

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 2016

30 September 2015

Results for announcement to the market

Extracts of the Incitec Pivot Limited results for the financial year ended 30 September 2016

\$A mill

Revenues from ordinary activities	down	\$A mill 289.6 (7.9%)	to	3,353.7
Net profit for the financial year attributable to members of Incitec Pivot Limited	down	\$A mill 270.5 (67.9%)	to	128.1
Profit after tax excluding individually material items attributable to members of Incitec Pivot Limited	down	\$A mill 103.4 (25.9%)	to	295.2

Dividends	Amount per security cents	Franked amount per security cents
Current period		
Interim dividend	4.10	4.10
Final dividend	4.60	nil
Previous corresponding period		
Interim dividend	4.40	nil
Final dividend	7.40	4.44

Record date for determining entitlements to the final dividend: 16 November 2016

Payment date of final dividend: 13 December 2016

The Dividend Reinvestment Plan (the DRP) will continue to operate at nil discount. The last date to elect to participate in the DRP is 17 November 2016. In accordance with the DRP Rules, the offer price will be calculated as the arithmetic average of the daily volume weighted average market price of the Company's shares during the 10 trading days commencing on the second trading day after the record date.

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.84	\$0.80

The information should be read in conjunction with the consolidated financial report, which is set out on pages 45 to 80.

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

Conduit foreign income component:

<i>Current period</i>	<i>Previous corresponding period</i>
Interim dividend	Interim dividend
Ordinary nil	Ordinary 4.40 cents
Final dividend	Final dividend
Ordinary 4.60 cents	Ordinary 2.96 cents

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Annual General Meeting

The Annual General Meeting will be held as follows:

Location	The Melbourne Exhibition Centre The Auditorium Level 2, 2 Clarendon Street South Wharf VIC 3006
Date	16 December 2016
Time	2.00 pm
Approximate date the annual report will be available	18 November 2016

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:

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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 2016 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
<p>Paul Brasher BEc(Hons), FCA</p> <p>Non-executive Chairman Chairman of the Nominations Committee</p>	<p>Mr Brasher was appointed as a director on 29 September 2010. He is a non-executive director of Amcor Limited and the Deputy Chairman of the Essendon Football Club. 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.</p> <p>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.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> • Director, Amcor Limited (since January 2014) • Director, Perpetual Limited (November 2009 – August 2015)
<p>Kathryn Fagg FTSE, BE(Hons), MCom(Hons), Hon.DBus(UNSW)</p> <p>Non-executive director Member of the Health, Safety, Environment and Community Committee Member of the Remuneration Committee</p>	<p>Ms Fagg was appointed as a director on 15 April 2014. Ms Fagg is a non-executive member of the Reserve Bank of Australia, and is also a non-executive director of Djerriwarrh Investments Limited and Boral Limited. She is Chair of the Melbourne Recital Centre, Chair of Breast Cancer Network Australia and a board member of the Australian Centre for Innovation. Ms Fagg is also President-elect of Chief Executive Women. Ms Fagg was previously President of Corporate Development at Linfox Logistics Group and, 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.</p> <p>Ms Fagg brings to the Board extensive executive experience across a range of industries in Australia and Asia, including logistics, manufacturing, resources, banking, professional services and strategy consulting, as well as her experience in managing international subsidiaries for global businesses.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> • Director, Boral Limited (since September 2014) • Director, Djerriwarrh Investments Limited (since May 2014)
<p>Gregory Hayes MAppFin, GradDipACC, BA, ACA</p> <p>Non-executive director Chairman of the Audit and Risk Management Committee</p>	<p>Mr Hayes was appointed as a director on 1 October 2014. Mr Hayes is also a non-executive director of The Star Entertainment Group Limited, Precision Group and Aurrum Holdings Pty Ltd. His prior roles include: Chief Financial Officer and Executive Director of Brambles Limited, Chief Executive Officer & Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and later interim CEO of the Australian Gaslight Company (AGL), CFO Australia and New Zealand of Westfield Holdings and Executive General Manager, Finance of Southcorp Limited.</p> <p>Mr Hayes is an experienced executive having worked across a range of industries including energy, infrastructure and logistics. He brings to the Board skills and experience in the areas of strategy, finance, mergers and acquisitions and strategic risk management, in particular in listed companies with global operations.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> • Director, The Star Entertainment Group Limited (since April 2015)

Name, qualifications and special responsibilities	Experience
<p>John Marlay BSc, FAICD</p> <p>Non-executive director Chairman of the Remuneration Committee Member of the Audit and Risk Management Committee</p>	<p>Mr Marlay was appointed as a director on 20 December 2006. Mr Marlay is a non-executive director of Boral Limited. He is also the independent Chairman of Flinders Ports Holdings Limited. Mr Marlay is the former Chairman of Cardno Limited, a former Chief Executive Officer and Managing Director of Alumina Limited, a former director of Alesco Corporation Limited, Alcoa of Australia Limited and the Business Council of Australia, the former Chairman of the Australian Aluminium Council and the former independent Chairman of Tomago Aluminium Company Pty Ltd.</p> <p>Mr Marlay brings extensive international experience as a public company chief executive, operational experience including in manufacturing industries as well as non-executive director experience in companies with global operations, particularly in North America.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> • Director, Boral Limited (since December 2009) • Chairman, Cardno Limited (August 2012 to January 2016, having commenced as a Director in November 2011)
<p>Rebecca McGrath BTP(Hons), MAsc, FAICD</p> <p>Non-executive director Chairman of the Health, Safety, Environment and Community Committee Member of the Audit and Risk Management Committee Member of the Nominations Committee</p>	<p>Ms McGrath was appointed as a director on 15 September 2011. Ms McGrath is currently Chairman of Investa Office Management Holdings Pty Limited and non-executive director of Goodman Group and OZ Minerals Limited. She is also an independent director of Scania Australia Pty Ltd and Barristers Chambers Limited. During her 23 year career with BP plc, Ms McGrath held a number of senior roles including as Chief Financial Officer and Executive Board member for BP Australia and New Zealand.</p> <p>Ms McGrath brings to the Board over 20 years experience in the international oil industry, senior executive experience in operations and finance, an operational and strategic understanding of occupational health and safety both as an executive and as a director and experience gained through significant exposure to manufacturing and supply chain management.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> • Director, Goodman Group (since April 2012) • Director, Oz Minerals Limited (since November 2010) • Director, CSR Limited (February 2012 to October 2016)
<p>Graham Smorgon AM B.Juris, LLB</p> <p>Non-executive director Member of the Health, Safety, Environment and Community Committee Member of the Nominations Committee Member of the Remuneration Committee</p>	<p>Mr Smorgon was appointed as a director on 19 December 2008. Mr Smorgon is Chairman of Smorgon Consolidated Investments and the GBM Group, and a Trustee of the Victorian Arts Centre Trust. His former roles include 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.</p> <p>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.</p> <p>Directorships of listed entities within the past three years:</p> <ul style="list-style-type: none"> • Director, Arrium Limited (September 2007 to November 2015)
<p>James Fazzino BEc(Hons), Adjunct Professor, La Trobe Business School</p> <p>Managing Director & CEO Member of the Health, Safety, Environment and Community Committee</p>	<p>Mr Fazzino was appointed Managing Director & CEO on 29 July 2009. Mr Fazzino was first appointed as a director on 18 July 2005, following his appointment as Chief Financial Officer in May 2003. Before joining IPL, he had many years of experience with Orica Limited in several business financial roles, including Investor Relations Manager, Chief Financial Officer for the Orica Chemicals group and Project Leader of Orica's group restructure in 2001. Mr Fazzino is also Chairman of the Advisory Board for La Trobe University's Business School and an Adjunct Professor of La Trobe Business School.</p> <p>Mr Fazzino brings to the Board his deep knowledge of the fertilisers and explosives industries including extensive knowledge of the global participants in these markets, as well as manufacturing experience.</p>

Directors' Report

Company Secretary

Ms Daniella Pereira holds 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.

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
K Fagg ⁽¹⁾	10,000
G Hayes ⁽²⁾	10,000
J Marlay ⁽²⁾	37,926
R J McGrath ⁽²⁾	18,758
G Smorgon AM ⁽²⁾	13,100
J E Fazzino ⁽¹⁾	1,914,562

(1) Held both directly and indirectly.

(2) Held indirectly.

Further details of directors' interests in share capital are set out on page 42 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
<i>Paid during the year</i>				
2015 final dividend	7.4	124.9	60% franked	14 December 2015
2016 interim dividend	4.1	69.2	100% franked	1 July 2016
<i>To be paid after end of year</i>				
2016 final dividend	4.6	77.6	unfranked	13 December 2016
Dealt with in the financial report as:				
			Note	\$mill
Dividends			6	194.0
Subsequent event			23	77.6

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:

Director - Current ^(1,2)	Board		Audit and Risk Management		Remuneration		Nominations		Health, Safety, Environment and Community	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
P V Brasher	11	11					2	2		
K Fagg	11	11			6	6			4	4
J Marlay	11	11	5	5	6	6				
R J McGrath	11	11	5	5			2	2	4	4
G Smorgon AM	11	11			6	6	2	2	4	4
G Hayes	11	10 ⁽³⁾	5	5						
J E Fazzino	11	11							4	4

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 Hayes was an apology for an extraordinary meeting which was convened at short notice.

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 24 for further details in relation to the performance rights.

Date performance rights granted	Number of ordinary shares under performance rights
6 January 2014	2,231,273
30 December 2014	2,121,853
5 February 2015	93,744
21 January 2016	1,385,940
25 August 2016	150,941
Total unissued ordinary shares under performance rights	5,983,751

Shares issued on exercise of performance rights

1,513,487 ordinary shares in Incitec Pivot Limited were issued by the Company during the 2016 financial year as a result of the equivalent number of performance rights vesting under the Company's 2012/15 Long Term Incentive Plan. The rights entitled the holder to acquire the shares for zero consideration with nil amount unpaid on each of the ordinary shares issued. 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 2016 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

Since the end of the financial year, the Company announced the successful completion of the performance testing process for its ammonia plant at Waggaman, Louisiana on 19 October 2016. IPL took over management and operation of the ammonia plant effective from this date. The final cash cost of the project will be below the budget of US\$850 million.

Further, in November 2016, the directors determined to pay a final dividend for the Company of 4.6 cents per share on 13 December 2016. The dividend is unfranked (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 also either been completed successfully or progress accomplished at a number of sites in the US.

For the 2016 financial year, the Group received fines in aggregate of approximately A\$60,500 for incidents relating to its fertiliser operations in Australia and a fine of US\$100,000 for failure to conform strictly with an air quality permit in relation to one of its plants in the US.

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. In its deliberations, the Board and Audit and Risk Management Committee noted that:

- IPL is in the process of commissioning and integrating its Louisiana Ammonia Plant and whilst this process is continuing, the cumulative audit knowledge and understanding of the project which Mr Imbesi has built up and Mr Imbesi's prior experience in respect of the Company's commissioning history, should be retained; and
- Given that IPL is currently undergoing a period of challenge and change, Mr Imbesi's extensive knowledge of the Company, its operating businesses and financial control environment, the industry and its end markets, is important.

In granting the approval, the Board noted that the Audit and Risk Management Committee was satisfied that the quality of the audit provided to IPL would be maintained and the approval would not give rise to a conflict of interest situation (as defined in the Act).

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 \$183,400 during the year ended 30 September 2016 (refer 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 43.

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 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

Business Presentation

In May 2016, IPL announced its strategic response to the unprecedented challenges facing the markets in which it operates. This response included the acceleration of its Business Excellence Organisation Focused Improvement (**BEx OFI**) program that is designed to deliver \$80m of sustainable operating efficiencies and \$20m of sustainable capital expenditure savings by 2017.

The BEx OFI program included changes to the Group's operating model and management structures, which now comprise two operating businesses, Asia Pacific and Americas.

The Asia Pacific business consists of the Dyno Nobel Asia Pacific (**DNAP**) segment and the Fertilisers segment, which in turn comprises Southern Cross International (**SCI**) and Incitec Pivot Fertilisers (**IPF**). The Americas business comprises the Dyno Nobel Americas (**DNA**) segment.

Each of the businesses serve three sectors, consisting of Explosives, Industrial Chemicals and Fertilisers. The businesses and respective sectors can be reconciled to IPL's reportable segments as set out in the following exhibit, which is adjusted for Individually Material Items (**IMIs**):

		REPORTED SEGMENT				PRESENTATION					
		Revenue		EBIT ex IMIs		Revenue		EBIT ex IMIs			
		2016	2015	2016	2015	2016	2015	2016	2015		
Incitec Pivot Limited	ASIA PACIFIC	DNAP	920.8	910.8	186.1	192.7	Explosives	920.8	910.8	186.1	192.7
		Fertilisers	1,341.9	1,510.9	104.2	224.1	Fertilisers	1,241.4	1,410.9	75.3	191.9
		• IPF • SCI • Elimination					• IPF • SCI, excluding Industrials & Trading ("I&T") component • Elimination				
						Industrial Chemicals	100.5	100.0	28.9	32.2	
						• I&T component of SCI					
	AMERICAS	DNA	1,150.6	1,286.7	159.6	181.7	Explosives	958.3	1,056.3	129.2	141.5
• Explosives • Agriculture & Industrial Chemicals ("Ag&IC")						• Explosives					
						Fertilisers	60.1	63.0	23.8	9.8	
						• Agriculture component of Ag&IC					
						Industrial Chemicals	132.2	149.4	6.6	30.4	
						• Industrial Chemicals component of Ag&IC					

Group Overview

IPL is a global diversified industrial chemicals company that manufactures and distributes industrial explosives, industrial chemicals and fertilisers. 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 is managed through an upstream/downstream model that leverages a common nitrogen manufacturing core. Engineering synergies are achieved through the upstream Global Manufacturing organisation, whereas market-facing activity is conducted through its downstream organisations.

As noted above, IPL restructured its operations into two downstream businesses in 2016, comprising:

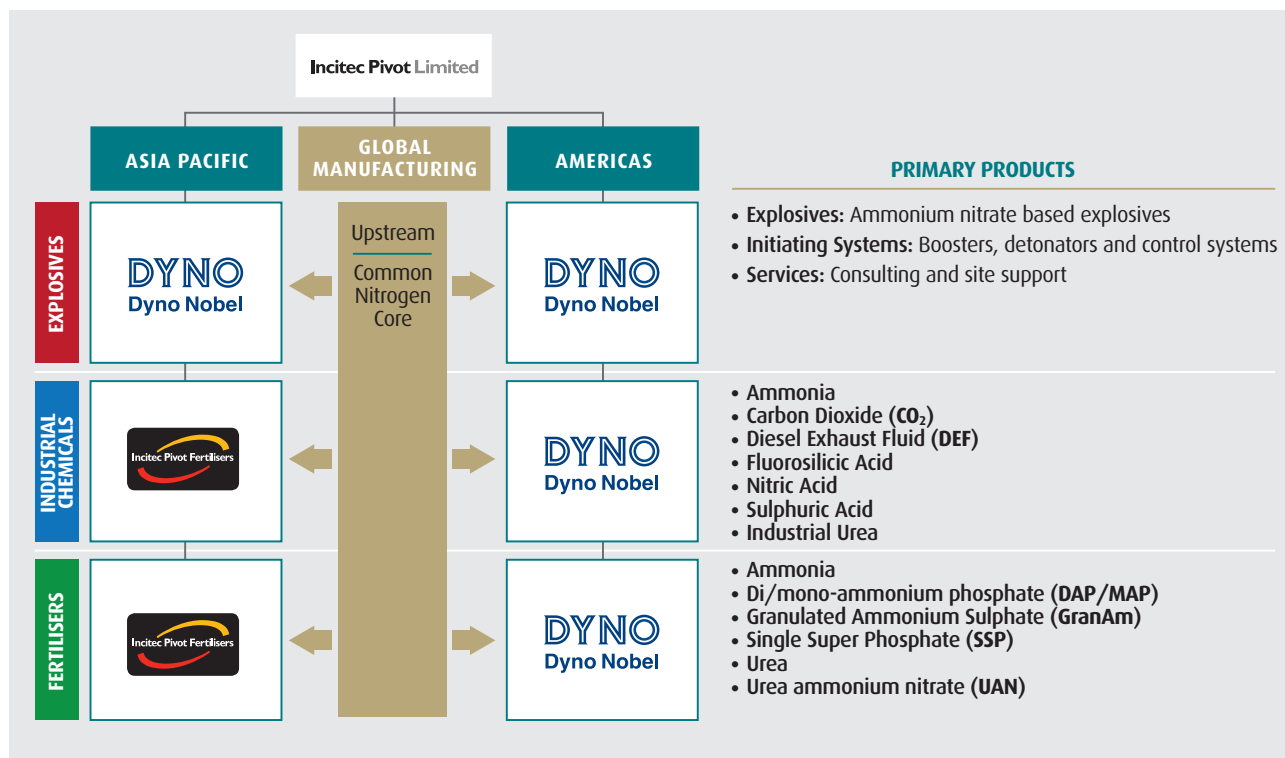
- Asia Pacific; and
- Americas.

Both businesses serve three sectors, consisting of:

- Explosives;
- Industrial Chemicals; and
- Fertilisers.

Directors' Report

IPL's businesses and sectors, as well as its primary products, are set out in the exhibit below.



Zero Harm

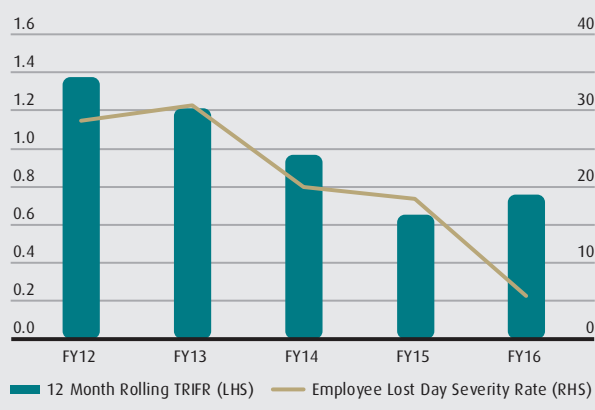
IPL prioritises its “Zero Harm for Everyone, Everywhere” Company value above all others. It does so through a fully integrated Health, Safety and Environment (HSE) system that provides the foundation for effective identification and management of HSE risks. Central to IPL’s HSE system are the ‘4Ps’:

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

In 2012, IPL adopted a five year Group HSE goal of achieving world class safety performance. Among other measures, this included reducing Total Recordable Injury Frequency Rate (TRIFR)⁽¹⁾ to less than 1.0 by 2016. For the 2016 financial year, IPL achieved a TRIFR of 0.76⁽²⁾ representing a 45 percent decline since 2012. As demonstrated in the following chart, Employee Lost Day Severity Rate⁽³⁾ also declined significantly over the same period.

IPL also delivered benchmark safety performance during construction of the Waggaman, Louisiana ammonia plant with more than five million hours worked without a lost time injury.

TRIFR and Employee Lost Day Severity Rate



The 2016 result and the safe completion of the Waggaman, Louisiana ammonia plant are important milestones toward achieving IPL’s vision of “Zero Harm for Everyone, Everywhere”. Notwithstanding progress to date, IPL will continue to focus on further improvement of its safety performance.

IPL’s HSE system works in tandem with the Business Excellence (BEx) continuous and focussed improvement system described on the following page.

(1) TRIFR calculated as the number of recordable injuries per 200,000 hours worked; includes contractors.

(2) Subject to finalisation of the classification of any pending incidents.

(3) Employee Lost Day Severity Rate calculated as the number of employee lost workdays per 200,000 hours worked represented in days; does not include contractors.

Strategy

As a diversified industrial chemicals company, IPL's strategy is to leverage core nitrogen and high explosive manufacturing competencies by aligning to major market dislocations (for example, US energy revolution and industrialisation and urbanisation of Asia). It does so through an upstream/downstream model that leverages a common nitrogen manufacturing core.

Underpinning IPL's strategy is its commitment to Zero Harm, which reflects the primacy of safety within the organisation.

The immediate focus for IPL is firmly on optimising existing manufacturing assets, improving productivity and executing strategies to maximise returns. BEx, IPL's globally integrated continuous and focussed improvement system, aims to drive sustainable and ongoing business efficiency and productivity through an empowered and engaged workforce.

In the medium term, IPL's growth is linked to the recovery of the United States through the ramp up of the Waggaman, Louisiana ammonia plant.

Waggaman, Louisiana Ammonia Plant

In April 2013, IPL announced an investment of US\$850m to build an 800,000 metric tonne per annum ammonia plant in Waggaman, Louisiana. Construction of the plant was completed in September 2016 and IPL assumed management of the plant on 19 October 2016.

The plant is expected to operate at an average of 80 percent of nameplate capacity in 2017 as it ramps up to full production.

The plant is expected to be depreciated over an average life of approximately 35 years for accounting purposes, with the majority of the plant depreciated over the first six years for tax purposes.

BEx OFI

Through BEx, IPL has built a culture that fosters productivity improvements and sustainability initiatives, while also prioritising Zero Harm. BEx is strongly aligned with IPL's corporate values and has lean principles at its core.

As noted above, in 2016 IPL announced the BEx OFI program to deliver \$100m cost savings during the 2017 year, comprising \$80m in operating efficiencies, and \$20m reduction in capital expenditure. Using BEx methodology, operating efficiencies in overhead, procurement, supply chain and manufacturing productivity across IPL have been identified and progressed. BEx Asset Care efficiencies have been identified which will reduce capital expenditure.

As at 30 September 2016, net savings from the BEx OFI program of \$16m had been delivered.

Group Financial Performance

IPL delivered Net Profit After Tax (NPAT) excluding minority interests of \$128.1m, down \$270.5m on 2015. This result included IMIs of \$167.1m. NPAT excluding Individually Material Items (ex IMIs) was \$295.2m, down \$103.4m on 2015.

IMIs

IMIs in the period consist of an impairment write-down in relation to Gibson Island's manufacturing plant and related assets, costs incurred in the business restructure, and the impairment of certain operating assets and site exit costs.

- **Impairment of Gibson Island:** The impairment of \$105.6m after tax was recognised at 31 March 2016, and reflects the impact of lower forecast fertiliser prices and higher forecast gas prices on the recoverable amount of the asset.
- **Business Restructuring Costs:** In May 2016, IPL announced that it was responding to the cyclical and structural changes in the markets that it serves through the BEx OFI program.

Total restructuring costs were \$90.5m before tax with expected cash benefit from the BEx OFI of \$100m (\$80m of operating efficiencies and \$20m of capital expenditure savings) per annum by 2017. Total restructuring costs include \$26.8m of asset impairments and site exit costs.

Group Performance

Group EBIT ex IMIs decreased 26 percent, or \$148.4m, to \$428.1m, as compared to 2015.

	Year Ended 30 September		
	2016 \$mill	2015 \$mill	Change %
Revenue	3,353.7	3,643.3	(7.9)
EBITDA ex IMIs ⁽¹⁾	672.6	825.6	(18.5)
EBIT ex IMIs ⁽²⁾	428.1	576.5	(25.7)
NPAT ex IMIs⁽³⁾	295.2	398.6	(25.9)
IMIs after tax	(167.1)	-	-
NPAT	128.1	398.6	(67.9)
Business EBIT ex IMIs			
Asia Pacific	290.3	416.8	(30.4)
Americas	159.6	181.7	(12.2)
Elimination and Corporate	(21.8)	(22.0)	0.9
Group EBIT ex IMIs	428.1	576.5	(25.7)
<i>EBIT margin ex IMIs</i>	<i>12.8%</i>	<i>15.8%</i>	
Sector EBIT ex IMIs			
Explosives	315.3	334.2	(5.7)
Industrial Chemicals	52.7	42.0	25.5
Fertilisers	81.9	222.3	(63.2)
Elimination and Corporate	(21.8)	(22.0)	0.9
Group EBIT ex IMIs	428.1	576.5	(25.7)
<i>EBIT margin ex IMIs</i>	<i>12.8%</i>	<i>15.8%</i>	

(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.

Directors' Report

EBIT from the Asia Pacific business declined 30 percent over the period, with Explosives earnings contracting 3 percent and Fertiliser earnings contracting 61 percent, largely in line with a decline in global fertiliser prices. Industrial Chemicals earnings also contracted during the period.

EBIT from the Americas business fell 12 percent as compared to 2015 on an A\$-basis. This was driven by a \$12.3m decline in Explosives earnings reflecting lower coal market volumes and a \$23.8m contraction in Fertilisers earnings in line with a decline in global fertiliser prices. These declines were offset by a \$14.0m increase in Industrial Chemicals earnings primarily reflecting net proceeds from contractual arrangements in relation to the Waggaman, Louisiana ammonia plant.

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

Group Cash Flow and Financial Position

Operating cash flow decreased 24 percent to \$575.3m as compared to 2015. This decline was driven by a fall in EBITDA largely attributable to falling commodity prices, but partially offset by an improvement in Trade Working Capital (TWC). Average 13 month TWC as a percentage of annual revenue declined to five percent during the period, primarily as a result of effective cash management efficiency initiatives and lower commodity prices reflected in purchased inventory.

IPL's Balance Sheet remains sound, reflecting the Group's ongoing commitment to financial discipline and effective cash management. As at 30 September 2016, IPL had net debt of \$1,393.8m.⁽¹⁾ Net debt/EBITDA ex IMIs of 2.1x remained within IPL's target range of less than 2.5x, after significant capital expended since 2013 on the Waggaman, Louisiana ammonia plant.

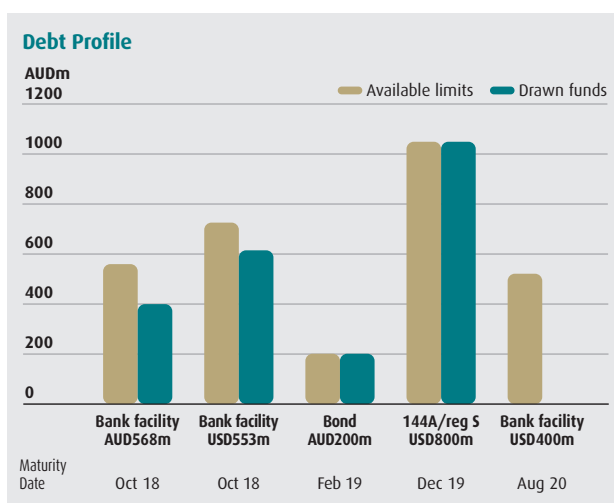
	Year Ended 30 September		
	2016 \$mill	2015 \$mill	Change \$mill
Balance Sheet			
Assets			
Group TWC	(49.2)	7.7	(56.9)
Net PP&E	3,892.7	4,003.6	(110.9)
Intangible assets	3,170.4	3,346.3	(175.9)
Total Assets	7,013.9	7,357.6	(343.7)
Liabilities			
Environmental & restructure provisions	(129.9)	(111.9)	(18.0)
Tax liabilities	(414.9)	(529.5)	114.6
Net other liabilities	(490.8)	(738.7)	247.9
Net debt ⁽¹⁾	(1,393.8)	(1,289.3)	(104.5)
Total Liabilities	(2,429.4)	(2,669.4)	240.0
Net Assets	4,584.5	4,688.2	(103.7)
Equity	4,584.5	4,688.2	(103.7)
Key Performance Indicators			
Net tangible assets/share	0.84	0.80	
Average TWC as % Revenue ⁽²⁾	5.0%	6.9%	
Credit Metrics			
EBITDA ex IMIs	672.6	825.6	(153.0)
Interest cover ⁽³⁾	7.9x	9.7x	
Net debt/EBITDA ex IMIs	2.1x	1.6x	

(1) Net debt aggregates interest bearing liabilities plus the fair value of derivative instruments in place economically to hedge the Group's interest bearing liabilities, less available cash and cash equivalents.

(2) Average TWC as % Revenue = 13 month average trade working capital/annual revenue.

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

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



Property, Plant & Equipment decreased by \$110.9m to \$3,892.7m. Significant movements included depreciation of \$218.8m, impact of foreign currency translation of non-A\$ denominated assets of \$153.0m, Gibson Island impairment of \$146.4m before tax, write-down of \$22.8m in operating assets in relation to the business restructure, partially offset by capital expenditure on the Waggaman, Louisiana ammonia plant of \$243.5m (including capitalised interest), minor growth spend of \$30.2m and sustenance capital expenditure of \$159.6m.

Intangible assets decreased by \$175.9m mainly as a result of the impact of foreign currency translation of non-A\$ denominated assets and amortisation of intangibles.

Tax liabilities decreased by \$114.6m over the period to (\$414.9m) mainly due to lower pre-tax earnings for 2016, the impact of the higher A\$ on foreign currency denominated tax liabilities and timing differences between tax and accounting depreciation rates related to property, plant and equipment and intangibles.

Net other liabilities decreased by \$247.9m over the period to (\$490.8m) mainly due to favourable market value movements of derivative hedging instruments (offsetting foreign exchange movements in US\$ net assets), partially offset by movements in the retirement benefit obligations.

Capital Allocation

IPL's capital allocation process is centralised and overseen by the Group Corporate Finance and Strategy & Business Development functions. 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.

	Year Ended 30 September		
	2016 \$mill	2015 \$mill	Change %
Capital Expenditure			
Major growth capital	(215.2)	(256.4)	16.1
Asia Pacific	(10.7)	(12.8)	16.4
Americas	(19.1)	(3.6)	(430.6)
Minor growth capital	(29.8)	(16.4)	(81.7)
Asia Pacific	(126.9)	(51.5)	(146.4)
Americas	(63.6)	(48.5)	(31.1)
Sustenance	(190.5)	(100.0)	(90.5)
Total	(435.5)	(372.8)	(16.8)

Major growth capital expenditure of \$215.2m (which includes capitalised interest during the period of \$48.0m) relates to the construction of the Waggaman, Louisiana ammonia plant. Total project spend in relation to the plant as at 30 September 2016 was US\$778.3m.

Minor growth capital expenditure was \$29.8m and sustenance capital expenditure was \$190.5m during the year, which included turnaround activity at the Mt Isa and Gibson Island plants as well as turnaround activity at the St Helens, Oregon plant.

In the period following the commissioning of the Waggaman, Louisiana ammonia plant, capital expenditure is expected to relate primarily to sustenance.

Shareholder Returns and Dividends

Earnings per share (EPS) ex IMIs decreased 6.3 cents per share to 17.5 cents per share as compared to 2015.

	Year Ended 30 September		
	2016 cents per share	2015 cents per share	Change
Shareholder Returns			
EPS	7.6	23.8	(16.2)
EPS ex IMIs ⁽¹⁾	17.5	23.8	(6.3)
Dividend per share ⁽²⁾	8.7	11.8	(3.1)

(1) EPS ex IMIs = Earnings Per Share, excluding IMIs.

(2) Dividend declared in respect of the financial year.

In November 2016, the Directors of IPL determined to pay an unfranked final dividend of 4.6 cents per share payable in December 2016, bringing total dividends paid with respect to the 2016 financial year to 8.7 cents per share. This represents approximately a 50 percent payout ratio for the 2016 financial year.

The Board also determined to maintain the Dividend Reinvestment Plan (DRP) with respect to the 2016 financial year, with no discount applied in determining the offer price under which the plan would be implemented. The Board further determined that the DRP would be implemented in a manner that ensures no dilutive effect to shareholders.

Group Outlook and Sensitivities

IPL does not provide profit guidance, particularly due to the variability of global fertiliser prices and foreign exchange movements. The following represents an outlook for business performance expectations for the 2017 financial year.

The markets in which IPL operates are expected to remain challenging in 2017.

Explosives

Structural changes in US coal markets and the cyclical oversupply of ammonium nitrate in Asia Pacific and the Americas are expected to continue in 2017.

Industrial Chemicals

Industrial Chemicals earnings are expected to grow as Waggaman, Louisiana ramps up through 2017. Earnings from the plant will be impacted by movements in global ammonia and US natural gas prices.

Fertilisers

The cyclical reduction in global fertiliser prices may continue into 2017. Water availability in eastern Australia looks favourable as a result of recent rainfall, enhancing distribution volume prospects.

Phosphate Hill gas contracts secured during the year are expected to reduce IPL's gas costs from calendar year 2017 to 2028 as compared to IPL's gas costs at the time the contracts were announced.

Group

Outlook for certain corporate items as they relate to 2017 are set out below:

- **BEx OFI:** To deliver \$80m of sustainable operating efficiencies and \$20m of sustainable capital expenditure savings by 2017.
- **Corporate:** Corporate costs are expected to remain between \$22m and \$24m.
- **Borrowing Costs:** Net borrowing expense is expected to increase to approximately \$128.9m as the Group will no longer capitalise interest in relation to the Waggaman, Louisiana ammonia plant.
- **Tax:** Full year effective tax rate is expected to continue to be approximately 22 to 24 percent.
- **Hedging:** 75 percent of estimated first half 2017 US\$ linked Group fertiliser sales are hedged at a rate of \$0.76 with full participation in downward rate movements.

Sensitivities

IPL's earnings are influenced by movements in global fertiliser prices, commodity prices and foreign exchange. Investors should be cognisant of these factors.

The following table provides sensitivities to key earning drivers as they relate to the 2016 financial year.

Full Year EBIT Sensitivities

Asia Pacific

Urea (FOB Middle East) ⁽¹⁾	+/- US\$10/mt = +/- A\$4.7m
DAP (FOB Tampa) ⁽²⁾	+/- US\$10/mt = +/- A\$13.8m
FX transactional (DAP/urea) ⁽³⁾	+/- US\$0.01 = +/- A\$8.0m

Americas

Urea (FOB NOLA) ⁽⁴⁾	+/- US\$10/mt = +/- US\$1.7m
FX earnings translation ⁽⁵⁾	+/- US\$0.01 = +/- A\$2.2m

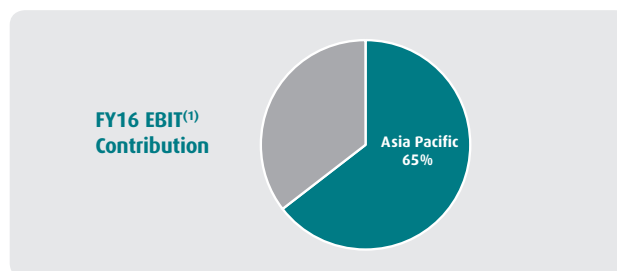
Full Year Indicative Waggaman, Louisiana EBIT Sensitivities⁽⁶⁾

Americas

Ammonia Tampa CFR	+/- US\$10/mt = +/- US\$6.1m
Henry Hub Natural Gas	+/- US\$0.10/mmbtu = +/- US\$2.0m
FX earnings translation	EBIT will be US\$ denominated and subject to translation movements

- (1) 347,000 metric tonnes urea equivalent (Gibson Island actual sales) at 2016 realised exchange rate of A\$/US\$ 0.7393.
- (2) 1,017,300 metric tonnes DAP (Phosphate Hill actual sales) and realised exchange rate of A\$/US\$ 0.7393.
- (3) DAP and urea volumes and prices based on footnotes 1 & 2 above (excludes impact of hedging).
- (4) 165,000 metric tonnes urea equivalent (St Helens nameplate).
- (5) Based on actual FY16 Americas EBIT of US\$118.2m and an average exchange rate of A\$/US\$ 0.7359.
- (6) 640,000 metric tonnes ammonia (80% Waggaman, Louisiana ammonia plant nameplate capacity).

Asia Pacific



(1) Excludes elimination

The Asia Pacific business comprises three downstream sectors, consisting of:

- Explosives;
- Industrial Chemicals; and
- Fertilisers.

Downstream operations market and sell the output of fully integrated upstream Global Manufacturing assets and third party sourced products.

EBIT from the Asia Pacific business declined \$126.5m or 30 percent to \$290.3m as compared to 2015. This result included a 3 percent contraction in Explosives earnings, a 61 percent decline in Fertilisers earnings and a 10 percent contraction in Industrial Chemicals earnings. These movements are discussed in greater detail below.

ASIA PACIFIC	Year Ended 30 September		
	2016 \$mill	2015 \$mill	Change %
Explosives	920.8	910.8	1.1
Industrial Chemicals	100.5	100.0	0.5
Fertilisers	1,241.4	1,410.9	(12.0)
Elimination	(14.9)	(14.5)	2.8
Revenue	2,247.8	2,407.2	(6.6)
Explosives	186.1	192.7	(3.4)
Industrial Chemicals	28.9	32.2	(10.2)
Fertilisers	75.3	191.9	(60.8)
EBIT	290.3	416.8	(30.4)
<i>EBIT margin</i>	<i>12.9%</i>	<i>17.3%</i>	

Explosives

Through Dyno Nobel, IPL provides ammonium nitrate based industrial explosives, initiating systems and services to the Coal and Base & Precious Metals sectors in Australia, and internationally to a number of countries including Indonesia, Malaysia, 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.

Explosives comprised 65 percent of Asia Pacific business earnings and contracted 3 percent in 2016 as compared to 2015. The result was driven by strong manufacturing performance which was offset by a modest decline in Base & Precious Metals earnings and a 7 percent decline in International earnings.

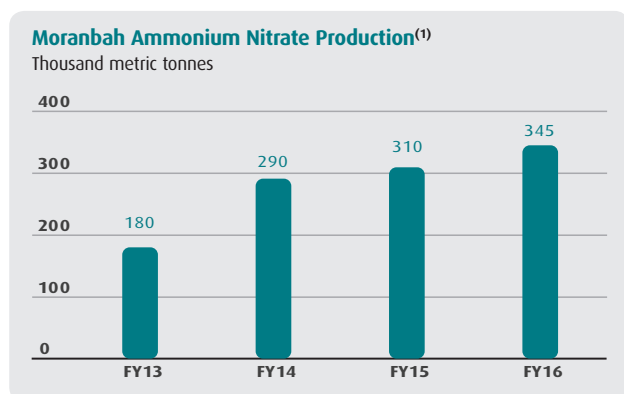
EXPLOSIVES	Plant	Year Ended 30 September		Change %
		2016	2015	
<i>Thousand metric tonnes</i>				
Ammonium nitrate ⁽¹⁾	Moranbah	344.7	310.2	11.1
Manufactured product		344.7	310.2	11.1
<i>Smill</i>				
Coal		460.5	437.3	5.3
Base & precise metals		333.5	336.4	(0.9)
International		127.0	137.2	(7.4)
Revenue		920.8	910.8	1.1
EBIT		186.1	192.7	(3.4)
<i>EBIT margin</i>		<i>20.2%</i>	<i>21.2%</i>	

Manufacturing

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

Moranbah was commissioned in 2012 and has delivered increased production each year, largely due to BEx initiatives. In particular, Moranbah produced 345 thousand metric tonnes of ammonium nitrate in 2016, representing 11 percent production growth as compared to 2015. In addition to record ammonium nitrate output, production records were set in the ammonia and downstream plants despite 2016 being the last year of a 4-year turnaround cycle, and despite previously disclosed gas supply curtailments.

Initiating systems are manufactured in Australia at Dyno Nobel's Helidon, Queensland facility and are also sourced from IPL facilities in the Americas and from DetNet South Africa (Pty) Ltd, an IPL electronics joint venture (**DetNet**). Initiating systems production was consistent with ammonium nitrate volume production during the year.



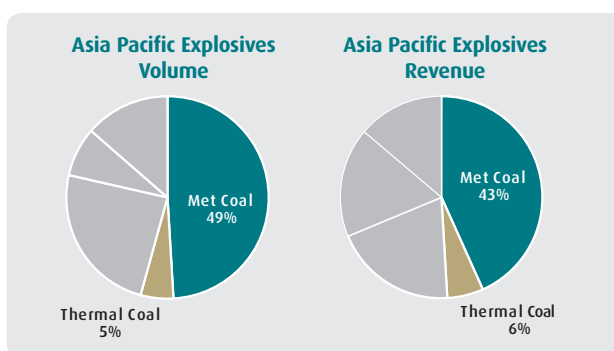
(1) Ammonium nitrate expressed as dry metric tonnes for comparative purposes; previously reported as wet metric tonnes

Coal

54 percent of Asia Pacific ammonium nitrate volume sold was supplied to the Coal sector in Australia's east in 2016, the majority of which was supplied to metallurgical coal mines in Queensland's Bowen Basin. In aggregate, sales to the Coal sector comprised 49 percent of Asia Pacific Explosives revenue.

Volume to both the metallurgical and thermal coal sectors increased in 2016 with customers using volume leverage to reduce cost per tonne metrics. This was offset by the closure or curtailment of production at some marginal mines.

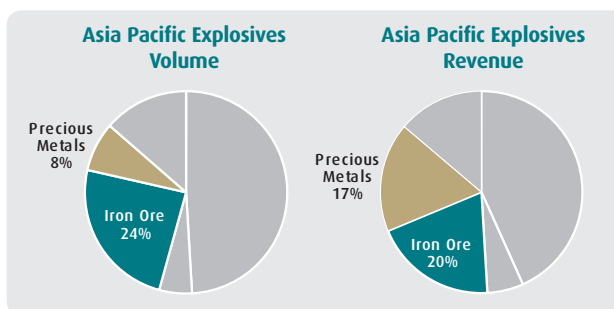
Demand for services contracted during the period as customers insured the activity, though to a lesser extent than in 2015.



Base & Precious Metals

32 percent of Asia Pacific ammonium nitrate volume sold was supplied to the Base & Precious Metals sector in Australia in 2016. In aggregate, 24 percent of Explosives volume sold was supplied to iron ore mines primarily in Western Australia, with the remainder supplied to hard rock and underground mines. Sales to the Base & Precious Metals sector comprised 37 percent of Asia Pacific Explosives revenue.

As with the Coal sector, volume to the Base & Precious metals sector increased in 2016. This was largely driven by a recovery in commodity prices, particularly iron ore, and increased volume output from miners in Western Australia, but was somewhat offset by the closure or curtailments of some marginal customer mines in Australia. Demand for initiating systems grew in tandem with ammonium nitrate volume, however demand for services contracted during the period.

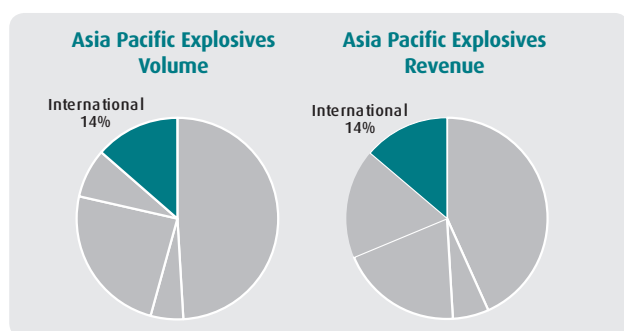


Directors' Report

International

14 percent of Asia Pacific ammonium nitrate volume was sold internationally including in Indonesia, Malaysia, Papua New Guinea and Turkey. In these regions, Dyno Nobel sources ammonium nitrate from third parties, manufactures proprietary emulsion explosives, and combines them with proprietary initiating systems and services. International sales comprised 14 percent of Asia Pacific Explosives revenue.

Volume sold within the International market was broadly flat in 2016, despite ammonium nitrate oversupply in Southeast Asia, particularly Indonesia, and political instability in Turkey. Demand for initiating systems and services was also broadly flat during the period.



Outlook

The Explosives sector is expected to remain challenged through 2017 largely due to regional oversupply of ammonium nitrate and ongoing customer cost focus.

Industrial Chemicals

The Asia Pacific business manufactures and distributes industrial chemicals under the Incitec Pivot brand in eastern Australia. Products include ammonia, CO₂, DEF, fluorosilicic acid and industrial urea. These products are primarily manufactured at the Gibson Island plant.

EBIT from Industrial Chemicals comprised 10 percent of Asia Pacific business earnings.

INDUSTRIAL CHEMICALS	Year Ended 30 September		
	2016 \$mill	2015 \$mill	Change %
Revenue	100.5	100.0	0.5
EBIT	28.9	32.2	(10.2)
EBIT margin	28.8%	32.2%	

Outlook

Industrial Chemicals volumes in 2017 are expected to be broadly consistent with those of 2016, with earnings subject to movements in commodity prices.

Fertilisers

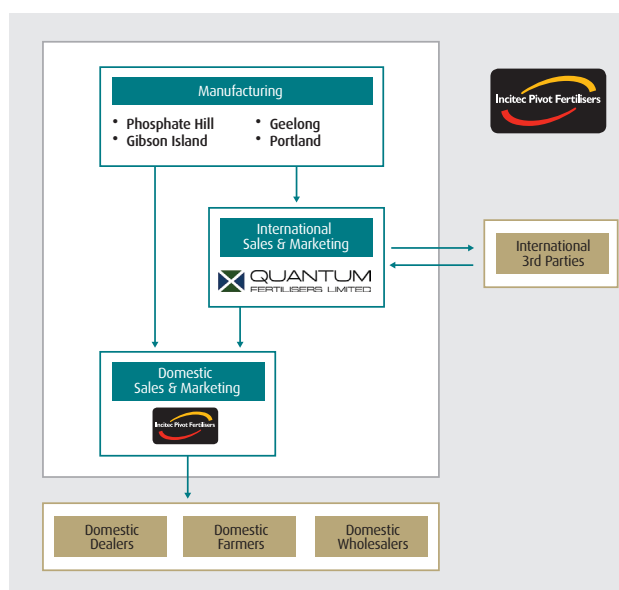
IPF is Australia's largest domestic manufacturer and supplier of fertilisers by volume, dispatching 1.8m metric tonnes of fertilisers in 2016 to the domestic market. IPF produces nitrogen and phosphate fertilisers for application in Australia's grain, cotton, fruit, pasture, dairy, sugar, sorghum and horticulture industries in New South Wales, Victoria, Queensland, South Australia and Tasmania. Fertiliser is distributed to farmers and through a network of more than 200 dealers and agents.

Internationally, IPF sells to major offshore agricultural markets in Asia Pacific, the Indian subcontinent and Brazil. 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.

IPF manufactures the following fertilisers at four locations:

- **Phosphate Hill (Queensland):** DAP and MAP;
- **Gibson Island (Queensland):** Ammonia (**Big N**), GranAm and Urea; and
- **Geelong and Portland (Victoria):** SSP.

IPF's business model is illustrated in the following exhibit:



EBIT from Fertilisers comprised 26 percent of Asia Pacific business earnings and declined 61 percent in 2016 as compared to 2015. This was driven primarily by declining fertiliser prices, but somewhat offset by favourable foreign exchange movements and strong manufacturing performance at Phosphate Hill.

FERTILISERS		Year Ended 30 September		
		2016	2015	Change %
<i>Thousand metric tonnes</i>				
DAP/MAP	Phosphate Hill	1,009.6	1,043.3	(3.2)
Urea, GranAm and Ammonia	Gibson Island	350.3	369.7	(5.2)
SSP	Portland & Geelong	385.7	349.1	10.5
Manufactured product for sale		1,745.6	1,762.1	(0.9)
<i>\$mill</i>				
Domestic Sales & Marketing		960.8	1,082.4	(11.2)
International Sales & Marketing		280.6	328.5	(14.6)
Revenue		1,241.4	1,410.9	(12.0)
EBIT		75.3	191.9	(60.8)
<i>EBIT margin</i>		<i>6.1%</i>	<i>13.6%</i>	

Manufacturing

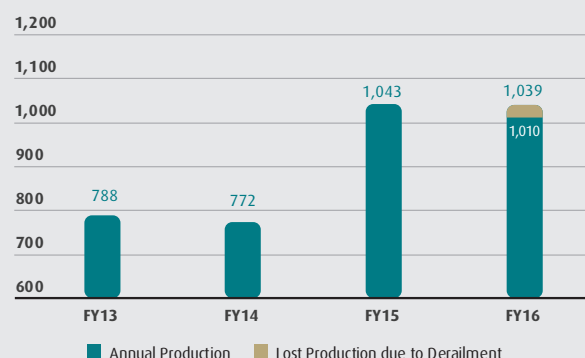
Phosphate Hill produced 1,010 thousand metric tonnes of ammonium phosphates in 2016, slightly below the record annual production of 1,043 thousand metric tonnes achieved in 2015. It did so despite a train derailment in late December 2015 that interrupted rail services for several weeks. As disclosed at the half year, the derailment caused approximately 29 thousand metric tonnes of lost ammonium phosphates production. The year also included four record production months as well as record ammonia production.

In November 2015, IPL announced that it had entered an agreement providing gas to Phosphate Hill from the commencement of supply from the Northern Gas Pipeline (anticipated in 2019), through to 2028. This ten year supply will reduce IPL's gas costs by \$55m per annum versus IPL's gas cost at the time of the announcement.

In March 2016, IPL announced that it had entered into an agreement for gas supply to Phosphate Hill in calendar years 2017 and 2018, reducing IPL's gas costs by approximately \$20m per annum compared with IPL's gas cost at the time of that announcement. This bridging contract will cease once supply from the Northern Gas Pipeline commences.

Phosphate Hill Ammonium Phosphate Production

Thousand metric tonnes



Domestic Sales & Marketing

Revenue from Domestic Sales & Marketing decreased 11 percent as compared to 2015. This was largely due to a decline in fertiliser prices but somewhat offset by favourable foreign exchange movements. Weather also played a factor during the year, with wet conditions in the grain growing regions driving record demand for top-dress nitrogen during the June to August period. However, subsequent higher rainfall, including the wettest September on record for much of the east coast of Australia, slowed demand in all regions as many areas became too wet for fertiliser application.

Distribution margin recovered during 2016 due to improved position management and BEx initiatives.

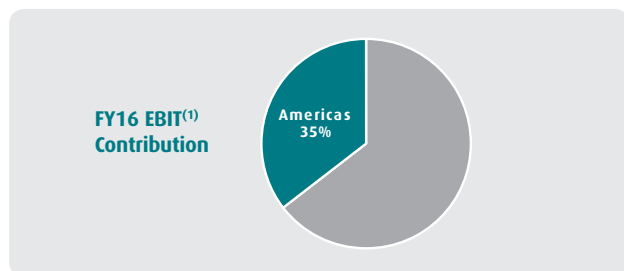
International Sales & Marketing

Revenue from International Sales & Marketing decreased by 15 percent as a result of lower fertiliser prices.

Outlook

The wetter than average conditions in the second half of 2016 have the potential to drive increased fertiliser demand in 2017. However, depressed global fertiliser prices may persist in the short term.

Americas



(1) Excludes elimination

The Americas business comprises three downstream sectors, consisting of:

- Explosives;
- Industrial Chemicals; and
- Fertilisers.

As with the Asia Pacific business, downstream operations market and sell the output of fully integrated upstream Global Manufacturing assets and third party sourced products.

EBIT from Americas decreased \$22.1m or US\$22.9m in 2016. The following commentary is based on local currency of US\$.

AMERICAS	Year Ended 30 September		
	2016	2015	Change %
<i>US\$mill</i>			
Explosives	705.3	829.3	(15.0)
Industrial Chemicals	97.3	117.3	(17.1)
Fertilisers	44.2	49.5	(10.7)
Revenue	846.8	996.1	(15.0)
Explosives	95.7	109.9	(12.9)
Industrial Chemicals	17.6	7.6	131.6
Fertilisers	4.9	23.6	(79.2)
EBIT	118.2	141.1	(16.2)
EBIT margin	14.0%	14.2%	
<i>A\$mill</i>			
Revenue	1,150.6	1,268.7	(9.3)
EBIT	159.6	181.7	(12.2)
EBIT margin	13.9%	14.3%	
Notes			
1. Translation A\$/US\$ exchange rate	0.74	0.79	(6.0)

Explosives

Through Dyno Nobel, IPL provides ammonium nitrate based explosives, initiating systems and services to the Coal, Base & Precious Metals and Quarry & Construction sectors primarily in the US, Canada and Mexico. As in the Asia Pacific business, ammonium nitrate is often sold in conjunction with higher margin proprietary initiating systems and services.

Dyno Nobel is the second largest industrial explosives distributor in North America by volume. It supplies manufactured and third party ammonium nitrate 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. It also provides ammonium nitrate to the Quarry & Construction sector in the southern US, northeast US and Canada.

Explosives comprised 81 percent of Americas business earnings in 2016 and declined 13 percent as compared to 2015. This was driven by a contraction in the Coal, Base & Precious Metals and Quarry & Construction sectors. These movements are discussed in detail below.

EXPLOSIVES	Year Ended 30 September		
	2016 US\$mill	2015 US\$mill	Change %
Coal	187.8	258.1	(27.2)
Base & Precious Metals	196.6	246.5	(20.2)
Quarry & Construction	321.0	324.8	(1.2)
Revenue	705.3	829.3	(15.0)
EBIT	95.7	109.9	(12.9)
EBIT margin	13.6%	13.3%	

Manufacturing

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 the both Appalachia and the Illinois Basin.

Production from the Cheyenne, Wyoming and Louisiana, Missouri plants contracted during 2016, reflecting lower market demand and mirrored the broader contraction in regional demand for ammonium nitrate. Despite this market-related contraction, the Cheyenne, Wyoming plant delivered its second highest ammonia production result to date.

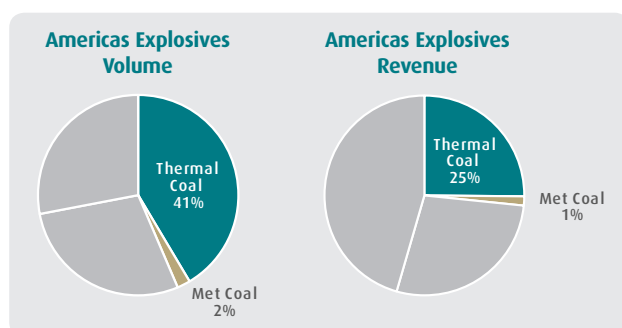
Initiating systems are manufactured at Dyno Nobel's facilities in Connecticut, Kentucky, Illinois, Missouri, Chile and Mexico, and are also sourced from DetNet.

Coal

43 percent of Americas ammonium nitrate volume sold was supplied to the Coal sector in 2016, the majority of which was supplied to thermal coal mines in the Powder River Basin. In aggregate, sales to the Coal sector comprised 26 percent of Americas Explosives revenue.

Volume to the Coal sector contracted 22 percent in 2016 as compared to 2015. This contraction was in part a consequence of excess coal inventory levels at electrical generators evident at the beginning of the period. Powder River Basin, Dyno Nobel's core region, fared better than the Illinois Basin and Appalachia, largely due to lower coal production costs.

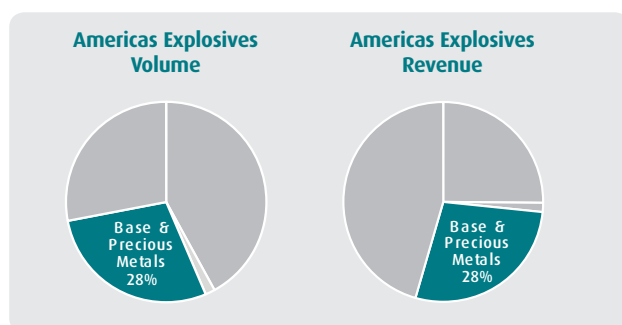
Demand for initiating systems and services also contracted during the period in line with demand for ammonium nitrate volume.



Base & Precious Metals

28 percent of Americas ammonium nitrate volume sold was supplied to the Base & Precious Metals sector in 2016, the majority of which was supplied to iron ore mines in the US midwest and west. Sales to the Base & Precious Metals sector comprised 28 percent of Americas Explosives revenue.

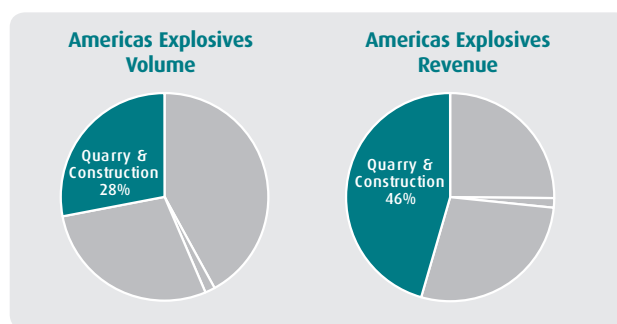
Ammonium nitrate volume to the Base & Precious Metals sector contracted in 2016. This was largely driven by subdued commodity prices, particularly during the first half of the year, but benefited from tariffs imposed in March 2016 on steel imports into the US. Demand for initiating systems and services contracted during the period in tandem with ammonium nitrate demand.



Quarry & Construction

28 percent of Americas ammonium nitrate volume sold was supplied to the Quarry & Construction (Q&C) sector in 2016. Dyno Nobel has a leading position in this sector. Sales to Q&C comprised 46 percent of Americas Explosives revenue and benefits from a favourable mix of high grade explosives and proprietary initiating systems and services.

Ammonium nitrate volume sold to Q&C grew 2 percent in 2016, following 11 percent growth in 2015. Growth moderated in the second half with a slowdown in energy infrastructure markets. In aggregate, revenue from Q&C contracted 2 percent in the year reflecting product mix.



Outlook

The Explosives sector is expected to remain challenged through 2017 with an oversupply of ammonium nitrate and ongoing customer cost focus.

The sector may benefit from a five-year US\$305Bn US highway spending bill announced in December 2015 that includes US\$205Bn for highways and US\$48Bn for transit projects.

Industrial Chemicals

The Americas business manufactures and distributes industrial chemicals under the Dyno Nobel brand in the US. These products include ammonium nitrate solution, CO₂, DEF and nitric acid, and are produced at the Louisiana, Missouri; Cheyenne, Wyoming; and St Helens, Oregon plants.

A ramp up of production at Waggaman, Louisiana will contribute significant revenue to this segment in 2017.

EBIT from Industrial Chemicals increased US\$10.0m as compared to 2015, reflecting net income from Waggaman, Louisiana related contractual arrangements, which was partially offset by other operational factors.

INDUSTRIAL CHEMICALS	Year Ended 30 September		
	2016 \$USmill	2015 \$USmill	Change %
Revenue	97.3	117.3	(17.1)
EBIT	17.6	7.6	131.6

Outlook

Industrial Chemicals earnings is expected to grow as the Waggaman, Louisiana plant ramps up. Earnings will be impacted by global ammonia prices and US natural gas prices. In 2017, the plant is expected to average 80 percent of nameplate capacity as it ramps up to full production.

Directors' Report

Fertilisers

Dyno Nobel manufactures and distributes nitrogen-based fertilisers in the United States at two locations:

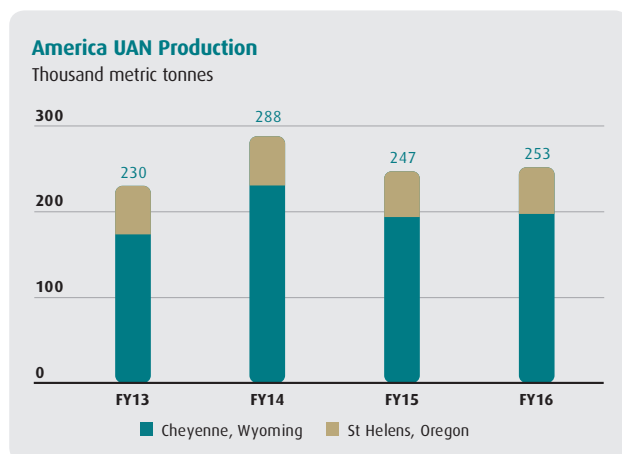
- **St Helens, Oregon:** Urea and UAN; and
- **Cheyenne, Wyoming:** Urea and UAN.

EBIT from Fertilisers comprised 4 percent of Americas business earnings and declined 79 percent as compared to 2015. As with the Asia Pacific business, this was driven primarily by declining global fertiliser prices, but somewhat offset by stronger manufacturing performance and efficiencies achieved in the fertiliser supply chain.

FERTILISERS	Plant	Year Ended 30 September		Change %
		2016	2015	
<i>Thousand metric tonnes</i>				
UAN	St Helens, OR	54.4	53.1	2.4
UAN	Cheyenne, WY	198.3	194.0	2.2
Manufactured product for sale		252.7	247.1	2.3
<i>US\$m</i>				
Revenue		44.2	49.5	(10.7)
EBIT		4.9	23.6	(79.2)
<i>EBIT margin</i>		<i>11.0%</i>	<i>47.7%</i>	

Manufacturing

The St Helens and Cheyenne plants together produced 253,000 mt of UAN in 2016, a 2 percent increase on 2015. St Helens underwent an eight-week turnaround that spanned both 2015 and 2016 equally (four weeks in each year).



Outlook

Fertiliser earnings in 2017 will remain subject to movements in commodity prices, in particular ammonia, urea and UAN.

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, but may in some cases either partially or fully mitigate the exposure.

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	<p>The current global economic and business climate and any sustained downturn in the North American, South American, Asian, European or Australian economies may adversely impact IPL's overall performance. This may affect demand for industrial explosives, industrial chemicals and fertilisers and related products and services, and profitability in respect of them.</p>	<ul style="list-style-type: none"> • Diversification across explosives and fertilisers markets in numerous geographical locations helps spread exposures. • BEx provides long term sustainable competitiveness and business fluidity, through its focus on continuous improvement in productivity and efficiency. • Continuous review of country specific risks enables proactive management of potential exposures.
Commodity price risks	<p>Pricing for fertilisers, ammonia, ammonium nitrate and certain other industrial chemicals are linked to internationally traded commodities (for example, ammonia, ammonium phosphates and urea); price fluctuations in these products could adversely affect IPL's business. The pricing of internationally traded commodities is based on international benchmarks and is affected by global supply and demand forces.</p> <p>Weaker hard and soft commodity prices (particularly coal, iron ore, gold, corn, wheat, cotton and sugar) could have an adverse impact on the Group's customers and has the potential to impact the customers' demand, impacting volume and market prices.</p>	<ul style="list-style-type: none"> • The Group seeks to maintain low cost positions in its chosen markets, which helps its businesses to compete in changing and competitive environments. • Sales and Operations Planning (S&OP) process helps inventory management 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 works with its customers and enforces 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.
External financial risk	<p>The appreciation or depreciation of the A\$ against the US\$ may materially affect IPL's financial performance.</p> <p>A large proportion of IPL's sales are denominated either directly or indirectly in foreign currencies, primarily the US\$.</p> <p>In addition, IPL also borrows funds in US\$, and the A\$ equivalent of these borrowings and the interest payable on them will fluctuate with the exchange rate.</p> <p>Other financial risks that can impact IPL's earnings include the cost and availability of funds to meet its business needs, compliance with terms of financing arrangements and movements in interest rates.</p>	<ul style="list-style-type: none"> • 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 refinance 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	<p>IPL operates in highly competitive markets with varying competitor dynamics and industry structures.</p> <p>The actions of established or potential competitors could have a negative impact on sales and market share and hence the Group's financial performance.</p> <p>The balance between supply and demand of the products that IPL manufactures and sells can greatly influence prices and plant utilisation. The structural shift in the North American power sector, which has seen a movement away from coal-fired energy production and towards natural gas, has placed increased pressure on existing customers (therefore giving rise to increased cost pressure on inputs to their supply) and has also resulted in reduced demand for their outputs.</p> <p>Reduced demand for steel inputs (in particular iron ore and metallurgical coal) can lead to a decrease in demand for explosives in these industries.</p> <p>IPL's fertiliser operations compete against manufacturers with lower input costs and potentially having regulatory and economic advantages. A competitive market may also lead to the loss of customers which may negatively impact earnings.</p>	<ul style="list-style-type: none"> 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. 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	<p>IPL has strong relationships with key customers for the supply of products and services. These relationships are fundamental to the Group's financial performance, on which the loss of key customer(s) may have a negative impact. This is particularly relevant to the Explosives sectors where supply contracts tend to be longer term and significant high value customers are represented.</p> <p>Customer(s)' inability to pay their accounts when they fall due, or inability to continue purchasing from the Group due to financial distress, may expose the Group to customer credit risks.</p>	<ul style="list-style-type: none"> 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. From time to time, the Group purchases trade credit insurance to minimise credit risk.
Product quality and/or specification risk	<p>IPL manufactures or produces product to specific customer and industry specifications and statutory parameters. The Group is exposed to financial and reputational risk if these standards, requirements and limits are not met.</p>	<ul style="list-style-type: none"> 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.
Oversupply of ammonium nitrate in Asia Pacific and Americas	<p>New ammonium nitrate capacity has recently been or is soon to be introduced in both the Asia Pacific and Americas geographic regions. In both instances, the markets are predominantly domestically supplied and the new capacity may create a supply/demand imbalance.</p>	<ul style="list-style-type: none"> Where practical, for customers in the Explosives sector, IPL prefers to engage in long term customer contractual relationships. IPL seeks to maintain competitive cost positions in its chosen markets, whilst maintaining quality product and service offerings.

Risk	Description and potential consequences	Treatment strategies employed by IPL
Operational risks		
Production, transportation and storage risks	<p>IPL's operations are inherently dangerous. IPL operates 15 key manufacturing and assembly sites and is exposed to operational risks associated with the manufacture, transportation and storage of fertilisers, ammonium nitrate, initiating systems, industrial chemicals and industrial explosives products.</p> <p>IPL's manufacturing systems are vulnerable to equipment breakdowns, energy or water disruptions, natural disasters and acts of God, unforeseen human error, sabotage, terrorist attacks and other unforeseen events which may disrupt IPL's operations and materially affect its financial performance.</p> <p>Timely and economic supply of key raw materials represents a potential risk to the Group's ability to supply.</p>	<ul style="list-style-type: none"> • 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. • Appropriate workers' compensation programs are in place globally to assist employees who have been injured while at work, including external insurance coverage. • Management undertakes risk identification and mitigation strategies across all sites. • 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 S&OP process and inventory management practices provide flexibility to deal with short term disruptions. • The Group has strict processes around the stewardship, movement and safe handling of dangerous goods and other chemicals.
Natural gas supply and price risk	<p>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.</p> <p>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. The cost of natural gas impacts the variable cost of production of ammonia and can influence the plants' overall competitive position.</p>	<ul style="list-style-type: none"> • 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 September 2018. 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 for its first five years of production 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 some ability to hedge gas prices and the Group reviews its approach to gas hedging in the US on a regular basis.

Risk	Description and potential consequences	Treatment strategies employed by IPL
Sulphuric acid cost and supply into Phosphate Hill	<p>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.</p> <p>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.</p> <p>Sulphuric acid supply into Phosphate Hill may be negatively impacted from a volume and/or price perspective, after the closure of the Mt Isa Mines copper smelter.</p>	<ul style="list-style-type: none"> • 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 but the cost impact is yet to be determined. • 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	<p>Phosphate rock, used in the manufacture of both ammonium phosphates and single superphosphate fertilisers, is a naturally occurring mineral rock.</p> <p>Phosphate rock is an internationally traded commodity with pricing based on international benchmarks and is affected by global supply and demand forces. Its cost for single superphosphate manufacturing purposes is also impacted by fluctuations in foreign currency exchange rates, particularly the A\$/US\$ rate. Fluctuations in either of these variables can impact the cost of IPL's single superphosphate manufacturing operations, as these operations rely on rock imported from limited foreign supply sources.</p>	<ul style="list-style-type: none"> • 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	<p>A shortage of skilled labour or loss of key personnel could disrupt IPL's business operations or adversely affect IPL's business and financial performance. IPL's manufacturing plants require skilled operators drawn from a range of disciplines, trades and vocations.</p> <p>IPL has operations in regional and remote locations where it can be difficult to attract and retain critical and diverse talent.</p>	<ul style="list-style-type: none"> • 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.
Weather	<p>Seasonal conditions (particularly rainfall), are a key factor for determining demand and sales of explosives and fertilisers. Any prolonged adverse weather conditions could impact the future profitability and prospects of IPL.</p> <p>Some plants are located in areas that are susceptible to extreme weather events, such as hurricanes, tropical storms and tornadoes.</p>	<ul style="list-style-type: none"> • The S&OP process incorporates forecasting which enables scenario planning and some supply flexibility. Forecasts are based on typical weather conditions and are reviewed monthly as the seasons progress to help align supply to changing demand. • 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.

Risk	Description and potential consequences	Treatment strategies employed by IPL
Ramp-up and initial operations of the Waggaman, Louisiana ammonia plant	While performance testing has been successfully completed and management and operation of the plant has transitioned to IPL, there is a potential risk of the plant not performing to the level expected and/or not maintaining stable operations, particularly in its first year of operation following commissioning.	<ul style="list-style-type: none"> • Management will ensure that operations are conducted consistent with Group-wide standards and processes, and will draw on Group resources to assure this and assist in addressing concerns. • Management identifies critical roles and, where possible, ensures that appropriate recruitment, succession and retention plans are in place so that there are appropriate skilled and experienced personnel equipped to deal with issues that may arise. A comprehensive training framework has also been implemented with all operating staff undergoing training within the framework. • IPL enjoys certain contractual protections by way of warranties and defect rectification following handover of the plant.
Waggaman, Louisiana ammonia plant offtake and logistics capability risk	Waggaman, Louisiana ammonia plant has a nameplate production capacity of 800,000mt per annum. With a plant of this size, notwithstanding storage capacity on site, there is a risk that if production is not sold and effectively moved into the market, plant uptime and earnings may be negatively impacted.	<ul style="list-style-type: none"> • The Waggaman, Louisiana ammonia plant has a 100 percent committed offtake, with supply contracts in place with the Americas business (internal), Cornerstone Chemical Company and Trammo Inc. • The Waggaman, Louisiana ammonia plant logistics capability allows for the offtake to be distributed via rail, truck, barge and pipeline. In total, the plant has a logistics capability of approximately 200 percent of the plant production capacity, providing flexibility and allowing for future growth. • The Group's S&OP process and inventory management practices provide flexibility and assurance to deal with short term disruptions.

Risk	Description and potential consequences	Treatment strategies employed by IPL
Compliance, regulatory and legal risk		
<p>Compliance, regulatory and legal risk</p>	<p>Changes in federal or state government legislation, regulations or policies in any of the countries in which IPL operates 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, and geopolitical risks relating to countries with which IPL, or its customers and suppliers, engages to buy or sell products and materials. In addition, changes in tax legislation or compliance requirements in the jurisdictions in which IPL, or its customers and suppliers, operates, or changes in the policy or practices of the relevant tax authorities in such jurisdictions, may result in additional compliance costs and/or increased risk of regulatory action, including potential impact on licenses to operate.</p> <p>IPL's business, and that of its customers and suppliers, is subject to environmental laws and regulations that require specific operating licences and impose various requirements and standards. Changes in these laws and regulations (for example, increased regulation of coal fired energy generation in the US and the imposition of carbon trading schemes), 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.</p> <p>IPL is exposed to potential legal and other claims or disputes in the course of its business, including contractual disputes, and property damage and personal injury claims in connection with its operations.</p>	<ul style="list-style-type: none"> • 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. • 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.
<p>Loss or exposure of sensitive data</p>	<p>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.</p>	<ul style="list-style-type: none"> • Policies, procedures and practices are in place regarding the use of company information, personal storage devices and IT security. • External testing is performed to assess the security of the Group's IT systems.

Directors' Report: Remuneration Report

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 2016 which sets out the remuneration information for the Managing Director & Chief Executive Officer, the Executive Team and the non-executive directors.

2016 financial year remuneration outcomes

The 2016 financial result was achieved in the face of challenging conditions, with the Group's financial performance largely reflecting the continued global decline in fertiliser prices as well as the structural and cyclical challenges impacting the Group's end markets.

As a result, the only short term incentives awarded under the 2016 plan were in relation to the successful completion of the Louisiana Ammonia Project as well as the Group's safety performance. No short term incentives were awarded in relation to the Group's financial performance.

Similarly, in relation to the long term incentive plan, no performance rights will vest in respect of the performance period which ended on 30 September 2016.

2017 financial year remuneration approach

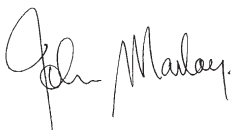
We expect that 2017 market conditions will continue to be challenging. As was the case for the 2016 financial year, the Board has determined that there will be no increase to non-executive director fees nor to the fixed annual remuneration for the executives for the 2017 financial year.

In relation to the "at risk" or performance related component of the executives' remuneration for the 2017 financial year, the incentive opportunities available to the executives for both the short term incentives and long term incentives will remain unchanged. However, the Board has made changes to the structure of the at risk remuneration applicable to the executives for the 2017 financial year as follows:

- Short term incentive: 30% of the opportunity in 2017 will be allocated to achievement of the BEx OFI program which was announced during the 2016 financial year in recognition of the importance of this program in aligning IPL's cost base with the structural and cyclical shifts in the Company's markets. Safety, which remains a critical objective, comprises 10% of the short term incentive plan opportunity, with the remaining 60% of the plan opportunity reflecting financial (EPS and EBIT) objectives.
- Long term incentive: Consistent with market practice of balancing a market based measure (such as total shareholder return) with internal financial measures, the Board has approved the introduction of growth in Return on Equity as an additional internal financial measure into the long term incentive (along with the existing performance conditions relating to relative TSR and Strategic Initiatives of the Company). This additional measure, which will have a 30% weighting within the long term incentive plan, has been chosen as a performance condition as it rewards the improvement in the efficiency with which the Company uses the capital entrusted to it. As a result of the introduction of the Return on Equity performance condition, the long term incentive plan structure has been amended such that 40% of the opportunity under the plan will relate to the TSR performance condition, with the remaining 30% relating to the Strategic Initiative performance condition.

Further details of the changes to the at risk remuneration for IPL's executives for 2017 are set out in section 2.3 of the Remuneration Report.

The Board invites you to consider the 2016 Remuneration Report. We welcome feedback on the Company's remuneration approach in supporting IPL's business strategy.



John Marlay
Chairman, Remuneration Committee

Directors' Report: Remuneration Report

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1. Introduction

The directors of IPL present the Remuneration Report prepared in accordance with the Corporations Act 2001 (Cth) for the Group for the year ended 30 September 2016. 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 Group during the 2016 financial year, being each of the non-executive directors and the Executives. The use of the term “**Executives**” in this report is a reference to the Managing Director & Chief Executive Officer (**MD&CEO**) and each of his direct reports (current and former) during the 2016 financial year. Refer to Table 1 below for all individuals comprising IPL’s KMP for the 2016 financial year.

Table 1: Individuals forming IPL’s KMP for the 2016 financial year

Non-executive Directors	
Mr Paul Brasher	Chairman and Independent, Non-executive Director
Ms Kathryn Fagg	Independent, Non-executive Director
Mr Gregory Hayes	Independent, Non-executive Director
Mr John Marlay	Independent, Non-executive Director
Ms Rebecca McGrath	Independent, Non-executive Director
Mr Graham Smorgon AM	Independent, Non-executive Director

Executives	
Current	
Mr James Fazzino	Managing Director & Chief Executive Officer
Mr Frank Micallef	Chief Financial Officer
Mr Simon Atkinson ⁽¹⁾	President, Dyno Nobel Asia Pacific & Incitec Pivot Fertilisers
Ms Leah Balter ⁽²⁾	President, Strategy & Business Development
Mr Alan Grace ⁽¹⁾	President, Global Manufacturing
Ms Elizabeth Hunter ⁽¹⁾	Chief Human Resources Officer & Shared Services
Former	
Mr Stephen Dawson ⁽¹⁾	President, Manufacturing Operations
Mr Gary Kubera ⁽³⁾	President, Dyno Nobel Americas
Mr James Whiteside ⁽⁴⁾	Chief Operating Officer, Incitec Pivot Fertilisers

(1) With effect from 7 June 2016, Mr Atkinson, Mr Grace and Ms Hunter’s roles were expanded from President, Dyno Nobel Asia Pacific & Global Technology (Mr Atkinson), President, Strategic Engineering (Mr Grace) and Chief Human Resources Officer (Ms Hunter), to the roles noted above. In addition, also with effect from this date, Mr Dawson ceased to be a member of the Executive Team and a KMP.

(2) On 1 August 2016, Ms Balter commenced employment with the Company and became a KMP.

(3) On 30 August 2016, Mr Kubera resigned and he ceased employment with the Company on 30 September 2016.

(4) On 4 November 2015, Mr Whiteside resigned and he ceased employment with the Company on 4 December 2015.

2. Executive Remuneration & Governance

2.1 Executive Remuneration Strategy

IPL is a diversified industrial chemicals company. The Company 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 enable the Group 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;
- 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.

Directors' Report: Remuneration Report

2.2 Executive Remuneration Governance

The remuneration of the Executives is set by the Board, having regard to recommendations from the Remuneration Committee. Remuneration arrangements for Executives are reviewed annually in accordance with IPL's remuneration strategy.

Where appropriate, the Remuneration Committee engages external advisors to provide input to the process of reviewing Executive and non-executive director remuneration. For the 2016 financial year, the Remuneration Committee received market and benchmarking data from Ernst & Young and KPMG, both of whom were engaged by and reported directly to the Remuneration Committee. The information provided by Ernst & Young and KPMG 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 the IPL's Corporate Governance Statement available on IPL's website.

2.3 Overview of Remuneration changes for the 2017 financial year

During the 2016 financial year, the Board reviewed the design of the Company's remuneration arrangements, in particular, the structure and design of the short term incentives and the long term incentives for the Executives. In undertaking its review, the Board recognised that the successful completion of the Louisiana ammonia plant marks a significant step in executing on IPL's strategy. The Company will continue to focus on maximising the operational efficiency of its operating assets, which now includes the Louisiana ammonia plant. Further, in response to the current economic environment, in particular, the structural and cyclical challenges in IPL's end markets (and more specifically, the continued decline in fertiliser prices), the Company has implemented the BEx OFI program, as announced during the 2016 financial year, through which the Company is targeting delivery of \$100 million in cash benefits (comprising \$80 million of operating efficiencies which will be reflected in the income statement and \$20 million of capital expenditure savings) by the end of the 2017 financial year.

Within the above context, the Board determined to implement changes to the remuneration arrangements for the Executives for the 2017 financial year. The changes outlined below are consistent with the Board's historical approach of aligning the Executives' at risk remuneration with the Company's strategic intent of delivering top quartile performance through the cycle as measured against S&P/ASX 100 companies. While IPL operates in inherently cyclical commodity markets, the Board considers that the targets for at risk remuneration should consistently reflect outcomes that represent top quartile performance of the S&P/ASX 100 regardless of the prevailing economic environment in which the Company is operating (that is, through the fertiliser and commodity price cycle).

Short term incentive (STI)

In relation to the STI, while the broad structure of the existing STI plan has been retained, the Board has made design enhancements to the performance conditions for the 2017 STI as well as to their weighting as explained in the table below:

Current Structure	New Structure	Rationale
<p>Performance conditions:</p> <ul style="list-style-type: none"> Zero Harm (10% weighting). 	<p>Performance conditions:</p> <ul style="list-style-type: none"> Zero Harm (10% weighting). 	<p>Safety remains the only non-financial measure in the STI program. The retention of a 10% weighting for this performance condition recognises that Zero Harm forms the basis of the Company's right to operate. This condition will continue to be based on a balanced scorecard of safety measures.</p>
<ul style="list-style-type: none"> Group and Business Unit Financial Performance (60% – 90% weighting, depending on Executive's role). 	<ul style="list-style-type: none"> Group and Business Segment Financial Performance (60% weighting for all Executives). 	<p>In recognition of the importance of the achievement of financial outcomes, the STI remains heavily weighted towards the Group and Business Segment Financial performance condition which has the highest weighting at 60%.</p>
<ul style="list-style-type: none"> Individual strategic objectives/ other business specific priorities (up to 30% weighting). 	<ul style="list-style-type: none"> Group wide strategic outcomes (30% weighting). This component has been restructured as a Group wide strategic outcomes performance condition applicable to all Executives, with objectives which can be financially measured. For the 2017 financial year, the measure for this performance condition will be the achievement of the BEx OFI program. 	<p>The inclusion of the BEx OFI program as the measure for the strategic outcomes performance condition recognises the financial importance of this program in aligning IPL's cost base with the structural and cyclical shifts in the Company's markets. In recognition of the importance of achieving this measure, a 30% weighting has been allocated to this performance condition.</p>

Long term incentive (LTI)

In relation to the LTI performance rights plan for the performance period commencing 1 October 2016 and ending on 30 September 2019 (**LTI 2016/19**), the Board has introduced an additional condition relating to Growth in Return on Equity, and the conditions have been re-weighted as explained in the table below.

Current Structure	New Structure	Rationale
<p>Two performance conditions:</p> <ul style="list-style-type: none"> Relative TSR (70% weighting). Strategic Initiative (30% weighting). 	<p>Three performance conditions:</p> <ul style="list-style-type: none"> Relative TSR (weighting decreased to 40%). Strategic Initiative (30% weighting maintained). This performance condition previously comprised two components (equally weighted) being the successful delivery of the Louisiana Ammonia Project and BEx. With the commissioning of the Louisiana ammonia plant, BEx, which continues as a major strategic initiative to maintain operational excellence, will become the sole component for the Strategic Initiative performance condition. The BEx Strategic Initiative Condition will continue to be focussed on incentivising the delivery of sustainable productivity improvements, with three performance goals linked to business system maturity, productivity benefits and manufacturing plant uptime, each of which can drive improved financial performance. The performance goal relating to productivity benefits includes, for the first year of the LTI 2016/19 plan, the operating efficiencies from the BEx OFI program. The BEx OFI program is a relevant measure for both the 2017 STI and the LTI 2016/19 as it is the program through which the Company will achieve a step change in productivity during the 2017 financial year as well as being the foundation on which the Company's long term sustainable productivity benefits are built. To achieve the performance goal within the LTI 2016/19, the Executives must initially deliver operating efficiencies from the BEx OFI program in the first year of the plan. However, it is important to note that delivery of the BEx OFI operating efficiencies will not, of itself, satisfy the criteria for this performance goal. In assessing whether any award is to be made in relation to this goal, the operating efficiencies achieved from the BEx OFI program in year 1 of the LTI 2016/19 must be preserved in years 2 and 3 and, additionally, further productivity targets are also prescribed for years 2 and 3 of the plan. Furthermore, the balanced scorecard for this condition comprises three performance goals, of which productivity is only one goal. Introduction of a third performance condition, being Growth in Return on Equity (weighting 30%). 	<p>The changes to the LTI design have been considered in the context of IPL's strategy, with the Company moving from a period of significant investment, to a period focussed primarily on maximising operational efficiency of the Group's existing assets. The introduction of growth in Return on Equity, as an additional performance condition, is consistent with market practice of balancing a market based measure (such as relative TSR) with an internal financial metric. Growth in Return on Equity has been chosen as it is a widely recognised and reported measure and is a key determinant of efficient use of the capital entrusted to management by shareholders. The stretch measure under this condition requires compound annual growth of 11% over the performance period. In order to ensure that the Executives do not pursue growth in return on equity through inappropriate use of debt, a gateway will be placed on the performance condition requiring the Company to maintain an investment grade credit rating. Further details in relation to the LTI 2016/19 are disclosed in the 2016 Notice of Annual General Meeting.</p>

In addition to the changes outlined above, where an Individually Material Item (**IMI**) is separately recognised in the financial report, the Board will have discretion to include or exclude an IMI for the purposes of determining any STI or LTI 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.

3. 2016 Executive Remuneration Framework

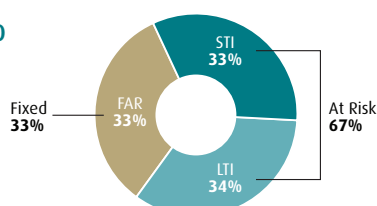
3.1 Overview

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

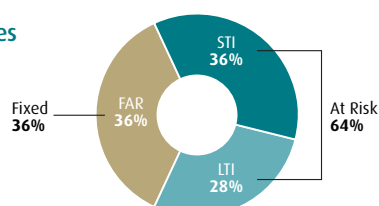
- the majority of executive remuneration is "at risk"; and
- the level of FAR for Executives will be benchmarked against that paid for similar positions at the median of companies in a comparator group with a range of market capitalisations (50% – 200% of that of the Group).

The tables below set out the relative proportion of the Executives' total remuneration package for the 2016 financial year:

MD & CEO



Other Executives



In calculating the "at risk" compensation as a proportion of total remuneration for the 2016 financial year for each Executive, the maximum entitlement that could potentially be awarded under the STI or LTI was taken into account.

Directors' Report: Remuneration Report

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 performance and market data provided by an appropriately qualified and independent external consultant.

For the 2016 financial year, the Board determined that the Executives' FAR would not be increased. Refer to Table 7 for details of the Executives' FAR for the 2016 financial year. For the 2017 financial year, the Board has again determined that there will be no increase in the FAR for the Executives in respect of their current roles.

3.3 Short term incentive

The STI is an annual "at risk" cash incentive which is dependent on the achievement of particular performance measures. The following table summarises the STI plan that applied in the 2016 financial year (**2016 STI**):

What was the performance period?	The performance period for the 2016 STI was the financial year from 1 October 2015 to 30 September 2016.	
Who was eligible for the STI?	Participation was at the Board's discretion. The MD&CEO and all Executives participated in the 2016 STI, save for Ms Balter who commenced employment on 1 August 2016 and Mr Whiteside who ceased employment with the Company on 4 December 2015.	
What was the target and maximum STI opportunity?	Target STI levels were 50% of FAR for all Executives. Maximum STI (for stretch outcomes) was capped at 100% of FAR for all 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 2016 STI are set out below:	
	Performance Conditions	Measures to assess satisfaction of Performance Condition
	Group Financial Performance	Growth in EPS (before IMIs) ⁽¹⁾ .
	Business Unit Financial Performance	EBIT which includes a cash conversion measure, such that part of the STI was linked to the percentage of EBITDA (EBIT before depreciation and amortisation) of the relevant business unit that was converted to operating cash flow.
	Zero Harm	Safety performance balanced scorecard, comprising objectives relating to: <ul style="list-style-type: none"> • risk management, permit to work and job step analysis processes; • safety leadership; and • safety targets for recordable injuries and injury severity.
	Strategy and business specific priorities	Measures based on performance outcomes from the execution and implementation of strategic objectives and business priorities. These included measures relating to: <ul style="list-style-type: none"> • manufacturing performance, in particular, turnaround execution and production outcomes from major operations; • BEx and productivity; • the Company's major capital investments and projects (eg. the Louisiana Ammonia Project); and • the Company's customers and markets.
		Rationale for the Performance Conditions
		To align with the Company's strategic intent of achieving top quartile performance as measured against S&P/ASX 100 companies.
		To ensure robust alignment of performance in a particular business unit with reward for the Executive managing that business unit. The inclusion of a cash conversion requirement within the EBIT performance measure ensures a focus on driving both profit and cash generation.
		To align with the Company's commitment to "Zero Harm for Everyone, Everywhere". In 2012, the Company adopted its five year Global HSE Strategy to drive continued improvement in the Group's health, safety and environmental performance which set a target of achieving TRIFR of less than 1.0 by the end of 2016. For the 2016 STI, the Zero Harm performance condition was established as a balanced scorecard comprising leading and lagging indicators. The balanced scorecard was introduced with the aim of driving a greater focus on core safety processes to enable a reduction in injury severity as well as injury frequency and to set the foundation for a step change in process safety management.
		To drive performance and behaviours consistent with achieving critical aspects of the Group's strategy.

(1) In the event of an IMI, the Board retains a discretion to include the IMI for the purpose of calculating the STI award having regard to the nature of the IMI.

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 Gate**”, must be met before any awards can be made. If financial performance does not meet the STI Gate, no awards are made under the STI, save that the STI Gate does not apply to any awards payable in relation to the Zero Harm performance condition reflecting the primacy of safety. In addition, for the 2016 STI, the STI Gate did not apply to the measures relating to the Louisiana Ammonia Project (WALA).

For the 2016 financial year, the STI Gates were:

- for Group roles (marked * in Table 2 below), Group financial performance was required to meet the EPS growth threshold which was determined by the Board by reference to the prior year EPS performance; and
- for Business Unit roles (marked ** in Table 2 below), Group financial performance was required to meet 80% of the prior year NPAT and Business Unit EBIT was required to meet the relevant Business Unit EBIT threshold (including the cash conversion measure).

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 life threatening incident having regard to the circumstances of the incident.

What were the weightings for the STI performance measures?

The STI performance measures weightings for the Executives for the 2016 STI were:

Table 2	Financial		Non-financial/business				Maximum STI opportunity
	Growth in EPS (before IMIs)	Business Unit EBIT	Safety	Manufacturing/ BEx	WALA	Human capital	
Executives – Current							
J Fazzino* Managing Director & CEO	90%		10%				100%
F Micallef* Chief Financial Officer	90%		10%				100%
S Atkinson** President, Dyno Nobel Asia Pacific & Incitec Pivot Fertilisers	20%	60%	10%			10%	100%
A Grace* President, Global Manufacturing	20%		10%	10%	60%		100%
E Hunter* Chief Human Resources Officer & Shared Services	70%		10%			20%	100%
Executives – Former							
S Dawson* President, Manufacturing Operations	20%		10%	70%			100%
G Kubera** President, Dyno Nobel Americas	20%	60%	10%			10%	100%

*Group role **Business Unit role

Ms Balter commenced as a KMP on 1 August 2016 and was not a participant in the 2016 STI.

Mr Whiteside ceased as a KMP on 4 December 2015 and was not a participant in the 2016 STI.

Was there a mechanism for clawback and deferral?

The 2016 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.

Directors' Report: Remuneration Report

3.4 Long term incentive

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

What LTI plans were applicable for the 2016 financial year?

The LTI Plans applicable to the 2016 financial year were the:

- Long Term Incentive Performance Rights Plan for 2013/16 (**LTI 2013/16**);
- Long Term Incentive Performance Rights Plan for 2014/17 (**LTI 2014/17**); and
- Long Term Incentive Performance Rights Plan for 2015/18 (**LTI 2015/18**),

(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 transferred 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, 100% 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 2013/16, LTI 2014/17 and LTI 2015/18, 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 date 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 2013/16	<ul style="list-style-type: none"> • TSR Condition • EPS Condition 	50% 50%	1 October 2013 to 30 September 2016	Performance period completed. Following testing in November, the Board determined that no performance rights will vest under this plan.
LTI 2014/17	<ul style="list-style-type: none"> • TSR Condition • Strategic Initiatives Condition 	70% 30%	1 October 2014 to 30 September 2017	Testing to occur after completion of performance period.
LTI 2015/18	<ul style="list-style-type: none"> • TSR Condition • Strategic Initiatives Condition 	70% 30%	1 October 2015 to 30 September 2018	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 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 acquire ordinary shares in the Company. The participant does not pay for those shares. If the performance conditions are not satisfied during the performance period, the performance rights will lapse.

What happens if a participant leaves the Group?	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 or retires. 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: <ul style="list-style-type: none"> • a takeover bid; • a change of control; • the Court ordering a meeting be held in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies; or • a voluntary or compulsory winding-up.

3.5 LTI performance conditions

For the LTI 2013/16, the performance conditions were measured by reference to the relative Total Shareholder Returns of IPL, measuring TSR against companies in the S&P/ASX 100 (**TSR Condition**) and the compound annual growth rate on Earnings Per Share (before IMIs) over the performance period (**EPS Condition**). For the LTI 2014/17 and LTI 2015/18, the performance conditions are measured by reference to the TSR Condition and the Company's Strategic Initiatives. Details of the performance conditions for each of the LTI 2013/16, LTI 2014/17 and LTI 2015/18 are set out below.

EPS Condition

The EPS Condition is applicable to the LTI 2013/16. EPS measures the earnings generated by the Company attributable to each IPL share. EPS was chosen as it represents a measure of overall business performance and aligns remuneration with sustainable growth in shareholder value creation.

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

% Compound annual growth rate on EPS	% of performance rights subject to the EPS Condition that will vest
Less than 6%	Nil
At or greater than 6% but less than 12.5% pa	Pro rata from 50% on a straight line basis
At 12.5% pa or greater	100%

TSR Condition

The TSR Condition (applicable to each of the LTI 2013/16, LTI 2014/17 and LTI 2015/18) requires growth in the Company's total shareholder returns 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 Group 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%

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Strategic Initiatives Condition

The Strategic Initiatives Condition relates to the delivery of significant aspects of the Board approved strategy. The Strategic Initiatives Condition was introduced for the first time in 2014 and applies to the LTI 2014/17 and the LTI 2015/18. For these two plans, the Strategic Initiatives Condition comprises two equal components: (i) the Louisiana Ammonia Project; and (ii) Business Excellence System. The table below summarises each of these two components:

Strategic Initiatives Condition component	Rationale	Scorecard	
		Measurement criteria	Performance goals
Louisiana Ammonia Project (Applies to 15% of the performance rights in a grant)	The Louisiana Ammonia Project at Waggaman, Louisiana underpins the future growth of the Dyno Nobel Americas business and will create long term shareholder value.	Performance in relation to this component of the Strategic Initiatives Condition will be measured against a Project 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: <ul style="list-style-type: none"> • safety, • capital cost, • plant efficiency, • output and EBITDA. 	Safety: TRIFR for the Louisiana Ammonia Project to be less than or equal to the IPL Group TRIFR. Capital cost (only applicable to the LTI 2014/17): as per Project business case (US\$850 million) excluding capitalised interest. Plant efficiency: as per Project business case (32MMBtu of gas per metric tonne of ammonia). Output and EBITDA: Output and EBITDA measures consistent with the project business case for Year 1 (in the case of the LTI 2014/17) and Year 2 (in the case of the LTI 2015/18).
Business Excellence (BEx) System (Applies to 15% of the performance rights in a grant)	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.	Performance in relation to this component of the Strategic Initiatives Condition will be assessed against a Scorecard comprising performance goals related to: <ul style="list-style-type: none"> • Business system maturity (practices) • Cumulative productivity benefits (performance) • Manufacturing plant uptime (performance) 	Business system maturity: An absolute improvement in Business Excellence system maturity over the performance period, with the final maturity score to be verified by an independent third party. Cumulative productivity benefits: Delivery of cumulative savings over the performance period against targets approved by the Board. Manufacturing plant uptime: 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.

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, complete details of the performance goals will be disclosed at the end of the performance period in the 2017 Remuneration Report (in relation to the LTI 2014/17) and the 2018 Remuneration Report (in relation to the LTI 2015/18).

The Board will determine the outcome for each of the two components of the Strategic Initiatives Condition under each LTI plan having regard to the results achieved against the performance goals across the entirety of the Scorecards for each of those components. 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.

4. Remuneration outcomes in 2016 financial year and link to 2016 financial year performance

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

In considering the Group'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.

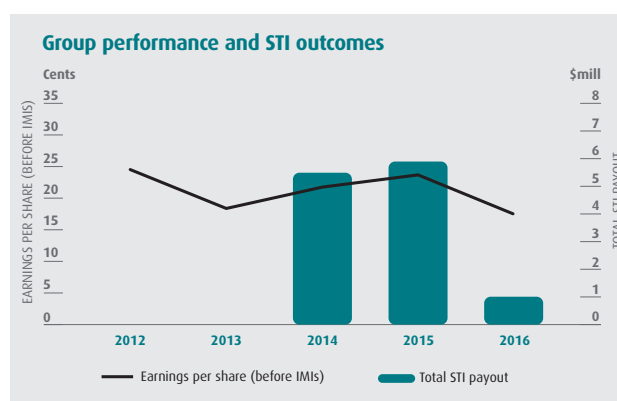
Table 3 – Indices relevant to the Board's assessment of the Group's performance and the benefit to shareholders

	2012	2013	2014	2015	2016
Net Profit After Tax excluding non-controlling interests (NPAT) (before IMIs) (\$m)	404.7	293.5	356.3	398.6	295.2
Earnings Per Share (EPS) (before IMIs) (cents)	24.8	18.0	21.7	23.8	17.5
Dividends – paid in the financial year – per share (DPS (paid)) (cents)	11.5	12.5	9.3	11.7	11.5
Dividends – declared in respect of the financial year – per share (DPS (declared)) (cents)	12.4	9.2	10.8	11.8	8.7
Share price (\$) (Year End)	2.98	2.69	2.71	3.90	2.82
Total Shareholder Return (TSR) (%) ⁽¹⁾	4	(16)	(7)	43	14

(1) For the 2012 financial year, the TSR was based on a 3 year compound rate per annum. For the 2013 financial year and subsequent financial years, TSR is calculated in accordance with the rules of the LTI 2010/13, LTI 2011/14, LTI 2012/15 and LTI 2013/16 as applicable over the 3 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.

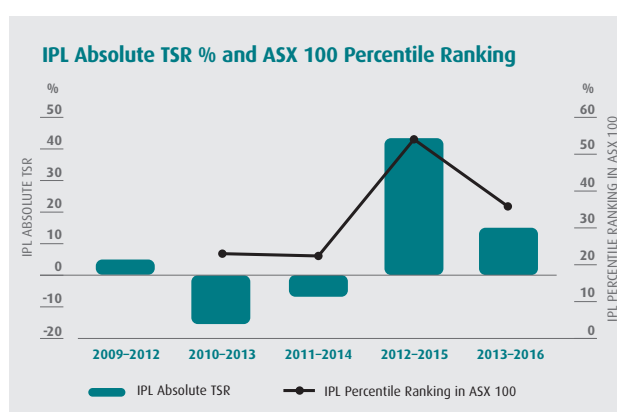
Relationship between the Group's performance and STI outcomes

This graph illustrates the relationship between the Group's performance and STI awards in respect of the current financial year and the preceding four financial years. In the 2012 and 2013 financial years, EPS (before IMIs) decreased 24% and 27% respectively and, accordingly, no awards were made under those plans. In the 2014 financial year, with EPS (before IMIs) growing 21% to 21.7cps, partial awards were made to Executives under the 2014 STI plan. Similarly, in the 2015 financial year, EPS (before IMIs) increased by 9.7% to 23.8cps and, as a result, certain Executives earned awards in full in respect of this performance 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 for in relation to the successful completion of the Louisiana Ammonia Project as well as the Group's safety performance.



Relationship between the Group's performance and LTI outcomes

This graph illustrates the relationship between IPL's Absolute Total Shareholder Return (TSR) and its percentile ranking relative to its S&P/ASX 100 peer group. Over the five performance periods outlined, IPL's TSR outranked the 50th percentile TSR for the ASX 100 peer group for the 2012–2015 performance period with a 53rd percentile ranking. As a consequence, the LTI 2012/15 partially vested as outlined in the 2015 Annual Report (28.33% of the performance rights granted). The performance rights in the 3 previous plans (LTI 2009/12, LTI 2010/13, LTI 2011/14) did not meet the performance conditions of the plans (including a TSR condition) and lapsed. IPL's absolute TSR for the 2013–2016 period was 14% with a ranking against the ASX 100 peer group at the 36th percentile (rounded). The treatment of the performance rights for LTI 2013/16, which were subject to both relative TSR and growth in Earnings per Share, is outlined in section 4.3 of this report. Absolute TSR was positive for 3 out of the 5 periods reported.



Notes:

- (1) The absolute TSR for IPL and for the ASX100 has been calculated using the methodology noted in Table 3 above.
- (2) The percentile ranking for the LTI 2009/12 is not available as only absolute TSR was measured under this plan.

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4.2 2016 STI Outcomes

The only awards made to Executives in relation to the 2016 STI were in respect of Zero Harm performance and the completion of the Louisiana Ammonia Project. In relation to the Zero Harm performance condition, which was not subject to the STI Gate, this comprised a balanced scorecard across objectives relating to key safety processes, safety leadership and targets. On assessment of the scorecard results, Executives were awarded 95% of the maximum STI opportunity (10%) for this performance condition in recognition of the outstanding safety performance in 2016. The scorecard objectives relating to safety processes and safety leadership were achieved and while the TRIFR for the 2016 financial year increased slightly from the prior year, it remained well below the 5 year HSE target (of less than 1). Importantly, the Company also achieved a significant improvement in key safety metrics including a 70% reduction in Employee Lost Day Severity Rate and a 61% reduction in Lost Time Injury Frequency Rate.

Mr Alan Grace also earned a partial STI award for his role in overseeing the successful construction and commissioning of the Louisiana Ammonia Project. Mr Grace's award was 75% of the maximum STI opportunity (60%) for this performance condition.

With the exception of the above, no awards were made under the 2016 STI in relation to the financial performance conditions or other business specific performance conditions as the Group financial performance and the Business Unit financial performance did not meet the applicable STI Gates.

Table 4 – Short term incentives awarded for the year ended 30 September 2016

Details of the vesting profile of the STI payments awarded for the year ended 30 September 2016 as remuneration to each Executive are set out below:

	Short term incentive for the year ended 30 September 2016		
	Included in remuneration \$000	% earned	% forfeited
Executives – Current			
J Fazzino	212	9.5	90.5
F Micallef	87	9.5	90.5
S Atkinson	73	9.5	90.5
A Grace	416	54.5	45.5
E Hunter	55	9.5	90.5
Executives – Former			
S Dawson	50	9.5	90.5
G Kubera	75	9.5	90.5

Ms Balter was not a participant in the 2016 STI as she commenced employment with the Company on 1 August 2016.
Mr Whiteside was not a participant in the 2016 STI as he ceased employment with the Company on 4 December 2015.

4.3 2013/16 LTI Outcomes

The performance period for the LTI 2013/16 ended on 30 September 2016. Following testing against the performance conditions, the Board determined in November 2016 that as neither the EPS Condition nor the TSR Condition had been met, no performance rights would vest under the LTI 2013/16. Details of the lapsed rights under the LTI 2013/16 will be reported in the 2017 Remuneration Report.

4.4 LTI: Performance related remuneration

Table 5 – Details of long term incentives granted and vested in the year ended 30 September 2016 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 2012/15 (performance period: 1 October 2012 to 30 September 2015), which, following testing in November 2015, partially vested in the 2016 financial year. In relation to the LTI 2013/16 (performance period: 1 October 2013 to 30 September 2016), following testing in November 2016, the Board determined that no performance rights would vest under the LTI 2013/16. This will be reported in the 2017 Remuneration Report.

Key Management Personnel	LTI plan	Grant date	Granted during 2016 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 Fazzino	2012/15	25 January 2013	-	318	28	72	2016	-
	2013/16	6 January 2014	-	-	-	-	2017	1,524
	2014/17	30 December 2014	-	-	-	-	2018	1,746
	2015/18	21 January 2016	1,025	-	-	-	2019	1,025
F Micallef	2012/15	25 January 2013	-	105	28	72	2016	-
	2013/16	6 January 2014	-	-	-	-	2017	502
	2014/17	30 December 2014	-	-	-	-	2018	575
	2015/18	21 January 2016	337	-	-	-	2019	337
S Atkinson	2012/15	25 January 2013	-	72	28	72	2016	-
	2013/16	6 January 2014	-	-	-	-	2017	346
	2014/17	30 December 2014	-	-	-	-	2018	479
	2015/18	21 January 2016	281	-	-	-	2019	281
L Balter	2015/18	25 August 2016	275	-	-	-	2019	275
A Grace	2012/15	25 January 2013	-	68	28	72	2016	-
	2013/16	6 January 2014	-	-	-	-	2017	418
	2014/17	30 December 2014	-	-	-	-	2018	479
	2015/18	21 January 2016	281	-	-	-	2019	281
E Hunter	2013/16	6 January 2014	-	-	-	-	2017	299
	2014/17	30 December 2014	-	-	-	-	2018	364
	2015/18	21 January 2016	213	-	-	-	2019	213
Executives – Former								
S Dawson	2012/15	25 January 2013	-	87	28	72	2016	-
	2013/16	6 January 2014	-	-	-	-	2017	418
	2014/17	30 December 2014	-	-	-	-	2018	479
	2015/18	21 January 2016	281	-	-	-	2019	281
G Kubera	2014/17	5 February 2015	-	-	-	33	2018	212
	2015/18	21 January 2016	315	-	-	67	2019	105
J Whiteside	2012/15	25 January 2013	-	87	28	72	2016	-
	2013/16	6 January 2014	-	-	-	27	2017	303
	2014/17	30 December 2014	-	-	-	61	2018	188

(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 table below. This amount is allocated to the remuneration of the applicable Executive over the vesting period (that is, in the 2016, 2017 and 2018 financial years).

	Grant date	Fair value per share treated as rights at grant date
LTI 2012/15 - TSR	25/01/2013	\$1.54
LTI 2012/15 - EPS	25/01/2013	\$2.86
LTI 2013/16 - TSR	6/01/2014	\$1.40
LTI 2013/16 - EPS	6/01/2014	\$2.39
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

(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 \$nil, as the performance criteria may not be met.

Directors' Report: Remuneration Report

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

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

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

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

Key Management Personnel	Number of Rights				Closing balance
	Opening balance	Granted as compensation ^(A)	Vested ^(B)	Forfeited ^(C)	
Executives – Current					
J Fazzino	2,306,411	562,688	(206,382)	(522,115)	2,140,602
F Micallef	759,312	185,247	(67,944)	(171,890)	704,725
S Atkinson	560,501	154,372	(46,890)	(118,627)	549,356
L Balter	-	150,941	-	-	150,941
A Grace	589,494	154,372	(44,363)	(112,232)	587,271
E Hunter	318,732	117,171	-	-	435,903
Executives – Former					
S Dawson	632,761	154,372	(56,620)	(143,242)	587,271
G Kubera	140,552	172,839	-	(161,929)	151,462
J Whiteside	632,761	-	(56,620)	(332,820)	243,321

(A) For the 2016 financial year, this represents the rights acquired by Executives during the reporting period under the LTI 2015/18.

(B) For the 2016 financial year, this represents the number of rights that vested during the reporting period under the LTI 2012/15. Each right entitled the participating Executive to acquire a fully paid ordinary share in IPL for no consideration.

(C) For the 2016 financial year, this represents rights that were forfeited by Executives during the reporting period under the LTI 2012/15. In addition, in the case of Mr Whiteside who ceased employment during the reporting period, a portion of his rights held under the LTI 2013/16 and the LTI 2014/17 was also forfeited as at the date of cessation, in accordance with the plan rules. Similarly, in the case of Mr Kubera who ceased employment on 30 September 2016, a portion of his rights held under the LTI 2014/17 and the LTI 2015/18 was forfeited at that date in accordance with the plan rules.

4.5 Further details of Executive remuneration

Table 7 – Executive remuneration

Details of the remuneration for each Executive for the year ended 30 September 2016 are set out below (noting that for individuals who ceased to be KMP in the 2015 financial year, only comparative information is shown in the table).

	Year	Short-term benefits		Post-employment benefits	Other long term benefits ^(C)	Termination benefits	Share-based payments			Short term incentive & other bonuses as a proportion of remuneration ^(E)		
		Salary & Fees	Short term incentive & other bonuses ^(A)	Other short term benefits ^(B)	Super-annuation benefits	Total	Accounting values					
							Current period expense ^(D)	Prior periods expense write-back ^(D)	Total share-based payments		Total	%
Executives – Current												
J Fazzino Managing Director & CEO	2016	2,209	212	–	19	43	–	1,111	(641)	470	2,953	6
	2015	2,209	2,005	–	19	74	–	1,277	–	1,277	5,584	36
F Micallef Chief Financial Officer	2016	898	87	–	19	24	–	366	(211)	155	1,183	6
	2015	898	825	–	19	21	–	420	–	420	2,183	38
S Atkinson⁽¹⁾ President, Dyno Nobel Asia Pacific and Incitec Pivot Fertilisers	2016	896	73	–	19	16	–	296	(146)	150	1,154	6
	2015	745	76	–	19	16	–	318	–	318	1,174	6
L Balter President, Strategy & Business Development	2016	124	–	300	3	1	–	21	–	21	449	–
A Grace President, Global Manufacturing	2016	745	416	–	19	17	–	305	(176)	129	1,326	28
	2015	745	535	–	19	17	–	339	–	339	1,655	32
E Hunter⁽²⁾ Chief Human Resources Officer & Shared Services	2016	545	55	12	19	7	–	229	(126)	103	741	6
	2015	561	522	30	19	6	–	221	–	221	1,359	38
Executives – Former												
S Dawson President, Manufacturing Operations	2016	510	50	3	13	15	753	305	(176)	129	1,473	3
	2015	745	535	4	19	31	–	350	–	350	1,684	32
G Kubera⁽³⁾ President, Dyno Nobel Americas	2016	815	75	48	–	–	420	211	–	211	1,569	5
	2015	517	56	292	–	–	–	106	–	106	971	6
J Whiteside⁽⁴⁾ Chief Operating Officer, Incitec Pivot Fertilisers	2016	134	–	63	5	2	964	37	(127)	(90)	1,078	–
	2015	745	611	–	19	24	–	350	–	350	1,749	35
J Rintel⁽⁵⁾ President, Strategy & Business Development	2015	870	688	–	19	11	–	350	–	350	1,938	36
D McAtee⁽⁵⁾ President, Dyno Nobel Americas	2015	19	–	55	–	–	–	–	(207)	(207)	(133)	–
Total Executives	2016	6,876	968	426	116	125	2,137	2,881	(1,603)	1,278	11,926	7
	2015	8,054	5,853	381	152	200	–	3,731	(207)	3,524	18,164	32

(A) Certain STI payments are awarded in US\$. Such STI payments were converted to A\$ at the spot rate on 30 September 2016, being 1.3113.

(B) Other short term benefits include annual leave paid, the taxable value of fringe benefits paid attributable to the fringe benefits tax year (2016: 1 April 2015 to 31 March 2016) (2015: 1 April 2014 to 31 March 2015), rent and mortgage interest subsidies, relocation allowances and other allowances. For Ms Balter, who commenced employment on 1 August 2016, this includes a one off payment of \$300,000 (less applicable taxes) for incentives foregone due to cessation of employment with her previous employer. Refer to section 5.3 for further details. For Mr Whiteside and Mr Kubera, this includes annual leave paid on cessation of employment.

(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 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.

(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) Mr Atkinson's remuneration increased in the 2016 financial year to reflect additional interim duties.

(2) Ms Hunter's remuneration decreased in the 2016 financial year due to unpaid leave taken.

(3) Mr Kubera's FAR is inclusive of 401K pension contributions. The payments accrued to Mr Kubera in the 2016 financial year included a separation payment of US\$300,000 in accordance with his employment contract as well as employer contributions to medical and dental benefits in the amount of US\$9,336 and accrued annual leave of US\$39,123. Mr Kubera's payments were converted from US\$ to A\$ at the average rate for 1 October 2015 to 30 September 2016, being 1.3588.

(4) Termination payments received by Mr Whiteside in the 2016 financial year include a separation payment in the amount of \$667,304 and long service leave in the amount of \$296,980.

(5) Mr Rintel and Mr McAtee ceased to be KMP in the 2015 financial year and, accordingly, the disclosures in this table relate to the 2015 financial year only.

Directors' Report: Remuneration Report

Table 8 – Actual Pay

The table below provides a summary of actual remuneration paid to the Executives in the 2016 financial year (noting that for individuals who ceased to be KMP in the 2015 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 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 ^(A) \$000	Short Term Incentive & other bonuses ^(B) \$000	Other Short Term benefits ^(C) \$000	Superannuation benefits \$000	Termination benefits \$000	Total \$000
Executives – Current							
J Fazzino	2016	2,209	2,005	–	19	–	4,233
Managing Director & CEO	2015	2,209	1,730	–	19	–	3,958
F Micallef	2016	898	825	–	19	–	1,742
Chief Financial Officer	2015	898	732	–	19	–	1,649
S Atkinson	2016	896	76	–	19	–	991
President, Dyno Nobel Asia Pacific and Incitec Pivot Fertilisers	2015	745	435	–	19	–	1,199
L Balter	2016	124	–	300	3	–	427
President, Strategy & Business Development							
A Grace	2016	745	535	–	19	–	1,299
President, Global Manufacturing	2015	745	519	–	19	–	1,283
E Hunter	2016	545	522	12	19	–	1,098
Chief Human Resources Officer & Shared Services	2015	561	459	30	19	–	1,069
Executives – Former							
S Dawson	2016	510	535	3	13	–	1,061
President, Manufacturing Operations	2015	745	470	4	19	–	1,238
G Kubera⁽¹⁾	2016	815	56	46	–	–	917
President, Dyno Nobel Americas	2015	482	–	292	–	–	774
J Whiteside⁽²⁾	2016	134	611	63	5	964	1,777
Chief Operating Officer, Incitec Pivot Fertilisers	2015	745	148	–	19	–	912
J Rintel⁽³⁾							
President, Strategy & Business Development	2015	889	643	–	19	–	1,551
D McAtee⁽³⁾							
President, Dyno Nobel Americas	2015	21	364	55	–	–	440
Total Executives	2016	6,876	5,165	424	116	964	13,545
	2015	8,040	5,500	381	152	–	14,073

(A) For Mr Kubera, Mr Rintel and Mr McAtee, the salary and fees reported differ from the corresponding amounts reported in Table 7 due to the timing of certain payments made to them at year end.

(B) Represents short term incentives paid during the 2016 financial year in relation to incentives awarded in respect of the 2015 financial year under the STI 2014/15.

(C) Other short term benefits include annual leave paid, the taxable value of fringe benefits paid attributable to the fringe benefits tax year (2016: 1 April 2015 to 31 March 2016) (2015: 1 April 2014 to 31 March 2015), relocation allowances and other allowances. For Mr Whiteside and Mr Kubera, this includes annual leave paid on cessation of employment.

(1) Payments received by Mr Kubera in the 2016 financial year include a payment for accrued annual leave of US\$39,123 which was converted from US\$ to A\$ at the average rate for 1 October 2015 to 30 September 2016, being 1.3588.

(2) Termination payments received by Mr Whiteside in the 2016 financial year include a separation payment in the amount of \$667,304 and long service leave in the amount of \$296,980.

(3) Mr Rintel and Mr McAtee ceased to be KMP in the 2015 financial year and, accordingly, the disclosures in this table relate to the 2015 financial year only.

5. Executives – Summary of terms of employment

5.1 MD & CEO

Mr James Fazzino was appointed as Managing Director & CEO on 29 July 2009. The terms of Mr Fazzino's appointment as MD & CEO are set out in a single contract of service dated 29 July 2009. The contract is unlimited in term but capable of termination. Refer to section 5.3 for specific information relating to the terms of Mr Fazzino's service agreement.

For the 2016 financial year, Mr Fazzino's FAR remained at \$2,228,245 and did not increase from the 2015 financial year. There will again be no increase in Mr Fazzino's FAR for the 2017 financial year.

Mr Fazzino participated in the 2016 STI. With EPS decreasing 26.5% to 17.5 cps, no award was made to Mr Fazzino in respect of the Group's financial performance. However, Mr Fazzino was awarded \$211,683 in respect of the Zero Harm performance condition under the 2016 STI.

Mr Fazzino also participated in the LTI 2013/16. On determination of performance measured against the performance conditions, in accordance with the LTI 2013/16 plan rules, no performance rights vested. Mr Fazzino also participates in the LTI 2014/17 and the LTI 2015/18, pursuant to which Mr Fazzino was granted 773,696 performance rights (under the LTI 2014/17) and 562,688 performance rights (under the LTI 2015/18). Each grant was approved by shareholders at the relevant Annual General Meeting. The LTI 2014/17 and the LTI 2015/18 are each for a three year period and the performance conditions will not be tested until after 30 September 2017 and 30 September 2018, respectively.

Refer to sections 3 and 4 for further details in relation to the Company's STI and LTI plans, including the outcomes of each plan.

5.2 Executives

As with Mr Fazzino, remuneration and other terms of employment for the other Executives are also formalised in service agreements. Most Executives are engaged on similar contractual terms, with minor variations to address differing circumstances. Refer to section 5.3 for specific information relating to the service agreements.

FAR for the Executives comprises salary paid in cash and mandatory employer superannuation contributions. FAR may also come in other forms such as fringe benefits (eg motor vehicles). Consistent with the approach taken for Mr Fazzino's FAR, in relation to the other Executives' FAR, no increase from the 2015 financial year had been made for the 2016 financial year and there will again be no increase in the FAR for the 2017 financial year.

Details of the Executives' participation in the Company's STI and LTI plans, including the outcomes of each plan, are set out in sections 3 and 4.

5.3 Service agreement terms

Each Executive service agreement is unlimited in term however each service agreement provides that the Company may terminate the Executive's employment:

- immediately for cause, without payment of any separation payment, save as to accrued fixed annual remuneration, accrued annual leave and long service leave;
- otherwise, without cause, with or without notice, in which case the Company must pay a separation payment plus accrued fixed annual remuneration, accrued annual leave and long service leave.

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

Notice period to be provided by the Executive	
Current Executives	
J Fazzino	6 months
F Miccallef	13 weeks
S Atkinson	13 weeks
L Balter	13 weeks
A Grace	8 weeks
E Hunter	13 weeks
Former Executives	
S Dawson	13 weeks
G Kubera	13 weeks
J Whiteside	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. Mr Fazzino's separation payment is equal to 52 weeks of FAR as at the date of termination. All other Executives' contracts provide for a separation payment of 26 weeks of FAR, save for Mr Atkinson, Mr Dawson and Mr Whiteside. Mr Atkinson and Mr Dawson's contracts provide for a separation payment equal to 52 weeks of FAR. Mr Whiteside's contract provides for a separation payment equal to 45.41 weeks of FAR. Additionally, Mr Miccallef and Mr Grace's service agreements 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 plus accrued fixed annual remuneration, accrued annual leave and long service leave.

Ms Balter commenced employment on 1 August 2016. Her contract includes a provision for a \$300,000 payment (less applicable taxes). This payment compensates Ms Balter for incentives foregone due to cessation of employment with her previous employer and is a one off payment. The payment to Ms Balter is disclosed in Tables 7 and 8.

Directors' Report: Remuneration Report

6. Non-Executive Director Remuneration

IPL's policy is to:

- remunerate non-executive directors by way of fees and payments which may be in the form of cash and superannuation benefits; and
- set the level of non-executive directors' fees and payments to be consistent with the market and to enable 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 2016 financial year, there were no increases to non-executive directors' fees. Fees paid to non-executive directors amounted to \$1,674,000, which was within the \$2,000,000 maximum aggregate fee pool approved by shareholders at the 2008 Annual General Meeting. For the 2017 financial year, the Board has again determined that there will be no increase to non-executive director fees. The table below sets out the Board and Committee fees as at 30 September 2016:

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
	Health, Safety, Environment & Community 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 2016 are set out in the following table:

	Year	Board and Committee Fees ^(A)	Post-employment benefits	Other long term benefits	Total
		Fees	Superannuation benefits		
		\$000	\$000	\$000	
Non-executive directors – Current					
P Brasher, Chairman	2016	514	19	–	533
	2015	514	19	–	533
K Fagg	2016	196	17	–	213
	2015	192	17	–	209
G Hayes	2016	207	18	–	225
	2015	202	17	–	219
J Marlay	2016	218	19	–	237
	2015	218	19	–	237
R McGrath	2016	226	19	–	245
	2015	226	19	–	245
G Smorgon AM	2016	202	19	–	221
	2015	202	19	–	221
Non-executive directors – Former					
A Larkin	2015	54	5	–	59
Total non-executive directors	2016	1,563	111	–	1,674
	2015	1,608	115	–	1,723

(A) Apart from the fees paid or payable to the non-executive directors, no other short term benefits were paid or are payable in respect of the reporting period.

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)			Closing balance
	Opening balance	Shares acquired	Shares disposed	
Non-executive directors – Current				
P Brasher	60,600	–	–	60,600
K Fagg	10,000	–	–	10,000
G Hayes	–	10,000	–	10,000
J Marlay	37,926	–	–	37,926
R McGrath	18,758	–	–	18,758
G Smorgon AM	13,100	–	–	13,100
Executive directors – Current				
J Fazzino	1,708,180	206,382	–	1,914,562
Executive – Current				
F Micallef	15,800	68,444	(33,500)	50,744
S Atkinson	3,380	46,890	–	50,270
L Balter	–	–	–	–
A Grace	75,800	44,363	(44,363)	75,800
E Hunter	–	–	–	–
Executive – Former				
S Dawson	23,867	56,620	(56,912)	23,575
G Kubera	–	–	–	–
J Whiteside	3,500	56,620	(56,620)	3,500

(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.

8. Other KMP Disclosures

Loans to KMP

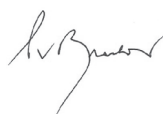
In the 2016 financial year, there were no loans to KMP or their related parties (2015: nil).

Other KMP transactions

The following transactions, entered into during the 2016 and 2015 financial years with KMP, were on terms and conditions no more favourable than those available to other customers, suppliers and employees:

- (1) The spouse of Mr Fazzino, the Managing Director & Chief Executive Officer, is a partner in the accountancy and tax firm PricewaterhouseCoopers (**PwC**) from which the Group purchased services of \$962,735 during the year (2015: \$6,534,577). Mr Fazzino's spouse did not directly provide these services. Mr Fazzino has not engaged PwC at any time for any assignment.
- (2) The spouse of Ms Fagg is a partner in the accountancy and tax firm KPMG from which the Group purchased services of \$494,202 during the year (2015: \$443,761). Ms Fagg's spouse did not directly provide these services. Ms Fagg was not involved in any engagement of KPMG.

Signed in accordance with a resolution of the directors:



Paul V Brasher
Chairman

Dated at Melbourne this 7th day of November 2016

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

7 November 2016

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 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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Financial report

Introduction

This is the consolidated financial report of Incitec Pivot Limited (the **Company, IPL, or Incitec Pivot**) a company domiciled in Australia, and its subsidiaries, including its interests in joint ventures and associates, (collectively referred to as the **Group**) for the financial year ended 30 September 2016.

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 2016 financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

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 being included in the notes to the financial report only to the extent it is considered material and relevant to the understanding of the financial statements. 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 2016

	Notes	2016 \$mill	2015 \$mill
Revenue	(2)	3,353.7	3,643.3
Financial and other income	(2)	56.2	51.2
Share of profit of equity accounted investments	(13)	35.9	38.2
Operating expenses			
Changes in inventories of finished goods and work in progress		10.4	(30.8)
Raw materials and consumables used and finished goods purchased for resale		(1,494.0)	(1,537.6)
Employee expenses		(637.6)	(626.5)
Depreciation and amortisation	(2)	(244.5)	(249.1)
Financial expenses	(2)	(59.1)	(81.6)
Purchased services		(144.0)	(160.7)
Repairs and maintenance		(144.1)	(141.1)
Outgoing freight		(231.3)	(258.4)
Lease payments – operating leases		(66.5)	(69.7)
Asset impairment write-downs and restructuring costs	(2)	(241.3)	-
Other expenses		(57.2)	(69.5)
Profit before income tax		136.6	507.7
Income tax expense	(3)	(7.2)	(108.8)
Profit for the year		129.4	398.9
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial losses on defined benefit plans	(18)	(21.9)	(4.5)
Gross fair value loss on assets at fair value through other comprehensive income	(16)	(0.1)	(3.6)
Income tax relating to items that will not be reclassified subsequently to profit or loss		7.5	2.7
		(14.5)	(5.4)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value gains/(losses) on cash flow hedges	(16)	3.2	(29.4)
Cash flow hedge losses/(gains) transferred to profit or loss	(16)	5.9	(5.0)
Exchange differences on translating foreign operations		(282.5)	657.7
Net gain/(loss) on hedge of net investment	(16)	237.9	(602.6)
Income tax relating to items that may be reclassified subsequently to profit or loss		9.7	(34.4)
		(25.8)	(13.7)
Other comprehensive income for the year, net of income tax		(40.3)	(19.1)
Total comprehensive income for the year		89.1	379.8
Profit attributable to:			
Members of Incitec Pivot Limited		128.1	398.6
Non-controlling interest		1.3	0.3
Profit for the year		129.4	398.9
Total comprehensive income attributable to:			
Members of Incitec Pivot Limited		87.8	379.5
Non-controlling interest		1.3	0.3
Total comprehensive income for the year		89.1	379.8
Earnings per share			
Basic (cents per share)	(5)	7.6	23.8
Diluted (cents per share)	(5)	7.6	23.7

Consolidated Statement of Financial Position

As at 30 September 2016

	Notes	2016 \$mill	2015 \$mill
Current assets			
Cash and cash equivalents	(8)	427.1	606.3
Trade and other receivables	(4)	256.1	288.8
Inventories	(4)	405.7	401.3
Other assets		39.3	38.4
Other financial assets	(16)	9.2	9.1
Current tax assets		4.5	-
Total current assets		1,141.9	1,343.9
Non-current assets			
Trade and other receivables	(4)	20.7	21.2
Other assets		62.8	63.2
Other financial assets	(16)	37.2	36.0
Equity accounted investments	(13)	318.0	323.6
Property, plant and equipment	(9)	3,892.7	4,003.6
Intangible assets	(10)	3,170.4	3,346.3
Deferred tax assets	(3)	23.2	58.5
Total non-current assets		7,525.0	7,852.4
Total assets		8,666.9	9,196.3
Current liabilities			
Trade and other payables	(4)	939.5	888.5
Interest bearing liabilities	(8)	11.1	747.1
Other financial liabilities	(16)	5.2	129.1
Provisions	(15)	114.4	86.9
Current tax liabilities		-	44.6
Total current liabilities		1,070.2	1,896.2
Non-current liabilities			
Trade and other payables	(4)	7.3	4.6
Interest bearing liabilities	(8)	2,278.3	1,806.6
Other financial liabilities	(16)	96.9	77.8
Provisions	(15)	88.1	93.3
Deferred tax liabilities	(3)	442.6	543.4
Retirement benefit obligation	(18)	99.0	86.2
Total non-current liabilities		3,012.2	2,611.9
Total liabilities		4,082.4	4,508.1
Net assets		4,584.5	4,688.2
Equity			
Issued capital	(7)	3,436.8	3,430.9
Reserves		(187.3)	(156.7)
Retained earnings		1,330.7	1,411.0
Non-controlling interest		4.3	3.0
Total equity		4,584.5	4,688.2

Consolidated Statement of Cash Flows

For the year ended 30 September 2016

	Notes	2016 \$mill	2015 \$mill
		Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Profit after tax for the year		129.4	398.9
<i>Adjusted for non-cash items</i>			
Net finance cost		50.2	68.8
Depreciation and amortisation	(2)	244.5	249.1
Write-down of property, plant and equipment	(9)	172.3	4.5
Impairment of equity accounted investments	(13)	-	1.1
Share of profit of equity accounted investments	(13)	(35.9)	(38.2)
Net gain on sale of property, plant and equipment		(0.8)	(2.4)
Non-cash share-based payment transactions		1.2	4.3
Deferred tax (benefit)/expense	(3)	(27.5)	59.4
Income tax expense	(3)	34.7	49.4
<i>Changes in assets and liabilities</i>			
decrease in receivables and other operating assets		14.5	5.4
(increase)/decrease in inventories		(18.7)	47.6
increase/(decrease) in payables, provisions and other operating liabilities		99.4	(58.5)
		663.3	789.4
<i>Adjusted for cash items</i>			
Dividends received	(13)	35.6	37.0
Interest received		8.9	12.8
Interest paid		(50.8)	(67.3)
Income tax paid		(81.7)	(15.7)
Net cash flows from operating activities		575.3	756.2
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(435.5)	(372.8)
Proceeds from sale of property, plant and equipment		1.2	7.0
Payments from/(loans to) equity accounted investees		0.4	(17.3)
Payments from settlement of net investment hedge derivatives		(46.5)	(115.1)
Net cash flows from investing activities		(480.4)	(498.2)
Cash flows from financing activities			
Repayments of borrowings	(8)	(828.3)	(436.5)
Proceeds from borrowings	(8)	759.6	805.1
Dividends paid	(6)	(194.0)	(96.4)
Net cash flows from financing activities		(262.7)	272.2
Net (decrease)/increase in cash and cash equivalents held		(167.8)	530.2
Cash and cash equivalents at the beginning of the year		606.3	70.5
Effect of exchange rate fluctuations on cash and cash equivalents held		(11.4)	5.6
Cash and cash equivalents at the end of the year	(8)	427.1	606.3

Consolidated Statement of Changes in Equity

For the year ended 30 September 2016

	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 2014		3,332.8	(17.4)	22.7	(141.4)	(8.7)	1,216.3	4,404.3	2.7	4,407.0
Early adoption of AASB 9 Financial Instruments		-	-	-	-	-	(6.5)	(6.5)	-	(6.5)
Profit for the year		-	-	-	-	-	398.6	398.6	0.3	398.9
Total other comprehensive income for the year		-	(22.5)	-	8.8	(2.5)	(2.9)	(19.1)	-	(19.1)
Dividends paid	(6)	-	-	-	-	-	(194.5)	(194.5)	-	(194.5)
Shares issued during the year		98.1	-	-	-	-	-	98.1	-	98.1
Share-based payment transactions	(17)	-	-	4.3	-	-	-	4.3	-	4.3
Balance at 30 September 2015		3,430.9	(39.9)	27.0	(132.6)	(11.2)	1,411.0	4,685.2	3.0	4,688.2
Balance at 1 October 2015		3,430.9	(39.9)	27.0	(132.6)	(11.2)	1,411.0	4,685.2	3.0	4,688.2
Profit for the year		-	-	-	-	-	128.1	128.1	1.3	129.4
Total other comprehensive income for the year		-	6.3	-	(32.1)	(0.1)	(14.4)	(40.3)	-	(40.3)
Dividends paid	(6)	-	-	-	-	-	(194.0)	(194.0)	-	(194.0)
Shares issued during the year	(7)	5.9	-	(5.9)	-	-	-	-	-	-
Share-based payment transactions	(17)	-	-	1.2	-	-	-	1.2	-	1.2
Balance at 30 September 2016		3,436.8	(33.6)	22.3	(164.7)	(11.3)	1,330.7	4,580.2	4.3	4,584.5

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 LTI 2013/16, LTI 2014/17 and LTI 2015/18.

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 2016

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Notes to the Consolidated Financial Statements: Basis of preparation

For the year ended 30 September 2016

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 which 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 7 November 2016.

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 ventures and associates

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

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.

A list of the Group's joint ventures 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 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 off, except where otherwise stated, to the nearest one hundred thousand dollars.

Accounting standards issued

The relevant Australian Accounting Standards and interpretations that became effective and that were adopted or early adopted by the Group since 30 September 2015 were:

- AASB 2016-2: *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendment to AASB 107*. The amendment requires additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash items. The Group has elected to early adopt the amendment to AASB 107. As a result, additional disclosures are included in note 8.

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.

Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2016

Note
1

1. Segment report

The Group operates a number of strategic divisions that offer different products and services and operate in different markets. For reporting purposes, these divisions are known as reportable segments. The results of each segment are reviewed monthly by the Group's 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, ammonium and single super phosphate. IPF also imports products from overseas suppliers and purchases ammonium phosphates from Southern Cross International for resale.
- Southern Cross International (**SCI**): manufactures ammonium phosphates and is a distributor of its manufactured fertiliser product to wholesalers in Australia (including IPF) and the export market. SCI operates the Industrial Chemicals business and also includes the Group's 65 percent share of the Hong Kong marketing company, Quantum Fertilisers Limited.

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

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 (**Elim**): represents elimination of 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 and fertilisers, which is immaterial in size to the Group.

Corporate

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

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

Reportable segments – financial information

30 September 2016	Notes	Asia Pacific						Americas			Consolidated Group \$mill	
		IPF \$mill	SCI \$mill	Elim \$mill	Total Fertilisers \$mill	DNAP \$mill	Elim \$mill	Total \$mill	DNA \$mill	Group Elim \$mill		Corporate ⁽ⁱ⁾ \$mill
Revenue from external customers	(2)	906.1	631.8	(196.0)	1,341.9	920.8	(14.9)	2,247.8	1,150.6	(44.7)	-	3,353.7
Share of profits of equity accounted investments	(13)	-	-	-	-	15.5	-	15.5	20.4	-	-	35.9
EBITDA ⁽ⁱⁱ⁾		71.2	98.3	2.1	171.6	267.6	-	439.2	253.5	1.5	(21.6)	672.6
Depreciation and amortisation	(2)	(26.9)	(40.5)	-	(67.4)	(81.5)	-	(148.9)	(93.9)	-	(1.7)	(244.5)
EBIT ⁽ⁱⁱⁱ⁾		44.3	57.8	2.1	104.2	186.1	-	290.3	159.6	1.5	(23.3)	428.1
Net interest expense												(50.2)
Income tax expense												(81.4)
Profit after tax												296.5
Non-controlling interest												(1.3)
Individually material items (net of tax)	(2)											(167.1)
Profit attributable to members of IPL												128.1
Segment assets		676.4	515.7	-	1,192.1	2,861.7	-	4,053.8	4,079.7	-	510.2	8,643.7
Segment liabilities		(482.5)	(100.2)	-	(582.7)	(249.2)	-	(831.9)	(540.8)	-	(2,267.1)	(3,639.8)
Net segment assets ^(iv)		193.9	415.5	-	609.4	2,612.5	-	3,221.9	3,538.9	-	(1,756.9)	5,003.9
Deferred tax balances	(3)											(419.4)
Net assets												4,584.5

(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) Net segment assets excluding deferred tax balances.

Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2016

Note
1

1. Segment report (continued)

Reportable segments – financial information (continued)

30 September 2015	Notes	Asia Pacific						Americas		Group Elim \$mill	Corporate ⁽ⁱ⁾ \$mill	Consolidated Group \$mill
		IPF \$mill	SCI \$mill	Elim \$mill	Total Fertilisers \$mill	DNAP \$mill	Elim \$mill	Total \$mill	DNA \$mill			
Revenue from external customers	(2)	1,034.5	755.2	(278.8)	1,510.9	910.8	(14.5)	2,407.2	1,268.7	(32.6)	-	3,643.3
Share of profits of equity accounted investments	(13)	-	-	-	-	19.2	-	19.2	19.0	-	-	38.2
EBITDA ⁽ⁱⁱ⁾		82.2	211.6	(1.1)	292.7	271.6	-	564.3	280.7	1.6	(21.0)	825.6
Depreciation and amortisation	(2)	(31.9)	(36.7)	-	(68.6)	(78.9)	-	(147.5)	(99.0)	-	(2.6)	(249.1)
EBIT ⁽ⁱⁱⁱ⁾		50.3	174.9	(1.1)	224.1	192.7	-	416.8	181.7	1.6	(23.6)	576.5
Net interest expense												(68.8)
Income tax expense	(3)											(108.8)
Profit after tax												398.9
Non-controlling interest												(0.3)
Individually material items (net of tax)												-
Profit attributable to members of IPL												398.6
Segment assets		811.3	520.1	-	1,331.4	2,923.6	-	4,255.0	4,214.2	-	668.6	9,137.8
Segment liabilities		(472.9)	(112.5)	-	(585.4)	(221.0)	-	(806.4)	(543.5)	-	(2,614.8)	(3,964.7)
Net segment assets ^(iv)		338.4	407.6	-	746.0	2,702.6	-	3,448.6	3,670.7	-	(1,946.2)	5,173.1
Deferred tax balances	(3)											(484.9)
Net assets												4,688.2

(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) Net segment assets excluding deferred tax balances.

Geographical information – secondary reporting segments

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

In presenting information on the basis of geographical location, 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 2016	Australia \$mill	USA \$mill	Canada \$mill	Turkey \$mill	Other/Elim \$mill	Consolidated \$mill
Revenue from external customers	2,151.5	885.1	182.4	57.9	76.8	3,353.7
Non-current assets other than financial assets and deferred tax assets	3,568.2	3,710.2	52.8	1.4	132.0	7,464.6
Trade and other receivables	118.4	71.5	34.3	12.2	40.4	276.8
30 September 2015	Australia \$mill	USA \$mill	Canada \$mill	Turkey \$mill	Other/Elim \$mill	Consolidated \$mill
Revenue from external customers	2,306.4	991.4	212.3	63.9	69.3	3,643.3
Non-current assets other than financial assets and deferred tax assets	3,759.5	3,824.5	60.9	1.3	111.7	7,757.9
Trade and other receivables	178.0	46.8	40.3	17.1	27.8	310.0

Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2016

2. Revenue and expenses

	Notes	2016 \$mill	2015 \$mill
Revenue			
External sales		3,353.7	3,643.3
Total revenue		3,353.7	3,643.3
Financial income			
Interest income		8.9	12.8
Other income			
Other income from operations		47.3	38.4
Total financial and other income		56.2	51.2
Expenses			
Profit before income tax includes the following specific expenses:			
	Notes	2016 \$mill	2015 \$mill
Depreciation and amortisation			
depreciation	(9)	218.8	219.4
amortisation	(10)	25.7	29.7
Total depreciation and amortisation		244.5	249.1
Recoverable amount write-down			
property, plant and equipment	(9)	172.3	4.5
equity accounted investments	(13)	-	1.1
Total recoverable write-down		172.3	5.6
Amounts set aside to provide for:			
impairment losses on trade and other receivables	(4)	3.1	2.9
inventory losses and obsolescence	(4)	9.4	1.5
employee entitlements	(15)	3.6	4.4
environmental liabilities	(15)	2.3	0.8
legal and other provisions	(15)	15.9	6.4
restructuring and rationalisation costs	(15)	43.3	1.4
Research and development expense		10.2	9.7
Defined contribution superannuation expense		31.6	31.9
Defined benefit superannuation expense	(18)	4.4	2.8
Financial expenses			
Unwinding of discount on provisions	(15)	5.0	3.4
Net interest expense on defined benefit obligation	(18)	3.3	3.0
Interest expenses on financial liabilities		50.8	75.2
Total financial expenses		59.1	81.6

Individually material items

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

2016	Gross \$mill	Tax \$mill	Net \$mill
Impairment of Gibson Island ⁽¹⁾	150.8	(45.2)	105.6
Business restructuring costs ⁽²⁾			
restructuring and other direct costs	20.4	(6.1)	14.3
employee redundancies and allowances	43.3	(13.7)	29.6
impairment of operating assets and site exit costs	26.8	(9.2)	17.6
Total individually material items	241.3	(74.2)	167.1

(1) The impairment write-down of \$150.8m (after tax \$105.6m) in relation to Gibson Island's manufacturing plant and related assets. The impairment is mainly as a result of lower forecast fertiliser prices and the forecast for higher cost of natural gas delivered to the Australian East Coast. Refer to note 11.

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

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 service component is recognised separately from the sale of goods.

Interest income is recognised as it accrues.

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 first application date for the Group is the financial year ending 30 September 2019. The Group did not early adopt this Standard when it was issued. However, based on preliminary assessment of the Group's material customer contracts, the impact of this standard on the recognition and reporting of the Group's revenue is not considered material.

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 revenue.

Note
2

Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2016

3. Taxation

Note
3

Income tax expense for the year	2016 \$mill	2015 \$mill
Current tax expense		
Current year	33.0	52.1
Adjustment to current tax expense relating to prior years	1.7	(2.7)
	34.7	49.4
Deferred tax expense		
Origination and reversal of temporary differences	(27.5)	59.4
Total income tax expense	7.2	108.8

Income tax reconciliation to prima facie tax payable

	Pre-IMI \$mill	2016 IMI ⁽¹⁾ \$mill	Net \$mill	2015 \$mill
Profit before income tax	377.9	(241.3)	136.6	507.7
Tax at the Australian tax rate of 30% (2015: 30%)	113.4	(72.4)	41.0	152.3
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Impairment of intangible assets and investment	-	-	-	0.3
Other foreign deductions	(25.9)	-	(25.9)	(30.1)
Joint venture income	(10.9)	-	(10.9)	(11.5)
Sundry items	1.8	-	1.8	(3.2)
Difference in overseas tax rates	0.9	(1.8)	(0.9)	3.7
Adjustment to current tax expense relating to prior years	2.1	-	2.1	(2.7)
Income tax expense/(benefit) attributable to profit	81.4	(74.2)	7.2	108.8

(1) Refer note 2 for detail on items of revenue or expenses that required separate disclosure (individually material items) for the year ended 30 September 2016. In 2015, the Group had no items of revenue or expenses requiring separate disclosure.

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 \$17.2m for the year ended 30 September 2016 (2015: debit of \$31.7m).

Net deferred tax assets/(liabilities)

Deferred tax balances comprise temporary differences attributable to the following:

	2016 \$mill	2015 \$mill
Employee entitlements provision	20.0	19.8
Retirement benefit obligations	31.4	26.7
Provisions and accruals	53.5	46.5
Tax losses	8.9	13.5
Property, plant and equipment	(340.4)	(350.3)
Intangible assets	(124.7)	(140.7)
Joint venture income	(14.5)	(17.6)
Derivatives	(40.4)	(41.0)
Other	(13.2)	(41.8)
Net deferred tax liabilities	(419.4)	(484.9)
Presented in the Statement of Financial Position as follows:		
Deferred tax assets	23.2	58.5
Deferred tax liabilities	(442.6)	(543.4)
Net deferred tax liabilities	(419.4)	(484.9)

Movements in net deferred tax liabilities	2016 \$mill	2015 \$mill
Opening balance at 1 October	(484.9)	(342.8)
Credited/(debited) to the profit or loss	27.4	(55.1)
Charged to equity	17.2	(31.7)
Foreign exchange movements	20.8	(51.0)
Tax rate change	0.5	-
Adjustments in respect of prior years	(0.4)	(4.3)
Closing balance at 30 September	(419.4)	(484.9)

Key accounting policies

Income tax expense

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

Current tax

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

Deferred tax

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

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

Offsetting tax balances

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

Tax consolidation

For details on the Company's tax consolidated group refer to note 20.

Key estimates and judgments

Provisions for potential tax payments that may result from audit activities by the revenue authorities of jurisdictions in which the Group operates are recognised if a present obligation in relation to a taxation liability is assumed as probable and can be reliably estimated.

The assumption regarding future realisation of tax benefits, and therefore the recognition of deferred tax assets, may change due to the future operating performance of the Group, as well as other factors, some of which are outside the control of the Group.

Notes to the Consolidated Financial Statements: Financial performance

For the year ended 30 September 2016

4. Trade and other assets and liabilities

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

30 September 2016	Trade \$mill	Other \$mill	Total \$mill
Inventories	405.7	-	405.7
Receivables	210.3	66.5	276.8
Payables	(665.2)	(281.6)	(946.8)
	(49.2)	(215.1)	(264.3)
30 September 2015	Trade \$mill	Other \$mill	Total \$mill
Inventories	401.3	-	401.3
Receivables	274.3	35.7	310.0
Payables	(667.9)	(225.2)	(893.1)
	7.7	(189.5)	(181.8)

Inventory by category:

	2016 \$mill	2015 \$mill
Raw materials and stores	76.7	82.7
Work-in-progress	39.8	64.1
Finished goods	299.1	263.7
Provisions	(9.9)	(9.2)
Total inventory balance	405.7	401.3

Provision movement:

30 September 2016	Trade receivables \$mill	Inventories \$mill
Carrying amount at 1 October 2015	(30.7)	(9.2)
Provisions made during the year	(3.1)	(9.4)
Provisions written back during the year	1.0	0.9
Amounts written off against provisions	1.0	7.7
Foreign exchange rate movements	2.0	0.1
Carrying amount at 30 September 2016	(29.8)	(9.9)

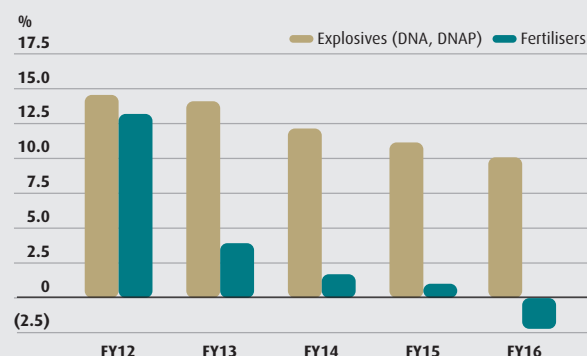
Receivables ageing and provision for impairment

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:

2016	Gross \$mill	Impairment \$mill	Net \$mill
Current	196.4	(0.7)	195.7
30-90 days	14.7	(2.3)	12.4
Over 90 days	29.0	(26.8)	2.2
Total	240.1	(29.8)	210.3
2015	Gross \$mill	Impairment \$mill	Net \$mill
Current	240.5	-	240.5
30-90 days	38.8	(8.0)	30.8
Over 90 days	25.7	(22.7)	3.0
Total	305.0	(30.7)	274.3

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



Note
4

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 finished 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 the 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 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.

Notes to the Consolidated Financial Statements: Shareholder returns

For the year ended 30 September 2016

5. Earnings per share

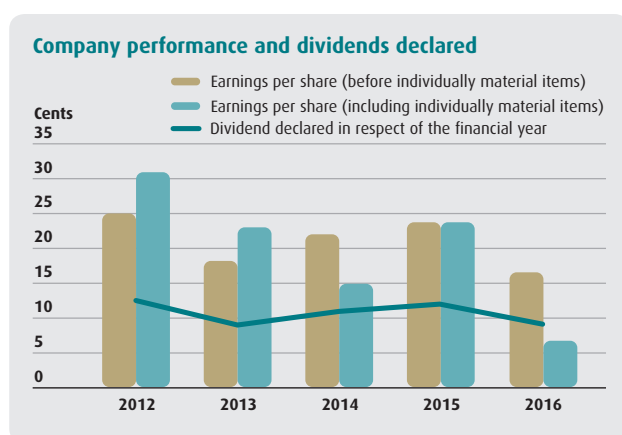
	2016 Cents per share	2015 Cents per share
Basic earnings per share		
including individually material items	7.6	23.8
excluding individually material items	17.5	23.8
Diluted earnings per share		
including individually material items	7.6	23.7
excluding individually material items	17.4	23.7
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share ⁽¹⁾	1,686,971,487	1,673,824,398
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ⁽¹⁾	1,691,861,561	1,678,614,972

(1) 1,513,487 shares were issued during the year ended 30 September 2016 (2015: 30,658,837), refer note 7.

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

	Note	2016 \$mill	2015 \$mill
Profit attributable to ordinary shareholders		128.1	398.6
Individually material items after income tax	(2)	167.1	-
Profit attributable to ordinary shareholders excluding individually material items		295.2	398.6

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:

	2016 \$000	2015 \$000
Ordinary shares		
Final dividend of 7.3 cents per share, 10 percent franked, paid 16 December 2014 ⁽¹⁾	-	120,814
Interim dividend of 4.4 cents per share, unfranked, paid 1 July 2015 ⁽²⁾	-	73,723
Final dividend of 7.4 cents per share, 60 percent franked, paid 14 December 2015	124,851	-
Interim dividend of 4.1 cents per share, 100 percent franked, paid 1 July 2016	69,175	-
Total ordinary share dividends	194,026	194,537

(1) The 2014 final dividend comprised of \$61.5m cash payments and \$59.3m of the Company's shares issued under the Group's Dividend Reinvestment Plan.

(2) The 2015 interim dividend comprised of \$34.9m cash payments and \$38.8m of the Company's shares issued under the Group's Dividend Reinvestment Plan.

Since the end of the financial year, the directors have determined to pay a final dividend of 4.6 cents per share, unfranked, to be paid on 13 December 2016. The total dividend payment will be \$77.6m.

The financial effect of this dividend has not been recognised in the 2016 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).

Dividend reinvestment plan

The Group operates a dividend reinvestment plan which allows eligible shareholders to elect to invest dividends in ordinary shares of Incitec Pivot Limited. The offer price for shares is calculated using the daily volume weighted average market price of the Company's ordinary shares sold on the Australian Securities Exchange, calculated with reference to a period of ten consecutive trading days less any discount which may apply, as determined by the directors. Shares are provided under the plan free of brokerage and other transaction costs to the participants and rank equally with all other Incitec Pivot Limited ordinary shares on issue. There was no discount applied in respect of the 2016 final dividend.

Franking credits

Franking credits available to shareholders of the Company amount to \$7.0m (2015: \$5.0m) at the 30 percent (2015: 30 percent) corporate tax rate. The final dividend for 2016 is unfranked.

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
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Note
6

Notes to the Consolidated Financial Statements: Capital structure

For the year ended 30 September 2016

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, and 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 gearing ratio (net debt/EBITDA) before individually material items. Metrics are maintained in excess of any debt covenant restrictions. At 30 September the Group's position in relation to these metrics was:

	Target range	2016	2015
Gearing ratio (times)	equal or less than 2.5	2.1	1.6
Interest cover (times)	equal or more than 6.0	7.9	9.7

These ratios are impacted by a number of factors, including the level of operating cash flows generated by the Group, foreign exchange 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 2016, Coltivi Insurance Pte Limited maintained capital in excess of the minimum requirements prescribed under this Act. Outstanding claims are recognised when an incident occurs that may give rise to a claim. They are measured at the cost that the entity expects to incur in settling the claims.

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.

The table below includes details on movements in issued capital and fully paid ordinary shares of the Company during the year.

Date	Details	Number of Shares	\$mill
30 Sept 2015	Balance at the end of the previous financial year	1,685,657,034	3,430.9
Shares issued during the year			
18 Nov 2015	Shares issued (LTI 2012/15 Performance Rights Plan)	1,513,487	5.9
30 Sept 2016	Balance at the end of the financial year	1,687,170,521	3,436.8

Note
7

Notes to the Consolidated Financial Statements: Capital structure

For the year ended 30 September 2016

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	2016 \$mill	2015 \$mill
Interest bearing liabilities		2,289.4	2,553.7
Cash and cash equivalents		(427.1)	(606.3)
Fair value of derivatives	(16)	(468.5)	(658.1)
Net debt		1,393.8	1,289.3

Interest bearing liabilities

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

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

	2016 \$mill	2015 \$mill
Current		
Bank loans	-	20.1
Fixed interest rate bonds	-	714.9
Loans to joint ventures and associates	11.1	12.1
	11.1	747.1
Non-current		
Bank facilities	1,009.0	441.1
Fixed interest rate bonds	1,269.3	1,365.5
	2,278.3	1,806.6
Total interest bearing liabilities	2,289.4	2,553.7

Fixed interest rate bonds

The Group has the following fixed interest rate bonds:

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

Bank facilities

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

- 3 year facility domiciled in Australia consisting of two tranches: Tranche A has a limit of AUD568m and Tranche B has a limit of USD553m. The facility matures in October 2018; and
- 5 year facility domiciled in the USA with a limit of USD400m. The facility matures in August 2020.

Note
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The table below includes detail on the movements in the Group's interest bearing liabilities for the year ended 30 September 2016:

	1 October 2015 \$mill	Cash flow		Non-cash changes			30 September 2016 \$mill
		Financing activities Proceeds \$mill	Repayments \$mill	Foreign exchange movement \$mill	Fair value adjustment \$mill	Funding costs amortisation \$mill	
Current							
Bank loans	20.1	6.6	(26.8)	0.1	-	-	-
Fixed interest rate bonds	714.9	-	(682.6)	(29.9)	(2.8)	0.4	-
Loans to joint ventures and associates	12.1	-	(0.2)	-	(0.8)	-	11.1
Non-current							
Bank facilities	441.1	753.0	(118.7)	(67.9)	-	1.5	1,009.0
Fixed interest rate bonds	1,365.5	-	-	(93.4)	(4.8)	2.0	1,269.3
Total liabilities from financing activities	2,553.7	759.6	(828.3)	(191.1)	(8.4)	3.9	2,289.4
Derivatives held to hedge interest bearing liabilities	(658.1)	-	-	180.3	9.3	-	(468.5)
Debt after hedging	1,895.6	759.6	(828.3)	(10.8)	0.9	3.9	1,820.9

Notes to the Consolidated Financial Statements: Capital structure

For the year ended 30 September 2016

8. Net debt (continued)

Interest bearing liabilities (continued)

Interest rate profile

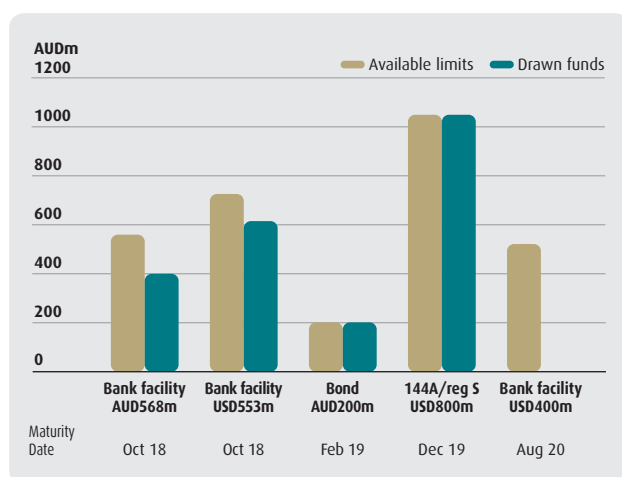
The table below summarises the interest rate profile, net of interest rate hedging, of the Group's interest bearing liabilities at 30 September:

	2016 \$mill	2015 \$mill
Fixed interest rate financial instruments	1,511.5	940.3
Variable interest rate financial instruments	777.9	1,613.4
	2,289.4	2,553.7

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 limit, its maturity dates and drawn funds at 30 September 2016:



The Group has undrawn financing facilities of \$804.0m at 30 September 2016.

Cash and cash equivalents

Cash and cash equivalents at 30 September 2016 was \$427.1m (2015: \$606.3m) and consisted of cash at bank of \$164.2m (2015: \$103.2m) and short term investments of \$262.9m (2015: \$503.1m).

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.

Note
8

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2016

9. Property, plant and equipment

	Notes	Freehold land and buildings \$mill	Machinery, plant and equipment \$mill	Construction in progress \$mill	Total \$mill
At 1 October 2014					
Cost		753.0	3,076.8	708.1	4,537.9
Accumulated depreciation		(189.8)	(836.7)	-	(1,026.5)
Net book amount		563.2	2,240.1	708.1	3,511.4
Year ended 30 September 2015					
Opening net book amount		563.2	2,240.1	708.1	3,511.4
Additions		4.5	38.1	361.0	403.6
Disposals		(1.0)	(3.6)	-	(4.6)
Depreciation	(2)	(23.1)	(196.3)	-	(219.4)
Impairment of assets	(2)	-	(4.5)	-	(4.5)
Reclassification from construction in progress		11.8	155.8	(167.6)	-
Foreign exchange movement		26.8	111.3	179.0	317.1
Closing net book amount		582.2	2,340.9	1,080.5	4,003.6
At 30 September 2015					
Cost		804.0	3,481.4	1,080.5	5,365.9
Accumulated depreciation		(221.8)	(1,140.5)	-	(1,362.3)
Net book amount		582.2	2,340.9	1,080.5	4,003.6
Year ended 30 September 2016					
Opening net book amount		582.2	2,340.9	1,080.5	4,003.6
Additions		3.3	15.9	414.4	433.6
Disposals		(0.1)	(0.3)	-	(0.4)
Depreciation	(2)	(25.3)	(193.5)	-	(218.8)
Impairment of assets	(2)	(18.3)	(154.0)	-	(172.3)
Reclassification from construction in progress		12.7	155.1	(167.8)	-
Foreign exchange movement		(13.4)	(49.2)	(90.4)	(153.0)
Closing net book amount		541.1	2,114.9	1,236.7	3,892.7
At 30 September 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

Note
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Capitalised interest

During the year ended 30 September 2016 interest of \$48.0m (2015: \$37.7m) was capitalised in relation to the funding for the construction of the Waggaman, Louisiana ammonia plant.

Key accounting policies

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

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

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

Depreciation

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

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

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

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

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2016

10. Intangibles

	Notes	Software \$mill	Goodwill \$mill	Patents, trademarks & customer contracts \$mill	Brand names \$mill	Total \$mill
At 1 October 2014						
Cost		87.8	2,580.5	250.9	256.4	3,175.6
Accumulated amortisation		(66.5)	-	(116.8)	-	(183.3)
Net book amount		21.3	2,580.5	134.1	256.4	2,992.3
Year ended 30 September 2015						
Opening net book amount		21.3	2,580.5	134.1	256.4	2,992.3
Additions		5.2	-	-	-	5.2
Amortisation	(2)	(10.1)	-	(19.6)	-	(29.7)
Foreign exchange movement		1.2	302.7	22.6	52.0	378.5
Closing net book amount		17.6	2,883.2	137.1	308.4	3,346.3
At 30 September 2015						
Cost		98.0	2,883.2	294.6	308.4	3,584.2
Accumulated amortisation		(80.4)	-	(157.5)	-	(237.9)
Net book amount		17.6	2,883.2	137.1	308.4	3,346.3
Year ended 30 September 2016						
Opening net book amount		17.6	2,883.2	137.1	308.4	3,346.3
Additions		5.4	-	-	-	5.4
Amortisation	(2)	(6.4)	-	(19.3)	-	(25.7)
Foreign exchange movement		(0.9)	(125.1)	(8.2)	(21.4)	(155.6)
Closing net book amount		15.7	2,758.1	109.6	287.0	3,170.4
At 30 September 2016						
Cost		96.5	2,758.1	276.6	287.0	3,418.2
Accumulated amortisation		(80.8)	-	(167.0)	-	(247.8)
Net book amount		15.7	2,758.1	109.6	287.0	3,170.4

Note
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Allocation of goodwill

For impairment testing purposes the Group identifies its cash generating units (CGUs), which is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or other groups of assets. Each CGU is no larger than an operating segment.

The Group's indefinite life intangible assets are allocated to groups of CGUs as follows:

	Goodwill \$mill	Brand names \$mill	Total \$mill
30 September 2016			
Incitec Pivot Fertilisers (IPF)	183.8	-	183.8
Southern Cross International (SCI)	2.4	-	2.4
Dyno Nobel Asia Pacific (DNAP)	1,132.4	40.3	1,172.7
Dyno Nobel Americas (DNA)	1,439.5	246.7	1,686.2
	2,758.1	287.0	3,045.1
30 September 2015			
Incitec Pivot Fertilisers (IPF)	183.8	-	183.8
Southern Cross International (SCI)	2.6	-	2.6
Dyno Nobel Asia Pacific (DNAP)	1,132.4	40.3	1,172.7
Dyno Nobel Americas (DNA)	1,564.4	268.1	1,832.5
	2,883.2	308.4	3,191.6

Key accounting policies

Goodwill

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

Brand names

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

Other intangible assets

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

Subsequent expenditure

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

Amortisation

Goodwill and brand names are not amortised.

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

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

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

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2016

11. Impairment of goodwill and non-current assets

At 30 September 2016, the Group has identified the following indicators of impairment:

- the ongoing global mining downturn;
- lower global fertiliser prices; and
- availability of committed sources of natural gas at economically viable prices for fertiliser manufacturing in Australia.

Impairment testing

At the half year, the recoverable amount of the Gibson Island assets (which form part of the IPF CGU) was lower than the carrying amount. This was as a result of the impact of lower forecast fertiliser prices and the forecast for higher cost of natural gas delivered to the Australian East Coast, on the future profitability of these assets. As a result, the Group recognised an impairment of \$150.8m (after tax \$105.6m) at 31 March 2016.

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

The Group's impairment testing at 30 September 2016 resulted in no further impairment of any CGU.

Key assumptions

The estimation of future cash flows requires management to make significant estimates and judgments on the timing of cash flows, commodity prices and foreign exchange rates.

Details of the key assumptions used in the impairment testing at 30 September are set out below:

Key assumptions	1 – 5 years		Terminal value (after 5 years)	
	2016	2015	2016	2015
DAP ⁽¹⁾	\$320 to \$462	\$425 to \$493	\$490	\$535
Urea ⁽²⁾	\$185 to \$305	\$265 to \$325	\$324	\$336
Gas ⁽³⁾	\$9.00	\$9.00	\$9.93	\$9.18
Ammonia ⁽⁴⁾	\$230 to \$405	\$439 to \$452	\$405	\$439
AUD:USD ⁽⁵⁾	\$0.72 to \$0.76	\$0.72 to \$0.76	\$0.73	\$0.76

- (1) Di-Ammonium Phosphate price (FOB Tampa – USD per tonne).
 (2) Granular Urea price (FOB Middle East – USD per tonne).
 (3) Australian East Coast natural gas price (AUD per gigajoule).
 (4) Ammonia price (CFR Tampa – USD per tonne).
 (5) AUD:USD exchange rate.

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

The post-tax discount rate used in the calculations is 9% (2015: 9%) for the IPF and SCI CGUs and 8.5% for the DNA and DNAP CGUs (2015: 9%). The rate reflects the underlying cost of capital adjusted for market risk.

The terminal value growth rate represents the forecast consumer price index (CPI) of 2.5% (2015: 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 2016:

	AUD:USD exchange rate	DAP/Ammonia Price in USD ⁽¹⁾	Growth rate	Natural gas price in USD
	+5c	-USD20 per tonne	-1.0%	n/a
SCI	\$mill	\$mill	\$mill	\$mill
- Value-in-use	(327.9)	(248.1)	(57.6)	n/a
- Impairment charge	(129.4)	(49.7)	-	n/a
	n/a	n/a	-1.0%	n/a
DNAP	\$mill	\$mill	\$mill	\$mill
- Value-in-use	n/a	n/a	(409.2)	n/a
- Impairment charge	n/a	n/a	(53.6)	n/a
	n/a	-USD60 per tonne	-1.0%	+US\$2 per gigajoule
DNA	USDmill	USDmill	USDmill	USDmill
- Value-in-use	n/a	(471.1)	(428.7)	(490.7)
- Impairment charge	n/a	(25.5)	-	(45.2)

(1) DAP price impacts the value-in-use of the SCI CGU. The Ammonia price impacts the value-in-use of the DNA CGU.

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 2016 other property, plant and equipment was impaired by \$25.9m (2015: \$4.5m) as a result of the Group's fixed asset verification procedures and the abandonment of certain assets following a strategic review of the Group's operating assets.

Key accounting policies

Impairment testing

The Group performs annual impairment testing 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.

Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2016

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

Impairment testing involves comparing an asset's recoverable amount to its carrying amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell 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, 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.

A recoverable amount is estimated for each individual asset or, where it is not possible to estimate for individual assets, for the CGU to which the asset belongs. Cash flows are estimated for the asset in its current condition and do not include cash inflows or outflows that improve or enhance the asset's performance or that may arise from future restructuring.

The Group has prepared value-in-use models for the purpose of impairment testing as at 30 September 2016, 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.

For Gibson Island, the Group prepared a Fair Value Less Cost of Disposal (**FVLCD**) model to determine the recoverable amount. The FVLCD of the Gibson Island assets was determined as the present value of the estimated future cash flows for two years of operation until 2018 when supply under the existing favourable gas contract ends, less the present value of what would be received on its eventual disposal, taking into consideration the assumptions that an independent market participant would use. The fair value measurement is categorised as a Level 3 fair value based on the inputs used in the valuation (refer 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.

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 and operational conditions. Actual cash flows may therefore differ from forecasts and could result in changes in the recognition of impairment charges in future periods.

Note
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Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2016

12. Commitments

Capital expenditure commitments

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

	2016 \$mill	2015 \$mill
no later than one year	13.3	146.0
later than one, no later than five years	1.6	1.7
	14.9	147.7

Lease commitments

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

	2016 \$mill	2015 \$mill
no later than one year	47.6	49.5
later than one, no later than five years	90.1	76.5
later than five years	83.4	59.8
	221.1	185.8

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

The Group is currently evaluating the implications of AASB 16: *Leases*. Information on the undiscounted amount of the Group's operating lease commitments at 30 September 2016 under AASB 117, the current leases standard, is disclosed above. Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. The ongoing income statement classification of what is currently predominantly presented as 'Lease payments – operating leases' will be split between amortisation and interest expense. The first application date for the Group is the financial year ending 30 September 2020.

13. Equity accounted investments

The Group has performed an analysis of the balance sheets and the results of each of its joint ventures and associates (as listed in note 14) at 30 September 2016 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

	Note	2016 \$mill	2015 \$mill
Carrying amount at 1 October		323.6	291.2
Share of net profit		35.9	38.2
Impairment of investment in associate	(2)	-	(1.1)
Dividends received/receivable		(35.6)	(37.0)
Foreign exchange movement		(5.9)	32.3
Carrying amount at 30 September		318.0	323.6

Carrying amount of investments in:

Joint ventures	266.9	267.8
Associates	51.1	55.8

Carrying amount of investments in joint ventures and associates

318.0 323.6

Transactions between subsidiaries of the Group and joint ventures and associates

	2016 \$mill	2015 \$mill
Sales of goods/services	307.1	315.5
Purchase of goods/services	(31.3)	(34.7)
Management fees/royalties	24.3	29.5
Interest expense	(0.2)	(0.1)
Dividend income	35.6	37.0

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

Outstanding balances arising from transactions with joint ventures and associates

	2016 \$mill	2015 \$mill
Amounts owing to related parties	0.5	3.7
Amounts owing from related parties	40.8	45.6

Loans with joint ventures and associates

Loans to joint ventures and associates	23.2	23.6
Loans from joint ventures and associates	11.1	12.1

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

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Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2016

14. Investments in subsidiaries, joint ventures 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. There were no changes in the Group's existing shareholdings in its subsidiaries, joint ventures and associates in the financial year, other than DetNet International Limited which was deregistered in August 2016. The Group previously held a 50 percent interest in this joint venture.

Subsidiaries

Name of entity	Ownership interest	Name of entity	Ownership interest
Company		Controlled Entities – operating (continued)	
Incitec Pivot Limited ⁽¹⁾		Incorporated in Canada	
Controlled Entities – operating		Dyno Nobel Canada Inc.	100%
Incorporated in Australia		Dyno Nobel Transportation Canada Inc.	100%
Incitec Fertilizers Pty Limited		Dyno Nobel Nunavut Inc.	100%
(previously Incitec Fertilizers Limited) ⁽¹⁾	100%	Incitec Pivot Finance Canada Inc.	100%
TOP Australia Pty Limited		Polar Explosives 2000 Inc.	100%
(previously TOP Australia Ltd) ⁽¹⁾	100%	Dene Dyno Nobel (Polar) Inc.	84%
Southern Cross Fertilisers Pty Ltd ⁽¹⁾	100%	(previously Polar Explosives Ltd)	
Southern Cross International Pty Ltd ⁽¹⁾	100%	Dyno Nobel Waggaman Inc.	100%
Incitec Pivot LTI Plan Company Pty Limited	100%	Incorporated in Hong Kong	
Incitec Pivot Explosives Holdings Pty Limited ⁽¹⁾	100%	Incitec Pivot Holdings (Hong Kong) Limited	100%
Queensland Operations Pty Limited	100%	TinLinhe Nitrogen Limited	100%
Incitec Pivot Investments 1 Pty Ltd ⁽¹⁾	100%	Quantum Fertilisers Limited	65%
Incitec Pivot Investments 2 Pty Ltd	100%	Incorporated in Singapore	
Incitec Pivot US Holdings Pty Ltd	100%	Coltivi Insurance Pte Limited	100%
Incitec Pivot Finance Australia Pty Ltd ⁽¹⁾	100%	Incorporated in New Zealand	
Dyno Nobel Pty Limited	100%	Prime Manufacturing Ltd	75%
Dyno Nobel Europe Pty Ltd	100%	Incorporated in Chile	
Dyno Nobel Management Pty Limited	100%	Dyno Nobel Explosivos Chile Limitada	100%
Industrial Investments Australia Finance Pty Limited	100%	Incorporated in Peru	
Dyno Nobel Asia Pacific Pty Limited ⁽¹⁾	100%	Dyno Nobel Peru S.A.	100%
Dampier Nitrogen Pty Ltd	100%	Incorporated in Mexico	
DNX Australia Pty Ltd ⁽¹⁾	100%	Dyno Nobel Mexico, S.A. de C.V.	99%
Dyno Nobel Moranbah Pty Ltd ⁽¹⁾	100%	Incorporated in Papua New Guinea	
Dyno Nobel Moura Pty Limited ⁽¹⁾	100%	DNX Papua New Guinea Ltd ⁽²⁾	100%
Incorporated in USA		Incorporated in Indonesia	
Incitec Pivot US Investments	100%	PT DNX Indonesia	100%
Incitec Pivot Management LLC	100%	Incorporated in Turkey	
Incitec Pivot Finance LLC	100%	Nitromak DNX Kimya Sanayii A.S.	100%
Dyno Nobel Australia LLC	100%	Incorporated in Romania	
The Dyno Nobel SPS LLC	100%	SC Romnitro Explosives Srl.	100%
Dyno Nobel Holdings IV LLC	100%	Incorporated in Albania	
Dyno Nobel Holdings USA III, Inc.	100%	DNX Nitro Industrial Kimike Sh.p.k	100%
Dyno Nobel Holdings USA II	100%		
Dyno Nobel Holdings USA II, Inc.	100%		
Dyno Nobel Holdings USA, Inc.	100%		
Dyno Nobel Inc.	100%		
Dyno Nobel Transportation Inc.	100%		
Simsbury Hopmeadow Street LLC	100%		
Dyno Nobel Holdings V LLC	100%		
Tradestar Corporation	100%		
CMMPM, LLC	100%		
CMMPM Holdings L.P.	100%		
Dyno Nobel Louisiana Ammonia, LLC	100%		

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

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

**Note
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Notes to the Consolidated Financial Statements: Capital investment

For the year ended 30 September 2016

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

Joint ventures and associates

Name of entity	Ownership interest	Name of entity	Ownership interest
Joint ventures		Associates	
Incorporated in USA		Incorporated in USA	
Alpha Dyno Nobel Inc.	50%	Warex Corporation	25%
Boren Explosives Co., Inc.	50%	Warex LLC	25%
Buckley Powder Co. ⁽¹⁾	51%	Maine Drilling and Blasting Group	49%
IRECO Midwest Inc.	50%	Independent Explosives	49%
Wampum Hardware Co.	50%		
Midland Powder Company	50%	Incorporated in Canada	
Mine Equipment & Mill Supply Company	50%	Labrador Maskuau Ashini Ltd	25%
Controlled Explosives Inc.	50%	Valley Hydraulics Inc.	25%
Western Explosives Systems Company	50%	Apex Construction Specialities Inc.	25%
		Innu Namesu Ltd	25%
Incorporated in Canada		Incorporated in Singapore	
Newfoundland Hard-Rok Inc.	50%	Fabchem China Ltd	30%
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	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%		

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- (1) Due to the contractual and decision making arrangements between the shareholders of the entity, 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. (previously Denesoline Western Explosives Inc.) However, under the joint venture agreement, the Group is entitled to 95 percent of the profit of Dene Dyno Nobel (DWEI) Inc.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2016

15. Provisions and contingencies

Provisions at 30 September 2016 are analysed as follows:

30 September 2016	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 2015	57.4	4.9	68.8	38.2	10.9	180.2
Provisions made during the year	3.6	43.3	2.3	4.7	15.9	69.8
Provisions written back during the year	-	(0.4)	(0.4)	(0.2)	(2.3)	(3.3)
Payments made during the year	(4.7)	(22.5)	(6.5)	(0.7)	(9.7)	(44.1)
Interest unwind	2.0	-	0.7	2.3	-	5.0
Foreign exchange movement	-	(0.2)	(3.5)	(0.9)	(0.5)	(5.1)
Carrying amount at 30 September 2016	58.3	25.1	61.4	43.4	14.3	202.5
Current	49.9	24.9	22.3	3.0	14.3	114.4
Non-current	8.4	0.2	39.1	40.4	-	88.1

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 obligations

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 sacrifice of future economic benefits 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 remote. However the directors are of the view that they should be disclosed:

- Under the terms of the ASIC Class Order 98/1418 (as amended) dated 13 August 1998, 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 liabilities subject to the Deed of Cross Guarantee at 30 September 2016 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 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.

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Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2016

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 2016	Contractual cash flows ⁽¹⁾ \$mill	0 – 12 months \$mill	1 – 5 years \$mill	more than 5 years \$mill	30 September 2015	Contractual cash flows ⁽¹⁾ \$mill	0 – 12 months \$mill	1 – 5 years \$mill	more than 5 years \$mill
Non-derivative financial liabilities					Non-derivative financial liabilities				
Interest bearing liabilities	2,289.4	11.1	2,278.3	-	Interest bearing liabilities	2,553.7	747.1	1,806.6	-
Interest payments	261.6	68.6	193.0	-	Interest payments	357.4	70.0	287.4	-
Trade and other payables	946.8	939.5	7.3	-	Trade and other payables	893.1	888.5	4.6	-
Bank guarantees	133.4	61.5	8.9	63.0	Bank guarantees	144.4	70.7	8.4	65.3
Total non-derivative cash outflows	3,631.2	1,080.7	2,487.5	63.0	Total non-derivative cash outflows	3,948.6	1,776.3	2,107.0	65.3
Derivative financial (assets)/liabilities					Derivative financial (assets)/liabilities				
Forward exchange contracts	4.8	2.4	2.4	-	Forward exchange contracts	(3.2)	(3.2)	-	-
Cross currency interest rate swaps	29.5	-	29.5	-	Cross currency interest rate swaps	143.4	30.1	113.3	-
Interest rate swaps	35.6	(2.6)	32.0	6.2	Interest rate swaps	9.7	(6.2)	7.4	8.5
Commodity swaps	(17.0)	(6.4)	(10.6)	-	Commodity swaps	12.0	12.0	-	-
Commodity options	1.7	1.0	0.7	-					
Net derivative cash outflows	54.6	(5.6)	54.0	6.2	Net derivative cash outflows	161.9	32.7	120.7	8.5

(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.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2016

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:

	2016 AUD:USD USD mill	2015 AUD:USD USD mill
Transactional exposures		
Trade and other receivables	187.5	0.2
Trade and other payables	(244.3)	(179.0)
Interest bearing liabilities	(1,573.0)	(1,573.0)
Gross exposure (before hedging)	(1,629.8)	(1,751.8)

Hedge of transactional exposures

Trade and other receivables and payables

Forward exchange contracts	58.1	176.4
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Interest bearing liabilities

Forward exchange contracts	273.0	273.0
Cross currency interest rate swaps	1,300.0	1,300.0

Total hedge contract values	1,631.1	1,749.4
Net exposure (after hedging)	1.3	(2.4)

	2016 AUD:USD USD mill	2015 AUD:USD USD mill
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Hedge of forecast sales and purchases

Forward exchange contracts	(198.2)	27.9
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Total hedge contract values	(198.2)	27.9
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	2016 AUD:USD USD mill	2015 AUD:USD USD mill
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Translational exposures

Net investment in foreign operations	2,654.8	2,280.2
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Gross exposure (before hedging)	2,654.8	2,280.2
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Hedge of translational exposures

Cross currency interest rate swaps	(1,781.5)	(1,746.5)
Forward exchange contracts	(73.0)	(473.0)

Total hedge contract values	(1,854.5)	(2,219.5)
Net exposure (after hedging)	800.3	60.7

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:

	2016 AUD:USD	2015 AUD:USD
30 September foreign exchange rate	0.7626	0.7017
Average foreign exchange rate for the year	0.7359	0.7868

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 2016	- 1c AUD:USD AUD mill 2016	+ 1c AUD:USD AUD mill 2015	- 1c AUD:USD AUD mill 2015
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Foreign exchange sensitivity - (net of hedging)

Trade and other receivables and payables - (profit or loss)	(0.1)	0.1	0.1	(0.1)
Hedge of forecast transactions - (equity)	3.4	(3.5)	(0.6)	0.6
Investments in foreign operations - (equity)	(13.6)	13.9	(1.2)	1.3

Note
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Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2016

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 2016	- 1c AUD:USD AUD mill 2016	+ 1c AUD:USD AUD mill 2015	- 1c AUD:USD AUD mill 2015
USD Fertiliser sales from Australian plants	(8.0)	8.2	(9.6)	9.8
North American USD earnings	(2.7)	2.8	(2.9)	2.9

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, tax, depreciation and amortisation 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 Group holds interest rate swap and option contracts at 30 September summarised in the tables below:

Interest rate swaps	Average pay fixed rate ⁽¹⁾	Average receive fixed rate ⁽¹⁾	Duration (years)	Net contract amounts USD mill
2016				
not later than one year	1.45%	-	0.2	400
later than one year, no later than five years	3.01%	-	3.8	550
later than one year, no later than five years	-	(3.17%)	3.2	300
later than five years	2.11%	-	2.8	450
2015				
not later than one year	-	(1.55%)	0.2	500
later than one year, no later than five years	3.31%	(3.17%)	4.1	350
later than five years	3.68%	-	3.0	250

Interest rate options	Net contract amounts USD mill 2016	Strike ⁽¹⁾ 2016	Duration (years)
<i>Contracts maturing between 1 and 5 years</i>			
Sold cap	350	3.75%	0.8
Bought cap	350	2.58%	0.8
Sold floor	350	1.50%	0.8
Bought floor	350	0.01%	0.8

(1) LIBOR

Interest rate options	Net contract amounts USD mill 2016	Strike ⁽¹⁾ 2016	Duration (years)
<i>Contracts maturing later than 5 years</i>			
Sold cap	350	3.75%	3.2
Bought cap	350	2.58%	3.2
Sold floor	350	1.50%	3.2
Bought floor	350	0.01%	3.2

(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 2016	- 1% AUD mill 2016	+ 1% AUD mill 2015	- 1% AUD mill 2015
LIBOR	(13.8)	13.8	(25.1)	25.1
BBSW	6.0	(6.0)	7.9	(7.9)

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

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2016

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 four main commodities, namely: Ammonium Nitrate, Ammonium Phosphate, Urea 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 prices at 30 September:

	Total volume (MMBTU) ⁽¹⁾ 2016	Price/Strike USD ⁽²⁾ 2016	Total volume (MMBTU) ⁽¹⁾ 2015	Price/Strike USD ⁽²⁾ 2015
Contracts maturing within 1 year				
Natural gas swaps fixed payer/(receiver)	-	-	13,391,500	3.34
Natural gas options				
Sold Call	-	-	1,499,000	4.00
Bought Call	3,833,000	4.36	1,499,000	3.19
Sold Put	3,833,000	3.07	1,499,000	2.50
Bought Put	-	-	1,499,000	1.50
Contracts maturing between 1 and 5 years				
Natural gas options				
Bought Call	1,600,000	4.52	8,232,000	4.24
Sold Put	1,600,000	3.28	8,232,000	3.00

(1) Million Metric British Thermal Units

(2) Nymex Henry Hub gas 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 USD1 per MMBTU in the 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 2016	- US\$1 per 1 MMBTU AUD mill 2016	+ US\$1 per 1 MMBTU AUD mill 2015	- US\$1 per 1 MMBTU AUD mill 2015
Henry Hub USD	2.3	(2.3)	27.3	(27.3)

Sensitivity to natural gas price movements during the year

The table below shows the sensitivity of the Group's profit before tax to a change of USD1 per MMBTU in the 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 2016	- US\$1 per 1 MMBTU AUD mill 2016	+ US\$1 per 1 MMBTU AUD mill 2015	- US\$1 per 1 MMBTU AUD mill 2015
Henry Hub USD	(8.3)	8.3	(7.9)	7.9

Sensitivity to fertiliser price movements during the year

The table below shows the sensitivity of the Group's profit before tax to a USD10 per tonne change in Ammonium Phosphates and Urea prices. The sensitivity is based on actual tonnes manufactured and sold by the Group during the year and the average AUD:USD exchange rate (excluding the impact of hedging) for the year:

Fertiliser price sensitivity	+ USD10 per tonne AUD mill	- USD10 per tonne AUD mill	Actual Tonnes ('000s)
2016			
Granular Urea (FOB Middle East)	4.7	(4.6)	347
DAP (FOB Tampa)	13.7	(13.7)	1,010
Urea (FOB NOLA)	2.4	(2.4)	178
2015			
Granular Urea (FOB Middle East)	4.6	(4.6)	360
DAP (FOB Tampa)	13.3	(13.3)	1,046
Urea (FOB NOLA)	2.1	(2.1)	163

The table below includes the Group's derivatives contracts that are exposed to changes in Brent oil prices at 30 September 2016;

	Total volume (barrels) 2016	Price USD ⁽¹⁾ 2016	Total volume (barrels) 2015	Price ⁽¹⁾ 2015
Contracts maturing between 1 and 5 years				
Oil swaps fixed payer	2,137,488	47.30	-	-

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

The Group has entered into a gas supply agreement in Australia with pricing referenced to the USD Brent oil price. As a result, the Group entered into Brent oil fixed price swaps to eliminate the exposure to changes in the Brent oil price.

Note
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Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2016

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 2016, classified by hedge accounting type and market risk category:

30 September 2016	Notes	Balance at 30 September 2016			During the period		
		Carrying amount of hedging instrument asset ⁽¹⁾	Carrying amount of hedging instrument liability ⁽¹⁾	Fair value hedge adjustment of hedged item	Balance of gains/(losses) in reserves before tax	Gains/(losses) recognised in reserves ⁽²⁾	Reclassification of (gains)/losses from reserves to profit or loss ⁽²⁾
Cash flow hedges							
Foreign exchange risk on forecast sales & purchases							
		0.9	(3.7)	-	(2.5)	(2.5)	0.2
		-	-	-	20.5	15.5	(8.7)
Commodity price risk on forecast purchases							
		16.7	(0.1)	-	16.6	17.8	-
		-	(1.5)	-	(1.9)	1.6	-
		-	-	-	(2.3)	(2.1)	12.5
Interest rate risk on highly probable debt							
		0.1	(60.1)	-	(58.5)	(16.7)	-
		-	(5.4)	-	(6.1)	(6.2)	-
		-	-	-	(10.1)	(4.2)	1.9
Total cash flow hedges		17.7	(70.8)	-	(44.3)	3.2	5.9
Fair value hedges⁽⁴⁾							
Foreign exchange risk on USD borrowings							
		371.4	-	(234.0)	-	-	-
		71.6	-	(1.9)	-	-	-
Interest rate risk on fixed USD and AUD bonds							
		25.5	-	(29.5)	-	-	-
		-	-	3.3	-	-	-
Total fair value hedges	(8)	468.5	-	(262.1)	-	-	-
Net investment hedges							
Foreign exchange risk on foreign operation							
		-	(401.2)	-	(404.0)	203.2	-
		0.1	(71.6)	-	(48.3)	31.1	-
		-	-	-	(115.6)	3.6	-
Total net investment hedges		0.1	(472.8)	-	(567.9)	237.9	-
Held for trading⁽⁶⁾							
		0.8	(0.4)	-	-	-	-
		1.2	(1.1)	-	-	-	-
Total held for trading		2.0	(1.5)	-	-	-	-
Offsetting contracts⁽¹⁾		(443.0)	443.0	-	-	-	-
Equity instruments		1.1	-	-	(16.1)	(0.1)	-
Total net		46.4	(102.1)	(262.1)	(628.3)	241.0	5.9

(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. At 30 September 2016, a loss of \$10.9m was transferred from reserves to profit or loss in relation to ineffective hedges, as the underlying transaction was no longer expected to occur.

(4) The total fair value of derivatives hedging the Group's interest bearing liabilities is \$468.5m. The cross currency interest rate swaps and forward exchange contracts hedging the foreign currency exposure of the Group's USD borrowings have a contract value of USD1,573m, and are economic hedges of USD1,573m of the Group's USD interest bearing liabilities. The interest rate swap contracts effectively convert USD300m of the Group's fixed interest rate borrowings to floating interest rates.

(5) 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.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2016

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 2015, classified by hedge accounting type and market risk category:

30 September 2015	Notes	Balance at 30 September 2015			During the period		
		Carrying amount of hedging instrument asset ⁽¹⁾	Carrying amount of hedging instrument liability ⁽¹⁾	Fair value hedge adjustment of hedged item	Balance of gains/(losses) in reserves before tax	Gains/(losses) recognised in reserves ⁽²⁾	Reclassification of (gains)/losses from reserves to profit or loss ⁽²⁾
Cash flow hedges							
Foreign exchange risk on forecast sales & purchases							
		3.0	(2.8)	-	0.1	0.1	-
		-	-	-	13.4	33.2	(14.3)
Commodity price risk on forecast purchases							
		-	(10.5)	-	(9.2)	(9.2)	-
		-	(3.3)	-	(3.4)	(3.4)	-
		-	(1.2)	-	(1.2)	(1.2)	-
		-	-	-	(3.6)	(8.2)	4.6
Interest rate risk on highly probable debt							
		-	(43.5)	-	(41.8)	(39.2)	0.7
		-	-	-	(7.7)	(1.5)	4.0
		3.0	(61.3)	-	(53.4)	(29.4)	(5.0)
Fair value hedges⁽⁴⁾							
Foreign exchange risk on USD borrowings							
		521.5	-	(522.9)	-	-	-
		101.8	-	(18.9)	-	-	-
Interest rate risk on fixed USD and AUD bonds							
		34.8	-	(41.1)	-	-	-
		-	-	4.5	-	-	-
	(8)	658.1	-	(578.4)	-	-	-
Net investment hedges							
Foreign exchange risk on foreign operation							
		-	(665.0)	-	(654.3)	(413.0)	-
		2.8	(101.8)	-	(76.8)	(67.3)	-
		-	-	-	(74.7)	(122.3)	-
		2.8	(766.8)	-	(805.8)	(602.6)	-
Held for trading⁽⁶⁾							
		48.9	(47.7)	-	-	-	-
		1.7	(1.7)	-	-	-	-
		50.6	(49.4)	-	-	-	-
		(670.6)	670.6	-	-	-	-
		1.2	-	-	(16.0)	(3.6)	-
		45.1	(206.9)	(578.4)	(875.2)	(635.6)	(5.0)

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

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

(3) Gains or losses on discontinued hedges that were in cash flow hedge or net investment hedge relationships remain in the reserves until the underlying transactions occur or upon disposal of the underlying net investment. At 30 September 2015, a loss of \$1.4m was transferred from reserves to profit or loss in relation to ineffective hedges, as the underlying transaction was no longer expected to occur.

(4) The total fair value of derivatives hedging the Group's interest bearing liabilities was \$658.1m at 30 September 2015. The cross currency interest rate swaps and forward exchange contracts hedging the foreign currency exposure of the Group's USD borrowings had a contract value of USD1,573m, and were economic hedges of USD1,573m of the Group's USD interest bearing liabilities at 30 September 2015. The interest rate swap contracts effectively convert USD800m of the Group's fixed interest rate borrowings to floating interest rates.

(5) 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.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2016

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 who 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:

	2016 \$mill	2015 \$mill
Trade and other receivables	276.8	310.0
Cash and cash equivalents	427.1	606.3
Derivative assets	45.3	43.9
	749.2	960.2

Financial assets and financial liabilities that are subject to enforceable master netting arrangements are offset in the Statement of Financial Position. At 30 September 2016, the amount netted in other financial assets and other financial liabilities is \$443.0m (2015: \$670.6m).

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 forward contracts is calculated using their quoted market price, where available. If a quoted market price is not available, then fair value is calculated using discounted cash flows. Future cash flows are estimated based on the difference between the contractual price and the current observable market price, reflecting the credit risk of various counterparties. These future cash flows are then discounted to present value.
- The nominal value less expected credit losses of trade receivables and payables are assumed to approximate their fair values due to their short term maturity.

Fair value hierarchy

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

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

	Level 1 \$mill	Level 2 \$mill	Level 3 \$mill
2016			
Listed equity securities	1.1	-	-
Derivative financial assets	-	45.3	-
Derivative financial liabilities	-	(102.1)	-
	Level 1 \$mill	Level 2 \$mill	Level 3 \$mill
2015			
Listed equity securities	1.2	-	-
Derivative financial assets	-	43.9	-
Derivative financial liabilities	-	(206.9)	-

Fair value of financial assets and liabilities carried at amortised cost

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

Interest bearing liabilities have a carrying value of \$2,289.4m (2015: \$2,553.7m) – refer to note 8. The fair value of the interest bearing financial liabilities at 30 September 2016 was \$2,367.0m (2015: \$2,664.3m) and was based on the level 2 valuation methodology.

Notes to the Consolidated Financial Statements: Risk management

For the year ended 30 September 2016

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.

Balance sheet items, 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; or
- 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).

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Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2016

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 LTI 2013/16 plan, the performance conditions comprise earnings per share growth and relative total shareholder returns. With regard to the LTI 2014/17 and LTI 2015/18 plans, the performance conditions comprise relative total shareholder return and the delivery of certain strategic initiatives.

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

Employee Share Ownership Plan

The Board established the Incitec Pivot Employee Share Ownership Plan (**ESOP**) on 28 October 2003. The Board determines which employees are eligible to receive invitations to participate in the ESOP. Invitations are generally made annually to eligible employees on the following basis:

- employees are each entitled to acquire shares with a maximum value of \$1,000.
- employees cannot dispose of the shares for a period of three years from the date of acquisition or until they leave their employment with the Company, whichever occurs first.

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:

	2016 \$mill	2015 \$mill
Accounting value of performance rights issued under the LTI performance plans	1.2	4.3

	2016 Number	2015 Number
Number of performance rights outstanding under the LTI performance plans	5,983,751	6,643,412

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Detailed disclosure 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.

Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2016

18. Retirement benefit obligation

The Group operates a number of defined benefit plans in the America's 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

	2016 \$mill	2015 \$mill
Present value of obligations	387.3	385.3
Fair value of plan assets	(288.3)	(299.1)
Net defined benefit obligation	99.0	86.2

Maturity profile of the net defined benefit obligation

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

	2016 \$mill	2015 \$mill
Within next 10 years	260.4	248.1
Within 10 to 20 years	181.6	176.6
In excess of 20 years	38.9	146.3

Return on plan assets for the year ended 30 September

	2016 \$mill	2015 \$mill
Actual return on plan assets	24.0	5.0

Composition of plan assets at 30 September

	2016	2015
The percentage invested in each asset class:		
Equities	57%	50%
Fixed interest securities	28%	27%
Property	7%	9%
Other	8%	14%

Movements in plan assets/liabilities

Amounts recognised in Other Comprehensive Income

	Notes	2016 \$mill	2015 \$mill
(Losses)/gains arising from changes in actuarial assumptions		(36.0)	3.3
Return on plan assets greater/(less) than discount rate		14.1	(7.8)
Total recognised in other comprehensive income		(21.9)	(4.5)

Amounts recognised in profit or loss

Net interest expense	(2)	(3.3)	(3.0)
Defined benefit superannuation expense	(2)	(4.4)	(2.8)
Settlement and curtailment of defined benefit plans		-	4.1

Key assumptions and sensitivities

Principal actuarial assumptions

	2016	2015
Discount rate (gross of tax)	3.0% – 6.2%	3.8% – 6.3%
Future salary increases	3.0% – 5.0%	2.0% – 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 2016 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	(63.7)	79.0
Rate of salary increase	20.5	(19.3)

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 balance sheet 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 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.

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Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2016

19. 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

	2016 \$mill	2015 \$mill
(Loss)/profit before income tax	(61.6)	535.0
Income tax benefit/(expense)	47.6	(150.5)
(Loss)/profit for the year	(14.0)	384.5
Retained profits at 1 October	1,535.0	1,346.3
Other movements in retained earnings	(6.6)	(1.3)
Dividend paid	(194.0)	(194.5)
Retained profits at 30 September	1,320.4	1,535.0

Statement of Financial Position

	2016 \$mill	2015 \$mill
Current assets		
Cash and cash equivalents	70.4	419.2
Trade and other receivables	383.2	175.2
Other financial assets	9.3	9.1
Inventories	299.5	261.5
Current tax assets	1.9	-
Other assets	14.3	12.7
Total current assets	778.6	877.7
Non-current assets		
Trade and other receivables	337.9	134.3
Other financial assets	4,044.0	4,267.9
Equity accounted investments	16.2	24.3
Property, plant and equipment	2,026.2	2,184.8
Intangible assets	253.8	260.9
Deferred tax assets	164.2	181.4
Total non-current assets	6,842.3	7,053.6
Total assets	7,620.9	7,931.3
Current liabilities		
Trade and other payables	697.8	644.2
Interest bearing liabilities	-	734.9
Provisions	82.1	61.2
Other financial liabilities	4.7	118.5
Current tax liabilities	-	50.8
Total current liabilities	784.6	1,609.6
Non-current liabilities		
Trade and other payables	293.2	244.6
Interest bearing liabilities	1,092.0	586.0
Other financial liabilities	95.9	74.5
Retirement benefit obligation	16.1	7.3
Provisions	49.5	46.8
Deferred tax liabilities	361.5	426.3
Total non-current liabilities	1,908.2	1,385.5
Total liabilities	2,692.8	2,995.1
Net assets	4,928.1	4,936.2
Equity		
Issued capital	3,436.8	3,430.9
Reserves	170.9	(29.7)
Retained earnings	1,320.4	1,535.0
Total equity	4,928.1	4,936.2

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20. Parent entity disclosure

Throughout the financial year ended 30 September 2016 the parent company of the Group was Incitec Pivot Limited.

Parent entity guarantees in respect of debts of its subsidiaries

As at 30 September 2016 the Company's current liabilities exceeded its current assets by \$135.5m. The parent entity is part of a Deed of Cross Guarantee, under which each entity guarantees the debt of the others. 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 \$804.0m at 30 September 2016 and a cash balance of \$427.1m.

Statement of Profit or Loss and Other Comprehensive Income

	2016 \$mill	2015 \$mill
Results of the parent entity		
Profit for the year	130.8	438.8
Other comprehensive loss	(8.9)	(18.1)
Total comprehensive income for the period	121.9	420.7

Statement of Financial Position

	2016 \$mill	2015 \$mill
Current assets	626.5	432.8
Total assets	7,154.8	7,325.0
Current liabilities	762.0	1,653.4
Total liabilities	3,560.8	3,664.7
Net assets	3,594.0	3,660.3
Share capital	3,436.8	3,430.9
Reserves	(37.7)	(35.3)
Retained earnings	194.9	264.7
Total equity	3,594.0	3,660.3

Parent entity contingencies and commitments

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

	2016 \$mill	2015 \$mill
Capital expenditure – commitments		
Contracted but not yet provided for and payable:		
Within one year	0.5	2.4

Tax consolidation

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

Notes to the Consolidated Financial Statements: Other

For the year ended 30 September 2016

21. Key management personnel disclosures

Key management personnel remuneration

	2016 \$000	2015 \$000
Short-term employee benefits	9,833	15,896
Post-employment benefits	227	267
Other long-term benefits	125	200
Termination benefits	2,137	-
Share-based payments	1,278	3,524
	13,600	19,887

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 2016, there were no loans to key management personnel and their related parties (2015: nil).

Other key management personnel transactions

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

- (1) The spouse of Mr Fazzino, the Managing Director & Chief Executive Officer, is a partner in the accountancy and tax firm PricewaterhouseCoopers (**PwC**) from which the Group purchased services of \$962,735 during the year (2015: \$6,534,577). Mr Fazzino's spouse does not directly provide these services. Mr Fazzino has not engaged PwC at any time for any assignment.
- (2) The spouse of Ms Fagg is a partner in the accountancy and tax firm KPMG from which the Group purchased services of \$494,202 during the year (2015: \$443,761). Ms Fagg's spouse does not directly provide these services. Ms Fagg was not involved in any engagement of KPMG made by the Group.

22. Auditor's remuneration

	2016 \$000	2015 \$000
Fees payable to the Group's auditor for assurance services		
Audit of the Group's annual report ⁽¹⁾	927.3	927.3
Audit of subsidiaries ⁽²⁾	610.5	608.1
Audit-related assurance services ⁽³⁾	167.5	167.5
Total current year assurance services	1,705.3	1,702.9
Fees payable to the Group's auditor for other services		
Other services relating to taxation ⁽⁴⁾	143.4	172.7
All other services ⁽⁵⁾	40.0	30.0
Total other services	183.4	202.7
Total fees paid to Group auditor	1,888.7	1,905.6
– Payable to Australian Group auditor firm	1,339.8	1,419.8
– Payable to International Group auditor associates	548.9	485.8

- (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

Louisiana ammonia plant

Since the end of the financial year, the Company announced the successful completion of the performance testing process for its ammonia plant at Waggaman, Louisiana on 19 October 2016. IPL took over management and operation of the ammonia plant effective from this date. The final cash cost of the project will be below the budget of US\$850m.

Dividends

In November 2016, the directors determined to pay a final dividend of 4.6 cents per share on 13 December 2016. This dividend is unfranked.

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

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Directors' Declaration

on the Consolidated Financial Statements set out on pages 45 to 80

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 45 to 80, and the remuneration disclosures that are contained in the Remuneration Report on pages 24 to 42 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 2016 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 51; 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 Class Order 98/1418 (as amended).
 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 2016.



Paul Brasher
Chairman

Dated at Melbourne this 7th day of November 2016

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

Report on the Financial Report

We have audited the accompanying financial report of Incitec Pivot Limited (the **Company**), which comprises the consolidated statement of financial position as at 30 September 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, pages 50 to 81 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. On page 51, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the consolidated entity comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of Incitec Pivot Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in the Basis of Preparation on page 51 of the Financial Report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 42 of the directors' report for the year ended 30 September 2016. 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.

Opinion

In our opinion the Remuneration Report of Incitec Pivot Limited for the year ended 30 September 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants
Melbourne, 7 November 2016