

(Business Trust Registration No. 2007001)
(Constituted in the Republic of Singapore as a business trust pursuant to a trust deed dated 5 January 2007 (as amended))

Managed by Keppel Infrastructure Fund Management Pte. Ltd.
(as Trustee-Manager of Keppel Infrastructure Trust)

**THIS CIRCULAR IS IMPORTANT AND
REQUIRES YOUR IMMEDIATE ATTENTION.
PLEASE READ IT CAREFULLY.**

CIRCULAR TO UNITHOLDERS IN RELATION TO:

- (1) THE PROPOSED ACQUISITION OF 100% OF THE SHARES IN IXOM HOLDCO PTY LTD;
- (2) THE PROPOSED ISSUANCE OF NEW UNITS IN KIT PURSUANT TO (I) THE PREFERENTIAL OFFERING OR (II) THE PREFERENTIAL OFFERING AND THE PLACEMENT (EACH AS DEFINED HEREIN) TO RAISE GROSS PROCEEDS OF UP TO SGD750 MILLION; AND
- (3) THE PROPOSED PLACEMENT OF NEW UNITS IN KIT TO KEPPEL INFRASTRUCTURE HOLDINGS PTE. LTD. AS PART OF THE PLACEMENT.



If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold or transferred your units in Keppel Infrastructure Trust ("KIT"), you should immediately forward this Circular (as defined herein), together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form in this Circular, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the "SGX-ST") assumes no responsibility for the correctness or accuracy of any of the statements made, reports contained and opinions expressed in this Circular.

This Circular does not constitute an offer of securities in the United States or any other jurisdiction. Any proposed issue of new units in KIT ("New Units") described in this Circular will not be registered under the U.S. Securities Act of 1933, as amended ("Securities Act") or under the securities laws of any state or other jurisdiction of the United States, and any such New Units may not be offered or sold within the United States except pursuant to an exemption from, or transactions not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Trustee-Manager (as defined herein) does not intend to conduct a public offering of any securities of KIT in the United States.

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Forms

Sunday, 10 February 2019 at 3.00 p.m.

Date and time of Extraordinary General Meeting

Tuesday, 12 February 2019 at 3.00 p.m.

Place of Extraordinary General Meeting

Suntec Singapore Convention and Exhibition Centre
Summit 2, Level 3
1 Raffles Boulevard
Suntec City
Singapore 039593



One of the leading industrial infrastructure businesses in Australia and New Zealand, supplying and distributing water treatment chemicals as well as industrial and specialty chemicals which are key to fundamental industries

Infrastructure-backed EBITDA

~80%

Approx. 80%⁽¹⁾ of EBITDA backed by infrastructure assets

Asset Replacement Value

A\$900M

Underpinned by core assets valued at approx. A\$900m⁽²⁾

Revenue

A\$1,225M

Revenue of A\$1,225m⁽³⁾

EBITDA

A\$134M

EBITDA of A\$134m⁽⁴⁾

Liquefied Chlorine

Sole

Sole manufacturer and provider in Australia⁽²⁾

Chemicals

Leader

Amongst the leading industrial infrastructure business in Australia and New Zealand⁽²⁾

Manufactured Caustic Soda

Leader

Leading provider of manufactured caustic soda⁽²⁾

Large Scale⁽²⁾

Over 8,000 customers
Over 1,000 employees
Over 70 infrastructure assets

Significant scale supported by customers, employees, and well-positioned infrastructure assets

Proposed DPU Yield Accretive Acquisition of the Ixom Group

Acquisition Summary



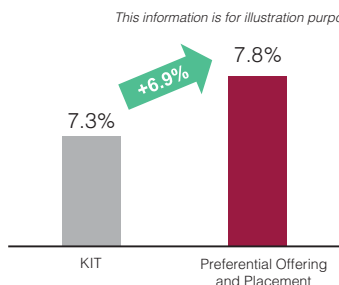
Alignment with KIT's investment strategy:

- ✓ Long-term stable cash flows with potential growth
- ✓ Provides key products and fundamental services
- ✓ Strong and stable business sectors
- ✓ Significant scale with large infrastructure network

Enterprise Value ("EV") & Proposed Funding

- EV: A\$1,100 million (approx. S\$1,072 million⁽⁵⁾)
- Funded by mix of debt and equity⁽⁶⁾
- Equity Fund Raising by way of (i) Preferential Offering, (ii) Preferential Offering and Placement, or (iii) Rights Issue
- Sponsor, Keppel Infrastructure Holdings Pte. Ltd., intends to maintain its *pro rata* unitholding

Expected to be DPU Yield Accretive⁽⁷⁾



Merits of the Proposed Acquisition

1

A Strong and Stable Infrastructure Business

Supported by a large network of well-positioned infrastructure assets

2

A Business with Growth Potential

Amongst the leading businesses in the provision of key chemicals for fundamental industries with favourable long-term industry growth trends

3

Stable and Resilient Cash Flows

Large and diversified customer base, as well as long-term customer relationships

4

Complementary Business Driving Sustainable Growth for KIT

DPU yield accretive acquisition that strengthens KIT's portfolio mix and overall value proposition

(1) Source: Ixom Group's audited financial statements for the financial year ended 30 September 2018. Represents earnings that are linked to the Ixom Group's infrastructure assets such as manufacturing and distribution facilities that are owned or operated under long term leases

(2) Source: Ixom Group's management's estimates as at date of announcement dated 15 November 2018 made by the Trustee-Manager in relation to the Acquisition and the Equity Fund Raising (the "Announcement")

(3) Source: Ixom Group's audited financial statements for the financial year ended 30 September 2018

(4) Ixom Group's management's normalised Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") based on the Ixom Group's audited financial statements for the financial year ended 30 September 2018

(5) Based on an exchange rate of A\$1 = S\$0.9747 as at 14 January 2019

(6) The proposed acquisition will be initially funded via debt. Subsequently, it is envisioned that a portion of the debt will be fully or partially repaid with proceeds from an Equity Fund Raising ("Equity Fund Raising"). The structure and timing of the Equity Fund Raising will be determined at a later date, subject to the then prevailing market conditions

(7) In the event of a preferential offering and placement, based on the *pro forma* financial effects of KIT as at 31 December 2018 with assumed Equity Fund Raising on 1 January 2018 at an illustrative issue price of S\$0.48 and DPU yield computed based on illustrative issue price of S\$0.48. In the event of a rights issue, the expected DPU Yield is 7.9%, based on the *pro forma* financial effects of KIT as at 31 December 2018 with assumed Equity Fund Raising on 1 January 2018 at illustrative issue price of S\$0.33 and DPU yield computed based on illustrative theoretical ex-rights price of S\$0.45. DPU yield is computed based on closing unit price of S\$0.51 as at 14 January 2019. Please refer to Appendix A to this Circular for the bases and assumptions on which the *pro forma* financial effects of the Acquisition and the Equity Fund Raising have been prepared

Merits of the Proposed Acquisition of the Ixom Group

1 A Strong and Stable Infrastructure Business

Industrial-like business with infrastructure characteristics

- (a) Solid asset base

- **Scale and well-positioned** locations give Ixom a leading market position
 - Network of over 70 infrastructure assets with a **replacement value of approx. A\$900m⁽¹⁾**
 - Long regulatory licensing and asset build time required
- (b) Provision of key chemicals

- Fundamental to the production process of a range of essential items
 - **Uneconomic for customers** to import certain products such as liquefied chlorine
 - Most substitutes are either not as efficient at producing potable water and/or require large capital investment
- (c) Reliability of supply

- **Well-positioned locations enhances reliability of supply** to production critical end markets
 - Storage facilities located in close proximity to **key ports and customers** ensure lower transport costs and timely distribution of products
- (d) Stable and diversified customer base

- Ixom has a strong brand built on **reliability** and **certainty of supply**
 - Provision of customised solutions
 - **Strong long-term customer relationships**

Strong and large network of well-positioned infrastructure assets

- 1

Well-positioned locations

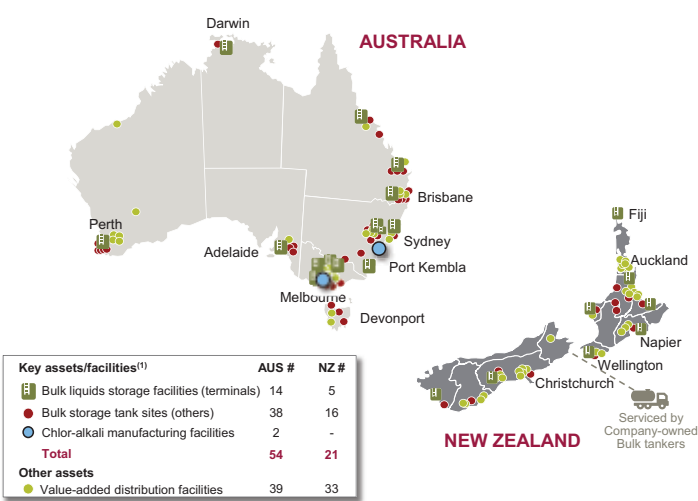
enhances reliability of supply
- 2

Strong and stable business

due to scale and positioning of infrastructure network
- 3

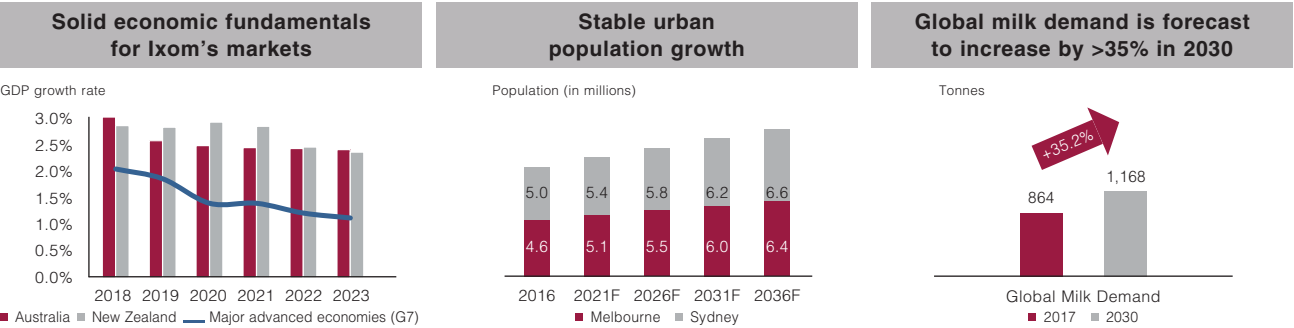
Large network of infrastructure assets

across key regions in Australia and New Zealand



2 A Business with Growth Potential

Favourable industry fundamentals⁽²⁾ support Ixom's long-term growth



- **Favourable macro fundamentals** in Ixom's home markets of Australia and New Zealand

▪ Projected annual GDP growth **close to 3%** in both countries is **expected to be higher** than other major advanced economies
- Australian population is expected to **almost double by 2060**, with a CAGR of **1.5%**

▪ Steady growth in chlorine consumption expected to persist driven by population and GDP growth
- **46%** of the world dairy trade is contributed by Australia and New Zealand

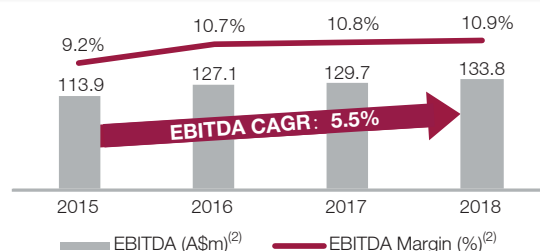
▪ Steady demand for caustic soda expected to persist

(1) Source: Ixom Group's management's estimates as at date of the Announcement
(2) Source: Australian Bureau of Statistics, International Monetary Fund, IFCN Dairy Research Network, Dairy Australia Limited

3 Stable and Resilient Cash Flows

Stable cash flows

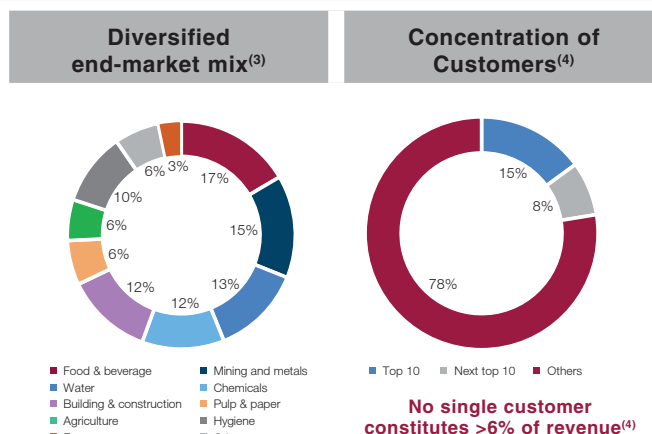
- **Stable and resilient cash flows** as approximately 80% of EBITDA is backed by infrastructure assets⁽¹⁾
- Ixom's chemicals are vital to customers' operations
- Supported by favourable long-term industry growth trends



Large and diversified customer base

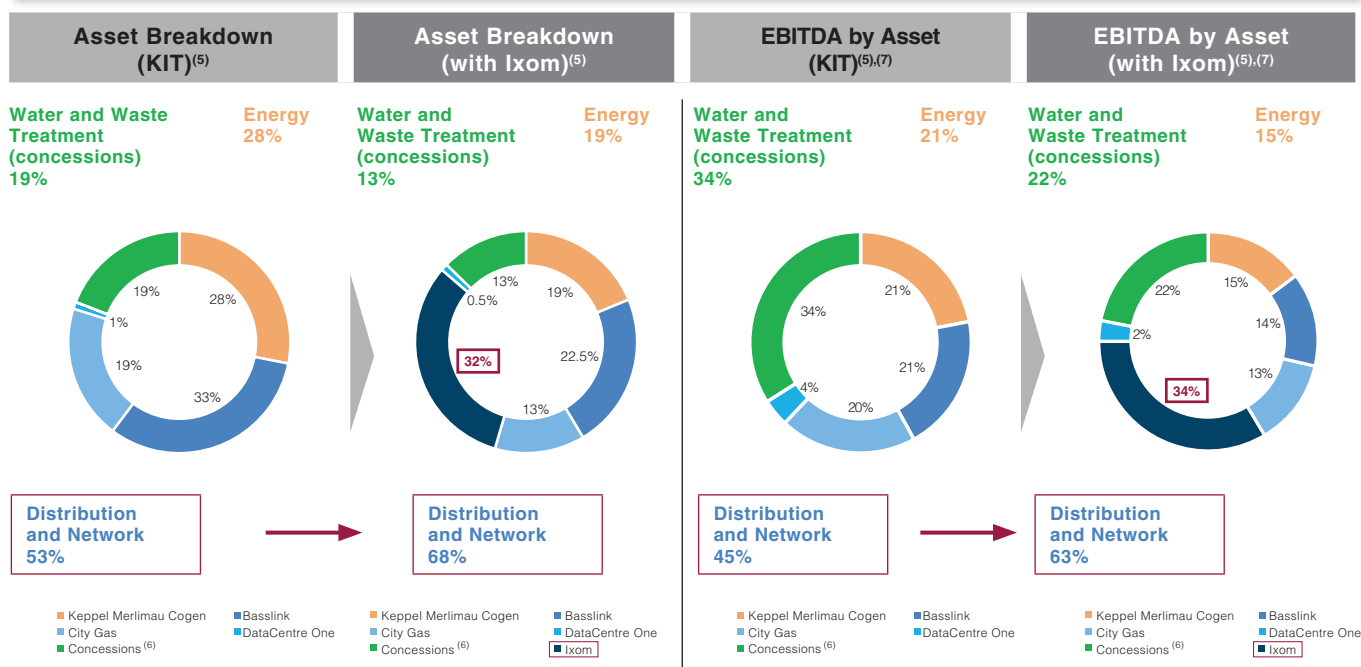
Ixom has a **diversified customer base**, comprising many **blue-chip companies and municipalities**

- 1 Key infrastructure assets are **well-positioned**
- 2 Production of key chemicals that are **vital** to operations of customers
- 3 **Key nature** of business leads to preference of customers for:
 - local suppliers due to certainty of supply, and
 - reliable contracts and relationships



4 Complementary Business Driving Sustainable Growth

Strengthen KIT's portfolio mix and overall value proposition



(1) Source: Ixom Group's audited financial statements for the financial year ended 30 September 2018. Represents earnings that are linked to the Ixom Group's infrastructure assets such as manufacturing and distribution facilities that are owned or operated under long term leases

(2) Ixom Group's management's normalised EBITDA, based on the Ixom Group's audited financial statements for the respective financial years ended 30 September

(3) Source: Ixom Group's audited financial statements for the financial year ended 30 September 2018, segmentation based on revenue

(4) Source: Ixom Group's management accounts for the financial year ended 30 September 2018

(5) Based on KIT's unaudited financial information for FY2018, the Ixom Group's audited financial statements for the financial year ended 30 September 2018 and KIT's stakes in the respective assets

(6) Concessions include SingSpring, Ulu Pandan NEWater Plant, Senoko WTE Plant and Tuas WTE Plant

(7) Adjusted EBITDA as at 31 December 2018 includes reduction in concession receivables, and excludes Trust/Corporate expenses

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IMPORTANT NOTICE

General. The value of units in KIT (“Units”) and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, the Trustee-Manager or any of its affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Trustee-Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of KIT is not necessarily indicative of the future performance of KIT.

Circular not an Offering Document. This Circular is issued to Unitholders solely for the purpose of convening the extraordinary general meeting (“EGM”) and seeking the approval of Unitholders for the resolutions to be proposed at the EGM. This Circular does not constitute an offering document for the offer of the New Units and no offer of any New Units is being made in this Circular. Any offer of New Units will be made in compliance with all applicable laws and regulations.

Forward-looking Statements. This Circular may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of known and unknown risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar infrastructure assets, shifts in expected levels of availability, changes in operating expenses, and governmental and public policy changes. Unitholders are cautioned not to place undue reliance on these forward-looking statements, which are based on the Trustee-Manager’s current view of future events.

Disclaimers. Nothing in this Circular constitutes, or shall be construed as legal, business, financial or tax advice. Unitholders should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately if they are in any doubt as to the action they should take.

Certain Restrictions. The distribution of this Circular in certain jurisdictions may be restricted by law. KIT and the Trustee-Manager require persons whose possession this Circular comes into to inform themselves about and to observe any such restrictions at their own expense and without liability to KIT and the Trustee-Manager. Persons to whom a copy of this Circular has been issued shall not circulate to any other person, reproduce or otherwise distribute this Circular or any information herein in breach of any applicable laws and regulations nor permit or cause the same to occur.

Distribution Restrictions. This Circular may not be forwarded or distributed and may not be reproduced in any manner whatsoever. Any forwarding, distribution or reproduction of this Circular in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the Securities Act, or the applicable laws of other jurisdictions. This Circular is purely for information purposes in connection with the EGM described herein, and nothing in this Circular constitutes an offer of the New Units for sale in any jurisdiction. Any proposed issue of New Units described in this Circular will not be registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States, and any such New Units may not be offered or sold within the United States except pursuant to an exemption from, or transactions not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Trustee-Manager does not intend to conduct a public offering of any securities of KIT in the United States.

Documents Incorporated by Reference. The audited consolidated financial statements of the KIT Group for the financial years ended 31 December 2015, 2016 and 2017 and the unaudited consolidated financial information of the KIT Group for the financial year ended 31 December 2018 are deemed incorporated into this Circular by reference, are current only as at the date of such financial statements, and the incorporation of such financial statements by reference is not intended to create any implication that there has been no change in the affairs of KIT since the respective dates of such financial statements or that the information contained in such financial statements is current as at any time subsequent to their respective dates.

Any statement contained in the above-mentioned financial statements shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a subsequent statement contained herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to form a part of this Circular.

CORPORATE INFORMATION

Directors of Keppel Infrastructure Fund Management Pte. Ltd., as Trustee-Manager of KIT	:	Mr Koh Ban Heng (<i>Independent Director and Chairman of the Board</i>) Mr Thio Shen Yi (<i>Independent Director</i>) Mr Mark Andrew Yeo Kah Chong (<i>Independent Director</i>) Mr Daniel Cuthbert Ee Hock Huat (<i>Independent Director</i>) Mr Kunnasagaran Chinniah (<i>Independent Director</i>) Ms Christina Tan Hua Mui (<i>Non-Executive and Non-Independent Director</i>) Ms Cindy Lim Joo Ling (<i>Non-Executive and Non-Independent Director</i>)
Registered Office of the Trustee-Manager	:	1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632
Legal Adviser to the Trustee-Manager	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Reporting Accountant	:	Deloitte & Touche LLP 6 Shenton Way OUE Downtown 2 #33-00 Singapore 068809
Unit Registrar and Unit Transfer Office	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623

INDICATIVE TIMETABLE

The timetable for the events which are scheduled to take place after the EGM is indicative only and is subject to change at the Trustee-Manager's discretion. Any changes (including any determination of the relevant dates) to the timetable below will be announced by the Trustee-Manager.

Event	Date and Time
Last date and time for lodgment of Proxy Form	: Sunday, 10 February 2019 at 3.00 p.m.
Date and time of EGM	: Tuesday, 12 February 2019 at 3.00 p.m.

If approval for the Acquisition (as defined herein) and the issuance of New Units pursuant to (i) the Preferential Offering or (ii) the Preferential Offering and the Placement (each as defined herein) are obtained at the EGM.

Completion of the Acquisition	: To be determined and announced in due course
Launch of the Equity Fund Raising (as defined herein)	: To be determined and announced in due course
Issue of New Units and commencement of trading on the SGX-ST	: To be determined and announced in due course

DEFINITIONS

In this Circular, the following definitions apply throughout unless the context requires otherwise:

“Acquisition”	:	The proposed acquisition of 100% of the shares in Ixom
“Announcement”	:	The announcement dated 15 November 2018 made by the Trustee-Manager in relation to the Acquisition and the Equity Fund Raising
“Audit and Risk Committee”	:	The audit and risk committee of the Trustee-Manager (comprising Mr Mark Andrew Yeo Kah Chong, Mr Koh Ban Heng and Mr Daniel Cuthbert Ee Hock Huat)
“Bridge Facility”	:	Bridge facility of up to SGD750 million (AUD769 million)
“BTA”	:	The Business Trusts Act (Chapter 31A of Singapore) (including all subsidiary legislation made thereunder) as modified, supplemented or amended from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Unitholders dated 28 January 2019 in relation to the Acquisition, the Equity Fund Raising and the Proposed KIHPL Placement
“Completion”	:	Completion of the Acquisition
“Controlling Unitholder”	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Units (unless the SGX-ST has determined such person not to be a Controlling Unitholder); or (b) in fact exercises control over KIT
“Cut Off Date”	:	18 April 2019 or any later date that the parties to the SSA may agree in writing
“Directors”	:	The directors of the Trustee-Manager, as at the date of this Circular
“DPU”	:	Distribution per Unit
“EBITDA”	:	Earnings before interest, taxes, depreciation and amortisation

“EGM”	:	The extraordinary general meeting of KIT to be held at Suntec Singapore Convention and Exhibition Centre, Summit 2, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Tuesday, 12 February 2019 at 3.00 p.m., notice of which is given in the Notice of EGM set out on pages E-1 and E-2 of this Circular (or any adjournment thereof)
“Equity Fund Raising”	:	An equity fund raising which may comprise: (a) the Preferential Offering; or (b) the Preferential Offering and the Placement, in each case, pursuant to the approvals sought under Ordinary Resolution 2; or (c) the Rights Issue, pursuant to (i) the General Mandate or any other general mandate which may be granted by Unitholders to the Trustee-Manager to issue new Units or (ii) specific Unitholders’ approval to be obtained at a date subsequent to the EGM, so as to raise gross proceeds of up to SGD750 million
“FFO”	:	Funds from operations, calculated as profit after tax adjusted for reduction in concession or lease receivables, transaction costs, non-cash interest and current cash tax, capital expenditure, non-cash adjustments and non-controlling interest adjustments
“FIRB”	:	Australian Foreign Investment Review Board
“FY2017”	:	In respect of the KIT Group, the financial year ended 31 December 2017
“FY2018”	:	In respect of the KIT Group, the financial year ended 31 December 2018
“Gearing”	:	Net debt of the KIT Group divided by the total assets of the KIT Group
“General Mandate”	:	The general mandate granted on 17 April 2018 by Unitholders to the Trustee-Manager to issue new Units
“Ixom”	:	Ixom HoldCo Pty Ltd
“Ixom Group”	:	Ixom and its subsidiaries
“KCL”	:	Keppel Corporation Limited, a company incorporated in the Republic of Singapore

“KIFM”	:	Keppel Infrastructure Fund Management Pte. Ltd., a company incorporated in the Republic of Singapore, acting in its personal capacity
“KIHPL”	:	Keppel Infrastructure Holdings Pte. Ltd., a company incorporated in the Republic of Singapore and a wholly-owned subsidiary of KCL
“KIT”	:	Keppel Infrastructure Trust, a business trust constituted in the Republic of Singapore and registered with MAS
“KIT Group”	:	KIT and its subsidiaries
“KIT Purchaser”	:	IX Infrastructure Pty Ltd, a company incorporated in Australia and a wholly-owned subsidiary of IX Holdings Pte. Ltd., a company incorporated in the Republic of Singapore which is wholly-owned by Citylink Investments Pte. Ltd. In turn, Citylink Investments Pte. Ltd. is a wholly-owned subsidiary of KIT
“KMC”	:	Keppel Merlimau Cogen Plant
“Latest Practicable Date”	:	14 January 2019, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as modified, supplemented or amended from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“MAS”	:	The Monetary Authority of Singapore
“NAV”	:	Net asset value
“New Units”	:	Units to be issued pursuant to the Equity Fund Raising
“Notice of EGM”	:	The notice of EGM which is set out on pages E-1 and E-2 of this Circular
“NTA”	:	Net tangible assets, calculated as total assets of the KIT Group less the total liabilities of the KIT Group, in each case excluding intangible assets and goodwill, before minority interest
“OIO”	:	New Zealand Overseas Investment Office
“Ordinary Resolution 1”	:	The Ordinary Resolution in relation to the Acquisition
“Ordinary Resolution 2”	:	The Ordinary Resolution in relation to the issuance of New Units pursuant to (i) the Preferential Offering or (ii) the Preferential Offering and the Placement
“Ordinary Resolution 3”	:	The Ordinary Resolution in relation to the Proposed KIHPL Placement

“Placement”	:	The private placement of New Units to institutional and other investors, pursuant to the approvals sought under Ordinary Resolution 2, which may form part of the Equity Fund Raising
“Placement Units”	:	The New Units to be issued pursuant to the Placement
“Preferential Offering”	:	The non-renounceable preferential offering of New Units to eligible Unitholders on a <i>pro rata</i> basis, pursuant to the approvals sought under Ordinary Resolution 2, which may form part of the Equity Fund Raising
“Preferential Offering Units”	:	The New Units to be issued pursuant to the Preferential Offering
“Proposed KIHPL Placement”	:	The proposed private placement of New Units to KIHPL as part of the Placement
“Purchase Price”	:	AUD777 million (SGD757 million), subject to certain adjustments as set out in paragraph 3.2 of this Circular
“Register”	:	The register of Unitholders kept in accordance with the Trust Deed
“Reporting Accountant”	:	Deloitte & Touche LLP
“Rights Issue”	:	The renounceable rights issue of New Units to eligible Unitholders on a <i>pro rata</i> basis, pursuant to (i) the General Mandate or any other general mandate which may be granted by Unitholders to the Trustee-Manager to issue new Units or (ii) specific Unitholders’ approval to be obtained at a date subsequent to the EGM, which may form part of the Equity Fund Raising
“Rights Issue Units”	:	The New Units to be issued pursuant to the Rights Issue
“Scenario A”	:	The scenario where the Equity Fund Raising comprises the Preferential Offering and the Placement at an illustrative issue price of SGD0.48 per New Unit to raise gross proceeds of approximately SGD600 million to fully or partially repay the Bridge Facility
“Scenario B”	:	The scenario where the Equity Fund Raising comprises the Rights Issue at an illustrative theoretical ex-rights price of SGD0.45 per Unit and an illustrative issue price of SGD0.33 per Rights Issue Unit to raise gross proceeds of approximately SGD600 million to fully or partially repay the Bridge Facility
“Securities Account”	:	Securities account maintained by a Depositor with CDP (but does not include a securities sub-account)

“Sellers”	:	Certain funds managed by Blackstone and certain management shareholders of Ixom, being BFIP Singapore Chemstralia Pte. Ltd., Chemstralia Pte. Ltd., John Chesterfield, Dean Draper, Kurt Friedel, Andrew Larke, Todd Martin, Ilona Misa, Stephen Rasdell, Bryce Wolfe, John Moller and Kevin Foster
“Senoko WTE Plant”	:	Senoko Waste-to-Energy Plant
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SGXNET”	:	The SGXNET Corporate Announcement System
“SingSpring”	:	SingSpring Desalination Plant
“SSA”	:	The share sale agreement dated 15 November 2018 entered into between the Trustee-Manager, the KIT Purchaser, Ixom and the Sellers
“Substantial Unitholder”	:	A person who has an interest or interests in Units representing not less than 5% of the total voting rights of all the Unitholders
“Term Loan”	:	Five-year senior secured debt funding of AUD532 million (SGD519 million)
“Trust Deed”	:	The trust deed dated 5 January 2007 constituting KIT, as amended and restated by an Amendment and Restatement Deed dated 18 May 2015, and further amended and restated by a first supplemental deed dated 17 April 2018
“Trustee-Manager”	:	KIFM, acting in its capacity as trustee-manager of KIT
“Tuas WTE Plant”	:	Keppel Seghers Tuas Waste-to-Energy Plant
“Ulu Pandan NEWater Plant”	:	Keppel Seghers Ulu Pandan NEWater Plant
“Underwriter(s)”	:	The bank(s) to be appointed as underwriter(s) for the Equity Fund Raising
“Underwriting Agreement”	:	The underwriting agreement to be entered into between the Trustee-Manager and the Underwriter(s) in relation to the Equity Fund Raising
“Unit”	:	An undivided interest in KIT, as provided for in the Trust Deed
“Unitholders”	:	Persons who are registered as holders of Units in the Register including persons so registered as joint holders, except that where the registered holder is CDP, the term “Unitholders” shall, in relation to such Units, mean the persons named as depositors in the Depository Register and whose Securities Account are credited with Units

Currencies and Units of Measurement

“AUD” or “A\$”	:	Australian dollars, being the lawful currency of Australia
“NZD”	:	New Zealand dollars, being the lawful currency of New Zealand
“SGD” or “S\$”	:	Singapore dollars, being the lawful currency of Singapore
“%”	:	Per centum or percentage

All references to (1) the “**Trustee-Manager**” are to it acting in its capacity as trustee-manager of KIT (2) “**KIT**” are to it acting through the Trustee-Manager and (3) “**KIFM**” are to it acting in its personal capacity.

The terms “**Depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in 81SF of the Securities and Futures Act (Chapter 289 of Singapore).

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the BTA or the Listing Manual or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the BTA or the Listing Manual or such modification thereof, as the case may be, unless otherwise provided. Summaries of the provisions of any laws and regulations (including the Listing Manual) contained in this Circular are of such laws and regulations (including the Listing Manual) as at the Latest Practicable Date.

Unless otherwise stated, all AUD: SGD exchange rates set out in this Circular are based on an exchange rate of AUD1.00: SGD0.9747 as at the Latest Practicable Date.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Notwithstanding anything in this Circular:

- (a) Ordinary Resolutions 1 and 2 (but not Ordinary Resolution 3) are Conditions (as defined in paragraph 3.3 of this Circular); and
- (b) the obligations of KIT with respect to the payment of the Performance Bond (as defined in paragraph 3.5 of this Circular) in relation to the matters set out in paragraph 3.5 of this Circular relate only to Ordinary Resolutions 1 and 2 (but not Ordinary Resolution 3).

LETTER TO UNITHOLDERS

KEPPEL INFRASTRUCTURE TRUST

(Business Trust Registration No. 2007001)
(Constituted in the Republic of Singapore as a business trust pursuant to
a trust deed dated 5 January 2007 (as amended))

Board of Directors:

Mr Koh Ban Heng (*Independent Director and
Chairman of the Board*)
Mr Thio Shen Yi (*Independent Director*)
Mr Mark Andrew Yeo Kah Chong (*Independent Director*)
Mr Daniel Cuthbert Ee Hock Huat (*Independent Director*)
Mr Kunnasagan Chinniah (*Independent Director*)
Ms Christina Tan Hua Mui (*Non-Executive and
Non-Independent Director*)
Ms Cindy Lim Joo Ling (*Non-Executive and
Non-Independent Director*)

Registered Office:

1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

28 January 2019

To: The Unitholders of Keppel Infrastructure Trust ("**KIT**")

Dear Sir/Madam,

- (1) **THE PROPOSED ACQUISITION OF 100% OF THE SHARES IN IXOM HOLDCO PTY LTD;**
- (2) **THE PROPOSED ISSUANCE OF NEW UNITS IN KIT PURSUANT TO (I) THE PREFERENTIAL OFFERING OR (II) THE PREFERENTIAL OFFERING AND THE PLACEMENT TO RAISE GROSS PROCEEDS OF UP TO SGD750 MILLION; AND**
- (3) **THE PROPOSED PLACEMENT OF NEW UNITS IN KIT TO KEPPEL INFRASTRUCTURE HOLDINGS PTE. LTD. AS PART OF THE PLACEMENT.**

1. INTRODUCTION

1.1 The Acquisition

On 15 November 2018, Keppel Infrastructure Fund Management Pte. Ltd., in its capacity as trustee-manager of KIT ("**Trustee-Manager**"), announced that KIT had agreed to acquire 100% of the shares in Ixom HoldCo Pty Ltd ("**Ixom**" and, together with its subsidiaries, the "**Ixom Group**"), for an enterprise value of AUD1,100 million (SGD1,072 million) from certain funds managed by Blackstone and certain management shareholders of Ixom, being BFIP Singapore Chemstralia Pte. Ltd., Chemstralia Pte. Ltd., John Chesterfield, Dean Draper, Kurt Friedel, Andrew Larke, Todd Martin, Ilona Misa, Stephen Rasdell, Bryce Wolfe, John Moller and Kevin Foster ("**Sellers**") (the "**Acquisition**"). The purchase price for 100% of the shares in Ixom is AUD777 million (SGD757 million) ("**Purchase Price**") and is subject to customary adjustments and indemnities by the Sellers in respect of leakage of value of the Ixom Group between 31 July 2018 (being a date which was commercially agreed between the Sellers and the Trustee-Manager) and completion of the Acquisition ("**Completion**").

The Ixom Group is amongst the leading industrial infrastructure businesses in Australia and New Zealand, supplying and distributing water treatment chemicals as well as industrial and specialty chemicals which are key to fundamental industries.

The Trustee-Manager intends to fund the Acquisition initially through a bridge facility of up to SGD750 million (AUD769 million) ("**Bridge Facility**") and through a five-year senior secured debt funding of AUD532 million (SGD519 million) ("**Term Loan**"). The Term Loan will be used to repay an existing Ixom Group loan of AUD432 million (SGD421 million) and the balance will be used to pay a portion of the Purchase Price.

Post-Completion, the Trustee-Manager intends to fully or partially repay the amount drawn down on the Bridge Facility with proceeds from the Equity Fund Raising. The final decision regarding the proportion of debt and equity to be employed to fund the Acquisition will be made by the Trustee-Manager at the appropriate time, taking into account the then prevailing market conditions.

1.2 Major Transaction

The Acquisition is considered a "major transaction" under Rule 1014 of the Listing Manual. Accordingly, the Acquisition is required to be approved by Unitholders. Please refer to paragraph 3 of this Circular for further information on the Acquisition.

1.3 The Equity Fund Raising

As at the Latest Practicable Date, the structure and timing of the Equity Fund Raising have not been determined by the Trustee-Manager. The Equity Fund Raising may, at the Trustee-Manager's discretion and subject to the then prevailing market conditions, comprise either:

- (a) a non-renounceable preferential offering of New Units to eligible Unitholders on a *pro rata* basis ("**Preferential Offering**"); or
- (b) the Preferential Offering and a private placement of New Units to institutional and other investors ("**Placement**"),

in each case, pursuant to the approvals sought under Ordinary Resolution 2; or

- (c) a renounceable rights issue of New Units to eligible Unitholders on a *pro rata* basis ("**Rights Issue**"), pursuant to (i) the General Mandate or any other general mandate which may be granted by Unitholders to the Trustee-Manager to issue new Units or (ii) specific Unitholders' approval to be obtained at a date subsequent to the EGM,

and will be undertaken at an issue price to be subsequently determined by the Trustee-Manager, in consultation with the Underwriter(s), so as to raise gross proceeds of up to SGD750 million in aggregate to fully or partially repay the Bridge Facility ultimately drawn down. **The Trustee-Manager will determine the exact structure of the Equity Fund Raising closer to the launch of such offering, having regard to, among other things, market conditions at such time.** As the Bridge Facility is expected to have a tenor of approximately one year, the Trustee-Manager will have the flexibility to launch the Equity Fund Raising at a time that would be conducive for KIT and its Unitholders.

For the purposes of the EGM, Unitholders' approval is only being sought for the New Units to be issued in the event the Equity Fund Raising is undertaken by way of (i) the Preferential Offering or (ii) the Preferential Offering and the Placement.

Unitholders should note that in the event that the Equity Fund Raising is undertaken by way of the Rights Issue, the Rights Issue Units will be issued pursuant to (i) the General Mandate or any other general mandate which may be granted by Unitholders to the Trustee-Manager to issue new Units or (ii) specific Unitholders' approval to be obtained at a date subsequent to the EGM.

1.4 KIHPL Support

As at the Latest Practicable Date, Keppel Infrastructure Holdings Pte. Ltd. (“**KIHPL**”) has a direct interest in 702,361,054 Units, representing approximately 18.20% of the total Units in issue. KIHPL intends to subscribe for its *pro rata* entitlement under the Preferential Offering or the Rights Issue, as the case may be. If and to the extent the Placement is undertaken, KIHPL intends to take part in the Placement so as to maintain its proportionate unitholding in KIT after the completion of the Equity Fund Raising, in percentage terms, at the level immediately prior to the issue of the New Units under the Equity Fund Raising, subject to compliance with the applicable rules in the Listing Manual. Accordingly, Unitholders’ approval is being sought for the Proposed KIHPL Placement.

1.5 Circular

KIT is convening the EGM to provide Unitholders with information pertaining to, and to seek Unitholders’ approval for, (1) the Acquisition (“**Ordinary Resolution 1**”), (2) the issuance of New Units pursuant to (i) the Preferential Offering or (ii) the Preferential Offering and the Placement (“**Ordinary Resolution 2**”) and (3) the Proposed KIHPL Placement (“**Ordinary Resolution 3**”).

Unitholders should note that (i) the passing of Ordinary Resolution 2 is conditional on the passing of Ordinary Resolution 1 and (ii) the passing of Ordinary Resolution 3 is conditional on the passing of Ordinary Resolutions 1 and 2. Please refer to paragraph 13 of this Circular and the Notice of EGM set out on pages E-1 and E-2 of this Circular for further details.

Unitholders should also note that the passing of Ordinary Resolutions 1 and 2 is a Condition under the share sale agreement dated 15 November 2018 (“SSA”) entered into between the Trustee-Manager, IX Infrastructure Pty Ltd (the “KIT Purchaser”), Ixom and the Sellers. If Ordinary Resolution 1 is not passed at the EGM, the Acquisition will not be completed. If Ordinary Resolution 2 is not passed at the EGM, the Acquisition will not be completed unless the relevant Condition is waived by the KIT Purchaser under the SSA. For the avoidance of doubt, the passing of Ordinary Resolution 3 is not a Condition under the SSA.

2. INFORMATION ON KIT

KIT is a business trust listed on the SGX-ST with the principal objective of investing in businesses and assets that provide Unitholders with long-term, regular and predictable distributions and the potential for long-term capital growth. KIT’s strategy is to invest in businesses and assets in the infrastructure sector or businesses and assets that provide infrastructure-like characteristics.

Under the Trust Deed, the Trustee-Manager has the power to carry out the following authorised businesses:

- (a) infrastructure businesses¹;
- (b) investing directly or indirectly, in infrastructure businesses, selling, leasing or otherwise disposing of infrastructure businesses or exploring any opportunities for any of the foregoing purposes; and
- (c) any business, undertaking or activity associated with, incidental and/or ancillary to the operation of the businesses referred to in the foregoing sub-paragraphs (a) and (b).

¹ “Infrastructure businesses” is defined in the Trust Deed as including, among others, any business, whether carried on in Singapore or elsewhere, which the Trustee-Manager determines, in its option, to be an infrastructure business.

As at the Latest Practicable Date, KIT's portfolio comprises the Senoko Waste-to-Energy Plant ("**Senoko WTE Plant**"), the Keppel Seghers Tuas Waste-to-Energy Plant ("**Tuas WTE Plant**"), the Keppel Seghers Ulu Pandan NEWater Plant ("**Ulu Pandan NEWater Plant**"), the SingSpring Desalination Plant ("**SingSpring**"), City Gas, the Keppel Merlimau Cogen Plant ("**KMC**"), DataCentre One and the Basslink Interconnector. An overview of KIT's existing portfolio is set out below:

	Description	Customer and Contract Terms	Primary Source of Cash Flows
 City Gas Singapore	 Sole producer and retailer of piped town gas	Over 840,000 commercial and residential customers	Fixed margin per unit of gas sold, with fuel and electricity costs passed through to consumer
 Basslink Australia	 Basslink subsea interconnector that transmits electricity and telecoms between Victoria and Tasmania in Australia	Service agreement with Hydro Tasmania (owned by Tasmania state government) until 2031, with option for 15-year extension	Fixed payments for availability of Basslink subsea cable for power transmission
 DataCentre One Singapore	 Data centre	Lease agreement with 1-Net (100% subsidiary of MediaCorp) until 2036, with option for 8-year extension	Contractual lease revenue
 Keppel Merlimau Cogen (KMC) Singapore	 1,300MW combined cycle gas turbine power plant	Capacity Tolling Agreement with Keppel Electric until 2030 with option for 10-year extension (land lease till 2035, with 30-year extension)	Fixed payments for meeting availability targets
 Senoko WTE Plant Singapore	 Waste-to-energy plant with 2,310 tonnes/day waste incineration concession	NEA, Singapore government agency - concession until 2024	Fixed payments for availability of incineration capacity
 Keppel Seghers Tuas WTE Plant Singapore	 Waste-to-energy plant with 800 tonnes/day waste incineration concession	NEA, Singapore government agency - concession until 2034	Fixed payments for availability of incineration capacity
 Keppel Seghers Ulu Pandan NEWater Plant Singapore	 One of Singapore's largest NEWater plants, capable of producing 148,000m ³ /day	PUB, Singapore government agency - concession until 2027	Fixed payments for the provision of NEWater production capacity
 SingSpring Desalination Plant Singapore	 Singapore's first large-scale seawater desalination plant, capable of producing 136,380m ³ /day of potable water	PUB, Singapore government agency - concession until 2025 (land lease till 2033)	Fixed payments for availability of output capacity

Note:

- 1 Ulu Pandan NEWater Plant has an overall capacity of 162,800m³/day, of which 14,800m³/day is undertaken by Keppel Seghers Engineering Singapore.

3. THE ACQUISITION

3.1 Overview

KIT has incorporated an Australian company, the KIT Purchaser, for the purposes of entering into the SSA. The Acquisition will be effected by the KIT Purchaser through a purchase of all the outstanding shares in Ixom.

Upon Completion, KIT's total assets are expected to grow from SGD3.8 billion² to SGD5.2 billion.

3.2 Enterprise Value and Purchase Price

The enterprise value represents an EBITDA multiple of 8.2 times (based on the Ixom Group's management's normalised EBITDA of approximately AUD134 million for the financial year ended 30 September 2018, which is in turn based on Ixom Group's audited financial statements for the financial year ended 30 September 2018). The Purchase Price is based on the consolidated balance sheet of the Ixom Group as at 31 July 2018 and is subject to customary adjustments and indemnities by the Sellers in respect of leakage of value of the Ixom Group between 31 July 2018 and Completion.

The Purchase Price will be satisfied in cash and is intended to be funded through the Bridge Facility and the Term Loan.

² As at 31 December 2018.

3.3 Completion and Conditions Precedent

Completion is estimated to take place in or about the first quarter of 2019, and is conditional on the following conditions being satisfied before 18 April 2019 or any later date that the parties to the SSA may agree in writing (the “**Cut Off Date**”):

- (a) the approval of the Australian Foreign Investment Review Board (“**FIRB**”) for the Acquisition;
- (b) the approval of the New Zealand Overseas Investment Office (“**OIO**”) for the Acquisition; and
- (c) the approval of the Unitholders for (i) Ordinary Resolution 1 and (ii) subject to Ordinary Resolution 1 having been approved, Ordinary Resolution 2,

(the “**Conditions**”).

For the avoidance of doubt, the passing of Ordinary Resolution 3 is not a Condition under the SSA.

Further, the KIT Purchaser may terminate the SSA if, on or before 31 March 2019, a material adverse change which is not capable of being remedied or, if capable of being remedied, which has not been remedied to the reasonable satisfaction of the KIT Purchaser prior to 31 March 2019, has occurred.

As at the Latest Practicable Date, only the approval of the OIO for the Acquisition has been obtained.

3.4 Terms of the Acquisition

The SSA contains customary provisions relating to the Acquisition, including representations and warranties, indemnities and pre-completion covenants regarding the operation of the business, limitations of the Sellers’ liabilities and other commercial terms.

The Trustee-Manager has agreed to guarantee and indemnify the performance by the KIT Purchaser of its obligations under or in connection with the SSA, and the default or delay by the KIT Purchaser of such obligations, in favour of the Sellers.

Pursuant to commercial negotiations between the parties to the SSA and in connection with the Acquisition, the KIT Purchaser and Ixom have purchased insurance policies under which they may seek to recover certain losses from the relevant insurers. Such policies cover losses arising from breaches of warranties and indemnities given by the Sellers and certain environmental liabilities of the Ixom Group, subject to certain limitations and exclusions. As at the Latest Practicable Date, the Trustee-Manager is not aware of any specific losses that are anticipated or any outstanding liabilities which are likely to result in a claim being made under the relevant insurance policies.

3.5 Performance Bond

Pursuant to commercial negotiations between the parties to the SSA, the KIT Purchaser has agreed to pay to the Sellers an amount equivalent to AUD50 million (SGD49 million) (“**Performance Bond**”) within 15 business days after:

- (a) (i) the issue of a circular to Unitholders in relation to the Ordinary Resolutions relating to the Acquisition and the Equity Fund Raising³ which does not contain the KIT Board Recommendation, the KIT Director Voting Intention, the KIHPL Statement of Support and the KIHPL Voting Intention (each as defined herein);
- (ii) (A) any Director or KIHPL withdraws, changes or modifies the KIT Board Recommendation, a KIT Director Voting Intention, the KIHPL Voting Intention or the KIHPL Statement of Support, as the case may be; or
- (B) the Trustee-Manager, any Director or KIHPL (or its subsidiary or a director of KIHPL or its subsidiary) makes a public statement which is contrary to the KIT Board Recommendation, a KIT Director Voting Intention, the KIHPL Voting Intention or the KIHPL Statement of Support, as the case may be; or
- (iii) a Director or KIHPL does not vote, or cause to be voted, all the Units which he, she or it owns or controls as at the relevant voting record date in relation to the EGM in favour of Ordinary Resolutions 1 and 2;
- (b) the SSA is terminated pursuant to the Conditions not having been satisfied, or having become incapable of being satisfied, by the Cut Off Date (being 18 April 2019 or any later date that the parties to the SSA may agree in writing), in circumstances where there has been a breach by the KIT Purchaser or the Trustee-Manager, as the case may be, of its obligation to satisfy the Conditions (including to use all reasonable endeavours to ensure that the Conditions are satisfied as expeditiously as possible) and such breach has resulted in the failure of a Condition to be satisfied or being incapable of satisfaction; or
- (c) if Completion has not occurred by the fifth business day after the Cut Off Date, other than in circumstances where:
 - (i) the SSA has been validly terminated as a result of the Conditions not having been satisfied, or having become incapable of being satisfied, by the Cut Off Date;
 - (ii) the SSA has been validly terminated as a result of a material adverse change as described in paragraph 3.3 above; or
 - (iii) there has been a breach by the Sellers of the SSA and such breach has resulted in Completion not occurring by the fifth business day after the Cut Off Date,

(each, a “**Performance Bond Event**”).

³ For the avoidance of doubt, these refer to Ordinary Resolutions 1 and 2 (but not Ordinary Resolution 3).

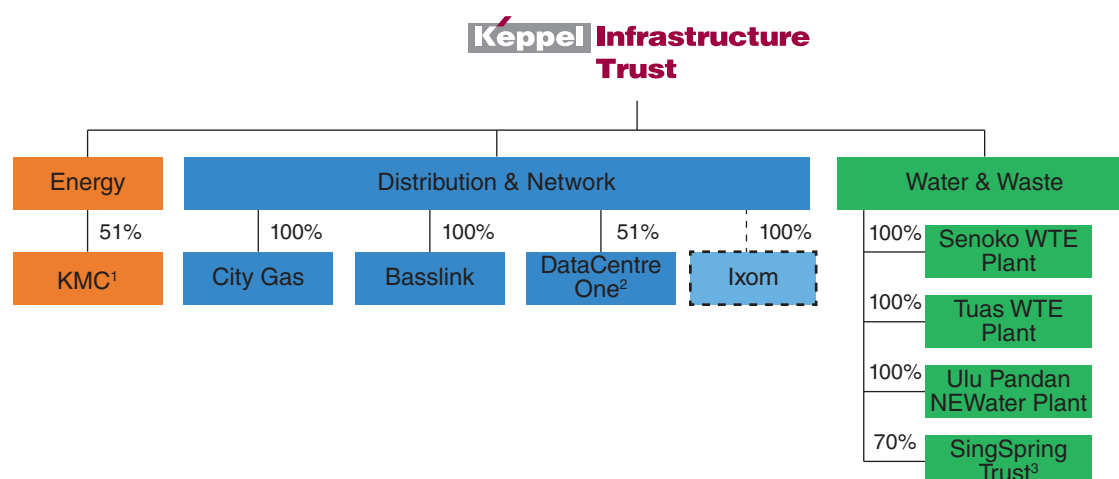
3.6 Payment Conditions

The Performance Bond shall not be payable or, if paid, shall be refunded to the KIT Purchaser or deducted from the Purchase Price:

- (a) in the case of paragraph 3.5(a), if Unitholders' approval in respect of Ordinary Resolutions 1 and 2 is obtained; and
- (b) in the case of paragraphs 3.5(b) and (c), if Completion takes place.

3.7 Group Structure Chart

The diagram below shows the assets which KIT will own following Completion:



Notes:

- 1 Keppel Energy Pte. Ltd. holds the remaining 49% equity interest in KMC.
- 2 WDC Development Pte. Ltd. holds the remaining 49% equity interest in DataCentre One.
- 3 Hyflux Ltd holds the remaining 30% equity interest in SingSpring Trust.

4. INFORMATION ON THE IXOM GROUP

- 4.1 The Ixom Group is amongst the leading industrial infrastructure businesses in Australia and New Zealand, supplying and distributing water treatment chemicals as well as industrial and specialty chemicals which are key to fundamental industries. The Ixom Group manufactures and distributes water treatment chemicals such as liquefied chlorine, chlorine derivatives and caustic soda (chlor-alkali). The Ixom Group is the sole manufacturer and provider of liquefied chlorine in Australia, as well as a leading provider of manufactured caustic soda. The Ixom Group is also one of the largest bulk and packaged chemical distribution businesses in Australia and New Zealand dealing in chemicals such as sulphuric and nitric acids. The chemicals manufactured and distributed by the Ixom Group are fundamental components used in a range of industries which have favourable demand outlooks, including water treatment, dairy and agriculture, mining, construction and nickel refining.

An overview of the key businesses of the Ixom Group is set out below:



Key Segments	Chlorine and Chlorine Derivatives	Caustic soda and Water Treatment & Other Chemicals	Industrial, Packaged & Bulk - Bulk	New Zealand
Description	Produces water treatment chemicals	- Produces caustic soda and water treatment and other chemicals in Australia - Provision of water treatment technologies	Trade of bulk liquid chemicals in Australia	- Provision of water treatment chemicals, with a focus on the dairy industry - Trade of chemicals for industrial applications
Key Chemicals	- Liquefied chlorine - Sodium hypochlorite - Hydrochloric acid - Other chlorine derivatives	- Caustic soda - Alum - Marplex - MIEX	- Sulphuric acid - Nitric acid	- Dzolve (caustic-based) - Chlorine - Nitric acid - Sulphuric acid
Key End Markets	- Water - Mining & metals	- Mining & metals - Food & beverage - Pulp & paper - Chemicals - Hygiene & personal care - Energy	- Energy - Mining & metals - Agriculture - Chemicals - Food & beverage	- Water treatment - Food & beverage - Pharmaceuticals - Chemicals - Pulp, paper & packaging

4.2 The audited reported net profit after tax and EBITDA⁴ of the Ixom Group for the financial year ended 30 September 2018 were AUD43 million (SGD42 million) (of which the tax payments were partially offset by the utilisation of accrued tax losses, which may not be available going forward) and AUD121 million (SGD118 million), respectively. The audited net asset value (“NAV”) and net tangible asset value of the Ixom Group as at 30 September 2018 were AUD309 million (SGD302 million) and AUD85 million (SGD83 million), respectively.

The audited consolidated financial statements of the Ixom Group for the financial year ended 30 September 2018 are set out in Appendix B to this Circular. It should be noted that these financial statements are not necessarily indicative of the financial results of the Ixom Group going forward.

5. RATIONALE FOR THE ACQUISITION

5.1 Unique Opportunity to Acquire a Strong and Stable Industrial Infrastructure Business

The Ixom Group’s business is supported by over 1,000 employees and a strong and large network of over 70 infrastructure assets with a replacement value of approximately AUD900 million as at the date of the Announcement. Replicating the Ixom Group’s network would entail a lengthy process given the number of infrastructure assets and the lead time required to secure the necessary licences. The Ixom Group’s infrastructure assets and facilities, which include bulk liquids storage facilities, bulk storage tank sites and chlor-alkali manufacturing facilities, are well-positioned throughout key regions in Australia and New Zealand, with dedicated third party bulk tankers in select regions to support the import, manufacturing and distribution of water treatment chemicals which are key to fundamental industries and industrial and specialty chemicals.

As at the date of the Announcement, the Ixom Group’s key assets and facilities comprise the following:

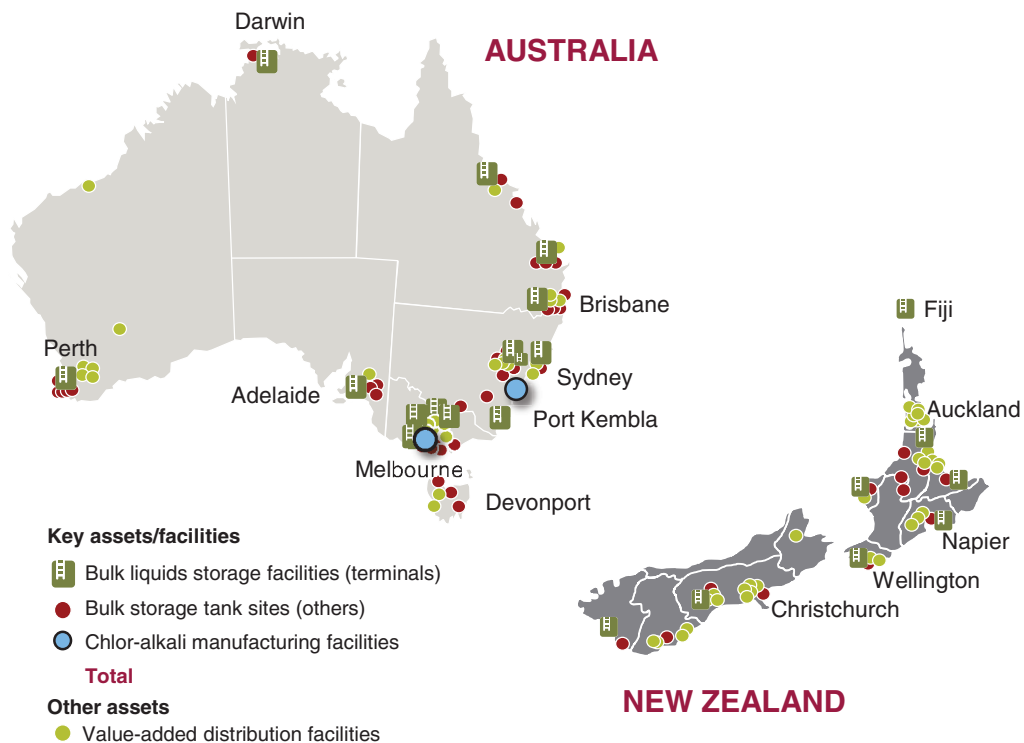
Key assets/facilities	Australia	New Zealand
Bulk liquids storage facilities (terminals)	14	5
Bulk storage tank sites (others)	38	16

⁴ Includes significant items which have been classified as non-recurring by Ixom Group’s management.

Key assets/facilities	Australia	New Zealand
Chlor-alkali manufacturing facilities	2	–
Total	54	21
Other value-added distribution facilities	39	33

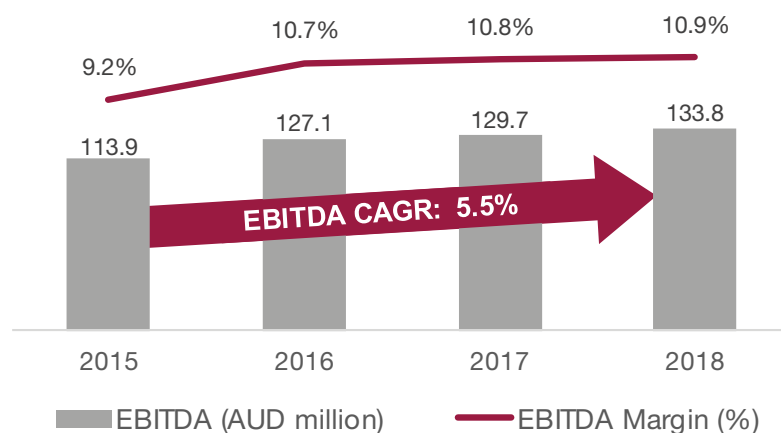
The Ixom Group's business is underpinned by the scale and well-positioned locations of its assets, facilities and distribution network, which are located in close proximity to key ports and customers. The locations of the Ixom Group's assets and facilities allow it to benefit from lower transport costs, reliability of supply for its business, and to ensure that it is well-positioned to distribute its products to its customers in a timely manner. The Ixom Group has several tank sites and terminals within close proximity of the Lyttelton Port and Auckland Port in New Zealand, as well as assets in key locations in Australia, as set out below:

Location	Ixom Group's assets	Port in close proximity
Perth	• 4 tank sites • 2 terminals	• Fremantle Port
Adelaide	• 4 tank sites • 2 terminals	• Adelaide Port
Brisbane	• 6 tank sites • 6 terminals	• Brisbane Port
Melbourne	• 1 chlor-alkali facility • 3 tank sites • 6 terminals	• Melbourne Port
Sydney	• 1 chlor-alkali facility • 5 tank sites • 6 terminals	• Botany Port



Source: Ixom Group's management

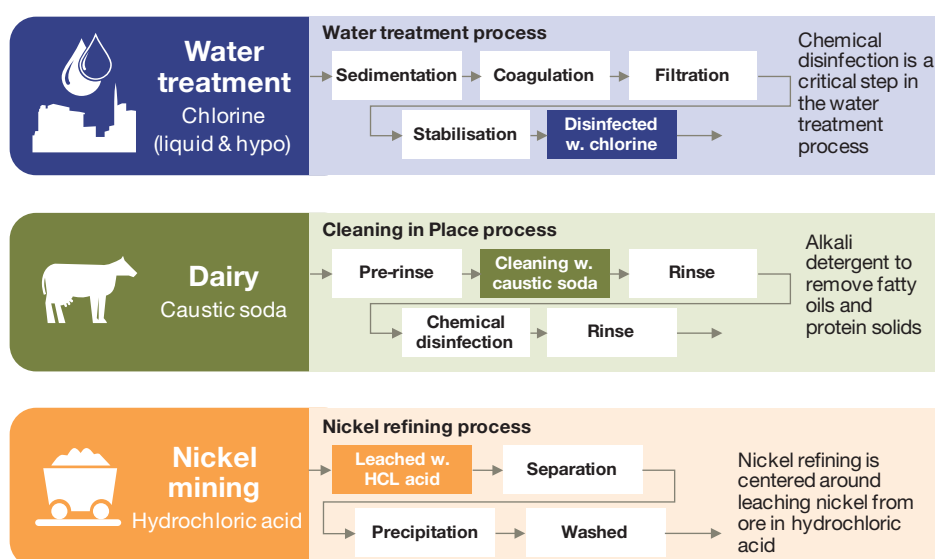
The Ixom Group's business has historically produced stable and resilient distributable cash flows. For the Ixom Group's financial year ended 30 September 2018, approximately 80%⁵ of the Ixom Group's EBITDA was backed by its infrastructure assets. Supported by favourable long-term industry growth trends (further described in paragraph 5.2 below), the Ixom Group generated stable EBITDA and EBITDA margins over the past four years.



Source: Ixom Group's management's normalised EBITDA, based on Ixom Group's audited financial statements for the respective financial years ended 30 September.

5.2 Strong Markets with Favourable Long-Term Industry Growth Trends

The Ixom Group's business is driven by the provision of key chemicals for fundamental industries with favourable long-term industry growth trends. The key chemicals manufactured and distributed by the Ixom Group include liquefied chlorine (which is used in the water treatment process, where most substitutes are either not as efficient at producing potable water and/or require large capital investment), caustic soda (which is used in the "cleaning in place" process to remove fatty oils and protein solids in dairy products) and hydrochloric acid (which is used in the nickel refining process which involves leaching nickel from ore with hydrochloric acid) – these chemicals are fundamental to the production process of a range of essential items and vital to the operations of its customers. This is consistent with KIT's investment strategy of investing in businesses and assets which generate long-term stable cash flows and provide key products and fundamental services.

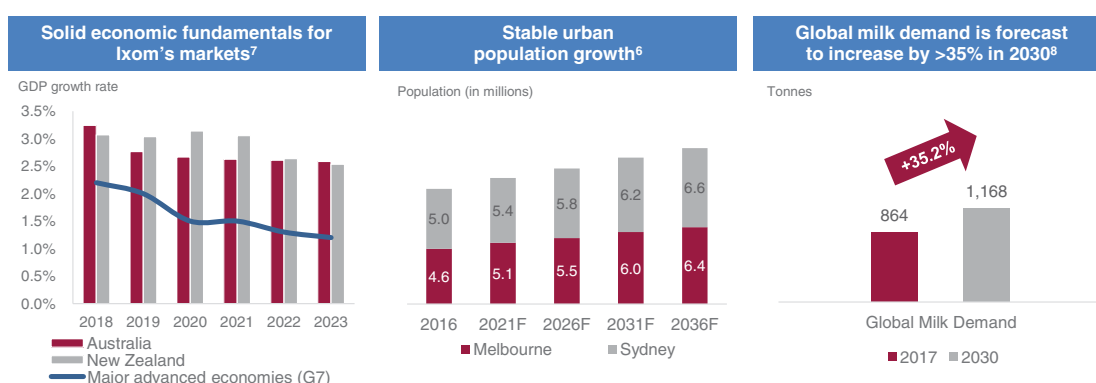


⁵ Source: Ixom Group's audited financial statements for the financial year ended 30 September 2018. Represents earnings that are linked to Ixom's infrastructure assets such as manufacturing and distribution facilities that are owned or operated under long term leases.

Supported by favourable industry fundamentals, such as continued urban population growth and the forecasted increase in global demand for products produced using the chemicals manufactured and distributed by the Ixom Group, the Ixom Group's business is well-positioned to capture these opportunities with the potential for long-term growth.

In Australia, steady growth in chlorine consumption is expected to persist, driven by population and gross domestic product ("GDP") growth. Australia's population is expected to almost double over the period from 2017 to 2060⁶, with a compound annual growth rate of 1.5%, while Australia's GDP growth has registered a 5-year average growth of 2.4% over the period from 2013 to 2017, and is expected to continue on a steady growth trajectory⁷. New Zealand also experienced similar favourable macro fundamentals, and this was reflected in their 5-year average GDP growth of 3.3% over the period from 2013 to 2017⁷. Up to 2023, the projected annual GDP growth of both Australia and New Zealand is expected to be higher than other major advanced economies (comprising Canada, France, Germany, Italy, Japan, the United Kingdom and the United States)⁷.

Global milk demand is forecast to increase by more than 35% over the period from 2017 to 2030⁸. With 46% of the world dairy trade being contributed by Australia and New Zealand⁹, steady demand for caustic soda is expected to persist.



5.3 Large and Diversified Customer Base

The Ixom Group's business produces stable and resilient cash flows – for the Ixom Group's financial year ended 30 September 2018, approximately 80% of the Ixom Group's EBITDA was backed by its infrastructure assets. Stable and resilient cash flows are reinforced by the Ixom Group's position as one of the leading players in its chosen markets with its large and diversified customer base of over 8,000 customers¹⁰ comprising many blue-chip companies and municipalities, and long-term customer relationships. This is consistent with KIT's principal objective of investing in businesses and assets which can provide Unitholders with long-term, regular and predictable distributions and the potential for long-term capital growth.

⁶ Source: Australian Bureau of Statistics, "Population Projections, Australia, 2017 – 2066" and "Population Projections, Australia, 2011 – 2036", last accessed on the Latest Practicable Date, http://stat.data.abs.gov.au/Index.aspx?DataSetCode=POP_PROJ_2011#.

⁷ Source: International Monetary Fund, "Real GDP Growth – Annual Percent Change", last accessed on the Latest Practicable Date, https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEO/WORLD/AUS.

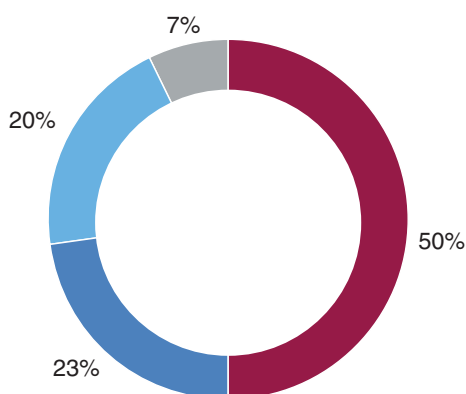
⁸ Source: IFCN Dairy Research Network (Lukasz Wyrzykowski, Katrin Reincke, Torsten Hemme), "IFCN Long-term Dairy Outlook – The IFCN Vision of the Dairy World in 2030", published in June 2018.

⁹ Source: Dairy Australia Limited, "International Market Overview", last accessed on the Latest Practicable Date, <https://www.dairyaustralia.com.au/industry/exports-and-trade/international-market-overview>.

¹⁰ Source: Ixom Group's management estimates.

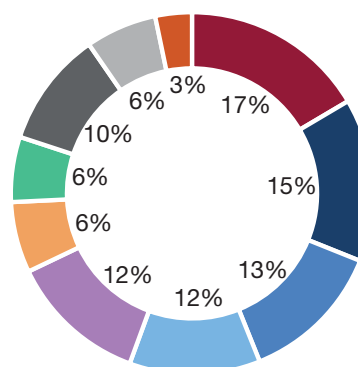
The Ixom Group's customer base is well diversified across end-markets, with a wide reach across multiple industries in Australia and New Zealand. The Ixom Group's EBITDA contributions by segments and revenue contributions by end-markets are set out below:

EBITDA contributions by segments¹



- Chlorine and derivatives, Caustic soda and Water Treatment & Other Chemicals
- Industrial, Packaged & Bulk - Bulk
- New Zealand
- Others

Ixom Group's revenue contributions by end-markets¹



- Food & beverage
- Water
- Building & construction
- Agriculture
- Energy
- Mining and metals
- Chemicals
- Pulp & paper
- Hygiene
- Others

Note:

¹ Based on the Ixom Group's audited financial statements for the financial year ended 30 September 2018.

The chemicals manufactured and distributed by the Ixom Group, being key chemicals to fundamental industries, lead to a general preference by its customers for local suppliers to benefit from reliable contracts and relationships, certainty of supply and the provision of customised solutions by the Ixom Group. In addition, it is uneconomic for the Ixom Group's customers to import certain chemicals manufactured by the Ixom Group (such as liquefied chlorine) due to the high cost of transporting hazardous chemicals.

No single customer of the Ixom Group contributed more than 6.0% of the total revenue of the Ixom Group for the financial year ended 30 September 2018¹¹. The diversity of the Ixom Group's customer base and end-markets contributes to the strength and stability of its business.

¹¹ Based on the Ixom Group's management accounts, the top 10 customers, next 10 customers and remaining customers contributed 15%, 8% and 78% of the total revenue of the Ixom Group for the financial year ended 30 September 2018, respectively.

5.4 Strengthen KIT's Portfolio Mix and Overall Value Proposition

The Ixom Group's business model is aligned with KIT's investment strategy to acquire businesses and assets that:

- (i) generate long-term stable cash flows with potential long-term growth – the Ixom Group has a large and diversified customer base of over 8,000 customers in fundamental industries supported by favourable long-term industry growth trends;
- (ii) provide key products and fundamental services – the Ixom Group manufactures key chemicals (such as liquefied chlorine, caustic soda and hydrochloric acid) which are fundamental to the production process of a range of essential items and vital to the operations of its customers;
- (iii) are in strong and stable business sectors – for the financial year ended 30 September 2018, approximately 80% of the Ixom Group's EBITDA was backed by infrastructure assets; and
- (iv) have significant scale with large infrastructure networks – the Ixom Group's business is supported by over 1,000 employees and a strong and large network of over 70 infrastructure assets with a replacement value of approximately AUD900 million as at the date of the Announcement.

The Ixom Group's value proposition extends KIT's capabilities into the water treatment chemicals sector in Australia and New Zealand. Accordingly, the Acquisition is a logical fit with KIT's long-term value proposition, further as illustrated below:

Sectors	Energy	Distribution & Network	Water & Waste Treatment
Assets	■ KMC	■ City Gas ■ Basslink ■ DataCentre One ■ Ixom	■ SingSpring ■ Ulu Pandan NEWater Plant ■ Senoko WTE Plant ■ Tuas WTE Plant
Characteristics	■ Stable cash flow ■ Significant scale that is difficult to replicate	■ Strong and stable business ■ Diversified customer base ■ Large infrastructure network	■ Utilities earnings generated by strong customer base and market position
Ixom's Value Proposition		■ Extension of KIT's capabilities by moving into adjacent market segment of manufacturing and distributing chemicals	■ Extension of KIT's capabilities into the water treatment chemicals sector

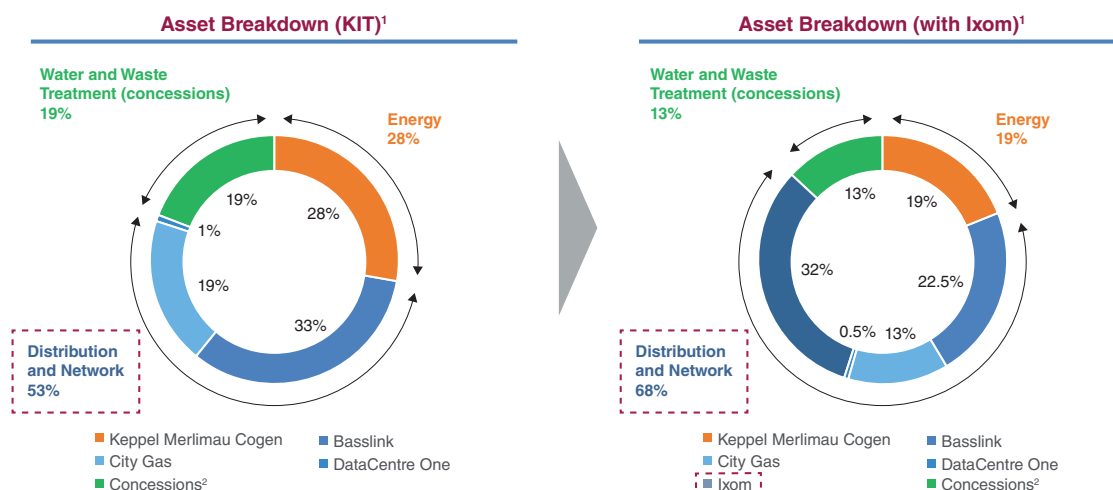
The strategic addition of the Ixom Group to KIT's business will strengthen KIT's portfolio mix and overall value proposition and is a natural fit with KIT's existing portfolio. For example:

- (a) the Ixom Group's business in Australia and New Zealand has similar characteristics as KIT's City Gas business in Singapore. Both businesses are amongst the leading businesses in their respective industries, providing fundamental products to a large and diversified customer base comprising commercial, industrial and residential customers, leading to stable cash flows. Both their products are manufactured through simple processes; and
- (b) KIT's SingSpring and Ulu Pandan NEWater Plant in Singapore share similar operational processes and product knowledge with the Ixom Group's business in Australia and New Zealand. All three businesses are involved in the water treatment value chain – both SingSpring and Ulu Pandan NEWater Plant in Singapore utilise chlorine, sodium hypochlorite, caustic soda and hydrochloric acid in their water treatment process, which are the same chemicals the Ixom Group produces and

distributes to its customers in Australia and New Zealand. As these businesses also share similar operational and safety procedures, the Acquisition serves as a natural extension of KIT's current operations.

The Acquisition will increase KIT's exposure to the Distribution and Network segment, which is expected to provide increased stability and resilience for KIT's revenue, EBITDA and distribution.

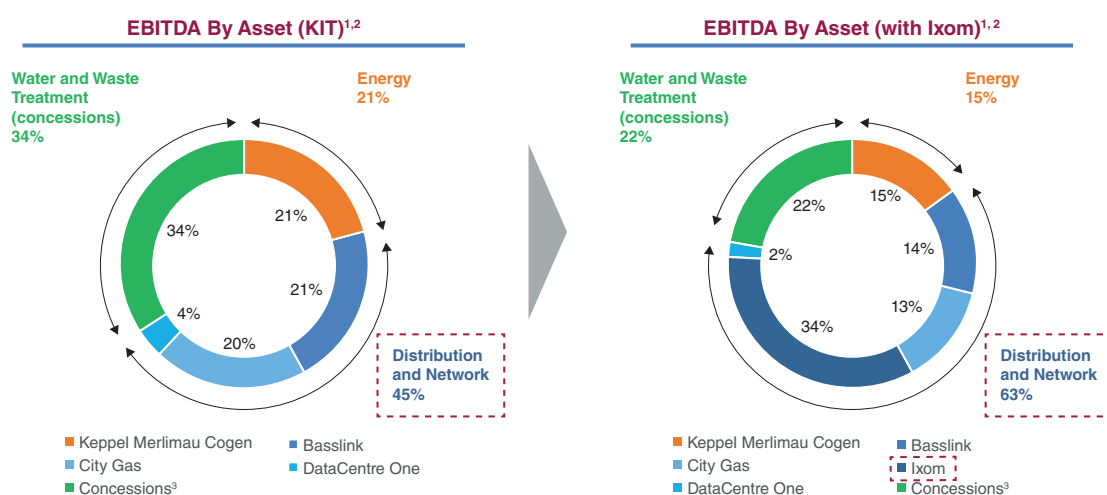
A breakdown of KIT's total assets prior to and after Completion is set out below:



Notes:

- Based on KIT's unaudited financial information for FY2018, the Ixom Group's audited financial statements for the financial year ended 30 September 2018 and KIT's stakes in the respective assets.
- Concessions include SingSpring, Ulu Pandan NEWater Plant, Senoko WTE Plant and Tuas WTE Plant.

A breakdown of KIT's EBITDA contribution by asset prior to and after Completion is set out below:



Notes:

- Based on KIT's unaudited financial information for FY2018, the Ixom Group's audited financial statements for the financial year ended 30 September 2018 and KIT's stakes in the respective assets.
- Adjusted EBITDA as at 31 December 2018 includes reduction in concession receivables, and excludes Trust/Corporate expenses.
- Concessions include SingSpring, Ulu Pandan NEWater Plant, Senoko WTE Plant and Tuas WTE Plant.

6. THE EQUITY FUND RAISING

6.1 Structure

As at the Latest Practicable Date, the structure and timing of the Equity Fund Raising have not been determined by the Trustee-Manager.

If and when the Trustee-Manager decides to undertake the Equity Fund Raising, the Equity Fund Raising may, at the Trustee-Manager's discretion and subject to the then prevailing market conditions, comprise either:

(a) the Preferential Offering; or

(b) the Preferential Offering and the Placement,

in each case, pursuant to the approvals sought under Ordinary Resolution 2; or

(c) the Rights Issue, pursuant to (i) the General Mandate or any other general mandate which may be granted by Unitholders to the Trustee-Manager to issue new Units or (ii) specific Unitholders' approval to be obtained at a date subsequent to the EGM,

in each case at an issue price to be determined by the Trustee-Manager, in consultation with the Underwriter(s), so as to raise gross proceeds of up to SGD750 million in aggregate to fully or partially repay the Bridge Facility ultimately drawn down. For the avoidance of doubt, the amount of proceeds to be raised under the Equity Fund Raising will depend on the amount drawn down under the Bridge Facility, which may be less than SGD750 million.

The Trustee-Manager will determine the exact structure of the Equity Fund Raising closer to the launch of such offering (if any), having regard to, among other things, market conditions at such time. As the Bridge Facility is expected to have a tenor of approximately one year, the Trustee-Manager will have the flexibility to launch the Equity Fund Raising at a time that would be conducive for KIT and its Unitholders.

For the purposes of the EGM, Unitholders' approval is only being sought for the New Units to be issued in the event the Equity Fund Raising is undertaken by way of (i) the Preferential Offering or (ii) the Preferential Offering and the Placement.

Unitholders should note that in the event that the Equity Fund Raising is undertaken by way of the Rights Issue, the Rights Issue Units will be issued pursuant to (i) the General Mandate or any other general mandate which may be granted by Unitholders to the Trustee-Manager to issue new Units or (ii) specific Unitholders' approval to be obtained at a date subsequent to the EGM.

The Trustee-Manager will announce details of the Equity Fund Raising (including details pertaining to the use of proceeds and percentage allocation for each use) on SGXNET at the appropriate time if and when it launches the Equity Fund Raising in such structure and at such time as may be agreed with the Underwriter(s).

6.2 Issue Price

The issue price at which New Units will be offered and issued pursuant to the Equity Fund Raising will be determined by the Trustee-Manager, in consultation with the Underwriter(s) closer to the date of the launch of the Equity Fund Raising. In the event the Equity Fund Raising comprises the Preferential Offering and the Placement, New Units may be offered at different issue prices under the Preferential Offering and the Placement.

Notwithstanding that Unitholders' approval is being sought for the Preferential Offering and the Placement, should the Equity Fund Raising comprise the Preferential Offering and, if applicable, the Placement, the issue price for the New Units to be issued pursuant to the Preferential Offering and, if applicable, the Placement will comply with Rule 816(2)¹² and, as the case may be, Rules 811(1)¹³ and 811(5)¹⁴ of the Listing Manual, and shall be at a price that represents a discount of not more than 10% to the weighted average price for trades done on the SGX-ST for the full Market Day on which the underwriting agreement between the Trustee-Manager and the Underwriter(s) (the "**Underwriting Agreement**") is signed, or (if trading in Units is not available for a full Market Day) the weighted average price for trades done on the SGX-ST for the preceding Market Day up to the time the Underwriting Agreement is signed.

Should the Equity Fund Raising comprise the Rights Issue, the Rights Issue Units may be issued at an issue price which represents a discount to the weighted average price for trades done on the SGX-ST for the full Market Day on which the Underwriting Agreement is signed, or (if trading in Units is not available for a full Market Day) the weighted average price for trades done on the SGX-ST for the preceding Market Day up to the time the Underwriting Agreement is signed, and such discount may be equal, less or more than 10%.

6.3 New Units

The number of New Units to be issued pursuant to the Equity Fund Raising will depend on, among other things, (a) the final structure of the Equity Fund Raising (as described in paragraph 6.1 above) and (b) the issue price at which such New Units will be offered (to be determined by the Trustee-Manager in consultation with the Underwriter(s)).

The Trustee-Manager will submit an additional listing application to the SGX-ST for the listing and quotation of the New Units in due course, and will announce via SGXNET when in-principle approval for the listing and quotation of the New Units has been obtained from the SGX-ST.

The Preferential Offering and, if applicable, the Placement

As the issue price of the New Units to be issued in the event the Equity Fund Raising comprises the Preferential Offering and, if applicable, the Placement cannot be determined as at the Latest Practicable Date, the number of New Units to be issued pursuant to the Preferential Offering and, if applicable, the Placement may exceed the limits under the General Mandate. Accordingly, Unitholders' approval is being sought at the EGM for the issuance of New Units in the event the Equity Fund Raising comprises the Preferential Offering and, if applicable, the Placement.

¹² Rule 816(2)(a): An issuer can undertake non-renounceable rights issues: (i) subject to specific shareholders' approval; or (ii) in reliance on the general mandate to issue rights shares in a non-renounceable rights issue if the rights shares are priced at not more than 10% discount to the weighted average price for trades done on the SGX-ST for the full Market Day on which the rights issue is announced. If trading in the issuer's shares is not available for a full Market Day, the weighted average price must be based on the trades done on the preceding market day up to the time the rights issue is announced. Rule 816(2)(b): the non-renounceable rights issue must comply with Part V of Chapter 8 except Rule 816(1).

¹³ Rule 811(1): An issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full Market Day on which the placement or subscription agreement is signed. If trading in the issuer's shares is not available for a full Market Day, the weighted average price must be based on the trades done on the preceding Market Day up to the time the placement agreement is signed.

¹⁴ Rule 811(5): In the case of REITs and business trusts, for the purpose of Rule 811, the discount or premium of the issue price may be computed with reference to the weighted average price excluding declared distributions for trades done for the underlying units on the SGX-ST for the full Market Day on which the placement or subscription agreement is signed, provided that the placees are not entitled to the declared distributions.

The Rights Issue

In the event the Equity Fund Raising comprises the Rights Issue, the Rights Issue Units will be issued pursuant to (i) the General Mandate or any other general mandate which may be granted by Unitholders to the Trustee-Manager to issue new Units or (ii) specific Unitholders' approval to be obtained at a date subsequent to the EGM.

Under the General Mandate, the Trustee-Manager may, during the period from 17 April 2018 to (i) the conclusion of the next annual general meeting of KIT ("**AGM**") or (ii) the date by which the next AGM is required by applicable regulations to be held, whichever is earlier, issue new Units and/or warrants, options, debentures or other instruments convertible into Units ("**Convertible Securities**") such that the number of new Units (including Units into which Convertible Securities may be converted) that can be issued on a *pro rata* basis does not exceed 50% of the total number of Units in issue as at 17 April 2018. As at the Latest Practicable Date, KIT may issue up to 1,929,008,533 new Units pursuant to the General Mandate on a *pro rata* basis.

Consistent with previous years, upon the expiry of the General Mandate at the next AGM, the Trustee-Manager intends to seek Unitholders' approval for a general mandate to issue new Units and/or Convertible Securities at the next AGM.

As stated in paragraph 6.1 above, the gross proceeds to be raised under the Equity Fund Raising and accordingly, the Rights Issue, will not exceed SGD750 million. For the avoidance of doubt, such limit on the amount of proceeds to be raised will not apply to any other fund raising undertaken through the issuance of new Units under the General Mandate or any other general mandate which may be granted by Unitholders to the Trustee-Manager to issue new Units.

6.4 Underwriting

It is envisaged that the Equity Fund Raising will be underwritten by the Underwriter(s) subject to the execution of the Underwriting Agreement on such terms and conditions as the Underwriter(s) may agree with the Trustee-Manager.

The Underwriting Agreement is anticipated to be signed upon the terms of the Equity Fund Raising being agreed upon, which is expected to be after Completion.

6.5 KIHPL Support for the Equity Fund Raising

As described in paragraph 1.4 of this Circular, KIHPL intends to subscribe for its *pro rata* entitlement under the Preferential Offering or the Rights Issue, as the case may be. If and to the extent the Placement is undertaken, KIHPL intends to take part in the Placement so as to maintain its proportionate unitholding in KIT after the completion of the Equity Fund Raising, in percentage terms, at the level immediately prior to the issue of the New Units under the Equity Fund Raising, subject to compliance with the applicable rules in the Listing Manual.

6.6 Use of Proceeds

KIT will apply the gross proceeds from the Equity Fund Raising of up to SGD750 million towards the full or partial repayment of the Bridge Facility and payment of the fees and expenses (including underwriting and selling commissions and professional and other fees and expenses) incurred by it in connection with the Equity Fund Raising.

The Trustee-Manager will make periodic announcements on the utilisation of the net proceeds of the Equity Fund Raising via SGXNET as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated.

Where proceeds are to be used for working capital purposes, the Trustee-Manager will disclose a breakdown with specific details on the use of proceeds for working capital in KIT's announcements and in KIT's annual report, and where there is any material deviation from the stated use of proceeds, the Trustee-Manager will announce the reasons for such deviation.

Pending the deployment of the net proceeds from the Equity Fund Raising, the net proceeds may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions, invested in short-term money market instruments or marketable securities, or used to repay outstanding borrowings or for any other purpose on a short-term basis as the Trustee-Manager may, in its absolute discretion, deem fit.

The Trustee-Manager is of the view that the funds raised from the Equity Fund Raising will be sufficient to enable KIT to meet its obligations and continue to operate as a going concern.

7. THE PROPOSED KIHPL PLACEMENT

7.1 The Proposed KIHPL Placement

Rule 812 of the Listing Manual provides that an issue must not be placed to, among others, an issuer's substantial shareholders unless specific shareholders' approval has been obtained for such placement. As at the Latest Practicable Date, KIHPL has a direct interest in 702,361,054 Units, representing approximately 18.20% of the total Units in issue. Accordingly, Unitholders' approval is being sought for Ordinary Resolution 3 as the Trustee-Manager may undertake the Placement as part of the Equity Fund Raising.

The number of New Units proposed to be placed to KIHPL shall be no more than such number as would be required to maintain its proportionate unitholding in KIT after the completion of the Equity Fund Raising, in percentage terms, at the level immediately prior to the issue of New Units under the Equity Fund Raising.

In the event that the Trustee-Manager undertakes the Placement as part of the Equity Fund Raising, New Units will be issued to KIHPL at the same price as the New Units issued to other investors under the Placement. The issue price for the New Units to be issued pursuant to the Placement will comply with Rules 811(1) and 811(5) of the Listing Manual, and shall be at a price that represents a discount of not more than 10% to the weighted average price for trades done on the SGX-ST for the full Market Day on which the Underwriting Agreement is signed, or (if trading in Units is not available for a full Market Day) the weighted average price for trades done on the SGX-ST for the preceding Market Day up to the time the Underwriting Agreement is signed, excluding (where applicable) declared distributions provided that the placees of the New Units under the Placement are not entitled to the declared distributions.

7.2 Rationale for the Proposed KIHPL Placement

In the event that the Trustee-Manager undertakes the Placement as part of the Equity Fund Raising, the Trustee-Manager is of the view that it would benefit Unitholders if New Units are permitted to be issued to KIHPL pursuant to such Placement for the following reasons:

- (a) the issue of New Units to KIHPL would maintain KIHPL's position as the single largest direct Unitholder of KIT;
- (b) consistent with the support provided by KIHPL in connection with the Acquisition (further as described in paragraph 16 below), such issue would be a positive demonstration of KIHPL's commitment as the Sponsor of KIT;
- (c) the issue of New Units to KIHPL would allow KIHPL to maintain the level of their investment in KIT and avoid or mitigate the extent to which they would be diluted as a result of the Equity Fund Raising; and
- (d) such issue would enhance investors' confidence in such Placement and provide a higher degree of certainty for the successful completion of the Equity Fund Raising.

7.3 Interested Person Transaction

Under Chapter 9 of the Listing Manual, where KIT proposes to enter into a transaction with an interested person (as defined in the Listing Manual) and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than SGD100,000, entered into with the same interested person during the same financial year) is of a value equal to, or more than, 5% of KIT's latest audited consolidated net tangible assets ("**NTA**")¹⁵, Unitholders' approval is required in respect of the transaction.

KIHPL, being a Controlling Unitholder, is deemed to be an interested person for the purposes of Chapter 9 of the Listing Manual. Accordingly, the Proposed KIHPL Placement will constitute an interested person transaction under Chapter 9 of the Listing Manual. If such number of New Units are placed to KIHPL pursuant to the Placement in order for KIHPL to maintain its proportionate unitholding, in percentage terms, at the level immediately prior to the issue of New Units under the Equity Fund Raising, there is a possibility (depending on the issue price of the New Units under the Placement and the number of New Units that KIHPL subscribes for) that the value of New Units placed to KIHPL, either in itself or in aggregation with all earlier transactions (each of a value equal to or greater than SGD100,000) entered into with KIHPL during the current financial year, may exceed 5% of KIT's latest audited consolidated NTA. In such circumstances, under Rule 906(1) of the Listing Manual, the Trustee-Manager is required to seek Unitholders' approval for the placement of New Units to KIHPL.

¹⁵ Based on KIT's audited consolidated financial statements for FY2017, the NTA of KIT as at 31 December 2017 was SGD784.7 million.

8. FUTURE DISTRIBUTIONS AND STATUS OF NEW UNITS

KIT currently pays distributions to Unitholders out of its retained cash and residual cash flows on a quarterly basis.

However, pursuant to the Equity Fund Raising, the Trustee-Manager may decide to make adjustments to the distribution period which may include, among others, a cumulative distribution, an advance distribution or such other plans to ensure fairness to Unitholders holding Units on the day immediately prior to the date on which the New Units are issued under the Placement (if applicable).

In the event that the Trustee-Manager undertakes the Preferential Offering, the Preferential Offering Units will, upon issue and allotment, rank *pari passu* in all respects with the Units in issue on the day immediately prior to the date on which the Preferential Offering Units are issued, including the right to any distributions which may accrue prior to the issuance of the Preferential Offering Units.

In the event that the Equity Fund Raising comprises the Placement, the Placement Units will, upon issue and allotment, rank *pari passu* in all respects with the Units in issue on the day immediately prior to the date on which the Placement Units are issued, other than in respect of any advance distribution and the eligibility to participate in the Preferential Offering.

In the event that the Trustee-Manager undertakes the Rights Issue, the Rights Issue Units will, upon issue and allotment, rank *pari passu* in all respects with the Units in issue on the day immediately prior to the date on which the Rights Issue Units are issued, including the right to any distributions which may accrue prior to the issuance of the Rights Issue Units.

Further details pertaining to any adjustment to the distribution period, if any, and the status of the New Units issued pursuant to the Equity Fund Raising will be announced via SGXNET at the appropriate time.

9. FINANCIAL EFFECTS

The following table sets out the *pro forma* financial effects of the Acquisition and the Equity Fund Raising and has been prepared for illustrative purposes only to show:

- (a) what the NAV of the KIT Group per Unit and Gearing¹⁶ of the KIT Group as at (in relation to the *pro forma* financial effects for FY2018) 31 December 2018 and (in relation to the *pro forma* financial effects for FY2017) 31 December 2017 would have been if the Acquisition and the Equity Fund Raising had been completed as at (in relation to the *pro forma* financial effects for FY2018) 31 December 2018 and (in relation to the *pro forma* financial effects for FY2017) 31 December 2017, respectively; and

¹⁶ Gearing means net debt of the KIT Group divided by the total assets of the KIT Group.

- (b) what the distribution per Unit (“DPU”), funds from operations (“FFO”)¹⁷ of the KIT Group and DPU yield for (in relation to the *pro forma* financial effects for FY2018) the financial year ended 31 December 2018 and (in relation to the *pro forma* financial effects for FY2017) the financial year ended 31 December 2017 would have been if the Acquisition and the Equity Fund Raising had been completed with effect from (in relation to the *pro forma* financial effects for FY2018) 1 January 2018 and (in relation to the *pro forma* financial effects for FY2017) 1 January 2017, respectively.

	Actual as at and for FY2018	Pro forma FY2018 – Acquisition and Equity Fund Raising	
		Scenario A ¹⁸	Scenario B ^{19, 20}
Number of Units in issue (million)	3,858.3	5,101.0	5,650.6
NAV (SGD million)	1,052	1,579	1,579
NAV of KIT Group per Unit (SGD Cents)	27.3	31.0	27.9
Distributions (SGD million) ²¹	144	190	201
DPU ²² (SGD Cents)	3.72	3.72	3.55
DPU yield ²² (%)	7.3 ²³	7.8 ²⁴	7.9 ²⁵
FFO of KIT Group (SGD million)	161	221	221
FFO of KIT Group per Unit (SGD Cents)	4.18	4.34	3.92
Gearing of KIT Group (%)	40.6	40.8	40.8

¹⁷ FFO means funds from operations, calculated as profit after tax adjusted for reduction in concession or lease receivables, transaction costs, non-cash interest and current cash tax, capital expenditure, non-cash adjustments and non-controlling interest adjustments.

¹⁸ The scenario where the Equity Fund Raising comprises the Preferential Offering and the Placement at an illustrative issue price of SGD0.48 per New Unit (calculated based on the weighted average price of the Units of SGD0.51 as at the Latest Practicable Date) to raise gross proceeds of approximately SGD600 million to fully or partially repay the Bridge Facility.

¹⁹ The scenario where the Equity Fund Raising comprises the Rights Issue at an illustrative theoretical ex-rights price of SGD0.45 per Unit (calculated based on the weighted average price of the Units of SGD0.51 as at the Latest Practicable Date) and an illustrative issue price of SGD0.33 per Rights Issue Unit to raise gross proceeds of approximately SGD600 million to fully or partially repay the Bridge Facility.

²⁰ As at the Latest Practicable Date, KIT may issue up to 1,929,008,533 New Units pursuant to the General Mandate on a *pro rata* basis.

²¹ Calculated by multiplying DPU by the total number of Units.

²² The DPU and DPU yield set out herein should not be interpreted as being representative of the future DPU or DPU yield. The DPU set out herein takes into account recurring interest expense. One-off upfront fees relating to the Term Loan and the Equity Fund Raising will be funded through the proceeds from the Equity Fund Raising.

²³ Calculated based on an illustrative price of SGD0.51 per Unit, being the closing price per Unit on the Latest Practicable Date.

²⁴ Calculated based on an illustrative issue price of SGD0.48 per New Unit.

²⁵ Calculated based on an illustrative theoretical ex-rights price of SGD0.45 per Unit.

	Actual as at and for FY2017	Pro forma FY2017 – Acquisition and Equity Fund Raising	
		Scenario A ¹⁸	Scenario B ^{19, 20}
Number of Units in issue (million)	3,857.4	5,100.1	5,649.7
NAV (SGD million)	1,153	1,673	1,673
NAV of KIT Group per Unit (SGD Cents)	29.9	32.8	29.6
Distributions (SGD million) ²¹	143	190	201
DPU ²² (SGD Cents)	3.72	3.72	3.55
DPU yield ²² (%)	7.3 ²³	7.8 ²⁴	7.9 ²⁵
FFO of KIT Group (SGD million)	178	243	243
FFO of KIT Group per Unit (SGD Cents)	4.61	4.76	4.29
Gearing of the KIT Group (%)	39.9	41.3	41.3

Please refer to Appendix A to this Circular for the bases and assumptions on which the *pro forma* financial effects of the Acquisition and the Equity Fund Raising have been prepared.

10. RISK FACTORS

Unitholders should consider carefully, together with all other information contained in this Circular, the factors described below before deciding how to vote on the resolutions proposed at the EGM as these may, among other things, adversely affect KIT's ability to make distributions to Unitholders. The risk factors below are intended to highlight certain incremental material risks faced by the KIT Group as a result of the Acquisition and the Equity Fund Raising that Unitholders should consider. These risk factors are not intended to be exhaustive.

RISKS RELATING TO THE ACQUISITION

The proposed Acquisition may be subject to risks associated with the acquisition of companies and of assets held by the Ixom Group

There can be no assurance that the assets held by the Ixom Group will not have defects or deficiencies including latent defects, requiring significant capital expenditure, repair or maintenance expenses, or that the Ixom Group will not have payment or other obligations to third parties or carry other significant liabilities or that the records or diligence documents are complete and up to date. The due diligence documents and reports that the Trustee-Manager has relied upon in relation to the Ixom Group as part of its due diligence investigations may contain inaccuracies and/or be incomplete, as certain defects and deficiencies in the assets may be difficult or impossible to ascertain where such defects are latent or due to the limitations inherent in the scope of the inspections. In the event that KIT has to incur significant repair or maintenance expenses, this may have an adverse effect on the financial condition and results of operations of KIT.

The Sellers' contractual representations, warranties and indemnities under the SSA may be breached or unenforceable. The duration of the warranties under the SSA is seven years (in the case of the Sellers' title and capacity, tax warranties and related indemnities) and three years (in the case of the Sellers' other warranties and related indemnities). The KIT Purchaser has obtained warranty and indemnity insurance policies to provide coverage in respect of the Sellers' representations, warranties and indemnities under the SSA and has released the Sellers from liability in respect of these representations, warranties and indemnities (except in the case of fraud by a Seller). The warranty and indemnity insurance policies are subject to a number of exclusions, including but not limited to criminal or civil penalties due to intentional or deliberate acts, consequential losses, warranties on financial forecasts or forward-looking statements, pollution, defective products or services, anti-bribery and corruption and underfunding of pensions; therefore, not all claims in respect of such representations, warranties and indemnities will be recoverable under the policies.

KIT may not be able to complete the Equity Fund Raising and hence the drawdown of the Bridge Facility would result in an increase in KIT's Gearing

KIT expects to drawdown on the Bridge Facility to fund the Purchase Price of the Acquisition, and intends to utilise the proceeds from the Equity Fund Raising to fully or partially repay the Bridge Facility. However, uncertainties and instability in global market conditions could, among other things, adversely affect KIT's ability to successfully complete the Equity Fund Raising. Accordingly, this would result in an increase in the Gearing of KIT, should KIT be required to take on additional debt financing in place of the Equity Fund Raising to fully or partially repay the Bridge Facility. The increase in the Gearing may increase the impact of interest rate fluctuations on KIT and/or may result in a breach of certain financial covenants in KIT's debt facilities. As at 31 December 2018, the Gearing of KIT was 40.6%. For illustrative purposes, based on the *pro forma* balance sheet of KIT as at 31 December 2018 and the assumptions set out in Appendix A to this Circular, the Gearing of KIT will be (i) approximately 51.6% upon completion of the Acquisition and (ii) approximately 40.2% in the event the Equity Fund Raising is undertaken to raise gross proceeds of approximately SGD600 million. In the event that the Equity Fund Raising is not completed, and if KIT should then from time to time require further debt financing to achieve its investment strategy, such increase in its Gearing may adversely affect its ability to make further borrowings.

The consequences of this limitation on borrowings may include, among other things:

- an inability to fund capital expenditure requirements;
- cash flow shortages (including with respect to distributions) which KIT might otherwise be able to resolve by borrowing funds; and
- KIT may not be able to obtain additional equity or debt financing or be able to obtain such financing on favourable terms.

The above business consequences may adversely affect KIT's financial condition, results of operations, level of distributable income and Unit price.

Risks associated with debt financing

In connection with the Acquisition, the KIT Purchaser will be entering into a facility agreement under which the Term Loan will be made available subject to the fulfilment of certain terms and conditions as stated in the facility agreement. It is expected that the principal amount of the Term Loan shall be repaid upon maturity of the Term Loan. The KIT Purchaser is subject to risks associated with debt refinancing. For example, if the KIT Purchaser defaults under the Term Loan, the lenders may be able to declare a default, accelerate payments such that the Term Loan will be immediately due and payable, initiate enforcement proceedings in respect of any security provided, and/or call upon any guarantees provided. There is also no certainty that interest rates will not move against the KIT Purchaser, whether prior to the entry into the Term Loan or subsequently, up to the maturity of the Term Loan, which would result in higher interest rates and interest expenses, thereby adversely affecting the KIT Purchaser's cash flows and the amount of funds available for distribution to its shareholder, and in turn affect KIT's distributions to Unitholders. While the KIT Purchaser may put in place hedges to manage the interest rate risk, there is no assurance that any such hedges put in place will effectively mitigate such risk.

If the principal amount of the Term Loan due for repayment at maturity cannot be refinanced, extended or paid with proceeds of other capital market transactions, such as the raising of new equity capital, the KIT Purchaser may be required to seek additional financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained at the same interest rates and/or on terms favourable to the KIT Purchaser. Factors that could affect the KIT Purchaser's ability to procure financing include market disruption risks which could adversely affect the liquidity, interest rates and the availability of funding sources.

Economic and other conditions and changes in governmental policies in Australia or New Zealand may affect the Ixom Group

The business of the Ixom Group is subject to exposure to the economic and market conditions in Australia and New Zealand, and may be affected by regulatory, social, political and economic, environmental and competitive conditions and other changes in Australia and New Zealand.

Upon completion of the Acquisition, any material changes in the regulatory, social, political and economic, environmental or competitive conditions in Australia or New Zealand may have a disproportionate and/or material adverse effect on KIT's financial condition and results of operations. Any economic downturn or changes in policies implemented by the government of Australia or of New Zealand could have a material adverse effect on the financial condition and results of operations of KIT.

If the AUD or NZD should weaken against the SGD, this will adversely affect the amount of SGD distributions KIT is able to pay to its Unitholders

The Ixom Group earns all of its revenues in currencies other than SGD, and 78% in aggregate of its revenues for the financial year ended 30 September 2018 were denominated in AUD and NZD, while KIT declares and pays distributions to its Unitholders in SGD. KIT may not be able to hedge against such foreign exchange risk or any hedges put in place may not effectively mitigate such risk. Accordingly, a weakening of the AUD or NZD against the SGD may have a material adverse impact on the amount of SGD distributions which KIT is able to pay to its Unitholders.

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE IXOM GROUP

The consequences of non-compliance with laws and regulations (including environmental laws) may be significant

The Ixom Group must comply with various laws and regulations (including environmental laws) applicable in the countries it operates in. If the Ixom Group fails to comply with these requirements, it could be subject to civil or criminal liability and fines which could be substantial, or have relevant licences or permits for its operations suspended or not renewed by the relevant authorities, causing disruption to its operations. In addition, existing laws and regulations (including environmental laws) could be revised or reinterpreted, or new laws and regulations could be adopted or become applicable to the Ixom Group. The occurrence of any of these events could have a material adverse effect on the Ixom Group's financial condition and results of operations.

There is no guarantee that the environmental liability coverage will cover all the losses of the Ixom Group or that such insurance coverage will be available in the future

Environmental liability insurance policies have been arranged in favour of the Ixom Group to provide coverage in respect of certain losses and clean-up costs that may be incurred by the Ixom Group in the future as a result of unknown and certain known environmental conditions existing prior to the Acquisition. The policies are proposed to be incepted on Completion on the final terms as agreed with the insurers. These policies are subject to a number of exclusions; therefore, not all claims in respect of such losses and clean-up costs will be recoverable under those policies. There is also no guarantee that such insurance will continue to be available or be available on commercially acceptable terms beyond the initial ten-year policy term.

There is no guarantee that no health and safety incidents will occur in the future

The Ixom Group manufactures and distributes water treatment chemicals such as liquefied chlorine and chlorine derivatives. Chlorine (in its gaseous form) and other chemicals are hazardous and can present major safety risks. While the Ixom Group has not encountered any fatalities due to health and safety incidents and has had no historical incidents of stop work orders being issued or licences being revoked, there is no assurance that no such health and safety incidents will occur in the future. In such event, the Ixom Group may be issued with a stop work order or have its licences revoked, causing disruption to its operations, which may have a material adverse effect on its financial condition and results of operations.

The Ixom Group is vulnerable to disruption at its facilities and the insurance coverage obtained may be inadequate or insufficient to cover potential liabilities and losses

The Ixom Group is the sole manufacturer and provider of liquefied chlorine in Australia, as well as a leading provider of manufactured caustic soda, and is reliant on its facilities to manufacture such chemicals. A fire, natural calamity, system failure, equipment breakdown, sabotage or terrorist attack or any other event (whether natural or man-made) that causes damage to the Ixom Group's facilities or disruptions to its operations could have a material adverse impact on the Ixom Group's financial condition and results of operations. There can be no assurance that any precautionary or safety measures taken by the Ixom Group can or will prevent damage to the Ixom Group's facilities or disruptions to its operations. The Ixom Group's emergency response, crisis management and business continuity systems and processes also may not be able to effectively protect or expeditiously address all

problems or restore the availability of the Ixom Group's facilities in response to such disruptions. Although the Ixom Group procures insurance that is consistent with industry standards to protect against operating and other risks, not all risks are insured or insurable. In addition, the Ixom Group's existing insurance policies may not adequately cover all the damage to, or loss of, its facilities.

The Ixom Group is subject to risks associated with changes in market conditions

The Ixom Group is subject to risks associated with changes in market conditions, including increased competition, changes in demand and substitution risk. There is no assurance that such changes in market conditions will not result in the loss of customers. The Ixom Group may also lose its customers for various other reasons, including in the event that customers decide not to renew their existing contracts with the Ixom Group or cease to operate as a going-concern. In addition, the Ixom Group may be affected by changes in prices of the chemicals produced by the Ixom Group. For example, caustic soda is one of the key products manufactured by the Ixom Group. As caustic soda in Australia is priced on an import parity basis, there can be no assurance that the earnings of the Ixom Group may not be affected by adverse movements of the price of caustic soda, which may have an adverse effect on the financial condition and results of operations of the Ixom Group.

The Ixom Group may be involved in legal and other proceedings arising from its operations from time to time

The Ixom Group may be involved from time to time in disputes with various parties such as contractors, sub-contractors, suppliers and purchasers. These disputes may lead to legal and other proceedings, and may cause the Ixom Group to incur additional costs and delays. In addition, the Ixom Group may be subject to administrative proceedings and unfavourable orders, directives or decrees by regulatory bodies (including but not limited to environmental, planning and workplace health and safety regulators) in the course of its operations, which may have a material adverse effect on the Ixom Group's financial condition and results of operations.

The Ixom Group is dependent on its management team and staff

As with most businesses, the operational success of the Ixom Group is dependent on the continued efforts of the management team and staff of the Ixom Group. The loss of such personnel, or the inability of the Ixom Group to replace them expeditiously or at all, could have an adverse effect on the financial condition and results of operations of the Ixom Group.

The Ixom Group may be subject to labour activism and unrest and may be unable to maintain satisfactory labour relations

The jurisdictions in which the Ixom Group operates have labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, union rights to enter the workplace, collective bargaining, dispute resolution and the termination of employment, and other union-employer interactions, subject to certain conditions under the relevant legislation. It is possible that labour activism and unrest may arise in the future. Any labour related disputes could adversely affect the Ixom Group's reputation amongst current and future employees. In addition, if the Ixom Group's employees unionise (in jurisdictions where that is relevant) or take industrial action, it may increase costs and have a material adverse effect on the Ixom Group's financial condition and results of operations.

The Ixom Group is exposed to foreign exchange translation risks

The Ixom Group's financial statements are presented in AUD. Accordingly, the Ixom Group is exposed to foreign exchange translation risks as a significant amount of its revenue is denominated in currencies other than AUD, which are then translated at the foreign exchange rate applicable on the translation dates into AUD upon consolidation. Therefore, any unfavourable fluctuations of AUD against those currencies would adversely affect the value of the Ixom Group's net assets and income.

Supply chain failures could adversely affect our financial condition and results of operations

The Ixom Group relies on third party suppliers for the timely supply of key materials for its manufacturing operations. In the event that the Ixom Group's suppliers cease or interrupt production of such materials, delay shipment or otherwise fail to supply such materials to the Ixom Group, the Ixom Group may not be able to manufacture the chemicals required by its customers, which could subject the Ixom Group to penalties and/or result in claims being brought against the Ixom Group.

The Ixom Group also engages third party contractors to deliver its chemicals to its customers. The Ixom Group's involvement in the delivery processes of such third party contractors is limited and there is no assurance that such third party contractors will be able to deliver the chemicals to customers on a timely basis, or at all. In the event that the Ixom Group's third party contractors fail to deliver its chemicals in a proper condition or in a timely manner, or at all, the Ixom Group's financial condition and results of operations may be adversely affected.

RISKS RELATING TO NON-FULFILMENT OF CONDITIONS AND PERFORMANCE BOND

The proposed Acquisition may be subject to risks associated with non-fulfilment of Conditions under the SSA and the payment of the Performance Bond

The Acquisition is conditional upon the fulfilment of the Conditions under the SSA. In the event that any of the Conditions are not satisfied or waived by the Cut Off Date, the Acquisition will not be completed and this may adversely affect KIT's financial condition and results of operations.

In addition, KIT may, subject to certain conditions set out in paragraph 3.6 of this Circular, be liable to pay the Performance Bond in the event that any of the Performance Bond Events occurs. The payment of the Performance Bond may adversely affect KIT's financial condition and results of operations. Please refer to paragraphs 3.5 and 3.6 of this Circular for further details on the Performance Bond.

RISKS RELATING TO THE EQUITY FUND RAISING

The price of the Units may be volatile or decline after the Equity Fund Raising

The issue price of the New Units will be determined by agreement of the Trustee-Manager and the Underwriter(s) and may not be indicative of the market price for the New Units after completion of the Equity Fund Raising.

The price of the Units may be volatile or decline after the Equity Fund Raising. The trading price of the Units will depend on several factors, and may increase or decrease in response to a number of events and factors including:

- differences between KIT's actual financial and operating results and those projected or expected by analysts and investors, as well as any changes in analysts' financial estimates, recommendations or projections;
- variations in operating results;
- changes in general global, economic and market conditions;
- perceived prospects of KIT's business;
- market value of KIT's assets;
- the attractiveness of the Units against other equity securities and the general liquidity of the securities market;
- developments affecting KIT or its competitors;
- changes to the regulatory system, including the tax system, whether specific to KIT, the infrastructure industry, or generally;
- changes in accounting policies; and
- KIT's ability to continually expand its operations.

For any of the reasons above or otherwise, the Units may trade at prices that are higher or lower than the NAV per Unit. Any failure on KIT's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price of the Units.

The completion of the Placement may lead to significant dilution to existing Unitholders

The Equity Fund Raising may be undertaken by way of the Preferential Offering and the Placement. The completion of the Placement may lead to dilution to the unitholdings of existing Unitholders. The dilution to existing Unitholders may be significant, depending on the relative size of the Placement to the Preferential Offering.

Unitholders who do not or are not able to accept their provisional allotment of Units under the Preferential Offering or the Rights Issue will experience dilution

KIT will have the discretion as to the procedure to be followed in making the provisional allotment of Units under the Preferential Offering or the Rights Issue available to Unitholders, including choosing not to offer such provisional allotment of Units to Unitholders having an address in a jurisdiction outside Singapore. If existing Unitholders do not or are not able to accept their provisional allotment of Units under the Preferential Offering or the Rights Issue, their proportionate ownership of KIT will be reduced. They may also experience a dilution in the value of their Units. In the case of the Rights Issue, even if a Unitholder sells his rights, or such rights are sold on his behalf, the consideration he receives, if any, may not be sufficient to compensate him fully for the dilution of his ownership of KIT as a result of the Rights Issue.

If the Rights Issue is undertaken and Rights Issue Units are issued pursuant to the General Mandate or any other general mandate which may be granted by Unitholders to the Trustee-Manager to issue new Units, the gross proceeds raised may not be sufficient to repay the Bridge Facility ultimately drawn down

In the event the Equity Fund Raising comprises the Rights Issue and Rights Issue Units are issued pursuant to the General Mandate or any other general mandate which may be granted by Unitholders to the Trustee-Manager to issue new Units, the Trustee-Manager will be limited by the number of Units available for issuance under the General Mandate or such other general mandate. Accordingly, depending on, among others, the issue price of the Rights Issue Units and the number of Units available for issuance under the General Mandate or such other general mandate, the gross proceeds raised under the Rights Issue may not be sufficient to fully repay the Bridge Facility ultimately drawn down.

For illustrative purposes, as at the Latest Practicable Date, the Trustee-Manager may issue up to 1,929,008,533 new Units pursuant to the General Mandate on a *pro rata* basis. Accordingly, if the Rights Issue is undertaken and 1,929,008,533 Rights Issue Units are issued pursuant to the General Mandate at an illustrative issue price of SGD0.33 per Rights Issue Unit, the gross proceeds raised will be approximately SGD637 million. However, as the terms of the Rights Issue (including the issue price of the Rights Issue Units) are subject to the prevailing market conditions at the time of the Rights Issue, there is no assurance that the proceeds raised under the Rights Issue will be sufficient to fully repay the Bridge Facility ultimately drawn down.

RISKS RELATING TO THE FINANCIAL INFORMATION IN THIS CIRCULAR

The effects of the Acquisition and the Equity Fund Raising may not be fully captured in the pro forma financial information included in this Circular

This Circular contains unaudited *pro forma* financial information of KIT, adjusted to reflect the effects of the Acquisition and the Equity Fund Raising for FY2017 and FY2018. The financial effects of the Acquisition and the Equity Fund Raising are consolidated in KIT's audited financial statements for FY2017 and unaudited financial information for FY2018 on the basis of certain assumptions as set out in Appendix C to this Circular. KIT's future results of operations and financial condition may be substantially different from the results of operations and financial condition reflected in the unaudited *pro forma* financial information in this Circular, after taking into account the Acquisition and the Equity Fund Raising. While the unaudited *pro forma* financial information have been presented in an effort to show the effects of the Acquisition and Equity Fund Raising, there can be no assurance that the unaudited *pro forma* financial information fully captures the effects of such transactions, and the unaudited *pro forma* financial information may not be indicative of KIT's future financial performance.

11. CHAPTER 10 OF THE LISTING MANUAL

Unitholders' Approval under Rule 1006

Chapter 10 of the Listing Manual governs the acquisition or disposal of assets, including options to acquire or dispose of assets, by KIT.

Under Chapter 10 of the Listing Manual, the relative figures for the Acquisition under Rule 1006(a) to (e) of the Listing Manual are as follows:

Criteria	Acquisition (SGD million)	KIT Group (SGD million)	Relative Percentage (%)
(a) The NAV of the assets to be disposed of, compared with the KIT Group's NAV. This basis is not applicable to an acquisition of assets	Not applicable	Not applicable	Not applicable
(b) The FFO attributable to the assets acquired for the Ixom Group's financial year ended 30 September 2018, compared with the KIT Group's FFO ²⁶ , for the financial year ended 31 December 2018	45 ²⁷	161	28.0
(c) The aggregate value of the consideration given, compared with KIT's market capitalisation based on the total number of issued Units excluding treasury units	757 ²⁷	1,775 ²⁸	42.6
(d) The number of equity securities issued by KIT as consideration for the Acquisition, compared with the number of equity securities previously in issue	Not applicable	Not applicable	Not applicable
(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the KIT Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable	Not applicable	Not applicable

Rule 1014 of the Listing Manual states, *inter alia*, that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, the transaction is classified as a "major transaction" and must be made conditional upon

²⁶ The SGX-ST has ruled that KIT is permitted to use FFO as the base for the calculation of the relative figure in Rule 1006(b) of the Listing Manual, on the basis of KIT's submissions that FFO of the KIT Group is more reflective (than net profits) of the underlying business performance of the KIT Group.

²⁷ Based on an exchange rate of AUD1.00: SGD0.9747 as at the Latest Practicable Date.

²⁸ The market capitalisation is obtained by multiplying 3,858,298,065 Units by the weighted average price of Units as at immediately prior to the trading halt on 15 November 2018.

approval by the Unitholders in general meeting. Accordingly, the Acquisition is classified as a “major transaction” for the purposes of Chapter 10 of the Listing Manual and is subject to approval of the Unitholders in general meeting.

12. DIRECTORS’ AND SUBSTANTIAL UNITHOLDERS’ INTERESTS

12.1 **Directors’ Interests in Units.** As at the Latest Practicable Date, the Directors’ direct or deemed interests in the Units are as follows:

Directors	Direct Interest		Deemed Interest	
	Number of Units	% ¹	Number of Units	% ¹
Koh Ban Heng	36,100	n.m ²	–	–
Thio Shen Yi	26,206	n.m ²	–	–
Daniel Cuthbert Ee Hock Huat	27,900	n.m ²	–	–
Kunnasagaran Chinniah	536,300	0.014	421,346	0.011
Mark Andrew Yeo Kah Chong	28,500	n.m ²	–	–
Christina Tan Hua Mui	–	–	–	–
Cindy Lim Joo Ling	–	–	–	–

Notes:

1 As at the Latest Practicable Date, there are 3,858,298,065 Units in issue.

2 Not meaningful.

12.2 **Substantial Unitholders’ Interests in Units.** As at the Latest Practicable Date, the Substantial Unitholders’ direct or deemed interests in the Units are as follows:

Substantial Unitholders	Direct Interest		Deemed Interest	
	Number of Units	% ¹	Number of Units	% ¹
KIHPL	702,361,054	18.20	–	–
KCL ²	–	–	702,361,054	18.20
Bartley Investments Pte. Ltd.	383,124,592	9.93	–	–
Tembusu Capital Pte. Ltd. ³	–	–	611,944,427	15.86
Temasek Holdings (Private) Limited ⁴	–	–	1,314,305,681	34.06

Notes:

1 As at the Latest Practicable Date, there are 3,858,298,065 Units in issue.

2 KCL is deemed to have interest in the Units which its wholly-owned subsidiary, KIHPL, has interest.

3 Tembusu Capital Pte. Ltd. is deemed to have an interest in the Units in which its subsidiaries have interests.

4 Temasek Holdings (Private) Limited is deemed to have an interest in the Units in which the KCL group and other subsidiaries and associated companies of Temasek Holdings (Private) Limited hold or have deemed interests.

13. EGM

- 13.1 The EGM, notice of which is set out on pages E-1 and E-2 of this Circular, will be held at Suntec Singapore Convention and Exhibition Centre, Summit 2, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Tuesday, 12 February 2019 at 3.00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the Notice of EGM.

13.2 Resolutions Proposed

At the EGM, the following Ordinary Resolutions will be proposed for the approval of Unitholders for:

- (a) the Acquisition;
- (b) the issuance of New Units pursuant to (i) the Preferential Offering or (ii) the Preferential Offering and the Placement; and
- (c) the Proposed KIHPL Placement.

13.3 Ordinary Resolution 1 – The Acquisition

As the Acquisition is classified as a “major transaction” for the purposes of Chapter 10 of the Listing Manual, it is subject to the approval of Unitholders. Accordingly, KIT seeks the approval of Unitholders for the Acquisition on the terms set out in this Circular.

If Ordinary Resolution 1 is not approved by Unitholders, this will result in a Condition under the SSA not being satisfied and accordingly, the Acquisition will not be completed.

13.4 Ordinary Resolution 2 – The issuance of New Units pursuant to (i) Preferential Offering or (ii) the Preferential Offering and the Placement

While the Trustee-Manager will determine, at its discretion, the exact structure of the Equity Fund Raising closer to such offering, having regard to the then prevailing market conditions, the number of New Units to be issued in the event the Equity Fund Raising comprises the Preferential Offering and, if applicable, the Placement may exceed the limits under the General Mandate. Accordingly, KIT seeks the approval of Unitholders for the issuance of New Units pursuant to (i) the Preferential Offering or (ii) the Preferential Offering and the Placement.

The passing of Ordinary Resolution 2 is subject to and contingent upon the passing of Ordinary Resolution 1.

If Ordinary Resolution 2 is not approved by Unitholders, this will result in a Condition under the SSA not being satisfied and accordingly, the Acquisition will not be completed unless the relevant Condition is waived by the KIT Purchaser under the SSA.

Under Section 36(3) of the BTA, any approval received by KIT for the issuance of new Units shall continue in force until the earlier of (a) the conclusion of the AGM commencing next after the date on which the approval was given or (b) the expiration of the period within which the next AGM after that date is required under the BTA to be held (the “**Expiry Date**”).

Accordingly, if Ordinary Resolution 2 is passed at the EGM but the Equity Fund Raising is not launched prior to the Expiry Date, the authority to issue New Units pursuant to Ordinary Resolution 2 will expire. In such event, the Trustee-Manager will seek Unitholders’ approval

for the issuance of New Units pursuant to (i) the Preferential Offering or (ii) the Preferential Offering and the Placement at or after the next AGM.

13.5 Ordinary Resolution 3 – The Proposed KIHPL Placement

The Equity Fund Raising may involve a placement of New Units to, among others, KIHPL. As KIHPL is a Controlling Unitholder, KIT seeks the approval of Unitholders (other than KIHPL and its associates (as defined in the Listing Manual)) for the Proposed KIHPL Placement on the terms set out in this Circular.

The passing of Ordinary Resolution 3 is subject to and contingent upon the passing of Ordinary Resolutions 1 and 2.

For the avoidance of doubt, the passing of Ordinary Resolution 3 is not a Condition under the SSA.

14. STATEMENT OF THE AUDIT AND RISK COMMITTEE

Having considered the relevant factors, including the rationale for and terms of the Proposed KIHPL Placement, the Audit and Risk Committee (Mr Koh Ban Heng abstaining as he is a director of KIHPL) is of the view that the Proposed KIHPL Placement is on normal commercial terms, and is not prejudicial to the interests of KIT and its minority Unitholders.

15. ABSTENTION FROM VOTING

By virtue of their interest in the Proposed KIHPL Placement, KIHPL will abstain and has undertaken to ensure that its associates (as defined in the Listing Manual) will abstain from voting on Ordinary Resolution 3. KIHPL will also decline to accept appointment as proxy for any Unitholder to vote on Ordinary Resolution 3 unless that Unitholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution 3.

Mr Koh Ban Heng is a director of KIHPL. Mr Kunnasagaran Chinniah is an investment committee member of one of the subsidiaries of Keppel Capital Holdings Pte. Ltd. Ms Christina Tan Hua Mui is the Chief Executive Officer of Keppel Capital Holdings Pte. Ltd. Ms Cindy Lim Joo Ling is Director (Group Corporate Development) at KCL. Accordingly, each of Mr Koh Ban Heng, Mr Kunnasagaran Chinniah, Ms Christina Tan Hua Mui, Ms Cindy Lim Joo Ling and their associates (as defined in the Listing Manual) will abstain from voting on Ordinary Resolution 3, and will also decline to accept appointment as proxy for any Unitholder to vote on Ordinary Resolution 3 unless that Unitholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution 3. Save for the foregoing, the Trustee-Manager will disregard any votes cast at the EGM on Ordinary Resolution 3 by Mr Koh Ban Heng, Mr Kunnasagaran Chinniah, Ms Christina Tan Hua Mui and Ms Cindy Lim Joo Ling and their associates (as defined in the Listing Manual). Please refer to paragraph 12.1 above for the relevant Directors' direct or deemed interests in the Units as at Latest Practicable Date.

Save as disclosed in this Circular, none of the Directors or Controlling Unitholders has any direct or indirect interest in the Acquisition, the Equity Fund Raising or the Proposed KIHPL Placement.

16. KIHPL SUPPORT FOR THE ACQUISITION

KIHPL has stated that it is supportive of the Acquisition (the “**KIHPL Statement of Support**”) and intends to vote, or cause to be voted, all of the Units which it owns or controls in favour of Ordinary Resolutions 1 and 2 as set out in the Notice of EGM (the “**KIHPL Voting Intention**”).

17. DIRECTORS’ RECOMMENDATIONS AND VOTING INTENTIONS

17.1 Acquisition and Issuance of New Units pursuant to (i) the Preferential Offering or (ii) the Preferential Offering and the Placement

Having considered the relevant factors, including the rationale for the Acquisition and the issuance of New Units pursuant to (i) the Preferential Offering or (ii) the Preferential Offering and the Placement, the Directors are of the opinion that the Acquisition and the issuance of New Units pursuant to (i) the Preferential Offering or (ii) the Preferential Offering and the Placement are in the best interests of KIT. Accordingly, they recommend that Unitholders vote in favour of Ordinary Resolutions 1 and 2 as set out in the Notice of EGM (the “**KIT Board Recommendation**”).

Further, each of the Directors intends to vote or cause to be voted, all the Units in which he or she owns or controls in favour of Ordinary Resolutions 1 and 2 as set out in the Notice of EGM (the “**KIT Director Voting Intention**”).

17.2 Proposed KIHPL Placement

Having considered the relevant factors, including the rationale for the Proposed KIHPL Placement, the Directors (save for Mr Koh Ban Heng, Mr Kunnasagaran Chinniah, Ms Christina Tan Hua Mui and Ms Cindy Lim Joo Ling, all of whom are not making a recommendation in respect of Ordinary Resolution 3, for the reasons set out in paragraph 15 of this Circular) are of the opinion that the Proposed KIHPL Placement is in the best interests of KIT. Accordingly, the Directors (save for Mr Koh Ban Heng, Mr Kunnasagaran Chinniah, Ms Christina Tan Hua Mui and Ms Cindy Lim Joo Ling) recommend that Unitholders vote in favour of Ordinary Resolution 3.

18. DIRECTORS’ SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Trustee-Manager in connection with the Acquisition, the Equity Fund Raising, the Proposed KIHPL Placement or any other transactions contemplated in relation to the Acquisition, the Equity Fund Raising or the Proposed KIHPL Placement. Accordingly, no service contract is proposed to be entered into between the Trustee-Manager and any such person in connection with the Acquisition, the Equity Fund Raising or the Proposed KIHPL Placement.

19. ACTION TO BE TAKEN BY UNITHOLDERS

19.1 Appointment of Proxies

Unitholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Trustee-Manager at 1 HarbourFront Avenue, #18-01, Keppel Bay Tower, Singapore 098632, not later than 3.00 p.m. on Sunday, 10 February 2019. The completion and return of a Proxy

Form by a Unitholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

Persons who have an interest in the approval of Ordinary Resolutions 1, 2 or 3 must decline to accept appointment as proxies unless the Unitholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the respective Ordinary Resolutions.

19.2 When Depositor regarded as Unitholder

A Depositor shall not be regarded as a Unitholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

20. CONSENT

The Reporting Accountant has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto and (ii) the Reporting Accountant's Assurance Report on the Compilation of Unaudited *Pro Forma* Financial Information of Keppel Infrastructure Trust and its Subsidiaries Following the Completion of the Acquisition and the Equity Fund Raising for the Years Ended 31 December 2017 and 31 December 2018, in the form and context in which they are respectively included in this Circular.

Deloitte Touche Tohmatsu (Australia) has given and has not withdrawn its written consent to (i) being named as auditor of the Ixom Group and (ii) the inclusion of its audit report dated 3 December 2018 entitled "Independent Auditor's Report to the members of Ixom HoldCo Pty Ltd", addressed to members of Ixom, as set out in Appendix B to this Circular.

21. MATERIAL LITIGATION

Save as disclosed in the announcements released by the Trustee-Manager on SGXNET, as at the Latest Practicable Date, neither KIT nor any of its subsidiaries is a party to any litigation proceedings which would have a material effect on the financial position or results of operations of KIT or the KIT Group.

22. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Trustee-Manager at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 during normal business hours from the date of this Circular up to the date falling three months from the date of the Announcement:

- (a) the SSA;
- (b) the Trust Deed; and
- (c) the letters of consent referred to in paragraph 20 of this Circular.

23. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Acquisition, the Equity Fund Raising, the Proposed KIHPL Placement and KIT and its subsidiaries which are relevant to the Acquisition, the Equity Fund Raising and the Proposed KIHPL Placement and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

Yours faithfully

Keppel Infrastructure Fund Management Pte. Ltd.
(Company Registration No. 200803959H)
(as Trustee-Manager of Keppel Infrastructure Trust)

Mr. Koh Ban Heng
Chairman of the Board

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APPENDIX A

PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION AND THE EQUITY FUND RAISING

Key Bases and Assumptions

The unaudited *pro forma* financial effects analysis of the Acquisition and the Equity Fund Raising presented in paragraph 9 of this Circular have been prepared based on the following key bases and assumptions:

- the *pro forma* financial effects analysis has been prepared based on:
 - o (in relation to the *pro forma* financial effects for FY2018) the unaudited consolidated financial information of the KIT Group for and as at financial year ended 31 December 2018 and (in relation to the *pro forma* financial effects for FY2017) the audited consolidated financial statements of the KIT Group for and as at the financial year ended 31 December 2017; and
 - o (in relation to the *pro forma* financial effects for FY2018) the audited consolidated financial statements of the Ixom Group for and as at the financial year ended 30 September 2018 and (in relation to the *pro forma* financial effects for FY2017) the audited consolidated financial statements of the Ixom Group for and as at the financial year ended 30 September 2017;
- assuming insofar as:
 - o the NAV of the KIT Group per Unit and Gearing of the KIT Group are concerned, that the Acquisition and the Equity Fund Raising had been completed as at (in relation to the *pro forma* financial effects for FY2018) 31 December 2018 and (in relation to the *pro forma* financial effects for FY2017) 31 December 2017; and
 - o the DPU, FFO of the KIT Group and DPU yield are concerned, that the Acquisition and the Equity Fund Raising had been completed with effect from (in relation to the *pro forma* financial effects for FY2018) 1 January 2018 and (in relation to the *pro forma* financial effects for FY2017) 1 January 2017;
- the Purchase Price will be funded and paid out of:
 - o an up to SGD750 million (AUD769 million) 364-day floating rate Bridge Facility at an “all-in” finance cost of approximately 2.6% per annum, which will be fully or partially repaid using the net proceeds from the Equity Fund Raising; and
 - o an approximately AUD532 million (SGD519 million) floating rate Term Loan taken by the KIT Purchaser and secured on the assets of the Ixom Group, at an “all-in” finance cost ranging from 4.3% to 5.4% per annum, of which:
 - a part of such Term Loan will be used to repay an existing Ixom Group loan of AUD432 million²⁹ (SGD421 million) and secured on the assets of the Ixom Group as at the date hereof; and
 - the balance will be used to pay the Purchase Price;

²⁹ Based on the consolidated balance sheet of the Ixom Group as at 31 July 2018.

- with respect to the Equity Fund Raising³⁰:
 - o in Scenario A, the Preferential Offering and the Placement will be undertaken at an illustrative issue price of SGD0.48 per New Unit so as to raise gross proceeds of approximately SGD600 million to fully or partially repay the Bridge Facility; and
 - o in Scenario B, the Rights Issue will be undertaken at an illustrative theoretical ex-rights price of SGD0.45 per Unit and an illustrative issue price of SGD0.33 per New Unit so as to raise gross proceeds of approximately SGD600 million to fully or partially repay the Bridge Facility;
- in relation to the DPU, FFO of the KIT Group and DPU yield, after adjusting for certain one-off restructuring expenses, acquisition related expenses and capital expenditure and certain capital expenditure incurred in relation to upgrades of the Ixom Group's systems;
- in relation to the DPU, FFO of the KIT Group and DPU yield, and with respect to the gross proceeds to be raised pursuant to the Equity Fund Raising, excluding transaction costs and upfront fees of approximately AUD52 million (SGD51 million), of which SGD11 million (AUD11 million) comprises a management fee payable to the Trustee-Manager in connection with the Acquisition; and
- the allocation of the Purchase Price between the identifiable assets of the Ixom Group and goodwill of the Ixom Group will be carried out after Completion.
- The difference in the financial year ends of the KIT Group and the Ixom Group were not taken into account.

The *pro forma* financial effects analysis may not, because of its nature, give a true picture of what the amount of the NAV of the KIT Group per Unit, DPU, FFO of the KIT Group, Gearing of the KIT Group and DPU yield (in relation to the *pro forma* financial effects for FY2018) as at and for the financial year ended 31 December 2018 and (in relation to the *pro forma* financial effects for FY2017) as at and for the financial year ended 31 December 2017 might have been if the Acquisition and the Equity Fund Raising had actually been completed (in relation to the *pro forma* financial effects for FY2018) as at 31 December 2018 or with effect from 1 January 2018 and (in relation to the *pro forma* financial effects for FY2017) as at 31 December 2017 or with effect from 1 January 2017, as the case may be.

³⁰ Neither Scenario A nor Scenario B is necessarily the method by which the Equity Fund Raising will be undertaken. The Trustee-Manager will, in implementing the Equity Fund Raising, consider undertaking (i) the Preferential Offering, (ii) the Preferential Offering and the Placement or (iii) the Rights Issue, as may be applicable, in light of market conditions.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE IXOM GROUP FOR
THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018



ANNUAL REPORT

For the year ended September 30 2018



Ixom HoldCo Pty Ltd
ACN: 602 722 547

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Directors' report

The Directors of Ixom Holdco Pty Ltd (the Company) submit herewith the annual report of Ixom Holdco Pty Ltd and its subsidiaries (the Group) for the year ended 30 September 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors' report is as follows:

Information about the directors

The names of the directors of the Company during or since the end of the financial period are:

Mr Dean Draper
Mr Bryce Wolfe
Mr Christian Keiber
Mr Jan Nielsen (resigned 12 June 2018)
Mr Thomas Zimmerhaeckel (resigned 9 February 2018)

Principal Activities

The principal activities of the Group are the manufacture, import and trading of chemicals for agriculture, building and construction, oil and gas, food and beverage, pharmaceutical and personal care, plastics, pulp and paper and water treatment industries.

The Group predominantly operates in Australia and New Zealand, whilst also having a presence in Asia, Latin America and the United States of America.

Operating and Financial Review

The Group is focussed on building a strong foundation for the future by solving our customers' challenges through the continued delivery of its strategic priorities.

These priorities include excellence in sourcing and distribution; tailored industry strategies and solutions; and selective investment in production and distribution assets.

The key financial outcomes for the year ending 30 September 2018 include:

- Revenue totalled \$1,225.4million (2017: \$1,198.7million).
- The Group recognised a profit after tax of \$42.7million (2017:\$51.2million) which includes costs in relation to preparing the business for sale, the LogiChem acquisition and a restructure of the trading businesses.

Safety

Ixom has a long and proud history of safety performance and we continue to measure ourselves against industry peers. We continue to improve process, invest in systems and training to ensure our employees are safe and healthy and that we protect the environment and communities in which we operate.

Changes in state of affairs

During the period, the Group acquired the LogiChem business for total consideration of \$13.7m, of which \$3.6m was contingent and deferred for one year. This business supplies reagents and equipment essential to the daily functioning of many mine processing plants in the Kalgoorlie region. It provides a unique bulk chemical blending and storage beach-head in the heart of the Western Australia Goldfields region, delivering strategic benefits and synergies through the capacity to offer localised chemical blending and service.

Other than the above, there were no significant changes in the state of affairs of the Group during the year-ended 30 September 2018.

Likely developments

Information about likely developments in the operations of the Group and the expected results of those operations in future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Subsequent Events

On 15 November 2018, Keppel Infrastructure Management Pte Ltd ("Keppel"), in its capacity as Trustee-Manager of Keppel Infrastructure Trust ("KIT"), through its wholly-owned subsidiary entered into a share sale agreement to acquire 100% of the shares in the Company. The sale is subject to regulatory approval and approval of KIT unitholders and is expected to complete in the first quarter of 2019.

Apart from the above, there have been no other events subsequent to 30 September 2018 that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Dividends

No dividends were paid or declared during the year.

Environmental regulations

The Group's environmental obligations are regulated under both State and Federal Law. All environmental performance obligations are monitored by management and subjected from time to time to Government agency audits and site inspections.

No environmental prosecutions have been notified by any Government agency during the financial year ended 30 September 2018, and the Directors' are not aware of any material non-compliances with environmental laws by the Group during or since the end of the financial year.

Directors' report

Indemnification of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the directors and officers of the Group (as named above) and all executive officers of the Group and of any related body corporate against a liability incurred by such a director or executive officer to the extent permitted by the Corporations Act 2001 or other applicable legislation in Australia or other jurisdiction in which a director or officer claim may arise. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of this report.

Rounding off of amounts

The Company is a company of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Class Order, amounts in the Director's Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This Directors' Report is made in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors



Dean Draper
Managing Director and Chief Executive Officer

Melbourne
3 December 2018

Deloitte.

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The Board of Directors
Ixom Holdco Pty Ltd
Level 8, 1 Nicholson Street
East Melbourne, VIC, 3002

3 December 2018

Dear Board Members

Ixom Holdco Pty Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ixom Holdco Pty Ltd.

As lead audit partner for the audit of the financial statements of Ixom Holdco Pty Ltd for the financial period ended 30 September 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Samuel Vorweg
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited



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Independent Auditor's Report to the members of Ixom Holdco Pty Ltd

Opinion

We have audited the financial report of Ixom Holdco Pty Ltd (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 September 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 September 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 September 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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Member of Deloitte Touche Tohmatsu Limited



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'S. Vorweg', written over a faint, larger version of the same signature.

Samuel Vorweg

Partner

Chartered Accountants

Melbourne, 3 December 2018

Directors' declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached 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 Group;
- (c) in the Directors' opinion the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 2 to the financial statements; and

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt, owed by another party to that deed, in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 29 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors



Dean Draper
Managing Director and Chief Executive Officer

Melbourne
3 December 2018

Consolidated statement of comprehensive income

For the year ended 30 September

	Note	2018 \$'000s	2017 \$'000s
Revenue	4	1,225,439	1,198,743
Cost of goods sold		(934,299)	(910,490)
Gross profit		291,140	288,253
Other gains		596	601
Administration expenses		(46,371)	(39,221)
Personnel expenses	5	(104,739)	(100,903)
Occupancy expenses		(19,054)	(19,888)
Depreciation and amortisation expense	5	(34,354)	(31,412)
Other expenses		(86)	(508)
Profit from operations		87,132	96,922
Finance income	6	517	317
Finance expense	6	(26,280)	(27,336)
Net finance expense		(25,763)	(27,019)
Profit before income tax		61,369	69,903
Income tax expense	7	(18,704)	(18,730)
Profit for the year		42,665	51,173
<i>Profit for the year attributable to :</i>			
Owners of the Company		40,812	49,348
Non-controlling interest	22	1,853	1,825
Profit for the year		42,665	51,173
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value gain on cash flow hedges	23	1,813	1,623
Exchange gain/(loss) on translation of foreign operations		576	(5,188)
		2,389	(3,565)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Re-measurement of defined benefit obligation	23	(2,230)	5,253
Income tax relating to items that will not be reclassified subsequently	23	669	(717)
		(1,561)	4,536
Other comprehensive income for the year, net of tax		828	971
Total comprehensive Profit for the year		43,493	52,144
<i>Total Comprehensive Profit for the year attributable to :</i>			
Owners of the Company		41,136	50,282
Non-controlling interest		2,357	1,862
Total comprehensive Profit for the year		43,493	52,144

The above consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of financial position

As at 30 September	Note	2018 \$'000s	2017 \$'000s
Current assets			
Cash and cash equivalents	26	88,999	48,558
Trade and other receivables	8	178,833	196,071
Inventories	10	155,176	159,943
Derivative asset	9	3,194	1,225
Current tax receivable		-	2,529
Other assets	11	5,281	5,687
Total current assets		431,483	414,013
Non-current assets			
Trade and other receivables	8	1,888	1,680
Property, plant and equipment	12	294,940	292,814
Goodwill and other intangible assets	13	224,519	222,050
Derivative asset	9	87	612
Deferred tax assets	7	23,235	24,931
Total non-current assets		544,669	542,087
Total assets		976,152	956,100
Current liabilities			
Trade and other payables	14	178,148	186,918
Provisions	17	30,253	28,495
Derivative liability	16	405	763
Borrowings	15	18,737	18,721
Current tax payable		5,643	1,310
Total current liabilities		233,186	236,207
Non-current liabilities			
Provisions	17	14,109	13,750
Derivative liability	16	130	-
Borrowings	15	408,080	428,789
Defined benefit obligation	18	10,976	10,039
Deferred tax liability	7	256	441
Total non-current liabilities		433,551	453,019
Total liabilities		666,737	689,226
Net assets		309,415	266,874
Equity			
Share capital	19	292,202	292,202
Retained earnings/(Accumulated losses)	20	18,252	(22,560)
Reserves	23	(6,338)	(6,935)
Non-controlling interest	22	5,299	4,167
Total equity		309,415	266,874

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of changes in equity

	Share capital	Cash flow hedge reserve	Foreign currency translation reserve	Defined benefit reserve	Share based payment reserve	Retained earnings	Total	Non-controlling interest	Total equity
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Balance at 30 September 2016	290,402	(601)	(6,862)	(2,605)	1,986	(71,908)	210,412	2,696	213,108
<i>Comprehensive income</i>									
Profit for the year	-	-	-	-	-	49,348	49,348	1,825	51,173
<i>Other comprehensive income for the year, net of income tax</i>									
Other gains/(losses)	-	1,623	(5,225)	4,536	-	-	934	37	971
Total comprehensive income for the period	-	1,623	(5,225)	4,536	-	49,348	50,282	1,862	52,144
<i>Transactions with owners recorded directly in equity</i>									
B-Class Share issue	1,800	-	-	-	-	-	1,800	-	1,800
Option plan - cash contribution	-	-	-	-	(60)	-	(60)	-	(60)
Recognition of share based payments	-	-	-	-	273	-	273	-	273
Distributions	-	-	-	-	-	-	-	(391)	(391)
Balance as at 30 September 2017	292,202	1,022	(12,087)	1,931	2,199	(22,560)	262,707	4,167	266,874
<i>Comprehensive income</i>									
Profit for the year	-	-	-	-	-	40,812	40,812	1,853	42,665
<i>Other comprehensive income for the year, net of income tax</i>									
Other gains/(losses)	-	1,813	72	(1,561)	-	-	324	504	828
Total comprehensive income for the period	-	1,813	72	(1,561)	-	40,812	41,136	2,357	43,493
<i>Transactions with owners recorded directly in equity</i>									
Recognition of share based payments	-	-	-	-	273	-	273	-	273
Distributions	-	-	-	-	-	-	-	(1,225)	(1,225)
Balance as at 30 September 2018	292,202	2,835	(12,015)	370	2,472	18,252	304,116	5,299	309,415

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated statement of cash flows

For the year ended 30 September		2018	2017
	Note	\$'000s	\$'000s
Cash flows from operating activities			
Receipts from customers		1,341,672	1,285,599
Payments to suppliers and employees		(1,203,730)	(1,177,632)
Interest received		309	325
Interest paid		(23,152)	(25,119)
Income taxes paid		(9,661)	(12,442)
Net cash generated by operating activities	26	105,438	70,731
Cash flows from investing activities			
Payments for property, plant and equipment		(27,130)	(21,382)
Payments for software and intangible assets		(3,789)	(10,759)
Proceeds from sale of plant & equipment		60	316
Payments for acquisition of business	28	(10,138)	-
Net cash used in investing activities		(40,997)	(31,825)
Cash flows from financing activities			
Proceeds from issue of shares/option plans		-	100
Proceeds from borrowings		21,500	15,000
Repayment of borrowings		(45,221)	(49,507)
Distribution paid to minority interests		(1,225)	(391)
Net cash used in financing activities		(24,946)	(34,798)
Net increase in cash and cash equivalents		39,495	4,108
Cash and cash equivalents held at the beginning of the financial year		48,558	44,886
Effects of exchange rate changes on cash held in foreign currencies		946	(436)
Cash and cash equivalents held at the end of the financial year	26	88,999	48,558

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

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Notes to the Consolidated Financial Statements

1. Application of new and revised accounting standards

(a) Amendments to AASBs and the new interpretation that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016, and therefore relevant for the current year-end.

AASB's and Interpretation

AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash charges.
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	These amendments clarify how the entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.
AASB 2017-2 'Amendments to Australian Accounting Standards – Further annual improvements 2014-2016 cycle'	The Group has applied the amendments to AASB12 included in the Annual Improvements cycle. The amendments clarify disclosure requirements interests in subsidiaries, associates joint ventures that are classified as held for sale. The other amendments are not yet mandatorily effective and have not been applied.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

(b) New standards and interpretations not yet adopted

The Group has not applied the following Standards and Interpretations that have been issued but are not yet effective:

AASB's and Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial period ending
AASB 9 Financial Instruments and the relevant amending standards	1 January 2018	30 September 2019
AASB 15 'Revenue from Contracts with Customers', and related clarifications	1 January 2018	30 September 2019
AASB 16 'Leases'	1 January 2019	30 September 2020
AASB 2016-5 – Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 September 2019
AASB 2017-1 - Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018	30 September 2019
AASB 2017-6 - Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019	30 September 2020
AASB 2017-7 - Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures (Amendments to IAS28)	1 January 2019	30 September 2020
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 September 2019
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	30 September 2020
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2022	30 September 2023

With the exception of AASB 16, the Group believe these Accounting Standards and Interpretations are unlikely to have a material impact in future periods on the consolidated financial statements at this point in time. The Group does not intend to adopt any of these pronouncements before their effective dates.

AASB 15 establishes new principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers and supersedes a number of current Revenue Standards. The core principle of the Standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Following a review of key performance obligations in the Group's existing customer contracts, the application of AASB 15 is not expected to have a material effect on the consolidated net income, balance sheet or cash flows of the Group. The Group will adopt this standard from 1 October 2018 using the modified transition approach.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

Notes to the Consolidated Financial Statements

1. Application of new and revised accounting standards (cont'd)

(b) New standards and interpretations not yet adopted (cont'd)

The Group continues to evaluate the implications of AASB 16. It has a significant number of long-term non-cancellable property leases for manufacturing sites and office buildings which are expected to have a material impact when recognised in the statement of financial position. Information on the undiscounted amount of the Group's operating lease commitments at 30 September 2018 under AASB 117, the current leasing standard, is disclosed in note 32. Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. The ongoing income statement classification of what is currently predominantly presented as occupancy-related expenses will be split between amortisation and interest expense.

AASB 9 introduces new requirements for the classification and measurement of financial assets, the classification, measurement and derecognition of financial liabilities and includes new requirements for general hedge accounting, impairment requirements for financial assets and introduces a fair value through other comprehensive income (FVTOCI) measurement category for certain simply debt instruments.

The Group has early adopted the classification and measurement of financial assets/liabilities in historical reporting periods. The impairment provisions of AASB 9, applying to financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under AASB 9, financial lease receivable, amounts due from customer under construction contracts and financial guarantee contracts, will be adopted in the year ending 30 September 2019.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, finance lease receivables and amounts due from customs under contraction contracts as required or permitted by AASB 9.

In general, the directors anticipate that the application of the expected credit loss model of AASB 9 will result in earlier recognition of credit losses for the respective items.

2. Significant accounting policies

(a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 3 December 2018.

(b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost except for certain derivative financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Comparative amounts have been reclassified for changes in presentation in the current period, unless otherwise stated.

Historical cost is generally based on the fair value of the consideration given in exchange of assets. All amounts are presented in Australian dollars, which is Ixom Holdco Pty Ltd's functional currency and presentation currency, unless otherwise indicated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Class Order, amounts in this Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (cont'd)

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 '*Income Taxes*' and AASB 119 '*Employee Benefits*' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 '*Share-based Payment*' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 '*Non-current Assets Held for Sale and Discontinued Operations*' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 9 '*Financial Instruments*', or AASB 137 '*Provisions, Contingent Liabilities and Contingent Assets*', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (cont'd)

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. The requirements of AASB 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests. When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (cont'd)

(g) Revenue recognition (cont'd)

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

The Group's policy for recognition of revenue from construction contracts is described at (h) below.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(h) Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

(i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include:

- interest on bank overdrafts, short-term and long-term borrowings; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (cont'd)

(k) Employee benefits

Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item personnel expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

(l) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks.
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

(m) Share-based payments arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Where the Group provides employees with non-recourse loans for the acquisition of shares that have service and vesting conditions, such arrangements are treated as option issues and share-based payment arrangements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 35.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (cont'd)

(n) Income tax

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Directors have determined that the 'sale' presumption set out in the amendments to AASB 112 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(o) Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is added to the carrying value of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset will flow to the operation. All other subsequent expenditure is expensed in the period in which it is incurred.

Property, plant and equipment, other than freehold land, is depreciated or amortised on an either straight-line basis or diminishing value method at various rates dependent upon the estimated average useful life for that asset. The estimated useful lives of each class of asset are as follows:

Buildings and Leasehold Improvements	20 to 40 years
Plant and Equipment	5 to 15 years

Notes to the Consolidated Financial Statements

2. Significant accounting policies (cont'd)

(o) Property, plant and equipment (cont'd)

Depreciation rates and methods are reviewed at least annually and, where changed, are accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss in the period the item is derecognised.

(p) Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(q) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(r) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. Cost is based on the first-in, first-out or weighted average method based on the type of inventory. For manufactured goods, cost includes direct material and fixed overheads based on normal operating capacity.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (cont'd)

(s) Provisions

A provision is recognised when a present legal, equitable or constructive obligation exists and can be reliably measured as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Lease make good

A provision for lease make good is recognised in relation to the properties held under operating lease. The Group recognises the provision for property leases which contain a specific clause to restore the property to a specific condition and the amount is based on the best estimate made by management.

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(t) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are classified and subsequently measured at amortised cost (AC), fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL), (except for financial assets that are irrevocably designated to be measured at fair value through profit or loss on initial recognition), on the basis of both:

- (i) the entity's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in the 'finance income' line item.

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (see below).

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with AASB 118 'Revenue' and is included in the net gain or loss described above.

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (cont'd)

(t) Financial instruments (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with AASB 118 'Revenue', unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'investment income' line item.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore:

- for financial assets that are classified as at FVTPL and debt instruments measured at fair value through other comprehensive income, the foreign exchange component is recognised in profit or loss; and
- for equity instruments designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'finance income' or 'finance expense' line item in the consolidated statement of comprehensive income/income statement.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with AASB 9.

Financial liabilities at FVTPL are stated at fair value. Any gains or losses arising on re-measurement of held-for-trading financial liabilities are recognised in profit or loss. Such gains or losses that are recognised in profit or loss incorporate any interest paid on the financial liabilities and are included in the 'finance income' or 'finance expense' line item in the consolidated statement of comprehensive income.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss.

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'finance expense' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised through profit or loss.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (cont'd)

(t) Financial instruments (continued)

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 24.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 24 sets out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'finance income' or 'finance expense' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(u) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(v) Dividends

Dividends are recognised when an obligation to pay a dividend arises, following declaration of the dividend by the Company's Board of Directors.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (cont'd)

(w) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and highly liquid investments and notes with maturity of three months or less when purchased.

(x) Investments

Investments in subsidiaries are carried at cost in the individual financial statements of Ixom Holdco Pty Ltd. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less costs to sell.

(y) Receivables

The majority of trade debtors are settled within 30-60 days of the invoice date and are carried at amounts due less provision for impairment. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

When receivables are considered to be impaired the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment.

(z) Trade payables

Liabilities are recognised for amounts to be paid in the future for goods or services provided prior to the end of the reporting period. Trade accounts payable are normally settled within 30-60 days of the invoice date.

(aa) Interest bearing liabilities

Interest bearing liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs.

(ab) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction, net of tax, from the proceeds.

(ac) Parent entity financial information

The financial information for the parent entity, Ixom Holdco Pty Ltd (the Company), disclosed in note 29 has been prepared on the same basis as the consolidated financial statements, except for:

- (i) Investments in subsidiaries are accounted for at cost in the financial statements of the Company. Dividends received from associates are recognised in the Company's profit or loss, rather than being deducted from the carrying amount of these investments; and
- (ii) Where the Company has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Notes to the Consolidated Financial Statements

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is reviewed if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Changes in the assumptions underlying the estimates may result in a significant impact on the financial statements. Management believes the estimates used in preparing the financial report are reasonable and in accordance with accounting standards. The most critical of these assumptions and judgements are:

Working capital provisions (current assets)

In the course of normal trading activities, management uses its judgement in establishing the net realisable value of various elements of working capital, principally inventory and trade receivables. Provisions are established for obsolete or slow moving inventories and bad or doubtful receivables. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Group.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at 30 September 2018 was \$208.1 million (2017:\$201.3million). To the best of management's knowledge the goodwill is not impaired and is fairly recorded at the balance date (refer to note 13).

Impairment and recoverable amount of property, plant and equipment

The consolidated entity assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product, technology, economic, environmental and political environments and future expectations. If an impairment trigger exists the recoverable amount of the asset is determined. There was no impairment recognised during the year as a result of this.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and underlying assumptions are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period and future periods if the revision affects both current and future periods.

Useful lives of property, plant and equipment and finite life intangible assets

The Group's property, plant and equipment and intangible assets, other than indefinite life intangible assets, are depreciated/amortised on a systematic basis over their useful economic lives that reflects the pattern in which the asset's future economic benefits are expected to be consumed. Management reviews the appropriateness of useful economic lives of assets at least annually. Any changes to useful economic lives affect prospective depreciation rates and asset carrying values.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities, including derivatives, are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 2(b).

Defined benefit superannuation fund obligations

The expected cost of providing post-retirement benefits under defined benefit arrangements relating to employee service during the period are charged to the income statement. Any actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the statement of comprehensive income. In all cases, the superannuation costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of judgement in relation to assumptions for future salary and superannuation increases, long term price inflation and bond rates. While management believes the assumptions used are appropriate, a change in the assumptions used may impact the earnings and equity of the Group.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises liabilities for tax issues based on estimates of where additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the current and deferred tax provision in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

Notes to the Consolidated Financial Statements

	2018 \$'000s	2017 \$'000s
4. Revenue		
Revenue from sale of goods	1,225,439	1,198,743
Total revenue	1,225,439	1,198,743
5. Expenses		
Profit for the period has been arrived at after charging:		
Personnel expenses	104,739	100,903
<i>Personnel expenses contain the following categories of employee benefit expenses:</i>		
Defined contribution plans	5,603	5,920
Defined benefit plans (note 18)	1,595	2,406
Termination benefits	2,047	984
Share-based payments - equity-settled (note 35)	273	273
Other employee benefits	16,438	10,257
Total employee benefits expense	25,956	19,840
Depreciation and amortisation		
Depreciation	26,258	25,656
Amortisation	8,096	5,756
Total depreciation and amortisation expense	34,354	31,412
6. Net financing expense		
Finance income		
Interest revenue	517	317
Total finance income	517	317
Finance expense		
Interest on loans	(22,136)	(23,311)
Amortisation of capitalised borrowing costs	(3,028)	(3,057)
Other finance expense	(1,116)	(968)
Total finance expense	(26,280)	(27,336)
Net finance expense	(25,763)	(27,019)

Notes to the Consolidated Financial Statements

2018	2017
\$'000s	\$'000s

7. Income taxes

Income tax expense recognised for the current period		
Current tax expense	19,986	18,225
Deferred tax	(1,282)	505
Total income tax expense /(benefit) in the profit and loss for the current period	18,704	18,730
The income tax expense may be reconciled to the accounting profit as follows:		
Profit before income tax including significant items	61,369	69,903
Prima facie income tax expense at 30%	18,411	20,971
Variances in local tax rates	(597)	(2,607)
Non-deductible financing and thin capitalisation adjustments	(635)	679
Sundry non-deductible expenses, patent costs	418	253
Other	313	497
Changes in tax rates	-	(1,063)
Under/Over provision in prior years	794	-
Income tax expense recorded in the profit and loss for the current period	18,704	18,730
Income tax expense recognised directly in other comprehensive income		
Deferred tax:		
Relating to defined benefit schemes	(669)	717
Total income tax expense in other comprehensive income	(669)	717

Deferred tax balances

Movements in deferred tax assets and liabilities during the financial period are

	2018				
	Balance 1 October 2017 \$'000s	Recognised in income \$'000s	Recognised in equity \$'000s	Sundry adjustments \$'000s	Balance 30 Sept 2018 \$'000s
Deferred tax assets					
Provisions	17,279	174	669	-	18,122
Fixed assets	-	-	-	551	551
Tax losses	6,698	357	-	(3,152)	3,903
Sundry	954	11	-	(306)	659
Total deferred tax assets	24,931	542	669	(2,907)	23,235
Deferred tax liabilities					
Fixed assets	449	(31)	-	(551)	(133)
Customer Intangibles	(878)	768	-	-	(110)
Sundry	(12)	3	-	(4)	(13)
Total deferred tax liabilities	(441)	740	-	(555)	(256)

Notes to the Consolidated Financial Statements

7. Income taxes (cont'd)

	2017				
	Balance 1 Oct 2016 \$'000s	Recognised in income \$'000s	Recognised in equity \$'000s	Sundry adjustments \$'000s	Balance 30 Sept 2017 \$'000s
Deferred tax assets					
Provisions	22,885	(4,889)	(717)	-	17,279
Tax losses	19,347	(12,669)	-	20	6,698
Sundry	(1,526)	2,449	-	31	954
Total deferred tax assets	40,706	(15,109)	(717)	51	24,931
Deferred tax liabilities					
Fixed assets	(245)	694	-	-	449
Customer Intangibles	(1,635)	757	-	-	(878)
Sundry	(470)	484	-	(26)	(12)
Total deferred tax liabilities	(2,350)	1,935	-	(26)	(441)

Unrecognised tax assets

The following tax related assets are not booked on the basis of an exemption or doubts of recoverability:

	2018 \$'000s	2017 \$'000s
Tax losses in Brazil	2,806	1,533
Tax losses in China	305	-

Franking credits

The Company has \$3,016k (2017:nil) of franking credits in Australia for use in subsequent reporting period.

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities are a tax-consolidated group with effect from 6 November 2014, and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Ixom Holdco Pty Ltd. The members of the tax-consolidated group are identified in note 29.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Ixom Holdco Pty Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Notes to the Consolidated Financial Statements

	2018 \$'000s	2017 \$'000s
8. Trade and other receivables		
Current		
Trade receivables (a)		
Trade receivables	178,236	188,860
Allowance for doubtful debts	(2,381)	(1,403)
	175,855	187,457
Other receivables		
Other receivables	2,978	8,614
Total current receivables	178,833	196,071
Non-current		
Other receivables (b)	1,888	1,680
Total non-current receivables	1,888	1,680

(a) Trade receivables

Trade receivables are carried at amounts due. Receivables that are not past due and not impaired are considered recoverable. Payment terms are generally 30 days from the end of the month of invoice. A risk assessment process is used for all accounts, with a stop credit process in place for most long overdue accounts. Credit insurance cover is obtained where appropriate.

The collectability of trade receivables is assessed continuously and at balance date specific allowances are made for any doubtful trade receivables based on a review of all outstanding amounts at year end. Bad debtors are written off during the period in which they are identified.

Ageing of trade receivables not impaired:

<u>Ageing of past due but not impaired:</u>		
Not past due	153,183	163,999
Overdue 0 to 30 days	19,839	19,858
Overdue 31 to 60 days	2,087	1,675
Overdue 61 to 90 days	878	789
Overdue 90 days and beyond	2,249	2,539
Total	178,236	188,860
<u>Movement in the allowance for doubtful debts:</u>		
Balance at beginning of the period	1,403	1,332
Amounts provided during the period	1,050	685
Amounts written off as uncollectible	(70)	(567)
Foreign currency exchange difference	(2)	(47)
Balance at end of the period	2,381	1,403

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

(b) Other receivables

Includes receivable from related party totalling \$1,797k (2017:\$1,640k). Refer to note 25 for further information.

Notes to the Consolidated Financial Statements

2018	2017
\$'000s	\$'000s

9. Other financial assets

Derivatives designated and effective as hedging instruments carried at fair value:

Foreign currency forward contracts	2,832	1,102
Interest rate swaps	449	735
Total derivative assets	3,281	1,837
Current	3,194	1,225
Non-current	87	612
Total derivative assets	3,281	1,837

Refer to note 24 for details on the financial risk management and use of derivative financial instruments.

10. Inventories

Raw materials	18,424	16,581
Finished goods	136,752	143,362
Total inventory	155,176	159,943

Inventories have been shown net of provision for impairment of \$4,529k (2017:\$3,414k)

11. Other current assets

Prepayments & other assets	5,281	5,687
Other current assets	5,281	5,687

12. Property, plant and equipment

Carrying amounts of:

Land	24,798	24,786
Buildings and leasehold improvements	20,065	18,743
Plant and equipment ¹	250,077	249,285
	294,940	292,814

¹ Includes assets under construction of \$19,036k (2017:\$20,725k)

Impairment of property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortisation and impairment losses. At the end of the reporting period, the Group assessed whether there is any indication that property, plant and equipment may be impaired. No such indication was evident at the balance date (2017: nil).

Notes to the Consolidated Financial Statements

12. Property, plant and equipment (cont'd)

	Land	Buildings and leasehold improvements	Plant and equipment	Total
	\$'000s			
Cost				
Balance at 30 September 2016	23,200	20,810	291,699	335,709
Additions	-	519	24,266	24,785
Disposals	-	(77)	(1,375)	(1,452)
Transfers	1,707	-	(1,707)	-
Foreign currency exchange differences	(121)	(175)	(3,695)	(3,991)
Balance at 30 September 2017	24,786	21,077	309,188	355,051
Acquired in business combination	-	-	1,669	1,669
Additions	-	734	25,916	26,650
Disposals	-	-	(1,107)	(1,107)
Transfers	-	2,433	(2,433)	-
Foreign currency exchange differences	12	125	286	423
Balance at 30 September 2018	24,798	24,369	333,519	382,686
Accumulated depreciation				
Balance at 30 September 2016	-	(1,693)	(38,465)	(40,158)
Depreciation expense	-	(803)	(24,853)	(25,656)
Eliminated on disposal of assets	-	63	1,357	1,420
Foreign currency exchange differences	-	99	2,058	2,157
Balance at 30 September 2017	-	(2,334)	(59,903)	(62,237)
Depreciation expense	-	(915)	(25,343)	(26,258)
Eliminated on disposal of assets	-	-	983	983
Transfers	-	(1,019)	1,019	-
Foreign currency exchange differences	-	(36)	(198)	(234)
Balance at 30 September 2018	-	(4,304)	(83,442)	(87,746)

13. Goodwill and other intangible assets

	2018 \$'000s	2017 \$'000s
<i>Carrying amounts of:</i>		
Goodwill	208,073	201,287
Other Identifiable Intangibles	3,512	5,740
Software ¹	12,934	15,023
	224,519	222,050

¹ Includes software under construction of \$2,738k (2017:\$8,270k)

Notes to the Consolidated Financial Statements

13. Goodwill and other intangible assets (cont'd)

	Goodwill	Other Identifiable Intangibles	Software	Total
	\$'000s			
Cost				
Balance at 30 September 2016	201,287	19,000	11,267	231,554
Additions	-	2,840	7,919	10,759
Disposals	-	-	(52)	(52)
Foreign currency exchange differences	-	(47)	(23)	(70)
Balance at 30 September 2017	201,287	21,793	19,111	242,191
Additions (including Business combination)	6,786	-	3,789	10,575
Disposals	-	-	(117)	(117)
Foreign currency exchange differences	-	(5)	28	23
Balance at 30 September 2018	208,073	21,788	22,811	252,672
Accumulated amortisation and impairment losses				
Balance at 30 September 2016	-	(13,629)	(807)	(14,436)
Amortisation	-	(2,424)	(3,332)	(5,756)
Eliminated on disposal of assets	-	-	41	41
Foreign currency exchange differences	-	-	10	10
Balance at 30 September 2017	-	(16,053)	(4,088)	(20,141)
Amortisation	-	(2,225)	(5,871)	(8,096)
Eliminated on disposal of assets	-	-	112	112
Foreign currency exchange differences	-	2	(30)	(28)
Balance at 30 September 2018	-	(18,276)	(9,877)	(28,153)

Impairment of intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses. At the end of each reporting period, the Group assesses whether there is any indication that intangible assets may be impaired. No such indication was evident at balance date.

Allocation of goodwill to cash-generating units

The carrying amount of goodwill is allocated to the businesses cash generating units for impairment testing purposes. The carrying amount of goodwill was allocated to cash generating units as follows:

	2018 \$'000s	2017 \$'000s
Manufactured Chemicals and Water	33,775	30,849
Industrial Packaged & Bulk Chemicals	111,819	90,348
Life Sciences	21,852	39,463
New Zealand	40,627	40,627
	208,073	201,287

During the period, the Group restructured its operations to better serve the requirements of its customers, with Bulk Liquids and Gases replaced by Industrial Packaged and Bulk Chemicals, a new Life Sciences CGU and the Trading CGU split across the new and existing CGUs. As a result, the Goodwill previously allocated to the Trading CGU was reapportioned based on relative values allocated to Manufactured Chemicals and Water, Industrial Packaged & Bulk Chemicals and Life Sciences.

Key assumptions used for calculating the recoverable amount of goodwill

The recoverable amount of each CGU is determined using a value in use methodology.

Value in use is determined by applying assumptions specific to the Group's CGU's in the present form. Value in use cash flow calculations use management approved plans and other assumptions specific to the group.

The key assumptions used in the calculations include:

- the regulatory environment within which the Group operates remains largely unchanged;
- growth rates of upto 5.7% (2017: upto 8%) used to extrapolate cash flows are consistent with industry trends;
- discount rate of 10.5% (2017: 12% to 13%) used based on a post-tax weighted average cost of capital;
- terminal growth rate of 2.5% (2017: 2.5%) used in line with the forecast long term underlying Consumer Price Index or similar.

The key estimates and assumptions used are based upon management current expectations after taking into account past experience and external information and are considered to be reasonably achievable. A reasonably possible change in the growth rates for the life sciences CGU would result in its carrying value exceeding its recoverable amount requiring an impairment change to be recognised at a future time.

Notes to the Consolidated Financial Statements

	2018 \$'000s	2017 \$'000s
14. Trade and other payables		
Trade payables	154,082	161,543
Other	24,066	25,375
Total current payables	178,148	186,918

Foreign currency risk

The carrying amounts of the Group's trade and other payables are disclosed in Australian dollars. For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to note 24.

15. Borrowings

Current		
Syndicated Facility	18,400	18,400
Finance lease liabilities	337	321
Total current borrowings	18,737	18,721
Non-current		
Syndicated Facility	414,000	437,400
Capitalised Upfront Facility Costs	(6,559)	(9,587)
Finance lease liabilities	639	976
Total non-current borrowings	408,080	428,789

16. Other financial liabilities

Derivatives designated and effective as hedging instruments carried at fair value		
Foreign currency forward contracts	405	763
Interest rate swaps	130	-
Total derivative liabilities	535	763
Current	405	763
Non-current	130	-
Total derivative liabilities	535	763

Refer to note 24 for details on the financial risk management and use of derivative financial instruments.

17. Provisions

Current		
Employee entitlements	28,343	27,683
Lease makegood	371	400
Restructuring and other	1,539	412
Total current provisions	30,253	28,495
Non-current		
Employee entitlements	1,539	1,053
Lease makegood	12,570	12,697
Total non-current provisions	14,109	13,750

The provision for employee benefits represents annual leave, other short-term employee benefits and long service leave entitlements accrued by employees.

Notes to the Consolidated Financial Statements

	2018	2017
	\$'000s	\$'000s

17. Provisions (cont'd)

Movement in each class of provision during the financial period, other than employee benefits, are set out below:

Provision - Lease makegood

Balance at beginning of period	13,097	13,749
Additional provisions recognised	1,166	-
Reductions arising from payments	(1,126)	(315)
Reductions arising from re-measurement or settlement without cost	(681)	(337)
Unwinding of discount and effect of discount rate changes	485	-
Carrying amount at the end of the period	12,941	13,097

Provision - Restructuring and other

Balance at beginning of period	412	4,974
Additional provisions recognised	1,491	412
Reductions arising from payments	(390)	(3,724)
Reductions arising from re-measurement or settlement without cost	-	(1,250)
Foreign exchange differences on provision	26	-
Carrying amount at the end of the period	1,539	412

18. Retirement benefit plans

Defined benefit plans

The consolidated entity participates in one Australian and one New Zealand defined benefit post-employment plan that provide benefits to employees upon retirement. Plan funding is carried out in accordance with the requirements of trust deeds and the advice of actuaries.

The information within these financial statements has been prepared by the local plan's external actuaries. During the period, the consolidated entity made employer contributions of \$2.9million (2017:\$3.2million) to the defined benefit plans. The Group's external actuaries have forecast total employer contributions and benefit payments to defined benefit plans of \$2.7million (2017:\$3.4million) for the forthcoming financial year.

The Funds design means that the risks most commonly affecting the reported financial results are expected to be:

- Investment risk – Strong investment returns tending to improve the balance sheet position, whilst poor or negative investment return tending to weaken the position
- Interest rate risk – The defined benefit obligation calculated in accordance with AASB 119 'Employee Benefits' uses a discount rate based on bond yields. If bond yields fall, the defined benefit obligation will tend to increase
- Salary inflation risk – Higher than expected increases in salary will increase the defined benefit obligation

Australia

The Ixom Defined Benefit Sub-Fund is a Sub-Fund of the Flexible Benefits Super Fund and provides defined benefits to a number of members, where the benefits are defined by final average salary and period of membership. The Fund is a final average salary defined benefit fund, with accumulation underpin guarantees for pre-1992 joiners. Benefits can be taken as a lump sum or lifetime pension (or a combination). The Sub-Fund is currently closed to new members and has a total of 46 (2017:60) active Defined Benefit members and 12 (2017:7) lifetime pensioners at period end.

New Zealand

Under a special purpose deed made between Ixom Operations Pty Ltd and Orica New Zealand Limited, separate notional assets are maintained within the Orica New Zealand Plan for members of the Plan who were employed by Ixom as at 27 February 2015. The objective is for the notional assets to broadly match the value of the accrued liabilities using the funding assumptions. The Sub-Fund is currently closed to new members and has a total of 17 (2017:17) active Defined Benefit members and nil (2017:nil) lifetime pensioners at period end.

(i) Balance sheet amounts

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

Present value of the funded defined benefit obligation	(68,361)	(70,821)
Present value of the unfunded defined benefit obligation	(663)	(677)
Fair value of defined benefit plan assets	58,048	61,459
Deficit	(10,976)	(10,039)
Net liability in the balance sheet	(10,976)	(10,039)

Notes to the Consolidated Financial Statements

2018	2017
\$'000s	\$'000s

18. Retirement benefit plans (cont'd)

(ii) Amounts recognised in the profit and loss

The amounts recognised in the profit and loss statement are as follows:

Current Service Cost	1,298	1,745
Past Service Cost	-	255
Interest cost on defined benefit obligation	297	406
Total included in employee benefits expense	1,595	2,406

(iii) Amounts included in the statement of comprehensive income

Amounts included in the statement of comprehensive income are as follows:

Actuarial gains/(losses) on defined benefit obligations:

Due to changes in demographic assumptions	(2,523)	-
Due to changes in financial assumptions	(1,245)	6,422
Due to experience adjustments	(786)	(4,715)
Total	(4,554)	1,707

Return on plan assets greater than discount rate	2,324	3,546
Re-measurement effects recognised in Other Comprehensive Income	(2,230)	5,253

(iv) Reconciliations

Reconciliation of present value of the defined benefit obligations:

Balance at the beginning of the period	71,498	75,910
Current service cost	1,298	1,745
Past Service cost	-	255
Interest cost	2,724	2,311
Contributions by plan participants	435	571
Actuarial (gains)/losses	4,554	(1,707)
Benefits paid	(10,996)	(6,784)
Administration expenses paid (including premiums)	(468)	(507)
Foreign exchange difference	(21)	(296)
Balance at the end of the period	69,024	71,498

Reconciliation of the fair value of the plan assets:

Balance at the beginning of the period	61,459	59,708
Interest income on plan assets	2,427	1,905
Return of plan assets greater/(less) than discount rate	2,324	3,546
Contributions by employer	2,882	3,193
Contributions by plan participants	435	571
Benefits paid	(10,996)	(6,784)
Administration expenses paid (including premiums)	(468)	(506)
Foreign exchange difference	(15)	(174)
Balance at the end of the period	58,048	61,459

Notes to the Consolidated Financial Statements

2018	2017
\$'000s	\$'000s

18. Retirement benefit plans (cont'd)

The fair value of plan assets does not include any amounts relating to the consolidated entities own financial instruments, property occupied by, or other assets used by, the consolidated entity.

The fair value of the plan assets comprise:

Quoted in active markets:

Equities	27,166	26,561
Debt securities	14,313	18,402
Property	6,472	7,126
Other quoted securities	5,188	4,105

Other:

Cash and cash equivalents	4,909	5,265
	58,048	61,459

The principal assumptions applied in determining the present value of defined benefit obligations and their bases were as follows:

- Rates of increase in pensionable remuneration, pensions in payment and healthcare costs: historical experience and management's long-term future expectations;
- Discount rates: prevailing long-term high quality bond yields, chosen to match the currency and duration of the relevant obligation; and
- Mortality rates: the local actuaries' designated mortality rates for the individual plans concerned.

The weighted averages for those assumptions and related sensitivity information are presented below. Sensitivity information indicates by how much the defined benefit obligations would increase or decrease if a given assumption were to increase or decrease with no change in other assumptions.

Assumptions on Defined Benefit Obligation					
	Period Ending	Assumptions Used		Change of assumption	Impact \$'000s
		Aust	NZ		
Rate of increase in pensionable remuneration	30/9/2018	2.50%	2.50%	+1.00%	834
				-1.00%	(808)
	30/9/2017	2.50%	2.50%	+1.00%	850
				-1.00%	(812)
Discount rate for pension plan	30/9/2018	4.10%	2.60%	+1.00%	(6,243)
				-1.00%	7,620
	30/9/2017	4.25%	2.90%	+1.00%	(5,268)
				-1.00%	6,429
Mortality decrements	30/9/2018	n/a	n/a	+1 year older	(739)
				+1 year younger	718
	30/9/2017	n/a	n/a	+1 year older	(581)
				+1 year younger	567

Notes to the Consolidated Financial Statements

2018	2017
\$'000s	\$'000s

19. Issued capital

	No. of Shares		\$'000s	\$'000s
	2018	2017		
Fully paid ordinary shares				
Balance of beginning of financial period	290,401,915	290,401,915	290,402	290,402
Balance at end of financial period	290,401,915	290,401,915	290,402	290,402
Partially paid B-Class Shares				
Balance of beginning of financial period	1,604,985	-	1,800	-
New shares issued	-	1,604,985	-	1,800
Balance at end of financial period	1,604,985	1,604,985	1,800	1,800
Total issued capital at end of financial period	292,006,900	292,006,900	292,202	292,202

The company issued 290,401,915 ordinary shares on 6 November 2014 for the purpose of incorporation.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per shares at shareholder's meetings. In the event of winding-up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Holders of B-Class shares are entitled to distributions such as dividends as declared by the Board from time to time on a basis at least equivalent to ordinary shares. B-Class shares are only transferable with the written consent of the Company's parent and do not entitle the holder to a vote at shareholder meetings except in relation to a proposal that adversely affects the rights attached to B-Class shares. B-Class shares may be converted to ordinary shares solely on the Company's discretion. In the event of winding-up of the Company, B-Class shares rank equally with ordinary shares.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

20. Retained Earnings

Opening balance at beginning of period	(22,560)	(71,908)
Profit attributable to owners of the Company	(1,184,627)	49,348
Balance at end of financial period	(1,207,187)	(22,560)

21. Dividends

No dividends were paid or declared during the period (2017:nil).

22. Non-controlling interests

Balance at beginning of period	4,167	2,696
Share of profit for the period	1,853	1,825
Distribution	(1,225)	(391)
Foreign currency translation gain	504	37
Balance at end of period	5,299	4,167

Notes to the Consolidated Financial Statements

	2018 \$'000s	2017 \$'000s
23. Reserves		
Cash flow hedging reserve	2,835	1,022
Foreign currency translation reserve	(12,015)	(12,087)
Defined benefit plan reserve	370	1,931
Share based payments reserve	2,472	2,199
Balance at end of period	(6,338)	(6,935)
Reconciliations:		
Cash flow hedge reserve		
Balance at start of the period	1,022	(601)
Gain/(Loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Interest rate swaps	(454)	735
Forward foreign exchange contracts	2,267	888
	1,813	1,623
Income tax related to gains/(loss) recognised in other comprehensive income	-	-
Balance at end of period	2,835	1,022
Foreign currency translation reserve		
Balance at start of the period	(12,087)	(6,862)
Exchange differences arising on translating the foreign operations	72	(5,225)
Balance at end of period	(12,015)	(12,087)
Defined benefit plan reserve		
Balance at start of the period	1,931	(2,605)
Return on assets	2,324	3,546
Actuarial gains/(loss)	(4,554)	1,707
	(299)	2,648
Income tax related to gains/(loss) recognised in other comprehensive income	669	(717)
Balance at end of period	370	1,931
Share based payments reserve		
Balance at start of the period	2,199	1,986
Arising on share-based payments	273	273
Share based payment plan participant contributions	-	(60)
Balance at end of period	2,472	2,199

Nature and purpose of reserves

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Foreign currency translation reserve

Exchange differences arising on translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are taken to the foreign currency translation reserve. The reserve is recognised in the statement of profit or loss and other comprehensive income on disposal of the net investment.

Defined benefit plan reserve

The defined benefit reserve represents the cumulative impact of re-measurement effects on defined benefit plans within the Group recognised in other comprehensive income. Further information about defined benefit plans is set out in note 18.

Share-based payments reserve

The amount reported in the share-based payments reserve each year represents the share-based payments expense adjusted for amounts transferred to contributed equity on vesting of shares. Further information about share based payments to employees is set out in note 35.

Notes to the Consolidated Financial Statements

24. Financial instruments

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in note 15 and offset by cash and bank balances note 26 and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 19, 20, 22 and 23).

Financial risk management

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk and interest rate risk, use of derivative financial instruments and non-derivative financial instruments.

The Group's activities expose it to a variety of financial risks: market risk including foreign currency risk and interest rate risk, credit risk and liquidity risk.

Interest rate and foreign exchange rate risk exposures are managed by quantifying the impact of adverse interest and foreign exchange rate movements on the overall profitability of the Group and entering into hedging contracts seeking to protect a predetermined level of forecast profitability that may otherwise be impacted by unfavourable market rate movements.

Gearing Ratio

The gearing ratio at period end was as follows:

	Note	2018 \$'000s	2017 \$'000s
Debt (Syndicated facility)	15	432,400	455,800
Cash and cash equivalents	26	(88,999)	(48,558)
Net debt		343,401	407,242
Total equity		309,415	266,874
Net debt and total equity		652,816	674,116
Gearing ratio (%)		53%	60%

The Group monitors the gearing ratio on a regular basis to ensure it continues to remain at a prudent level.

Categories of financial instruments

The Group holds the following financial instruments:

Financial Assets			
Cash and cash equivalents	26	88,999	48,558
<u>Amortised cost</u>			
Trade and other receivables	8	180,721	197,751
Derivatives - Cash flow hedge (interest rate swap)	9	449	734
Derivatives - Cash flow hedge (foreign exchange forwards)	9	2,832	1,103
	9	3,281	1,837
Financial Liabilities			
<u>Amortised Cost</u>			
Borrowings	15	432,400	455,800
Trade and other payables	14	178,148	186,918
Derivatives - Cash flow hedge (foreign exchange forwards)	16	405	763
Derivatives - Cash flow hedge (interest rate swap)	16	130	-

Notes to the Consolidated Financial Statements

24. Financial instruments (cont'd)

Financial risk management objectives

The Group Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These include market risk (currency and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a regular basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The use of financial instruments ensures that adverse variability in cashflow obligations or fair values of assets and liabilities in hedging relationships are offset with the use of cashflow payoffs and fair value movements in derivative contracts which have offsetting movements.

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge exchange rate risk primarily due to significant purchase and /or sales denominated, either directly or indirectly, in currencies other than the functional currencies of the Group's subsidiaries;
- forward foreign exchange contracts to hedge the exchange rate risk arising on cash flow receivables on loans made in a foreign currency to foreign currency subsidiaries
- interest rate swaps, to mitigate the risk that the interest charged on the syndicated long-term borrowings will fluctuate due to changes in the market interest rates.

Foreign currency risk management

Foreign exchange risk arises from future anticipated commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows (Notional Foreign Currency Exposure in Australian Dollar Equivalents):

Currency Exposure - in \$AUDmillions equivalent	2018								
	USD	NZD	CLP	CNY	EURO	ARS	GBP	Other	Total
Cash	6.5	6.2	2.7	4.6	0.9	0.5	2.6	4.8	28.8
Net Receivable/(Payable)	(67.9)	0.5	10.0	2.6	(1.2)	1.4	(0.6)	1.1	(54.1)
<u>Net Derivatives:</u>									
- Operational forward FX contracts	2.4	0.1	-	-	-	-	-	-	2.5
Net exposure - \$AUD millions	(59.0)	6.8	12.7	7.2	(0.3)	1.9	2.0	5.9	(22.8)

Currency Exposure - in \$AUDmillions equivalent	2017								
	USD	NZD	CLP	CNY	EURO	ARS	GBP	Other	Total
Cash	7.5	(2.5)	2.6	1.6	0.2	1.0	0.3	4.3	15.0
Net Receivable/(Payable)	(37.7)	19.7	-	0.2	1.9	-	(0.1)	1.5	(14.5)
<u>Net Derivatives:</u>									
- Operational forward FX contracts	77.8	-	-	-	2.4	-	(0.3)	1.0	80.9
Net exposure - \$AUD millions	47.6	17.2	2.6	1.8	4.5	1.0	(0.1)	6.8	81.4

Notes to the Consolidated Financial Statements

24. Financial instruments (cont'd)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies at the reporting date. 10% is the sensitivity rate used representing management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

Where the exposure to foreign currency is hedged, the relevant movement would result in a change in equity, but not profit and loss to the extent the hedge is effective. Foreign exchange hedging instruments include foreign exchange forward contracts for operational and translational hedging.

Directors cannot and do not seek to predict movements in exchange rates. However, it should be noted that it is unlikely that all currencies would move in the same direction and by the same percentage.

		2018				
		Increase/(Decrease) in Profit after tax			Increase/(Decrease) in Total equity	
		10%				
		Reported FX Rate	Down	10% Up	10% Down	10% Up
		\$AUD millions				
AUD/USD		0.7182	0.7	(0.5)	11.7	(9.6)
AUD/NZD		1.0902	(0.5)	0.4	1.5	(1.3)
AUD/CLP		473.9336	(0.5)	0.3	-	-
AUD/CNY		4.9463	0.1	(0.1)	-	-
AUD/EURO		0.6170	0.1	-	0.1	(0.1)
AUD/ARS		28.5388	(0.1)	-	-	-
AUD/GBP		0.5492	0.2	(0.1)	-	-
AUD/JPY		81.5661	-	-	-	-

		2017				
		Increase/(Decrease) in Profit after tax			Increase/(Decrease) in Total equity	
		Reported FX Rate	10% Down	10% Up	10% Down	10% Up
			\$AUD millions			
AUD/USD	0.7789	(0.2)	0.2	9.6	(7.3)	
AUD/NZD	1.0873	-	-	-	-	
AUD/CLP	497.5124	0.1	(0.1)	-	-	
AUD/CNY	5.198	0.1	(0.1)	-	-	
AUD/EURO	0.6636	0.1	(0.1)	0.3	(0.2)	
AUD/ARS	13.6705	0.1	-	-	-	
AUD/GBP	0.5818	-	-	-	-	
AUD/JPY	88.0313	-	-	-	-	

Interest rate risk management

Interest rate risk relates to the Group's cash flow exposures to changes in interest rates on the Group's interest bearing liabilities. As interest rates fluctuate, the amount of interest payable on financing where the interest rate is not fixed will also fluctuate. Consistent with the Policy, the Group may seek to mitigate its exposure to fluctuations in interest rates by entering into interest rate hedging contracts for a portion of forecast interest rate exposures.

The Group is primarily exposed to interest rate risk on its outstanding long term interest-bearing liabilities. Non-derivative financial assets are predominately short term liquid assets, such as cash at bank balances.

Risk Exposure	2018		2017	
	Average Rate	Notional Exposure	Average Rate	Notional Exposure
AUD BBSW payable	Float +2.95%	432,400	Float +2.69%	455,800
AUD BBSW receivable	Float	225,500	Float	360,640
Net AUD BBSW risk				
Fixed AUD pay	1.69%	225,500	1.65%	360,640
Fixed AUD receive	N/A	N/A	N/A	N/A

Notes to the Consolidated Financial Statements

24. Financial instruments (cont'd)

Interest rate sensitivity analysis

The table below shows the effect on profit and total equity after tax if interest rates at that date had been 10% higher or lower based on the relevant interest rate yield curve applicable to the underlying currency the Group's financial assets and liabilities are denominated in with all other variables held constant, taking into account all underlying exposures and related hedges and does not take account of the impact of any management action that might take place if these events occurred. A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term interest rates for AUD BBSW base rate and USD Libor base rate. The Directors cannot nor do not seek to predict movements in interest rates.

Interest rate sensitivity	2018 AUD BBSW Sensitivity	2017 AUD BBSW Sensitivity
	\$'000s	
Increase/(decrease) in profit after income tax expense		
+ 10% Interest rate of current base rate	96	124
- 10% Interest rate of current base rate	(96)	(124)
Increase/(decrease) in total equity		
+ 10% Interest rate of current base rate	532	583
- 10% Interest rate of current base rate	(532)	(583)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Only reputable banks and financial institutions are accepted. The Group cash at bank for Australia is held with A rated banks, with the main transactional bank being the Westpac Banking Corporation which has a AA- rating.

The principal activity of the Group gives rise to a material receivables value within the financial assets of the Group. The credit risk on financial assets of the Group which have been recognised on balance sheet is generally the carrying amount, net of any provisions for doubtful debts. The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of the receivables.

Credit assessments are undertaken to determine the credit quality of the customer, taking into account their financial position, past experience and other relevant factors. Individual risk limits are granted in accordance with the internal Credit Policy and authorised via appropriate personnel as defined by the Group's Delegation of Authority manual. The utilisation of credit limits by customers is regularly monitored by operational management.

Credit risk exposures by counterparty rating:

Counterparty Rating	MtM value at risk	
	\$'000s	
	2018	2017
AA to AAA	-	-
A to AA-	2,746	1,074

The Group does not enter into any master netting arrangements with counterparties in order to restrict its exposure to credit losses.

(c) Liquidity risk

Liquidity risk management implies maintaining sufficient cash, marketable securities and access to cash via committed credit lines in order to meet commitments as and when they fall due. Group Treasury manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note (e) below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Notes to the Consolidated Financial Statements

24. Financial instruments (cont'd)

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and also its derivative financial liabilities, with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows based on the earliest date on which the Group can be required to pay.

	2018			
	1-3 months	3-12 months	1-5 years	5+ years
	\$'000s			
Non-derivative financial liabilities				
Trade & other payables	174,548	-	-	-
Deferred consideration - business combination	-	3,600	-	-
Undrawn facility commitment fee ⁽¹⁾	296	889	1,383	-
Syndicated loan facility ⁽²⁾	5,042	33,022	434,266	-
Total non-derivative financial liabilities	179,886	37,511	435,649	-
Derivative financial liabilities				
Interest-rate swap	-	-	130	-
Forward foreign exchange hedge contracts	312	93	-	-
Total derivative financial instruments	312	93	130	-

(1) Includes a commitment fee based on the undrawn portion of a revolver facility (refer note (e) below).

(2) Terms of the facility include a change of control clause that would result in the syndicated loan facility becoming immediately due and payable.

	2017			
	1-3 months	3-12 months	1-5 years	5+ years
	\$'000s			
Non-derivative financial liabilities				
Trade & other payables	186,918	-	-	-
Undrawn facility commitment fee ⁽¹⁾	256	769	2,221	-
Syndicated loan facility ⁽²⁾	5,000	18,400	432,400	-
Total non-derivative financial liabilities	192,174	19,169	434,621	-

(1) Includes a commitment fee based on the undrawn portion of a revolver facility (refer note (e) below).

(2) Terms of the facility include a change of control clause that would result in the syndicated loan facility becoming immediately due and payable.

(d) Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes. As per AASB 7 Financial Instruments Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and;
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The table below analyses financial instruments carried at fair value by valuation method as described above.

Category	2018			2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000s					
Financial Assets						
Interest-rate swaps	-	449	-	-	735	-
Foreign currency exchange contracts	-	2,832	-	-	1,102	-
Financial Liabilities						
Interest-rate swaps	-	(130)	-	-	-	-
Foreign currency exchange contracts	-	(405)	-	-	(763)	-

The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the counterparties.

Notes to the Consolidated Financial Statements

24. Financial instruments (cont'd)

(e) Financing Facilities:

Facilities available and the amounts drawn and undrawn as at period end are as follows:

Committed standby and loan facilities

	2018 \$'000s	2017 \$'000s
Syndicated bank loan facility		
Amount used	432,400	450,800
Amount unused	-	-
Total loan facility	432,400	450,800
Revolver and growth capex facility		
Amount used ⁽¹⁾	-	5,000
Amount unused	105,000	100,000
Total revolver and growth capex facility	105,000	105,000

(1) Includes utilised letter of credit facilities of nil [2017:nil]

Hedge Accounting

The Group has elected to hedge account for financial instruments that are actively hedging operational purchases and receipts in foreign currency plus foreign currency denominated loans made to Group subsidiaries. The Group is exposed to foreign currency fluctuation risks for expected foreign currency denominated future purchases and future receivables; the hedging relationships are defined as the following:

- Cashflow Hedge: Hedging the forecasted foreign currency denominated purchase or receivables by entering into Forward Foreign Exchange contracts to remove uncertainty in future cashflows.

The Group hedges its foreign currency exposure on a net monthly basis by grouping all forecasted payables and receivables by currency and transacting a hedge on this net position for the month. The Group expects the operational foreign currency cashflow hedges to be effective as the underlying currency cross is referenced in the hedging instrument (for example hedged purchases pay a notional foreign currency amount, and transacted hedging instruments pay the notional foreign currency amount – receive a notional functional currency amount). The terms of the hedged items and hedging instrument are matched with the same base currency and there is an economic relationship.

For the operational foreign currency hedges, as the base currency translation rate match but the exact timing of cash flows do not (intra-month) there will be some source of ineffectiveness as a result of this timing mis-match, however this timing basis is not expected to dominate the hedging relationship. The foreign currency hedges will also be subject to ineffectiveness as a result of credit in the hedging instrument. Ineffectiveness in the hedging instrument as a result of credit is not expected to dominate the hedging relationship.

The Group also hedge accounts for interest rate swaps contracts whereby the Group agrees to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balance at the end of the reporting period.

The interest rate swaps settle on a quarterly basis. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The impact of hedge accounting on the balance sheet and profit or loss is detailed in the below:

Balance Sheet:

Hedging Instrument	Notional Amount	Location in Statement of financial position	Carrying Amount Assets	Carrying Amount Liabilities
			\$'000s	
			2018	
Cash Flow Hedges				
Foreign Currency risk (arising from FX denominated purchases)	\$118.1m AUD	Derivative Asset/Liability	2,832	(405)
Interest Rate risk (arising from movement in AUD base interest rate)	\$225.5m AUD	Derivative Asset/Liability	449	(130)
			2017	
Cash Flow Hedges				
Foreign Currency risk (arising from FX denominated purchases)	\$80.8m AUD	Derivative Asset/Liability	1,102	(763)
Interest Rate risk (arising from movement in AUD base interest rate)	\$360.6m AUD	Derivative Asset	735	-

Notes to the Consolidated Financial Statements

24. Financial instruments (cont'd)

Profit or loss:

Hedging Instrument	Cash Flow Hedge Reserve		Ineffectiveness		
	Continuing Hedges	Discontinued Hedges	Changes in value of hedging instrument	Changes in value of hedged item	Recognised in profit and loss for period
	\$'000s				
	2018				
Cash flow hedges					
Foreign Currency risk (arising from FX denominated purchases)	2,427	-	3,437	(3,437)	-
Interest Rate risk (arising from movement in AUD base interest rate)	319	-	348	(348)	-
	2017				
Cash flow hedges					
Foreign Currency risk (arising from FX denominated purchases)	338	-	2,282	(2,282)	-
Interest Rate risk (arising from movement in AUD base interest rate)	735	-	951	1,756	(804)

The following table details the expected transfer of the cash flow hedge reserve to the profit or loss:

	0 to 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
	\$'000s				
	2018				
Current hedges					
Transferred to profit or loss	258	(185)	-	-	73
Transferred to inventory	2,281	391	-	-	2,672
Discontinued hedges					
Transferred to profit or loss	-	-	-	-	-
Transferred to inventory	-	-	-	-	-
	2017				
Current hedges					
Transferred to profit or loss	91	-	-	-	91
Transferred to inventory	248	-	-	-	248
Discontinued hedges					
Transferred to profit or loss	-	-	-	-	-
Transferred to inventory	-	-	-	-	-

25. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. Outside of what has been disclosed below, there have been no other related party transactions, including; loans, borrowings and transactions with directors or director controlled entities.

The immediate parent of the Company is Chemstralia Pte. Ltd., a company incorporated in Singapore and ultimately owned by Blackstone Capital Partners (Cayman III) VI LP, a Cayman Islands partnership ("BCP"). The Company has an agreement with Blackstone Management Partners LLC ("BMP"), an affiliate of the General Partner of BCP, under which the Company agrees to engage BMP to provide certain monitoring, advisory and consulting services in exchange for an annual fee. The Company also has an agreement to reimburse BMP for third-party expenses it incurs in relation to BCP's ownership of the Company.

The Company has a non-current interest-bearing receivable for \$1,797k (2017:\$1,640k) relating to the issue of B-Class Shares to Chemstralia Pte Ltd. The loan attracts interest of 8%p.a which is capitalised to the value of the loan. The loan must be repaid on divestment or conversion of the B-Class shares.

Notes to the Consolidated Financial Statements

26. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial period as shown in the consolidated statement of cash flow is reconciled to the related items in the consolidated statement of financial position as follows:

	2018 \$'000s	2017 \$'000s
Cash at bank and on hand	88,999	48,558
Cash and cash equivalents	88,999	48,558

(b) Reconciliation of profit for the period to net cash flows from operating activities

Profit/(Loss) for the period	42,665	51,173
Depreciation and amortisation	34,354	31,412
(Profit)/Loss on disposal of Property, plant and equipment	69	(273)
Expense recognised in respect of share-based payments	273	273
Non-cash finance costs	2,920	2,225
Change in operating assets and liabilities		
(Increase)/decrease in debtors	19,526	(9,997)
(Increase)/decrease in inventory	7,311	(23,567)
(Increase)/decrease in other assets	406	(1,543)
Increase/(decrease) in operating creditors and accruals	(11,580)	21,896
Increase/(decrease) in operating provisions	450	(7,189)
Increase/(decrease) in provision for income tax	6,863	(6,828)
Movement in deferred taxes	2,181	13,149
Net cash inflow from operating activities	105,438	70,731

27. Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	\$'s	\$'s
Short-term employee benefits	4,923,401	3,602,089
Post-employment benefits	122,782	141,503
Termination benefits	-	202,226
Share-based payments	218,283	202,339
	5,264,466	4,148,157

During and since the end of the financial year, nil share options (2017:nil), under the management executive plan (MEP), were granted to directors and to the five highest remunerated officers of the company and its controlled entities.

Further information about the MEP, including the issuing entity and details of the unissued shares or interests under option, can be found at note 35.

Disclosures relating to related party transactions with director or key management personnel are set out in note 25.

Notes to the Consolidated Financial Statements

28. Business combinations

On 31 January 2018, the Group, through subsidiary Ixom Operations Pty Ltd, acquired the chemical business from LogiChem Pty Ltd. The business supplies reagents and equipment essential to the daily functioning of many mine processing plants in the Kalgoorlie region. It provides a unique bulk chemical blending and storage beach-head in the heart of the Western Australia Goldfields region, delivering strategic benefits and synergies through the capacity to offer localised chemical blending and service.

Purchase consideration transferred

	2018 \$'000s
Cash paid	10,138
Deferred consideration	3,600
Total Purchase consideration	13,738

The deferred consideration identified above is contingent upon the business achieving certain performance milestones in the 12 months post acquisition, including retention of customers, and growth targets. The range of outcomes is expected to be from \$3.0-\$3.6m, with \$3.6m being the maximum payment for which the Group may be required to pay.

Acquisition related costs

The Group incurred acquisition costs of \$623k on external legal fees, stamp duty and due diligence costs. These costs have been included in "Administration costs" in the Group's statement of profit or loss and other comprehensive income.

Assets acquired and liabilities assumed at the date of acquisition

Assets	
Trade Receivables	2,764
Inventories	2,543
Property, plant and equipment	1,669
	6,976
Liabilities	
Employee provisions	24
	24
Net identifiable assets acquired	6,952

The initial accounting for the acquisition of the LogiChem business has been provisionally determined at the end of the reporting period. The following amounts have been measured on a provisional basis:

- The fair value of potential intangible assets are pending completion of an independent valuation.
- The fair value of plant and equipment are pending completion of an independent valuation.

If new information obtained within one year from the acquisition date about the facts and circumstances that existed at the acquisition date identified adjustments to the above amounts, or any additional provision that existed at the acquisition date, then the acquisition accounting will be revised.

Provisional goodwill arising on acquisition

Total consideration	13,738
Less: Fair value of identifiable net assets acquired	(6,952)
Provisional goodwill arising on acquisition	6,786

The provisional goodwill value potentially includes identifiable intangibles such as customer contracts acquired. The final value will be determined via an independent valuation to be finalised in the coming months.

Impact of acquisition on the Group

Included in the Group's revenue and profit after tax for the year is \$10.8m and \$1.8m respectively attributable to the additional business generated by the LogiChem business acquisition. Had the business combination been affected at 1 October 2017, the revenue of the Group would have been \$1,230.8m and the profit from the year would have been \$43.563m. The directors consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on annualised basis and to provide a reference point for comparison in future periods.

Notes to the Consolidated Financial Statements

29. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Ownership Interest</u>	
		<u>2018</u>	<u>2017</u>
Ixom Pty Ltd (i)(iii)	Australia	100%	100%
Ixom Holdings Pty Ltd (i)(iii)	Australia	100%	100%
Ixom Finco LLC (i)	Australia	100%	100%
Ixom Finance Pty Ltd (ii)	Australia	100%	100%
Ixom International Holdings Pty Ltd (ii)(iii)	Australia	100%	100%
Ixom Operations Pty Ltd (ii)(iii)	Australia	100%	100%
Ixom Watercare International Holdings Pty Ltd (ii)	Australia	100%	100%
Marplex Australia (Holdings) Pty Ltd (v)	Australia	N/A	100%
Marplex Australia Pty Ltd (iv)	Australia	N/A	100%
Bronson & Jacobs Pty Ltd (ii)(iii)	Australia	100%	100%
Ixom Finance New Zealand Limited	New Zealand	100%	100%
Ixom Watercare Inc	USA	100%	100%
Miex UK Limited	UK	100%	100%
Central Pacific Chemicals Ltd	Fiji	100%	100%
Ixom Chemicals Trading Agency (Beijing) Co, Ltd	China	100%	100%
Bronson & Jacobs (Shanghai) International Trading Co Ltd	China	100%	100%
Bronson & Jacobs (H.K.) Ltd	Hong Kong	100%	100%
Bronson & Jacobs (S.E. Asia) Pte Ltd	Singapore	100%	100%
PT Bronson & Jacobs Indonesia	Indonesia	100%	100%
Bronson & Jacobs (Malaysia) Sdn Bhd	Malaysia	100%	100%
Bronson & Jacobs International Company Ltd (vi)	Thailand	49%	49%
Ixom Chile SA	Chile	100%	100%
Active Chemicals Chile SA	Chile	100%	100%
Ixom Argentina SA	Argentina	100%	100%
Ixom Brasil Produtos Químicos Ltda	Brazil	100%	100%
Forbusi Importadora e Exportadora Ltda	Brazil	100%	100%
Ixom Peru SA	Peru	100%	100%
Ixom Colombia SAS	Colombia	100%	100%

- (i) These companies joined the tax-consolidated group on 6 November 2014. Ixom Holdco Pty Ltd is the head entity within the tax-consolidated group.
- (ii) These companies joined the tax-consolidated group on 28 February 2015.
- (iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Ixom Holdco Pty Ltd pursuant to ASIC Class Order 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report.
- (iv) Marplex Australia Pty Ltd was summarily wound-up and deregistered on 11 October 2017.
- (v) Marplex Australia (Holdings) Pty Ltd was summarily wound-up and deregistered on 27 December 2017.
- (vi) Management has determined the existence of control based on the right to appoint and remove a majority of board members and the relevant activities are determined based on simple majority votes.

Notes to the Consolidated Financial Statements

30. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Note	2018 \$'000s	2017 \$'000s
Financial Position			
Current assets		-	-
Non-current assets		294,674	298,078
Total assets		294,674	298,078
Current liabilities		-	-
Non-current liabilities		116	3,793
Total liabilities		116	3,793
Net assets		294,558	294,285
Equity			
Issued capital	19	292,202	292,202
Accumulated losses		(116)	(116)
Reserves	23	2,472	2,199
Total equity		294,558	294,285
Financial Performance			
Profit/(Loss) for the period		-	-
Other comprehensive income		-	-
Total comprehensive income for the period		-	-

(b) Guarantees entered into by the parent entity

Ixom Holdco Pty Ltd has entered into a deed of cross guarantee with Ixom Pty Limited, Ixom Holdings Pty Limited, Ixom Operations Pty Limited, Bronson & Jacobs Pty Limited, and Ixom International Holdings Pty Ltd. The closed group of entities which are party to the Deed are disclosed in note 29.

(c) Contingent liabilities of the parent entity

There have been no events or circumstances arising during the period that have given rise to either contingent assets or liabilities for the parent entity.

Notes to the Consolidated Financial Statements

31. Deed of cross guarantee

Pursuant to ASIC Class Order 2016/785 the wholly-owned Australian controlled entities listed in Note 29 are relieved from the Corporations Act requirements for the preparation, audit and lodgement of financial reports. These entities which are also referred to in the Directors' Declaration are, together with the Company, all members of the 'Extended Closed Group' as defined under the Class Order and are parties to a Deed of Cross Guarantee dated 30 September 2015 which provides that the parties to the Deed will guarantee to each creditor payment in full of any debt of these entities on winding up of that entity.

A consolidated statement of profit or loss and other comprehensive income and statement of financial position comprising the Company and those Australian controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee are set out below:

For the year ended 30 September	2018 \$'000s	2017 \$'000s
Revenue	959,287	957,571
Cost of goods sold	(713,492)	(712,593)
Gross profit	245,795	244,978
Other gains	187	1,666
Administration expenses	(36,748)	(29,453)
Personnel expenses	(81,172)	(77,968)
Occupancy expenses	(16,204)	(17,264)
Related party loan forgiveness	2,753	(19,239)
Depreciation and amortisation expense	(33,222)	(30,443)
Other expenses	242	(492)
Profit from operations	81,631	71,785
Finance income	1,563	764
Finance expense	(30,699)	(32,241)
Net finance expense	(29,136)	(31,477)
Profit before income tax	52,495	40,308
Income tax expense	(16,045)	(19,225)
Profit for the period	36,450	21,083
Profit for the period attributable to:		
Owners of the Company	36,450	21,083
Non-controlling interest	-	-
Profit for the period	36,450	21,083
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net fair value gain on cash flow hedges	1,813	1,623
Exchange gain on translation of foreign operations	259	1,014
Income tax relating to items that may be reclassified subsequently	-	-
	2,072	2,637
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Re-measurement of defined benefit obligation	(2,230)	5,253
Income tax relating to items that will not be reclassified subsequently	669	(717)
	(1,561)	4,536
Other comprehensive income for the period, net of tax	511	7,173
Total comprehensive profit for the period	36,961	28,256

Notes to the Consolidated Financial Statements

31. Deed of cross guarantee (cont'd)

As at 30 September	2018 \$'000s	2017 \$'000s
Current assets		
Cash and cash equivalents	74,412	40,378
Trade and other receivables	131,353	143,574
Inventories	113,295	111,589
Derivative asset	3,194	1,225
Other assets	3,103	4,187
Total current assets	325,357	300,953
Non-current assets		
Trade and other receivables	1,797	1,659
Investments	129,344	129,344
Property, plant and equipment	288,123	286,456
Goodwill and other intangible assets	224,336	221,731
Loans to related parties	2,266	3,841
Derivative asset	87	612
Deferred tax assets	17,160	20,190
Total non-current assets	663,113	663,833
Total assets	988,470	964,786
Current liabilities		
Trade and other payables	136,760	143,118
Provisions	26,330	24,867
Derivative liability	278	763
Loans from related parties	24,662	22,300
Borrowings	18,737	18,631
Current tax payable	5,329	633
Total current liabilities	212,096	210,312
Non-current liabilities		
Provisions	14,109	13,750
Derivative liability	130	-
Loans from related parties	100,829	96,692
Borrowings	408,080	428,789
Defined benefit obligation	10,976	10,039
Deferred tax liability	218	406
Total non-current liabilities	534,342	549,676
Total liabilities	746,438	759,988
Net assets	242,032	204,798
Equity		
Share capital	292,202	292,202
Accumulated losses	(55,314)	(91,764)
Reserves	5,144	4,360
Total equity	242,032	204,798

Notes to the Consolidated Financial Statements

	2018	2017
	\$'000s	\$'000s

32. Lease arrangements

Non-cancellable operating lease commitments

- Payable not later than one year	8,766	7,751
- Payable later than one year but not later than five years	14,419	14,762
- Payable later than five years	3,191	3,021
Total non-cancellable operating lease commitments	26,376	25,534

Assets that are the subject of operating leases include property, plant and equipment and motor vehicles.

The Group leased certain storage and distribution equipment under finance lease with an average lease term of six years after which the Group will own the assets. Underlying interest rates are approximately 4.5-5%. The Group's obligations under finance leases are secured by lessors title to the leased assets.

Finance Lease Liabilities	Minimum Lease Payments		Present value of minimum lease payments	
	2018 \$'000s	2017 \$'000s	2018 \$'000s	2017 \$'000s
- Not later than one year	375	375	337	321
- Later than one year but not later than five years	667	1,042	639	976
- Later than five years	-	-	-	-
	1,042	1,417	976	1,297
Less future finance charges	(66)	(120)		
Total lease commitments	976	1,297	976	1,297

Included in consolidated financial statements as (note 15)

- current borrowings	337	321
- non-current borrowings	639	976
	976	1,297

33. Capital expenditure commitments

Software expenditure	612	321
Property, Plant and Equipment expenditure	4,169	1,754
Total capital expenditure commitments	4,781	2,075

34. Remuneration of auditors

Auditor of the parent entity	\$	\$
Audit and review of the financial statements	544,000	433,975
Other advisory services		
- Taxation	68,851	62,000
- Consulting services	59,900	48,869
- Accounting advice	-	14,500
Total auditor remuneration	672,751	559,344

The auditor of Ixom Holdco Pty Ltd is Deloitte Touche Tohmatsu.

Notes to the Consolidated Financial Statements

35. Share-based payments

Management Executive Share Plan

The Group has a Management Executive Plan (MEP). During the period, share options were on issue to certain executives, directors and key management personnel of the Group. Each share option converts into one ordinary share of Ixom Holdco Pty Ltd on vesting. At grant date, each option had an exercise price of \$1. The options vest only on a change in ownership of the Company providing the participants are in the service of the Group at that time.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Option Series	Grant Date	Fair Value at Grant Date	Exercise Price	Expiry Date	Vesting Date
Management Executive Plan (MEP)	13-Dec-16	\$0.04	\$1.00	6-Nov-22	Vests on change of ownership of the Company providing participant still in service.
Management Executive Plan (MEP)	30-Nov-15	\$0.04	\$1.00	6-Nov-22	Vests on change of ownership of the Company providing participant still in service.

There has been no alteration to the terms and conditions of the above share-based payment arrangements since grant date.

Fair value of share options grants in the year

The weighted average fair value of the share options granted during the financial year is Nil (2017:\$0.04). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market condition attached to the option), and behavioral considerations. Expected volatility is based on historical share price volatility of identified benchmark listed companies over the past seven years.

	2018	2017
<u>Inputs into the model</u>		MEP
Grant date share price	NIL	\$0.58
Exercise price		\$1.00
Expected volatility		32.5%
Option life		6 years
Dividend yield		Nil
Risk-free interest rate		2.26%
Other		N/A

Movements in share options grants in the year

The following reconciles the share options outstanding at the beginning and end of the year.

	2018		2017	
	No. of Options	Weighted Avg Exercise Price	No. of Options	Weighted Avg Exercise Price
Balance at beginning of period	24,889,078	\$1.00	25,694,063	-
Grants during the year	-	-	800,000	\$1.00
Forfeited during the year	-	-	(1,604,985)	\$1.00
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Balance at end of the period	24,889,078	\$1.00	24,889,078	\$1.00
Exercisable at end of the period	-	-	-	-

Share-based payment expense

Management Executive Plan

2018	2017
\$'000s	\$'000s
273	273

Notes to the Consolidated Financial Statements

36. Contingent liabilities

From time to time, entities in the Group are the subject to actions for product specification and performance issues in the ordinary course of business. At the date of this report, no actions against the Group that would result in a material impact have been identified or would be considered probable.

37. Events subsequent to reporting date

On 15 November 2018, Keppel Infrastructure Management Pte Ltd ("Keppel"), in its capacity as Trustee-Manager of Keppel Infrastructure Trust ("KIT"), through its wholly-owned subsidiary entered into a share sale agreement to acquire 100% of the shares in the Company. The sale is subject to regulatory approval and approval of KIT unitholders and is expected to complete in the first quarter of 2019.

Apart from the above, there have been no other events subsequent to 30 September 2018 that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

38. General information

Ixom Holdco Pty Ltd (the Company) is a proprietary company incorporated in Australia. The immediate parent of the Company is Chemstralia Pte. Ltd., a company incorporated in Singapore and ultimately owned by Blackstone Capital Partners (Cayman III) VI LP, a Cayman Islands partnership. The addresses of its registered office and principal place of business are as follows:

Registered office	Principal place of business
Level 8, 1 Nicholson Street	Level 8, 1 Nicholson Street
East Melbourne VIC 3002	East Melbourne VIC 3002
Telephone: +613 9906 3000	Telephone: +613 9906 3000

APPENDIX C

UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF THE KIT GROUP FOLLOWING THE COMPLETION OF THE ACQUISITION AND THE EQUITY FUND RAISING FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 2018

Key Bases and Assumptions

- The unaudited *pro forma* financial information of the KIT Group following the completion of the Acquisition and the Equity Fund Raising has been prepared for illustrative purposes only, and is based on certain assumptions set out below, after making certain adjustments to show what:
 - o the unaudited *pro forma* financial results of the KIT Group for the financial years ended 31 December 2017 and 31 December 2018 would have been had the Acquisition and the Equity Fund Raising been completed on 1 January 2017 and 1 January 2018, respectively;
 - o the unaudited *pro forma* financial position of the KIT Group as at 31 December 2017 and 31 December 2018 would have been had the Acquisition and the Equity Fund Raising been completed on 31 December 2017 and 31 December 2018, respectively; and
 - o the unaudited *pro forma* cash flows of the KIT Group for the financial years ended 31 December 2017 and 31 December 2018 would have been had the Acquisition and the Equity Fund Raising been completed on 1 January 2017 and 1 January 2018, respectively.

The unaudited *pro forma* financial information, because of their nature, may not give a true picture of the actual financial position, financial results and cash flows of the KIT Group following the completion of the Acquisition and the Equity Fund Raising.

- The unaudited *pro forma* financial information of the KIT Group following the completion of the Acquisition and the Equity Fund Raising for the financial year ended 31 December 2017 have been compiled based on:
 - o the audited consolidated financial statements of the KIT Group for the financial year ended 31 December 2017, which were prepared in accordance with the BTA and Financial Reporting Standards in Singapore, and audited by Deloitte & Touche LLP, Singapore in accordance with Singapore Standards on Auditing and published on 21 February 2018. Deloitte & Touche LLP's report on these consolidated financial statements of the KIT Group for the financial year ended 31 December 2017 was not modified; and
 - o the audited consolidated financial statements of the Ixom Group for the financial year ended 30 September 2017, which were prepared by management of Ixom Group in accordance with the Australian Accounting Standards Board ("**AASBs**"), and audited by Deloitte Touche Tohmatsu (Australia) in accordance with Australian Auditing Standards and issued on 13 December 2017. Deloitte Touche Tohmatsu (Australia)'s report on the consolidated financial statements of the Ixom Group for the financial year ended 30 September 2017 was not modified.

- The unaudited *pro forma* financial information of the KIT Group following the completion of the Acquisition and the Equity Fund Raising for the financial year ended 31 December 2018 has been compiled based on:
 - o the unaudited consolidated financial information of the KIT Group for the financial year ended 31 December 2018, which were prepared by the Trustee-Manager in accordance with the Singapore Financial Reporting Standards (International); and
 - o the audited consolidated financial statements of the Ixom Group for the financial year ended 30 September 2018, which were prepared by management of Ixom Group in accordance with the AASBs, and audited by Deloitte Touche Tohmatsu (Australia) in accordance with Australian Auditing Standards and issued on 3 December 2018. Deloitte Touche Tohmatsu (Australia)'s report on the consolidated financial statements of the Ixom Group for the financial year ended 30 September 2018 was not modified.
- The unaudited *pro forma* financial information of the KIT Group following the completion of the Acquisition and the Equity Fund Raising has been prepared based on the following bases and assumptions:
 - For purposes of the combined statement of cash flows, after taking into account the distributions to the enlarged unitholder base of KIT after the Equity Fund Raising;
 - The Purchase Price will be funded and paid out of:
 - o an up to SGD750 million (AUD769 million) 364-day floating rate Bridge Facility at an “all-in” finance cost of approximately 2.6% per annum, which will be fully or partially repaid using the net proceeds from the Equity Fund Raising; and
 - o an approximately AUD532 million (SGD519 million) floating rate Term Loan taken by the KIT Purchaser and secured on the assets of the Ixom Group, at an “all-in” finance cost ranging from 4.3% to 5.4% per annum, of which:
 - a part of such Term Loan will be used to repay an existing Ixom Group loan of AUD432 million (SGD421 million) and secured on the assets of the Ixom Group as at the date hereof; and
 - the balance will be used to pay the Purchase Price;
 - The Equity Fund Raising is undertaken by way of the Preferential Offering and the Placement at an illustrative issue price of SGD0.48 per New Unit so as to raise gross proceeds of approximately SGD600 million to fully or partially repay the Bridge Facility;
 - After taking into account the transaction costs in relation to the Acquisition and Equity Fund Raising, upfront fees of AUD52 million (SGD51 million), of which SGD11 million (AUD11 million) comprises a management fee payable to the Trustee-Manager in connection with the Acquisition;
 - The allocation of the Purchase Price between the identifiable assets of the Ixom Group and goodwill of the Ixom Group, which will be carried out after Completion; and
 - The difference in the financial year ends of the KIT Group and the Ixom Group were not taken into account.

UNAUDITED *PRO FORMA* COMBINED STATEMENT OF PROFIT OR LOSS

	Financial year ended 31 December 2017 SGD'000	Financial year ended 31 December 2018 SGD'000
Revenue	1,904,342	1,875,693
Other income	3,929	9,691
Other losses – net	(8,570)	(13,073)
Expenses		
Fuel and electricity costs	(129,139)	(158,546)
Gas transportation and freight costs	(177,005)	(168,709)
Chemicals production and distribution costs	(817,910)	(808,361)
Depreciation and amortisation	(138,297)	(138,195)
Staff costs	(164,009)	(161,771)
Operation and maintenance costs	(103,645)	(97,506)
Finance costs	(167,465)	(161,269)
Trustee-Manager's fees	(23,848)	(23,084)
Other operating expenses	(150,670)	(152,216)
Total expenses	(1,871,988)	(1,869,657)
Profit before joint venture	27,713	2,654
Share of results of joint venture	2,715	3,840
Profit before tax	30,428	6,494
Income tax expense	(19,212)	(17,618)
Profit/(Loss) for the year	11,216	(11,124)
Profit/(Loss) attributable to:		
Unitholders of the Trust	43,117	21,385
Non-controlling interests	(31,901)	(32,509)
	11,216	(11,124)

UNAUDITED *PRO FORMA* COMBINED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2017 SGD'000	As at 31 December 2018 SGD'000
Non-Current Assets		
Property, plant and equipment	2,554,590	2,449,513
Intangibles	1,214,750	1,182,015
Investment in and advances to joint venture	20,752	20,009
Service concession receivables	378,758	332,221
Finance lease receivables	105,139	95,070
Derivative financial instruments	624	157
Deferred tax assets	25,430	23,400
Other assets	182,262	166,686
Total non-current assets	4,482,305	4,269,071
Current Assets		
Cash and bank deposits	181,869	250,259
Trade and other receivables	343,258	331,890
Service concession receivables	45,267	46,537
Finance lease receivables	9,684	10,069
Derivative financial instruments	1,250	3,419
Inventories	217,316	215,514
Current tax receivable	2,580	—
Other current assets	27,608	27,500
Total current assets	828,832	885,188
Current Liabilities		
Borrowings	775,234	1,086,770
Trade and other payables	365,499	357,318
Provisions	29,065	30,468
Derivative financial instruments	19,158	17,180
Income tax payable	4,746	10,039
Total current liabilities	1,193,702	1,501,775
Net Current Liabilities	(364,870)	(616,587)

	As at 31 December 2017 SGD'000	As at 31 December 2018 SGD'000
Non-Current Liabilities		
Borrowings	1,602,755	1,264,180
Notes payable to non-controlling interests	260,000	260,000
Derivative financial instruments	100,551	99,622
Other payables	242,012	250,732
Provisions	57,151	52,198
Deferred tax liabilities	18,609	15,870
Total non-current liabilities	2,281,078	1,942,602
Net Assets	1,836,357	1,709,882
<i>Represented by:</i>		
Unitholders' Funds		
Units in issue	2,731,700	2,732,228
Hedging reserve	(210,861)	(200,226)
Translation reserve	(48,420)	(21,430)
Capital reserve	38,710	38,710
Accumulated losses	(837,981)	(970,517)
Total Unitholders' funds	1,673,148	1,578,765
Non-controlling interests	163,209	131,117
	1,836,357	1,709,882

UNAUDITED *PRO FORMA* COMBINED STATEMENT OF CASH FLOWS

	Financial year ended 31 December 2017 SGD'000	Financial year ended 31 December 2018 SGD'000
Operating activities		
Profit before tax	30,428	6,494
Adjustments for:		
Depreciation and amortisation	138,297	138,195
Finance costs	167,465	161,269
Interest income	(2,009)	(2,544)
Allowance for doubtful trade and other receivables	573	757
Fair value loss on derivative financial instruments	8,523	13,275
Property, plant and equipment written off	2	3
(Gain)/loss on disposal of property, plant and equipment	(296)	69
Share of results of joint venture	(2,715)	(3,840)
Unrealised foreign exchange gain	(126)	(349)
Management fees paid in units	149	528
Expense recognise in connection with share-based payment	290	276
Operating cash flows before movements in working capital	340,581	314,133
Trade and other receivables	(41,415)	81,200
Trade and other payables	(12,278)	(7,522)
Inventories	(25,346)	2,013
Cash generated from operations	261,542	389,824
Interest received	2,210	2,340
Interest paid	(136,084)	(139,180)
Income tax paid	(17,589)	(11,659)
Net cash from operating activities	110,079	241,325
Investing activities		
Dividend received from joint venture	2,177	3,723
Repayment of advances from joint venture	2,138	1,362
Purchase of property, plant and equipment	(24,413)	(35,917)
Purchase of software and intangible asset	(11,415)	(3,829)
Proceeds from sale of property, plant and equipment	391	75
Proceeds from sale of inventories	623	313
Cash outflow on acquisition of subsidiaries	(758,380)	(756,173)
Net cash used in investing activities	(788,879)	(790,446)

	Financial year ended 31 December 2017 SGD'000	Financial year ended 31 December 2018 SGD'000
Financing activities		
Decrease/(Increase) in restricted cash	2,592	(2,144)
Proceeds from issuance of Units	594,162	594,162
Proceeds from borrowings	680,240	613,757
Repayment of borrowings	(573,280)	(498,770)
Unclaimed distributions written back	15	6
Payment of loan upfront fees	(13,723)	(13,070)
Distributions paid to Unitholders ^	(189,723)	(189,723)
Distributions paid by subsidiaries to non-controlling interests	(2,890)	(3,410)
Net cash from financing activities	497,393	500,808
Net decrease in cash and cash equivalents	(181,407)	(48,313)
Cash and cash equivalents at beginning of the year	262,092	214,848
Effects of currency translation on cash and cash equivalents	(556)	1,065
Cash and cash equivalents at end of the year (Note A)	80,129	167,600
Note A		
<u>Cash and bank balance reconciliation</u>		
Cash and cash equivalents	80,129	167,600
Restricted cash	49,754	(51,898)
Cash and bank balance	129,883	115,702

Note:

- ^ If the Equity Fund Raising is undertaken by way of the Rights Issue, the total amount of distributions paid to Unitholders would be approximately SGD201 million for the financial year ended 31 December 2017 and approximately SGD201 million for the financial year ended 31 December 2018. This is on the assumption that the Rights Issue is undertaken at an illustrative theoretical ex-rights price of SGD0.45 per Unit and an illustrative issue price of SGD0.33 per Rights Issue Unit so as to raise gross proceeds of approximately SGD600 million to fully or partially repay the Bridge Facility.

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APPENDIX D

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF KEPPEL INFRASTRUCTURE TRUST AND ITS SUBSIDIARIES FOLLOWING THE COMPLETION OF THE ACQUISITION AND EQUITY FUND RAISING FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2018

28 January 2019

The Board of Directors
Keppel Infrastructure Fund Management Pte. Ltd.
(In its capacity as Trustee-Manager of Keppel Infrastructure Trust)
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

Dear Sirs

Report on the Compilation of Unaudited *Pro Forma* Financial Information

We have completed our assurance engagement to report on the compilation of unaudited *pro forma* financial information of Keppel Infrastructure Trust ("**KIT**") and its subsidiaries (the "**KIT Group**") following the completion of the acquisition of a 100% equity stake in Ixom Holdco Pty Ltd and its subsidiaries (the "**Ixom Group**") (the "**Acquisition**") by Keppel Infrastructure Fund Management Pte. Ltd. ("**KIFM**"), in its capacity as Trustee-Manager of KIT (the "**Trustee-Manager**") and the equity fund raising to be undertaken by KIT (the "**Equity Fund Raising**").

The Unaudited *Pro Forma* Financial Information of the KIT Group consists of the unaudited *pro forma* combined statements of financial position as at 31 December 2017 and 31 December 2018, the unaudited *pro forma* combined statements of profit or loss for the years ended 31 December 2017 and 31 December 2018, the unaudited *pro forma* combined statements of cash flows for the years ended 31 December 2017 and 31 December 2018 (collectively, the "**Unaudited Pro Forma Financial Information**") as set out in Appendix C of the circular dated 28 January 2019 issued to the unitholders of KIT (the "**Circular**").

The basis and assumptions (the "**Criteria**"), which the Trustee-Manager has used to compile the Unaudited *Pro Forma* Financial Information, are described in Appendix C of the Circular.

The Unaudited *Pro Forma* Financial Information has been compiled by the Trustee-Manager to illustrate the impact of the Acquisition and the Equity Fund Raising on what:

- (a) the unaudited *pro forma* combined financial results of the KIT Group for the years ended 31 December 2017 and 31 December 2018 would have been had the Acquisition and the Equity Fund Raising been completed on 1 January 2017 and 1 January 2018 respectively;
- (b) the unaudited *pro forma* combined financial position of the KIT Group as at 31 December 2017 and 31 December 2018 would have been had the Acquisition and the Equity Fund Raising been completed on 31 December 2017 and 31 December 2018 respectively; and
- (c) the unaudited *pro forma* combined cash flows of the KIT Group for the years ended 31 December 2017 and 31 December 2018 would have been had the Acquisition and the Equity Fund Raising been completed on 1 January 2017 and 1 January 2018 respectively.

The Trustee-Manager's responsibility for the Unaudited *Pro Forma* Financial Information

The Trustee-Manager is responsible for compiling the Unaudited *Pro Forma* Financial Information based on the Criteria as described in Appendix C.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The firm applies Singapore Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility is to express an opinion about whether the Unaudited *Pro Forma* Financial Information has been compiled, in all material respects, by the Trustee-Manager on the basis of the Criteria.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (SSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Institute of Singapore Chartered Accountants. This standard requires that the Reporting Accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Trustee-Manager has compiled, in all material respects, the Unaudited *Pro Forma* Financial Information on the basis of the Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited *Pro Forma* Financial Information.

The purpose of the Unaudited *Pro Forma* Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the Criteria involves performing procedures to assess whether the Criteria used by the Trustee-Manager in the compilation of the Unaudited *Pro Forma* Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited *pro forma* adjustments give appropriate effect to those Criteria; and
- The Unaudited *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the Reporting Accountant's judgement, having regard to his understanding of the nature of the event or transaction in respect of which the Unaudited *Pro Forma* Financial Information has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) The Unaudited *Pro Forma* Financial Information has been compiled:
 - (i) for the year ended 31 December 2017 in a manner consistent with the accounting policies adopted by the KIT Group in its latest audited financial statements, which are in accordance with Singapore Business Trusts Act (Chapter 31A) ("**BTA**") and Financial Reporting Standards in Singapore ("**FRSs**");
 - (ii) for the year ended 31 December 2018 in a manner consistent with the accounting policies adopted by the KIT Group, which are in accordance with BTA and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**");
 - (iii) in all material respects, on the basis of the Criteria stated in Appendix C of the Circular; and
- (b) Each material adjustment made to the information used in the preparation of the Unaudited *Pro Forma* Financial Information is appropriate for the purpose of preparing such Unaudited *Pro Forma* Financial Information.

Restriction of Use and Distribution

This report has been prepared solely for you for inclusion in the Circular and for no other purpose.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Patrick Tan Hak Pheng
Partner

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KEPPEL INFRASTRUCTURE TRUST

(Registration No. 2007001)

(Constituted in the Republic of Singapore as a business trust pursuant to a trust deed dated 5 January 2007 (as amended))

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Keppel Infrastructure Trust (“KIT”) will be held at Suntec Singapore Convention and Exhibition Centre, Summit 2, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Tuesday, 12 February 2019 at 3.00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following Resolutions proposed as Ordinary Resolutions:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION OF 100% OF THE SHARES IN IXOM HOLDCO PTY LTD (“IXOM”)

That:

- (1) the acquisition of 100% of the shares in Ixom (“**Acquisition**”) on the terms and conditions set out in the share sale agreement dated 15 November 2018 entered into between IX Infrastructure Pty Ltd (an indirect wholly-owned subsidiary of KIT), Keppel Infrastructure Fund Management Pte. Ltd., as trustee-manager of KIT (“**Trustee-Manager**”), Ixom and certain funds managed by Blackstone and certain management shareholders of Ixom, be approved and authorised; and
- (2) the Trustee-Manager and any Director or Chief Executive Officer of the Trustee-Manager be authorised to do all such things and execute all documents as they may consider necessary or expedient to give effect to this Ordinary Resolution as they may deem fit.

ORDINARY RESOLUTION 2

THE PROPOSED ISSUANCE OF NEW UNITS IN KIT PURSUANT TO (I) THE PREFERENTIAL OFFERING OR (II) THE PREFERENTIAL OFFERING AND THE PLACEMENT TO RAISE GROSS PROCEEDS OF UP TO SGD750 MILLION

That subject to and contingent upon the passing of Ordinary Resolution 1:

- (1) the issue of new units in KIT (“**New Units**”) so as to raise gross proceeds of up to SGD750 million in aggregate pursuant to (i) a non-renounceable preferential offering of New Units to eligible unitholders of KIT (“**Unitholders**”) on a *pro rata* basis (“**Preferential Offering**”) or (ii) the Preferential Offering and a private placement of New Units to institutional and other investors (“**Placement**”), in such manner, on such terms and at such time as the Trustee-Manager may determine, be approved and authorised; and
- (2) the Trustee-Manager and any Director or Chief Executive Officer of the Trustee-Manager be authorised to do all such things and execute all documents as they may consider necessary or expedient to give effect to this Ordinary Resolution as they may deem fit.

ORDINARY RESOLUTION 3

THE PROPOSED PLACEMENT OF NEW UNITS TO KEPPEL INFRASTRUCTURE HOLDINGS PTE. LTD. AS PART OF THE PLACEMENT

That subject to and contingent upon the passing of Ordinary Resolutions 1 and 2:

- (1) the placement of New Units to Keppel Infrastructure Holdings Pte. Ltd. as part of the Placement ("**Proposed KIHPL Placement**") in the manner outlined in the circular to Unitholders dated 28 January 2019, be approved and authorised; and
- (2) the Trustee-Manager and any Director or Chief Executive Officer of the Trustee-Manager be authorised to do all such things and execute all documents as they may consider necessary or expedient to give effect to this Ordinary Resolution as they may deem fit.

BY ORDER OF THE BOARD

Keppel Infrastructure Fund Management Pte. Ltd.
(Company Registration No. 200803959H)
as Trustee-Manager of Keppel Infrastructure Trust

Joyce Ng/Winnie Mak
Company Secretaries

28 January 2019
Singapore

Notes:

1. In accordance with the Business Trusts Act and the Trust Deed, a Unitholder entitled to attend and vote at the Extraordinary General Meeting ("**EGM**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) of Units concerned to be represented by each proxy.
3. In accordance with the Business Trusts Act and the Trust Deed, the proxy form must be deposited at the registered office of the Trustee-Manager at 1 HarbourFront Avenue, #18-01, Keppel Bay Tower, Singapore 098632 not less than 48 hours before the time fixed for the EGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Trustee-Manager (or its agents or service providers) for the purpose of the processing, administration and analysis by the Trustee-Manager (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Trustee-Manager (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**") and (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Trustee-Manager (or its agents or service providers), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Trustee-Manager (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

Keppel Infrastructure Trust

(Business Trust Registration No. 2007001)
(Constituted in the Republic of Singapore
as a business trust pursuant to a trust deed
dated 5 January 2007 (as amended))

PROXY FORM EXTRAORDINARY GENERAL MEETING

IMPORTANT

1. For CPF/SRS investors who hold units in Keppel Infrastructure Trust, this Circular is forwarded to them at the request of their Agent Banks/SRS Operators and is sent FOR THEIR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS investors who wish to attend the Extraordinary General Meeting as observers have to submit their requests through their Agent Banks/SRS Operators so that their Agent Banks/SRS Operators may register, within the specified timeframe, with Keppel Infrastructure Trust's Unit Registrar. Agent Banks/SRS Operators, please refer to Note 12 on the reverse side of the Proxy Form for further details.
4. CPF/SRS investors who wish to vote must submit their voting instructions to their Agent Banks/SRS Operators to enable them to vote on their behalf.
5. PLEASE READ THE NOTES TO THE PROXY FORM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder of KIT accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 28 January 2019.

*I/We _____
(Name(s) and NRIC Number(s)/Passport Number(s)/Company Registration Number)
of _____ (address)
being a Unitholder/Unitholders of Keppel Infrastructure Trust ("KIT") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Unitholdings	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Unitholdings	
			No. of Units	%

as my/our proxy/proxies to attend and to vote for me/us or my/our behalf at the Extraordinary General Meeting of KIT ("EGM") to be held at Suntec Singapore Convention and Exhibition Centre, Summit 2, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Tuesday, 12 February 2019 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they may on any other matter arising at the EGM.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
1	To approve the Acquisition. (Ordinary Resolution 1)		
2	To approve the issuance of New Units pursuant to (i) the Preferential Offering or (ii) the Preferential Offering and the Placement. (Ordinary Resolution 2)		
3	To approve the Proposed KIHPL Placement. (Ordinary Resolution 3)		

* If you wish to exercise all your votes "For" or Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of Units in the respective boxes provided.

Dated this _____ day of _____ 2019

Total number
of Units held

Signature(s) of Unitholder(s)/Common Seal of Corporate Unitholder

Important: Please read notes on the reverse

Notes to Proxy Form:

1. In accordance with the Business Trusts Act and the Trust Deed, a unitholder of KIT ("**Unitholder**") entitled to attend and vote at the Extraordinary General Meeting ("**EGM**") is entitled to appoint one or two proxies to attend and vote in his/her stead, provided that, in the case of units in KIT ("**Units**") entered in the Depository Register, the Trustee-Manager shall be entitled and bound:
 - (a) to reject any Proxy Form lodged if the Unitholder, being the appointor, is not shown to have any Units entered against his name in the Depository Register as at 48 hours before the time of the relevant meeting as certified by The Central Depository (Pte) Limited ("**CDP**") to KIT; and
 - (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Unitholder is or are able to cast on a poll a number which is the number of Units entered against the name of that Unitholder in the Depository Register as at 48 hours before the time of the relevant meeting as certified by CDP to KIT, whether that number is greater or smaller than the number specified in any Proxy Form executed by or on behalf of that Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) of Units concerned to be represented by each Proxy.
3. A proxy need not be a Unitholder.
4. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his/her name in the Depository Register maintained by CDP, he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of KIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this Proxy Form (as defined in note 5 below) will be deemed to relate to all the Units held by the Unitholder.
5. In accordance with the Business Trusts Act and the Trust Deed, the instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the registered office of the Trustee-Manager at 1 HarbourFront Avenue, #18-01, Keppel Bay Tower, Singapore 098632 not less than 48 hours before the time appointed for the EGM.
6. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the EGM in person, and in such event, the Trustee-Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

fold along this line (1)

Affix
Postage
Stamp

The Company Secretaries
Keppel Infrastructure Fund Management Pte. Ltd.
(as Trustee-Manager of Keppel Infrastructure Trust)
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

fold along this line (2)

7. The Proxy Form shall be in writing, under the hand of the appointor or of his/her attorney duly authorised in writing or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised. The Trustee-Manager shall have the right to reject a Proxy Form which has not been properly completed. In determining the rights to vote and other matters in respect of a completed Proxy Form submitted to it, the Trustee-Manager shall have regard to any instructions and/or notes set out in the Proxy Form.
8. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must (failing previous registration with the Trustee-Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
9. The Proxy Form and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at such place as the Trustee-Manager may in the notice convening the meeting direct, or if no such place is appointed, then at the registered office of the Trustee-Manager not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the person named in the Proxy Form proposes to vote and in default the Proxy Form shall not be treated as valid. No Proxy Form shall be valid after the expiration of 12 months from the date named in it as the date of its execution.
10. All Unitholders will be bound by the outcome of the EGM regardless of whether they have attended or voted at the EGM.
11. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.
12. Agent Banks/SRS Operators acting on the request of the CPF/SRS investors who wish to attend the EGM as observers are requested to submit in writing, a list with details of the CPF/SRS investors' names, NRIC/Passport numbers, addresses and number of Units held. The list (to be signed by an authorised signatory of the Agent Banks/SRS Operator) should reach KIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623 not less than 48 hours before the time fixed for the EGM.

General:

The Trustee-Manager shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Trustee-Manager may reject any Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the EGM, as certified by the CDP to the Trustee-Manager.

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