

Appendix 4E

Preliminary final report

Incitec Pivot Limited

ABN 42 004 080 264

Financial year ended

(current period)

30 September 2020

Previous financial year ended

(previous corresponding period)

30 September 2019

Results for announcement to the market

Extracts of the Incitec Pivot Limited results for the financial year ended 30 September 2020

\$A mill

Revenues from ordinary activities	up	\$A mill 24.0 (0.6%)	to	3,942.2
Net profit for the financial year attributable to members of Incitec Pivot Limited	down	\$A mill 29.0 (19.0%)	to	123.4
Profit after tax excluding individually material items attributable to members of Incitec Pivot Limited	up	\$A mill 35.8 (23.5%)	to	188.2

Dividends	Amount per security cents	Franked amount per security cents
Current Period		
Interim dividend	nil	nil
Final dividend	nil	nil
Previous corresponding period		
Interim dividend	1.3	nil
Final dividend	3.4	1.02

The Board has determined, as an exception to its dividend policy, not to pay a final dividend for FY20 in light of the ongoing uncertainty due to COVID-19 and IPL's equity raising in May 2020. IPL's dividend policy, which is to pay between 30% – 60% of NPAT, remains unchanged.

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$1.12	\$0.94

Net tangible assets for 30 September 2020 include the right-of-use assets recognised under AASB 16 *Leases*.

The information should be read in conjunction with the consolidated financial report, which is set out on pages 42 to 78.

For the profit commentary and any other significant information needed by an investor to make an informed assessment of Incitec Pivot's results please refer to the accompanying Incitec Pivot Limited Profit Report.

Conduit foreign income component:

<i>Current period</i>		<i>Previous corresponding period</i>	
Interim dividend		Interim dividend	
Ordinary	nil	Ordinary	1.30 cents
Final dividend		Final dividend	
Ordinary	nil	Ordinary	2.38 cents

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Annual General Meeting

The Annual General Meeting will be held as follows:

Location	The Annual General Meeting will be held as a virtual meeting via an online platform.
Date	18 December 2020
Time	11.00 am (AEDT)
Approximate date the annual report will be available	19 November 2020

Compliance Statement

This report has been prepared under accounting policies which comply with the Corporations Act 2001 (Cth), the Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporation Regulations 2001 (Cth).

This report uses the same accounting policies as the financial statements prepared under the Corporations Act 2001 (Cth). This gives a true and fair view of the matters disclosed. The financial report is based on accounts which have been audited.

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DIRECTORS' REPORT

The directors of Incitec Pivot Limited (the Company or IPL) present their report together with the financial report of the Company and its controlled entities (the Group) for the year ended 30 September 2020 and the auditor's report.

The following sections of the Annual Report form part of, and are to be read in conjunction with, this Directors' Report: Board of Directors, Operating and Financial Review (OFR), Remuneration Report and the Auditor's Independence Declaration.

Directors

Particulars of the qualifications, other directorships, experience and special responsibilities of each Director as at the date of this report are set out in the Board of Directors section.

During the financial year, the following changes to the composition of the Board of Directors occurred:

- » Dr Liu and Mr Robinson were appointed as directors on 25 November 2019;
- » Ms Fagg AO retired as a director on 20 December 2019 (at the conclusion of the Company's 2019 Annual General Meeting); and
- » Mr Breunig resigned as a director on 28 February 2020.

Directors' meetings

The number of Board and Board Committee meetings attended by each of the directors of the Company during the financial year are listed below:

Director – Current ^(1,2)	Board		Audit and Risk Management Committee		Remuneration Committee		Nominations Committee		Health, Safety, Environment and Community Committee		Additional Meetings ⁽³⁾	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
B Kruger ⁽⁴⁾	8	8	1	5	6	6	3	3	2	2	6	6
B Brook	8	8	5	5	6	6	3	3	–	–	6	6
X Liu ⁽⁵⁾	7	7	4	4	–	2	–	–	3	3	4	4
R McGrath	8	8	5	5	–	–	3	3	4	4	4	4
G Robinson ⁽⁶⁾	7	7	–	1	5	5	–	–	–	–	4	4
J Johns	8	8	–	5	–	6	–	–	4	4	6	6
Director – Former												
K Fagg AO ⁽⁷⁾	2	2	–	–	1	1	–	–	1	1	–	–
J Breunig ⁽⁸⁾	3	3	–	–	–	–	–	–	2	2	–	–

■ Chairman ■ Member

- (1) 'Held' indicates the number of meetings held during the period that the director was a member of the Board or Committee.
- (2) 'Attended' indicates the number of meetings attended. Directors who are not members of the Board Committees do attend Committee meetings from time to time (as non-executive directors have a standing invitation to attend all Committee meetings).
- (3) Reflects the number of additional formal meetings attended during the financial year by each director, including Committee meetings (other than the standing Board Committees) where any two directors are required to form a quorum.
- (4) Mr Kruger was appointed Chairman of the Remuneration Committee effective 20 December 2019. Mr Kruger was a member of the Audit and Risk Management Committee until 20 December 2019 and attended one scheduled meeting during the period he was a member.
- (5) Dr Liu was appointed as a director on 25 November 2019 and as a member of the Audit and Risk Management Committee and the Health, Safety, Environment and Community Committee with effect from 20 December 2019.
- (6) Mr Robinson was appointed as a director on 25 November 2019 and as a member of the Remuneration Committee with effect from 20 December 2019. Mr Robinson was subsequently appointed Chairman of the Remuneration Committee from 1 October 2020.
- (7) Ms Fagg AO retired as a director on 20 December 2019.
- (8) Mr Breunig resigned as a director on 28 February 2020.

Directors' interests in share capital

The relevant interests of each director in the share capital of the Company as at the date of this report is disclosed in the Remuneration Report.

Company Secretary

Ms Richa Puri was appointed to the role of Company Secretary on 8 August 2019. Ms Puri (LLB (Hons). B. Com (Accounting), FGIA) is a corporate lawyer and governance adviser with over 15 years relevant professional experience. She has practiced as a lawyer for legal firms in Australia and has experience in providing in-house legal, governance and company secretarial advice to ASX listed companies.

Principal activities

The principal activities of the Group during the course of the financial year were the manufacture and distribution of industrial explosives, industrial chemicals and fertilisers, and the provision of related services. No significant changes have occurred in the nature of these activities during the financial year.

Dividends

Dividends since IPL's 2019 Annual Report:

Dividend type	Dividend per share	Total amount \$mill	Franked percentage	Date of payment
Paid during the financial year				
2019 final dividend	3.4 cents	54.6	30% franked	8 January 2020
2020 interim dividend	nil	nil	N/A	N/A
To be paid after end of the financial year				
2020 final dividend	nil	nil	N/A	N/A

Review and results of operations

A review of the operations of the Company during the financial year, the results of those operations and the Company's financial position is contained in the OFR.

Significant changes in the state of affairs

FY20 was a year of unpredicted and unexpected events, including the Australian bushfires and drought during the Australian summer, as well as the international effect of the COVID-19 pandemic which impacted the demand of some of the industries we service and our customers outside Australia. While IPL was impacted by COVID-19, as a supplier to industries that are deemed as providing "essential services", such as Agriculture, Mining and Construction, the impact was largely limited to our businesses outside Australia and occurred early in the pandemic as business was determining a safe way to operate.

IPL proactively adjusted its comprehensive business continuity plans to support continuous operation at all of its facilities and the ability to deliver to customers. Early on in the pandemic the Company took decisive steps to ensure the safety of its people, customers and suppliers through establishing a Global Crisis Management Team, which escalated key decisions to the Executive Team. Management also responded with mitigating measures to address the indirect impacts from the COVID-19 pandemic on the global economy, our end markets and commodity prices, implementing a Response Plan to deliver short term non-essential operational spend savings of \$20m and the deferral of non-essential sustenance capital in FY20.

In May 2020 IPL undertook an institutional placement and share purchase plan, raising approximately \$657.5m (\$645.5m net of costs) in equity, to underpin the financial strength of the business, to ensure it is well placed to front the impacts of the COVID-19 pandemic and to capitalise on strategic opportunities that may arise.

In August 2020 IPL announced a comprehensive Response Plan that will deliver sustained incremental cost savings from business efficiencies of approximately \$60m per annum (including the \$20m already delivered in FY20) by FY22.

Further information on these matters is contained in the OFR.

Events subsequent to reporting date

In November 2020, the Board has determined, as an exception to its dividend policy, not to pay a final dividend for FY20 in light of the ongoing uncertainty due to COVID-19 and IPL's equity raising in May 2020. IPL's dividend policy, which is to pay between 30% – 60% of NPAT, remains unchanged.

As announced on 10 November 2020, subject to market conditions, IPL is intending to invite the holders of its outstanding notes under the AMTN and EMTN Programmes to tender their notes for repurchase by IPL for up to an aggregate amount of approximately \$200m. The repurchase of the notes forms part of the Group's strategy to optimise its debt portfolio between fixed rate capital debt markets and floating rate bank debt markets.

The Group has and continues to actively manage the risks arising from COVID-19 on the safety of our people and the business continuity of our operations. The Group's operations are in industries that have been deemed essential by Governments and we are continuing to run in line with the required safety and health guidelines in our operations. The company has also implemented a financial response plan that focuses on sustained cost savings and improvement of free cash flow. The extent of the future impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the containment strategies imposed by governments and duration of the COVID-19 Pandemic, and the subsequent impact of these strategies on the operations of customers, employees and vendors.

Likely developments

The OFR contains information on the Company's 2020 financial performance and prospects for future financial years, and refers to likely developments in the Company's operations and the expected results of these operations in future financial years. Information on likely developments in the Company's operations for future financial years and the expected results of those operations together with details that could give rise to material detriment to the Company (for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage) have not been included in this report where the directors believe it would likely result in unreasonable prejudice to the Company.

Environmental regulation and performance

The operations of the Group are subject to environmental regulation under the jurisdiction of the countries in which those operations are conducted including Australia, United States of America, Mexico, Chile, Canada, Indonesia, Papua New Guinea and Turkey. The Group is committed to complying with environmental legislation, regulations, standards and licences relevant to its operations.

The environmental laws and regulations generally address certain aspects and potential impacts of the Group's activities in relation to, among other things, air and noise quality, soil, water, biodiversity and wildlife. The Group operates under a Global Health, Safety and Environment Management System which sets out guidelines on the Group's approach to environmental management, including a requirement for sites to undertake an Environmental Site Assessment.

In certain jurisdictions, the Group holds licences for some of its operations and activities from the relevant environmental regulator. The Group measures its compliance with such licences and reports statutory non-compliances as required.

Measurement of the Group's environmental performance, including determination of areas of focus and assessment of projects to be undertaken, is based not only on the actual impact of incidents, but also upon the potential consequence, consistent with IPL's risk-based focus.

During the year, the Group has continued to focus on licence compliance and identification and mitigation of environmental risks. Remediation works have progressed at a number of sites in Australia and the United States.

For the 2020 financial year, one prosecution was recorded in relation to an acid spill at the Phosphate Hill site in 2018. In May 2020, Southern Cross Fertilisers Pty Ltd (SCF) pleaded guilty to two charges in relation to proceedings brought by the Department of Environment and Science due to a breach of the site Environmental Authority. SCF was fined \$45,000 and ordered to pay \$3,664 in costs.

In May 2020, Dyno Nobel Inc. entered into a Consent Decree with the U.S. Environmental Protection Agency (EPA) after reaching a resolution of a civil matter relating to allegations of Clean Water Act and hazardous waste violations at its facilities in Carthage, Missouri and Louisiana, Missouri. The resolution primarily addresses events that predate 2017, and the civil settlement concludes the EPA's investigation and lawsuit. As part of the settlement Dyno Nobel Inc. paid a civil penalty of \$2,900,000 and committed to ongoing compliance monitoring obligations and implementation of physical improvements at both facilities.

Indemnities and insurance

The Company's Constitution provides that, to the extent permitted by law, the Company must indemnify any person who is, or has been, a director or secretary of the Company against any liability incurred by that person including any liability incurred as an officer of the Company or a subsidiary of the Company and legal costs incurred by that person in defending an action.

The Constitution further provides that the Company may enter into an agreement with any current or former director or secretary or a person who is, or has been, an officer of the Company or a subsidiary of the Company to indemnify the person against such liabilities.

In accordance with the Company's Constitution, the Company has entered into Deeds of Access, Indemnity and Insurance with each director of the Company and certain officer's and members of senior management. Pursuant to those deeds, the Company has paid a premium in respect of a contract insuring directors and officers of the Group against any liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

Auditor independence and non-audit services

Deloitte Touche Tohmatsu (Deloitte) was appointed as the Company's external auditor at the 2011 Annual General Meeting and continues in office in accordance with section 327B(2) of the *Corporations Act 2001*. Mr Tim Richards is the Company's lead audit partner for the 2020 financial year.

The Group may decide to engage the auditor, Deloitte, for the provision of non-audit services, where such services are not in conflict with their role as auditor and their expertise and/or detailed experience with the Company may allow cost efficiencies for the work.

The Board has considered the position and, in accordance with advice received by the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year by Deloitte is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and does not compromise the external auditor's independence.

The Board also notes:

- » the engagements for all non-audit services provided by Deloitte were reviewed by the Chief Financial Officer, and where relevant, approved by the Audit and Risk Management Committee, in accordance with the Committee's Charter and the Company's policy on the engagement of the external auditor for the provision of non-audit services to ensure they do not impact the integrity and objectivity of the auditor; and
- » the non-audit services provided by Deloitte did not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing economic risks or rewards.

Deloitte provided non-audit services to the amount of \$50.3k during the year ended 30 September 2020 (refer to note 23 to the financial statements).

The lead auditor has provided a written declaration that no professional engagement for the Group has been carried out during the year that would impair Deloitte's independence as auditor. A copy of the auditor's independence declaration is set out on page 40 and forms part of this report.

Proceedings on behalf of IPL

No application has been made under section 237 of the *Corporations Act 2001* in respect of IPL, and there are no proceedings that a person has brought or intervened in on behalf of IPL under that section.

Rounding

As the Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest one hundred thousand dollars.

The Directors' Report, which includes the OFR and the Remuneration Report, is signed in accordance with a resolution of the directors of Incitec Pivot Limited.



Brian Kruger
Chairman



Jeanne Johns
Managing Director & CEO

10 November 2020

OPERATING & FINANCIAL REVIEW

Group Overview

Incitec Pivot Limited (IPL) is a leading international explosives and blasting services company and the largest fertilisers manufacturing and distribution business in Australia. Its operations are focussed in Australia, where it operates under the globally recognised Dyno Nobel and Incitec Pivot Fertilisers brands, and in North America where it operates under the Dyno Nobel brand.

IPL leverages a common nitrogen manufacturing core, with engineering synergies achieved through the Global Manufacturing organisation.

The Company has operations in Australia, North America, Europe, Asia, Latin America and Africa.

IPL operates through three business units, details of which are set out in this review:

- » Dyno Nobel Americas;
- » Dyno Nobel Asia Pacific; and
- » Fertilisers Asia Pacific.

Dyno Nobel Americas

The Dyno Nobel Americas business comprises three businesses:

- » Explosives;
- » Agriculture & Industrial Chemicals; and
- » Waggaman operations.

Explosives

Dyno Nobel is the second largest industrial explosives distributor in North America by volume. It provides ammonium nitrate, initiating systems and services to the Quarry & Construction sector across the US; the Base & Precious Metals sector in the US mid-West, US West and Canada; and to the Coal sector in the Powder River Basin, Illinois Basin and Appalachia.

In North America, Dyno Nobel manufactures ammonium nitrate at its Cheyenne, Wyoming and Louisiana, Missouri plants. The Cheyenne, Wyoming plant is adjacent to the Powder River Basin, North America's most competitive thermal coal mining region and well positioned to service Base & Precious Metals in Western US. The Louisiana, Missouri plant has a competitive logistic footprint from which to support mining in both the Illinois Basin and Appalachia, as well as Quarry & Construction in the US mid-West.

Initiating systems are manufactured at Dyno Nobel's facilities in Connecticut, Kentucky, Illinois, Missouri, Chile and Mexico, and are also sourced from DetNet South Africa (Pty) Ltd (DetNet), an IPL electronics joint venture.

Agriculture & Industrial Chemicals

The Dyno Nobel Americas business manufactures and distributes nitrogen-based fertilisers in the United States from its St Helens, Oregon and Cheyenne, Wyoming plants. Nitrogen based fertilisers and other industrial chemical products are also produced as a by-product at the Louisiana, Missouri plant.

Waggaman Operations

The Dyno Nobel Americas business manufactures and distributes ammonia at its Waggaman, Louisiana plant in the United States. Ammonia produced at Waggaman is used in Dyno Nobel's manufacturing process and is also sold to third parties under long term contractual arrangements.

Dyno Nobel Asia Pacific

Through Dyno Nobel Asia Pacific, IPL provides ammonium nitrate based industrial explosives, initiating systems and services to the Metallurgical Coal and Base & Precious Metals sectors in Australia, and internationally to a number of countries including Indonesia, Papua New Guinea and Turkey through its subsidiaries and joint ventures. Ammonium nitrate is often sold in conjunction with proprietary initiating systems and services.

Dyno Nobel is the second largest industrial explosives distributor in Australia by volume, which in turn is the world's third largest industrial explosives market. In Australia, Dyno Nobel primarily supplies its products to metallurgical coal mines in the east and to iron ore mines in the west.

In Australia, Dyno Nobel manufactures ammonium nitrate at its Moranbah ammonium nitrate plant, which is located in the Bowen Basin, the world's premier metallurgical coal region. It also sources third party ammonium nitrate including in Western Australia to service the Iron ore and Underground sectors.

Initiating systems are manufactured in Australia at Dyno Nobel's Helidon, Queensland facility and are also sourced from IPL facilities in the Americas and from DetNet (South African joint venture).

Fertilisers Asia Pacific

IPL's Fertilisers business in Australia is the largest domestic manufacturer and supplier of fertilisers by volume.

Internationally, the Fertilisers business sells to major offshore agricultural markets in Asia Pacific, the Indian subcontinent, Brazil and the United States. It also procures fertilisers from overseas manufacturers to meet domestic seasonal peaks. Much of this activity is conducted through Quantum Fertilisers Limited, a Hong Kong based subsidiary.

The Fertilisers business manufactures the following fertilisers at three locations:

- » Phosphate Hill: Di/mono-ammonium phosphate (DAP/MAP);
- » Gibson Island: Ammonia (Big N), Granulated ammonium sulphate (GranAm) and Urea; and
- » Geelong: Single Super Phosphate (SSP).

Group Summary

IPL GROUP	Year ended 30 September		
	FY20 A\$m	FY19 A\$m	Change A\$m
Reported Revenue and Earnings			
Revenue	3,942.2	3,918.2	24.0
EBITDA ex IMIs	730.5	605.3	125.2
EBIT ex IMIs	374.5	303.7	70.8
NPAT ex IMIs	188.2	152.4	35.8
IMIs after tax	(64.8)	-	(64.8)
NPAT	123.4	152.4	(29.0)
Shareholder Returns			
Cents Per Share			
Earnings per share ex IMIs	10.9	9.5	
Total Dividend	nil	4.7	
Credit Metrics			
	30-Sep-20	30-Sep-19	
Net debt ⁽¹⁾	(1,028.7)	(1,691.4)	
Net debt / EBITDA (ex IMIs) ⁽²⁾	1.4x	2.8x	
Interest Cover ⁽³⁾	6.1x	4.6x	

Net Profit After Tax (NPAT) excluding Individually Material Items (ex IMIs)

IPL reported NPAT ex IMIs of \$188m, an increase of 23% compared to \$152m in the prior corresponding period (pcp).

Individually Material Items (IMIs)

NPAT for FY20 includes \$65m (FY19: \$nil) of after-tax IMIs relating to the write down of obsolete technology; and software and implementation costs of IPL's 'Response Plan', a program designed to reduce costs to mitigate the earnings impacts of softer commodity prices and COVID-19.

Shareholder Returns and Capital Management

Earnings per share (EPS) ex IMIs of 10.9 cents per share increased by 1.4 cents per share compared to FY19 of 9.5 cents.

The Company raised \$646m of equity during 2H FY20 through its institutional placement and share purchase plan.

The Board has determined, as an exception to its dividend policy, not to pay a final dividend for FY20 in light of the ongoing uncertainty due to COVID-19 and IPL's equity raising in May 2020. IPL's dividend policy, which is to pay between 30% – 60% of NPAT, remains unchanged.

Net Debt

Net debt decreased by \$663m to \$1.03bn at 30 September 2020 (pcp: \$1.69bn) and Net debt/EBITDA ex IMIs decreased to 1.4x (pcp: 2.8x). The Group's investment grade credit ratings were maintained.

- (1) Net Debt comprises the net of interest bearing liabilities, cash and cash equivalents, and the fair value of derivative instruments economically hedging the Group's interest-bearing liabilities.
- (2) Net debt/EBITDA ratio is calculated using 12 month rolling EBITDA ex IMIs.
- (3) Interest Cover = 12 month rolling EBITDA ex IMIs/net interest expense before accounting adjustments.

Zero Harm

Sadly, a tragic double fatality, which includes a Dyno Nobel employee, occurred in the US in April 2020. The incident involved a Dyno Nobel vehicle on a US public road.

IPL's Total Recordable Injury Frequency Rate ⁽⁴⁾ (TRIFR) for the rolling twelve-month period ended 30 September 2020 was 0.57, a 29% improvement from 0.80 at 30 September 2019, and well ahead of the Group's FY21 target of 0.70. IPL reported an improvement in Process Safety Incidents ⁽⁵⁾ of 24 (pcp: 33) and Significant Environmental Incidents ⁽⁶⁾ down to 1 (pcp: 3). Potential High Severity Incidents ⁽⁷⁾ increased marginally to 34 (pcp: 33).

Financial Performance

INCOME STATEMENT	Year ended 30 September		
	FY20 A\$m	FY19 A\$m	Change %
Revenue			
Business Revenue			
DNA	1,506.5	1,569.0	(4)%
DNAP	999.2	990.7	1%
Fertilisers	1,502.0	1,419.4	6%
Eliminations	(65.5)	(60.9)	(8)%
Group Revenue	3,942.2	3,918.2	1%
EBIT			
Business EBIT ex IMIs			
DNA	230.8	234.0	(1)%
DNAP	149.3	179.2	(17)%
Fertilisers	26.2	(79.7)	133%
Eliminations	(0.1)	(1.7)	nm*
Corporate	(31.7)	(28.1)	(13)%
Group EBIT ex IMIs	374.5	303.7	23%
<i>EBIT margin</i>	<i>9.5%</i>	<i>7.8%</i>	
NPAT			
Underlying interest expense ⁽⁸⁾	(130.0)	(139.7)	7%
Non-cash unwinding liabilities	(5.7)	(4.4)	nm
Net borrowing costs	(135.7)	(144.1)	6%
Tax expense ex IMIs	(50.6)	(7.5)	nm
Minority interest	-	0.3	nm
NPAT excluding IMIs	188.2	152.4	23%
IMIs after tax	(64.8)	-	nm
Group NPAT	123.4	152.4	(19)%

*not meaningful

- (4) TRIFR is calculated as the number of recordable incidents per 200,000 hours worked and includes contractors. TRIFR results are subject to finalisation of the classification of any pending incidents.
- (5) Tier 1 and Tier 2 Process Safety Incidents as defined by the Centre for Chemical Process Safety.
- (6) Significant Environmental Incidents as assessed against IPL's internal risk matrix with actual consequences of 5 or higher on a 6-level scale
- (7) Potential High Severity Incidents (excluding near misses and hazards) with potential consequences of 5 or higher on a 6-level scale. Prior year number was restated due to finalisation of classification of incidents pending at the time of previous publication date and further review in FY20.
- (8) Underlying interest expense represents total borrowing costs less non-cash interest unwind, representing the discount unwind on the Group's long-term liabilities.

FY20 Business Review

The Group reported FY20 Earnings Before Interest and Tax (EBIT) ex IMLs of \$375m, an increase of \$71m compared to pcp. Major movements for the year were as follows:

Manufacturing Recovery: \$186m increase, driven by improved production performance at Phosphate Hill and Waggaman; and lower gas cost from improved supply reliability at St Helens.

Commodity Prices & Foreign Exchange: \$100m net decrease. The impact of \$123m from lower commodity prices was partially offset by \$23m of benefits from the lower A\$:US\$ exchange rate.

COVID-19 Response Plan Savings: \$20m increase driven by operational productivity measures, cost efficiency gains and non-essential spend savings.

Americas Explosives – Markets: \$17m (US\$12m) net decrease, mainly due to structural declines in US Coal demand and market volume declines impacted by the COVID-19 disruption.

Asia Pacific Explosives – Contract Re-basing & Technology Growth: \$25m net decrease, due to the impact of contract re-basing of \$38m; partially offset by \$13m of benefits from technology growth in Australia.

Explosives Market Volumes: \$24m decrease as international customer operations were temporarily closed due to COVID-19 restrictions.

Australian Drought Recovery: \$20m increase driven by strong domestic fertilisers sales volumes and product mix as a result of favourable weather conditions.

Fertilisers Lower Gas Cost: \$22m EBIT increase from lower contracted gas cost at Phosphate Hill and Gibson Island; and cost savings from improved supply reliability and operating efficiencies.

Interest

Underlying interest expense of \$130m decreased 7%, compared to pcp. The decrease was mainly due to \$16m of benefits from lower interest rates, as the higher cost US\$800m 144A bonds matured in December 2019. This was partially offset by the \$6m impact from the changes in the accounting for Leases (AASB 16: Leases).

Tax

Tax expense ex IMLs of \$51m increased by \$43m due to higher operational earnings in FY20 and the higher effective tax rate. The Group's higher effective tax rate on operating profit of 21.2% (pcp: 4.7%) was mainly due to increased earnings in higher tax rate jurisdictions (largely Australia) and financing structures that unwound in the prior year.

Individually Material Items

NPAT includes the following items, classified as IMLs:

IMLs	Gross A\$m	Tax A\$m	Net A\$m
Capital Expenditure			
Impairment of intangible assets	41.0	(10.7)	30.3
Business restructuring costs			
- Employee redundancies	24.8	(6.8)	18.0
- Impairment of operating assets, site exit and other direct costs	22.1	(5.6)	16.5
Total	87.9	(23.1)	64.8

Impairment of intangibles: During the year ended 30 September 2020 intangible assets were impaired by \$41m (FY19: nil) following a detailed review of the Group's technology and software products and offerings given the continued enhancement of the Group's technology portfolio. The review considered factors such as the timing of the commercial launch of certain technologies, software versions and products, items which were superseded as a result of significant enhancements and updated versions, current experience in regard to the commercial acceptance by customers and the future economic benefit attributable to the Group.

Business Restructuring Costs: In May 2020, IPL announced a cost reduction program in response to indirect impacts from the COVID-19 pandemic on the global economy, including commodity prices and customer demand.

A detailed response plan was implemented in FY20 and is expected to deliver \$60m ⁽¹⁾ of sustainable annual cost savings over a three-year period to FY22. Benefits of \$20m were delivered in FY20, with an additional \$30m of benefits expected in FY21 and \$10m in FY22.

The total cost of the plan is \$47m of which \$30m is cash costs relating to employee redundancies and site closure & relocation costs. The remaining \$17m consist of non-cash impairment write downs of several low value assets, including minor sites that were closed to drive operational efficiencies.

Financial Position

BALANCE SHEET	Year ended 30 September		
	FY20 A\$m	FY19 A\$m	Change A\$m
Assets			
TWC - Fertilisers	(151.1)	(137.8)	(13.3)
TWC - Explosives	165.9	141.9	24.0
Group TWC	14.8	4.1	10.7
Net PP&E	4,071.7	4,190.0	(118.3)
Lease assets	221.1	-	221.1
Intangible assets	3,019.7	3,179.5	(159.8)
Total Assets	7,327.3	7,373.6	(46.3)
Liabilities			
Environmental & restructure liabilities	(161.7)	(134.8)	(26.9)
Tax liabilities	(437.0)	(495.9)	58.9
Lease liabilities	(247.7)	-	(247.7)
Net other liabilities	(248.9)	(363.7)	114.8
Net debt	(1,028.7)	(1,691.4)	662.7
Total Liabilities	(2,124.0)	(2,685.8)	561.8
Net Assets	5,203.3	4,687.8	515.5
Equity	5,203.3	4,687.8	515.5
Key Performance Indicators			
Net Tangible Assets per Share	1.12	0.94	
Fertilisers - Ave TWC % Rev	(1.6%)	(0.3%)	
Explosives - Ave TWC % Rev	10.1%	9.2%	
Group - Average TWC % Rev ⁽²⁾	5.7%	5.8%	
Credit Metrics			
Net debt	(1,028.7)	(1,691.4)	
Net debt / EBITDA (ex IMLs)	1.4x	2.8x	
Interest Cover	6.1x	4.6x	

(1) Sustained incremental earnings uplift by FY22 of \$60M per annum, based on expected cost savings when compared to FY19 cost base.

(2) Average TWC as % of revenue = 13-month average trade working capital/12 months rolling revenue.

Major movements in the Group's Balance Sheet during the year include:

Assets

Trade working capital (TWC): Net increase of \$11m. The movement was mainly due to lower utilisation of working capital facilities of \$135m; and strong TWC management that reduced underlying TWC by \$124m compared to pcp.

Property, Plant & Equipment (PP&E): Decrease of \$118m was mainly driven by the depreciation charge for the year of \$291m; the impact of foreign currency translation of non-A\$ denominated assets of \$110m; and asset impairments of \$17m. This was partially offset by sustenance and turnaround capital expenditure of \$226m; and minor growth capital spend of \$67m.

Lease assets: Increase of \$221m due to the adoption of AASB16: *Leases*, which resulted in lease assets being brought onto the Balance Sheet in FY20 offset by a \$248m lease liability.

Intangible assets: Decrease of \$160m mainly as a result of the impact of foreign currency translation of non-A\$ denominated assets of \$109m; the \$41m impairment write-off of obsolete technology and software; and the amortisation charge of \$25m for the year. This was partially offset by asset additions of \$12m during the year.

Liabilities

Environmental & restructure liabilities: Increased \$27m largely due to business restructuring costs incurred during the year.

Tax liabilities: Decreased by \$59m mainly due the tax effect on movements in the market values of financial instruments of \$56m; tax payments of \$14m; the impact of foreign currency translation non-A\$ denominated tax balances of \$11m; and the recognition of deferred tax balances on the adoption of AASB 16: *Leases* of \$6m. This was offset in part by \$28m of tax on FY20 earnings.

Net other liabilities: Decreased by \$115m mainly due to market value movements and maturities of derivative hedging instruments (excluding debt hedges) of \$140m; partially offset by movements in capital and other accruals.

Net debt: Decreased by \$663m to \$1.03bn at 30 September 2020. Analysis of year-on-year movements in Net debt is covered in the Cash flow section.

Net Debt & Debt Hedges

NET DEBT A\$m	Maturity		Drawn Amount	Undrawn Amount
	Month /Year	Facility Amount		
Syndicated Term Loan	10/21	274.5	-	274.5
Syndicated Revolver	10/21	699.5	-	699.5
EMTN / Regulation S notes	02/26	101.1	101.1	-
Medium Term Notes	03/26	450.0	450.0	-
EMTN / Regulation S Notes	08/27	559.6	559.6	-
US Private Placement Notes	10/28	349.8	349.8	-
US Private Placement Notes	10/30	349.8	349.8	-
Total debt		2,784.3	1,810.3	974.0
Fair value and other adjustments			33.6	
Loans to JVs, associates/other short term facilities			26.4	
Cash and cash equivalents			(554.6)	
Fair value of hedges			(287.0)	
Net debt			1,028.7	
Net debt/EBITDA				1.4x

The fair value of Net debt hedges at 30 September 2020 was an asset of \$287m, a decrease of \$102m compared to the balance at 30 September 2019 of \$389m. The decrease was mainly due to the higher closing A\$:US\$ exchange rate. The fair value hedge includes derivatives that hedge the foreign exchange rate exposure of the Group's USD borrowings. There are also offsetting net investment hedges for the same amount. These hedges mature in December 2022.

Credit Metrics

Net debt/EBITDA ex IMIs: The ratio of 1.4x improved substantially compared to pcp mainly due to \$125m of improved EBITDA ex IMIs in FY20 and \$646m of net proceeds from the equity raising in 2H FY20.

Interest Cover: Improved to 6.1x (pcp: 4.6x).

Credit Ratings: Investment grade credit ratings:

S&P: BBB (Stable outlook)

Moody's: Baa2 (Stable outlook)

Debt Facilities

Maturing facilities: IPL cancelled \$138m and US\$111m of Syndicated facilities following the equity raising during 2H FY20. The Group has sufficient liquidity and headroom, with the next debt maturity in October 2021 and available undrawn debt facilities of \$974m at 30 September 2020. The Company expects to refinance the Syndicated facilities during the first half of FY21.

As announced on 10 November 2020, subject to market conditions, IPL is intending to invite the holders of its outstanding notes under the AMTN and EMTN Programmes to tender their notes for repurchase by IPL for up to an aggregate amount of approximately \$200m. The repurchase of the notes forms part of the Group's strategy to optimise its debt portfolio between fixed rate capital debt markets and floating rate bank debt markets.

The Group's average tenor of its debt facilities at 30 September 2020 is 5.1 years.

Trade Working Capital Facilities

IPL uses TWC facilities to effectively manage the Group's cash flows, which are impacted by seasonality and demand and supply variability.

The Group has a non-recourse receivable purchasing agreement to sell certain domestic and international receivables to an unrelated entity in exchange for cash. As at 30 September 2020, receivables totalling \$116m (pcp: \$216m) had been sold under the receivable purchasing agreement.

IPL also offers suppliers the opportunity to use supply chain financing. The Group evaluates supplier arrangements against several indicators to assess whether to classify outstanding amounts as payables or borrowings. The balance of the supply chain finance program, classified as payables, at 30 September 2020 was \$296m (pcp: \$331m).

Cash Flow

CASH FLOW	Year ended 30 September		
	FY20 A\$m	FY19 A\$m	Change A\$m
Operating Cash Flow			
EBITDA ex IMIs	730.5	605.3	125.2
Net Interest paid	(135.5)	(131.1)	(4.4)
Net income tax paid	(13.7)	(20.8)	7.1
TWC movement (excl FX movements)	(8.4)	(12.2)	3.8
Profit from JVs and associates	(32.3)	(44.9)	12.6
Dividends received from JVs	30.9	27.5	3.4
Environmental and site clean-up	(8.0)	(8.8)	0.8
Restructuring costs	(8.0)	(6.7)	(1.3)
Other Non-TWC	(10.4)	6.5	(16.9)
Operating Cash Flow	545.1	414.8	130.3
Investing Cash Flow			
Minor growth capital	(60.2)	(55.2)	(5.0)
Sustenance	(218.2)	(246.3)	28.1
Lease buy-out	-	(46.6)	46.6
Payments - Central Petroleum Joint operation	(9.8)	-	(9.8)
Proceeds from asset sales	7.4	10.8	(3.4)
Loans to JV	-	(6.8)	6.8
Proceeds from sale of equity securities	-	2.3	(2.3)
Acquisition of subsidiaries & non-controlling interests	(23.4)	(5.3)	(18.1)
(Payments) / proceeds from derivatives	(75.2)	5.5	(80.7)
Investing Cash Flow	(379.4)	(341.6)	(37.8)
Financing Cash Flow			
Dividends paid to members of IPL	(30.7)	(121.7)	91.0
Dividends paid to non-controlling interest holders	-	(5.9)	5.9
Lease liability payments	(41.9)	-	(41.9)
Payment for buy-back of shares	-	(89.7)	89.7
Purchase of IPL shares for employees	(1.3)	(0.6)	(0.7)
Proceeds on issue of shares	645.5	-	645.5
Realised market value gain on derivatives	10.3	-	10.3
Net loss on translation of US\$ Net Debt	(78.2)	(159.0)	80.8
Non-cash movement in Net Debt	(6.7)	(16.1)	9.4
Financing Cash Flow	497.0	(393.0)	890.0
Change to Net debt	662.7	(319.8)	982.5
Opening balance Net debt	(1,691.4)	(1,371.6)	(319.8)
Closing balance Net debt	(1,028.7)	(1,691.4)	662.7

Operating Cash Flow

Operating cash inflow of \$545m increased by \$130m compared to FY19. Significant movements included:

EBITDA ex IMIs: Increased by \$125m, or 21% when compared to the pcp.

Investing Cash Flow

Net investing cash outflow of \$379m increased \$38m as compared to FY19. Significant movements included:

Sustenance: Decrease of \$28m in line with the COVID-19 Response Plan targets and impact of a low turnaround year.

Lease Buy-out: Decrease of \$47m in relation to end-of-term asset buy-outs in FY19.

Payments/Proceeds from derivatives: Increase of \$81m mainly due to maturity of derivatives that were hedging part of the Group's USD assets. Most of these hedges matured or were exited in FY20.

Financing Cash Flow

Net financing cash inflow of \$497m increased \$890m as compared to FY19. Significant movements included:

Dividends: \$91m increase due to the lower FY19 final dividend payment of \$31m and IPL not paying an interim dividend in FY20.

Lease liability payments: \$42m decrease due to changes in accounting for leases (AASB 16: *Leases*). These cash flows were historically classified under Operating Cash Flows.

Share buy-back: \$90m increase following completion of the Group's share buy-back program in FY19.

Proceeds on issue of shares: \$646m increase from net proceeds received from IPL's equity raising during 2H FY20.

Translation of US\$ Net debt: Increase of \$81m primarily due to the non-cash impact from movements in foreign exchange rates and interest rates on the Group's debt balances.

Capital Allocation

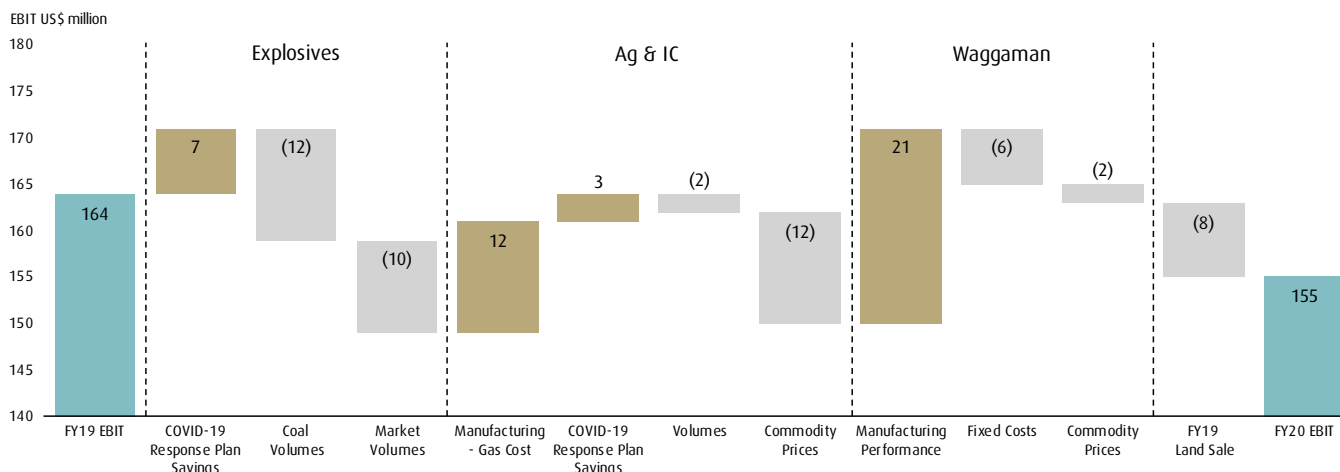
IPL's capital allocation process is centralised and overseen by the Group's Corporate Finance function. Capital is invested on a prioritised basis and all submissions are assessed against risk factors including HSE, operational, financial and strategic risks. Capital is broadly categorised into major growth capital, minor growth capital and sustenance capital. The table below includes a summary of cash spend per business on growth, sustenance and lease buy-out of Property, Plant & Equipment and Intangible assets:

IPL GROUP	Year ended 30 September		
	FY20 A\$m	FY19 A\$m	Change A\$m
Capital Expenditure			
DNA	18.6	30.7	(12.1)
DNAP	34.7	21.9	12.8
Fertilisers	6.9	2.6	4.3
Minor growth capital	60.2	55.2	5.0
DNA	50.8	73.0	(22.2)
DNAP	25.5	27.5	(2.0)
Fertilisers	141.9	145.8	(3.9)
Sustenance	218.2	246.3	(28.1)
Fertilisers	-	46.6	(46.6)
Lease buy-out	-	46.6	(46.6)
Total	278.4	348.1	(69.7)

There was no major growth capital spend items in FY20. Minor growth spend of \$60m in FY20 included plant efficiency projects; expansion of the Delta E truck fleet; and other projects supporting Explosives volume growth and technology investment.

Sustenance capital spend in FY20 of \$218m was 11% lower than pcp in line with the Group's COVID-19 Response plan targets and low turnaround year. Significant spend items in FY20 included: Gibson Island turnaround of \$60m, planning spend on the FY21 scheduled turnarounds at Waggaman, St Helens, Mt Isa and Moranbah of \$26m; and Explosives truck fleet sustenance of \$9m. The remaining sustenance spend was made up of various sustenance projects with project values of less than \$5m each.

Dyno Nobel Americas



Dyno Nobel Americas	Year ended 30 September		
	FY20 US\$m	FY19 US\$m	Change %
Explosives	768.4	824.5	(7)%
Waggaman	124.5	147.4	(16)%
Ag & IC	126.0	130.9	(4)%
Total Revenue	1,018.9	1,102.8	(8)%
Explosives	121.1	136.1	(11)%
Waggaman	32.4	19.2	69%
Ag & IC	1.3	0.2	nm
Other	-	8.0	nm
EBIT	154.8	163.5	(5)%
EBIT margin			
Explosives	15.8%	16.5%	
Waggaman	26.0%	13.0%	
Ag & IC	1.0%	0.2%	
A\$m			
Revenue	1,506.5	1,569.0	(4)%
EBIT	230.8	234.0	(1)%

Dyno Nobel Americas earnings for FY20 of US\$155m decreased 5% compared to the pcp. FY19 earnings included US\$8m of one-off profit on sale of excess land. Outlined below are the major earnings movements during FY20 for each business.

Explosives

Business Performance

Explosives earnings for FY20 of US\$121m decreased \$15m compared to the pcp due to the following:

COVID-19 Response Plan: US\$7m increase driven by operational productivity measures, including cost efficiency gains and discretionary spend savings.

Coal Volumes: US\$12m decrease due to structural demand declines, exacerbated by low US natural gas prices; and lower industrial demand (COVID-19).

Market Volumes: US\$10m decrease mainly due to lower volumes to US iron ore, Arctic and Mexico customers. In addition, the South African JV's that are consolidated into DNA's result experienced a US\$5m decline in earnings, associated with a significant reduction in mining activity due to COVID-19 related mine closures.

Market Summary

Explosives business performance in FY20 was impacted by structural demand changes in the Coal sector; and COVID-19 related demand softness across all sectors primarily in the second half of the year.

Quarry & Construction

43% of Explosives revenue was generated from the Quarry & Construction sector in FY20.

Volumes were up 1% vs the pcp. Following a strong 1H FY20, volumes were slightly down in Q3 FY20 due to softer non-residential construction sector demand that was impacted by COVID-19 related project deferrals. Demand recovery in Q4 FY20 was driven by stronger residential construction activity.

Base & Precious Metals

35% of Explosives revenue was generated from the Base & Precious Metals sector in FY20.

Volumes were down 9% vs pcp as COVID-19 related lower industrial demand and temporary mine closures in Q3 and Q4 impacted volumes to US iron ore, Arctic and Mexico customers.

Coal

22% of Explosives revenue was generated from the Coal sector in FY20.

Volumes were down 24% compared to pcp, but largely in line with industry volume declines. The lower volumes were driven by the underlying structural decline of the US Coal industry, exacerbated by lower US natural gas prices during the first half of the year (increasing substitution from thermal coal for electricity generation) and lower industrial demand (COVID-19).

Agriculture & Industrial Chemicals (Ag & IC)

Ag & IC	Year ended 30 September		
	FY20 US\$m	FY19 US\$m	Change %
Total Revenue	126.0	130.9	(4)%
EBIT	1.3	0.2	nm
<i>EBIT margin</i>	<i>1.0%</i>	<i>0.2%</i>	

Business Performance

Ag & IC earnings for FY20 of US\$1m increased from \$0.2m in the pcp, due to the following:

Manufacturing - Gas Cost: US\$12m net benefits from lower gas cost and improved plant efficiencies, absent third-party gas supply interruptions that occurred in FY19.

COVID-19 Response Plan: US\$3m increase driven by operational productivity and efficiency gains.

Commodity Prices: US\$12m decrease mainly due to the US\$7m impact from lower Urea prices. Lower global nitrogen prices also had a US\$5m impact on the pricing of products produced at Cheyenne and St Helens.

Sales Volumes: US\$2m decrease as softer industrial demand from COVID-19 impacted sales volumes.

Waggaman Operations

WAGGAMAN	Year ended 30 September		Change %
	FY20	FY19	
Thousand metric tonne			
Ammonia manufactured at Waggaman	729.0	634.4	15%
Ammonia sold	730.0	729.6	-
External Revenue	124.5	147.4	(16)%
Internal Revenue	40.0	45.6	(12)%
Total Revenue	164.5	193.0	(15)%
EBIT	32.4	19.2	69%
EBIT margin	26.0%	13.0%	

Business Performance

Waggaman earnings for FY20 of US\$32m, increased US\$13m compared to the pcp due to the following:

Manufacturing Performance: US\$21m increase from improved production and higher plant efficiencies compared to the pcp.

Fixed Costs: US\$6m earnings decrease, with US\$3m due to the temporary cost increase until after the FY21 plant turnaround to drive plant reliability improvement; and US\$3m of additional operating costs, including higher insurance cost.

Commodity Price: US\$2m net decrease from lower ammonia prices of US\$23m, mostly offset by the positive impact from lower gas pricing of US\$21m.

Manufacturing

Manufacturing performance in the Explosives and Ag & IC businesses during FY20 was as follows:

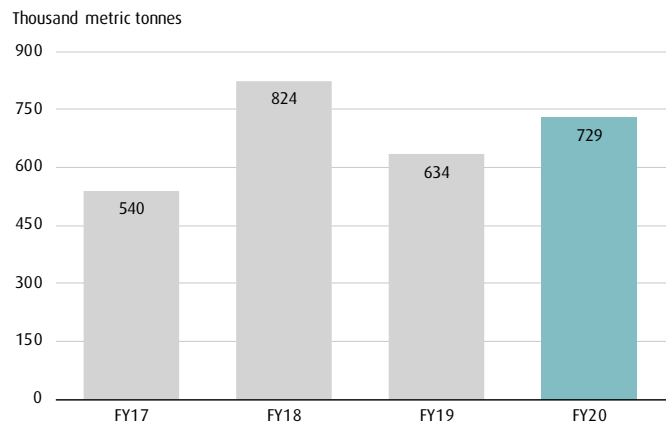
Cheyenne, Wyoming: Cheyenne Nitric Acid production was down 3% compared to pcp. Ammonia production was down 7% compared to pcp due to a planned maintenance outage and unplanned downtime caused by a third-party power supply interruption in 1H FY20.

St Helens, Oregon: Urea production from the St Helens plant increased 20% compared to pcp mainly due to improved uptime and efficiencies at the plant absent FY19 gas supply interruptions. The plant's major 6-week turnaround campaign commenced at the end of September 2020.

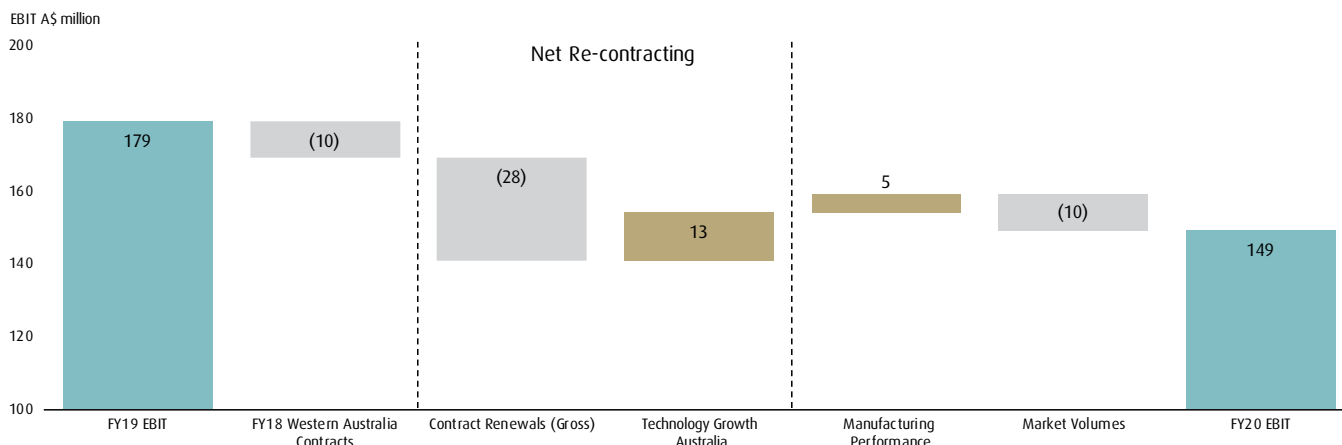
Waggaman, Louisiana: The plant operated in line with expectation at 91% of nameplate capacity ⁽¹⁾ (pcp: 79%), producing 729k mt of ammonia in FY20, up 15% on pcp. The higher production was driven by improved plant reliability and efficiencies. The plant recorded its second longest uninterrupted production run of 210 days through August 2020.

(1) 800k mt per annum Waggaman plant capacity.

Waggaman Ammonia Production



Dyno Nobel Asia Pacific



DYNO NOBEL ASIA PACIFIC	Year ended 30 September		
	FY20	FY19	Change %
Thousand metric tonne			
Ammonium Nitrate – manufactured at Moranbah	371.3	365.0	2%
Ammonium Nitrate sold	762.6	785.7	(3)%
A\$m			
Australian Coal	472.4	477.7	(1)%
Base & Precious Metals	415.5	381.9	9%
International	111.3	131.1	(15)%
Total Revenue	999.2	990.7	1%
EBIT	149.3	179.2	(17)%
<i>EBIT margin</i>	<i>14.9%</i>	<i>18.1%</i>	

Business Performance

Dyno Nobel Asia Pacific earnings for FY20 of \$149m, decreased \$30m compared to the pcp due to the following:

Contract Losses: \$10m decrease, from contracts lost in FY18 in Western Australia, in line with previous guidance.

Contract Renewals: \$15m net decrease. This comprised of \$28m from lower pricing on contract renewals; partially offset by \$13m of earnings growth from technology related cost efficiencies, increased technology conversion (electronic detonator systems) and market share gains in Australia.

Manufacturing Performance: \$5m increase from higher production and improved plant efficiencies at Moranbah during FY20.

Market Volumes: \$10m decrease, largely due to lower demand from Indonesian customers that were impacted by COVID-19 restrictions at their operations.

Market Summary

Australian Coal

47% of Dyno Nobel Asia Pacific revenue for FY20 was generated from the Australian Coal sector, most of which was from supply to Metallurgical Coal mines in the Bowen Basin.

Volumes from the sector decreased 5% compared to pcp mainly due to planned lower contracted volumes and impacts from weather events in Queensland through the Australian summer. Ammonium nitrate production capacity at the Moranbah plant remains fully contracted to customers.

Base & Precious Metals

42% of Dyno Nobel Asia Pacific revenue was generated from the Base & Precious Metals sector, which comprises iron ore mines in Western Australia and hard rock and underground mines throughout Australia.

Volumes from the sector increased 7% compared to pcp, driven by strong customer demand and new business.

International

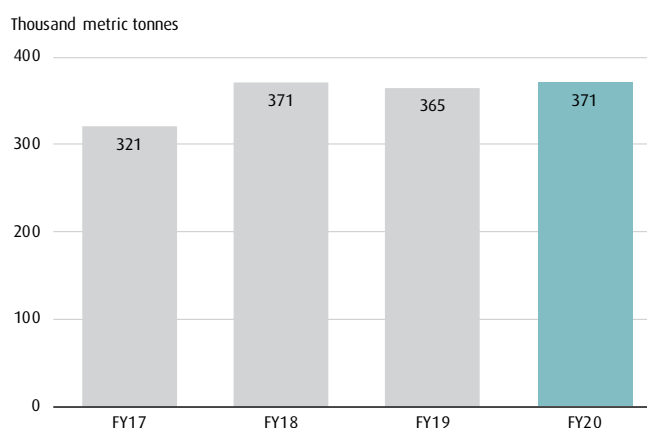
11% of Dyno Nobel Asia Pacific revenue was generated internationally in Indonesia, Turkey and Papua New Guinea.

Volumes decreased 21% as compared to pcp, largely due to lower demand from Indonesian Thermal Coal customers which had their operations substantially impacted by COVID-19 during the year.

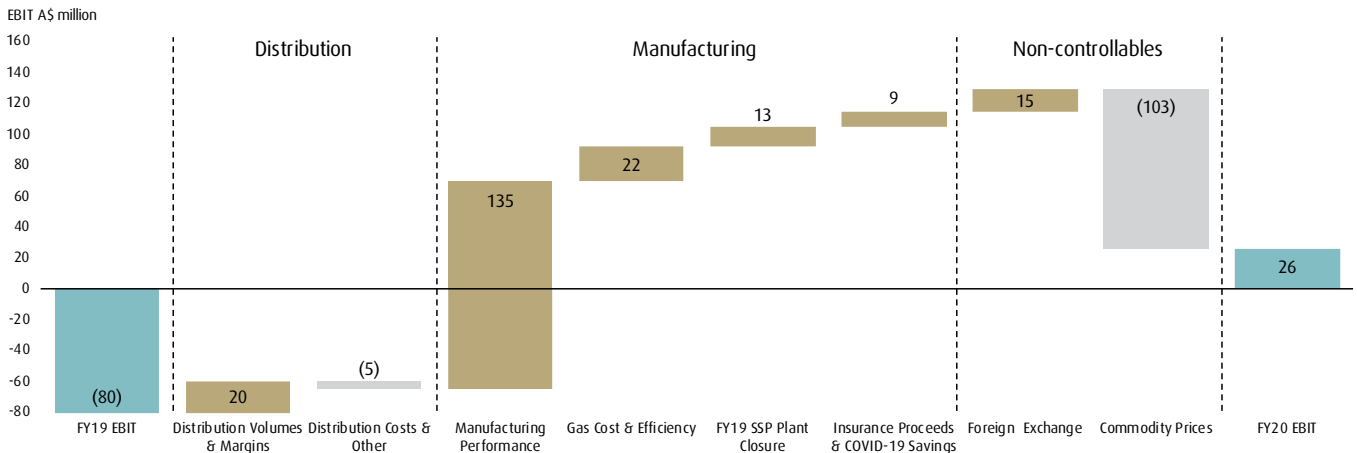
Manufacturing

Moranbah produced 371k mt of ammonium nitrate during FY20, up 2% on the pcp and equalling FY18 record production. Strong plant reliability continued to deliver plant efficiencies in FY20, the final year of its four-year turnaround campaign.

Moranbah Ammonium Nitrate Production



Fertilisers



FERTILISERS ASIA PACIFIC	Year ended 30 September		
	FY20	FY19	Change %
Thousand metric tonne			
Phosphate Hill production (ammonium phosphates)	979.3	674.7	45%
Gibson Island production (urea equivalent)	400.5	369.7	8%
A\$m			
Manufacturing	766.1	653.8	17%
Distribution	947.6	908.9	4%
Fertilisers Elimination	(211.7)	(143.3)	nm
Total Revenue	1,502.0	1,419.4	6%
Manufacturing	(26.1)	(121.6)	79%
Distribution	54.6	39.9	37%
Profit-in-stock elimination	(2.3)	2.0	nm
Fertilisers EBIT	26.2	(79.7)	133%
<i>EBIT margin</i>	<i>1.7 %</i>	<i>(5.6)%</i>	

Business Performance

Fertilisers Asia Pacific earnings for FY20 of \$26m, increased \$106m compared to the pcp due to the following:

Distribution Volumes: \$20m increase driven by strong fertilisers sales volumes and favourable product mix following much improved weather conditions across Eastern Australia.

Distribution Costs/Other: \$5m decrease including investment in distribution network and higher insurance cost.

Manufacturing Recovery: \$135m increase from higher production and improved plant performance at Phosphate Hill, delivering positive Manufacturing cash earnings (EBITDA) in FY20.

Lower Gas Cost: \$22m increase from lower contracted gas cost at Phosphate Hill and Gibson Island of \$13m; and \$9m from lower 3rd party charges due to improved gas supply reliability and operating efficiencies.

FY19 Portland SSP Closure Cost: \$13m increase relating to the permanent closure of the Portland SSP plant in FY19.

Insurance Proceeds & COVID-19 Response Plan: \$9m increase. Insurance payments of \$7m received in relation to the FY19 Queensland rail outage; and \$2m benefits from COVID-19 Response plan efficiency gains and non-essential spend savings.

Foreign Exchange and Commodity Prices: \$88m net decrease, due to lower global fertilisers prices of \$103m, partially offset by \$15m of benefits from the lower A\$:US\$ exchange rate compared to pcp.

Market Summary

Domestic fertilisers sales volumes were 14% up in FY20 at 2,212k mt (pcp: 1,945k mt). The year started slower as 2019-20 summer crop sales volumes, in particular irrigated cotton, were adversely impacted by lasting drought conditions at the time. Above average rainfall through autumn in many key farming areas supported good winter crop plantings and fertilisers (phosphates) application. Built up soil moisture reserves and substantial rainfall in late winter drove strong winter crop top dress fertilisers (nitrogen) application. Above average rainfall through spring across most cropping regions supplemented water availability, driving early summer crop planting (phosphates application).

Manufacturing

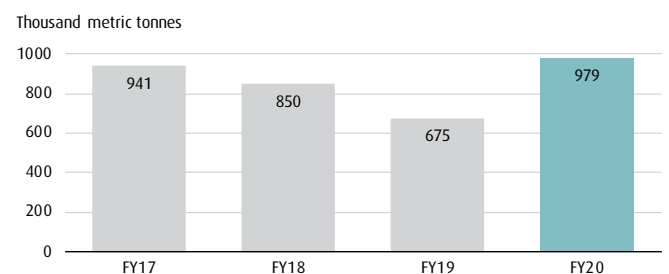
Manufacturing performance in the Fertilisers Asia Pacific business in FY20 was as follows:

Phosphate Hill

Ammonium phosphates production increased to 979k mt, up 45% on pcp mainly due to improved plant performance and efficiencies absent extended production outages in FY19 associated with the Queensland rail outage and the phosphoric acid reactor failure. The plant operated reliably at 93% (pcp: 75%) during FY20, with > 1 million tonnes annual equivalent Ammonium Phosphates production during the second half of the year.

The Phosphate Hill plant received \$8m of benefits from a full twelve months of lower cost gas under the Northern Territory gas supply agreement ⁽¹⁾ that commenced in January 2019.

Phosphate Hill Phosphates Production



Gibson Island

The plant produced 401k mt of urea equivalent product, up 8% on pcp. The planned major turnaround was successfully completed in March 2020. The new gas supply from Australia Pacific LNG, which commenced in April 2020 and continues through to the end of December 2022, delivered a reduction in gas cost of \$5m in FY20.

(1) In November 2015, IPL announced that it had entered an agreement providing gas to Phosphate Hill from the commencement of supply from the Northern Gas Pipeline, through to 2028

OUTLOOK AND SENSITIVITIES

IPL generally does not provide profit guidance, primarily due to the variability of commodity prices and foreign exchange movements. Instead, IPL provides an outlook for business performance expectations and sensitivities to key earnings drivers based on management's current view at the time of this report.

Outlook

COVID-19 & Response Plan

The extent of the future impact of COVID-19 on the Group's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, regulations imposed by governments with respect to the outbreak response, and the impact of the pandemic on the global economy, including commodity prices and customer demand.

The Group continues to actively manage the risks arising from COVID-19 on its people and operations, which includes a financial response plan that is expected to deliver cost savings of \$60m⁽¹⁾ per annum by FY22, of which \$30m will be delivered in FY21, heavily weighted to Australian Fertiliser manufacturing.

Dyno Nobel Americas

- » The operational earnings of Waggaman remain subject to movements in ammonia and natural gas prices.
- » Lower 1H FY21 production expected at Waggaman, following a two-week outage in November 2020 as site operations were interrupted by hurricane activity that caused widespread power outages; and the seven-week major turnaround of the Waggaman plant which is scheduled to commence in January 2021. The FY21 earnings impact of the turnaround is expected to be approximately US\$25m⁽²⁾ (including depreciation). Plant reliability is expected to improve following the completion of the turnaround.
- » Agriculture & Industrial Chemicals earnings remain subject to movements in global fertilisers prices, particularly Urea and by-product Urea Ammonium Nitrate.
- » A six-week turnaround of the St Helens plant was successfully completed in early November 2020. The FY21 earnings impact of the turnaround is approximately US\$5m⁽²⁾ (including depreciation).

Dyno Nobel Asia Pacific

- » As part of a four-year campaign, a major turnaround of the Moranbah plant is scheduled to commence in May 2021. The FY21 earnings impact of the turnaround is expected to be approximately \$15m⁽²⁾.
- » The FY21 impact from the FY18 contract losses in Western Australia remain unchanged at \$3m. This is expected to be more than offset by cost savings and operating efficiencies in the business as part of the Group's Response plan.
- » Technology growth is expected to offset the \$12m re-contracting impact from foundation customers in FY21.

Fertilisers Asia Pacific

- » Fertilisers earnings will continue to be dependent on global fertilisers prices, the A\$:US\$ exchange rate and weather conditions.
- » Increased soil moisture levels in many districts across the East Coast of Australia, coupled with an outlook from the Australian Bureau of Meteorology for La Nina conditions (higher summer rainfall compared to recent years) is expected to drive strong demand for fertilisers in FY21.

- » Distribution margins for FY21 are expected to be largely in line with FY20, subject to global fertilisers prices and favourable weather conditions.
- » Phosphate Hill production for FY21 is expected to lower due to the three-week planned maintenance shut down at Mt Isa that reduced sulphuric acid availability to Phosphate Hill. The shutdown was successfully completed in October 2020.
- » Expecting additional benefits of approximately \$5m in FY21 from the full year impact of lower gas supply cost to Gibson Island under the Australia Pacific LNG contract that commenced in April 2020.

Group

Corporate: Corporate costs are expected to be approximately \$30m in FY21.

Borrowing Costs: Net borrowing costs for FY21 are expected to be approximately \$125m, due to lower debt levels, and excludes the impact from the planned bond repurchase which would be determined once finalised.

Taxation: IPL's effective tax rate for FY21 is expected to be between 21% and 23%.

Foreign Exchange Hedging Program: 90% of estimated FY21 US\$ linked fertilisers sales are capped at a rate of \$0.74, with full participation down to an average rate of \$0.71 and 40% participation below \$0.71.

Gas Hedging Program: 50% of the November 2020 – March 2021 gas price risk associated with ammonia manufacturing at Waggaman and St Helens is hedged, with protection at US\$3.45 and participation down to US\$2.55. The remaining 50% is exposed to fluctuating gas prices.

Group capital expenditure: Sustenance capital expenditure for FY21 is expected to range between \$280m and \$300m, including turnarounds spend of approximately \$150m.

Sensitivities

The table provides sensitivities to key earnings drivers excluding the impact of hedging.

Commodity	Proxy Index	EBIT Sensitivities
Americas		
Ammonia ⁽³⁾	CFR Tampa	+ / - US\$10/mt = +/-US\$6.1m
Natural Gas ⁽⁴⁾	Henry Hub	+ / - US\$0.10/mmbtu = -/+ US\$2.1m
Urea ⁽⁵⁾	FOB NOLA	+ / - US\$10/mt = +/-US\$1.8m
FX EBIT Translation ⁽⁶⁾		+ / - A\$/US\$0.01 = -/+ A\$3.3m
Asia Pacific		
DAP ⁽⁷⁾	FOB Tampa	+ / - US\$10/mt = +/-A\$14.4m
Urea ⁽⁸⁾	FOB Middle East	+ / - US\$10/mt = +/-A\$4.1m
FX EBIT Transactional ^(7,8)		+ / - A\$/US\$0.01 = -/+A\$7.8m

(1) Sustained incremental earnings uplift by FY22 of \$60M per annum, based on expected cost savings when compared to FY19 cost base.

(2) Estimated FY21 EBIT impact based on FY20 realised commodity prices.

(3) Based on FY20 Waggaman plant production of 729k mt, less FY20 internal sales volumes of 124k mt.

(4) Based on FY20 Waggaman plant production of 729k mt less FY20 internal sales volumes of 124k mt, and FY20 gas efficiency of 35 mmbtu per mt of ammonia.

(5) Based on St Helens plant capacity of 175k mt of urea equivalent product.

(6) Based on actual FY20 Dyno Nobel Americas EBIT (ex IMI) of US\$155m and FY20 average foreign exchange rate of A\$/US\$0.68

(7) Based on FY20 Phosphate Hill manufactured ammonium phosphate of 979k mt; average realised FY20 DAP price of US\$304; and FY20 average foreign exchange rate of A\$/US\$0.68.

(8) Based on actual FY20 Gibson Island production sold subject to urea price movement of 280k mt; average realised FY20 urea price of US\$242; and FY20 average foreign exchange rate of A\$/US\$0.68

Note: Proxy Index prices are available on Bloomberg.

Principal Risks

Set out below are the principal risks and uncertainties associated with IPL's business and operations. These risks, which may occur individually or concurrently, could significantly affect the Group's business and operations. The global impacts of the current COVID-19 pandemic have the potential to exacerbate some of the risks described below. There may be additional risks unknown to IPL and other risks, currently believed to be immaterial, which could become material. In addition, any loss from such risks may not be recoverable in whole or in part under IPL's insurance policies. The treatment strategies noted below are not exhaustive and do not remove the risks; while in some cases they may either partially or fully mitigate the exposure, residual risk remains.

The Group's process for managing risk is set out in the Corporate Governance Statement (Principle 7: Recognise and manage risk).

Broad Risk Category	Description and potential consequences	Treatment strategies employed by IPL
Strategy	<p>IPL operates in highly competitive markets with varying competitor dynamics and industry structures. The actions of established or potential competitors could have a negative impact on sales and market share and hence the Group's financial performance.</p> <p>In respect of IPL's advanced technologies, there is a risk that the intellectual property may be replicated or challenged, resulting in potential loss of business.</p> <p>IPL's fertiliser operations compete against global manufacturers many of whom have lower input costs and may enjoy regulatory and economic advantages.</p> <p>A number of entities in the IPL Group currently undertake or are parties to joint ventures in different jurisdictions. Where IPL does not have operational control over these joint ventures, there is a risk that IPL's financial performance or reputation may be adversely impacted.</p>	<ul style="list-style-type: none"> » IPL seeks to maintain or develop competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings. » IPL continues to invest in new technologies and premium product offerings in order to meet the needs of our customers while limiting both IPL's, and our customers', carbon footprints. » Where IPL is a party to a joint venture without having operational control, oversight of the joint venture's operations, governance practices and risk management activities is maintained through membership on the entity's Board of Directors, Audit Committee and/or Committee of Management. In addition, IPL receives regular operational and financial reports and conducts periodic audits.
Health, Safety, Environment, Community & Climate Change	<p>IPL's operations are inherently dangerous. IPL operates 15 key manufacturing and assembly sites and is exposed to operational risks associated with the manufacture, transportation and storage of fertilisers, ammonium nitrate, initiating systems, industrial chemicals and industrial explosives products.</p> <p>These operational risks include an unintended detonation of explosives, or unintended toxic release or fire/explosion during manufacture, transportation or storage.</p> <p>IPL's business, and that of its customers and suppliers, is subject to environmental laws and regulations that require specific operating licences and impose various requirements and standards. Changes in these laws and regulations, failure to abide by the laws and/or licensing conditions, or changes to licence conditions, may have a detrimental effect on IPL's operations and financial performance. Where IPL vacates a site, additional environmental remediation obligations may arise. Depending on the extent and nature of contamination, remediation obligations could be significant.</p> <p>The current COVID-19 pandemic has created a risk that an infection outbreak may occur at one or more manufacturing and/or distribution sites, which could impact minimum operator requirements and result in reduced production and/or output from one or more manufacturing and/or distribution sites. Additionally, there may be increased downtime due to staggered shift times and increased cleaning requirements.</p> <p>The impact of carbon emissions, and governments' policies and actions to limit them, may have an impact on IPL's operations. The extent of the impacts will be influenced by factors such as whether there are policies and actions aimed at a rapid decarbonisation of the global economy, or whether less stringent approaches are taken. These impacts could include more severe extreme weather events, such as droughts and floods, changes to regulations that could result in an increase to the cost base or operating cost of plants, or a transition away from fossil fuels which would likely significantly decrease demand for thermal coal. A detailed discussion of the risks and opportunities identified through IPL's comprehensive assessment of both physical and transitional risks can be found on pages 14-17 of IPL's 2019 <i>GRI Index and Data</i>, which supplements the 2019 Sustainability Report available on the IPL website. ⁽¹⁾</p>	<ul style="list-style-type: none"> » A comprehensive Health, Safety, Environment and Community (HSEC) management system is in place. » Where remedial obligations are identified, an analysis is undertaken to assess any potential costs. Where applicable, provisions are made in the accounts in line with relevant accounting standards. » HSEC risk identification, mitigation and management strategies are employed at all times and across all sites. » Systems and procedures, including Standard Operating Procedures and Work Instructions, are established, documented, implemented and maintained to reduce HSEC risk in all work activities. » Appropriate workers' compensation programs are in place globally to assist employees who have been injured while at work, including external insurance coverage. » The Group has strict processes around the stewardship, movement and safe handling of dangerous goods and other chemicals. » Crisis Management Teams exist at various levels of management across the business to monitor the situation at a local level and escalate concerns as required. Physical distancing, face masks and staggered shifts have been introduced as far as practical. Where not practical, alternative controls such as plexi-glass screens have been implemented at work stations and employees are encouraged to work from home where they can. Increased hygiene and cleaning routines have been implemented and record keeping and contact tracing procedures are in place across the Group. » Through engagement with an expert third party, a comprehensive assessment has been completed of IPL's physical and transitional risks and opportunities associated with climate change. The assessment was conducted using two future climate related scenarios created specifically for IPL (a two-degree scenario and a four-degree scenario) in line with TCFD guidelines.

(1) Refer to IPL's Climate Change Policy (available on IPL's website) for further details on the Company's support for the international climate agreement developed at the 2015 Paris Conference of Parties.

Broad Risk Category	Description and potential consequences	Treatment strategies employed by IPL
Compliance	<p>IPL's business, and that of its customers and suppliers, is subject to various laws, policies and regulatory provisions across the jurisdictions in which it operates, including anti-bribery and corruption laws, sanctions, anti-trust laws, domestic or international laws relating to import and export quotas, tariffs and geopolitical risks relating to countries with which IPL, or its customers and suppliers, engages to buy or sell products and materials.</p> <p>Failure to abide by, or changes in, these laws and regulatory provisions in any of the countries in which IPL operates or in which it has dealings may adversely impact its business, financial condition and operations, or the business, financial condition and operations of IPL's customers and suppliers, including reputational damage to IPL as well as legal action, and could impact on the willingness of parties, including financiers, to transact with IPL.</p> <p>IPL is also exposed to potential legal and other claims or disputes in the course of its business and in connection with its operations.</p> <p>Additionally, IPL manufactures or produces product to specific customer and industry specifications and statutory parameters. The Group is exposed to financial and reputational risk if these standards, requirements and limits are not met.</p>	<ul style="list-style-type: none"> » Corporate functions are in place to provide sufficient support and guidance to ensure regulatory risks are identified and addressed, including regular reviews of country regulatory risk, comprehensive checks of customers and suppliers for compliance with relevant sanctions laws, and the undertaking of due diligence processes as required. » Where possible, IPL appoints local business leaders and management teams who bring a strong understanding of the local operating environment and strong customer relationships. » IPL engages with governments and other key stakeholders to ensure potential adverse impacts of regulatory changes are understood and, where possible, mitigated. » Regular training is provided to relevant staff on their obligations and reporting requirements under appropriate anti-bribery and corruption laws. » IPL provides a whistleblower hotline where employees and third parties can anonymously notify the Group's General Counsel and Chief Risk Officer of any suspected fraudulent or illegal activity. » IPL operates and manufactures products using detailed quality management systems. Quality assurance plans are in place for manufactured products intermediaries, procured products and raw materials.
People	<p>IPL has operations in regional and remote locations where it can be difficult to attract and retain critical and diverse talent. A shortage of skilled labour or loss of key personnel could disrupt IPL's business operations or adversely affect IPL's business and financial performance.</p>	<ul style="list-style-type: none"> » The Group has policies and procedures, including flexible working arrangements and competitive compensation structures, designed to help attract and retain workforce. » Management identifies critical roles and implements policies to help ensure that appropriate succession and retention plans are in place for those roles.
Manufacturing	<p>IPL's manufacturing systems are vulnerable to equipment breakdowns, energy or water disruptions, natural disasters, unforeseen human error, sabotage, terrorist attacks and other unforeseen events which may disrupt IPL's operations and materially affect its financial performance.</p> <p>Sulphuric acid is a major raw material required for the production of ammonium phosphates. Approximately 50-60% of Phosphate Hill's sulphuric acid comes from processing metallurgical gas sourced from Glencore's Mt Isa Mines copper smelting facility. Sulphuric acid supply into Phosphate Hill would likely be negatively impacted, from a volume and/or price perspective, should the Mt Isa Mines copper smelter close.</p> <p>Natural gas is the major input required for the production of ammonia and therefore is a critical feedstock for IPL's nitrogen manufacturing operations. Competitive and economic availability of natural gas is key when sourcing supply, as this impacts the variable cost of production of ammonia and significantly influences the plants' overall competitive position.</p> <p>There is a risk that a reliable, committed source of natural gas at economically viable prices may not be available for the Australian manufacturing operations.</p>	<ul style="list-style-type: none"> » IPL undertakes business continuity planning and disaster preparedness across all sites. » Global industrial special risk insurance is obtained from a variety of highly rated insurance companies to ensure the appropriate coverage is in place with regard to damage to the Group's plants and property and the associated costs arising from business interruptions. » The Group has several sources of sulphuric acid for supply for Phosphate Hill including its Mt Isa operations, which produces sulphuric acid from burning imported elemental sulphur, and purchasing directly from a domestic smelter. In addition, Phosphate Hill uses phosphoric acid reclaimed from its gypsum stacks in place of sulphuric acid. » The Group has medium term gas contracts in place for its Australian manufacturing sites. The contracts have various tenures and pricing mechanisms. IPL explores new gas supply arrangements as an ongoing part of its operations, including the extraction of natural gas from the tenement awarded to Central Petroleum Limited (Central) by the Queensland government in March 2018, in respect of which IPL has entered into a 50:50 joint venture with Central. » The US natural gas market is a well-supplied and liquid market. The Americas business has short term gas supply arrangements in place for its gas needs with market referenced pricing mechanisms. » In respect of the Americas business, there is an ability to hedge gas prices in accordance with policies approved by the Board. » The Group seeks to maintain or achieve low cost positions in its chosen markets, which helps its businesses to compete in changing and competitive environments.

Broad Risk Category	Description and potential consequences	Treatment strategies employed by IPL
Customer	<p>IPL has strong relationships with key customers for the supply of products and services, and these relationships are fundamental to the Group's financial performance. The loss of key customer(s) may have a negative impact on the Group's financial performance.</p> <p>Customer(s)' inability to pay their accounts when they fall due, or inability to continue purchasing from the Group due to financial distress, may expose the Group to customer credit risks.</p>	<ul style="list-style-type: none"> » The Group attempts to diversify its customer base to reduce the potential impact of the loss of any single customer. » Where practical, for customers in the Explosives sector, IPL prefers to engage in long term customer contractual relationships. » The Group manages customer credit risks by monitoring and actively managing overdue amounts within policy guidelines, and through endeavouring to negotiate contractual terms that provide protection to address customer non-payment or financial distress. » When appropriate, the Group purchases trade credit insurance to minimise credit risk.
Supply Chain	<p>Timely and economic supply of key raw materials represents a potential risk to the Group's ability to manufacture and supply products. In some markets in which IPL operates, economic supply of key raw materials is reliant on only a few external parties and in some cases, only one.</p> <p>In some markets, the availability of transportation routes for moving raw materials and finished product, such as rail, barge, truck and ship, as well as the methods for transporting key raw materials directly to sites, such as pipelines, underground aquifers and electricity networks, are reliant on only a few external parties. There is a risk that if these transportation routes or methods are disrupted, IPL's manufacturing and distribution capacities may be reduced.</p> <p>There is a risk that if production is not sold and effectively moved from site, plant uptime and earnings could be negatively impacted should storage at site become full.</p>	<ul style="list-style-type: none"> » Integrated Business Planning (IBP) and inventory processes assist in optimising inventory to reduce price risk of stock on hand and provide flexibility to mitigate the impacts of short term disruptions. » Where possible, flexible supply chain and alternative sourcing solutions are explored and maintained as a contingency. » Reviews of single-point sensitivity exposures within IPL's supply chain are undertaken. Where material risks are identified, contingency plans are developed, including identification of alternative sources of supply, additional storage capacity and increased safety stock. » Plants have storage capacity, as well as logistics capability, that allows for offtake to be distributed via various channels, including via rail, truck, barge and pipeline.
Commodity Price	<p>Pricing for fertilisers, ammonia, ammonium nitrate and certain other industrial chemicals is linked to internationally traded commodities (for example, ammonia, ammonium phosphates and urea). Some raw materials, such as phosphate rock, is also an internationally traded commodity. The pricing of internationally traded commodities is based on international benchmarks and is affected by global supply and demand forces, therefore price fluctuations in these products, combined with fluctuations in foreign currency exchange rates, particularly the A\$/US\$ rate, could adversely affect IPL's manufacturing operations and financial performance.</p> <p>Weaker hard and soft commodity prices (particularly coal, iron ore, gold, corn, wheat, cotton and sugar) could have an adverse impact on the Group's customers and has the potential to impact the customers' demand, impacting volume and market prices.</p>	<ul style="list-style-type: none"> » IPL manages commodity price risk via a trading book approach which allows the business to better manage its short and medium-term exposures to commodity price fluctuations, while taking into account its commercial obligations and the associated price risks. » To ensure volume and price commitments are upheld, the Group has firm and enforceable customer supply contracts. » The Group may enter into derivative contracts, where available on a needs basis, to mitigate commodity price risk. However, in some instances price risk exposure cannot be economically mitigated by either contractual arrangements or derivative contracts.
Demand	<p>The current global economic and business climate and any sustained downturn in the North American, South American, Asian, European or Australian economies may adversely impact IPL's overall performance by affecting demand for industrial explosives, industrial chemicals and fertilisers and related products and services, and profitability in respect of them.</p> <p>The balance between supply and demand of the products that IPL manufactures and sells can greatly influence prices and plant utilisation. The structural shift in the North American energy sector, which has seen a movement away from coal-fired energy production towards natural gas has increased competitive pressure on some of IPL's major existing customers (giving rise to increased cost pressure on inputs to their supply such as explosives) and has also resulted in reduced demand for their outputs.</p> <p>Reduced demand for steel inputs (in particular iron ore and metallurgical coal) can lead to a decrease in demand for explosives in these industries.</p> <p>Seasonal conditions (particularly rainfall), are a key factor for determining demand and sales of explosives and fertilisers. Any prolonged change in weather patterns & severity of adverse weather conditions could impact the future profitability and prospects of IPL.</p>	<ul style="list-style-type: none"> » Diversification across explosives and fertilisers markets in numerous geographical locations helps manage exposures: IPL's international explosives businesses operate across geographically diverse locations with exposures to diverse sectors including coal, iron ore, quarry & construction and metals mining; IPL's Australian fertilisers business operates in all Australian States other than Western Australia and has diversity across market segments and customers serviced. » Continuous review of country specific risks helps proactive management of potential exposures. » The IBP process incorporates forecasting on a rolling 24-month basis which enables scenario planning and some supply flexibility. Forecasts are based on typical weather conditions and are reviewed on an ongoing basis as the seasons progress to help align supply to changing demand.

Broad Risk Category	Description and potential consequences	Treatment strategies employed by IPL
Finance	<p>The appreciation or depreciation of the A\$ against the US\$ may materially affect IPL’s financial performance through the translation of US\$ denominated sales, borrowings and related interest payable.</p> <p>Other financial risks that can impact IPL’s earnings and/or ability to operate include the cost and availability of funds to meet its business needs, movements in interest rates and the imposition or removal of tariffs.</p> <p>While IPL currently forecasts that it will have sufficient funds to meet its business needs and to service its debt requirements, no assurance can be given that, in the future, IPL will continue to have sufficient funds to meet its financial covenants, debt repayment obligations, or be able to refinance its debt prior to its expiry.</p> <p>Changes in tax legislation or compliance requirements in the jurisdictions in which IPL operates, or changes in the policy or practices of the relevant tax authorities in such jurisdictions, may result in additional compliance costs and/or increased risk of regulatory action.</p>	<ul style="list-style-type: none"> » IPL’s capital management strategy is aimed at maintaining an investment grade credit profile, an appropriate mix of A\$/US\$ debt, funding flexibility by accessing different debt markets and reducing refinancing risk by ensuring a spread of debt maturities. A detailed discussion of financial risks is included in Note 17 (Financial Risk Management). » Financial risk management is undertaken in accordance with policies, including hedging strategies, that are approved by the Board. » IPL engages with governments and other key stakeholders to ensure potential adverse impacts of proposed fiscal and/or tax changes are understood and, where possible, mitigated.
Security	<p>IPL’s operations are vulnerable to sabotage, terrorist attacks and other unforeseen events which may disrupt IPL’s operations and materially affect its financial performance.</p>	<ul style="list-style-type: none"> » IPL undertakes business continuity planning and disaster preparedness across all sites. » The Group has strict processes around the stewardship, movement and safe handling of dangerous goods and other chemicals.
Cyber	<p>Sensitive data, pertaining to IPL, its employees, associates, customers or suppliers, may be lost or exposed, resulting in a negative impact to reputation or competitive advantage, and potential breach of regulatory compliance obligations.</p> <p>IPL may be the target of cyber-attacks which could result in commercial, financial, health and safety, environmental, community or reputational impacts.</p>	<ul style="list-style-type: none"> » Policies, procedures and practices are in place regarding the use of company information, personal storage devices, IT systems and IT security. » A data breach response plan has been established to respond to, and mitigate the effects of, any instances of sensitive data breaches that may occur. » External testing is performed to assess the security controls of the Group’s IT systems. » Security Operations Centre, threat intelligence, advanced threat analytics, system/network controls and industry standard cyber frameworks are collectively leveraged for the prevention and detection of, and response against, cyber threats. » Incident Response Plans, including Disaster Recovery arrangements, are in place to help IPL effectively respond to and recover from a cyber security incident. » To ensure a degree of risk transfer in the event of a major cyber security incident, IPL retains a cyber security insurance policy.

REMUNERATION REPORT

Introduction from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of Incitec Pivot Limited's (IPL or the Company) Remuneration Committee and the Board, I am pleased to present the Remuneration Report for 2020 which sets out the remuneration information for the Managing Director & Chief Executive Officer (MD&CEO), Executive Key Management Personnel (KMP) and the Non-Executive Directors.

Our approach

The Remuneration Committee's overarching aim is to ensure our remuneration framework delivers outcomes with a clear link to company and individual performance, and to IPL's long-term strategy and values. We were pleased to again receive strong support for our Remuneration Report at the 2019 Annual General Meeting, given 2019 was seen at that time as being a challenging year. Fast forward 12 months and the COVID-19 pandemic has provided a new perspective on what we now classify as challenging.

Executive changes during FY20

Nicholas (Nick) Stratford has assumed the role of Chief Financial Officer (CFO). Nick has returned to Australia, with Braden Lusk promoted into Nick's former US-based role of President, Dyno Nobel Americas (DNA). Both appointments took effect 1 July 2020. It was pleasing to promote from within to fill these two key Executive roles.

Fixed remuneration

Prior to Nick's move to the CFO role on a Fixed Annual Remuneration (FAR) of \$900,000, comparable to his US-based role, he received a 2.8% increase effective 1 October 2019 as President, DNA. Greg Hayne, President Dyno Nobel Asia Pacific (DNAP) underwent a FAR review and received an 8.1% increase effective 1 October 2019. Braden Lusk is remunerated via a USD-denominated salary and was promoted to a FAR of US\$550,000 for his appointment to President, DNA effective 1 July 2020. All other Executives, including the MD&CEO did not receive an increase to FAR for the 2020 performance period.

Information on fixed remuneration for the 2020 financial year is provided in section 4.2 of this report.

Short-term incentive

Under the current Executive STI programme, no non-Zero Harm components of the STI program are paid if a designated Group financial STI Gate is not achieved. In addition, the Board retains a discretion to forfeit all or part of the STI award payable for the Zero Harm performance condition in the event of a fatality or major safety incident.

With the STI Group financial Gate and Zero Harm performance condition both failing to be met, no STI awards were paid across the Executive population for the 2020 performance period.

More information on the Company's 2020 performance period and resulting STI outcomes is provided in section 4.3 of this report.

Long-term incentive

For the 2017/20 LTI plan with the performance period ending on 30 September 2020, the performance conditions were relative Total Shareholder Returns (TSR) (weighted at 50%); Growth in Return on Equity (ROE) (weighted at 35%); and the delivery of Strategic Initiatives (weighted at 15%). No performance rights will vest for the TSR component, as the Company delivered relative Total Shareholder Return below the median of the S&P/ASX 100

for the performance period. No performance rights relating to the ROE objective component will vest, as the minimum level of ROE performance was not achieved. There will be partial vesting of 66.7% of performance rights emanating from achievements against the Strategic Initiatives measures. This will result in 10% of the performance rights granted under the plan vesting.

More information on the LTI program, including 2017/20 performance period, is provided in section 4.4 of this report.

Strategic Review Performance Bonus

Stephan Titze, President Incitec Pivot Fertilisers (IPF) received a performance bonus of \$487,500 (75% of the total bonus opportunity available) for his successful running of the Strategic Review of the Incitec Pivot Fertilisers business unit during the period.

More information on this Strategic Review Performance Bonus is provided in section 4.5 of this report.

2021 Remuneration framework

We continue to review market trends to ensure our remuneration framework supports the execution of our strategies to increase shareholder value as well as the retention and motivation of our key talent. No major structural changes are planned for the 2021 financial year, however, some adjustments are to be implemented that we believe will better help us to navigate through the challenging period ahead.

Key amongst these are a re-balancing of the LTI program that will see an increased 10% weighting directed to the Return on Invested Capital (ROIC) metric (increasing to 40% of the total opportunity available) and less weighting on the Long Term Value Metrics (LTVM) (formerly Strategic Initiatives) that will decrease in weighting from 30% to 20%.

We have retained some LTVM metrics in the LTI program as we believe that management delivering on these metrics will add considerable sustainable value to our shareholders.

Also, a modified Headline Net Profit After Tax (NPAT) gate approach will be introduced into the 2021 STI program, that will cap all non-safety related metrics at a maximum of target payment if the NPAT gate is not met, rather than reducing them to zero. The Board believes this approach will strike a better balance between rewarding and motivating our key talent and shareholder value alignment. It is important to note that if the NPAT gate is not met, but executives meet or exceed their targets for all other objectives, only 43% (for the MD & CEO) and 35% (for other Executive KMP) of the maximum opportunity can be received.

The strategic measures within the 2021 STI will emphasise cash and cost control management to align with this year's Response Plan.

These changes have no impact on the remuneration outcomes for the 2020 financial year, as presented within this document. More information on the changes to the 2021 Remuneration framework can be found in section 5 of this report.

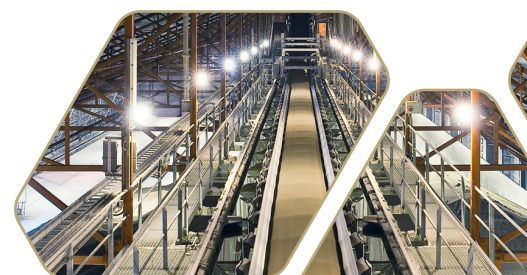
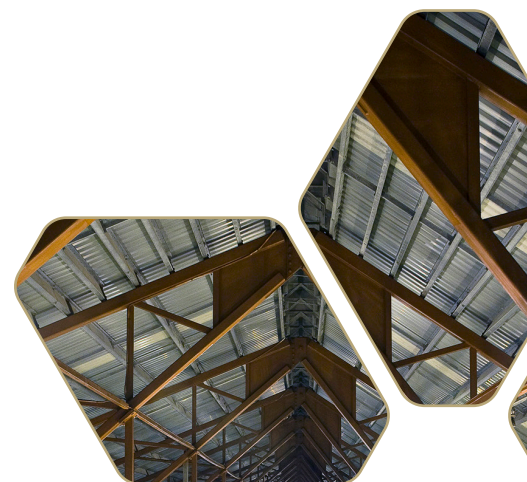
We look forward to ongoing dialogue with, and the support of our shareholders, and welcome your feedback and comments on any aspect of this report.



Brian Kruger
Chairman

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1. Introduction

The directors of Incitec Pivot Limited (IPL or the Company) present the Remuneration Report prepared in accordance with the Corporations Act 2001 (Cth) for the Company for the year ended 30 September 2020. This Remuneration Report is audited.

This Remuneration Report sets out remuneration information for Key Management Personnel (KMP) who had authority and responsibility for planning, directing and controlling the activities of the Company during the 2020 financial year, being each of the Non-executive Directors and designated Executives. The use of the term "Executives" in this report is a reference to the Managing Director & Chief Executive Officer (MD&CEO) and certain direct reports during the 2020 financial year. Refer to Table 1 below for all individuals comprising IPL's KMP for the 2020 financial year. All KMP held their positions for the entirety of the 2020 financial year, unless noted otherwise.

Table 1 – Individuals forming IPL's KMP for the 2020 reporting period

Non-Executive Directors	
Current	
Mr Brian Kruger	Chairman and Independent, Non-Executive Director
Mr Bruce Brook	Independent, Non-executive Director
Dr Xiaoling Liu ⁽¹⁾	Independent, Non-executive Director
Ms Rebecca McGrath	Independent, Non-executive Director
Mr Gregory Robinson ⁽²⁾	Independent, Non-executive Director
Former	
Mr Joseph Breunig ⁽³⁾	Independent, Non-executive Director
Ms Kathryn Fagg AO ⁽⁴⁾	Independent, Non-executive Director
Executives	
Current	
Ms Jeanne Johns	Managing Director & Chief Executive Officer
Mr Nicholas Stratford ⁽⁵⁾	Chief Financial Officer
Mr Tim Wall	President, Global Manufacturing
Mr Greg Hayne	President, Dyno Nobel Asia Pacific
Dr Braden Lusk ⁽⁶⁾	President, Dyno Nobel Americas
Mr Stephan Titze	President, Incitec Pivot Fertilisers
Former	
Mr Frank Micallef ⁽⁷⁾	Chief Financial Officer

(1) Dr Liu commenced as an Independent, Non-executive Director with effect from 25 November 2019.

(2) Mr Robinson commenced as an Independent, Non-executive Director with effect from 25 November 2019.

(3) Mr Breunig resigned as an Independent, Non-executive Director on 28 February 2020.

(4) Ms Fagg retired as an Independent, Non-executive Director on 20 December 2019.

(5) Mr Stratford ceased as President, Dyno Nobel Americas on 30 June 2020, and commenced as Chief Financial Officer with effect from 1 July 2020.

(6) Dr Lusk commenced as President, Dyno Nobel Americas with effect from 1 July 2020.

(7) Mr Micallef retired as Chief Financial Officer on 30 June 2020.

2. Executive Remuneration & Governance

2.1 Executive remuneration overview

In alignment with its remuneration strategy, the Board’s policy on Executive remuneration is that it comprises both a fixed remuneration component (FAR) and an “at risk” or performance-related component (short term incentive (STI) and long term incentive (LTI)) where:

- (i) the majority of Executive remuneration is “at risk”; and
- (ii) the level of FAR for Executives is benchmarked against that paid for similar positions at the median of companies in a comparator group with a range of market capitalisations (50% – 200% of that of the Company).

A summary of the Company’s approach to Executive remuneration for the 2020 financial year, including performance conditions and their link to the overall remuneration strategy is set out below:

	Performance Conditions	Remuneration Strategy/Performance Link
<p>Fixed Annual Remuneration Salary and other benefits (including statutory superannuation). <i>Refer section 3.2 for more details</i></p>	<p>Considerations</p> <ul style="list-style-type: none"> » Scope of individual’s role » Individual’s level of knowledge, skills and expertise » Company and individual performance » Market benchmarking 	<p>Set to attract, retain and motivate the right talent to deliver on IPL’s strategy and contribute to the Company’s financial and operational performance.</p> <p>For the Company’s Executives, the aim is to set fixed remuneration at market relevant levels and link any future increases to individual performance and effectiveness whilst continuing to have regard to market relevance.</p>
<p>Short Term Incentive Annual incentive opportunity delivered 50/50 in cash/restricted shares for the MD&CEO (if Minimum Shareholding Requirement (MSR) has yet to be achieved) or 100% in cash if MSR has been achieved. For all other Executives opportunity delivered 75/25 in cash/restricted shares (if MSR has yet to be achieved) or 100% in cash if MSR has been achieved. <i>Refer section 3.3 for more details</i></p>	<p>Zero Harm</p> <p>The award payable for the Zero Harm performance condition may be forfeited in the event of a fatality or major incident having regard to its circumstances.</p>	<p>To align with the Company’s commitment to “Zero Harm for Everyone, Everywhere”.</p>
	<p>Safety measures (generally, 10% of STI award)</p> <ul style="list-style-type: none"> » Safety performance balanced scorecard across the dimensions of behavioural safety and process safety management comprising input and output measures. 	<p>In assessing the safety balanced scorecard, the Board may, in its discretion, have regard to the results achieved against the measures comprising the scorecard without applying a specific weighting to any particular measure.</p>
	<p>Credit Rating ‘gate’</p> <p>An additional ‘gate’ was introduced this year that applied to the financial components of the plan. This gate related to the 2020 financial year only, whereby the Group’s overall credit rating was required to be maintained for participants to be eligible to receive payments.</p>	<p>To introduce a cashflow-related metric into the STI that ensures participants focus on both cashflow management as well as balance sheet strength.</p>
	<p>Net Profit After Tax (NPAT) ‘gate’</p> <p>Minimum NPAT performance level that must be achieved before any non-safety component of the STI is payable.</p> <ul style="list-style-type: none"> » Requires achievement of a designated Group NPAT as determined by the Board 	<p>To align with the Company’s strategic intent of achieving top quartile performance as measured against S&P/ASX 100 companies.</p>
	<p>Financial measures (generally, a maximum of 70% of STI award, incorporating metrics relevant to an Executive’s area of influence)</p> <ul style="list-style-type: none"> » Group NPAT » Group Adjusted NPAT » Business Unit Adjusted EBIT (earnings before interest and tax) 	<p>To ensure robust alignment of performance in a particular Business Unit with reward for the Executive managing that business unit.</p> <p>Performance conditions are designed to support the financial direction of the Company (the achievement of which is intended to translate through to shareholder return) and are clearly defined and measurable.</p>
	<p>Strategic objectives (for most of the Executives, a maximum of 20% of STI award) aligned to personal strategic objectives.</p>	<p>Key strategic and growth objectives targeted at delivering ongoing benefit to the Company.</p>
<p>Long Term Incentive Three-year incentive opportunity delivered through performance rights. <i>Refer section 3.4 and 3.5 for more details</i></p>	<p>Performance conditions</p> <p>Distinct categories of performance that are weighted to align with the Group’s focus over the three-year period that each tranche of the plan spans.</p> <ul style="list-style-type: none"> » Relative total shareholder returns » Strategic initiatives » Return on invested capital (ROIC) 	<p>Performance conditions designed to encourage Executives to focus on the key performance drivers which underpin sustainable growth in shareholder value. The mix of performance conditions is designed to ensure the share price growth is supported by the Company’s absolute ROIC performance as well as strategic initiatives, and not market factors alone.</p>

Total Remuneration

The combination of these elements is designed to attract, retain and motivate appropriately qualified and experienced individuals, encourage a strong focus on performance, support the delivery of outstanding returns to shareholders and align Executive and stakeholder interests through share ownership.

2.2 Executive remuneration strategy

IPL’s purpose is to make people’s lives better by unlocking the world’s natural resources through innovation on the ground. IPL embraces a set of Strategic Value Drivers that underpin the Company’s business and form the platform for the Company’s future earnings growth and shareholder returns:

Zero Harm – Broadening and setting year-on-year improvement objectives across key metrics including environmental care and process safety.

Talented and Engaged People – One IPL collaborative culture with engaged, diverse and inclusive teams focused on customers and value creation.

Customer Focus – Partnering with our customers to create added value and practical solutions for today and the future.

Manufacturing Excellence – Driving consistently high performance across all of our assets.

Leading Technology Solutions – Innovation on the ground with practical innovations that our customers can use today to improve their operations.

Profitable Growth – Focus on opportunities that are distinctive to our differentiated technology, core markets, core capabilities and market segments.

Under the Strategic Value Driver of ‘Talented and Engaged People’, IPL recognises that to generate competitive returns for its shareholders, it requires talented people who are capable, committed and motivated. IPL’s remuneration strategy is designed to support the objectives of the business and to enable the Company to attract, retain and reward Executives of the requisite skill and calibre.

The key principles of the Company’s remuneration strategy are to:

- » reward strategic outcomes at both the Group and business unit level that create top quartile long term shareholder value;
- » encourage integrity and disciplined risk management in business practice;
- » drive strong alignment with shareholder interests through delivering part of the reward in the form of equity;
- » structure the majority of executive remuneration to be “at risk” and linked to demanding financial and non-financial performance objectives;
- » attract and retain the best available talent;
- » reward Executives for high performance within their role and responsibilities, and ensure rewards are competitive within the industry and market for their role in respect of pay level and structure; and
- » ensure the remuneration framework is simple, transparent and easily implemented.

2.3 Executive remuneration governance

The remuneration of the Executives is set by the Board, having regard to recommendations from the Remuneration Committee.

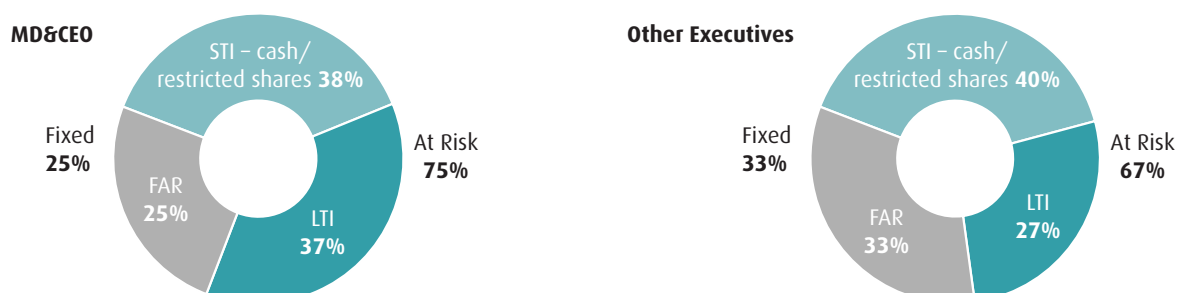
Where appropriate, the Remuneration Committee of the Board engages external advisors to provide input to the process of reviewing Executive and Non-executive Director remuneration. For the 2020 financial year, the Remuneration Committee received market and benchmarking data from various sources, but this information did not constitute a remuneration recommendation for the purposes of the Corporations Act 2001 (Cth).

Further information in relation to the Board and the Remuneration Committee can be found in IPL’s Corporate Governance Statement available on IPL’s website.

3. 2020 Executive Remuneration Framework

3.1 Overview

The charts below set out the theoretical breakdown of the Executives’ total remuneration package for the 2020 financial year. The FAR component is inclusive of cash and superannuation only, whilst “at risk” compensation is based on maximum entitlement that could potentially be awarded under the STI and LTI plans.



3.2 Fixed annual remuneration

Executives receive their fixed remuneration in a variety of forms, including cash, superannuation, and any applicable fringe benefits. The Executives' FAR is set by reference to appropriate benchmark information for each Executive's role, level of knowledge, skill, responsibilities and experience. The level of remuneration is reviewed annually in alignment with the financial year and with reference to, among other things, Company and individual performance and market data provided by an appropriately qualified and independent external data specialist.

3.3 Short-term incentive

The STI is an annual "at risk" incentive which is dependent on the achievement of particular performance measures.

The following table summarises the STI plan that applied in the 2020 financial year (2020 STI):

What was the performance period?	The performance period for the 2020 STI was the financial year from 1 October 2019 to 30 September 2020.
Who was eligible for the STI?	The MD&CEO and all other Executives participated in the 2020 STI.
What was the target and maximum STI opportunity?	Target STI opportunity was 100% of FAR for the MD&CEO, and 60% of FAR for all other Executives. Maximum STI opportunity (for stretch outcomes) was 150% of FAR for the MD&CEO, and 120% of FAR for all other Executives.
What were the Performance Conditions and Measures?	Performance conditions under the STI are determined by the Board for each financial year. The performance conditions for the 2020 STI are set out below:

Performance Conditions	Measures to assess satisfaction of Performance Condition	Rationale for the Performance Conditions
Group Financial Performance	Group NPAT (Net Profit After Tax). Group Adjusted NPAT ⁽¹⁾ (Net Profit After Tax).	To align with the Company's strategic intent of achieving top quartile performance as measured against S&P/ASX 100 companies.
Business Unit Financial Performance	Business Unit Headline EBIT (Earnings Before Interest and Tax). Business Unit Adjusted EBIT. ⁽¹⁾ Manufacturing reliability.	To ensure robust alignment of performance in a particular business unit with reward for the Executive managing that business unit.
Zero Harm	Safety performance balanced scorecard across the dimensions of behavioural safety and process safety management comprising input and output measures. ⁽²⁾	To align with the Company's commitment to "Zero Harm for Everyone, Everywhere". In 2017, the Company adopted its second five-year Global HSE Strategy to continue to drive improvement in the Group's health, safety and environmental performance.
Strategic Outcomes	Measures based on performance criteria for the execution and implementation of strategic objectives and business priorities. These include measures related to environmental and process safety, product innovation, customers and organic growth.	Tailored to individual Executive's role, to drive performance and behaviours consistent with achieving critical aspects of the Group's strategy.

(1) Adjusted for foreign exchange and commodity price movements.

(2) In assessing the safety balanced scorecard, the Board may, in its discretion, have regard to the results achieved against the measures comprising the scorecard without applying a specific weighting to any particular measure.

Where any Individually Material Item (IMI) is separately recognised in the financial report, the Board will have discretion to include or exclude the IMI for the purpose of determining any STI award, taking into account the nature of the IMI and having regard to whether, in the circumstances, it would be appropriate for the IMI to be attributable to Management.

Determination of the extent to which each of the above measures was satisfied was based on a review by the Board of the audited financial report and performance of the Group for the financial year, following the annual performance review process for the Executives.

Are there minimum performance levels which must be achieved before awards can be made under the STI?

For the 2020 financial year, to ensure STI awards are aligned with business performance outcomes, the Board determined that two separate STI Gates are to operate. As well as the "STI Financial Gate" a second gate known as the "STI Credit Gate" has been introduced specifically for this year. The STI Financial Gate reflects a requirement to exceed a designated level of the Group's NPAT performance before any awards can be made. The STI Credit Gate requires that the Group's overall credit rating is maintained in order for participants to be eligible to receive payments. If either gate is not met, no awards are to be made under the STI, save that these two gates do not apply to any awards payable in relation to the Zero Harm performance condition, reflecting the primacy of safety.

In relation to the Zero Harm performance condition, the Board retains a discretion to forfeit all or part of the award payable for this performance condition in the event of a fatality or major incident having regard to the circumstances of the incident.

What were the weightings for the STI performance measures?

The weighting of Executives' STI performance measures (as a percentage of 100%) for 2020 were:

Table 2

	Financial		Non-financial/ Business/Strategic		As a percentage of Maximum opportunity
	Group NPAT	Group Adjusted NPAT	Safety	Strategic Outcomes	
Executives – Current					
J Johns* Managing Director & CEO	40%	30%	10%	20%	100%
N Stratford**⁽¹⁾ Chief Financial Officer	40%	30%	10%	20%	100%
T Wall**⁽²⁾ President, Global Manufacturing	40%		10%	20%	100%
G Hayne** President, Dyno Nobel Asia Pacific	40%		10%	20%	100%
B Lusk** President, Dyno Nobel Americas	40%		10%	20%	100%
S Titze**⁽³⁾ President, Incitec Pivot Fertilisers	10%		10%	10%	100%
Executives – Former					
F Micallef**⁽⁴⁾ Chief Financial Officer	40%	30%	10%	20%	100%

*Group role **Business Unit role

(1) Mr Stratford spent the first 9 months of the financial year working as the President, Dyno Nobel Americas, pro-rated under the weightings outlined for Dr Lusk above. The final 3 months of the year were spent as the Chief Financial Officer, pro-rated as outlined.

(2) Mr Wall's business unit measures are based on manufacturing reliability.

(3) Mr Titze has 40% of his Business Unit EBIT measure dedicated to Headline EBIT.

(4) Mr Micallef spent the first 9 months of the financial year working as the Chief Financial Officer.

Is there an STI deferral component?

A mandatory 25% STI deferral (50% for the MD&CEO) continues until an Executive's Minimum Shareholding Requirement (MSR) is achieved. The MSR is 50% of FAR for Executives (100% for the MD&CEO).

How is the STI delivered?

The STI is delivered partly in cash and partly in the form of restricted shares. The split between cash and restricted shares is determined based on each participant's shareholding under the MSR.

Was there a mechanism for clawback?

The 2020 STI included a clawback provision, which requires the repayment of all or part of any STI awarded within three years after a payment is made, in the event of a material misstatement or omissions in IPL's financial statement which results in a restatement of the audited financial report.

3.4 Long-term incentive

The LTI is the long term incentive component of remuneration for Executives. The LTI is provided in the form of performance rights.

What LTI plans were applicable for the 2020 financial year?

The LTI Plans applicable to the 2020 financial year were the:

- » Long Term Incentive Performance Rights Plan for 2017/20 (**LTI 2017/20**);
- » Long Term Incentive Performance Rights Plan for 2018/21 (**LTI 2018/21**); and
- » Long Term Incentive Performance Rights Plan for 2019/22 (**LTI 2019/22**) (together, the **LTI Plans**).

Under the LTI Plans, participants are entitled to acquire ordinary shares in the Company, on a one right to one share basis, for no consideration at a later date. The performance rights are issued by Incitec Pivot Limited and the entitlement of the participants to acquire ordinary shares is subject to the satisfaction of certain conditions. As no shares are provided to participants until vesting, performance rights have no dividend entitlement. Performance rights expire on vesting or lapsing of the rights.

What is the purpose of the LTIs?

The LTI is designed to link reward with the key performance drivers which underpin sustainable growth in shareholder value. As rights under the LTI Plans result in share ownership on the achievement of demanding targets, the LTI ties remuneration to Company performance, as experienced by shareholders. The arrangements also support the Company's strategy for retention and motivation of the Executives.

What is the process for determining eligibility?

The decision to grant performance rights under the LTI Plans and to whom they will be granted is made annually by the Board, noting that the grant of performance rights to the MD&CEO is subject to shareholder approval. Grants of performance rights to participants are based on a percentage of the relevant Executive's FAR.

What is the maximum LTI opportunity under the LTI Plans?

The maximum LTI opportunities under each LTI Plan are:

- » for the MD&CEO, 150% of FAR; and
- » for all other Executives, 80% of FAR.

How was the number of performance rights calculated under the LTI Plans?

For the LTI 2017/20 and LTI 2018/21 the number of performance rights issued to a participant was based on the market value of the Company's volume weighted average share price over the 20 business days up to but not including the first day of the relevant performance period. For LTI 2019/22, the number of performance rights issued to a participant was based on the market value of the Company's shares over the 5 business days immediately after the release of the Company's full year results in the first year of the performance period, being 10 November 2020. The respective issuances were determined by dividing the dollar value of the relevant participant's LTI opportunity by these outcomes.

What are the performance conditions, performance period and status of the LTI Plans?

LTI Plan	Performance Conditions	Weighting of Performance Condition	Performance Period	Status
LTI 2017/20	» TSR Condition	50%	1 October 2017 to 30 September 2020	Testing to occur after completion of performance period.
	» Strategic Initiatives Condition	15%		
	» ROE Growth Condition	35%		
LTI 2018/21	» TSR Condition	40%	1 October 2018 to 30 September 2021	Testing to occur after completion of performance period.
	» Strategic Initiatives Condition	30%		
	» ROE Growth Condition	30%		
LTI 2019/22	» TSR Condition	40%	November 2019 to November 2022 (TSR condition only)	Testing to occur after completion of performance period.
	» Strategic Initiatives Condition	30%		
	» Absolute ROIC Condition	30%	1 October 2019 to 30 September 2022 (other conditions)	

The performance conditions are determined by the Board annually. Refer to section 3.5 for a discussion of the performance conditions.

When are the performance conditions measured?	After the expiry of the relevant performance period, the Board determines whether the performance conditions of the relevant LTI Plans are satisfied. The performance conditions are tested once, at the end of the relevant performance period. If the performance conditions are satisfied and the rights vest, the participant is entitled to receive ordinary shares in the Company. The participant does not pay for those shares. To the extent the performance conditions are not satisfied during the performance period, the performance rights will lapse.
What happens if a participant leaves the Company?	Generally, the performance rights granted under the LTI Plans will lapse on a cessation of employment except where the participant has died, becomes totally and permanently disabled, is retrenched, retires or is terminated without cause. In those circumstances (subject to Board discretion), the number of performance rights retained by the participant will be reduced pro rata to reflect the proportion of days worked during the relevant performance period and will be tested in the ordinary course.
In what other circumstances may the performance rights vest (which may be before or after the expiry of the performance period) under the LTI Plans?	The Board may provide a notice to the participants specifying that the performance rights will vest at a time stipulated in the notice on the occurrence of one of the following events in relation to the Company: <ul style="list-style-type: none"> » a takeover bid; » a change of control; » the Court ordering a meeting be held in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies; or » a voluntary or compulsory winding-up.

3.5 LTI performance conditions

For the LTI 2017/20 and LTI 2018/21, the performance conditions are measured by reference to the TSR Condition, a Strategic Initiatives Condition and growth in Return on Equity (ROE Growth Condition). For the LTI 2019/22 the ROE Growth Condition has been replaced by a Return on Invested Capital (Absolute ROIC Condition). Details of the performance conditions for each of the LTI 2017/20, LTI 2018/21 and LTI 2019/22 are set out below.

TSR Condition

The TSR Condition (applicable to each of LTI 2017/20, LTI 2018/21 and LTI 2019/22) requires growth in the Company's TSR to be at or above the median of the companies in the comparator group, being the S&P/ASX 100. This condition provides shareholder alignment as it takes into account the Company's share price movement as well as dividends paid, relative to other organisations comparable to the Company. The S&P/ASX 100 has been chosen as the comparator group because, having regard to the business segments in which the Company operates and, specifically, the absence of a sufficient number of direct comparator companies, the Board considers the S&P/ASX 100 to represent the most appropriate, and objective, comparator group. It also represents the group of companies against which the Company competes for shareholder capital. The Board has the discretion to vary the Comparator Group at any time, including to remove companies from, or include companies in, the Comparator Group.

The table below sets out the TSR Condition, and the percentage of the performance rights that will vest based on satisfaction of this condition.

Relative TSR ranking of IPL	% of performance rights subject to the TSR Condition that will vest
Less than 50th percentile	Nil
At or greater than 50th percentile but less than 75th percentile	Pro rata from 50% on a straight-line basis
At 75th percentile or greater	100%

Strategic Initiatives Condition

The Strategic Initiatives Condition relates to the delivery of significant aspects of the Board approved strategy. For the LTI 2017/20, the Strategic Initiatives Condition relates solely to the Business Excellence System (BEx). For the LTI 2018/21 and LTI 2019/22, the Strategic Initiatives Condition comprises components aligned with the Company's strategic drivers: Manufacturing Excellence (ME) and Customer, Practical Technology & Innovation (CPT&I).

The table below summarises the Strategic Initiatives Condition components for the LTI 2017/20, the LTI 2018/21 and the LTI 2019/22:

Strategic Initiatives Condition component	Rationale	Scorecard	
		Measurement criteria	Performance goals
Business Excellence (BEx) System and Manufacturing Excellence (ME) ⁽¹⁾	BEx and ME are improvement systems, through which the Company seeks to enhance productivity on a sustainable basis. The LTI performance goals in relation to BEx focus on incentivising the delivery of sustainable productivity improvements, rather than one-off benefits. ME performance goals target delivering sustainable year on year improvements in reliability and efficiency.	<p>Performance in relation to this component of the Strategic Initiatives Condition comprise performance goals related to:</p> <ul style="list-style-type: none"> » Business system maturity (practices) » Cumulative productivity benefits (performance) » Manufacturing volume (performance) » Manufacturing unit cost improvement (performance) 	<p>Business system maturity: For LTI 2017/20 – An absolute improvement in BEx system maturity over the performance period, or satisfaction of an exit score requirement at the end of the performance period.</p> <p>Cumulative productivity benefits: For LTI 2017/20 and LTI 2018/21 – Delivery of cumulative savings over the performance period against targets approved by the Board.</p> <p>Manufacturing volume: For LTI 2017/20, LTI 2018/21 and LTI 2019/22 – Achievement of target volumes of particular products at specified manufacturing plants.</p> <p>Manufacturing unit cost: For LTI 2019/22 – Improvement in the unit cost of Initiating Systems.</p>
Customer, Practical Technology & Innovation (CPT&I) ⁽¹⁾	IPL’s growth strategy includes providing value added differentiated products & services, and innovations to meet the challenges of customers, to assure sustainable earnings and maximise shareholder return.	<p>Performance in relation to this component will be assessed against a Scorecard comprising performance goals related to:</p> <ul style="list-style-type: none"> » Revenues from technologies » Company customer retention and growth in footprint 	<p>Revenues from technologies: For LTI 2018/21 and LTI 2019/22 – Annual growth in technology sales from 2018 and 2019 baselines.</p> <p>Net Promoter Score (NPS): For LTI 2018/21 and LTI 2019/22 – Improvement in NPS over 2019 baseline.</p> <p>Key customer retention: For LTI 2018/21 and LTI 2019/22 – Quantitative targets against 2018 and 2019 baselines assessed by the Board.</p>

(1) BEx applies to 15% in the LTI 2017/20 grant. The ME and CPT&I components combined apply to 30% of the performance rights in the grants for LTI 2018/21 and LTI 2019/22.

Details of the Scorecards and specific performance goals for each component of the Strategic Initiatives Condition were notified to Executives on commencement of each applicable LTI plan. These performance goals involve commercial-in-confidence quantitative targets and, as such, details of the performance goals are disclosed only at the end of the performance period. For the LTI 2017/20, these details are set out in section 4.4. For the LTI 2018/21 and LTI 2019/22, the relevant details will be set out in the 2021 Remuneration Report and the 2022 Remuneration Report respectively.

The Board will determine the outcome for the relevant component of the Strategic Initiatives Condition under each LTI plan having regard to the results achieved against the performance goals across the entirety of the Scorecard for that component. If the Board determines that all of the performance goals in respect of a component of the Strategic Initiatives Condition have been achieved, all of the performance rights subject to that component will vest.

If not all performance goals in respect of a component of the Strategic Initiatives Condition are met over the performance period, the extent to which that component of the Strategic Initiatives Condition has been satisfied (if at all) will be determined by the Board. In doing so, the Board will have regard to the results achieved against the performance goals across all of the components of the relevant Scorecard, without applying a specific weighting to any particular performance goal.

ROE Growth Condition

The ROE Growth Condition was introduced in 2016 and applies to the LTI 2017/20 and LTI 2018/21. The ROE Growth Condition measures the compound annual growth in ROE over the performance period. ROE was considered an appropriate measure at that time, as it was a widely recognised and reported metric and reflected the levers required to create shareholder value. It does not however, focus on the efficient deployment of capital to the extent that the Board requires currently, so has been replaced by a ROIC condition for LTI 2019/22 (see below).

The table below sets out the ROE Growth Condition, and the percentage of performance rights that will vest based on satisfaction of this condition:

ROE Compound Annual Growth Rate	% of performance rights subject to the ROE Growth Condition that will vest
Less than 7%	Nil
At or above 7% but less than 11%	Pro rata from 50% on a straight-line basis
11% or greater	100%

Absolute ROIC Condition

The Absolute ROIC Condition was introduced for the LTI 2019/22, to replace the ROE Growth Condition. ROIC has been selected as it is a key determinant of efficient use of the capital entrusted to management by shareholders. It also reflects factors that improve shareholder value, including operational efficiency, capital efficiency, asset utilisation and profitability.

The table below sets out the Absolute ROIC Condition, and the percentage of performance rights that will vest based on satisfaction of this condition:

Absolute ROIC Targets	% of performance rights subject to the Absolute ROIC Condition that will vest
Less than 5.6%	Nil
At or above 5.6% but less than 6.0%	Pro rata from 50% on a straight-line basis
6% or greater	100%

3.6 Executive service agreement terms

Remuneration and other terms of employment for the Executives are formalised in service agreements. Most Executives are engaged on similar contractual terms, with minor variations to reflect differing circumstances. Each agreement is unlimited in term; however, each agreement provides that the Company may terminate an Executive's employment immediately for cause without any separation payment, save for accrued amounts such as leave, or otherwise without cause, with or without notice, in which case the Company must pay a separation payment plus accrued amounts such as leave.

The notice period to be provided by the Executives is set out in the table below:

Current Executives	Notice period to be provided by the Executive
J Johns	52 weeks
N Stratford	26 weeks
T Wall	26 weeks
G Hayne	26 weeks
B Lusk	26 weeks
S Titze	26 weeks

The separation payment included in each Executive's contract is capped at an amount equivalent to a specified number of weeks of FAR for the Executive. Ms Johns' separation payment is equal to 52 weeks of FAR as at the date of termination (subject to the provisions relating to termination benefits in Part 2D.2 of the Corporations Act 2001). All other Executives' contracts provide for a separation payment of 26 weeks of FAR, save for Mr Stratford's and Mr Hayne's contracts which provided for a separation payment equal to 52 weeks of FAR (subject to the terminations provisions in the Corporations Act).

4. Remuneration Outcomes in 2020 Financial Year and link to 2020 Financial Year Performance

4.1 Analysis of relationship between the Company's performance, shareholder wealth and remuneration

In considering the Company's performance, the benefit to shareholders and appropriate remuneration for the Executives, the Board, through its Remuneration Committee, has regard to financial and non-financial indices, including the indices shown in the below table in respect of the current financial year and the preceding four financial years.

Table 3 – Indices relevant to the Board's assessment of the Company's performance and the benefit to shareholders.

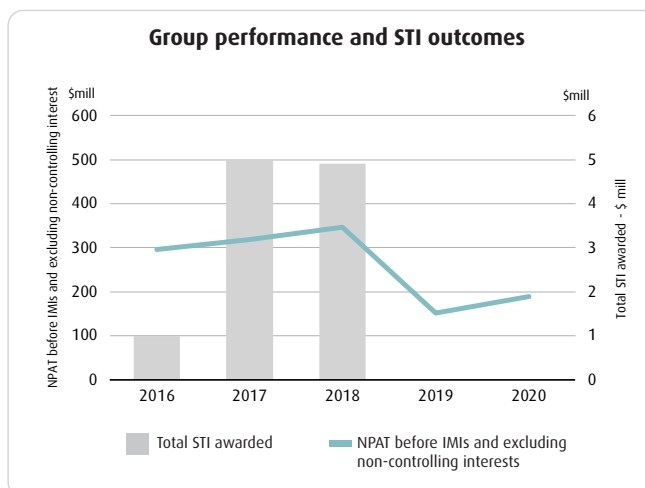
	2016	2017	2018	2019	2020
NPAT before IMIs and excluding non-controlling interests (\$m)	295.2	318.7	347.4	152.4	188.2
EPS before IMIs (cents)	17.5	18.9	20.9	9.5	10.9
Dividends per share (DPS) paid in the financial year (cents)	11.5	9.1	9.4	7.5	3.4
DPS declared in respect of the financial year (cents)	8.7	9.4	10.7	4.7	nil
Share price (\$) (Financial Year End) ⁽¹⁾	2.82	3.60	3.98	3.39	2.03
TSR (%) ⁽²⁾	14	36	14	30	(37)
On-market share buyback (\$m)	-	-	(210.3)	(89.7)	-
Equity Raising (net of cost) (\$m)	-	-	-	-	645.5

(1) Share Price as at the end of the 2015 financial year was \$3.90.

(2) TSR is calculated in accordance with the rules of the LTI 2013/16, LTI 2014/17, LTI 2015/18, LTI 2016/19 and LTI 2017/20 as applicable over the three-year performance period, having regard to the volume weighted average price of the shares over the 20 business days up to but not including the first and last day of the performance period.

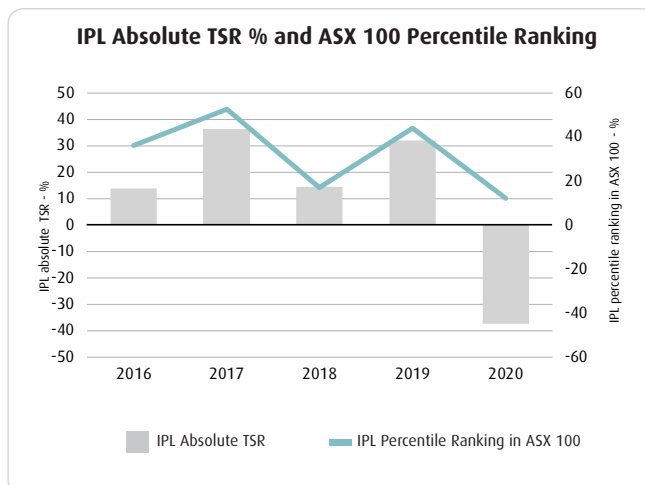
Relationship between the Company's performance and STI outcomes

The attached graph shows the relationship between the Company's performance and STI awards in respect of the current and preceding four years. For the 2016 financial year, with NPAT (before IMIs and excluding non-controlling interest) declining by 25.5% to \$295.2m, no awards were made under the 2016 STI, save in relation to the successful completion of the Louisiana Ammonia Project as well as the Company's safety performance. For the 2017 financial year, NPAT (before IMIs and excluding non-controlling interest) increased 8% to \$318.7m resulting in certain Executives earning partial STI awards in respect of this measure. For the 2018 financial year, Group NPAT (before IMIs and excluding non-controlling interest) increased 9.0% to \$347.4m resulting in Executives earning full STI awards in respect of this measure. For the 2019 financial year, Group NPAT (before IMIs and excluding non-controlling interest) decreased 56.1% to \$152.4m resulting in Executives earning 0% STI awards in respect of this measure. For the 2020 financial year, Group NPAT (before IMIs and excluding non-controlling interest) increased 23.5% to \$188.2m, however the financial gate for the STI did not open, resulting in Executives earning 0% STI awards in respect of this measure.



Relationship between the Company's performance and LTI outcomes

The attached graph shows the relationship between IPL's Absolute TSR and its percentile ranking relative to its S&P/ASX 100 peer group. IPL outranked the 50th percentile TSR for the ASX 100 peer group for the 2014-17 performance period with a 53rd percentile ranking (Absolute TSR: achieved 36%). The 2015-18 performance period achieved an Absolute TSR increase of 14%, delivering fourth quartile performance, the 2016-19 performance period achieved an Absolute TSR increase of 30%, and the 2017-20 performance period achieved an Absolute TSR decrease of 37%, delivering 12th percentile performance. As a consequence, the LTI 2014/17 partially vested, the LTI 2015/18 and LTI 2016/19 TSR did not vest and the LTI 2017/20 did not vest as outlined in section 4.4 of this report. The performance rights in LTI 2013/16 plan did not meet the performance conditions set out in the plans (including a TSR condition) and lapsed. Positive TSR has been achieved in 4 out of the 5 periods reported.



Note: The absolute TSR for IPL and for the ASX100 has been calculated using the methodology noted in footnote (2) Table 3.

4.2 2020 Fixed annual remuneration outcomes

The former President, DNA received a 2.8% increase to his Fixed Annual Remuneration (FAR) prior to moving to the CFO role on a comparable FAR of \$900,000 to his US-based role. The President, DNAP underwent a FAR review and received an 8.1% increase. The new President, DNA is remunerated via a USD-denominated salary and was promoted to a FAR of US\$550,000. All other Executives, including the MD&CEO did not receive an increase to FAR for the 2020 period.

4.3 2020 STI outcomes

Performance Condition	Outcome
Group Financial Performance (NPAT)	Group NPAT serves as one of the two “gates” for all Financial and Strategic Outcomes within the STI Plan. As performance was below the level necessary for the gate to open, no payment was made for this, and/or any other Financial or the Strategic Outcomes component.
Group Credit Rating	The Group Credit Rating also serves as one of the two “gates” for all Financial and Strategic Outcomes within the STI Plan for the 2020 financial year. Although the requirement to satisfy this gate was achieved, no payment was made for the Financial and the Strategic Outcomes components due to the Group NPAT gate failing to open.
Group Financial Performance (Adjusted NPAT)	As the Group NPAT Financial gate was not met, no payment was made for this component.
Business Unit Financial Performance	As the Group NPAT Financial gate was not met, no payment was made for this component.
Zero Harm	The balanced scorecard which applies to all Executive KMPs was not met. Consideration of the gate for this measure was applied by the Board and no payment was made for this component.
Strategic Outcomes	As the Group NPAT Financial gate was not met, no payment was made for this component.

The Board approved the STI outcomes on 10 November 2020 with the outcomes reflected in the following table:

Table 4 – Short term incentives awarded for the year ended 30 September 2020

Details of the vesting profile of the STI payments awarded for the year ended 30 September 2020 as remuneration to each Executive are set out below:

	Short term incentive for the year ended 30 September 2020				
	Cash STI \$000	Minimum share holding allocation ^(A) \$000	Included in remuneration \$000	% earned of maximum opportunity	% forfeited of maximum opportunity
Executives – Current					
J Johns	-	-	-	-	100
N Stratford	-	-	-	-	100
T Wall	-	-	-	-	100
G Hayne	-	-	-	-	100
B Lusk ⁽¹⁾	-	-	-	-	100
S Titze	-	-	-	-	100
Executives – Former					
F Micallef ⁽²⁾	-	-	-	-	100
Deferred Short term incentive for the year ended 30 September 2020					
Executives – Current					
J Johns ⁽³⁾	-	-	175	100	-
T Wall ⁽⁴⁾	-	-	58	100	-

(A) Under the terms of the 2020 STI, to the extent that Executives have not achieved their Minimum Shareholding Requirement the following applies: 50% of the MD&CEO’s award is delivered in cash and the remainder is delivered in restricted shares. For all other Executives, 75% of their award is delivered in cash and the remainder is delivered in restricted shares. Cash is generally paid and shares generally allocated around December.

(1) Dr Lusk received a pro-rata STI for time served pre-KMP. He commenced as the President, Dyno Nobel Americas with effect from 1 July 2020.

(2) Mr Micallef was entitled to a pro-rata amount (if any STI were to be paid) for his time served as a KMP, up until his retirement as Chief Financial Officer on 30 June 2020.

(3) Under the terms of the 2018 STI in which Ms Johns participated the total STI award was \$2.09m, of this 50% was paid in cash in 2018. The remaining 50% was awarded in the form of performance rights of which 25% fully vested in fully paid ordinary shares on 30 November 2019 and the remaining 25% of the award will vest on 30 November 2020 subject to Ms Johns meeting a service condition. On this date and subject to satisfying the service condition, Ms Johns will receive the remaining 25% award amount in cash or fully paid ordinary shares in the Company as determined by the Board. The value of the rights is calculated at grant date using the Black Scholes option pricing model as disclosed in the footnotes under Table 7.

(4) Mr Wall received special performance rights related to his employment in 2018, of which 50% fully vested into fully paid ordinary shares following testing in November 2019, with the remaining 50% to vest in November 2020, subject to Mr Wall satisfying individual performance criteria. The value of rights is calculated at grant date using a Black Scholes pricing model as disclosed in the footnotes under Table 7. Following testing in November 2020, the Board determined that 100% of the performance rights relating to performance period 1 November 2018 to 30 September 2020 will vest. This will be reported in the 2021 Remuneration Report.

4.4 LTI 2017/20 outcomes

The performance period for the LTI 2017/20 ended on 30 September 2020. Following testing against the performance conditions on 10 November, the Board determined that 10% of the performance rights granted under the plan will vest (with the remaining 90% to lapse). Details in relation to each of the performance conditions are set out below.

The number of rights vested and lapsed will be reported in the 2021 Remuneration Report.

TSR Condition

In relation to the TSR Condition, the Company's relative TSR performance over the period did not achieve median performance of the comparator group of S&P/ASX100 companies. Accordingly, 0% of the performance rights granted subject to the TSR Condition will vest (out of a maximum of 50% of performance rights granted under the plan).

Strategic Initiatives Condition

In relation to the Strategic Initiatives Condition – the Board assessed this component against a balanced scorecard and determined the outcome partially achieved the performance goals across the entirety of the scorecard. The Board has determined that 66.7% of the performance rights granted subject to this condition will vest (out of a maximum of 15% of performance rights granted under the plan). Commentary on the performance against the scorecard is set out in the following table.

Strategic Initiatives Condition component	Commentary on Performance Against Scorecard	Actual Vesting (%)
Business Excellence (BEx) System	<p>The performance goals for the BEx scorecard comprised of non-financial input and financial and non-financial output measures.</p> <p>In relation to the input measures, the Business System Maturity outcomes were verified by independent third parties and whilst full stretch performance was delivered at all the initiating system plants globally, slightly over half of the continuous manufacturing sites in scope achieved target outcomes, hence the overall assessment was partial achievement.</p> <p>Cumulative productivity benefits of \$110.6m were delivered, which exceeded the stretch objective established against this measure.</p> <p>Manufacturing volume performance was mixed during the period which resulted in an assessment of partial achievement.</p> <p>Overall assessment: having regard to the outcomes in relation to the input and output measures, the Board determined that the performance goals were partially delivered against the balanced scorecard.</p>	66.7% of Rights for this component

ROE Growth Condition

In relation to the ROE Growth Condition, the Company's performance over the period did not achieve a 7% Compound Annual Growth Rate. Accordingly, 0% of the performance rights granted subject to the ROE Growth Condition will vest (out of a maximum 35% of performance rights granted under the plan).

4.5 Strategic Review Performance Bonus

A Strategic Review Performance Bonus equal to \$487,500 has been awarded to Mr Stephan Titze in the current financial period. This bonus equates to 75% of the total bonus opportunity available and was driven by performance criteria relating to Mr Titze's ongoing role (not covered by the 2020 STI program) as well as criteria relating to the successful running of the Strategic Review of the Incitec Pivot Fertilisers (IPF) business unit.

Performance criteria for Mr Titze's ongoing role (50% of bonus opportunity) were focused on leading the continuing operations of IPF as well as keeping his team motivated and engaged during the uncertainty of the Strategic Review.

The remaining 50% of the bonus opportunity related to conditions specific to the review itself. These conditions were both quantitative and qualitative in nature and were assessed under three broad categories relating to: the objectives of the review; quality of information input into the review; and actions resulting from the review.

The bonus recognises the outstanding performance of Mr Titze throughout this process. This payment is reflected in Table 7 of this report, under the "Short Term Incentive & other bonuses" column.

4.6 Performance related remuneration

Table 5 – Details of performance rights granted and vested in the year ended 30 September 2020 and the vesting profile of performance rights granted as remuneration

LTI

Details of performance rights vested and forfeited set out in the table below relate to the performance rights granted under the LTI 2016/19 (performance period: 1 October 2016 to 30 September 2019) which, following testing in November 2019 resulted in the Board determining that 20% vested. In relation to the LTI 2017/20 (performance period: 1 October 2017 to 30 September 2020), following testing in November 2020, the Board determined that 10% of the performance rights will vest. This will be reported in the 2021 Remuneration Report.

STI

Details of performance rights in relation to short term incentive plans are set out in the table below.

Key Management Personnel	Grant date	Granted during 2020 as remuneration ^(A) \$000	Exercised in year \$000	Vested in year %	Forfeited in year %	Financial year in which grant may vest	Maximum value of outstanding rights ^(B) \$000
Executives – Current							
J Johns							
Long term incentive rewards							
LTI 2017/20	30 January 2018	-	-	-	-	2020	1,820
LTI 2018/21	5 February 2019	-	-	-	-	2021	1,605
LTI 2019/22	13 January 2020	1,755	-	-	-	2022	1,755
Short term incentive rewards							
Performance period: 23 October 2017 to 30 November 2019	5 February 2019	-	440	100	-	2020	-
Performance period: 23 October 2017 to 30 November 2020	5 February 2019	-	-	-	-	2021	432
N Stratford							
Long term incentive rewards							
LTI 2016/19	19 April 2017	-	150	20	80	2019	-
LTI 2017/20	30 January 2018	-	-	-	-	2020	476
LTI 2018/21	5 February 2019	-	-	-	-	2021	443
LTI 2019/22	13 January 2020	528	-	-	-	2022	528
T Wall							
Long term incentive rewards							
LTI 2018/21	5 February 2019	-	-	-	-	2021	399
LTI 2019/22	13 January 2020	425	-	-	-	2022	425
Short term incentive rewards							
Performance period: 1 November 2018 to 30 September 2019	5 February 2019	-	114	100	-	2019	-
Performance period: 1 November 2018 to 30 September 2020	5 February 2019	-	-	-	-	2020	112
G Hayne							
Long term incentive rewards							
LTI 2017/20	1 March 2018	-	-	-	-	2020	316
LTI 2018/21	5 February 2019	-	-	-	-	2021	332
LTI 2019/22	13 January 2020	382	-	-	-	2022	382
B Lusk							
Long term incentive rewards							
LTI 2019/22	13 January 2020	-	-	-	-	2022	-
S Titze							
Long term incentive rewards							
LTI 2018/21	5 February 2019	-	-	-	-	2021	314
LTI 2019/22	13 January 2020	371	-	-	-	2022	371
Executives – Former							
F Micallef ⁽¹⁾							
Long term incentive rewards							
LTI 2016/19	25 January 2017	-	174	20	80	2019	-
LTI 2017/20	30 January 2018	-	-	-	-	2020	567
LTI 2018/21	5 February 2019	-	-	-	80	2021	100
LTI 2019/22	13 January 2020	534	-	-	90	2022	53

(A) The value of rights granted in the year is the fair value of those rights calculated at grant date using a Black-Scholes option-pricing model. The value of these rights is included in the footnotes under Table 7. This amount is allocated to the remuneration of each Executive over the vesting period (that is, in the 2020, 2021 and 2022 financial years).

(B) The maximum value of outstanding rights is based on the fair value of the performance rights at the grant date. This may be different to the value of the rights in the event that they vest. The minimum value of rights yet to vest is zero, as the performance criteria may not be met.

(1) Mr Micallef ceased being a KMP on 30 June 2020. The outstanding balance represents the value of his performance rights as at 30 September 2020.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including rights) granted to a KMP have been altered or modified by the issuing entity during the reporting period.

Table 6 – Movements in rights over equity instruments in the Company

The movement during the reporting period in the number of rights over shares in the Company, held directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

Key Management Personnel	Number of Rights				
	Opening balance	Granted as compensation ^(A)	Vested ^(B)	Forfeited ^(C)	Closing balance
Executives – Current					
J Johns					
Long term incentive rewards	1,290,189	723,486	–	–	2,013,675
Short term incentive rewards	268,230	–	(134,115)	–	134,115
N Stratford					
Long term incentive rewards	574,954	217,681	(45,766)	(183,066)	563,803
T Wall					
Long term incentive rewards	152,981	175,283	–	–	328,264
Short term incentive rewards	69,302	–	(34,651)	–	34,651
G Hayne					
Long term incentive rewards	244,220	157,637	–	–	401,857
B Lusk					
Long term incentive rewards	–	–	–	–	–
S Titze					
Long term incentive rewards	120,443	152,932	–	–	273,375
Executives – Former					
F Micallef ⁽¹⁾					
Long term incentive rewards	668,031	220,060	(53,158)	(564,275)	270,658

(A) For the 2020 financial year, this represents the rights granted to Executives during the reporting period under the LTI 2019/22. The grant of rights under the LTI 2019/22 to Ms Johns was approved by shareholders at the Company's 2019 Annual General Meeting.

(B) For the 2020 financial year, this represents the number of rights vested during the reporting period under short term incentive rewards and the LTI 2016/19. Each right entitled the participating Executive to acquire a fully paid ordinary share in IPL for zero consideration.

(C) For the 2020 financial year, this represents rights that were forfeited by Executives during the period under the LTI 2016/19. In addition, in the case of Mr Micallef who ceased employment during the reporting period, a portion of his rights held under the LTI 2018/21 and the LTI 2019/22 were also forfeited as at the date of cessation, in accordance with the plan rules.

(1) Mr Micallef ceased being a KMP on 30 June 2020. The outstanding balance represents the number of his performance rights as at 30 September 2020.

4.7 Further details of Executive remuneration

Table 7 – Executive remuneration

Details of the remuneration for each Executive for the year ended 30 September 2020 are set out below:

	Year	Short-term benefits		Other short term benefits ^(B)	Superannuation benefits	Post employment benefit	Other long term benefits ^(C)	Termination benefits	Share-based payments			Total
		Salary & Fees	Short term incentive & other bonuses ^(A)						Accounting values			
									Current period expense ^(D)	Prior periods expense write-back ^(E)	Total share-based payments	
Executive KMP – Current												
J Johns	2020	1,640	175	11	–	17	–	1,458	(538)	920	2,763	
Managing Director & CEO	2019	1,630	331	90	–	15	–	1,142	–	1,142	3,208	
N Stratford⁽¹⁾	2020	890	–	312	21	24	–	451	(141)	310	1,557	
Chief Financial Officer	2019	825	–	154	21	46	–	433	(237)	196	1,242	
T Wall⁽²⁾	2020	724	58	–	21	6	–	275	–	275	1,084	
President, Global Manufacturing	2019	664	172	–	19	3	–	125	–	125	983	
G Hayne	2020	649	–	–	21	32	–	297	(93)	204	906	
President, Dyno Nobel Asia Pacific	2019	599	62	2	21	12	–	216	–	216	912	
B Lusk⁽³⁾	2020	192	–	226	–	–	–	–	–	–	418	
President, Dyno Nobel Americas												
S Titze⁽⁴⁾	2020	629	488	–	21	5	–	228	–	228	1,371	
President, Incitec Pivot Fertilisers	2019	446	–	158	16	2	–	82	–	82	704	
Executives – Former												
F Micallef⁽⁵⁾	2020	686	–	–	16	16	468	202	(301)	(99)	1,087	
Chief Financial Officer	2019	915	–	–	21	35	–	504	(360)	144	1,115	
A Grace⁽⁶⁾	2019	63	–	–	2	1	–	20	(347)	(327)	(261)	
President, Global Manufacturing												
Total Executives	2020	5,410	721	549	100	100	468	2,911	(1,073)	1,838	9,186	
	2019	5,142	565	404	100	114	–	2,522	(944)	1,578	7,903	

(A) For Mr Titze, this amount reflects a Strategic Review Performance Bonus relating to the 2020 financial year as outlined under section 4.5 of this report. For Ms Johns this includes STI rights granted on 5 February 2019 under the 2018 STI and for Mr Wall this includes special performance rights granted on 5 February 2019 related to his employment.

	Grant date	Fair value per share treated as rights at grant date
J Johns		
Performance period: 23 October 2017 to 30 November 2019	5 February 2019	\$3.32
Performance period: 23 October 2017 to 30 November 2020	5 February 2019	\$3.22
T Wall		
Performance period: 1 November 2018 to 30 September 2019	5 February 2019	\$3.34
Performance period: 1 November 2018 to 30 September 2020	5 February 2019	\$3.23

(B) Other short term benefits include rent and mortgage interest subsidies, relocation allowances and other allowances, where applicable.

(C) Other long term benefits represent long service leave accrued during the reporting period.

(D) In accordance with accounting standards, remuneration includes the amortisation of the fair value at grant date of performance rights issued under the LTI Plans that are expected to vest, less any write-back on performance rights lapsed or expected to lapse as a result of actual or expected performance against non-market hurdles ("Option Accounting Value"). The value disclosed in the above Table 7 represents the portion of fair value allocated to this reporting period and is not indicative of the benefit, if any, that may be received by the Executive should the performance conditions with respect to the relevant long term incentive plan be satisfied.

	Grant date	Fair value per share treated as rights at grant date
LTI 2016/19 – TSR	25 January 2017	\$2.87
LTI 2016/19 – Strategic Initiative	25 January 2017	\$3.45
LTI 2016/19 – ROE Growth	25 January 2017	\$3.45
LTI 2017/20 – TSR	30 January 2018	\$1.98
LTI 2017/20 – Strategic Initiative	30 January 2018	\$3.42
LTI 2017/20 – ROE Growth	30 January 2018	\$3.42
LTI 2018/21 – TSR	5 February 2019	\$1.82
LTI 2018/21 – Strategic Initiative	5 February 2019	\$3.13
LTI 2018/21 – ROE Growth	5 February 2019	\$3.13
LTI 2019/22 – TSR	13 January 2020	\$1.58
LTI 2019/22 – Strategic Initiative	13 January 2020	\$2.99
LTI 2019/22 – Absolute ROIC	13 January 2020	\$2.99

(1) Mr Stratford spent the first 9 months of the performance year as President, Dyno Nobel Americas (a US-based role) prior to being appointed to the CFO role for the final 3 months of the year.

(2) Mr Wall became a KMP on 1 November 2018 and the disclosures for the 2019 financial year are from that date and do not represent a full financial year.

(3) Dr Lusk became a KMP on 1 July 2020 and the disclosures for the 2020 financial year are from that date and do not represent a full financial year. Fixed remuneration payments were converted from US\$ to A\$ at the average rate for 1 July 2020 to 30 September 2020, being \$1.3982.

(4) Mr Titze became a KMP on 16 January 2019 and the disclosures for the 2019 financial year are from that date and do not represent a full financial year.

(5) Mr Micallef ceased being a KMP on 30 June 2020. Disclosure for the 2020 year is from 1 October 2019 to 30 June 2020. Termination benefits accrued for Mr Micallef in the 2020 financial year include a separation payment of \$467,657 in accordance with his contract of employment.

(6) Mr Grace ceased being a KMP from 31 October 2018. Disclosure for the 2019 year is from 1 October 2018 to 31 October 2018.

Table 8 – Actual Pay

The table below provides a summary of actual remuneration paid to the Executives in the 2020 financial year (noting that for individuals who became KMP in the 2020 financial year, only 2020 financial year information is shown in the table). The accounting values of the Executives' remuneration reported in accordance with the Accounting Standards may not always reflect what the Executives have actually received, particularly due to the valuation of share based payments. The table below seeks to clarify this by setting out the actual remuneration that the Executives have been paid over the last twelve months, excluding any STI rights and LTI rights that were exercised during the year. Executive remuneration details prepared in accordance with statutory requirements and the Accounting Standards are presented in Table 7 of this report.

	Year	Salary & Fees \$000	Short term incentive & other bonuses (A) \$000	Other short term benefits (B) \$000	Superannuation benefits \$000	Other long term benefits (C) \$000	Termination benefits \$000	Total \$000
Executive KMP – Current								
J Johns	2020	1,640	–	11	–	–	–	1,651
Managing Director & CEO	2019	1,630	1,045	90	–	–	–	2,765
N Stratford⁽¹⁾	2020	890	–	312	21	–	–	1,223
Chief Financial Officer	2019	825	781	154	21	–	–	1,781
T Wall	2020	724	–	–	21	–	–	745
President, Global Manufacturing	2019	664	–	–	19	–	–	683
G Hayne	2020	649	62	–	21	121	–	853
President, Dyno Nobel Asia Pacific	2019	599	332	2	21	143	–	1,097
B Lusk⁽²⁾	2020	192	–	226	–	–	–	418
President, Dyno Nobel Americas								
S Titze	2020	629	488	–	21	–	–	1,138
President, Incitec Pivot Fertilisers	2019	446	–	158	16	–	–	620
Executives – Former								
F Micallef⁽³⁾	2020	686	–	–	16	–	–	702
Chief Financial Officer	2019	915	879	–	21	–	–	1,815
A Grace⁽⁴⁾	2019	63	626	–	2	277	–	968
President, Global Manufacturing								
Total Executives	2020	5,410	550	549	100	121	–	6,730
	2019	5,142	3,663	404	100	420	–	9,729

(A) Represent a special incentive paid during the 2020 financial year to Mr Titze (outlined in Section 4.5 of the report). For Mr Hayne, this includes a special discretionary bonus payment made in December 2019 as well as a short term incentive payment paid in 2019 prior to him becoming a KMP.

(B) Other short term benefits include rent and mortgage interest subsidies, relocation allowances and other allowances, where applicable.

(C) Other long term benefits include long service leave paid on cessation of employment. For Mr Hayne this includes a cash payment relating to a long term incentive plan for the periods prior to him becoming a KMP.

(1) Mr Stratford spent the first 9 months of the performance year as President, Dyno Nobel Americas (a US-based role) prior to being appointed to the CFO role for the final 3 months of the year.

(2) Dr Lusk became a KMP on 1 July 2020 and the disclosures for the 2020 financial year are from that date and do not represent a full financial year.

(3) Mr Micallef's ceased as a KMP on 30 June 2020 and the disclosures for the 2020 financial year are up until that date and do not represent a full financial year.

(4) Mr Grace ceased as a KMP on 31 October 2018 and the disclosures for the 2019 financial year are up until that date and do not represent a full financial year.

5. Overview of Remuneration Changes for the 2021 Financial Year

No major structural changes are planned for the 2021 financial year. A number of minor adjustments will be implemented that aim to better align executive reward with performance and shareholder experience:

- » LTI – Long Term Value Metrics (LTVM) which are focused on financially oriented objectives, will replace the previous Strategic Initiatives Conditions.
- » LTI – Weightings within the program will be rebalanced. Return on Invested Capital (ROIC) will make up 40% (formerly 30%) and LTVM will make up 20% (formerly 30%) of the reward opportunity available.
- » STI – The Headline Net Profit After Tax (NPAT) gate will be modified to cap all non-safety related metrics at a maximum of target payment if the gate is not met.
- » STI – The Credit Rating gate introduced for the 2020 financial year only, will be removed as planned and replaced with a measure within the plan that focusses on cashflow management.
- » STI – New strategic measures will be introduced that emphasise cash and cost control management to align with this year's Response Plan.

The Board will continue to monitor and consider any trends that may become apparent with respect to remuneration (both domestically and internationally) and look to incorporate changes that may contribute to the efficacy of the Company's overall remuneration structure.

6. Non-executive Director Remuneration

IPL's policy is to:

- » remunerate Non-Executive Directors by way of fees and payments which may be in the form of cash and superannuation benefits; and
- » set the level of Non-Executive Directors' fees and payments to be consistent with the market and to enable the IPL Group to attract and retain directors of an appropriate calibre.

Non-Executive Directors are not remunerated by way of options, shares, performance rights, bonuses nor by incentive-based payments.

Non-Executive Directors receive a fee for being a director of the Board and Non-Executive Directors, other than the Chairman of the Board, receive additional fees for either chairing or being a member of a Board Committee. The level of fees paid to a Non-executive Director is determined by the Board after an annual review and reflects a Non-Executive Director's time commitments and responsibilities.

For the 2020 financial year, there were no increases to Non-Executive Directors' fees. Fees paid to Non-Executive Directors amounted to \$1,524,000 which was within the \$2,000,000 maximum aggregate fee pool approved by shareholders at the 2008 Annual General Meeting.

For the 2021 financial year, the Board has determined that there will be no increase in Non-executive Director fees.

The table below sets out the Board and Committee fees as at 30 September 2020:

Board Fees	Chairperson	\$532,500
	Members	\$177,500
Committee Fees	Audit & Risk Management Committee	
	Chairperson	\$47,200
	Members	\$23,600
	Remuneration Committee	
	Chairperson	\$35,400
	Members	\$17,700
	HSEC Committee	
	Chairperson	\$35,400
	Members	\$17,700
	Nominations Committee	
	Chairperson	N/A
	Members	\$8,250

Table 9 – Non-executive Directors' remuneration

Details of the Non-Executive Directors' remuneration for the financial year ended 30 September 2020 are set out in the following table:

	Year	Board and Committee Fees	Cash allowances and other short term benefits ^(A)	Post-employment benefits	Other long term benefits	Total
		Fees \$000	\$000	Superannuation benefits \$000	\$000	
Non-executive Directors – Current						
B Kruger, Chairman	2020	512	–	21	–	533
	2019	299	–	21	–	320
B Brook	2020	240	–	11	–	251
	2019	173	–	16	–	189
X Liu ⁽¹⁾	2020	176	–	8	–	184
R McGrath	2020	239	–	5	–	244
	2019	224	–	21	–	245
G Robinson ⁽²⁾	2020	151	–	14	–	165
Non-executive Directors – Former						
P Brasher, Chairman ⁽³⁾	2019	383	–	15	–	398
J Breunig ^{(4),(5)}	2020	81	15	–	–	96
	2019	195	30	–	–	225
K Fagg AO ⁽⁶⁾	2020	47	–	4	–	51
	2019	210	–	21	–	231
G Smorgon AM ⁽⁷⁾	2019	40	–	5	–	45
Total Non-executive Directors	2020	1,446	15	63	–	1,524
	2019	1,524	30	99	–	1,653

(A) Cash allowances and other short term benefits include travel allowances and the taxable value of fringe benefits paid attributable to the fringe benefits tax year.

(1) Dr Liu was appointed as an Independent, Non-executive Director with effect from 25 November 2019.

(2) Mr Robinson was appointed as an Independent, Non-executive Director with effect from 25 November 2019.

(3) Mr Brasher retired as a Non-executive Director and Chairman on 30 June 2019 and was succeeded by Mr Kruger with effect from 1 July 2019.

(4) Mr Breunig resides in the United States and received a travel allowance of \$5,000 per trip to Australia to attend Board and/or Committee meetings.

(5) Mr Breunig resigned from the Board as a Non-executive Director on 28 February 2020.

(6) Ms Fagg retired from the Board as a Non-executive Director on 20 December 2019.

(7) Mr Smorgon retired from the Board as a Non-executive Director on 20 December 2018.

7. Shareholdings in IPL

The 2020 financial year saw the commencement of the MSR for Non-executive Directors. The MSR is an initiative to better align Director and Shareholder interests and requires each Director to hold the equivalent of 100% of their base Board fee in IPL shares and/or rights to shares (that have been fully sacrificed for under IPL's Non-executive Director Fee Sacrifice Plan) at the completion of 5-years of service. As at 30 September 2020, all Directors (excluding those joining the IPL Board during the current financial year) were required to hold 20% of their base Board fee in IPL shares and/or rights to shares. All Directors satisfied this requirement.

Table 10 – Movements in rights in the Company

IPL's Non-executive Director Fee Sacrifice Plan (the Plan) commenced in 2019. The first six-monthly tranche of rights issued under the Plan vested into shares in 2020. Rights issued under the second tranche are scheduled to vest in November 2020. These rights, as well as those that subsequently convert to shares, combine to form part of the Non-Executive Director's Minimum Shareholding Requirement (MSR) that is outlined in further detail in the next section of the report.

The movement during the reporting period in the number of rights for each Non-Executive Director, including their related parties, is set out in the table below:

	Number of Rights ^(A)					\$'000
	Opening balance	Rights acquired	Vested ^(B)	Forfeited	Closing balance	Maximum value of outstanding rights ^(C)
Non-executive Directors – Current						
B Kruger	0	38,459	(12,397)	–	26,062	53
B Brook	0	22,687	(5,313)	–	17,374	35
X Liu	0	7,239	–	–	7,239	15
R McGrath	0	–	–	–	–	–
G Robinson	0	–	–	–	–	–

(A) Includes movements of rights acquired under the Plan.

(B) For the 2020 financial year, this represents the number of rights vested during the reporting period under the Plan.

(C) Value of outstanding rights based on 20 Day VWAP - 4 March 2020 to 31 March 2020.

Table 11 – Movements in shares in the Company

The movement during the reporting period in the number of shares in the Company held directly, indirectly or beneficially, by each KMP, including their related parties, is set out in the table below:

	Number of Shares ^(A)			
	Opening balance	Shares acquired	Shares disposed	Closing balance ^(B)
Non-executive Directors – Current				
B Kruger	14,620	27,397	–	42,017
B Brook	12,000	20,313	–	32,313
X Liu	–	43,000	–	43,000
R McGrath	25,008	15,000	–	40,008
G Robinson	–	67,020	–	67,020
Non-executive Directors – Former				
J Breunig	–	–	–	–
K Fagg AO	10,000	–	–	10,000
Executive Director – Current				
J Johns	158,090	459,905	–	617,995
Executives – Current				
N Stratford	19,620	27,459	–	47,079
T Wall	–	44,651	–	44,651
G Hayne	8,633	15,000	–	23,633
B Lusk	–	–	–	–
S Titze	–	–	–	–
Executives – Former				
F Micallef	99,478	53,158	–	152,636

(A) Includes fully paid ordinary shares and shares acquired under IPL's incentive plans. Details of these plans are set out in note 18, Share-based payments.

(B) Where a director or an Executive has ceased to be a KMP during the reporting year, the balance stated in this column represents the number of shares held as at the date the director or Executive ceased to be a KMP.

8. Other KMP Disclosures

Loans to KMP

In the year ended 30 September 2020, there were no loans to key management personnel and their related parties (2019: nil).

Other KMP transactions

In the year ended 30 September 2020, there were no transactions entered into during the year with key management personnel (including their related parties).

The Board of Directors
Incitec Pivot Limited
Level 8, 28 Freshwater Place
Southbank Victoria 3006

10 November 2020

Dear Board Members

Incitec Pivot Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Incitec Pivot Limited.

As lead audit partner for the audit of the financial statements of Incitec Pivot Limited for the financial year ended 30 September 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A T Richards
Partner
Chartered Accountants

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Introduction

This is the consolidated financial report of Incitec Pivot Limited (the **Company, IPL, or Incitec Pivot**) a company domiciled in Australia, and its subsidiaries including its interests in joint ventures and associates (collectively referred to as the **Group**) for the financial year ended 30 September 2020.

Content and Structure of the Financial Report

The notes to the financial statements and the related accounting policies are grouped into the following distinct sections in the 2020 financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

Section	Description
Financial performance	Provides detail on the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position that are most relevant in forming an understanding of the Group's financial performance for the year.
Shareholder returns	Provides information on the performance of the Group in generating shareholder returns.
Capital structure	Provides information about the Group's capital and funding structures.
Capital investment	Provides information on the Group's investment in tangible and intangible assets, and the Group's future capital commitments.
Risk management	Provides information about the Group's risk exposures, risk management practices, provisions and contingent liabilities.
Other	Provides information on items that require disclosure to comply with Australian Accounting Standards and the requirements under the Corporations Act.

Information is included in the notes to the financial report only to the extent it is considered material and relevant to the understanding of the financial report. A disclosure is considered material and relevant if, for example:

- » the dollar amount is significant in size (quantitative factor)
- » the item is significant by nature (qualitative factor)
- » the Group's result cannot be understood without the specific disclosure (qualitative factor)
- » it relates to an aspect of the Group's operations that is important to its future performance.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 September 2020

	Notes	2020 \$mill	2019 \$mill
Revenue	(2)	3,942.2	3,918.2
Financial and other income	(2)	43.4	58.7
Share of profit of equity accounted investments	(14)	32.3	44.9
Operating expenses			
Changes in inventories of finished goods and work in progress		(121.3)	70.7
Raw materials and consumables used and finished goods purchased for resale		(1,707.4)	(2,028.0)
Employee expenses		(723.8)	(686.8)
Depreciation and amortisation	(2)	(356.0)	(301.6)
Financial expenses	(2)	(139.6)	(149.1)
Purchased services		(200.0)	(185.5)
Repairs and maintenance		(181.2)	(172.3)
Outgoing freight		(287.6)	(283.9)
Lease payments – operating leases		(26.7)	(60.6)
Asset impairment write-downs	(2)	(57.3)	(11.5)
Other expenses		(66.1)	(53.6)
Profit before income tax		150.9	159.6
Income tax expense	(3)	(27.5)	(7.5)
Profit for the year		123.4	152.1
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit plans	(20)	(9.0)	(36.6)
Gross fair value losses on assets at fair value through other comprehensive income	(17)	-	(0.1)
Income tax relating to items that will not be reclassified subsequently to profit or loss		2.5	10.2
		(6.5)	(26.5)
Items that may be reclassified subsequently to profit or loss			
Fair value losses on cash flow hedges	(17)	(4.3)	(72.5)
Cash flow hedge gains transferred to profit or loss	(17)	(19.0)	(18.0)
Exchange differences on translating foreign operations		(354.5)	226.1
Net gains/(losses) on hedge of net investment	(17)	125.5	(107.8)
Income tax relating to items that may be reclassified subsequently to profit or loss		49.3	14.4
		(203.0)	42.2
Other comprehensive income for the year, net of income tax		(209.5)	15.7
Total comprehensive income for the year		(86.1)	167.8
Profit attributable to:			
Members of Incitec Pivot Limited		123.4	152.4
Non-controlling interest		-	(0.3)
Profit for the year		123.4	152.1
Total comprehensive income attributable to:			
Members of Incitec Pivot Limited		(86.1)	168.1
Non-controlling interest		-	(0.3)
Total comprehensive income for the year		(86.1)	167.8
Earnings per share			
Basic (cents per share)	(5)	7.1	9.5
Diluted (cents per share)	(5)	7.1	9.4

Consolidated Statement of Financial Position

As at 30 September 2020

	Notes	2020 \$mill	2019 \$mill
Current assets			
Cash and cash equivalents	(8)	554.6	576.4
Trade and other receivables	(4)	373.9	316.7
Inventories	(4)	474.4	600.9
Other assets		47.2	50.6
Other financial assets	(17)	79.8	6.2
Total current assets		1,529.9	1,550.8
Non-current assets			
Trade and other receivables	(4)	26.9	47.4
Other assets		25.8	21.6
Other financial assets	(17)	56.1	16.6
Equity accounted investments	(14)	326.3	357.7
Property, plant and equipment	(9)	4,071.7	4,190.0
Right-of-use lease assets	(10)	221.1	-
Intangible assets	(11)	3,019.7	3,179.5
Deferred tax assets	(3)	13.5	15.9
Total non-current assets		7,761.1	7,828.7
Total assets		9,291.0	9,379.5
Current liabilities			
Trade and other payables	(4)	1,049.4	1,152.0
Lease liabilities	(10)	41.5	-
Interest bearing liabilities	(8)	21.2	1,213.4
Other financial liabilities	(17)	93.6	39.2
Provisions	(16)	102.3	86.1
Current tax liabilities		21.5	13.4
Total current liabilities		1,329.5	2,504.1
Non-current liabilities			
Trade and other payables	(4)	16.2	17.4
Lease liabilities	(10)	206.2	-
Interest bearing liabilities	(8)	1,849.1	1,443.0
Other financial liabilities	(17)	65.3	45.1
Provisions	(16)	125.5	116.5
Deferred tax liabilities	(3)	429.0	498.4
Retirement benefit obligation	(20)	66.9	67.2
Total non-current liabilities		2,758.2	2,187.6
Total liabilities		4,087.7	4,691.7
Net assets		5,203.3	4,687.8
Equity			
Issued capital	(7)	3,806.2	3,136.8
Reserves		(221.8)	(19.9)
Retained earnings		1,618.9	1,570.9
Total equity		5,203.3	4,687.8

Consolidated Statement of Cash Flows

For the year ended 30 September 2020

	Notes	2020 \$mill	2019 \$mill
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Profit after tax for the year		123.4	152.1
<i>Adjusted for non-cash items</i>			
Net finance cost		135.7	144.1
Depreciation and amortisation	(2)	356.0	301.6
Write-down of property, plant and equipment	(9)	16.3	11.5
Impairment of intangible assets	(11)	41.0	-
Share of profit of equity accounted investments	(14)	(32.3)	(44.9)
Net gain on sale of property, plant and equipment	(2)	(1.6)	(12.0)
Non-cash share-based payment transactions	(18)	2.4	1.6
Income tax expense	(3)	27.5	7.5
<i>Changes in assets and liabilities</i>			
(Increase)/decrease in receivables and other operating assets		(47.1)	35.5
Decrease/(increase) in inventories		112.3	(81.7)
(Decrease)/increase in payables, provisions and other operating liabilities		(70.2)	23.9
		663.4	539.2
<i>Adjusted for cash items</i>			
Dividends received	(14)	30.9	27.5
Interest received		3.9	5.0
Interest paid		(139.4)	(136.1)
Income tax paid		(13.7)	(20.8)
Net cash flows from operating activities		545.1	414.8
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(278.4)	(348.1)
Proceeds from sale of property, plant and equipment		7.4	10.8
Payments for acquisition of subsidiaries and non-controlling interests		(23.4)	(5.3)
Payments towards investment in joint arrangement		(9.8)	-
Proceeds from sale of equity securities		-	2.3
Loans to equity accounted investees		-	(6.8)
(Payments)/receipts from settlement of net investment hedge derivatives		(75.2)	5.5
Net cash flows from investing activities		(379.4)	(341.6)
Cash flows from financing activities			
Repayment of borrowings	(8)	(1,487.6)	(429.7)
Proceeds from borrowings	(8)	723.0	553.7
Proceeds from equity raising	(7)	645.5	-
Realised market value gain on derivatives		10.3	-
Lease liability payments		(41.9)	-
Dividends paid	(6)	(30.7)	(121.7)
Dividends paid to non-controlling interest holder		-	(5.9)
Purchased shares for IPL employees		(1.3)	(0.6)
Payment for buy-back of shares		-	(89.7)
Net cash flows from financing activities		(182.7)	(93.9)
Net decrease in cash and cash equivalents held		(17.0)	(20.7)
Cash and cash equivalents at the beginning of the year		576.4	588.5
Effect of exchange rate fluctuations on cash and cash equivalents held		(4.8)	8.6
Cash and cash equivalents at the end of the year	(8)	554.6	576.4

Consolidated Statement of Changes in Equity

For the year ended 30 September 2020

	Notes	Issued capital \$mill	Cash flow hedging reserve \$mill	Share-based payments reserve \$mill	Foreign currency translation reserve \$mill	Fair value reserve \$mill	Retained earnings \$mill	Total \$mill	Non-controlling interest \$mill	Total equity \$mill
Balance at 1 October 2018		3,226.5	15.6	25.0	(84.0)	(12.0)	1,566.6	4,737.7	6.5	4,744.2
Profit for the year		-	-	-	-	-	152.4	152.4	(0.3)	152.1
Total other comprehensive income for the year		-	(63.9)	-	106.1	(0.1)	(26.4)	15.7	-	15.7
Dividends paid	(6)	-	-	-	-	-	(121.7)	(121.7)	(5.9)	(127.6)
Share buy-back		(89.7)	-	-	-	-	-	(89.7)	-	(89.7)
Change in non-controlling interest		-	-	-	-	(7.6)	-	(7.6)	(0.3)	(7.9)
Purchased shares for IPL employees		-	-	(0.6)	-	-	-	(0.6)	-	(0.6)
Share-based payment transactions	(18)	-	-	1.6	-	-	-	1.6	-	1.6
Balance at 30 September 2019		3,136.8	(48.3)	26.0	22.1	(19.7)	1,570.9	4,687.8	-	4,687.8
Balance at 1 October 2019		3,136.8	(48.3)	26.0	22.1	(19.7)	1,570.9	4,687.8	-	4,687.8
Adoption of AASB 16 Leases ⁽ⁱ⁾		-	-	-	-	-	(14.3)	(14.3)	-	(14.3)
Profit for the year		-	-	-	-	-	123.4	123.4	-	123.4
Total other comprehensive income for the year		-	(16.0)	-	(187.0)	-	(6.5)	(209.5)	-	(209.5)
Dividends paid	(6)	-	-	-	-	-	(54.6)	(54.6)	-	(54.6)
Shares issued during the year	(7)	669.4	-	-	-	-	-	669.4	-	669.4
Purchased shares for IPL employees		-	-	(1.3)	-	-	-	(1.3)	-	(1.3)
Share-based payment transactions	(18)	-	-	2.4	-	-	-	2.4	-	2.4
Balance at 30 September 2020		3,806.2	(64.3)	27.1	(164.9)	(19.7)	1,618.9	5,203.3	-	5,203.3

(i) Refer note 10 for additional information on the adoption of AASB16 Leases

Cash flow hedging reserve

This reserve comprises the cumulative net change in the fair value of the effective portion of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share-based payments reserve

This reserve comprises the fair value of rights recognised as an employee expense under the terms of the 2017/20, 2018/21 and 2019/22 Long Term Incentive Plans.

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled operations are taken to the foreign currency translation reserve. The relevant portion of the reserve is recognised in the profit or loss when the foreign operation is disposed of.

The foreign currency translation reserve is also used to record gains and losses on hedges of net investments in foreign operations.

Fair value reserve

This reserve represents the cumulative net change in the fair value of equity instruments. The annual net change in the fair value of investments in equity securities (including both realised and unrealised gains and losses) is recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2020

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Notes to the Consolidated Financial Statements: Basis of preparation

For the year ended 30 September 2020

Basis of preparation and consolidation

The consolidated financial statements of the Group have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value.

The financial results and financial position of the Group are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Where applicable, comparative disclosures have been reclassified for consistency with the current period.

The consolidated financial statements were authorised for issue by the directors on 10 November 2020.

Subsidiaries

Subsidiaries are entities that are controlled by the Group. The financial results and financial position of the subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

A list of the Group's subsidiaries is included in note 15.

Joint arrangements and associates

A joint venture is an arrangement where the parties have rights to the net assets of the venture.

A joint operation is an arrangement where the parties each have rights to the assets and liabilities relating to the arrangement.

Associates are those entities in respect of which the Group has significant influence, but not control, over the financial and operating policies of the entities.

Investments in joint ventures and associates are accounted for using the equity method. They are initially recognised at cost, and subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the investees.

The interests in joint operations are brought to account recognising the Group's share of jointly controlled assets; liabilities; expenses; and income from the joint operation.

A list of the Group's joint arrangements and associates is included in note 15.

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) and interpretations. The Company is a for-profit entity.

Key estimates and judgments

Key accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the subsequent related actual result. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are set out in the notes.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument, *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission dated 24 March 2016 and, in accordance with that Legislative Instrument, the amounts shown in this report and in the financial statements have been rounded, except where otherwise stated, to the nearest one hundred thousand dollars.

Accounting standards issued

The Group adopted all amendments to Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current year. The adoption of these revised Standards and Interpretations did not have a material impact on the Group's results, except for:

- » AASB 16: *Leases*
Details of the impact of AASB 16 on the Group are included in note 10.

The following relevant standards were available for early adoption and were early adopted by the Group:

- » AASB 2019-3: *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- » AASB 2020-8: *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*

The global interest rate benchmark reform is resulting in the replacement of Inter-Bank Offered Rates (IBORs) with alternative risk-free rates by 1 January 2022. The Interest Rate Benchmark Reform Accounting Standard amendments modify specific hedging accounting requirements to allow hedge accounting to continue during the period of uncertainty relating to the benchmarking reforms for affected cash flow and fair value hedges.

London Inter-Bank Offered Rate (LIBOR), Hong Kong Inter-Bank Offered Rate (HIBOR) and Bank Bill Swap Rate (BBSW) are benchmark rates impacted by the reform and are referenced in the Group's debt and derivative contracts. A working group with representation from different functions across the Group has been established to monitor the developments in the global reform and manage the transition of contracts affected. The 'Interest Rate Risk' section in note 17 summarises the Group's derivative instruments in hedging relationships at 30 September 2020, including the nominal amounts in those hedge relationships. The adoption of the new standard had no impact on the Group's financial results for the year ended 30 September 2020.

Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2020

1. Segment report

The Group operates a number of strategic divisions that offer different products and services and operate in different markets. For reporting purposes, these divisions are known as reportable segments. The results of each segment are reviewed monthly by the executive management team (the chief operating decision makers) to assess performance and make decisions about the allocation of resources.

Following the conclusion of the Fertilisers Strategic Review during the current financial year, the operating segments were changed to align with the reports that are used by the Group's executive management team. As a result, Incitec Pivot Fertilisers (**IPF**) and Southern Cross International (**SCI**) were combined into one reporting segment, Fertilisers Asia Pacific. The prior year comparatives have been restated in line with this change.

Description of reportable segments

Asia Pacific

Fertilisers Asia Pacific (**Fertilisers APAC**): manufactures and sells fertilisers in Eastern Australia and the export market. It also manufactures, imports and sells industrial chemicals to the agriculture and specialist industries.

Dyno Nobel Asia Pacific (**DNAP**): manufactures and sells industrial explosives and related products and services to the mining industry in the Asia Pacific region and Turkey.

Asia Pacific Eliminations (**APAC Elim**): represent elimination of sales and profit in stock arising from Fertilisers APAC sales to DNAP.

Americas

Dyno Nobel Americas (**DNA**): manufactures and sells industrial explosives and related products and services to the mining, quarrying and construction industries in the Americas (Canada, Mexico and Chile) and initiating systems to businesses in Australia, Turkey and South Africa. It also manufactures and sells industrial chemicals to the agriculture and specialist industries.

Corporate

Corporate costs include all head office expenses that cannot be directly or reasonably attributed to the operation of any of the Group's businesses.

Group Eliminations (**Group Elim**): represent elimination of sales and profit in stock arising from intersegment sales.

Reportable segments – financial information

30 September 2020	Notes	Asia Pacific			Americas		Group Elim \$mill	Corporate ⁽ⁱ⁾ \$mill	Consolidated Group \$mill
		Fertilisers APAC \$mill	DNAP \$mill	APAC Elim \$mill	Total \$mill	DNA \$mill			
Revenue from external customers	(2)	1,502.0	999.2	(18.5)	2,482.7	1,506.5	(47.0)	-	3,942.2
Share of profits of equity accounted investments	(14)	-	11.8	-	11.8	20.5	-	-	32.3
EBITDA ⁽ⁱⁱ⁾		129.0	230.7	-	359.7	396.3	(0.3)	(25.2)	730.5
Depreciation and amortisation	(2)	(102.8)	(81.4)	-	(184.2)	(165.5)	0.2	(6.5)	(356.0)
EBIT ⁽ⁱⁱⁱ⁾		26.2	149.3	-	175.5	230.8	(0.1)	(31.7)	374.5
Net interest expense									(135.7)
Income tax expense (excluding IMIs)									(50.6)
Profit after tax ^(iv)									188.2
Individually material items (net of tax)	(2)								(64.8)
Profit attributable to members of IPL									123.4
Segment assets		1,536.0	2,564.9	-	4,100.9	4,436.5	-	740.1	9,277.5
Segment liabilities		(770.1)	(282.4)	-	(1,052.5)	(639.2)	-	(1,967.0)	(3,658.7)
Net segment assets ^(v)		765.9	2,282.5	-	3,048.4	3,797.3	-	(1,226.9)	5,618.8
Deferred tax balances	(3)								(415.5)
Net assets									5,203.3

(i) Corporate assets and liabilities include the Group's interest bearing liabilities and derivative assets and liabilities.

(ii) Earnings Before Interest, related income tax expense, depreciation and amortisation and individually material items.

(iii) Earnings Before Interest, related income tax expense and individually material items.

(iv) Profit after tax (excluding individually material items).

(v) Net segment assets exclude deferred tax balances.

Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2020

30 September 2019	Notes	Asia Pacific			Americas		Group Elim \$mill	Corporate ⁽ⁱ⁾ \$mill	Consolidated Group \$mill
		Fertilisers APAC \$mill	DNAP \$mill	APAC Elim \$mill	Total \$mill	DNA \$mill			
Revenue from external customers	(2)	1,419.4	990.7	(13.4)	2,396.7	1,569.0	(47.5)	-	3,918.2
Share of profits of equity accounted investments	(14)	-	13.1	-	13.1	31.8	-	-	44.9
EBITDA ⁽ⁱⁱ⁾		0.4	255.4	-	255.8	376.6	(1.7)	(25.4)	605.3
Depreciation and amortisation	(2)	(80.1)	(76.2)	-	(156.3)	(142.6)	-	(2.7)	(301.6)
EBIT ⁽ⁱⁱⁱ⁾		(79.7)	179.2	-	99.5	234.0	(1.7)	(28.1)	303.7
Net interest expense									(144.1)
Income tax expense	(3)								(7.5)
Profit after tax									152.1
Non-controlling interest									0.3
Profit attributable to members of IPL									152.4
Segment assets		1,454.7	2,564.9	-	4,019.6	4,647.8	-	696.2	9,363.6
Segment liabilities		(655.5)	(290.5)	-	(946.0)	(562.0)	-	(2,685.3)	(4,193.3)
Net segment assets ^(iv)		799.2	2,274.4	-	3,073.6	4,085.8	-	(1,989.1)	5,170.3
Deferred tax balances	(3)								(482.5)
Net assets									4,687.8

(i) Corporate assets and liabilities include the Group's interest bearing liabilities and derivative assets and liabilities.

(ii) Earnings Before Interest, related income tax expense, and depreciation and amortisation.

(iii) Earnings Before Interest and related income tax expense.

(iv) Net segment assets exclude deferred tax balances.

Geographical information – secondary reporting segments

The Group operates in four principal countries being Australia (country of domicile), USA, Canada and Turkey.

In presenting information on the basis of geographical information, revenue is based on the geographical location of the entity making the sale. Assets are based on the geographical location of the assets.

30 September 2020	Australia \$mil	USA \$mill	Canada \$mill	Turkey \$mill	Other/Elim \$mill	Consolidated \$mill
Revenue from external customers	2,399.0	1,237.5	249.8	50.5	5.4	3,942.2
Non-current assets other than financial assets and deferred tax assets	3,549.2	3,942.2	80.6	2.0	117.5	7,691.5
Trade and other receivables	215.9	98.6	46.7	11.2	28.4	400.8
30 September 2019	Australia \$mil	USA \$mill	Canada \$mill	Turkey \$mill	Other/Elim \$mill	Consolidated \$mill
Revenue from external customers	2,304.8	1,320.2	218.0	50.3	24.9	3,918.2
Non-current assets other than financial assets and deferred tax assets	3,412.8	4,187.8	66.6	1.6	127.4	7,796.2
Trade and other receivables	143.3	89.8	43.4	18.1	69.5	364.1

Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2020

2. Revenue and expenses

	Notes	2020 \$mill	2019 \$mill
Revenue			
External sales		3,942.2	3,918.2
Total revenue		3,942.2	3,918.2
Financial income			
Interest income		3.9	5.0
Other income			
Royalty income and management fees		27.3	33.0
Net gain on sale of property, plant and equipment		1.6	12.0
Other income from operations		10.6	8.7
Total financial and other income		43.4	58.7

Expenses

Profit before income tax includes the following specific expenses:

	Notes	2020 \$mill	2019 \$mill
Depreciation and amortisation			
Depreciation			
property, plant and equipment	(9)	290.7	277.9
leases	(10)	40.7	-
Amortisation	(11)	24.6	23.7
Total depreciation and amortisation		356.0	301.6
Recoverable amount write-down			
property, plant and equipment	(9)	16.3	11.5
intangible assets	(11)	41.0	-
Total recoverable amount write-down		57.3	11.5
Amounts set aside to provide for:			
impairment losses on trade and other receivables	(4)	6.1	3.1
inventory losses and obsolescence	(4)	0.2	3.6
employee entitlements	(16)	8.5	8.3
environmental liabilities	(16)	1.9	4.6
legal and other provisions	(16)	2.4	6.4
restructuring and rationalisation costs	(16)	29.3	11.7
Research and development expense		18.9	18.2
Defined contribution superannuation expense		33.5	31.7
Defined benefit superannuation expense	(20)	2.9	4.6
Financial expenses			
Interest on lease liabilities	(10)	5.9	-
Unwinding of discount on provisions	(16)	5.7	4.4
Net interest expense on defined benefit obligation	(20)	1.4	1.4
Interest expenses on financial liabilities		126.6	143.3
Total financial expenses		139.6	149.1

Individually material items

30 September 2020

Profit after tax includes the following expenses whose disclosure is relevant in explaining the financial performance of the Group:

	Gross \$mill	Tax \$mill	Net \$mill
Impairment of intangible assets ⁽¹⁾	41.0	(10.7)	30.3
Business restructuring costs ⁽²⁾			
Employee redundancies	24.8	(6.8)	18.0
Impairment of operating assets, site exit and other direct costs	22.1	(5.6)	16.5
Total individually material items	87.9	(23.1)	64.8

(1) During the year ended 30 September 2020 intangible assets were impaired by \$41.0m (2019: nil). Refer to note 12 for further details.

(2) Costs incurred directly due to the business restructure which include redundancies and related costs, asset impairment write downs, and site exit and reconfiguration costs.

30 September 2019

There were no individually material items for the year ended 30 September 2019.

Key accounting policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable by the Group. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities on the following basis:

- » Sale of goods and services: revenue from the sale of goods and services is recognised at the point in time when the performance obligations under the customer contract are satisfied. This is typically when control of goods or services is transferred to the customer. The fee for the service component is recognised separately from the sale of goods.
- » Take-or-pay revenue: revenue is recognised in line with the sale of goods policy. In circumstances where goods are not taken by the customer, revenue is recognised when the likelihood of the customer meeting its obligation to 'take goods' becomes remote.
- » Interest income is recognised as it accrues using the effective interest method.

The Group disaggregates its revenue per reportable segment as presented in Note 1, as the revenue within each business unit is affected by economic factors in a similar manner.

Goods and services tax

Revenues, expenses, assets and liabilities (other than receivables and payables) are recognised net of the amount of goods and services tax (GST). The only exception is where the amount of GST incurred is not recoverable from the relevant taxation authorities. In these circumstances, the GST is recognised as part of the cost of the asset or as part of the item of expenditure.

Other income

Other income from operations represents gains that are not revenue. This includes royalty income and management fees from the Group's joint ventures and associates, and income from contractual arrangements that are not considered external sales.

Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2020

3. Taxation

Income tax expense for the year

	2020 \$mill	2019 \$mill
Current tax expense		
Current year	25.1	(17.1)
Adjustments in respect of prior years	(1.7)	(3.0)
	23.4	(20.1)
Deferred tax expense		
Current year	4.1	27.6
Total income tax expense	27.5	7.5

Income tax reconciliation to prima facie tax payable

	2020 \$mill	2019 \$mill
Profit before income tax	150.9	159.6
Tax at the Australian tax rate of 30% (2019: 30%)	45.3	47.9
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Other foreign deductions	-	(15.9)
Joint venture income	(8.1)	(11.6)
Sundry items	(4.2)	2.9
Difference in overseas tax rates	(3.8)	(12.8)
Adjustments in respect of prior years	(1.7)	(3.0)
Income tax expense attributable to profit	27.5	7.5

Tax amounts recognised directly in equity

The aggregate current and deferred tax arising in the financial year and not recognised in net profit or loss but directly charged to equity is \$51.9m for the year ended 30 September 2020 (2019: credit of \$24.6m).

Net deferred tax assets/(liabilities)

Deferred tax balances comprise temporary differences attributable to the following:

	2020 \$mill	2019 \$mill
Employee entitlements provision	21.7	17.7
Retirement benefit obligations	18.4	18.0
Provisions and accruals	51.1	47.6
Lease liabilities	70.6	-
Tax losses	170.3	136.5
Property, plant and equipment	(554.0)	(527.4)
Right-of-use lease assets	(62.9)	-
Intangible assets	(91.2)	(99.0)
Joint venture income	(13.1)	(10.2)
Financial instruments	(12.4)	(64.0)
Other	(14.0)	(1.7)
Net deferred tax liabilities	(415.5)	(482.5)

Presented in the Statement of Financial Position as follows:

	2020 \$mill	2019 \$mill
Deferred tax assets	13.5	15.9
Deferred tax liabilities	(429.0)	(498.4)
Net deferred tax liabilities	(415.5)	(482.5)

Movements in net deferred tax liabilities

The table below sets out movements in net deferred tax balances for the period ended 30 September:

	2020 \$mill	2019 \$mill
Opening balance at 1 October	(482.5)	(465.9)
Adoption of AASB 16 Leases	6.0	-
Debited to the profit or loss	(4.1)	(27.6)
Charged to equity	51.8	24.6
Foreign exchange movements	13.3	(13.6)
Closing balance at 30 September	(415.5)	(482.5)

Key accounting policies

Income tax expense

Income tax expense comprises current tax (amounts payable or receivable within 12 months) and deferred tax (amounts payable or receivable after 12 months). Tax expense is recognised in the profit or loss, unless it relates to items that have been recognised in equity (as part of other comprehensive income). In this instance, the related tax expense is also recognised in equity.

Current tax

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

Deferred tax

Deferred tax is recognised for all taxable temporary differences and is calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Offsetting tax balances

Tax assets and liabilities are offset when the Group has a legal right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Tax consolidation

For details on the Company's tax consolidated group refer to note 22.

Key estimates and judgments

Uncertain tax matters

The Group is subject to income taxes in Australia and foreign jurisdictions and as a result the calculation of the Group's tax charge involves a degree of estimation and judgment in respect of certain items. In addition, there are transactions and calculations relating to the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax audit issues in deferred tax liabilities based on management's assessment of whether additional taxes may be payable and calculates the provision in accordance with the applicable accounting standards including IFRIC 23 *Uncertainty over income tax treatments*. Where the final tax outcome of these matters is different from the amounts that were initially recorded, these differences impact the current and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2020

4. Trade and other assets and liabilities

The Group's total trade and other assets and liabilities consists of inventory, receivables and payables balances, net of provisions for any impairment losses.

30 September 2020	Trade \$mill	Other \$mill	Total \$mill
Inventories	474.4	-	474.4
Receivables	338.9	61.9	400.8
Payables	(798.5)	(267.1)	(1,065.6)
	14.8	(205.2)	(190.4)
	Trade \$mill	Other \$mill	Total \$mill
30 September 2019			
Inventories	600.9	-	600.9
Receivables	286.2	77.9	364.1
Payables	(883.0)	(286.4)	(1,169.4)
	4.1	(208.5)	(204.4)

Inventory by category:

	2020 \$mill	2019 \$mill
Raw materials and stores	131.8	137.1
Work-in-progress	62.6	61.3
Finished goods	293.5	416.2
Provisions	(13.5)	(13.7)
Total inventory balance	474.4	600.9

Provision movement:

	Trade receivables \$mill	Inventories \$mill
30 September 2020		
Carrying amount at 1 October 2019	(28.1)	(13.7)
Provisions made during the year	(6.1)	(0.2)
Provisions written back during the year	0.8	-
Amounts written off against provisions	6.7	0.3
Foreign exchange rate movements	4.4	0.1
Carrying amount at 30 September 2020	(22.3)	(13.5)

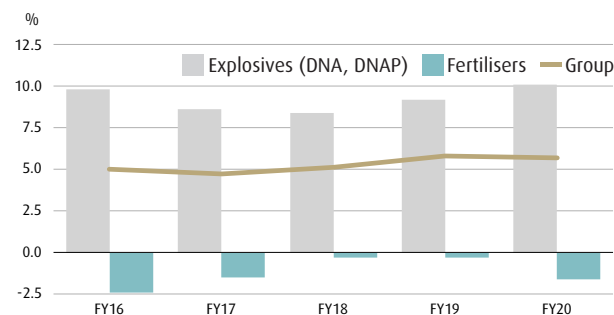
Receivables ageing and credit loss provision

Included in the following table is an age analysis of the Group's trade receivables, along with credit loss provisions against these balances at 30 September:

30 September 2020	Gross \$mill	Credit loss provision \$mill	Net \$mill
Current	332.3	(3.1)	329.2
30-90 days	3.0	(1.0)	2.0
Over 90 days	25.9	(18.2)	7.7
Total	361.2	(22.3)	338.9
	Gross \$mill	Credit loss provision \$mill	Net \$mill
30 September 2019			
Current	278.7	(2.0)	276.7
30-90 days	8.9	(2.2)	6.7
Over 90 days	26.7	(23.9)	2.8
Total	314.3	(28.1)	286.2

The graph below shows the Group's trade working capital (trade assets and liabilities) performance over a five year period.

13 month rolling average trade working capital* / Annual net revenue



* Trade working capital is reported net of debtor factoring and supply chain financing arrangements.

Key accounting policies

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of manufactured goods is based on a weighted average costing method. For third party sourced goods, cost is net cost into store.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost less any provisions for expected impairment losses or actual impairment losses. Credit losses and recoveries of items previously written off are recognised in the profit or loss.

Where substantially all risks and rewards relating to a receivable are transferred to a third party, the receivable is derecognised.

To manage cash inflows which are impacted by seasonality and demand and supply variability, the Group has a nonrecourse receivable purchasing agreement to sell certain receivables to an unrelated entity in exchange for cash. As at 30 September 2020, receivables totaling \$115.9m (2019: \$216.3m) had been sold under this arrangement. The receivables were derecognised upon sale as substantially all risks and rewards associated with the receivables passed to the purchaser.

Trade and other payables

Trade and other payables are stated at cost and represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid at the reporting date.

To manage the cash flow conversion cycle on some products procured by the Group, and to ensure that suppliers receive payment in a time period that suits their business model, the Group offers some suppliers the opportunity to use supply chain financing. At 30 September 2020, the balance of the supply chain finance program was \$296.4m (2019: \$330.7m). The Group evaluates supplier arrangements against a number of indicators to assess if the payable continues to have the characteristics of a trade payable or should be classified as borrowings. These indicators include whether the payment terms exceed customary payment terms in the industry. At 30 September 2020, the Group has assessed that on balance the payables subject to supplier financing arrangements did not meet all of the characteristics to be classified as borrowings and accordingly the balances remained in trade and other payables.

Notes to the Consolidated Financial Statements: Shareholder returns

For the year ended 30 September 2020

4. Trade and other assets and liabilities (continued)

Key estimates and judgments

The expected impairment loss calculation for trade receivables considers the impact of past events, and exercises judgment over the impact of current and future economic conditions when considering the recoverability of outstanding trade receivable balances at the reporting date. In establishing the expected impairment loss provision, the Group also assessed the impact of COVID-19 and its potential to affect customers' repayment ability. Subsequent changes in economic and market conditions may result in the provision for impairment losses increasing or decreasing in future periods.

5. Earnings per share

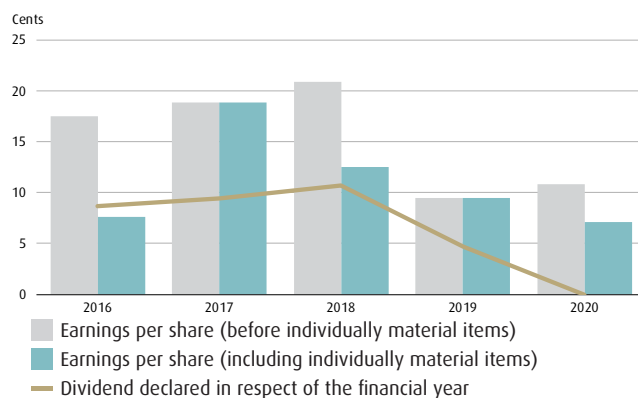
	2020 Cents per share	2019 Cents per share
Basic earnings per share		
including individually material items	7.1	9.5
excluding individually material items	10.9	9.5
Diluted earnings per share		
including individually material items	7.1	9.4
excluding individually material items	10.8	9.4
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,734,434,874	1,610,122,059
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	1,738,277,711	1,613,569,524

Reconciliation of earnings used in the calculation of basic and diluted earnings per share

	2020 \$mill	2019 \$mill
Profit attributable to ordinary shareholders	123.4	152.4
Individually material items after income tax	64.8	-
Profit attributable to ordinary shareholders excluding individually material items	188.2	152.4

The graph below shows the Group's earnings per share and dividend payout over the last five years.

Company performance and dividends declared



6. Dividends

Dividends paid or declared by the Company in the year ended 30 September were:

	2020 \$000	2019 \$000
Ordinary shares		
Final dividend of 6.2 cents per share, 20 percent franked, paid 17 December 2018	-	100,848
Interim dividend of 1.3 cents per share, unfranked, paid 1 July 2019	-	20,875
Final dividend of 3.4 cents per share, 30 percent franked, paid 8 January 2020 ⁽¹⁾	54,591	-
Total ordinary share dividends	54,591	121,723

(1) The dividend paid in cash was \$30.7m, and \$23.9m (2019: nil) was satisfied by the issue of 7,658,312 ordinary shares (2019: nil) under the Company's Dividend Reinvestment Plan.

In November 2020, the Board has determined, as an exception to its dividend policy, not to pay a final dividend for FY20 in light of the ongoing uncertainty due to COVID-19 and IPL's equity raising in May 2020. IPL's dividend policy, which is to pay between 30% – 60% of NPAT, remains unchanged.

Notes to the Consolidated Financial Statements: Capital structure

For the year ended 30 September 2020

6. Dividends (continued)

Franking credits

Franking credits available to shareholders of the Company were \$8.9m (2019: \$7.6m).

Key accounting policies

A provision for dividends payable is recognised in the reporting period in which the dividends are paid. The provision is for the total undistributed dividend amount, regardless of the extent to which the dividend will be paid in cash.

7. Capital management

Capital is defined as the amount subscribed by shareholders to the Company's ordinary shares and amounts advanced by debt providers to any Group entity. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern while providing returns to shareholders and benefits to other stakeholders.

The Group's key strategies for maintenance of an optimal capital structure include:

- » Aiming to maintain an investment grade credit profile and the requisite financial metrics.
- » Securing access to diversified sources of debt funding with a spread of maturity dates and sufficient undrawn committed facility capacity.
- » Optimising over the long term, to the extent practicable, the Group's Weighted Average Cost of Capital (WACC), while maintaining financial flexibility.

In order to optimise its capital structure, the Group may undertake one or a combination of the following actions:

- » change the amount of dividends paid to shareholders and/or offer a dividend reinvestment plan with or without a discount and/or with or without an underwriting facility when appropriate;
- » return capital or issue new shares to shareholders;
- » vary discretionary capital expenditure;
- » raise new debt funding or repay existing debt balances; and
- » draw down additional debt or sell non-core assets to reduce debt.

Key financial metrics

The Group uses a range of financial metrics to monitor the efficiency of its capital structure, including EBITDA interest cover and Net debt/EBITDA before individually material items. Financial metric targets are maintained inside debt covenant restrictions. At 30 September the Group's position in relation to these metrics was:

	Target range	2020	2019
Net debt/EBITDA (times)	equal or less than 2.5	1.4	2.8
Interest cover (times)	equal or more than 6.0	6.1	4.6

These ratios are impacted by a number of factors, including the level of cash retained from operating cash flows generated by the Group after paying all of its commitments (including dividends or other returns of capital), movements in foreign exchange rates, changes to market interest rates and the fair value of hedges economically hedging the Group's net debt.

Self-insurance

The Group also self-insures for certain insurance risks under the Singapore Insurance Act. Under this Act, authorised general insurer, Coltivi Insurance Pte Limited (the Group's self-insurance company), is required to maintain a minimum amount of capital. For the financial year ended 30 September 2020, Coltivi Insurance Pte Limited maintained capital in excess of the minimum requirements prescribed under this Act.

Issued capital

Ordinary shares

Ordinary shares issued are classified as equity and are fully paid, have no par value and carry one vote per share and the right to dividends. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any related income tax benefit.

Issued capital as at 30 September 2020 amounted to \$3,806.2m (1,942,225,029 ordinary shares). During the financial year ended 30 September 2020, the Company issued 7,658,312 ordinary shares (\$23.9m) under its Dividend Reinvestment Plan in relation to the 2019 final dividend, at an average price per share of \$3.118. The Company also issued 328,782,750 ordinary shares under the institutional placement and share purchase plan completed during the year which raised \$645.5m in capital, net of related costs.

Notes to the Consolidated Financial Statements: Capital structure

For the year ended 30 September 2020

8. Net debt

The Group's net debt comprises the net of interest bearing liabilities, cash and cash equivalents, and the fair value of derivative instruments economically hedging the foreign exchange rate and interest rate exposures of the Group's interest bearing liabilities at the reporting date. The Group's net debt at 30 September is analysed as follows:

	Notes	2020 \$mill	2019 \$mill
Interest bearing liabilities		1,870.3	2,656.4
Cash and cash equivalents		(554.6)	(576.4)
Fair value of derivatives	(17)	(287.0)	(388.6)
Net debt		1,028.7	1,691.4

At 30 September 2020, the Group's Net debt/EBITDA before individually material items was 1.4 times (2019: 2.8 times). Refer note 7 for detail on the key financial metrics related to the Group's capital structure.

Interest bearing liabilities

The Group's interest bearing liabilities are unsecured and expose it to various market and liquidity risks. Details of these risks and their mitigation are included in note 17.

The following table details the interest bearing liabilities of the Group at 30 September:

	2020 \$mill	2019 \$mill
Current		
Other loans	4.8	12.6
Loans from joint ventures	16.4	17.0
Fixed interest rate bonds	-	1,183.8
	21.2	1,213.4
Non-current		
Other loans	5.2	7.4
Bank facilities	-	293.0
Fixed interest rate bonds	1,843.9	1,142.6
	1,849.1	1,443.0
Total interest bearing liabilities	1,870.3	2,656.4

The table below includes detail on the movements in the Group's interest bearing liabilities.

	Cash flow			Non-cash changes				30 September 2020 \$mill
	1 October 2019 \$mill	Proceeds from borrowings \$mill	Repayments of borrowings \$mill	Acquisition of Subsidiaries \$mill	Reclassification \$mill	Foreign exchange movement \$mill	Funding costs & fair value adjustments \$mill	
30 September 2020								
Current								
Other loans	12.6	-	(13.8)	1.0	5.8	(0.8)	-	4.8
Loans from joint ventures	17.0	0.3	-	-	-	(0.9)	-	16.4
Fixed interest rate bonds	1,183.8	-	(1,172.6)	-	-	(10.6)	(0.6)	-
Non-current								
Other loans	7.4	-	-	4.0	(5.8)	(0.4)	-	5.2
Bank facilities	293.0	-	(301.2)	-	-	5.4	2.8	-
Fixed interest rate bonds	1,142.6	722.7	-	-	-	(59.4)	38.0	1,843.9
Total liabilities from financing activities	2,656.4	723.0	(1,487.6)	5.0	-	(66.7)	40.2	1,870.3
Derivatives held to hedge interest bearing liabilities	(388.6)	-	-	-	-	136.5	(34.9)	(287.0)
Debt after hedging	2,267.8	723.0	(1,487.6)	5.0	-	69.8	5.3	1,583.3

Fixed Interest Rate Bonds

The Group has on issue the following fixed interest rate bonds:

- » USD500m of Notes in the US Private Placement market. USD250m has a fixed rate semi-annual coupon of 4.03 percent and matures in October 2028 and USD250m has a fixed rate semi-annual coupon of 4.13 percent and matures in October 2030.
- » HKD560m 7 year bond as a private placement in the Regulation S debt capital market. The bond has a fixed rate annual coupon of 4.13 percent and matures in February 2026.
- » AUD450m 7 year bond on issue in the Australian debt capital market. The bond has a fixed rate semi-annual coupon of 4.30 percent and matures in March 2026.
- » USD400m 10 year bond on issue in the Regulation S debt capital market. The bond has a fixed rate semi-annual coupon of 3.95 percent and matures in August 2027.

Bank Facilities

The Group holds the following committed bank facilities:

- » 3 year facility domiciled in Australia, entered into in August 2018 consisting of two tranches: Tranche A had a limit of AUD260m and Tranche B had a limit of USD220m. Following the equity raising during 2020, the facility limits were reduced resulting in the following new limits: Tranche A has a limit of AUD122m and Tranche B has a limit of USD109m. The facility had an initial maturity of August 2021 which was extended in August 2020 to October 2021.
- » 5 year facility of USD500m domiciled in the US, entered into in August 2015, with an initial maturity of August 2020. In 2017 the maturity was extended to October 2021.

Tenor of interest bearing liabilities

The Group's average tenor of its drawn interest bearing liabilities at 30 September 2020 is 7.3 years (2019: 3.4 years) and the average tenor of its total debt facilities is 5.1 years (2019: 3.9 years)

Notes to the Consolidated Financial Statements: Capital structure

For the year ended 30 September 2020

30 September 2019	Cash flow			Non-cash changes				30 September 2019 \$mill
	1 October 2018 \$mill	Proceeds from borrowings \$mill	Repayments of borrowings \$mill	Acquisition of Subsidiaries \$mill	Reclassification \$mill	Foreign exchange movement \$mill	Funding costs & fair value adjustments \$mill	
Current								
Other loans	1.3	2.5	(2.9)	8.3	2.9	0.5	-	12.6
Loans from joint ventures	11.8	4.3	-	-	-	0.9	-	17.0
Fixed interest rate bonds	199.8	-	(200.0)	-	1,109.3	73.1	1.6	1,183.8
Non-current								
Other loans	4.5	-	-	5.5	(2.9)	0.3	-	7.4
Bank facilities	499.6	-	(210.0)	-	-	1.7	1.7	293.0
Fixed interest rate bonds	1,657.8	546.9	-	-	(1,109.3)	40.7	6.5	1,142.6
Total liabilities from financing activities	2,374.8	553.7	(412.9)	13.8	-	117.2	9.8	2,656.4
Derivatives held to hedge interest bearing liabilities	(414.7)	-	(16.8)	-	-	57.9	(15.0)	(388.6)
Debt after hedging	1,960.1	553.7	(429.7)	13.8	-	175.1	(5.2)	2,267.8

Interest rate profile

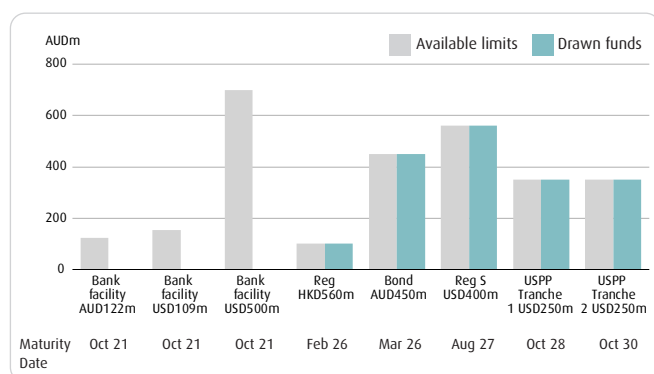
The table below summarises the Group's interest rate profile of its interest bearing liabilities, net of hedging, at 30 September:

	2020 \$mill	2019 \$mill
Fixed interest rate financial instruments	1,746.5	2,266.8
Variable interest rate financial instruments	123.8	389.6
	1,870.3	2,656.4

Detail on the Group's interest hedging profile and duration is included in note 17.

Funding profile

The graph below details the Group's available funding limits, its maturity dates and drawn funds at 30 September 2020:



The Group has undrawn financing facilities of \$974.0m (2019: \$1,029.1m) at 30 September 2020.

Cash and cash equivalents

Cash and cash equivalents at 30 September 2020 were \$554.6m (2019: \$576.4m) and consisted of cash at bank of \$105.1m (2019: \$101.4m) and short term investments of \$449.5m (2019: \$475.0m).

Key accounting policies

Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value less any directly attributable borrowing costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost using the effective interest method, with any difference between cost and redemption value recognised in the profit or loss over the period of the borrowings.

The Group derecognises interest bearing liabilities when its obligation is discharged, cancelled or expires. Any gains and losses arising on derecognition are recognised in the profit or loss.

Interest bearing liabilities are classified as current liabilities, except for those liabilities where the Group has an unconditional right to defer settlement for at least 12 months after the year end, which are classified as non-current.

Cash and cash equivalents

Cash includes cash at bank, cash on hand and short term investments, net of bank overdrafts.

Borrowing costs

Borrowing costs include interest on borrowings and the amortisation of premiums relating to borrowings.

Borrowing costs are expensed as incurred, unless they relate to qualifying assets (refer note 9). In this instance, the borrowing costs are capitalised and depreciated over the asset's expected useful life.

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2020

9. Property, plant and equipment

	Notes	Freehold land and buildings \$mill	Machinery, plant and equipment \$mill	Work in progress \$mill	Total \$mill
At 1 October 2018					
Cost		969.2	4,934.2	108.8	6,012.2
Accumulated depreciation		(300.1)	(1,707.8)	-	(2,007.9)
Net book amount		669.1	3,226.4	108.8	4,004.3
Year ended 30 September 2019					
Opening net book amount		669.1	3,226.4	108.8	4,004.3
Additions		9.5	3.9	344.7	358.1
Subsidiaries acquired		2.0	2.4	-	4.4
Disposals		(7.0)	(6.1)	-	(13.1)
Depreciation	(2)	(29.7)	(248.2)	-	(277.9)
Impairment of assets	(2)	(0.4)	(11.1)	-	(11.5)
Reclassification from work in progress		56.4	205.0	(261.4)	-
Foreign exchange movement		18.1	102.9	4.7	125.7
Closing net book amount		718.0	3,275.2	196.8	4,190.0
At 30 September 2019					
Cost		1,047.2	5,248.7	196.8	6,492.7
Accumulated depreciation		(329.2)	(1,973.5)	-	(2,302.7)
Net book amount		718.0	3,275.2	196.8	4,190.0
Year ended 30 September 2020					
Opening net book amount		718.0	3,275.2	196.8	4,190.0
Additions		9.5	-	283.3	292.8
Subsidiaries acquired		1.8	9.0	0.4	11.2
Disposals		(0.5)	(4.2)	(1.1)	(5.8)
Depreciation	(2)	(29.8)	(260.9)	-	(290.7)
Impairment of assets	(2)	(2.6)	(8.5)	(5.2)	(16.3)
Reclassification from work in progress		8.4	247.7	(256.1)	-
Foreign exchange movement		(16.8)	(88.5)	(4.2)	(109.5)
Closing net book amount		688.0	3,169.8	213.9	4,071.7
At 30 September 2020					
Cost		1,040.7	5,335.2	213.9	6,589.8
Accumulated depreciation		(352.7)	(2,165.4)	-	(2,518.1)
Net book amount		688.0	3,169.8	213.9	4,071.7

Key accounting policies

Property, plant and equipment is measured at cost, less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, 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.

Borrowing costs in relation to the funding of qualifying assets are capitalised and included in the cost of the asset. Qualifying assets are assets that take more than 12 months to get ready for their intended use or sale. Where funds are borrowed generally, a weighted average interest rate is used for the capitalisation of interest.

Property, plant and equipment is subject to impairment testing. For details of impairment of assets, refer note 12.

Depreciation

Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis. Freehold land is not depreciated. Depreciation rates are calculated to spread the cost of the asset (less any residual value), over its estimated useful life. Residual value is the estimated value of the asset at the end of its useful life.

Estimated useful lives for each class of asset are as follows:

- » Buildings and improvements 20 – 50 years
- » Machinery, plant and equipment 3 – 50 years

Residual values and useful lives are reviewed and adjusted where relevant when changes in circumstances impact the use of the asset.

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2020

10. Leases

AASB 16 *Leases* replaces AASB 117 (including associated guidance) and specifies how to recognise, measure and disclose leases. Under AASB 16, the present value of a lease commitment is shown as a liability on the balance sheet together with a right-of-use asset.

The Group has adopted AASB 16 from 1 October 2019, using the modified retrospective approach. In accordance with this approach, the lease liability was calculated using the incremental borrowing rate at date of transition. The difference between the asset and liability (net of tax), was recognised as an adjustment to opening retained earnings on 1 October 2019 with no restatement to comparative information. The Group has elected to apply the following practical expedients available on transition:

- » Short term (12 months or less) or low value leases will continue to be expensed to the profit or loss;
- » Application of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- » The use of hindsight in determining the lease term.

Adoption of AASB 16 resulted in an increase in lease liabilities of \$243.7m; increase in right-of-use assets of \$216.0m; increase in deferred tax asset of \$6.0m; decrease in other liabilities of \$7.4m and a decrease to retained earnings of \$14.3m at 1 October 2019. The weighted average incremental borrowing rate applied to the Group's lease liabilities at 1 October 2019 is 2.5 percent.

The following table provides a reconciliation of the operating lease commitments disclosed in the comparative column in note 13 to the total lease liability recognised at 1 October 2019:

	Total \$mill
Operating lease commitments as at 30 September 2019	233.3
Add: Cost of reasonably certain extension options (undiscounted)	82.0
Less: Components excluded from lease liability (undiscounted)	(14.3)
Less: Effect of discounting	(57.3)
Total additional lease liabilities recognised at 1 October 2019	243.7

The Group has lease contracts for various items of property, plant and equipment used within its operations and office premises. These assets have lease terms ranging between 1 to 48 years for land and buildings, and 1 to 8 years for machinery, plant and equipment.

The carrying value of right-of-use lease assets and lease liabilities is presented below:

Right-of-use lease assets

	Notes	Land and buildings \$mill	Machinery, plant and equipment \$mill	Total \$mill
At 1 October 2019				
Cost		-	-	-
Accumulated depreciation		-	-	-
Net book amount		-	-	-

Year ended 30 September 2020

Opening net book amount		-	-	-
Adoption of AASB 16 <i>Leases</i>		156.1	59.9	216.0
Additions		28.0	22.4	50.4
Disposals		(0.4)	(0.8)	(1.2)
Depreciation	(2)	(17.7)	(23.0)	(40.7)
Foreign exchange movement		(0.9)	(2.5)	(3.4)
Closing net book amount		165.1	56.0	221.1

At 30 September 2020

Cost		180.6	76.4	257.0
Accumulated depreciation		(15.5)	(20.4)	(35.9)
Net book amount		165.1	56.0	221.1

Lease liabilities

	2020 \$mill
Carrying amount at 1 October 2019	-
Adoption of AASB 16 <i>Leases</i>	243.7
Additions	50.4
Disposals	(0.7)
Payments made during the year	(47.8)
Interest unwind	5.9
Foreign exchange movement	(3.8)
Carrying amount at 30 September 2020	247.7
Current	41.5
Non-current	206.2

Refer to Note 17 for the maturity profile of the Group's committed lease liabilities before discounting.

Amounts recognised in the income statement

Amounts recognised in the income statement relating to the Group's lease arrangements are as follows:

	Notes	2020 \$mill
Depreciation	(2)	40.7
Interest	(2)	5.9
Total		46.6

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2020

Key accounting policies

All leases except for short term or low value leases are recognised on the balance sheet; as a right-of-use asset and a corresponding lease liability. Short term (12 months or less) and low value leases are recognised in the profit or loss as a lease expense.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentive received. Right-of-use assets are depreciated on a straight line basis in the profit or loss over the lease term.

Lease liabilities are recognised by the Group, at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments and variable lease payments that depend on an index or rate.

Key estimates and judgments

Extension options - The Group considers whether an option to extend a lease is reasonably certain on a lease-by-lease basis which considers the importance of the lease to the Group's operations and its economic incentive to extend the lease. The lease term is reassessed upon the occurrence of a significant event or change in circumstance.

Incremental borrowing rate - To calculate the present value of lease payments, the Group uses an incremental borrowing rate at the commencement date of the lease. The incremental borrowing rate reflects the duration and the financing characteristics of the lease. Where the interest rate implicit in the lease is not readily available, the Group uses its incremental borrowing rate applicable to a portfolio of leases with reasonably similar characteristics.

11. Intangibles

	Notes	Software \$mill	Goodwill \$mill	Patents, trademarks & customer contracts \$mill	Brand names \$mill	Total \$mill
At 1 October 2018						
Cost		136.5	2,618.4	292.3	301.3	3,348.5
Accumulated amortisation		(90.0)	-	(211.9)	-	(301.9)
Net book amount		46.5	2,618.4	80.4	301.3	3,046.6
Year ended 30 September 2019						
Opening net book amount		46.5	2,618.4	80.4	301.3	3,046.6
Additions		22.7	-	-	-	22.7
Subsidiaries acquired		-	5.6	2.9	-	8.5
Amortisation	(2)	(5.5)	-	(18.2)	-	(23.7)
Foreign exchange movement		3.9	100.5	3.8	17.2	125.4
Closing net book amount		67.6	2,724.5	68.9	318.5	3,179.5
At 30 September 2019						
Cost		166.2	2,724.5	309.9	318.5	3,519.1
Accumulated amortisation		(98.6)	-	(241.0)	-	(339.6)
Net book amount		67.6	2,724.5	68.9	318.5	3,179.5
Year ended 30 September 2020						
Opening net book amount		67.6	2,724.5	68.9	318.5	3,179.5
Additions		11.7	-	-	-	11.7
Subsidiaries acquired		-	1.9	1.6	-	3.5
Impairment of assets	(2)	(41.0)	-	-	-	(41.0)
Amortisation	(2)	(6.7)	-	(17.9)	-	(24.6)
Foreign exchange movement		(3.8)	(88.3)	(2.3)	(15.0)	(109.4)
Closing net book amount		27.8	2,638.1	50.3	303.5	3,019.7
At 30 September 2020						
Cost		129.8	2,638.1	298.5	303.5	3,369.9
Accumulated amortisation		(102.0)	-	(248.2)	-	(350.2)
Net book amount		27.8	2,638.1	50.3	303.5	3,019.7

Allocation of indefinite life intangible assets

The Group's indefinite life intangible assets are allocated to groups of cash generating units (CGUs) as follows:

30 September 2020	Goodwill \$mill	Brand names \$mill	Total \$mill	30 September 2019	Goodwill \$mill	Brand names \$mill	Total \$mill
Fertilisers APAC	186.4	-	186.4	Incitec Pivot Fertilisers (IPF)	183.8	-	183.8
Dyno Nobel Asia Pacific (DNAP)	908.5	40.3	948.8	Southern Cross International (SCI)	2.7	-	2.7
Dyno Nobel Americas (DNA)	1,543.2	263.2	1,806.4	Dyno Nobel Asia Pacific (DNAP)	908.5	40.3	948.8
	2,638.1	303.5	2,941.6	Dyno Nobel Americas (DNA)	1,629.5	278.2	1,907.7
					2,724.5	318.5	3,043.0

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2020

Key accounting policies

Goodwill

Goodwill on acquisition of subsidiaries is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that it might be impaired.

Brand names

Brand names acquired by the Group have indefinite useful lives and are measured at cost less accumulated impairment. They are tested annually for impairment, or more frequently if events or circumstances indicate that they might be impaired.

Other intangible assets

Other intangible assets acquired by the Group have finite lives.

They are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits of the asset to which it relates. All other such expenditure is expensed as incurred.

Amortisation

Goodwill and brand names are not amortised.

For intangible assets with finite lives, amortisation is recognised in the profit or loss on a straight-line basis over their estimated useful life. The estimated useful lives of intangible assets in this category are as follows:

» Software	3 – 10 years
» Product trademarks	4 – 10 years
» Patents	13 – 15 years
» Customer contracts	10 – 17 years

Useful lives are reviewed at each reporting date and adjusted where relevant.

12. Impairment of goodwill and non-current assets

Impairment testing of goodwill

The Group performs annual impairment testing as at 30 September for intangible assets with indefinite useful lives. More frequent reviews are performed of the relevant assets or asset groups where there are potential indicators of impairment. At 31 March 2020, the Group had identified the global economic impact of COVID-19 as a potential indicator of impairment. Accordingly, an impairment assessment was performed for all of the Group's CGUs, resulting in no impairment of any CGU. COVID-19 remains a potential indicator of impairment and impairment testing at 30 September 2020 resulted in no impairment of any CGU, being Fertilisers APAC, DNAP and DNA. The previously reported IPF and SCI CGUs were combined into the Fertilisers APAC CGU which aligns to how the Group manages the business.

The Group is actively managing the impacts and risks arising from COVID-19 on its people and operations and to date there are no known significant long term structural changes that affect the future cash flows of the CGUs. As a result, the recoverable amounts of IPL's CGUs continued to exceed their carrying amounts at 30 September 2020. Sensitivity analyses of the recoverable amounts of the Group's CGUs, considering change scenarios relating to key assumptions and considering the current economic environment are included below.

Key assumptions

Details of the key assumptions used in the recoverable amount calculations at 30 September are set out below:

Key assumptions	1 – 5 years		Terminal value (after 5 years)	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
DAP ⁽¹⁾	330 to 441	340 to 455	510	518
Urea ⁽²⁾	233 to 311	275 to 332	352	379
Gas (DNA CGU) ⁽³⁾	2.46 to 2.95	2.65 to 3.29	3.21	3.11
Ammonia ⁽⁴⁾	252 to 315	310 to 389	435	444
AUD:USD ⁽⁵⁾	0.73 to 0.74	0.68 to 0.73	0.72	0.73

(1) Di-Ammonium Phosphate price (FOB Tampa – USD per tonne).

(2) Granular Urea price (FOB Middle East – USD per tonne).

(3) Henry Hub natural gas price (USD per mmbtu).

(4) Ammonia price (CFR Tampa – USD per tonne).

(5) AUD:USD exchange rate.

For both DNAP and Fertilisers APAC, the gas price assumption for the period after the current gas contracts expire, is based on a long term gas production cost forecast of between \$6.70 and \$7.00 per gigajoule.

Fertiliser prices, foreign exchange rates and natural gas prices are estimated by reference to external market publications and market analyst estimates, and are updated at each reporting date.

Discount and growth rates

The post-tax discount rate used in the calculations is 9% (2019: 9% for IPF and SCI) for the Fertilisers APAC CGU and 8.5% for the DNA and DNAP CGUs (2019: 8.5%). The rate reflects the underlying cost of capital adjusted for market and asset specific risks.

The terminal value growth rate represents the forecast consumer price index (CPI) of 2.5% (2019: 2.5%) for all CGUs. Sensitivity analyses on the discount and growth rates, considering the current volatile market conditions, are provided below.

Sensitivity analyses

As part of its COVID-19 response plan, the Group has run several sensitivity analyses under different scenarios that could impact operations in the short term. These include but are not limited to manufacturing plant and distribution centre shut-downs, customer demand reduction and supply chain interruption scenarios. These short term scenarios currently have no significant structural impacts that affect the long term cash flows of the Group's CGUs.

In addition, the Group prepared sensitivity analyses of the recoverable amounts of the CGUs relating to key long term assumptions considering change scenarios in the current economic environment. The impact of these change scenarios on the recoverable amount of the CGUs at 30 September 2020 are included below:

	Post-tax discount rate	Terminal value growth rate	Natural gas price	
	+0.5%	-1.0%	+AU\$1 per gigajoule	
DNAP	AU\$m	AU\$m	AU\$m	
Change in recoverable amount	(184.0)	(280.2)	(57.2)	
Impairment charge	(58.0)	(154.2)	-	
	Post-tax discount rate	Ammonia price	Terminal value growth rate	Natural gas price
	+0.5%	-US\$50 per tonne	-1.0%	+US\$1 per mmbtu
DNA	US\$m	US\$m	US\$m	US\$m
Change in recoverable amount	(327.1)	(462.5)	(472.3)	(301.6)
Impairment charge	-	-	-	-

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2020

	Post-tax discount rate	AUD:USD exchange rate	Terminal value growth rate	DAP Price	Urea price	Natural gas price
	+0.5%	+5c	-1.0%	-US\$50 per tonne	-US\$50 per tonne	+AUD1 per gigajoule
Fertilisers APAC	AU\$mill	AU\$mill	AU\$mill	AU\$mill	AU\$mill	AU\$mill
Change in recoverable amount	(152.6)	(489.8)	(214.0)	(626.0)	(248.5)	(206.0)
Impairment charge	-	-	-	-	-	-

Each of the sensitivities above assumes that a specific assumption moves in isolation, while all other assumptions are held constant. A change in one of the aforementioned assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact.

Impairment of other property, plant and equipment

During the year ended 30 September 2020 property, plant and equipment was impaired by \$16.3m (2019: \$11.5m) as a result of the abandonment of certain assets following a strategic review of the Group's operating assets.

As at 31 March 2016, the Group recognised a non-cash impairment charge of \$150.8m against the Gibson Island assets largely due to the impact of lower forecast fertiliser prices and higher cost of natural gas delivered to the Australian East Coast. In 2018, the Group announced that it had entered into a joint operation with Central Petroleum Limited for the development of acreage in Queensland that could deliver economic gas to the Gibson Island manufacturing facility in the future. In June 2019, the Group announced that it had entered into multiple arrangements for the supply of gas to allow continuation of manufacturing operations at its Gibson Island plant through to 31 December 2022.

On 27 March 2020, the Group announced that the project for the development of gas acreage in Queensland has been temporarily paused at the request of its joint arrangement partner, Central Petroleum Limited considering the current disruptions in the oil and gas markets driven by COVID-19. However, IPL and Central Petroleum Limited remain committed to the project and look forward to recommencing the project as soon as possible. There was no significant impact on the assumptions and sensitivities used in the Fertilisers APAC impairment modelling as a result of the temporary postponement of the project.

As the long term gas supply of the Gibson Island facility remains dependent on the outcome of the gas acreage development, or alternative economic gas supply, there was no reversal of the previously recognised impairment or any further impairment charge. Any potential reversal of the previous impairment or any further impairment charge will be dependent on the result of the drilling activities and other economic factors at that time.

Impairment of other intangible assets

During the year ended 30 September 2020 intangible assets were impaired by \$41.0m (2019: nil) following a detailed review of the Group's technology and software products and offerings given the continued enhancement of the Group's technology portfolio. The review considered factors such as the timing of the commercial launch of certain technologies, software versions and products, items which were superseded as a result of significant enhancements and updated versions, current experience in regard to the commercial acceptance by customers and the future economic benefit attributable to the Group.

Key accounting policies

Impairment testing

The Group performs annual impairment testing as at 30 September for intangible assets with indefinite useful lives. More frequent reviews are performed for indicators of impairment of all the Group's assets, including operating assets. The identification of impairment indicators involves management judgment. Where an indicator of impairment is identified, a formal impairment assessment is performed. The Group's annual impairment testing determines whether the recoverable amount of a CGU or group of CGUs, to which goodwill and/or indefinite life intangible assets are allocated, exceeds its carrying amount.

A CGU is the smallest identifiable group of assets that generate cash flows largely independent of cash flows of other groups of assets. Goodwill and other indefinite life intangible assets are allocated to CGUs or groups of CGUs which are no larger than one of the Group's reportable segments.

Determining the recoverable amount

The recoverable amount of an asset is determined as the higher of its fair value less cost of disposal and its value-in-use. Value-in-use is a term that means an asset's value based on the expected future cash flows arising from its continued use in its current condition, discounted to present value. For discounting purposes, a post-tax rate is used that reflects current market assessments of the risks specific to the asset. The Group has prepared value-in-use models for the purpose of impairment testing as at 30 September 2020, using five year discounted cash flow models based on Board approved forecasts. Cash flows beyond the five year period are extrapolated using a terminal value growth rate.

Impairment losses

An impairment loss is recognised whenever the carrying amount of an asset (or its CGU) exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in respect of CGUs are allocated against assets in the following order:

- » Firstly, against the carrying amount of any goodwill allocated to the CGU.
- » Secondly, against the carrying amount of any remaining assets in the CGU.

An impairment loss recognised in a prior period for an asset (or its CGU) other than goodwill may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset (or its CGU) since the last impairment loss was recognised. When this is the case, the carrying amount of the asset (or its CGU) is increased to its recoverable amount.

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2020

Key estimates and judgments

The Group is required to make significant estimates and judgments in determining whether the carrying amount of its assets and/or CGUs has any indication of impairment, in particular in relation to:

- » key assumptions used in forecasting future cash flows;
- » discount rates applied to those cash flows; and
- » the expected long term growth in cash flows.

Such estimates and judgments are subject to change as a result of changing economic, operational, environmental and weather conditions. Actual cash flows may therefore differ from forecasts and could result in changes in the recognition of impairment charges in future periods.

13. Commitments

Capital expenditure commitments

Capital expenditure contracted but not provided for or payable at 30 September:

	2020 \$mill	2019 \$mill
no later than one year	68.9	72.5
	68.9	72.5

Lease commitments

	2020 \$mill	2019 \$mill
no later than one year	–	43.8
later than one, no later than five years	–	98.4
later than five years	–	91.1
	–	233.3

From 1 October 2019, the Group recognises lease commitments as lease liabilities under the requirements of AASB 16 *Leases*. Lease commitments as at 30 September 2019 have been reconciled to the opening lease liability adjustment. Refer to note 10 for details of the Group's transition to AASB 16 *Leases*.

14. Equity accounted investments

The Group has performed an analysis of the statements of financial position and the results of each of its joint ventures and associates (as listed in note 15) at 30 September 2020 and considers them to be individually immaterial to the Group. As a result, no individual disclosures are included for the Group's investments in joint ventures and associates.

Included in the table below is the summarised financial information of the Group's joint ventures and associates at 30 September:

Carrying amount of joint ventures and associates

	2020 \$mill	2019 \$mill
Carrying amount at 1 October	357.7	336.1
Share of net profit	32.3	44.9
Share in joint venture transferred to controlled entities	(6.1)	(5.7)
Dividends received/receivable	(30.9)	(27.5)
Foreign exchange movement	(26.7)	9.9
Carrying amount at 30 September	326.3	357.7
Carrying amount of investments in:		
Joint ventures	254.5	287.8
Associates	71.8	69.9
Carrying amount of investments in joint ventures and associates	326.3	357.7

Transactions between subsidiaries of the Group and joint ventures and associates

	2020 \$mill	2019 \$mill
Sales of goods/services	391.1	418.8
Purchase of goods/services	(55.6)	(43.8)
Management fees/royalties	27.3	33.0
Interest income	0.3	0.5
Interest expense	(0.4)	(0.4)
Dividend income	30.9	27.5

Joint ventures and associates transactions represent amounts that do not eliminate on consolidation.

Outstanding balances arising from transactions with joint ventures and associates

	2020 \$mill	2019 \$mill
Amounts owing to related parties	3.1	6.3
Amounts owing from related parties	59.7	53.6
Loans with joint ventures and associates		
Loans to joint ventures and associates	19.9	19.9
Loans from joint ventures and associates	16.4	17.0

Outstanding balances arising from transactions with joint ventures and associates are on standard market terms.

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2020

15. Investments in subsidiaries, joint arrangements and associates

The following list includes the Group's principal operating subsidiaries and subsidiaries that are party to the Deed of Cross Guarantee dated 30 September 2008. Other than as noted below, there were no changes in the Group's existing shareholdings in its subsidiaries, joint ventures and associates in the financial year.

Subsidiaries

Name of entity	Ownership interest	Name of entity	Ownership interest
Company		Controlled Entities – operating (continued)	
Incitec Pivot Limited ⁽¹⁾		Incorporated in Canada	
Controlled Entities – operating		Dyno Nobel Canada Inc.	100%
Incorporated in Australia		Dyno Nobel Transportation Canada Inc.	100%
Incitec Fertilizers Pty Limited ⁽¹⁾	100%	Dyno Nobel Nunavut Inc.	100%
TOP Australia Pty Limited ⁽¹⁾	100%	Incitec Pivot Finance Canada Inc.	100%
Southern Cross Fertilisers Pty Ltd ⁽¹⁾	100%	Polar Explosives 2000 Inc.	100%
Southern Cross International Pty Ltd ⁽¹⁾	100%	Dene Dyno Nobel (Polar) Inc.	100%
Incitec Pivot LTI Plan Company Pty Limited	100%	Dyno Nobel Waggaman Inc.	100%
Incitec Pivot Explosives Holdings Pty Limited ⁽¹⁾	100%	Newfoundland Hard-Rok Inc.	100%
Queensland Operations Pty Limited	100%	Dyno Nobel Labrador Inc.	100%
Incitec Pivot Investments 1 Pty Ltd ⁽¹⁾	100%	Dyno Nobel Baffin Island Inc.	100%
Incitec Pivot Investments 2 Pty Ltd	100%	Incorporated in Hong Kong	
Incitec Pivot US Holdings Pty Ltd	100%	Incitec Pivot Holdings (Hong Kong) Limited	100%
Incitec Pivot Finance Australia Pty Ltd ⁽¹⁾	100%	Quantum Fertilisers Limited	100%
Dyno Nobel Pty Limited	100%	Incorporated in Singapore	
Dyno Nobel Europe Pty Ltd	100%	Coltivi Insurance Pte Limited	100%
Dyno Nobel Management Pty Limited	100%	Incorporated in Chile	
Industrial Investments Australia Finance Pty Limited	100%	Dyno Nobel Explosivos Chile Limitada	100%
Dyno Nobel Asia Pacific Pty Limited ⁽¹⁾	100%	Incorporated in Peru	
Dampier Nitrogen Pty Ltd	100%	Dyno Nobel Peru S.A.	100%
DNX Australia Pty Ltd ⁽¹⁾	100%	Incorporated in Mexico	
Dyno Nobel Moranbah Pty Ltd ⁽¹⁾	100%	Dyno Nobel Mexico, S.A. de C.V. ⁽³⁾	99%
Dyno Nobel Moura Pty Limited ⁽¹⁾	100%	Incorporated in Papua New Guinea	
Incited Pivot Queensland Gas Pty Ltd	100%	DNX Papua New Guinea Ltd ⁽³⁾	100%
Incorporated in USA		Incorporated in Indonesia	
Incitec Pivot US Investments	100%	PT DNX Indonesia	100%
Incitec Pivot Management LLC	100%	Incorporated in Turkey	
Incitec Pivot Finance LLC	100%	Nitromak DNX Kimya Sanayii A.S.	100%
Dyno Nobel Australia LLC	100%	Incorporated in Romania	
The Dyno Nobel SPS LLC	100%	SC Romnitro Explosives Srl.	100%
Dyno Nobel Holdings IV LLC	100%	Incorporated in Albania	
Dyno Nobel Holdings USA III, Inc.	100%	DNX Nitro Industrial Kimike Sh.p.k	100%
Dyno Nobel Holdings USA II	100%		
Dyno Nobel Holdings USA II, Inc.	100%		
Dyno Nobel Holdings USA, Inc.	100%		
Dyno Nobel Inc.	100%		
Dyno Nobel Transportation Inc.	100%		
Simsbury Hopmeadow Street LLC	100%		
Dyno Nobel Holdings V LLC	100%		
Tradestar Corporation	100%		
CMMPM, LLC	100%		
CMMPM Holdings L.P.	100%		
Dyno Nobel Louisiana Ammonia, LLC	100%		
Dyno Nobel Labs, LLC	100%		
Midland Powder LLC	100%		
Mine Equipment & Mill Supply Company	100%		
Controlled Explosives Inc.	100%		
Drisk Insurance Inc.	100%		
Boren Explosives Co., Inc.	100%		
Alpha Dyno Nobel Inc. ⁽²⁾	100%		

(1) A party to Deed of Cross Guarantee dated 30 September 2008.

(2) The remaining 50 percent interest in Alpha Dyno Nobel Inc. was acquired in the 2020 financial year.

(3) This entity has a 31 December financial year end.

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2020

Joint arrangements and associates

Name of entity	Ownership interest	Name of entity	Ownership interest
Joint ventures		Associates	
Incorporated in USA		Incorporated in USA	
Buckley Powder Co. ⁽¹⁾	51%	Maine Drilling and Blasting Group	49%
IRECO Midwest Inc.	50%	Independent Explosives	49%
Wampum Hardware Co.	50%		
Western Explosives Systems Company	50%		
Warex Corporation	50%		
Warex LLC	50%		
Warex Transportation LLC	50%		
Vedco Holdings, Inc.	50%		
Virginia Explosives & Drilling Company Inc.	50%		
Austin Sales LLC	50%		
Virginia Drilling Company, LLC	50%		
Incorporated in Canada		Incorporated in Canada	
Quantum Explosives Inc.	50%	Labrador Maskuau Ashini Ltd	49%
Dene Dyno Nobel Inc.	49%	Innu Namesu Ltd	49%
Qaaqtuq Dyno Nobel Inc. ⁽²⁾	49%		
Dene Dyno Nobel (DWEI) Inc. ⁽³⁾	49%		
Incorporated in Australia		Joint operations	
Queensland Nitrates Pty Ltd	50%	IPL has a 50% interest in an unincorporated joint operation with Central Petroleum Limited for the development of gas acreage in Queensland, Australia, which commenced in the 2018 financial year.	
Queensland Nitrates Management Pty Ltd	50%		
Incorporated in South Africa			
DetNet South Africa (Pty) Ltd	50%		
Sasol Dyno Nobel (Pty) Ltd	50%		
Incorporated in Mexico			
DNEX Mexico, S. De R.L. de C.V.	49%		
Explosivos De La Region Lagunera, S.A. de C.V.	49%		
Explosivos De La Region, Central, S.A. de C.V.	49%		
Nitro Explosivos de Ciudad Guzman, S.A. de C.V.	49%		
Explosivos Y Servicios Para LA Construccion, S.A. de C.V.	49%		

(1) Due to the contractual and decision making arrangement between the shareholders of the entities, despite the legal ownership exceeding 50 percent, this entity is not considered to be a subsidiary.

(2) Due to legal requirements in the Canadian Northwest Territories, the Group cannot own more than 49 percent of shares in Qaaqtuq Dyno Nobel Inc. However, under the joint venture agreement, the Group is entitled to 75 percent of the profit of Qaaqtuq Dyno Nobel Inc.

(3) Due to legal requirements in the Canadian Northwest Territories, the Group cannot own more than 49 percent of shares in Dene Dyno Nobel (DWEI) Inc. However, under the joint venture agreement, the Group is entitled to 95 percent of the profit of Dene Dyno Nobel (DWEI) Inc.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2020

16. Provisions and contingencies

Provisions at 30 September 2020 are analysed as follows:

30 September 2020	Employee entitlements \$mill	Restructuring and rationalisation \$mill	Environmental \$mill	Asset retirement obligations \$mill	Legal and other \$mill	Total provisions \$mill
Carrying amount at 1 October 2019	58.9	6.9	45.9	82.0	8.9	202.6
Provisions made during the year	8.5	29.3	1.9	9.4	2.4	51.5
Provisions written back during the year	(0.6)	–	–	–	–	(0.6)
Payments made during the year	(4.4)	(8.0)	(6.6)	(1.4)	(8.1)	(28.5)
Interest unwind	0.6	–	1.4	3.7	–	5.7
Foreign exchange movement	(0.1)	(0.1)	(1.5)	(1.2)	–	(2.9)
Carrying amount at 30 September 2020	62.9	28.1	41.1	92.5	3.2	227.8
Current	58.2	23.2	16.1	1.6	3.2	102.3
Non-current	4.7	4.9	25.0	90.9	–	125.5

Key accounting policies

Provisions are measured at management's estimate of the expenditure required to settle the obligation. This estimate is based on a "present value" calculation, which involves the application of a discount rate to the expected future cash flows associated with settlement. The discount rate takes into account factors such as risks specific to the liability and the time value of money.

Employee entitlements

Provisions are made for liabilities to employees for annual leave, long service leave and other employee entitlements. Where the payment to employees is expected to take place in 12 months time or later, a present value calculation is performed. In this instance, the corporate bond rate is used to discount the liability to its present value.

Restructuring and rationalisation

Provisions for restructuring or rationalisation are only recognised when a detailed plan has been approved and the restructuring or rationalisation has either commenced or been publicly announced.

Environmental

Provisions relating to the remediation of soil, groundwater, untreated waste and other environmental contamination are made when the Group has an obligation to carry out the clean-up operation as a result of a past event. In addition, a provision will only be made where it is possible to reliably estimate the costs involved.

Asset retirement

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 this process is recognised as part of the asset that is depreciated and also as a provision.

At each reporting date, the provision is remeasured in line with changes in discount rates and the timing and amount of future estimated cash flows. Any changes in the provision are added to or deducted from the related asset, other than changes associated with the passage of time. This is recognised as a borrowing cost in the profit or loss.

Legal and other

There are a number of legal claims and other exposures, including claims for damages arising from products and services supplied by the Group, that arise from the ordinary course of business. A provision is only made where it is probable that a payment or restitution will be required and the costs involved can be reliably estimated.

Key estimates and judgments

Provisions are based on the Group's estimate of the timing and value of outflows of resources required to settle or satisfy commitments and liabilities known to the Group at the reporting date.

Contingencies

The following contingent liabilities are considered unlikely. However the directors consider they should be disclosed:

- » Under the terms of the ASIC Legislative Instrument, *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, issued by the Australian Securities and Investments Commission dated 17 December 2016, which relieved certain wholly-owned subsidiaries from the requirement to prepare audited financial statements, IPL and certain wholly-owned subsidiaries (identified in note 15) have entered into an approved deed for the cross guarantee of liabilities. No additional liabilities subject to the Deed of Cross Guarantee at 30 September 2020 are expected to arise to IPL or the relevant subsidiaries.
- » The Group is regularly subject to investigations and audit activities by the revenue authorities of jurisdictions in which the Group operates. The outcome of these investigations and audits depends upon several factors which may result in further tax payments or refunds of tax payments already made by the Group over and above existing provisions. Refer to note 3 for further details.
- » Contingent liabilities arise in the normal course of business and include a number of legal claims, environmental cleanup requirements and bank guarantees.

The Directors are of the opinion that no additional provisions are required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2020

17. Financial risk management

The Group is exposed to financial risks including liquidity risk, market risk and credit risk. This note explains the Group's financial risk exposures and its objectives, policies and processes for measuring and managing these risks.

The Board of Directors (the **Board**) has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board established the Audit and Risk Management Committee (**ARMC**) which is responsible for, amongst other things, the monitoring of the Group's risk management plans. The ARMC is assisted in its oversight role by the Group's Risk Management function. The Risk Management function performs reviews of the Group's risk management controls and procedures, the results of which are reported to the ARMC. The ARMC reports regularly to the Board on its activities.

The Group's financial risk management framework includes policies to identify, analyse and manage the Group's financial risks. These policies set appropriate financial risk limits and controls, identify permitted derivative instruments and provide guidance on how to monitor and report financial risks and adherence to set limits. Financial risk management policies, procedures and systems are reviewed regularly to ensure they remain appropriate given changes in market conditions and/or the Group's activities.

Financial risks

Liquidity risk: The risk that the Group is not able to refinance its debt obligations or meet other cash outflow obligations when required.

Source of risk

Exposure to liquidity risk derives from the Group's operations and from the external interest bearing liabilities that it holds.

Risk mitigation

Liquidity risk is managed by ensuring there are sufficient committed funding facilities available to meet the Group's financial commitments in a timely manner.

The Group's forecast liquidity requirements are continually reassessed based on regular forecasting of earnings and

capital requirements.

This includes stress testing of critical assumptions such as input costs, sales prices, production volumes, exchange rates and capital expenditure.

The Group aims to hold a minimum liquidity buffer of at least \$500m in undrawn non-current committed funding to meet any unforeseen cash flow requirements. Details on the Group's committed finance facilities, including the maturity dates of these facilities, are included in note 8.

Outstanding financial instruments

The Group's exposures to liquidity risk are set out in the tables below:

30 September 2020	Contractual cash flows ⁽¹⁾ \$mill	0 – 12 months \$mill	1 – 5 years \$mill	more than 5 years \$mill	30 September 2019	Contractual cash flows ⁽¹⁾ \$mill	0 – 12 months \$mill	1 – 5 years \$mill	more than 5 years \$mill
Non-derivative financial liabilities					Non-derivative financial liabilities				
Interest bearing liabilities	1,870.3	21.2	4.0	1,845.1	Interest bearing liabilities	2,656.4	1,213.4	300.4	1,142.6
Interest payments	541.4	55.3	299.3	186.8	Interest payments	357.5	57.9	191.7	107.9
Trade and other payables	1,065.6	1,049.4	16.2	-	Trade and other payables	1,169.4	1,152.0	17.4	-
Lease liabilities	235.4	41.1	95.8	98.5	External lease liabilities	-	-	-	-
Bank guarantees	134.2	43.5	10.0	80.7	Bank guarantees	146.4	44.3	21.4	80.7
Total non-derivative cash outflows	3,846.9	1,210.5	425.3	2,211.1	Total non-derivative cash outflows	4,329.7	2,467.6	530.9	1,331.2
Derivative financial (assets)/liabilities					Derivative financial (assets)/liabilities				
Forward exchange contracts	61.1	61.1	-	-	Forward exchange contracts	(5.6)	(5.6)	-	-
Cross currency interest rate swaps	(48.0)	(46.8)	-	(1.2)	Cross currency interest rate swaps	37.1	46.7	(9.5)	(0.1)
Interest rate swaps	17.2	13.4	18.0	(14.2)	Interest rate swaps	6.0	8.0	7.6	(9.6)
Interest rate options	-	-	-	-	Interest rate options	23.0	-	23.0	-
Commodity swaps	(3.2)	(3.1)	(0.1)	-	Commodity swaps	0.7	0.7	-	-
Commodity options	0.1	0.1	-	-	Commodity options	-	-	-	-
Net derivative cash outflows	27.2	24.7	17.9	(15.4)	Net derivative cash outflows	61.2	49.8	21.1	(9.7)

(1) Contractual cash flows are not discounted, and are based on foreign exchange rates at year end. Any subsequent movements in foreign exchange rates could impact the actual cash flows on settlement of these assets and liabilities.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2020

Market risk: The risk that changes in foreign exchange rates, interest rates and commodity prices will affect the Group's earnings, cash flows and the carrying values of its financial instruments.

Foreign exchange risk

Source of risk

The Group is exposed to changes in foreign exchange rates (primarily in USD) on the following transactions and balances:

- » Sales and purchases
- » Trade receivables and trade payables
- » Interest bearing liabilities

The Group is also exposed to foreign exchange movements (primarily in USD) on the translation of the earnings, assets and liabilities of its foreign operations.

Risk mitigation

Foreign exchange exposure to sales and purchases is managed by entering into formal hedging arrangements.

The Group hedges both specific transactions and net exposures by entering into foreign exchange rate derivative contracts.

The translation risk of USD denominated interest bearing liabilities and net investments in foreign operations and their earnings is also managed by entering into foreign exchange rate derivative financial instruments.

Outstanding financial instruments and sensitivity analysis

The table below summarises the Group's exposure to movements in the AUD:USD exchange rate and the derivative financial instruments that are in place to hedge these exposures at 30 September:

	2020 AUD:USD USD mill	2019 AUD:USD USD mill
Transactional exposures		
Trade and other receivables	5.8	41.9
Trade and other payables	(378.5)	(253.9)
Interest bearing liabilities	(1,200.0)	(1,400.0)
Gross exposure (before hedging)	(1,572.7)	(1,612.0)
Hedge of transactional exposures		
<i>Trade and other receivables</i>		
Forward exchange contracts	-	(18.5)
<i>Trade and other payables</i>		
Forward exchange contracts	352.3	242.9
<i>Interest bearing liabilities</i>		
Forward exchange contracts	1,200.0	-
Cross currency interest rate swaps	-	800.0
Total hedge contract values	1,552.3	1,024.4
Net exposure (after hedging)	(20.4)	(587.6)
	2020 AUD:USD USD mill	2019 AUD:USD USD mill
Hedge of forecast sales and purchases		
Forward exchange contracts	(138.8)	70.4
Foreign exchange options	(300.0)	-
Total hedge contract values	(438.8)	70.4
	2020 AUD:USD USD mill	2019 AUD:USD USD mill
Translational exposures		
Net investment in foreign operations	2,520.4	2,006.4
Gross exposure (before hedging)	2,520.4	2,006.4
Hedge of translational exposures		
Cross currency interest rate swaps	(373.0)	(1,244.4)
Forward exchange contracts	(930.0)	271.4
Total hedge contract values	(1,303.0)	(973.0)
Net exposure (after hedging)	1,217.4	1,033.4

	Net contract amounts mill 2020	Strike ⁽¹⁾ 2020	Net contract amounts mill 2019	Strike ⁽¹⁾ 2019
Foreign exchange options				
<i>Contracts maturing between 1 and 5 years</i>				
Sold AUD Call	USD 60	0.78	-	-
Bought AUD Call	USD 300	0.74	-	-
Sold AUD Put	USD 160	0.71	-	-

(1) AUD:USD foreign exchange rate

Foreign exchange rates

The AUD:USD foreign exchange rates used by the Group to translate its foreign denominated earnings, assets and liabilities are set out below:

	2020 AUD:USD	2019 AUD:USD
30 September foreign exchange rate	0.7148	0.6762
Average foreign exchange rate for the year	0.6783	0.7037

Foreign exchange rate sensitivity on outstanding financial instruments

The table below shows the impact of a 1 cent movement (net of hedging) in the AUD:USD exchange rate on the Group's profit and equity before tax in relation to foreign denominated assets and liabilities at 30 September:

	+ 1c AUD:USD AUD mill 2020	- 1c AUD:USD AUD mill 2020	+ 1c AUD:USD AUD mill 2019	- 1c AUD:USD AUD mill 2019
Foreign exchange sensitivity – (net of hedging)				
Trade and other receivables and payables – (profit or loss)	(0.4)	0.4	(0.3)	0.3
Hedge of forecast transactions – (equity)	8.5	(8.7)	(1.5)	1.6
Interest bearing liabilities (equity)	-	-	12.9	(13.3)
Investments in foreign operations – (equity)	(23.5)	24.2	(22.3)	22.9

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2020

Sensitivity to foreign exchange rate movements during the year (unhedged)

The table below shows the impact of a 1 cent movement in the AUD:USD foreign exchange rate on the Group's profit before tax, in relation to sales and earnings during the year that were denominated in USD.

	+ 1c AUD:USD AUD mill 2020	- 1c AUD:USD AUD mill 2020	+ 1c AUD:USD AUD mill 2019	- 1c AUD:USD AUD mill 2019
USD Fertiliser sales from Australian plants	(7.8)	8.1	(6.3)	6.4
North American USD earnings	(3.3)	3.4	(3.3)	3.3

The fertiliser sales sensitivity calculation is based on actual tonnes manufactured by the Australian fertiliser plants and sold during the year, the average AUD:USD exchange rate for the year, and the average USD fertiliser price.

The North American earnings translation sensitivity calculation is based on the earnings before interest and tax from the North American business for the year and the average AUD:USD exchange rate for the year.

Market risk

Interest rate risk

Source of risk

Exposure to interest rate risk is a result of the effect of changes in interest rates on the Group's outstanding interest bearing liabilities and derivative instruments.

Risk mitigation

The exposure to interest rate risk is mitigated by maintaining a mix of fixed and variable interest rate borrowings and by entering into interest rate derivative instruments.

Outstanding financial instruments and sensitivity analysis

The tables below include the Group's derivative contracts that are exposed to changes in interest rates at 30 September:

Interest rate swaps	Average pay/(rec) fixed rate LIBOR	Average pay/(rec) fixed rate BBSW	Average pay/(rec) fixed rate HIBOR	Duration (years)	Net contract amounts mill
2020					
Less than 1 year	3.58%	-	-	0.2	USD 500
1 to 5 years	-	(0.20%)	-	2.0	AUD 200
1 to 5 years	3.14%	-	-	2.7	USD 600
1 to 5 years	(1.70%)	-	-	1.6	USD 600
Later than 5 years	(2.02%)	-	-	6.2	USD 200
Later than 5 years	-	-	(4.13%)	5.4	HKD 560
2019					
Less than 1 year	3.54%	-	-	0.2	USD 400
Less than 1 year	(3.11%)	-	-	0.2	USD 300
Less than 1 year	-	(4.30%)	-	1.0	AUD 250
1 to 5 years	2.51%	-	-	1.8	USD 900
1 to 5 years	(1.77%)	-	-	2.8	USD 500
Later than 5 years	(2.02%)	-	-	6.2	USD 200
Later than 5 years	-	-	(4.13%)	6.4	HKD 560

Interest rate options	Net contract amounts USD mill 2020	Strike ⁽¹⁾ 2020	Duration (years)	Net contract amounts USD mill 2019	Strike ⁽¹⁾ 2019	Duration (years)
<i>Contracts maturing between 1 and 5 years</i>						
Sold cap	-	-	-	350	3.75%	3.8
Bought cap	-	-	-	350	2.58%	3.8
Sold floor	-	-	-	350	2.58%	3.8
Bought floor	-	-	-	350	0.01%	3.8

(1) LIBOR

Interest rate options	Net contract amounts USD mill 2020	Strike ⁽¹⁾ 2020	Duration (years)	Net contract amounts USD mill 2019	Strike ⁽¹⁾ 2019	Duration (years)
<i>Contracts maturing later than 5 years</i>						
Sold cap	-	-	-	350	3.75%	0.2
Bought cap	-	-	-	350	2.58%	0.2
Sold floor	-	-	-	350	2.58%	0.2
Bought floor	-	-	-	350	0.01%	0.2

(1) LIBOR

Interest rate sensitivity on outstanding financial instruments

The following table shows the sensitivity of the Group's profit before tax to a 1 per cent change in interest rates. The sensitivity is calculated based on the Group's interest bearing liabilities and derivative financial instruments that are exposed to interest rate movements and the AUD:USD exchange rate at 30 September:

Interest rate sensitivity	+ 1% AUD mill 2020	- 1% AUD mill 2020	+ 1% AUD mill 2019	- 1% AUD mill 2019
LIBOR	(0.7)	0.7	(2.6)	2.6
BBSW	0.1	(0.1)	(1.3)	1.3

The sensitivity above is also representative of the Group's interest rate exposures during the year.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2020

Market risk

Commodity price risk

Source of risk

Exposure to changes in commodity prices is by virtue of the products that the Group sells and its manufacturing operations, and can be categorised into six main commodities, namely: Ammonia, Ammonium Nitrate, Ammonium Phosphate, Urea, Oil and Natural Gas.

Risk mitigation

Where possible, commodity price risk exposure is managed by entering into long term contracts with customers (i.e Ammonium Nitrate and Ammonia) or derivative contracts for input cost (i.e US natural gas). However, in some instances price risk exposure cannot be economically mitigated by either contractual arrangements or derivative contracts by virtue of the products that the Group sells.

Outstanding financial instruments and sensitivity analysis

The table below includes the Group's derivative contracts that are exposed to changes in natural gas and oil prices at 30 September:

	Total volume (MMBTU) ⁽¹⁾	Price/Strike USD ⁽²⁾	Total volume (MMBTU) ⁽¹⁾	Price/Strike USD ⁽²⁾
Natural gas	2020	2020	2019	2019
<i>Contracts maturing within 1 year</i>				
Natural gas swaps fixed payer	961,800	USD 2.54	1,307,800	2.58
Natural gas options				
Bought Call	5,150,000	USD 3.44	-	-
Sold Put	5,150,000	USD 2.56	-	-

Contracts maturing between 1 and 5 years

Natural gas swaps fixed payer	680,000	USD 2.53	1,421,200	2.53
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(1) Million Metric British Thermal Units

(2) Nymex Henry Hub gas price

	Total volume (barrels)	Price USD	Total volume (barrels)	Price USD ⁽¹⁾
Oil ⁽²⁾	2020	2020	2019	2019

Contracts maturing within 1 year

Oil swaps fixed payer	-	-	100,035	58.48
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(1) Oil-Brent (DTD)-Platts Marketwire

(2) The Group had a gas supply agreement in Australia in 2019 with pricing referenced to the USD Brent oil price. As a result, the Group held Brent oil fixed price swaps to eliminate the exposure to changes in the Brent oil price.

Natural gas price sensitivity on outstanding financial instruments

The table below shows the sensitivity of the Group's equity before tax to a change of US\$1 per MMBTU in the US Henry Hub natural gas price. The sensitivity is based on natural gas derivative contracts held by the Group at 30 September. Gains or losses recognised in equity will be reclassified to the profit or loss as the underlying forecast transaction occurs:

	+ US\$1 per 1 MMBTU AUD mill	- US\$1 per 1 MMBTU AUD mill	+ US\$1 per 1 MMBTU AUD mill	- US\$1 per 1 MMBTU AUD mill
Natural gas price sensitivity	2020	2020	2019	2019
Henry Hub USD	7.0	(7.0)	4.0	(4.0)

Sensitivity to natural gas price movements during the year

The table below shows the sensitivity of the Group's profit before tax to a change of US\$1 per MMBTU in the US Henry Hub natural gas price. The sensitivity is based on the average natural gas price, the average AUD:USD exchange rate (excluding the impact of hedging) and the current annual natural gas consumption of the Group's manufacturing operations in the Americas that are exposed to changes in natural gas prices:

	+ US\$1 per 1 MMBTU AUD mill	- US\$1 per 1 MMBTU AUD mill	+ US\$1 per 1 MMBTU AUD mill	- US\$1 per 1 MMBTU AUD mill
Natural gas price sensitivity	2020	2020	2019	2019
Henry Hub USD	(31.3)	31.3	(32.2)	32.2

Sensitivity to fertiliser price and ammonia movements during the year

The table below shows the sensitivity of the Group's profit before tax to a US\$10 per tonne change in Ammonium Phosphates, Urea and Ammonia prices. The sensitivity is based on actual tonnes manufactured and sold by the Group that is sensitive to commodity price changes and the average AUD:USD exchange rate (excluding the impact of hedging) for the year:

	+ US\$10 per tonne AUD mill	- US\$10 per tonne AUD mill
Price sensitivity		
2020		
Granular Urea (FOB Middle East)	4.1	(4.1)
DAP/MAP (FOB Tampa)	14.4	(14.4)
Urea (FOB NOLA)	1.8	(1.8)
Ammonia (FOB Tampa)	8.9	(8.9)
2019		
Granular Urea (FOB Middle East)	3.5	(3.5)
DAP/MAP (FOB Tampa)	9.6	(9.6)
Urea (FOB NOLA)	2.7	(2.7)
Ammonia (FOB Tampa)	7.0	(7.0)

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2020

Included in the table below are details of the Group's derivative instruments at 30 September 2020, classified by hedge accounting type and market risk category:

	Note	Balance at 30 September 2020			During the period	
		Carrying amount of hedging instrument asset ⁽¹⁾	Carrying amount of hedging instrument liability ⁽¹⁾	Fair value hedge adjustment of hedged item ⁽⁸⁾	Balance of gains/(losses) in reserves before tax	Gains/(losses) recognised in reserves ⁽²⁾
30 September 2020						
<i>Cash flow hedges</i>						
Foreign exchange risk on forecast sales & purchases						
Forward exchange contracts		31.8	(54.8)	-	(1.6)	(1.8)
Foreign exchange options		1.1	-	-	(0.3)	(0.3)
Discontinued hedge ⁽³⁾		-	-	-	(2.7)	16.3
Commodity price risk on forecast purchases						
Commodity swaps		4.3	(0.9)	-	3.2	3.9
Commodity options		0.5	-	-	0.4	0.4
Discontinued hedge ⁽³⁾		-	-	-	(4.4)	(1.0)
Interest rate risk on highly probable debt						
Interest rate swaps		0.1	(69.5)	-	(19.8)	2.4
Interest rate options		-	-	-	-	19.2
Cross currency interest rate swaps		0.1	-	-	0.1	(0.4)
Discontinued hedge ⁽³⁾		-	-	-	(63.7)	(43.0)
Total cash flow hedges		37.9	(125.2)	-	(88.8)	(4.3)
<i>Net investment hedges</i>						
Foreign exchange risk on foreign operation						
Cross currency interest rate swaps		37.9	-	-	73.3	73.3
Forward exchange contracts		75.3	(339.0)	-	90.5	90.5
Discontinued hedge ⁽³⁾		-	-	-	(771.8)	(38.3)
Total net investment hedges		113.2	(339.0)	-	(608.0)	125.5
<i>Fair value hedges</i>						
Foreign exchange risk on USD and HKD borrowings ⁽⁴⁾						
Cross currency interest rate swaps		10.8	(1.4)	-	-	-
Forward exchange contracts		300.9	(75.3)	(245.5)	-	-
Interest rate risk on fixed USD, HKD and AUD bonds ⁽⁵⁾						
Interest rate swaps		51.9	-	(45.7)	-	-
Cross currency interest rate swaps		0.1	-	-	-	-
Discontinued hedge		-	-	1.0	-	-
Total fair value hedges	(8)	363.7	(76.7)	(290.2)	-	-
<i>Held for trading⁽⁶⁾</i>						
Forward exchange contracts		0.1	(0.1)	-	-	-
Cross currency interest rate swaps		0.1	-	-	-	-
Total held for trading		0.2	(0.1)	-	-	-
Offsetting contracts⁽¹⁾		(382.1)	382.1	-	-	-
Equity instruments		3.0	-	-	(17.0)	-
Total net		135.9	(158.9)	(290.2)	(713.8)	121.2
						(19.0)

(1) Balances are included in other financial assets/liabilities in the Statement of Financial Position. Financial assets and financial liabilities that are subject to enforceable master netting arrangements are offset in the Statement of Financial Position.

(2) Gains or losses recognised in the reserves will be reclassified to the same line item in the profit or loss as the underlying hedged item when the underlying forecast transaction occurs.

(3) Gains or losses on discontinued hedges that were in cash flow hedge or net investment hedge relationships remain in the reserves until the underlying transactions occur or upon disposal of the underlying net investment. Any changes in the market value of the discontinued hedges are recognised in the profit or loss from discontinuation.

(4) The total fair value of derivatives hedging the Group's interest bearing liabilities is \$287.0m. The derivatives hedging the foreign currency exposure of the Group's USD and HKD borrowings have a contract value of USD1,200m and HKD560m, and are economic hedges of an equivalent amount of the Group's USD and HKD borrowings.

(5) Interest rate swap contracts effectively convert USD500m, HKD560m and AUD450m of the Group's fixed interest rate borrowings to floating interest rates. The fair value hedge adjustment of a hedged item where the hedging instrument is discontinued remains in the carrying amount of the hedged item and is amortised to the profit or loss over the life of the hedged item.

(6) Derivatives which are classified as held for trading are in economic hedge relationships that do not qualify for hedge accounting. These hedges are effective economic hedges or offsetting hedges based on contractual amounts and cash flows over the life of the underlying item.

(7) At 30 September 2020, there were no gains/losses that were transferred from reserves to profit or loss in relation to ineffective hedges.

(8) Fair value adjustment of hedged items includes the revaluation of debt that was refinanced during the year.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2020

Included in the table below are details of the Group's derivative instruments at 30 September 2019, classified by hedge accounting type and market risk category:

	Note	Balance at 30 September 2019			During the period	
		Carrying amount of hedging instrument asset ⁽¹⁾	Carrying amount of hedging instrument liability ⁽¹⁾	Fair value hedge adjustment of hedged item	Balance of gains/(losses) in reserves before tax	Gains/(losses) recognised in reserves ⁽²⁾
30 September 2019						
<i>Cash flow hedges</i>						
Foreign exchange risk on forecast sales & purchases						
Forward exchange contracts		0.2	(0.1)	-	0.2	(0.8)
Discontinued hedge ⁽³⁾		-	-	-	1.7	8.8
Commodity price risk on forecast purchases						
Commodity swaps		0.2	(0.9)	-	(0.7)	(12.2)
Discontinued hedge ⁽³⁾		-	-	-	(3.6)	11.8
Interest rate risk on highly probable debt						
Interest rate swaps		-	(22.4)	-	(22.2)	(34.0)
Interest rate options		-	(24.1)	-	(19.2)	(25.9)
Cross currency interest rate swaps		0.5	-	-	0.5	0.5
Discontinued hedge ⁽³⁾		-	-	-	(22.2)	(20.7)
Total cash flow hedges		0.9	(47.5)	-	(65.5)	(72.5)
<i>Net investment hedges</i>						
Foreign exchange risk on foreign operation						
Cross currency interest rate swaps		-	(408.2)	-	(405.5)	(114.2)
Forward exchange contracts		4.4	(0.2)	-	4.1	4.1
Discontinued hedge ⁽³⁾		-	-	-	(332.1)	2.3
Total net investment hedges		4.4	(408.4)	-	(733.5)	(107.8)
<i>Fair value hedges</i>						
Foreign exchange risk on USD and HKD borrowings ⁽⁴⁾						
Cross currency interest rate swaps		371.2	-	(369.2)	-	-
Interest rate risk on fixed USD, HKD and AUD bonds ⁽⁵⁾						
Interest rate swaps		15.6	-	(8.9)	-	-
Cross currency interest rate swaps		1.8	-	(1.9)	-	-
Discontinued hedge		-	-	2.8	-	-
Total fair value hedges	(8)	388.6	-	(377.2)	-	-
<i>Held for trading⁽⁶⁾</i>						
Forward exchange contracts		0.5	(0.1)	-	-	-
Cross currency interest rate swaps		0.1	-	-	-	-
Total held for trading		0.6	(0.1)	-	-	-
Offsetting contracts⁽¹⁾		(371.7)	371.7	-	-	-
Equity instruments		-	-	-	(17.0)	(0.1)
Total net		22.8	(84.3)	(377.2)	(816.0)	(180.4)

(1) Balances are included in other financial assets/liabilities in the Statement of Financial Position. Financial assets and financial liabilities that are subject to enforceable master netting arrangements are offset in the Statement of Financial Position.

(2) Gains or losses recognised in the reserves will be reclassified to the same line item in the profit or loss as the underlying hedged item when the underlying forecast transaction occurs.

(3) Gains or losses on discontinued hedges that were in cash flow hedge or net investment hedge relationships remain in the reserves until the underlying transactions occur or upon disposal of the underlying net investment. Any changes in the market value of the discontinued hedges are recognised in the profit or loss from discontinuation.

(4) The total fair value of derivatives hedging the Group's interest bearing liabilities is \$388.6m. The cross currency interest rate swaps hedging the foreign currency exposure of the Group's USD and HKD borrowings have a contract value of USD800m and HKD560m, and are economic hedges of an equivalent amount of the Group's USD and HKD borrowings.

(5) Interest rate swap contracts effectively convert USD800m, HKD560m and AUD250m of the Group's fixed interest rate borrowings to floating interest rates. The fair value hedge adjustment of a hedged item where the hedging instrument is discontinued remains in the carrying amount of the hedged item and is amortised to the profit or loss over the life of the hedged item.

(6) Derivatives which are classified as held for trading are in economic hedge relationships that do not qualify for hedge accounting. These hedges are effective economic hedges or offsetting hedges based on contractual amounts and cash flows over the life of the underlying item.

(7) At 30 September 2019, there were no gains/losses that were transferred from reserves to profit or loss in relation to ineffective hedges.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2020

Credit risk: The risk of financial loss to the Group as a result of customers or counterparties to financial assets failing to meet their contractual obligations.

Source of risk

The Group is exposed to counterparty credit risk from trade and other receivables and financial instrument contracts that are outstanding at the reporting date.

Risk mitigation

The Group minimises the credit risk associated with trade and other receivables balances by undertaking transactions with a large number of customers in various countries.

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

The Group mitigates credit risk from financial instrument contracts by only entering into transactions with counterparties that have sound credit ratings and, where applicable, with whom the Group has a signed netting agreement. Given their high credit ratings, the Group does not expect any counterparty to fail to meet its obligations.

Credit risk exposure

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

	2020 \$mill	2019 \$mill
Trade and other receivables	400.8	364.1
Cash and cash equivalents	554.6	576.4
Derivative assets	132.9	22.8
	1,088.3	963.3

Financial assets and financial liabilities that are subject to enforceable master netting arrangements and are intended to be settled on a net basis are offset in the Statement of Financial Position. At 30 September 2020, the amount netted in other financial assets and other financial liabilities is \$382.1m (2019: \$371.7m).

Fair value

Fair value of the Group's financial assets and liabilities is calculated using a variety of techniques depending on the type of financial instrument as follows:

- » The fair value of financial assets and financial liabilities traded in active markets (such as equity securities and fixed interest rate bonds) is the quoted market price at the reporting date.
- » The fair value of financial assets and financial liabilities not traded in active markets is calculated using discounted cash flows. Future cash flows are calculated based on observable forward interest rates and foreign exchange rates.
- » The fair value of forward exchange contracts, interest rate swaps, cross currency interest rate swaps, commodity swaps and forward contracts is calculated using discounted cash flows, reflecting the credit risk of various counterparties. Future cash flows are calculated based on the contract rate, observable forward interest rates and foreign exchange rates.
- » The fair value of option contracts is calculated using the contract rates and observable market rates at the end of the reporting period, reflecting the credit risk of various counterparties. The valuation technique is consistent with the Black-Scholes methodology and utilises Monte Carlo simulations.
- » The fair value of commodity swaps and commodity forward contracts is calculated using their quoted market price, where available. If a quoted market price is not available, then fair value is calculated using discounted cash flows. Future cash flows are estimated based on the difference between the contractual price and the current observable market price, reflecting the credit risk of various counterparties. These future cash flows are then discounted to present value.
- » The nominal value less expected credit losses of trade receivables and payables are assumed to approximate their fair values due to their short term maturity.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- » Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- » Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- » Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$mill	Level 2 \$mill	Level 3 \$mill
2020			
Derivative financial assets	-	132.9	-
Derivative financial liabilities	-	(158.9)	-
Investment in Equity Instrument	-	-	3.0
	Level 1 \$mill	Level 2 \$mill	Level 3 \$mill
2019			
Derivative financial assets	-	22.8	-
Derivative financial liabilities	-	(84.3)	-

Fair value of financial assets and liabilities carried at amortised cost

Cash and cash equivalents, trade and other receivables, and trade and other payables are carried at amortised cost which equals their fair value.

Interest bearing liabilities are carried at amortised cost and have a carrying value of \$1,870.3m (2019: \$2,656.4m) – refer to note 8. The fair value of the interest bearing financial liabilities at 30 September 2020 was \$1,949.2m (2019: \$2,709.9m) and was based on the level 2 valuation methodology.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2020

Key accounting policies

Foreign currency transactions and balances

The Group presents its accounts in Australian dollars. Foreign currency transactions are translated into Australian dollars using the exchange rates at the date the transaction occurs.

Monetary assets (such as trade receivables) and liabilities (such as trade creditors) denominated in foreign currencies are translated into Australian dollars using the exchange rate at 30 September. Non-monetary items (for example, plant and machinery) that are measured at historical cost in a foreign currency are not re-translated.

Foreign exchange gains and losses relating to transactions are recognised in the profit or loss with the exception of gains and losses arising from cash flow hedges and net investment hedges that are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of the Group's foreign operations are translated at applicable exchange rates at 30 September. Income and expense items are translated at the average exchange rates for the period.

Foreign exchange gains and losses arising on translation are recognised in the foreign currency translation reserve (**FCTR**). If and when the Group disposes of the foreign operation, these gains and losses are transferred from the FCTR to the profit or loss.

Derivatives and hedging

The Group uses contracts known as derivative financial instruments to hedge its financial risk exposures.

On entering into a hedging relationship, the Group formally designates and documents details of the hedge, risk management objective and strategy for entering into the arrangement. The Group applies hedge accounting to hedging relationships that are expected to be highly effective in offsetting changes in fair value, i.e. where the cash flows arising from the hedge instrument closely match the cash flows arising from the hedged item.

Hedge accounting is discontinued when:

- » The hedging relationship no longer meets the risk management objective.
- » The hedging instrument expires or is sold, terminated or exercised.
- » The hedge no longer qualifies for hedge accounting.

Derivatives are measured at fair value. The accounting treatment applied to specific types of hedges is set out below.

Cash flow hedges

Changes in the fair value of effective cash flow hedges are recognised in equity, in the cash flow hedge reserve. To the extent that the hedge is ineffective, changes in fair value are recognised in the profit or loss.

Fair value gains or losses accumulated in the reserve are taken to profit or loss when the hedged item affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in the reserve is transferred to the carrying amount of the asset when the asset is purchased.

Net investment hedges

Hedges of a net investment in a foreign operation are accounted for in a similar way as cash flow hedges. Gains or losses on the effective portion of the hedge are recognised directly in equity (in the FCTR) while any gains or losses relating to the ineffective portion are recognised in the profit or loss.

On disposal of the foreign operation, the cumulative value of gains or losses recognised in the FCTR are transferred to profit or loss.

Fair value hedges

The change in the fair value of the hedging instrument and the change in the hedged item are recognised in the profit or loss.

Hedge ineffectiveness

The Group aims to transact only highly effective hedge relationships, and in most cases the hedging instruments have a 1:1 hedge ratio with the hedged items. However, at times, some hedge ineffectiveness can arise and is recognised in profit or loss in the period in which it occurs. Key sources of hedge ineffectiveness for the Group are as follows:

- » Maturity dates of hedging instruments not matching the maturity dates of the hedged items.
- » Credit risk inherent within the hedging instrument not matching the movement in the hedged item.
- » Interest rates of the Group's financing facilities not matching the interest rates of the hedging instrument.
- » Forecast transactions not occurring.

Classification of financial instruments

Financial instruments are classified into the following categories:

- » Amortised cost (cash and cash equivalents, interest bearing liabilities and trade and other receivables and payables).
- » Fair value through other comprehensive income (listed equity securities).
- » Fair value through profit or loss (derivative financial instruments except those that are in a designated hedge relationship).

Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2020

18. Share-based payments

Incentive Plans

The Long Term Incentive Plans (LTIs) are designed to link reward with the key performance drivers that underpin sustainable growth in shareholder value. With regard to the 2017/20, 2018/21 and 2019/22 Long Term Incentive Plans, the performance conditions comprise relative total shareholder return, the delivery of certain strategic initiatives and growth in return on equity.

Certain Executives have been awarded performance rights under Short Term Incentive Plans (STIs) based on financial, safety and strategic outcomes.

These arrangements support the Company's strategy for retention and motivation of its executives.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2020 \$mill	2019 \$mill
Accounting value of performance rights issued under the LTI and STI performance plans	2.4	1.6

	2020 Number	2019 Number
Number of performance rights outstanding under the LTI and STI performance plans	5,082,644	4,881,245

Details of the movements in LTI and STI performance rights are disclosed in the Remuneration Report.

Key accounting policies

The rights to shares granted to employees under the terms of the plans are measured at fair value. The fair value is recognised as an employee expense over the period that employees become unconditionally entitled to the rights. There is a corresponding increase in equity, which is reflected in the share based payments reserve.

The amount recognised as an expense is adjusted to reflect the actual number of rights taken up, once related service and other non-market conditions are met.

19. Key management personnel disclosures

Key management personnel remuneration

	2020 \$000	2019 \$000
Short-term employee benefits	8,141	7,665
Post-employment benefits	163	199
Other long-term benefits	100	114
Termination benefits	468	-
Share-based payments	1,838	1,578
	10,710	9,556

Determination of key management personnel and detailed remuneration disclosures are provided in the Remuneration Report.

Loans to key management personnel

In the year ended 30 September 2020, there were no loans to key management personnel and their related parties (2019: nil).

Other key management personnel transactions

In the year ended 30 September 2020, there were no transactions entered into during the year with key management personnel (including their related parties).

Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2020

20. Retirement benefit obligation

The Group operates a number of defined benefit plans in the Americas and Asia Pacific to provide benefits for employees and their dependants on retirement, disability or death.

The Group also makes contributions to defined contribution schemes.

Financial position and performance

Net defined benefit obligation at 30 September

	2020 \$mill	2019 \$mill
Present value of obligations	321.9	356.6
Fair value of plan assets	(255.0)	(289.4)
Net defined benefit obligation	66.9	67.2

Maturity profile of the net defined benefit obligation

The expected maturity analysis of the undiscounted defined benefit obligation is as follows:

	2020 \$mill	2019 \$mill
Within next 10 years	207.2	221.3
Within 10 to 20 years	127.8	142.6
In excess of 20 years	41.8	43.6

Return on plan assets for the year ended 30 September

	2020 \$mill	2019 \$mill
Actual return on plan assets	15.1	17.7

Composition of plan assets at 30 September

	2020	2019
The percentage invested in each asset class:		
Equities	43%	39%
Fixed interest securities	42%	47%
Property	7%	6%
Other	8%	8%

Movements in plan assets/liabilities

Amounts recognised in Other Comprehensive Income

	Notes	2020 \$mill	2019 \$mill
Losses arising from changes in actuarial assumptions		(16.2)	(43.8)
Return on plan assets greater than discount rate		7.2	7.2
Total losses recognised in other comprehensive income		(9.0)	(36.6)

Amounts recognised in Profit or Loss

Net interest expense	(2)	(1.4)	(1.4)
Defined benefit superannuation expense	(2)	(2.9)	(4.6)

Key assumptions and sensitivities

Principal actuarial assumptions

	2020	2019
Discount rate (gross of tax)	2.0% – 6.9%	2.7% – 7.6%
Future salary increases	2.0% – 5.0%	2.5% – 5.0%

Sensitivity analysis

The sensitivity analysis is based on a change in a significant actuarial assumption while holding all other assumptions constant. The following table summarises how the defined benefit obligation as at 30 September 2020 would have increased/(decreased) as a result of a change in the respective assumption by

1 percentage point:

	1 percent increase	1 percent decrease
Discount rate	(29.3)	35.5
Rate of salary increase	1.6	(1.4)

Key accounting policies

All employees of the group are entitled to benefits from the Group's superannuation plan on retirement, disability or death or can direct the group to make contributions to a defined contribution plan of their choice. The Group's superannuation plan has a defined benefit section and a defined contribution section. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from group companies and the Group's legal or constructive obligation is limited to these contributions.

The liability or asset recognised in the Consolidated Statement of Financial Position in respect of defined benefit superannuation plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Consolidated Statement of Changes in Equity and in the Consolidated Statement of Financial Position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Contributions to the defined contribution section of the Group's superannuation fund and other independent defined contribution superannuation funds are recognised as an expense as they become payable.

Key estimates and judgments

The present value of the defined benefit obligation at the reporting date is based on expected future payments arising from membership of the fund. This is calculated annually by independent actuaries considering the expected future wage and salary levels of employees, experience of employee departures and employee periods of service.

Expected future payments are discounted using market yields on corporate bonds at the reporting date, which have terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2020

21. Deed of cross guarantee

Entities that are party to a Deed of Cross Guarantee are included in note 15. The Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position for this closed group are shown below:

Statement of Profit or Loss and Other Comprehensive Income

	2020 \$mill	2019 \$mill
Profit before income tax	9.1	95.3
Income tax benefit	29.3	1.7
Profit for the year	38.4	97.0
Retained profits at 1 October	1,437.1	1,470.0
Profit for the year	38.4	97.0
Other movements in retained earnings	(19.5)	(8.2)
Dividend paid	(54.6)	(121.7)
Retained profits at 30 September	1,401.4	1,437.1

Statement of Financial Position

	2020 \$mill	2019 \$mill
Current assets		
Cash and cash equivalents	495.0	478.5
Trade and other receivables	86.2	285.4
Inventories	294.3	404.9
Other assets	18.3	18.0
Other financial assets	76.6	5.4
Total current assets	970.4	1,192.2
Non-current assets		
Other financial assets	5,063.1	3,535.6
Property, plant and equipment	2,159.9	2,132.2
Right-of-use lease assets	132.1	-
Intangible assets	246.2	246.4
Deferred tax assets	200.6	181.8
Total non-current assets	7,801.9	6,096.0
Total assets	8,772.3	7,288.2
Current liabilities		
Trade and other payables	963.2	1,213.4
Lease liabilities	20.5	-
Other financial liabilities	93.2	38.8
Provisions	67.6	60.2
Current tax liabilities	16.8	10.8
Total current liabilities	1,161.3	1,323.2
Non-current liabilities		
Trade and other payables	272.2	227.9
Lease liabilities	135.2	-
Interest bearing liabilities	1,290.6	556.4
Other financial liabilities	65.3	45.1
Provisions	84.4	72.6
Deferred tax liabilities	389.3	438.1
Retirement benefit obligation	26.8	23.3
Total non-current liabilities	2,263.8	1,363.4
Total liabilities	3,425.1	2,686.6
Net assets	5,347.2	4,601.6
Equity		
Issued capital	3,806.2	3,136.8
Reserves	139.6	27.7
Retained earnings	1,401.4	1,437.1
Total equity	5,347.2	4,601.6

22. Parent entity disclosure

Throughout the financial year ended 30 September 2020 the parent company of the Group was Incitec Pivot Limited.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity is part of a Deed of Cross Guarantee, under which each entity guarantees the debt of the others.

Statement of Profit or Loss and Other Comprehensive Income

	2020 \$mill	2019 \$mill
Results of the parent entity		
Profit for the year	66.1	452.6
Other comprehensive income	(23.8)	(72.9)
Total comprehensive income for the year	42.3	379.7

Statement of Financial Position

	2020 \$mill	2019 \$mill
Current assets	538.3	866.7
Total assets	8,406.6	7,255.2
Current liabilities	779.2	856.5
Total liabilities	4,232.7	3,650.7
Net assets	4,173.9	3,604.5
Share capital	3,806.2	3,136.8
Reserves	(153.1)	(57.0)
Retained earnings	520.8	524.7
Total equity	4,173.9	3,604.5

Parent entity contingencies and commitments

Contingent liabilities of Incitec Pivot Limited are disclosed in note 16.

	2020 \$mill	2019 \$mill
Capital expenditure – commitments		
Contracted but not yet provided for and payable:		
Within one year	2.4	5.4

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group. As a result it is taxed as a single entity. The head entity of the tax consolidated group is Incitec Pivot Limited.

Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2020

23. Auditor's remuneration

	2020 \$000	2019 \$000
Deloitte and related network firms		
Audit or review of financial reports		
Group	1,183.1	1,203.0
Subsidiaries and joint operations	550.8	639.0
	1,733.9	1,842.0
Other assurance and agreed upon procedures under other legislation or contractual arrangements	40.0	156.0
Other services:		
Tax compliance services	10.3	231.1
Other consulting services	-	101.4
	10.3	332.5
Total remuneration	1,784.2	2,330.5
Non-Deloitte audit firms		
Audit services	28.4	24.7
Other non-audit services	26.8	36.1
Total remuneration of non-Deloitte audit firms	55.2	60.8

From time to time, the auditors provide other services to the Group. These services are subject to strict corporate governance procedures which encompass the selection of service providers and the setting of their remuneration. The Audit and Risk Management Committee must approve individual non audit engagements provided by the Group's auditor above a value of \$100,000, as well as where the aggregate amount exceeds \$250,000 per annum.

24. Events subsequent to reporting date

In November 2020, the Board has determined, as an exception to its dividend policy, not to pay a final dividend for FY20 in light of the ongoing uncertainty due to COVID-19 and IPL's equity raising in May 2020. IPL's dividend policy, which is to pay between 30% – 60% of NPAT, remains unchanged.

As announced on 10 November 2020, subject to market conditions, IPL is intending to invite the holders of its outstanding notes under the AMTN and EMTN Programmes to tender their notes for repurchase by IPL for up to an aggregate amount of approximately \$200m. The repurchase of the notes forms part of the Group's strategy to optimise its debt portfolio between fixed rate capital debt markets and floating rate bank debt markets.

The Group has and continues to actively manage the risks arising from COVID-19 on the safety of our people and the business continuity of our operations. The Group's operations are in industries that have been deemed essential by Governments and we are continuing to run in line with the required safety and health guidelines in our operations. The company has also implemented a financial response plan that focuses on sustained cost savings and improvement of free cash flow. The extent of the future impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the containment strategies imposed by governments and duration of the COVID-19 Pandemic, and the subsequent impact of these strategies on the operations of customers, employees and vendors.

Other than the matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since the end of the financial year, 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.

Directors' Declaration

on the Consolidated Financial Statements set out on pages 42 to 78

In accordance with a resolution of the directors of Incitec Pivot Limited (the **Company**), we state that:

1. In the opinion of the directors:
 - (a) the consolidated financial statements and notes, set out on pages 42 to 78, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Company and the Group as at 30 September 2020 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed on page 48; and
 - (c) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entities identified in note 15 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
3. The directors have been given the declaration by the Chief Executive Officer and the Chief Financial Officer as required by section 295A of the *Corporations Act 2001* for the financial year ended 30 September 2020.



Brian Kruger
Chairman

Melbourne, 10 November 2020



Jeanne Johns
Managing Director & CEO

Melbourne, 10 November 2020



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Independent Auditor's Report to the members of Incitec Pivot Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Incitec Pivot Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 September 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for 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.



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying value of goodwill and non-current assets</p> <p><i>Refer to Note 9 Property, plant and equipment, Note 11 Intangibles and Note 12 Impairment of goodwill and non-current assets</i></p> <p>As at 30 September 2020, the Group held goodwill of \$2,638.1 million, intangible assets of \$381.6 million and property, plant and equipment of \$4,071.7 million, allocated to its group of cash generating units (CGUs).</p> <p>The assessment of the recoverable amount is subject to a high level of judgement and is based on management's view of key variables and market conditions. The Group has prepared a value-in-use model to determine the recoverable amount of each CGU.</p> <p>The Group's Dyno Nobel Asia Pacific ('DNAP') model is highly sensitive to changes in terminal value assumptions, including natural gas prices, commodity prices, terminal value growth rate and discount rate.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Understanding the relevant controls and process that management has undertaken to assess the recoverable amount • In conjunction with our valuation specialists: <ul style="list-style-type: none"> ◦ Evaluating the appropriateness of the model used by management to calculate the value-in-use of the CGU ◦ Assessing and challenging the key inputs to the DNAP terminal value by: <ul style="list-style-type: none"> ▪ Corroborating the key independent market based assumptions built into the terminal value to external analysts' reports, published industry growth rates and industry reports; ▪ Corroborating the key non-market based assumptions by comparing Board approved forecasts to historical performance to test the accuracy of management's projections; and ▪ Comparing the discount rates applied to the terminal value with an independently developed rate • Agreeing contracted volumes and pricing assumptions in the model to the Board approved forecasts • Performing a range of sensitivity analysis on the terminal value with other assumptions including discount rates, natural gas prices, commodity prices and foreign exchange rates • Assessing the appropriateness of the disclosures included in the Notes to the financial statements.



<p>Provisions for uncertain tax positions</p> <p><i>Refer to Note 3 Taxation and Note 16 Provisions and contingencies</i></p> <p>The Group operates across a large number of jurisdictions and is subject to investigations and audit activities by revenue authorities on a range of tax matters during the normal course of business, including transfer pricing, indirect taxes and transaction related tax matters.</p> <p>The outcomes of these investigations and audits depend upon several factors and as a result management exercise judgement in the determination of the tax position and the estimates and assumptions, including the probability of potential outcomes, in relation to the provision for taxes.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Understanding the relevant controls and process that management has undertaken to identify and assess uncertain tax positions, including the monitoring and consideration of guidance issued by regulatory authorities • In conjunction with our tax specialists: <ul style="list-style-type: none"> ○ Understanding the current status of tax assessments and investigations and the process to monitor developments in ongoing investigations and tax audit activities; ○ Assessing how the Group has accounted for uncertain tax positions in accordance with IFRIC 23 <i>Uncertainty over income tax treatments</i>; ○ Reviewing external tax and legal advice where available; ○ Challenging the probabilities management has applied in determining the tax position and the estimates and assumptions in relation to the provision for taxes; and ○ Reviewing recent rulings and correspondence with local tax authorities, to assess that the tax provisions have been appropriately recorded or adjusted to reflect the latest external developments. • Assessing the appropriateness of the disclosures included in the Notes to the financial statements
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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 September 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 39 of the Director's Report for the year ended 30 September 2020.

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

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



DELOITTE TOUCHE TOHMATSU



A T Richards
Partner
Chartered Accountants
Melbourne, 10 November 2020



Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 10 November 2020