

# Appendix 4D

## Half-Year Report

**Incitec Pivot Limited**

ABN 42 004 080 264

**Financial half-year ended**  
(current period)

**Previous financial half-year ended**  
(previous corresponding period)

**31 March 2016**

**31 March 2015**

### Results for announcement to the market

Extracts of the Incitec Pivot Limited results for the financial half-year ended 31 March 2016

**\$A mill**

|                                                                                                         |      |                        |    |         |
|---------------------------------------------------------------------------------------------------------|------|------------------------|----|---------|
| Revenues from ordinary activities                                                                       | down | \$A mill 70.9 (4.4%)   | to | 1,524.0 |
| Net profit for the period attributable to members of Incitec Pivot Limited                              | down | \$A mill 114.9 (78.5%) | to | 31.5    |
| Profit after tax excluding individually material items attributable to members of Incitec Pivot Limited | down | \$A mill 9.3 (6.4%)    | to | 137.1   |

|                                      | <b>Amount per security cents</b> | <b>Franked amount per security cents</b> |
|--------------------------------------|----------------------------------|------------------------------------------|
| <b>Dividends</b>                     |                                  |                                          |
| <b>Current period</b>                |                                  |                                          |
| Interim dividend                     | 4.10                             | 4.10                                     |
| <b>Previous corresponding period</b> |                                  |                                          |
| Interim dividend                     | 4.40                             | 0.00                                     |
| <b>Year end dividend – 2015</b>      |                                  |                                          |
| Final dividend                       | 7.40                             | 4.44                                     |

Record date for determining entitlements to the interim dividend: 24 May 2016

Payment date of interim dividend: 1 July 2016

The Dividend Reinvestment Plan (the DRP) will continue to operate at nil discount. The last date to elect to participate in the DRP is 25 May 2016. 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 during the 10 trading days commencing on the second trading day after the record date.

|                                                         | <b>Current period</b> | <b>Previous corresponding period</b> |
|---------------------------------------------------------|-----------------------|--------------------------------------|
| <b>Net tangible asset backing per ordinary security</b> | \$0.82                | \$0.77                               |

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

Additional Appendix 4D disclosure requirements can be found in the notes to Incitec Pivot Limited's half-year financial report and the half-year Directors' report.

The information should be read in conjunction with Incitec Pivot Limited's 30 September 2015 Annual Financial Report.

### Conduit foreign income component:

| <i>Current period</i> |     | <i>Previous corresponding period</i> |
|-----------------------|-----|--------------------------------------|
| Interim dividend      |     | Interim dividend                     |
| Ordinary              | nil | Ordinary 4.40 cents                  |
|                       |     | Final dividend                       |
|                       |     | Ordinary 2.96 cents                  |

# Half-Year Financial Report

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# Directors' Report

The Directors of Incitec Pivot Limited present their report together with the financial report for the half-year ended 31 March 2016 and the auditor's review report thereon.

## Directors

The Directors of the Company during the financial half-year and up to the date of this report are:

| Name, qualification and special responsibilities                                                                                                                                                           | Period of directorship                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <b>Non-executive directors</b>                                                                                                                                                                             |                                                                                               |
| <b>P V Brasher</b> BEc(Hons), FCA<br>Chairman<br>Chairman of the Nominations Committee                                                                                                                     | Appointed as a director on 29 September 2010 and appointed Chairman on 30 June 2012           |
| <b>K Fagg</b> FTSE, BE(Hons), MCom(Hons)<br>Member of the Health, Safety, Environment and Community Committee<br>Member of the Remuneration Committee                                                      | Appointed as a director on 15 April 2014                                                      |
| <b>G Hayes</b> MAppFin, GradDipACC, BA, ACA<br>Chairman of the Audit and Risk Management Committee                                                                                                         | Appointed as a director on 1 October 2014                                                     |
| <b>J Marlay</b> BSc, FAICD<br>Chairman of the Remuneration Committee<br>Member of the Audit and Risk Management Committee                                                                                  | Appointed as a director on 20 December 2006                                                   |
| <b>R McGrath</b> BTP(Hons), MASC, FAICD<br>Chairman of the Health, Safety, Environment and Community Committee<br>Member of the Audit and Risk Management Committee<br>Member of the Nominations Committee | Appointed as a director on 15 September 2011                                                  |
| <b>G Smorgon AM</b> B.Juris, LLB<br>Member of the Health, Safety, Environment and Community Committee<br>Member of the Nominations Committee<br>Member of the Remuneration Committee                       | Appointed as a director on 19 December 2008                                                   |
| <b>Executive directors</b>                                                                                                                                                                                 |                                                                                               |
| <b>J E Fazzino</b> BEc(Hons)<br>Managing Director & Chief Executive Officer<br>Member of the Health, Safety, Environment and Community Committee                                                           | Appointed as a director on 18 July 2005 and appointed Managing Director & CEO on 29 July 2009 |

## Review of operations

A review of the operations of Incitec Pivot Limited and its controlled entities (collectively the "Group") during the half-year ended 31 March 2016 is contained in the accompanying Incitec Pivot Limited Profit Report.

## Events subsequent to reporting date

Since the end of the half-year, in May 2016 the directors determined to pay an interim dividend for the Company of 4.1 cents per share on 1 July 2016. The dividend is 100 percent franked (refer to note 8 in the half-year financial report).

On 13 April 2016, Peabody Energy Corporation announced that it and the majority of its US entities had filed for voluntary Chapter 11 protection in the United States. IPL, through its Dyno Nobel business, supplies goods and services to Peabody under agreements in the US and Australia, and continues to do so in accordance with its contractual commitments. Peabody's announcement stated that all of the Peabody group's mines and offices are continuing to operate in the ordinary course of business and are expected to continue doing so for the duration of the Chapter 11 process. Peabody's announcement stated that no Australian entities are included in the Chapter 11 filings, and that Australian operations are continuing as usual.

Other than the matters reported above, as at the date of this report, the directors are not aware of any significant matter or circumstance that has arisen since 31 March 2016 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.

## Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half-year ended 31 March 2016.

## Rounding

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, the amounts shown in this report and in the accompanying half-year financial report have been rounded off, except where otherwise stated, to the nearest one hundred thousand dollars.

This report is made in accordance with a resolution of Directors.

Signed on behalf of the Board.



Paul V Brasher,  
Chairman

Dated at Melbourne  
this 10th day of May 2016

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

10 May 2016

Dear Board Members

## **Auditors Independence Declaration to 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 review of the half year financial report of Incitec Pivot Limited for the half year ended 31 March 2016, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Tom Imbesi  
Partner  
Chartered Accountants

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 March 2016

|                                                                                           | Notes | March 2016<br>\$mill | March 2015<br>\$mill |
|-------------------------------------------------------------------------------------------|-------|----------------------|----------------------|
| Revenue                                                                                   | (5)   | 1,524.0              | 1,594.9              |
| Financial and other income                                                                | (5)   | 20.4                 | 24.0                 |
| Share of profit on equity accounted investments                                           |       | 17.3                 | 14.1                 |
| <b>Operating expenses</b>                                                                 |       |                      |                      |
| Changes in inventories of finished goods and work in progress                             |       | 129.8                | 115.2                |
| Raw materials and consumables used and finished goods purchased for resale                |       | (726.8)              | (757.7)              |
| Employee expenses                                                                         |       | (312.8)              | (305.9)              |
| Depreciation and amortisation                                                             |       | (125.3)              | (121.7)              |
| Financial expenses                                                                        |       | (30.8)               | (36.2)               |
| Purchased services                                                                        |       | (79.5)               | (84.4)               |
| Repairs and maintenance                                                                   |       | (75.6)               | (68.9)               |
| Outgoing freight                                                                          |       | (112.9)              | (132.8)              |
| Lease payments – operating leases                                                         |       | (33.8)               | (35.0)               |
| Asset write-downs, clean-up and environmental provisions                                  |       | (154.5)              | (4.0)                |
| Other expenses                                                                            |       | (17.4)               | (15.0)               |
| <b>Profit before income tax</b>                                                           |       | 22.1                 | 186.6                |
| Income tax benefit/(expense)                                                              |       | 9.8                  | (40.1)               |
| <b>Profit for the half-year</b>                                                           |       | 31.9                 | 146.5                |
| <b>Other comprehensive income, net of income tax</b>                                      |       |                      |                      |
| <i>Items that will not be reclassified subsequently to profit or loss</i>                 |       |                      |                      |
| Actuarial (loss)/gain on defined benefit plans                                            |       | (2.5)                | 5.2                  |
| Gross fair value loss on assets at fair value through other comprehensive income          |       | (0.3)                | (3.0)                |
| Income tax relating to items that will not be reclassified subsequently to profit or loss |       | 1.0                  | (1.0)                |
|                                                                                           |       | (1.8)                | 1.2                  |
| <i>Items that may be reclassified subsequently to profit or loss</i>                      |       |                      |                      |
| Fair value loss on cash flow hedges                                                       |       | (30.7)               | (28.2)               |
| Cash flow hedge (gains)/losses transferred to profit or loss                              |       | (0.2)                | 0.4                  |
| Exchange differences on translating foreign operations                                    |       | (294.3)              | 368.5                |
| Net gain/(loss) on hedge of net investment                                                |       | 261.2                | (339.1)              |
| Income tax relating to items that may be reclassified subsequently to profit or loss      |       | 27.2                 | 1.1                  |
|                                                                                           |       | (36.8)               | 2.7                  |
| <b>Other comprehensive (expense)/income for the period, net of income tax</b>             |       | (38.6)               | 3.9                  |
| <b>Total comprehensive (expense)/income for the half- year</b>                            |       | (6.7)                | 150.4                |
| <b>Profit attributable to:</b>                                                            |       |                      |                      |
| Members of Incitec Pivot Limited                                                          |       | 31.5                 | 146.4                |
| Non-controlling interest                                                                  |       | 0.4                  | 0.1                  |
| <b>Profit for the half-year</b>                                                           |       | 31.9                 | 146.5                |
| <b>Total comprehensive (expense)/income attributable to:</b>                              |       |                      |                      |
| Members of Incitec Pivot Limited                                                          |       | (7.1)                | 150.3                |
| Non-controlling interest                                                                  |       | 0.4                  | 0.1                  |
| <b>Total comprehensive (expense)/income for the half-year</b>                             |       | (6.7)                | 150.4                |
| <b>Earnings per share</b>                                                                 |       |                      |                      |
| Basic (cents per share)                                                                   | (7)   | 1.9                  | 8.8                  |
| Diluted (cents per share)                                                                 | (7)   | 1.9                  | 8.8                  |

# Consolidated Statement of Financial Position

As at 31 March 2016

|                                      | Notes | March 2016<br>\$mill | September 2015<br>\$mill |
|--------------------------------------|-------|----------------------|--------------------------|
| <b>Current assets</b>                |       |                      |                          |
| Cash and cash equivalents            | (11)  | 83.0                 | 606.3                    |
| Trade and other receivables          |       | 352.5                | 288.8                    |
| Inventories                          |       | 534.6                | 401.3                    |
| Other assets                         |       | 61.4                 | 38.4                     |
| Other financial assets               | (12)  | 3.6                  | 9.1                      |
| <b>Total current assets</b>          |       | <b>1,035.1</b>       | <b>1,343.9</b>           |
| <b>Non-current assets</b>            |       |                      |                          |
| Trade and other receivables          |       | 20.7                 | 21.2                     |
| Other assets                         |       | 64.9                 | 63.2                     |
| Other financial assets               | (12)  | 31.5                 | 36.0                     |
| Equity accounted investments         |       | 314.2                | 323.6                    |
| Property, plant and equipment        |       | 3,815.6              | 4,003.6                  |
| Intangible assets                    |       | 3,169.4              | 3,346.3                  |
| Deferred tax assets                  |       | 24.2                 | 58.5                     |
| <b>Total non-current assets</b>      |       | <b>7,440.5</b>       | <b>7,852.4</b>           |
| <b>Total assets</b>                  |       | <b>8,475.6</b>       | <b>9,196.3</b>           |
| <b>Current liabilities</b>           |       |                      |                          |
| Trade and other payables             |       | 742.9                | 888.5                    |
| Interest bearing liabilities         | (11)  | 17.7                 | 747.1                    |
| Other financial liabilities          | (12)  | 108.5                | 129.1                    |
| Provisions                           |       | 94.6                 | 86.9                     |
| Current tax liabilities              |       | 11.1                 | 44.6                     |
| <b>Total current liabilities</b>     |       | <b>974.8</b>         | <b>1,896.2</b>           |
| <b>Non-current liabilities</b>       |       |                      |                          |
| Trade and other payables             |       | 5.5                  | 4.6                      |
| Interest bearing liabilities         | (11)  | 2,269.6              | 1,806.6                  |
| Other financial liabilities          | (12)  | 75.2                 | 77.8                     |
| Provisions                           |       | 89.1                 | 93.3                     |
| Deferred tax liabilities             |       | 420.7                | 543.4                    |
| Retirement benefit obligation        |       | 82.3                 | 86.2                     |
| <b>Total non-current liabilities</b> |       | <b>2,942.4</b>       | <b>2,611.9</b>           |
| <b>Total liabilities</b>             |       | <b>3,917.2</b>       | <b>4,508.1</b>           |
| <b>Net assets</b>                    |       | <b>4,558.4</b>       | <b>4,688.2</b>           |
| <b>Equity</b>                        |       |                      |                          |
| Issued capital                       |       | 3,436.8              | 3,430.9                  |
| Reserves                             |       | (197.8)              | (156.7)                  |
| Retained earnings                    |       | 1,316.0              | 1,411.0                  |
| Non-controlling interest             |       | 3.4                  | 3.0                      |
| <b>Total equity</b>                  |       | <b>4,558.4</b>       | <b>4,688.2</b>           |

# Consolidated Statement of Cash Flows

For the half-year ended 31 March 2016

|                                                                         | Notes | March 2016<br>\$mill   | March 2015<br>\$mill   |
|-------------------------------------------------------------------------|-------|------------------------|------------------------|
|                                                                         |       | Inflows/<br>(Outflows) | Inflows/<br>(Outflows) |
| <b>Cash flows from operating activities</b>                             |       |                        |                        |
| Profit after tax for the half-year                                      |       | 31.9                   | 146.5                  |
| Net finance cost                                                        |       | 24.4                   | 29.0                   |
| Depreciation and amortisation                                           |       | 125.3                  | 121.7                  |
| Write-down of property, plant and equipment                             |       | 151.1                  | 1.7                    |
| Share of profit on equity accounted investments                         |       | (17.3)                 | (14.1)                 |
| Net gain on sale of property, plant and equipment                       |       | (0.6)                  | (1.1)                  |
| Non-cash share-based payment transactions                               |       | 1.8                    | 2.0                    |
| Deferred tax (benefit)/expense                                          |       | (37.2)                 | 19.2                   |
| Income tax expense                                                      |       | 27.4                   | 20.9                   |
| Changes in assets and liabilities                                       |       |                        |                        |
| increase in receivables and other operating assets                      |       | (111.2)                | (61.8)                 |
| increase in inventories                                                 |       | (147.0)                | (99.1)                 |
| decrease in payables, provisions and other operating liabilities        |       | (52.0)                 | (111.5)                |
|                                                                         |       | (3.4)                  | 53.4                   |
| Dividends received                                                      |       | 19.2                   | 8.1                    |
| Interest received                                                       |       | 5.3                    | 7.6                    |
| Interest expense                                                        |       | (26.4)                 | (30.6)                 |
| Income tax paid                                                         |       | (60.6)                 | (22.0)                 |
| <b>Net cash flows from operating activities</b>                         |       | <b>(65.9)</b>          | <b>16.5</b>            |
| <b>Cash flows from investing activities</b>                             |       |                        |                        |
| Payments for property, plant and equipment and intangibles              |       | (300.6)                | (209.8)                |
| Proceeds from sale of property, plant and equipment                     |       | 0.9                    | 5.1                    |
| Payments from equity accounted investees                                |       | –                      | 2.7                    |
| Proceeds/(payments) from settlement of net investment hedge derivatives |       | 38.2                   | (14.9)                 |
| <b>Net cash flows from investing activities</b>                         |       | <b>(261.5)</b>         | <b>(216.9)</b>         |
| <b>Cash flows from financing activities</b>                             |       |                        |                        |
| Repayments of borrowings                                                | (11)  | (821.5)                | (24.2)                 |
| Proceeds from borrowings                                                | (11)  | 759.6                  | 297.5                  |
| Dividends paid                                                          |       | (124.9)                | (61.6)                 |
| <b>Net cash flows from financing activities</b>                         |       | <b>(186.8)</b>         | <b>211.7</b>           |
| Net (decrease)/increase in cash and cash equivalents held               |       | (514.2)                | 11.3                   |
| Cash and cash equivalents at the beginning of the half-year             |       | 606.3                  | 70.5                   |
| Effect of exchange rate fluctuation on cash and cash equivalents held   |       | (9.1)                  | 9.7                    |
| <b>Cash and cash equivalents at the end of the half-year</b>            |       | <b>83.0</b>            | <b>91.5</b>            |

# Consolidated Statement of Changes in Equity

For the half-year ended 31 March 2016

|                                                | Notes | Issued capital<br>\$mill | Cash flow<br>hedging<br>reserve<br>\$mill | Share<br>-based<br>payments<br>reserve<br>\$mill | Foreign<br>currency<br>translation<br>reserve<br>\$mill | Fair<br>value<br>reserve<br>\$mill | Retained<br>earnings<br>\$mill | Total<br>\$mill | Non-<br>controlling<br>interest<br>\$mill | Total<br>equity<br>\$mill |
|------------------------------------------------|-------|--------------------------|-------------------------------------------|--------------------------------------------------|---------------------------------------------------------|------------------------------------|--------------------------------|-----------------|-------------------------------------------|---------------------------|
| Balance at 1 October 2014                      |       | 3,332.8                  | (17.4)                                    | 22.7                                             | (141.4)                                                 | (8.7)                              | 1,216.3                        | 4,404.3         | 2.7                                       | 4,407.0                   |
| Early adoption of AASB 9 Financial instruments |       | -                        | -                                         | -                                                | -                                                       | -                                  | (6.5)                          | (6.5)           | -                                         | (6.5)                     |
| Profit for the half-year                       |       | -                        | -                                         | -                                                | -                                                       | -                                  | 146.4                          | 146.4           | 0.1                                       | 146.5                     |
| Other comprehensive income for the period      |       | -                        | (18.4)                                    | -                                                | 21.1                                                    | (2.1)                              | 3.3                            | 3.9             | -                                         | 3.9                       |
| Dividends paid                                 | (8)   | -                        | -                                         | -                                                | -                                                       | -                                  | (120.8)                        | (120.8)         | -                                         | (120.8)                   |
| Shares issued during the period                |       | 59.2                     | -                                         | -                                                | -                                                       | -                                  | -                              | 59.2            | -                                         | 59.2                      |
| Share-based payment transactions               |       | -                        | -                                         | 2.0                                              | -                                                       | -                                  | -                              | 2.0             | -                                         | 2.0                       |
| Balance at 31 March 2015                       |       | 3,392.0                  | (35.8)                                    | 24.7                                             | (120.3)                                                 | (10.8)                             | 1,238.7                        | 4,488.5         | 2.8                                       | 4,491.3                   |
| <b>Balance at 1 October 2015</b>               |       | <b>3,430.9</b>           | <b>(39.9)</b>                             | <b>27.0</b>                                      | <b>(132.6)</b>                                          | <b>(11.2)</b>                      | <b>1,411.0</b>                 | <b>4,685.2</b>  | <b>3.0</b>                                | <b>4,688.2</b>            |
| Profit for the half-year                       |       | -                        | -                                         | -                                                | -                                                       | -                                  | 31.5                           | 31.5            | 0.4                                       | 31.9                      |
| Other comprehensive income for the period      |       | -                        | (20.8)                                    | -                                                | (16.0)                                                  | (0.2)                              | (1.6)                          | (38.6)          | -                                         | (38.6)                    |
| Dividends paid                                 | (8)   | -                        | -                                         | -                                                | -                                                       | -                                  | (124.9)                        | (124.9)         | -                                         | (124.9)                   |
| Shares issued during the period                |       | 5.9                      | -                                         | (5.9)                                            | -                                                       | -                                  | -                              | -               | -                                         | -                         |
| Share-based payment transactions               |       | -                        | -                                         | 1.8                                              | -                                                       | -                                  | -                              | 1.8             | -                                         | 1.8                       |
| <b>Balance at 31 March 2016</b>                |       | <b>3,436.8</b>           | <b>(60.7)</b>                             | <b>22.9</b>                                      | <b>(148.6)</b>                                          | <b>(11.4)</b>                      | <b>1,316.0</b>                 | <b>4,555.0</b>  | <b>3.4</b>                                | <b>4,558.4</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 2013/16, 2014/17 and 2015/18 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.

## Non-controlling interest

Represents a 35 percent outside equity interest in Quantum Fertilisers Limited, a Hong Kong based fertiliser marketing company.

# Notes to the half-year Consolidated Financial Report

For the half-year ended 31 March 2016

## 1. Basis of preparation

Incitec Pivot Limited (the 'Company') is a company incorporated and domiciled in Australia. This half-year Consolidated Financial Report includes the financial statements of the Company and its subsidiaries and the Group's interest in joint ventures and associates (collectively the 'Group') as at, and for, the half-year ended 31 March 2016.

The half-year Consolidated Financial Report is a general purpose Financial Report which has been prepared in accordance with the requirements of the Australian *Corporations Act 2001* and Accounting standards applicable in Australia, including AASB 134: *Interim Financial Reporting*.

This half-year Consolidated Financial Report does not include all the notes of the type normally included in the Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 30 September 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure obligations set out in the ASX listing rules.

The Annual Financial Report of the Group for the year ended 30 September 2015 is available on Incitec Pivot Limited's website, [www.incitecpivot.com.au](http://www.incitecpivot.com.au), or upon request from the Company's registered office at Level 8, 28 Freshwater Place, Southbank Victoria 3006, Australia.

This half-year Consolidated Financial Report was approved by the Board of Directors on 10 May 2016.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with the Class Order, amounts in the half-year Consolidated Financial Report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated. The half-year Consolidated Financial Report is presented in Australian dollars.

## 2. Summary of accounting policies

The accounting policies applied by the Group in the half-year Consolidated Financial Report are the same as those applied by the Group in its Annual Financial Report as at, and for, the year ended 30 September 2015.

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 half-year. The adoption of these revised Standards and Interpretations did not have a material impact on the Group's results.

## 3. Critical accounting estimates and judgements

### Impairment

The carrying amounts of the Group's cash generating units (CGUs), being Dyno Nobel Asia Pacific (DNAP), Dyno Nobel Americas (DNA), Southern Cross International (SCI), and Incitec Pivot Fertilisers (IPF), are reviewed at each reporting date to determine whether there are any indicators of impairment. If indicators are identified, the CGUs are tested for impairment by comparing their recoverable amounts to their carrying amounts. The recoverable amount is the higher of the asset's Value in Use (VIU) or Fair Value Less Cost of Disposal (FVLCD).

### Impairment indicators

The following impairment indicators were identified at 30 September 2015:

- The global mining downturn;
- Lower global fertiliser prices; and
- Availability of committed sources of natural gas and sulphuric acid at economically viable prices for fertiliser manufacturing in Australia.

At 31 March 2016, the Group considered the net impact of changes in global markets, fertiliser prices, foreign exchange rates and the input costs of raw materials since 30 September 2015. It was concluded that these changes did not identify any impairment indicators for the DNA, DNAP or SCI CGUs at 31 March 2016.

Impairment indicators were identified for the Gibson Island assets, which are part of the IPF CGU. Higher forecast Australian East Coast gas prices and lower forecast Urea prices, offset to some extent by the lower forecast AUD:USD exchange rate, would result in the Gibson Island manufacturing plant operating at a loss beyond the current contracted gas supply that ends in September 2018.

### Impairment testing

The Group has prepared VIU and FVLCD models for the purpose of testing Gibson Island's assets for impairment at 31 March 2016. The VIU amount calculated is lower than the FVLCD amount and, therefore, the recoverable amount of Gibson Island's assets has been determined on a FVLCD basis.

The FVLCD of the Gibson Island assets was determined as the present value of the estimated future cash flows for 2 years of operation until 2018 when supply under the existing favourable gas contract ends, less the present value of what would be received on its eventual disposal, taking into consideration the assumptions that an independent market participant would use. The fair value measurement is categorised as a Level 3 fair value based on the inputs used in the valuation (refer to note 12: Financial Instruments for explanation of the valuation hierarchy). A post tax discount rate of 9% has been applied at 31 March 2016, reflecting the underlying cost of capital, adjusted for market risk.

# Notes to the half-year Consolidated Financial Report

For the half-year ended 31 March 2016

## 3. Critical accounting estimates and judgements (continued)

### Impairment testing (continued)

At 31 March 2016, the recoverable amount of the Gibson Island assets is lower than the carrying amount. As a result, the Group has recognised an impairment of \$150.8m (after tax of \$105.6m) at 31 March 2016. This represents the impairment of the manufacturing plant and related assets at Gibson Island.

The impairment charge could be reversed in future years should there be favourable changes in the market conditions impacting the economic viability of the Gibson Island manufacturing facility. The maximum extent to which an impairment charge may be reversed is to return the impaired asset to the carrying amount that would have been determined, net of depreciation, if no impairment charge had been recognised.

### Key assumptions

The estimation of future cash flows requires management to make significant estimates and judgements on the timing of cash flows, commodity prices and foreign exchange rates. Details of the key assumptions used in the VIU and FVLCD calculations for the Gibson Island assets are set out below:

| Key assumptions        | 1-5 years               |                   | Terminal value (after 5 years) |                   |
|------------------------|-------------------------|-------------------|--------------------------------|-------------------|
|                        | 31 March 2016           | 30 September 2015 | 31 March 2016                  | 30 September 2015 |
| Urea <sup>(1)</sup>    | <b>\$191 to \$306</b>   | \$265 to \$325    | <b>\$328</b>                   | \$336             |
| AUD:USD <sup>(2)</sup> | <b>\$0.73 to \$0.75</b> | \$0.72 to \$0.76  | <b>\$0.75</b>                  | \$0.76            |
| Gas <sup>(3)</sup>     | <b>\$9.00</b>           | \$9.00            | <b>\$9.93</b>                  | \$9.18            |

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

(2) AUD:USD exchange rate.

(3) Australian East Coast (Wallumbilla) natural gas price (AUD) per gigajoule. There are additional gas transportation costs incurred by IPL from Wallumbilla to Gibson Island.

### Sensitivity

Included in the table below is a sensitivity analysis showing the impairment impact of changes in key assumptions on the recoverable amount of the Gibson Island assets as at 31 March 2016:

| Commodity/Exchange rate | Impairment \$mill |
|-------------------------|-------------------|
| Urea: -US\$10 per tonne | (9.3)             |
| AUD:USD: +5c            | (15.5)            |

The FVLCD model includes contracted gas prices to September 2018, and therefore the FVLCD model is not sensitive to gas price movements.

However, should the impairment be reversed in future years, then the recoverable amount of the Gibson Island assets will be sensitive to Australian East Coast gas prices as disclosed in the Group's 30 September 2015 financial report.

# Notes to the half-year Consolidated Financial Report

For the half-year ended 31 March 2016

## 4. 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 Group's chief operating decision-makers to assess performance and make decisions about the allocation of resources.

### Description of reportable segments

#### Fertilisers

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 65 percent share of the Hong Kong marketing company, Quantum Fertilisers Limited.

Fertilisers Elimination (Elim): represents the elimination of profit in stock arising from the sale of SCI manufactured products to IPF at an import parity price.

#### Explosives

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.

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) and manufactures and sells agricultural chemicals.

Explosives Eliminations (Elim): represents elimination of profit in stock arising from DNA sales to DNAP at an arm's length transfer price.

#### Corporate

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

### Reportable segments – financial information

| 31 March 2016                                       | IPF<br>\$mill | SCI<br>\$mill | Elim<br>\$mill | Total<br>Fertilisers<br>\$mill | DNAP<br>\$mill | DNA<br>\$mill | Elim<br>\$mill | Total<br>Explosives<br>\$mill | Corporate/<br>Group/<br>Elim <sup>(1)</sup><br>\$mill | Consolidated<br>Group<br>\$mill |
|-----------------------------------------------------|---------------|---------------|----------------|--------------------------------|----------------|---------------|----------------|-------------------------------|-------------------------------------------------------|---------------------------------|
| Sales to external customers                         | 338.0         | 319.5         | (130.1)        | 527.4                          | 446.7          | 580.8         | (24.6)         | 1,002.9                       | (6.3)                                                 | 1,524.0                         |
| Share of profits in equity<br>accounted investments | –             | –             | –              | –                              | 8.4            | 8.9           | –              | 17.3                          | –                                                     | 17.3                            |
| EBITDA <sup>(2)</sup>                               | 29.8          | 63.3          | (3.4)          | 89.7                           | 128.2          | 113.2         | 1.4            | 242.8                         | (9.9)                                                 | 322.6                           |
| Depreciation and amortisation                       | (15.3)        | (20.0)        | –              | (35.3)                         | (40.1)         | (49.0)        | –              | (89.1)                        | (0.9)                                                 | (125.3)                         |
| EBIT <sup>(3)</sup>                                 | 14.5          | 43.3          | (3.4)          | 54.4                           | 88.1           | 64.2          | 1.4            | 153.7                         | (10.8)                                                | 197.3                           |
| Net interest expense                                |               |               |                |                                |                |               |                |                               |                                                       | (24.4)                          |
| Income tax expense                                  |               |               |                |                                |                |               |                |                               |                                                       | (35.4)                          |
| Profit after tax <sup>(4)</sup>                     |               |               |                |                                |                |               |                |                               |                                                       | 137.5                           |
| Non-controlling interest                            |               |               |                |                                |                |               |                |                               |                                                       | (0.4)                           |
| Individually material items (net of tax)            |               |               |                |                                |                |               |                |                               |                                                       | (105.6)                         |
| Profit attributable to<br>members of IPL            |               |               |                |                                |                |               |                |                               |                                                       | 31.5                            |
| Segment assets                                      | 806.8         | 619.6         | –              | 1,426.4                        | 2,899.3        | 3,982.8       | –              | 6,882.1                       | 142.9                                                 | 8,451.4                         |
| Segment liabilities                                 | (479.8)       | (101.6)       | –              | (581.4)                        | (175.9)        | (456.1)       | –              | (632.0)                       | (2,283.1)                                             | (3,496.5)                       |
| Net segment assets <sup>(5)</sup>                   | 327.0         | 518.0         | –              | 845.0                          | 2,723.4        | 3,526.7       | –              | 6,250.1                       | (2,140.2)                                             | 4,954.9                         |
| Deferred tax balances                               |               |               |                |                                |                |               |                |                               |                                                       | (396.5)                         |
| Net assets                                          |               |               |                |                                |                |               |                |                               |                                                       | 4,558.4                         |

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

(2) Earnings Before Interest, related income Tax expense, Depreciation and Amortisation and individually material items.

(3) Earnings Before Interest, related income Tax expense and individually material items.

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

(5) Net segment assets exclude deferred tax balances.

# Notes to the half-year Consolidated Financial Report

For the half-year ended 31 March 2016

## 4. Segment report (continued)

### Reportable segments – financial information (continued)

|                                                     | IPF<br>\$mill | SCI<br>\$mill | Elim<br>\$mill | Total<br>Fertilisers<br>\$mill | DNAP<br>\$mill | DNA<br>\$mill | Elim<br>\$mill | Total<br>Explosives<br>\$mill | Corporate/<br>Group<br>Elim<br>\$mill | Consolidated<br>Group<br>\$mill |
|-----------------------------------------------------|---------------|---------------|----------------|--------------------------------|----------------|---------------|----------------|-------------------------------|---------------------------------------|---------------------------------|
| <b>31 March 2015</b>                                |               |               |                |                                |                |               |                |                               |                                       |                                 |
| Sales to external customers                         | 427.6         | 342.6         | (206.7)        | 563.5                          | 427.7          | 624.3         | (16.6)         | 1,035.4                       | (4.0)                                 | 1,594.9                         |
| Share of profits in equity<br>accounted investments | –             | –             | –              | –                              | 7.7            | 6.4           | –              | 14.1                          | –                                     | 14.1                            |
| EBITDA                                              | 35.9          | 92.2          | (34.6)         | 93.5                           | 131.3          | 122.5         | 0.2            | 254.0                         | (10.2)                                | 337.3                           |
| Depreciation and amortisation                       | (16.9)        | (17.6)        | –              | (34.5)                         | (38.8)         | (47.1)        | –              | (85.9)                        | (1.3)                                 | (121.7)                         |
| EBIT                                                | 19.0          | 74.6          | (34.6)         | 59.0                           | 92.5           | 75.4          | 0.2            | 168.1                         | (11.5)                                | 215.6                           |
| Net interest expense                                |               |               |                |                                |                |               |                |                               |                                       | (29.0)                          |
| Income tax expense                                  |               |               |                |                                |                |               |                |                               |                                       | (40.1)                          |
| Profit after tax                                    |               |               |                |                                |                |               |                |                               |                                       | 146.5                           |
| Non-controlling interest                            |               |               |                |                                |                |               |                |                               |                                       | (0.1)                           |
| Profit attributable to members of IPL               |               |               |                |                                |                |               |                |                               |                                       | 146.4                           |
| <b>30 September 2015</b>                            |               |               |                |                                |                |               |                |                               |                                       |                                 |
| Segment assets                                      | 811.3         | 520.1         | –              | 1,331.4                        | 2,923.6        | 4,214.2       | –              | 7,137.8                       | 668.6                                 | 9,137.8                         |
| Segment liabilities                                 | (472.9)       | (112.5)       | –              | (585.4)                        | (221.0)        | (543.5)       | –              | (764.5)                       | (2,614.8)                             | (3,964.7)                       |
| Net segment assets                                  | 338.4         | 407.6         | –              | 746.0                          | 2,702.6        | 3,670.7       | –              | 6,373.3                       | (1,946.2)                             | 5,173.1                         |
| Deferred tax balances                               |               |               |                |                                |                |               |                |                               |                                       | (484.9)                         |
| Net assets                                          |               |               |                |                                |                |               |                |                               |                                       | 4,688.2                         |

### 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.

|                                                                           | Australia<br>\$mill | USA<br>\$mill  | Canada<br>\$mill | Turkey<br>\$mill | Other/Elim<br>\$mill | Consolidated<br>\$mill |
|---------------------------------------------------------------------------|---------------------|----------------|------------------|------------------|----------------------|------------------------|
| <b>31 March 2016</b>                                                      |                     |                |                  |                  |                      |                        |
| Revenue from external customers                                           | <b>903.7</b>        | <b>443.8</b>   | <b>91.2</b>      | <b>32.0</b>      | <b>53.3</b>          | <b>1,524.0</b>         |
| Non-current assets other than financial<br>assets and deferred tax assets | <b>3,594.7</b>      | <b>3,599.0</b> | <b>58.6</b>      | <b>1.3</b>       | <b>131.2</b>         | <b>7,384.8</b>         |
| Trade and other receivables                                               | <b>181.1</b>        | <b>37.3</b>    | <b>39.8</b>      | <b>14.0</b>      | <b>101.0</b>         | <b>373.2</b>           |
| <b>31 March 2015</b>                                                      |                     |                |                  |                  |                      |                        |
| Revenue from external customers                                           | 940.8               | 476.7          | 115.7            | 30.9             | 30.8                 | 1,594.9                |
| <b>30 September 2015</b>                                                  |                     |                |                  |                  |                      |                        |
| Non-current assets other than financial<br>assets and deferred tax assets | 3,759.5             | 3,824.5        | 60.9             | 1.3              | 111.7                | 7,757.9                |
| Trade and other receivables                                               | 178.0               | 46.8           | 40.3             | 17.1             | 27.8                 | 310.0                  |

# Notes to the half-year Consolidated Financial Report

For the half-year ended 31 March 2016

## 5. Revenue and other income

|                                                   | March<br>2016<br>\$mill | March<br>2015<br>\$mill |
|---------------------------------------------------|-------------------------|-------------------------|
| <b>Revenue</b>                                    |                         |                         |
| External sales                                    | 1,524.0                 | 1,594.9                 |
| Total revenue                                     | 1,524.0                 | 1,594.9                 |
| <b>Financial income</b>                           |                         |                         |
| Interest income                                   | 6.4                     | 7.2                     |
| <b>Other income</b>                               |                         |                         |
| Royalty income and management fees                | 13.4                    | 14.5                    |
| Other income                                      | –                       | 1.2                     |
| Net gain on sale of property, plant and equipment | 0.6                     | 1.1                     |
| Total financial and other income                  | 20.4                    | 24.0                    |

### Seasonality of operations

Earnings (and cash inflows) are biased to the second half of the financial year and are significantly influenced in the Fertilisers business by the Australian winter planting season which is dependent upon autumn and early winter rainfall, and in the Explosives business by the wet season in Queensland, Australia and the North American winter.

The following table presents selected results for the Group for the 12 months ended 31 March 2016 and 31 March 2015.

|                                                                                                            | March<br>2016<br>\$mill | March<br>2015<br>\$mill |
|------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Revenue from ordinary activities</b>                                                                    |                         |                         |
| Fertilisers                                                                                                | 1,474.8                 | 1,338.0                 |
| Explosives                                                                                                 | 2,114.4                 | 2,111.0                 |
| Group Elimination                                                                                          | (16.8)                  | (10.5)                  |
| Total revenue from ordinary activities                                                                     | 3,572.4                 | 3,438.5                 |
| <b>Profit from ordinary activities before interest, related income tax and individually material items</b> |                         |                         |
|                                                                                                            | March<br>2016<br>\$mill | March<br>2015<br>\$mill |
| Fertilisers                                                                                                | 219.5                   | 192.6                   |
| Explosives                                                                                                 | 361.6                   | 378.8                   |
| Corporate                                                                                                  | (22.9)                  | (29.5)                  |
| Total profit from ordinary activities before interest, related income tax and individually material items  | 558.2                   | 541.9                   |

## 6. Individually material items

Profit after tax includes an impairment charge in relation to the Gibson Island manufacturing assets for which disclosure is relevant in explaining the financial performance of the Group for the half-year ended 31 March 2016.

The impairment write-down of \$150.8m (after tax \$105.6m) in relation to Gibson Island's manufacturing plant and related assets is mainly as a result of lower forecast fertiliser prices and the forecast for higher cost of natural gas delivered to the Australian East Coast.

## 7. Earnings per share

|                                                                                                  | March<br>2016<br>Cents per share | March<br>2015<br>Cents per share |
|--------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| Basic earnings per share                                                                         |                                  |                                  |
| including individually material items                                                            | 1.9                              | 8.8                              |
| excluding individually material items                                                            | 8.1                              | 8.8                              |
| Diluted earnings per share                                                                       |                                  |                                  |
| including individually material items                                                            | 1.9                              | 8.8                              |
| excluding individually material items                                                            | 8.1                              | 8.8                              |
|                                                                                                  | Number                           | Number                           |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share   | 1,686,771,360                    | 1,666,961,969                    |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 1,691,098,292                    | 1,673,087,303                    |

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

|                                                                                    | March<br>2016<br>\$mill | March<br>2015<br>\$mill |
|------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Profit attributable to ordinary shareholders                                       | 31.5                    | 146.4                   |
| Individually material items after income tax                                       | 105.6                   | –                       |
| Profit attributable to ordinary shareholders excluding individually material items | 137.1                   | 146.4                   |

## 8. Dividends

Dividends paid or declared by the Company in respect of the half-year ended 31 March were:

|                                                                                  | March<br>2016<br>\$000 | March<br>2015<br>\$000 |
|----------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Ordinary shares</b>                                                           |                        |                        |
| Final dividend of 7.3 cents per share, 10 percent franked, paid 16 December 2014 | –                      | 120,814                |
| Final dividend of 7.4 cents per share, 60 percent franked, paid 14 December 2015 | 124,851                | –                      |
| Total ordinary share dividends                                                   | 124,851                | 120,814                |

Since the end of the half-year, the directors have determined to pay an interim dividend of 4.1 cents per share, 100% franked, to be paid on 1 July 2016. The total dividend payment will be \$69.2 million.

The financial effect of this dividend has not been recognised in the half-year Consolidated Financial Report and will be recognised in subsequent Financial Reports.

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

# Notes to the half-year Consolidated Financial Report

For the half-year ended 31 March 2016

## 9. Issued capital

Issued capital as at 31 March 2016 amounted to \$3,436.8m (1,687,170,521 ordinary shares). During the six months ended 31 March 2016 the Company issued 1,513,487 ordinary shares for \$5.9m under its Long Term Incentive Plan (LTI) 2012/2015.

## 10. Equity accounted investments

| Name of entity                                 | Ownership interest | Name of entity                                            | Ownership interest |
|------------------------------------------------|--------------------|-----------------------------------------------------------|--------------------|
| <b>Joint ventures</b>                          |                    | <b>Joint ventures (continued)</b>                         |                    |
| <b>Incorporated in USA<sup>(1)</sup></b>       |                    | <b>Incorporated in Mexico<sup>(1)</sup></b>               |                    |
| Alpha Dyno Nobel Inc.                          | 50%                | DNEX Mexico, S. De R.L. de C.V.                           | 49%                |
| Boren Explosives Co., Inc.                     | 50%                | Explosivos De La Region Lagunera, S.A. de C.V.            | 49%                |
| Buckley Powder Co. <sup>(2)</sup>              | 51%                | Explosivos De La Region, Central, S.A. de C.V.            | 49%                |
| IRECO Midwest Inc.                             | 50%                | Nitro Explosivos de Ciudad Guzman, S.A. de C.V.           | 49%                |
| Wampum Hardware Co.                            | 50%                | Explosivos Y Servicios Para La Construccion, S.A. de C.V. | 49%                |
| Midland Powder Company                         | 50%                | <b>Incorporated in Malaysia<sup>(1)</sup></b>             |                    |
| Mine Equipment & Mill Supply Company           | 50%                | Tenaga Kimia Ensign-Bickford Sdn Bhd                      | 50%                |
| Controlled Explosives Inc.                     | 50%                | <b>Incorporated in Ireland<sup>(1)</sup></b>              |                    |
| Western Explosives Systems Company             | 50%                | DetNet International Limited                              | 50%                |
| <b>Incorporated in Canada<sup>(1)</sup></b>    |                    | <b>Associates</b>                                         |                    |
| Newfoundland Hard-Rok Inc.                     | 50%                | <b>Incorporated in USA<sup>(1)</sup></b>                  |                    |
| Dyno Nobel Labrador Inc.                       | 50%                | Warex Corporation                                         | 25%                |
| Quantum Explosives Inc.                        | 50%                | Warex LLC                                                 | 25%                |
| Dene Dyno Nobel Inc.                           | 49%                | Maine Drilling and Blasting Group                         | 49%                |
| Qaaqtuq Dyno Nobel Inc. <sup>(3)</sup>         | 49%                | Independent Explosives                                    | 49%                |
| Dene Dyno Nobel (DWEI) Inc. <sup>(4)</sup>     | 49%                | <b>Incorporated in Canada<sup>(1)</sup></b>               |                    |
| Dyno Nobel Baffin Island Inc.                  | 50%                | Labrador Maskuau Ashini Ltd                               | 25%                |
| <b>Incorporated in Australia<sup>(5)</sup></b> |                    | Valley Hydraulics Inc.                                    | 25%                |
| Queensland Nitrates Pty Ltd                    | 50%                | Apex Construction Specialities Inc.                       | 25%                |
| Queensland Nitrates Management Pty             | 50%                | Innu Namesu Ltd                                           | 25%                |
| <b>Incorporated in South Africa</b>            |                    | <b>Incorporated in Singapore</b>                          |                    |
| DetNet South Africa (Pty) Ltd <sup>(1)</sup>   | 50%                | Fabchem China Ltd <sup>(6)</sup>                          | 30%                |
| Sasol Dyno Nobel (Pty) Ltd <sup>(5)</sup>      | 50%                |                                                           |                    |

(1) These entities have a 31 December financial year end. For the purpose of applying the equity method of accounting, the unaudited financial information through to 31 March 2016 has been used.

(2) 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.

(3) 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.

(4) 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. (previously Denesoline Western Explosives Inc.). However, under the joint venture agreement, the Group is entitled to 95 percent of the profit of Dene Dyno Nobel (DWEI) Inc.

(5) These entities have a 30 June financial year end. For the purpose of applying the equity method of accounting, the unaudited financial information through to 31 March 2016 has been used.

(6) Fabchem China Ltd has a 31 March financial year end. For the purpose of applying the equity method of accounting, the unaudited financial information through to 31 March 2016 has been used.

# Notes to the half-year Consolidated Financial Report

For the half-year ended 31 March 2016

## 11. Net debt

The Group's net debt comprises 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 the reporting date is analysed as follows:

|                              | Notes | March<br>2016<br>\$mill | September<br>2015<br>\$mill |
|------------------------------|-------|-------------------------|-----------------------------|
| Interest bearing liabilities |       | <b>2,287.3</b>          | 2,553.7                     |
| Fair value of derivatives    | (12)  | <b>(464.8)</b>          | (658.1)                     |
| <b>Debt after hedging</b>    |       | <b>1,822.5</b>          | 1,895.6                     |
| Cash and cash equivalents    |       | <b>(83.0)</b>           | (606.3)                     |
| <b>Net debt</b>              |       | <b>1,739.5</b>          | 1,289.3                     |

## Interest bearing liabilities

The Group's interest bearing liabilities comprise of the following at the reporting date:

|                                           | March<br>2016<br>\$mill | September<br>2015<br>\$mill |
|-------------------------------------------|-------------------------|-----------------------------|
| <b>Current</b>                            |                         |                             |
| Bank loans                                | <b>6.7</b>              | 20.1                        |
| Fixed interest rate bonds                 | –                       | 714.9                       |
| Loans to joint ventures and associates    | <b>11.0</b>             | 12.1                        |
|                                           | <b>17.7</b>             | 747.1                       |
| <b>Non-current</b>                        |                         |                             |
| Bank facilities                           | <b>1,002.9</b>          | 441.1                       |
| Fixed interest rate bonds                 | <b>1,266.7</b>          | 1,365.5                     |
|                                           | <b>2,269.6</b>          | 1,806.6                     |
| <b>Total interest bearing liabilities</b> | <b>2,287.3</b>          | 2,553.7                     |

## Interest bearing liabilities (continued)

### Fixed interest rate bonds

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

- USD800m 10 year bonds on issue in the US 144A/Regulation S debt capital market. The bonds have a fixed rate semi-annual coupon of 6 percent and mature in December 2019.
- AUD200m 5.5 year bonds on issue in the Australian debt capital market. The bonds have a fixed rate semi-annual coupon of 5.75 percent and mature in February 2019.

### Bank facilities

Bank facilities of AUD568m and USD953m were entered into in August 2015 and are split into two facilities as follows:

- The first facility is maturing in October 2018. This facility has two tranches: Tranche A has a limit of AUD568m and Tranche B has a limit of USD553m.
- The second facility has a limit of USD400m and is for a 5 year term, maturing in August 2020.

The following current and non-current interest bearing liabilities were issued and repaid during the six months ended 31 March 2016:

|                                                        | Cash flow                   |                                               |                                                 | Non-cash changes                          |                                    |                                         |                            |
|--------------------------------------------------------|-----------------------------|-----------------------------------------------|-------------------------------------------------|-------------------------------------------|------------------------------------|-----------------------------------------|----------------------------|
|                                                        | 1 October<br>2015<br>\$mill | Financing<br>activities<br>proceeds<br>\$mill | Financing<br>activities<br>repayments<br>\$mill | Foreign<br>exchange<br>movement<br>\$mill | Fair value<br>adjustment<br>\$mill | Funding costs<br>amortisation<br>\$mill | 31 March<br>2016<br>\$mill |
| <b>Current</b>                                         |                             |                                               |                                                 |                                           |                                    |                                         |                            |
| Bank loans                                             | 20.1                        | 6.6                                           | (20.1)                                          | 0.1                                       | –                                  | –                                       | 6.7                        |
| Fixed interest rate bonds                              | 714.9                       | –                                             | (682.6)                                         | (29.9)                                    | (2.8)                              | 0.4                                     | –                          |
| Loans to joint ventures and associates                 | 12.1                        | –                                             | (0.1)                                           | (1.0)                                     | –                                  | –                                       | 11.0                       |
| <b>Non-current</b>                                     |                             |                                               |                                                 |                                           |                                    |                                         |                            |
| Bank facilities                                        | 441.1                       | 753.0                                         | (118.7)                                         | (73.1)                                    | –                                  | 0.6                                     | 1,002.9                    |
| Fixed interest rate bonds                              | 1,365.5                     | –                                             | –                                               | (98.8)                                    | (0.8)                              | 0.8                                     | 1,266.7                    |
| <b>Total liabilities from financing activities</b>     | <b>2,553.7</b>              | <b>759.6</b>                                  | <b>(821.5)</b>                                  | <b>(202.7)</b>                            | <b>(3.6)</b>                       | <b>1.8</b>                              | <b>2,287.3</b>             |
| Derivatives held to hedge interest bearing liabilities | (658.1)                     | –                                             | –                                               | 189.9                                     | 3.4                                | –                                       | (464.8)                    |
| <b>Debt after hedging</b>                              | <b>1,895.6</b>              | <b>759.6</b>                                  | <b>(821.5)</b>                                  | <b>(12.8)</b>                             | <b>(0.2)</b>                       | <b>1.8</b>                              | <b>1,822.5</b>             |

# Notes to the half-year Consolidated Financial Report

For the half-year ended 31 March 2016

## 12. Financial instruments

### Fair value

The 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 forward exchange contracts, interest rate swaps, and cross currency interest rate swaps 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. Adjustments for the currency basis are made at the end of the reporting period.
- 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 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).

| March 2016                       | Level 1<br>\$mill | Level 2<br>\$mill | Level 3<br>\$mill |
|----------------------------------|-------------------|-------------------|-------------------|
| Listed equity securities         | 0.9               | -                 | -                 |
| Derivative financial assets      | -                 | 34.2              | -                 |
| Derivative financial liabilities | -                 | (183.7)           | -                 |
| September 2015                   | Level 1<br>\$mill | Level 2<br>\$mill | Level 3<br>\$mill |
| Listed equity securities         | 1.2               | -                 | -                 |
| Derivative financial assets      | -                 | 43.9              | -                 |
| Derivative financial liabilities | -                 | (206.9)           | -                 |

### Fair value (continued)

#### Fair value of derivative financial instruments

The fair value of derivative financial instruments are as follows at the reporting date:

|                                     |       | 31 March 2016   |                     | 30 September 2015 |                     |
|-------------------------------------|-------|-----------------|---------------------|-------------------|---------------------|
|                                     | Notes | Asset<br>\$mill | Liability<br>\$mill | Asset<br>\$mill   | Liability<br>\$mill |
| <b>Current</b>                      |       |                 |                     |                   |                     |
| Cash flow hedge                     |       | 14.7            | (39.3)              | 3.0               | (14.6)              |
| Fair value hedge                    | (11)  | -               | -                   | 202.9             | -                   |
| Net investment hedge                |       | -               | (80.3)              | 2.8               | (315.3)             |
| Held for trading <sup>(1)</sup>     |       | -               | -                   | 13.4              | (12.2)              |
| Offsetting contracts <sup>(2)</sup> |       | (11.1)          | 11.1                | (213.0)           | 213.0               |
|                                     |       | 3.6             | (108.5)             | 9.1               | (129.1)             |
| <b>Non-current</b>                  |       |                 |                     |                   |                     |
| Cash flow hedge                     |       | 0.1             | (54.0)              | -                 | (46.7)              |
| Fair value hedge                    | (11)  | 464.8           | -                   | 455.2             | -                   |
| Net investment hedge                |       | 0.1             | (455.5)             | -                 | (451.5)             |
| Held for trading <sup>(1)</sup>     |       | 34.6            | (34.7)              | 37.2              | (37.2)              |
| Equity instruments                  |       | 0.9             | -                   | 1.2               | -                   |
| Offsetting contracts <sup>(2)</sup> |       | (469.0)         | 469.0               | (457.6)           | 457.6               |
|                                     |       | 31.5            | (75.2)              | 36.0              | (77.8)              |
|                                     |       | 35.1            | (183.7)             | 45.1              | (206.9)             |

- (1) 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.
- (2) 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.

#### Fair value of financial assets and liabilities carried at amortised cost

Cash and cash equivalents, trade and other receivables, interest bearing liabilities, and trade and other payables are carried at amortised cost which equals their fair value, with the exception of interest bearing liabilities. The fair value of the interest bearing financial liabilities at 31 March 2016 was \$2,347.6m (September 2015: \$2,664.3m) and was based on the level 2 valuation methodology.

# Notes to the half-year Consolidated Financial Report

For the half-year ended 31 March 2016

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## 13. Contingencies

There have been no significant changes to other contingent liabilities disclosed at 30 September 2015.

## 14. Events subsequent to reporting date

Since the end of the half-year, in May 2016, the directors determined to pay an interim dividend for the Company of 4.1 cents per share on 1 July 2016. The dividend is 100 percent franked (refer to note 8 in the half-year financial report).

On 13 April 2016, Peabody Energy Corporation announced that it and the majority of its US entities had filed for voluntary Chapter 11 protection in the United States. IPL, through its Dyno Nobel business, supplies goods and services to Peabody under agreements in the US and Australia, and continues to do so in accordance with its contractual commitments. Peabody's announcement stated that all of the Peabody group's mines and offices are continuing to operate in the ordinary course of business and are expected to continue doing so for the duration of the Chapter 11 process. Peabody's announcement stated that no Australian entities are included in the Chapter 11 filings, and that Australian operations are continuing as usual.

Other than the matters reported above, as at the date of this report, the directors are not aware of any significant matter or circumstance that has arisen since 31 March 2016 that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

## Directors' Declaration

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The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001 (Cth)*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'P. Brasher', written over a horizontal line.

Paul V Brasher  
Chairman

Melbourne, 10th day of May 2016

## **Independent Auditor's Review Report to the Members of Incitec Pivot Limited**

We have reviewed the accompanying half-year financial report of Incitec Pivot Limited, which comprises the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 18.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Incitec Pivot Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Incitec Pivot Limited would be in the same terms if given to the directors as at the time of this auditor's report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Incitec Pivot Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Tom Imbesi  
Partner  
Chartered Accountants  
Melbourne, 10 May 2016

**Incitec Pivot Limited**

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