

# Appendix 4E

## Preliminary Final Report

**Incitec Pivot Limited**

ABN 42 004 080 264

**Financial Year Ended**  
(current period)

**Previous Financial Year Ended**  
(previous corresponding period)

**30 September 2019**

30 September 2018

### Results for announcement to the market

Extracts of the Incitec Pivot Limited results for the financial year ended 30 September 2019

**\$A mill**

Revenues from ordinary activities	up	\$A mill 61.9 (1.6%)	to	3,918.2
Net profit for the financial year attributable to members of Incitec Pivot Limited	down	\$A mill 55.5 (26.7%)	to	152.4
Profit after tax excluding individually material items attributable to members of Incitec Pivot Limited	down	\$A mill 195.0 (56.1%)	to	152.4

<b>Dividends</b>	<b>Amount per security cents</b>	<b>Franked amount per security cents</b>
<b>Current period</b>		
Interim dividend	1.30	nil
Final dividend	3.40	1.02
<b>Previous corresponding period</b>		
Interim dividend	4.50	nil
Final dividend	6.20	1.24

Record date for determining entitlements to the final dividend: 2 December 2019

Payment date of final dividend: 8 January 2020

The Dividend Reinvestment Plan (DRP) has been reinstated. The last date to elect to participate in the DRP is 5:00pm (AEDT) on 3 December 2019. In accordance with the DRP rules, the offer price will be calculated as the arithmetic average of the daily volume weighted average market price of the Company's shares from 5 December 2019 to 19 December 2019 (inclusive), less a discount of 2 percent.

	<b>Current period</b>	<b>Previous corresponding period</b>
<b>Net tangible asset backing per ordinary security</b>	\$0.94	\$1.04

The information should be read in conjunction with the consolidated financial report, which is set out on pages 46 to 82.

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	1.30 cents	Ordinary	4.50 cents
Final dividend		Final dividend	
Ordinary	2.38 cents	Ordinary	4.96 cents

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## Annual General Meeting

The Annual General Meeting will be held as follows:

Location	The Melbourne Exhibition Centre The Clarendon Auditorium Level 2, 2 Clarendon Street South Wharf VIC 3006
Date	20 December 2019
Time	10.30 am
Approximate date the annual report will be available	22 November 2019

## 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 Corporations 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.

For further information, please contact:

### Investor Relations

Chris Opperman

T: 03 8695 4449

M: 0423 773 307

E: [chris.opperman@incitecpivot.com.au](mailto:chris.opperman@incitecpivot.com.au)

# 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 2019 and the auditor's report.

The following sections form part of, and are to be read in conjunction with, this Directors' Report:

- Operating and Financial Review (OFR)
- Remuneration Report

## Directors

The directors of the Company during the financial year and up to the date of this report are:

Name, qualifications and special responsibilities	Experience
<p><b>Brian Kruger</b> BEc</p> <p>Non-executive Chairman Chairman of the Nominations Committee Member of the Audit and Risk Management Committee Member of the Remuneration Committee</p>	<p>Mr Kruger was appointed as a director on 5 June 2017 and became Chairman on 1 July 2019. Mr Kruger is the former Managing Director &amp; CEO of Toll Holdings Limited, having joined Toll in 2009 as Chief Financial Officer, before being appointed Managing Director in 2012. Prior to joining Toll, Mr Kruger had a career spanning 25 years in the resources and industrial sectors in Australia and the U.S., initially with BHP and subsequently with BlueScope Steel which he joined on its demerger from BHP. During his time at BlueScope, he held a number of senior corporate finance and management roles, including President, North America &amp; Corporate Strategy &amp; Innovation, President, Australian Manufacturing Markets and was the company's inaugural Chief Financial Officer. Mr Kruger is also Chairman of Racing Victoria Limited.</p> <p>Mr Kruger brings to the Board significant experience in the industrial sector and a deep knowledge of manufacturing operations including in North America, as well as executive leadership experience in the Australian listed company environment.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> <li>• Managing Director, Toll Holdings Limited (January 2012 to December 2016)</li> </ul>
<p><b>Jeanne Johns</b> B.S. Chemical Engineering, <i>magna cum laude</i></p> <p>Managing Director &amp; CEO Member of the Health, Safety, Environment and Community Committee</p>	<p>Ms Johns was appointed Managing Director &amp; CEO on 9 August 2017 and commenced in the role on 15 November 2017. Ms Johns is a global executive and chemical engineer with over 30 years' experience in the international refining, petrochemicals, oil and gas industries. Ms Johns held various executive roles in BP including President, Asian Olefins and Derivatives (China), President, BP North America Natural Gas Liquids (United States), Head of Operating Management System Excellence for BP Group (United Kingdom, Global) and Head of Safety &amp; Operational Risk, BP Downstream (United Kingdom, Global).</p> <p>Ms Johns brings to the Board her broad experience in the chemicals and energy sectors, having worked and led teams in multiple jurisdictions and executive roles during her extensive career. Her global experience includes a deep understanding of the strategic and operational issues facing companies in cyclical and commodity-based businesses.</p> <p>Ms Johns is currently serving on the International Fertilizers Association Board of Directors and was recently awarded honoree status to the American Australian Association, recognising her commitment to enhancing relations and the economic partnership between the two countries.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> <li>• Director, Tate &amp; Lyle plc (October 2016 – October 2017)</li> <li>• Non-executive Director, Parsons Corporation (July 2014 – October 2017)</li> </ul>
<p><b>Rebecca McGrath</b> BTP(Hons), MASC, FAICD</p> <p>Non-executive director Chairman of the Health, Safety, Environment and Community Committee Member of the Audit and Risk Management Committee Member of the Nominations Committee</p>	<p>Ms McGrath was appointed as a director on 15 September 2011. Ms McGrath is currently Chairman of Oz Minerals Ltd. She is a non-executive director of Goodman Group, a non-executive director of ICPF Holdings Limited, independent Chairman of Scania Australia Pty Ltd, Chairman of Kilfinan Australia and a Member of the Director Advisory Panel of the Australian Securities and Investments Commission (ASIC).</p> <p>During her 23 year career with BP plc, Ms McGrath held a number of senior roles including as Chief Financial Officer and Executive Board member for BP Australia and New Zealand.</p> <p>Ms McGrath brings to the Board over 20 years' experience in the international oil industry, senior executive experience in operations and finance, an operational and strategic understanding of occupational health and safety both as an executive and as a director and experience gained through significant exposure to manufacturing and supply chain management.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> <li>• Director, Goodman Group (since April 2012)</li> <li>• Director, Oz Minerals Limited (since November 2010) and Chairman (since May 2017)</li> <li>• Director, CSR Limited (February 2012 to October 2016)</li> </ul>

Name, qualifications and special responsibilities	Experience
<p><b>Kathryn Fagg AO</b> FTSE, BE(Hons), MCom(Hons), Hon.DBus(UNSW), Hon. DChemEng(UQ)</p> <p>Non-executive director Chairman of the Remuneration Committee Member of the Health, Safety, Environment and Community Committee</p>	<p>Ms Fagg was appointed as a director on 15 April 2014. Ms Fagg is Chairman of Boral Limited, a non-executive director of Djerrivarrh Investments Limited and a board member of the Commonwealth Scientific and Industrial Research Organisation (CSIRO). Ms Fagg is the Chairman of the Breast Cancer Network Australia (BCNA), as well as being a board member of the Grattan Institute, The Myer Foundation and the Male Champions of Change. Ms Fagg was previously a non-executive member of the Reserve Bank of Australia, Chair of the Melbourne Recital Centre, President of Chief Executive Women and President of Corporate Development at Linfox Logistics Group. Prior to that, Ms Fagg held executive roles with BlueScope Steel and Australia and New Zealand Banking Group. Ms Fagg was also a consultant with McKinsey and Co. after commencing her career as a chemical engineer. Ms Fagg was made an Officer of the Order of Australia (AO) in the Queen's Birthday Honours in 2019 for distinguished service to business and finance, to the central banking, logistics and manufacturing sectors, and to women.</p> <p>Ms Fagg brings to the Board extensive executive experience across a range of industries in Australia and Asia, including logistics, manufacturing, resources, banking, professional services and strategy consulting, as well as her experience in managing international subsidiaries for global businesses.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> <li>• Director, Boral Limited (since September 2014) and Chairman (since July 2018)</li> <li>• Director, Djerrivarrh Investments Limited (since May 2014)</li> </ul>
<p><b>Joseph Breunig BS</b>(Chemical Engineering), MBA</p> <p>Non-executive director Member of the Health, Safety, Environment and Community Committee</p>	<p>Mr Breunig was appointed as a director on 5 June 2017. Mr Breunig is a U.S. resident and is currently a non-executive director of Mineral Technologies Inc and the Chief Operating Officer of OrthoLite, LLC. Mr Breunig was previously Executive Vice President, Chemicals at Axiall Corporation (formerly Georgia Gulf Corporation) and, prior to that, spent 24 years at BASF Corporation where he held a number of senior executive positions including Executive Vice President and Chief Operating Officer, BASF Corporation, and President, Market and Business Development, North America, BASF SE.</p> <p>Mr Breunig brings considerable North American experience to the Board, as well as extensive leadership experience across industrial chemical manufacturing and process safety management.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> <li>• Director, Mineral Technologies Inc. (since November 2014)</li> </ul>
<p><b>Bruce Brook</b> BCom, BAcc, FCA, MAICD</p> <p>Non-executive director Chairman of the Audit &amp; Risk Management Committee Member of the Remuneration Committee Member of the Nominations Committee</p>	<p>Mr Brook is a non-executive director of CSL Limited and Newmont Goldcorp Corporation. During his executive career, Mr Brook was the Chief Financial Officer of Western Mining Corporation Resources Limited and Deputy Chief Financial Officer of the Australia &amp; New Zealand Banking Group. Mr Brook is also a Board member of Guide Dogs Victoria.</p> <p>Mr Brook brings to the Board extensive executive experience in Australia, America, the UK and Africa, across a range of industries including mining, finance, manufacturing and chemicals.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> <li>• Director, CSL Limited (since August 2011)</li> <li>• Director, Newmont Goldcorp Corporation (since October 2011)</li> </ul>

During the year:

- Mr Brook was appointed a director on 3 December 2018;
- Mr Smorgon AM retired as a director on 20 December 2018 (at the conclusion of the Company's 2018 Annual General Meeting); and
- Mr Brasher retired as a director and Chairman of the Board on 30 June 2019.

On 15 October 2019 the Company announced:

- the appointment of Dr Liu and Mr Robinson to take effect on 25 November 2019; and
- that Ms Fagg will retire as a director on 20 December 2019 (at the conclusion of the Company's 2019 Annual General Meeting).

# Directors' Report

## Company Secretary

During the year, Ms Jennifer Neoh resigned as Acting Company Secretary on 8 March 2019. The Board appointed Ms Tamara Kayser as the interim Company Secretary from 8 March 2019 to 7 August 2019, and Ms Richa Puri was appointed to the role of Company Secretary from 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 significant experience in providing in-house legal, governance and company secretarial advice to ASX listed companies.

## 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.

## Dividends

Dividends since the last annual report:

Type	Cents per share	Total amount \$mill	Franked/Unfranked	Date of payment
<i>Paid during the year</i>				
2018 final dividend	6.2	101.1	20% franked	17 December 2018
2019 interim dividend	1.3	21	unfranked	1 July 2019
<i>To be paid after end of year</i>				
2019 final dividend	3.4	54.6	30% franked	8 January 2020
<b>Dealt with in the financial report as:</b>				
			<b>Note</b>	<b>\$mill</b>
Dividends			6	121.7
Subsequent event			23	54.6

## 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 <sup>(1,2)</sup>	Board		Audit and Risk Management		Remuneration		Nominations		Health, Safety, Environment and Community		Additional Meetings <sup>(3)</sup>	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
B Kruger <sup>(4)</sup>	8	8	5	5	5	5	4	4			8	7
J Breunig <sup>(5)</sup>	8	8							4	4	4	2
B Brook <sup>(6)</sup>	7	7	4	4	4	4	1	1			4	3
K Fagg AO	8	8			5	5			4	4	4	4
R J McGrath	8	8	5	5			4	4	4	4	4	4
J M Johns	8	8							4	4	8	8
<b>Director – Former</b>												
P V Brasher <sup>(7)</sup>	6	6	1	1			3	3			7	7
G Smorgon AM <sup>(8)</sup>	2	1			1	1					-	-

Chairman Member

- (1) 'Held' indicates the number of meetings held during the period that the director was a member of the Board or Committee. Directors who are not members of the Board Committees do attend Committee meetings from time to time. The above table reflects the meeting attendance of directors who are members of the relevant Committee(s).
- (2) 'Attended' indicates the number of meetings attended during the period that the director was a member of the Board or Committee.
- (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 as Chairman of the Board effective 1 July 2019. Mr Kruger was also appointed Chairman of the Nominations Committee effective 1 July 2019. Mr Kruger was an apology for an additional Board meeting which was convened at short notice.
- (5) Mr Breunig was an apology for two additional Board meetings which were convened at short notice.
- (6) Mr Brook was appointed as a director on 3 December 2018 and as a member of the Audit & Risk Management Committee and Remuneration Committee with effect from 20 December 2018. Mr Brook was subsequently appointed Chairman of the Audit & Risk Management Committee and a member of the Nominations Committee with effect from 1 July 2019. Mr Brook was in transit and an apology for an additional Board meeting which was convened at short notice.
- (7) Mr Brasher retired as a member of the Audit & Risk Management Committee on 20 December 2018. Mr Brasher subsequently retired as Chairman and as a director on 30 June 2019.
- (8) Mr Smorgon retired as a director on 20 December 2018.

## 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.

## Significant changes in the state of affairs

There have been no significant changes to the Group's state of affairs during the financial year.

## Events subsequent to reporting date

In October 2019, US\$500m Notes in the Private Placement Market were funded with US\$250m maturing 30 October 2028 and US\$250m maturing 30 October 2030.

In November 2019, the directors determined to pay a final dividend for the Company of 3.4 cents per share, 30 percent franked, to be paid on 8 January 2020. The record date for entitlement to this dividend is 2 December 2019. The total dividend payment of \$54.6m will be paid in cash or as part of the Dividend Reinvestment Plan which has been reinstated at a discount of 2 percent (refer to note 6).

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.

## Likely developments

The Operating and Financial Review contains information on the Company's 2019 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 the U.S. as dictated by regulatory approvals.

For the 2019 financial year, three significant environmental matters arose, which were related to events from prior financial years. In the first matter, the Group received a civil penalty of US\$492,000 and was ordered to provide US\$939,852 worth of emergency equipment to the local community, relating to unplanned ammonia released in 2010 and 2015 and the alleged failure to accurately estimate and report ammonia releases to the EPA's Toxic Release Inventory. In the second matter, the Group was convicted of four environmental charges with regard to offsite releases at Geelong in 2017, receiving a fine of \$120,000. In the third matter, the Group was prosecuted for a breach of licence conditions in Townsville relating to the release of stormwater with elevated levels of ammonia. This resulted in a fine of \$21,500.

During the 2019 financial year, the Group also received a number of fines from the Queensland environmental regulator. Three fines totalling \$38,725 were incurred in connection with stormwater releases at Phosphate Hill, one fine of \$13,055 in connection with a sulphuric acid spill at Gibson Island and one fine of \$13,055 in connection with a sulphuric acid spill at Mt Isa.

## Indemnification and insurance of officers

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 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.

# Directors' Report

## Auditor

Deloitte Touche Tohmatsu 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 Act. Mr Tim Richards is the Company's lead audit partner for the 2019 financial year.

## Non-audit services

Deloitte Touche Tohmatsu has provided non-audit services to the amount of \$422,480 during the year ended 30 September 2019 (refer to note 22 to the financial statements).

As set out in note 22 to the financial statements, the Audit and Risk Management Committee must approve individual non-audit engagements provided by Deloitte Touche Tohmatsu above a value of \$100,000, as well as the aggregate amount exceeding \$250,000 per annum. Further, in accordance with its Charter, during the year the Committee has continued to monitor and review the independence and objectivity of the auditor, having regard to the provision of non-audit services. Based on the advice of the Audit and Risk Management Committee, the directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Act and does not compromise the external auditor's independence.

## Lead Auditor's Independence Declaration

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 Touche Tohmatsu's independence as auditor.

The lead auditor's independence declaration is set out on page 44 and forms part of this report.

## Rounding

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 off, except where otherwise stated, to the nearest one hundred thousand dollars.

## Corporate Governance Statement

The key features of the Company's corporate governance framework are set out in the Corporate Governance Statement, which is available at [www.incitecpivot.com.au/Corporate\\_Governance](http://www.incitecpivot.com.au/Corporate_Governance).

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



**Brian Kruger**  
Chairman

Melbourne, 12 November 2019



# Operating and Financial Review

## Group Financial Performance

IPL reported Net Profit After Tax (NPAT) of \$152.4m compared to \$207.9m in 2018 (or compared to \$347.4m in 2018 excluding Individually Material Items (ex IMIs)). IPL's 2019 NPAT was impacted by \$140.0m of non-recurring items.

### Financial Performance

The Group reported 2019 Earnings Before Interest and Tax (EBIT) of \$303.7m, after \$197.0m of non-recurring items.

IPL GROUP	Year ended 30 September		
	FY19 A\$m	FY18 A\$m	Change A\$m
<b>Reported Revenue and Earnings</b>			
Revenue	3,918.2	3,856.3	61.9
EBITDA	605.3	615.0	(9.7)
<b>EBIT</b>	<b>303.7</b>	<b>320.7</b>	<b>(17.0)</b>
<b>NPAT</b>	<b>152.4</b>	<b>207.9</b>	<b>(55.5)</b>
<b>Business EBIT ex IMIs</b>			
Dyno Nobel Americas (DNA)	234.0	278.6	(44.6)
Dyno Nobel Asia Pacific (DNAP)	179.2	205.4	(26.2)
Fertilisers	(79.7)	104.6	(184.3)
Eliminations	(1.7)	(0.6)	(1.1)
Corporate	(28.1)	(31.3)	3.2
<b>Group EBIT ex IMIs<sup>(1)</sup></b>	<b>303.7</b>	<b>556.7</b>	<b>(253.0)</b>
<b>NPAT ex IMIs</b>	<b>152.4</b>	<b>347.4</b>	<b>(195.0)</b>

(1) EBIT ex IMIs = Earnings Before Interest and Tax, excluding IMIs.

EBIT from the DNA business of \$234.0m (US\$163.5m) decreased by \$44.6m, or 16 percent compared to 2018. The result was mainly due to the adverse impact from Waggaman plant outages in 2019; higher gas cost due to a third-party supply interruption; and the impact of lower ammonia prices on Waggaman operations earnings. This was partially offset by earnings growth in the Explosives business in 2019; the sale of excess land in the US; and translation benefits from the lower A\$:US\$ foreign exchange rate.

DNAP earnings of \$179.2m decreased by \$26.2m, or 13 percent as compared to 2018, mainly driven by the impact of customer contract re-basing in 2019; and lower International business earnings. This was partially offset by higher sales volumes in the Australian business, in particular to Iron Ore customers in Western Australia.

Fertilisers earnings loss of \$79.7m represents a decrease in EBIT of \$184.3m as compared to 2018. This result was mainly due to the adverse impact from the Queensland rail outage; the Phosphate Hill plant outage in relation to the reactor failure; costs in relation to the Portland Single Super Phosphates (SSP) plant closure; the impact of severe drought in key planting areas; and higher natural gas prices on the Australian East Coast. This was partially offset by the impact from the lower A\$:US\$ foreign exchange rate; and value chain optimisation benefits.

A detailed analysis of the performance of each business and respective outlook is provided on the following pages.

## Cash Flow

Operating cash inflows decreased \$247.9m as compared to 2018. This decrease is largely attributable to a \$245.7m, or 29 percent decrease in EBITDA ex IMIs, mainly due to the adverse impact from non-recurring items in 2019; and the combined impact from drought conditions and higher gas prices in Australia.

Investing cash outflows increased \$17.6m mainly driven by lease buy-outs at term expiry in 2019; offset in part by lower sustenance spending as a result of lower major turnaround activity in 2019.

Financing cash outflows decreased \$288.5m to \$93.9m mainly due to reduced spend on the repurchase of IPL shares under the \$300m share buyback program completed in 2019; and lower dividend payments in 2019 as a result of lower profits.

## Financial Position

IPL's Balance Sheet remains sound, reflecting the Group's ongoing commitment to financial discipline and effective cash management. As at 30 September 2019, IPL had Net Debt<sup>(2)</sup> of \$1,691.4m and Net debt/EBITDA<sup>(4)</sup> of 2.8x.

BALANCE SHEET	Year ended 30 September		
	FY19 A\$m	FY18 A\$m	Change A\$m
<b>Assets</b>			
TWC – Fertilisers	(137.8)	(164.8)	27.0
TWC – Explosives	141.9	113.0	28.9
<b>Group TWC<sup>(5)</sup></b>	<b>4.1</b>	<b>(51.8)</b>	<b>55.9</b>
Net PP&E	4,190.0	4,004.3	185.7
Intangible assets	3,179.5	3,046.6	132.9
<b>Total Assets</b>	<b>7,373.6</b>	<b>6,999.1</b>	<b>374.5</b>
<b>Liabilities</b>			
Environmental & restructure provisions	(134.8)	(121.2)	(13.6)
Tax Liabilities	(495.9)	(521.5)	25.6
Net other liabilities	(363.7)	(240.6)	(123.1)
Net Debt	(1,691.4)	(1,371.6)	(319.8)
<b>Total Liabilities</b>	<b>(2,685.8)</b>	<b>(2,254.9)</b>	<b>(430.9)</b>
<b>Net Assets</b>	<b>4,687.8</b>	<b>4,744.2</b>	<b>(56.4)</b>
<b>Equity</b>	<b>4,687.8</b>	<b>4,744.2</b>	<b>(56.4)</b>
<b>Key Performance Indicators</b>			
Net Tangible Assets/Share	0.94	1.04	
Fertilisers – Ave TWC % Rev	(0.3%)	(0.3%)	
Explosives – Ave TWC % Rev	9.2%	8.4%	
Group – Average TWC % Rev <sup>(1)</sup>	5.8%	5.1%	
<b>Credit Metrics</b>			
Net Debt <sup>(2)</sup>	(1,691.4)	(1,371.6)	
Interest Cover <sup>(3)</sup>	4.6x	7.3x	
Net Debt/EBITDA (ex IMIs) <sup>(4)</sup>	2.8x	1.6x	

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

(2) 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.

(3) Interest cover = 12 month rolling EBITDA ex IMIs/net interest expense before accounting adjustments.

(4) Net debt/EBITDA ratio is calculated using 12 month rolling EBITDA ex IMIs.

(5) Net of TWC facilities.



# Operating and Financial Review

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

- Trade Working Capital (TWC) increased by \$55.9m mainly due to higher stock balances as a result of lower demand for fertilisers due to drought conditions in some areas; and the timing of shipments at year end.
- Net Property, Plant & Equipment (PP&E) increased by \$185.7m mainly due to sustenance capital expenditure of \$262.0m; the impact of foreign currency translation of non-A\$ denominated assets of \$125.7m; additions to minor growth projects of \$49.5m; and lease buy-outs of \$46.6m. This was partly offset by the depreciation charge for the year of \$277.9m and asset disposals with a carrying value of \$13.1m.
- Intangible Assets increased by \$132.9m mainly as a result of the impact of foreign currency translation of non-A\$ denominated assets of \$125.4m; and \$22.7m in relation to the capitalisation of completed digital technology and product delivery solutions and investment in new technologies. This was partially offset by the amortisation charge of \$23.7m for the year.
- Tax Liabilities decreased by \$25.6m mainly due to tax payments of \$20.8m; and the tax effect on movements in the market value of derivative hedging balances of \$14.4m and Retirement Benefit Obligations of \$10.2m. This was offset in part by tax on earnings of \$7.5m; and the impact of foreign currency translation of \$14.0m.
- Net Other Liabilities increased by \$123.1m mainly due to market value movements and maturities of derivative hedging instruments (excluding debt hedges) of \$53.0m; an increase in the Group's Retirement Benefit Obligation of \$34.6m, as a result of lower discount rates and the impact of the lower A\$:US\$ exchange rate on translation of US\$ obligations; and movements in capital and other accruals.
- Net Debt increased by \$319.8m to \$1,691.4m mainly due to lower operating cash flows of \$247.9m; and the impact of the lower A\$:US\$ exchange rate on foreign currency debt balances and maturing debt hedges during the year.

## Debt Funding

### Maturing Facilities

The Company's A\$200m Medium Term Notes, issued in the Australian debt capital market, matured in February 2019. The US\$800m (A\$1,183.2m) 10-year bond on issue in the US144A debt capital market will mature in December 2019.

### Refinancing

As part of the Company's refinancing program for maturing borrowings, the following refinancing was completed during the year:

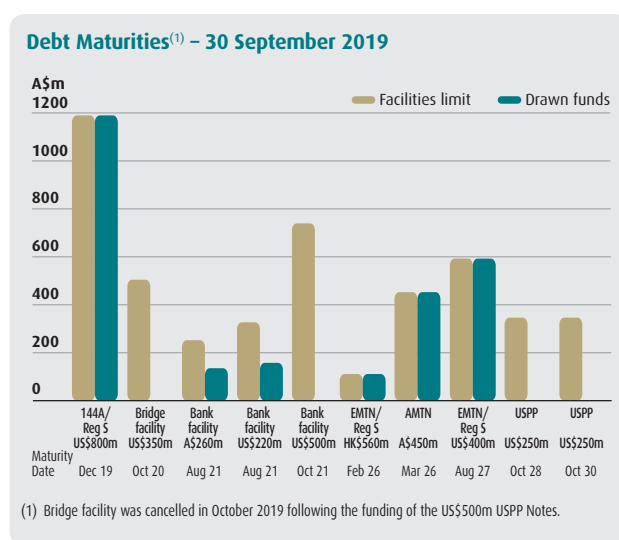
- HK\$560m (A\$105.6m) 7-year bond under the Company's Euro Medium Term Note program, maturing in February 2026.
- A\$450m 7-year bond in the Australian debt capital market, maturing in March 2026.

- US\$500m Notes in the US Private Placement capital market, with US\$250m maturing in October 2028 and US\$250m maturing in October 2030. The Notes were funded in October 2019.

The Group's current refinancing program was completed during the year, delivering increased average debt tenor; better diversity of funding sources; and lower credit margins.

The Group's average tenor of its drawn interest-bearing facilities at 30 September 2019 was 3.4 years. On a pro-forma basis, the Group's average tenor of its debt facilities was 5.7 years at 30 September 2019, after taking into account the funding of the US\$500m Notes in the US Private Placement market along with the cancellation of the 1.5-year US\$350m bridge facility that occurred in October 2019; and the anticipated maturity of the US\$800m bond in December 2019.

The tenor and diversity of IPL's debt is set out in the following exhibit:



### Net Debt Hedging

The fair value of net debt hedges at 30 September 2019 was an asset of \$388.6m (2018: \$414.7m). Most of these hedges will mature in December 2022.

### Trade Working Capital Facilities

IPL use 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 2019, receivables totalling \$216.3m (pcp: \$188.0m) 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 2019 was \$306.5m (2018: \$316.4m).

## 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 IPL's risk, HSE, financial, strategic and corporate governance criteria. Capital is broadly categorised into major growth capital, minor growth capital and sustenance capital. The table below includes a summary of cash spend on growth, sustenance and lease buy-out of Property, Plant & Equipment and Intangible assets:

IPL GROUP	Year Ended 30 September		
	FY19 A\$m	FY18 A\$m	Change A\$m
<b>Capital Expenditure</b>			
DNA	30.7	17.0	13.7
DNAP	21.9	10.6	11.3
Fertilisers	2.6	37.0	(34.4)
<b>Minor growth capital</b>	<b>55.2</b>	<b>64.6</b>	<b>(9.4)</b>
DNA	73.0	74.5	(1.5)
DNAP	27.5	14.4	13.1
Fertilisers	145.8	164.9	(19.1)
<b>Sustenance</b>	<b>246.3</b>	<b>253.8</b>	<b>(7.5)</b>
Fertilisers	46.6	6.9	39.7
<b>Lease buy-out</b>	<b>46.6</b>	<b>6.9</b>	<b>39.7</b>
<b>Total</b>	<b>348.1</b>	<b>325.3</b>	<b>22.8</b>

There was no major growth capital spend in 2019.

Minor growth spend of \$55.2m in 2019 included plant efficiency projects; the construction of a mobile emulsion plant in Chile; and other projects supporting Explosives volume growth and technology investment.

Sustenance capital spend in 2019 was \$246.3m. Significant spend items included: construction of the gypsum cell at Phosphate Hill, Gibson Island 2019 turnaround spend, and planning spend on the Waggaman turnaround scheduled for October 2020.

## Shareholder Returns and Dividends

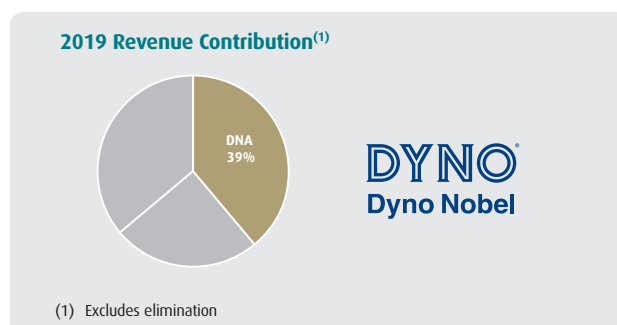
Earnings per share (EPS) ex IMIs of 9.5 cents per share decreased by 11.4 cents per share compared to 2018 ex IMIs of 20.9 cents.

The Company completed the outstanding \$89.7m of the \$300m share buy-back program in December 2018. Under the program, the Company bought back and cancelled 81.4 million ordinary shares at an average price of \$3.69 per share.

In November 2019, the Directors of IPL determined to pay a 30 percent franked final dividend of 3.4 cents per share on 8 January 2020. This brings total dividends paid with respect to the 2019 financial year to 4.7 cents per share. This represents a payout ratio of approximately 50 percent for the 2019 financial year. IPL will recommence its Dividend Reinvestment Plan (DRP). A discount of two percent will be applied in determining the offer price under the DRP.

## Operational Performance

### Dyno Nobel Americas



The Dyno Nobel Americas business comprises three businesses:

- Explosives;
- Waggaman operations; and
- Agriculture & Industrial Chemicals (Ag & IC).

DYNO NOBEL AMERICAS	Year ended 30 September		
	FY19 US\$m	FY18 US\$m	Change %
Explosives	824.5	804.6	2.5
Waggaman	147.4	187.0	(21.2)
Ag & IC	130.9	118.5	10.5
<b>Total Revenue</b>	<b>1,102.8</b>	<b>1,110.1</b>	<b>(0.7)</b>
Explosives	136.1	130.2	4.5
Waggaman	19.2	76.2	(74.8)
Ag & IC	0.2	5.2	(96.2)
Other	8.0	-	na
<b>EBIT</b>	<b>163.5</b>	<b>211.6</b>	<b>(22.7)</b>
<i>EBIT margin</i>			
Explosives	16.5%	16.2%	
Waggaman	13.0%	40.7%	
Ag & IC	0.2%	4.4%	
<b>A\$m</b>			
<b>Revenue</b>	<b>1,569.0</b>	<b>1,462.3</b>	<b>7.3</b>
<b>EBIT</b>	<b>234.0</b>	<b>278.6</b>	<b>(16.0)</b>

The 2019 earnings for Dyno Nobel Americas of US\$163.5m decreased by US\$48.1m compared to 2018. Current year earnings include non-recurring items amounting to US\$36.0m which was a major driver of the lower earnings compared to 2018. Non-recurring items included the US\$32.0m impact from the unplanned outage at Waggaman; and the US\$12.0m impact in Ag & IC from significantly higher gas cost at St Helens. This was partially offset by the US\$8.0m of one-off profit from sale of excess land in the US, which is shown separately, as Other EBIT.

# Operating and Financial Review

## 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 primarily in the Southern US, Northeast US and Canada; the Coal sector in the Powder River Basin, Illinois Basin and Appalachia, and to the Base & Precious Metals sector in the US mid-West, US West and Canada.

EXPLOSIVES	Year Ended 30 September		
	FY19 US\$m	FY18 US\$m	Change %
Revenue	824.5	804.6	2.5
EBIT	136.1	130.2	4.5
EBIT margin	16.5%	16.2%	

Explosives business performance remained strong in 2019, growing earnings, volumes and margins for a 3rd consecutive year and delivering cumulative annual growth of 12.5 percent between 2016 and 2019.

Despite the impact from Coal industry declines; prolonged wet weather conditions; and flooding in the US mid-west, 2019 earnings from the Explosives business increased US\$5.9m, or 5 percent as compared to 2018. Increased earnings were primarily due to higher sales volumes, underpinned by growth in customer demand (in particular Quarry & Construction sector); and delivery of operational costs savings and supply chain efficiency gains during the year.

### Quarry & Construction

40 percent of Explosives revenue was generated from the Quarry & Construction sector in 2019. Volumes were up 5 percent as compared to 2018 despite flooding and wet weather impacting Quarry & Construction activity (and demand) in key regions.

### Base & Precious Metals

33 percent of Explosives revenue was generated from the Base & Precious Metals sector in 2019. Volumes were up 3 percent as compared to 2018, in line with industry growth rates. As anticipated, demand timing was skewed to the second half, following the slow start (due to wet weather) to the year.

### Coal

27 percent of Explosives revenue was generated by the sector in 2019. Volumes were down 4 percent compared to 2018, impacted by significant flooding in the US mid-West and the underlying structural decline of the US Coal Industry. Market share gains from the first half of 2019 somewhat offset the impact from industry headwinds during the year, with industry volumes down approximately 8 percent as compared to 2018.

## 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 the manufacturing process at Dyno Nobel's Louisiana, Missouri and Cheyenne, Wyoming plants, and sold to third parties under long term contractual arrangements.

WAGGAMAN	Year Ended 30 September		
	FY19 US\$m	FY18 US\$m	Change %
Revenue	147.4	187.0	(21.2)
EBIT	19.2	76.2	(74.8)
EBIT margin	13.0%	40.7%	

Waggaman earnings for 2019 of US\$19.2m decreased from US\$76.2m in 2018. The decrease in earnings was mainly due to the impact of manufacturing outages, as detailed below, and lower ammonia prices compared to 2018.

### Manufacturing – non-recurring item

The impact from the unplanned manufacturing outage at Waggaman amounted to US\$32.0m in 2019. The outage was initiated by an external power supply failure and resulted in substantial repairs to be completed on the plant's CO<sub>2</sub> recovery system.

### Manufacturing – reliability

The plant also experienced reliability issues in 2019, with an adverse impact of US\$15.0m from plant restart issues and controls systems and instrumentation related outages.

## Agriculture & Industrial Chemicals

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

Ag & IC	Year Ended 30 September		
	FY19 US\$m	FY18 US\$m	Change %
Revenue	130.9	118.5	10.5
EBIT	0.2	5.2	(96.2)
EBIT margin	0.2%	4.4%	

Ag & IC earnings of US\$0.2m decreased from US\$5.2m in 2018. The decrease was largely due to the adverse US\$12.0m impact from a gas market disruption in 2019. This external non-recurring event was the result of a third-party gas supply interruption, resulting in significantly higher gas cost at Dyno Nobel's St Helens plant. The impact from higher gas cost was however partially offset by the absence of the 2018 St Helens plant turnaround; and the benefits from higher fertilisers prices and increased sales volumes compared to 2018.

## Manufacturing – Dyno Nobel Americas

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. The Louisiana, Missouri plant has a competitive logistic footprint from which to support mining in both the Illinois Basin and Appalachia.

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.

As noted above, the business also produces nitrogen-based fertilisers and industrial chemicals across four locations, that are delivered to its end markets via an integrated supply chain.

Manufacturing performance in the Dyno Nobel Americas business in 2019 was as follows:

**Waggaman, Louisiana** – the plant operated at 87 percent of nameplate capacity during the second half of 2019 (72 percent in the first half) and produced 634.4k metric tonnes of ammonia in 2019. The plant experienced controls systems and instrumentation reliability issues in the second half that resulted in additional unplanned downtime. All known controls systems and instrumentation issues have now been resolved, with the Group's new manufacturing strategy focussed on eliminating these single point of failure vulnerabilities.

Following the last unplanned outage in July, the Waggaman plant has recorded its second longest production run (since commissioning in 2016).

Planning for the plant's major turnaround in October 2020 is progressing to plan.

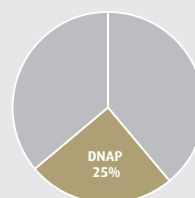
**Cheyenne, Wyoming** – the plant complex operated reliably and consistently during 2019. Ammonia production increased 8 percent compared to 2018, absent the 2017/2018 turnaround.

**Louisiana, Missouri** – Nitric Acid production from the Louisiana, Missouri plant decreased 3 percent compared to 2018, largely due to the impact of flooding, and associated rail outages, in the US mid-West during 2019.

**St Helens, Oregon** – 2019 Urea production at the plant was largely in line with 2018. The impact from third-party gas supply interruptions on plant operations in the first half of 2019 was largely offset by the absence of the 2018 turnaround and outages. Gas cost lowered during the second half of 2019 as Enbridge's pipeline issues were resolved.

## Dyno Nobel Asia Pacific

2019 Revenue Contribution<sup>(1)</sup>



**DYNO**  
Dyno Nobel

(1) Excludes elimination

Through Dyno Nobel Asia Pacific, IPL provides ammonium nitrate based industrial explosives, initiating systems and services to the 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.

DYNO NOBEL ASIA PACIFIC	Year Ended 30 September		
	FY19 A\$m	FY18 A\$m	Change %
Metallurgical Coal	477.7	491.1	(2.7)
Base & Precious Metals	381.9	351.3	8.7
International	131.1	136.2	(3.7)
<b>Revenue</b>	<b>990.7</b>	<b>978.6</b>	<b>1.2</b>
<b>EBIT</b>	<b>179.2</b>	<b>205.4</b>	<b>(12.8)</b>
<i>EBIT margin</i>	<i>18.1%</i>	<i>21.0%</i>	

Dyno Nobel Asia Pacific earnings for 2019 of \$179.2m decreased by \$26.2m, or 12.8 percent as compared to 2018. The lower earnings were mainly the result of contract re-basing, decreased joint venture earnings, and equipment repair costs incurred at the Moranbah plant. This was partially offset by increased earnings from higher ammonium nitrate sales volumes and increased electronic initiating systems sales, primarily to Iron Ore customers in Western Australia.

### Australian Metallurgical Coal

48 percent of Dyno Nobel Asia Pacific revenue for the year was generated from the Australian Metallurgical Coal sector, most of which was in the Bowen Basin.

Volumes from the Australian Metallurgical Coal sector decreased 7 percent compared to 2018, mainly driven by customer operational issues and weather events in Queensland during the first half of 2019; and lower second half contracted volumes, in line with business strategy to optimise sales of manufactured ammonium nitrate at Moranbah.

# Operating and Financial Review

## Base & Precious Metals

39 percent 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 15 percent compared to 2018, driven by strong demand from iron ore customers in Western Australia in the second half of 2019.

## International

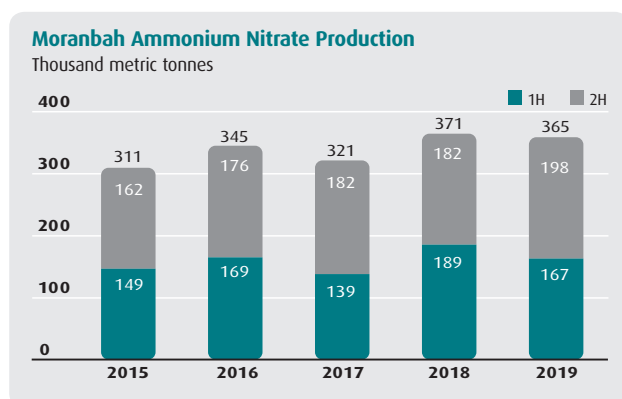
13 percent of Dyno Nobel Asia Pacific revenue was generated internationally in Indonesia, Turkey and Papua New Guinea.

Volumes decreased 4 percent as compared to 2018, mainly driven by the significant slowdown in the Turkish business as a result of lower infrastructure spending; partially offset by strong volumes in Indonesia.

## Manufacturing – Dyno Nobel Asia Pacific

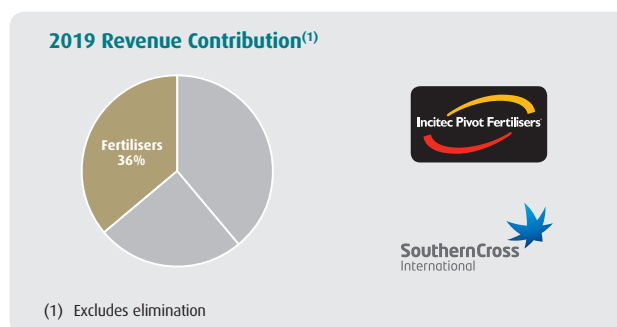
In Australia, Dyno Nobel manufactures ammonium nitrate at its Moranbah ammonium nitrate plant, which is located in the Bowen Basin, the world's premier metallurgical coal region. It also sources third party ammonium nitrate from time to time.

Moranbah delivered record production in the second half of 2019, with improved efficiency at the plant reducing the impact from equipment repairs and related costs in the first half of 2019. The plant produced 365.0k metric tonnes of ammonium nitrate in 2019, a slight decrease of 1.5 percent on 2018.



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, that consists of Incitec Pivot Fertilisers (**IPF**) and Southern Cross International (**SCI**), 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).

FERTILISERS ASIA PACIFIC	Year Ended 30 September		
	FY19 A\$m	FY18 A\$m	Change %
Phosphate Hill	366.6	480.0	(23.6)
Industrial & Trading	125.1	111.2	12.5
Quantum Fertilisers	4.3	13.8	(68.8)
SCI Revenue	496.0	605.0	(18.0)
IPF Revenue	1,066.7	1,088.4	(2.0)
Fertilisers Elimination	(143.3)	(221.7)	na
<b>Fertilisers Revenue</b>	<b>1,419.4</b>	<b>1,471.7</b>	<b>(3.6)</b>
SCI EBIT	(29.8)	69.1	(143.1)
IPF EBIT	(51.9)	37.7	(237.7)
Profit-in-stock elimination	2.0	(2.2)	na
<b>Fertilisers EBIT</b>	<b>(79.7)</b>	<b>104.6</b>	<b>(176.2)</b>
<i>EBIT margin</i>	<i>(5.6%)</i>	<i>7.1%</i>	

Fertilisers reported an EBIT loss of \$79.7m, compared to a profit of \$104.6m in 2018, with the result significantly impacted by extreme weather events across Eastern Australia in 2019. Overall, Fertilisers sales volumes were 9 percent down in 2019 at 2.75 million metric tonnes (2018: 3.01 million metric tonnes), mainly as a result of lower customer demand due to drought conditions in key planting areas.

The major movements in the 2019 earnings of Fertilisers were due to the following:

## Non-recurring items

- \$115.0m adverse impact from the Queensland rail outage due to the one in a 100-year flooding event that resulted in lost opportunity for sales of manufactured ammonium phosphates, and to a lesser extent damaged stocks and plant inefficiencies.



- \$20.0m adverse impact from the Phosphate Hill manufacturing outage as a result of the phosphoric acid reactor integrity failure in the first half of 2019.
- \$13.0m of cost relating to the permanent closure and decommissioning of the Portland SSP plant and consolidation of the SSP manufacturing into Geelong.

#### Other

- Prevailing drought conditions in Northern Victoria, New South Wales and Southern Queensland adversely impacted fertilisers sales volumes and mix, decreasing earnings by \$33.6m compared to 2018.
- Net increase in gas cost of \$42.5m was mainly driven by higher contract prices in Gibson Island; partially offset by the lower gas cost to Phosphate Hill.
- \$9.5m decrease in Quantum Fertilisers performance was driven by lower trading activity during the year.
- Net increase in earnings of \$22.4m from major plant turnarounds as a result of the absence of the 2018 Phosphate Hill turnaround, partially offset by the Gibson Island turnaround in 2019.
- \$11.4m of benefits driven by value chain optimisation and improved stock position management.
- Net benefit of \$10.5m from the lower A\$:US\$ exchange rate and higher urea prices; partially offset by lower global ammonium phosphates prices compared to 2018.

#### Manufacturing – Fertilisers

**Gibson Island** – the plant produced 369.7k metric tonnes of urea equivalent product, down 24.4 percent on 2018. The lower production was a result of the planned outage at the start of 2019 to complete maintenance activities required to operate the plant to December 2019, when its current short-term gas supply agreement expires.

A decision was made during the year to continue manufacturing operations at Gibson Island through to December 2022 following the successful negotiation of multiple arrangements affecting operations. One of these arrangements was the gas supply agreement with Australia Pacific LNG that will fulfil the plant's gas needs from 1 April 2020 through to 31 December 2022.

The financial benefit from the continued operation of the plant is expected to be approximately \$5m in 2020, as announced on the ASX in June 2019.

A major turnaround is required to be undertaken to enable the operation of the plant to December 2022. The two-month turnaround is scheduled to commence in February 2020 and cost approximately \$60m. The cost of the turnaround will be depreciated over three years.

**Phosphate Hill** – ammonium phosphates production decreased 21 percent to 674.7k metric tonnes (2018: 850.4k metric tonnes) mainly due to the impact of plant downtime as a result of the Queensland rail outage and the phosphoric acid reactor failure, as detailed in the half year disclosures.

The Phosphate Hill plant is expected to benefit from a full year of lower cost Northern Territory gas supply in 2020, reducing the plant's gas cost further by approximately \$8m compared to 2019.

## Group 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 view at the time of this Report.

The outlook for 2020 is based on the underlying assumption that 2019 non-recurring items of \$197.0m do not repeat in 2020.

#### Dyno Nobel Americas

- The Explosives business is expected to continue delivering earnings growth in 2020, underpinned by stronger volumes and efficiencies as detailed below:
  - 5 to 7 percent volumes growth in the Quarry & Construction sector, slightly above industry growth expectations;
  - Base & Precious Metals volumes expected to grow 3 to 5 percent, underpinned by the Chile expansion and increased customer demand in existing markets; and
  - Coal sector volumes are expected to remain flat to negative in 2020.
- The Waggaman plant is expected to deliver improved production compared to 2019 at slightly below nameplate capacity, with no planned outages scheduled for 2020. The operational earnings of Waggaman remain subject to movements in ammonia and natural gas prices.
- Agriculture & Industrial Chemicals operational earnings are expected to improve, absent the 2019 third-party gas supply interruptions and pricing impacts. Earnings remain subject to movements in global fertilisers prices, particularly urea and urea ammonium nitrate. Production at St Helens is expected to be in line with 2019 as a result of the planned plant turnaround in the second half of 2020.

#### Dyno Nobel Asia Pacific

- Demand for ammonium nitrate in Australia is expected to remain strong in 2020. In line with business strategy, sales volumes relating to Moranbah in Australia are expected to be lower in 2020 following contract renewals.
- The accelerating rate of adopting technology is beginning to drive medium to long term growth, as miners look to technology to access the next level of productivity uplift.
- Earnings from joint venture partner QNP are expected to remain relatively flat in 2020.
- As previously announced, the 2020 impacts from contract losses in Western Australia is \$10m; and \$12m in relation to contract renewals.
- Moranbah production is expected to be largely in line with 2019, however expecting improved plant efficiencies in 2020.



# Operating and Financial Review

## Fertilisers Asia Pacific

- Fertilisers earnings will continue to be dependent on global fertilisers prices, the A\$:US\$ exchange rate and weather conditions.
- Drought conditions in Queensland and New South Wales could continue to impact irrigation water availability in the key summer crop markets in 2020.
- Distribution margins are expected to be materially consistent with 2019, subject to global fertilisers prices and the potential impact of ongoing drought conditions.
- The Phosphate Hill plant is expected to deliver improved production of approximately 975k metric tonnes of ammonium phosphates in 2020, with no planned turnarounds in the year and all known material production issues now resolved.
- Expecting additional benefits of approximately \$8m in 2020, representing the full year impact of lower gas supply cost to Phosphate Hill under the Power and Water Corporation contract that commenced in January 2019.
- Gibson Island production expected to improve, with less planned downtime in 2020 (two-month turnaround) compared to 2019 (three months).
- As announced on the ASX on 4 June 2019, Gibson Island earnings are expected to increase by approximately \$5m in 2020 following the commencement of gas supply from Australia Pacific LNG in April 2020.

## Group

- Corporate** – Corporate costs are expected to be approximately \$30m in 2020. This excludes any costs in relation to the Fertilisers strategic review.
- Borrowing Costs** – Net borrowing costs are expected to be lower at approximately \$140m due to lower average cost of funding following the completion of the Group's debt refinancing in 2019; and lower anticipated debt levels through 2020.
- Taxation** – Considering the expected improvement in the Group's 2020 earnings, the effective tax rate is expected to increase to between 25 and 28 percent.
- Hedging Program** – 50 percent of estimated first half 2020 US\$ linked fertilisers sales are hedged at a rate of \$0.70 with full participation in downward rate movements. IPL's foreign currency exposure relating to fertilisers sales will continue to be actively managed.

## Summary of FY19 non-recurring items

Set out in the table below is a summary of the financial impact of non-recurring items in FY19 that, when added back, should increase the earnings outlook for FY20 by \$197m.

Non-recurring Items A\$m	Business	EBIT			Tax	NPAT
		1H19	2H19	FY19		
<i>External Events (Associated Impacts)</i>						
Queensland rail outage	Fertilisers	60	55	115	(34)	81
Gas market disruption – St Helens (US\$12m)	DNA	16	–	16	(4)	12
<b>Sub-total</b>		<b>76</b>	<b>55</b>	<b>131</b>	<b>(38)</b>	<b>93</b>
<i>Manufacturing Outages</i>						
Waggaman outages (US\$32m)	DNA	45	–	45	(12)	33
Phosphate Hill outage (reactor failure)	Fertilisers	20	–	20	(6)	14
<b>Sub-total</b>		<b>65</b>	<b>–</b>	<b>65</b>	<b>(18)</b>	<b>47</b>
<i>Other</i>						
Profit on US land sale (US\$8m)	DNA	–	(12)	(12)	3	(9)
SSP plant closure	Fertilisers	–	13	13	(4)	9
<b>Sub-total</b>		<b>–</b>	<b>1</b>	<b>1</b>	<b>(1)</b>	<b>–</b>
<b>Total Impact</b>		<b>141</b>	<b>56</b>	<b>197</b>	<b>(57)</b>	<b>140</b>

## Other Likely Developments

On 2 September 2019, the Company announced that it had commenced a strategic review of its Fertilisers business, which will continue into the 2020 financial year. The strategic review will assess various options including a potential sale of the business, a demerger or retaining the business and continuing to invest for growth.

## Sensitivities

The table provides sensitivities to key earnings drivers and should be read in conjunction with the footnotes. As demonstrated, IPL's earnings are influenced by movements in global commodity prices and foreign exchange rates. Investors should be cognisant of these factors.

Commodity	Proxy Index	EBIT Sensitivities
<b>Americas</b>		
Ammonia <sup>(1)</sup>	CFR Tampa	+/- US\$10/mt = +/- US\$6.5m
Natural Gas <sup>(2)</sup>	Henry Hub	+/- US\$0.10/mmbtu = +/- US\$2.7m
Urea <sup>(3)</sup>	FOB NOLA	+/- US\$10/mt = +/- US\$1.9m
FX EBIT Translation <sup>(4)</sup>		+/- A\$/US\$0.01 = +/- A\$4.0m
<b>Asia Pacific</b>		
DAP <sup>(5)</sup>	FOB Tampa	+/- US\$10/mt = +/- A\$13.9m
Urea <sup>(6)</sup>	FOB Middle East	+/- US\$10/mt = +/- A\$3.5m
FX EBIT Transactional <sup>(5,6)</sup>		+/- A\$/US\$0.01 = +/- A\$8.6m

(1) Based on Waggaman plant capacity of 800k metric tonnes, less internal sales volumes of approximately 150k metric tonnes.

(2) Based on Waggaman plant capacity of 800k metric tonnes and estimated average gas efficiency of 34 mmbtu per metric tonnes of ammonia.

(3) Based on actual 2019 St Helens and Cheyenne manufactured urea equivalent product of 192k metric tonnes.

(4) Based on actual 2019 Dyno Nobel Americas EBIT (excluding Non-Recurring Items) of US\$200m and an average realised 2019 foreign exchange rate of A\$/US\$ 0.70.

(5) Based on 2020 estimated Phosphate Hill manufactured ammonium phosphates of 975k metric tonnes; average realised 2019 DAP price of US\$367; and an average realised 2019 foreign exchange rate of A\$/US\$ 0.70.

(6) Based on actual 2019 Gibson Island manufactured urea equivalent sales via IPF of 248k metric tonnes; average realised 2019 urea price of US\$271; and an average realised 2019 foreign exchange rate of A\$/US\$ 0.70.

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. 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 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).

Risk	Description and potential consequences	Treatment strategies employed by IPL
<b>General economic and business conditions</b>		
<b>Changing global economic and business climate</b>	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. This may affect demand for industrial explosives, industrial chemicals and fertilisers and related products and services, and profitability in respect of them.	<ul style="list-style-type: none"> <li>Diversification across explosives and fertilisers markets in numerous geographical locations helps diversify exposures.</li> <li>Long term sustainable competitiveness and business fluidity is managed through continuous improvement in productivity and efficiency.</li> <li>Continuous review of country specific risks helps proactive management of potential exposures.</li> </ul>
<b>Commodity price risks</b>	<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); price fluctuations in these products could adversely affect IPL's business. The pricing of internationally traded commodities is based on international benchmarks and is affected by global supply and demand forces.</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"> <li>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.</li> <li>Integrated Business Planning (IBP) processes assist in optimising inventory to reduce price risk of stock on hand.</li> <li>IPL employs a "value at risk" framework with respect to its Australian fertiliser operations. This 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.</li> <li>To ensure volume and price commitments are upheld, the Group has firm and enforceable customer supply contracts.</li> <li>Where commodity price exposures cannot be eliminated through contracted and/or other commercial arrangements, the Group may enter into derivative contracts, where available on a needs basis, to mitigate this risk. However, in some instances price risk exposure cannot be economically mitigated by either contractual arrangements or derivative contracts. In relation to ammonium nitrate for DNAP, IPL also maintains multiple supply sources to help with both supply and commodity price risk.</li> </ul>
<b>External financial risk</b>	<p>The appreciation or depreciation of the A\$ against the US\$ may materially affect IPL's financial performance.</p> <p>A large proportion of IPL's sales are denominated either directly or indirectly in foreign currencies, primarily the US\$.</p> <p>In addition, IPL also borrows funds in US\$, and the A\$ equivalent of these borrowings and the interest payable on them will fluctuate with the exchange rate.</p> <p>Other financial risks that can impact IPL's earnings include the cost and availability of funds to meet its business needs, compliance with terms of financing arrangements, movements in interest rates and the imposition or removal of tariffs.</p>	<ul style="list-style-type: none"> <li>IPL's capital management strategy is aimed at maintaining an investment grade credit profile to allow it to optimise the weighted average cost of capital over the long term while maintaining an appropriate mix of US\$/A\$ debt, provide funding flexibility by accessing different debt markets and reduce refinancing risk by ensuring a spread of debt maturities. A detailed discussion of financial risks is included in Note 16 (Financial Risk Management).</li> <li>Group Treasury undertakes financial risk management in accordance with policies approved by the Board. Hedging strategies are adopted to manage, to the extent possible and appropriate, currency and interest rate risks.</li> </ul>

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Risk	Description and potential consequences	Treatment strategies employed by IPL
<b>Industry structure and competition risks</b>	<p>IPL operates in highly competitive markets with varying competitor dynamics and industry structures.</p> <p>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>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 power sector, which has seen a movement away from coal-fired energy production and towards natural gas, has placed increased pressure on existing customers (therefore giving rise to increased cost pressure on inputs to their supply) 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>IPL's fertiliser operations compete against global manufacturers with lower input costs and potentially having regulatory and economic advantages. A competitive market may also lead to the loss of customers which may negatively impact earnings.</p> <p>Refer to 'Climate Change Risks' for potential risks and consequences related to industry structure and competition as a result of climate change.</p>	<ul style="list-style-type: none"> <li>IPL seeks to maintain or develop competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings. This focus on cost and quality positions its business units to compete over the medium to longer term in changing and competitive environments.</li> <li>Where practical, IPL prefers to engage in long term customer and supply contractual relationships.</li> <li>Pricing and risk management processes exist in all businesses.</li> <li>IPL continues to invest in new technologies and premium product offerings in order to meet the needs of our customers while limiting IPL's carbon footprint and the impact IPL, and its customers, make on the environment through a reduction in the carbon footprint from lower emissions when blasting.</li> </ul>
<b>Customer risks</b>	<p>IPL has strong relationships with key customers for the supply of products and services. These relationships are fundamental to the Group's financial performance, on which the loss of key customer(s) may have a negative impact. This is particularly relevant to the Explosives sectors, where supply contracts tend to be longer term and significant high value customers are represented.</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"> <li>Where practical, for customers in the Explosives sector, IPL prefers to engage in long term customer contractual relationships.</li> <li>The Group attempts to diversify its customer base to reduce the potential impact of the loss of any single customer.</li> <li>Sales and customer plans are developed in line with IPL's strategy.</li> <li>The Group manages customer credit risks by establishing credit limits by customer, as well as monitoring and actively managing overdue amounts within policy guidelines. Additionally, the Group endeavours to negotiate contractual terms that provide protection to address customer non-payment or financial distress.</li> <li>From time to time, the Group purchases trade credit insurance to minimise credit risk.</li> <li>IPL utilises Net Promoter Scores and "Voice of Customer" programs to enhance its customer relationships and to help identify customer related issues early.</li> </ul>
<b>Product quality and/or specification risk</b>	<p>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"> <li>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.</li> <li>Certificates of Analysis are provided for bulk shipments of fertiliser into export markets.</li> </ul>

Risk	Description and potential consequences	Treatment strategies employed by IPL
<b>Oversupply of ammonium nitrate in Asia Pacific and Americas</b>	<p>Recent additions of ammonium nitrate capacity in the Asia Pacific region, including the reliable operations of new plants, may give rise to oversupply in the short term. In the Americas market, the supply of ammonium nitrate is currently higher than demand and this position is expected to continue for a number of years.</p>	<ul style="list-style-type: none"> <li>• Where practical, for customers in the Explosives sector, IPL prefers to engage in long term customer contractual relationships to manage both manufactured and supply positions.</li> <li>• IPL seeks to maintain or develop competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings.</li> </ul>
<b>Operational risks</b>		
<b>Production, transportation, storage and supply risks</b>	<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 during manufacture, transportation or storage.</p> <p>IPL's manufacturing systems are vulnerable to equipment breakdowns, energy or water disruptions, natural disasters and acts of God, unforeseen human error, sabotage, terrorist attacks and other unforeseen events which may disrupt IPL's operations and materially affect its financial performance.</p> <p>Timely and economic supply of key raw materials, such as natural gas, ammonia, steam, water and electricity, 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 to the Group 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"> <li>• A Health, Safety and Environment (<b>HSE</b>) management system is in place with clear principles and policies communicated to employees.</li> <li>• HSE risk identification, mitigation and management strategies are employed at all times and across all sites. Incidents are reported and investigated, and learnings are shared throughout the Group.</li> <li>• Systems and procedures, including Standard Operating Procedures and Work Instructions, are established, documented, implemented and maintained to reduce HSEC risk in all work activities.</li> <li>• Appropriate workers' compensation programs are in place globally to assist employees who have been injured while at work, including external insurance coverage.</li> <li>• IPL undertakes business continuity planning and disaster preparedness across all sites.</li> <li>• Global industrial special risk insurance is obtained from a variety of highly rated insurance companies to ensure the appropriate coverage is in place. The policies insure the business, subject to policy and retention limits, from damage to its plants and property and the associated costs arising from business interruptions.</li> <li>• Significant insurable events that occur across the Group are reviewed and coverage and policy limits may be revised, where appropriate and economical. Insurable Risk Profiling is undertaken to review the Group's exposures.</li> <li>• Where possible, flexible supply chain and alternative sourcing solutions are maintained as a contingency.</li> <li>• 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.</li> <li>• The IBP process and inventory management practices provide flexibility to mitigate the impacts of short term disruptions.</li> <li>• The Group has strict processes around the stewardship, movement and safe handling of dangerous goods and other chemicals.</li> <li>• Plants have storage capacity, as well as logistics capability that allows for offtake to be distributed. For example, at the Waggaman Louisiana plant offtake may be distributed via rail, truck, barge and pipeline.</li> <li>• The Group endeavours to include liability provisions and force majeure clauses in agreements where relevant.</li> </ul>

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Risk	Description and potential consequences	Treatment strategies employed by IPL
<p><b>Natural gas supply and price risk</b></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. Potential disruption of supply also poses a risk.</p> <p>The Group has various natural gas contracts and supply arrangements for its plants. In respect of the Australian manufacturing operations, there is a risk that a reliable, committed source of natural gas at economically viable prices may not be available following the expiry of current contractual arrangements.</p> <p>The cost of natural gas impacts the variable cost of production of ammonia and significantly influences the plants' overall competitive position.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• In June 2019, IPL entered into gas supply arrangements for the Gibson Island plant through to 31 December 2022. Phosphate Hill and Moranbah have gas supply arrangements in place until 2028 and 2026 respectively.</li> <li>• IPL is exploring, as one part of its ongoing gas supply strategies, the extraction of natural gas from the tenement awarded to Central Petroleum Limited by the Queensland government in March 2018, in respect of which IPL has entered into a 50:50 joint venture with Central.</li> <li>• The US natural gas market is a liquid market, with offtake facilitated by an extensive pipeline infrastructure and pricing commonly referenced to a quoted market price. The Americas business has short term gas supply arrangements in place for its gas needs with market referenced pricing mechanisms.</li> <li>• Gas supply has been substantially contracted for the Waggaman, Louisiana ammonia plant through to 2021, with pricing determined by reference to the price for gas traded through the Henry Hub.</li> <li>• In respect of the Americas business (including the Waggaman, Louisiana ammonia plant), there is an ability to hedge gas prices and the Group reviews its approach to gas hedging in the US on a regular basis.</li> </ul>
<p><b>Sulphuric acid cost and supply into Phosphate Hill</b></p>	<p>Sulphuric acid is a major raw material required for the production of ammonium phosphates. Approximately 50-60 percent of Phosphate Hill's sulphuric acid needs come from processing metallurgical gas sourced from Glencore's Mt Isa Mines copper smelting facility. Glencore has confirmed that Mt Isa Mines has the necessary environmental authority to operate to 2022. Alternative sources of sulphuric acid are likely to negatively impact the cost of producing ammonium phosphates at the Phosphate Hill facility.</p> <p>The quantum of the impact will depend on the future availability and price of sulphur and/or sulphuric acid and the prevailing A\$/US\$ rate.</p> <p>Sulphuric acid supply into Phosphate Hill may be negatively impacted from a volume and/or price perspective, should the Mt Isa Mines copper smelter close.</p>	<ul style="list-style-type: none"> <li>• The Group has several sources of sulphuric acid for supply for Phosphate Hill. Along with sulphuric acid produced from metallurgical gas capture, Mt Isa produces sulphuric acid from burning imported elemental sulphur. Phosphate Hill's operations are also supplemented with sulphuric acid purchased directly from a domestic smelter to meet total sulphuric acid requirements for the production of ammonium phosphates. In addition, Phosphate Hill uses phosphoric acid reclaimed from its gypsum stacks in place of sulphuric acid. Should Glencore cease operations, it is likely that the majority of the lost sulphuric acid sourced from Glencore could be replaced, albeit with an overall negative impact to the Group compared with the use of Glencore's metallurgical gas.</li> <li>• The Mt Isa site is a leased site, with a lease contract in place with Mt Isa Mines to 2028. Accordingly, IPL would be able to continue to produce sulphuric acid at Mt Isa (albeit at a higher cost) by burning elemental sulphur until 2028, should the copper smelter operation cease before that time.</li> <li>• Alternative sourcing solutions, such as emerging sources of sulphuric acid from regional Queensland miners, are explored as part of ongoing contingency planning.</li> </ul>

Risk	Description and potential consequences	Treatment strategies employed by IPL
<b>Phosphate rock</b>	<p>Phosphate rock, used in the manufacture of both ammonium phosphates and single superphosphate fertilisers, is a naturally occurring mineral rock.</p> <p>Phosphate rock is an internationally traded commodity, with pricing based on international benchmarks, and is affected by global supply and demand forces. Its cost for single superphosphate manufacturing purposes is also impacted by fluctuations in foreign currency exchange rates, particularly the A\$/US\$ rate. Fluctuations in either of these variables can impact the cost of IPL's single superphosphate manufacturing operations, as these operations rely on rock imported from limited foreign supply sources.</p>	<ul style="list-style-type: none"> <li>• At its own facility in Phosphate Hill, IPL mines phosphate rock which is used for the production of ammonium phosphates at that facility.</li> <li>• Phosphate rock is used in the production of single superphosphate at IPL's Geelong operations. IPL seeks to diversify the sources of supply of rock (subject to certain requirements regarding the composition of the rock, including cadmium and odour considerations) required for these operations by sourcing it from a number of international suppliers (albeit that the sources of supply are limited).</li> </ul>
<b>Labour</b>	<p>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. IPL's manufacturing plants require skilled operators drawn from a range of disciplines, trades and vocations.</p> <p>IPL has operations in regional and remote locations where it can be difficult to attract and retain critical and diverse talent.</p>	<ul style="list-style-type: none"> <li>• IPL's scale provides some ability to relocate staff to cover shortages or losses of critical staff.</li> <li>• The Group has policies and procedures, including flexible working arrangements and competitive compensation structures, designed to help attract and retain workforce.</li> <li>• Management identifies critical roles and attempts to implement policies to help ensure that appropriate succession and retention plans are in place for those roles.</li> </ul>
<b>Weather</b>	<p>Seasonal conditions (particularly rainfall), are a key factor for determining demand and sales of explosives and fertilisers. Any prolonged change in weather patterns &amp; severity of adverse weather conditions could impact the future profitability and prospects of IPL.</p> <p>Further disclosure on climate related risks can be found in the Climate Change Risks sub-sections of this report.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• IPL's Australian fertilisers business operates in all Australian States other than Western Australia. In addition to geographical diversity, there is also diversity across market segments – IPL supplies fertilisers for a wide range of agricultural applications – and customers serviced.</li> <li>• IPL's international explosives businesses operate across geographically diverse locations, principally Australia and North America with exposures to diverse sectors including coal, iron ore, quarry &amp; construction and metals mining.</li> </ul>



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Risk	Description and potential consequences	Treatment strategies employed by IPL
<b>Climate change risks associated with a 2 Degree Scenario risk analysis</b>		
<p>The '2 Degree Scenario': A scenario in which climate change is limited to 2 degrees by 2100 requires rapid decarbonisation of the global economy and is in keeping with the global agreement to reduce carbon dioxide equivalent (carbon) emissions which was reached through the United Nations Framework Convention on Climate Change agreement in Paris in 2015. It represents a future in which stringent climate policies are put in place in the short to medium term, leading to a decline in carbon emissions after 2040. This scenario projects an average global temperature increase of between 0.9°C and 2°C by 2050 and between 1.1°C and 2.6°C degrees by 2090. Because this scenario assumes rapid global action is taken to reduce emissions, acute and chronic physical risks associated with a greater degree of warming are not as severe. While extreme weather events, droughts and floods are expected to continue to increase in this scenario, the risks associated with these impacts were not identified as individually material by the IPL Risk Matrix. The material financial risks identified for IPL during a risk analysis against the 2-degree scenario are associated with the rapid transitioning of the economy towards decarbonisation.</p>		
<b>Policy and legal risks</b>	<p>IPL has manufacturing facilities across various geographical locations that may be impacted by regulatory changes aimed at reducing the impact of, or otherwise addressing, climate change. Any changed regulation could result in an increase to the cost base or operating cost of these plants, and it may not be possible to alter sales prices to offset these cost increases. This includes, but is not restricted to, any regulations relating to reducing carbon emissions. Alternatively, any such regulatory changes may potentially impact the ability of these plants to continue functioning as currently operated. This risk would be heightened if regulatory changes are implemented inconsistently across regions or countries so that IPL's facilities (principally located in Australia and North America) are impacted by regulatory changes while manufacturing facilities of competitors operating in other jurisdictions are less impacted.</p> <p>Carbon pricing currently applies in Australia, and under a 2-degree scenario, rapid action to limit climate change would include a global carbon price by 2020 (short-term risk: 1-3 years). Carbon pricing would increase operational costs as well as costs to transport products, which could impact until 2025, when most shipping options would be retrofitted with zero or low carbon mobility options (e.g. hydrogen). The transition to a global carbon price may give rise to a period of volatility where IPL would not be able to pass through the immediate carbon costs to customers, who may choose to source products more locally where available to avoid these carbon costs.</p>	<ul style="list-style-type: none"> <li>IPL has a large, diverse supplier group, which would assist in avoiding carbon pricing pass through in the short-term.</li> <li>IPL customer agreements provide for the pass through of carbon pricing where possible.</li> <li>Domestic co-location of critical products will reduce carbon costs associated with transport. Diversification away from single source suppliers, already being managed, will also assist in managing the potentially volatile/variable costs associated with increased regulation, including carbon pricing, in the period between 2030 and 2040.</li> </ul>
<b>Market risks<sup>(1)</sup></b>	<p>Under a 2-degree scenario, unless carbon capture and storage is rapidly developed, transitioning away from fossil fuels is likely to significantly decrease demand for thermal coal, with impacts beginning in the short term (1-3 years). However, the technologies associated with renewable energy such as electric vehicles and large-scale batteries are likely to expand dramatically, with World Bank estimates indicating that demand for the metals required for these technologies could grow by 1000% under a 2-degree scenario. While these mining operations (which use explosives) mitigate the potential loss of revenue from the thermal coal market, "new world commodities" do not require the same quantity of explosives as bulk commodities, which may result in lower overall demand and potentially leading to a supply/demand imbalance. This potential loss of revenue may be partially offset by premium explosives technologies replacing bulk explosives products, attracting a higher margin.</p>	<ul style="list-style-type: none"> <li>IPL seeks to maintain competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings. This focus on cost and quality positions its business units to compete over the medium to longer term in changing and competitive environments.</li> <li>In the 2-degree scenario the reduction in demand for explosives supplying the thermal coal markets will be partly offset by the mining of new world commodities required for renewable technologies which could be higher margin activity.</li> <li>IPL currently buys in a portion of its ammonium nitrate to fulfil current demand and could manage the rapid market change away from thermal coal through reduced purchasing of third-party ammonium nitrate.</li> <li>Where practical, IPL prefers to engage in long term customer and supply contractual relationships.</li> <li>Pricing and risk management processes exist in all businesses.</li> </ul>

(1) While the ways in which markets could be affected by climate change are varied and complex, one of the major ways is through shifts in supply and demand for certain commodities, products, and services as climate-related risks and opportunities are increasingly taken into account. (Financial Stability Board, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017, p 6).

Risk	Description and potential consequences	Treatment strategies employed by IPL
<b>Climate change risks associated with a 4 Degree Scenario risk analysis</b>		
<p>The '4 Degree Scenario' assumes negligible and/or ineffective policy and action to limit carbon emissions, which results in an average increase in temperature of between 2.6°C and 4.8°C by 2100. The lack of effective progress to reduce emissions in this scenario results in 'business as usual' in regard to carbon regulation. While market transition risks (such as risks from changed consumption patterns) occur in this 4-degree scenario, the material risks are associated with 'chronic' physical risks (e.g. creeping changes in climate which cause drought and sea level rise) and 'acute' physical risks (e.g. more severe and more frequent extreme weather events such as hurricanes, drought and flooding from intense rain events and storm surges). The resulting social consequences are expected to be severe, with food and water scarcity and resulting conflict impacting on some economies.</p>		
<p><b>Risks associated with Acute<sup>(2)</sup> and Chronic<sup>(3)</sup> physical events</b></p>	<p><b>Impacts on Product Demand:</b> IPL provides products and services to end markets, individual customers and suppliers that may be impacted by changes to weather patterns resulting from climate change. Changes to the number and/or intensity of storms, hurricanes and other extreme weather events may impact IPL's end markets, primarily mining and agriculture.</p> <p>A 4-degree climate change scenario indicates fertiliser demand increasing in the short term, as emerging markets demand more meat, before a significant downturn associated with the economic impacts of acute extreme weather events and chronic changes in climatic conditions which may impact the ability to grow crops. IPL's Asia-Pacific fertiliser revenue from exports may be impacted in the long-term (6+ years) by a decline in offshore market demand with most South-east Asian countries, which currently are IPL's predominant fertiliser export market, and small island developing states being ranked among the most vulnerable in the world by the Climate Risk Index (CRI).</p> <p>IPL currently sells up to 15% of its Asia Pacific explosives into international markets, with most of these countries considered emerging or developing. Under a 4-degree climate change scenario, explosives demand in the Asia Pacific region may be impacted in the long term (6+ years) by reduced demand in climate vulnerable nations, as indicated by the CRI.</p>	<ul style="list-style-type: none"> <li>Fertiliser demand is likely to grow in the short term due to restoration of degraded land to meet growing population needs for food and increased meat and dairy consumption.</li> <li>IPL currently exports fertilisers from Australia and may be able to ship to other locations where demand is retained as markets are impacted by chronic changes in climate.</li> <li>IPL currently sells fertilisers on the spot market to a geographically diverse group of customers and has no long-term reliance on a particular customer segment. IPL also has the competitive advantage of having manufacturing sites located primarily in Australia and the US. These are wealthy countries which can afford to rebuild their port infrastructure in the event of rising sea-levels and damage from storm surges and other acute physical impacts. For this reason, it is anticipated that IPL will be able to ship to other offshore markets which retain demand in the event that current export regions are impacted.</li> <li>Under a 4-degree climate scenario, the physical impacts of climate change mean that the Quarry &amp; Construction sector is likely to assume a portion of the demand that was previously taken by climate vulnerable nations in the Asia Pacific region. Many new mines are expected to be developed to supply "new world commodities" for batteries, renewables and mobility options, however, "new world commodities" are not expected to require the same quantity of explosives as bulk commodities. Therefore, overall explosive volumes would be expected to decrease in this scenario.</li> </ul>

(2) Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods. (Financial Stability Board, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017, p 6).

(3) Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves. (Financial Stability Board, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017, p 6).

# Operating and Financial Review

Risk	Description and potential consequences	Treatment strategies employed by IPL
<p><b>Risks associated with Acute and Chronic physical events (continued)</b></p>	<p><b>Impacts on Operations:</b> Some of IPL’s manufacturing plants are located in areas that are susceptible to extreme weather events, such as hurricanes, tropical storms and tornadoes. An increase in the severity and/or frequency of these extreme weather events as a result of climate change may cause more frequent disruption to IPL’s operations directly or as a result of supply chain disruption, which includes transportation of raw materials and finished product via road, rail and water. Impacts such as these may increase in the short term (1–3 years). Under this scenario, insurance premiums would be expected to increase along with a possibility that some events may be excluded from cover.</p> <p>Interruptions to logistics from extreme weather events could result in financial loss if product cannot be stored effectively and degrades.</p> <p>Water is a key raw material for manufacturing, with the majority used for cooling purposes. Under a 4-degree climate change scenario, it is predicted that average annual rainfall will be reduced and longer periods of prolonged drought will be created, especially in Eastern Australia. While this may be offset somewhat by increased 1 in 20-year flooding events at some locations, and up to 15% more rainfall than historical averages in each single rain event, water restrictions may become more frequent in some areas. In addition, the possibility of less frequent, higher intensity rainfall events may lead to the risk of storm water pond overflows. These impacts could occur in the short-term (1-3 years), with very low dam levels being recorded near some sites in the recent past.</p> <p>Several manufacturing sites are located on coasts and are very close to sea level. A significant rise in sea level combined with a king tide may cause flooding events at these sites from 2030 onwards (considered a long-term risk) particularly with increased storm activity causing storm surges to become more intense.</p>	<ul style="list-style-type: none"> <li>IPL’s own manufacturing facilities are considered resilient to the anticipated acute physical impacts of climate change, with measures currently in place to manage exposure where sites are located in tornado or hurricane zones.</li> <li>Due to its location in a hurricane zone, the Waggaman Louisiana plant was built to comply with wind codes set out by the International Building Code Design Standard IBC 20 and Minimum Design Loads for Buildings and Other Structures ASCE 7-05. The design was signed off by a Louisiana based certified Professional Engineer with experience in design standards for the region, where the impacts of future hurricanes must be considered.</li> <li>Safety and evacuation plans are in place for all personnel and sites.</li> <li>IPL is developing technology solutions to increase the shelf life of products. Were IPL required to build additional storage to stockpile raw materials and product for temporary interruptions to logistics, and to protect product quality from humidity, flooding, heat extremes and other physical impacts, the total aggregate cost would be immaterial. Additional storage, both onsite and at strategic locations along transport routes may be necessary, along with contingency plans to use alternative forms of transport to access these. This would allow IPL to create resilience in the event of volatility created by more extreme weather.</li> <li>The Group endeavours to include force majeure clauses in agreements where relevant.</li> <li>Insurance policies are in place across the Group.</li> <li>The location of the Moranbah facility close to high quality metallurgical coal producers would provide IPL with a strategic advantage over its competitors in the event of supply chain disruption due to extreme weather events.</li> <li>Domestic co-location of critical products and diversification away from single source suppliers, already being managed, will assist in managing supply chain interruption.</li> <li>Water scarcity concerns could prompt the need for additional storage. The cost of creating additional storage (dams) in these locations is considered immaterial. Water restrictions as a result of longer periods of drought and therefore increased regulation, may also prompt IPL to seek alternative water sources. At present, no operations have been identified where sourcing of new water is considered to be too costly or unavailable.</li> <li>Ongoing and long-term water management strategies are in place to ensure overflows of storm water ponds due to higher intensity rainfall events are avoided.</li> <li>The construction of sea-level management infrastructure (levies, etc.) will be considered in the long-term where required for the identified manufacturing sites to manage the risk of flooding due to storm surges and sea level rise.</li> </ul>

Risk	Description and potential consequences	Treatment strategies employed by IPL
<b>Compliance, regulatory and legal risk</b>		
<p><b>Compliance, regulatory and legal risk</b></p>	<p>Changes in federal or state government legislation, regulations or policies 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. This includes changes in domestic or international laws relating to sanctions, 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. In addition, changes in tax legislation or compliance requirements in the jurisdictions in which IPL, or its customers and suppliers, 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, including potential impact on licenses to operate.</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, including the need to undertake environmental remediation, financial penalties or ceasing to operate. During FY19 a Consent Decree was issued against IPL's St Helens ammonia plant. Compliance with this Consent Decree is subject to an independent external audit, the results of which are required to be submitted to the Environmental Protection Agency.</p> <p>IPL's business, and that of its customers and suppliers, is also subject to various other laws and regulatory provisions across the jurisdictions in which it operates, including anti-bribery and corruption laws, sanctions and anti-trust laws. Failure to abide by these laws and regulatory provisions could result in 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 exposed to potential legal and other claims or disputes in the course of its business, including contractual and other commercial disputes, and property damage and personal injury claims in connection with its operations.</p>	<ul style="list-style-type: none"> <li>• Management, through the Managing Director &amp; CEO and the Chief Financial Officer, is responsible for the overall design, implementation, management and coordination of the Group's risk management and internal control system.</li> <li>• Each business unit has responsibility for identification and management of risks specific to the business. This is managed through an annual risk workshop, risk register and internal audits aligned to the material business risks.</li> <li>• Corporate functions are in place to provide sufficient support and guidance to ensure regulatory risks are identified and addressed within the business well in advance.</li> <li>• Country regulatory risk is regularly reviewed through the Group's risk management framework.</li> <li>• Where possible, IPL appoints local business leaders and management teams who bring a strong understanding of the local operating environment and strong customer relationships.</li> <li>• A comprehensive HSE management system is in place with clear principles and policies communicated to employees.</li> <li>• HSE risk management strategies are employed at all times and across all sites. Incidents are reported and investigated, and learnings are shared throughout the Group.</li> <li>• The Group has strict processes regarding the stewardship, movement and safe handling of dangerous goods and other chemicals.</li> <li>• IPL engages with governments and other key stakeholders to ensure potential adverse impacts of proposed fiscal, tax, infrastructure access and regulatory changes are understood and, where possible, mitigated.</li> <li>• Regular training is provided to relevant staff on their obligations and reporting requirements under appropriate anti-bribery and corruption laws.</li> <li>• The Group conducts comprehensive checks of its customers and suppliers to ensure it complies with all relevant sanctions laws.</li> <li>• Due diligence processes are undertaken as required under the Group's risk management and risk and compliance frameworks.</li> <li>• 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.</li> </ul>
<p><b>Loss or exposure of sensitive data and cyber security</b></p>	<p>Sensitive data, pertaining to IPL, its employees, associates, customers or suppliers, may be lost or exposed, resulting in 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 or reputational impacts. The potential consequences include loss of business or customer, financial loss, harm to personnel or environment, interference with compliance with regulations, interruption to operational business processes, or interruption to the ability to make, sell and ship product.</p>	<ul style="list-style-type: none"> <li>• Policies, procedures and practices are in place regarding the use of company information, personal storage devices, IT systems and IT security.</li> <li>• 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.</li> <li>• External testing is performed to assess the security controls of the Group's IT systems.</li> <li>• 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.</li> <li>• Incident Response Plans, including Disaster Recovery and IT Business Continuity Planning arrangements, are in place to help IPL effectively respond to and recover from a cyber security incident.</li> </ul>

# 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 2019 which sets out the remuneration information for the Managing Director & Chief Executive Officer, Executive Key Management Personnel (KMP) and the Non-Executive Directors.

### Our approach

The Remuneration Committee aims to ensure our remuneration framework delivers aligned outcomes between company and individual performance as well as IPL's long-term strategy and values. The 2019 financial year has been a challenging one for IPL, with company results reflected in the remuneration outcomes for Executives.

### Executive changes in the 2019 financial year

Two new Executive KMP joined IPL during 2019. Tim Wall was appointed to the role of President, Global Manufacturing on 1 November 2018, and Stephan Titze commenced in the role of President, Incitec Pivot Fertilisers on 16 January 2019. Accordingly, the 2019 Remuneration Report reflects only part year remuneration for our two new appointees.

### Fixed remuneration

The Managing Director & Chief Executive Officer received a 2.5% increase to her fixed annual remuneration during the year, her first increase since joining IPL in October 2017. No other Executive received an uplift in fixed remuneration in 2019.

More information on fixed remuneration for the 2019 financial year is provided in section 4.2 of this report.

### Short-term incentive

As highlighted in last year's Remuneration Report, the Remuneration Committee undertook a comprehensive review of market remuneration practices in 2018. This resulted in significant change to the structure of IPL's short term incentive (STI) program and the way in which it interacts with a newly created Minimum Shareholding Requirement (MSR) for Executives.

The STI framework has been updated to incorporate both headline and adjusted financial performance measures, which sees a portion of STI opportunity adjusted for foreign exchange and commodity price movements. Mandatory deferral of STI has been introduced that remains in place until an individual's MSR has been achieved. Shares that satisfy an individual's MSR through the STI deferral mechanism are unable to be sold for up to 15 years, no matter the value they may increase to.

An important aspect underpinning the Executive STI program is that no payments are made for the financial and strategic/customer component 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.

In the 2019 financial year, the Group financial STI Gate was not achieved. This resulted in STI outcomes of 0% across the Executive KMPs, compared to 81% of maximum opportunity last year. This variability in outcome demonstrates the strong alignment between IPL's financial performance and Executive remuneration outcomes.

More information on the Company's 2019 performance and resulting STI outcomes is provided in section 4.3 of this report.

### Long-term incentive

For the long term incentive (LTI) plan with the performance period ending on 30 September 2019 (i.e. the 2016–2019 LTI grant), the performance conditions were relative Total Shareholder Returns (TSR) (weighted at 40%); Growth in Return on Equity (ROE) (weighted at 30%); and the delivery of Strategic Initiatives (weighted at 30%). No performance rights will vest for the TSR component, as the Company delivered relative Total Shareholder Returns slightly below the median of the S&P/ASX 100 for the performance period. No performance rights relating to the ROE objective will vest, as the minimum level of ROE performance was not achieved. There will be partial vesting of 20% of performance rights emanating from achievements pertaining to the Strategic Initiatives measures.

More information on the LTI program, including the 2016 – 2019 performance, is provided in section 4.4 of this report.

### Special Discretionary Bonus

A special discretionary bonus equal to 10% of fixed remuneration has been awarded to Mr Greg Hayne in recognition of an exceptional customer-driven outcome for the Australian business.

More information on this Special Discretionary Bonus is provided in section 4.5 of this report.

### 2020 Remuneration framework

A change has been made to the LTI Plan, effective for the 2019 – 2022 LTI grant. The ROE measure has been replaced by a Return on Invested Capital (ROIC) measure. 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.

As highlighted in last year's report, a separate minimum shareholding requirement will be operating for Non-Executive Directors in 2020.

These changes have no impact on the remuneration outcomes for the 2019 financial year, as presented within this document.

More information on the changes to the 2020 Remuneration framework can be found in section 5 of this report.

The Board invites you to consider the 2019 Remuneration Report. We welcome feedback on any aspect of the included content.



**Kathryn Fagg AO**  
Chairman, Remuneration Committee

# Remuneration Report

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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 2019. 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 2019 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 2019 financial year. Refer to Table 1 below for all individuals comprising IPL’s KMP for the 2019 financial year. All KMP held their positions for the entirety of the 2019 financial year, unless noted otherwise.

**Table 1: Individuals forming IPL’s KMP for the reporting period**

<b>Non-Executive Directors</b>	
<b>Current</b>	
Mr Brian Kruger <sup>(1)</sup>	Chairman and Independent, Non-Executive Director
Mr Joseph Breunig	Independent, Non-Executive Director
Mr Bruce Brook <sup>(2)</sup>	Independent, Non-Executive Director
Ms Kathryn Fagg AO	Independent, Non-Executive Director
Ms Rebecca McGrath	Independent, Non-Executive Director
<b>Former</b>	
Mr Paul Brasher <sup>(3)</sup>	Chairman and Independent, Non-Executive Director
Mr Graham Smorgon AM <sup>(4)</sup>	Independent, Non-Executive Director
<b>Executives</b>	
<b>Current</b>	
Ms Jeanne Johns	Managing Director & Chief Executive Officer
Mr Frank Micallef	Chief Financial Officer
Mr Tim Wall <sup>(5)</sup>	President, Global Manufacturing
Mr Greg Hayne	President, Dyno Nobel Asia Pacific
Mr Nicholas Stratford	President, Dyno Nobel Americas
Mr Stephen Titze <sup>(6)</sup>	President, Incitec Pivot Fertilisers
<b>Former</b>	
Mr Alan Grace <sup>(7)</sup>	President, Global Manufacturing

(1) Mr Kruger was appointed to the role of Chairman commencing from 1 July 2019.

(2) Mr Brook commenced as an Independent, Non-Executive Director on 3 December 2018.

(3) Mr Brasher retired and ceased being Chairman and Independent, Non-Executive Director on 30 June 2019.

(4) Mr Smorgon retired as an Independent, Non-Executive Director on 20 December 2018.

(5) Mr Wall was appointed in the role of President, Global Manufacturing commencing on 1 November 2018.

(6) Mr Titze commenced in the role of President, Incitec Pivot Fertilisers on 16 January 2019.

(7) Mr Grace resigned and ceased being President, Global Manufacturing on 31 October 2018.

# Remuneration Report

## 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 2019 financial year, including performance conditions and their link to the overall remuneration strategy is set out below:

	Performance Conditions	Remuneration Strategy/Performance Link
<b>Fixed Annual Remuneration</b> Salary and other benefits (including statutory superannuation). <i>Refer section 3.2 for more details</i>	<b>Considerations</b> <ul style="list-style-type: none"> <li>• Scope of individual’s role</li> <li>• Individual’s level of knowledge, skills and expertise</li> <li>• Company and individual performance</li> <li>• Market benchmarking</li> </ul>	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.  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.
<b>Short Term Incentive</b> Annual incentive opportunity delivered 50 – 100% in cash/ restricted shares for the MD&CEO (dependent on the level of Minimum Shareholding Requirement achieved) and 75 – 100% in cash/restricted shares (dependent on the level of Minimum Shareholding Requirement achieved) for all other Executives. <i>Refer section 3.3 for more details</i>	<b>Zero Harm</b> 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.	To align with the Company’s commitment to “Zero Harm for Everyone, Everywhere”.
	<b>Safety measures</b> (generally 10% of STI award) <ul style="list-style-type: none"> <li>• Safety performance balanced scorecard across the dimensions of behavioural safety and process safety management comprising input and output measures</li> </ul>	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.
	<b>Net Profit After Tax (NPAT) ‘gate’</b> Minimum NPAT performance level that must be achieved before any non-safety component of the STI is payable. <ul style="list-style-type: none"> <li>• Requires achievement of a designated Group NPAT as determined by the Board</li> </ul>	To align with the Company’s strategic intent of achieving top quartile performance as measured against S&P/ASX 100 companies.
	<b>Financial measures</b> (generally a maximum of 80% of STI award, incorporating metrics relevant to an Executive’s area of influence) <ul style="list-style-type: none"> <li>• Group NPAT</li> <li>• Group Adjusted NPAT</li> <li>• Business Unit Adjusted EBIT (earnings before interest and tax)</li> </ul>	To ensure robust alignment of performance in a particular Business Unit with reward for the Executive managing that business unit.  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.
<b>Long Term Incentive</b> Three-year incentive opportunity delivered through performance rights. <i>Refer section 3.4 and 3.5 for more details</i>	<b>Strategic objectives</b> (for most of the Executives, a maximum of 10% of STI award) aligned to personal strategic objectives.	Key strategic and growth objectives targeted at delivering ongoing benefit to the Company.
	<b>Performance conditions</b> 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. <ul style="list-style-type: none"> <li>• Relative total shareholder returns</li> <li>• Strategic initiatives</li> <li>• Return on equity</li> </ul>	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 ROE growth performance as well as strategic initiatives, and not market factors alone.
<b>Total Remuneration</b> 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's Strategic Value Drivers underpin the Company's business and form the platform for the Company's future earnings growth and shareholder returns. One of IPL's Strategic Value Drivers is 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 necessary 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 2019 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. 2019 Executive Remuneration Framework

### 3.1 Overview

The charts below set out the theoretical breakdown of the Executives' total remuneration package for the 2019 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.

# Remuneration Report

## 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 2019 financial year (**2019 STI**):

<b>What was the performance period?</b>	The performance period for the 2019 STI was the financial year from 1 October 2018 to 30 September 2019.																
<b>Who was eligible for the STI?</b>	Participation was at the Board’s discretion. The MD&CEO and all other Executives participated in the 2019 STI.																
<b>What was the target and maximum STI opportunity?</b>	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% for the MD&CEO, and 120% of FAR for all other Executives.																
<b>What were the Performance Conditions and Measures?</b>	Performance conditions under the STI are determined by the Board for each financial year. The performance conditions for the 2019 STI are set out below:																
	<table border="1"> <thead> <tr> <th>Performance Conditions</th> <th>Measures to assess satisfaction of Performance Condition</th> <th>Rationale for the Performance Conditions</th> </tr> </thead> <tbody> <tr> <td><b>Group Financial Performance</b></td> <td>Group NPAT (Net Profit After Tax). Group Adjusted NPAT<sup>(1)</sup> (Net Profit After Tax).</td> <td>To align with the Company’s strategic intent of achieving top quartile performance as measured against S&amp;P/ASX 100 companies</td> </tr> <tr> <td><b>Business Unit Financial Performance</b></td> <td>Business Unit Adjusted EBIT<sup>(1)</sup> (Earnings Before Interest and Tax). Manufacturing reliability</td> <td>To ensure robust alignment of performance in a particular business unit with reward for the Executive managing that business unit.</td> </tr> <tr> <td><b>Zero Harm</b></td> <td>Safety performance balanced scorecard across the dimensions of behavioural safety and process safety management comprising input and output measures.<sup>(2)</sup></td> <td>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.</td> </tr> <tr> <td><b>Strategic Outcomes</b></td> <td>Measures based on performance criteria for the execution and implementation of strategic objectives and business priorities. These include measures related to manufacturing turnaround performance, product innovation, customers and organic growth.</td> <td>Tailored to individual Executive’s role, to drive performance and behaviours consistent with achieving critical aspects of the Group’s strategy.</td> </tr> </tbody> </table>	Performance Conditions	Measures to assess satisfaction of Performance Condition	Rationale for the Performance Conditions	<b>Group Financial Performance</b>	Group NPAT (Net Profit After Tax). Group Adjusted NPAT <sup>(1)</sup> (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	<b>Business Unit Financial Performance</b>	Business Unit Adjusted EBIT <sup>(1)</sup> (Earnings Before Interest and Tax). Manufacturing reliability	To ensure robust alignment of performance in a particular business unit with reward for the Executive managing that business unit.	<b>Zero Harm</b>	Safety performance balanced scorecard across the dimensions of behavioural safety and process safety management comprising input and output measures. <sup>(2)</sup>	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.	<b>Strategic Outcomes</b>	Measures based on performance criteria for the execution and implementation of strategic objectives and business priorities. These include measures related to manufacturing turnaround performance, 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.	
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	<p>(1) Adjusted for foreign exchange and commodity price movements.</p> <p>(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.</p>																
	Where any Individually Material Item ( <b>IMI</b> ) 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.																
	Satisfaction of the above measures 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.																
<b>Are there minimum performance levels which must be achieved before awards can be made under the STI?</b>	<p>To ensure STI awards are aligned with business performance outcomes, the Board has determined that a minimum level of financial performance, known as the “<b>STI Financial Gate</b>”, must be met before any awards can be made. If financial performance does not meet the STI Financial Gate, no awards are made under the STI, save that the STI Financial Gate does not apply to any awards payable in relation to the Zero Harm performance condition, reflecting the primacy of safety.</p> <p>For the 2019 financial year, the STI Financial Gate reflected a requirement to exceed a designated level of the Group’s NPAT performance. 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.</p>																

**What were the weightings for the STI performance measures?**

The weighting of Executives' STI performance measures (as a percentage of 100%) for 2019 were:

**Table 2**

	Financial			Non-financial/ Business/Strategic		As a percentage of Maximum opportunity
	Group NPAT	Group Adjusted NPAT	Business Unit Adjusted EBIT	Safety	Strategic Outcomes	
<b>Executives – Current</b>						
<b>J Johns</b> <sup>*</sup> Managing Director & CEO	50%	30%		10%	10%	100%
<b>F Micallef</b> <sup>*</sup> Chief Financial Officer	50%	30%		10%	10%	100%
<b>T Wall</b> <sup>**</sup> President, Global Manufacturing	40%		40%	10%	10%	100%
<b>G Hayne</b> <sup>**</sup> President, Dyno Nobel Asia Pacific	40%		40%	10%	10%	100%
<b>N Stratford</b> <sup>**</sup> President, Dyno Nobel Americas	40%		40%	10%	10%	100%
<b>S Titze</b> <sup>**</sup> President, Incitec Pivot Fertilisers	40%		40%	10%	10%	100%
<b>Executives – Former</b>						
<b>A Grace</b> <sup>** (1)</sup> President, Global Manufacturing	40%		40%	10%	10%	100%

\*Group role \*\*Business Unit role

(1) Mr Grace ceased as a KMP on 31 October 2018 and was not a participant in the 2019 STI.

**Is there an STI deferral component?**

The 2019 financial year saw the introduction of a mandatory 25% STI deferral (50% for the MD&CEO) that 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 2019 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.

# Remuneration 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 2019 financial year?

The LTI Plans applicable to the 2019 financial year were the:

- Long Term Incentive Performance Rights Plan for 2016/19 (**LTI 2016/19**);
- Long Term Incentive Performance Rights Plan for 2017/20 (**LTI 2017/20**), and
- Long Term Incentive Performance Rights Plan for 2018/21 (**LTI 2018/21**);

(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 2016/19, 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 shares and was determined by dividing the dollar value of the relevant participant's LTI opportunity by 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.

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

LTI Plan	Performance Conditions	Weighting of Performance Condition	Performance Period	Status
<b>LTI 2016/19</b>	<ul style="list-style-type: none"> <li>• TSR Condition</li> <li>• Strategic Initiatives Condition</li> <li>• ROE Growth Condition</li> </ul>	<ul style="list-style-type: none"> <li>40%</li> <li>30%</li> <li>30%</li> </ul>	1 October 2016 to 30 September 2019	Performance period completed. Following testing in October 2019, the Board determined that 20% of the performance rights in total will vest. Refer to section 4.4 for further details.
<b>LTI 2017/20</b>	<ul style="list-style-type: none"> <li>• TSR Condition</li> <li>• Strategic Initiatives Condition</li> <li>• ROE Growth Condition</li> </ul>	<ul style="list-style-type: none"> <li>50%</li> <li>15%</li> <li>35%</li> </ul>	1 October 2017 to 30 September 2020	Testing to occur after completion of performance period.
<b>LTI 2018/21</b>	<ul style="list-style-type: none"> <li>• TSR Condition</li> <li>• Strategic Initiatives Condition</li> <li>• ROE Growth Condition</li> </ul>	<ul style="list-style-type: none"> <li>40%</li> <li>30%</li> <li>30%</li> </ul>	1 October 2018 to 30 September 2021	Testing to occur after completion of performance period.

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



<b>When are the performance conditions measured?</b>	<p>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.</p> <p>To the extent the performance conditions are not satisfied during the performance period, the performance rights will lapse.</p>
<b>What happens if a participant leaves the Company?</b>	<p>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, for the LTI 2017/20 and LTI 2018/21, is terminated without cause. In those circumstances (subject to Board discretion), the performance rights will be reduced pro rata to the proportion of days worked during the relevant performance period and will be tested in the ordinary course.</p>
<b>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?</b>	<p>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:</p> <ul style="list-style-type: none"> <li>• a takeover bid;</li> <li>• a change of control;</li> <li>• 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</li> <li>• a voluntary or compulsory winding-up.</li> </ul>

### 3.5 LTI performance conditions

For the LTI 2016/19, 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**). Details of the performance conditions for each of the LTI 2016/19, LTI 2017/20 and LTI 2018/21 are set out below.

#### TSR Condition

The TSR Condition (applicable to each of LTI 2016/19, LTI 2017/20 and LTI 2018/21) 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 2016/19 and LTI 2017/20, the Strategic Initiatives Condition relates solely to the Business Excellence System. For the LTI 2018/21, the Strategic Initiatives Condition comprises components aligned with three of the Company's strategic drivers: Manufacturing Excellence, Technology Solutions and Customer Focus.

# Remuneration Report

The table below summarises the Strategic Initiatives Condition components for the LTI 2016/19, the LTI 2017/20 and the LTI 2018/21:

Strategic Initiatives Condition component	Rationale	Scorecard	
		Measurement criteria	Performance goals
<b>Business Excellence (BEx) System<sup>(1)</sup></b>	BEx is the Company's business and continuous improvement system, through which the Company seeks to enhance productivity on a sustainable basis utilising "lean" business methods. The LTI performance goals in relation to BEx are focussed on incentivising the delivery of sustainable productivity improvements, rather than one-off benefits.	<p>Performance in relation to this component of the Strategic Initiatives Condition will be assessed against a Scorecard comprising performance goals related to:</p> <ul style="list-style-type: none"> <li>• Business system maturity (practices)</li> <li>• Cumulative productivity benefits (performance)</li> <li>• Manufacturing volume (performance)</li> </ul>	<p><b>Business system maturity:</b> For LTI 2016/19 and LTI 2017/20 – An absolute improvement in Business Excellence system maturity over the performance period, or satisfaction of an exit score requirement at the end of the performance period. This measure does not apply for LTI 2018/21.</p> <p><b>Cumulative productivity benefits:</b> For LTI 2016/19, LTI 2017/20 and LTI 2018/21 – Delivery of cumulative savings over the performance period against targets approved by the Board.</p> <p><b>Manufacturing plant uptime:</b></p> <ul style="list-style-type: none"> <li>• For LTI 2016/19 – Plant uptime (adjusted for plant age and scheduled outages) measured across specified manufacturing plants, with target 75th percentile performance.</li> <li>• For LTI 2017/20 and LTI 2018/21 – Achievement of target volumes of particular products at specified manufacturing plants as approved by the Board.</li> </ul>
<b>Customer, Practical Technology &amp; Innovation (CPT&amp;I)<sup>(1)</sup></b>	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"> <li>• Revenues from technologies</li> <li>• Company customer retention and growth in footprint</li> </ul>	<p><b>Revenues from technologies:</b> For LTI 2018/21 – Annual growth in technology sales from 2018 baseline.</p> <p><b>Net Promoter Score (NPS):</b> For LTI 2018/21 – Improvement in NPS over 2019 baseline.</p> <p><b>Key customer retention:</b> For LTI 2018/21 – Quantitative targets against 2018 baseline assessed by the Board.</p>

(1) BEx applies to 30% of the performance rights in the LTI 2016/19 grant and 15% in the LTI 2017/20 grant. The applicable BEx components and CPT&I combined apply to 30% of the performance rights in the grant for LTI 2018/21.

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 2016/19, these details are set out in section 4.4. For the LTI 2017/20 and LTI 2018/21, the relevant details will be set out in the 2020 Remuneration Report and the 2021 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 for the first time in 2016 and applies to the LTI 2016/19, LTI 2017/20 and LTI 2018/21. The ROE Growth Condition measures the compound annual growth in ROE over the performance period. ROE was chosen as it is a widely recognised and reported metric, is a key determinant of efficient use of the capital entrusted to management by shareholders, reflects all of the levers to create shareholder value and is a transparent metric which can be calculated directly from the Company's financial report.

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%

### 3.6. Executives 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 address 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:

Notice period to be provided by the Executive	
<b>Current Executives</b>	
J Johns	52 weeks
F Micallef	13 weeks
T Wall	26 weeks
G Hayne	26 weeks
N Stratford	13 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). Additionally, Mr Micallef's contract further provides that the Company may terminate the agreement on notice in the case of incapacity, in which case the Company must pay the separation payment, outstanding fixed annual remuneration plus accrued annual leave and accrued long service leave. For Mr Titze, if the Company terminates his employment within the first twelve months after the date on which his employment commenced, it will provide twelve months' notice (or payment in lieu for some or all of this period), and thereafter it must provide six months' notice (or payment in lieu).

# Remuneration Report

## 4. Remuneration outcomes in 2019 financial year and link to 2019 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**

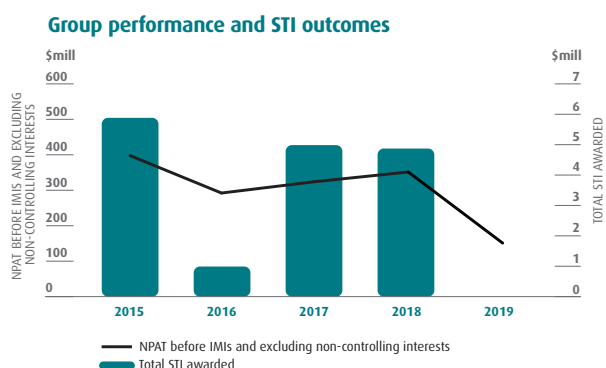
	2015	2016	2017	2018	2019
NPAT before IMIs and excluding non-controlling interests (\$m)	398.6	295.2	318.7	347.4	152.4
EPS before IMIs (cents)	23.8	17.5	18.9	20.9	9.5
Dividends per share (DPS) paid in the financial year (cents)	11.7	11.5	9.1	9.4	7.5
DPS declared in respect of the financial year (cents)	11.8	8.7	9.4	10.7	4.7
Share price (\$) (Financial Year End) <sup>(1)</sup>	3.90	2.82	3.60	3.98	3.39
TSR (%) <sup>(2)</sup>	43	14	36	14	30
On-market share buyback (\$m)	-	-	-	(210.3)	(89.7)

(1) Share Price as at the end of the 2014 financial year was 2.71.

(2) TSR is calculated in accordance with the rules of the LTI 2012/15, LTI 2013/16, LTI 2014/17 LTI 2015/18 and LTI 2016/19 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

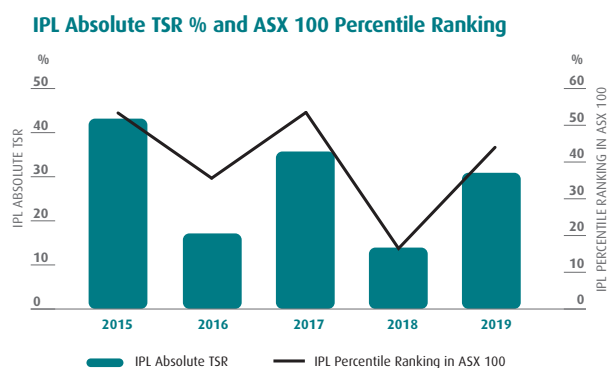
The graph below shows the relationship between the Company's performance and STI awards in respect of the current and preceding four years. In the 2015 financial year, NPAT (before IMIs and excluding non-controlling interest) increased by 11.9% to \$398.6m compared to the 2014 financial year and, as a result, certain Executives earned awards in full in respect of this measure. 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) has decreased 56.1% to \$152.4m resulting in Executives earning 0% STI awards in respect of this measure.



#### Relationship between the Company's performance and LTI outcomes

The graph below 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 2012-2015 performance period with a 53rd percentile ranking (Absolute TSR: achieved 43%) and 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, and the 2016-19 performance period achieved an Absolute TSR increase of 30%, delivering 44th percentile performance. As a consequence, the LTI 2012/15 and LTI 2014/17 partially vested, the LTI 2015/18 did not vest and the LTI 2016/19 TSR will 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 5 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 2019 Fixed annual remuneration outcomes

The FAR of the MD&CEO was reviewed and increased by 2.5% effective for 2019. All other Executives did not receive an increase to FAR for the period, however, received an uplift to STI opportunity of 20% per person to align with market practice.

## 4.3 2019 STI Outcomes

Performance Condition	Outcome
Group Financial Performance (NPAT)	Group NPAT serves as the “gate” 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, or any other Financial or the Strategic Outcomes component.
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 partially 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 in November 2019 with the outcomes reflected in the following table:

**Table 4 – Short term incentives awarded for the year ended 30 September 2019**

Details of the vesting profile of the STI payments awarded for the year ended 30 September 2019 as remuneration to each Executive are set out below:

	Short term incentive for the year ended 30 September 2019				
	Cash STI \$000	Minimum share holding allocation <sup>(A)</sup> \$000	Included in remuneration \$000	% earned of maximum opportunity	% forfeited of maximum opportunity
<b>Executives – Current</b>					
J Johns	-	-	-	-	100
F Micallef	-	-	-	-	100
T Wall	-	-	-	-	100
G Hayne	-	-	-	-	100
N Stratford	-	-	-	-	100
S Titze	-	-	-	-	100
<b>Deferred Short term incentive for the year ended 30 September 2019</b>					
<b>Executives – Current</b>					
J Johns <sup>(1)</sup>	-	-	331	-	-
T Wall <sup>(2)</sup>	-	-	172	-	-

(A) Under the terms of the 2019 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) 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, and the remaining 50% awarded in the form of performance rights. Subject to Ms Johns meeting a service condition, 25% of the award will vest on 30 November 2019 and 25% of the award will vest on 30 November 2020. On each relevant vesting date and subject to satisfying the service condition, Ms Johns will receive the 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 a Black Scholes option pricing model as disclosed in the footnotes under Table 7. The expense accrual recorded in the 2019 financial year includes a write back of \$19,827 to the 2018 STI accrual based on the grant date valuation of performance rights issued on 5 February 2019.

(2) Mr Wall received special performance rights related to his employment, of which 50% will vest following testing in November 2019, with the remaining 50% to vest in November 2020, subject to Mr Wall satisfying individual performance criteria. On each relevant vesting date and subject to satisfying the performance condition, Mr Wall will receive the award amount in cash or fully paid ordinary shares in the Company, as determined by the Board. 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 2019, the Board determined that 100% of the performance rights relating to performance period 1 November 2018 to 30 September 2019 will vest. This will be reported in the 2020 Remuneration Report.

# Remuneration Report

## 4.4 LTI 2016/19 Outcomes

The performance period for the LTI 2016/19 ended on 30 September 2019. Following testing against the performance conditions, in November the Board determined that 20% of the performance rights granted under the plan will vest. Details in relation to each of the performance conditions are set out below.

### 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 40% 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 having regard to the results achieved for the performance goals across the entirety of the scorecard. The Board has determined that 20% of the performance rights granted subject to this condition will vest (out of a maximum of 30% 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 saw significant improvements in maturity, particularly in Integrated Business Planning (IBP). Stretch performance was assessed to have resulted.</p> <p>Cumulative productivity benefits of \$226.3m were delivered, which exceeded the stretch objective established against this measure.</p> <p>Manufacturing Uptime targets were only partially met which resulted in an assessment of below threshold performance.</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% 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 30% of performance rights granted under the plan).

Overall, 20% of the Performance Rights allocated under the LTI 2016/19 will vest (with the remaining 80% to lapse).

The number of rights vested and lapsed will be reported in the 2020 Remuneration Report.

## 4.5 Special Discretionary Bonus

A special discretionary bonus equal to \$62,000 (10% of fixed remuneration) has been awarded to Mr Greg Hayne. This bonus was in recognition of an exceptional outcome for the Australian business, which saw value-added outcomes for IPL and its customers, and building strategic partnerships through IPL's technology offer. 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 2019 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 2015/18 (performance period: 1 October 2015 to 30 September 2018) which, following testing in November 2018 resulted in the Board determining that 15% vested. In relation to the LTI 2016/19 (performance period: 1 October 2016 to 30 September 2019), following testing in November 2019, the Board determined that 20% of the performance rights will vest. This will be reported in the 2020 Remuneration Report.

### STI

Details of performance rights granted during 2019 as a result of short term incentive plans are set out in the table below.

Key Management Personnel	Grant date	Granted during 2019 as remuneration <sup>(A)</sup> \$000	Exercised in year \$000	Vested in year %	Forfeited in year %	Financial year in which grant may vest	Maximum value of outstanding rights <sup>(B)</sup> \$000
<b>Executives – Current</b>							
<b>J Johns</b>							
<b>Long term incentive rewards</b>							
LTI 2017/20	30 January 2018	–	–	–	–	2020	1,820
LTI 2018/21	5 February 2019	1,605	–	–	–	2021	1,605
<b>Short term incentive rewards</b>							
Performance period: 23 October 2017 to 30 November 2019	5 February 2019	445	–	–	–	2020	445
Performance period: 23 October 2017 to 30 November 2020	5 February 2019	432	–	–	–	2021	432
<b>F Micallef</b>							
<b>Long term incentive rewards</b>							
LTI 2015/18	21 January 2016	–	85	15	85	2018	–
LTI 2016/19	25 January 2017	–	–	–	–	2019	855
LTI 2017/20	30 January 2018	–	–	–	–	2020	567
LTI 2018/21	5 February 2019	501	–	–	–	2021	501
<b>T Wall</b>							
<b>Long term incentive rewards</b>							
LTI 2018/21	5 February 2019	399	–	–	–	2021	399
<b>Short term incentive rewards</b>							
Performance period: 1 November 2018 to 30 September 2019	5 February 2019	116	–	–	–	2019	116
Performance period: 1 November 2018 to 30 September 2020	5 February 2019	112	–	–	–	2020	112
<b>G Hayne</b>							
<b>Long term incentive rewards</b>							
LTI 2017/20	1 March 2018	–	–	–	–	2020	316
LTI 2018/21	5 February 2019	332	–	–	–	2021	332
<b>N Stratford</b>							
<b>Long term incentive rewards</b>							
LTI 2016/19	19 April 2017	–	–	–	–	2019	736
LTI 2017/20	30 January 2018	–	–	–	–	2020	476
LTI 2018/21	5 February 2019	443	–	–	–	2021	443
<b>S Titze</b>							
<b>Long term incentive rewards</b>							
LTI 2018/21	5 February 2019	314	–	–	–	2021	314
<b>Executives – Former</b>							
<b>A Grace</b>							
<b>Long term incentive rewards</b>							
LTI 2015/18	21 January 2016	–	71	15	85	2018	–
LTI 2016/19	25 January 2017	–	–	–	26	2019	529
LTI 2017/20	30 January 2018	–	–	–	59	2020	193

(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 2019, 2020 and 2021 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.

### 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.

## Remuneration Report

**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				Closing balance
	Opening balance	Granted as compensation <sup>(A)</sup>	Vested <sup>(B)</sup>	Forfeited <sup>(C)</sup>	
<b>Executives – Current</b>					
<b>J Johns</b>					
Long term incentive rewards	674,157	616,032	–	–	1,290,189
Short term incentive rewards	–	268,230	–	–	268,230
<b>F Micallef</b>					
Long term incentive rewards	661,218	192,060	(27,787)	(157,460)	668,031
<b>T Wall</b>					
Long term incentive rewards	–	152,981	–	–	152,981
Short term incentive rewards	–	69,302	–	–	69,302
<b>G Hayne</b>					
Long term incentive rewards	116,907	127,313	–	–	244,220
<b>N Stratford</b>					
Long term incentive rewards	405,129	169,825	–	–	574,954
<b>S Titze</b>					
Long term incentive rewards	–	120,443	–	–	120,443
<b>Executives – Former</b>					
<b>A Grace</b>					
Long term incentive rewards	551,015	–	(23,156)	(292,177)	235,682

(A) For the 2019 financial year, this represents the rights granted to Executives during the reporting period under the LTI 2018/21. The grant date of rights under the LTI 2018/21 to Ms Johns was approved by shareholders at the Company's 2018 Annual General Meeting. Ms Johns' rights granted under the 2018 STI plan are for the performance period 23 October 2017 to 30 November 2019 and for the performance period 23 October 2017 to 30 November 2020. Mr Wall's special performance rights related to his employment are for the performance period 1 November 2018 to 30 September 2019 and for the performance period 1 November 2018 to 30 September 2020.

(B) For the 2019 financial year, this represents the number of rights vested during the reporting period under the LTI 2015/18. Each right entitled the participating Executive to acquire a fully paid ordinary share in IPL for zero consideration.

(C) For the 2019 financial year, this represents rights that were forfeited by Executives during the reporting period under the LTI 2015/18.

## 4.7 Further details of Executive remuneration

Table 7 – Executive remuneration

Details of the remuneration for each Executive for the year ended 30 September 2019 are set out below (noting that for individuals who ceased to be KMP in the 2018 financial year, including those who continued to be employed by the Company), only comparative information is shown in the table).

	Year	Short-term benefits		Post-employment benefits	Other long term benefits <sup>(C)</sup>	Termination benefits	Share-based payments			Short term incentive & other bonuses as a proportion of remuneration <sup>(D)</sup>		
		Salary & Fees	Short term incentive & other bonuses <sup>(A)</sup>	Other short term benefits <sup>(B)</sup>	Super-annuation benefits	Current period expense <sup>(D)</sup>	Accounting values		Total			
							Prior periods expense write-back <sup>(D)</sup>	Total share-based payments				
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	%		
<b>Executive KMP – Current</b>												
<b>J Johns<sup>(1)</sup></b>	<b>2019</b>	<b>1,630</b>	<b>331</b>	<b>90</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>1,142</b>	<b>-</b>	<b>1,142</b>	<b>3,208</b>	<b>10</b>
Managing Director & CEO	2018	1,407	1,393	257	-	6	-	607	-	607	3,670	38
<b>F Micallef</b>	<b>2019</b>	<b>915</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>35</b>	<b>-</b>	<b>504</b>	<b>(360)</b>	<b>144</b>	<b>1,115</b>	<b>-</b>
Chief Financial Officer	2018	915	879	-	20	24	-	587	-	587	2,425	36
<b>T Wall<sup>(2)</sup></b>	<b>2019</b>	<b>664</b>	<b>172</b>	<b>-</b>	<b>19</b>	<b>3</b>	<b>-</b>	<b>125</b>	<b>-</b>	<b>125</b>	<b>983</b>	<b>17</b>
President, Global Manufacturing												
<b>G Hayne<sup>(3)</sup></b>	<b>2019</b>	<b>599</b>	<b>62</b>	<b>2</b>	<b>21</b>	<b>12</b>	<b>-</b>	<b>216</b>	<b>-</b>	<b>216</b>	<b>912</b>	<b>7</b>
President, Dyno Nobel Asia Pacific	2018	404	243	75	14	78	-	105	-	105	919	26
<b>N Stratford</b>	<b>2019</b>	<b>825</b>	<b>-</b>	<b>154</b>	<b>21</b>	<b>46</b>	<b>-</b>	<b>433</b>	<b>(237)</b>	<b>196</b>	<b>1,242</b>	<b>-</b>
President, Dyno Nobel Americas	2018	792	781	94	20	19	-	404	-	404	2,110	37
<b>S Titze<sup>(4)</sup></b>	<b>2019</b>	<b>446</b>	<b>-</b>	<b>158</b>	<b>16</b>	<b>2</b>	<b>-</b>	<b>82</b>	<b>-</b>	<b>82</b>	<b>704</b>	<b>-</b>
President, Incitec Pivot Fertilisers												
<b>Executive KMP – Former</b>												
<b>A Grace<sup>(5)</sup></b>	<b>2019</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>20</b>	<b>(347)</b>	<b>(327)</b>	<b>(261)</b>	<b>-</b>
President, Global Manufacturing	2018	759	626	-	20	18	-	489	-	489	1,912	33
<b>E Hunter<sup>(6)</sup></b>	2018	186	176	6	7	7	-	124	-	124	506	35
Chief Human Resources Officer & Shared Services												
<b>J Fazzino<sup>(7)</sup></b>	2018	264	-	12	6	4	632	71	(741)	(670)	248	-
Managing Director & CEO												
<b>S Atkinson<sup>(8)</sup></b>	2018	244	-	-	10	7	766	6	(425)	(419)	608	-
President, Dyno Nobel Asia Pacific and Incitec Pivot Fertilisers												
<b>L Balter<sup>(9)</sup></b>	2018	248	150	-	7	5	-	162	-	162	572	26
President, Strategy & Business Development												
<b>Total Executives</b>	<b>2019</b>	<b>5,142</b>	<b>565</b>	<b>404</b>	<b>100</b>	<b>114</b>	<b>-</b>	<b>2,522</b>	<b>(944)</b>	<b>1,578</b>	<b>7,903</b>	<b>6</b>
	2018	5,219	4,248	444	104	168	1,398	2,555	(1,166)	1,389	12,970	30

(A) For Mr Hayne, this amount reflects a Special Discretionary Bonus relating to the 2019 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
<b>J Johns</b>		
Performance period: 23 October 2017 to 30 November 2019	05/02/2019	\$3.32
Performance period: 23 October 2017 to 30 November 2020	05/02/2019	\$3.22
<b>T Wall</b>		
Performance period: 1 November 2018 to 30 September 2019	05/02/2019	\$3.34
Performance period: 1 November 2018 to 30 September 2020	05/02/2019	\$3.23

(B) Other short term benefits include the taxable value of fringe benefits paid attributable to the fringe benefits tax year (2019: 1 April 2018 to 31 March 2019) (2018: 1 April 2017 to 31 March 2018), 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.

# Remuneration Report

	Grant date	Fair value per share treated as rights at grant date
LTI 2015/18 – TSR	21/01/2016	\$1.29
LTI 2015/18 – Strategic Initiative	21/01/2016	\$3.06
LTI 2016/19 – TSR	25/01/2017	\$2.87
LTI 2016/19 – Strategic Initiative	25/01/2017	\$3.45
LTI 2016/19 – ROE Growth	25/01/2017	\$3.45
LTI 2017/20 – TSR	30/01/2018	\$1.98
LTI 2017/20 – Strategic Initiative	30/01/2018	\$3.42
LTI 2017/20 – ROE Growth	30/01/2018	\$3.42
LTI 2018/21 – TSR	05/02/2019	\$1.82
LTI 2018/21 – Strategic Initiative	05/02/2019	\$3.13
LTI 2018/21 – ROE Growth	05/02/2019	\$3.13

- (E) The short term incentive and other bonuses as a proportion of remuneration is calculated based on the short term incentive expense as a proportion of the total remuneration (excluding the prior period share-based payment expense write-back).
- (1) Ms Johns became a KMP on 15 November 2017. Disclosure for the 2018 financial year are from that date and do not represent a full financial 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) Mr Hayne became a KMP on 30 January 2018. Disclosure for the 2018 financial year are from that date and do not represent a full financial year.
- (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 Grace ceased being a KMP from 31 October 2018. Disclosure for the 2019 year is from 1 October 2018 to 31 October 2018.
- (6) Ms Hunter continued in her role as Chief Human Resource Officer & Shared Services however ceased being a KMP from 30 January 2018 onwards. Disclosure for the 2018 financial year is from 1 October 2017 to 29 January 2018.
- (7) Mr Fazzino ceased being a KMP on 14 November 2017. Termination benefits received by Mr Fazzino in the 2018 financial year included a separation payment of \$631,818 in accordance with his contract of employment.
- (8) Mr Atkinson ceased being a KMP on 29 January 2018. Termination benefits received by Mr Atkinson in the 2018 financial year included a separation payment of \$765,834 in accordance with his contract of employment.
- (9) Ms Balter ceased being a KMP from 30 January 2018. Disclosures for the 2018 financial year is from 1 October 2017 to 29 January 2018.

**Table 8 – Actual Pay**

The table below provides a summary of actual remuneration paid to the Executives in the 2019 financial year (noting that for individuals who became KMP in the 2019 financial year, only recent 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. 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 <sup>(A)</sup> \$000	Other short term benefits <sup>(B)</sup> \$000	Superannuation benefits \$000	Other long term benefits <sup>(C)</sup> \$000	Termination benefits \$000	Total \$000
<b>Executive KMP – Current</b>								
<b>J Johns</b>	<b>2019</b>	<b>1,630</b>	<b>1,045</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,765</b>
Managing Director & CEO	2018	1,407	-	236	-	-	-	1,643
<b>F Micallef</b>	<b>2019</b>	<b>915</b>	<b>879</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>1,815</b>
Chief Financial Officer	2018	915	726	-	20	-	-	1,661
<b>T Wall</b>	<b>2019</b>	<b>664</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>683</b>
President, Global Manufacturing								
<b>G Hayne</b>	<b>2019</b>	<b>599</b>	<b>332</b>	<b>2</b>	<b>21</b>	<b>143</b>	<b>-</b>	<b>1,097</b>
President, Dyno Nobel Asia Pacific	2018	404	-	75	14	-	-	493
<b>N Stratford</b>	<b>2019</b>	<b>825</b>	<b>781</b>	<b>154</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>1,781</b>
President, Dyno Nobel Americas	2018	792	494	94	20	-	-	1,400
<b>S Titze</b>	<b>2019</b>	<b>446</b>	<b>-</b>	<b>158</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>620</b>
President, Incitec Pivot Fertilisers								
<b>Executive KMP – Former</b>								
<b>A Grace</b>	<b>2019</b>	<b>63</b>	<b>626</b>	<b>-</b>	<b>2</b>	<b>277</b>	<b>-</b>	<b>968</b>
President, Global Manufacturing	2018	759	579	-	20	-	-	1,358
<b>E Hunter</b>	<b>2018</b>	<b>186</b>	<b>459</b>	<b>6</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>658</b>
Chief Human Resources Officer & Shared Services								
<b>J Fazzino</b>	<b>2018</b>	<b>264</b>	<b>1,763</b>	<b>234</b>	<b>6</b>	<b>1,022</b>	<b>632</b>	<b>3,921</b>
Managing Director & CEO								
<b>S Atkinson</b>	<b>2018</b>	<b>244</b>	<b>394</b>	<b>53</b>	<b>10</b>	<b>134</b>	<b>766</b>	<b>1,601</b>
President, Dyno Nobel Asia Pacific and Incitec Pivot Fertilisers								
<b>L Balter</b>	<b>2018</b>	<b>248</b>	<b>605</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>860</b>
President, Strategy & Business Development								
<b>Total Executives</b>	<b>2019</b>	<b>5,142</b>	<b>3,663</b>	<b>404</b>	<b>100</b>	<b>420</b>	<b>-</b>	<b>9,729</b>
	2018	5,219	5,020	698	104	1,156	1,398	13,595

- (A) Represents short term incentives paid during the 2019 financial year in relation to incentives awarded in respect of the 2018 financial year under the 2018 STI. For Mr Hayne, this included a short term incentive payment prior to him becoming a KMP.
- (B) Other short term benefits include annual leave paid, the taxable value of fringe benefits paid attributable to the fringe benefits tax year (2019: 1 April 2018 to 31 March 2019) (2018: 1 April 2017 to 31 March 2018), rent and mortgage interest subsidies, relocation allowances and other allowances.
- (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.

## 5. Overview of remuneration changes for the 2020 Financial Year

This year's structural changes to remuneration, that resulted from the Board's review of remuneration in 2018, means only minor changes to the framework are planned for financial year 2020.

- STI – An additional 'gate' will be introduced into the STI design for financial year 2020, whereby the Group's overall credit rating must be maintained for participants to be eligible to receive payments attached to the financial components of the plan.
- MSR – Minimum Shareholding Requirements for Directors, highlighted to be introduced in last year's Report, will be fully operational in the 2020 financial year. Directors who have nominated to utilise the fee sacrifice option to accumulate shares have already begun this process, with first rights to be issued under this arrangement in November 2019.
- LTI – The Return on Equity (ROE) measure has been replaced by a Return on Invested Capital (ROIC) measure. 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. Three-year ROIC targets will be established, based on the current IPL company-wide footprint. However, Board discretion may be exercised to adjust these targets, pending any action resulting from the strategic review of Incitec Pivot Fertilisers.

There will also be a change to the dates and methodology as to how performance rights are issued. Previously this was based on the volume weighted average share price over the 20 business days up to but not including the first day of the relevant performance period. This will now take place 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 November 2019.

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.

# Remuneration Report

## 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 2019 financial year, there were no increases to Non-Executive Directors' fees. Fees paid to Non-Executive Directors amounted to \$1,653,000 which was within the \$2,000,000 maximum aggregate fee pool approved by shareholders at the 2008 Annual General Meeting.

For the 2020 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 2019:

<b>Board Fees</b>	Chairperson	\$532,500
	Members	\$177,500
<b>Committee Fees</b>	<b>Audit &amp; Risk Management Committee</b>	
	Chairperson	\$47,200
	Members	\$23,600
	<b>Remuneration Committee</b>	
	Chairperson	\$35,400
	Members	\$17,700
	<b>HSEC Committee</b>	
	Chairperson	\$35,400
	Members	\$17,700
	<b>Nominations Committee</b>	
	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 2019 are set out in the following table:

	Year	Board and Committee Fees	Cash allowances and other short term benefits <sup>(A)</sup>	Post-employment benefits	Other long term benefits	Total
		Fees	Superannuation benefits			
		\$000	\$000	\$000	\$000	\$000
<b>Non-Executive Directors – Current</b>						
B Kruger, Chairman <sup>(1)</sup>	2019	299	–	21	–	320
	2018	217	–	20	–	237
J Breunig <sup>(2)</sup>	2019	195	30	–	–	225
	2018	195	30	–	–	225
B Brook <sup>(3)</sup>	2019	173	–	16	–	189
K Fagg AO	2019	210	–	21	–	231
	2018	211	–	20	–	231
R McGrath	2019	224	–	21	–	245
	2018	225	–	20	–	245
<b>Non-Executive Directors – Former</b>						
P Brasher, Chairman <sup>(4)</sup>	2019	383	–	15	–	398
	2018	513	–	20	–	533
G Smorgon AM <sup>(5)</sup>	2019	40	–	5	–	45
	2018	186	–	18	–	204
G Hayes <sup>(6)</sup>	2018	46	–	5	–	51
<b>Total Non-Executive Directors</b>	<b>2019</b>	<b>1,524</b>	<b>30</b>	<b>99</b>	<b>–</b>	<b>1,653</b>
	2018	1,593	30	103	–	1,726

(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) Mr Kruger was appointed Chairman effective 1 July 2019.

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

(3) Mr Brook was appointed a director on 3 December 2018.

(4) Mr Brasher retired as a director and Chairman on 30 June 2019.

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

(6) Mr Hayes retired from the Board as a Non-Executive Director on 21 December 2017.



## 7. Shareholdings in IPL

**Table 10 – 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 <sup>(A)</sup>			Closing balance <sup>(B)</sup>
	Opening balance	Shares acquired	Shares disposed	
<b>Non-Executive Directors – Current</b>				
B Kruger	14,620	–	–	14,620
J Breunig	–	–	–	–
B Brook	–	12,000	–	12,000
K Fagg AO	10,000	–	–	10,000
R McGrath	25,008	–	–	25,008
<b>Non-Executive Director – Former</b>				
P Brasher	60,600	31,236	–	91,836
G Smorgon AM	–	–	–	–
<b>Executive Director – Current</b>				
J Johns	–	158,090	–	158,090
<b>Executives – Current</b>				
F Micallef	41,691	57,787	–	99,478
T Wall	–	–	–	–
G Hayne	8,633	–	–	8,633
N Stratford	19,620	–	–	19,620
S Titze	–	–	–	–
<b>Executives – Former</b>				
A Grace	146,744	–	–	146,744

(A) Includes fully paid ordinary shares and shares acquired under IPL's incentive plans. Details of these plans are set out in note 17, 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 2019, there were no loans to key management personnel and their related parties (2018: nil).

### Other KMP transactions

In the year ended 30 September 2019, 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

12 November 2019

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 2019, 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

## **Financial Report**

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# Financial report

## 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 2019.

## 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 2019 financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

Section	Description
<b>Financial performance</b>	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.
<b>Shareholder returns</b>	Provides information on the performance of the Group in generating shareholder returns.
<b>Capital structure</b>	Provides information about the Group's capital and funding structures.
<b>Capital investment</b>	Provides information on the Group's investment in tangible and intangible assets, and the Group's future capital commitments.
<b>Risk management</b>	Provides information about the Group's risk exposures, risk management practices, provisions and contingent liabilities.
<b>Other</b>	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 2019

	Notes	2019 \$mill	2018 \$mill
Revenue	(2)	3,918.2	3,856.3
Financial and other income	(2)	58.7	44.0
Share of profit of equity accounted investments	(13)	44.9	44.7
<b>Operating expenses</b>			
Changes in inventories of finished goods and work in progress		70.7	93.0
Raw materials and consumables used and finished goods purchased for resale		(2,028.0)	(1,809.7)
Employee expenses		(686.8)	(652.5)
Depreciation and amortisation	(2)	(301.6)	(294.3)
Financial expenses	(2)	(149.1)	(133.5)
Purchased services		(185.5)	(175.3)
Repairs and maintenance		(172.3)	(149.4)
Outgoing freight		(283.9)	(271.7)
Lease payments – operating leases		(60.6)	(67.5)
Asset impairment write-downs	(2)	(11.5)	(240.6)
Other expenses		(53.6)	(50.8)
<b>Profit before income tax</b>		159.6	192.7
Income tax (expense)/benefit	(3)	(7.5)	18.1
<b>Profit for the year</b>		152.1	210.8
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial (losses)/gains on defined benefit plans	(19)	(36.6)	4.9
Gross fair value losses on assets at fair value through other comprehensive income		(0.1)	(0.2)
Income tax relating to items that will not be reclassified subsequently to profit or loss		10.2	(3.0)
		(26.5)	1.7
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value (losses)/gains on cash flow hedges	(16)	(72.5)	86.6
Cash flow hedge gains transferred to profit or loss	(16)	(18.0)	(35.4)
Exchange differences on translating foreign operations		226.1	254.1
Net losses on hedge of net investment	(16)	(107.8)	(127.2)
Income tax relating to items that may be reclassified subsequently to profit or loss		14.4	(33.5)
		42.2	144.6
<b>Other comprehensive income for the year, net of income tax</b>		15.7	146.3
<b>Total comprehensive income for the year</b>		167.8	357.1
<b>Profit attributable to:</b>			
Members of Incitec Pivot Limited		152.4	207.9
Non-controlling interest		(0.3)	2.9
<b>Profit for the year</b>		152.1	210.8
<b>Total comprehensive income attributable to:</b>			
Members of Incitec Pivot Limited		168.1	354.2
Non-controlling interest		(0.3)	2.9
<b>Total comprehensive income for the year</b>		167.8	357.1
<b>Earnings per share</b>			
Basic (cents per share)	(5)	9.5	12.5
Diluted (cents per share)	(5)	9.4	12.5

# Consolidated Statement of Financial Position

As at 30 September 2019

	Notes	2019 \$mill	2018 \$mill
<b>Current assets</b>			
Cash and cash equivalents	(8)	576.4	588.5
Trade and other receivables	(4)	316.7	311.5
Inventories	(4)	600.9	494.9
Other assets		50.6	63.3
Other financial assets	(16)	6.2	13.3
<b>Total current assets</b>		<b>1,550.8</b>	<b>1,471.5</b>
<b>Non-current assets</b>			
Trade and other receivables	(4)	47.4	12.6
Other assets		21.6	36.3
Other financial assets	(16)	16.6	29.6
Equity accounted investments	(13)	357.7	336.1
Property, plant and equipment	(9)	4,190.0	4,004.3
Intangible assets	(10)	3,179.5	3,046.6
Deferred tax assets	(3)	15.9	17.0
<b>Total non-current assets</b>		<b>7,828.7</b>	<b>7,482.5</b>
<b>Total assets</b>		<b>9,379.5</b>	<b>8,954.0</b>
<b>Current liabilities</b>			
Trade and other payables	(4)	1,152.0	1,045.0
Interest bearing liabilities	(8)	1,213.4	212.9
Other financial liabilities	(16)	39.2	18.3
Provisions	(15)	86.1	75.6
Current tax liabilities		13.4	55.6
<b>Total current liabilities</b>		<b>2,504.1</b>	<b>1,407.4</b>
<b>Non-current liabilities</b>			
Trade and other payables	(4)	17.4	13.6
Interest bearing liabilities	(8)	1,443.0	2,161.9
Other financial liabilities	(16)	45.1	7.4
Provisions	(15)	116.5	104.0
Deferred tax liabilities	(3)	498.4	482.9
Retirement benefit obligation	(19)	67.2	32.6
<b>Total non-current liabilities</b>		<b>2,187.6</b>	<b>2,802.4</b>
<b>Total liabilities</b>		<b>4,691.7</b>	<b>4,209.8</b>
<b>Net assets</b>		<b>4,687.8</b>	<b>4,744.2</b>
<b>Equity</b>			
Issued capital	(7)	3,136.8	3,226.5
Reserves		(19.9)	(55.4)
Retained earnings		1,570.9	1,566.6
Non-controlling interest		-	6.5
<b>Total equity</b>		<b>4,687.8</b>	<b>4,744.2</b>



# Consolidated Statement of Cash Flows

For the year ended 30 September 2019

	Notes	2019 \$mill	2018 \$mill
		Inflows/ (Outflows)	Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Profit after tax for the year		152.1	210.8
<i>Adjusted for non-cash items</i>			
Net finance cost		144.1	128.0
Depreciation and amortisation	(2)	301.6	294.3
Impairment of property, plant and equipment	(9)	11.5	4.0
Impairment of goodwill and other intangibles	(10)	-	236.6
Share of profit of equity accounted investments	(13)	(44.9)	(44.7)
Net gain on sale of property, plant and equipment	(2)	(12.0)	(2.4)
Non-cash share-based payment transactions	(17)	1.6	3.2
Income tax expense/(benefit)	(3)	7.5	(18.1)
<i>Changes in assets and liabilities</i>			
Decrease in receivables and other operating assets		35.5	40.1
Increase in inventories		(81.7)	(101.2)
Increase in payables, provisions and other operating liabilities		23.9	10.1
		539.2	760.7
<i>Adjusted for cash items</i>			
Dividends received	(13)	27.5	29.9
Interest received		5.0	5.5
Interest paid		(136.1)	(121.9)
Income tax paid		(20.8)	(11.5)
<b>Net cash flows from operating activities</b>		<b>414.8</b>	<b>662.7</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and intangibles		(348.1)	(325.3)
Proceeds from sale of property, plant and equipment		10.8	6.2
Proceeds from sale of equity securities		2.3	-
Payments for acquisition of subsidiaries and non-controlling interests		(5.3)	(5.8)
(Loans to)/repayments of loans to equity accounted investees		(6.8)	2.2
Proceeds/(Payments) from settlement of net investment hedge derivatives		5.5	(1.3)
<b>Net cash flows from investing activities</b>		<b>(341.6)</b>	<b>(324.0)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings	(8)	(429.7)	(504.3)
Proceeds from borrowings	(8)	553.7	501.4
Realised market value loss on derivatives		-	(4.3)
Dividends paid to members of Incitec Pivot Limited	(6)	(121.7)	(157.4)
Dividends paid to non-controlling interest holder		(5.9)	(2.4)
Purchased shares for IPL employees		(0.6)	(5.1)
Payment for buy-back of shares		(89.7)	(210.3)
<b>Net cash flows from financing activities</b>		<b>(93.9)</b>	<b>(382.4)</b>
Net decrease in cash and cash equivalents held		(20.7)	(43.7)
Cash and cash equivalents at the beginning of the year		588.5	627.9
Effect of exchange rate fluctuations on cash and cash equivalents held		8.6	4.3
<b>Cash and cash equivalents at the end of the year</b>	(8)	<b>576.4</b>	<b>588.5</b>

# Consolidated Statement of Changes in Equity

For the year ended 30 September 2019

	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
<b>Balance at 1 October 2017</b>		3,436.8	(20.1)	26.9	(192.9)	(11.8)	1,514.2	4,753.1	6.0	4,759.1
Profit for the year		-	-	-	-	-	207.9	207.9	2.9	210.8
Total other comprehensive income for the year		-	35.7	-	108.9	(0.2)	1.9	146.3	-	146.3
Dividends paid	(6)	-	-	-	-	-	(157.4)	(157.4)	(2.4)	(159.8)
Share buy-back	(7)	(210.3)	-	-	-	-	-	(210.3)	-	(210.3)
Purchased shares for IPL employees		-	-	(5.1)	-	-	-	(5.1)	-	(5.1)
Share-based payment transactions	(17)	-	-	3.2	-	-	-	3.2	-	3.2
<b>Balance at 30 September 2018</b>		<b>3,226.5</b>	<b>15.6</b>	<b>25.0</b>	<b>(84.0)</b>	<b>(12.0)</b>	<b>1,566.6</b>	<b>4,737.7</b>	<b>6.5</b>	<b>4,744.2</b>
<b>Balance at 1 October 2018</b>		<b>3,226.5</b>	<b>15.6</b>	<b>25.0</b>	<b>(84.0)</b>	<b>(12.0)</b>	<b>1,566.6</b>	<b>4,737.7</b>	<b>6.5</b>	<b>4,744.2</b>
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	(7)	(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	(17)	-	-	1.6	-	-	-	1.6	-	1.6
<b>Balance at 30 September 2019</b>		<b>3,136.8</b>	<b>(48.3)</b>	<b>26.0</b>	<b>22.1</b>	<b>(19.7)</b>	<b>1,570.9</b>	<b>4,687.8</b>	<b>-</b>	<b>4,687.8</b>

## 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 2016/19, 2017/20 and 2018/21 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.
- The purchase consideration for the residual 35% ownership interest in Quantum Fertilisers Limited, net of the carrying value of the non-controlling interest.

## Non-controlling interest

On 29 March 2019, IPL's ownership interest in Quantum Fertilisers Limited, a Hong Kong based fertiliser marketing company, increased from 65% to 100%, reducing the non-controlling interest to nil.

# Notes to the Consolidated Financial Statements

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# Notes to the Consolidated Financial Statements: Basis of preparation

For the year ended 30 September 2019

## 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.

The consolidated financial statements were authorised for issue by the directors on 12 November 2019.

## Deficiency in net current assets

As at 30 September 2019, the Group's current liabilities exceeded its current assets by \$953.3m. This is primarily due to the Group's USD800m fixed interest rate bond, maturing in December 2019. At 30 September 2019, the Group has cash balances of \$576.4m and the following undrawn financing facilities:

- 3 year bank facility of \$289.6m that matures in August 2021; and
- 5 year bank facility of \$739.5m that matures in October 2021.

In addition, USD500m of Notes in the US Private Placement market were funded in October 2019, with USD250m maturing on 30 October 2028 and USD250m maturing on 30 October 2030.

The Group's forecast cash flow for the next twelve months indicates that it will be able to meet current liabilities as and when they fall due. Accordingly, the Consolidated Financial Report has been prepared on a going concern basis. The Group constantly assesses the adequacy of its financing arrangements and will establish new funding facilities as and when required, to ensure they appropriately support its investment grade credit profile and liquidity requirements.

## 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 14.

## 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 14.

## 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.

- AASB 15: *Revenue from Contracts with Customers* Details of the impact of AASB 15 on the Group are included in note 2.
- AASB 9: *Financial Instruments* is mandatory for annual periods starting on or after 1 January 2018. The Group early adopted this standard in the 2015 financial year.

The following relevant standard was available for early adoption but has not been applied by the Group:

- AASB 16: *Leases* Details of the expected impact of AASB 16 on the Group, when it is adopted, are included in note 12.

# Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2019

Note  
1

## 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.

### Description of reportable segments

#### Asia Pacific

Fertilisers is made up of the following reportable segments:

- Incitec Pivot Fertilisers (**IPF**): manufactures and distributes fertilisers in Eastern Australia. The products that IPF manufactures include urea, ammonia and single super phosphate. IPF also imports products from overseas suppliers and purchases ammonium phosphates from Southern Cross International for resale.
- Southern Cross International (**SCI**): manufactures ammonium phosphates and is a distributor of its manufactured fertiliser product to wholesalers in Australia (including IPF) and the export market. SCI operates the Industrial Chemicals business and also includes the Group's share of the Hong Kong marketing company, Quantum Fertilisers Limited.

Fertilisers Eliminations (**Fertilisers Elim**): represent the elimination of sales and profit in stock arising from the sale of SCI manufactured products to IPF at an import parity price.

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 IPF and SCI sales to DNAP at an arm's length transfer price.

#### 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 (USA, Canada, Mexico and Chile). 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 at an arm's length transfer price.

### Reportable segments – financial information

30 September 2019	Notes	Asia Pacific						Americas		Group Elim \$mill	Corporate <sup>(i)</sup> \$mill	Consolidated Group \$mill
		IPF \$mill	SCI \$mill	Fertilisers Elim \$mill	Total Fertilisers \$mill	DNAP \$mill	APAC Elim \$mill	Total \$mill	DNA \$mill			
Revenue from external customers	(2)	1,066.7	496.0	(143.3)	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	(13)	-	-	-	-	13.1	-	13.1	31.8	-	-	44.9
EBITDA <sup>(ii)</sup>		(27.4)	25.8	2.0	0.4	255.4	-	255.8	376.6	(1.7)	(25.4)	605.3
Depreciation and amortisation	(2)	(24.5)	(55.6)	-	(80.1)	(76.2)	-	(156.3)	(142.6)	-	(2.7)	(301.6)
EBIT <sup>(iii)</sup>		(51.9)	(29.8)	2.0	(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		750.3	704.4	-	1,454.7	2,564.9	-	4,019.6	4,647.8	-	696.2	9,363.6
Segment liabilities		(528.0)	(127.5)	-	(655.5)	(290.5)	-	(946.0)	(562.0)	-	(2,685.3)	(4,193.3)
Net segment assets <sup>(iv)</sup>		222.3	576.9	-	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, Depreciation and Amortisation.

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

(iv) Net segment assets exclude deferred tax balances.

# Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2019

Note  
1

## 1. Segment report (continued)

### Reportable segments – financial information (continued)

30 September 2018	Notes	Asia Pacific						Americas		Group Elim \$mill	Corporate <sup>(i)</sup> \$mill	Consolidated Group \$mill
		IPF \$mill	SCI \$mill	Fertilisers Elim \$mill	Total Fertilisers \$mill	DNAP \$mill	APAC Elim \$mill	Total \$mill	DNA \$mill			
Revenue from external customers	(2)	1,088.4	605.0	(221.7)	1,471.7	978.6	(12.1)	2,438.2	1,462.3	(44.2)	-	3,856.3
Share of profits of equity accounted investments	(13)	-	-	-	-	17.4	-	17.4	27.3	-	-	44.7
EBITDA <sup>(ii)</sup>		67.7	116.7	(2.2)	182.2	288.8	-	471.0	410.3	(0.6)	(29.7)	851.0
Depreciation and amortisation	(2)	(30.0)	(47.6)	-	(77.6)	(83.4)	-	(161.0)	(131.7)	-	(1.6)	(294.3)
EBIT <sup>(iii)</sup>		37.7	69.1	(2.2)	104.6	205.4	-	310.0	278.6	(0.6)	(31.3)	556.7
Net interest expense												(128.0)
Income tax expense (excluding IMIs) <sup>(iv)</sup>	(3)											(78.4)
Profit after tax <sup>(v)</sup>												350.3
Non-controlling interest												(2.9)
Individually material items (net of tax)												(139.5)
Profit attributable to members of IPL												207.9
Segment assets		700.8	613.4	-	1,314.2	2,585.2	-	3,899.4	4,332.2	-	705.4	8,937.0
Segment liabilities		(503.1)	(160.4)	-	(663.5)	(284.0)	-	(947.5)	(484.2)	-	(2,295.2)	(3,726.9)
Net segment assets <sup>(vi)</sup>		197.7	453.0	-	650.7	2,301.2	-	2,951.9	3,848.0	-	(1,589.8)	5,210.1
Deferred tax balances	(3)											(465.9)
Net assets												4,744.2

(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, Amortisation and individually material items.

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

(iv) Income tax (excluding individually material items).

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

(vi) 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 2019	Australia \$mill	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
30 September 2018	Australia \$mill	USA \$mill	Canada \$mill	Turkey \$mill	Other/Elim \$mill	Consolidated \$mill
Revenue from external customers	2,322.0	1,249.6	189.1	66.5	29.1	3,856.3
Non-current assets other than financial assets and deferred tax assets	3,310.6	3,902.6	57.0	1.3	164.4	7,435.9
Trade and other receivables	157.3	75.8	30.3	15.9	44.8	324.1



# Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2019

## 2. Revenue and expenses

	Notes	2019 \$mill	2018 \$mill
<b>Revenue</b>			
External sales		<b>3,918.2</b>	3,856.3
Total revenue		<b>3,918.2</b>	3,856.3
<b>Financial income</b>			
Interest income		<b>5.0</b>	5.5
<b>Other income</b>			
Royalty income and management fees	(13)	<b>33.0</b>	29.4
Net gain on sale of property, plant and equipment		<b>12.0</b>	2.4
Other income from operations		<b>8.7</b>	6.7
Total financial and other income		<b>58.7</b>	44.0
<b>Expenses</b>			
Profit before income tax includes the following specific expenses:			
	Notes	2019 \$mill	2018 \$mill
<b>Depreciation and amortisation</b>			
depreciation	(9)	<b>277.9</b>	271.5
amortisation	(10)	<b>23.7</b>	22.8
Total depreciation and amortisation		<b>301.6</b>	294.3
<b>Recoverable amount write-down</b>			
property, plant and equipment	(9)	<b>11.5</b>	4.0
intangible assets	(10)	-	236.6
Total recoverable amount write-down		<b>11.5</b>	240.6
<b>Amounts set aside to provide for:</b>			
impairment losses on trade and other receivables	(4)	<b>3.1</b>	4.9
inventory losses and obsolescence	(4)	<b>3.6</b>	3.2
employee entitlements	(15)	<b>8.3</b>	6.4
environmental liabilities	(15)	<b>4.6</b>	3.5
legal and other provisions	(15)	<b>6.4</b>	1.8
restructuring and rationalisation costs	(15)	<b>11.7</b>	0.4
Research and development expense		<b>18.2</b>	12.6
Defined contribution superannuation expense		<b>31.7</b>	31.0
Defined benefit superannuation expense	(19)	<b>4.6</b>	3.1
<b>Financial expenses</b>			
Unwinding of discount on provisions	(15)	<b>4.4</b>	4.4
Net interest expense on defined benefit obligation	(19)	<b>1.4</b>	1.2
Interest expenses on financial liabilities		<b>143.3</b>	127.9
Total financial expenses		<b>149.1</b>	133.5

## Individually material items

### 30 September 2019

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

### 30 September 2018

The prior year profit includes the following benefits/ (expenses) whose disclosure is relevant in explaining the prior year financial performance of the Group:

	Gross \$mill	Tax \$mill	Net \$mill
Tax restatement <sup>(1)</sup>	-	96.5	96.5
Impairment of goodwill <sup>(2)</sup>	(236.0)	-	(236.0)
	(236.0)	96.5	(139.5)

(1) On 22 December 2017, the US government enacted tax reform legislation which reduced the US federal tax rate from 35% to 21%, effective 1 January 2018. As a result, the Group recognised a one-off benefit of \$96.5m arising from the restatement of its US net deferred tax liabilities.

(2) Impairment of goodwill relating to the DNAP CGU.

## Significant external event

### 30 September 2019

In February 2019, IPL announced a temporary production interruption at its Phosphate Hill plant as a result of the closure of the rail line between Townsville and Phosphate Hill as a consequence of the once in a 100-year rain event and the resultant flooding in northern Queensland. The financial impact of the outage on the Group's EBIT was \$115m for the 2019 financial year. In accordance with Australian Accounting Standards, the impact is not presented as an individually material item, as it largely represents lost sales margin on product that was not manufactured as a result of the rail outage.

## Key accounting policies

### AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 October 2018, which replaces AASB 118 Revenue.

AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard requires the identification of distinct performance obligations in a contract and an allocation of the transaction price to these performance obligations. Per the standard, revenue should only be recognised when the performance obligation is satisfied and the control of the goods or services is transferred to the customer. Under AASB 15, the Group recognises revenue from the sale of goods at the time that control is transferred to the customer. Services revenue is recognised separately from the sale of goods, as the performance obligation is satisfied.

The Group performed a detailed assessment of the impact of AASB 15 on the Group's revenue streams, contracts with customers and existing revenue recognition policies. The adoption of AASB 15 has not impacted the timing or amount of revenue recognised. Accordingly, there has been no restatement of comparative amounts or retained earnings.

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2

# Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2019

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2

## 2. Revenue and expenses (continued)

### Key accounting policies (continued)

As a result of adopting AASB 15, the Group's revised revenue recognition policy is as follows:

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.

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## 3. Taxation

### Income tax expense for the year

	2019 \$mill	2018 \$mill
<b>Current tax expense</b>		
Current year	(17.1)	59.6
Adjustments in respect of prior years	(3.0)	(2.8)
	<b>(20.1)</b>	56.8
<b>Deferred tax expense</b>		
Current year	27.6	21.6
Income tax expense (excluding IMIs)	7.5	78.4
Tax rate change	-	(96.5)
<b>Total income tax expense/(benefit)</b>	<b>7.5</b>	<b>(18.1)</b>

### Income tax reconciliation to prima facie tax payable

	2019 \$mill	2018 \$mill
Profit before income tax	159.6	192.7
Tax at the Australian tax rate of 30% (2018: 30%)	47.9	57.8
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Other foreign deductions	(15.9)	(32.2)
Joint venture income	(11.6)	(13.0)
Sundry items	2.9	9.5
Tax rate change	-	(96.5)
Goodwill impairment	-	70.8
Difference in overseas tax rates	(12.8)	(11.7)
Adjustments in respect of prior years	(3.0)	(2.8)
Income tax expense/(benefit) attributable to profit	7.5	(18.1)

### 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 \$24.6m for the year ended 30 September 2019 (2018: debit of \$36.5m).

### Net deferred tax assets/(liabilities)

Deferred tax balances comprise temporary differences attributable to the following:

	2019 \$mill	2018 \$mill
Employee entitlements provision	17.7	16.1
Retirement benefit obligations	18.0	8.9
Provisions and accruals	47.6	43.2
Tax losses	136.5	90.3
Property, plant and equipment	(527.4)	(442.1)
Intangible assets	(99.0)	(99.4)
Joint venture income	(10.2)	(9.0)
Derivatives	(57.1)	(69.2)
Other	(8.6)	(4.7)
<b>Net deferred tax liabilities</b>	<b>(482.5)</b>	<b>(465.9)</b>

Presented in the Statement of Financial Position as follows:

Deferred tax assets	15.9	17.0
Deferred tax liabilities	(498.4)	(482.9)
<b>Net deferred tax liabilities</b>	<b>(482.5)</b>	<b>(465.9)</b>

# Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2019

## 3. Taxation (continued)

### Movements in net deferred tax liabilities

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

	2019 \$mill	2018 \$mill
Opening balance at 1 October	(465.9)	(487.5)
Debited to the profit or loss	(27.6)	(21.6)
Charged to equity	24.6	(36.5)
Foreign exchange movements	(13.6)	(16.8)
Tax rate change	-	96.5
Closing balance at 30 September	(482.5)	(465.9)

### 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 21.

### 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 based on management's assessment of whether additional taxes may be payable. 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.

## 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.

	Trade \$mill	Other \$mill	Total \$mill
<b>30 September 2019</b>			
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)
<b>30 September 2018</b>			
Inventories	494.9	-	494.9
Receivables	289.2	34.9	324.1
Payables	(835.9)	(222.7)	(1,058.6)
	(51.8)	(187.8)	(239.6)

#### Inventory by category:

	2019 \$mill	2018 \$mill
Raw materials and stores	137.1	101.8
Work-in-progress	61.3	55.2
Finished goods	416.2	348.5
Provisions	(13.7)	(10.6)
Total inventory balance	600.9	494.9

#### Provision movement:

	Trade receivables \$mill	Inventories \$mill
<b>30 September 2019</b>		
Carrying amount at 1 October 2018	(28.7)	(10.6)
Provisions made during the year	(3.1)	(3.6)
Provisions written back during the year	4.9	-
Amounts written off against provisions	0.9	0.9
Foreign exchange rate movements	(2.1)	(0.4)
Carrying amount at 30 September 2019	(28.1)	(13.7)

### Receivables ageing and provision for impairment

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

	Gross \$mill	Impairment \$mill	Net \$mill
<b>30 September 2019</b>			
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
<b>30 September 2018</b>			
Current	283.6	(1.6)	282.0
30-90 days	5.2	(0.9)	4.3
Over 90 days	29.1	(26.2)	2.9
Total	317.9	(28.7)	289.2

Note  
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Note  
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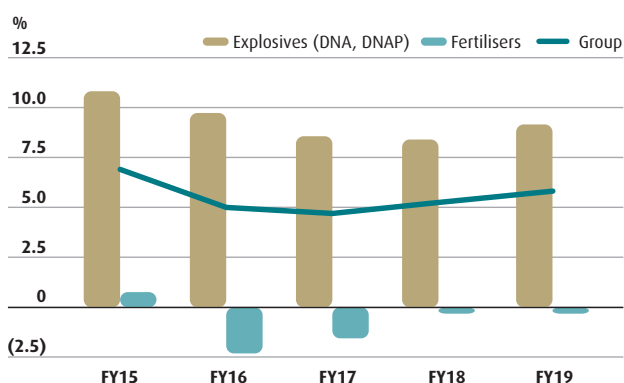
# Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2019

## 4. Trade and other assets and liabilities (continued)

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 non-recourse receivable purchasing agreement to sell certain receivables to an unrelated entity in exchange for cash. As at 30 September 2019, receivables totaling \$216.3m (2018: \$188.0m) 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 2019, the balance of the supply chain finance program was \$306.5m (2018: \$316.4m). 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 2019, none of the payables subject to supplier financing arrangements met the characteristics to be classified as borrowings and the balances remained in trade payables.

### 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. Subsequent changes in economic and market conditions may result in the provision for impairment losses increasing or decreasing in future periods.

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# Notes to the Consolidated Financial Statements: Shareholder returns

For the year ended 30 September 2019

## 5. Earnings per share

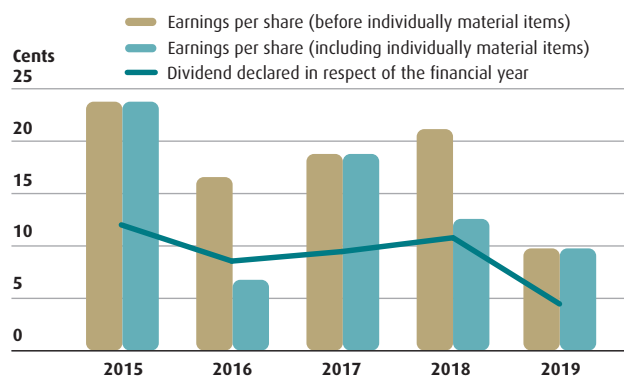
	2019 Cents per share	2018 Cents per share
Basic earnings per share		
including individually material items	9.5	12.5
excluding individually material items	9.5	20.9
Diluted earnings per share		
including individually material items	9.4	12.5
excluding individually material items	9.4	20.8
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,610,122,059	1,664,616,914
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	1,613,569,524	1,667,794,091

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

	2019 \$mill	2018 \$mill
Profit attributable to ordinary shareholders	152.4	207.9
Individually material items after income tax	-	139.5
Profit attributable to ordinary shareholders excluding individually material items	152.4	347.4

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:

	2019 \$000	2018 \$000
<b>Ordinary shares</b>		
Final dividend of 4.9 cents per share, unfranked, paid 19 December 2017	-	82,671
Interim dividend of 4.5 cents per share, unfranked, paid 2 July 2018	-	74,749
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	-
<b>Total ordinary share dividends</b>	<b>121,723</b>	157,420

Since the end of the financial year, the directors have determined to pay a final dividend of 3.4 cents per share, 30 percent franked, to be paid on 8 January 2020. The record date for entitlement to this dividend is 2 December 2019. The total dividend payment of \$54.6m will be paid in cash or as part of the Dividend Reinvestment Plan which has been reinstated at a discount of 2 percent.

The financial effect of this dividend has not been recognised in the 2019 Consolidated Financial Statements and will be recognised in subsequent Financial Reports.

Consistent with recent years, the dividend reflects a payout ratio of approximately 50 percent of net profit after tax (before individually material items).

## Franking credits

Franking credits available to shareholders of the Company were \$7.6m (2018: \$9.5m). The final dividend for 2019 is 30 percent franked.

## 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.

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# Notes to the Consolidated Financial Statements: Capital structure

For the year ended 30 September 2019

## 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	2019	2018
Net debt/EBITDA (times)	<b>equal or less than 2.5</b>	<b>2.8</b>	1.6
Interest cover (times)	<b>equal or more than 6.0</b>	<b>4.6</b>	7.3

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.

The significant one-off event which occurred during the year (refer note 2) resulted in an increase in the Net debt/EBITDA ratio to 2.8 times at 30 September 2019 and an Interest cover ratio of 4.6 times. Although these ratios fall within loan covenant requirements, the Group is targeting a ratio of below 2.5 times for Net debt/EBITDA and above 6 times for the Interest cover ratio. It is expected these measures will return within their target range over the next 12 months as the impact of one-off events recedes.

### 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 2019, 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 2019 amounted to \$3,136.8m (1,605,783,967 ordinary shares). During the financial year ended 30 September 2019, the Company bought back and cancelled 24,429,606 shares (2018: 56,956,948) at an average price per share of 3.672 (2018: 3.693), thereby completing its \$300m share buy-back program on 18 December 2018.

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# Notes to the Consolidated Financial Statements: Capital structure

For the year ended 30 September 2019

## 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	2019 \$mill	2018 \$mill
Interest bearing liabilities		<b>2,656.4</b>	2,374.8
Cash and cash equivalents		<b>(576.4)</b>	(588.5)
Fair value of derivatives	(16)	<b>(388.6)</b>	(414.7)
<b>Net debt</b>		<b>1,691.4</b>	1,371.6

At 30 September 2019, the Group's Net debt/EBITDA before individually material items was 2.8 times (2018: 1.6 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 16.

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

	2019 \$mill	2018 \$mill
<b>Current</b>		
Other loans	<b>12.6</b>	1.3
Loans from joint ventures	<b>17.0</b>	11.8
Fixed interest rate bonds	<b>1,183.8</b>	199.8
	<b>1,213.4</b>	212.9
<b>Non-current</b>		
Other loans	<b>7.4</b>	4.5
Bank facilities	<b>293.0</b>	499.6
Fixed interest rate bonds	<b>1,142.6</b>	1,657.8
	<b>1,443.0</b>	2,161.9
<b>Total interest bearing liabilities</b>	<b>2,656.4</b>	2,374.8

### Fixed Interest Rate Bonds

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

- USD800m 10 year bond on issue in the US 144A/Regulation S debt capital market. The bond has a fixed rate semi-annual coupon of 6 percent and matures in December 2019. As part of the Group's refinancing program, USD500m of Notes in the US Private Placement market were funded in October 2019. 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 has a limit of AUD260m and Tranche B has a limit of USD220m. The facility matures in August 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.
- 1.5 year bridge facility of USD350m entered into in March 2019 domiciled in the US. This facility was cancelled following the funding of the USD500m Notes in the US Private Placement market.

### Tenor of interest bearing liabilities

The Group's average tenor of its drawn interest bearing liabilities at 30 September 2019 is 3.4 years (2018: 3.3 years). After taking into account the funding of the USD500m Notes in the US Private Placement market and the maturity of the USD800m bond along with the cancellation of the USD350m bridge facility, the Group's average tenor of its debt facilities is expected to be 5.7 years.

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

30 September 2019	Cash flow			Non-cash changes				30 September 2019
	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	
<b>Current</b>								
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
<b>Non-current</b>								
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
<b>Total liabilities from financing activities</b>	<b>2,374.8</b>	<b>553.7</b>	<b>(412.9)</b>	<b>13.8</b>	<b>-</b>	<b>117.2</b>	<b>9.8</b>	<b>2,656.4</b>
Derivatives held to hedge interest bearing liabilities	(414.7)	-	(16.8)	-	-	57.9	(15.0)	(388.6)
<b>Debt after hedging</b>	<b>1,960.1</b>	<b>553.7</b>	<b>(429.7)</b>	<b>13.8</b>	<b>-</b>	<b>175.1</b>	<b>(5.2)</b>	<b>2,267.8</b>



# Notes to the Consolidated Financial Statements: Capital structure

For the year ended 30 September 2019

## 8. Net debt (continued)

### Interest bearing liabilities (continued)

	1 October 2017 \$mill	Cash flow		Non-cash changes			30 September 2018 \$mill
		Proceeds from borrowings \$mill	Repayments of borrowings \$mill	Reclassification \$mill	Foreign exchange movement \$mill	Funding costs & fair value adjustments \$mill	
<b>30 September 2018</b>							
<b>Current</b>							
Other loans	1.3	-	(1.3)	1.3	-	-	1.3
Loans from joint ventures	10.8	-	-	-	1.0	-	11.8
Bank facilities	-	-	(503.0)	474.9	27.6	0.5	-
Fixed interest rate bonds	-	-	-	200.0	-	(0.2)	199.8
<b>Non-current</b>							
Other loans	5.4	-	-	(1.3)	0.4	-	4.5
Bank facilities	472.4	501.4	-	(474.9)	-	0.7	499.6
Fixed interest rate bonds	1,734.2	-	-	(200.0)	134.8	(11.2)	1,657.8
<b>Total liabilities from financing activities</b>	<b>2,224.1</b>	<b>501.4</b>	<b>(504.3)</b>	<b>-</b>	<b>163.8</b>	<b>(10.2)</b>	<b>2,374.8</b>
Derivatives held to hedge interest bearing liabilities	(304.3)	-	-	-	(118.0)	7.6	(414.7)
Debt after hedging	1,919.8	501.4	(504.3)	-	45.8	(2.6)	1,960.1

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#### Interest rate profile

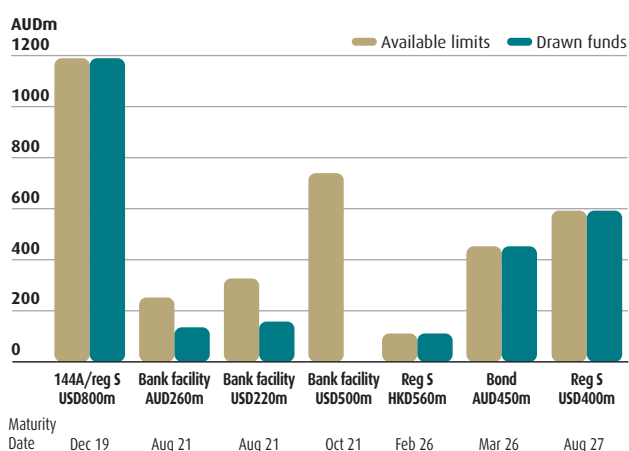
The table below summarises the Group's interest rate profile of its interest bearing liabilities, net of hedging, at 30 September:

	2019 \$mill	2018 \$mill
Fixed interest rate financial instruments	2,266.8	1,931.8
Variable interest rate financial instruments	389.6	443.0
	<b>2,656.4</b>	<b>2,374.8</b>

Detail on the Group's interest hedging profile and duration is included in note 16.

#### Funding profile

The graph below details the Group's available funding limits, its maturity dates and drawn funds at 30 September 2019:



The Group has undrawn financing facilities of \$1,029.1m (2018: \$756.0m) at 30 September 2019.

#### Cash and cash equivalents

Cash and cash equivalents at 30 September 2019 were \$576.4m (2018: \$588.5m) and consisted of cash at bank of \$101.4m (2018: \$126.8m) and short term investments of \$475.0m (2018: \$461.7m).

#### 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 2019

## 9. Property, plant and equipment

	Notes	Freehold land and buildings \$mill	Machinery, plant and equipment \$mill	Work in progress \$mill	Total \$mill
<b>At 1 October 2017</b>					
Cost		910.5	4,608.4	112.7	5,631.6
Accumulated depreciation		(270.6)	(1,506.2)	-	(1,776.8)
Net book amount		639.9	3,102.2	112.7	3,854.8
<b>Year ended 30 September 2018</b>					
Opening net book amount		639.9	3,102.2	112.7	3,854.8
Additions		6.0	13.7	245.2	264.9
Subsidiaries acquired		1.9	3.1	-	5.0
Disposals		-	(3.8)	-	(3.8)
Depreciation	(2)	(27.4)	(244.1)	-	(271.5)
Impairment of assets	(2)	-	(4.0)	-	(4.0)
Reclassification from work in progress		28.1	224.9	(253.0)	-
Foreign exchange movement		20.6	134.4	3.9	158.9
Closing net book amount		669.1	3,226.4	108.8	4,004.3
<b>At 30 September 2018</b>					
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
<b>Year ended 30 September 2019</b>					
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
<b>At 30 September 2019</b>					
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

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### 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 11.

### 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 2019

## 10. Intangibles

Notes	Software \$mill	Goodwill \$mill	Patents, trademarks & customer contracts \$mill	Brand names \$mill	Total \$mill
<b>At 1 October 2017</b>					
Cost	102.7	2,731.7	271.9	280.0	3,386.3
Accumulated amortisation	(84.3)	-	(181.0)	-	(265.3)
Net book amount	18.4	2,731.7	90.9	280.0	3,121.0
<b>Year ended 30 September 2018</b>					
Opening net book amount	18.4	2,731.7	90.9	280.0	3,121.0
Additions	32.0	-	-	-	32.0
Subsidiaries acquired	-	0.1	2.2	-	2.3
Impairment of assets	(2) (0.6)	(236.0)	-	-	(236.6)
Amortisation	(2) (4.2)	-	(18.6)	-	(22.8)
Foreign exchange movement	0.9	122.6	5.9	21.3	150.7
Closing net book amount	46.5	2,618.4	80.4	301.3	3,046.6
<b>At 30 September 2018</b>					
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
<b>Year ended 30 September 2019</b>					
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
<b>At 30 September 2019</b>					
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

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### Allocation of indefinite life intangible assets

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

	Goodwill \$mill	Brand names \$mill	Total \$mill
<b>30 September 2019</b>			
Incitec Pivot Fertilisers (IPF)	183.8	-	183.8
Southern Cross International (SCI)	2.7	-	2.7
Dyno Nobel Asia Pacific (DNAP)	908.5	40.3	948.8
Dyno Nobel Americas (DNA)	1,629.5	278.2	1,907.7
	2,724.5	318.5	3,043.0
<b>30 September 2018</b>			
Incitec Pivot Fertilisers (IPF)	183.8	-	183.8
Southern Cross International (SCI)	2.5	-	2.5
Dyno Nobel Asia Pacific (DNAP)	908.5	40.3	948.8
Dyno Nobel Americas (DNA)	1,523.6	261.0	1,784.6
	2,618.4	301.3	2,919.7

### 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 – 7 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.

# Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2019

## 11. Impairment of goodwill and non-current assets

### Impairment testing of goodwill

The Group's impairment testing at 30 September 2019 resulted in no impairment of any CGU as the recoverable amounts of IPL's CGUs, being IPF, SCI, DNAP and DNA exceeded their carrying amounts. The events announced by the Group in 2019 included the rail outage caused by extreme weather events in northern Queensland that impacted the 2019 financial results of the SCI CGU and gas supply restrictions as a result of a gas pipeline rupture that impacted the financial results of the DNA CGU. The financial impacts of these events were not considered structural long-term changes that impact 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 2019.

### 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)	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
DAP <sup>(1)</sup>	<b>340 to 455</b>	380 to 463	<b>518</b>	523
Urea <sup>(2)</sup>	<b>275 to 332</b>	260 to 343	<b>379</b>	366
Gas (DNA CGU) <sup>(3)</sup>	<b>2.65 to 3.29</b>	3.00 to 3.45	<b>3.11</b>	3.43
Ammonia <sup>(4)</sup>	<b>310 to 389</b>	300 to 389	<b>444</b>	406
AUD:USD <sup>(5)</sup>	<b>0.68 to 0.73</b>	0.75 to 0.76	<b>0.73</b>	0.75

- (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 IPF, 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% (2018: 9%) for the IPF and SCI CGUs and 8.5% for the DNA and DNAP CGUs (2018: 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% (2018: 2.5%) for all CGUs.

### Sensitivity analyses

Included in the table below is a sensitivity analysis of the recoverable amounts and, where applicable, the impairment charge considering reasonable change scenarios relating to key assumptions at 30 September 2019:

	Post-tax discount rate	Terminal value growth rate	Natural gas price	
	+0.5%	-1.0%	+AU\$1 per gigajoule	
<b>DNAP</b>	<b>AU\$mill</b>	<b>AU\$mill</b>	<b>AU\$mill</b>	
- Value-in-use	(191.1)	(290.5)	(53.5)	
- Impairment charge	-	(69.6)	-	
	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
<b>DNA</b>	<b>US\$mill</b>	<b>US\$mill</b>	<b>US\$mill</b>	<b>US\$mill</b>
- Value-in-use	(323.6)	(373.0)	(466.5)	(307.8)
- Impairment charge	-	-	-	-
	Post-tax discount rate	AUD:USD exchange rate	Terminal value growth rate	DAP Price
	+0.5%	+5c	-1.0%	-US\$50 per tonne
<b>SCI</b>	<b>AU\$mill</b>	<b>AU\$mill</b>	<b>AU\$mill</b>	<b>AU\$mill</b>
- Value-in-use	(67.7)	(355.7)	(132.5)	(605.0)
- Impairment charge	-	-	-	(244.2)
	Post-tax discount rate	Urea price	Terminal value growth rate	Natural gas price
	+0.5%	-US\$50 per tonne	-1.0%	+AUD1 per gigajoule
<b>IPF</b>	<b>AU\$mill</b>	<b>AU\$mill</b>	<b>AU\$mill</b>	<b>AU\$mill</b>
- Value-in-use	(66.2)	(223.3)	(95.1)	(114.1)
- 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 2019 property, plant and equipment was impaired by \$11.5m (2018: \$4.0m) as a result of the Group's fixed asset verification procedures and the abandonment of certain 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 future. If feasibility of the acreage development is proven, gas could be available from 2022.

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.

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

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# Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2019

## 11. Impairment of goodwill and non-current assets (continued)

### 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 judgement. 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 cashflows 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 2019, 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 other than goodwill (or its CGU) 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 is increased to its recoverable amount.

### 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.

## 12. Commitments

### Capital expenditure commitments

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

	2019 \$mill	2018 \$mill
no later than one year	72.5	84.2
later than one, no later than five years	-	-
	72.5	84.2

### Lease commitments

Non-cancellable operating lease commitments comprise a number of operating lease arrangements for the provision of certain property and equipment. These leases have varying durations and expiry dates. The future minimum rental commitments are as follows at 30 September:

	2019 \$mill	2018 \$mill
no later than one year	43.8	40.9
later than one, no later than five years	98.4	99.6
later than five years	91.1	101.0
	233.3	241.5

### Key accounting policies

Leases are accounted for as either finance leases or operating leases.

#### Finance leases

Under the terms of a finance lease, the Group assumes most of the risks and benefits associated with ownership of the leased asset.

Assets subject to finance leases are measured at the present value of the minimum lease payments. The leased asset is amortised on a straight-line basis over the period that benefits are expected to flow from its use. A corresponding liability is established for the lease payments. Each lease payment is allocated between finance charges and reduction of the liability.

#### Operating leases

Under the terms of an operating lease, the Group does not assume the risks and benefits associated with ownership of the leased asset. Payments made under operating leases are shown as lease payments in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### Issued standards not early adopted

AASB 16 specifies how to recognise, measure and disclose leases. Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. The Group does not intend to bring short term leases (12 months or less) or low value leases on balance sheet.

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

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# Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2019

## 12. Commitments (continued)

### Key accounting policies (continued)

The Group has implemented new lease accounting software to calculate the AASB 16 adjustments and has substantially completed its implementation assessment of the new standard. However, certain judgmental aspects of the implementation of the standard, including the determination of lease terms of leases with options remains under review. Preliminary estimates of the impacts as a result of adopting the new standard are as follows:

- At 1 October 2019, total assets are estimated to increase by a range of \$200 million to \$220 million due to the recognition of a right-of-use asset; and total liabilities are estimated to increase by a range of \$220 million to \$240 million due to the recognition of a lease liability. The net impact will be recognised as an adjustment to retained earnings in equity.
- For the year ending 30 September 2020, operating lease expenses will be replaced by a depreciation charge for the right-of-use asset and interest expense on the lease liabilities. Depreciation expense is expected to increase by a range of \$35 million to \$40 million and interest expense is expected to increase by a range of \$4 million to \$7 million.
- Earnings before interest and tax (EBIT) is estimated to increase by a range of \$3 million to \$5 million and Net profit after tax (NPAT) is expected to decrease by a range of \$1 million to \$3 million.
- For the year ending 30 September 2020 cashflows from operating activities are expected to increase and cashflows from financing activities are expected to decrease by a range of \$35 million to \$45 million.

These numbers are based on the work completed to date. The actual financial impact on the results for the 30 September 2020 financial year will be dependent on any new leases that are entered into during the financial year, certain judgmental aspects including finalisation of lease option extension periods and the impact of foreign currency translation of international lease arrangements.

## 13. 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 14) at 30 September 2019 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

	Notes	2019 \$mill	2018 \$mill
Carrying amount at 1 October		336.1	316.9
Share of net profit		44.9	44.7
Share in joint venture transferred to controlled entities		(5.7)	(5.7)
Dividends received/receivable		(27.5)	(29.9)
Foreign exchange movement		9.9	10.1
<b>Carrying amount at 30 September</b>		<b>357.7</b>	<b>336.1</b>

### Carrying amount of investments in:

Joint ventures	287.8	274.2
Associates	69.9	61.9

### Carrying amount of investments in joint ventures and associates

	357.7	336.1
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### Transactions between subsidiaries of the Group and joint ventures and associates

	2019 \$mill	2018 \$mill
Sales of goods/services	418.8	374.6
Purchase of goods/services	(43.8)	(34.6)
Management fees/royalties	33.0	29.4
Interest income	0.5	0.5
Interest expense	(0.4)	(0.4)
Dividend income	27.5	29.9

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

### Outstanding balances arising from transactions with joint ventures and associates

	2019 \$mill	2018 \$mill
Amounts owing to related parties	6.3	3.1
Amounts owing from related parties	53.6	50.0

### Loans with joint ventures and associates

Loans to joint ventures and associates	19.9	13.1
Loans from joint ventures and associates	17.0	11.8

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

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# Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2019

## 14. 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
<b>Company</b>		<b>Controlled Entities – operating (continued)</b>	
Incitec Pivot Limited <sup>(1)</sup>		<b>Incorporated in Canada</b>	
<b>Controlled Entities – operating</b>		Dyno Nobel Canada Inc.	100%
<b>Incorporated in Australia</b>		Dyno Nobel Transportation Canada Inc.	100%
Incitec Fertilizers Pty Limited <sup>(1)</sup>	100%	Dyno Nobel Nunavut Inc.	100%
TOP Australia Pty Limited <sup>(1)</sup>	100%	Incitec Pivot Finance Canada Inc.	100%
Southern Cross Fertilisers Pty Ltd <sup>(1)</sup>	100%	Polar Explosives 2000 Inc.	100%
Southern Cross International Pty Ltd <sup>(1)</sup>	100%	Dene Dyno Nobel (Polar) Inc. <sup>(2)</sup>	100%
Incitec Pivot LTI Plan Company Pty Limited	100%	Dyno Nobel Waggaman Inc.	100%
Incitec Pivot Explosives Holdings Pty Limited <sup>(1)</sup>	100%	Newfoundland Hard-Rok Inc. <sup>(3)</sup>	100%
Queensland Operations Pty Limited	100%	Dyno Nobel Labrador Inc. <sup>(3)</sup>	100%
Incitec Pivot Investments 1 Pty Ltd <sup>(1)</sup>	100%	Dyno Nobel Baffin Island Inc. <sup>(3)</sup>	100%
Incitec Pivot Investments 2 Pty Ltd	100%	<b>Incorporated in Hong Kong</b>	
Incitec Pivot US Holdings Pty Ltd	100%	Incitec Pivot Holdings (Hong Kong) Limited	100%
Incitec Pivot Finance Australia Pty Ltd <sup>(1)</sup>	100%	Quantum Fertilisers Limited <sup>(4)</sup>	100%
Dyno Nobel Pty Limited	100%	<b>Incorporated in Singapore</b>	
Dyno Nobel Europe Pty Ltd	100%	Coltivi Insurance Pte Limited	100%
Dyno Nobel Management Pty Limited	100%	<b>Incorporated in Chile</b>	
Industrial Investments Australia Finance Pty Limited	100%	Dyno Nobel Explosivos Chile Limitada	100%
Dyno Nobel Asia Pacific Pty Limited <sup>(1)</sup>	100%	<b>Incorporated in Peru</b>	
Dampier Nitrogen Pty Ltd	100%	Dyno Nobel Peru S.A.	100%
DNX Australia Pty Ltd <sup>(1)</sup>	100%	<b>Incorporated in Mexico</b>	
Dyno Nobel Moranbah Pty Ltd <sup>(1)</sup>	100%	Dyno Nobel Mexico, S.A. de C.V. <sup>(5)</sup>	99%
Dyno Nobel Moura Pty Limited <sup>(1)</sup>	100%	<b>Incorporated in Papua New Guinea</b>	
Incitec Pivot Queensland Gas Pty Ltd	100%	DNX Papua New Guinea Ltd <sup>(5)</sup>	100%
<b>Incorporated in USA</b>		<b>Incorporated in Indonesia</b>	
Incitec Pivot US Investments	100%	PT DNX Indonesia	100%
Incitec Pivot Management LLC	100%	<b>Incorporated in Turkey</b>	
Incitec Pivot Finance LLC	100%	Nitromak DNX Kimya Sanayii A.S.	100%
Dyno Nobel Australia LLC	100%	<b>Incorporated in Romania</b>	
The Dyno Nobel SPS LLC	100%	SC Romnitro Explosives Srl.	100%
Dyno Nobel Holdings IV LLC	100%	<b>Incorporated in Albania</b>	
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%		
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%		

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

(2) The remaining 16 percent interest in Dene Dyno Nobel (Polar) Inc. was acquired in the 2019 financial year.

(3) The remaining 50 percent interest in Newfoundland Hard-Rok Inc., Dyno Nobel Labrador Inc. and Dyno Nobel Baffin Island Inc. were acquired in the 2019 financial year.

(4) The remaining 35 percent interest in Quantum Fertilisers Limited was acquired in the 2019 financial year.

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



# Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2019

## 14. Investments in subsidiaries, joint arrangements and associates (continued)

### Joint arrangements and associates

Name of entity	Ownership interest	Name of entity	Ownership interest
<b>Joint ventures</b>		<b>Associates</b>	
<b>Incorporated in USA</b>		<b>Incorporated in USA</b>	
Alpha Dyno Nobel Inc.	50%	Maine Drilling and Blasting Group	49%
Buckley Powder Group <sup>(1)</sup>	51%	Independent Explosives	49%
IRECO Midwest Inc.	50%		
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%		
<b>Incorporated in Canada</b>		<b>Incorporated in Canada</b>	
Quantum Explosives Inc.	50%	Labrador Maskuau Ashini Ltd	49%
Dene Dyno Nobel Inc.	49%	Innu Namesu Ltd	49%
Qaaqtuq Dyno Nobel Inc. <sup>(2)</sup>	49%		
Dene Dyno Nobel (DWEI) Inc. <sup>(3)</sup>	49%		
<b>Incorporated in Australia</b>		<b>Joint operation</b>	
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%		
<b>Incorporated in South Africa</b>			
DetNet South Africa (Pty) Ltd	50%		
Sasol Dyno Nobel (Pty) Ltd	50%		
<b>Incorporated in Mexico</b>			
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%		

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- (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 2019

## 15. Provisions and contingencies

Provisions at 30 September 2019 are analysed as follows:

	Employee entitlements \$mill	Restructuring and rationalisation \$mill	Environmental \$mill	Asset retirement obligations \$mill	Legal and other \$mill	Total provisions \$mill
<b>30 September 2019</b>						
Carrying amount at 1 October 2018	54.1	2.1	48.2	70.9	4.3	179.6
Provisions made during the year	8.3	11.7	4.6	9.6	6.4	40.6
Provisions written back during the year	(0.6)	(0.3)	(0.2)	(3.7)	(0.3)	(5.1)
Payments made during the year	(3.6)	(6.7)	(8.8)	–	(1.7)	(20.8)
Interest unwind	0.6	–	0.3	3.5	–	4.4
Foreign exchange movement	0.1	0.1	1.8	1.7	0.2	3.9
Carrying amount at 30 September 2019	58.9	6.9	45.9	82.0	8.9	202.6
Current	53.5	5.2	16.7	2.4	8.3	86.1
Non-current	5.4	1.7	29.2	79.6	0.6	116.5

### 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 14) 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 2019 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.
- Contingent liabilities arise in the normal course of business and include a number of legal claims, environmental clean-up 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 2019

## 16. 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 2019	Contractual cash flows <sup>(1)</sup> \$mill	0 – 12 months \$mill	1 – 5 years \$mill	more than 5 years \$mill	30 September 2018	Contractual cash flows <sup>(1)</sup> \$mill	0 – 12 months \$mill	1 – 5 years \$mill	more than 5 years \$mill
<b>Non-derivative financial liabilities</b>					<b>Non-derivative financial liabilities</b>				
Interest bearing liabilities	2,656.4	1,213.4	300.4	1,142.6	Interest bearing liabilities	2,374.8	212.9	1,613.4	548.5
Interest payments	357.5	57.9	191.7	107.9	Interest payments	288.0	72.3	128.0	87.7
Trade and other payables	1,169.4	1,152.0	17.4	-	Trade and other payables	1,058.6	1,045.0	13.6	-
Bank guarantees	146.4	44.3	21.4	80.7	Bank guarantees	126.8	49.2	2.9	74.7
<b>Total non-derivative cash outflows</b>	<b>4,329.7</b>	<b>2,467.6</b>	<b>530.9</b>	<b>1,331.2</b>	<b>Total non-derivative cash outflows</b>	<b>3,848.2</b>	<b>1,379.4</b>	<b>1,757.9</b>	<b>710.9</b>
<b>Derivative financial (assets)/liabilities</b>					<b>Derivative financial (assets)/liabilities</b>				
Forward exchange contracts	(5.6)	(5.6)	-	-	Forward exchange contracts	1.0	1.0	-	-
Cross currency interest rate swaps	37.1	46.7	(9.5)	(0.1)	Cross currency interest rate swaps	14.5	14.5	-	-
Interest rate swaps	6.0	8.0	7.6	(9.6)	Interest rate swaps	(13.6)	(0.9)	(12.7)	-
Interest rate options	23.0	-	23.0	-	Interest rate options	(10.5)	-	(7.9)	(2.6)
Commodity swaps	0.7	0.7	-	-	Commodity swaps	(12.2)	(12.2)	-	-
<b>Net derivative cash outflows</b>	<b>61.2</b>	<b>49.8</b>	<b>21.1</b>	<b>(9.7)</b>	<b>Net derivative cash outflows</b>	<b>(20.8)</b>	<b>2.4</b>	<b>(20.6)</b>	<b>(2.6)</b>

(1) Contractual cash flows are not discounted, include interest amounts payable, 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.

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# Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2019

## 16. Financial risk management (continued)

### Financial risks (continued)

**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:

	2019 AUD:USD USD mill	2018 AUD:USD USD mill
<b>Transactional exposures</b>		
Trade and other receivables	41.9	327.1
Trade and other payables	(253.9)	(237.8)
Interest bearing liabilities	(1,400.0)	(1,573.0)
<b>Gross exposure (before hedging)</b>	<b>(1,612.0)</b>	<b>(1,483.7)</b>

	2019 AUD:USD USD mill	2018 AUD:USD USD mill
<b>Hedge of transactional exposures</b>		
<i>Trade and other receivables</i>		
Forward exchange contracts	(18.5)	(269.0)
<i>Trade and other payables</i>		
Forward exchange contracts	242.9	220.5
<i>Interest bearing liabilities</i>		
Cross currency interest rate swaps	800.0	1,173.0
<b>Total hedge contract values</b>	<b>1,024.4</b>	<b>1,124.5</b>
<b>Net exposure (after hedging)</b>	<b>(587.6)</b>	<b>(359.2)</b>

	2019 AUD:USD USD mill	2018 AUD:USD USD mill
<b>Hedge of forecast sales and purchases</b>		
Forward exchange contracts	70.4	28.7
<b>Total hedge contract values</b>	<b>70.4</b>	<b>28.7</b>

	2019 AUD:USD USD mill	2018 AUD:USD USD mill
<b>Translational exposures</b>		
Net investment in foreign operations	2,006.4	2,532.7
<b>Gross exposure (before hedging)</b>	<b>2,006.4</b>	<b>2,532.7</b>

	2019 AUD:USD USD mill	2018 AUD:USD USD mill
<b>Hedge of translational exposures</b>		
Cross currency interest rate swaps	(1,244.4)	(1,173.0)
Forward exchange contracts	271.4	-
<b>Total hedge contract values</b>	<b>(973.0)</b>	<b>(1,173.0)</b>
<b>Net exposure (after hedging)</b>	<b>1,033.4</b>	<b>1,359.7</b>

#### 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:

	2019 AUD:USD	2018 AUD:USD
30 September foreign exchange rate	0.6762	0.7207
Average foreign exchange rate for the year	0.7037	0.7606

#### 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 2019	- 1c AUD:USD AUD mill 2019	+ 1c AUD:USD AUD mill 2018	- 1c AUD:USD AUD mill 2018
<b>Foreign exchange sensitivity - (net of hedging)</b>				
Trade and other receivables and payables - (profit or loss)	(0.3)	0.3	(0.8)	0.8
Hedge of forecast transactions - (equity)	(1.5)	1.6	(0.5)	0.6
Interest bearing liabilities (equity)	12.9	(13.3)	7.6	(7.8)
Investments in foreign operations - (equity)	(22.3)	22.9	(25.8)	26.5

# Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2019

## 16. Financial risk management (continued)

### Financial risks (continued)

#### Market risk (continued)

#### Foreign exchange risk (continued)

#### Outstanding financial instruments and sensitivity analysis (continued)

#### 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 rates 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 2019	- 1c AUD:USD AUD mill 2019	+ 1c AUD:USD AUD mill 2018	- 1c AUD:USD AUD mill 2018
USD Fertiliser sales from Australian plants	(6.3)	6.4	(7.4)	7.6
North American USD earnings	(3.3)	3.3	(3.6)	3.7

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.

#### 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
<b>2019</b>					
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

<b>2018</b>					
Less than 1 year	3.09%	-	-	0.2	USD 400
Less than 1 year	-	(1.81%)	-	0.4	AUD 200
1 to 5 years	2.70%	-	-	2.4	USD 900
1 to 5 years	(3.11%)	-	-	1.2	USD 300

Interest rate options	Net contract amounts USD mill 2019	Strike <sup>(1)</sup> 2019	Duration (years)	Net contract amounts USD mill 2018	Strike <sup>(1)</sup> 2018	Duration (years)
<i>Contracts maturing between 1 and 5 years</i>						
Sold cap	USD 350	3.75%	3.8	350	3.75%	2.8
Bought cap	USD 350	2.58%	3.8	350	2.58%	2.8
Sold floor	USD 350	2.58%	3.8	350	1.50%	2.8
Bought floor	USD 350	0.01%	3.8	350	0.01%	2.8

(1) LIBOR

Interest rate options	Net contract amounts USD mill 2019	Strike <sup>(1)</sup> 2019	Duration (years)	Net contract amounts USD mill 2018	Strike <sup>(1)</sup> 2018	Duration (years)
<i>Contracts maturing later than 5 years</i>						
Sold cap	USD 350	3.75%	0.2	350	3.75%	1.2
Bought cap	USD 350	2.58%	0.2	350	2.58%	1.2
Sold floor	USD 350	2.58%	0.2	350	1.50%	1.2
Bought floor	USD 350	0.01%	0.2	350	0.01%	1.2

(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 2019	- 1% AUD mill 2019	+ 1% AUD mill 2018	- 1% AUD mill 2018
LIBOR	(2.6)	2.6	(2.4)	2.4
BBSW	(1.3)	1.3	(2.0)	2.0

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

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# Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2019

## 16. Financial risk management (continued)

### Financial risks (continued)

#### Market risk (continued)

#### 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

Price risk exposure is managed by entering into long term contracts with suppliers and customers where possible. Where commodity price exposures cannot be eliminated through contracted and/or other commercial arrangements, the Group may enter into derivative contracts where available on a needs basis, to mitigate this risk. However, in some instances price risk exposure cannot be economically mitigated by either contractual arrangements or derivative contracts.

#### 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) <sup>(1)</sup> 2019	Price/Strike USD <sup>(2)</sup> 2019	Total volume (MMBTU) <sup>(1)</sup> 2018	Price/Strike USD <sup>(2)</sup> 2018
<b>Natural gas</b>				
<i>Contracts maturing within 1 year</i>				
Natural gas swaps fixed payer	1,307,800	2.58	396,000	2.68
<i>Contracts maturing between 1 and 5 years</i>				
Natural gas swaps fixed payer	1,421,200	2.53	554,400	2.68

(1) Million Metric British Thermal Units

(2) Nymex Henry Hub gas price

	Total volume (barrels) 2019	Price USD <sup>(1)</sup> 2019	Total volume (barrels) 2018	Price USD <sup>(1)</sup> 2018
<b>Oil<sup>(2)</sup></b>				
<i>Contracts maturing within 1 year</i>				
Oil swaps fixed payer	100,035	58.48	267,186	48.84

(1) Oil-Brent (DTD)-Platts Marketwire

(2) The Group has a gas supply agreement in Australia with pricing referenced to the USD Brent oil price. As a result, the Group holds 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 2019	- US\$1 per 1 MMBTU AUD mill 2019	+ US\$1 per 1 MMBTU AUD mill 2018	- US\$1 per 1 MMBTU AUD mill 2018
<b>Natural gas price sensitivity</b>				
Henry Hub USD	4.0	(4.0)	1.3	(1.3)

#### 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 2019	- US\$1 per 1 MMBTU AUD mill 2019	+ US\$1 per 1 MMBTU AUD mill 2018	- US\$1 per 1 MMBTU AUD mill 2018
<b>Natural gas price sensitivity</b>				
Henry Hub USD	(32.2)	32.2	(34.9)	34.9

#### 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
<b>Price sensitivity</b>		
<b>2019</b>		
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)
<b>2018</b>		
Granular Urea (FOB Middle East)	4.4	(4.4)
DAP/MAP (FOB Tampa)	11.3	(11.3)
Urea (FOB NOLA)	2.3	(2.3)
Ammonia (FOB Tampa)	8.6	(8.6)



# Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2019

## 16. Financial risk management (continued)

### Financial risks (continued)

#### Market risk (continued)

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

(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.

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# Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2019

## 16. Financial risk management (continued)

### Financial risks (continued)

#### Market risk (continued)

Included in the table below are details of the Group's derivative instruments at 30 September 2018, classified by hedge accounting type and market risk category:

30 September 2018	Note	Balance at 30 September 2018			During the period		
		Carrying amount of hedging instrument asset <sup>(1)</sup>	Carrying amount of hedging instrument liability <sup>(1)</sup>	Fair value hedge adjustment of hedged item	Balance of gains/(losses) in reserves before tax	Gains/(losses) recognised in reserves <sup>(2)</sup>	Reclassification of (gains)/losses from reserves to profit or loss <sup>(2,7)</sup>
<b>Cash flow hedges</b>							
Foreign exchange risk on forecast sales & purchases							
		1.1	(0.1)	-	1.0	4.6	-
		-	-	-	2.9	15.1	(11.4)
Commodity price risk on forecast purchases							
		11.7	(0.3)	-	11.5	(1.4)	-
		-	-	-	-	1.4	-
		-	-	-	(5.6)	23.3	(25.9)
Interest rate risk on highly probable debt							
		18.4	(7.1)	-	11.8	35.4	-
		7.5	(1.0)	-	6.7	7.0	-
		-	-	-	(3.3)	1.2	1.9
<b>Total cash flow hedges</b>		<b>38.7</b>	<b>(8.5)</b>	<b>-</b>	<b>25.0</b>	<b>86.6</b>	<b>(35.4)</b>
<b>Net investment hedges</b>							
Foreign exchange risk on foreign operation							
		-	(427.7)	-	(427.6)	(132.6)	-
		-	-	-	(198.1)	5.4	-
<b>Total net investment hedges</b>		<b>-</b>	<b>(427.7)</b>	<b>-</b>	<b>(625.7)</b>	<b>(127.2)</b>	<b>-</b>
<b>Fair value hedges</b>							
Foreign exchange risk on USD borrowings <sup>(4)</sup>							
		427.7	(14.2)	(291.6)	-	-	-
Interest rate risk on fixed USD and AUD bonds <sup>(5)</sup>							
		1.4	(0.2)	(2.9)	-	-	-
		-	-	3.8	-	-	-
<b>Total fair value hedges</b>	(8)	<b>429.1</b>	<b>(14.4)</b>	<b>(290.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Held for trading<sup>(6)</sup></b>							
		0.3	(2.6)	-	-	-	-
<b>Total held for trading</b>		<b>0.3</b>	<b>(2.6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Offsetting contracts<sup>(1)</sup></b>		<b>(427.5)</b>	<b>427.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity instruments</b>		<b>2.3</b>	<b>-</b>	<b>-</b>	<b>(16.9)</b>	<b>-</b>	<b>-</b>
<b>Total net</b>		<b>42.9</b>	<b>(25.7)</b>	<b>(290.7)</b>	<b>(617.6)</b>	<b>(40.6)</b>	<b>(35.4)</b>

(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 \$414.7m. The cross currency interest rate swaps hedging the foreign currency exposure of the Group's USD borrowings have a contract value of USD 1,173m, and are economic hedges of an equivalent amount of the Group's USD borrowings (including USD exposures as a result of hedging).

(5) Interest rate swap contracts effectively convert USD300m and AUD200m 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 2018, a gain of \$2.4m was 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 2019

## 16. Financial risk management (continued)

### Financial risks (continued)

**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:

	2019 \$mill	2018 \$mill
Trade and other receivables	364.1	324.1
Cash and cash equivalents	576.4	588.5
Derivative assets	22.8	40.6
	<b>963.3</b>	953.2

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 2019, the amount netted in other financial assets and other financial liabilities is \$371.7m (2018: \$427.5m).

### 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
<b>2019</b>			
Listed equity securities	-	-	-
Derivative financial assets	-	22.8	-
Derivative financial liabilities	-	(84.3)	-
	Level 1 \$mill	Level 2 \$mill	Level 3 \$mill
<b>2018</b>			
Listed equity securities	2.3	-	-
Derivative financial assets	-	40.6	-
Derivative financial liabilities	-	(25.7)	-

#### 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 \$2,652.8m (2018: \$2,374.8m) – refer to note 8. The fair value of the interest bearing financial liabilities at 30 September 2019 was \$2,709.9m (2018: \$2,374.5m) and was based on the level 2 valuation methodology.

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# Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2019

## 16. Financial risk management (continued)

### 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 2019

## 17. 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 2016/19, 2017/20 and 2018/21 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:

	2019 \$mill	2018 \$mill
Accounting value of performance rights issued under the LTI and STI performance plans	1.6	3.2

	2019 Number	2018 Number
Number of performance rights outstanding under the LTI and STI performance plans	4,881,245	4,431,879

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.

## 18. Key management personnel disclosures

### Key management personnel remuneration

	2019 \$000	2018 \$000
Short-term employee benefits	7,665	11,534
Post-employment benefits	199	207
Other long-term benefits	114	168
Termination benefits	-	1,398
Share-based payments	1,578	1,389
	9,556	14,696

Determination of key management personnel which was redefined during the 2018 financial year, and detailed remuneration disclosures are provided in the Remuneration Report.

### Loans to key management personnel

In the year ended 30 September 2019, there were no loans to key management personnel and their related parties (2018: nil).

### Other key management personnel transactions

In the year ended 30 September 2019, there were no transactions entered into during the year with key management personnel (including their related parties).

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# Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2019

## 19. 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

	2019 \$mill	2018 \$mill
Present value of obligations	356.6	302.2
Fair value of plan assets	(289.4)	(269.6)
<b>Net defined benefit obligation</b>	<b>67.2</b>	<b>32.6</b>

#### Maturity profile of the net defined benefit obligation

The expected maturity analysis of the undiscounted defined benefit obligation is as follows:

	2019 \$mill	2018 \$mill
Within next 10 years	221.3	203.1
Within 10 to 20 years	142.6	132.3
In excess of 20 years	43.6	44.5

#### Return on plan assets for the year ended 30 September

	2019 \$mill	2018 \$mill
Actual return on plan assets	17.7	14.9

#### Composition of plan assets at 30 September

	2019	2018
The percentage invested in each asset class:		
Equities	39%	47%
Fixed interest securities	47%	39%
Property	6%	6%
Other	8%	8%

### Movements in plan assets/liabilities

#### Amounts recognised in Other Comprehensive Income

	Notes	2019 \$mill	2018 \$mill
Losses arising from changes in actuarial assumptions		(43.8)	(0.7)
Return on plan assets greater than discount rate		7.2	5.6
Total (losses)/gains recognised in other comprehensive income		(36.6)	4.9

#### Amounts recognised in Profit or Loss

Net interest expense	(2)	(1.4)	(1.2)
Defined benefit superannuation expense	(2)	(4.6)	(3.1)

### Key assumptions and sensitivities

#### Principal actuarial assumptions

	2019	2018
Discount rate (gross of tax)	2.7% – 7.6%	3.5% – 8.1%
Future salary increases	2.5% – 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 2019 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	(32.7)	39.8
Rate of salary increase	1.6	(1.3)

### 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 2019

## 20. Deed of cross guarantee

Entities that are party to a Deed of Cross Guarantee are included in note 14. 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

	2019 \$mill	2018 \$mill
Profit before income tax	95.3	367.8
Income tax benefit/(expense)	1.7	(70.0)
<b>Profit for the year</b>	<b>97.0</b>	<b>297.8</b>
Retained profits at 1 October	1,470.0	1,332.6
Profit for the year	97.0	297.8
Other movements in retained earnings	(8.2)	(3.0)
Dividend paid	(121.7)	(157.4)
<b>Retained profits at 30 September</b>	<b>1,437.1</b>	<b>1,470.0</b>

### Statement of Financial Position

	2019 \$mill	2018 \$mill
<b>Current assets</b>		
Cash and cash equivalents	478.5	57.9
Trade and other receivables	285.4	742.4
Inventories	404.9	344.0
Other assets	18.0	22.1
Other financial assets	5.4	13.2
<b>Total current assets</b>	<b>1,192.2</b>	<b>1,179.6</b>
<b>Non-current assets</b>		
Trade and other receivables	-	246.1
Other financial assets	3,535.6	3,542.1
Property, plant and equipment	2,132.2	2,044.6
Intangible assets	246.4	247.4
Deferred tax assets	181.8	161.1
<b>Total non-current assets</b>	<b>6,096.0</b>	<b>6,241.3</b>
<b>Total assets</b>	<b>7,288.2</b>	<b>7,420.9</b>
<b>Current liabilities</b>		
Trade and other payables	1,213.4	1,008.3
Interest bearing liabilities	-	199.8
Other financial liabilities	38.8	18.3
Provisions	60.2	54.6
Current tax liabilities	10.8	52.0
<b>Total current liabilities</b>	<b>1,323.2</b>	<b>1,333.0</b>
<b>Non-current liabilities</b>		
Trade and other payables	227.9	211.6
Interest bearing liabilities	556.4	501.2
Other financial liabilities	45.1	7.4
Provisions	72.6	61.3
Deferred tax liabilities	438.1	421.3
Retirement benefit obligation	23.3	11.6
<b>Total non-current liabilities</b>	<b>1,363.4</b>	<b>1,214.4</b>
<b>Total liabilities</b>	<b>2,686.6</b>	<b>2,547.4</b>
<b>Net assets</b>	<b>4,601.6</b>	<b>4,873.5</b>
<b>Equity</b>		
Issued capital	3,136.8	3,226.5
Reserves	27.7	177.0
Retained earnings	1,437.1	1,470.0
<b>Total equity</b>	<b>4,601.6</b>	<b>4,873.5</b>

## 21. Parent entity disclosure

Throughout the financial year ended 30 September 2019 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

	2019 \$mill	2018 \$mill
<b>Results of the parent entity</b>		
Profit for the year	452.6	78.3
Other comprehensive (loss)/income	(72.9)	31.8
<b>Total comprehensive income for the year</b>	<b>379.7</b>	<b>110.1</b>

### Statement of Financial Position

	2019 \$mill	2018 \$mill
Current assets	866.7	877.8
Total assets	7,255.2	7,396.3
Current liabilities	856.5	901.5
Total liabilities	3,650.7	3,960.0
<b>Net assets</b>	<b>3,604.5</b>	<b>3,436.3</b>
Share capital	3,136.8	3,226.5
Reserves	(57.0)	7.8
Retained earnings	524.7	202.0
<b>Total equity</b>	<b>3,604.5</b>	<b>3,436.3</b>

### Parent entity contingencies and commitments

Contingent liabilities of Incitec Pivot Limited are disclosed in note 15.

	2019 \$mill	2018 \$mill
<b>Capital expenditure - commitments</b>		
Contracted but not yet provided for and payable:		
Within one year	5.4	20.3

### 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.

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## Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2019

### 22. Auditor's remuneration

	2019 \$000	2018 \$000
Assurance services		
Audit of the Group's annual report <sup>(1)</sup>	1,024.6	992.3
Audit of subsidiaries <sup>(2)</sup>	639.0	604.0
Audit-related assurance services <sup>(3)</sup>	244.4	174.9
Total current year assurance services	1,908.0	1,771.2
Other services		
Other services relating to taxation <sup>(4)</sup>	231.1	401.1
All other services <sup>(5)</sup>	191.4	-
Total other services	422.5	401.1
Total remuneration for audit and other services	2,330.5	2,172.3
- Paid/payable to Australian Group auditor firm	1,649.0	1,402.2
- Paid/payable to International Group auditor associates	681.5	770.1

(1) Comprises the fee payable to the Group's auditors for the audit of the Group's financial statements.

(2) Comprises the audits of the Group's subsidiaries.

(3) Mainly comprises review of half-year reports and other assurance services.

(4) Comprises taxation compliance procedures for the Group's subsidiaries.

(5) Comprises other non-statutory based services.

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.

### 23. Events subsequent to reporting date

In October 2019, US\$500m Notes in the Private Placement Market were funded with US\$250m maturing 30 October 2028 and US\$250m maturing 30 October 2030.

In November 2019, the directors determined to pay a final dividend for the Company of 3.4 cents per share, 30 percent franked, to be paid on 8 January 2020. The record date for entitlement to this dividend is 2 December 2019. The total dividend payment of \$54.6m will be paid in cash or as part of the Dividend Reinvestment Plan which has been reinstated at a discount of 2 percent (refer to note 6).

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.

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# Directors' Declaration

on the Consolidated Financial Statements set out on pages 46 to 82

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I, Brian Kruger, being a director of Incitec Pivot Limited (the **Company**), do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

1. (a) the consolidated financial statements and notes, set out on pages 46 to 82, and the remuneration disclosures that are contained in the Remuneration Report on pages 23 to 43 of the Directors' Report, 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 2019 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 52; 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 14 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 2019.



Brian Kruger  
Chairman

Melbourne, 12 November 2019

## 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 2019, 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 2019 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have 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><b>Carrying value of goodwill and non-current assets</b></p> <p><i>Refer to Note 9 Property, plant and equipment, Note 10 Intangibles and Note 11 Impairment of goodwill and non-current assets</i></p> <p>As at 30 September 2019, the Group held goodwill of \$2,724.5 million, intangible assets of \$455.0 million and property, plant and equipment of \$4,190.0 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 such as future commodity prices, foreign exchange rates and operating performance including the timing and approval of future capital and operating expenditure, and the most appropriate discount rates.</p> <p>As disclosed in note 11, the Group has prepared a value-in-use model to determine the recoverable amount of each CGU. The Group's models are sensitive to changes in discount rates, natural gas prices, fertiliser prices (primarily Di-Ammonium Phosphate (DAP)) and terminal value period assumptions including growth rates, commodity prices, foreign exchange rates and production volumes.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Understanding the controls and process that management has undertaken to assess the recoverable amount</li> <li>• In conjunction with our valuation specialists: <ul style="list-style-type: none"> <li>◦ Evaluating the appropriateness of the models used by management to calculate the value-in-use of the individual CGUs</li> <li>◦ Assessing key inputs to the models including revenue based on forecast commodity prices and production rates, costs including natural gas and sulphuric acid prices, capital expenditure, foreign exchange rates, discount rates and growth rates. We challenged these inputs by: <ul style="list-style-type: none"> <li>▪ Corroborating the key market based assumptions to external analysts' reports, published industry growth rates and industry reports</li> <li>▪ Corroborating the key non-market based assumptions by comparing forecasts to historical performance to test the accuracy of management's projections, and</li> <li>▪ Comparing the discount rates applied to each CGU with an independently developed rate</li> </ul> </li> </ul> </li> <li>• Agreeing relevant amounts in the models to the Board approved forecasts</li> <li>• Performing a range of sensitivity analysis including discount rates, natural gas prices, fertiliser prices and terminal value period assumptions including growth rates, commodity prices, foreign exchange rates and production volumes.</li> <li>• Assessing the appropriateness of the disclosures included in the Notes to the financial statements.</li> </ul>

<p><b>Provisions for uncertain tax positions</b></p> <p><i>Refer to Note 3 Taxation and Note 15 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 audit activities depend upon several factors and as a result management exercise judgement in the determination of the tax position and the estimates and assumptions in relation to the provision for taxes.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Understanding the 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</li> <li>• In conjunction with our tax specialists: <ul style="list-style-type: none"> <li>◦ Understanding the current status of tax assessments and investigations and the process to monitor developments in ongoing investigations and audit activities</li> <li>◦ Reviewing external tax advice where available, and</li> <li>◦ 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</li> </ul> </li> <li>• Assessing the appropriateness of the disclosures included in the Notes to the financial statements</li> </ul>
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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 2019, 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.

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, related safeguards.

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 23 to 43 of the Director's Report for the year ended 30 September 2019.

In our opinion, the Remuneration Report of the Incitec Pivot Limited, for the year ended 30 September 2019, 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, 12 November 2019



Genevra Cavallo  
Partner  
Chartered Accountants  
Melbourne, 12 November 2019