversified sales across numerous geographies and markets including phosphate, natural gas, nickel and zinc.

PERFORMANCE DRIVERS

Volume

Explosives volumes were below the pcg due to lower activity in Turkey which was adversely impacted by continued political and economic uncertainty. This was partly offset by higher and profitable demand in the CIS, particularly new contract wins in Kazakhstan and Russia, growth in Africa and higher sales in the Middle East.

EBS volumes were 20% ahead of the pcg as conversion continues to progress with higher market penetration in Africa and the Nordics. This was partially offset by lower demand of conventional detonators across Europe.

EBIT

EBIT improved on the pcg, underpinned by strong growth in the CIS from new and existing rock-on-ground customers, higher EBS detonator sales across most of the region, services growth from increased customer activity in Africa and new projects in the Middle East.

Manufacturing also favourably supported results due to improved operational efficiency at initiating system plants.

OUTLOOK

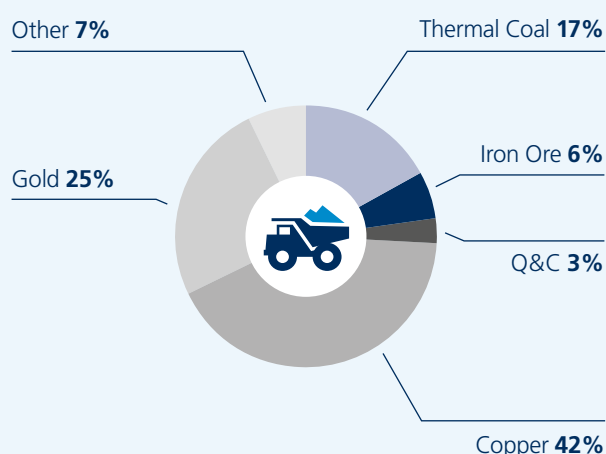
Momentum from the second half of 2019 is expected to continue into 2020. Geographically, growth will be underpinned by targeted expansion in new CIS territories and increased market share in Africa. Overall, strategic focus remains on expanding the placement of higher energy products and new technologies as well as improved overhead efficiencies.

REVIEW OF OPERATIONS

LATIN AMERICA



REVENUE BY COMMODITY 2019



Year ended 30 September	2019	2018	Change
Total AN & emulsion volumes ('000 tonnes)	718	618	16%
Total sales revenue (A\$m)	969.9	899.8	8%
EBITDA ⁽⁸⁾ (A\$m)	66.5	67.1	(1%)
EBIT ⁽²⁾ (A\$m)	43.8	43.2	1%

COMMODITY EXPOSURE

Copper remains the most significant commodity for the region with demand steady from the pc. The thermal coal market was higher from increased demand in Colombia. In contrast, the gold sector was down due to lower demand in Peru.

PERFORMANCE DRIVERS

Volume

Explosives volumes were up on the pc, underpinned by strong growth in Colombia and Peru. Volumes in Colombia were supported by higher demand and the non-recurrence of unfavourable weather conditions in the pc. Demand was higher in Peru from increased customer activity and a major new copper customer contract. This was partly offset by the volume decline in Chile from a partial contract loss in the second half of the 2018 financial year.

EBS sales were strong and in line with the pc. Conventional detonator volumes were down on the pc, with lower demand in Chile partly offset by higher sales in Colombia.

Cyanide volumes were down on the pc due to mine plan changes at a customer site in Peru.

EBIT

EBIT was slightly ahead of the pc despite the partial contract loss in Chile and continued competitive pricing pressure on explosives. The improved business performance was achieved through stronger contribution in Colombia and Peru. This was driven by AN volume growth, albeit at lower margins, higher service revenue and new technology. Overhead efficiencies from strategic initiatives also contributed positively to the result.

OUTLOOK

The higher gold price is expected to support volume growth for explosives and cyanide. Renewed customer focus and engagement will drive increased product and technology penetration. Effective cost control will continue to deliver overhead efficiencies in the region.

REVIEW OF OPERATIONS

ORICA MONITOR

Year ended 30 September	2019 A\$m	2018 A\$m	Change %
EBIT ⁽²⁾	22.3	4.8	>100%

Performance drivers

The Orica Monitor segment comprises GroundProbe™ and Nitro Consult businesses.

GroundProbe's™ earnings were ahead of the investment case expectations and delivered over 10% RONA in the 2019 financial year. EBIT performance was supported by higher demand for services and radars, entry into the tunnels market as well as the non-repeat of acquisition costs in the pcg.

Going forward, EBIT is expected to grow benefitting from further expansion of laser products into the mining and civil industries, deployment of the new premium 'SSR-Omni' radar and continued growth through Geotechnical Support Services.

MINOVA

Year ended 30 September	2019	2018	Change %
Steel products ('000 tonnes)	156	142	10%
Resins & Powders ('000 tonnes)	123	109	13%
Total sales revenue (A\$m)	595.1	519.0	15%
EBITDA ⁽⁸⁾ (A\$m)	24.3	6.2	>100%
EBIT ⁽²⁾ (A\$m)	15.2	(2.3)	>100%

Performance drivers

Significant progress has been made on the turnaround with initiatives undertaken to increase revenues, improve margins and production efficiency, and reduce overheads.

EBIT is ahead of the pcg due to higher revenues, lower fixed manufacturing costs from plant rationalisation and sustainable overhead reduction. Revenues have materially increased in the USA, Canada and Australia due to a combination of increased market share, higher demand from existing customers and increased steel and injection chemical sales.

Looking forward, Minova will continue to drive revenue growth from new sectors (hard rock, oil & gas, tunnelling and infrastructure) and across expanded service offerings.

GLOBAL SUPPORT

Year ended 30 September	2019 A\$m	2018 A\$m	Change %
EBIT ⁽²⁾	(59.3)	(49.9)	(19%)

Benefits from recent restructuring activity delivered reduced costs compared to the pcg. This was offset by the non-repeat of higher asset sales in the second half of 2018.

NET INTEREST EXPENSE

The adjusted net interest expense of \$108 million is down on the pcg as a result of lower average net debt levels and lower financing costs.

Year ended 30 September	2019 A\$m	2018 A\$m	Change %
Statutory net interest expense	109.7	121.3	10%
Adjusted for:			
Capitalised interest	7.5	4.8	56%
Unwinding of discount on provisions	(9.3)	(7.9)	(18%)
Adjusted net interest expense	107.9	118.2	9%

REVIEW OF OPERATIONS

TAX EXPENSE

The effective rate of 32.0% is in line with pcg.

GROUP CASH FLOW

Year ended 30 September	2019 A\$m	2018 A\$m	Variance A\$m
Net Operating cash flows	746.4	614.7	131.7
Net Investing cash flows	(368.4)	(552.0)	183.6
Net Operating and Investing cash flows⁽⁴⁾	378.0	62.7	315.3
Dividends – Orica Limited	(177.2)	(143.2)	(34.0)
Dividends – non-controlling interest shareholders	(18.0)	(13.5)	(4.5)
Adjusted net cash flows	182.8	(94.0)	276.8
Movement in borrowings and other net financing cash flows ⁽¹⁰⁾	(301.5)	75.9	(377.4)
Net cash flows⁽¹¹⁾	(118.7)	(18.1)	(100.6)

Performance highlights

The Group delivered net operating and investing cash inflows of \$378 million.

Net Operating cash flows

Net cash generated from operating activities was underpinned by stronger earnings for the year and an improvement in working capital across the group. A refund following the successful resolution of the thin-capitalisation matter with the Australian Taxation Office was received during the year.

Net Investing cash flows

Net investing cash outflows comprised capital expenditure of \$424 million including continued spend on the new SAP system as the project approaches completion, spend on manufacturing plants to improve reliability, rectification works at Burrup and investment in technology products.

Net investing cash flows in the pcg included the purchase of GroundProbe™.

Movement in borrowings

During the year, \$302 million was repaid on borrowings, in particular the current portion of the US Private Placement and non-current bank loans.

DEBT MANAGEMENT AND LIQUIDITY

As at 30 September	2019 A\$m	2018 A\$m	Variance A\$m
Interest bearing liabilities	(2,033.2)	(2,162.9)	129.7
Less: Cash and cash equivalents	412.6	514.6	(102.0)
Net debt ⁽⁶⁾	(1,620.6)	(1,648.3)	27.7
Gearing (%) ⁽⁷⁾	34.9%	35.7%	

Interest bearing liabilities of \$2,033 million comprise \$1,971 million of US Private Placements and \$62 million of committed and other bank facilities. The average tenor of drawn debt is 4.7 years (2018 5.0 years).

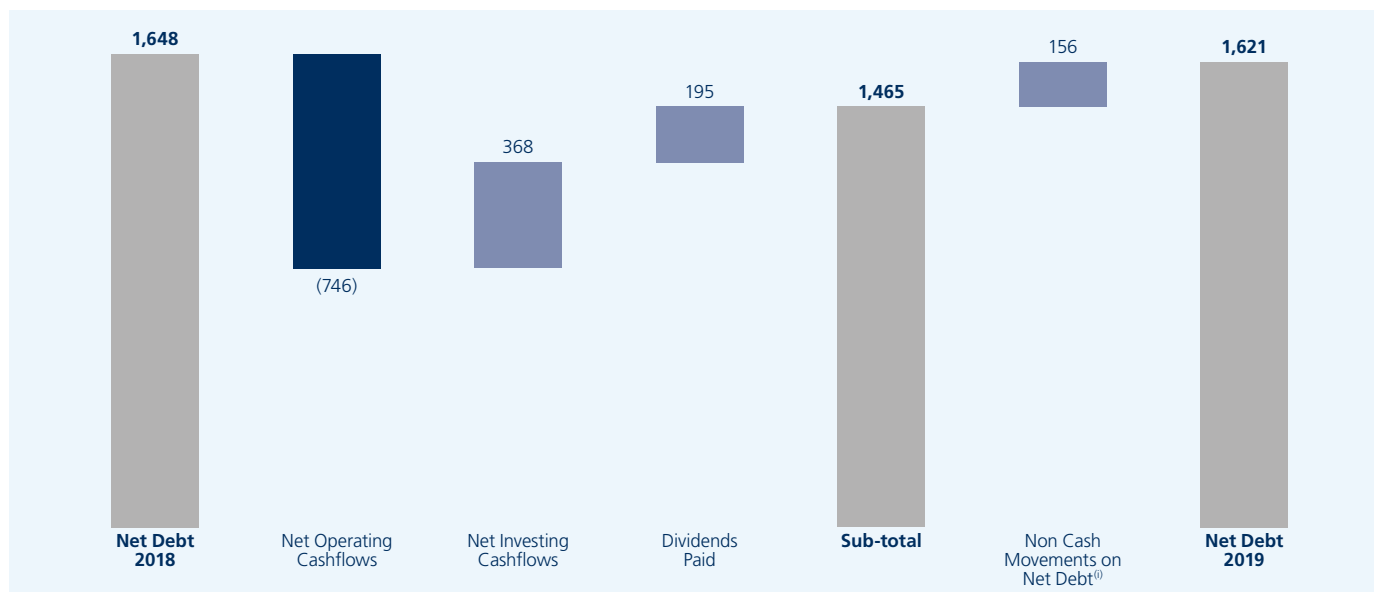
Undrawn committed bank facilities of \$1,534 million, with total committed debt facilities of \$3,563 million provides for a strong liquidity position.

Gearing at 34.9% is at the mid-point of the Group's targeted range of 30-40%.

REVIEW OF OPERATIONS

The chart below illustrates the movement in net debt from September 2018.

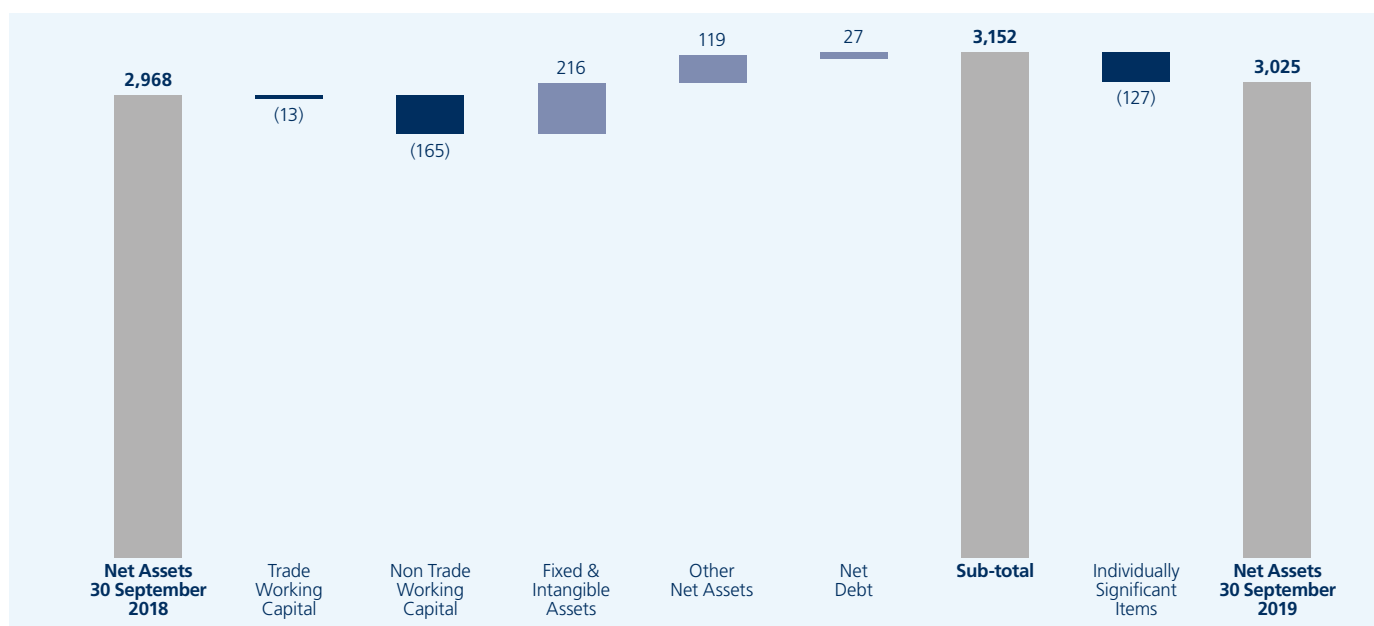
Movement in Net Debt (A\$m)



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

GROUP BALANCE SHEET

Movement in Net Assets (A\$m)



Performance highlights

Trade Working Capital⁽¹²⁾ decreased by \$13 million due to optimisation of inventory across the network and timing of shipments, partly offset by higher debtors as a result of increased sales activity.

Non Trade Working Capital⁽¹³⁾ was impacted by the actuarial revaluation of the Group's defined benefit liabilities as a result of reduced discount rates driven by lower global interest rates, as well as an increase in non trade creditors related to accelerated spend on the SAP program.

Fixed & Intangible Assets increased by \$216 million from the pcp excluding the impact of individually significant items, in particular the write-down of Burrup assets of \$155 million in the first half. Capital additions of \$434 million were partly offset by depreciation and amortisation expense of \$276 million.

Other Net Assets increased by \$119 million from the pcp as a result of the revaluation of financial instruments, and a weaker Australian Dollar.

REVIEW OF OPERATIONS

DIVIDEND

The Board has declared a final ordinary dividend of 33.0 cents per share (5.0 cents franked). The dividend represents a payout ratio⁽¹⁴⁾ of 61% and brings the full year payout ratio to 56%.

The dividend is payable to shareholders on 13 December 2019 and shareholders registered as at the close of business on 13 November 2019 will be eligible for the final dividend. It is anticipated that dividends in the near future will be franked at a rate of no more than 20%.

INDIVIDUALLY SIGNIFICANT ITEMS

Financial year ended 30 September 2019	Gross A\$m	Tax A\$m	Net A\$m
Impairment of IT assets	(36.1)	10.8	(25.3)
Write down of property, plant and equipment	(155.0)	46.5	(108.5)
Half year ended 31 March 2019	(191.1)	57.3	(133.8)
Gain on formation of China joint venture	50.2	(4.5)	45.7
Restructuring	(21.5)	6.2	(15.3)
Environmental provisions for legacy sites	(33.5)	10.1	(23.4)
Half year ended 30 September 2019	(4.8)	11.8	7.0
Total individually significant items	(195.9)	69.1	(126.8)

Impairment of IT assets

As part of the transition to a new SAP operating system, \$36 million of IT assets were identified as no longer being utilised by the business.

Write down of property, plant and equipment

Rectification works at the Technical Ammonium Nitrate (TAN) plant on the Burrup Peninsula are progressing in line with the announced plan. As these rectification and capital works have progressed over the last year, the Group identified a number of assets that are considered to be defective, requiring replacement which resulted in a write down of \$155 million during the first half.

Gain on formation of China joint venture

A gain was recognised in connection with the formation of a new joint venture with Guizhou Jiulian Industrial Explosives. The gain arose from the difference between the value of the shares received in the newly formed joint venture and the carrying amount of the assets contributed by Orica and has been treated as an individually significant item. Whilst the results from the China subsidiaries were previously consolidated, the joint venture's results are now equity accounted. This is expected to result in less than \$10 million negative impact to EBIT in the 2020 financial year.

Restructuring

As a result of the global restructuring program, the Group incurred redundancy costs in the second half, with benefits to be realised in the 2020 financial year. These have been treated as significant items consistent with the pcg.

Environmental provisions for legacy sites

During the financial year, cost estimates for remediation of legacy sites continued to be updated with the most recent information. This resulted in a \$34 million increase in the provision from increases in labour costs, materials used in the remediation process, scope of work and time value of money.

REVIEW OF OPERATIONS

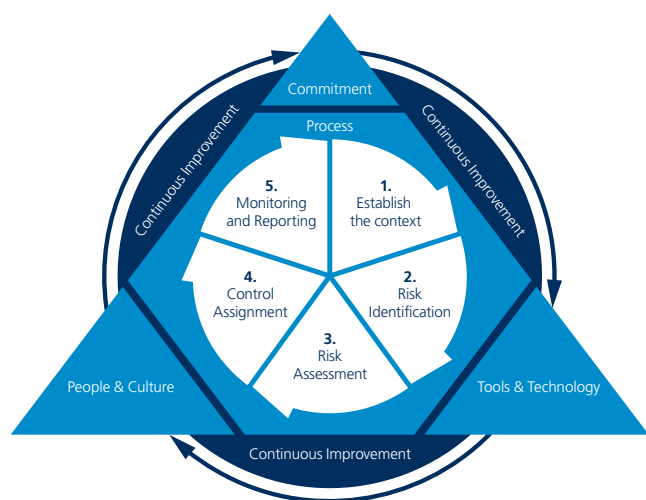
RISK MANAGEMENT

Orica's risk management framework is consistent with ISO31000:2018 Risk Management – Principles and Guidelines, and facilitates the ongoing assessment, monitoring and reporting of risks, which otherwise could impede progress in delivering our strategic priorities. Our risk management framework supports us in achieving risk management integrated into our operations and culture so that we continue on our path to sustainable change.

Understanding and managing our risks is everyone's responsibility. Group Risk is responsible for designing the risk management framework, supporting its implementation in the business, and coordinating and aligning risk management activities across the Group. The effectiveness of Orica's risk management framework is evaluated externally by independent parties and is overseen by the Board Audit and Risk Committee.

During 2019 we continued to review and improve the design and implementation of our risk management framework. The process was further embedded with a specific focus on manufacturing and supply chain, strategic growth projects and a Group-wide transformational program. Material strategic risks are reported to the Board and Board Audit and Risk Committee and material operational risks are reported to the Board Audit and Risk Committee. These risks are monitored for changes in their exposure and are reported during the course of the year, along with their controls and plans to manage them. Periodic deep dives are undertaken throughout the year and presented to the respective committee. A summary of material risks that can adversely impact the achievement of Orica's future business performance is provided in the following pages.

During 2019 a review of our risk management framework was completed, and the results reported to the Board Audit and Risk Committee. Priorities for 2020 include: continue to increase risk management capability in regions, central functions and in 'front line' business; improving coordination of governance and reporting across risk, audit, safety, health and environment and compliance; increasing the use of data to inform the status of operational risks; and increasing leaders' visibility of control effectiveness and enhancements. The Board Audit and Risk Committee has conducted its annual review of our risk management framework and satisfied itself that it continues to be sound.



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

Through our risk assessment process, we have identified the following material business risks that may affect the future financial performance of Orica. They are not listed in any order of significance.

i. Macro-economic

Global economic growth outlook is uncertain and may result in volatility in demand for commodities and subsequently sales. Our key inputs, particularly gas, are also linked to international traded commodities and are subject to the movements of the market that have the potential to increase our cost of production. Oversupply of ammonium nitrate through increased capacity may also create a supply/demand imbalance which will result in margin erosion, lost customers and downward price pressure. Adverse foreign exchange rates can impact the cost of inputs and products and impact sales denominated directly or indirectly in foreign currencies.

Orica operates in many countries, which provides diversified exposure across commodities and industries. The global nature of Orica's operations also allows supply contracts to be coordinated and optimised.

ii. Markets

A number of external factors may impact and change the markets in which we operate or in which we are seeking growth opportunities. Changing customer and competitive behaviours which can result in margin pressures, loss in customers and downward price pressures however may also result in demand for new products and applications. We are also exposed to changes in regulation and policy which can negatively impact our license to operate, impose additional regulatory requirements and cause significant business interruption e.g. increased trade protection measures. National and global efforts to transition towards a low carbon future may increase operational and compliance costs in the short term but result in a more fundamental change in the energy mix and drive innovation and technology adoption.

We monitor and analyse external factors including global growth and industrialisation, political changes and industry and technology trends to assist with the management of existing operations and pursuit of new opportunities.

iii. Manufacturing and Supply

Having a supply chain which enables us to source and deliver quality products and services in a safe and timely manner is key to delivering on our customer promise. Material risks which are inherent in our supply chain include a supply chain interruption and the production of poor-quality products.

An interruption to our supply chain may be driven by external events such as adverse weather conditions or natural disasters; if we are unavailable to supply for a sustained period (e.g. trade restrictions), or we experience a major disruption in a key manufacturing site (e.g. accident leading to immediate shutdown, industrial action). To manage this risk, we focus on our manufacturing reliability and the resilience within our network. Supply dependencies are considered in product design and customer demand, and a sourcing strategy supports reliable internal and external supply.

REVIEW OF OPERATIONS

To manage the risk of poor product quality, we conduct trials and testing of new products, processes and suppliers, define contractual quality requirements, monitor ongoing performance of our suppliers, conduct quality assurance audits, and have quality control procedures in place for raw materials and finished goods. We continue to focus on our customer feedback mechanism as a way of measuring product quality; and are further developing and implementing key quality requirements and processes at our manufacturing sites to support continuous improvement.

iv. Workplace Safety

Orica operates within hazardous environments, particularly in the areas of manufacturing, storage and transportation of raw materials, products and wastes. Material safety, health, environment and security ('SHES') risks include: an explosion during the storage and transportation of explosives, a fire or explosion at a manufacturing site or storage location, loss of containment of hazardous materials, and risk of raw materials or finished goods being used for illegal purposes. These risks can cause personal injury and/or loss of life, damage to property and harm to the environment. They may also result in the suspension of operations and the imposition of civil or criminal penalties, including fines, expenses for remediation and claims brought by governmental entities or third parties.

Controls to mitigate and prevent our SHES material risks strongly align with our Major Hazard Management program. This work reflects our relentless and targeted approach to fatality prevention. In FY2019, 9,370 KCVs were conducted and consistently verified that the major hazard key controls were 100% effective, 100% of the time.

Core to managing our material SHES risks is our SHES Management System which is underpinned by the Orica Charter and the SHES Policy. These are supported by the Group SHES Standards and Procedures which mandate the required controls, systems and processes that must be in place to prevent and mitigate these risks.

SHES leadership is foundational to embedding and reinforcing SHES behaviours that drive risk reduction. Our leaders ensure that effective systems are in place and monitor and review control measures.

v. Cyber Security

Another aspect of security is our ability to protect our network, systems and data from cyber-attacks which can result in critical services outages, loss of production and business services, damage to reputation, regulatory action and financial loss. To manage this risk, we have a cyber security strategy supported by a multi-year security program aimed at delivering improved controls and improving our service continuity and disaster recovery capabilities. A cyber security control framework is supported by a governance structure that spans the corporate, manufacturing site and field operation environments.

vi. Climate Change

Orica's manufacturing processes include the release of greenhouse gases. The business also faces a period of long-term change as the global economy decarbonises and adopts new technologies and sources of energy. In both regards, the business is taking steps to identify and minimise our risks. Our planning and actions are guided by our Climate Change Policy.

The Orica Board formally considers climate-related risk in the annual risk management and planning processes. This work identifies: material risk; causes and impacts; signposts for monitoring; and, our long-term strategic response. It also analyses the challenges presented by climate change and related regulation under various scenarios over the longer term and informs our planning in anticipation of emerging commodity markets including carbon markets.

Our efforts to reduce emissions will prioritise abatement at major production facilities where we can make the most difference by lowering direct nitrous oxide (N₂O) emissions. We will also continue to assess opportunities to reduce direct and indirect carbon dioxide (CO₂) emissions across all our sites and value chain.

The global transition to a lower carbon future will also impact our customers and commodities, however we believe demand for our core products and services will remain strong while emerging areas of the business continue to grow.

The impact of climate change may also change the physical environment impacting local, national and global socio-economics. We will continue to monitor the leading indicators of change to assess the impacts that may ensue including any risk to our physical assets.

vii. Ethical Business Practices and Good Governance

As a global company with diverse operations, it is essential that we understand and comply with our regulatory requirements so that we maintain our license to operate. Core to this is our ability to comply with regulatory requirements in the areas of occupational health and safety, product security; competition; anti-bribery; corruption; sanctions; and taxation.

We have a program designed to manage the risk of non-compliance with competition, anti-bribery and corruption requirements including: screening, monitoring and reporting of customers, business partners, suppliers, and countries against related obligations and sanctions; delivery of anti-corruption training, and processes to monitor and report requests for bribery or duress payments; and the requirement for legal review of agreements with competitors, suppliers and customers.

Mis-alignment with tax regulators on the treatment of transactions can also have a material financial impact. To manage this risk, we proactively engage with taxation authorities and legal representatives in various jurisdictions to enhance our understanding of our obligations. We have a tax strategy, policy and requirements in place which guide and govern our compliance with our regulatory requirements.

For additional detail on a safe workplace, product stewardship and security, environment and community, climate change, ethical business practices and human capability please refer to our sustainability report.

More detailed information on our environment, social and governance performance is available in our 2019 Sustainability Report.

REVIEW OF OPERATIONS

TAX TRANSPARENCY REPORTING

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

Tax Policy – Orica's approach to tax

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

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

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

Tax strategy and governance

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

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

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

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

Compliance

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

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

Structure

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

Relationships with tax authorities

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

Use of tax havens

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

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

Transparency

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

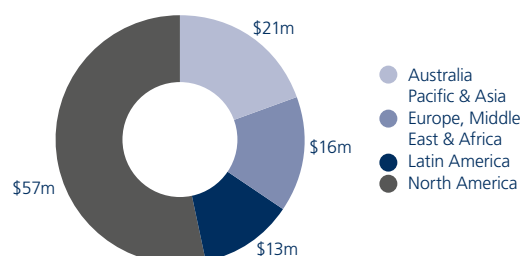
Orica has signed the Corporate Tax Transparency Code Register developed by the Board of Taxation in Australia and is committed to applying the principles and the details of the Code.

Tax contribution summary

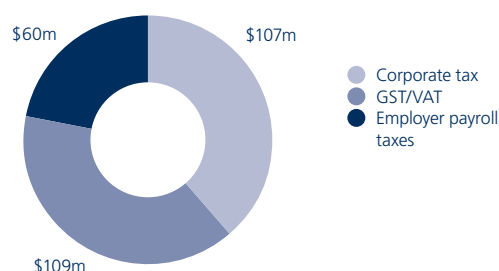
In the 2019 financial year, Orica paid \$107 million (2018 \$69 million) globally in corporate income taxes and \$60 million (2018 \$56 million) globally in payroll taxes. Orica collected and remitted \$109 million (2018 \$124 million) globally in GST/VAT.

The charts show 2019 corporate income tax paid/(refunded) in each region (including withholding tax and trade taxes), and an analysis of total tax paid by type.

2019 Global corporate tax and WHT on income by region (\$107m)



2019 Global tax paid by type (\$276m)



In Australia, Orica received net corporate income tax refunds of \$10 million (2018 \$42 million) comprising a tax refund on the resolution of a thin capitalisation dispute with the Australian Taxation Office of \$23 million and tax payments of \$13 million. Orica also paid \$19 million (2018 \$19 million) in payroll tax and \$2 million (2018 \$2 million) in fringe benefits tax. Orica collected and remitted \$47 million (2018 \$43 million) in GST and \$106 million (2018 \$105 million) in 'pay as you go' withholding taxes.

REVIEW OF OPERATIONS

A RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

	Consolidated 2019 A\$m	Consolidated 2018 A\$m
Before individually significant items:		
Accounting profit/(loss) before tax	555.0	496.8
Prima facie income tax expense/(benefit) calculated at 30% on accounting profit	166.5	149.0
Material non-temporary differences		
variation in tax rates of foreign controlled entities	(23.4)	(16.3)
tax under provided in prior years	9.7	2.0
de-recognition of booked tax losses	–	3.5
non taxable gains on disposal of assets	–	(3.2)
other foreign deductions	–	(3.7)
non creditable withholding taxes	10.2	11.2
non allowable interest deductions	14.6	11.3
non allowable share based payments	3.7	4.4
utilisation of unbooked prior year tax losses	(10.5)	(8.0)
sundry items	6.9	7.8
Income tax expense/(benefit) before individually significant items	177.7	158.0
Individually significant items:		
Individually significant items before tax	(195.9)	(375.3)
Prima facie income tax expense/(benefit) calculated at 30% on individually significant items	(58.8)	(112.6)
Material non-temporary differences		
variation in tax rates of foreign controlled entities	0.3	2.1
non taxable gain on formation China joint venture	(10.6)	–
impairment of Minova business	–	60.6
write down of US deferred tax assets	–	47.9
Income tax expense/(benefit) on individually significant items	(69.1)	(2.0)
Income tax expense/(benefit)	108.6	156.0
Material temporary differences		
deferred tax	(0.5)	(6.3)
write down of US deferred tax assets	–	(47.9)
Tax payments more/(less) than tax charges	22.5	(18.6)
Tax refunds on matters in dispute with tax authorities	(23.1)	(13.9)
Income tax paid per the statement of cash flows	107.5	69.3

REVIEW OF OPERATIONS

EFFECTIVE TAX RATE FOR AUSTRALIAN AND GLOBAL OPERATIONS

	Notes	Consolidated 2019	Consolidated 2018
Before individually significant items:			
Australia	1	36.9%	39.9%
Global operations (including Australia)		32.0%	31.8%

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

International related party dealings

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

Orica has transfer pricing procedures which govern the pricing of all international related party dealings. These procedures require all international related party dealings to be priced in accordance with the arm's length standard. Orica maintains contemporaneous records to support the pricing of its international related party dealings and benchmarks and documents the outcome of its material dealings on an annual basis.

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

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

Orica has a treasury function based in Melbourne which provides loans and accepts deposits from in excess of 80 group companies (resident in more than 40 countries) at market interest rates. The material transactions are with related parties in Germany, Indonesia, Russia, Singapore, the United Kingdom and Mexico. It also has a subsidiary in Singapore which acts as the Group's captive insurer.

AUSTRALIAN TAX RETURN DATA

	Notes	2018 A\$m	2017 A\$m
Total income	1	2,534	1,999
Taxable income	2	61	108
@ Tax Rate	3	30%	30%
Tax liability		18	32
Offset reductions	4	(18)	(26)
Tax payable		—	6

1. Total Australian income (includes sales, dividends, interest income, etc.) before all expenses (for example, interest, employee costs, depreciation, etc.).
2. Taxable income after allowing for all deductible expenses and tax exempt income.
3. Australian Statutory tax rate.
4. Offset reductions of \$18 million (2017 \$26 million) relating to franking credits, foreign income tax and research and development.

REVIEW OF OPERATIONS

2020 FINANCIAL YEAR OUTLOOK

Continued delivery of better business performance will support further growth

Higher EBIT underpinned by technology, increased demand and mix across all regions, with earnings skewed to the second half of the year.

Key assumptions for the 2020 financial year include⁽ⁱ⁾:

Operations

- AN product volumes expected to be ~5% higher than the 2019 financial year from already secured contracts and growth in EMEA and Canada
- Contribution from new advanced product and service contracts, and services margin growth led by targeted initiatives
- Further improvements in GroundProbe™ and Minova
- Increased operating expenditure relating to the implementation of the SAP project
- Further overhead reduction

Burrup TAN plant

- ~150 thousand tonnes, produced in second half
- Positive EBIT contribution in the second half and subsequent years

Other

- Capital expenditure expected to be between \$370 – \$390 million in the 2020 financial year (excluding Burrup) with a continued focus on growth capital and plant reliability
- Depreciation and amortisation expense to be ~15% higher than the 2019 financial year from Burrup and the SAP project (excluding impact of reclassifications from AASB 16 Leases⁽ⁱⁱ⁾)
- Increase in trade working capital driven by higher activity, temporary inventory increases and standardised payment terms

- (i) Subject to no material changes to market, economic or regulatory environments.
(ii) Additional depreciation expense will offset a reduction in operating lease expenses.

Forward-looking statements

The Review of Operations 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. The Review of Operations 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

The Review of Operations 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 2019 Full Year Results presentation includes non-IFRS reconciliations. Forecast information has been estimated on the same measurement basis as actual results.

Footnotes

The following footnotes apply to the Review of Operations:

- (1) Equivalent to profit after income tax expense before individually significant items attributable to shareholders of Orica Limited, as disclosed in Note 1(b) to the financial statements.
- (2) Equivalent to profit/(loss) before financing costs and income tax as disclosed in Note 1(b) to the financial statements, before individually significant items.
- (3) Earnings per share before individually significant items.
- (4) Equivalent to net cash flows from operating activities and net cash flows used in investing activities, as disclosed in the Statement of Cash Flows.
- (5) Comprises total payments for property, plant and equipment and payments for intangibles, as disclosed in the Statement of Cash Flows.
- (6) Total interest-bearing liabilities less cash and cash equivalents, as disclosed in Note 3 to the financial statements.
- (7) Net debt/(net debt + total equity), as disclosed in Note 3 to the financial statements.

- (8) EBIT before individually significant items plus depreciation and amortisation expense.
- (9) Quarry and construction.
- (10) Equivalent to net cash used in financing activities (as disclosed in the Statement of Cash Flows) excluding dividends paid to Orica ordinary shareholders and non-controlling interests.
- (11) Equivalent to net decrease in cash held, as disclosed in the Statement of Cash Flows.
- (12) Comprises inventories, trade receivables and trade payables, as disclosed in the Balance Sheet.
- (13) Comprises other receivables, other assets, other payables and provisions.
- (14) Dividend amount/NPAT before individually significant items.

DIRECTORS' REPORT

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 2019 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
M N Brenner
I D Cockerill (retired 30 August 2019)
D W Gibson
G T Tilbrook

A Calderon, Managing Director and Chief Executive Officer ('CEO')
Boon S F (appointed 6 May 2019)
Lim C O (retired 31 October 2019)
K A Moses

K Gray is the Company Secretary of Orica.

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 and Community Committee ⁽¹⁾		Innovation and Technology Committee ⁽¹⁾	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M W Broomhead ⁽²⁾	10	9	–	–	–	–	6	6	–	–	1	1
M N Brenner	10	10	5	5	6	6	6	6	–	–	–	–
A Calderon ⁽³⁾	10	10	–	–	–	–	–	–	–	–	–	–
Lim C O	10	10	–	–	6	6	6	6	5	5	–	–
D W Gibson	10	10	–	–	6	6	6	6	–	–	1	1
K A Moses ⁽⁴⁾	10	10	4	4	1	1	6	6	5	5	–	–
G T Tilbrook	10	10	5	5	–	–	6	6	5	5	–	–
Boon S F	3	3	1	1	–	–	3	3	–	–	1	1
Former												
I D Cockerill	10	10	–	–	6	6	6	6	5	5	–	–

(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) K A Moses left the Audit and Risk Committee on 1 July 2019 and joined the Human Resources and Compensation Committee.

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.

DIRECTORS' 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 2019.

DIVIDENDS

Dividends paid or declared since the end of the previous financial year were:	\$m
Final dividend at the rate of 31.5 cents per share on ordinary shares, unfranked, paid 7 December 2018	119.5
Interim dividend declared at the rate of 22.0 cents per share on ordinary shares, unfranked, paid 1 July 2019	83.5
Total dividends paid	203.0

Since the end of the financial year, the Directors have declared a final dividend to be paid at the rate of 33.0 cents per share on ordinary shares. This dividend will be franked to 15.2% (5.0 cents) at the 30% corporate tax rate.

EVENTS SUBSEQUENT TO BALANCE DATE

Dividends

On 31 October 2019, the Directors declared a final dividend of 33.0 cents per ordinary share payable on 13 December 2019. The financial effect of this dividend is not included in the Annual Report for the year ended 30 September 2019 and will be recognised in the FY2020 Annual Report.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2019, 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.

Environmental prosecutions

The Queensland Department of Environment and Science (DES) commenced a prosecution against Orica Australia Pty Ltd (OAPL) in the Gladstone Magistrate's Court in relation to an environmental incident at Yarwun on 23 September 2016 at OAPL's Fishermens' Landing Ammonia Terminal, which involved the release of approximately 330kg of ammonia. In 2019, OAPL was fined \$50,000 and ordered to pay the DES's legal and investigation costs of \$4,000. No conviction was recorded against OAPL by the Magistrate for this offence. OAPL has made a number of changes to relevant plant and procedures since 2016 to enhance its processes.

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 did not undermine the general principles relating to auditor's independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the lead auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is contained on page 52 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 22 to the Annual Report.

DIRECTORS' REPORT

COVER LETTER (UNAUDITED) TO THE REMUNERATION REPORT

Dear Shareholders,

On behalf of the Board, I am pleased to present Orica's 2019 Remuneration Report, for which we seek your support at our Annual General Meeting.

CHANGES FOR 2019

The Executive Remuneration Framework introduced in 2018 increased its emphasis on alignment with the shareholder experience by (a) introducing significantly longer holding periods for equity allocated under both short and long-term incentives (STI and LTI respectively) and (b) increasing the emphasis on financial metrics linked to Return on Net Assets. For the FY2019 Plan, the Board has sought to simplify the financial STI metrics used and provide metrics that are directly aligned to value creation for shareholders. These metrics are EBIT and 1-year RONA, each of which is used and well understood by each business within the Group. The inclusion of RONA as a standalone metric in both the STI and LTI plans for the CEO emphasises the focus on sustainable productivity improvement and efficient capital allocation throughout Orica's transformation and across multiple time horizons.

In addition to the changes to financial metrics above, the All Worker Recordable Case Rate (AWRCR) safety metric was replaced with the Serious Injury Case Rate (SICR) to focus attention on the prevention of higher severity events and fatalities. The change helps to ensure that management is allocating appropriate resources and attention where it matters most – to prevent serious injuries and fatalities. Importantly, AWRCR is still measured, monitored and subject to periodic management review within our Safety, Health, Environment and Security (SHES) management system. Safety is a core value at Orica, and we are continuously reviewing our approach to ensure all of our employees return home safely every day.

In FY2019, members of the Executive Key Management Personnel (KMP) did not receive increases in Fixed Annual Remuneration (FAR) other than Darryl Cuzzubbo (Chief Manufacturing Officer) based on the increased responsibility of rolling out our new SAP operating system – and Germán Morales (President – Latin America), who received an inflationary increase as required under Chilean Law.

PERFORMANCE ALIGNMENT

A key priority for the Board is to ensure a high degree of alignment in outcomes between shareholders and management.

The Board was pleased with performance outcomes in FY2019 and the value that was generated for shareholders. There were substantial improvements made with respect to safety which is one of Orica's core values and a key component of the remuneration framework, and financial performance was broadly in line with targets set by the Board and an improvement from the prior year.

In determining performance outcomes under the incentive plans the Board exercised discretion to ensure that management were neither unfairly advantaged nor disadvantaged as a result of significant items impacting performance outcomes. These are explained in detail under sections 3.2 and 3.3 (i.e. STI and LTI outcomes).

The main remuneration outcomes for the year are summarised below. The Board believes that these outcomes appropriately align Orica's performance with outcomes for shareholders.

SHORT-TERM INCENTIVE (STI) AWARD AT TARGET	Average KMP outcomes of 53.3% of maximum up from 23.0% in FY2018 reflecting improved safety and financial performance, underpinned by strong EBIT growth.
PARTIAL LONG-TERM INCENTIVE (LTI) VESTING	Partial vesting of the LTI awards granted to Executives in FY2016 occurred, as Average Return on Capital (ROC) performance conditions were met between threshold and target.
CONTINUED RESTRAINT IN FIXED REMUNERATION	Fixed pay for the Managing Director and CEO was maintained at the same level for the fourth successive year. There were also no pay rises awarded to Executive KMP in FY2019 except where there had been a change in responsibilities or where required by local law.
DIRECTOR FEES MAINTAINED AT EXISTING LEVELS	Non-Executive Directors' fees were maintained at the same level in FY2019. As noted in the Directors' Report, the Innovation & Technology Committee was established in 2019 and fees were set commensurate with existing Committees.

DIRECTORS' REPORT

CULTURE AND ORGANISATIONAL HEALTH

Orica's commitment to creating a performance driven and safety conscious culture remains unchanged. During FY2019 the Board commissioned a review into risk and culture matters (specifically in relation to safety and compliance) and how they are reflected through Orica's reward and performance management frameworks. This external review recognised Orica as having sound practices in this area relative to leading companies, while also identifying opportunities to further embed risk culture and the link to performance and reward outcomes. A risk culture survey conducted in late FY2019 indicated a strong risk culture at Orica which offers assurance that the sustained focus to embed Our Charter values and Code of Business Conduct is having a meaningful impact on our people. Further consideration will be given to how Orica can evolve our risk management practices while continuing to reinforce and sustain a resilient culture.

EXECUTIVE REMUNERATION FOR 2020

The Board intends to maintain consistency in the Executive Framework across FY2020 with respect to STI and LTI metrics. The holding locks introduced into equity plans from FY2018 will come into effect in November 2019 as allocations under the FY2018 Deferred Share Plans vest. These will remain in a holding lock for a further three years further reinforcing the Board's commitment to ensuring Executive pay is aligned with shareholders over a longer-term horizon.

NON-EXECUTIVE DIRECTOR FEES FOR 2020

As a result of the establishment of the Innovation and Technology Committee, and to provide flexibility in accommodating any future changes to the Board, an increase in the total Non-Executive Director (Director) fee pool from \$2,500,000 to \$2,750,000 will be proposed for approval at the Annual General Meeting in December 2019. Other changes to Director remuneration are outlined in section 4.

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 you may have.

Yours faithfully,

Maxine Brenner

Chairman, Human Resources and Compensation Committee

31 October 2019

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

EXECUTIVE SUMMARY

How are 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 FY2019...	links to what Executives are paid.
Safety	Reduce risk from major hazards and reduce lost time due to injury	Strong focus on major hazards prevention resulted in Key Control Verifications at stretch performance. There was good operational discipline to close out critical actions, however SICR was below target and remains a critical area of focus in FY2020.	
Business Transformation	EBIT Sustainably increase productivity and devolve responsibility to regional businesses.	EBIT exceeded target and was underpinned by a turnaround in the Latin America business, strong EMEA results, and contributions from the Minova and Orica Monitor businesses.	CEO STI outcome in FY2019 = 111.2% of target (55.6% of maximum) Average STI in FY2019 for Executive KMP, including the CEO = 106.6% of target (53.3% of maximum)
	RONA Drive sustainable productivity improvement and efficient capital allocation.	Growth in RONA was delivered however there are further opportunities for improvement across working capital initiatives.	
	Personal objectives for each Executive (other than the CEO) reflect strategic priorities including growth, enhancing Orica's development and use of technology, and culture. ⁽¹⁾	Progress on the development and commercialisation of new technologies, standardisation of business process and operating model and other business growth objectives. Achievement against these objectives was generally around target performance levels.	
Long-term shareholder value creation	RONA, together with holding locks Drive sustainable productivity improvement and efficient capital allocation.	During FY2019, the FY2016 award was eligible for testing. This award was subject to testing against Relative Total Shareholder Return (RTSR) and ROC measures. Threshold performance was not achieved against RTSR; while performance between threshold and target was achieved against the ROC measure.	Partial LTI vesting (~25% of LTI awarded) in FY2019 for the CEO and eligible Executive KMP.

(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.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

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- 1.2 Non-Executive Directors Key Management Personnel

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- 2.3 When is remuneration earned and received?
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DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

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 FY2019	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 ⁽¹⁾	Chief Manufacturing Officer	1 October 2016	Australia
Carlos Duarte ⁽²⁾	Group Executive	1 October 2017	Australia
Angus Melbourne	Chief Commercial Officer	1 October 2016	Singapore
Germán Morales ⁽³⁾	President – Latin America	1 September 2018	Chile
Thomas Schutte	President – Europe, Middle East & Africa	1 October 2017	United Kingdom

(1) Effective 7 October 2019, Darryl Cuzzubbo was appointed Chief Manufacturing Officer and assumed responsibility for Global Manufacturing and Safety, Health, Environment and Security (SHES) in addition to his responsibilities for the new SAP operating system. James Crough has been appointed interim President – Australia Pacific & Asia.

(2) Carlos Duarte, Group Executive, ceased to be a KMP on 7 October 2019. Carlos has advised of his intention to retire and will continue his focus on the delivery of the contractual arbitration of Burrup through his notice period. Other than the applicable notice period and his statutory entitlements to accrued leave at the separation date, no payment of severance will be made. Carlos remains eligible for payment under the FY2019 STI in the same manner as other continuing Executives. The Board determined that as a good leaver, a pro-rata proportion of incentives awarded under the Orica LTI plan that are unvested at the time of cessation or vested but under restriction will continue up and beyond the cessation date and remain subject to the terms of the grant. Carlos will also retain a pro-rata portion of the sign-on rights which were granted on the commencement of his employment and vest on 30 September 2020. Carlos will not be eligible to participate in the FY2020 STI or FY2020 LTI.

(3) Effective 7 October 2019, Germán Morales, President – Latin America, assumed the responsibility for the Global Supply Chain function across Orica in addition to his Regional responsibility.

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 FY2019 are set out below:

Name	Role in FY2019	Commencement date in role	Country of Residence
Current Directors			
Malcolm Broomhead	Non-Executive Director, Chairman	1 December 2015	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
Lim Chee Onn ⁽¹⁾	Non-Executive Director	12 July 2010	Singapore
Gene Tilbrook	Non-Executive Director	14 August 2013	Australia
Former Directors			
Ian Cockerill ⁽²⁾	Non-Executive Director	12 July 2010	South Africa

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

(2) Ceased to be a director on 30 August 2019.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 2: KEY STAKEHOLDER QUESTIONS

2.1 What is Orica's Executive remuneration strategy?

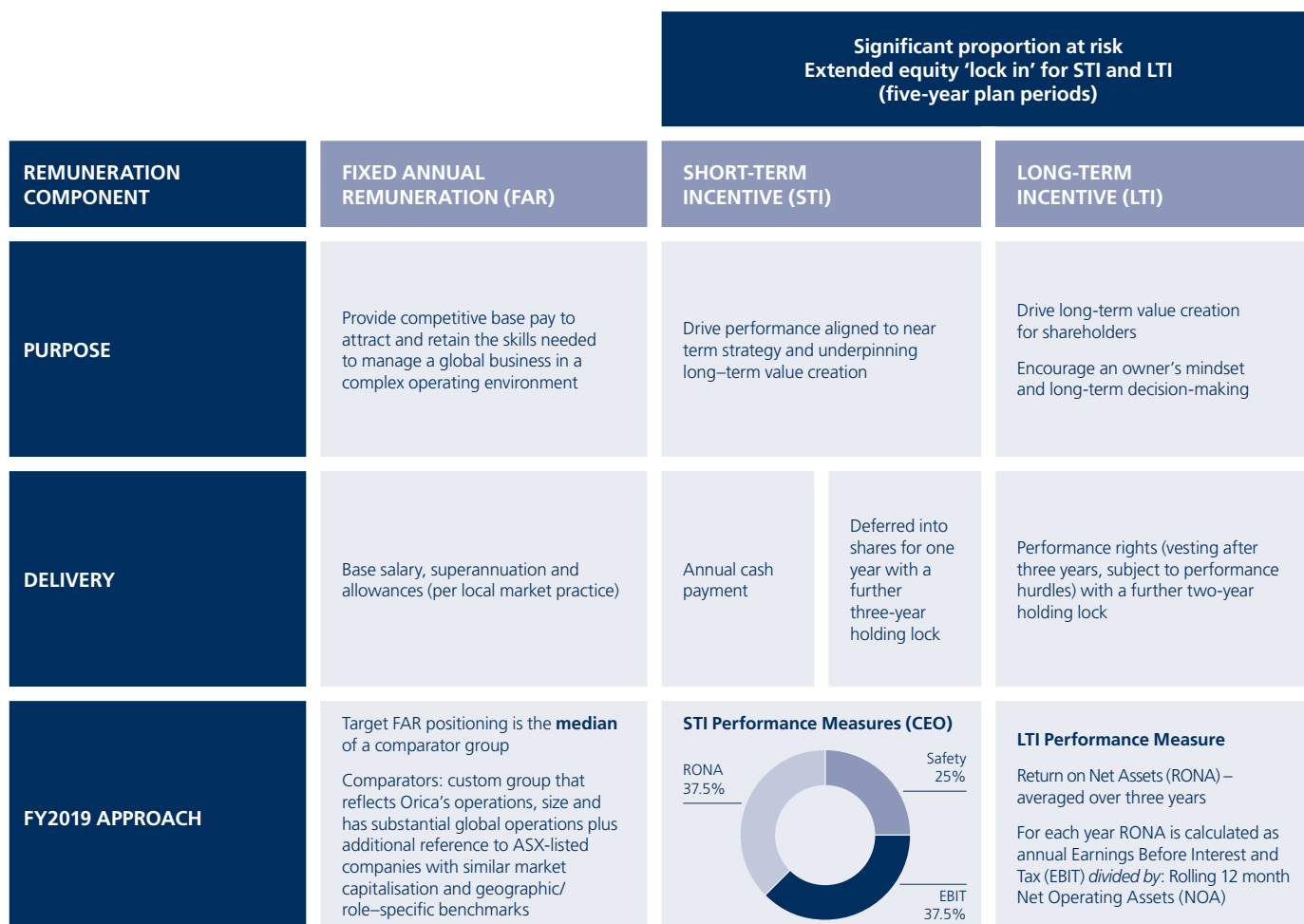
Orica's Executive Remuneration Strategy is illustrated below:



2.2 How is Executive remuneration structured?

Orica's FY2019 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 diagram below provides an overview of the different components within the Framework.

Overall Board discretion is retained to adjust incentive outcomes as appropriate.

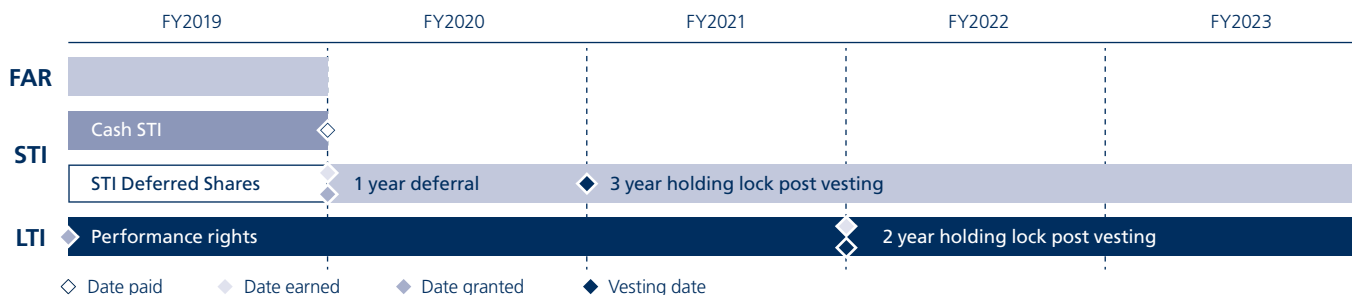


DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 2: KEY STAKEHOLDER QUESTIONS (continued)

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 FY2019 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 and 64% is delivered as deferred shares or performance rights.
- Other Executive KMP: 64% of their remuneration (on average) is performance-based pay and 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). Executive KMP are subject to minimum shareholding requirements (refer to Section 5.4).

CEO

	Performance-dependent	
FAR (24%)	Target STI (24%)	Face value of LTI grant (Performance Rights) (52%)
	Cash (12%)	Def. Shares (12%)

Other Executives (average)

	Performance-dependent	
FAR (36%)	Target STI (21%)	Face value of LTI grant (Performance Rights) (43%)
	Cash (14%)	Def. Shares (7%)

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 2: KEY STAKEHOLDER QUESTIONS (continued)

2.5 How much did Executives get paid in FY2019?

The table below presents the remuneration paid to, or vested for, Executive KMP in FY2019.

Executives (KMP)	Fixed Annual Remuneration ⁽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	1,000.5	2,800.5	1,867.9	3.1	4,671.5
Christopher Davis ⁽⁵⁾	800.0	380.8	1,180.8	133.0	225.8	1,539.6
James Bonnor	933.1	292.0	1,225.1	476.6	123.6	1,825.3
Darryl Cuzzubbo	851.0	331.2	1,182.2	345.2	1.8	1,529.2
Carlos Duarte	900.0	234.0	1,134.0	218.8	4.1	1,356.9
Angus Melbourne	983.7	432.8	1,416.5	834.1	200.8	2,451.4
Germán Morales	714.0	389.0	1,103.0	157.5	89.1	1,349.6
Thomas Schutte	1,000.6	485.8	1,486.4	603.4	30.2	2,120.0
Total	7,982.4	3,546.1	11,528.5	4,636.5	678.5	16,843.5

(1) Annual remuneration paid includes actual base pay received and superannuation (or equivalent pension) contributions.

(2) FY2019 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 contains deferred STI from FY2017 that has vested and partial vesting of the FY2016-18 LTI Plan in FY2019.

(4) Includes cash value of relocation assistance and other benefits provided (where applicable). Movements in annual leave and long-service leave balances have not been shown.

(5) Christopher Davis received a cash payment in August 2019 as part of a retention arrangement entered into in FY2017.

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

2.6 What changes are proposed for the Executive Remuneration Framework in FY2020?

The Board has fundamentally maintained consistency in the Executive Framework for FY2020, retaining the core STI and LTI plan metrics which apply to all Executive KMP. Some weighting changes have been made within the scorecards of the Executive KMP (other than the CEO) to drive a greater focus on regional and functional priorities, including the introduction of an environmental metric for the Chief Manufacturing Officer.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 3. EXECUTIVE REMUNERATION

3.1 Executive Remuneration Framework

The following table outlines the FY2019 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. Based on data available as at 30 June 2019, the custom comparator group (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 2019.
FAR	
Payment vehicle	FAR includes cash, superannuation and other benefits.
STI	
Changes in FY2019	SICR replaced the AWRCR metric to focus attention on higher severity events, while the financial metrics were simplified to link to improvement in EBIT and RONA.
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.
Performance Measures	CEO: Safety (25%); EBIT⁽¹⁾ (37.5%); RONA⁽¹⁾ (37.5%). Other Executives (in general): Safety (17.5%); EBIT⁽¹⁾ (26.25%); RONA⁽¹⁾ (26.25%); Strategic Priorities (30%). 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 and financial metrics are rewarded equally on Group and Regional performance. 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.
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) Defined as per section 3.2.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 3. EXECUTIVE REMUNERATION (continued)

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. 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 FY2018 annual results (\$18.15).														
Performance period	Performance is measured over three financial years (FY2019, FY2020 and FY2021).														
Performance measure	RONA – calculated as annual EBIT/rolling 12-month Net Operating Assets (calculated on an average basis over three financial years).														
Targets and vesting schedule	The FY2019 vesting schedule for the RONA performance measure is as follows: <table> <tr> <th>Average RONA over 3 years</th><th>% of Rights vesting</th></tr> <tr> <td>Below 13.7%</td><td>No vesting</td></tr> <tr> <td>At 13.7%</td><td>30% of rights vest</td></tr> <tr> <td>Between 13.7% and 14.0%</td><td>Straight line vesting between 30% and 60% of rights vest</td></tr> <tr> <td>At 14.0%</td><td>60% of rights vest</td></tr> <tr> <td>Between 14.0% and 14.7%</td><td>Straight line vesting between 60% and 100% of rights vest</td></tr> <tr> <td>At or above 14.7%</td><td>100% of rights vest</td></tr> </table> RONA targets reflect the Board's expectations for returns through the current industry/market cycle, Orica's Corporate Plan and Transformation Program. Following a disappointing EBIT performance in FY2018, the Board has determined that to achieve minimum (threshold) vesting, management must deliver average RONA in line with the expectations established at the start of FY2018. To achieve this, management must deliver EBIT growth rates over the plan period that are at least in line with second quartile of EBIT growth rates achieved by ASX 100 Industrials and Minerals 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 market growth. 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.	Average RONA over 3 years	% of Rights vesting	Below 13.7%	No vesting	At 13.7%	30% of rights vest	Between 13.7% and 14.0%	Straight line vesting between 30% and 60% of rights vest	At 14.0%	60% of rights vest	Between 14.0% and 14.7%	Straight line vesting between 60% and 100% of rights vest	At or above 14.7%	100% of rights vest
Average RONA over 3 years	% of Rights vesting														
Below 13.7%	No vesting														
At 13.7%	30% of rights vest														
Between 13.7% and 14.0%	Straight line vesting between 30% and 60% of rights vest														
At 14.0%	60% of rights vest														
Between 14.0% and 14.7%	Straight line vesting between 60% and 100% of rights vest														
At or above 14.7%	100% of rights vest														
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 was 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.														

The Board has the 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 2019 (AUDITED)

SECTION 3. EXECUTIVE REMUNERATION (continued)

3.2 Short-term incentive outcomes – link to performance

(a) Summary of FY2019 STI performance conditions and performance level achieved

For FY2019, business and personal performance, target weighting of each component of the CEO's scorecard and performance level achieved are summarised below:

Measure	Performance and reward alignment	Weighting (at target)	2019 outcome			Outcome commentary
			Threshold	Target	Maximum	
Safety						
SICR ⁽¹⁾	Rewards a continuous focus on safe and reliable operations measured through a combination of lagging and leading indicators.	8.33%				SICR was below target and remains a critical area of focus in FY2020. KCVs exceeded the stretch target set as a result of a focus on major hazards prevention. There was good operational discipline to close out critical actions.
Key control verifications (KCV) ⁽²⁾		8.33%				
Close out of critical actions ⁽³⁾		8.33%				
Operating Efficiency						
EBIT ⁽⁴⁾	Measures improvements to operational efficiency and sustainable increases in productivity and profitability.	37.5%				EBIT exceeded budget and was underpinned by turnaround in Latin America, strong EMEA results, and contributions from the Minova and Orica Monitor businesses.
Capital Efficiency						
RONA ⁽⁵⁾	Rewards enhanced returns from invested capital, developing enabling technology and adjacency growth, optimising capital allocation and reallocation.	37.5%				Growth in RONA was delivered however further opportunities for improvement exist across trade working capital initiatives.
Board Discretion	The Board did not apply discretion to the overall outcome.					
Overall STI outcome	% Target 111.2% % Maximum 55.6%					

(1) SICR measures the total number of Severity 3 and Severity 4 injuries and illnesses per 200,000 hours worked by employee/contractor.

(2) Completion of scheduled Safety, Health & Environment (SHE) inspections of type 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; equity accounted investees; trade working capital; non-trade working capital excluding environmental provisions.

In considering performance outcomes against the FY2019 targets, the Board reviewed the progress made against the mix of safety, financial and strategic objectives.

FY2019 was the first year of measuring SICR to focus management attention on the prevention of higher severity events and fatalities. Outcomes of this measure were between threshold and target and importantly there were no fatalities in FY2019. Management will continue to focus on reducing the SICR in FY2020 as it remains a key measure of our safety outcomes within the incentive plans. Performance against Key Control Verifications was at maximum reflecting the emphasis on undertaking and documenting control inspections and performance on the close out of critical actions improved compared to the prior year.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 3. EXECUTIVE REMUNERATION (continued)

From a financial perspective, EBIT at a Group level was above prior year and marginally above the target level set at the commencement of the financial year. This reflects a turnaround in the Latin America business, strong EMEA results, contributions from the Minova and Orica Monitor business and continued focus on operating efficiency and cost reduction. RONA was achieved between threshold and target level. In determining the RONA outcome, the Board considered and adjusted the final RONA outcome to add back the amount of impairment of IT assets and the write down of Burrup defective assets, to ensure management was not advantaged from these events.

Personal objectives for each Executive (other than the CEO) were determined and approved by the Board at the commencement of the financial year. In FY2019 these related to the strategic priorities of each Executive, including the development and commercialisation of new technologies, standardisation of business processes and operating model together with other business growth objectives. Achievement against these objectives was generally between target and maximum.

Outcomes for Executive KMP variously reflected Group and Regional Safety outcomes, Group and Regional Financial outcome and achievement of strategic initiatives specific to Executives' roles. There was a wide range of outcomes from 65% to 145% of target overall for Executive KMP.

(b) Short-term incentive outcome – FY2019

Details of the FY2019 outcomes for eligible Executive KMP are set out in the table below:

For the year ended 30 September 2019	Maximum STI opportunity ⁽¹⁾ \$000	Actual STI paid in cash \$000	Actual STI paid in deferred equity ⁽²⁾ \$000	Actual STI payment as % of maximum	% of maximum STI forfeited
Current Executive KMP					
Alberto Calderon	3,600.0	1,000.5	1,000.5	55.6%	44.4%
Christopher Davis	960.0	380.8	190.4	59.5%	40.5%
James Bonnor	1,095.0	292.0	146.0	40.0%	60.0%
Darryl Cuzzubbo	1,021.5	331.2	165.6	48.6%	51.4%
Carlos Duarte	1,080.0	234.0	117.0	32.5%	67.5%
Angus Melbourne	1,180.4	432.8	216.4	55.0%	45.0%
Germán Morales	804.8	389.0	194.5	72.5%	27.5%
Thomas Schutte	1,165.8	485.8	242.9	62.5%	37.5%

(1) For Australian based Executive KMP, maximum STI opportunity is calculated on FAR inclusive of superannuation. For overseas based Executives KMP, maximum STI opportunity does not include the equivalent pension contributions.

(2) 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 FY2019 STI outcome has been included in each Executive KMP's share based payments expense in FY2019 and the remainder will be included in FY2020.

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	FY2016	FY2016 – FY2018	Vesting of performance rights is subject to: • Average Return on Capital (ROC) (50%); and • Relative TSR ranking against ASX 100 (50%).	Partial vesting (24.88% of total grant)
LTIP	FY2017	FY2017 – FY2019	As above	Not yet tested
LTIP	FY2018	FY2018 – FY2020	RONA (100%)	Not yet tested
LTIP	FY2019	FY2019 – FY2021	RONA (100%)	Not yet tested

The FY2016-18 LTIP was tested in November 2018. In relation to the performance rights subject to the Relative TSR ranking (50% of total rights granted), the minimum performance threshold (50th percentile) was not met and there was no vesting for this component. In relation to the rights subject to the ROC measure (50% of total rights granted), the three-year average ROC for FY2016, FY2017 and FY2018 was 19.95% which resulted in a vesting outcome of 49.75% of the ROC component.

In determining the ROC measure result, the Board applied discretion to adjust the outcomes to ensure management were not advantaged from the impairments to Minova, IT and other assets, and changes in environmental and restructuring provisions. The Board also applied discretion to remove the impact of GroundProbe to ensure management were neither advantaged nor disadvantaged by the acquisition.

Based on the performance against the two metrics above 24.88% of the total FY2016 LTIP performance rights granted vested.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 3. EXECUTIVE REMUNERATION (continued)

3.4 Equity granted in FY2019

The table below presents the equity granted at face value to Executive KMP for FY2019.

Executives	FY2019 LTI ⁽¹⁾ \$000	FY2018 Deferred shares ⁽²⁾ \$000	Total \$000
Alberto Calderon	3,870.0	330.0	4,200.0
Christopher Davis	960.0	–	960.0
James Bonnor	959.5	74.1	1,033.6
Darryl Cuzzubbo	981.1	121.7	1,102.8
Carlos Duarte	1,080.0	85.5	1,165.5
Angus Melbourne	1,075.1	119.9	1,195.0
Germán Morales	782.5	–	782.5
Thomas Schutte	1,191.1	118.8	1,309.9
Total	10,899.3	850.0	11,749.3

(1) Subject to performance conditions and due to vest in November 2021 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.

3.5 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	2015	2016	2017	2018	2019
Profit/(loss) from operations (\$m)	(1,195.0)	637.6	635.1	242.8	468.8
Individually significant items (\$m) ⁽¹⁾	1,884.4	4.6	–	375.3	195.9
EBIT (\$m) ⁽²⁾	689.4	642.2	635.1	618.1	664.7
Dividends per ordinary share (cents)	96.0	49.5	51.5	51.5	55.0
Closing share price (\$ as at 30 September) ⁽³⁾	15.04	15.20	19.77	17.03	22.54
3-month average share price (1 July to 30 September) each year	17.29	14.12	20.12	17.31	21.36
EPS growth (%) ⁽²⁾	(30.0)	(8.8)	(1.7)	(16.6)	14.2
NPAT (\$m) ⁽²⁾	424.2	389.1	386.2	324.2	371.9
External Sales (\$m)	6,123.2	5,091.9	5,039.2	5,373.8	5,878.0
Cumulative TSR (%) ⁽⁴⁾	(11.54)	(23.99)	(11.37)	(1.61)	24.87
Average STI received as % of maximum opportunity for Executives	32.0	39.0	60.0	23.0	53.3

(1) This figure is before interest, tax and non-controlling interest.

(2) Before individually significant items.

(3) The opening share price for financial year 2015 was \$18.69.

(4) Cumulative TSR has been calculated using the same start date for each period measured (1 October 2014). In calculating the cumulative TSR, three-month average share prices (1 July to 30 September for each year) have been used.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 3. EXECUTIVE REMUNERATION (continued)

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.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

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 \$2,500,000 was approved by shareholders at the Company's 2010 Annual General Meeting. The Company pays both superannuation and Committee fees to the Directors from this pool. Committee fees are not paid to the Chairman of the Board.

A comprehensive market benchmarking analysis was undertaken in FY2019 to support the determination of fees for the newly established Innovation and Technology Committee. Based on the outcomes of this review the Board determined to set the fees for this Committee at a level commensurate to the existing fee structure for other Committees. In addition, in consideration of market relativities, the Board determined to adjust both the travel allowance policy and the base fee for Directors as follows:

- Effective 1 October 2019 the travel allowance policy has been broadened to include Board site visits, with revised allowance fees of \$3,000 for travel between 3-10 hours and \$6,000 for travel in excess of 10 hours; and
- Effective 1 January 2020 the base fee for Directors will be increased by 4.1% to \$177,000.

This will be the first change to Director fees since 2010.

As a result of the establishment of the Innovation and Technology Committee, and to provide flexibility in accommodating any future changes to the Board, an increase in the total Director fee pool from \$2,500,000 to \$2,750,000 will be proposed for approval at the Annual General Meeting in December 2019.

4.2 Fees and other benefits

The table below sets out the elements of Directors' fees and other benefits applicable in FY2019:

Fees/benefits	Description	2019 \$	Included in shareholder approved cap
Board fees	Main Board		
	<i>Chairman</i> – Malcolm Broomhead	510,000	Yes
	<i>Members</i> – all Non-Executive Directors	170,000	
Committee fees	Board Audit and Risk Committee (BARC)		Yes
	<i>Chairman</i> – Gene Tilbrook	45,000	
	<i>Members</i> – Maxine Brenner, Boon Swan Foo	22,500	
	Human Resources and Compensation Committee (HR&C)		
	<i>Chairman</i> – Maxine Brenner	45,000	
	<i>Members</i> – Denise Gibson, Lim Chee Onn, Karen Moses	22,500	
	Innovation and Technology Committee (I&TC)		
	<i>Chairman</i> – Denise Gibson	45,000	
	<i>Members</i> – Malcolm Broomhead ⁽¹⁾ , Boon Swan Foo	22,500	
	Safety, Health, Environment, Community and Security Committee (SHECS)		
	<i>Chairman</i> – Karen Moses	45,000	
	<i>Members</i> – Lim Chee Onn, Gene Tilbrook	22,500	
Superannuation	Superannuation contributions are made on behalf of the Directors at a rate of 9.5% being the current superannuation guarantee contribution rate 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 \$2,500 per meeting for travel between 3 and 12 hours or \$5,000 if travel time exceeds 12 hours. Directors are also entitled to be paid additional fees for extra services or special exertions.		No

(1) Committee fees are not paid to the Chairman of the Board.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

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 50% of FAR (and 100% of FAR for the Managing Director and CEO) 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.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 5. REMUNERATION GOVERNANCE (continued)

The table below sets out the number of shares held directly and indirectly by Directors and Executive KMP employed at 30 September 2019:

	Balance at 1 October 2018	Acquired ⁽¹⁾	Disposed	Balance at 30 September 2019	Minimum Shareholding Required ⁽²⁾	Date Minimum Shareholding Required to be met ⁽³⁾
Executive KMP						
Alberto Calderon	68,589	105,736	50,000	124,325	79,858	31 December 2022
Christopher Davis	6,440	7,464	–	13,904	17,746	30 September 2024
James Bonnor	13,045	26,940	17,884	22,101	20,242	31 December 2022
Darryl Cuzzubbo	–	19,595	–	19,595	18,883	30 September 2022
Carlos Duarte	–	12,500	–	12,500	19,964	30 September 2023
Angus Melbourne	42,370	47,029	42,000	47,399	21,821	30 September 2022
Germán Morales	–	7,500	–	7,500	14,877	31 August 2024
Thomas Schutte	13,106	34,149	9,966	37,289	21,550	31 December 2022
Directors						
Malcolm Broomhead	36,100	–	–	36,100	22,626	
Maxine Brenner	9,539	–	–	9,539	7,542	
Boon Swan Foo	–	–	–	–	7,542	
Denise Gibson	–	–	–	–	7,542	
Karen Moses	11,000	–	–	11,000	7,542	
Lim Chee Onn	11,000	–	–	11,000	7,542	
Gene Tilbrook	12,500	–	–	12,500	7,542	
Former Directors						
Ian Cockerill ⁽⁴⁾	16,787	484	–	17,271	7,542	

(1) Shares acquired, including through the Dividend Reinvestment Plan (DRP).

(2) Calculated using the Orica closing share price on 30 September 2019.

(3) Directors are required to acquire a shareholding of at least one year's base fees over a reasonable time period.

(4) Closing balance on cessation of directorship.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

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	Termination Benefits \$000	Total excluding SBP* Expense \$000	SBP Expense ⁽⁴⁾⁽⁶⁾ \$000	Total \$000
Current Executive KMP									
Alberto Calderon									
2019	1,779.4	1,000.5	139.9	133.4	20.6	–	3,073.8	1,910.9	4,984.7
2018	1,779.8	330.0	55.8	–	20.2	–	2,185.8	1,930.1	4,115.9
Christopher Davis									
2019	779.4	380.8	280.5	76.4	20.6	–	1,537.7	301.1	1,838.8
James Bonnor⁽⁵⁾									
2019	912.5	292.0	178.0	10.7	20.6	–	1,413.8	415.8	1,829.6
2018	873.1	148.3	81.6	15.9	20.2	–	1,139.1	473.6	1,612.7
Darryl Cuzzubbo									
2019	830.4	331.2	33.4	–	20.6	–	1,215.6	451.6	1,667.2
2018	793.0	243.4	7.4	–	20.2	–	1,064.0	459.9	1,523.9
Carlos Duarte									
2019	900.0	234.0	56.0	–	–	–	1,190.0	547.0	1,737.0
2018	900.0	171.0	293.3	–	–	–	1,364.3	406.9	1,771.2
Angus Melbourne⁽⁵⁾									
2019	983.7	432.8	248.1	–	–	–	1,664.6	574.3	2,238.9
2018	962.9	239.7	175.1	–	–	–	1,377.7	633.5	2,011.2
Germán Morales⁽⁵⁾									
2019	674.0	389.0	99.5	–	40.0	–	1,202.5	393.2	1,595.7
2018	52.2	–	252.9	–	3.3	–	308.4	10.7	319.1
Thomas Schutte⁽⁵⁾									
2019	971.5	485.8	17.1	–	29.1	–	1,503.5	554.2	2,057.7
2018	998.4	237.6	584.8	–	27.1	–	1,847.9	606.2	2,454.1
Total Current Executive KMP									
2019	7,830.9	3,546.1	1,052.5	220.5	151.5	–	12,801.5	5,148.1	17,949.6
2018	6,359.4	1,370.0	1,450.9	15.9	91.0	–	9,287.2	4,520.9	13,808.1
Former Executive KMP									
Vince Nicoletti									
2018	899.8	174.2	239.8	–	20.2	–	1,334.0	160.3	1,494.3
Sebastian Pinto									
2018	334.6	–	24.8	–	29.1	552.6	941.1	212.1	1,153.2
Total									
2019	7,830.9	3,546.1	1,052.5	220.5	151.5	–	12,801.5	5,148.1	17,949.6
2018	7,593.8	1,544.2	1,715.5	15.9	140.3	552.6	11,562.3	4,893.3	16,455.6

* Share-based payment (SBP).

(1) Cash STI Payment includes payments relating to FY2019 performance accrued but not paid until FY2020.

(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 and health insurance.

(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 or not long-term incentives vest in the future is described in Section 3.1.

(5) 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.

(6) 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 FY2019 and the remainder will be included in FY2020.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 6. KMP STATUTORY DISCLOSURES (continued)

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 2019	Grant date	Granted during FY2019	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 Directors							
Alberto Calderon							
FY2019 LTIP Performance rights	11 Jan 19	213,223	–	–	213,223	3,136,510	830,253
FY2018 LTIP Performance rights	5 Jan 18	–	–	–	207,841	3,273,496	(204,593)
FY2017 LTIP Performance rights	30 Dec 16	–	–	–	192,742	2,639,602	600,801
FY2016 LTIP Performance rights	22 Feb 16	–	54,725	165,275	–	1,977,800	19,379
FY2018 STI Deferred shares	3 Dec 18	18,183	–	–	18,183	330,021	165,011
FY2017 STI Deferred shares	1 Dec 17	–	51,011	–	–	949,825	–
Current Executive KMP							
Christopher Davis							
FY2019 LTIP Performance rights	11 Jan 19	52,892	–	–	52,892	778,041	205,952
James Bonnor							
FY2019 LTIP Performance rights	11 Jan 19	52,863	–	–	52,863	777,615	205,839
FY2018 LTIP Performance rights	5 Jan 18	–	–	–	51,529	811,582	(52,173)
FY2017 LTIP Performance rights	30 Dec 16	–	–	–	47,864	655,497	149,198
FY2016 LTIP Performance rights	22 Feb 16	–	16,203	48,934	–	585,582	2,883
FY2018 STI Deferred shares	3 Dec 18	4,086	–	–	4,086	74,161	37,080
FY2017 STI Deferred shares	1 Dec 17	–	10,737	–	–	199,923	–
Darryl Cuzzubbo							
FY2019 LTIP Performance rights	11 Jan 19	54,056	–	–	54,056	795,164	210,485
FY2018 LTIP Performance rights	5 Jan 18	–	–	–	52,691	829,883	(53,350)
FY2017 LTIP Performance rights	30 Dec 16	–	–	–	47,590	651,745	148,344
FY2016 LTIP Performance rights	22 Feb 16	–	7,104	21,456	–	256,754	2,516
FY2018 STI Deferred shares	3 Dec 18	6,704	–	–	6,704	121,678	60,839
FY2017 STI Deferred shares	1 Dec 17	–	12,491	–	–	235,582	–
Carlos Duarte							
FY2019 LTIP Performance rights	11 Jan 19	59,504	–	–	59,504	875,304	231,698
FY2018 LTIP Performance rights	5 Jan 18	–	–	–	58,002	913,532	(58,727)
FY2018 STI Deferred shares	3 Dec 18	4,710	–	–	4,710	85,487	42,743
Sign-on rights	27 Oct 17	–	12,500	–	12,500	522,750	272,739
Angus Melbourne							
FY2019 LTIP Performance rights	11 Jan 19	59,237	–	–	59,237	871,376	230,658
FY2018 LTIP Performance rights	5 Jan 18	–	–	–	57,742	909,437	(58,464)
FY2017 LTIP Performance rights	30 Dec 16	–	–	–	52,760	722,548	164,459
FY2016 LTIP Performance rights	22 Feb 16	–	17,050	51,495	–	616,220	6,038
FY2018 STI Deferred shares	3 Dec 18	6,604	–	–	6,604	119,863	59,931
FY2017 STI Deferred shares	1 Dec 17	–	12,222	–	–	227,574	–
Sign-on rights	12 Jan 16	–	17,757	–	–	670,352	63,524
Germán Morales							
FY2019 LTIP Performance rights	11 Jan 19	43,110	–	–	43,100	634,148	167,863
Sign-on rights	3 Sep 18	–	7,500	–	7,500	256,200	128,100

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 6. KMP STATUTORY DISCLOSURES (continued)

For the year ended 30 September 2019	Grant date	Granted during FY2019	Vested	Lapsed	Balance at year end	Fair value of instruments at grant date \$	Value of equity instruments included in compensation for the year \$
Thomas Schutte							
FY2019 LTIP Performance rights	11 Jan 19	65,624	–	–	65,624	965,329	255,528
FY2018 LTIP Performance rights	5 Jan 18	–	–	–	63,967	1,007,480	(64,767)
FY2017 LTIP Performance rights	30 Dec 16	–	–	–	56,513	773,946	176,158
FY2016 LTIP Performance rights	22 Feb 16	–	17,998	54,355	–	650,453	6,371
FY2018 STI Deferred shares	3 Dec 18	6,546	–	–	6,546	118,810	59,405
FY2017 STI Deferred shares	1 Dec 17	–	16,151	–	–	300,723	–
Former Executive KMP							
Vincent Nicoletti							
FY2018 LTIP Performance rights	5 Jan 18	–	–	–	59,291	933,833	(60,032)
FY2018 STI Deferred shares	3 Dec 18	4,799	–	–	4,799	87,102	43,551

The number of rights issued under the LTIP issued to Executive KMP and senior management and accounting values is detailed below:

Grant date	Vesting date	Number of rights issued	Number of rights held at 30 September 2019	Number of rights held at 30 September 2018	Number of participants at 30 September 2019	Number of participants at 30 September 2018	Fair value of rights at grant \$
08 Aug 19 ⁽¹⁾	30 Nov 21	122,489	122,489	–	19	–	1,947,575
11 Jan 19	30 Nov 21	1,139,030	1,131,808	–	320	–	18,110,577
11 Jan 19 ⁽⁴⁾	30 Nov 21	730,711	670,937	–	11	–	10,748,759
20 July 18 ⁽¹⁾	30 Nov 20	117,150	113,434	117,150	20	21	1,995,065
5 Jan 18	30 Nov 20	1,751,427	1,493,535	1,623,852	285	308	28,911,209
10 July 17 ⁽¹⁾	30 Nov 19	98,410	76,920	93,028	36	46	1,742,349
30 Dec 16	30 Nov 19	1,712,055	1,459,541	1,510,610	244	263	23,446,593
4 July 16 ⁽¹⁾	30 Nov 18	150,793	–	140,014	–	12	1,090,987
22 Feb 16	30 Nov 18	2,163,913	–	1,815,125	–	172	19,453,578

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 ⁽²⁾ \$	Fair value per right ROC ⁽³⁾ \$	Fair value per right RTS ⁽³⁾ \$
08 Aug 19 ⁽¹⁾	22.51	25	3.00	1.81	15.90		
11 Jan 19	17.30	25	3.00	1.81	15.90		
11 Jan 19 ⁽⁴⁾	17.30	25	3.00	1.81	14.71		
20 July 18 ⁽¹⁾	17.93	25	3.00	2.07	17.03		
5 Jan 18	18.53	25	3.00	2.07	17.03		
5 Jan 18 ⁽⁴⁾	18.53	25	3.00	2.07	15.75		
10 July 17 ⁽¹⁾	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
4 July 16 ⁽¹⁾	12.39	30	4.50	1.62		11.23	3.24
22 Feb 16	13.84	30	5.50	1.80		12.04	5.94

(1) A supplementary LTI offer was made in July 2016, 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 February 2016, December 2016 and January 2018. The terms and conditions of this supplementary offer are the same as the main offer.

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

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

(4) 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.

DIRECTORS' REPORT – REMUNERATION REPORT 2019 (AUDITED)

SECTION 6. KMP STATUTORY DISCLOSURES (continued)

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	Super-annuation \$000	Total \$000
Current Directors					
Malcolm Broomhead, Chairman					
2019	510.0	–	18.0	20.6	548.6
2018	510.0	–	0.2	20.2	530.4
Maxine Brenner					
2019	170.0	67.5	15.0	20.6	273.1
2018	170.0	67.5	–	20.2	257.7
Denise Gibson					
2019	170.0	41.3	25.8	20.6	257.7
2018	127.5	13.1	20.0	13.4	174.0
Boon Swan Foo ⁽²⁾					
2019	69.0	14.8	9.9	8.0	101.7
Karen Moses					
2019	170.0	48.8	17.4	20.6	256.8
2018	170.0	45.0	–	20.1	235.1
Lim Chee Onn					
2019	170.0	45.0	22.5	20.4	257.9
2018	170.0	45.0	12.5	20.2	247.7
Gene Tilbrook					
2019	170.0	67.5	30.0	20.6	288.1
2018	170.0	67.5	15.0	20.2	272.7
Former Directors					
Ian Cockerill					
2019	155.8	60.0	37.0	19.0	271.8
2018	170.0	67.5	30.0	20.2	287.7
Total Directors					
2019	1,584.8	344.9	175.6	150.4	2,255.7
2018	1,487.5	305.6	77.7	134.5	2,005.3

(1) These benefits include travel allowances and car parking benefits.

(2) Boon Swan Foo was appointed as a Non-Executive Director on 6 May 2019.

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 31 October 2019.



A Calderon
Managing Director and Chief Executive Officer

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C of the Corporations Act 2001



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 2019 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

A handwritten signature in dark ink, appearing to read 'Penny Stragalinos', written over a horizontal line.

KPMG

Penny Stragalinos
Partner
Melbourne
31 October 2019

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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INCOME STATEMENT

For the year ended 30 September

	Notes	Consolidated	
		2019 \$m	2018 \$m
Sales revenue	(1b)	5,878.0	5,373.8
Other income	(1d)	23.1	37.5
Raw materials and inventories		(2,744.3)	(2,453.9)
Employee benefits expense	(1e)	(1,271.7)	(1,184.7)
Depreciation and amortisation expense	(1b)	(276.4)	(266.9)
Purchased services		(327.0)	(323.6)
Repairs and maintenance		(169.8)	(155.9)
Write down of property, plant & equipment	(1e)	(155.0)	–
Impairment expense	(1e)	(36.1)	(225.4)
Environmental provisions for legacy sites	(1e)	(33.5)	(114.7)
Gain on formation of China joint venture	(1e)	50.2	–
Outgoing freight		(283.1)	(280.9)
Lease payments – operating leases		(78.4)	(69.6)
Other expenses		(139.1)	(117.6)
Share of net profit of equity accounted investees	(13)	31.9	24.7
Total		(5,432.3)	(5,168.5)
Profit from operations		468.8	242.8
Net financing costs			
Financial income		49.6	56.0
Financial expenses		(159.3)	(177.3)
Net financing costs		(109.7)	(121.3)
Profit before income tax expense		359.1	121.5
Income tax expense	(11)	(108.6)	(156.0)
Net profit/(loss) for the year		250.5	(34.5)
Net profit/(loss) for the year attributable to:			
Shareholders of Orica Limited		245.1	(48.1)
Non-controlling interests		5.4	13.6
Net profit/(loss) for the year		250.5	(34.5)
		cents	cents
Earnings per share attributable to ordinary shareholders of Orica Limited:			
Basic earnings per share	(2)	64.5	(12.7)
Diluted earnings per share	(2)	64.2	(12.7)

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	
		2019 \$m	2018 \$m
Profit/(loss) for the year		250.5	(34.5)
Other comprehensive income			
Items that may be reclassified subsequently to Income Statement:			
<i>Exchange differences on translation of foreign operations</i>			
Exchange gain on translation of foreign operations	(11c)	111.9	208.2
Net loss on hedge of net investments in foreign subsidiaries, net of tax	(11c)	(39.1)	(57.1)
Net exchange differences on translation of foreign operations		72.8	151.1
<i>Sundry items:</i>			
Net cash flow hedges	(11c)	8.8	24.3
Items that will not be reclassified subsequently to Income Statement:			
Net actuarial (loss)/gain, net of tax	(11c)	(69.7)	2.0
Other comprehensive income for the year		11.9	177.4
Total comprehensive income for the year		262.4	142.9
Attributable to:			
Shareholders of Orica Limited		239.8	139.9
Non-controlling interests		22.6	3.0
Total comprehensive income for the year		262.4	142.9

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	
		2019 \$m	2018 \$m
Current assets			
Cash and cash equivalents	(3b)	412.6	514.6
Trade receivables	(5)	681.6	654.7
Other receivables		84.2	93.4
Inventories	(5)	587.5	626.5
Other assets		69.9	71.1
Total current assets		1,835.8	1,960.3
Non-current assets			
Other receivables		63.0	82.7
Investments accounted for using the equity method	(13)	301.3	213.3
Property, plant and equipment	(7)	2,899.6	2,866.2
Intangible assets	(8)	1,689.6	1,697.9
Deferred tax assets	(11d)	317.2	268.7
Other assets		187.5	75.3
Total non-current assets		5,458.2	5,204.1
Total assets		7,294.0	7,164.4
Current liabilities			
Trade payables	(5)	863.2	862.2
Other payables		412.6	336.7
Interest bearing liabilities	(3a)	60.9	158.3
Provisions	(6)	193.1	193.2
Other liabilities		104.8	61.0
Total current liabilities		1,634.6	1,611.4
Non-current liabilities			
Other payables		7.1	6.1
Interest bearing liabilities	(3a)	1,972.3	2,004.6
Provisions	(6)	586.2	485.8
Deferred tax liabilities	(11d)	68.4	74.7
Other liabilities		–	13.8
Total non-current liabilities		2,634.0	2,585.0
Total liabilities		4,268.6	4,196.4
Net assets		3,025.4	2,968.0
Equity			
Ordinary shares	(4a)	2,138.0	2,110.1
Reserves		(363.5)	(439.2)
Retained earnings		1,193.7	1,232.3
Total equity attributable to ordinary shareholders of Orica Limited		2,968.2	2,903.2
Non-controlling interests		57.2	64.8
Total equity		3,025.4	2,968.0

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
2018								
Balance at 1 October 2017	2,068.5	1,459.6	(442.6)	(49.1)	(74.1)	2,962.3	1.2	2,963.5
Profit/(loss) for the year	–	(48.1)	–	–	–	(48.1)	13.6	(34.5)
Other comprehensive income/(loss)	–	2.0	161.7	24.3	–	188.0	(10.6)	177.4
Total comprehensive income for the year	–	(46.1)	161.7	24.3	–	139.9	3.0	142.9
Transactions with owners, recorded directly in equity								
Total changes in contributed equity	41.6	–	–	–	–	41.6	–	41.6
Share-based payments expense	–	–	–	–	14.8	14.8	–	14.8
Acquisition of non-controlling interests	–	–	–	–	(74.2)	(74.2)	74.2	–
Dividends/distributions	–	(181.2)	–	–	–	(181.2)	–	(181.2)
Dividends declared/paid to non-controlling interests	–	–	–	–	–	–	(13.6)	(13.6)
Balance at the end of the year	2,110.1	1,232.3	(280.9)	(24.8)	(133.5)	2,903.2	64.8	2,968.0
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
Profit for the year	–	245.1	–	–	–	245.1	5.4	250.5
Other comprehensive income/(loss)	–	(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	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

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	
		2019 \$m Inflows/ (Outflows)	2018 \$m Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		6,434.9	5,914.2
Payments to suppliers and employees		(5,513.8)	(5,168.1)
Interest received		49.8	56.9
Borrowing costs		(161.9)	(171.9)
Dividends received		27.2	24.9
Other operating income received		17.7	28.0
Net income taxes paid		(107.5)	(69.3)
Net cash flows from operating activities	(3b)	746.4	614.7
Cash flows from investing activities			
Payments for property, plant and equipment		(300.4)	(189.2)
Payments for intangibles		(123.6)	(132.9)
Payments for purchase of investments		(4.8)	(13.3)
Proceeds from sale of, and other advances in relation to, property, plant and equipment		74.4	36.2
Payments for purchase of businesses/controlled entities	(14)	(0.9)	(250.2)
Net proceeds/(cash disposed) from sale of businesses	(15)	(12.6)	–
Disposal costs from sale of businesses/controlled entities		(0.5)	(2.6)
Net cash flows used in investing activities		(368.4)	(552.0)
Cash flows from financing activities			
Proceeds from borrowings		2,169.1	1,981.2
Repayment of borrowings		(2,470.5)	(1,904.6)
Dividends paid – Orica ordinary shares	(4c)	(177.2)	(143.2)
Dividends paid – non-controlling interests		(18.0)	(13.5)
Payments for finance leases		(0.8)	(1.3)
Proceeds from issue of ordinary shares		0.7	0.6
Net cash flows used in financing activities		(496.7)	(80.8)
Net decrease in cash held		(118.7)	(18.1)
Cash at the beginning of the period		511.4	516.9
Effects of exchange rate changes on cash		11.5	12.6
Cash at the end of the period	(3b)	404.2	511.4

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September

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ABOUT THIS REPORT

This is the Annual Report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the Group') for the year ended 30 September 2019.

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

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

The amounts shown have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, 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.

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

Note 5	Working capital
Note 6	Provisions
Note 7	Property, plant and equipment
Note 8	Intangible assets
Note 9	Impairment testing of assets
Note 11	Taxation
Note 19	Superannuation commitments
Note 21	Contingent liabilities

NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

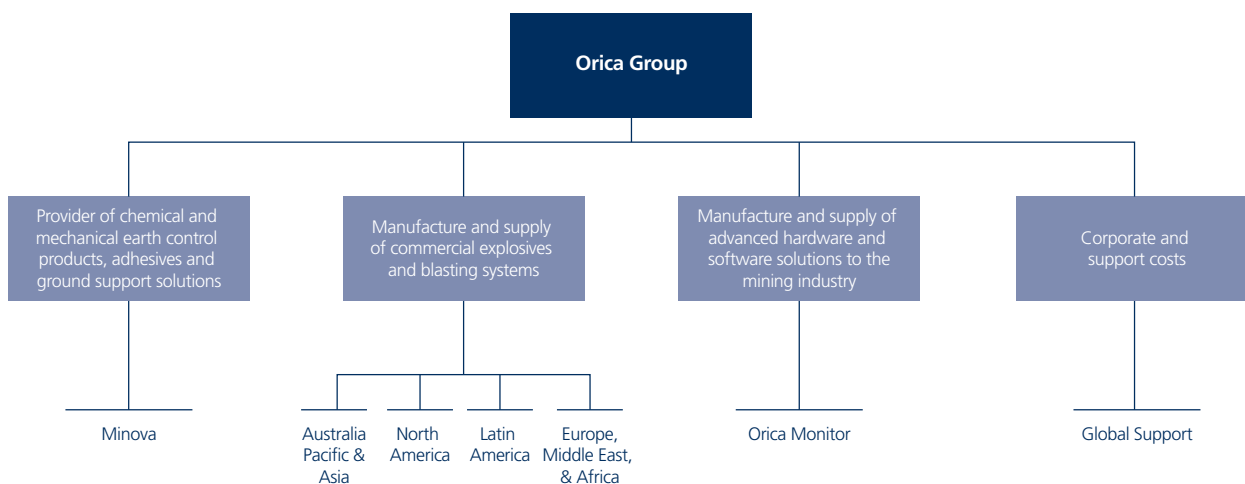
SECTION A. FINANCIAL PERFORMANCE

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 2019.

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). During the year, Auxiliaries was renamed Orica Monitor.



NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

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	Elimin- ations	Consol- idated
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	234.2	1,547.0	–	7,294.0
Segment liabilities	583.2	203.4	199.1	246.3	84.7	35.8	2,916.1	–	4,268.6
Investments accounted for using the equity method	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
Impairment of inventories	1.6	0.6	5.6	0.7	4.7	–	6.6	–	19.8
Impairment of trade receivables	3.2	–	2.0	–	0.7	0.2	0.4	–	6.5
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 of equity accounted investees	1.7	26.4	2.9	0.9	–	–	–	–	31.9

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

NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

1. SEGMENT REPORT (continued)

(b) Reportable segments

2018 \$m	Australia Pacific & Asia	North America	Latin America	Europe, Middle East & Africa	Minova	Orica Monitor	Global Support	Elimin- ations	Consol- idated
Revenue									
External sales	1,908.5	1,255.8	834.1	788.7	514.3	66.3	6.1	–	5,373.8
Inter-segment sales	35.7	174.5	65.7	18.5	4.7	0.4	1,035.5	(1,335.0)	–
Total sales revenue	1,944.2	1,430.3	899.8	807.2	519.0	66.7	1,041.6	(1,335.0)	5,373.8
Other income (refer to note 1d) ⁽¹⁾	0.6	3.7	1.0	6.9	2.2	(0.5)	23.6	–	37.5
Total revenue and other income	1,944.8	1,434.0	900.8	814.1	521.2	66.2	1,065.2	(1,335.0)	5,411.3
Results before individually significant items									
Profit/(loss) before financing costs and income tax	381.9	185.6	43.2	54.8	(2.3)	4.8	(49.9)	–	618.1
Financial income									56.0
Financial expenses									(177.3)
Profit before income tax expense									496.8
Income tax expense									(158.0)
Profit after income tax expense									338.8
Less: Profit attributable to non-controlling interests									(14.6)
Profit after income tax expense before individually significant items attributable to shareholders of Orica Limited									324.2
Individually significant items (refer to note 1e)									
Gross individually significant items	(118.0)	(3.6)	(14.6)	(1.8)	(213.0)	–	(24.3)	–	(375.3)
Tax on individually significant items	35.3	(46.9)	3.9	(0.7)	3.1	–	7.3	–	2.0
Net individually significant items attributable to non-controlling interests									1.0
Individually significant items attributable to shareholders of Orica Limited									(372.3)
Loss for the year attributable to shareholders of Orica Limited									(48.1)
Segment assets	3,081.6	973.9	524.6	914.6	216.0	230.8	1,222.9	–	7,164.4
Segment liabilities	495.1	225.4	173.5	217.5	55.5	32.7	2,996.7	–	4,196.4
Investments accounted for using the equity method	6.4	187.3	8.0	1.0	–	–	10.6	–	213.3
Acquisitions of PPE and intangibles	101.9	38.3	21.7	35.1	8.6	5.7	135.5	–	346.8
Impairment of PPE	–	–	–	–	–	–	6.7	–	6.7
Impairment of intangibles	–	–	–	–	197.0	–	14.5	–	211.5
Impairment of inventories	0.1	0.5	2.9	0.3	3.6	–	5.4	–	12.8
Impairment of trade receivables	0.3	–	0.2	5.2	0.7	0.1	–	–	6.5
Depreciation and amortisation	123.6	41.2	23.9	24.0	8.5	5.7	40.0	–	266.9
Non-cash expenses: share based payments	2.8	2.4	1.8	2.7	1.9	–	3.2	–	14.8
Share of net profit/(loss) of equity accounted investees	(0.7)	23.2	2.7	(0.4)	–	–	–	–	24.8

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

NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

1. SEGMENT REPORT (continued)

	Consolidated	
	2019 \$m	2018 \$m
(c) Disaggregation of revenue (by commodity/industry)		
Gold	1,172.3	1,023.6
Thermal Coal	1,025.2	974.7
Copper	798.5	723.7
Quarry and Construction	725.4	698.6
Iron Ore	437.9	371.2
Coking Coal	305.9	283.3
Minova	591.1	514.3
Orica Monitor	96.6	66.3
Other	725.1	718.1
Total disaggregated revenue	5,878.0	5,373.8

	Consolidated	
	2019 \$m	2018 \$m
(d) Other income		
Other income	17.7	28.0
Net foreign currency gains/(losses)	4.4	(7.7)
Net profit from sale of businesses	3.3	–
Net (loss)/profit on sale of property, plant and equipment	(2.3)	17.2
Total other income	23.1	37.5

	2019			2018		
	Gross \$m	Tax \$m	Net \$m	Gross \$m	Tax \$m	Net \$m
(e) Individually significant items						
Profit after income tax includes the following individually significant items of expense:						
Gain on formation of China joint venture ⁽¹⁾	50.2	(4.5)	45.7	–	–	–
Restructuring ⁽²⁾	(21.5)	6.2	(15.3)	(35.2)	8.5	(26.7)
Environmental provisions for legacy sites ⁽³⁾	(33.5)	10.1	(23.4)	(114.7)	34.4	(80.3)
Impairment expense ⁽⁴⁾	(36.1)	10.8	(25.3)	(225.4)	7.0	(218.4)
Write down of property, plant & equipment ⁽⁵⁾	(155.0)	46.5	(108.5)	–	–	–
Write down of US deferred tax assets	–	–	–	–	(47.9)	(47.9)
Individually significant items	(195.9)	69.1	(126.8)	(375.3)	2.0	(373.3)
Non-controlling interests in individually significant items	–	–	–	1.0	–	1.0
Individually significant items attributable to shareholders of Orica	(195.9)	69.1	(126.8)	(374.3)	2.0	(372.3)

(1) Refer to note 13 and note 15.

(2) As part of a global restructuring program redundancy costs were recognised across the Group and disclosed within employee benefits expense on the face of the Income Statement.

(3) Refer to note 6.

(4) Refer to note 9.

(5) Refer to note 7.

NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

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⁾	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Australia	1,587.1	1,486.3	2,673.7	2,690.0
United States of America	931.4	768.0	354.1	321.3
Other ⁽²⁾	3,359.5	3,119.5	1,942.0	1,862.2
Consolidated	5,878.0	5,373.8	4,969.8	4,873.5

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

(2) Other than Australia and United States of America, 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.

NOTES TO THE FINANCIAL STATEMENTS – SECTION A. FINANCIAL PERFORMANCE

For the year ended 30 September

2. EARNINGS PER SHARE (EPS)

	Consolidated	
	2019 \$m	2018 \$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/(loss) for the year from continuing operations	250.5	(34.5)
Less: Net profit for the year attributable to non-controlling interests	5.4	13.6
Total	245.1	(48.1)
	Number of shares	
Weighted average number of shares used in the calculation:		
Number for basic earnings per share	379,967,950	378,215,134
Effect of dilutive share options and rights	1,656,530	2,672,778
Number for diluted earnings per share	381,624,480	380,887,912
The weighted average number of non-dilutive options and rights that have not been included in the calculation of diluted earnings per share	3,027,776	2,402,554
	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica Limited		
Basic earnings per share	64.5	(12.7)
Diluted earnings per share	64.2	(12.7)
	Consolidated	
	2019 \$m	2018 \$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/(loss) for the year	250.5	(34.5)
Less: Net profit for the year attributable to non-controlling interests	5.4	13.6
Adjusted for individually significant items (refer to note 1(e))	126.8	372.3
Total adjusted	371.9	324.2
	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica Limited before individually significant items		
Basic earnings per share ⁽¹⁾	97.9	85.7
Diluted earnings per share ⁽¹⁾	97.5	85.1

(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 our investors with further clarity in order to assess the underlying performance of our operations.

NOTES TO THE FINANCIAL STATEMENTS – SECTION B. CAPITAL MANAGEMENT

For the year ended 30 September

SECTION B. CAPITAL MANAGEMENT

Orica's objectives when managing capital (net debt and total equity) are to safeguard the Group's ability to continue as a going concern and to ensure that the capital structure enhances, protects and balances financial flexibility against minimising the cost of capital. This section outlines the principal capital management initiatives that have been undertaken, 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 divided by debt plus equity) and the interest cover ratio (EBIT excluding individually significant items, divided by net financing costs adjusted for capitalised borrowing costs). These ratios, together with performance measure criteria determined by Standard & Poor's, are targeted in support of the maintenance of an investment grade credit rating, which enables access to borrowings from a range of sources.

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.

The gearing ratio is calculated as follows:

	Consolidated	
	2019 \$m	2018 \$m
Interest bearing liabilities (refer to note 3a)	2,033.2	2,162.9
less cash and cash equivalents (refer to note 3b)	(412.6)	(514.6)
Net debt	1,620.6	1,648.3
Total equity	3,025.4	2,968.0
Net debt and total equity	4,646.0	4,616.3
Gearing ratio (%)	34.9%	35.7%
The interest ratio is calculated as follows:		
EBIT (excluding individually significant items) (refer to note 1b)	664.7	618.1
Net financing costs excluding unwinding of discount on provisions	100.4	113.4
Unwinding of discount on provisions	9.3	7.9
Capitalised borrowing costs	7.5	4.8
Gross financing costs	117.2	126.1
Interest cover ratio (times)	5.7	4.9

NOTES TO THE FINANCIAL STATEMENTS – SECTION B. CAPITAL MANAGEMENT

For the year ended 30 September

3. NET DEBT (continued)

(a) Interest bearing liabilities

	Opening Balance \$m	Non-cash movements \$m	Net cash movements \$m	Closing Balance \$m
Current				
Unsecured				
Private Placement ⁽¹⁾	138.2	2.4	(140.6)	–
Export finance facility ⁽¹⁾	14.9	18.7	(16.5)	17.1
Bank loans	–	34.2	(0.2)	34.0
Bank overdraft	3.2	–	5.2	8.4
Other loans	0.9	–	0.2	1.1
Lease liabilities ⁽²⁾	1.1	–	(0.8)	0.3
Total	158.3	55.3	(152.7)	60.9
Non-current				
Unsecured				
Private Placement ⁽¹⁾	1,808.5	162.8	–	1,971.3
Export finance facility ⁽¹⁾	16.2	(16.2)	–	–
Bank loans ⁽¹⁾	176.2	(31.7)	(144.5)	–
Other loans	3.6	(2.9)	0.2	0.9
Lease liabilities ⁽²⁾	0.1	–	–	0.1
Total	2,004.6	112.0	(144.3)	1,972.3
Total	2,162.9	167.3	(297.0)	2,033.2

(1) Orica Limited provides guarantees on these facilities refer to note 16 for further details.

(2) \$6.8million (2018 \$2.2million) of property, plant and equipment is pledged as security for finance leases. In the event of default by Orica, the rights to the leased assets transfer to the lessor.

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

NOTES TO THE FINANCIAL STATEMENTS – SECTION B. CAPITAL MANAGEMENT

For the year ended 30 September

3. NET DEBT (continued)

		Consolidated	
		2019 \$m	2018 \$m
(b) Notes to the statement of cash flows			
Reconciliation of cash			
Cash at the end of the year comprises:			
Cash and cash equivalents		412.6	514.6
Bank overdraft		(8.4)	(3.2)
		404.2	511.4
Reconciliation of profit/(loss) after income tax to net cash flows from operating activities			
Profit/(loss) after income tax expense		250.5	(34.5)
Adjusted for the following items:			
Depreciation and amortisation	(1b)	276.4	266.9
Net loss/(profit) on sale of property, plant and equipment	(1d)	2.3	(17.2)
Impairment of intangibles	(8)	36.1	211.5
Write down/impairment of property, plant and equipment	(7)	155.0	6.7
Impairment of inventories		19.8	7.5
Net (profit) on sale of businesses		(53.5)	–
Share based payments expense		12.4	14.8
Share of equity accounted investees net (profit)/loss after adding back dividends received		(4.8)	0.2
Unwinding of discount on provisions		9.3	7.9
Other		2.4	(4.4)
Changes in working capital and provisions excluding the effects of acquisitions and disposals of businesses/controlled entities			
(increase) in trade and other receivables		(41.7)	(29.3)
decrease/(increase) in inventories		39.0	(88.1)
(increase)/decrease in net deferred taxes		(10.6)	48.3
increase in payables and provisions		71.4	202.2
(decrease)/increase in income taxes payable		(17.6)	22.2
Net cash flows from operating activities		746.4	614.7

Recognition and Measurement

Cash and cash equivalents

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

Interest bearing 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 10a).

Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS – SECTION B. CAPITAL MANAGEMENT

For the year ended 30 September

4. CONTRIBUTED EQUITY AND RESERVES

(a) Contributed equity

Movements in issued and fully paid shares of Orica since 1 October 2017 were as follows:

Details	Date	Number of shares	Issue price \$	\$m
Ordinary shares				
Opening balance of shares issued	1-Oct-17	377,039,027		2,068.5
Shares issued under the Orica dividend reinvestment plan	7-Dec-17	1,117,317	17.42	19.5
Shares issued under the Orica dividend reinvestment plan	2-Jul-18	1,058,445	17.52	18.5
Deferred shares issued to settle Short-Term Incentive				3.0
Shares issued under the Orica GEESP plan ⁽¹⁾				0.6
Balance at the end of year	30-Sep-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

(1) General Employee Exempt Share Plan (GEESP).

(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.

(c) Dividends

	Consolidated	
	2019 \$m	2018 \$m
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary shares		
interim dividend of 20.0 cents per share, unfranked, paid 2 July 2018		75.6
interim dividend of 22.0 cents per share, unfranked, paid 1 July 2019	83.5	
final dividend of 28.0 cents per share, unfranked, paid 8 December 2017		105.6
final dividend of 31.5 cents per share, unfranked, paid 7 December 2018	119.5	
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	177.2	143.2
DRP – satisfied by issue of shares	25.8	38.0

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

Final dividend on ordinary shares of 33.0 cents per share, 15.2% franked at 30%, payable 13 December 2019. Total franking credits related to this dividend are \$8.2 million (2018 \$nil).

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 2019 – however will be recognised in the 2020 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 2019 are nil (2018 \$16.9 million).

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

SECTION C. OPERATING ASSETS AND LIABILITIES

This section highlights current year drivers of the Group's 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	
	2019 \$m	2018 \$m
Inventories ⁽ⁱ⁾	587.5	626.5
Trade receivables ⁽ⁱⁱ⁾	681.6	654.7
Trade payables ⁽ⁱⁱⁱ⁾	(863.2)	(862.2)
Trade working capital	405.9	419.0

(i) Inventories

The classification of inventories is detailed below:

	Consolidated	
	2019 \$m	2018 \$m
Raw materials	257.8	260.5
Work in progress	47.5	48.3
Finished goods	282.2	317.7
	587.5	626.5

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 \$36.4 million (2018 \$25.0 million).

(ii) Trade receivables

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

	Consolidated		Consolidated	
	2019 Gross \$m	2019 Allowance \$m	2018 Gross \$m	2018 Allowance \$m
Not past due	642.4	–	595.7	(0.1)
Past due 0 – 120 days	56.3	(17.1)	55.7	(0.6)
Past 120 days	46.0	(46.0)	50.4	(46.4)
	744.7	(63.1)	701.8	(47.1)

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.

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

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 \$21.1 million (2018 \$17.6 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.

6. PROVISIONS

	Consolidated	
	2019 \$m	2018 \$m
Current		
Employee entitlements ⁽¹⁾	93.2	88.3
Environmental and decommissioning ⁽²⁾	70.8	78.7
Other	29.1	26.2
	193.1	193.2
Non-current		
Employee entitlements ⁽¹⁾	23.0	18.2
Retirement benefit obligations (see note 19b)	307.5	214.9
Environmental and decommissioning ⁽²⁾	246.3	240.6
Other	9.4	12.1
	586.2	485.8

(1) \$58.6 million (2018 \$41.3 million) was expensed to the Income Statement in relation to employee entitlements during the year.

(2) Payments of \$51.6 million (2018 \$35.7 million) were made during the year in relation to environmental and decommissioning provisions.

The total environmental and decommissioning provision comprises:

	Consolidated	
	2019 \$m	2018 \$m
Botany Groundwater remediation	171.3	175.8
Botany (HCB) waste	41.1	35.4
Burrup decommissioning	21.7	22.5
Deer Park remediation	22.0	26.6
Yarraville remediation	24.6	29.1
Other provisions	36.4	29.9
Total	317.1	319.3

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.

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

6. PROVISIONS (continued)

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 or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost.

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

During the financial year new information has been made available which has resulted in a \$33.5 million increase in the provision for environmental remediation across four legacy sites: Botany (HCB) waste, Yarraville, Moranbah and Marleston. As these costs cannot be recovered, the impact has been expensed to the Income Statement.

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 GTP is possible within a 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 will be piloted and implemented, with the expectation that the duration and operating costs of the GTP facility may reduce.

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

Environmental contingent liabilities

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.

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.

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

7. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Land, buildings and improvements \$m	Machinery, plant and equipment \$m	Total \$m
2018			
Cost	781.0	4,752.7	5,533.7
Accumulated impairment losses	–	(6.7)	(6.7)
Accumulated depreciation	(305.8)	(2,355.0)	(2,660.8)
Total carrying value	475.2	2,391.0	2,866.2
Movement			
Carrying amount at the beginning of the year	464.7	2,276.8	2,741.5
Additions	20.0	189.0	209.0
Additions through acquisitions of entities (see note 14)	–	54.6	54.6
Disposals	(4.7)	(7.2)	(11.9)
Depreciation expense	(23.2)	(198.8)	(222.0)
Impairment expense	–	(6.7)	(6.7)
Foreign currency exchange differences	18.4	83.3	101.7
Carrying amount at the end of the year	475.2	2,391.0	2,866.2
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

Included in the above are significant assets under construction (Burrup plant) of \$608.3 million (2018 \$639.5 million).

Individually significant items

Write down of property, plant and equipment

The Group owns a 50% interest of Yara Pilbara Nitrates Pty Ltd (YPN), with the remaining shares being held by subsidiaries in the Yara International ASA group. YPN owns and will operate a 330,000 tonnes per annum industrial grade technical ammonium nitrate plant (TAN plant) on the Burrup Peninsula (Western Australia, Australia). For accounting purposes YPN is a joint operation and Orica recognises its share of any jointly held or incurred assets, liabilities, revenues and expenses in the consolidated financial statements.

Rectification works at the TAN plant are progressing in line with expectations. As these rectification and capital works have progressed, the Group has identified a number of assets that are considered to be defective and require replacement. In connection with this, the Group has recognised a write down charge of \$155 million.

YPN has previously received a Performance Bond payment from Tecnicas Reunidas (TR) who were engaged to construct the plant. Part of the Performance Bond was called to cover the rectification costs. Given the ongoing arbitration with respect to liability for the rectification works, the amount received in respect of the Performance Bond has not been recognised as Income and is included in Other Liabilities (current) pending resolution of the dispute.

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.

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

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:

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

8. INTANGIBLE ASSETS

Consolidated	Goodwill \$m	Patents, trademarks and rights \$m	Software \$m	Other \$m	Total \$m
2018					
Cost	2,526.2	365.4	502.3	145.3	3,539.2
Accumulated impairment losses of goodwill	(1,475.9)	–	(14.5)	–	(1,490.4)
Accumulated amortisation	–	(96.1)	(166.8)	(88.0)	(350.9)
Net carrying amount	1,050.3	269.3	321.0	57.3	1,697.9
Movement					
Carrying amount at the beginning of the year	1,093.3	220.3	224.3	39.2	1,577.1
Additions	–	–	114.8	23.0	137.8
Disposals	–	–	–	(0.2)	(0.2)
Additions through acquisitions of entities	116.4	37.0	29.4	–	182.8
Amortisation expense	–	(4.9)	(29.3)	(10.8)	(45.0)
Impairment expense	(197.0)	–	(14.5)	–	(211.5)
Foreign currency exchange differences	37.6	16.9	(3.7)	6.1	56.9
Carrying amount at the end of the year	1,050.3	269.3	321.0	57.3	1,697.9
2019					
Cost	2,665.1	162.7	556.4	165.2	3,549.4
Accumulated impairment losses	(1,475.9)	–	(51.0)	–	(1,526.9)
Accumulated amortisation	–	(98.8)	(133.6)	(100.5)	(332.9)
Net carrying amount	1,189.2	63.9	371.8	64.7	1,689.6
Movement					
Carrying amount at the beginning of the year	1,050.3	269.3	321.0	57.3	1,697.9
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 ⁽¹⁾	167.8	(167.8)	–	–	–
Transfer to property, plant & equipment ⁽¹⁾ (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	1,189.2	63.9	371.8	64.7	1,689.6

(1) The classification of the Entry Fee paid in FY2013 relating to the original investment into the Burrup project and the associated capitalised borrowing costs have been reassessed. In substance the Entry Fee payment (\$167.8 million) represents Goodwill as it related to the cost of investment in the joint operation. The capitalised borrowing costs (\$35.6 million) is related to the construction of the qualifying asset (the Burrup plant) which is recognised as Property, Plant and Equipment (see note 7). There is no impact to the Income Statement in the current or prior year.

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.

NOTES TO THE FINANCIAL STATEMENTS – SECTION C. OPERATING ASSETS AND LIABILITIES

For the year ended 30 September

8. INTANGIBLE ASSETS (continued)

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.

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.

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 2019 %	Terminal growth rates 2019 %	Goodwill 2019 \$m	Post tax discount rates 2018 %	Terminal growth rates 2018 %	Goodwill 2018 \$m
Australia Pacific & Asia	7.9–12.3	0.5–7.7	574.8	8.0–12.6	0.5–8.2	408.4
North America	8.4	1.6	149.7	8.5–9.3	1.4	148.2
Latin America	9.4–12.4	1.5–5.5	142.1	8.0–12.5	0.0–5.5	142.9
Europe, Middle East & Africa	7.5–21.5	1.2–11.7	212.5	7.8–15.5	1.2–9.9	234.4
Minova	8.8–10.5	1.2–7.7	–	7.8–14.4	1.1–8.2	–
Orica Monitor	8.0–9.8	2.0–2.6	110.1	n/a	n/a	116.4
Global Support	9.8	2.6	–	10.0	2.7	–
Total			1,189.2			1,050.3

Critical accounting judgements and estimates

IT 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 were no longer being utilised by the business.

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

SECTION D. MANAGING FINANCIAL RISKS

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

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

10. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's overall risk management program seeks to mitigate risks and reduce the volatility of Orica's financial performance. Financial risk management is carried out centrally by the Group's Treasury department under policies approved by the Board.

The Group's principal financial risks are associated with:

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

(a) Interest rate risk management

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

The Group is primarily exposed to interest rate risk on outstanding interest-bearing liabilities. Non-derivative interest-bearing assets are predominantly short-term liquid assets. Interest-bearing liabilities issued at fixed rates expose the Group to 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. Under the policy, up to 90% of debt with a maturity of less than one year can be fixed. This reduces on a sliding scale to year five where a maximum 50% of debt with a maturity of between five and ten years can be fixed. Beyond this, a maximum 25% of the debt with a maturity of between ten and twenty years can be fixed. The Group operated within this range during both the current year and the prior year. As at September 2019, the fixed rate borrowings after the impact of interest rate swaps and cross currency swaps were \$1,169 million (2018 \$1,204 million) and the borrowings designated in a fair value relationship were \$802 million (2018 \$743 million).

Interest rate sensitivity

Orica has exposure to interest rate movements in the underlying currencies it deals in. A 10% movement in interest rates without management intervention would have a \$5.3 million (2018 \$5.1 million) impact on profit before tax and a \$3.7 million (2018 \$3.6 million) impact on shareholders' equity.

(b) Foreign exchange risk management

i) Foreign exchange risk – transactional

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

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

As at reporting date, the carrying value of cross currency swaps entered into to hedge debt principal was \$149.2 million (2018 \$56.2 million), representing a fair value gain of \$93 million against prior year. Where the fair value of a derivative is positive it is reported in Other Assets, and where negative in Other Liabilities. Refer to the recognition and measurement section within this note for further information on how the Group applies hedge accounting to minimise income statement volatility.

Foreign currency transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

10. FINANCIAL RISK MANAGEMENT (continued)

In regard to foreign currency risk relating to sales and purchases, the Group hedges up to 100% of committed exposures. The Group hedges 100% of committed exposures utilising a declining percentage overtime 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.

Exchange rate sensitivity

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

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

2019	USD \$m	CAD \$m	NZD \$m	NOK \$m	SEK \$m	EUR \$m	GBP \$m
Cash and internal deposits ⁽¹⁾	1,468.8	1.1	–	–	135.1	965.7	366.5
Trade and other receivables	103.5	34.9	0.2	0.7	0.8	20.8	–
Trade and other payables	(105.1)	(30.6)	(1.5)	(0.4)	(8.7)	(56.9)	(3.8)
Interest bearing liabilities ⁽¹⁾	(2,658.4)	(209.6)	(25.0)	(28.2)	(43.8)	(1,199.6)	(157.7)
Net derivatives	1,565.0	93.4	10.4	(56.8)	12.0	67.6	40.4
Net exposure	373.8	(110.8)	(15.9)	(84.7)	95.4	(202.4)	245.4
Effect on profit/(loss) before tax							
If exchange rates were 10% lower	11.0	0.4	(0.2)	(0.4)	(0.9)	(3.7)	0.3
If exchange rates were 10% higher Increase/(decrease) in equity	(9.0)	(0.3)	0.2	0.3	0.8	3.0	(0.3)
If exchange rates were 10% lower	23.3	(8.7)	(1.3)	(6.6)	7.4	(16.2)	19.5
If exchange rates were 10% higher	(19.0)	7.1	1.0	5.4	(6.1)	13.2	(16.0)

2018	USD \$m	CAD \$m	NZD \$m	NOK \$m	SEK \$m	EUR \$m	GBP \$m
Cash and internal deposits ⁽¹⁾	2,010.4	38.7	–	–	138.8	1,015.6	361.5
Trade and other receivables	154.4	19.0	0.2	0.7	1.5	29.2	41.0
Trade and other payables	(184.9)	(41.4)	–	(0.2)	(22.0)	(49.0)	(3.6)
Interest bearing liabilities ⁽¹⁾	(2,602.3)	(244.2)	(23.1)	(31.9)	(29.1)	(1,232.6)	(155.2)
Net derivatives	1,386.3	68.7	7.5	(54.1)	4.6	47.6	44.8
Net exposure	763.9	(159.2)	(15.4)	(85.5)	93.8	(189.2)	288.5
Effect on profit/(loss) before tax							
If exchange rates were 10% lower	8.1	(3.0)	(0.1)	(0.1)	(2.3)	(1.7)	4.2
If exchange rates were 10% higher Increase/(decrease) in equity	(6.7)	2.4	0.0	0.0	1.8	1.4	(3.4)
If exchange rates were 10% lower	54.1	(12.4)	(1.3)	(6.7)	7.3	(14.7)	22.5
If exchange rates were 10% higher	(44.2)	10.1	1.0	5.4	(6.0)	12.0	(18.4)

(1) Includes internal deposits and interest bearing liabilities which comprise part of the Group's capital structure.

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

10. FINANCIAL RISK MANAGEMENT (continued)

ii) Foreign currency risk – translational

Foreign currency earnings translation risk arises primarily as a result of earnings generated by foreign operations with functional currencies of USD, CAD, MXN, PHP, COP and AED being translated into AUD. Derivative contracts to hedge earnings exposures do not qualify for hedge accounting under Australian Accounting Standards. However, Board approved policy allows hedging of this exposure in order to reduce the volatility of full year earnings resulting from changes in exchange rates.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates applying at the balance sheet date.

The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating the foreign exchange rates applying at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Net investment in foreign operations

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

Hedging of 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.

Net investment hedging is designated as hedging the exposure to movements in spot translation rates only; spot related gains or losses resulting from hedging activities are recorded in the foreign currency translation reserve within the equity section of the Balance Sheet to offset gains or losses resulting from the translation of the net assets of foreign operations.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate.

As at reporting date, 33.8% of the Group's net investment in foreign operations was hedged (2018 34.7%).

The table below shows the effect of net investment hedge accounting on financial position and year to date performance as at 30 September 2019.

	2019 \$m
Hedging instrument carrying value	(939.9)
Hedged item change in value used to calculate ineffectiveness	55.8
Hedge instrument change in value used to calculate ineffectiveness	(55.8)
Hedge ineffectiveness	–

(c) Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under a contract or arrangement. The Group is exposed to credit risk from trade and other receivables and financial instrument contracts that are outstanding at year end.

The creditworthiness of customers is reviewed prior to granting credit, using trade references and credit reference agencies. Credit limits are established and monitored for each customer, and these limits represent the highest level of exposure that a customer can reach. Trade credit insurance is purchased when required.

Orica's maximum exposure to trade and other receivables at 30 September 2019 is \$828.8 million (2018 \$830.8 million).

In regard to credit risk arising from derivatives and cash, this is the credit exposure to financial institutions that are counterparties to derivative contracts and cash deposits, with a positive fair value from Orica's perspective.

As at 30 September 2019, the sum of all derivative contracts with a positive fair value was \$171.4 million (2018 \$76.8 million). The Group does not hold any credit derivatives to offset its credit exposures.

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

10. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management

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

The Group manages this risk via:

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

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

	2019 \$m	2018 \$m
Unsecured bank overdraft facilities		
Unsecured bank overdraft facilities available	99.9	99.1
Amount of facilities undrawn	91.5	95.9
Committed standby and loan facilities		
Committed standby and loan facilities available	3,562.9	3,544.9
Amount of facilities unused	1,534.4	1,382.6

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 27 May 2020 to 25 October 2030 (2018 7 October 2018 to 25 October 2030).

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

	2019				2018			
	1 year or less \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m	1 year or less \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m
Consolidated								
Non-derivative financial assets								
Cash	412.6	–	–	–	514.6	–	–	–
Trade and other receivables	765.8	63.0	–	–	748.1	82.7	–	–
Derivative financial assets	1,892.9	535.5	189.7	408.5	1,775.0	57.7	659.0	397.3
Financial assets	3,071.3	598.5	189.7	408.5	3,037.7	140.4	659.0	397.3
Non-derivative financial liabilities								
Trade and other payables	1,275.8	7.1	–	–	1,198.9	6.1	–	–
Bank overdrafts	8.4	–	–	–	3.2	–	–	–
Bank loans	37.2	–	–	–	6.3	139.4	45.0	–
Export finance facility	17.6	–	–	–	17.5	16.6	–	–
Private Placement	90.9	575.3	809.5	939.7	228.7	85.6	1,263.4	925.0
Other loans	1.1	0.9	–	–	3.6	2.9	–	–
Lease liabilities	0.3	0.1	–	–	1.1	0.1	–	–
Derivative financial liabilities	1,889.1	430.9	161.7	354.6	1,787.6	61.6	595.3	383.7
Financial liabilities	3,320.4	1,014.3	971.2	1,294.3	3,246.9	312.3	1,903.7	1,308.7
Net outflow	(249.1)	(415.8)	(781.5)	(885.8)	(209.2)	(171.9)	(1,244.7)	(911.4)

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

10. FINANCIAL RISK MANAGEMENT (continued)

(e) Commodity risk management

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

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

	2019		2018	
	Effect on profit/(loss) before tax	Increase/(decrease) in equity	Effect on profit/(loss) before tax	Increase/(decrease) in equity
10% decrease in observable prices	–	(0.3)	–	(5.2)
10% increase in observable prices	–	0.3	–	5.2

Recognition and Measurement

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

Derivatives are carried at fair value and categorised as Level 2 under AASB 7 Financial Instruments: Disclosures. The inputs are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There has been no movement between levels since prior year.

Valuation techniques include, where applicable, reference to prices quoted in active markets, discounted cash flow analysis, fair value of recent arm's length transactions involving the same instruments or other instruments that are substantially the same, and option pricing models. Changes in default probabilities are included in the valuation of derivatives using credit and debit valuation adjustments.

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

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

Offsetting financial assets and liabilities

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

Hedge accounting

The Group uses 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. Hedge accounting allows the profit or loss impact from hedging instruments to be recognised in the same reporting period as the impact from the underlying hedged exposure, which minimises income statement volatility.

The Group adopted AASB 9 with effect from 1 October 2018. All hedge relationships existing at transition continued to qualify as hedge relationships under AASB 9.

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 differences in repricing dates and change in the timing of the hedge transaction. 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 cashflow 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.

NOTES TO THE FINANCIAL STATEMENTS – SECTION D. MANAGING FINANCIAL RISKS

For the year ended 30 September

10. FINANCIAL RISK MANAGEMENT (continued)

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

	Fair value hedges	Cash flow hedges	Net investment hedges
What the financial instrument is designated to hedge?	To mitigate the risk of changes in the fair value of its foreign currency borrowings from foreign currency and interest rate fluctuations.	As a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction.	As a hedge of risk of changes in foreign currency when net assets of a foreign operation are translated from their functional currency to Australian dollars.
Where are gains or losses on fair value movements of the financial instrument recorded?	Recognised in the Income Statement, together with gains or losses in relation to the hedged item.	The effective portion is recognised in other comprehensive income. The ineffective portion is recognised immediately in the Income Statement.	The effective portion is recognised in the foreign currency translation reserve in equity. The ineffective portion is recognised immediately in the Income Statement.
Discontinuation of hedge accounting	The cumulative gain or loss that has been recorded to the carrying value of the hedged item is amortised to the Income Statement using the effective interest method.	When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity.	Amounts remain deferred in the currency translation reserve and are subsequently recognised in the income statement in the event of disposal of the foreign operation.

For a cash flow hedge arrangement that has a forecasted transaction that is being hedged, when the transaction occurs, the cumulative gain or loss is removed from equity and:

- included in the initial cost or other carrying amount of the non-financial asset or liability when the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability;
- reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Income Statement, where a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability; and
- recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects the Income Statement, when the transaction is not covered by the above two statements.

Derivatives not in a designated hedge arrangement

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

NOTES TO THE FINANCIAL STATEMENTS – SECTION E. TAXATION

For the year ended 30 September

SECTION E. TAXATION

This section outlines the taxes paid by Orica and the impact tax has on the financial statements.

Orica has operations in more than 50 countries, with customers in more than 100 countries. In 2019, Orica paid \$167.4 million (2018 \$125.6 million) globally in corporate taxes and payroll taxes. Orica collected and remitted \$109.1 million (2018 \$124.4 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	
	2019 \$m	2018 \$m
Current tax expense		
Current year	98.4	99.8
Deferred tax	0.5	6.3
Write down of US deferred tax assets	–	47.9
Under provided in prior years	9.7	2.0
Total income tax expense in Income Statement	108.6	156.0

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

Income tax expense attributable to profit before individually significant items

Profit from operations before individually significant items	555.0	496.8
Prima facie income tax expense calculated at 30% on profit	166.5	149.0
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	(23.4)	(16.3)
tax under provided in prior years	9.7	2.0
de-recognition of booked tax losses	–	3.5
non taxable gains on disposal of assets	–	(3.2)
other foreign deductions	–	(3.7)
non creditable withholding taxes	10.2	11.2
non allowable interest deductions	14.6	11.3
non allowable share based payments	3.7	4.4
utilisation of unbooked prior year tax losses	(10.5)	(8.0)
other	6.9	7.8
Income tax expense attributable to profit before individually significant items	177.7	158.0

Income tax expense attributable to individually significant items

Loss from individually significant items	(195.9)	(375.3)
Prima facie income tax expense calculated at 30% on individually significant items	(58.8)	(112.6)
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	0.3	2.1
non taxable gain on formation of China joint venture	(10.6)	–
impairment of Minova business	–	60.6
write down of US deferred tax assets	–	47.9
Income tax expense attributable to loss on individually significant items	(69.1)	(2.0)
Income tax expense reported in the Income Statement	108.6	156.0

NOTES TO THE FINANCIAL STATEMENTS – SECTION E. TAXATION

For the year ended 30 September

11. TAXATION (continued)

(c) Income tax recognised in Comprehensive Income

	Consolidated					
	2019	2019	2019	2018	2018	2018
	\$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	(55.8)	16.7	(39.1)	(81.6)	24.5	(57.1)
Cash flow hedges						
– Effective portion of changes in fair value	(14.6)	4.4	(10.2)	12.0	(3.6)	8.4
– Transferred to Income Statement	27.2	(8.2)	19.0	22.7	(6.8)	15.9
Exchange gains on translation of foreign operations	107.0	4.9	111.9	209.3	(1.1)	208.2
Actuarial benefits on defined benefit plans	(96.7)	27.0	(69.7)	2.3	(0.3)	2.0
	(32.9)	44.8	11.9	164.7	12.7	177.4

(d) Recognised deferred tax assets and liabilities

Consolidated	Balance Sheet		Income Statement	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Deferred tax assets				
Trade and other receivables	16.5	17.2	4.1	(1.8)
Inventories	18.8	15.2	(3.6)	(1.4)
Property, plant and equipment	60.5	40.4	(19.5)	16.6
Intangible assets	1.5	1.9	0.4	(0.6)
Trade and other payables	41.4	41.2	(0.2)	1.1
Interest bearing liabilities	39.1	47.6	26.2	47.5
Provision for employee entitlements	28.4	25.3	(3.1)	0.2
Provision for retirement benefit obligations	65.1	39.1	1.1	1.8
Provisions for environmental and decommissioning	88.9	88.6	(0.3)	(33.3)
Provisions for other	23.7	0.8	(22.9)	–
Tax losses	92.8	118.8	26.0	11.1
Other items	5.0	4.3	(0.7)	(3.5)
Deferred tax assets	481.7	440.4		
Less set-off against deferred tax liabilities	(164.5)	(171.7)		
Net deferred tax assets	317.2	268.7		
Deferred tax liabilities				
Inventories	6.3	8.3	(2.0)	1.0
Property, plant and equipment	198.7	206.8	(8.1)	(12.3)
Intangible assets	18.3	13.4	11.4	(2.7)
Undistributed profits of foreign subsidiaries	–	–	–	(18.6)
Other items	9.6	17.9	(8.3)	1.2
Deferred tax liabilities	232.9	246.4		
Less set-off against deferred tax assets	(164.5)	(171.7)		
Net deferred tax liabilities	68.4	74.7		
Deferred tax expense			0.5	6.3

NOTES TO THE FINANCIAL STATEMENTS – SECTION E. TAXATION

For the year ended 30 September

11. TAXATION (continued)

	Consolidated	
	2019 \$m	2018 \$m
Tax losses not booked	34.9	35.4
Capital losses not booked	84.8	87.8
Temporary differences not booked	168.8	220.2

Tax losses not booked do not expire.

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 \$38 million for the 1997 financial year relating to an alleged understatement of income based on an audit of production records. Orica believes the auditor has misread those production records. ICI plc, the vendor of the business to Orica, has been notified to preserve Orica's rights under the tax indemnity obtained upon acquisition of the business which provides indemnity for amounts exceeding certain limits. The BTA has been granted a bank guarantee of up to approximately \$38 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. Based on advice, Orica believes that the assessment is not in accordance with the tax law and intends to strongly defend the matter.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

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 loses 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 24 for the list of investments in controlled entities.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND JOINT OPERATIONS

(a) Investments accounted for using the equity method

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

Name	Principal activity	Balance date	Ownership		Consolidated Carrying amount	
			2019 %	2018 %	2019 \$m	2018 \$m
DataCloud International Inc. ⁽¹⁾	Software development and technology	31-Dec	12.6	11.4	14.0	9.2
Nelson Brothers, LLC ⁽¹⁾	Manufacture and sale of explosives	30-Sep	50.0	50.0	40.8	39.8
Nelson Brothers Mining Services LLC ⁽¹⁾	Sale of explosives	30-Sep	50.0	50.0	37.1	34.2
Orica Mining Services Pilbara Pty Ltd ⁽²⁾	Sale of explosives	30-Sep	50.0	50.0	6.9	6.4
Poly Orica Management Co., Ltd ⁽³⁾	Manufacture and sale of explosives	31-Dec	49.0	–	66.6	–
Southwest Energy LLC ⁽¹⁾	Sale of explosives	30-Sep	50.0	50.0	120.5	112.8
Other	Various				15.4	10.9
					301.3	213.3

(1) Entities are incorporated in USA.

(2) Entity is incorporated in Australia.

(3) Entity is incorporated in China. On 25 June 2019 Orica contributed its share of its China subsidiaries in return for a 49% stake of the newly formed Joint Venture, Poly Orica Management Co., Ltd (Poly Orica) with Guizhou Jiulian Industrial Explosives (Jiulian). As a result of the transaction, Orica relinquished control of the businesses contributed to the joint venture; this represented a disposal which triggered a gain to the Income Statement of \$45.7 million as disclosed in note 1(e). As Orica have joint control of Poly Orica, the newly formed joint venture is accounted for as an equity accounted investee with a carrying value of \$65.4 million at the date of establishment.

Summary of profit and loss of equity accounted investees:

	2019 \$m	2018 \$m
The aggregate net profit after tax of equity accounted investees on a 100% basis is:	63.8	49.6
Orica's share of net profit after tax of equity accounted investees is:	31.9	24.7

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

13. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD AND JOINT OPERATIONS (continued)

(b) Joint operations

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

(c) Transactions with equity accounted investees

Transactions during the year with equity accounted investees were:

	2019 \$000	2018 \$000
Sales of goods to equity accounted investees	439,467	320,572
Purchases of goods from equity accounted investees	109,950	87,468
Dividend income received from equity accounted investees	27,185	24,875

(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 – 2019

The Group has not acquired 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 can be 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 during the year.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

14. BUSINESSES AND NON-CONTROLLING INTERESTS ACQUIRED (continued)

Consolidated – 2018

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

- Yara Pilbara Nitrates Pty Ltd, on 18 December 2017, Orica acquired an additional 5% shareholding; and
- GP Holdco Pty Ltd and its Companies (GroundProbe Group) on 15 January 2018.

2018	Yara Pilbara Nitrates Pty Ltd \$m	GroundProbe Group \$m	Total \$m
Consideration			
cash paid	42.6	210.6	253.2
net cash acquired	(1.9)	(2.7)	(4.6)
Outflow of cash	40.7	207.9	248.6
deferred settlement	0.8	–	0.8
Total consideration	41.5	207.9	249.4
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	1.5	19.7	21.2
inventories	0.3	7.5	7.8
property, plant and equipment	46.0	8.6	54.6
intangibles	0.1	66.3	66.4
other assets	0.6	3.8	4.4
payables and interest bearing liabilities	(1.5)	(4.5)	(6.0)
provision for employee entitlements	–	(2.3)	(2.3)
provision for decommissioning	(2.1)	–	(2.1)
other provisions	(3.4)	(7.6)	(11.0)
Goodwill on acquisition	–	116.4	116.4

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

Goodwill on the purchase of the GroundProbe Group is attributable mainly to the skills and technical talent of the acquired business' work forces and the synergies expected to be achieved from integrating this business. None of the goodwill recognised is expected to be deductible for income tax purposes.

During FY2018, the Group increased its interest in individually immaterial subsidiaries, paying \$1.6 million.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

15. BUSINESSES DISPOSED

Disposal of businesses/controlled entities

The following businesses and controlled entities were disposed of:

2019

On 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, as disclosed in note 13.

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.

2018

No businesses or entities were disposed by the Group in the period.

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

16. PARENT COMPANY DISCLOSURE – ORICA LIMITED

	Company	
	2019 \$m	2018 \$m
Total current assets	1,088.6	999.8
Total assets	2,653.3	2,564.6
Total current liabilities	170.3	129.1
Total liabilities	522.2	284.8
Equity		
Ordinary shares	2,138.0	2,110.1
Retained earnings	(6.9)	169.7
Total equity attributable to ordinary shareholders of Orica Limited	2,131.1	2,279.8
Net profit and total comprehensive income for the year	26.2	30.4

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

Subsequent to year end, Orica Limited received \$250 million in dividends from its subsidiaries.

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

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

NOTES TO THE FINANCIAL STATEMENTS – SECTION F. GROUP STRUCTURE

For the year ended 30 September

17. DEED OF CROSS GUARANTEE (continued)

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 is shown below:

	2019 \$m	2018 \$m
Summarised Balance Sheet		
Current assets		
Trade and other receivables	260.4	228.5
Inventories	142.2	189.8
Other assets ⁽¹⁾	11.9	60.6
Total current assets	414.5	478.9
Non-current assets		
Trade and other receivables	2.6	5.1
Investments accounted for using the equity method	20.9	16.0
Other financial assets	11,212.7	10,703.2
Property, plant and equipment	1,251.2	1,224.8
Intangible assets	442.3	400.0
Deferred tax assets	263.4	243.0
Total non-current assets	13,193.1	12,592.1
Total assets	13,607.6	13,071.0
Current liabilities		
Trade and other payables	548.7	544.2
Interest bearing liabilities	–	0.9
Current tax liabilities	11.4	–
Provisions	139.8	139.9
Total current liabilities	699.9	685.0
Non-current liabilities		
Trade and other payables	0.2	0.3
Interest bearing liabilities	5,698.6	5,198.9
Deferred tax liabilities	259.3	238.6
Provisions	322.7	266.0
Total non-current liabilities	6,280.8	5,703.8
Total liabilities	6,980.7	6,388.8
Net assets	6,626.9	6,682.2
Equity		
Ordinary shares	2,138.0	2,110.1
Reserves	4,277.1	4,188.2
Retained profits	211.8	383.9
Total equity	6,626.9	6,682.2
Summarised Income Statement and retained profits		
Profit before income tax expense	104.8	249.5
Income tax expense	(39.6)	(27.7)
Profit from operations	65.2	221.8
Retained profits at the beginning of the year	383.9	451.2
Retained losses of companies entering the Deed	–	(103.2)
Actuarial losses recognised directly in equity	(34.3)	(4.7)
Ordinary dividends – interim	(83.5)	(75.6)
Ordinary dividends – final	(119.5)	(105.6)
Retained profits at the end of the year	211.8	383.9

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

NOTES TO THE FINANCIAL STATEMENTS – SECTION G. REWARD AND RECOGNITION

For the year ended 30 September

SECTION G. REWARD AND RECOGNITION

Orica operates in more than 50 countries and has more than 11,500 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 2018 and 30 September 2019:

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	
	2019 \$'000	2018 \$'000
Short term employee benefits	14,532.8	12,724.3
Other long term benefits	220.5	15.9
Post employment benefits	301.8	274.6
Share based payments	5,148.1	4,893.3
Termination benefits	–	552.6
	20,203.2	18,460.7

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. SUPERANNUATION COMMITMENTS

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 2019 was \$29.4 million (2018 \$32.6 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 \$26.3 million (2018 \$27.5 million) to defined benefit plans. The Group's external actuaries have forecast total employer contributions and benefit payments to defined benefit plans of \$29.3 million for 2020.

NOTES TO THE FINANCIAL STATEMENTS – SECTION G. REWARD AND RECOGNITION

For the year ended 30 September

19. SUPERANNUATION COMMITMENTS (continued)

(b) (i) Balance Sheet amounts

The amounts recognised in the Balance Sheet are determined as follows:

	2019 \$m	2018 \$m
Present value of the funded defined benefit obligations	754.0	621.2
Present value of unfunded defined benefit obligations	140.6	121.8
Fair value of defined benefit plan assets	(587.2)	(528.2)
Deficit	307.4	214.8
Restriction on assets recognised	0.1	0.1
Net liability in the Balance Sheet	307.5	214.9
Amounts in the Balance Sheet:		
Liabilities	307.9	215.3
Assets	(0.4)	(0.4)
Net liability recognised in Balance Sheet at end of year	307.5	214.9

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

The amounts recognised in the Income Statement are as follows:

	2019 \$m	2018 \$m
Current service cost	14.8	13.8
Interest cost on net defined benefit liabilities	6.2	6.1
Curtailment or settlement (gains)	–	(0.2)
Total included in employee benefits expense	21.0	19.7

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

	2019 \$m	2018 \$m
Actuarial gains/(losses) on defined benefit obligations:		
Due to changes in demographic assumptions	8.3	(6.0)
Due to changes in financial assumptions	(129.0)	2.0
Due to experience adjustments	(9.2)	(5.3)
Total	(129.9)	(9.3)
Return on plan assets greater than discount rate	33.2	11.6
Total (losses)/gains recognised via the Statement of Comprehensive Income	(96.7)	2.3
Tax expense on total gains recognised via the Statement of Comprehensive Income	27.0	(0.3)
Total (losses)/gains after tax recognised via the Statement of Comprehensive Income	(69.7)	2.0

NOTES TO THE FINANCIAL STATEMENTS – SECTION G. REWARD AND RECOGNITION

For the year ended 30 September

19. SUPERANNUATION COMMITMENTS (continued)

(b) (iv) Reconciliations

	2019 \$m	2018 \$m
Reconciliation of present value of the defined benefit obligations:		
Balance at the beginning of the year	743.0	719.9
Current service cost	14.8	13.8
Interest cost	26.4	25.1
Actuarial losses	129.9	9.3
Contributions by plan participants	1.1	1.3
Benefits paid	(34.2)	(47.1)
Settlements/curtailments	–	(0.2)
Exchange differences on foreign funds	13.6	20.9
Balance at the end of the year	894.6	743.0

	2019 \$m	2018 \$m
Reconciliation of the fair value of the plan assets:		
Balance at the beginning of the year	528.2	501.9
Interest income on plan assets	20.2	19.0
Return on plan assets greater than discount rate	33.2	11.6
Contributions by plan participants	1.1	1.3
Contributions by employer	26.3	27.5
Benefits paid	(34.1)	(47.1)
Settlements/curtailments	–	–
Other	(0.2)	(0.1)
Exchange differences on foreign funds	12.5	14.1
Balance at the end of the year	587.2	528.2

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.

	2019 \$m	2018 \$m
Comprising:		
Quoted in active markets:		
Equities	212.2	192.2
Debt securities	236.3	211.7
Property	15.2	8.3
Other quoted securities	71.1	63.3
Other:		
Property	22.4	25.2
Insurance contracts	4.9	5.2
Cash and cash equivalents	25.1	22.3
	587.2	528.2

NOTES TO THE FINANCIAL STATEMENTS – SECTION G. REWARD AND RECOGNITION

For the year ended 30 September

19. SUPERANNUATION COMMITMENTS (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, pension payments 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.

	Weighted average of assumptions used p.a.		Change in assumptions	
	2019	2018	+1% p.a. \$m	-1% p.a. \$m
Rate of increase in pensionable remuneration	3.22%	3.23%	25.3	(21.5)
Rate of increase in pension payments	2.51%	2.40%	28.5	(23.6)
Discount rate for pension plans	2.53%	3.70%	(109.2)	135.4

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.

The expected age at death for persons aged 65 is 87 years for men and 89.5 years for women at 30 September 2019. A change of one year in the expected age of death would result in an \$22.6 million movement in the defined benefit obligation at 30 September 2019.

Critical accounting judgements and estimates

The superannuation costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of judgement in relation to assumptions for future salary and superannuation increases, long term price inflation and bond rates. While management believes the assumptions used are appropriate, a change in the assumptions used may impact the earnings and equity of the Group.

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

SECTION H. OTHER

This section includes additional financial information that is required by Australian Accounting Standards and management considers to be relevant information for shareholders.

20. COMMITMENTS

Capital expenditure commitments

Capital expenditure on property, plant and equipment and business acquisitions contracted but not provided for and payable no later than one year was \$92.3 million (2018 \$78.4 million) and later than one but less than five years was nil (2018 nil).

	Consolidated	
	2019 \$m	2018 \$m
Lease commitments		
Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:		
no later than one year	76.2	79.1
later than one, no later than five years	116.1	112.5
later than five years	57.6	40.3
	249.9	231.9
Representing:		
cancellable operating leases	52.9	38.0
non-cancellable operating leases	197.0	193.9
	249.9	231.9
Non-cancellable operating lease commitments payable:		
no later than one year	53.8	62.6
later than one, no later than five years	97.6	92.8
later than five years	45.6	38.5
	197.0	193.9

21. 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.

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

21. CONTINGENT LIABILITIES (continued)

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 difficult and complex legal issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each Proceeding is brought and differences in applicable law. 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.

22. AUDITOR'S REMUNERATION

	Consolidated	
	2019 \$'000	2018 \$'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	3,557	4,080
Auditor of the Company – overseas KPMG firms		
– Audit and review of financial reports ⁽¹⁾	1,816	1,791
	5,373	5,871
Other services		
Auditor of the Company – KPMG Australia		
– other services	162	80
	162	80
	5,535	5,951

(1) Fees paid or payable for overseas subsidiaries' local statutory requirements.

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

23. EVENTS SUBSEQUENT TO BALANCE DATE

Dividends

On 31 October 2019, the Directors declared a final dividend of 33.0 cents per ordinary share payable on 13 December 2019. The financial effect of this dividend is not included in the financial statements for the year ended 30 September 2019 and will be recognised in the FY2020 financial statements.

The Directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2019, 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.

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

24. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities held during 2018 and 2019 (non controlling direct 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 ^{(b)(h)}	
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
Anjie Co Ltd ^(a)	China
Arboleda S.A	Panama
ASA Organizacion Industrial S.A. de C.V.	Mexico
Australian Fertilizers Pty Ltd ^{(b)(h)}	
Barbara Limited	UK
Beijing Ruichy Minova Synthetic Material Company Limited	China
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 ^{(b)(h)}	
Emirates Explosives LLC – 35%	United Arab Emirates
Explosivos de Mexico S.A. de C.V.	Mexico
Explosivos Mexicanos S.A. de C.V.	Mexico
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	
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

Name of Entity	Place of incorporation if other than Australia
GroundProbe Pty Ltd	
GroundProbe South Africa Pty Ltd	South Africa
GroundProbe South America SA	Chile
GroundProbe Technologies Pty Ltd ^(b)	
GroundProbe (Nanjing) Mining Technology Co. Ltd	China
Hallowell Manufacturing LLC	USA
Hunan Orica Nanling Civil Explosives Co., Ltd ^(e)	China
Indian Explosives Private Limited	India
Initiating Explosives Systems Pty Ltd	
Jiangsu Orica Banqiao Mining Machinery Company Limited ^(e)	China
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
Minova AG	Switzerland
Minova Arnall Sp. z o.o.	Poland
Minova Asia Pacific Ltd	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

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

24. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Name of Entity	Place of incorporation if other than Australia
Mintun 1 Limited	UK
Mintun 2 Limited	UK
Mintun 3 Limited	UK
Mintun 4 Limited	UK
Orica Africa Holdings Limited (formerly MMTT 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
Northwest Energetic Services LLC – 48.67% ^(g)	USA
Nutnim 1 Limited	UK
Nutnim 2 Limited	UK
OOO Minova	Russia
OOO Minova Ukraina – 10% ^(g)	Ukraine
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 ^(f)	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 Denmark A/S	Denmark

Name of Entity	Place of incorporation if other than Australia
Orica Dominicana S.A.	Dominican Republic
Orica DRC SARL	Democratic Republic of Congo
Orica Eesti OU – 35%	Estonia
Orica Europe FT Pty Ltd ^(b)	
Orica Europe Investments Pty Ltd ^{(b)(h)}	
Orica Europe Management GmbH ^(d)	Germany
Orica Europe GmbH & Co KG (formerly Orica Europe Pty Ltd & Co KG)	Germany
Orica Explosives Holdings Pty Ltd	
Orica Explosives Holdings No 2 Pty Ltd	
Orica Explosives Holdings No 3 Pty Ltd ^(b)	
Orica Explosives Research Pty Ltd ^(b)	
Orica Explosives Technology Pty Ltd	
Orica Explosivos Industriales, S.A.	Spain
Orica Finance Limited	
Orica Finance Trust ^(b)	
Orica Finland OY	Finland
Orica GEESP Pty Ltd ^(b)	
Orica Ghana Limited	Ghana
Orica Grace US Holdings Inc.	USA
Orica Holdings Pty Ltd ^(b)	
Orica Ibéria, S.A.	Portugal
Orica IC Assets Holdings Limited Partnership ^(b)	
Orica IC Assets Pty Ltd	
Orica IC Investments Pty Ltd ^{(b)(h)}	
Orica International IP Holdings Inc.	USA
Orica International Pte Ltd	Singapore
Orica Investments (Indonesia) Pty Limited ^(b)	
Orica Investments (NZ) Limited	NZ
Orica Investments (Thailand) Pty Limited ^(b)	
Orica Investments Pty Ltd	
Orica Japan Co. Ltd	Japan
Orica Kazakhstan Joint Stock Company	Kazakhstan
Orica Logistics Canada Inc.	Canada
Orica Long Term Equity Incentive Plan Trust ^(b)	

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

24. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Name of Entity	Place of incorporation if other than Australia
Orica Mali SARL ^(f)	Republic of Mali
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. ^(c)	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 Superfunds Securities Limited	NZ
Orica Nitrates Philippines Inc – 4%	Philippines
Orica Nitratos Peru S.A.	Peru
Orica Nitro Patlayici Maddeler Sanayive	Turkey
Ticaret Anonim Sirketi – 49%	
Orica Nitrogen LLC	USA
Orica Nominees Pty Ltd ^(b)	
Orica Norway AS	Norway
Orica Panama S.A. ^(c)	Panama
Orica Philippines Inc – 5.48%	Philippines
Orica Portugal, S.G.P.S., S.A.	Portugal
Orica Qatar LLC ^(a)	Qatar
Orica Securities (UK) Limited	UK
Orica South Africa (Pty) Ltd	South Africa
Orica Share Plan Pty Limited ^(b)	
Orica Senegal SARL	Senegal
Orica Singapore Pte Ltd	Singapore
Orica St. Petersburg LLC	Russia
Orica Sweden AB	Sweden
Orica Sweden Holdings AB	Sweden
Orica Tanzania Limited	Tanzania
Orica UK Limited	UK

Name of Entity	Place of incorporation if other than Australia
Orica US Finance LLC	USA
Orica US Holdings General Partnership	USA
Orica USA Inc.	USA
Orica U.S. Services Inc.	USA
Orica Venezuela C.A. – 49%	Venezuela
Orica (Weihai) Explosives Co Ltd ^(e)	China
Orica Zambia Limited	Zambia
OriCare Canada Inc.	Canada
Oricorp Comercial S.A. de C.V.	Mexico
Oricorp Mexico S.A. de C.V.	Mexico
Penlon Proprietary Limited ^(b)	
Project Grace	UK
Project Grace Holdings	UK
Project Grace Incorporated	USA
PT GroundProbe Indonesia	Indonesia
PT Kalimantan Mining Services	Indonesia
PT Kaltim Nitrate Indonesia – 10%	Indonesia
PT Orica Mining Services	Indonesia
Retec Pty Ltd ^{(b)(h)}	
Rui Jade International Limited	Hong Kong
Sprengstoff-Verwertungs GmbH ^(d)	Germany
Transmate S.A. ^(d)	Belgium
White Lightning Holdings, Inc	Philippines

(a) Liquidated in 2019.

(b) No separate statutory accounts are required to be prepared.

(c) Non-controlling interest acquired in 2019.

(d) Merged during 2019.

(e) Entities disposed of in 2019 as part of the China joint venture. Refer to Note 13.

(f) Incorporated in 2019.

(g) Divested in 2019.

(h) In liquidation.

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

25. NEW ACCOUNTING POLICIES AND ACCOUNTING STANDARDS

Changes in accounting policies

Except as described below, the accounting policies applied by the Group in its financial statements are the same as those applied by the Group in its consolidated financial report for the year ended 30 September 2018.

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 2018. 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 2018 the Group adopted the following new accounting standards.

AASB 15 Revenue from Contracts with Customers

The Group adopted AASB 15 as of 1 October 2018 using the full retrospective approach. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The adoption of AASB 15 did not have a material impact on the amount or timing of revenue recognised. The Group's new revenue accounting policy is detailed in note 1.

AASB 9 Financial Instruments

The Group adopted AASB 9 as of 1 October 2018. AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impairment – Financial assets and contract assets

AASB 9 introduces an expected credit loss model for impairment of financial assets whereby losses are recognised as they are expected and not only when they are incurred. As reported in the 2018 Annual Report the Group conducted an assessment of AASB 9's impairment recognition requirements to financial assets, including both quantitative information from historic credit losses as well as qualitative information on different customer/debtor profiles and segments. The revised methodology for the calculation of impairment of trade and other receivables resulted in allowances for doubtful debts increasing by \$14.6 million, resulting in an increase in deferred tax assets of \$3.6 million and a decrease in opening retained earnings of \$11.0 million as at 1 October 2018.

Hedge accounting

As a result of the implementation of AASB 9 the Group has ensured that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and have applied a qualitative and forward-looking approach to assessing hedge effectiveness. The Group currently applies hedge accounting for all three hedge types: cash flow hedges, fair value hedges and hedges of net investments in foreign operations. Existing hedge relationships have continued to qualify as continuing hedge relationships following adoption of the new standard. There was no material impact to the Group's financial statements arising from the changes to hedge accounting.

A number of other new standards are effective from 1 October 2018, but they do not have a material impact on the Group's Annual Report.

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

The following new accounting standards and interpretations have been issued or amended but are not yet effective.

AASB 16 Leases

AASB 16 is applicable for annual reporting periods commencing on or after 1 January 2019. It will be effective for the Group from 1 October 2019. The Group has chosen not to adopt AASB 16 early. AASB 16 introduces a single, on balance sheet lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right of use asset representing the right to use the underlying leased asset and a lease liability presenting its obligation to make lease payments. In addition, the nature of expenses related to those leases will change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The Group will apply the modified retrospective approach on transition, whereby prior period comparative financial statements are not restated. Instead, the cumulative effect of initially applying AASB 16 will be adjusted to retained earnings on the initial date of application. AASB 16 will have a material impact on the Group's financial statements. The impact on the balance sheet upon transition to AASB 16 is an estimated increase in lease liabilities of \$254.4 million and right of use assets of \$250.5 million, recognising the difference in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS – SECTION H. OTHER

For the year ended 30 September

25. NEW ACCOUNTING POLICIES AND ACCOUNTING STANDARDS (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

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 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 will adopt the interpretation from 1 October 2019. Management has determined that there will be an opening retained earnings adjustment of \$10.2 million required on transition for the increase to the provision for uncertain tax positions.

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 53 to 100, and the Remuneration Report in the Directors' Report, set out on pages 31 to 51, 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 2019 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 2019.

The Directors draw attention to "About this report" on page 58 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.



M W Broomhead
Chairman

Dated at Melbourne 31 October 2019



A Calderon
Managing Director and Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT



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 2019 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 2019
- 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* (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:

- Carrying value of property, plant and equipment ("PPE") associated with the Technical Ammonium Nitrate plant on the Burrup Peninsula ("Burrup plant")
- 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.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDITOR'S REPORT



Carrying value of property, plant and equipment ("PPE") associated with the Technical Ammonium Nitrate plant on the Burrup Peninsula ("Burrup plant") (\$608.3M)

Refer to Note 7 to the Financial Report

The key audit matter	How the matter was addressed in our audit
A key audit matter was the Group's carrying value assessment of PPE associated with the Burrup plant. As described in Note 7 to the financial statements, the Group identified a number of Burrup plant assets considered to be defective and which required replacement ("defective equipment"). Accordingly, the Group has recognised a write down charge of \$155.0 million during the financial year based on the estimated cost to replace the defective equipment. The Group's carrying value assessment of PPE associated with the Burrup plant is a key audit matter due to: • The size of the carrying value of the plant. • The significant judgement we applied in assessing the Group's quantification of the \$155.0 million write down of defective equipment and therefore the carrying value of the Burrup plant at year end. We focused on the significant assumptions the Group applied in their assessment including: • The appropriateness of the approach used by the Group to determine the write down required to the defective equipment. • Costs to replace the defective equipment such as labour, contractors and materials. These are complex for the Group to estimate given the scale and nature of the project. The Group engaged external engineering experts to supplement its internal experts in assessing the cost estimate. • The timing and extent of the rectification works needed in line with the Group's strategy.	Our procedures included: • We considered the appropriateness of the approach applied by the Group to determine the write down required to the defective equipment, with reference to the requirements of the accounting standards. • We tested key controls in the Group's process for estimating the cost to replace the defective equipment, including Steering Committee and Board review and approval of management's estimates. • We assessed the scope, competence and objectivity of the Group's internal and external engineering experts to assist in quantifying the cost to replace the defective equipment. • We tested the accuracy of the cost to replace the defective equipment determined by the Group on a sample basis by checking costs to underlying quotations from suppliers and for consistency to the reports issued by the Group's external engineering experts. • We checked consistency of the Group's internal and external engineering expert's cost estimates to replace the defective equipment to the Group's model used to calculate the write down of the defective equipment. • We challenged the Group's significant assumptions in estimating the cost to replace the defective equipment, including the timing and extent of rectification works needed, by considering the Group's strategy and plans for the Burrup plant and performing inquiries of the members of management with responsibility for the project to replace the defective equipment. • We tested the mathematical accuracy of the Group's model to calculate the write down of the defective equipment. • We assessed the disclosures in the financial report using our understanding of the matter obtained from our testing against the requirements of the accounting standards.



Environmental and decommissioning provisions and contingent liability disclosures (\$317.1M)	
Refer to Note 6 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
The estimation of environmental remediation and decommissioning provisions is considered a key audit matter. This is 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. 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 the regulator. • 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.	Our procedures included: • Testing 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. • Testing 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 conducted a sample of site visits and 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 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 the determination of strategies to remediate contamination and the costing of remediation activities. • We checked consistency of the Group's internal and external expert's 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. This includes external sales to customers in over one hundred countries. 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 used significant judgment, including involvement of our tax specialists, 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, and 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 for compliance with 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
- 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.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 2019, 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 2019.

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

A stylized, handwritten-style signature of the KPMG firm, appearing as 'KPMG' in a cursive font.

A handwritten signature in black ink, appearing to read 'Penny Stragalinos'.

KPMG

Penny Stragalinos
Partner
Melbourne
31 October 2019

FIVE YEAR FINANCIAL STATISTICS

For the year ended 30 September

Orica consolidated (\$m)	2019	2018	2017	2016	2015
Profit & Loss					
Sales	5,878.0	5,373.8	5,039.2	5,091.9	6,123.2
Earnings before depreciation, amortisation, net borrowing costs and tax	941.1	885.0	896.3	908.1	995.1
Depreciation and amortisation (excluding goodwill)	(276.4)	(266.9)	(261.2)	(265.9)	(305.7)
Earnings before net borrowing costs and tax (EBIT) before individually significant items	664.7	618.1	635.1	642.2	689.4
Net borrowing costs	(109.7)	(121.3)	(71.7)	(84.3)	(82.1)
Individually significant items before tax	(195.9)	(375.3)	–	(4.6)	(1,884.4)
Taxation expense	(108.6)	(156.0)	(164.0)	(198.4)	(119.3)
Non-controlling interests	(5.4)	(13.6)	(13.2)	(12.1)	(129.0)
Profit/(loss) after tax and individually significant items	245.1	(48.1)	386.2	342.8	(1,525.4)
Individually significant items after tax attributable to members of Orica Limited	(126.8)	(372.3)	–	(46.3)	(1,691.6)
Profit after tax before individually significant items net of tax	371.9	324.2	386.2	389.1	424.2
Dividends/distributions	203.0	181.2	197.1	283.5	356.1
Financial Position					
Current assets	1,835.8	1,960.3	1,784.8	1,577.9	1,895.1
Property, plant and equipment	2,899.6	2,866.2	2,741.5	2,725.3	2,917.9
Equity accounted investees	301.3	213.3	184.6	188.1	203.5
Intangibles	1,689.6	1,697.9	1,577.1	1,558.8	1,633.2
Other non-current assets	567.7	426.7	497.2	545.7	671.6
Total assets	7,294.0	7,164.4	6,785.2	6,595.8	7,321.3
Current borrowings and payables	1,336.7	1,357.2	1,084.1	1,382.9	1,285.2
Current provisions	297.9	254.2	213.2	207.9	244.1
Non-current borrowings and payables	1,979.4	2,010.7	1,937.4	1,562.9	2,150.7
Non-current provisions	654.6	574.3	587.0	658.9	654.1
Total liabilities	4,268.6	4,196.4	3,821.7	3,812.6	4,334.1
Net assets	3,025.4	2,968.0	2,963.5	2,783.2	2,987.2
Equity attributable to ordinary shareholders of Orica Limited	2,968.2	2,903.2	2,962.3	2,782.5	2,984.6
Equity attributable to non-controlling interests	57.2	64.8	1.2	0.7	2.6
Total shareholders' equity	3,025.4	2,968.0	2,963.5	2,783.2	2,987.2

FIVE YEAR FINANCIAL STATISTICS

For the year ended 30 September

Orica consolidated	2019	2018	2017	2016	2015
Number of ordinary shares on issue at year end (millions)	380.6	379.2	377.0	374.9	370.1
Weighted average number of ordinary shares on issue (millions)	380.0	378.2	376.2	372.4	370.3
Basic earnings per ordinary share					
– before individually significant items (cents)	97.9	86.0	102.7	104.5	114.6
– including individually significant items (cents)	64.5	(12.7)	102.7	92.0	(342.3)
Dividends per ordinary share (cents)	55.0	51.5	51.5	49.5	96.0
Dividend franking (percent)	9.1	–	5.8	36.4	35.4
Dividend yield – based on year end share price (percent)	2.4	3.0	2.6	3.3	6.4
Closing share price range – High	\$22.97	\$21.37	\$21.03	\$16.92	\$22.56
Low	\$16.31	\$16.34	\$15.57	\$12.26	\$14.86
Year end	\$22.54	\$17.03	\$19.77	\$15.20	\$15.04
Stockmarket capitalisation at year end (\$m)	8,578.2	6,548.0	7,454.1	5,698.9	5,566.3
Net tangible assets per share (\$)	3.36	3.18	3.67	3.26	3.65
Ratios					
Profit margin – earnings before net borrowing costs and tax/sales (percent)	11.3	11.5	12.6	12.6	11.3
Net debt (millions)	1,620.6	1,648.3	1,440.9	1,549.4	2,026.1
Gearing (net debt/net debt plus equity) (percent)	34.9	35.7	32.7	35.8	40.4
Interest cover (EBIT/net borrowing costs excluding capitalised interest) (times)	5.7	4.9	6.2	5.4	5.8
Net capital expenditure on plant and equipment (Cash Flow) (\$m)	(226.0)	(153.0)	(210.7)	(123.9)	(292.5)
Net cash flow from (acquisition)/sale of businesses/controlled entities (\$m)	(14.0)	(252.8)	9.5	(13.3)	658.7
Return on average shareholders' funds					
– before individually significant items (percent)	12.7	11.1	13.4	13.5	11.7
– including individually significant items (percent)	8.3	(1.6)	13.4	11.9	(42.1)

SHAREHOLDERS' STATISTICS

As at 17 October 2019

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND SHAREHOLDINGS

Size of holding	Number of holders		Number of shares	
1–1,000	25,330	65.38	9,252,487	2.43
1,001–5,000	11,607	29.96	24,220,205	6.36
5,001–10,000	1,207	3.12	8,248,697	2.17
10,001–100,000	543	1.40	10,148,440	2.67
100,001 and over	53	0.14	328,706,792	86.37
Total	38,740	100.00	380,576,621	100.00

Included in the above total are 2,120 shareholders holding less than a marketable parcel of 21 shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 84.11% of that class of shares.

TWENTY LARGEST ORDINARY FULLY PAID SHAREHOLDERS

	Shares	% of total
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	156,758,787	41.19
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	86,958,053	22.85
CITICORP NOMINEES PTY LIMITED	25,726,931	6.76
NATIONAL NOMINEES LIMITED	20,779,700	5.46
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	8,356,962	2.20
BNP PARIBAS NOMS PTY LTD <DRP>	5,181,250	1.36
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,635,706	0.69
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,970,000	0.52
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,811,440	0.48
ARGO INVESTMENTS LIMITED	1,807,983	0.48
THE SENIOR MASTER OF THE SUPREME COURT <COMMON FUND NO 3>	1,400,678	0.37
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,186,208	0.31
AMP LIFE LIMITED	1,115,457	0.29
WOODROSS NOMINEES PTY LTD	858,500	0.23
GWYNVILL INVESTMENTS PTY LTD	711,574	0.19
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	603,176	0.16
ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	587,687	0.15
EQT WEALTH SERVICES LIMITED <COMMON FUND 103 A/C>	559,178	0.15
CARLTON HOTEL LIMITED	541,764	0.14
AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	500,000	0.13
Total	320,051,034	84.11

SHAREHOLDERS' STATISTICS

As at 17 October 2019

REGISTER OF SUBSTANTIAL SHAREHOLDERS

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

26 September 2019	Harris Associates Investment Trust	21,790,236	5.73%
26 September 2019	Harris Associates LLP	28,208,563	7.41%
27 June 2019	Australian Super Pty Ltd	18,997,296	5.00%
14 March 2019	BlackRock Group	22,871,889	6.01%
20 August 2018	The Vanguard Group, Inc.	19,006,916	5.012%

VOTING RIGHTS

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

- (a) on a show of hands, one vote only; and
- (b) on a poll, one vote for every fully paid ordinary share held.

CORPORATE DIRECTORY

INVESTOR INFORMATION

Registered and Head Office

Orica Limited
Level 3, 1 Nicholson Street,
East Melbourne, Victoria
Australia 3002

Postal Address

PO Box 4311, Melbourne
Victoria, Australia 3001

P +61 3 9665 7111

INVESTOR RELATIONS

P +61 3 9665 7111

E companyinfo@orica.com

STOCK EXCHANGE LISTINGS

Orica's shares are listed on the Australian Securities Exchange (ASX) and are traded under the listing code ORI.

SHARE REGISTRY

Link Market Services Limited

Level 12, 680 George Street
Sydney, NSW, Australia, 2000

Locked Bag A14
Sydney South
NSW, Australia 1235

Toll Free: 1300 301 253 (Australia only)
International: +61 1300 301 253

F +61 2 9287 0303

E orica@linkmarketservices.com.au

W www.linkmarketservices.com.au

2020 FINANCIAL CALENDAR

Half Year Profit and Interim Dividend Announced	8 May 2020
Books Close for 2020 Interim Ordinary Dividend	29 May 2020
Last date to participate in Dividend Reinvestment Plan	1 June 2020
Interim Ordinary Dividend Paid	8 July 2020
Full Year Profit and Final Dividend Announced	6 November 2020
Books Close for 2020 Final Ordinary Dividend	17 November 2020
Last date to participate in Dividend Reinvestment Plan	18 November 2020
Full Year Ordinary Dividend Paid	18 December 2020

* Subject to change.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of Orica Limited will be held in the Grand Ballroom, Park Hyatt Hotel, 1 Parliament Square, East Melbourne Vic 3002 on Tuesday 17 December 2019 at 10.30am (AEDST).

WEBSITE

To view the 2019 annual report, corporate governance statement, shareholder and company information, news announcements, financial reports, sustainability report, historical information, background information on Orica visit the company website at www.orica.com.

