Appendix 4E
Preliminary Final Report

Incitec Pivot Limited

ABN 42 004 080 264

Financial Year Ended (current period)	**Previous Financial Year Ended** (previous corresponding period)
30 September 2018	30 September 2017

Results for announcement to the market

Extracts of the Incitec Pivot Limited results for the financial year ended 30 September 2018				**$A mill**
Revenues from ordinary activities	up	$A mill 382.9 (11.0%)	to	3,856.3
Net profit for the financial year attributable to members of Incitec Pivot Limited	down	$A mill 110.8 (34.8%)	to	207.9
Profit after tax excluding individually material items attributable to members of Incitec Pivot Limited	up	$A mill 28.7 (9.0%)	to	347.4

Dividends	**Amount per security cents**	**Franked amount per security cents**
Current period		
Interim dividend	4.50	nil
Final dividend	6.20	1.24
Previous corresponding period		
Interim dividend	4.50	nil
Final dividend	4.90	nil
Record date for determining entitlements to the final dividend:	23 November 2018	
Payment date of final dividend:	17 December 2018	

The Dividend Reinvestment Plan (DRP) has been suspended until further notice. The DRP will not be available for the 2018 final dividend.

	Current period	**Previous corresponding period**
Net tangible asset backing per ordinary security	$1.04	$0.97

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

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

Conduit foreign income component:

Current period		*Previous corresponding period*	
Interim dividend		Interim dividend	
Ordinary	4.50 cents	Ordinary	4.50 cents
Final dividend		Final dividend	
Ordinary	4.96 cents	Ordinary	4.90 cents

Contents

Directors' Report	1
Auditor's Independence Declaration	44
Financial Report	45
Audit Report	84

Annual General Meeting

The Annual General Meeting will be held as follows:

Location	The Melbourne Exhibition Centre The Clarendon Auditorium Level 2, 2 Clarendon Street South Wharf VIC 3006
Date	20 December 2018
Time	10.30 am
Approximate date the annual report will be available	23 November 2018

Compliance Statement

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

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

For further information, please contact:

Investor Relations
Chris Opperman
T: 03 8695 4449
M: 0423 773 307
E: chris.opperman@incitecpivot.com.au

Directors' Report

The directors of Incitec Pivot Limited (the **Company** or **IPL**) present the directors' report, together with the financial report, of the Company and its controlled entities (collectively referred to in this report as the **Group**) for the year ended 30 September 2018 and the related auditor's report.

Directors

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

Name, qualifications and special responsibilities	Experience
Paul Brasher BEc(Hons), FCA Non-executive Chairman Chairman of the Nominations Committee Member of the Audit and Risk Management Committee	Mr Brasher was appointed as a director on 29 September 2010 and became Chairman on 30 June 2012. He is a non-executive director of Amcor Limited, Deputy Chairman of the Essendon Football Club and a board member of Teach For Australia. He is also a former director of Perpetual Limited. From 1982 to 2009, Mr Brasher was a partner of PricewaterhouseCoopers (and its predecessor firm, Price Waterhouse), including five years as the Chairman of the Global Board of PricewaterhouseCoopers. Mr Brasher brings to the Board his local and global experience as a senior executive and director, particularly in the areas of strategy, finance, audit and risk management and public company governance, as well as his experience as a non-executive director of Australian companies with significant overseas operations. Directorships of listed entities within the past three years: • Director, Amcor Limited (since January 2014)
Joseph Breunig BS(Chemical Engineering), MBA Non-executive director Member of the Health, Safety, Environment and Community Committee	Mr Breunig was appointed as a director on 5 June 2017. Mr Breunig is a U.S. resident and is currently a non-executive director of Mineral Technologies Inc. Mr Breunig was previously Executive Vice President, Chemicals at Axiall Corporation (formerly Georgia Gulf Corporation) and, prior to that, spent 24 years at BASF Corporation where he held a number of senior executive positions including Executive Vice President and Chief Operating Officer, BASF Corporation, and President, Market and Business Development, North America, BASF SE. Mr Breunig brings considerable North American experience to the Board, as well as extensive leadership experience across industrial chemical manufacturing and process safety management. Directorships of listed entities within the past three years: • Director, Mineral Technologies Inc. (since November 2014)
Kathryn Fagg FTSE, BE(Hons), MCom(Hons), Hon.DBus(UNSW), Hon.DChemEng(UQ) Non-executive director Chairman of the Remuneration Committee Member of the Health, Safety, Environment and Community Committee	Ms Fagg was appointed as a director on 15 April 2014. Ms Fagg is Chairman of Boral Limited, Chair of the Melbourne Recital Centre, Chair of Breast Cancer Network Australia, a non-executive director of Djerriwarrh Investments Limited, a board member of the Commonwealth Scientific and Industrial Research Organisation (CSIRO), a board member of the Grattan Institute and a board member of the Australian Centre for Innovation. Ms Fagg is also President of Chief Executive Women. Ms Fagg was previously a non-executive member of the Reserve Bank of Australia and President of Corporate Development at Linfox Logistics Group. Prior to that, she held executive roles with BlueScope Steel and Australia and New Zealand Banking Group. Ms Fagg was also a consultant with McKinsey and Co. after commencing her career as a chemical engineer. Ms Fagg brings to the Board extensive executive experience across a range of industries in Australia and Asia, including logistics, manufacturing, resources, banking, professional services and strategy consulting, as well as her experience in managing international subsidiaries for global businesses. Directorships of listed entities within the past three years: • Director, Boral Limited (since September 2014) and Chairman (since July 2018) • Director, Djerriwarrh Investments Limited (since May 2014)

Name, qualifications and special responsibilities	Experience
Brian Kruger BEc Non-executive director Chairman of the Audit and Risk Management Committee Member of the Remuneration Committee	Mr Kruger was appointed as a director on 5 June 2017. Mr Kruger is the former Managing Director & CEO of Toll Holdings Limited, having joined Toll in 2009 as Chief Financial Officer, before being appointed Managing Director in 2012. Prior to joining Toll, Mr Kruger had a career spanning 25 years in the resources and industrial sectors in Australia and the U.S., initially with BHP and subsequently with BlueScope Steel which he joined on its demerger from BHP. During his time at BlueScope, he held a number of senior corporate finance and management roles, including President, North America & Corporate Strategy & Innovation, President, Australian Manufacturing Markets and was the company's inaugural Chief Financial Officer. Mr Kruger is also Chairman of Racing Victoria Limited. Mr Kruger brings to the Board significant experience in the industrial sector and a deep knowledge of manufacturing operations including in North America, as well as executive leadership experience in the Australian listed company environment. Directorships of listed entities within the past three years: • Managing Director, Toll Holdings Limited (January 2012 to December 2016)
Rebecca McGrath BTP(Hons), MASc, FAICD Non-executive director Chairman of the Health, Safety, Environment and Community Committee Member of the Audit and Risk Management Committee Member of the Nominations Committee	Ms McGrath was appointed as a director on 15 September 2011. Ms McGrath is currently Chairman of Oz Minerals Ltd. She is a non-executive director of Goodman Group, a non-executive director of ICPF Holdings Limited and independent Chairman of Scania Australia Pty Ltd. During her 23 year career with BP plc, Ms McGrath held a number of senior roles including as Chief Financial Officer and Executive Board member for BP Australia and New Zealand. Ms McGrath brings to the Board over 20 years' experience in the international oil industry, senior executive experience in operations and finance, an operational and strategic understanding of occupational health and safety both as an executive and as a director and experience gained through significant exposure to manufacturing and supply chain management. Directorships of listed entities within the past three years: • Director, Goodman Group (since April 2012) • Director, Oz Minerals Limited (since November 2010) and Chairman (since May 2017) • Director, CSR Limited (February 2012 to October 2016)
Graham Smorgon AM B.Juris, LLB Non-executive director Member of the Nominations Committee Member of the Remuneration Committee	Mr Smorgon was appointed as a director on 19 December 2008. Mr Smorgon is Chairman of Smorgon Consolidated Investments and the GBM Group. His former roles include Trustee of the Victorian Arts Centre Trust, non-executive director of Arrium Limited, Chairman of the Print Mint Group, director of Fed Square Pty Ltd, Chairman of Smorgon Steel Group Ltd, Deputy Chairman of Melbourne Health, Director of The Walter and Eliza Hall Institute of Medical Research, Chairman of Creative Brands, Chairman of GBM Logic, and partner of law firm Barker Harty & Co, where he practised as a commercial lawyer for 10 years. Mr Smorgon has extensive experience as both an executive and public company director in industries relevant to IPL including in resources and manufacturing. He brings to the Board skills in the areas of commercial law, public company governance and risk management. Directorships of listed entities within the past three years: • Director, Arrium Limited (September 2007 to November 2015)
Jeanne Johns B.S. Chemical Engineering, *magna cum laude* Managing Director & CEO Member of the Health, Safety, Environment and Community Committee	Ms Johns was appointed Managing Director & CEO on 9 August 2017 and commenced in the role on 15 November 2017. Ms Johns is a global executive and chemical engineer with over 25 years' experience in the international refining, petrochemicals, oil and gas industries. After joining BP in 1986, Ms Johns worked throughout her career with BP in various locations and executive roles including as President, Asian Olefins and Derivatives (China), President, BP North America Natural Gas Liquids (United States), Head of Operating Management System Excellence for BP Group (United Kingdom, Global) and Head of Safety & Operational Risk, BP Downstream (United Kingdom, Global). Ms Johns is a former non-executive director of Tate & Lyle plc and Parsons Corporations. Ms Johns brings to the Board her broad experience in the chemicals and energy sectors, having worked and led teams in multiple jurisdictions and executive roles during her extensive career. Her global experience includes a deep understanding of the strategic and operational issues facing companies in cyclical and commodity based businesses. Directorships of listed entities within the past three years: • Director, Tate & Lyle plc (October 2016 – October 2017)

Company Secretary

During the financial year and up to 17 August 2018, Ms Daniella Pereira held the office of Company Secretary. Ms Pereira joined the Company in 2004, and was appointed Company Secretary on 31 October 2013. Prior to joining the Company, Ms Pereira practised as a lawyer with Blake Dawson (now Ashurst). Ms Pereira holds a Bachelor of Laws (with Honours) and a Bachelor of Arts.

Ms Pereira resigned as Company Secretary effective 17 August 2018. Ms Jennifer Neoh was appointed Acting Company Secretary effective 16 August 2018.

Ms Neoh joined the Company in 2015 as Senior Legal Counsel - Secretariat. Prior to joining the Company, Ms Neoh held senior legal and company secretariat roles in Australia and senior legal roles in London. Ms Neoh holds a Bachelor of Laws, a Bachelor of Commerce (Accounting) and a Graduate Diploma in Applied Finance and Investment.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Securities Exchange (**ASX**) in accordance with section 205G(1) of the Corporations Act 2001 (Cth) (**Act**), as at the date of this report is as follows:

Director	Fully paid ordinary shares Incitec Pivot Limited
P V Brasher(1)	60,600
J Breunig	0
K Fagg(1)	10,000
B Kruger(2)	14,620
R J McGrath(2)	25,008
G Smorgon AM	0
J M Johns	0

(1) Held both directly and indirectly.
(2) Held indirectly.

Further details of directors' interests in share capital are set out on page 43 of the Remuneration Report.

Principal activities

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

Operating and financial review

Refer to the Operating and Financial Review on page 6 for the operating and financial review of the Group during the financial year and the results of these operations.

Dividends

Dividends since the last annual report:

Type	Cents per share	Total amount $mill	Franked/ Unfranked	Date of payment
Paid during the year				
2017 final dividend	4.9	82.7	unfranked	19 December 2017
2018 interim dividend	4.5	74.7	unfranked	2 July 2018
To be paid after end of year				
2018 final dividend	6.2	101.1*	20% franked	17 December 2018

Dealt with in the financial report as:	Note	$mill
Dividends	6	157.4
Subsequent event	23	101.1*

* Based on the number of ordinary shares issued by the Company as at 30 September 2018.

Directors' meetings

The number of directors' meetings held (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are listed below:

	Board		Audit and Risk Management		Remuneration		Nominations		Health, Safety, Environment and Community	
Director – Current(1,2)	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
P V Brasher(3)	**13**	13	**4**	4			**2**	2		
J Breunig(4)	**13**	12							**4**	4
K Fagg	**13**	13			**7**	7			**4**	4
B Kruger(5)	**13**	13	**5**	5	**7**	7				
R J McGrath	**13**	13	**5**	5			**2**	2	**4**	4
G Smorgon AM	**13**	13			**7**	7	**2**	2		
J M Johns(6)	**13**	13							**3**	3
Director – Former										
J E Fazzino(7)	**2**	2							**1**	1
G Hayes(8)	**4**	4	**1**	1						

Chairman   Member

(1) 'Held' indicates the number of meetings held during the period that the director was a member of the Board or Committee.
(2) 'Attended' indicates the number of meetings attended during the period that the director was a member of the Board or Committee.
(3) Mr Brasher was appointed as a member of the Audit and Risk Management Committee with effect from 21 December 2017.
(4) Mr Breunig was in transit and was an apology for an extraordinary meeting convened at short notice.
(5) Mr Kruger was appointed as chairman of the Audit and Risk Management Committee with effect from 21 December 2017.
(6) Ms Johns commenced as Managing Director & CEO on 15 November 2017 and was appointed as a member of the Health, Safety, Environmental and Community Committee with effect from 21 December 2017.
(7) Mr Fazzino retired as Managing Director & CEO on 14 November 2017.
(8) Mr Hayes retired as a director on 21 December 2017.

Unissued shares under IPL's long term incentive performance rights plans

The table below describes the unissued ordinary shares or interests under IPL's long term incentive performance rights plans as at the date of this report. Each performance right entitles the participant to acquire ordinary shares in Incitec Pivot Limited, on a one right to one share basis, for no consideration upon vesting. Vesting of the performance rights is subject to the satisfaction of certain conditions. Prior to vesting, holders of these rights are not entitled to participate in any share issue or interest issue of the Company. Performance rights expire on vesting or lapsing of the rights. Refer to the Remuneration Report commencing on page 23 for further details in relation to the performance rights.

Date performance rights granted	Number of ordinary shares under performance rights
21 January 2016	986,150
25 August 2016	150,941
25 January 2017	1,179,176
19 April 2017	228,832
30 January 2018	1,563,220
1 March 2018	323,560
Total unissued ordinary shares under performance rights	4,431,879

Shares issued on exercise of performance rights

No ordinary shares in Incitec Pivot Limited were issued by the Company during the 2018 financial year. As at the date of this report, no shares or interests have been issued as a result of an exercise of performance rights since the end of the 2018 financial year.

Changes in the state of affairs

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

Events subsequent to reporting date

On 22 October 2018, the Company announced the extension of its on-market share buyback for a further 12 months from 29 November 2018 to 28 November 2019.

In November 2018, the directors determined to pay a final dividend for the Company of 6.2 cents per share on 17 December 2018. The dividend is 20% franked (refer to note 6 to the financial statements).

Other than the matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since the end of the financial year, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

Likely developments

The Operating and Financial Review beginning at page 6 of this report contains information on the Company's business strategies and prospects for future financial years, and refers to likely developments in the Company's operations and the expected results of these operations in future financial years. Information on likely developments in the Company's operations for future financial years and the expected results of those operations together with details that could give rise to material detriment to the Company (for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage) have not been included in this report where the directors believe it would likely result in unreasonable prejudice to the Company.

Environmental regulation and performance

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

The environmental laws and regulations generally address certain aspects and potential impacts of the Group's activities in relation to, among other things, air and noise quality, soil, water, biodiversity and wildlife.

The Group operates under a Global Health, Safety and Environment Management System which sets out guidelines on the Group's approach to environmental management, including a requirement for sites to undertake an Environmental Site Assessment.

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

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

During the year, the Group has continued to focus on licence compliance and identification and mitigation of environmental risks. Remediation works have progressed at a number of sites in the U.S. as dictated by regulatory approvals.

In May 2017, the Land and Environment Court of New South Wales ordered a subsidiary of the Company to pay a fine of $460,000 and costs of $72,750 in connection with an incident at the Group's Warkworth manufacturing facility in New South Wales involving an inadvertent release of waste water during remediation works on site in 2015. Following an appeal in December 2017, the fine was reduced to $360,000.

For the 2018 financial year, the Group received two penalty infringement notices issued by a regulatory authority arising from the overflow of a site containment pond in Queensland, Australia, which resulted in fines totalling $25,230. The Group also received a fine of US$250,000 for untimely reporting of an inadvertent release of anhydrous ammonia into the air at a site in the U.S.

Indemnification and insurance of officers

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

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

The Company has entered into Deeds of Access, Indemnity and Insurance with officers. The Deeds address the matters set out in the Constitution. Pursuant to those deeds, the Company has paid a premium in respect of a contract insuring officers of the Company and officers of its controlled entities against liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

Auditor

Deloitte Touche Tohmatsu was appointed as the Company's external auditor at the 2011 Annual General Meeting and continues in office in accordance with section 327B(2) of the Act. Since Deloitte Touche Tohmatsu's appointment, Mr Tom Imbesi has been appointed as the Company's lead audit partner. Under the Act, the Board may grant approval for a lead audit partner to continue to play a significant role in the audit of a company beyond 5 successive financial years.

In accordance with the requirements of the Act, and on recommendation of the Audit and Risk Management Committee, the Board, in June 2016, approved Mr Tom Imbesi to continue as lead audit partner for an additional two successive financial years, being the financial years ending 30 September 2017 and 30 September 2018.

The Company worked with Deloitte Touche Tohmatsu on transitioning Mr Imbesi and on-boarding Mr Imbesi's successor during the 2018 financial year. Mr Tim Richards is Mr Imbesi's successor and will be the Company's lead audit partner for the 2019 financial year.

Further details in relation to the extension of Mr Imbesi's term can be found in IPL's 2016 Corporate Governance Statement.

.

Non-audit services

Deloitte Touche Tohmatsu has provided non-audit services to the amount of $401,100 during the year ended 30 September 2018 (refer to note 22 to the financial statements).

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

Lead Auditor's Independence Declaration

The lead auditor has provided a written declaration that no professional engagement for the Group has been carried out during the year that would impair Deloitte Touche Tohmatsu's independence as auditor.

The lead auditor's independence declaration is set out on page 44.

Rounding

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

Corporate Governance Statement

The Company complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition (**ASX Principles**). IPL's Corporate Governance Statement, which summarises the Company's corporate governance practices and incorporates the disclosures required by the ASX Principles, can be viewed at www.incitecpivot.com.au/Corporate_Governance.

Operating and Financial Review

Group Overview

IPL is a leading international explosives and blasting services company and the largest fertilisers manufacturing and distribution business in Australia. It has operations primarily in Australia, where it operates under the globally recognised Dyno Nobel and Incitec Pivot Fertilisers brands, and in North America where it also operates under the Dyno Nobel brand.

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

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

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

- Dyno Nobel Americas ("DNA");
- Dyno Nobel Asia Pacific ("DNAP"); and
- Fertilisers, that consists of Incitec Pivot Fertilisers ("IPF") and Southern Cross International ("SCI").

Strategy

IPL's focus is to deliver distinctive value to our shareholders and customers by leveraging our differentiated technologies to solve our customers challenges on the ground. This is built on our core competencies of nitrogen and explosives manufacturing and delivering practical technology solutions to our customers.

IPL's strategy is to deliver growth and increase shareholder value, primarily through six value drivers:

- Zero Harm;
- Talented and Engaged People;
- Customer Focus;
- Leading Technology Solutions;
- Manufacturing Excellence; and
- Profitable Growth.

IPL has set performance improvement targets against each of the six value drivers, to be achieved over the next three years to 2021. The Company's Executive Remuneration Framework for 2019, as set out in the Remuneration Report on pages 23 to 43, was adjusted to ensure alignment between the key value drivers and Executive incentives.

Sustainability

IPL's commitment to operating sustainably is driven by the Company's values which are core to the way it does business. IPL defines Sustainability as "the creation of long-term economic value whilst caring for our people, our communities and our environment."

Since its initial adoption by the Board in September 2010, IPL's sustainability strategy has undergone review and now includes the sustainable development of its supply chain.

IPL has a strong focus on both abatement technologies and progressively increasing resource efficiencies to reduce its impacts on the environment, including greenhouse gas (GHG) emissions which contribute to climate change.

Detail on IPL's Environmental, Social and Governance (ESG) considerations that are material to the sustainability of the Company are included in the summary Sustainability Report on pages vi to x and its 2018 Sustainability Report, which will be published in March 2019.

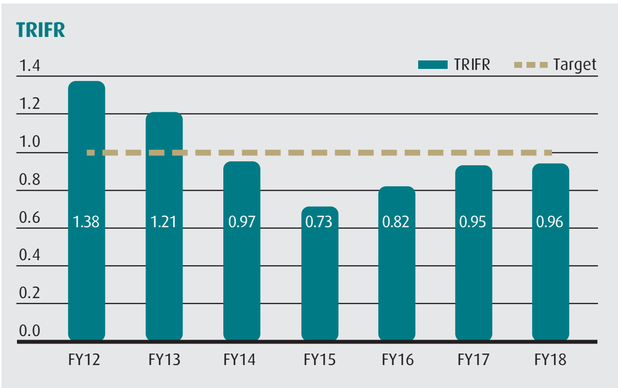
Zero Harm

IPL prioritises its "Zero Harm for Everyone, Everywhere" Company value above all others. It does so through an integrated Health, Safety and Environment (**HSE**) system that provides the foundation for effective identification and management of HSE risks. Central to IPL's HSE system are the '4Ps':

- Passionate Leadership;
- People;
- Procedures; and
- Plant.

In the 2018 financial year, IPL achieved a Total Recordable Injury Frequency Rate (**TRIFR**)[(1)] of 0.96[(2)], consistent with our target of < 1.

The increasing trend in the Company's TRIFR over the last three years has stabilised and improved since the half year (1.02) as the Company reaffirmed its Zero Harm commitment.



In its drive for continuous improvement in HSE performance, the following Zero Harm targets were set as one of the outcomes from the Zero Harm strategic review completed in 2018:

- 30% improvement in TRIFR by 2021;
- Sustainable year-on-year reduction in Tier 1 and Tier 2 Process Safety Incidents(3);
- Sustainable year-on-year reduction in Potential High Severity Incidents(4); and
- Zero Significant Environmental Incidents(5).

The 2018 result will form the baseline against which performance improvement will be measured over the next three years to 2021.

The Group's 2018 performance against key HSE metrics is included in the table below:

ZERO HARM Key Metrics	FY18	FY17
TRIFR	0.96	0.95
Potential High Severity Incidents	42	41
Process Safety Incidents	26	28
Significant Environmental Incidents	1	1

(1) TRIFR calculated as the number of recordable injuries per 200,000 hours worked and includes contractors.
(2) Subject to finalisation of the classification of any pending incidents.
(3) Tier 1 and Tier 2 process safety incidents as defined by the Center for Chemical Process Safety.
(4) Potential High Severity Incidents (excluding all near misses and hazards) with potential consequences of 5 or higher on a 6-level scale.
(5) Significant Environmental Incidents as assessed against IPL's internal risk matrix (consequence 5 or higher incident on a 6-level scale).

Gender Diversity

The Company remains committed to expanding the diversity of its workforce and has a target to increase gender diversity by 10% year-on-year to reach 25% by 2022. Further details on IPL's approach in relation to Gender Diversity are included on pages vi to x of the summary Sustainability Report that forms part of IPL's 2018 Annual Report, as well as in IPL's 2018 Corporate Governance Statement.

Managing Impacts of Climate Change

During 2018, the Company engaged an independent expert to complete a detailed assessment of the financial risks and opportunities associated with climate change, as it relates to IPL. The Company's financial resilience was assessed against two future climate scenarios, being a 2-degree and a 4-degree change in climate, as recommended by the Taskforce on Climate-related Financial Disclosures (**TCFD**).

IPL's risk assessment and treatment strategies as they relate to the impacts of climate change on the Group in both a 2-degree and a 4-degree scenario are detailed in the Principal Risks section of the Directors' Report.

Group Financial Performance

IPL delivered Net Profit After Tax (**NPAT**) after minority interests of $207.9m in 2018. NPAT excluding Individually Material Items (**IMIs**) of $347.4m increased $28.7m when compared to 2017 NPAT.

The Group recognised $139.5m of after tax IMIs at 31 March 2018. The IMIs consisted of a $236.0m write down of goodwill in the DNAP business, offset in part by the tax benefit of $96.5m arising from the restatement of the Group's US net deferred tax liabilities.

Group Performance

2018 Group EBIT ex IMIs of $556.7m increased $55.5m, or 11.1 percent, as compared to 2017.

	Year Ended 30 September		
IPL GROUP	FY18 A$m	FY17 A$m	Change %
Reported Revenue and Earnings			
Revenue	3,856.3	3,473.4	11.0
EBITDA ex IMIs(1)	851.0	774.5	9.9
EBIT ex IMIs(2)	**556.7**	**501.2**	**11.1**
NPAT ex IMIs(3)	**347.4**	**318.7**	**9.0**
IMIs after tax	(139.5)	–	na
NPAT	**207.9**	**318.7**	**(34.8)**
Business EBIT ex IMIs			
DNA	278.6	228.4	22.0
DNAP	205.4	189.0	8.7
Fertilisers	104.6	103.9	0.7
Eliminations	(0.6)	0.3	na
Corporate	(31.3)	(20.4)	(53.4)
Group EBIT ex IMIs	**556.7**	**501.2**	**11.1**
EBIT margin ex IMIs	*14.4%*	*14.4%*	

(1) EBITDA ex IMIs = Earnings Before Interest, Tax, Depreciation and Amortisation, excluding IMIs.
(2) EBIT ex IMIs = Earnings Before Interest and Tax, excluding IMIs.
(3) NPAT ex IMIs = Net Profit After Tax attributable to shareholders excluding IMIs.

EBIT from the DNA business of US$211.6m increased by US$38.5m, or 22.2 percent compared to 2017 mainly due to higher margins in the Explosives business and increased earnings from the Waggaman operations in 2018.

DNAP earnings of $205.4m increased by $16.4m, or 8.7 percent as compared to 2017, driven by increased efficiencies at the Moranbah plant and higher sales volumes across the Australian business, in particular to Metallurgical Coal customers in the Bowen Basin.

Fertilisers earnings of $104.6m increased $0.7m, or 0.7 percent as compared to 2017. This result was mainly driven by higher commodity prices, mostly offset by lower sales volumes as a result of plant downtime due to turnarounds and unplanned outages, and the impact of dry weather on the East Coast.

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

Cash Flow

Operating cash inflows increased $15.0m as compared to 2017. This increase is largely attributable to a $76.5m, or 9.9 percent increase in EBITDA ex IMIs, offset in part by increased interest costs and the Waggaman delayed compensation payments received in 2017.

Investing cash outflows increased $35.7m mainly due to spend on major plant turnarounds in 2018 and lower proceeds from asset sales. This was partially offset by the decrease in growth capital spend as a result of the completion of the Waggaman plant construction in 2017.

Financing cash outflows increased largely due to the $210.3m spend on the repurchase of IPL shares under the $300m share buyback program in 2018.

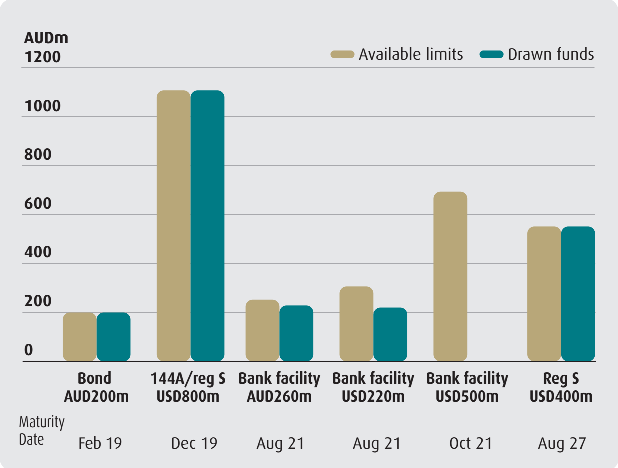
Financial Position

IPL's Balance Sheet remains sound, reflecting the Group's ongoing commitment to financial discipline and effective cash management. As at 30 September 2018, IPL had net debt of $1,371.6m and Net debt/EBITDA of 1.6x which remained well within IPL's target range of less than 2.5x.

IPL GROUP	Year Ended 30 September FY18 A$m	FY17 A$m	Change A$m
Balance Sheet			
Assets			
TWC – Fertilisers	(164.8)	(170.2)	5.4
TWC – Explosives	113.0	119.7	(6.7)
Group TWC	(51.8)	(50.5)	(1.3)
Net PP&E	4,004.3	3,854.8	149.5
Intangible assets	3,046.6	3,121.0	(74.4)
Total Assets	**6,999.1**	**6,925.3**	**73.8**
Liabilities			
Environmental & restructure provisions	(121.2)	(115.5)	(5.7)
Tax liabilities	(521.5)	(499.3)	(22.2)
Net other liabilities	(240.6)	(259.5)	18.9
Net debt	(1,371.6)	(1,291.9)	(79.7)
Total Liabilities	**(2,254.9)**	**(2,166.2)**	**(88.7)**
Net Assets	**4,744.2**	**4,759.1**	**(14.9)**
Equity	**4,744.2**	**4,759.1**	**(14.9)**
Key Performance Indicators			
Net tangible assets per share	1.04	0.97	
Group – Average TWC as % Rev(1)	5.1%	4.7%	
Credit Metrics			
Net debt(2)	(1,371.6)	(1,291.9)	(79.7)
Interest cover(3)	7.3x	7.9x	
Net debt/LTM EBITDA ex IMIs(4)	1.6x	1.7x	

(1) Average TWC as % Revenue = 13 month average trade working capital/ 12 months rolling revenue.
(2) Net debt aggregates interest bearing liabilities plus the fair value of derivative instruments in place to economically hedge the Group's interest bearing liabilities, less available cash and cash equivalents.
(3) Interest cover = 12 month rolling EBITDA ex IMIs/net interest expense.
(4) Net debt/LTM EBITDA ratio is calculated using 12 month rolling EBITDA ex IMIs.

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



In September 2018, IPL refinanced its Syndicated Term Loan (AUD360m and USD217m) that was due to mature in October 2018. The refinanced Syndicated Term Loan is domiciled in Australia and consists of two tranches: Tranche A has a limit of AUD260m and Tranche B has a limit of USD220m. The facility matures in August 2021.

The Company holds the following debt that matures in 2019:

- AUD200m 5.5-year bonds on issue in the Australian debt capital market, maturing February 2019.
- USD800m (AUD1,110m) 10-year bonds on issue in the US 144A/Regulation S debt capital market, maturing December 2019.

The Company expects to refinance the maturing debt with similar long-term financing during 2019.

Net Property, Plant & Equipment increased by $149.5m mainly due to sustenance capital expenditure of $229.7m (including plant turnarounds); spend on minor growth projects of $35.2m; and the impact of foreign currency translation of non-A$ denominated assets of $158.9m. This was offset in part by the depreciation charge for the year of $271.5m and asset disposals/write-offs of $7.8m.

Intangible assets decreased by $74.4m mainly as a result of the impairment of DNAP goodwill of $236.0m and the amortisation of intangibles of $22.8m. This was partially offset by the impact of foreign currency translation of non-A$ denominated assets of $150.7m and spend on digital technology, product delivery solutions and IT system upgrades of $32.0m.

Tax liabilities increased by $22.2m mainly due to the timing differences between tax and accounting depreciation related to property, plant and equipment and intangibles. This was partially offset by the impact of lower US tax rates on US deferred tax balances.

Net other liabilities decreased by $18.9m mainly due to payments against 2017 capital commitments, offset in part by the utilisation of prepaid gas in the Fertilisers business in 2018.

Net debt of $1,371.6m was up $79.7m relative to 2017 due in part to the impact of the Group's share buyback of $210.3m and increased capital expenditure on turnarounds. This was partially offset by increased cashflows from higher earnings and the higher fair value of balance sheet hedges. The fair value of net debt hedges at 30 September 2018 was $414.7m (2017: $304.3m).

Capital Allocation

IPL's capital allocation process is centralised and overseen by the Group's Corporate Finance function. Capital is invested on a prioritised basis and all submissions are assessed against IPL's risk, HSE, financial, strategic and corporate governance criteria. Capital is broadly categorised into major growth capital, minor growth capital and sustenance capital.

IPL GROUP	Year Ended 30 September FY18 A$m	FY17 A$m	Change A$m
Capital Expenditure			
Waggaman	–	83.1	83.1
Major growth capital	**–**	**83.1**	**83.1**
DNA	17.0	16.3	(0.7)
DNAP	10.6	6.9	(3.7)
Fertilisers	37.0	28.8	(8.2)
Minor growth capital	**64.6**	**52.0**	**(12.6)**
DNA	74.5	71.5	(3.0)
DNAP	14.4	69.9	55.5
Fertilisers	171.8	43.2	(128.6)
Sustenance	**260.7**	**184.6**	**(76.1)**
Total	**325.3**	**319.7**	**(5.6)**

Sustenance capital spend in 2018 was $260.7m primarily relating to major turnaround campaigns completed at the Phosphate Hill, Mt Isa, Cheyenne and St Helens plants in 2018.

Minor growth spend of $64.6m in 2018 was mainly to support volumes growth in Explosives and investment in technology.

Shareholder Returns and Dividends

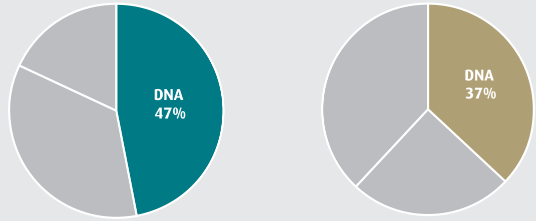
Earnings per share (EPS) ex IMIs of 20.9 cents per share increased 10.6 percent compared to 2017 ex IMIs (18.9 cents).

The Company completed $210.3m of the $300m share buyback program in 2018. The timeframe for the completion of the program was extended and it is expected to be completed during the first half of calendar 2019.

In November 2018, the Directors of IPL determined to pay a 20% franked final dividend of 6.2 cents per share payable in December 2018, bringing total dividends paid with respect to the 2018 financial year to 10.7 cents per share. This represents a payout ratio of approximately 50 percent for the 2018 financial year (before individually material items).

Dyno Nobel Americas

2018 EBIT Contribution[(1)] **2018 Revenue Contribution[(1)]**



(1) Excludes elimination

The Dyno Nobel Americas business comprises three downstream businesses, consisting of:

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

EBIT from the Dyno Nobel Americas business in 2018 of US$211.6m increased US$38.5m, or 22.2 percent mainly due to higher margins in the Explosives business, driven by increased sales volume; and higher earnings from Waggaman operations.

DYNO NOBEL AMERICAS	Year Ended 30 September FY18 US$m	FY17 US$m	Change %
Explosives	804.6	735.8	9.4
Waggaman	187.0	91.4	104.6
Ag & IC	118.5	126.8	(6.5)
Total Revenue	**1,110.1**	**954.0**	**16.4**
Explosives	130.2	117.8	10.5
Waggaman	76.2	50.5	50.9
Ag & IC	5.2	4.8	8.3
EBIT	**211.6**	**173.1**	**22.2**
EBIT margin	*19.1%*	*18.1%*	
A$m			
Revenue	**1,462.3**	**1,251.4**	**16.9**
EBIT	**278.6**	**228.4**	**22.0**
EBIT margin	*19.1%*	*18.3%*	

Explosives

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

Earnings from the Explosives business increased US$12.4m, or 10.5 percent as compared to 2017, primarily due to higher sales volumes and cost efficiency gains. This was partially offset by the impact of the plant turnaround completed at Cheyenne during the year.

	Year Ended 30 September		
EXPLOSIVES	**FY18 US$m**	**FY17 US$m**	**Change %**
Revenue	**804.6**	**735.8**	**9.4**
EBIT	**130.2**	**117.8**	**10.5**
EBIT margin	*16.2%*	*16.0%*	

Quarry & Construction

40 percent of Dyno Nobel Americas Explosives revenue was generated from the Quarry & Construction sector in 2018. Dyno Nobel has a leading position in this end market, which benefits from a favourable mix of high grade explosives, proprietary initiating systems and services.

Volumes from the sector grew 7.4 percent as compared to 2017. Growth was strong across the US, due to both market and share growth.

Base & Precious Metals

32 percent of Dyno Nobel Americas Explosives revenue was generated from the Base & Precious Metals sector in 2018, the majority of which was from iron ore and copper mines in the US.

Volumes from the sector grew 5.1 percent compared to 2017 largely due to the full year impact of 2017 contract wins and favourable market drivers in the industry.

Coal

28 percent of Dyno Nobel Americas Explosives revenue was generated by the Coal sector in 2018, the vast majority of which was from product supplied to thermal coal mines in the Powder River and Illinois Basins.

Volumes from the sector grew 16.0 percent compared to 2017 largely due to the full year impact of the 2017 contract win in the Illinois Basin.

Waggaman Operations

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

Waggaman earnings for 2018 of $76.2m increased US$25.7m, or 50.9% as compared to 2017. The increase in earnings was mainly due to higher commodity prices, increased sales volumes and improved production efficiencies. This was partially offset by construction delay compensation of US$35.1m received in 2017.

WAGGAMAN	Year Ended 30 September		
	FY18 US$m	**FY17 US$m**	**Change %**
Revenue	**187.0**	**91.4**	**104.6**
EBIT	**76.2**	**50.5**	**50.9**
EBIT margin	*40.7%*	*55.3%*	

Agriculture & Industrial Chemicals (Ag & IC)

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

Ag & IC earnings of US$5.2m increased US$0.4m, or 8.3 percent as compared to 2017. This was largely due to higher global fertilisers prices, offset by the impact of the St Helens plant turnaround completed in March 2018, and the unplanned outage of the nitric acid plant at Cheyenne in April 2018.

	Year Ended 30 September		
Ag & IC	**FY18 US$m**	**FY17 US$m**	**Change %**
Revenue	**118.5**	**126.8**	**(6.5)**
EBIT	**5.2**	**4.8**	**8.3**
EBIT margin	*4.4%*	*3.8%*	

Manufacturing – Dyno Nobel Americas

In North America, Dyno Nobel manufactures ammonium nitrate at its Cheyenne, Wyoming and Louisiana, Missouri plants. The Cheyenne, Wyoming plant is adjacent to the Powder River Basin, North America's most competitive thermal coal mining region. The Louisiana, Missouri plant has a competitive logistic footprint from which to support mining in both the Illinois Basin and Appalachia.

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

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

Manufacturing performance in the Dyno Nobel Americas business in 2018 was as follows:

Waggaman, Louisiana – the plant operated at 103 percent of nameplate capacity, producing 823,700 metric tonne of ammonia for the year, up 52.5 percent on 2017.

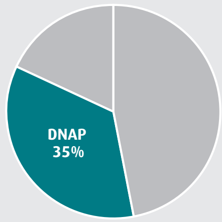
Cheyenne, Wyoming – UAN production was down 9.8 percent compared to 2017, as a result of the turnaround completed in November 2018 and an unplanned outage in April 2018.

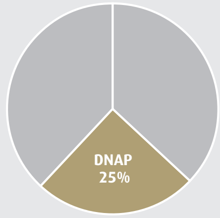
Ammonium nitrate production from the plant increased by 2.9 percent compared to 2017, with the major turnaround commencing in September 2017 impacting production in both the 2017 and 2018 financial years.

Louisiana, Missouri – Nitric Acid production from the Louisiana, Missouri plant increased 7.8 percent compared to 2017.

St Helens, Oregon – Urea production from the St Helens plant was down 10.2 percent compared to 2017 as a result of the turnaround that was completed in March 2018.

Dyno Nobel Asia Pacific





(1) Excludes elimination

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

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

Dyno Nobel Asia Pacific earnings for 2018 of $205.4m increased by $16.4m, or 8.7 percent as compared to 2017. Increased earnings were mainly driven by improved plant efficiencies at the Moranbah, Queensland plant and increased sales volumes across the Australian business, in particular to Metallurgical Coal customers in the Bowen Basin. This was partially offset by the impact of lost contracts in Western Australia in 2018.

	Year Ended 30 September		
DYNO NOBEL ASIA PACIFIC	**FY18 A$m**	**FY17 A$m**	**Change %**
Metallurgical Coal	491.1	442.6	11.0
Base & Precious Metals	351.3	352.3	(0.3)
International	136.2	138.3	(1.5)
Revenue	**978.6**	**933.2**	**4.9**
EBIT	**205.4**	**189.0**	**8.7**
EBIT margin	*21.0%*	*20.3%*	

Metallurgical Coal

50 percent of Dyno Nobel Asia Pacific revenue for the year was generated from the Metallurgical Coal sector, most of which was from supply to mines in the Bowen Basin.

Volumes from the Metallurgical Coal sector increased 10.3 percent as compared to 2017, largely driven by increased customer demand, underpinned by strong mining activity.

Base & Precious Metals

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

Volumes from the sector increased 1.0 percent compared to 2017, with higher customer demand largely offset by lost business in Western Australia.

International

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

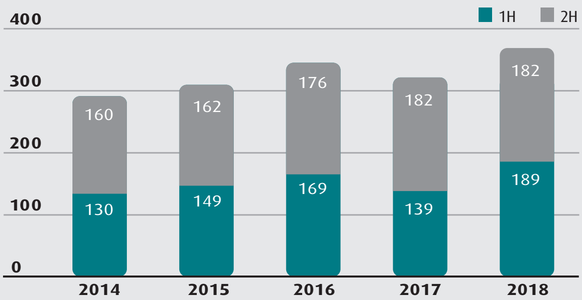
International volumes decreased 3.6 percent as compared to 2017, mainly driven by lower mining activity at a customer site in Indonesia, mostly offset by growth in the Turkish business.

Manufacturing – Dyno Nobel Asia Pacific

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

The Moranbah plant was commissioned in 2012 and produced 370,700 metric tonnes of ammonium nitrate equivalent product in 2018, an increase of 15.4 percent on 2017. The plant has been operating at record levels since the major turnaround completed in April 2017.

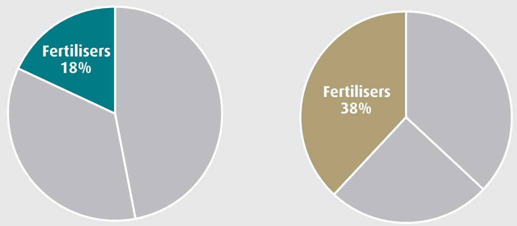
Moranbah Ammonium Nitrate Production
Thousand metric tonnes



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

Fertilisers Asia Pacific

2018 EBIT Contribution(1) **2018 Revenue Contribution(1)**



(1) Excludes elimination

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

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

The Fertilisers business manufactures the following fertilisers at four locations:

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

Fertilisers earnings in 2018 of $104.6m increased $0.7m, or 0.7 percent as compared to 2017. This result was mainly driven by higher commodity prices, particularly DAP and Urea. However, it was largely offset by lower sales volumes and increased manufacturing costs as a result of the turnarounds completed at Phosphate Hill and Mt Isa in 2018; the impact of unplanned outages at the Gibson Island plant; and the adverse impact of drought conditions in New South Wales and Southern Queensland on sales mix and volumes.

	Year Ended 30 September		
FERTILISERS ASIA PACIFIC	**FY18 A$m**	**FY17 A$m**	**Change %**
Phosphate Hill	480.0	445.3	7.8
Industrial & Trading	111.2	94.4	17.8
Quantum Fertilisers	13.8	13.6	1.5
SCI Revenue	605.0	553.3	9.3
IPF Revenue	1,088.4	1,010.3	7.7
Fertilisers Elimination	(221.7)	(213.8)	3.7
Fertilisers Revenue	**1,471.7**	**1,349.8**	**9.0**
SCI EBIT	69.1	45.9	50.5
IPF EBIT	37.7	56.8	(33.6)
Profit-in-stock elimination	(2.2)	1.2	na
Fertilisers EBIT	**104.6**	**103.9**	**0.7**
EBIT margin	*7.1%*	*7.7%*	

Fertilisers sales volumes were 2.3 percent down in 2018 at 3.01 million metric tonnes (2017: 3.08 million metric tonnes).

Southern Cross International (SCI)

Phosphate Hill manufactured tonnes sold to the IPF business, at import parity price, decreased 8.3 percent compared to 2017 mainly as a result of the plant turnaround completed in April 2018.

Benefits from higher global ammonium phosphates prices more than offset the impact from production outages in 2018.

Industrial & Trading and Quantum Fertilisers earnings in 2018 were largely flat on 2017.

Incitec Pivot Fertilisers (IPF)

Incitec Pivot Fertilisers domestic distribution volumes decreased to 2.18 million metric tonnes, down 2.1 percent compared to 2017.

Distribution earnings were adversely impacted by sales mix in 2018, with drought conditions in NSW and Southern Queensland dampening nitrogen demand for winter crop application in these regions. The impact of dry weather was somewhat mitigated by higher global Urea prices, higher sales volumes in non-drought affected regions and higher distribution margins.

Manufacturing – Fertilisers

Gibson Island – The plant produced 488,800 metric tonnes of urea equivalent product, down 1.5 percent on 2017. The lower production was a result of unplanned downtime to complete risk mitigation activities.

Phosphate Hill – Ammonium phosphates production of 850,400 metric tonnes in 2018 decreased 9.6 percent compared to 2017, mainly due to the Phosphate Hill/Mt Isa turnarounds that were completed in May 2018. Integrity issues with the liner in one of the Phosphate Hill plant's phosphoric acid tanks was identified during the turnaround, resulting in additional plant downtime during the year. The affected vessel has since been replaced and the issue resolved.

Group Outlook and Sensitivities

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

Dyno Nobel Americas

The Explosives business is expected to generate moderate earnings growth in 2019 via higher volumes in the Quarry & Construction (mid-single digit) and Base & Precious Metals (low single digit) sectors. Coal sector volumes are expected to remain flat in 2019, with retirements of coal fired electricity generators continuing.

Absent major turnarounds at Cheyenne and St Helens in 2019, earnings are expected to benefit from improved plant efficiencies, increased production volumes and lower manufacturing costs.

The Waggaman plant is expected to continue its strong production performance from 2018, at slightly above its 800,000 metric tonne nameplate capacity, with no planned outages scheduled for 2019. The operational earnings of Waggaman are subject to movements in ammonia and natural gas prices.

Agriculture & Industrial Chemicals production volumes are expected to be higher, with no major turnarounds planned for 2019 and all known material production issues at Cheyenne and St Helens now resolved. Operational earnings are subject to movements in global fertilisers prices, particularly Urea and UAN.

Dyno Nobel Asia Pacific

Sales volumes are expected to remain strong across all sectors in 2019 underpinned by robust mining activity, particularly in the Bowen Basin.

Moranbah production is expected to be in line with 2018 record production at approximately 370,000 metric tonnes of ammonium nitrate.

The impact of contract losses in the Base & Precious Metals sector for 2019 is $14m ($10m after tax) versus 2018 earnings.

The business remains focussed on actively working with its customers through contract reviews and renewals over the next two years.

The ammonium nitrate oversupply position in Australia is expected to keep pressure on pricing and margin.

Fertilisers Asia Pacific

Fertilisers earnings will continue to be dependent on global fertilisers prices, the A$/US$ exchange rate and weather conditions.

Recent tightness in the global fertilisers supply/demand balance has seen fertilisers prices firmer. However, the dry conditions in Queensland and NSW could impact irrigation water availability in these key summer crop markets in 2019. Distribution margins are expected to be materially consistent with 2018, subject to global fertilisers prices and the potential impact of ongoing dry weather across Eastern Australia.

The Phosphate Hill plant is expected to produce approximately 1 million metric tonnes of ammonium phosphates in 2019, with no planned turnarounds in the year and known material production issues now resolved.

The Power and Water Corporation contract remains on track to deliver natural gas to Phosphate Hill by January 2019, reducing the plant's gas cost by approximately $25m in 2019.

Short term gas supply arrangements for Gibson Island expire on 31 December 2019. If economically viable gas cannot be secured for the period beyond 31 December 2019, it is likely that the facility will cease manufacturing operations. Gibson Island production volumes expected to be lower than 2018, with a planned 9-week shutdown in early 2019. The impact of higher gas cost on operational earnings is approximately $50m for 2019. Exploration activities of the acreage awarded to Central Petroleum Ltd in March 2018 will take place during 2019.

Group

Outlook for certain corporate items as they relate to 2019 are set out below:

- **Corporate:** Corporate costs for 2019 are expected to be flat on 2018.
- **Share Buyback:** The timeframe for the completion of the share buyback program was extended and the remaining $90m of the program is expected to be completed during the first half of calendar 2019.
- **Borrowing Costs:** Net borrowing costs are expected to be approximately $135m, which includes the expected impact of increased interest rates in the global economy and the anticipated weaker Australian dollar.
- **Taxation:** Considering the broader impact of US tax reform legislation and based on current legislation and known regulations released to date, the effective tax rate in 2019 is expected to be between 19% and 21%.
- **Hedging Program:** 50% of estimated first half 2019 US$ linked fertilisers sales are hedged at a rate of $0.75 with full participation in downward rate movements. IPL's foreign currency exposure relating to fertilisers sales will continue to be actively managed.
- **BEx Efficiency Benefits:** Targeting at least $25m of sustainable net productivity benefits in 2019.

Sensitivities

The following table provides sensitivities to key earnings drivers as they relate to the 2018 financial year. As demonstrated, IPL's earnings are influenced by movements in global commodity prices and foreign exchange rates. Investors should be cognisant of these factors.

2018 Sensitivities

Commodity	Proxy Index	EBIT Sensitivies
Americas		
Ammonia(1)	CFR Tampa	+/- US$10/mt = +/- US$6.5m
Natural Gas(2)	Henry Hub	+/- US$0.10/mmbtu = -/+ US$2.7m
Urea(3)	FOB NOLA	+/- US$10/mt = +/- US$1.7m
FX EBIT Translation(4)		+/- A$/US$0.01 = -/+ A$3.6m
Asia Pacific		
DAP(5)	FOB Tampa	+/- US$10/mt = +/- A$11.3m
Urea(6)	FOB Middle East	+/- US$10/mt = +/- A$4.4m
FX transactional(5,6)		+/- A$/US$0.01 = -/+ A$7.4m

(1) Based on actual 2018 Waggaman manufactured and sold ammonia of 823.7k metric tonnes.

(2) Based on actual 2018 Waggaman natural gas consumption.

(3) Based on St Helens plant capacity of 175k metric tonnes of urea equivalent product.

(4) Based on actual 2018 Americas EBIT of US$211.6m and an average 2018 exchange rate of A$/US$ 0.76.

(5) Based on actual 2018 Phosphate Hill manufactured and sold DAP of 861k metric tonnes, 2018 average exchange rate of A$/US$ 0.76, and average 2018 realised DAP price of US$400/metric tonne.

(6) Based on actual 2018 Gibson Island manufactured and sold urea equivalents of 335k metric tonnes, 2018 average exchange rate of A$/US$ 0.76, and 2018 average realised urea price of US$259/metric tonne.

Principal Risks

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

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

Risk	Description and potential consequences	Treatment strategies employed by IPL
General economic and business conditions		
Changing global economic and business climate	The current global economic and business climate and any sustained downturn in the North American, South American, Asian, European or Australian economies may adversely impact IPL's overall performance. This may affect demand for industrial explosives, industrial chemicals and fertilisers and related products and services, and profitability in respect of them.	• Diversification across explosives and fertilisers markets in numerous geographical locations helps diversify exposures. • Long term sustainable competitiveness and business fluidity is managed through continuous improvement in productivity and efficiency. • Continuous review of country specific risks helps proactive management of potential exposures.
Commodity price risks	Pricing for fertilisers, ammonia, ammonium nitrate and certain other industrial chemicals is linked to internationally traded commodities (for example, ammonia, ammonium phosphates and urea); price fluctuations in these products could adversely affect IPL's business. The pricing of internationally traded commodities is based on international benchmarks and is affected by global supply and demand forces. Weaker hard and soft commodity prices (particularly coal, iron ore, gold, corn, wheat, cotton and sugar) could have an adverse impact on the Group's customers and has the potential to impact the customers' demand, impacting volume and market prices.	• The Group seeks to maintain or achieve low cost positions in its chosen markets, which helps its businesses to compete in changing and competitive environments. • Integrated Business Planning (**IBP**) processes assist in optimising inventory to reduce price risk of stock on hand. • IPL employs a "value at risk" framework with respect to its Australian fertiliser operations. This allows the business to better manage its short and medium-term exposures to commodity price fluctuations, while taking into account its commercial obligations and the associated price risks. • To ensure volume and price commitments are upheld, the Group has firm and enforceable customer supply contracts. • Where commodity price exposures cannot be eliminated through contracted and/or other commercial arrangements, the Group may enter into derivative contracts, where available on a needs basis, to mitigate this risk. However, in some instances price risk exposure cannot be economically mitigated by either contractual arrangements or derivative contracts. In relation to ammonium nitrate for DNAP, IPL also maintains multiple supply sources to help with both supply and commodity price risk.
External financial risk	The appreciation or depreciation of the A$ against the US$ may materially affect IPL's financial performance. A large proportion of IPL's sales are denominated either directly or indirectly in foreign currencies, primarily the US$. In addition, IPL also borrows funds in US$, and the A$ equivalent of these borrowings and the interest payable on them will fluctuate with the exchange rate. Other financial risks that can impact IPL's earnings include the cost and availability of funds to meet its business needs, compliance with terms of financing arrangements, movements in interest rates and the imposition or removal of tariffs.	• IPL's capital management strategy is aimed at maintaining an investment grade credit profile to allow it to optimise the weighted average cost of capital over the long term while maintaining an appropriate mix of US$/A$ debt, provide funding flexibility by accessing different debt markets and reduce refinancing risk by ensuring a spread of debt maturities. A detailed discussion of financial risks is included in Note 16 (Financial Risk Management). • Group Treasury undertakes financial risk management in accordance with policies approved by the Board. Hedging strategies are adopted to manage, to the extent possible and appropriate, currency and interest rate risks.

Risk	Description and potential consequences	Treatment strategies employed by IPL
Industry structure and competition risks	IPL operates in highly competitive markets with varying competitor dynamics and industry structures. The actions of established or potential competitors could have a negative impact on sales and market share and hence the Group's financial performance. The balance between supply and demand of the products that IPL manufactures and sells can greatly influence prices and plant utilisation. The structural shift in the North American power sector, which has seen a movement away from coal-fired energy production and towards natural gas, has placed increased pressure on existing customers (therefore giving rise to increased cost pressure on inputs to their supply) and has also resulted in reduced demand for their outputs. Reduced demand for steel inputs (in particular iron ore and metallurgical coal) can lead to a decrease in demand for explosives in these industries. IPL's fertiliser operations compete against global manufacturers with lower input costs and potentially having regulatory and economic advantages. A competitive market may also lead to the loss of customers which may negatively impact earnings. Refer to 'Climate Change Risks' for potential risks and consequences related to industry structure and competition as a result of climate change.	• IPL seeks to maintain or develop competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings. This focus on cost and quality positions its business units to compete over the medium to longer term in changing and competitive environments. • Where practical, IPL prefers to engage in long term customer and supply contractual relationships. • Pricing and risk management processes exist in all businesses.
Customer risks	IPL has strong relationships with key customers for the supply of products and services. These relationships are fundamental to the Group's financial performance, on which the loss of key customer(s) may have a negative impact. This is particularly relevant to the Explosives sectors, where supply contracts tend to be longer term and significant high value customers are represented. Customer(s)' inability to pay their accounts when they fall due, or inability to continue purchasing from the Group due to financial distress, may expose the Group to customer credit risks.	• Where practical, for customers in the Explosives sector, IPL prefers to engage in long term customer contractual relationships. • The Group attempts to diversify its customer base to reduce the potential impact of the loss of any single customer. • Sales and customer plans are developed in line with IPL's strategy. • The Group manages customer credit risks by establishing credit limits by customer, as well as monitoring and actively managing overdue amounts within policy guidelines. Additionally, the Group endeavours to negotiate contractual terms that provide protection to address customer non-payment or financial distress. • From time to time, the Group purchases trade credit insurance to minimise credit risk. • IPL utilises Net Promoter Scores and "Voice of Customer" programs to enhance its customer relationships and to help identify customer related issues early.
Product quality and/or specification risk	IPL manufactures or produces product to specific customer and industry specifications and statutory parameters. The Group is exposed to financial and reputational risk if these standards, requirements and limits are not met.	• IPL operates and manufactures products using detailed quality management systems. Quality assurance plans are in place for manufactured products intermediaries, procured products and raw materials. • Certificates of Analysis are provided for bulk shipments of fertiliser into export markets.

Risk	Description and potential consequences	Treatment strategies employed by IPL
Oversupply of ammonium nitrate in Asia Pacific and Americas	New ammonium nitrate capacity has recently been introduced in the Asia Pacific geographic region. The new capacity in Asia Pacific has created a supply/ demand imbalance. In the Americas market, the supply of ammonium nitrate is currently higher than demand and this position is expected to continue for a number of years.	• Where practical, for customers in the Explosives sector, IPL prefers to engage in long term customer contractual relationships to manage both manufactured and supply positions. • IPL seeks to maintain or develop competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings.
Operational risks		
Production, transportation and storage risks	IPL's operations are inherently dangerous. IPL operates 15 key manufacturing and assembly sites and is exposed to operational risks associated with the manufacture, transportation and storage of fertilisers, ammonium nitrate, initiating systems, industrial chemicals and industrial explosives products. These operational risks include an unintended detonation of explosives, or unintended toxic release during manufacture, transportation or storage. IPL's manufacturing systems are vulnerable to equipment breakdowns, energy or water disruptions, natural disasters and acts of God, unforeseen human error, sabotage, terrorist attacks and other unforeseen events which may disrupt IPL's operations and materially affect its financial performance. Timely and economic supply of key raw materials represents a potential risk to the Group's ability to supply. In some markets in which IPL operates, economic supply of key raw materials to the Group is reliant on only a few external parties. There is a risk that if production is not sold and effectively moved from site, plant uptime and earnings could be negatively impacted should storage at site become full.	• A Health, Safety and Environment (**HSE**) management system is in place with clear principles and policies communicated to employees. • HSE risk identification, mitigation and management strategies are employed at all times and across all sites. Incidents are reported and investigated, and learnings are shared throughout the Group. • Appropriate workers' compensation programs are in place globally to assist employees who have been injured while at work, including external insurance coverage. • IPL undertakes business continuity planning and disaster preparedness across all sites. • Global industrial special risk insurance is obtained from a variety of highly rated insurance companies to ensure the appropriate coverage is in place. The policies insure the business, subject to policy and retention limits, from damage to its plants and property and the associated costs arising from business interruptions. • Where possible, flexible supply chain and alternative sourcing solutions are maintained as a contingency. • The IBP process and inventory management practices provide flexibility to mitigate the impacts of short term disruptions. • The Group has strict processes around the stewardship, movement and safe handling of dangerous goods and other chemicals. • Plants have storage capacity, as well as logistics capability that allows for offtake to be distributed. For example, at the Waggaman Louisiana plant offtake may be distributed via rail, truck, barge and pipeline. • The Group endeavours to include liability provisions and force majeure clauses in agreements where relevant.

Risk	Description and potential consequences	Treatment strategies employed by IPL
Natural gas supply and price risk	Natural gas is one of the major inputs required for the production of ammonia and therefore is a critical feedstock for IPL's nitrogen manufacturing operations. Availability and quality of natural gas are both key factors when sourcing supply. Potential disruption of supply also poses a risk. The Group has various natural gas contracts and supply arrangements for its plants. In respect of the Australian fertiliser operations, there is a risk that a reliable, committed source of natural gas at economically viable prices may not be available following the expiry of current contractual arrangements. In particular, while short term gas supply arrangements have been secured for Gibson Island, those arrangements expire on 31 December 2019 and if economically viable gas cannot be secured for the period beyond 31 December 2019, it is likely the facility will cease manufacturing operations. The cost of natural gas impacts the variable cost of production of ammonia and significantly influences the plants' overall competitive position.	• The Group has medium term gas contracts in place for its Australian manufacturing sites, with the exception of Gibson Island in respect of which contracted gas supply is in place through to the end of 2019. The contracts have various tenures and pricing mechanisms. As part of normal operations, IPL explores new gas supply arrangements where appropriate. • The US natural gas market is a liquid market, with offtake facilitated by an extensive pipeline infrastructure and pricing commonly referenced to a quoted market price. The Americas business has short term gas supply arrangements in place for its gas needs with market referenced pricing mechanisms. • Gas supply has been substantially contracted for the Waggaman, Louisiana ammonia plant through to 2021, with pricing determined by reference to the price for gas traded through the Henry Hub. • In respect of the Americas business (including the Waggaman, Louisiana ammonia plant), there is an ability to hedge gas prices and the Group reviews its approach to gas hedging in the US on a regular basis.
Sulphuric acid cost and supply into Phosphate Hill	Sulphuric acid is a major raw material required for the production of ammonium phosphates. Approximately 40 percent of Phosphate Hill's sulphuric acid needs come from processing metallurgical gas sourced from Glencore's Mt Isa Mines copper smelting facility. Glencore has confirmed that Mt Isa Mines has the necessary environmental authority to operate to 2022. Alternative sources of sulphuric acid are likely to negatively impact the cost of producing ammonium phosphates at the Phosphate Hill facility. The quantum of the impact will depend on the future availability and price of sulphur and/or sulphuric acid and the prevailing A$/US$ rate. Sulphuric acid supply into Phosphate Hill may be negatively impacted from a volume and/or price perspective, should the Mt Isa Mines copper smelter close.	• The Group has several sources of sulphuric acid for supply for Phosphate Hill. Along with sulphuric acid produced from metallurgical gas capture, Mt Isa produces sulphuric acid from burning imported elemental sulphur. Phosphate Hill's operations are also supplemented with sulphuric acid purchased directly from a domestic smelter to meet total sulphuric acid requirements for the production of ammonium phosphates. In addition, Phosphate Hill uses phosphoric acid reclaimed from its gypsum stacks in place of sulphuric acid. It is unlikely that the majority of the lost sulphuric acid sourced from Glencore could be replaced economically. • The Mt Isa site is a leased site, with a lease contract in place with Mt Isa Mines to 2028. Accordingly, IPL would be able to continue to produce sulphuric acid at Mt Isa (albeit at a higher cost) by burning elemental sulphur until 2028, should the copper smelter operation cease before that time.
Phosphate rock	Phosphate rock, used in the manufacture of both ammonium phosphates and single superphosphate fertilisers, is a naturally occurring mineral rock. Phosphate rock is an internationally traded commodity, with pricing based on international benchmarks, and is affected by global supply and demand forces. Its cost for single superphosphate manufacturing purposes is also impacted by fluctuations in foreign currency exchange rates, particularly the A$/US$ rate. Fluctuations in either of these variables can impact the cost of IPL's single superphosphate manufacturing operations, as these operations rely on rock imported from limited foreign supply sources.	• At its own facility in Phosphate Hill, IPL mines phosphate rock which is used for the production of ammonium phosphates at that facility. • Phosphate rock is used in the production of single superphosphate at IPL's Geelong and Portland operations. IPL seeks to diversify the sources of supply of rock (subject to certain requirements regarding the composition of the rock, including cadmium and odour considerations) required for these operations by sourcing it from a number of international suppliers (albeit that the sources of supply are limited).
Labour	A shortage of skilled labour or loss of key personnel could disrupt IPL's business operations or adversely affect IPL's business and financial performance. IPL's manufacturing plants require skilled operators drawn from a range of disciplines, trades and vocations. IPL has operations in regional and remote locations where it can be difficult to attract and retain critical and diverse talent.	• IPL's scale provides some, albeit limited, ability to relocate staff to cover shortages or losses of critical staff. • The Group has policies and procedures, including flexible working arrangements and competitive compensation structures, designed to help attract and retain workforce. • Management identifies critical roles and attempts to implement policies to help ensure that appropriate succession and retention plans are in place for those roles.

Risk	Description and potential consequences	Treatment strategies employed by IPL
Weather	Seasonal conditions (particularly rainfall), are a key factor for determining demand and sales of explosives and fertilisers. Any prolonged change in weather patterns & severity of adverse weather conditions could impact the future profitability and prospects of IPL. Further disclosure on climate related risks can be found in the Climate Change Risks sub-sections of this report.	• The IBP process incorporates forecasting on a rolling 24-month basis which enables scenario planning and some supply flexibility. Forecasts are based on typical weather conditions and are reviewed on an ongoing basis as the seasons progress to help align supply to changing demand. • IPL's Australian fertilisers business operates in all Australian States other than Western Australia. In addition to geographical diversity, there is also diversity across crops – IPL supplies fertilisers for a wide range of agricultural applications – and customers serviced. • IPL's international explosives businesses operate across geographically diverse locations, principally Australia and North America with exposures to diverse sectors including coal, iron ore, quarry & construction and metals mining.
Climate change risks associated with a 2 Degree Scenario risk analysis		
The '2 Degree Scenario': A scenario in which climate change is limited to 2 degrees by 2100 requires rapid decarbonisation of the global economy and is in keeping with the global agreement to reduce carbon dioxide equivalent (carbon) emissions which was reached through the United Nations Framework Convention on Climate Change agreement in Paris in 2015. It represents a future in which stringent climate policies are put in place in the short to medium term, leading to a decline in carbon emissions after 2040. This scenario projects an average global temperature increase of between 0.9°C and 2°C by 2050 and between 1.1°C and 2.6°C degrees by 2090. Because this scenario assumes rapid global action is taken to reduce emissions, acute and chronic physical risks associated with a greater degree of warming are not as severe. While extreme weather events, droughts and floods are expected to continue to increase in this scenario, the risks associated with these impacts were not identified as individually material by the IPL Risk Matrix. The material financial risks identified for IPL during a risk analysis against the 2-degree scenario are associated with the rapid transitioning of the economy towards decarbonisation.		
Policy and legal risks	IPL has manufacturing facilities across various geographical locations that may be impacted by regulatory changes aimed at reducing the impact of, or otherwise addressing, climate change. Any changed regulation could result in an increase to the cost base or operating cost of these plants, and it may not be possible to alter sales prices to offset these cost increases. This includes, but is not restricted to, any regulations relating to reducing carbon emissions. Alternatively, any such regulatory changes may potentially impact the ability of these plants to continue functioning as currently operated. This risk would be heightened if regulatory changes are implemented inconsistently across regions or countries so that IPL's facilities (principally located in Australia and North America) are impacted by regulatory changes while manufacturing facilities of competitors operating in other jurisdictions are less impacted. Carbon pricing currently applies in Australia, and under a 2-degree scenario, rapid action to limit climate change would include a global carbon price by 2020 (short-term risk: 1-3 years). Carbon pricing would increase operational costs as well as costs to transport products, which could impact until 2025, when most shipping options would be retrofitted with zero or low carbon mobility options (e.g. hydrogen). The transition to a global carbon price may give rise to a period of volatility where IPL would not be able to pass through the immediate carbon costs to customers, who may choose to source products more locally where available to avoid these carbon costs.	• IPL has a large, diverse supplier group, which would assist in avoiding carbon pricing pass through in the short-term. • IPL customer agreements provide for the pass through of carbon pricing where possible. • Domestic co-location of critical products will reduce carbon costs associated with transport. Diversification away from single source suppliers, already being managed, will also assist in managing the potentially volatile/variable costs associated with increased regulation, including carbon pricing, in the period between 2030 and 2040.

Risk	Description and potential consequences	Treatment strategies employed by IPL
Market risks(1)	Under a 2-degree scenario, transitioning away from fossil fuels is likely to significantly decrease demand for thermal coal, with impacts beginning in the short term (1-3 years). However, the technologies associated with renewable energy such as electric vehicles and large-scale batteries are likely to expand dramatically, with World Bank estimates indicating that demand for the metals required for these technologies could grow by 1000% under a 2-degree scenario. While these mining operations (which use explosives) mitigate the loss of revenue from the thermal coal market, "new world commodities" do not require the same quantity of explosives as bulk commodities, resulting in lower overall demand and potentially leading to a supply/demand imbalance.	• IPL seeks to maintain competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings. This focus on cost and quality positions its business units to compete over the medium to longer term in changing and competitive environments. • In the 2-degree scenario the reduction in demand for explosives supplying the thermal coal markets will be partly offset by the mining of new world commodities required for renewable technologies which could be higher margin activity. • IPL currently buys in a portion of its ammonium nitrate to fulfil current demand and could manage the rapid market change away from thermal coal through reduced purchasing of third-party ammonium nitrate. • Where practical, IPL prefers to engage in long term customer and supply contractual relationships. • Pricing and risk management processes exist in all businesses.
Climate change risks associated with a 4 Degree Scenario risk analysis		
The '4 Degree Scenario' assumes negligible and/or ineffective policy and action to limit carbon emissions, which results in an average increase in temperature of between 2.6°C and 4.8°C by 2100. The lack of effective progress to reduce emissions in this scenario results in 'business as usual' in regard to carbon regulation. While market transition risks (such as risks from changed consumption patterns) occur in this 4-degree scenario, the material risks are associated with 'chronic' physical risks (e.g. creeping changes in climate which cause drought and sea level rise) and 'acute' physical risks (e.g. more severe and more frequent extreme weather events such as hurricanes, drought and flooding from intense rain events and storm surges). The resulting social consequences are expected to be severe, with food and water scarcity and resulting conflict impacting on some economies.		
Risks associated with Acute(2) **and Chronic**(3) **physical events**	**Impacts on Product Demand:** IPL provides products and services to end markets, individual customers and suppliers that may be impacted by changes to weather patterns resulting from climate change. Changes to the number and/or intensity of storms, hurricanes and other extreme weather events may impact IPL's end markets, primarily mining and agriculture. A 4-degree climate change scenario indicates fertiliser demand increasing in the short term, as emerging markets demand more meat, before a significant downturn associated with the economic impacts of acute extreme weather events and chronic changes in climatic conditions impacting the ability to grow crops. IPL's Asia-Pacific fertiliser revenue from exports may be impacted in the long-term (6+ years) by a decline in offshore market demand with most South-east Asian countries, which currently are IPL's predominant fertiliser export market, and small island developing states being ranked among the most vulnerable in the world by the Climate Risk Index (CRI). IPL currently sells up to 15% of its Asia Pacific explosives into international markets, with most of these countries considered emerging or developing. Under a 4-degree climate change scenario, explosives demand in the Asia Pacific region may be impacted in the long term (6+ years) by reduced demand in climate vulnerable nations, as indicated by the (CRI).	• Fertiliser demand is likely to grow due to restoration of degraded land to meet growing population needs for food and increased meat and dairy consumption. • IPL currently exports fertilisers from Australia and may be able to ship to other locations where demand is retained as markets are impacted by chronic changes in climate. • IPL currently sells fertilisers on the spot market to a geographically diverse group of customers and has no long-term reliance on a particular customer segment. IPL also has the competitive advantage of having manufacturing sites located primarily in Australia and the US. These are wealthy countries which can afford to rebuild their port infrastructure in the event of rising sea-levels and damage from storm surges and other acute climate changes. For this reason, it is anticipated that IPL will be able to ship to other offshore markets which retain demand in the event that current export regions are impacted. • Under a 4-degree climate scenario, the physical impacts of climate change mean that the Quarry and Construction sector is likely to assume a portion of the demand that was previously taken by climate vulnerable nations in the Asia Pacific region. Many new mines are expected to be developed to supply "new world commodities" for batteries, renewables and mobility options, however, "new world commodities" are not expected to require the same quantity of explosives as bulk commodities. Therefore, overall explosive volumes would be expected to decrease.

(1) While the ways in which markets could be affected by climate change are varied and complex, one of the major ways is through shifts in supply and demand for certain commodities, products, and services as climate-related risks and opportunities are increasingly taken into account. (Financial Stability Board, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017, p6)

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

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

Risk	Description and potential consequences	Treatment strategies employed by IPL
Risks associated with Acute and Chronic physical events (continued)	**Impacts on Operations:** Some of IPL's manufacturing plants are located in areas that are susceptible to extreme weather events, such as hurricanes, tropical storms and tornadoes. An increase in the severity and/or frequency of these extreme weather events as a result of climate change may cause more frequent disruption to IPL's operations directly or as a result of supply chain disruption, which includes transportation of raw materials and finished product via road, rail and water. Impacts such as these may increase in the short term (1-3 years). Under this scenario, insurance premiums would be expected to increase along with a possibility that some events may be excluded from cover. Water is a key raw material for manufacturing, with the majority used for cooling purposes. Under a 4-degree climate change scenario, it is predicted that average annual rainfall will be reduced and longer periods of prolonged drought will be created, especially in Eastern Australia. While this may be offset somewhat by increased 1 in 20-year flooding events at some locations, and up to 15% more rainfall than historical averages in each single rain event, water restrictions may become more frequent in some areas. In addition, the possibility of less frequent, higher intensity rainfall events may lead to the risk of storm water pond overflows. These impacts could occur in the short-term (1-3 years), with very low dam levels being recorded near some sites in the recent past. Several manufacturing sites are located on coasts and are very close to sea level. A significant rise in sea level combined with a king tide may cause flooding events at these sites from 2030 onwards (considered a long-term risk) particularly with increased storm activity causing storm surges to become more intense.	• IPL's own manufacturing facilities are considered resilient to the anticipated acute physical impacts of climate change, with measures currently in place to manage exposure where sites are located in tornado or hurricane zones. • Due to its location in a hurricane zone, the Waggaman Louisiana plant was built to comply with wind codes set out by the International Building Code Design Standard IBC 20 and Minimum Design Loads for Buildings and Other Structures ASCE 7-05. The design was signed off by a Louisiana based certified Professional Engineer with experience in design standards for the region, where the impacts of future hurricanes must be considered. • Safety and evacuation plans are in place for all personnel and sites. • The Group endeavours to include force majeure clauses in agreements where relevant. • Insurance policies are in place across the Group. • The location of the Moranbah facility close to high quality metallurgical coal producers would provide IPL with a strategic advantage over its competitors in the event of supply chain disruption due to extreme weather events. • Domestic co-location of critical products and diversification away from single source suppliers, already being managed, will assist in managing supply chain interruption. • Water scarcity concerns could prompt the need for additional storage. The cost of creating additional storage (dams) in these locations is considered immaterial. Water restrictions as a result of longer periods of drought and therefore increased regulation, may also prompt IPL to seek alternative water sources. At present, no operations have been identified where sourcing of new water is considered to be too costly or unavailable. • Ongoing and long-term water management strategies are in place to ensure overflows of storm water ponds due to higher intensity rainfall events are avoided. • The construction of sea-level management infrastructure (levies, etc.) will be considered in the long-term where required for the identified manufacturing sites to manage the risk of flooding due to storm surges and sea level rise.

Risk	Description and potential consequences	Treatment strategies employed by IPL
Compliance, regulatory and legal risk		
Compliance, regulatory and legal risk	Changes in federal or state government legislation, regulations or policies in any of the countries in which IPL operates or in which it has dealings may adversely impact its business, financial condition and operations, or the business, financial condition and operations of IPL's customers and suppliers. This includes changes in domestic or international laws relating to sanctions, import and export quotas, tariffs and geopolitical risks relating to countries with which IPL, or its customers and suppliers, engages to buy or sell products and materials. In addition, changes in tax legislation or compliance requirements in the jurisdictions in which IPL, or its customers and suppliers, operates, or changes in the policy or practices of the relevant tax authorities in such jurisdictions, may result in additional compliance costs and/or increased risk of regulatory action, including potential impact on licenses to operate. IPL's business, and that of its customers and suppliers, is subject to environmental laws and regulations that require specific operating licences and impose various requirements and standards. Changes in these laws and regulations, failure to abide by the laws and/or licensing conditions, or changes to licence conditions, may have a detrimental effect on IPL's operations and financial performance, including the need to undertake environmental remediation, financial penalties or ceasing to operate. IPL is exposed to potential legal and other claims or disputes in the course of its business, including contractual and other commercial disputes, and property damage and personal injury claims in connection with its operations.	• Management, through the Managing Director & CEO and the Chief Financial Officer, is responsible for the overall design, implementation, management and coordination of the Group's risk management and internal control system. • Each business unit has responsibility for identification and management of risks specific to the business. This is managed through an annual risk workshop, risk register and internal audits aligned to the material business risks. • Corporate functions are in place to provide sufficient support and guidance to ensure regulatory risks are identified and addressed within the business well in advance. • Country regulatory risk is regularly reviewed through the Group's risk management framework. • Where possible, IPL appoints local business leaders and management teams who bring a strong understanding of the local operating environment and strong customer relationships. • A comprehensive HSE management system is in place with clear principles and policies communicated to employees. • HSE risk management strategies are employed at all times and across all sites. Incidents are reported and investigated, and learnings are shared throughout the Group. • The Group has strict processes regarding the stewardship, movement and safe handling of dangerous goods and other chemicals. • IPL engages with governments and other key stakeholders to ensure potential adverse impacts of proposed fiscal, tax, infrastructure access and regulatory changes are understood and, where possible, mitigated.
Loss or exposure of sensitive data and cyber security	Sensitive data, relating to IPL, its employees, associates, customers or suppliers, may be lost or exposed, resulting in a negative impact on the Group's reputation. IPL may be the target of cyber-attacks which could result in commercial, financial and/or reputational impacts, including loss of data, financial losses, business or customer service interruption, an impact to IPL's products or a loss of production.	• Policies, procedures and practices are in place regarding the use of company information, personal storage devices and IT security. • A data breach response plan has been established to respond to, and mitigate the effects of, any instances of sensitive data breaches should they occur. • External testing is performed to assess the security of the Group's IT systems. • Security Operations Centre, threat intelligence, advanced threat analytics and system / network controls are used for detection and prevention of cyber threats. • Disaster Recovery and IT Business Continuity Planning arrangements are in place to help IPL recover quickly and effectively should a cyber incident occur.

Introduction from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Remuneration Committee and the Board, I am pleased to present the Remuneration Report for 2018 which sets out the remuneration information for the Managing Director & Chief Executive Officer, Executive Key Management Personnel and the Non-Executive Directors.

Performance alignment

The 2018 financial year has delivered a solid set of results for IPL. These results are reflected in the outcomes for Executives under the Company's remuneration programme.

Fixed remuneration

After two years of no fixed increases for Executives, market-aligned median increases of 2% were awarded across the Executive team for the 2018 financial year.

More information on fixed remuneration changes for the 2018 financial year is provided in section 4.2 of this report.

Short-term incentive

It has been an important underpinning of the executive STI programme that no payments are made for the heavily weighted financial component if a designated Group financial STI Gate is not achieved. In addition, the Board retains a discretion to forfeit all or part of the STI award payable for the Zero Harm performance condition in the event of a fatality or major incident.

The 2018 average STI outcome of 81 per cent of stretch target compares to 78 per cent of stretch target last year, and 16 per cent of stretch target in 2016, with the variability in outcomes each year demonstrating the strong alignment between actual financial performance and executive remuneration.

Individual STI outcomes in 2018 incorporate the delivery of key strategic projects which are essential to the long-term business success of the Company. Each individual's performance on all measures in 2018 has been assessed as between 58 per cent and 94 per cent of stretch target – a range which demonstrates the challenging nature of the objectives set given the overall level of performance and help to differentiate degrees of performance.

More information on the Company's 2018 performance and resulting STI outcomes is provided in section 4.3 of this report.

Long-term incentive

In relation to the LTI plan, the performance period for which ended on 30 September 2018, the performance conditions were relative total shareholder returns (weighted at 70%) and the delivery of strategic initiatives (weighted at 30%) based around Business Excellence and the Louisiana Ammonia Project. As the Company delivered relative total shareholder return below the median of the S&P/ASX 100 for the performance period, no benefit will trigger to participants for this component. However, there will be partial vesting of 15% of performance rights emanating from achievements against the strategic initiatives component of the plan.

More information on the LTI programme, including the 2015 – 2018 performance, is provided in section 4.4 of this report.

Review of Remuneration for the 2019 financial year

In order to remain competitive for talent, the Remuneration Committee conducts a comprehensive review of market remuneration for executive roles when deemed appropriate. 2018 saw such a review conducted.

The review considered market trends and the emerging practice of peers in the context of the existing approach to remuneration and the strategy of Incitec Pivot. The Committee strongly believes that the current remuneration framework is robust, however adjustments are sometimes necessary to ensure it remains fit for purpose and focuses the Executives' efforts on the long term strength of the Company. Accordingly, in relation to the Executives' remuneration arrangements, the Board has determined to make minor adjustments to the fixed remuneration, to update LTI performance measures in line with Company strategy, and introduce a significant change to STI through the introduction of a financial performance measure of earnings adjusted for foreign exchange and some commodity price movements in addition to Group NPAT. Further, mandatory sacrifice of STI will be introduced in order to satisfy a newly created Minimum Shareholding Requirement.

A separate minimum shareholding requirement will also be applicable to Non-Executive Directors.

As was the case for the 2018 financial year, the Board has determined that there will be no increase to Non-Executive Director fees in 2019, noting that fees were last increased in October 2014. More information on the changes that will come into effect in the 2019 financial year is provided in section 5 of this report.

The Board invites you to consider the 2018 Remuneration Report. We welcome feedback on the Company's remuneration approach in supporting IPL's business strategy.

Kathryn Fagg

Kathryn Fagg
Chairman, Remuneration Committee

Directors' Report: Remuneration Report

Contents

Section	Page
1. Introduction	**25**
2. Executive Remuneration & Governance	**26**
2.1 Executive Remuneration Overview	26
2.2 Executive Remuneration Strategy	27
2.3 Executive Remuneration Governance	27
3. 2018 Executive Remuneration Framework	**27**
3.1 Overview	27
3.2 Fixed annual remuneration	27
3.3 Short term incentive	28
3.4 Long term incentive	30
3.5 LTI performance conditions	31
3.6 Executives Service Agreement Terms	33
4. Remuneration outcomes in 2018 financial year and link to 2018 financial year performance	**34**
4.1 Analysis of relationship between the Company's performance, shareholder wealth and remuneration	34
4.2 2018 Fixed annual remuneration outcomes	35
4.3 2018 STI Outcomes	35
4.4 2015/18 LTI Outcomes	36
4.5 LTI: Performance related remuneration	37
4.6 Further details of Executive remuneration	39
5. Overview of Remuneration changes for the 2019 financial year	**41**
6. Non-Executive Director Remuneration	**42**
7. Shareholdings in IPL	**43**
8. Other KMP Disclosures	**43**

1. Introduction

The directors of Incitec Pivot Limited (**IPL**) present the Remuneration Report prepared in accordance with the Corporations Act 2001 (Cth) for the Company for the year ended 30 September 2018. This Remuneration Report is audited.

This Remuneration Report sets out remuneration information for Key Management Personnel (**KMP**) who had authority and responsibility for planning, directing and controlling the activities of the Company during the 2018 financial year, being each of the Non-Executive Directors and designated Executives. The use of the term "**Executives**" in this report is a reference to the Managing Director & Chief Executive Officer (**MD&CEO**) and certain direct reports during the 2018 financial year. Refer to Table 1 below for all individuals comprising IPL's KMP for the 2018 financial year.

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

Non-executive Directors	
Current	
Mr Paul Brasher	Chairman and Independent, Non-Executive Director
Mr Joseph Breunig	Independent, Non-Executive Director
Ms Kathryn Fagg	Independent, Non-Executive Director
Mr Brian Kruger	Independent, Non-Executive Director
Ms Rebecca McGrath	Independent, Non-Executive Director
Mr Graham Smorgon AM	Independent, Non-Executive Director
Former	
Mr Greg Hayes(1)	Independent, Non-Executive Director

Executives	
Current	
Ms Jeanne Johns(2)	Managing Director & Chief Executive Officer
Mr Frank Micallef	Chief Financial Officer
Mr Alan Grace(3)	President, Global Manufacturing
Mr Greg Hayne(4)	President, Dyno Nobel Asia Pacific
Mr Nicholas Stratford	President, Dyno Nobel Americas
Ms Elizabeth Hunter(5)	Chief Human Resources Officer & Shared Services
Former	
Mr James Fazzino(6)	Managing Director & Chief Executive Officer
Mr Simon Atkinson(7)	President, Dyno Nobel Asia Pacific & Incitec Pivot Fertilisers
Ms Leah Balter(5),(8)	President, Strategy & Business Development

(1) On 21 December 2017, Mr Hayes retired from the Board as a Non-Executive Director.
(2) Ms Johns commenced as MD&CEO on 15 November 2017 and became a KMP.
(3) Mr Grace has resigned and ceased being President, Global Manufacturing on 31 October 2018. Mr Wall has been appointed to succeed Mr Grace in the role of President, Global Manufacturing commencing from 1 November 2018.
(4) Mr Hayne commenced as President, Dyno Nobel Asia Pacific on 30 January 2018 and became a KMP.
(5) On 29 January 2018, the Company announced to the ASX changes to its organisational structure with effect from 30 January 2018. Following from these changes, the following roles were determined to be KMP for the purposes of this Remuneration Report: MD&CEO, Chief Financial Officer, President, Global Manufacturing and President of business divisions (permanent appointees) with the remaining direct reports to the MD&CEO being excluded as KMP with effect from 30 January 2018.
(6) Mr Fazzino ceased as MD&CEO on 14 November 2017.
(7) Mr Atkinson ceased as President, Dyno Nobel Asia Pacific & Incitec Pivot Fertilisers on 29 January 2018.
(8) Ms Balter resigned and ceased employment with the Company on 30 September 2018.

2. Executive Remuneration & Governance

2.1 Executive Remuneration Overview

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

(i) the majority of Executive remuneration is "at risk"; and

(ii) the level of FAR for Executives is benchmarked against that paid for similar positions at the median of companies in a comparator group with a range of market capitalisations (50% – 200% of that of the Company).

A summary of the Company's approach to Executive remuneration for the 2018 financial year, including performance conditions and their link to the overall remuneration strategy is set out below:

	Performance Conditions	Remuneration Strategy/Performance Link
Fixed Annual Remuneration Salary and other benefits (including statutory superannuation). *Refer section 3.2 for more details*	**Considerations** • Scope of individual's role • Individual's level of knowledge, skills and expertise • Company and individual performance • Market benchmarking	Set to attract, retain and motivate the right talent to deliver on IPL's strategy and contribute to the Company's financial and operational performance. For the company's Executives, the aim is to set fixed remuneration at market relevant levels and link any future increases to individual performance and effectiveness whilst continuing to have regard to market relevance.
Short Term Incentive Programme Annual incentive opportunity delivered 50 per cent in cash and 50 per cent in deferred equity (or cash equivalent) for the MD&CEO, and 100% in cash for all other Executives. *Refer section 3.3 for more details*	**Zero Harm** The award payable for the Zero Harm performance condition may be forfeited in the event of a fatality or major incident having regard to its circumstances.	To align with the Company's commitment to "Zero Harm for Everyone, Everywhere".
	Safety measures (generally a maximum of 10 per cent of STI award) • Safety performance balanced scorecard across the dimensions of behavioural safety and process safety management comprising input and output measures	In assessing the safety balanced scorecard, the Board may, in its discretion, have regard to the results achieved against the measures comprising the scorecard without applying a specific weighting to any particular measure.
	Net Profit After Tax (NPAT) 'gateway' Minimum NPAT threshold performance level that must be achieved before any financial component of the STI is payable. • Ensure a minimum acceptable level of financial performance before Executives receive any of the financial component of the STI • Requires Executives to exceed a Group NPAT threshold determined by the Board by reference to the prior year's NPAT performance	To align with the Company's strategic intent of achieving top quartile performance as measured against S&P/ASX 100 companies.
	Financial measures (generally a maximum of 90 per cent of STI award, incorporating metrics relevant to an Executive's area of influence) • Earnings per share • Business Unit earnings before interest and tax	To ensure robust alignment of performance in a particular Business Unit with reward for the Executive managing that business unit. Performance conditions are designed to support the financial direction of the Company (the achievement of which is intended to translate through to shareholder return) and are clearly defined and measurable.
	Strategic objectives (for most of the Executives, a maximum of 10 per cent of STI award) aligned to personal strategic objectives.	Key strategic and growth objectives targeted at delivering ongoing benefit to the Company.
Long Term Incentive Programme Three-year incentive opportunity delivered through performance rights. *Refer section 3.4 and 3.5 for more details*	**Performance conditions** Distinct categories of performance that are weighted to align with the Group's focus over the three-year period that each tranche of the plan spans. • Relative total shareholder returns • Strategic initiatives • Return on equity growth (for the LTI 16/19 & 17/20 tranches)	Performance conditions designed to encourage Executives to focus on the key performance drivers which underpin sustainable growth in shareholder value. The mix of performance conditions is designed to ensure the quality of the share price growth is supported by the Company's ROE growth performance as well as strategic initiatives, and not market factors alone.

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

2.2 Executive Remuneration Strategy

IPL's purpose is to make people's lives better by unlocking the world's natural resources through innovation on the ground. IPL's value drivers underpin the Company's business and form the platform for the Company's future earnings growth and shareholder returns. One of IPL's value drivers is talented and engaged people. IPL recognises that to generate competitive returns for its shareholders, it requires talented people who are capable, committed and motivated. IPL's remuneration strategy is designed to support the objectives of the business and to enable the Company to attract, retain and reward Executives of the necessary skill and calibre.

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

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

2.3 Executive Remuneration Governance

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

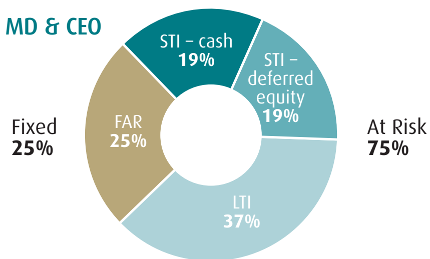
Where appropriate, the Remuneration Committee of the Board engages external advisors to provide input to the process of reviewing Executive and Non-Executive Director remuneration. For the 2018 financial year, the Remuneration Committee received market and benchmarking data from KPMG and HR Ascent. In addition, Korn Ferry Hay Group provided job grading analysis of Executive roles to the Remuneration Committee. The information provided for the 2018 financial year did not constitute a remuneration recommendation for the purposes of the Corporations Act 2001 (Cth).

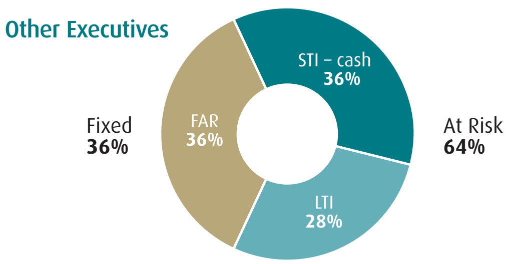
Further information in relation to the Board and the Remuneration Committee can be found in IPL's Corporate Governance Statement available on IPL's website.

3. 2018 Executive Remuneration Framework

3.1 Overview

The charts below set out the relative proportion of the Executives' total remuneration package for the 2018 financial year:





In calculating the "at risk" compensation as a proportion of total remuneration for the 2018 financial year for each Executive, the maximum entitlement that could potentially be awarded under the STI and LTI was taken into account.

3.2 Fixed annual remuneration

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

3.3 Short term incentive

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

The following table summarises the STI plan that applied in the 2018 financial year (**2018 STI**):

What was the performance period?

The performance period for the 2018 STI was the financial year from 1 October 2017 to 30 September 2018.

Who was eligible for the STI?

Participation was at the Board's discretion. The MD&CEO and all other Executives participated in the 2018 STI.

What was the target and maximum STI opportunity?

Target STI opportunity was 100% of FAR for the MD&CEO, and 50% of FAR for all other Executives. Maximum STI opportunity (for stretch outcomes) was 150% for the MD&CEO, and 100% of FAR for all other Executives.

What were the Performance Conditions and Measures?

Performance conditions under the STI are determined by the Board for each financial year. The performance conditions for the 2018 STI are set out below:

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

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

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

Satisfaction of the above measures was based on a review by the Board of the audited financial report and performance of the Group for the financial year, following the annual performance review process for the Executives.

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

To ensure STI awards are aligned with business performance outcomes, the Board has determined that a minimum level of financial performance, known as the "**STI Financial Gate**", must be met before any awards can be made. If financial performance does not meet the STI Financial Gate, no awards are made under the STI, save that the STI Financial Gate does not apply to any awards payable in relation to the Zero Harm performance condition, reflecting the primacy of safety.

For the 2018 financial year, the STI Financial Gate reflected a requirement to exceed a Group NPAT threshold which was determined by the Board by reference to the prior year's NPAT performance. In relation to the Zero Harm performance condition, the Board retains a discretion to forfeit all or part of the award payable for this performance condition in the event of a fatality or major incident having regard to the circumstances of the incident.

What were the weightings for the STI performance measures?

The weighting of Executives' STI performance measures (as a percentage of 100%) for 2018 were:

Table 2

	Financial		Non-financial/ Business/Strategic		As a percentage of Maximum opportunity
	EPS	Business Unit EBIT	Safety	Strategic Outcomes	
Executives – Current					
J Johns* Managing Director & CEO	80%		10%	10%	100%
F Micallef* Chief Financial Officer	90%		10%		100%
A Grace** President, Global Manufacturing	20%	60%	10%	10%	100%
G Hayne** President, Dyno Nobel Asia Pacific	20%	60%	10%	10%	100%
N Stratford** President, Dyno Nobel Americas	20%	60%	10%	10%	100%
E Hunter* Chief Human Resources Officer & Shared Services	80%		10%	10%	100%
Executives – Former					
J Fazzino*(1) Managing Director & CEO	90%		10%		100%
S Atkinson**(1) President, Dyno Nobel Asia Pacific & Incitec Pivot Fertilisers	20%	60%	10%	10%	100%
L Balter* President, Strategy & Business Development	50%		10%	40%	100%

*Group role **Business Unit role

(1) Mr Fazzino and Mr Atkinson ceased as a KMP on 14 November 2017 and 29 January 2018 respectively and were not participants in the 2018 STI.

Was there a mechanism for clawback and deferral?

The 2018 STI included a clawback provision, which requires the repayment of all or part of any STI awarded within three years after a payment is made, in the event of a material misstatement which results in a restatement of the audited financial report.

3.4 Long term incentive

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

What LTI plans were applicable for the 2018 financial year?

The LTI Plans applicable to the 2018 financial year were the:

- Long Term Incentive Performance Rights Plan for 2015/18 (**LTI 2015/18**);
- Long Term Incentive Performance Rights Plan for 2016/19 (**LTI 2016/19**); and
- Long Term Incentive Performance Rights Plan for 2017/20 (**LTI 2017/20**),

(together, the **LTI Plans**).

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

What is the purpose of the LTIs?

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

What is the process for determining eligibility?

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

What is the maximum LTI opportunity under the LTI Plans?

The maximum LTI opportunities under each LTI Plan are:

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

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

For the LTI 2015/18, LTI 2016/19 and LTI 2017/20, the number of performance rights issued to a participant was based on the market value of the Company's shares and was determined by dividing the dollar value of the relevant participant's LTI opportunity by the Company's volume weighted average share price over the 20 business days up to but not including the first day of the relevant performance period.

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

LTI Plan	Performance Conditions	Weighting of Performance Condition	Performance Period	Status
LTI 2015/18	• TSR Condition • Strategic Initiatives Condition	70% 30%	1 October 2015 to 30 September 2018	Performance period completed. Following testing in November, the Board determined that 15% of the performance rights in total will vest in the 2019 financial year. Refer to section 4.4 for further details.
LTI 2016/19	• TSR Condition • Strategic Initiatives Condition • ROE Growth Condition	40% 30% 30%	1 October 2016 to 30 September 2019	Testing to occur after completion of performance period.
LTI 2017/20	• TSR Condition • Strategic Initiatives Condition • ROE Growth Condition	50% 15% 35%	1 October 2017 to 30 September 2020	Testing to occur after completion of performance period.

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

When are the performance conditions measured?	After the expiry of the relevant performance period, the Board determines whether the performance conditions of the relevant LTI Plans are satisfied. The performance conditions are tested once, at the end of the relevant performance period. If the performance conditions are satisfied and the rights vest, the participant is entitled to receive ordinary shares in the Company. The participant does not pay for those shares. To the extent the performance conditions are not satisfied during the performance period, the performance rights will lapse.
What happens if a participant leaves the Company?	Generally, the performance rights granted under the LTI Plans will lapse on a cessation of employment except where the participant has died, becomes totally and permanently disabled, is retrenched, retires or, for the LTI 2017/20, is terminated without cause. In those circumstances, the performance rights will be reduced pro rata to the proportion of days worked during the relevant performance period.
In what other circumstances may the performance rights vest (which may be before or after the expiry of the performance period) under the LTI Plans?	The Board may provide a notice to the participants specifying that the performance rights will vest at a time stipulated in the notice on the occurrence of one of the following events in relation to the Company: • a takeover bid; • a change of control; • the Court ordering a meeting be held in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies; or • a voluntary or compulsory winding-up.

3.5 LTI performance conditions

For the LTI 2015/18 the performance conditions are measured by reference to relative Total Shareholder Returns (**TSR**) of IPL, measuring TSR against companies in the S&P/ASX 100 (**TSR Condition**) and the Company's Strategic Initiatives (**Strategic Initiatives Condition**). For the LTI 2016/19 and LTI 2017/20, the performance conditions are measured by reference to the TSR Condition, a Strategic Initiatives Condition and growth in Return on Equity (**ROE Growth Condition**). Details of the performance conditions for each of the LTI 2015/18, LTI 2016/19 and LTI 2017/20 are set out below.

TSR Condition

The TSR Condition (applicable to each of the LTI 2015/18, LTI 2016/19 and LTI 2017/20) requires growth in the Company's TSR to be at or above the median of the companies in the comparator group, being the S&P/ASX 100. This condition provides shareholder alignment as it takes into account the Company's share price movement as well as dividends paid, relative to other organisations comparable to the Company. The S&P/ASX 100 has been chosen as the comparator group because, having regard to the business segments in which the Company operates and, specifically, the absence of a sufficient number of direct comparator companies, the Board considers the S&P/ASX 100 to represent the most appropriate, and objective, comparator group. It also represents the group of companies against which the Company competes for shareholder capital.

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

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

Strategic Initiatives Condition

The Strategic Initiatives Condition relates to the delivery of significant aspects of the Board approved strategy. The Strategic Initiatives Condition applies to the LTI 2015/18, the LTI 2016/19 and the LTI 2017/20. For the LTI 2015/18, the Strategic Initiatives Condition comprises two equal components: (i) the Louisiana Ammonia Project; and (ii) the Business Excellence System. For the LTI 2016/19 and LTI 2017/20, the Strategic Initiatives Condition relates solely to the Business Excellence System.

The table below summarises the Strategic Initiatives Condition components for the LTI 2015/18, the LTI 2016/19 and the LTI 2017/20:

<table>
<tr><th rowspan="2">Strategic Initiatives Condition component</th><th rowspan="2">Rationale</th><th colspan="2">Scorecard</th></tr>
<tr><th>Measurement criteria</th><th>Performance goals</th></tr>
<tr><td>Louisiana Ammonia Project
(Applies to 15% of the performance rights in a grant for the LTI 2015/18)</td><td>The Louisiana ammonia project at Waggaman, Louisiana, construction of which completed on 19 October 2016, underpins the future growth of the Dyno Nobel Americas business and will create long term shareholder value.</td><td>Performance in relation to this component of the Strategic Initiatives Condition was measured against a scorecard comprising performance goals based on the Project business case, as approved by the Board in April 2013, related to the following key performance indicators:
• safety,
• production volumes,
• plant efficiency,
• output and EBITDA.</td><td>Safety: Total Recordable Injury Frequency Rate (TRIFR) for the Louisiana Ammonia Project for the performance period to be less than or equal to the IPL Company TRIFR over the same period.
Plant efficiency: As per Project business case (32GJ of gas per metric tonne of ammonia).
Output: Measure consistent with the project business case for Year 2.
EBITDA: Financial performance measure consistent with the project business case for Year 2.</td></tr>
<tr><td>Business Excellence (BEx) System
(Applies to 15% of the performance rights in grants for the LTI 2015/18 and LTI 2017/20 and 30% of the performance rights in the grant for the LTI 2016/19)</td><td>BEx is the Company's business and continuous improvement system, through which the Company seeks to enhance productivity on a sustainable basis utilising "lean" business methods. The LTI performance goals in relation to BEx are focussed on incentivising the delivery of sustainable productivity improvements, rather than one-off benefits.</td><td>Performance in relation to this component of the Strategic Initiatives Condition will be assessed against a Scorecard comprising performance goals related to:
• Business system maturity (practices)
• Cumulative productivity benefits (performance)
• Manufacturing volume (performance)</td><td>Business system maturity:
An absolute improvement in Business Excellence system maturity over the performance period, or satisfaction of an exit score requirement at the end of the performance period.
Cumulative productivity benefits: Delivery of cumulative savings over the performance period against targets approved by the Board.
Manufacturing plant uptime and volume:
• For LTI 2015/18 and LTI 2016/19 – Plant uptime measured across specified manufacturing plants, with target performance at the end of the performance period to be at 75th percentile (which reflects world class performance for ammonia and ammonium phosphate plants globally) adjusted for plant age.
• For LTI 2017/20 – Achievement of target volumes of particular products at particular manufacturing plants operated by the Group as approved by the Board.</td></tr>
</table>

Details of the Scorecards and specific performance goals for each component of the Strategic Initiatives Condition were notified to Executives on commencement of each applicable LTI plan. These performance goals involve commercial-in-confidence quantitative targets and, as such, details of the performance goals are disclosed only at the end of the performance period. For the LTI 2015/18, these details are set out in section 4.4. For the LTI 2016/19 and the LTI 2017/20, the relevant details will be set out in the 2019 Remuneration Report and the 2020 Remuneration Report respectively.

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

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

ROE Growth Condition

The ROE Growth Condition was introduced for the first time in 2016 and applies to the LTI 2016/19 and LTI 2017/20. The ROE Growth Condition measures the compound annual growth in ROE over the performance period. ROE was chosen as it is a widely recognised and reported metric, is a key determinant of efficient use of the capital entrusted to management by shareholders, reflects all of the levers to create shareholder value and is a transparent metric which can be calculated directly from the Company's financial report.

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

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

3.6. Executives Service Agreement Terms

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

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

	Notice period to be provided by the Executive
Current Executives	
J Johns	52 weeks
F Micallef	13 weeks
A Grace	8 weeks
G Hayne	26 weeks
N Stratford	13 weeks
E Hunter	13 weeks
Former Executives	
J Fazzino	26 weeks
S Atkinson	13 weeks
L Balter	13 weeks

The separation payment included in each Executive's contract is capped at an amount equivalent to a specified number of weeks of FAR for the Executive. Ms Johns' and Mr Fazzino's separation payment is equal to 52 weeks of FAR as at the date of termination (subject to the provisions relating to termination benefits in Part 2D.2 of the Corporations Act 2001). All other Executives' contracts provide for a separation payment of 26 weeks of FAR, save for Mr Atkinson's, Mr Stratford's and Mr Hayne's contracts which provided for a separation payment equal to 52 weeks of FAR. Additionally, Mr Micallef's and Mr Grace's contracts further provide that IPL may terminate the agreement on notice in the case of incapacity, in which case the Company must pay the separation payment, outstanding fixed annual remuneration plus accrued annual leave and accrued long service leave.

4. Remuneration outcomes in 2018 financial year and link to 2018 financial year performance

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

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

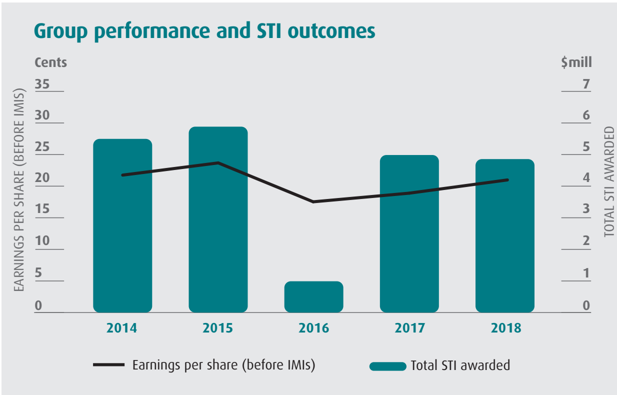
Table 3 – Indices relevant to the Board's assessment of the Company's performance and the benefit to shareholders

	2014	2015	2016	2017	2018
NPAT before IMIs and excluding non-controlling interests ($m)	356.3	398.6	295.2	318.7	347.4
EPS before IMIs (cents)	21.7	23.8	17.5	18.9	20.9
Dividends per share (DPS) paid in the financial year (cents)	9.3	11.7	11.5	9.1	9.4
DPS declared in respect of the financial year (cents)	10.8	11.8	8.7	9.4	10.7
Share price ($) (Financial Year End)(1)	2.71	3.90	2.82	3.60	3.98
TSR (%)(2)	(7)	43	14	36	14
On-market share buyback ($m)	–	–	–	–	(210.3)

(1) Share Price as at the end of the 2013 financial year was 2.69.
(2) TSR is calculated in accordance with the rules of the LTI 2011/14, LTI 2012/15, LTI 2013/16, LTI 2014/17 and LTI 2015/18 as applicable over the three-year performance period, having regard to the volume weighted average price of the shares over the 20 business days up to but not including the first and last day of the performance period.

Relationship between the Company's performance and STI outcomes

This graph illustrates the relationship between the Company's performance and STI awards in respect of the current and preceding four years. In 2014, EPS (before IMIs) grew 21% to 21.7 cps resulting in partial awards being made to Executives under the 2014 STI. Similarly, in the 2015 financial year, EPS (before IMIs) increased by 9.7% to 23.8 cps and, as a result, certain Executives earned awards in full in respect of this measure. For the 2016 financial year, with EPS (before IMIs) declining by 26.5% to 17.5 cps, no awards were made under the 2016 STI, save in relation to the successful completion of the Louisiana Ammonia Project as well as the Company's safety performance. For the 2017 financial year, EPS (before IMIs) increased 8% to 19.9 cps resulting in certain Executives earning partial STI awards in respect of this measure. For the 2018 financial year, Group EPS (before IMIs) has increased 10.6% to 20.9 cps resulting in Executives earning full STI awards in respect of this measure.



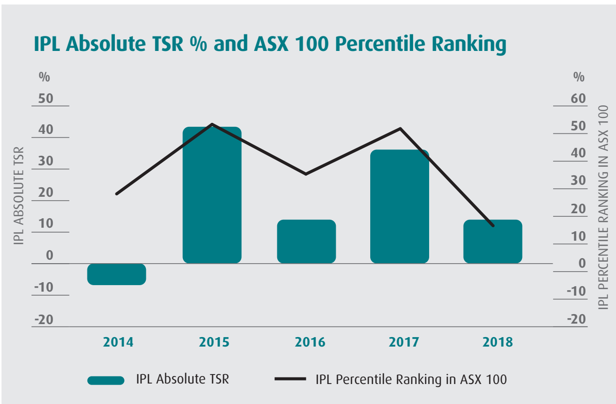
Relationship between the Company's performance and LTI outcomes

This graph illustrates the relationship between IPL's Absolute TSR and its percentile ranking relative to its S&P/ASX 100 peer group.

IPL outranked the 50th percentile TSR for the ASX 100 peer group for the 2012-2015 performance period with a 53rd percentile ranking (Absolute TSR: achieved 43%) and for the 2014-17 performance period with a 53rd percentile ranking (Absolute TSR: achieved 36%). The 2015-18 performance period has achieved an Absolute TSR increase of 14%, delivering fourth quartile performance.

As a consequence, the LTI 2012/15 and LTI 2014/17 partially vested and the LTI 2015/18 TSR will not vest as outlined in section 4.4 of this report.

The performance rights in the LTI 2011/14 and LTI 2013/16 plans did not meet the performance conditions set out in those plans (including a TSR condition) and lapsed, despite the fact that positive TSR has been achieved in 4 out of the 5 periods reported.



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

4.2 2018 Fixed annual remuneration outcomes

The FAR of Executives (other than the MD&CEO) was reviewed and increased by 2% effective from 1 October 2017. Other than for new appointments, the Executives' FAR was last increased in October 2014 with fixed remuneration frozen for financial years 2016 and 2017. The increase was designed to maintain the competitive market positioning of Executives in the context of inflation and forecast market movements.

4.3 2018 STI Outcomes

Performance Condition	Outcome
Group Financial Performance	With EPS increasing by 10.6% from 18.9 cents per share to 20.9 cents per share, Executives in Group roles were awarded 100% of the STI opportunity for this measure. (Refer to Table 2 for Group roles).
Business Unit Financial Performance	As the EBIT performance of the Dyno Nobel Americas business exceeded stretch performance, Mr Stratford was awarded 100% of the STI opportunity for this measure. The EBIT performance of the Dyno Nobel Asia Pacific business was between the threshold and target performance measure and accordingly, Mr Hayne received a partial award for this measure. Mr Grace had a composite of Americas and Asia Pacific EBIT as a performance measure. This result was between the target and stretch performance measure and accordingly, Mr Grace was awarded a partial award for this measure.
Zero Harm	The balanced scorecard which applied to all Executives, across the dimensions of process and behavioural safety management, was partially achieved. The TRIFR at the end of 2018 was 0.96, which whilst below the target was above the 2017 result. Other scorecard metrics were also partially achieved, with key gains in critical control verifications, environmental risk management and a 7% improvement in process safety over the previous corresponding period.
Strategic Outcomes	The strategic objectives aligned with the company's strategy Value Drivers, particularly in relation to creating value for customers, manufacturing turnaround performance and product innovation. In addition, pursuing sources of economic gas for the short and longer term in relation to the Gibson Island plant in Brisbane. Progress was made during the year in relation to these objectives with outcomes achieved between threshold and stretch.

The Board approved the STI outcomes in November 2018 with the outcomes reflected in the range of 2018 STIs awarded as set out in the following two tables:

Table 4a – Performance against individual STI metrics for the year ended 30 September 2018

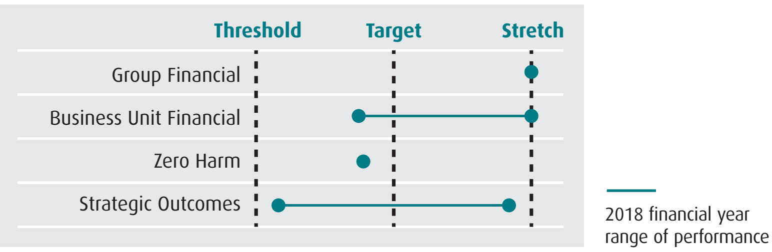


Table 4b – Short term incentives awarded for the year ended 30 September 2018

Details of the vesting profile of the STI payments awarded for the year ended 30 September 2018 as remuneration to each Executive are set out below:

	Short term incentive for the year ended 30 September 2018		
	Included in remuneration $000	% earned of maximum opportunity	% forfeited of maximum opportunity
Executives – Current			
J Johns(1)	1,393	92	8
F Micallef	879	94	6
A Grace	626	80	20
G Hayne	243	58	42
N Stratford	781	92	8
E Hunter(2)	176	91	9
Executives – Former			
J Fazzino	–	–	100
S Atkinson	–	–	100
L Balter(2)	150	59	41

(1) Under the terms of the 2018 STI in which Ms Johns participated, total STI awarded was $2.09m, of this, 50% will be paid in cash in 2018, with the remaining approximately 25% of the award to vest on 30 November 2019 and approximately 25% of the award to vest on 30 November 2020, subject to Ms Johns meeting a service condition. On each relevant vesting date and subject to satisfying the service condition, Ms Johns will receive the award amount in cash or in fully paid ordinary shares in the Company, as determined by the Board.

(2) Ms Hunter and Ms Balter ceased as KMP with effect from 30 January 2018. Payments represent pro-rata amounts for time served as KMP.

4.4 LTI 2015/18 Outcomes

The performance period for the LTI 2015/18 ended on 30 September 2018. Following testing against the performance conditions, in November the Board determined that 15% of the performance rights granted under the plan will vest. Details in relation to each of the performance conditions are set out below.

TSR Condition

In relation to the TSR Condition, the Company's relative TSR performance over the period did not achieve median performance of the comparator group of S&P/ASX100 companies. Accordingly, 0% of the performance rights granted subject to the TSR Condition will vest (being 70% of the total performance rights granted under the plan).

Strategic Initiatives Condition

In relation to the Strategic Initiatives Condition for which there were two components – the Louisiana Ammonia Project and Business Excellence – the Board assessed each component against a balanced scorecard and determined the outcome having regard to the results achieved for the performance goals across the entirety of the scorecard. The Board has determined that 50% of the performance rights granted subject to this condition will vest (being 15% of the total performance rights granted under the plan). Commentary on the performance against the scorecard is set out in the following table.

Strategic Initiatives Condition component	Commentary on Performance Against Scorecard	Actual Vesting (%)
Louisiana Ammonia Project	In contrast to the prior period which consisted predominantly of project construction, this performance period consisted predominantly of commercial operations. The performance measures in the plan were Safety, Plant Efficiency, Output and EBITDA. The Safety goal was for TRIFR for the Louisiana Ammonia Project to be less than or equal to the IPL Company TRIFR over the same period. The safety performance target was met. The Output goal was to operate at or above nameplate of 800,000 metric tonnes per annum. Above nameplate output was achieved again in 2018. The Efficiency goal of 32GJ of gas per metric tonne of ammonia was partially achieved. The plant continues to meet plant design parameters during operations excluding downtime inefficiencies. The EBITDA performance against goals was partially achieved during the performance period, with performance against the EBITDA measure impacted by ammonia pricing. Overall assessment: having regard to the outcomes in relation to all the measures, the Board determined that the performance goals were partially delivered against the balanced scorecard.	67% of Rights for this component
Business Excellence (BEx) System	The performance goals for the BEx scorecard comprised of non-financial input and financial and non-financial output measures. In relation to the input measures, the Business System Maturity goal outcome was verified by an independent third party. Progress was made, however the required stretch exit score was not achieved. Manufacturing Uptime target performance at the end of the performance period was to be at 75th percentile across specified manufacturing plants, adjusted for plant age. Whilst some plants met the 75th-90th percentile performance, the performance goals were partially but not fully met. The outcome in relation to the input measures is reflected in the output measure of Cumulative Productivity benefits. The Company delivered $274.4m in cumulative productivity benefits, which is in excess of the $75m stretch target established at the commencement of the performance period. Overall assessment: having regard to the outcomes in relation to the input and output measures, the Board determined that the performance goals were partially delivered against the balanced scorecard.	33% of Rights for this component

Overall, 15% of the Performance Rights allocated under the LTI 2015/18 will vest (with the remaining 85% to lapse). The number of rights vested and lapsed will be reported in the 2019 Remuneration Report.

4.5 LTI: Performance related remuneration

Table 5 – Details of long term incentives granted and vested in the year ended 30 September 2018 and the vesting profile of long term incentives granted as remuneration

The movement during the reporting period, by value, of rights for the purposes of remuneration held by each Executive and the vesting profile of long term incentives granted as remuneration are detailed below. Details of performance rights vested and forfeited set out in the table below relate to the performance rights granted under the LTI 2014/17 (performance period: 1 October 2014 to 30 September 2017) which, following testing in November 2017 resulted in the Board determining that 68.8% vested. In relation to the LTI 2015/18 (performance period: 1 October 2015 to 30 September 2018), following testing in November 2018, the Board determined that 15% of the performance rights will vest. This will be reported in the 2019 Remuneration Report.

Key Management Personnel	LTI plan	Grant date	Granted during 2018 as remuneration(A) $000	Exercised in year $000	Vested in year %	Forfeited in year %	Financial year in which grant may vest	Maximum value of outstanding rights(B) $000
Executives – Current								
J Johns	2017/20	30 January 2018	1,820	–	–	–	2020	1,820
F Micallef	2014/17	30 December 2014	–	417	69	31	2017	–
	2015/18	21 January 2016	–	–	–	–	2018	337
	2016/19	25 January 2017	–	–	–	–	2019	855
	2017/20	30 January 2018	567	–	–	–	2020	567
A Grace	2014/17	30 December 2014	–	347	69	31	2017	–
	2015/18	21 January 2016	–	–	–	–	2018	281
	2016/19	25 January 2017	–	–	–	–	2019	713
	2017/20	30 January 2018	473	–	–	–	2020	473
G Hayne	2017/20	1 March 2018	316	–	–	–	2020	316
N Stratford	2016/19	19 April 2017	–	–	–	–	2019	736
	2017/20	30 January 2018	476	–	–	–	2020	476
E Hunter	2014/17	30 December 2014	–	263	69	31	2017	–
	2015/18	21 January 2016	–	–	–	–	2018	213
	2016/19	25 January 2017	–	–	–	–	2019	541
	2017/20	30 January 2018	359	–	–	–	2020	359
Executives – Former								
J Fazzino	2014/17	30 December 2014	–	1,265	69	31	2017	–
	2015/18	21 January 2016	–	–	–	29	2018	725
	2016/19	25 January 2017	–	–	–	63	2019	973
S Atkinson(1)	2014/17	30 December 2014	–	347	69	31	2017	–
	2015/18	21 January 2016	–	–	–	100	2018	–
	2016/19	25 January 2017	–	–	–	100	2019	–
	2017/20	30 January 2018	52	–	–	–	2020	52
L Balter	2015/18	25 August 2016	–	–	–	–	2018	275
	2016/19	25 January 2017	–	–	–	–	2019	713
	2017/20	30 January 2018	473	–	–	–	2020	473

(A) The value of rights granted in the year is the fair value of those rights calculated at grant date using a Black-Scholes option-pricing model. The value of these rights is included in the footnotes under Table 7. This amount is allocated to the remuneration of the applicable Executive over the vesting period (that is, in the 2018, 2019 and 2020 financial years).

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

(1) Mr Atkinson, who ceased employment on 29 January 2018, received an allocation of rights relating to the 2017/20 plan for the period he was employed in the 2018 financial year.

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

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

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

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

	Number of Rights				
Key Management Personnel	Opening balance	Granted as compensation(A)	Vested(B)	Forfeited(C)	Closing balance
Executives – Current					
J Johns	–	674,157	–	–	674,157
F Micallef	705,751	210,182	(175,157)	(79,558)	661,218
A Grace	588,126	175,152	(145,964)	(66,299)	551,015
G Hayne	–	116,907	–	–	116,907
N Stratford	228,832	176,297	–	–	405,129
E Hunter	446,397	132,943	(110,789)	(50,322)	418,229
Executives – Former					
J Fazzino	2,143,719	–	(532,039)	(910,990)	700,690
S Atkinson	588,126	19,337	(145,964)	(442,162)	19,337
L Balter	372,432	175,152	–	–	547,584

(A) For the 2018 financial year, this represents the rights granted to Executives during the reporting period under the LTI 2017/20. The grant of rights under the LTI 2017/20 to Ms Johns was approved by shareholders at the Company's 2017 Annual General Meeting.

(B) For the 2018 financial year, this represents the number of rights that vested during the reporting period under the LTI 2014/17. Each right entitled the participating Executive to acquire a fully paid ordinary share in IPL for no consideration.

(C) For the 2018 financial year, this represents rights that were forfeited by Executives during the reporting period under the LTI 2014/17. In addition, in the case of Mr Fazzino who ceased employment during the reporting period, a portion of his rights held under the LTI 2015/18 and the LTI 2016/19 were also forfeited as at the date of cessation, in accordance with the plan rules. In the case of Mr Atkinson who ceased employment on 29 January 2018, 100% of his rights held under the LTI 2015/18 and LTI 2016/19 were forfeited at that date in accordance with the plan rules.

4.6 Further details of Executive remuneration

Table 7 – Executive remuneration

Details of the remuneration for each Executive for the year ended 30 September 2018 are set out below (noting that for individuals who ceased to be KMP in the 2017 financial year, only comparative information is shown in the table).

		Short-term benefits			Post-employment benefits	Other long term benefits[C]	Termination benefits	Share-based payments – Accounting values				
	Year	Salary & Fees $000	Short term incentive & other bonuses[A] $000	Other short term benefits[B] $000	Super-annuation benefits $000	$000	$000	Current period expense[D] $000	Prior periods expense write-back[D] $000	Total share-based payments $000	Total $000	Short term incentive & other bonuses as a proportion of remuneration[E] %
Executives – Current												
J Johns[(1)] Managing Director & CEO	**2018**	**1,407**	**1,393**	**257**	**–**	**6**	**–**	**607**	**–**	**607**	**3,670**	**38**
F Micallef Chief Financial Officer	**2018**	**915**	**879**	**–**	**20**	**24**	**–**	**587**	**–**	**587**	**2,425**	**36**
	2017	897	726	–	20	9	–	589	–	589	2,241	32
A Grace President, Global Manufacturing	**2018**	**759**	**626**	**–**	**20**	**18**	**–**	**489**	**–**	**489**	**1,912**	**33**
	2017	744	579	–	20	20	–	491	–	491	1,854	31
G Hayne[(2)] President, Dyno Nobel Asia Pacific	**2018**	**404**	**243**	**75**	**14**	**78**	**–**	**105**	**–**	**105**	**919**	**26**
N Stratford President, Dyno Nobel Americas	**2018**	**792**	**781**	**94**	**20**	**19**	**–**	**404**	**–**	**404**	**2,110**	**37**
	2017	504	494	63	13	32	–	245	–	245	1,351	37
E Hunter[(3)] Chief Human Resources Officer & Shared Services	**2018**	**186**	**176**	**6**	**7**	**7**	**–**	**124**	**–**	**124**	**506**	**35**
	2017	560	459	34	20	4	–	373	–	373	1,450	32
Executives – Former												
J Fazzino[(4)] Managing Director & CEO	**2018**	**264**	**–**	**12**	**6**	**4**	**632**	**71**	**(741)**	**(670)**	**248**	**–**
	2017	2,209	1,763	–	20	43	–	1,790	–	1,790	5,825	30
S Atkinson[(5)] President, Dyno Nobel Asia Pacific and Incitec Pivot Fertilisers	**2018**	**244**	**–**	**–**	**10**	**7**	**766**	**6**	**(425)**	**(419)**	**608**	**–**
	2017	744	394	–	20	18	–	491	–	491	1,667	24
L Balter[(6)] President, Strategy & Business Development	**2018**	**248**	**150**	**–**	**7**	**5**	**–**	**162**	**–**	**162**	**572**	**26**
	2017	744	605	–	20	4	–	329	–	329	1,702	36
Total Executives	**2018**	**5,219**	**4,248**	**444**	**104**	**168**	**1,398**	**2,555**	**(1,166)**	**1,389**	**12,970**	**30**
	2017	6,402	5,020	97	133	130	–	4,308	–	4,308	16,090	31

(A) Certain STI payments are awarded in US$. Such STI payments were converted to A$ at the spot rate on 30 September 2018, being 1.3875.

(B) Other short term benefits include the taxable value of fringe benefits paid attributable to the fringe benefits tax year (2018: 1 April 2017 to 31 March 2018) (2017: 1 April 2016 to 31 March 2017), rent and mortgage interest subsidies, relocation allowances and other allowances. For Mr Stratford, this includes rental subsidies in relation to his role as President, Dyno Nobel Americas. For Mr Hayne, this amount related to relocation allowances paid in the 2018 financial year. For Ms Johns, an allowance was paid on 26 October 2017 and 15 November 2017 totalling $134,582 for duties undertaken prior to Ms Johns becoming a KMP as well as relocation benefits of $122,436 were paid in the 2018 financial year.

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

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

	Grant date	Fair value per share treated as rights at grant date
LTI 2014/17 - TSR	30/12/2014	$1.99
LTI 2014/17 - Strategic Initiative	30/12/2014	$2.88
LTI 2015/18 - TSR	21/01/2016	$1.29
LTI 2015/18 - Strategic Initiative	21/01/2016	$3.06
LTI 2016/19 - TSR	25/01/2017	$2.87
LTI 2016/19 - Strategic Initiative	25/01/2017	$3.45
LTI 2016/19 - ROE Growth	25/01/2017	$3.45
LTI 2017/20 - TSR	30/01/2018	$1.98
LTI 2017/20 - Strategic Initiative	30/01/2018	$3.42
LTI 2017/20 - ROE Growth	30/01/2018	$3.42

(E) The short term incentive and other bonuses as a proportion of remuneration is calculated based on the short term incentive expense as a proportion of the total remuneration (excluding the prior period share-based payment expense write-back).

(1) Ms Johns became a KMP on 15 November 2017 and the disclosures for the 2018 financial year are from that date.

(2) Mr Hayne became a KMP on 30 January 2018 and the disclosures for the 2018 financial year are from that date.

(3) Ms Hunter continues in her role as Chief Human Resources Officer & Shared Services however ceased being a KMP from 30 January 2018 onwards. Disclosures for the 2018 financial year are from 1 October 2017 to 29 January 2018.

(4) Mr Fazzino ceased being a KMP on 14 November 2017. Termination benefits received by Mr Fazzino in the 2018 financial year included a separation payment of $631,818 in accordance with his contract of employment.

(5) Mr Atkinson ceased being a KMP on 29 January 2018. Termination benefits received by Mr Atkinson in the 2018 financial year included a separation payment of $765,834 in accordance with his contract of employment.

(6) Ms Balter ceased being a KMP from 30 January 2018 onwards. Disclosures for the 2018 financial year are from 1 October 2017 to 29 January 2018.

Table 8 – Actual Pay

The table below provides a summary of actual remuneration paid to the Executives in the 2018 financial year (noting that for individuals who ceased to be KMP in the 2017 financial year, only comparative information is shown in the table). The accounting values of the Executives' remuneration reported in accordance with the Accounting Standards may not always reflect what the Executives have actually received, particularly due to the valuation of share based payments. The table below seeks to clarify this by setting out the actual remuneration that the Executives have been paid in their capacity as KMP during the financial year. Executive remuneration details prepared in accordance with statutory requirements and the Accounting Standards are presented in Table 7 of this report.

	Year	Salary & Fees $000	Short Term Incentive & other bonuses[(A)] $000	Other Short Term benefits[(B)] $000	Superannuation benefits $000	Other Long Term benefits[(C)] $000	Termination benefits $000	Total $000
Executives – Current								
J Johns Managing Director & CEO	**2018**	**1,407**	**–**	**236**	**–**	**–**	**–**	**1,643**
F Micallef Chief Financial Officer	**2018**	**915**	**726**	**–**	**20**	**–**	**–**	**1,661**
	2017	897	87	–	20	–	–	1,004
A Grace President, Global Manufacturing	**2018**	**759**	**579**	**–**	**20**	**–**	**–**	**1,358**
	2017	744	416	–	20	–	–	1,180
G Hayne President, Dyno Nobel Asia Pacific	**2018**	**404**	**–**	**75**	**14**	**–**	**–**	**493**
N Stratford President, Dyno Nobel Americas	**2018**	**792**	**494**	**94**	**20**	**–**	**–**	**1,400**
	2017	504	–	63	13	–	–	580
E Hunter Chief Human Resources Officer & Shared Services	**2018**	**186**	**459**	**6**	**7**	**–**	**–**	**658**
	2017	560	55	34	20	–	–	669
Executives – Former								
J Fazzino Managing Director & CEO	**2018**	**264**	**1,763**	**234**	**6**	**1,022**	**632**	**3,921**
	2017	2,209	212	–	20	–	–	2,441
S Atkinson President, Dyno Nobel Asia Pacific and Incitec Pivot Fertilisers	**2018**	**244**	**394**	**53**	**10**	**134**	**766**	**1,601**
	2017	744	73	–	20	–	–	837
L Balter President, Strategy & Business Development	**2018**	**248**	**605**	**–**	**7**	**–**	**–**	**860**
	2017	744	–	–	20	–	–	764
Total Executives	**2018**	**5,219**	**5,020**	**698**	**104**	**1,156**	**1,398**	**13,595**
	2017	6,402	843	97	133	–	–	7,475

(A) Represents short term incentives paid during the 2018 financial year in relation to incentives awarded in respect of the 2017 financial year under the 2017 STI.

(B) Other short term benefits include annual leave paid, the taxable value of fringe benefits paid attributable to the fringe benefits tax year (2018: 1 April 2017 to 31 March 2018) (2017: 1 April 2016 to 31 March 2017), rent and mortgage interest subsidies, relocation allowances and other allowances.

(C) Other long term benefits include long service leave paid on cessation of employment.

5. Overview of Remuneration Changes for the 2019 Financial Year

During the 2018 financial year, the Board undertook a broad review of executive remuneration that included all three key individual components of the Company's remuneration structure. The outcomes of this review, and corresponding impacts to the 2019 financial year's arrangements are summarised below.

Fixed Annual Remuneration

The Board reviewed the Fixed Annual Remuneration (**FAR**) of all Executives and concluded that the FAR remains appropriate. With adjustments to be made to Short Term Incentive opportunities (see next section) it was decided to maintain existing FAR levels for all but the MD&CEO, who will receive a 2.5% increase effective 1 October 2019 driven by performance to date and overall market movements in this space.

Short Term Incentive

STI opportunity for all Executives (other than the MD&CEO) was found to be below current market practice when compared to ASX listed companies of a similar size and complexity to IPL. Accordingly, the Board has determined to increase target STI opportunity from 50% to 60% and maximum opportunity from 100% to 120% of FAR (effective 1 October 2019) for all Executives other than the MD&CEO, who will remain on her existing 100% target and 150% maximum STI opportunity.

Whilst the overall STI opportunity for all Executives will remain heavily weighted to financial metrics, a decision has been taken by the Board to introduce a combination of headline (40% – 50%) and adjusted financial performance (30%– 40%) targets into the STI structure. The adjusted performance measure is Group Profit or Business Unit EBIT, adjusted for the impact of foreign exchange and some commodity price movements. The intent of this change is to focus Executive efforts on controllable factors as well as remaining mindful of the impacts of the broader currency and commodity cycle impacts.

Long Term Incentive

Taking into account the longer term strategic intent of the Company, the Board has revised the weighting of the three LTI components for the performance period commencing 1 October 2018 and ending 30 September 2021 (**LTI 2018/21**) as follows:

- The TSR Condition, which is based on the Company's TSR performance relative to the S&P/ASX100 comparator group has been maintained, with the weighting set at 40% of the maximum LTI opportunity.
- The ROE Growth Condition targeting operational efficiency of the Group's assets has been maintained, with the weighting set at 30% of the maximum LTI opportunity.
- The Strategic Initiatives Condition focuses on delivery of world-class performance in manufacturing excellence and reflects the Company's commitment to drive continuous improvement on productivity. Additionally, by focusing on leading technology solutions and customer relationships, the Strategic Initiatives Condition aims to incentivise the participating Executives to create tangible and deliverable new sources of revenue through growth in technology sales and at the same time partner and build strong relationships with the Company's customers. This component has been maintained with the weight set at 30% of the maximum LTI opportunity.

Minimum Shareholding Requirements

As a result of the remuneration review undertaken in 2018, the Board has determined to introduce policies that are intended to formalise expectations around minimum shareholding requirements.

During the 2019 financial year, the Board intends to introduce a requirement for all Non-Executive Directors residing in Australia to be holding the minimum equivalent of 100% of their annual board fee in IPL ordinary shares within a five-year period.

The Board intends to introduce a similar requirement for all Executives to hold a minimum of 50% of their FAR (100% for the MD&CEO). A portion of the Executives' 2019 STI will be withheld and applied towards the acquisition of shares necessary to build the Executives' minimum shareholder requirement. Deferral of short-term incentives into restricted shares will increase Executives' exposure to the Incitec Pivot share price and dividends. The introduction of this policy will enhance the alignment to shareholder interests already provided by the Company's long-term incentive programme.

In order to deliver alignment amongst the entire Executive Team, the MD&CEO will transfer to this new minimum shareholding arrangement for the 2019 financial year. The MD&CEO may also receive deferred equity under the 2018 STI as described in sections 2.1 and 4.3.

6. Non-Executive Director Remuneration

IPL's policy is to:

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

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

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

For the 2018 financial year, there were no increases to Non-Executive Directors' fees. Fees paid to Non-Executive Directors amounted to $1,726,000 which was within the $2,000,000 maximum aggregate fee pool approved by shareholders at the 2008 Annual General Meeting.

For the 2019 financial year, the Board has again determined that there will be no increase in Non-Executive Director fees.

The table below sets out the Board and Committee fees as at 30 September 2018:

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

Table 9 – Non-Executive Directors' remuneration

Details of the Non-Executive Directors' remuneration for the financial year ended 30 September 2018 are set out in the following table:

		Board and Committee Fees	Cash allowances and other short term benefits(A)	Post-employment benefits	Other long term benefits	
		Fees		Superannuation benefits		Total
	Year	**$000**	**$000**	**$000**	**$000**	**$000**
Non-Executive Directors – Current						
P Brasher, Chairman	**2018**	**513**	**–**	**20**	**–**	**533**
	2017	513	–	20	–	533
J Breunig(1)	**2018**	**195**	**30**	**–**	**–**	**225**
	2017	64	10	–	–	74
K Fagg	**2018**	**211**	**–**	**20**	**–**	**231**
	2017	207	–	19	–	226
B Kruger	**2018**	**217**	**–**	**20**	**–**	**237**
	2017	65	–	6	–	71
R McGrath	**2018**	**225**	**–**	**20**	**–**	**245**
	2017	225	–	20	–	245
G Smorgon AM	**2018**	**186**	**–**	**18**	**–**	**204**
	2017	198	–	19	–	217
Non-Executive Directors – Former						
G Hayes	**2018**	**46**	**–**	**5**	**–**	**51**
	2017	206	7	19	–	232
Total Non-Executive Directors	**2018**	**1,593**	**30**	**103**	**–**	**1,726**
	2017	1,478	17	103	–	1,598

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

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

7. Shareholdings in IPL

Table 10 – Movements in shares in the Company

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

	Number of Shares(A)			
	Opening balance	Shares acquired	Shares disposed	Closing balance
Non-Executive Directors – Current				
P Brasher	60,600	–	–	60,600
J Breunig	–	–	–	–
K Fagg	10,000	–	–	10,000
B Kruger	14,620	–	–	14,620
R McGrath	18,758	6,250	–	25,008
G Smorgon AM	13,100	–	(13,100)	–
Non-Executive Director – Former				
G Hayes	10,000	–	–	10,000
Executive Director – Current				
J Johns	–	–	–	–
Executive Director – Former				
J Fazzino	1,914,562	904,467	(904,467)	1,914,562
Executives – Current				
F Micallef	16,534	175,157	(175,157)	16,534
A Grace	75,800	146,744	(75,800)	146,744
G Hayne	8,633	–	–	8,633
N Stratford	19,620	–	–	19,620
E Hunter	–	110,789	(110,789)	–
Executives – Former				
S Atkinson	50,270	145,964	(196,234)	–
L Balter	–	–	–	–

(A) Includes fully paid ordinary shares and shares acquired under IPL's incentive plans. Details of these plans are set out in note 17, Share-based payments.

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

8. Other KMP Disclosures

Loans to KMP

In the year ended 30 September 2018, there were no loans to key management personnel and their related parties (2017: nil).

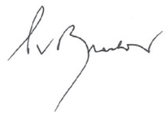
Other KMP transactions

The following transactions, entered into during the year with key management personnel (including their related parties), were on terms and conditions no more favourable than those available to other customers, suppliers and employees:

(1) The spouse of Mr Fazzino, former Managing Director & Chief Executive Officer, is a partner in the accountancy and tax firm PricewaterhouseCoopers (**PwC**) from which the Group purchased services of $1,139,272 during the year (2017: $505,742). Mr Fazzino's spouse does not directly provide these services. Mr Fazzino did not engage PwC at any time for any assignment.

(2) The spouse of Ms Fagg was a partner in the accountancy and tax firm KPMG from which the Group purchased services of $851,572 during the year (2017: $1,063,677). Ms Fagg's spouse did not directly provide these services. Ms Fagg was not involved in any engagement of KPMG made by the Group. Ms Fagg's spouse ceased employment with KPMG on 31 December 2017.

Signed in accordance with a resolution of the directors:



Paul V Brasher
Chairman

Dated at Melbourne this 13th day of November 2018

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

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

13 November 2018

Dear Board Members

Incitec Pivot Limited

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

As lead audit partner for the audit of the financial statements of Incitec Pivot Limited for the financial year ended 30 September 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

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants

Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income	47
Consolidated Statement of Financial Position	48
Consolidated Statement of Cash Flows	49
Consolidated Statement of Changes in Equity	50
Notes to the Consolidated Financial Statements	51
Directors' Declaration on the Consolidated Financial Statements set out on pages 46 to 82	83
Audit Report	84

Financial report

Introduction

This is the consolidated financial report of Incitec Pivot Limited (the **Company**, **IPL**, or **Incitec Pivot**) a company domiciled in Australia, and its subsidiaries including its interests in joint ventures and associates (collectively referred to as the **Group**) for the financial year ended 30 September 2018.

Content and structure of the financial report

The notes to the financial statements and the related accounting policies are grouped into the following distinct sections in the 2018 financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

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

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 September 2018

	Notes	2018 $mill	2017 $mill
Revenue	(2)	**3,856.3**	3,473.4
Financial and other income	(2)	**44.0**	102.3
Share of profit of equity accounted investments	(13)	**44.7**	39.9
Operating expenses			
Changes in inventories of finished goods and work in progress		**93.0**	(28.9)
Raw materials and consumables used and finished goods purchased for resale		**(1,809.7)**	(1,537.7)
Employee expenses		**(652.5)**	(596.3)
Depreciation and amortisation	(2)	**(294.3)**	(273.3)
Financial expenses	(2)	**(133.5)**	(114.0)
Purchased services		**(175.3)**	(152.4)
Repairs and maintenance		**(149.4)**	(135.2)
Outgoing freight		**(271.7)**	(265.1)
Lease payments – operating leases		**(67.5)**	(61.6)
Asset impairment write-downs	(2)	**(240.6)**	(4.7)
Other expenses		**(50.8)**	(53.9)
Profit before income tax		**192.7**	392.5
Income tax benefit/(expense)	(3)	**18.1**	(70.9)
Profit for the year		**210.8**	321.6
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit plans	(19)	**4.9**	41.7
Gross fair value losses on assets at fair value through other comprehensive income		**(0.2)**	(0.8)
Income tax relating to items that will not be reclassified subsequently to profit or loss		**(3.0)**	(14.9)
		1.7	26.0
Items that may be reclassified subsequently to profit or loss			
Fair value gains on cash flow hedges	(16)	**86.6**	52.9
Cash flow hedge gains transferred to profit or loss	(16)	**(35.4)**	(34.8)
Exchange differences on translating foreign operations		**254.1**	(103.5)
Net (losses)/gains on hedge of net investment	(16)	**(127.2)**	69.2
Income tax relating to items that may be reclassified subsequently to profit or loss		**(33.5)**	1.5
		144.6	(14.7)
Other comprehensive income for the year, net of income tax		**146.3**	11.3
Total comprehensive income for the year		**357.1**	332.9
Profit attributable to:			
Members of Incitec Pivot Limited		**207.9**	318.7
Non-controlling interest		**2.9**	2.9
Profit for the year		**210.8**	321.6
Total comprehensive income attributable to:			
Members of Incitec Pivot Limited		**354.2**	330.0
Non-controlling interest		**2.9**	2.9
Total comprehensive income for the year		**357.1**	332.9
Earnings per share			
Basic (cents per share)	(5)	**12.5**	18.9
Diluted (cents per share)	(5)	**12.5**	18.8

Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	2018 $mill	2017 $mill
Current assets			
Cash and cash equivalents	(8)	**588.5**	627.9
Trade and other receivables	(4)	**311.5**	337.7
Inventories	(4)	**494.9**	388.6
Other assets		**63.3**	76.2
Other financial assets	(16)	**13.3**	22.6
Total current assets		**1,471.5**	1,453.0
Non-current assets			
Trade and other receivables	(4)	**12.6**	5.1
Other assets		**36.3**	30.7
Other financial assets	(16)	**29.6**	18.6
Equity accounted investments	(13)	**336.1**	316.9
Property, plant and equipment	(9)	**4,004.3**	3,854.8
Intangible assets	(10)	**3,046.6**	3,121.0
Deferred tax assets	(3)	**17.0**	21.6
Total non-current assets		**7,482.5**	7,368.7
Total assets		**8,954.0**	8,821.7
Current liabilities			
Trade and other payables	(4)	**1,045.0**	1,043.7
Interest bearing liabilities	(8)	**212.9**	12.1
Other financial liabilities	(16)	**18.3**	19.4
Provisions	(15)	**75.6**	78.0
Current tax liabilities		**55.6**	11.8
Total current liabilities		**1,407.4**	1,165.0
Non-current liabilities			
Trade and other payables	(4)	**13.6**	14.9
Interest bearing liabilities	(8)	**2,161.9**	2,212.0
Other financial liabilities	(16)	**7.4**	28.3
Provisions	(15)	**104.0**	95.1
Deferred tax liabilities	(3)	**482.9**	509.1
Retirement benefit obligation	(19)	**32.6**	38.2
Total non-current liabilities		**2,802.4**	2,897.6
Total liabilities		**4,209.8**	4,062.6
Net assets		**4,744.2**	4,759.1
Equity			
Issued capital	(7)	**3,226.5**	3,436.8
Reserves		**(55.4)**	(197.9)
Retained earnings		**1,566.6**	1,514.2
Non-controlling interest		**6.5**	6.0
Total equity		**4,744.2**	4,759.1

Consolidated Statement of Cash Flows

For the year ended 30 September 2018

	Notes	**2018 $mill**	2017 $mill
		Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Profit after tax for the year		**210.8**	321.6
Adjusted for non-cash items			
Net finance cost		**128.0**	108.7
Depreciation and amortisation	(2)	**294.3**	273.3
Impairment of property, plant and equipment	(9)	**4.0**	4.7
Impairment of goodwill and other intangibles	(10)	**236.6**	–
Share of profit of equity accounted investments	(13)	**(44.7)**	(39.9)
Net gain on sale of property, plant and equipment	(2)	**(2.4)**	(19.8)
Non-cash share-based payment transactions	(17)	**3.2**	4.6
Income tax (benefit)/expense	(3)	**(18.1)**	70.9
Changes in assets and liabilities			
Decrease/(increase) in receivables and other operating assets		**40.1**	(50.3)
(Increase)/decrease in inventories		**(101.2)**	11.0
Increase in payables, provisions and other operating liabilities		**10.1**	32.9
		760.7	717.7
Adjusted for cash items			
Dividends received	(13)	**29.9**	34.9
Interest received		**5.5**	5.3
Interest paid		**(121.9)**	(97.3)
Income tax paid		**(11.5)**	(12.9)
Net cash flows from operating activities		**662.7**	647.7
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		**(325.3)**	(319.7)
Proceeds from sale of property, plant and equipment		**6.2**	39.8
Payments for acquisition of subsidiaries		**(5.8)**	(2.5)
Repayments of loans to equity accounted investees		**2.2**	12.5
Payments from settlement of net investment hedge derivatives		**(1.3)**	(18.4)
Net cash flows from investing activities		**(324.0)**	(288.3)
Cash flows from financing activities			
Repayments of borrowings	(8)	**(504.3)**	(505.1)
Proceeds from borrowings	(8)	**501.4**	508.0
Realised market value (loss)/gain on derivatives		**(4.3)**	2.8
Dividends paid to members of Incitec Pivot Limited	(6)	**(157.4)**	(153.5)
Dividends paid to non-controlling interest holder		**(2.4)**	(1.2)
Purchased shares for IPL employees		**(5.1)**	–
Payment for buy-back of shares		**(210.3)**	–
Net cash flows from financing activities		**(382.4)**	(149.0)
Net (decrease)/increase in cash and cash equivalents held		**(43.7)**	210.4
Cash and cash equivalents at the beginning of the year		**627.9**	427.1
Effect of exchange rate fluctuations on cash and cash equivalents held		**4.3**	(9.6)
Cash and cash equivalents at the end of the year	(8)	**588.5**	627.9

Consolidated Statement of Changes in Equity

For the year ended 30 September 2018

	Notes	Issued capital $mill	Cash flow hedging reserve $mill	Share -based payments reserve $mill	Foreign currency translation reserve $mill	Fair value reserve $mill	Retained earnings $mill	Total $mill	Non-controlling interest $mill	Total equity $mill
Balance at 1 October 2016		3,436.8	(33.6)	22.3	(164.7)	(11.3)	1,322.5	4,572.0	4.3	4,576.3
Profit for the year		–	–	–	–	–	318.7	318.7	2.9	321.6
Total other comprehensive income for the year		–	13.5	–	(28.2)	(0.5)	26.5	11.3	–	11.3
Dividends paid	(6)	–	–	–	–	–	(153.5)	(153.5)	(1.2)	(154.7)
Share-based payment transactions	(17)	–	–	4.6	–	–	–	4.6	–	4.6
Balance at 30 September 2017		3,436.8	(20.1)	26.9	(192.9)	(11.8)	1,514.2	4,753.1	6.0	4,759.1
Balance at 1 October 2017		**3,436.8**	**(20.1)**	**26.9**	**(192.9)**	**(11.8)**	**1,514.2**	**4,753.1**	**6.0**	**4,759.1**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**207.9**	**207.9**	**2.9**	**210.8**
Total other comprehensive income for the year		**–**	**35.7**	**–**	**108.9**	**(0.2)**	**1.9**	**146.3**	**–**	**146.3**
Dividends paid	(6)	**–**	**–**	**–**	**–**	**–**	**(157.4)**	**(157.4)**	**(2.4)**	**(159.8)**
Share buy-back	(7)	**(210.3)**	**–**	**–**	**–**	**–**	**–**	**(210.3)**	**–**	**(210.3)**
Purchased shares for IPL employees		**–**	**–**	**(5.1)**	**–**	**–**	**–**	**(5.1)**	**–**	**(5.1)**
Share-based payment transactions	(17)	**–**	**–**	**3.2**	**–**	**–**	**–**	**3.2**	**–**	**3.2**
Balance at 30 September 2018		**3,226.5**	**15.6**	**25.0**	**(84.0)**	**(12.0)**	**1,566.6**	**4,737.7**	**6.5**	**4,744.2**

Cash flow hedging reserve

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

Share-based payments reserve

This reserve comprises the fair value of rights recognised as an employee expense under the terms of the 2015/18, 2016/19 and 2017/20 Long Term Incentive Plans.

Foreign currency translation reserve

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

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

Fair value reserve

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

Non-controlling interest

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

Basis of preparation		52
Financial performance		
1	Segment report	53
2	Revenue and expenses	55
3	Taxation	56
4	Trade and other assets and liabilities	58
Shareholder returns		
5	Earnings per share	59
6	Dividends	59
Capital structure		
7	Contributed equity	60
8	Net debt	61
Capital investment		
9	Property, plant and equipment	63
10	Intangibles	64
11	Impairment of goodwill and non-current assets	65
12	Commitments	66
13	Equity accounted investments	67
14	Investments in subsidiaries, joint arrangements and associates	68
Risk management		
15	Provisions and contingencies	70
16	Financial risk management	71
Other		
17	Share-based payments	79
18	Key management personnel disclosures	79
19	Retirement benefit obligation	80
20	Deed of cross guarantee	81
21	Parent entity disclosure	81
22	Auditor’s remuneration	82
23	Events subsequent to reporting date	82

Notes to the Consolidated Financial Statements: Basis of preparation

For the year ended 30 September 2018

Basis of preparation and consolidation

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

The financial results and financial position of the Group are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The consolidated financial statements were authorised for issue by the directors on 13 November 2018.

Subsidiaries

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

A list of the Group's subsidiaries is included in note 14.

Joint arrangements and associates

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

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

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

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

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

A list of the Group's joint arrangements and associates is included in note 14.

Statement of compliance

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

Key estimates and judgments

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

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

Rounding of amounts

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

Accounting standards issued

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

AASB 9: *Financial Instruments* is mandatory for annual periods starting on or after 1 January 2018. The Group has early adopted this standard in the 2015 financial year.

The following relevant standards were available for early adoption but have not been applied by the Group:

- AASB 15: *Revenue from Contracts with Customers*
  Details of the expected impact of AASB 15 on the Group, when it is adopted, are included in note 2.
- AASB 16: *Leases*
  Details of the expected impact of AASB 16 on the Group, when it is adopted, are included in note 12.

1. Segment report

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

Description of reportable segments

Asia Pacific
Fertilisers is made up of the following reportable segments:

- Incitec Pivot Fertilisers (**IPF**): manufactures and distributes fertilisers in Eastern Australia. The products that IPF manufactures include urea, ammonia and single super phosphate. IPF also imports products from overseas suppliers and purchases ammonium phosphates from Southern Cross International for resale.
- Southern Cross International (**SCI**): manufactures ammonium phosphates and is a distributor of its manufactured fertiliser product to wholesalers in Australia (including IPF) and the export market. SCI operates the Industrial Chemicals business and also includes the Group's 65 percent share of the Hong Kong marketing company, Quantum Fertilisers Limited.

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

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

Asia Pacific Eliminations (**APAC Elim**): represent elimination of sales and profit in stock arising from IPF and SCI sales to DNAP at an arm's length transfer price.

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

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

Group Eliminations (**Group Elim**): represent elimination of sales and profit in stock arising from intersegment sales at an arm's length transfer price.

Reportable segments – financial information

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

(i) Corporate assets and liabilities include the Group's interest bearing liabilities and derivative assets and liabilities.
(ii) Earnings Before Interest, related income Tax expense, Depreciation and Amortisation and individually material items.
(iii) Earnings Before Interest, related income Tax expense and individually material items.
(iv) Profit after tax (excluding individually material items).
(v) Net segment assets excluding deferred tax balances.

Note 1

1. Segment report (continued)

Reportable segments – financial information (continued)

		Asia Pacific							Americas			
30 September 2017	Notes	IPF $mill	SCI $mill	Fertilisers Elim $mill	Total Fertilisers $mill	DNAP $mill	APAC Elim $mill	Total $mill	DNA $mill	Group Elim $mill	Corporate $mill	Consolidated Group $mill
Revenue from external customers	(2)	1,010.3	553.3	(213.8)	1,349.8	933.2	(19.2)	2,263.8	1,251.4	(41.8)	–	3,473.4
Share of profits of equity accounted investments	(13)	–	–	–	–	16.0	–	16.0	23.9	–	–	39.9
EBITDA		84.9	85.0	1.2	171.1	273.3	–	444.4	348.7	0.3	(18.9)	774.5
Depreciation and amortisation	(2)	(28.1)	(39.1)	–	(67.2)	(84.3)	–	(151.5)	(120.3)	–	(1.5)	(273.3)
EBIT		56.8	45.9	1.2	103.9	189.0	–	292.9	228.4	0.3	(20.4)	501.2
Net interest expense												(108.7)
Income tax expense	(3)											(70.9)
Profit after tax												321.6
Non-controlling interest												(2.9)
Profit attributable to members of IPL												318.7
Segment assets		696.8	503.5	–	1,200.3	2,870.0	–	4,070.3	4,021.8	–	708.0	8,800.1
Segment liabilities		(495.0)	(123.7)	–	(618.7)	(250.6)	–	(869.3)	(484.2)	–	(2,200.0)	(3,553.5)
Net segment assets		201.8	379.8	–	581.6	2,619.4	–	3,201.0	3,537.6	–	(1,492.0)	5,246.6
Deferred tax balances	(3)											(487.5)
Net assets												4,759.1

Geographical information – secondary reporting segments

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

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

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

30 September 2017	Australia $mill	USA $mill	Canada $mill	Turkey $mill	Other/Elim $mill	Consolidated $mill
Revenue from external customers	2,155.2	1,046.8	173.4	61.6	36.4	3,473.4
Non-current assets other than financial assets and deferred tax assets	3,513.5	3,634.9	55.5	1.4	123.2	7,328.5
Trade and other receivables	171.3	71.5	40.8	16.9	42.3	342.8

2. Revenue and expenses

	Notes	2018 $mill	2017 $mill
Revenue			
External sales		**3,856.3**	3,473.4
Total revenue		**3,856.3**	3,473.4
Financial income			
Interest income		**5.5**	5.3
Other income			
Income from delay damages		**–**	47.2
Royalty income and management fees	(13)	**29.4**	23.2
Net gain on sale of property, plant and equipment		**2.4**	19.8
Other income from operations		**6.7**	6.8
Total financial and other income		**44.0**	102.3

Expenses

Profit before income tax includes the following specific expenses:

	Notes	2018 $mill	2017 $mill
Depreciation and amortisation			
depreciation	(9)	**271.5**	249.6
amortisation	(10)	**22.8**	23.7
Total depreciation and amortisation		**294.3**	273.3
Recoverable amount write-down			
property, plant and equipment	(9)	**4.0**	4.7
intangible assets	(10)	**236.6**	–
Total recoverable amount write-down		**240.6**	4.7
Amounts set aside to provide for:			
impairment losses on trade and other receivables	(4)	**4.9**	5.6
inventory losses and obsolescence	(4)	**3.2**	1.1
employee entitlements	(15)	**6.4**	0.6
environmental liabilities	(15)	**3.5**	0.4
legal and other provisions	(15)	**1.8**	2.4
restructuring and rationalisation costs	(15)	**0.4**	0.4
Research and development expense		**12.6**	11.9
Defined contribution superannuation expense		**31.0**	28.1
Defined benefit superannuation expense	(19)	**3.1**	4.6
Financial expenses			
Unwinding of discount on provisions	(15)	**4.4**	4.9
Net interest expense on defined benefit obligation	(19)	**1.2**	2.9
Interest expenses on financial liabilities		**127.9**	106.2
Total financial expenses		**133.5**	114.0

Individually material items

Profit includes the following benefits/(expenses) whose disclosure is relevant in explaining the financial performance of the Group:

	September 2018		
	Gross $mill	Tax $mill	Net $mill
Tax restatement[1]	–	96.5	96.5
Impairment of goodwill[2]	(236.0)	–	(236.0)
	(236.0)	96.5	(139.5)

(1) On 22 December 2017, the US government enacted tax reform legislation which reduced the US federal tax rate from 35% to 21%, effective 1 January 2018. As a result, the Group recognised a one-off benefit of $96.5m arising from the restatement of its US net deferred tax liabilities.
(2) Impairment of goodwill relating to the DNAP CGU as set out in note 11.

Key accounting policies

Revenue

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

Sale of goods: revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the buyer and where the costs incurred or to be incurred can be measured reliably.

Take-or-pay revenue: revenue is recognised in line with the sale of goods policy. In circumstances where goods are not taken by the customer, revenue is recognised when the likelihood of the customer meeting its obligation to 'take goods' becomes remote.

Services: revenue is recognised once the service is delivered. The fee for the service component is recognised separately from the sale of goods.

Interest income is recognised as it accrues using the effective interest method.

Issued Accounting Standards not early adopted

AASB 15 *Revenue from Contracts with Customers* establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard requires the identification of distinct performance obligations in a contract and an allocation of the transaction price to these performance obligations. Per the standard, revenue should only be recognised when the performance obligation is satisfied and the control of the goods or services is transferred to the customer. Currently the Group recognises revenue from the sale of goods at the time that control is transferred to the customer. Services revenue is recognised separate from the sale of goods, when the service obligation is satisfied. Based on assessment of the Group's revenue streams, contracts with customers and existing revenue recognition policies against the requirements of AASB 15, the impact of the new standard on the recognition and reporting of the Group's revenue is not considered material. The first application date for the Group is the financial year ending 30 September 2019.

Note 2
Note 3

2. Revenue and expenses (continued)

Key accounting policies (continued)

Goods and services tax

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

Other income

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

3. Taxation

Income tax expense for the year

	2018 $mill	2017 $mill
Current tax expense		
Current year	**59.6**	26.3
Adjustments in respect of prior years	**(2.8)**	2.9
	56.8	29.2
Deferred tax expense		
Current year	**21.6**	41.9
Adjustments in respect of prior years	**–**	(0.2)
Income tax expense (excluding IMIs)	**78.4**	70.9
Tax rate change	**(96.5)**	–
Total income tax (benefit)/expense	**(18.1)**	70.9

Income tax reconciliation to prima facie tax payable

	2018 $mill	2017 $mill
Profit before income tax	**192.7**	392.5
Tax at the Australian tax rate of 30% (2017: 30%)	**57.8**	117.8
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other foreign deductions	**(32.2)**	(30.1)
Joint venture income	**(13.0)**	(12.0)
Sundry items	**9.5**	(7.9)
Tax rate change	**(96.5)**	–
Goodwill impairment	**70.8**	–
Difference in overseas tax rates	**(11.7)**	0.4
Adjustments in respect of prior years	**(2.8)**	2.7
Income tax (benefit)/expense attributable to profit	**(18.1)**	70.9

Tax amounts recognised directly in equity

The aggregate current and deferred tax arising in the financial year and not recognised in net profit or loss but directly charged to equity is $36.5m for the year ended 30 September 2018 (2017: debit of $13.4m).

Net deferred tax assets/(liabilities)

Deferred tax balances comprise temporary differences attributable to the following:

	2018 $mill	2017 $mill
Employee entitlements provision	**16.1**	15.4
Retirement benefit obligations	**8.9**	13.4
Provisions and accruals	**43.2**	44.4
Tax losses	**90.3**	68.7
Property, plant and equipment	**(442.1)**	(460.2)
Intangible assets	**(99.4)**	(134.5)
Joint venture income	**(9.0)**	(13.0)
Derivatives	**(69.2)**	(40.7)
Other	**(4.7)**	19.0
Net deferred tax liabilities	**(465.9)**	(487.5)
Presented in the Statement of Financial Position as follows:		
Deferred tax assets	**17.0**	21.6
Deferred tax liabilities	**(482.9)**	(509.1)
Net deferred tax liabilities	**(465.9)**	(487.5)

3. Taxation (continued)

Movements in net deferred tax liabilities

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

	2018 $mill	2017 $mill
Opening balance at 1 October	**(487.5)**	(439.7)
Debited to the profit or loss	**(21.6)**	(41.9)
Charged to equity	**(36.5)**	(13.4)
Foreign exchange movements	**(16.8)**	7.3
Tax rate change	**96.5**	–
Adjustments in respect of prior years	**–**	0.2
Closing balance at 30 September	**(465.9)**	(487.5)

Key accounting policies

Income tax expense

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

Current tax

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

Deferred tax

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

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

Offsetting tax balances

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

Tax consolidation

For details on the Company's tax consolidated group refer to note 21.

Key estimates and judgments

Uncertain tax matters

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

Note 4

4. Trade and other assets and liabilities

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

30 September 2018	Trade $mill	Other $mill	Total $mill
Inventories	**494.9**	**–**	**494.9**
Receivables	**289.2**	**34.9**	**324.1**
Payables	**(835.9)**	**(222.7)**	**(1,058.6)**
	(51.8)	**(187.8)**	**(239.6)**

30 September 2017	Trade $mill	Other $mill	Total $mill
Inventories	388.6	–	388.6
Receivables	310.7	32.1	342.8
Payables	(749.8)	(308.8)	(1,058.6)
	(50.5)	(276.7)	(327.2)

Inventory by category:

	2018 $mill	2017 $mill
Raw materials and stores	**101.8**	88.5
Work-in-progress	**55.2**	45.7
Finished goods	**348.5**	262.8
Provisions	**(10.6)**	(8.4)
Total inventory balance	**494.9**	388.6

Provision movement:

30 September 2018	Trade receivables $mill	Inventories $mill
Carrying amount at 1 October 2017	**(31.6)**	**(8.4)**
Provisions made during the year	**(4.9)**	**(3.2)**
Provisions written back during the year	**4.5**	**0.5**
Amounts written off against provisions	**0.7**	**0.7**
Foreign exchange rate movements	**2.6**	**(0.2)**
Carrying amount at 30 September 2018	**(28.7)**	**(10.6)**

Receivables ageing and provision for impairment

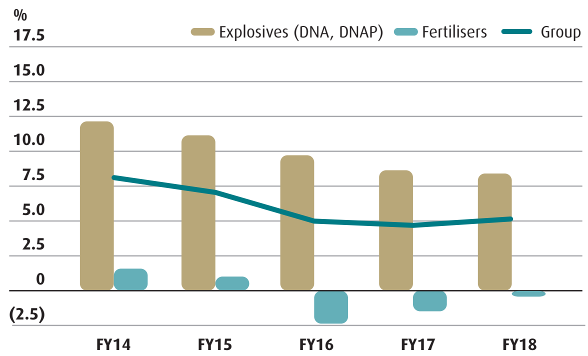
Included in the following table is an age analysis of the Group's trade receivables, along with impairment provisions against these balances at 30 September:

30 September 2018	Gross $mill	Impairment $mill	Net $mill
Current	**283.6**	**(1.6)**	**282.0**
30–90 days	**5.2**	**(0.9)**	**4.3**
Over 90 days	**29.1**	**(26.2)**	**2.9**
Total	**317.9**	**(28.7)**	**289.2**

30 September 2017	Gross $mill	Impairment $mill	Net $mill
Current	295.2	(1.0)	294.2
30–90 days	13.9	(0.8)	13.1
Over 90 days	33.2	(29.8)	3.4
Total	342.3	(31.6)	310.7

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

13 month rolling average trade working capital/ Annual net revenue



Key accounting policies

Inventories

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

Trade and other receivables

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

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

Trade and other payables

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

Key estimates and judgments

The expected impairment loss calculation for trade receivables considers the impact of past events, and exercises judgment over the impact of current and future economic conditions when considering the recoverability of outstanding trade receivable balances at the reporting date. Subsequent changes in economic and market conditions may result in the provision for impairment losses increasing or decreasing in future periods.

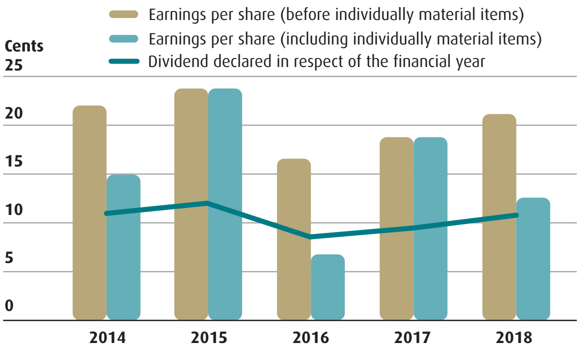
5. Earnings per share

	2018 Cents per share	2017 Cents per share
Basic earnings per share		
including individually material items	**12.5**	18.9
excluding individually material items	**20.9**	18.9
Diluted earnings per share		
including individually material items	**12.5**	18.8
excluding individually material items	**20.8**	18.8
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,664,616,914**	1,687,170,521
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**1,667,794,091**	1,691,087,236

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

	2018 $mill	2017 $mill
Profit attributable to ordinary shareholders	**207.9**	318.7
Individually material items after income tax	**139.5**	–
Profit attributable to ordinary shareholders excluding individually material items	**347.4**	318.7

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



6. Dividends

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

	2018 $000	2017 $000
Ordinary shares		
Final dividend of 4.6 cents per share, unfranked, paid 13 December 2016	–	77,610
Interim dividend of 4.5 cents per share, unfranked, paid 3 July 2017	–	75,923
Final dividend of 4.9 cents per share, unfranked, paid 19 December 2017	**82,671**	–
Interim dividend of 4.5 cents per share, unfranked, paid 2 July 2018	**74,749**	–
Total ordinary share dividends	**157,420**	153,533

Since the end of the financial year, the directors have determined to pay a final dividend of 6.2 cents per share, 20 percent franked, to be paid on 17 December 2018. The total dividend payment based on the issued ordinary shares as at 30 September 2018 will be $101.1m.

The financial effect of this dividend has not been recognised in the 2018 Consolidated Financial Statements.

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

Franking credits

Franking credits available to shareholders of the Company were $9.5m (2017: $0.4m). The final dividend for 2018 is 20 percent franked.

Key accounting policies

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

Note 5

Note 6

7. Contributed equity

Capital management

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

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

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

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

- change the amount of dividends paid to shareholders;
- return capital or issue new shares to shareholders;
- vary discretionary capital expenditure;
- raise new debt funding or repay existing debt balances; and
- draw down additional debt or sell non-core assets to reduce debt.

Key financial metrics

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

	Target range	2018	2017
Net debt/EBITDA (times)	**equal or less than 2.5**	**1.6**	1.7
Interest cover (times)	**equal or more than 6.0**	**7.3**	7.9

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

Self-insurance

The Group also self-insures for certain insurance risks under the Singapore Insurance Act. Under this Act, authorised general insurer, Coltivi Insurance Pte Limited (the Group's self-insurance company), is required to maintain a minimum amount of capital. For the financial year ended 30 September 2018, Coltivi Insurance Pte Limited maintained capital in excess of the minimum requirements prescribed under this Act.

Issued capital

Ordinary shares

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

Issued capital as at 30 September 2018 amounted to $3,226.5m on 1,630,213,573 ordinary shares (2017: 1,687,170,521). On 14 November 2017, the Company announced an on-market share buy-back of up to $300.0m to be conducted over a twelve month period. During the financial year ended 30 September 2018, the Company bought back and cancelled 56,956,948 shares at an average price per share of $3.693. On 22 October 2018, the Company announced the extension of its on-market share buyback for a further 12 months from 29 November 2018 to 28 November 2019.

8. Net debt

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

	Notes	2018 $mill	2017 $mill
Interest bearing liabilities		**2,374.8**	2,224.1
Cash and cash equivalents		**(588.5)**	(627.9)
Fair value of derivatives	(16)	**(414.7)**	(304.3)
Net debt		**1,371.6**	1,291.9

At 30 September 2018, the Group's Net debt/EBITDA before individually material items was 1.6 times (2017: 1.7 times). Refer note 7 for detail on the key financial metrics related to the Group's capital structure.

Interest bearing liabilities

The Group's interest bearing liabilities are unsecured and expose it to various market and liquidity risks. Details of these risks and their mitigation are included in note 16.

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

	2018 $mill	2017 $mill
Current		
Other loans	**1.3**	1.3
Loans from joint ventures	**11.8**	10.8
Fixed interest rate bonds	**199.8**	–
	212.9	12.1
Non-current		
Other loans	**4.5**	5.4
Bank facilities	**499.6**	472.4
Fixed interest rate bonds	**1,657.8**	1,734.2
	2,161.9	2,212.0
Total interest bearing liabilities	**2,374.8**	2,224.1

Fixed interest rate bonds

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

- USD800m 10 year bonds on issue in the US 144A/ Regulation S debt capital market. The bonds have a fixed rate semi-annual coupon of 6 percent and mature in December 2019.
- AUD200m 5.5 year bonds on issue in the Australian debt capital market. The bonds have a fixed rate semi-annual coupon of 5.75 percent and mature in February 2019.
- USD400m 10 year bonds on issue in the Regulation S debt capital market. The bonds have a fixed rate semi-annual coupon of 3.95 percent and mature in August 2027.

Bank facilities

The Group holds the following bank facilities:

- 3 year facility domiciled in Australia, entered into in August 2018, consisting of two tranches: Tranche A has a limit of AUD260m and Tranche B has a limit of USD220m. The facility matures in August 2021; and
- 5 year facility of USD500m domiciled in the USA, entered into in August 2015, with an initial maturity of August 2020. In 2017 the maturity was extended to October 2021.

Tenor of interest bearing liabilities

The Group's average tenor of its interest bearing liabilities at 30 September 2018 is 3.3 years (2017: 3.6 years).

Note 8

The table below includes detail on the movements in the Group's interest bearing liabilities for the year ended 30 September 2018:

			Cash flow	Non-cash changes				
	Notes	1 October 2017 $mill	Financing activities Proceeds/ (Repayments) $mill	Reclassification $mill	Foreign exchange movement $mill	Fair value adjustment $mill	Funding costs amortisation $mill	30 September 2018 $mill
Current								
Other loans		1.3	(1.3)	1.3	–	–	–	1.3
Loans from joint ventures	(13)	10.8	–	–	1.0	–	–	11.8
Bank facilities		–	(503.0)	474.9	27.6	–	0.5	–
Fixed interest rate bonds		–	–	200.0	–	(0.5)	0.3	199.8
Non-current								
Other loans		5.4	–	(1.3)	0.4	–	–	4.5
Bank facilities		472.4	501.4	(474.9)	–	–	0.7	499.6
Fixed interest rate bonds		1,734.2	–	(200.0)	134.8	(13.3)	2.1	1,657.8
Total liabilities from financing activities		**2,224.1**	**(2.9)**	**–**	**163.8**	**(13.8)**	**3.6**	**2,374.8**
Derivatives held to hedge interest bearing liabilities	(16)	(304.3)	–	–	(118.0)	7.6	–	(414.7)
Debt after hedging		**1,919.8**	**(2.9)**	**–**	**45.8**	**(6.2)**	**3.6**	**1,960.1**

8. Net debt (continued)

Interest bearing liabilities (continued)

Interest rate profile

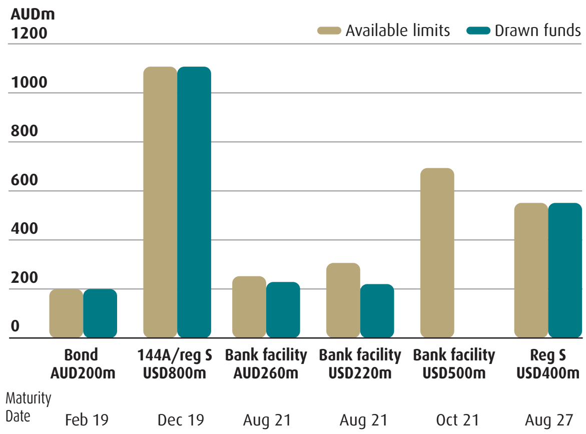
The table below summarises the Group's interest rate profile of its interest bearing liabilities, net of hedging, at 30 September:

	2018 $mill	2017 $mill
Fixed interest rate financial instruments	**1,931.8**	1,984.3
Variable interest rate financial instruments	**443.0**	239.8
	2,374.8	2,224.1

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

Funding profile

The graph below details the Group's available funding limits, its maturity dates and drawn funds at 30 September 2018:



The Group has undrawn financing facilities of $756.0m (2017: $798.4m) at 30 September 2018.

Cash and cash equivalents

Cash and cash equivalents at 30 September 2018 were $588.5m (2017: $627.9m) and consisted of cash at bank of $126.8m (2017: $245.8m) and short term investments of $461.7m (2017: $382.1m).

Key accounting policies

Interest bearing liabilities

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

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

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

Cash and cash equivalents

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

Borrowing costs

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

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

9. Property, plant and equipment

	Notes	Freehold land and buildings $mill	Machinery, plant and equipment $mill	Work in progress $mill	Total $mill
At 1 October 2016					
Cost		796.1	3,489.2	1,236.7	5,522.0
Accumulated depreciation		(255.0)	(1,374.3)	–	(1,629.3)
Net book amount		541.1	2,114.9	1,236.7	3,892.7
Year ended 30 September 2017					
Opening net book amount		541.1	2,114.9	1,236.7	3,892.7
Additions		17.2	54.3	212.3	283.8
Subsidiaries acquired		0.7	3.8	–	4.5
Disposals		(15.9)	(7.5)	–	(23.4)
Depreciation	(2)	(28.2)	(221.4)	–	(249.6)
Impairment of assets	(2)	–	(4.7)	–	(4.7)
Reclassification from work in progress		131.8	1,202.9	(1,334.7)	–
Foreign exchange movement		(6.8)	(40.1)	(1.6)	(48.5)
Closing net book amount		639.9	3,102.2	112.7	3,854.8
At 30 September 2017					
Cost		910.5	4,608.4	112.7	5,631.6
Accumulated depreciation		(270.6)	(1,506.2)	–	(1,776.8)
Net book amount		639.9	3,102.2	112.7	3,854.8
Year ended 30 September 2018					
Opening net book amount		**639.9**	**3,102.2**	**112.7**	**3,854.8**
Additions		**6.0**	**13.7**	**245.2**	**264.9**
Subsidiaries acquired		**1.9**	**3.1**	**–**	**5.0**
Disposals		**–**	**(3.8)**	**–**	**(3.8)**
Depreciation	(2)	**(27.4)**	**(244.1)**	**–**	**(271.5)**
Impairment of assets	(2)	**–**	**(4.0)**	**–**	**(4.0)**
Reclassification from work in progress		**28.1**	**224.9**	**(253.0)**	**–**
Foreign exchange movement		**20.6**	**134.4**	**3.9**	**158.9**
Closing net book amount		**669.1**	**3,226.4**	**108.8**	**4,004.3**
At 30 September 2018					
Cost		**969.2**	**4,934.2**	**108.8**	**6,012.2**
Accumulated depreciation		**(300.1)**	**(1,707.8)**	**–**	**(2,007.9)**
Net book amount		**669.1**	**3,226.4**	**108.8**	**4,004.3**

Note 9

Key accounting policies

Property, plant and equipment is measured at cost, less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Property, plant and equipment is subject to impairment testing. For details of impairment of assets, refer note 11.

Depreciation

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

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

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

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

Note 10

10. Intangibles

	Notes	Software $mill	Goodwill $mill	Patents, trademarks & customer contracts $mill	Brand names $mill	Total $mill
At 1 October 2016						
Cost		96.5	2,770.2	276.6	287.0	3,430.3
Accumulated amortisation		(80.8)	–	(167.0)	–	(247.8)
Net book amount		15.7	2,770.2	109.6	287.0	3,182.5
Year ended 30 September 2017						
Opening net book amount		15.7	2,770.2	109.6	287.0	3,182.5
Additions		9.3	–	–	–	9.3
Subsidiaries acquired		–	1.5	1.1	–	2.6
Amortisation	(2)	(5.9)	–	(17.8)	–	(23.7)
Foreign exchange movement		(0.7)	(40.0)	(2.0)	(7.0)	(49.7)
Closing net book amount		18.4	2,731.7	90.9	280.0	3,121.0
At 30 September 2017						
Cost		102.7	2,731.7	271.9	280.0	3,386.3
Accumulated amortisation		(84.3)	–	(181.0)	–	(265.3)
Net book amount		18.4	2,731.7	90.9	280.0	3,121.0
Year ended 30 September 2018						
Opening net book amount		**18.4**	**2,731.7**	**90.9**	**280.0**	**3,121.0**
Additions		**32.0**	**–**	**–**	**–**	**32.0**
Subsidiaries acquired		**–**	**0.1**	**2.2**	**–**	**2.3**
Impairment of assets	(2)	**(0.6)**	**(236.0)**	**–**	**–**	**(236.6)**
Amortisation	(2)	**(4.2)**	**–**	**(18.6)**	**–**	**(22.8)**
Foreign exchange movement		**0.9**	**122.6**	**5.9**	**21.3**	**150.7**
Closing net book amount		**46.5**	**2,618.4**	**80.4**	**301.3**	**3,046.6**
At 30 September 2018						
Cost		**136.5**	**2,618.4**	**292.3**	**301.3**	**3,348.5**
Accumulated amortisation		**(90.0)**	**–**	**(211.9)**	**–**	**(301.9)**
Net book amount		**46.5**	**2,618.4**	**80.4**	**301.3**	**3,046.6**

Allocation of indefinite life intangible assets

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

30 September 2018	Goodwill $mill	Brand names $mill	Total $mill
Incitec Pivot Fertilisers (**IPF**)	**183.8**	**–**	**183.8**
Southern Cross International (**SCI**)	**2.5**	**–**	**2.5**
Dyno Nobel Asia Pacific (**DNAP**)	**908.5**	**40.3**	**948.8**
Dyno Nobel Americas (**DNA**)	**1,523.6**	**261.0**	**1,784.6**
	2,618.4	**301.3**	**2,919.7**

30 September 2017	Goodwill $mill	Brand names $mill	Total $mill
Incitec Pivot Fertilisers (**IPF**)	183.8	–	183.8
Southern Cross International (**SCI**)	2.4	–	2.4
Dyno Nobel Asia Pacific (**DNAP**)	1,144.5	40.3	1,184.8
Dyno Nobel Americas (**DNA**)	1,401.0	239.7	1,640.7
	2,731.7	280.0	3,011.7

Key accounting policies

Goodwill

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

Brand names

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

Other intangible assets

Other intangible assets acquired by the Group have finite lives. They are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

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

Amortisation

Goodwill and brand names are not amortised.

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

- Software 3 – 7 years
- Product trademarks 4 – 10 years
- Patents 13 – 15 years
- Customer contracts 10 – 17 years

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

11. Impairment of goodwill and non-current assets

During 2018, the Group has identified the following indicators of impairment:

- Availability of committed sources of natural gas at economically viable prices in Australia; and
- Decline of explosives product and services margins in Australia.

Impairment testing of goodwill

At the half year, the recoverable amount of the DNAP CGU was lower than its carrying amount. This was as a result of the impact of IPL ceasing to be the contracted supplier of explosive products to key customers in Western Australia; the general forecast decline in product and services margins; and the long term gas production cost forecast.

As a result, the Group recognised an impairment of $236.0m at 31 March 2018 against goodwill relating to the DNAP CGU.

The Group's impairment testing at 30 September 2018 resulted in no further impairment of any CGU.

Key assumptions

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

Key assumptions	1 – 5 years		Terminal value (after 5 years)	
	2018	2017	**2018**	2017
	US$	US$	**US$**	US$
DAP(1)	**380 to 463**	321 to 410	**523**	474
Urea(2)	**260 to 343**	230 to 320	**366**	322
Gas (DNA CGU)(3)	**3.00 to 3.45**	3.11 to 3.15	**3.43**	3.22
Ammonia(4)	**300 to 389**	250 to 372	**406**	422
AUD:USD(5)	**0.75 to 0.76**	0.76 to 0.77	**0.75**	0.76
	AU$	AU$	**AU$**	AU$
Gas (DNAP CGU)(6)	**4.49 to 4.91**	4.41 to 4.75	**6.70**	5.30

(1) Di-Ammonium Phosphate price (FOB Tampa – USD per tonne).
(2) Granular Urea price (FOB Middle East – USD per tonne).
(3) Henry Hub natural gas price (USD per mmbtu).
(4) Ammonia price (CFR Tampa – USD per tonne).
(5) AUD:USD exchange rate.
(6) Long term gas production cost forecast, relating to DNAP's Moranbah plant (AUD per gigajoule).

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

Discount and growth rates

The post-tax discount rate used in the calculations is 9% (2017: 9%) for the IPF and SCI CGUs and 8.5% for the DNA and DNAP CGUs (2017: 8.5%). The rate reflects the underlying cost of capital adjusted for market and asset specific risks.

In relation to the DNAP CGU, the short to medium term growth rate assumption is -3.4% (2017: +1.2%)

The terminal value growth rate represents the forecast consumer price index (**CPI**) of 2.5% (2017: 2.5%) for all CGUs.

Sensitivity analyses

Included in the table below is a sensitivity analysis of the recoverable amounts and, where applicable, the impairment charge considering reasonable change scenarios relating to key assumptions at 30 September 2018:

	Post-tax discount rate	Short to medium term average growth rate	Terminal value growth rate	Natural gas price
	+0.5%	**-1.0%**	**-1.0%**	**+AU$1 per gigajoule**
DNAP	**$mill**	**$mill**	**$mill**	**$mill**
– Fair value less cost of disposal	(179.8)	(134.0)	(273.9)	(47.9)
– Impairment charge	(146.9)	(101.1)	(241.0)	(15.0)
	Post-tax discount rate	Ammonia price	Terminal value growth rate	Natural gas price
	+0.5%	**-US$50 per tonne**	**-1.0%**	**+US$1 per mmbtu**
DNA	**$mill**	**$mill**	**$mill**	**$mill**
– Value-in-use	(247.8)	(384.7)	(353.3)	(364.4)
– Impairment charge	–	–	–	–
	Post-tax discount rate	AUD:USD exchange rate	Terminal value growth rate	DAP Price
	+0.5%	**+5c**	**-1.0%**	**-US$50 per tonne**
SCI	**$mill**	**$mill**	**$mill**	**$mill**
– Value-in-use	(53.6)	(335.3)	(75.1)	(576.9)
– Impairment charge	–	–	–	(190.2)

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

Impairment of other property, plant and equipment

During the year ended 30 September 2018 property, plant and equipment was impaired by $4.0m (2017: $4.7m) as a result of the Group's fixed asset verification procedures and the abandonment of certain assets.

As at 31 March 2016, the Group recognised a non-cash impairment charge of $150.8m against the Gibson Island assets largely due to the impact of lower forecast fertiliser prices and higher cost of natural gas delivered to the Australian East Coast.

On 25 June 2018, the Group announced that it had entered into a joint operation with Central Petroleum Limited for the development of acreage in Queensland that could deliver economic gas to the Gibson Island manufacturing facility. Any potential reversal of the previous impairment will be dependent on the outcome of the drilling activities and other economic factors at the time. In the event that Gibson Island's manufacturing operations were to cease, the latest estimate of closure costs is approximately $70m. Proceeds from the sale of excess land at Gibson Island, that could be available for sale in the event of a plant closure, are estimated at approximately $60m depending on the ongoing operational requirements at the site. It is noted that the timing of cash flows from closing costs and proceeds from the sale of land may differ depending on market conditions.

Key accounting policies

Impairment testing

The Group performs annual impairment testing as at 30 September for intangible assets with indefinite useful lives. More frequent reviews are performed for indicators of impairment of all the Group's assets, including operating assets. The identification of impairment indicators involves management judgement. Where an indicator of impairment is identified, a formal impairment assessment is performed.

The Group's annual impairment testing determines whether the recoverable amount of a CGU or group of CGUs, to which goodwill and/or indefinite life intangible assets are allocated, exceeds its carrying amount.

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

Key accounting policies (continued)

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

Determining the recoverable amount

The recoverable amount of an asset is determined as the higher of its fair value less cost of disposal and its value-in-use. Value-in-use is a term that means an asset's value based on the expected future cash flows arising from its continued use in its current condition, discounted to present value. For discounting purposes, a post-tax rate is used that reflects current market assessments of the risks specific to the asset.

Impairment testing is performed using five year discounted cash flow models based on Board approved forecasts. Cash flows beyond the five year period are extrapolated using a terminal value growth rate.

The Group has prepared value-in-use models for all CGUs, with the exception of the DNAP CGU. For the DNAP CGU, the Group prepared a fair value less cost of disposal model to determine the recoverable amount. The fair value less cost of disposal was determined as the present value of the estimated future cash flows expected to arise from the continued use of the assets, including the cash flow effects of growth capital expenditure to enhance production and reduce cost, less costs of disposal. The fair value measurement is categorised as a level 3 valuation model as the expected future cash flows incorporate inputs that are not based on observable market data (refer note 16: Financial risk management for explanation of the valuation hierarchy).

Impairment losses

An impairment loss is recognised whenever the carrying amount of an asset (or its CGU) exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of CGUs are allocated against assets in the following order:

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

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

Key estimates and judgments

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

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

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

12. Commitments

Capital expenditure commitments

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

	2018 $mill	2017 $mill
no later than one year	**84.2**	25.2
later than one, no later than five years	**–**	–
	84.2	25.2

Lease commitments

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

	2018 $mill	2017 $mill
no later than one year	**40.9**	44.8
later than one, no later than five years	**99.6**	85.5
later than five years	**101.0**	77.8
	241.5	208.1

Key accounting policies

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

Finance leases

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

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

Operating leases

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

Issued standards not early adopted

AASB 16: *Leases* specifies how to recognise, measure and disclose leases. At the reporting date the Group has non-cancellable operating lease commitments of $241.5m. Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. The Group does not currently intend to bring short term leases (12 months or less) or low value leases on balance sheet. The first application date for the Group is the financial year ending 30 September 2020. Some of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made as the Group moves closer to the expiry date of these leases.

Note 11
Note 12

12. Commitments (continued)

Key accounting policies (continued)

As such the Group has not finalised its quantification of the effect of the new standard. However, the following impacts are expected:

- The total assets and total liabilities on the balance sheet will increase. However total net assets are expected to decrease as the right-of-use asset is depreciated on a straight-line basis whilst the liability reduces by the principal amount of repayments after the impact of interest.
- Operating lease expenses will be replaced by a depreciation charge for the right-of-use asset and interest expense on the lease liabilities.
- Repayment of the principal portion of the lease liabilities will be classified as financing activities in the Statement of Cash flows. Currently, operating lease payments are classified as operating activities.

To date work on the new lease standard has focused on the identification and understanding of the provisions of the standards, impact analysis and the review of system requirements. Work on these matters and their resolution will continue during 2019.

13. Equity accounted investments

The Group has performed an analysis of the statements of financial position and the results of each of its joint ventures and associates (as listed in note 14) at 30 September 2018 and considers them to be individually immaterial to the Group. As a result, no individual disclosures are included for the Group's investments in joint ventures and associates.

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

Carrying amount of joint ventures and associates

	Notes	2018 $mill	2017 $mill
Carrying amount at 1 October		**316.9**	318.0
Share of net profit		**44.7**	39.9
Share in joint ventures acquired during the year	(14)	**–**	5.6
Share in joint venture transferred to controlled entities	(14)	**(5.7)**	(7.2)
Dividends received/receivable		**(29.9)**	(34.9)
Foreign exchange movement		**10.1**	(4.5)
Carrying amount at 30 September		**336.1**	316.9
Carrying amount of investments in:			
Joint ventures		**274.2**	265.2
Associates		**61.9**	51.7
Carrying amount of investments in joint ventures and associates		**336.1**	316.9

Transactions between subsidiaries of the Group and joint ventures and associates

	2018 $mill	2017 $mill
Sales of goods/services	**374.6**	335.1
Purchase of goods/services	**(34.6)**	(26.5)
Management fees/royalties	**29.4**	23.2
Interest income	**0.5**	0.5
Interest expense	**(0.4)**	(0.2)
Dividend income	**29.9**	34.9

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

Outstanding balances arising from transactions with joint ventures and associates

	2018 $mill	2017 $mill
Amounts owing to related parties	**3.1**	2.1
Amounts owing from related parties	**50.0**	51.1
Loans with joint ventures and associates		
Loans to joint ventures and associates	**13.1**	15.0
Loans from joint ventures and associates	**11.8**	10.8

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

Note 12
Note 13

14. Investments in subsidiaries, joint arrangements and associates

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

Subsidiaries

Name of entity	Ownership interest
Company	
Incitec Pivot Limited[1]	
Controlled Entities – operating	
Incorporated in Australia	
Incitec Fertilizers Pty Limited[1]	100%
TOP Australia Pty Limited[1]	100%
Southern Cross Fertilisers Pty Ltd[1]	100%
Southern Cross International Pty Ltd[1]	100%
Incitec Pivot LTI Plan Company Pty Limited	100%
Incitec Pivot Explosives Holdings Pty Limited[1]	100%
Queensland Operations Pty Limited	100%
Incitec Pivot Investments 1 Pty Ltd[1]	100%
Incitec Pivot Investments 2 Pty Ltd	100%
Incitec Pivot US Holdings Pty Ltd	100%
Incitec Pivot Finance Australia Pty Ltd[1]	100%
Dyno Nobel Pty Limited	100%
Dyno Nobel Europe Pty Ltd	100%
Dyno Nobel Management Pty Limited	100%
Industrial Investments Australia Finance Pty Limited	100%
Dyno Nobel Asia Pacific Pty Limited[1]	100%
Dampier Nitrogen Pty Ltd	100%
DNX Australia Pty Ltd[1]	100%
Dyno Nobel Moranbah Pty Ltd[1]	100%
Dyno Nobel Moura Pty Limited[1]	100%
Incitec Pivot Queensland Gas Pty Ltd[2]	100%
Incorporated in USA	
Incitec Pivot US Investments	100%
Incitec Pivot Management LLC	100%
Incitec Pivot Finance LLC	100%
Dyno Nobel Australia LLC	100%
The Dyno Nobel SPS LLC	100%
Dyno Nobel Holdings IV LLC	100%
Dyno Nobel Holdings USA III, Inc.	100%
Dyno Nobel Holdings USA II	100%
Dyno Nobel Holdings USA II, Inc.	100%
Dyno Nobel Holdings USA, Inc.	100%
Dyno Nobel Inc.	100%
Dyno Nobel Transportation Inc.	100%
Simsbury Hopmeadow Street LLC	100%
Dyno Nobel Holdings V LLC	100%
Tradestar Corporation	100%
CMMPM, LLC	100%
CMMPM Holdings L.P.	100%
Dyno Nobel Louisiana Ammonia, LLC	100%
Nobel Labs, LLC	100%
Midland Powder LLC	100%
Mine Equipment & Mill Supply Company	100%
Controlled Explosives Inc.	100%
Drisk Insurance Inc.[2]	100%
Boren Explosives Co., Inc.[3]	100%

Name of entity	Ownership interest
Controlled Entities – operating (continued)	
Incorporated in Canada	
Dyno Nobel Canada Inc.	100%
Dyno Nobel Transportation Canada Inc.	100%
Dyno Nobel Nunavut Inc.	100%
Incitec Pivot Finance Canada Inc.	100%
Polar Explosives 2000 Inc.	100%
Dene Dyno Nobel (Polar) Inc.	84%
Dyno Nobel Waggaman Inc.	100%
Incorporated in Hong Kong	
Incitec Pivot Holdings (Hong Kong) Limited	100%
TinLinhe Nitrogen Limited	100%
Quantum Fertilisers Limited	65%
Incorporated in Singapore	
Coltivi Insurance Pte Limited	100%
Incorporated in Chile	
Dyno Nobel Explosivos Chile Limitada	100%
Incorporated in Peru	
Dyno Nobel Peru S.A.	100%
Incorporated in Mexico	
Dyno Nobel Mexico, S.A. de C.V.[4]	99%
Incorporated in Papua New Guinea	
DNX Papua New Guinea Ltd[4]	100%
Incorporated in Indonesia	
PT DNX Indonesia	100%
Incorporated in Turkey	
Nitromak DNX Kimya Sanayii A.S.	100%
Incorporated in Romania	
SC Romnitro Explosives Srl.	100%
Incorporated in Albania	
DNX Nitro Industrial Kimike Sh.p.k	100%

(1) A party to Deed of Cross Guarantee dated 30 September 2008.
(2) Incitec Pivot Queensland Gas Pty Ltd and Drisk Insurance Inc. were incorporated in the 2018 financial year.
(3) The remaining 50 percent interest in Boren Explosives Co., Inc. was acquired in the 2018 financial year.
(4) This entity has a 31 December financial year end.

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

Joint arrangements and associates

Name of entity	Ownership interest
Joint ventures	
Incorporated in USA	
Alpha Dyno Nobel Inc.	50%
Buckley Powder Group[(1)]	51%
IRECO Midwest Inc.	50%
Wampum Hardware Co.	50%
Western Explosives Systems Company	50%
Warex Corporation	50%
Warex LLC	50%
Warex Transportation LLC	50%
Vedco Holdings, Inc.	50%
Virginia Explosives & Drilling Company Inc.	50%
Austin Sales LLC	50%
Virginia Drilling Company, LLC	50%
Incorporated in Canada	
Newfoundland Hard-Rok Inc.	50%
Dyno Nobel Labrador Inc.	50%
Quantum Explosives Inc.	50%
Dene Dyno Nobel Inc.	49%
Qaaqtuq Dyno Nobel Inc.[(2)]	49%
Dene Dyno Nobel (DWEI) Inc.[(3)]	49%
Dyno Nobel Baffin Island Inc.	50%
Incorporated in Australia	
Queensland Nitrates Pty Ltd	50%
Queensland Nitrates Management Pty Ltd	50%
Incorporated in South Africa	
DetNet South Africa (Pty) Ltd	50%
Sasol Dyno Nobel (Pty) Ltd	50%
Incorporated in Mexico	
DNEX Mexico, S. De R.L. de C.V.	49%
Explosivos De La Region Lagunera, S.A. de C.V.	49%
Explosivos De La Region, Central, S.A. de C.V.	49%
Nitro Explosivos de Ciudad Guzman, S.A. de C.V.	49%
Explosivos Y Servicios Para La Construccion, S.A. de C.V.	49%
Incorporated in Malaysia	
Tenaga Kimia Ensign-Bickford Sdn Bhd	50%

Name of entity	Ownership interest
Associates	
Incorporated in USA	
Maine Drilling and Blasting Group	49%
Independent Explosives	49%
Incorporated in Canada	
Labrador Maskuau Ashini Ltd	25%
Valley Hydraulics Inc.	25%
Innu Namesu Ltd	25%

Joint operation

IPL has a 50% interest in an unincorporated joint operation with Central Petroleum Limited for the development of gas acreage in Queensland, Australia, which commenced in the 2018 financial year.

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

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

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

15. Provisions and contingencies

Provisions at 30 September 2018 are analysed as follows:

30 September 2018	Employee entitlements $mill	Restructuring and rationalisation $mill	Environmental $mill	Asset retirement obligations $mill	Legal and other $mill	Total provisions $mill
Carrying amount at 1 October 2017	**51.7**	**5.4**	**48.5**	**61.6**	**5.9**	**173.1**
Provisions made during the year	**6.4**	**0.4**	**3.5**	**6.2**	**1.8**	**18.3**
Provisions written back during the year	**(0.1)**	**(0.1)**	**(0.7)**	**(0.3)**	**(1.8)**	**(3.0)**
Payments made during the year	**(4.9)**	**(3.6)**	**(5.8)**	**(1.4)**	**(1.8)**	**(17.5)**
Interest unwind	**0.9**	**–**	**0.6**	**2.9**	**–**	**4.4**
Foreign exchange movement	**0.1**	**–**	**2.1**	**1.9**	**0.2**	**4.3**
Carrying amount at 30 September 2018	**54.1**	**2.1**	**48.2**	**70.9**	**4.3**	**179.6**
Current	**47.6**	**2.1**	**19.5**	**2.1**	**4.3**	**75.6**
Non-current	**6.5**	**–**	**28.7**	**68.8**	**–**	**104.0**

Key accounting policies

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

Employee entitlements

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

Restructuring and rationalisation

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

Environmental

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

Asset retirement

In certain circumstances, the Group has an obligation to dismantle and remove an asset and to restore the site on which it is located. The present value of the estimated costs of this process is recognised as part of the asset that is depreciated and also as a provision.

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

Legal and other

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

Key estimates and judgments

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

Contingencies

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

- Under the terms of the ASIC Legislative Instrument, *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, issued by the Australian Securities and Investments Commission dated 17 December 2016, which relieved certain wholly-owned subsidiaries from the requirement to prepare audited financial statements, IPL and certain wholly-owned subsidiaries (identified in note 14) have entered into an approved deed for the cross guarantee of liabilities. No additional liabilities subject to the Deed of Cross Guarantee at 30 September 2018 are expected to arise to IPL or the relevant subsidiaries.
- The Group is regularly subject to investigations and audit activities by the revenue authorities of jurisdictions in which the Group operates. The outcome of these investigations and audits depends upon several factors which may result in further tax payments or refunds of tax payments already made by the Group.
- Contingent liabilities arise in the normal course of business and include a number of legal claims, environmental clean-up requirements, patent claims and bank guarantees.

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

16. Financial risk management

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

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

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

Financial risks

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

Source of risk

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

Risk mitigation

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

The Group's forecast liquidity requirements are continually reassessed based on regular forecasting of earnings and capital requirements. This includes stress testing of critical assumptions such as input costs, sales prices, production volumes, exchange rates and capital expenditure.

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

Outstanding financial instruments

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

30 September 2018	Contractual cash flows(1) **$mill**	0 – 12 months **$mill**	1 – 5 years **$mill**	more than 5 years **$mill**
Non-derivative financial liabilities				
Interest bearing liabilities	**2,374.8**	**212.9**	**1,613.4**	**548.5**
Interest payments	**288.0**	**72.3**	**128.0**	**87.7**
Trade and other payables	**1,058.6**	**1,045.0**	**13.6**	**–**
Bank guarantees	**126.8**	**49.2**	**2.9**	**74.7**
Total non-derivative cash outflows	**3,848.2**	**1,379.4**	**1,757.9**	**710.9**
Derivative financial (assets)/liabilities				
Forward exchange contracts	**1.0**	**1.0**	**–**	**–**
Foreign exchange options	**–**	**–**	**–**	**–**
Cross currency interest rate swaps	**14.5**	**14.5**	**–**	**–**
Interest rate swaps	**(13.6)**	**(0.9)**	**(12.7)**	**–**
Interest rate options	**(10.5)**	**–**	**(7.9)**	**(2.6)**
Commodity swaps	**(12.2)**	**(12.2)**	**–**	**–**
Commodity options	**–**	**–**	**–**	**–**
Net derivative cash outflows	**(20.8)**	**2.4**	**(20.6)**	**(2.6)**

30 September 2017	Contractual cash flows(1) $mill	0 – 12 months $mill	1 – 5 years $mill	more than 5 years $mill
Non-derivative financial liabilities				
Interest bearing liabilities	2,224.1	12.1	1,705.3	506.7
Interest payments	368.0	85.6	181.7	100.7
Trade and other payables	1,058.6	1,043.7	14.9	–
Bank guarantees	108.8	40.0	7.3	61.5
Total non-derivative cash outflows	3,759.5	1,181.4	1,909.2	668.9
Derivative financial (assets)/liabilities				
Forward exchange contracts	(4.2)	(5.5)	1.3	–
Foreign exchange options	1.2	1.2	–	–
Cross currency interest rate swaps	11.8	11.8	–	–
Interest rate swaps	13.4	0.1	11.4	1.9
Interest rate options	–	–	–	–
Commodity swaps	(12.7)	(11.3)	(1.4)	–
Commodity options	0.8	0.8	–	–
Net derivative cash outflows	10.3	(2.9)	11.3	1.9

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

16. Financial risk management (continued)

Financial risks (continued)

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

Foreign exchange risk

Source of risk

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

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

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

Risk mitigation

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

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

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

Outstanding financial instruments and sensitivity analysis

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

	2018 AUD:USD USD mill	2017 AUD:USD USD mill
Transactional exposures		
Trade and other receivables	**327.1**	271.2
Trade and other payables	**(237.8)**	(238.3)
Interest bearing liabilities	**(1,573.0)**	(1,573.0)
Gross exposure (before hedging)	**(1,483.7)**	(1,540.1)
Hedge of transactional exposures		
Trade and other receivables		
Forward exchange contracts	**(269.0)**	(270.4)
Trade and other payables		
Forward exchange contracts	**220.5**	228.5
Interest bearing liabilities[1]		
Cross currency interest rate swaps	**1,173.0**	1,173.0
Total hedge contract values	**1,124.5**	1,131.1
Net exposure (after hedging)	**(359.2)**	(409.0)

	2018 AUD:USD USD mill	2017 AUD:USD USD mill
Hedge of forecast sales and purchases		
Forward exchange contracts	**28.7**	(106.2)
Total hedge contract values	**28.7**	(106.2)

	2018 AUD:USD USD mill	2017 AUD:USD USD mill
Translational exposures		
Net investment in foreign operations	**2,532.7**	2,380.3
Gross exposure (before hedging)	**2,532.7**	2,380.3
Hedge of translational exposures		
Cross currency interest rate swaps	**(1,173.0)**	(1,654.5)
Forward exchange contracts	**–**	640.0
Foreign exchange options	**–**	50.0
Total hedge contract values	**(1,173.0)**	(964.5)
Net exposure (after hedging)	**1,359.7**	1,415.8

Foreign exchange rates

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

	2018 AUD:USD	2017 AUD:USD
30 September foreign exchange rate	**0.7207**	0.7846
Average foreign exchange rate for the year	**0.7606**	0.7620

Foreign exchange rate sensitivity on outstanding financial instruments

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

	+ 1c AUD:USD AUD mill 2018	**- 1c AUD:USD AUD mill 2018**	+ 1c AUD:USD AUD mill 2017	- 1c AUD:USD AUD mill 2017
Foreign exchange sensitivity – (net of hedging)				
Trade and other receivables and payables – (profit or loss)	**(0.8)**	**0.8**	0.1	(0.1)
Hedge of forecast transactions – (equity)	**(0.5)**	**0.6**	1.7	(1.7)
Interest bearing liabilities (equity)	**7.6**	**(7.8)**	6.4	(6.6)
Investments in foreign operations – (equity)	**(25.8)**	**26.5**	(22.7)	23.3

Note 16

16. Financial risk management (continued)

Financial risks (continued)

Market risk (continued)

Foreign exchange risk (continued)

Outstanding financial instruments and sensitivity analysis (continued)

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

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

	+ 1c AUD:USD AUD mill 2018	**- 1c AUD:USD AUD mill 2018**	+ 1c AUD:USD AUD mill 2017	- 1c AUD:USD AUD mill 2017
USD Fertiliser sales from Australian plants	**(7.4)**	**7.6**	(6.8)	6.9
North American USD earnings	**(3.6)**	**3.7**	(2.9)	3.0

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

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

Interest rate risk

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

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

Outstanding financial instruments and sensitivity analysis

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

Interest rate swaps	**Average pay/(rec) fixed rate[1]**	**Average pay/(rec) fixed rate[2]**	**Duration (years)**	**Net contract amounts mill**
2018				
Less than 1 year	**3.09%**	**–**	**0.2**	**USD 400**
Less than 1 year	**–**	**(1.81%)**	**0.4**	**AUD 200**
1 to 5 years	**2.70%**	**–**	**2.4**	**USD 900**
1 to 5 years	**(3.11%)**	**–**	**1.2**	**USD 300**
2017				
Less than 1 year	2.39%	–	0.2	USD 400
1 to 5 years	3.24%	–	2.9	USD 550
1 to 5 years	(3.11%)	–	2.2	USD 300
Later than 5 years	2.02%	–	3.0	USD 350
Later than 5 years	(2.62%)	–	5.0	USD 100

Interest rate options	**Net contract amounts USD mill 2018**	**Strike[1] 2018**	**Duration (years)**	Net contract amounts USD mill 2017	Strike[1] 2017	Duration (years)
Contracts maturing between 1 and 5 years						
Sold cap	**350**	**3.75%**	**2.8**	350	3.75%	1.8
Bought cap	**350**	**2.58%**	**2.8**	350	2.58%	1.8
Sold floor	**350**	**1.50%**	**2.8**	350	1.50%	1.8
Bought floor	**350**	**0.01%**	**2.8**	350	0.01%	1.8

(1) LIBOR
(2) BBSW

Interest rate options	**Net contract amounts USD mill 2018**	**Strike[1] 2018**	**Duration (years)**	Net contract amounts USD mill 2017	Strike[1] 2017	Duration (years)
Contracts maturing later than 5 years						
Sold cap	**350**	**3.75%**	**1.2**	350	3.75%	2.2
Bought cap	**350**	**2.58%**	**1.2**	350	2.58%	2.2
Sold floor	**350**	**1.50%**	**1.2**	350	1.50%	2.2
Bought floor	**350**	**0.01%**	**1.2**	350	0.01%	2.2

(1) LIBOR

Interest rate sensitivity on outstanding financial instruments

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

Interest rate sensitivity	**+ 1% AUD mill 2018**	**- 1% AUD mill 2018**	+ 1% AUD mill 2017	- 1% AUD mill 2017
LIBOR	**(2.4)**	**2.4**	(0.2)	0.2
BBSW	**(2.0)**	**2.0**	(2.1)	2.1

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

Note 16

16. Financial risk management (continued)

Financial risks (continued)

Market risk (continued)

Commodity price risk

Source of risk

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

Risk mitigation

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

Outstanding financial instruments and sensitivity analysis

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

Natural gas	Total volume (MMBTU)(1) 2018	Price/Strike USD(2) 2018	Total volume (MMBTU)(1) 2017	Price/Strike USD(2) 2017
Contracts maturing within 1 year				
Natural gas swaps fixed payer	**396,000**	**2.68**	–	–
Natural gas options				
Bought Call	–	–	1,450,000	4.53
Sold Put	–	–	1,450,000	3.30
Contracts maturing between 1 and 5 years				
Natural gas swaps fixed payer	**554,400**	**2.68**	–	–

(1) Million Metric British Thermal Units
(2) Nymex Henry Hub gas price

Oil(2)	Total volume (barrels) 2018	Price USD(1) 2018	Total volume (barrels) 2017	Price USD(1) 2017
Contracts maturing within 1 year				
Oil swaps fixed payer	**267,186**	**48.84**	1,157,806	47.89
Contracts maturing between 1 and 5 years				
Oil swaps fixed payer	–	–	178,124	48.84

(1) Oil-Brent (DTD)-Platts Marketwire
(2) The Group has a gas supply agreement in Australia with pricing referenced to the USD Brent oil price. As a result, the Group holds Brent oil fixed price swaps to eliminate the exposure to changes in the Brent oil price.

Natural gas price sensitivity on outstanding financial instruments

The table below shows the sensitivity of the Group's equity before tax to a change of US$1 per MMBTU in the US Henry Hub natural gas price. The sensitivity is based on natural gas derivative contracts held by the Group at 30 September:

Natural gas price sensitivity	+ US$1 per 1 MMBTU AUD mill 2018	- US$1 per 1 MMBTU AUD mill 2018	+ US$1 per 1 MMBTU AUD mill 2017	- US$1 per 1 MMBTU AUD mill 2017
Henry Hub USD	**1.3**	**(1.3)**	0.7	(1.8)

Sensitivity to natural gas price movements during the year

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

Natural gas price sensitivity	+ US$1 per 1 MMBTU AUD mill 2018	- US$1 per 1 MMBTU AUD mill 2018	+ US$1 per 1 MMBTU AUD mill 2017	- US$1 per 1 MMBTU AUD mill 2017
Henry Hub USD	**34.9**	**(34.9)**	(33.1)	33.1

Sensitivity to fertiliser price and ammonia movements during the year

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

Price sensitivity	+ US$10 per tonne AUD mill	- US$10 per tonne AUD mill
2018		
Granular Urea (FOB Middle East)	**4.4**	**(4.4)**
DAP/MAP (FOB Tampa)	**11.3**	**(11.3)**
Urea (FOB NOLA)	**2.3**	**(2.3)**
Ammonia (FOB Tampa)	**8.6**	**(8.6)**
2017		
Granular Urea (FOB Middle East)	5.3	(5.3)
DAP/MAP (FOB Tampa)	12.3	(12.3)
Urea (FOB NOLA)	1.7	(1.7)
Ammonia (FOB Tampa)	7.1	(7.1)

16. Financial risk management (continued)

Financial risks (continued)

Market risk (continued)

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

30 September 2018	Note	Balance at 30 September 2018: Carrying amount of hedging instrument asset(1)	Carrying amount of hedging instrument liability(1)	Fair value hedge adjustment of hedged item	Balance of gains/(losses) in reserves before tax	During the period: Gains/(losses) recognised in reserves(2)	Reclassification of (gains)/losses from reserves to profit or loss(2,7)
Cash flow hedges							
Foreign exchange risk on forecast sales & purchases							
Forward exchange contracts		**1.1**	**(0.1)**	–	**1.0**	**4.6**	–
Discontinued hedge(3)		–	–	–	**2.9**	**15.1**	**(11.4)**
Commodity price risk on forecast purchases							
Commodity swaps		**11.7**	**(0.3)**	–	**11.5**	**(1.4)**	–
Commodity options		–	–	–	–	**1.4**	–
Discontinued hedge(3)		–	–	–	**(5.6)**	**23.3**	**(25.9)**
Interest rate risk on highly probable debt							
Interest rate swaps		**18.4**	**(7.1)**	–	**11.8**	**35.4**	–
Interest rate options		**7.5**	**(1.0)**	–	**6.7**	**7.0**	–
Discontinued hedge(3)		–	–	–	**(3.3)**	**1.2**	**1.9**
Total cash flow hedges		**38.7**	**(8.5)**	–	**25.0**	**86.6**	**(35.4)**
Net investment hedges							
Foreign exchange risk on foreign operation							
Cross currency interest rate swaps		–	**(427.7)**	–	**(427.6)**	**(132.6)**	–
Discontinued hedge(3)		–	–	–	**(198.1)**	**5.4**	–
Total net investment hedges		–	**(427.7)**	–	**(625.7)**	**(127.2)**	–
Fair value hedges							
Foreign exchange risk on USD borrowings(4)							
Cross currency interest rate swaps		**427.7**	**(14.2)**	**(291.6)**	–	–	–
Interest rate risk on fixed USD and AUD bonds(5)							
Interest rate swaps		**1.4**	**(0.2)**	**(2.9)**	–	–	–
Discontinued hedge		–	–	**3.8**	–	–	–
Total fair value hedges	(8)	**429.1**	**(14.4)**	**(290.7)**	–	–	–
Held for trading(6)							
Forward exchange contracts		**0.3**	**(2.6)**	–	–	–	–
Total held for trading		**0.3**	**(2.6)**	–	–	–	–
Offsetting contracts(1)		**(427.5)**	**427.5**	–	–	–	–
Equity instruments		**2.3**	–	–	**(16.9)**	–	–
Total net		**42.9**	**(25.7)**	**(290.7)**	**(617.6)**	**(40.6)**	**(35.4)**

(1) Balances are included in other financial assets/liabilities in the Statement of Financial Position. Financial assets and financial liabilities that are subject to enforceable master netting arrangements are offset in the Statement of Financial Position.
(2) Gains or losses recognised in the reserves will be reclassified to the same line item in the profit or loss as the underlying hedged item when the underlying forecast transaction occurs.
(3) Gains or losses on discontinued hedges that were in cash flow hedge or net investment hedge relationships remain in the reserves until the underlying transactions occur or upon disposal of the underlying net investment. Any changes in the market value of the discontinued hedges are recognised in the profit or loss from discontinuation.
(4) The total fair value of derivatives hedging the Group's interest bearing liabilities is $414.7m. The cross currency interest rate swaps hedging the foreign currency exposure of the Group's USD borrowings have a contract value of USD 1,173m, and are economic hedges of an equivalent amount of the Group's USD borrowings (including USD exposures as a result of hedging).
(5) Interest rate swap contracts effectively convert USD300m and AUD200m of the Group's fixed interest rate borrowings to floating interest rates. The fair value hedge adjustment of a hedged item where the hedging instrument is discontinued remains in the carrying amount of the hedged item and is amortised to the profit or loss over the life of the hedged item.
(6) Derivatives which are classified as held for trading are in economic hedge relationships that do not qualify for hedge accounting. These hedges are effective economic hedges or offsetting hedges based on contractual amounts and cash flows over the life of the underlying item.
(7) At 30 September 2018, a gain of $2.4m was transferred from reserves to profit or loss in relation to ineffective hedges.

16. Financial risk management (continued)

Financial risks (continued)

Market risk (continued)

Included in the table below are details of the Group's derivative instruments at 30 September 2017, classified by hedge accounting type and market risk category:

30 September 2017	Note	Balance at 30 September 2017: Carrying amount of hedging instrument asset(1)	Carrying amount of hedging instrument liability(1)	Fair value hedge adjustment of hedged item	Balance of gains/ (losses) in reserves before tax	During the period: Gains/ (losses) recognised in reserves(2)	Reclassification of (gains)/ losses from reserves to profit or loss(2,7)
Cash flow hedges							
Foreign exchange risk on forecast sales & purchases							
Forward exchange contracts		1.2	(4.7)	–	(3.6)	(1.1)	–
Discontinued hedge(3)		–	–	–	(0.8)	9.9	(31.2)
Commodity price risk on forecast purchases							
Commodity swaps		13.3	(0.5)	–	12.9	(3.7)	–
Commodity options		–	(0.5)	–	(1.4)	0.5	–
Discontinued hedge(3)		–	–	–	(3.0)	4.5	(5.2)
Interest rate risk on highly probable debt							
Interest rate swaps		2.6	(27.1)	–	(23.6)	34.9	–
Interest rate options		0.7	(0.2)	–	(0.3)	5.8	–
Discontinued hedge(3)		–	–	–	(6.4)	2.1	1.6
Total cash flow hedges		17.8	(33.0)	–	(26.2)	52.9	(34.8)
Net investment hedges							
Foreign exchange risk on foreign operation							
Cross currency interest rate swaps		–	(305.1)	–	(306.8)	60.4	–
Forward exchange contracts		8.1	–	–	8.2	8.2	–
Foreign exchange options		–	(1.6)	–	(1.2)	(1.2)	–
Discontinued hedge(3)		–	–	–	(198.7)	1.8	–
Total net investment hedges		8.1	(306.7)	–	(498.5)	69.2	–
Fair value hedges							
Foreign exchange risk on USD borrowings(4)							
Cross currency interest rate swaps		292.8	–	(190.1)	–	–	–
Interest rate risk on fixed USD and AUD bonds(5)							
Interest rate swaps		11.5	–	(14.2)	–	–	–
Discontinued hedge		–	–	1.2	–	–	–
Total fair value hedges	(8)	304.3	–	(203.1)	–	–	–
Held for trading(6)							
Forward exchange contracts		1.4	(0.8)	–	–	–	–
Interest rate swaps		0.1	–	–	–	–	–
Total held for trading		1.5	(0.8)	–	–	–	–
Offsetting contracts(1)		(292.8)	292.8	–	–	–	–
Equity instruments		2.3	–	–	(16.9)	(0.8)	–
Total net		41.2	(47.7)	(203.1)	(541.6)	121.3	(34.8)

(1) Balances are included in other financial assets/liabilities in the Statement of Financial Position. Financial assets and financial liabilities that are subject to enforceable master netting arrangements are offset in the Statement of Financial Position.
(2) Gains or losses recognised in the reserves will be reclassified to the same line item in the profit or loss as the underlying hedged item when the underlying forecast transaction occurs.
(3) Gains or losses on discontinued hedges that were in cash flow hedge or net investment hedge relationships remain in the reserves until the underlying transactions occur or upon disposal of the underlying net investment. The balance of discontinued hedges in net investment hedges includes the market value of USD400m of derivatives that were discontinued during the year. Any changes in the market value of the discontinued hedges are recognised in the profit or loss from discontinuation.
(4) The total fair value of derivatives hedging the Group's interest bearing liabilities is $304.3m. The cross currency interest rate swaps hedging the foreign currency exposure of the Group's USD borrowings have a contract value of USD1,173m, and are economic hedges of an equivalent amount of the Group's USD interest bearing liabilities. Derivatives with a contract value of USD400m and a contract rate of AUD:USD 0.97 were discontinued during the year.
(5) Interest rate swap contracts effectively convert USD400m of the Group's fixed interest rate borrowings to floating interest rates. The fair value hedge adjustment of a hedged item where the hedging instrument is discontinued remains in the carrying amount of the hedged item and is amortised to the profit or loss over the life of the hedged item.
(6) Derivatives which are classified as held for trading are in economic hedge relationships that do not qualify for hedge accounting. These hedges are effective economic hedges or offsetting hedges based on contractual amounts and cash flows over the life of the underlying item.
(7) At 30 September 2017, a gain of $0.3m was transferred from reserves to profit or loss in relation to ineffective hedges.

Note 16

16. Financial risk management (continued)

Financial risks (continued)

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

Source of risk

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

Risk mitigation

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

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

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

Credit risk exposure

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

	2018 $mill	2017 $mill
Trade and other receivables	**324.1**	342.8
Cash and cash equivalents	**588.5**	627.9
Derivative assets	**40.6**	38.9
	953.2	1,009.6

Financial assets and financial liabilities that are subject to enforceable master netting arrangements and are intended to be settled on a net basis are offset in the Statement of Financial Position. At 30 September 2018, the amount netted in other financial assets and other financial liabilities is $427.5m (2017: $292.8m).

Fair value

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

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

Fair value hierarchy

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

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

2018	**Level 1 $mill**	**Level 2 $mill**	**Level 3 $mill**
Listed equity securities	**2.3**	**–**	**–**
Derivative financial assets	**–**	**40.6**	**–**
Derivative financial liabilities	**–**	**(25.7)**	**–**

2017	Level 1 $mill	Level 2 $mill	Level 3 $mill
Listed equity securities	2.3	–	–
Derivative financial assets	–	38.9	–
Derivative financial liabilities	–	(47.7)	–

Fair value of financial assets and liabilities carried at amortised cost

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

Interest bearing liabilities are carried at amortised cost and have a carrying value of $2,374.8m (2017: $2,224.1m) – refer to note 8. The fair value of the interest bearing financial liabilities at 30 September 2018 was $2,374.5m (2017: $2,300.7m) and was based on the level 2 valuation methodology.

16. Financial risk management (continued)

Key accounting policies

Foreign currency transactions and balances

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

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

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

Foreign operations

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

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

Derivatives and hedging

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

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

Hedge accounting is discontinued when:

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

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

Cash flow hedges

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

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

Net investment hedges

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

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

Fair value hedges

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

Hedge ineffectiveness

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

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

Classification of financial instruments

Financial instruments are classified into the following categories:

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

17. Share-based payments

Long Term Incentive Plans (LTIs)

The LTIs are designed to link reward with the key performance drivers that underpin sustainable growth in shareholder value. With regard to the 2015/18, 2016/19 and 2017/20 Long Term Incentive Plans, the performance conditions comprise relative total shareholder return, the delivery of certain strategic initiatives and, in the case of the 2016/19 and 2017/20 LTI plans, also includes growth in return on equity.

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

Expenses arising from share-based payment transactions

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

	2018 $mill	2017 $mill
Accounting value of performance rights issued under the LTI performance plans	**3.2**	4.6

	2018 Number	2017 Number
Number of performance rights outstanding under the LTI performance plans	**4,431,879**	5,469,485

Details of the movements in LTIs are disclosed in the Remuneration Report.

Key accounting policies

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

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

18. Key management personnel disclosures

Key management personnel remuneration

	2018 $000	2017 $000
Short-term employee benefits	**11,534**	13,062
Post-employment benefits	**207**	240
Other long-term benefits	**168**	130
Termination benefits	**1,398**	–
Share-based payments	**1,389**	4,308
	14,696	17,740

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

Loans to key management personnel

In the year ended 30 September 2018, there were no loans to key management personnel and their related parties (2017: nil).

Other key management personnel transactions

The following transactions, entered into during the year with key management personnel (including their related parties), were on terms and conditions no more favourable than those available to other customers, suppliers and employees:

(1) The spouse of Mr Fazzino, former Managing Director & Chief Executive Officer, is a partner in the accountancy and tax firm PricewaterhouseCoopers (**PwC**) from which the Group purchased services of $1,139,272 during the year (2017: $505,742). Mr Fazzino's spouse does not directly provide these services. Mr Fazzino did not engage PwC at any time for any assignment.

(2) The spouse of Ms Fagg was a partner in the accountancy and tax firm KPMG from which the Group purchased services of $851,572 during the year (2017: $1,063,677). Ms Fagg's spouse did not directly provide these services. Ms Fagg was not involved in any engagement of KPMG made by the Group. Ms Fagg's spouse ceased employment with KPMG on 31 December 2017.

19. Retirement benefit obligation

The Group operates a number of defined benefit plans in the Americas and Asia Pacific to provide benefits for employees and their dependants on retirement, disability or death.

The Group also makes contributions to defined contribution schemes.

Financial position and performance

Net defined benefit obligation at 30 September

	2018 $mill	2017 $mill
Present value of obligations	**302.2**	289.8
Fair value of plan assets	**(269.6)**	(251.6)
Net defined benefit obligation	**32.6**	38.2

Maturity profile of the net defined benefit obligation

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

	2018 $mill	2017 $mill
Within next 10 years	**203.1**	216.4
Within 10 to 20 years	**132.3**	141.2
In excess of 20 years	**44.5**	35.3

Return on plan assets for the year ended 30 September

	2018 $mill	2017 $mill
Actual return on plan assets	**14.9**	29.6

Composition of plan assets at 30 September

	2018	2017
The percentage invested in each asset class:		
Equities	**47%**	45%
Fixed interest securities	**39%**	39%
Property	**6%**	7%
Other	**8%**	9%

Movements in plan assets/liabilities

Amounts recognised in Other Comprehensive Income

	Notes	2018 $mill	2017 $mill
(Losses)/gains arising from changes in actuarial assumptions		**(0.7)**	20.7
Return on plan assets greater than discount rate		**5.6**	21.0
Total recognised in other comprehensive income		**4.9**	41.7
Amounts recognised in Profit or Loss			
Net interest expense	(2)	**(1.2)**	(2.9)
Defined benefit superannuation expense	(2)	**(3.1)**	(4.6)

Key assumptions and sensitivities

Principal actuarial assumptions

	2018	2017
Discount rate (gross of tax)	**3.5% – 8.1%**	3.3% – 7.2%
Future salary increases	**2.5% – 5.0%**	2.5% – 5.0%

Sensitivity analysis

The sensitivity analysis is based on a change in a significant actuarial assumption while holding all other assumptions constant. The following table summarises how the defined benefit obligation as at 30 September 2018 would have increased/(decreased) as a result of a change in the respective assumption by 1 percentage point:

	1 percent increase	1 percent decrease
Discount rate	**(24.6)**	**30.9**
Rate of salary increase	**1.2**	**(0.3)**

Key accounting policies

All employees of the group are entitled to benefits from the Group's superannuation plan on retirement, disability or death or can direct the group to make contributions to a defined contribution plan of their choice. The Group's superannuation plan has a defined benefit section and a defined contribution section. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from group companies and the Group's legal or constructive obligation is limited to these contributions.

The liability or asset recognised in the Consolidated Statement of Financial Position in respect of defined benefit superannuation plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Consolidated Statement of Changes in Equity and in the Consolidated Statement of Financial Position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Contributions to the defined contribution section of the Group's superannuation fund and other independent defined contribution superannuation funds are recognised as an expense as they become payable.

Key estimates and judgments

The present value of the defined benefit obligation at the reporting date is based on expected future payments arising from membership of the fund. This is calculated annually by independent actuaries considering the expected future wage and salary levels of employees, experience of employee departures and employee periods of service.

Expected future payments are discounted using market yields on corporate bonds at the reporting date, which have terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 19

20. Deed of cross guarantee

Entities that are party to a Deed of Cross Guarantee are included in note 14. The Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position for this closed group are shown below:

Statement of Profit or Loss and Other Comprehensive Income

	2018 $mill	2017 $mill
Profit before income tax	**367.8**	194.2
Income tax expense	**(70.0)**	(24.4)
Profit for the year	**297.8**	169.8
Retained profits at 1 October	**1,332.6**	1,312.2
Profit for the year	**297.8**	169.8
Other movements in retained earnings	**(3.0)**	4.1
Dividend paid	**(157.4)**	(153.5)
Retained profits at 30 September	**1,470.0**	1,332.6

Statement of Financial Position

	2018 $mill	2017 $mill
Current assets		
Cash and cash equivalents	**57.9**	182.5
Trade and other receivables	**742.4**	495.5
Inventories	**344.0**	268.0
Other assets	**22.1**	56.6
Other financial assets	**13.2**	22.6
Total current assets	**1,179.6**	1,025.2
Non-current assets		
Trade and other receivables	**246.1**	234.6
Other financial assets	**3,542.1**	3,525.7
Property, plant and equipment	**2,044.6**	2,011.5
Intangible assets	**247.4**	248.5
Deferred tax assets	**161.1**	149.8
Total non-current assets	**6,241.3**	6,170.1
Total assets	**7,420.9**	7,195.3
Current liabilities		
Trade and other payables	**1,008.3**	737.5
Interest bearing liabilities	**199.8**	–
Other financial liabilities	**18.3**	18.8
Provisions	**54.6**	56.6
Current tax liabilities	**52.0**	10.6
Total current liabilities	**1,333.0**	823.5
Non-current liabilities		
Trade and other payables	**211.6**	331.6
Interest bearing liabilities	**501.2**	557.9
Other financial liabilities	**7.4**	28.2
Provisions	**61.3**	53.1
Deferred tax liabilities	**421.3**	378.6
Retirement benefit obligation	**11.6**	8.1
Total non-current liabilities	**1,214.4**	1,357.5
Total liabilities	**2,547.4**	2,181.0
Net assets	**4,873.5**	5,014.3
Equity		
Issued capital	**3,226.5**	3,436.8
Reserves	**177.0**	244.9
Retained earnings	**1,470.0**	1,332.6
Total equity	**4,873.5**	5,014.3

21. Parent entity disclosure

Throughout the financial year ended 30 September 2018 the parent company of the Group was Incitec Pivot Limited.

Parent entity guarantees in respect of debts of its subsidiaries

As at 30 September 2018 the Company's current liabilities exceeded its current assets by $23.7m. The Group's forecast cash flows for the next 12 months indicate that it will be able to meet current liabilities as and when they fall due. In addition, the Group has undrawn financing facilities of $756.0m at 30 September 2018 and a cash balance of $588.5m.

Statement of Profit or Loss and Other Comprehensive Income

Results of the parent entity	2018 $mill	2017 $mill
Profit for the year	**78.3**	238.7
Other comprehensive income	**31.8**	14.7
Total comprehensive income for the year	**110.1**	253.4

Statement of Financial Position

	2018 $mill	2017 $mill
Current assets	**877.8**	970.6
Total assets	**7,396.3**	7,334.9
Current liabilities	**901.5**	920.9
Total liabilities	**3,960.0**	3,641.0
Net assets	**3,436.3**	3,693.9
Share capital	**3,226.5**	3,436.8
Reserves	**7.8**	(26.9)
Retained earnings	**202.0**	284.0
Total equity	**3,436.3**	3,693.9

Parent entity contingencies and commitments

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

Capital expenditure – commitments	2018 $mill	2017 $mill
Contracted but not yet provided for and payable:		
Within one year	**20.3**	12.5

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group. As a result it is taxed as a single entity. The head entity of the tax consolidated group is Incitec Pivot Limited.

22. Auditor's remuneration

	2018 $000	2017 $000
Fees payable to the Group's auditor for assurance services		
Audit of the Group's annual report(1)	**992.3**	946.9
Audit of subsidiaries(2)	**604.0**	596.4
Audit-related assurance services(3)	**174.9**	171.5
Total current year assurance services	**1,771.2**	1,714.8
Fees payable to the Group's auditor for other services		
Other services relating to taxation(4)	**401.1**	209.9
All other services(5)	**–**	146.3
Total other services	**401.1**	356.2
Total fees paid to Group auditor	**2,172.3**	2,071.0
– Payable to Australian Group auditor firm	**1,402.2**	1,499.7
– Payable to International Group auditor associates	**770.1**	571.3

(1) Comprises the fee payable to the Group's auditors for the audit of the Group's financial statements.
(2) Comprises the audits of the Group's subsidiaries.
(3) Mainly comprises review of half-year reports.
(4) Comprises taxation compliance procedures for the Group's subsidiaries.
(5) Comprises non-statutory based assurance procedures.

From time to time, the auditors provide other services to the Group. These services are subject to strict corporate governance procedures which encompass the selection of service providers and the setting of their remuneration. The Audit and Risk Management Committee must approve individual non audit engagements provided by the Group's auditor above a value of $100,000, as well as where the aggregate amount exceeds $250,000 per annum.

23. Events subsequent to reporting date

On 22 October 2018, the Company announced the extension of its on-market share buyback for a further 12 months from 29 November 2018 to 28 November 2019.

In November 2018, the directors determined to pay a final dividend for the Company of 6.2 cents per share on 17 December 2018. The dividend is 20 percent franked (refer to note 6).

Other than the matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since the end of the financial year, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

Note 22
Note 23

Directors' Declaration

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

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

1. (a) the consolidated financial statements and notes, set out on pages 46 to 82, and the remuneration disclosures that are contained in the Remuneration Report on pages 23 to 43 of the Directors' Report, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Company and the Group as at 30 September 2018 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed on page 52; and

   (c) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 14 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

3. The directors have been given the declaration by the Chief Executive Officer and the Chief Financial Officer as required by section 295A of the Corporations Act 2001 for the financial year ended 30 September 2018.

Paul Brasher
Chairman

Dated at Melbourne this 13th day of November 2018

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne, VIC, 3000
GPO Box 78
Melbourne VIC 3001 Australia

Phone: +61 3 9671 7000
www.deloitte.com.au

Independent Auditor's Report to the members of Incitec Pivot Limited

Report on the Audit of the Financial Report

Opinion

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

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

(i) giving a true and fair view of the Group's financial position as at 30 September 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter *	How the scope of our audit responded to the Key Audit Matter

Carrying value of goodwill and non-current assets
 	
Refer to Note 9 Property, plant and equipment, Note 10 Intangibles and Note 11 Impairment of goodwill and non-current assets
 	
As at 30 September 2018, the Group held goodwill of $2,618.4 million, intangible assets of $428.2 million and property, plant and equipment of $4,004.3 million, allocated to its group of cash generating units (CGUs).
 	
The assessment of the recoverable amount is based on management's view of key variables and market conditions such as future commodity prices, exchange rates and operating performance including the timing and approval of future capital and operating expenditure, and the most appropriate discount rate.
 	
Included within the goodwill balance is the Dyno Nobel Asia Pacific (DNAP) CGU, which was impaired by $236.0 million, reducing the goodwill amount to $908.5 million. The recoverable amount was determined on a fair value less costs of disposal (FVLCD) basis, which represented a change from value in use as at 30 September 2017, and includes the following key judgements:
 	
• The change in DNAP's contract positions
• The general decline in products and services margin observed in Australia during the current period of supply imbalance; and
• Updated long term gas production forecast.
	Our procedures included, but were not limited to:
	
	• Understanding the process that management had undertaken to assess the recoverable amount
	• In conjunction with our valuation specialists:
	  ○ evaluating the appropriateness of the models used by management to calculate the value in use or FVLCD of the individual CGUs
	  ○ Assessing key inputs to the models including revenue based on forecast commodity prices and production rates, costs including natural gas and sulphuric acid prices, capital expenditure, foreign exchange rates, discount rates and growth rates. We challenged these inputs by:
	    ▪ Corroborating the key market based assumptions to external analysts' reports, published industry growth rates and industry reports
	    ▪ Corroborating the key non-market based assumptions by comparing forecasts to historical performance to test the accuracy of management's projections, and
	    ▪ Comparing the discount rate with an independently developed rate
	• Agreeing relevant amounts in the models to the Board approved forecasts
	• For CGU's with a higher risk of impairment, including DNAP, performing a range of sensitivity analysis including natural gas price in the terminal value, discount and growth rate assumptions
	• Assessing the appropriateness of the financial statement disclosures

Deloitte.

Provisions for uncertain tax positions	

Refer to Note 3 Taxation and Note 15 Provisions and contingencies
 	
The Group operates across a large number of jurisdictions and is subject to investigations and audit activities by revenue authorities on a range of tax matters during the normal course of business, including transfer pricing, indirect taxes and transaction related tax matters.
 	
The outcomes of these investigations and audits depend upon several factors and as a result management exercise judgement in the determination of the tax position and the estimates and assumptions in relation to the provision for taxes.
	Our procedures included, but were not limited to:
	
	• Understanding the process that management has undertaken to identify and assess uncertain tax positions, including the monitoring and consideration of guidance issued by regulatory authorities
	• In conjunction with our tax specialists:
	    o Gaining an understanding of the current status of tax assessments and investigations and the process to monitor developments in ongoing disputes
	    o Reviewing external tax advice where available, and
	    o Reviewing recent rulings and correspondence with local tax authorities, to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest external developments
	• Assessing the appropriateness of the financial statement disclosures

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.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 43 of the Director's Report for the year ended 30 September 2018.

In our opinion, the Remuneration Report of the Incitec Pivot Limited, for the year ended 30 September 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants
Melbourne, 13 November 2018