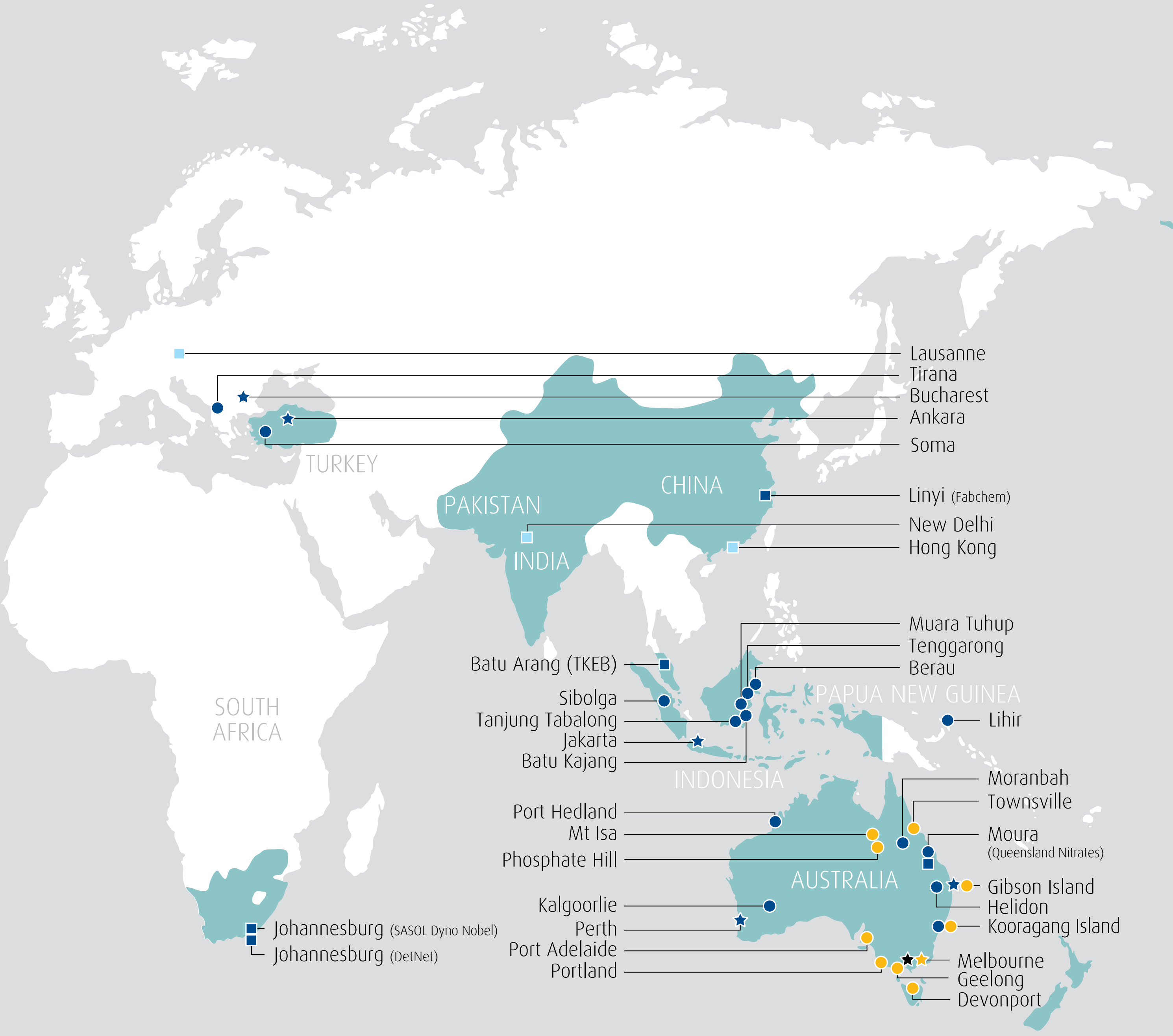
ANNUAL REPORT 2012

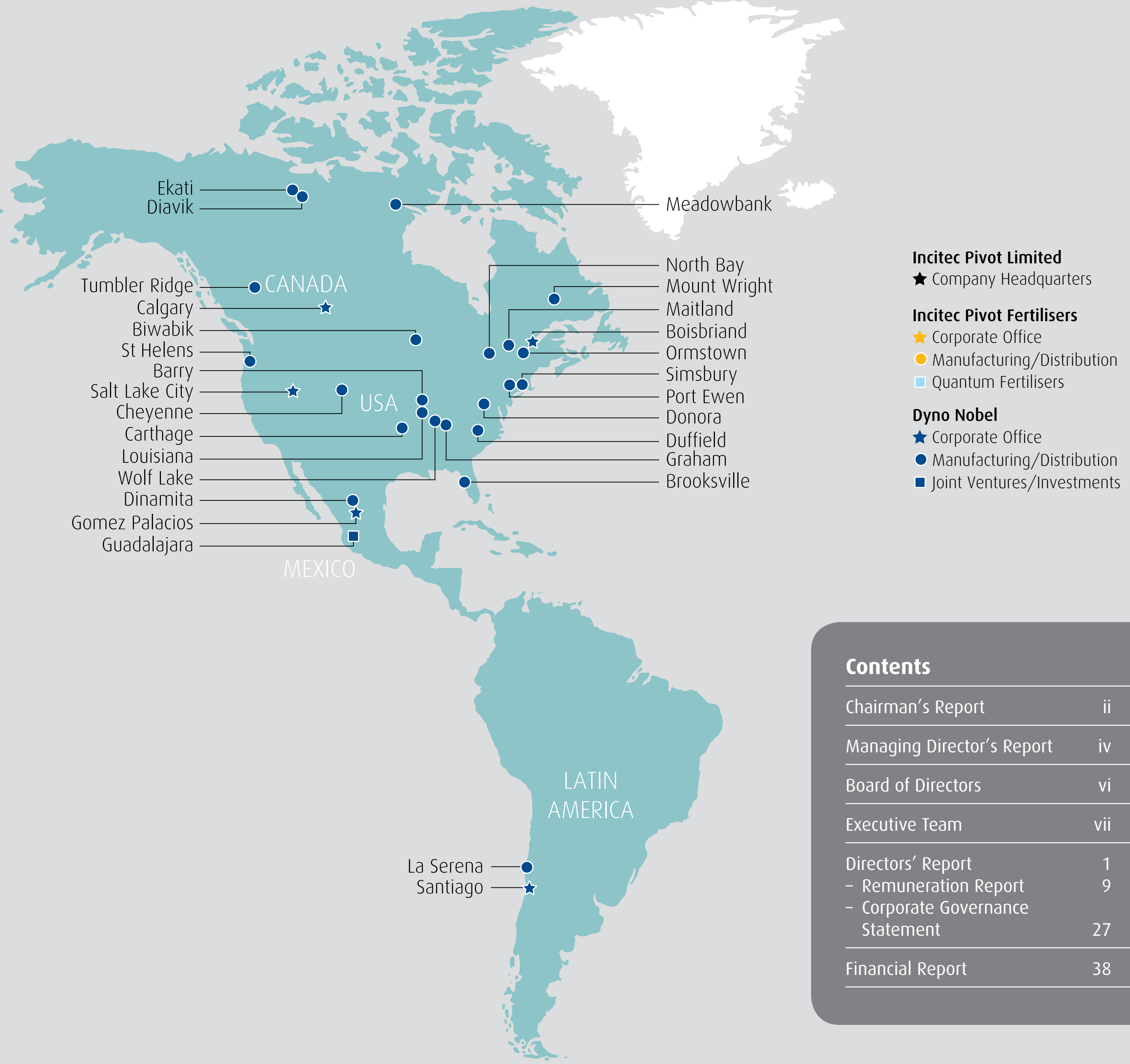
Dyno Nobel

Incitec Pivot Fertilisers

Incitec Pivot Limited



Moranbah ammonium nitrate plant



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VISION STATEMENT

To be the best in our markets, delivering Zero Harm and outstanding business performance through our people, our culture and our customer focus.

Chairman's Report

It is particularly pleasing to lead the Board as the Company completes its biggest-ever development project, the ammonium nitrate complex at Moranbah in Queensland

I am delighted to be able to present my first report as Chairman of Incitec Pivot Limited. It is particularly pleasing to lead the Board as the Company completes its biggest-ever development project, the ammonium nitrate complex at Moranbah in Queensland. Watching the final touches being made to Moranbah has reassured me that we have a great company with some tremendous opportunities along with, inevitably, some interesting challenges. I have no doubt we have an extremely strong team and the right strategy to build on IPL's success to date.

In terms of financial performance, the Group's underlying profit, Net Profit After Tax (NPAT), excluding Individually Material Items (IMIs), compared to 2011, was down to $404.7 million, a decrease of 24% or $125.4 million on the previous year. While the financial result was unsatisfactory, 2012 saw substantial progress because of actions taken to respond to strategic business challenges and the establishment of important building blocks for the future. Our Managing Director & CEO, James Fazzino, covers this in detail in his report, so I will take the opportunity to reflect personally upon some of the things that have impressed me as I have travelled around some of our major operations, both in Australia and in the United States, over the past few months.

The first thing which has been brought home to me is the relentless obsession with safety and the pursuit of Zero Harm, which we must continue to drive in all parts of the IPL Group. At Board level, safety is the first item on the agenda of every meeting and the same applies to James' meetings with his Executive Team. However, it is only when you visit our various sites that you see examples of how our people, at all levels of the organisation, are equally committed to Zero Harm.

Recently, I was at our Initiating Systems plant in Graham, Kentucky, where I took the opportunity to present an award for exceptional performance in achieving more than 2000 days without a lost-time injury. Two elements struck me as being major contributors to this record. The first is that the people at Graham regard each other as family members and take a personal interest in making sure that friends and colleagues are protected from injury, not only in the workplace but also in their home lives. It is a personal thing. The second factor that struck me was that all of the people in Graham really believe that Zero Harm is possible. To put this another way, they strongly believe that every safety incident which occurs throughout our Group could have been prevented. We must be relentless in pursuing 'Zero means zero' and I believe a lot of our improvement will come from replicating the culture that exists at Graham at other sites right across the Group. If we need any further evidence of what is possible, we need look no further than Moranbah, where the construction project involved four million hours without a lost-time injury. We must strive to emulate that performance across our entire organisation and, to that end, the Directors have endorsed a clear five-year strategy to drive improvement in our safety performance. The Board's Health, Safety, Environment and Community Committee has had a critical role in overseeing and reinforcing our progress towards Zero and, in the coming year, will maintain its practice of visiting our operations and engaging with our people on site.

The calibre and diversity of people in all parts of our organisation also made a huge impression on me. Whether it be at a customer's site in the Pilbara or at a manufacturing facility on the other side of the country at Gibson Island or at one of our various sites in the United States, it is impossible not to be impressed by the enthusiasm of the many smart people we have working in our team. A classic example is at our ammonium nitrate plant at Moranbah in the Bowen Basin, where the first tonnes of ammonium nitrate were produced in early July 2012. Despite the doubts of some, the project was delivered essentially on time and close to budget. The fact that Moranbah is now operating on schedule is a great tribute to the talented men and women who never stopped believing they could do it.

One of the pluses to come from the Moranbah development is that we have demonstrated that IPL is capable of completing major construction projects. This credibility and, more importantly, the experience and skills which we developed at Moranbah, put us in a strong position to be able to seriously consider other opportunities which may arise for the Group. However, in considering opportunities, you can be assured that we will continue to apply the highest levels of financial discipline and pursue only projects which are consistent with our strategy and which we believe will give us an acceptable level of return. As you may recall, during the year we commenced two major feasibility studies, one for an ammonium nitrate plant in the Hunter Valley, New South Wales, and the other on a 750,000 tonne ammonia plant in Louisiana, United States. While the feasibility study on the ammonia plant in Louisiana is continuing, with a decision planned for the second quarter of the 2013 calendar year, we decided to delay the Hunter Valley study for at least two years in light of the current market uncertainty and rising construction costs in Australia.

When comparing potential projects in Australia and the United States a significant difference lies in the price of our major raw material, gas. The impact of this is currently being seen in the United States, where the low gas price is leading to a revival of that country's major manufacturing industries. In our view, it is essential that Australia has a coherent energy strategy which recognises the importance of being able to source gas at a price which will encourage investment in new manufacturing activity. I know that we risk being accused of arguing self-interest in this area, but at the very least, I believe that this is a subject that needs to be thoroughly debated in the national interest and we are committed to being part of that debate.

Another plus from the completion of Moranbah is the direct benefit it has had for our shareholders, in that it has changed our capacity to pay dividends. Our final dividend is 9.1 cents per share, bringing the full year dividend to 12.4 cents per share, an increase of 8% on the 2011 full year dividend of 11.5 cents per share.

This dividend is at a payout ratio of 50% of NPAT excluding IMIs, which reflects the increased payout ratio endorsed by the Board – namely 30–60% of NPAT excluding IMIs, compared to 20–40% adopted in 2009.

We have a wide range of shareholders on our register and we are cognisant of retail shareholders benefitting from franking credits. Our intention is to distribute franking credits when they are available. Pleasingly, for the final dividend, we were able to increase the franking to 75% compared to 50% for the interim dividend.

On the subject of shareholder interests, I recently met with 15 of IPL's top shareholders to better understand their attitudes and opinions, which I shared with my fellow Directors and management. Those shareholders unanimously acknowledged the Company's commitment to its long-term strategic direction and provided some valuable insights on various aspects of the Company from their own perspective as shareholders. We heard a variety of views on issues, such as remuneration and the types of performance measures which can best drive our Group and individual performance, as well as on governance generally. These are areas in which we are seeking to continuously improve and hearing the views of our shareholders is always valuable input to this process.

We continue to progress our Sustainability Agenda. Its stated aim is `the creation of long-term economic value while caring for our people, our communities and our environment'. I am pleased to advise that, for the first time, the Group has been included in the Dow Jones Sustainability Asia Pacific Index, a significant milestone and recognition of our improving sustainability performance. This is an important credibility tool for relationships with our customers and communities. "Zero Harm for Everyone Everywhere" and "Care for the Community & our Environment" are two of our Values, which set the standards by which all IPL people operate and are the criteria for meeting the expectations of our stakeholders.

As a Group, we are committed to building an inclusive and accessible organisation through the development of a culture that embraces diversity. Embracing diversity is part of our core Values – in particular, "Value People: Respect, Recognise and Reward". During 2012

The DNAP team priming holes with boosters, detonators and leads on a mine site.

particular focus was placed on establishing a clear diversity strategy addressing our global operations and, in Australia, focussing on initiatives with regards to gender diversity and indigenous employment. In addition, during 2012 the Board adopted its Diversity Policy, which sets out our approach to diversity, which is underpinned by three principles: "respecting our differences", "shaping our future organisation" and "building a flexible organisation". Our Corporate Governance Statement includes our report on progress made in the year and the objectives we have set for next year.

At the Board level, we have a diverse group of Directors who are all active in seeking to contribute to the strategy and to the performance of the Group. We recently established a Nominations Committee of the Board, whose role is to ensure that we have the right skills around the Board table to support our ever-evolving business and that we plan for Board succession in a systematic way. We will also keep the focus on continuously improving Board performance in both the short and the long term. To assist us with this, I have commissioned an external Board performance review which will conclude later this year. The basic thrust will be to question how we, as a Board, can contribute most effectively to the Company and its shareholders.

IPL farewelled a champion of the business this year with the retirement of its foundation Chairman, John Watson AM. John became a Director of the Company in 1997 and Chairman in 1998. His legacy is immense: he championed the Pivot-Incitec merger in 2003, oversaw the exit from the Orica Group and the acquisitions of Southern Cross Fertilisers in 2006 and Dyno Nobel in 2008; each a company-transforming event. I am fortunate to have the opportunity to build on the substantial strategic foundation overseen by John and his fellow Directors over the past 15 years.

I would like to take this opportunity to pay tribute to my fellow Directors who have diligently exercised their professional duties in guiding the Company over the past financial year. I look forward to working with each of the Directors individually and as a team to help our management to navigate IPL through a changing commercial and political environment.

I would also like to thank James Fazzino, Managing Director & CEO, and his Executive Team for their leadership, commitment and perseverance in executing on our strategy. The most important role of this team is serving the business and empowering a culturally diverse employee base to deliver on our promises. I am pleased to say they have taken on this responsibility with vigour and I look forward to building on the relationship between the Board and the Executive Team in the coming year.

Finally, a massive vote of thanks to all of our people spread across the diverse operations which make up IPL. You make this Company what it is and all of you should feel proud of your achievements during 2012.

Looking forward, we are clearly operating in a challenging environment, both locally and globally. Many of our customers are having to drive much harder to achieve the same results and, in many cases, the markets into which they sell have slowed down. I am still very optimistic about the medium and long term outlook for those markets and customers. Our determination is to listen even more carefully to our customers and to apply our technical and product advantages by working with them to drive increased productivity. I believe we have the culture, people and expertise to do just that and I look forward to a rewarding future for our Company.

Paul Brasher
Chairman

Managing Director's Report

I am confident about the future because during 2012 we took a range of actions and achieved milestones which have together established a strong platform for growth

I'm pleased to present my fourth report to you as Managing Director & CEO. This was a challenging year in which our underlying profit was down on the previous year, largely because of volatile fertiliser prices. However, I am confident about the future because during 2012 we took a range of actions and achieved milestones which have together established a strong platform for growth.

Our highest priority is Zero Harm. Our safety performance this year was disappointing as shown by our Total Recordable Injury Frequency Rate, which increased marginally on the previous year. While the severity of the incidents was reduced, we recognise that we must make positive progress each year if we are to attain our goal of Zero Harm. In this context, the Company developed a comprehensive five-year Health, Safety and Environment Strategy which is being implemented across the Group in line with detailed plans developed in each of the businesses. This strategy was approved by both the Board and my Executive Team, thus reinforcing our commitment to Zero Harm at the highest levels in the organisation. I am fully confident that Zero Harm is achievable and I look forward to leading an organisation which is recognised globally for its safety performance.

In looking at the financial performance during the year, the underlying profit, Net Profit After Tax (NPAT), excluding Individually Material Items (IMIs), was $404.7 million, a decrease of 24% or $125.4 million on the 2011 Result. Earnings Before Interest and Tax (EBIT), excluding IMIs, decreased by 22% to $599.1 million, compared with $772.1 million in 2011. Earnings Per Share (EPS), excluding IMIs, was down 24% to 24.8 cents per share.

NPAT, including IMIs, was $510.7 million. This was an increase on the 2011 Full Year NPAT of $463.2 million including IMIs. EPS of 31.4 cents, including IMIs, was 11% up on last year.

The IMIs, net of tax, in 2012 were an income of $106 million. This included $183.1 million for the write back of the Moranbah unfavourable contract liability following the start of production at the Moranbah ammonium nitrate plant in Queensland; off-set by an impairment of the goodwill following the acquisition of Nitromak and also by a number of provisions raised in relation to environmental remediation costs for some of our former operating sites in Australia and the United States. We remain confident that we have the right strategy for the future, an excellent team to execute that strategy and the financial discipline to ensure that we deliver to the satisfaction of our shareholders.

Our strategy is to leverage the developing economies of Asia through, in particular, our Dyno Nobel explosives businesses, supported by our fertiliser business, Incitec Pivot Fertilisers. The 2012 Result reinforced the shareholder value of this strategic approach, with Dyno Nobel contributing approximately 60% of the Group's earnings.

Since the acquisition of Dyno Nobel in 2008, the explosives business has recorded year-on-year revenue growth emphasising this strategy.

The explosives businesses, Dyno Nobel Asia Pacific (DNAP) and Dyno Nobel Americas (DNA), performed well in a challenging environment. Earnings in DNAP rose 8% on the back of sales of initiating systems to Moranbah customers and recovery from the adverse impact of the 2011 floods. Earnings for DNA grew by 9% driven by strong revenue growth in the Canadian business. In addition, DNA's earnings benefitted from the performance in its agricultural business, in particular from the higher urea prices and lower gas costs at the St Helen's plant in Oregon, United States. The performance in DNA was partly offset by a decline in US coal demand.

The DNA business has been restructured under a new President, Dan McAtee, and I'm confident that this strategic realignment has the business well placed to meet the changing dynamics of the industry in North America.

Restructuring was also undertaken in the fertiliser business and I'm pleased that the Second Half performance was significantly better, notwithstanding the normal Second Half bias. The fertiliser distribution business was merged with the trading business under the leadership of James Whiteside, expanding the scale and scope of the business and providing management visibility along the value chain from fertiliser manufacturer, internationally or locally, to the distributor and then to farmers. The Second Half performance of Incitec Pivot Fertilisers validates the action we took and confirms that Incitec Pivot Fertilisers is a good business with a strong future.

The start of production at our ammonium nitrate plant at Moranbah in the Second Half was an outstanding achievement and Moranbah has continued to meet initial milestones. To have the project completed with an excellent safety performance, essentially on time and close to budget, is an exceptional accomplishment, not least because it was undertaken in a construction environment when major project cost over-runs and delays were the norm.

The delivery of this project and its initial production performance underscores the fundamental competence in construction and plant operation within the Group and is a tribute to the project team headed by Alan Grace and the production team led by Kyle Gimpl.

This competence and the initial performance of the Moranbah plant gives us confidence in our ability to successfully deliver future projects. We are currently undertaking a feasibility study into the construction of a world-scale ammonia plant at a brownfield site in Louisiana, United States. The rationale for the project is driven by its ability to leverage low-cost US gas and to integrate the Group's entire ammonium nitrate production. While a final investment decision will not be made until the second quarter of the 2013 calendar year, I have a strong conviction that if the project proceeds, we have a quality team to execute to our financial and performance criteria.

The commitment to meet demanding financial criteria has long been a hallmark of IPL's culture, and again it was demonstrated in the decision to defer the feasibility study for an ammonium nitrate plant at Newcastle, New South Wales, for at least two years. Although this project was closely aligned to our strategy, it did not meet our financial metrics at this time, given the rising costs of construction in Australia and the market uncertainty.

Business Excellence (BEx) is a long term culture change within the IPL business, which embraces continuous improvement across all levels. During the year, we established a solid foundation for BEx with 16 sites starting to operate to BEx principles and plans now established to roll out BEx to Supply Chain and Logistics during 2013. Implementation of a process, such as BEx, across a broad scale is an extraordinary achievement and further demonstrates the commitment and expertise of our people in delivering performance.

The fundamental change being brought about through BEx is one of empowerment – to empower everyone in the Group to create value by encouraging decision-making at the level where it is needed: the factory floor, the mine bench and the farm field. In BEx, management supports those who create the value and our leaders will become facilitators and coaches.

While we are seeing some modest early gains, it will be some time before the new culture of continuous improvement and world-class productivity is embedded, which is the nature of culture change.

As well as BEx, our culture is driven by our seven Values which direct our approach to everything we do. Two key Values, "Care for the Community & our Environment" and "Value People: Respect, Recognise & Reward", were recognised during the year as part of our first IPL Group-wide Community Investment Framework which establishes a number of programs to support and encourage employees and sites to develop closer ties with their communities.

Also, during the year, we adopted a Diversity Strategy, designed to lead us to developing a culture that embraces diversity. As part of that, we introduced an Indigenous Employment Strategy, to build on our investment in working in partnership with indigenous Australians thereby improving employment outcomes and contributing, in a meaningful way, to closing the gap on disparity between indigenous and non indigenous Australians. The need for focussed and strategic action in this area became evident to me when late last year I signed IPL's commitment to join our peer companies in Australia in creating jobs for indigenous Australians.

Whereas the performance of our business is driven by the three principles of strategy, execution and financial discipline, we operate in an environment heavily influenced by Government. A critical issue for our business and also for Australia is energy. I have taken the opportunity in meetings, speeches and through the media to urge both Federal and State Governments to demonstrate a vision which harnesses Australia's international competitive advantage in abundant natural gas to sustain and build value-added manufacturing. Other nations are showing what can be done, including the United States, which is leveraging its plentiful shale gas reserves to foster manufacturing and employment. This approach is attracting companies around the world to invest in the United States, including potentially IPL with our project in Louisiana.

Other critical stakeholders for the business are customers, and again during 2012, I was pleased to have the opportunity to spend time with my counterparts in major resources and agricultural companies, often at their operations. One of our core values is "Think Customer – Everyone, Every Day" and this is demonstrated by the focus and commitment of our people to find cost-effective and expert solutions to meet our customers' needs.

In closing, I want to express my appreciation for the support of my colleagues in the Executive Team and my fellow Directors. Most importantly, I want to recognise the outstanding team of people who contribute to the day-to-day running of the Group. I am proud to lead the team and I have absolute confidence in the future of IPL because I have absolute confidence in our people.

James Fazzino
Managing Director &
Chief Executive Officer

Moranbah ammonium nitrate plant.

Board of Directors

Paul Brasher BEc(Hons), FCA
Non-executive Chairman

Paul was appointed as a director on 29 September 2010 and was appointed Chairman on 30 June 2012. Paul is Chairman of the Nominations Committee.

Anthony Larkin FCPA, FAICD
Non-executive director

Tony was appointed as a director on 1 June 2003. Tony is Chairman of the Audit and Risk Management Committee and a member of the Nominations Committee.

John Marlay BSc, FAICD
Non-executive director

John was appointed as a director on 20 December 2006. John is Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.

Allan McCallum Dip. Ag Science, FAICD
Non-executive director

Allan was appointed as a director on 15 December 1997. Allan is Chairman of the Health, Safety, Environment and Community Committee and a member of the Remuneration Committee.

Rebecca McGrath BTP(Hons), MASc, FAICD
Non-executive director

Rebecca was appointed as a director on 15 September 2011. Rebecca is a member of the Audit and Risk Management Committee, Health, Safety, Environment and Community Committee and Nominations Committee.

Graham Smorgon B.Juris, LLB
Non-executive director

Graham was appointed as a director on 19 December 2008. Graham is a member of the Health, Safety, Environment and Community Committee, Nominations Committee and Remuneration Committee.

James Fazzino BEc(Hons)
Managing Director & CEO

James was appointed Managing Director & CEO on 29 July 2009. James was first appointed as a director on 18 July 2005, following his appointment as Chief Financial Officer in May 2003. James is a member of the Health, Safety, Environment and Community Committee.

Executive Team

First row (l to r):
James Fazzino,
Frank Micallef,
Kerry Gleeson,
Jamie Rintel,
Bernard Walsh

Second row (l to r):
James Whiteside,
Stephen Dawson,
Daniel McAtee,
Simon Atkinson

James Fazzino BEc(Hons)
Managing Director & CEO

Frank Micallef BBus, MAcc, FCPA, FFTA, FAICD
Chief Financial Officer

Frank was appointed as Chief Financial Officer on 23 October 2009. Frank joined IPL in May 2008 as General Manager, Treasury and Chief Financial Officer, Trading. Prior to joining IPL, Frank had significant experience in the explosives and mining industries as Global Treasurer and Investor Relations Manager at Orica Limited and General Manager Accounting at North Limited.

Kerry Gleeson LLB(Hons), FAICD
General Counsel & Company Secretary

Kerry was appointed as General Counsel and Company Secretary in February 2004. Prior to joining the Company, Kerry had extensive private practice experience in IPOs, international mergers and acquisitions, equity markets, financing and restructuring, while practising as a lawyer in Australia, with Blake Dawson (now Ashurst), and prior to that, as a partner of an English law firm. Kerry qualified as a lawyer in 1991, in England & Wales, and subsequently in Victoria, Australia in 2001. In 2009, Kerry received the ALB Australasian Law Award for In-House Lawyer of the Year.

Jamie Rintel BA
President, Strategy & Business Development

Jamie joined IPL in February 2005, following extensive experience in consulting across a range of industries both in Australia and overseas. Within IPL, Jamie has held a number of roles including Marketing Manager for Incitec Pivot Fertilisers. Jamie was appointed to his current role as President, Strategy & Business Development in June 2008 and is responsible for major growth initiatives across the Group, including major capital projects and mergers and acquisitions, as well as Business Excellence (BEx).

Bernard Walsh BE(Mech), MIEAust CPEng
President, Global Manufacturing

Bernard joined IPL in 2003 and has extensive manufacturing experience in petrochemicals, chemicals and mining services. Bernard joined IPL from Orica Limited where he held a variety of roles from 1987 to 2003, including as General Manager of Initiation Explosives Systems (IES), a joint venture between Orica Limited and Ensign Bickford Industries Inc. which manufactured a full range of initiating systems. Bernard has been responsible for the Group's Ammonia, Ammonium Nitrate and Fertiliser Manufacturing Plants since 2005.

James Whiteside BAgricSc, GradDipBusAdmin, GAICD
Chief Operating Officer, Incitec Pivot Fertilisers

James joined IPL (then known as Pivot Limited) in 1992, following extensive experience in agricultural companies and in consulting. Since joining IPL, James has held a number of senior management roles including as Group Procurement Manager. As Chief Operating Officer, Incitec Pivot Fertilisers, James is responsible for domestic and international fertiliser sales and distribution and the global supply chain process.

Stephen Dawson BSc(Hons) Mining Engineering, MBA
President, Dyno Nobel Asia Pacific

Stephen joined the Company upon its acquisition of Dyno Nobel in 2008. Stephen is responsible for leading the Dyno Nobel industrial explosives business in the Asia Pacific region, including Australia, Indonesia and Papua New Guinea. He commenced his career with British Coal and subsequently worked with mining companies Amcoal Collieries Limited and Randcoal in South Africa. Stephen has also worked with AECI Explosives Limited (now AEL) in a variety of sales and operational roles.

Daniel McAtee BE(Chem)
President, Dyno Nobel US & Canada

Daniel joined the Company as DNA Chief Operating Officer in April 2012 and was appointed President of Dyno Nobel USA & Canada in June 2012. Daniel has over 20 years experience across a variety of international commercial and operational commodity businesses including more than 15 years with General Electric, as well as three years as CEO of a Canadian public steel company. Daniel is a Certified Master Black Belt in Six Sigma methodologies.

Simon Atkinson BBus, CA
President, Dyno Nobel International

Simon joined the Company on its merger with Incitec Fertilizers Limited in 2003, having commenced with Incitec Limited in 2001 and Orica Limited in 1999. He has extensive finance experience, having been the Company's Commercial Finance Manager for the Australian fertilisers business. Simon was previously the Company's Investor Relations Manager and the Global CFO for the Group's explosives business. Simon was appointed to his current role as President, Dyno Nobel International in May 2010 and, in that role, oversees international operations in emerging markets. He is also responsible for the Dyno Nobel Global Marketing & Technology Group.

Directors' Report

The directors of Incitec Pivot Limited present the directors' report, together with the financial report, of the Company and its controlled entities (the Group) for the year ended 30 September 2012 and the related auditor's report.

Directors

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

Name, qualifications and special responsibilities	Experience
Paul Brasher BEc(Hons), FCA Non-executive Chairman Chairman of the Nominations Committee	Paul was appointed as a director on 29 September 2010 and was appointed Chairman on 30 June 2012. Paul is a non-executive director of Perpetual Limited and the Essendon Football Club. From 1982 to 2009, Paul was a partner of PwC, one of the world's major chartered accounting and professional services firms, including serving five years as the Chairman of the Global Board of PwC. Paul is a former Chairman of the Reach Foundation, and of the National Gallery of Victoria's Business Council, a former member of the Committee for Melbourne, a former board member of Asialink and a former trustee of the Victorian Arts Centre Trust and the Committee for Economic Development of Australia.
Anthony Larkin FCPA, FAICD Non-executive director Chairman of the Audit and Risk Management Committee Member of the Nominations Committee	Tony was appointed as a director on 1 June 2003. He is also a non-executive director of Oakton Limited and MMG Limited. Tony was previously a non-executive director of OZ Minerals Limited, Corporate Express Australia Limited and Eyecare Partners Limited, Executive Director Finance of Orica Limited, Chairman of Incitec Limited and Chairman of Ausmelt Limited. During his career with BHP Limited, which spanned 38 years, he held the position of Group Treasurer and, prior to that, he held senior finance positions in its steel and minerals businesses and various senior corporate roles. From 1993 to 1997 Tony was seconded to Foster's Group Limited as Senior Vice President Finance and Investor Relations. Until early 2006, he was a Commissioner of the Victorian Essential Services Commission.
John Marlay BSc, FAICD Non-executive director Chairman of the Remuneration Committee Member of the Audit and Risk Management Committee	John was appointed as a director on 20 December 2006. John is a non-executive director of Boral Limited, Cardno Limited and Alesco Corporation Limited. He is a member of the Board of the Climate Change Authority. John is a former Chief Executive Officer and Managing Director of Alumina Limited, a former director of Alcoa of Australia Limited, Alcoa World Alumina LLC and the Business Council of Australia. In addition, previously John held executive positions with Esso Australia Limited, James Hardie Industries Limited, Pioneer International Group Holdings and Hanson plc.
Allan McCallum Dip. Ag Science, FAICD Non-executive director Chairman of the Health, Safety, Environment and Community Committee Member of the Remuneration Committee	Allan was appointed as a director on 15 December 1997. Allan is Chairman of Tassal Group Limited and is a director of Medical Developments International Limited and a member of the Rabobank Advisory Board. He is a former Chairman of CRF Group Limited, CRF (Colac Otway) Pty Ltd and Vicgrain Limited and a former director of Graincorp Limited. Allan has extensive experience across agriculture and agribusiness.

Name, qualifications and special responsibilities	Experience
Rebecca McGrath BTP(Hons), MASc, FAICD Non-executive director Member of the Audit and Risk Management Committee Member of the Health, Safety, Environment and Community Committee Member of the Nominations Committee	Rebecca was appointed as a director on 15 September 2011. Rebecca is currently a non-executive director of OZ Minerals Limited, CSR Limited and Goodman Group. During her 23 year career with BP plc, Rebecca held a number of senior roles in operations, marketing and functional leadership including as Chief Financial Officer and Executive Board member for BP Australia and New Zealand. Rebecca is also a former director of Big Sky Credit Union Limited.
Graham Smorgon B.Juris, LLB Non-executive director Member of the Health, Safety, Environment and Community Committee Member of the Nominations Committee Member of the Remuneration Committee	Graham was appointed as a director on 19 December 2008. Graham is a non-executive director of Arrium Limited, Chairman of Smorgon Consolidated Investments, the GBM Group and the Print Mint Group, as well as being a trustee of the Victorian Arts Centre Trust. His former roles include Chairman of the Victorian Arts Centre Foundation, Chairman of Smorgon Steel Group Limited, President of the Carlton Football Club, director of Fed Square Pty Ltd, Deputy Chairman of Melbourne Health, director of the Walter and Eliza Hall Institute and partner of law firm Barker Harty & Co, where he practised as a commercial lawyer for 10 years.
James Fazzino BEc(Hons) Managing Director & CEO Member of the Health, Safety, Environment and Community Committee	James was appointed Managing Director & CEO on 29 July 2009. James was first appointed as a director on 18 July 2005, following his appointment as Chief Financial Officer in May 2003. Before joining Incitec Pivot, he had many years 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.

Company Secretary

Mrs Kerry Gleeson holds the office of Company Secretary. Kerry is a practising solicitor, having been admitted to practice in England and Wales in 1991, and in Victoria, Australia, in 2001.

Kerry was appointed as Company Secretary on 16 February 2004, having previously practised as a lawyer with Blake Dawson (now Ashurst) in Melbourne and, prior to that, Kerry was a partner of an English law firm.

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), as at the date of this report is as follows:

Director	Fully paid ordinary shares Incitec Pivot Limited
P V Brasher(1)	20,600
A C Larkin	5,000
J Marlay(1)	37,926
A D McCallum(1)	216,501
R J McGrath	7,000
G Smorgon	0
J E Fazzino(1)	1,708,180

(1) Held both directly and indirectly.

Further details of directors' interests in share capital are set out in Note 34 to the financial statements, Key management personnel disclosures.

Directors' Report

Principal activities

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

Dividends

Dividends paid since the last annual report were:

Type	Cents per share	Total amount $mill	Franked/ Unfranked	Date of payment
Paid during the year				
2011 final dividend	8.2	133.6	Unfranked	16 December 2011
2012 interim dividend	3.3	53.7	50% franked	3 July 2012
Paid after end of year				
2012 final dividend	9.1	148.2	75% franked	14 December 2012

Dealt with in the financial report as:	Note	$mill
Dividends	27	187.3
Subsequent event	27	148.2

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, in November 2012, the directors determined to pay a final dividend for the Company of 9.1 cents per share on 14 December 2012. The dividend is 75% franked (refer Note 27 to the financial statements).

On 12 November 2012, the Company announced on the ASX that, as a result of a failure in the Waste Heat Boiler at its sulphuric acid plant at Mount Isa, Queensland, the plant had been taken offline for up to one month to allow for repairs to be undertaken. The outage will result in reduced production of ammonium phosphates at the Company's Phosphate Hill plant with volumes expected to be reduced to 900,000 tonnes for the financial year to 30 September 2013. If offline for a month, the financial impact is estimated to be in the region of $25 million before tax.

Other than the matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2012 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

Further information on likely developments in the operations of the Group and the expected results of the operations has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Directors' meetings

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

	Board		Audit and Risk Management		Remuneration(1)		Nominations(2)		Health, Safety, Environment and Community	
Director – Current	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
P V Brasher(3)	**9**	9	**3**	3	**3**	3	**1**	1		
A C Larkin(4)	**9**	9	**4**	4			**1**	1		
J Marlay(5)	**9**	9	**1**	1	**5**	5				
A D McCallum(6)	**9**	9			**2**	2			**5**	5
R J McGrath(7)	**9**	9	**3**	3			**1**	1	**3**	3
G Smorgon(8)	**9**	9	**1**	1	**3**	3	**1**	1	**5**	5
J E Fazzino	**9**	9							**5**	5
Director – Former										
J C Watson(9)	**6**	6			**2**	2			**2**	2

Current Chairman   Former Chairman   Current Member   Former Member

For the purposes of the above table:
'Held' indicates the number of meetings held during the period that the director was a member of the Board or Committee.
'Attended' indicates the number of meetings attended during the period that the director was a member of the Board or Committee.

(1) The Remuneration and Appointments Committee was reconstituted as the Remuneration Committee on 23 February 2012, and Mr Marlay was appointed as Chairman of the Remuneration Committee, having previously been the Chairman of the Remuneration and Appointments Committee.
(2) The Nominations Committee was established on 23 February 2012. For this reason, the committee only had one meeting in the 2011/12 financial year.
(3) Mr Paul Brasher was appointed as Chairman of the Board effective 30 June 2012. He was also appointed Chairman of the Nominations Committee effective 1 July 2012.
(4) Mr Tony Larkin was appointed as a member of the Nominations Committee on 23 February 2012.
(5) Mr John Marlay was appointed as a member of the Audit and Risk Management Committee on 1 July 2012.
(6) Mr Allan McCallum was appointed as a member of the Remuneration Committee on 1 July 2012.
(7) Ms Rebecca McGrath was appointed as a member of the Audit and Risk Management Committee and the Health, Safety, Environment and Community Committee on 23 February 2012 and a member of the Nominations Committee on 1 July 2012.
(8) Mr Graham Smorgon was appointed as a member of the Remuneration Committee on 23 February 2012 and a member of the Nominations Committee on 1 July 2012.
(9) Mr John Watson retired as Chairman and Director on 30 June 2012.

Review and results of operations

Group Overview

Highlights summary

The Company reported Net Profit After Tax ("NPAT") of $510.7m, up $47.5m from the prior year of $463.2m.

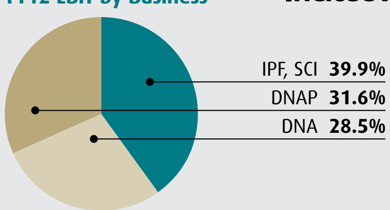
Results summary

	Year Ended 30 September		
	2012	2011	Change
GROUP FINANCIALS	$mill	$mill	%
Sales Revenue	3,500.9	3,545.3	(1%)
EBITDA ex IMIs[(1)]	754.9	920.3	(18%)
EBIT ex IMIs[(2)]	599.1	772.1	(22%)
NPAT ex IMIs[(3)]	404.7	530.1	(24%)
IMIs	106.0	(66.9)	
NPAT	510.7	463.2	10%
Business Segment EBIT			
Southern Cross International ("SCI")	175.3	323.9	(46%)
Incitec Pivot Fertilisers ("IPF")	92.3	128.8	(28%)
Intercompany Elimination	3.3	(3.7)	
Fertilisers	**270.9**	**449.0**	**(40%)**
Dyno Nobel Asia Pacific ("DNAP")	211.3	195.4	8%
Dyno Nobel Americas ("DNA")	190.6	173.8	10%
Intercompany Elimination	(2.0)	(0.4)	
Explosives	**399.9**	**368.8**	**8%**
Corporate costs	(71.7)	(45.7)	(57%)
EBIT	**599.1**	**772.1**	**(22%)**
Shareholder Returns			
EPS ex IMIs[(4)]	24.8	32.5	(24%)
EPS	31.4	28.4	11%
Dividend per share[(5)]	12.4	11.5	8%
Financing Key Performance Indicators			
Operating cash flows	620.8	719.1	(14%)
Net Debt	(1,286.9)	(1,188.8)	8%
Interest cover (times)[(6)]	7.9x	10.8x	
Net Debt/EBITDA (times)[(7)]	1.7x	1.3x	

(1) EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation, excluding individually material items
(2) EBIT = Earnings Before Interest and Tax, excluding individually material items
(3) NPAT = Net Profit After Tax attributable to shareholders of the Company, excluding individually material items
(4) EPS = Earnings Per Share, excluding individually material items
(5) Declared in respect of a financial year
(6) Interest cover = 12 month rolling EBITDA/interest expense before accounting adjustment
(7) Net Debt/EBITDA is based on Net Debt at point in time / last 12 months historical EBITDA

FY12 EBIT by Business

Incitec Pivot Limited



Group Highlights

- Sales Revenue decreased by 1%, or $44.4m, to $3,500.9m (2011: $3,545.3m), due to lower revenues from the Fertiliser businesses reflecting lower fertiliser prices and the negative impact of the higher Australian dollar.
- Net Profit After Tax excluding individually material items ("NPAT ex IMIs") decreased by 24%, or $125.4m, to $404.7m (2011: $530.1m).
- Earnings Before Interest and Tax excluding individually material items ("EBIT ex IMIs") decreased by 22% or $173.0m to $599.1m (2011: $772.1m), due to a 40% fall in Fertilisers EBIT, partially offset by 8% growth in Explosives.
- Operating cash flows decreased by $98.3m to $620.8m (2011: $719.1m) reflecting the decline in Fertilisers earnings and the resumption of tax payments, partially offset by an improvement in the trade working capital position.
- Net Debt increased by $98.1m to $1.3Bn (30 September 2011: $1.2Bn), as the Group completed the construction of the ammonium nitrate ("AN") plant at Moranbah, Queensland.
- Strong credit metrics were maintained: Net Debt/EBITDA 1.7 times (2011: 1.3 times) and interest cover 7.9 times (2011: 10.8 times).

Shareholder Returns

- Earnings per share up 11% to 31.4 cents per share ("cps") (2011: 28.4 cps).
- Earnings per share excluding individually material items (EPS ex IMIs) down 24% to 24.8 cps (2011: 32.5 cps).
- Dividends increased 8% to 12.4 cps (2011: 11.5 cps), which reflected a pay-out ratio of 50% of NPAT ex IMIs.

EBIT Performance

EBIT ex IMIs fell by 22% or $173.0m to $599.1m (2011: $772.1m), primarily due to:

- Decrease in margins earned by the Fertilisers business;
- Costs associated with the extended turnaround at the sulphuric acid plant at Mt Isa, Queensland and the impact of reduced production volumes of ammonium phosphate;
- Negative impact of a higher AUD:USD exchange rate;
- Negative net impact of commodity prices on the Group, reflecting the impact of lower Di-Ammonium Phosphate ("DAP") prices, and increased sulphuric acid costs. This was partially offset by higher urea prices.
- Corporate costs increased by $26.0m to $71.7m (2011: $45.7m) as a result of incremental costs in implementing the Group's approach to continuous improvement, "Business Excellence" ("BEx") in 2012 and the expensed feasibility costs associated with the proposed ammonium nitrate plant in New South Wales, which has been deferred for at least 2 years.

This fall in EBIT performance was partially offset by volume growth in both DNAP and IPF.

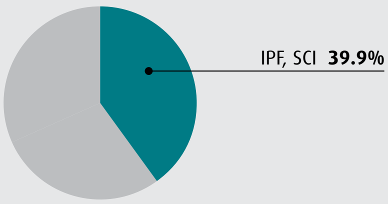
A detailed analysis of the business segment performance is provided in the following pages.

Fertilisers (Incitec Pivot Fertilisers and Southern Cross International)

Financial summary

	Year Ended 30 September		
	2012 $mill	2011 $mill	Change %
IPF			
Revenue	1,159.1	1,185.5	(2%)
EBIT	92.3	128.8	(28%)
SCI			
Revenue	731.9	877.6	(17%)
EBIT	175.3	323.9	(46%)

FY12 EBIT Contribution – IPF & SCI



Operations

Incitec Pivot Fertilisers ("IPF") is Australia's largest supplier of fertilisers, despatching around two million tonnes each year for use in the grain, cotton, pasture, dairy, sugar and horticulture industries. Bulk and packaged fertiliser products are distributed to farmers through a network of more than 200 business partners and agents. IPF supports farmers in eastern Australia, from tropical fruit growers in north Queensland to dairy producers in Tasmania. Southern Cross International ("SCI") sells manufactured fertiliser and industrial chemicals products to other importers in Australia and actively markets IPL's own product in offshore markets such as South East Asia and Latin America, via Quantum Fertilisers.

In the 2012 financial year, IPF and SCI were consolidated under one management structure. However the performance of the two operating divisions continues to be reported separately to provide visibility to users of the financial statements. This consolidation of the two fertiliser businesses under one management team has proven successful and the combined business is positioned to deliver more stable distribution earnings with improved business execution and risk management processes.

Strategy

The Fertilisers strategy is to maximise value by leveraging asset positions and to provide alternate channels to market to diversify risk: the focus is on optimising operations and reducing volatility.

Performance

IPF's EBIT decreased by $36.5m or 28% to $92.3m (2011: $128.8m). Factors impacting the result include the following:

- Lower distribution margins;
- Unfavourable impact of the higher Australian dollar (AUD) on US dollar (USD) denominated urea sales; and
- Costs to restructure the business.

This was partially offset by:

- Increased distribution volumes sold (refer to Market Summary);
- Increased ammonia and urea production volumes; and
- Stronger global nitrogen prices.

SCI's EBIT decreased by $148.6m or 46% to $175.3m (2011: $323.9m). Factors impacting the result include the following:

- Earnings from the plant in Phosphate Hill, Queensland declined due to:
  - Lower average global DAP fertiliser prices;
  - Increased manufacturing costs incurred from the outage of the sulphuric acid plant at Mt Isa, Queensland which ran at reduced rates, increased sulphuric acid costs and higher operating costs;
  - Higher AUD:USD exchange rate; and
  - Lower volumes sold of manufactured DAP for the 2012 financial year.
- Earnings for Quantum Fertilisers decreased as a result of incurring a loss in the first half caused by the business holding long positions when European financial instability significantly impacted global trade and resulted in a fall in global fertiliser prices.
- Earnings from the industrial chemicals business (Industrials), increased as a result of higher sales volumes of manufactured ammonia and urea-related products sold in the 2012 financial year and an increase in the volume and margin on traded products.

Market Summary

IPF sells into the following major markets in Australia:

Winter Crop

While the start of the season was delayed, as a result of falling fertiliser prices, the second half saw strong demand for both sowing and topdressing, driven by favourable seasonal conditions and a stronger soft commodity outlook. IPF's volumes sold into this market were flat versus the previous year, where similar favourable conditions were experienced.

Summer Crop

Sales into the Cotton and Sugar crops have remained consistent with the prior year, as favourable cropping conditions prevailed in the second half.

Pasture

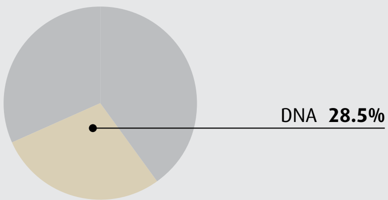
Sales volumes of single superphosphate were higher than the prior year, as weather conditions in Southern Australia were more favourable than the prior year.

Dyno Nobel Americas

Financial summary

	Year Ended 30 September		
	2012 $mill	2011 $mill	Change %
A$m			
Revenue	1,172.2	1,172.5	(0%)
EBIT	190.6	173.8	10%
US$m			
Revenue	1,203.3	1,205.2	(0%)
EBIT	195.7	179.4	9%

FY12 EBIT Contribution – DNA



Operations

Dyno Nobel Americas ("DNA") is a leading supplier of industrial explosives and blasting services to the mining, quarrying and construction industries. DNA is the market leader in North America – the largest explosives market in the world. Additionally, DNA supplies nitrogen based products to selective agricultural and industrial chemical markets.

Strategy

DNA's strategy is to maximise value in the market by leveraging established infrastructure, brand and channel strategies, as well as to capitalise on industry size to build scale and expertise which can be deployed into other markets. DNA's focus is on optimising operations and exposure across various end-markets, allowing it to be well positioned for an economic recovery in the US.

Performance

DNA's EBIT increased by US$16.3m or 9% to US$195.7m (2011: US$179.4m). Factors impacting the result include the following:

- Higher urea and urea ammonium nitrate ("UAN") prices in the Agriculture and Industrial Chemicals business which were supplemented by savings in production costs as a result of lower US gas prices; and
- Canadian business growth resulting from efficiencies and savings generated via the Group's efficiency program (Velocity), which was completed during 2012.

This was partially offset by:

- The downturn in the coal sector which had the impact of reducing sales in the segment and incurring freight dislocation costs in redirecting product to other areas.

Market Summary – Explosives

DNA's explosives business sells product into the following major markets:

Coal

The Coal market accounted for 58% of volumes of Ammonium Nitrate ("AN") sold by DNA. In the 2012 financial year, volumes declined as a result of low gas prices and the unseasonably warm North American winter, reducing coal production.

Quarries & Construction ("Q&C")

The Quarries and Construction market accounted for 16% of the AN volumes sold by DNA. In the 2012 financial year, sales volumes grew despite activity remaining subdued. DNA's Q&C volumes are driven by the road construction, non-residential construction and the residential construction industries. While US residential construction is showing positive signs, DNA's leverage to this recovery is middle to late cycle, as volumes are driven by crushed rock use which is used intensively in residential estate construction.

Metals & Mining

The Metals and Mining market accounted for 25% of the AN volumes sold by DNA. In the 2012 financial year, AN sales volumes increased reflecting the overall market growth and, specifically, Canadian Iron Ore customer growth. Second half growth was down slightly from the first half as a result of softness in the US Iron Ore market in the third quarter of the financial year.

Market Summary – Agriculture and Industrial Chemicals

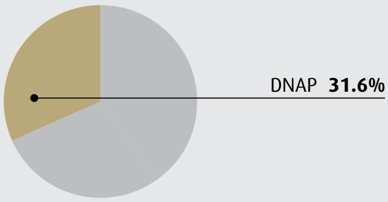
DNA's Agriculture and Industrial Chemicals business grew in the 2012 financial year as a result of increases in average urea and UAN prices, lower US gas prices (gas is purchased on a spot basis), offset by lower production volumes as a result of the planned turnaround at the St Helens plant in Oregon, US.

Dyno Nobel Asia Pacific

Financial summary

	Year Ended 30 September		
	2012 $mill	2011 $mill	Change %
Revenue	626.4	533.1	18%
EBIT	211.3	195.4	8%

FY12 EBIT Contribution – DNAP



Operations

Dyno Nobel Asia Pacific ("DNAP") is a leading supplier of industrial explosives and blasting services to the mining industry across Australia, Indonesia and Papua New Guinea. In particular, DNAP supplies industrial explosives and blasting services to surface and underground mining in the thermal coal, metallurgical coal, iron ore and other metals sectors. DNAP is the second largest supplier in Australia – the third largest explosives market in the world.

Strategy

DNAP's strategy is to invest in capability to capture a greater share of the growing markets directly linked to industrialisation across Asia – the immediate focus is on maximising returns on the newly constructed ammonium nitrate plant in Moranbah, Queensland and positioning for further growth in the Asia Pacific region.

Performance

DNAP's EBIT increased by $15.9m or 8% to $211.3m (2011: $195.4m). Factors impacting the result include the following:

- An increase in earnings from the sale of initiating systems to the foundation customers of the AN plant in Moranbah, Queensland; and
- An increase in sales volumes (refer to Market Summary).

This was partially offset by:

- An increase in operating costs associated with running the DNAP business.

Market Summary

DNAP sells into the following major markets:

Australian East Coast Coal

The Australian East Coast coal market accounted for 49% of total AN sold by DNAP during the financial year. In 2012, AN volumes sold increased reflecting a volume recovery from the impact of the severe weather conditions in 2011, the underlying growth of coal customers in the Bowen Basin, Queensland and the commencement of supply to certain foundation customers from the plant in Moranbah, Queensland.

Western Australian

The Western Australian market accounted for 31% of the AN volumes sold by DNAP during the financial year. Sales volumes increased reflecting growth of DNAP's largest customer in the region, partially offset by the loss of a customer contract early in the financial year.

Hard Rock and Underground

The Hard Rock and Underground market accounted for 8% of the AN volumes sold by DNAP in the financial year. Volumes grew in line with the recovery from the impact of the extreme weather conditions in the first half of 2011 and new business secured in the Underground market.

Indonesia and PNG

These markets accounted for 12% of the AN volumes sold by DNAP for the financial year. In 2012, while AN volumes decreased as a result of increased competition, earnings grew from increased emulsion tolling services.

Moranbah AN Plant, Queensland

Construction at the site was completed in June 2012 without a lost time injury during over 4 million construction hours worked. The Nitric Acid, AN solution, AN prill and emulsion plants ("front end plants") commenced operation in July 2012, while the Ammonia plant commenced operation in September 2012. In the final quarter of the financial year 25,000 tonnes of AN was produced from the plant. During the final quarter, the front end plants experienced interrupted production. All root causes and corrective actions have been successful.

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, Canada, Indonesia, Papua New Guinea and Turkey.

The environmental laws and regulations generally address the potential aspects and 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 will hold 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.

The Group measures its environmental incidents across 4 levels:

- Category 1 – Insignificant or minor
- Category 2 – Moderate
- Category 3 – Major
- Category 4 - Catastrophic

During the 2011/12 financial year, there were no major or catastrophic incidents. However, there were 13 Category 2 environmental licence non-compliances and 14 Category 2 losses of containment.

For these purposes:

- a Category 2 environmental licence non-compliance is a moderate excursion outside statutory discharge or emission limits as set out in the relevant licence and as measured in a scheduled test; and
- a Category 2 loss of containment is an incident where there is an unplanned release or spill on a Company site of material from a vessel, tank, pipe pump, container or package in which it was designed to be contained and such incident causes moderate injury or damage, impacts the environment or causes concern in the surrounding community.

The aggregate amount of fines paid by the Group for the incidents for the financial year amounted to approximately $60,000.

Annually, the Company publishes a Sustainability Report which is available on its website at www.incitecpivot.com.au. The Report provides details of the Group's environmental management, performance and initiatives.

In addition, for the purpose of Australian regulations which apply to the Company itself, as an Australian listed entity:

- the Company reports its annual Australian Greenhouse gas emissions, energy consumption and production under the National Greenhouse and Energy Reporting scheme ("NGERS"). In addition, Incitec Pivot participates in the Australian Government's Energy Efficiency Opportunities program and has been recognised by the Government as a "Best Practice" participant.
- the Company also reports its environmental release and discharge data to the National Pollutants Inventory in Australia.

The Company continues to devote considerable resources to remediating legacy sites, namely sites at which operations have ceased, in line with its corporate value "Care for the Community & our Environment".

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 each of its officers. 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 continues in office in accordance with section 327B(2) of the Corporations Act 2001 (Cth).

Non-audit services

Deloitte Touche Tohmatsu has provided non-audit services to the amount of $170,500 during the year ended 30 September 2012 (Refer Note 7 to the financial statements).

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 37.

Rounding

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

The directors of Incitec Pivot Limited (the Company or Incitec Pivot) present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 (Cth) for the Company and its controlled entities (collectively referred to in this report as the "Group") for the year ended 30 September 2012. This Remuneration Report is audited.

This Remuneration Report forms part of the Directors' Report.

Details of the Group's remuneration strategy and arrangements for the 2011/12 financial year are set out in this Remuneration Report.

This Remuneration Report is prepared in respect of the Key Management Personnel, being those persons who have authority and responsibility for planning, directing and controlling the activities of the Group.

The Board has determined that the Key Management Personnel are the non-executive directors of the Company (refer to table B.1), certain former executives (refer to table C.3) and the people referred to in the table below.

When used in this Remuneration Report, the term "Executives" means the people listed in the following table (and certain former executives, as the context requires).

Name	Position
Mr James Fazzino	Managing Director & CEO
Mr Frank Micallef	Chief Financial Officer
Mrs Kerry Gleeson	General Counsel & Company Secretary
Mr Jamie Rintel	President, Strategy & Business Development
Mr Bernard Walsh	President, Global Manufacturing
Mr James Whiteside	Chief Operating Officer, Incitec Pivot Fertilisers
Mr Stephen Dawson	President, Dyno Nobel Asia Pacific
Mr Daniel McAtee	President, Dyno Nobel United States & Canada
Mr Simon Atkinson	President, Dyno Nobel International

The structure of this Remuneration Report is as follows:

A. Executive Remuneration Overview

Incitec Pivot aims to generate competitive returns for its shareholders through its strategy as a leading global chemicals Group, manufacturing and distributing industrial explosives, fertilisers and related products and services. Incitec Pivot recognises that, to achieve this, the Group needs outstanding people who are capable, committed and motivated. The philosophy of Incitec Pivot's remuneration strategy is that it should support the objectives of the business and enable the Group to attract, retain and reward Executives of the necessary skill and calibre. Accordingly, the key principles of Incitec Pivot's remuneration strategy are as follows:

- to provide market competitive remuneration to attract, retain and reward Executives;
- for the majority of Executive remuneration to be at risk and linked to performance and the creation of sustained shareholder value;
- to apply demanding financial and non-financial performance objectives for the short term incentive plans; and
- for the long term incentive, to apply demanding financial performance objectives, and on the achievement of those objectives, to result in share ownership thereby linking remuneration to Company performance as experienced by shareholders.

2011/12 Remuneration in Review

Key Highlights	Commentary
Continued Alignment with Shareholder Interests • *Consistent strategy* • *Strong advisory vote at all annual general meetings* • *Reward only where exceptional performance*	Over the years, the Board has been consistent in the application of the remuneration strategy, maintaining stability in its practices while annually reviewing executive remuneration, having regard to the need to offer competitive remuneration packages and to respond to shareholder sentiment. The Company has received strong shareholder support for the Company's remuneration policy and practices. At the 2011 Annual General Meeting, 98% of the votes registered by proxy were in favour of the adoption of the Remuneration Report. The majority of Executive remuneration is at risk, in the form of short term and long term incentives. Executives are rewarded only where value is delivered to shareholders, therefore: **STI** The measures for the Short Term Incentive (STI) are: • Earnings Per Share (EPS) (before individually material items (IMIs)), a profit based metric; • where relevant for a particular Executive, the EBIT for a Business Unit; and • non-financial performance measures, linked to the execution of the strategy. No STI payment is made to the Executives unless underlying financial performance is achieved. In the 2011/12 financial year, the objectives linked to strategic imperatives such as completion of the Moranbah Ammonium Nitrate facility were achieved. Refer to section C for further details. However, EPS (before IMIs) was 24.8 cents, a decrease of 24% compared to the previous year. Therefore, no payments to Executives were made under the STI. **LTI** The Long Term Incentive Performance Rights Plan 2009/12 matured on 30 September 2012. In accordance with the rules of the Plan, as the Company's total shareholder return for the performance period did not meet the minimum hurdle of 10% per annum compounded, no performance rights vested.
Responsive to Developments in Governance • *Creation of separate committees for nominations and remuneration*	**Remuneration Committee & Nominations Committee** To give appropriate focus on remuneration having regard to the changing regulatory environment, the importance of ensuring strong links between Company performance, shareholder interests and remuneration and the Board's commitment to achieving and demonstrating the highest standards of corporate governance, the Board established separate Remuneration and Nomination Committees. The Chairman of the Remuneration Committee is not the Chairman of the Board.

2012/13 Remuneration

Key Highlights	Commentary
STI/LTI Design • *Key financial metrics retained* • *Driving improvement in Safety* • *Targets based on top quartile returns*	**Financial Metrics and Performance Conditions** The measures for the STI and the LTI are aligned with the Company's strategic intent of delivering top quartile performance as measured against S&P/ASX 100 companies. For the 2012/13 financial year, the principal measures for the STI and the LTI are unchanged, with growth in the Company's EPS (before IMIs) being the principal measure for the STI, while for the LTI, relative Total Shareholder Returns (TSR) and growth in the Company's EPS (before IMIs) remain the dual measures (which are equally weighted). **STI** **Introduction of Safety Measure for STI** In line with the Company's commitment to "Zero Harm for Everyone, Everywhere", the Company developed a Global HSE Strategy to drive continued improvement in the Group's health, safety and environmental performance over the next 5 years. Consistent with this, the 2012/13 STI will include a safety measure, All Worker Total Recordable Injury Frequency Rate (AWTRIFR). In addition, in circumstances where a fatality or life threatening incident occurs, the extent of the impact of that incident on the achievement of the safety measure will be assessed by the Board having regard to the particular circumstances of the incident and may result in part of the STI being forfeited. **Cash conversion measure introduced for STI** In addition to using the principal measure of EPS, for the 2012/13 STI the Company will continue to use, where appropriate, the EBIT for a relevant business unit as an additional financial performance measure. However for the 2012/13 STI, included in this EBIT performance measure will be a cash conversion requirement, whereby relevant Executives in business units will have part of their STI linked to the percentage of EBIT of their business unit (before depreciation and amortisation) that is converted into operating cash flow. **STI "gate" must be met for rewards to be paid** Consistent with previous STI Plans, for the 2012/13 STI, if minimum financial performance across the Group does not meet the required EPS growth threshold (that is, the STI "gate") no payments will be made under the STI (save that the "gate" will not apply to the safety measure). **Targets for STI and LTI linked to Top Quartile Performance** In preparation for the 2012/13 financial year, the Board undertook analysis to ascertain expectations with regards to top quartile performance post the Global Financial Crisis to ensure the appropriate risk/reward profile was adopted by the Company in a changing market environment. As a result, for the Long Term Incentive Performance Rights Plan 2012/15, the relative TSR measure remains the same as that used in the Long Term Incentive Performance Rights Plan 2011/14. However, on the basis of the analysis undertaken, the Board determined that, in respect of the EPS measure, top quartile performance required compound annual growth on EPS (before IMIs) to be 12.5%. Accordingly, for the performance rights attached to the EPS measure (EPS Tranche), if at the end of the performance period, the compound annual growth on EPS (before IMIs) over the performance period, from the base year (that is, the financial year ended 30 September 2012), is: • below 6%, no performance rights in this EPS Tranche will vest; • equal to or greater than 6% per annum but less than 12.5% per annum, the portion of performance rights in this EPS Tranche that will vest will be increased on a pro rata basis between 50% and 100%; and • 12.5% or greater, all of the performance rights in this EPS Tranche will vest. For further details as to the operation of the Company's incentive plans, refer to section C.
Future Considerations • *STI deferral and clawback*	**Remuneration Strategy** In 2012/13, as part of the Board's annual review of executive remuneration, the Board will consider the overall remuneration strategy and design, including the anticipated legislation addressing the Federal Government's announcement to amend the Corporations Act to include provisions on the claw back of bonuses where material misstatement has occurred in the entity's financial statements, as well as STI deferral. The Board intends to consider developments with regard to clawback and STI deferral as part of the broader remuneration strategy when the detailed legislation is available.

B. Non-Executive Director Remuneration

Incitec Pivot's policy is to:

- remunerate non-executive directors by way of fees and payments which may be in the form of cash, non-cash benefits and superannuation benefits; and
- set the level of non-executive directors' fees and payments to be consistent with the market and to enable Incitec Pivot 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 2011/12 financial year, the fees paid to non-executive directors amounted to $1,755,000, which was within the $2,000,000 limit approved by shareholders at the 2008 Annual General Meeting.

For the 2012/13 financial year, the Board has determined that no increases will be made to non-executive directors' fees.

Non-executive directors joining the Board after 31 May 2003 are not entitled to receive a retirement benefit. Mr Allan McCallum, who was appointed as a director prior to 1 June 2003, has a contractual right to a retirement benefit. The contract, which was entered into prior to the merger with Incitec Fertilizers Limited in 2003, provides that on Mr McCallum's retirement from the Board, on condition of him serving 10 years on the Board, he is entitled to receive a payment calculated as to approximately 54% of the aggregate remuneration he receives from the Company in the three years immediately preceding his date of retirement, where the percentage represents his years of service from the date of appointment to 31 May 2003, as a proportion of 10 years service. Mr Watson, who was also appointed as a director prior to 1 June 2003 had the same contractual entitlement. Mr Watson retired as a director on 30 June 2012 and, in accordance with the terms of his contract, received a payment of $788,737 on his retirement. Details are included in Table B.1.

Table B.1: Non-executive directors' remuneration

Details of the non-executive directors' remuneration for the financial year ended 30 September 2012 are set out in the following table:

For the year ended 30 September 2012

		Short-term benefits(A)	Post-employment benefits	Other long term benefits(B)	
		Fees	Superannuation benefits		Total
	Year	**$000**	**$000**	**$000**	**$000**
Non-executive directors – Current					
P V Brasher, Chairman(1)	**2012**	**275**	**17**	**–**	**292**
	2011	173	16	–	189
A C Larkin	**2012**	**208**	**18**	**–**	**226**
	2011	198	18	–	216
J Marlay	**2012**	**195**	**16**	**–**	**211**
	2011	189	18	–	207
A D McCallum(2)	**2012**	**199**	**17**	**11**	**227**
	2011	187	18	22	227
G Smorgon	**2012**	**194**	**17**	**–**	**211**
	2011	180	17	–	197
R J McGrath(3)	**2012**	**196**	**16**	**–**	**212**
	2011	6	1	–	7
Non-executive directors – Former					
J C Watson, Chairman(4)	**2012**	**355**	**32**	**23**	**410**
	2011	453	42	62	557
Total non-executive directors	**2012**	**1,622**	**133**	**34**	**1,789**
	2011	1,386	130	84	1,600

(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.
(B) With the exception of the contractual entitlements for Mr Watson and Mr McCallum who were appointed to the Board prior to 1 June 2003, the Company does not pay additional benefits to non-executive directors. The amount disclosed represents the amount accrued for the 2011/12 financial year in respect of Mr McCallum and Mr Watson.
(1) Mr Brasher was appointed Chairman effective 30 June 2012.
(2) If Mr McCallum had ceased to be a director on 30 September 2012, Mr McCallum would have received a retirement benefit of $340,421.
(3) The disclosures for the 2010/11 financial year are with effect from Ms McGrath's appointment to the Board as a non-executive director on 15 September 2011.
(4) Mr Watson retired as a director and Chairman on 30 June 2012. In accordance with the terms of his contract, on his retirement he received a payment of $788,737. While Mr Watson received this payment in the reporting period, with the exception of $23,000 which was accrued in the 2011/12 financial year, all amounts were accrued and expensed in prior reporting periods.

C. Executive Remuneration

Executive remuneration policy and practice

The remuneration of the Executives is set by the Board.

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 (being short term and long term incentives) where:

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

(ii) 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 Incitec Pivot).

Remuneration arrangements for Executives are reviewed annually to ensure the arrangements continue to remain market competitive and consistent with the strategy of creating sustained shareholder value and in alignment with the Group's business strategy.

For the 2011/12 financial year, the Remuneration Committee received market data from Ernst & Young. Ernst & Young were engaged by and reported directly to the Remuneration Committee. The information did not include a "remuneration recommendation" (as defined in the Corporations Act 2001). The Board approved, with effect from 1 October 2011, an increase of 5% to the FAR of Executives, save for three Executives who received higher increases to bring them in line with market benchmark data for their particular roles and to reflect the scope and complexity of their roles. Refer to table C.3 for details of the fixed annual remuneration for the Executives for the year ended 30 September 2012.

The relative proportion of the Executives' total remuneration packages for the 2011/12 financial year that was performance-based is set out in table C.1, and indicates a majority of the Executives' total remuneration was "at risk" (64–67%).

Table C.1: Remuneration structures by level

	% of Total Remuneration (annualised)		
	Fixed Remuneration	Performance-based Remuneration	
	FAR	STI	LTI
Managing Director & CEO	33%	33%	34%
Executives(1)	36%	36%	28%

(1) For the purposes of the above table, the information regarding the Executives does not include the President, Dyno Nobel US & Canada. For the President, Dyno Nobel US & Canada, who only became a Key Management Person on 4 June 2012, the relative proportions were as follows: fixed remuneration 85%, STI 0% and LTI 15%. Mr McAtee's maximum entitlement under the LTI was calculated by reference to his fixed annual remuneration prior to becoming a Key Management Person.

In calculating the "at risk" compensation as a proportion of total remuneration for the 2011/12 year, for each Executive, the maximum entitlement under the STI or LTI was taken into account.

Key features of the components of Executive remuneration

The key features of the three components of Executive remuneration that are relevant to the 2011/12 financial year are set out below.

Fixed annual remuneration

The terms of employment for all Executives contain a fixed remuneration component. Executives receive their fixed remuneration in a variety of forms, including cash, superannuation, and fringe benefits, such as motor vehicles. The level of remuneration is reviewed annually with reference to, among other things, market data provided by an appropriately qualified and independent external consultant. Fixed annual remuneration is not dependent upon Company performance and is set by reference to appropriate benchmark information for each Executive's role, level of knowledge, skill, responsibilities and experience. Increases take effect from 1 October.

Refer to table C.3 for details of the fixed annual remuneration for the Executives for the year ended 30 September 2012.

At risk remuneration – Short Term Incentive (STI) Plan

STI Plan	
What is the STI?	The STI is an annual "at risk" cash incentive which is dependent on the achievement of particular performance measures in the financial year to 30 September 2012.
Who participates in the STI Plan?	All of the Executives participate in the STI Plan.
Why does the Board consider the STI to be an appropriate incentive?	The Board considers the STI is appropriate as it encourages the Executives to support Incitec Pivot's strategic objectives by putting a large proportion of the Executives' annual remuneration "at risk" against meeting challenging financial performance measures as well as non-financial performance measures linked to the Group's annual strategic and business objectives. STI awards are not an entitlement, but rather a reward for annual Group performance and individual performance or contribution to overall Group performance.

STI Plan

What were the STI performance measures for the 2011/12 STI?

Financial performance measures

To ensure STI awards are aligned with business performance, there were two financial performance targets for 2011/12:

Measure	WEIGHTING	
• Growth in EPS (before IMIs)	100%:	Managing Director & CEO, Chief Financial Officer, President, Strategy & Business Development
	80%:	General Counsel & Company Secretary
	20%:	Chief Operating Officer, Incitec Pivot Fertilisers
	10%:	President, Dyno Nobel International, President, Dyno Nobel Asia Pacific
• Business Unit EBIT	70%:	Chief Operating Officer, Incitec Pivot Fertilisers, President, Dyno Nobel Asia Pacific
	80%:	President, Dyno Nobel International

Non-financial performance measures

Non-financial performance measures for 2011/12 comprised:

Measure	WEIGHTING	
• Production outcomes from major operations including Phosphate Hill, Queensland, Ammonium Phosphate Plant, and Cheyenne, Wyoming Ammonium Nitrate Plant	25%:	President, Global Manufacturing
• Key strategic and business objectives for the year including completion of the Ammonium Nitrate Plant at Moranbah, Queensland, and the Emulsion Plant at Port Hedland, Western Australia and the implementation of the Group's continuous improvement system, Business Excellence (BEx), to drive increased efficiency in the Group's assets and improvements in manufacturing costs	65%:	President, Global Manufacturing
	10%:	President, Dyno Nobel Asia Pacific
• Consolidation of the organisational development program to underpin execution of the strategy, building on the Group's leadership capability and engagement	10%:	President, Global Manufacturing, Chief Operating Officer, Incitec Pivot Fertilisers, President, Dyno Nobel Asia Pacific, President, Dyno Nobel International
• Development of Group's Diversity Strategy and execution of key milestones by 30 September 2012	20%:	General Counsel & Company Secretary

STI Plan	
Why were these measures chosen?	**Financial performance measures:** In respect of EPS, this is considered an appropriate financial performance measure because it aligns Executive reward with the creation of shareholder value. In addition, the EBIT of a business unit is also used as a measure for Executives in relevant business segments as it ensures robust alignment of performance in a particular business segment with reward for the Executive managing that business segment. **Non-financial performance measures:** In respect of the non-financial performance measures, these were chosen to drive performance and behaviours consistent with achieving the Group's strategy which is to leverage the projected global growth in demand for both hard and soft commodities driven by China, by positioning itself on the input side of the value chain through vertically integrated manufacturing. For this reason, measures were set with regards to production outcomes from the Group's major operations, such as ammonium phosphate and ammonium nitrate volumes from Phosphate Hill, Queensland and Cheyenne, Wyoming respectively. For 2011/12, the strategic imperatives lay in securing the opportunity in Australia with regard to servicing customers of the Group's explosives business, Dyno Nobel Asia Pacific, with the completion of the Ammonium Nitrate Plant at Moranbah, Queensland, and the Emulsion Plant at Port Hedland, Western Australia, as well as focussing on costs and efficiencies in the Group through BEx. Further, to underpin BEx, measures were set with regards to the Group's organisational development program which, since 2010, has sought to make a step change in organisational capability, and which includes the Group's focus on diversity in its workforce.
When were these measures set?	The measures for the STI were set by the Board prior to the commencement of the 2011/12 financial year.
What is the method for determining if the measures are satisfied?	**Financial performance measures:** based on a review of the audited accounts for the financial year. **Non-financial performance measures:** based on a review by the Board following the annual performance review process for the Executives.
What STI awards were made to Executives with respect to the year ended 30 September 2012?	None. With EPS (before IMIs) for the year ended 30 September 2012 being 24.8 cents, the financial performance conditions were not met and no awards were made to Executives under the 2011/12 STI. This is despite the fact that certain of the non-financial performance measures were achieved, for example: • completion of the Ammonium Nitrate Plant at Moranbah, Queensland and the Emulsion Plant at Port Hedland, Western Australia; • BEx, which establishes a structured approach to driving continuous improvement and efficiency, was launched, with 16 sites now participating; and • the Group's organisational development program was further consolidated with over 1200 employees participating in leadership training (Executive Leadership Program and Creating Outstanding Leaders) and the Group's Diversity Strategy was adopted and the various diversity initiatives and programs implemented.

At risk remuneration – Long Term Incentive (LTI) Plans

LTI Plans	
Which of the Company's LTI Plans matured in the 2011/12 financial year?	The only LTI Plan which matured in the 2011/12 financial year is the Long Term Incentive Performance Rights Plan for 2009/12 (LTI 2009/12) which matured on 30 September 2012. In addition, there are two other LTI Plans currently in place: • Long Term Incentive Performance Rights Plan for 2010/13 (LTI 2010/13); and • Long Term Incentive Performance Rights Plan for 2011/14 (LTI 2011/14). However, these plans do not mature until 30 September 2013 and 30 September 2014, respectively. Details of the Executives' participation in these plans are set out in tables C.5 and C.6.
What is the purpose of the LTIs?	The LTIs are the long term incentive component of remuneration for employees, including the Executives, who are able to influence the sustained generation of shareholder value through their direct contribution to the Company's performance. The LTIs are designed to link reward with the key performance drivers which underpin sustainable growth in shareholder value – which comprises EPS, share price growth and returns to shareholders. By rewards resulting in share ownership on the achievement of demanding targets, this ties remuneration to Company performance as experienced by shareholders. The arrangements also support the Company's strategy for retention and motivation of the Executives and senior employees.
What is the design of the LTI Plans?	The LTI 2009/12 is a performance rights plan which has a performance period of three years and performance conditions based on Incitec Pivot's TSR, being the percentage increase in the Company's share price over the three year performance period plus the after tax value of dividends paid, assuming the dividends are reinvested in the Company's shares (Absolute TSR). The LTI 2010/13 and LTI 2011/14 are performance rights plans which also have performance periods of three years. However, the performance conditions are based on the Company's TSR relative to a comparator group, the S&P/ASX 100 (Relative TSR) and growth in EPS (before IMIs).
What is the method for determining if the criteria are satisfied?	After the expiry of the performance period, the Board determines whether the performance conditions are satisfied. The performance conditions are tested once only, at the end of the relevant performance period. For the LTI 2009/12, this is done by reviewing the share price over the three year performance period and taking into account dividends paid. For the LTI 2010/13 and LTI 2011/14, this is done by reviewing both the Company's total shareholder returns over the three year performance period relative to the comparator group and the growth in EPS (before IMIs) over that period. In relation to the LTI 2010/13 and the LTI 2011/14, in the event there is a merger, demerger or other capital reconstruction of the Company (or an event affecting the Company or a member of the comparator group), the Board may, in its discretion, determine whether an adjustment to the performance condition is required.

LTI 2009/12 LTI 2010/13 LTI 2011/14	
Who participates in the LTI 2009/12, the LTI 2010/13 and the LTI 2011/14?	Executives and other selected managers participate in the LTI 2009/12, the LTI 2010/13 and the LTI 2011/14. For details of the Executives' participation in these Plans refer to tables C.5 and C.6.
What form do the LTI 2009/12, the LTI 2010/13 and the LTI 2011/14 take?	The plans are 'performance rights' plans which entitle the participant to acquire ordinary shares in the Company for no consideration at a later date, subject to the satisfaction of certain conditions. As no shares are issued until exercise, performance rights have no dividend entitlement.
What is the process for deciding who will participate in the LTI plans?	The decision to grant performance rights 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 participant's fixed annual remuneration. Whether or not those performance rights will vest is determined in accordance with the plan rules for the LTI 2009/12, the LTI 2010/13 and the LTI 2011/14.
What are the performance periods for these plans?	The performance period for the LTI 2009/12 is 1 October 2009 to 30 September 2012. The performance period for the LTI 2010/13 is 1 October 2010 to 30 September 2013. The performance period for the LTI 2011/14 is 1 October 2011 to 30 September 2014.
What are the conditions for the performance rights under the plans to vest and who approved the conditions?	The performance rights will only vest if certain conditions are met. The Board approved the conditions on the commencement of the relevant plans. The conditions focus on the performance of the Company and include a condition relating to duration of employment. For the LTI 2009/12, the performance condition is based on Absolute TSR. If, at the end of the relevant performance period, Absolute TSR (calculated in accordance with the plan rules): • is equal to or less than 10% per annum compounded over the performance period, none of the performance rights vest; • is greater than 10% and less than 20% per annum compounded over the performance period, an increasing proportion of the performance rights will vest from zero on a straight line basis; and • is 20% or more per annum compounded over the performance period, all of the performance rights will vest. For the LTI 2010/13 and the LTI 2011/14, the performance conditions are based on the relative Total Shareholder Returns of the Company and Earnings Per Share (before IMIs): **Total Shareholder Return (TSR) Measure:** The TSR Measure 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. If, at the end of the performance period, the Company's TSR over the three year performance period is: • below the 50th percentile of the comparator group of companies ranked by their TSR performance: no performance rights in this tranche will vest; • between the 50th and 75th percentile of the comparator group of companies ranked by their TSR performance: the portion of performance rights in this tranche that will vest will be increased on a pro rata basis from 50% to 100% (assuming 50% vest at the 50th percentile); and • equal to or above the 75th percentile of the comparator group of companies ranked by their TSR performance: all performance rights in this tranche will vest; and **Earnings Per Share (EPS) Measure:** If, at the end of the performance period, the compound annual growth rate on EPS (before IMIs) over the performance period, from the base year, is: • below 7% per annum: no performance rights in this tranche will vest; • equal to or greater than 7% per annum but less than 15% per annum: the portion of performance rights in this tranche that will vest will be increased on a pro rata basis between 50% and 100%; and • 15% or greater: all performance rights in this tranche will vest. These performance conditions are equally weighted.

LTI 2009/12 LTI 2010/13 LTI 2011/14	
When do performance rights lapse?	Performance rights will lapse if the performance conditions are not satisfied during the performance period or, in certain circumstances, if a participant ceases to be employed by the Group during the performance period. Performance rights will also lapse if a participant serves a notice that he or she wishes the rights to lapse. Additionally, under the LTI 2009/12, the performance rights will lapse if they are not exercised by the expiry date set out in the plan rules.
What happens if a participant leaves the Group?	The performance rights will lapse on a cessation of employment except where the participant has died, become 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.
Do participants pay for the performance rights or the shares issued on exercise of performance rights?	Participants do not pay for the performance rights or shares.
What performance rights have vested under the: • **LTI 2009/12** • **LTI 2010/13** • **LTI 2011/14?**	LTI 2009/12: no performance rights vested. LTI 2010/13 and LTI 2011/14: these plans are each for a three year period and the performance conditions will not be tested until after 30 September 2013 and 30 September 2014, respectively.
Which Executives have been granted performance rights under these plans?	Refer to table C.5 in respect of performance rights granted to Executives.
In what circumstances can the performance rights vest before the expiry of the performance period under the LTI 2009/12, the LTI 2010/13 and the LTI 2011/14?	On the occurrence of the following, which may occur before the expiry of the three year performance period: • a takeover bid is made to holders of shares in the Company; • a statement is lodged with ASX to the effect that a person has become entitled to not less than 50% of the shares in the Company; • the Court orders a meeting to be held in relation to a proposed compromise or arrangement in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies; • the Company passes a resolution for a voluntary wind-up; or • an order is made for the compulsory winding-up the Company, the Board may give a notice that the performance rights vest at the time specified by the Board in the notice.
What are the plan incentive limits in the LTI 2009/12, the LTI 2010/13 and the LTI 2011/14?	As the LTI Plans are performance rights plans, with participation determined by reference to the participant's fixed annual remuneration, there are no plan incentive limits.

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 and other selected senior employees, the Board, through its Remuneration Committee, has regard to financial and non-financial indices, including the following indices in respect of the current financial year and the preceding four financial years.

Table C.2: Indices relevant to the Board's assessment of the Group's performance and the benefit to shareholders

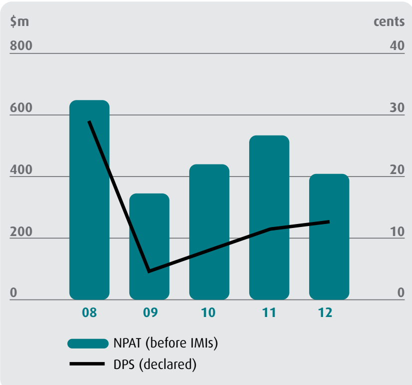
	2008[(1)]	2009	2010	2011	2012
Net Profit After Tax excluding minority interests (before individually material items) (NPAT (before IMI)) ($m)	647.5	347.8	442.8	530.1	404.7
Earnings Per Share (before individually material items) (EPS (before IMI)) (cents)	60.5	22.6	27.3	32.5	24.8
Dividends – paid in the financial year – per share (cents)	21.8	21.6	4.1	9.3	11.5
Dividends – declared in respect of the financial year – per share (DPS (declared)) (cents)	29.7	4.4	7.8	11.5	12.4
Share price ($) (Year End)	5.07	2.83	3.59	3.27	2.98
TSR (3 Year Compound per annum) (%)	93	42	3	(10)	4

(1) Restated for change in accounting standard. In the financial statements for the year ended 30 September 2009, the Group's prior year Income Statement (i.e. in respect of the year ended 30 September 2008) was restated (reduced) by $13.8m ($9.7m net of tax) thereby reducing NPAT (before individually material items) from $657.2m to $647.5m.

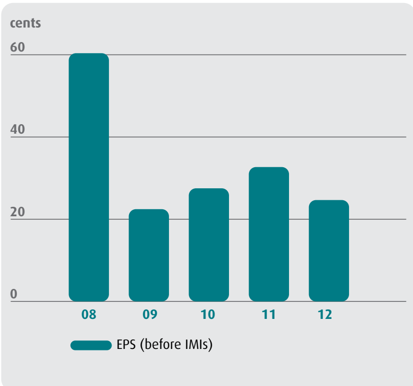
The "at risk" or performance related components of the Executives' total remuneration, in the form of short term and long term incentives, reward Executives only where value is delivered to shareholders, directly linking the reward to the Group's financial results and its overall performance, in the case of the long term incentive, over a sustained period of three years.

The Company's approach is to set challenging targets to drive the creation of shareholder value with LTI awards being made only where there is exceptional performance over a sustained period.

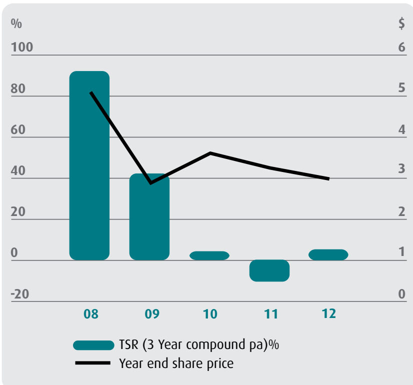
For the 2011/12 financial year, with EPS (before IMIs) being 24.8 cents, a decrease of 24% compared to the previous year, the financial performance measures under the 2011/12 STI were not met and, accordingly, no awards were made to Executives. Similarly, for the LTI 2009/12, as the Company's total shareholder return for the performance period did not meet the minimum hurdle of 10% per annum compounded, no performance rights vested.



Net Profit After Tax excluding minority interests (before individually material items) $m and Dividends Per Share cents declared



Earnings Per Share (before individually material items) cents



Total Shareholder Return (3 Year Compound per annum) % and Year End Share price $

Executives' remuneration arrangements

Managing Director & Chief Executive Officer

Mr James Fazzino was appointed as Managing Director & CEO on 29 July 2009. The terms of Mr Fazzino's appointment as Managing Director & CEO are set out in a single contract of service dated 29 July 2009.

Details of the nature and amount of each element of remuneration of the Managing Director & CEO are included in table C.3.

The following is a summary of Mr Fazzino's employment arrangements and remuneration.

Fixed annual remuneration

For 2011/12, Mr Fazzino's fixed annual remuneration was $2,041,200, effective 1 October 2011. His fixed annual remuneration is reviewed annually having regard to Incitec Pivot's executive remuneration policy.

STI

Mr Fazzino is eligible to participate in Incitec Pivot's STI Plan.

For 2011/12, Mr Fazzino's maximum STI opportunity was 100% of his fixed annual remuneration and was determined by reference to growth in EPS (before IMIs) in the 2011/12 financial year.

Given EPS (before IMIs) in the 2011/12 financial year was 24.8 cents, no award was made to Mr Fazzino in respect of the period from 1 October 2011 to 30 September 2012.

LTI

Mr Fazzino participated in the LTI 2009/12, the performance period for which ended on 30 September 2012. On determination of performance measured against the performance conditions, in accordance with the LTI 2009/12 plan rules, none of Mr Fazzino's performance rights vested.

In addition, Mr Fazzino currently participates in the following LTI Plans:

- the LTI 2010/13 pursuant to which Mr Fazzino was issued 511,364 performance rights as approved by shareholders in accordance with the ASX Listing Rules at the 2010 Annual General Meeting held on 21 December 2010; and
- the LTI 2011/14 pursuant to which Mr Fazzino was issued 590,625 performance rights as approved by shareholders in accordance with the ASX Listing Rules at the 2011 Annual General Meeting held on 20 December 2011.

The LTI 2010/13 and LTI 2011/14 are each for a three year period and the performance conditions will not be tested until after 30 September 2013 and 30 September 2014 respectively.

Termination by Incitec Pivot

The Company may terminate Mr Fazzino'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 separation payment will be equal to 52 weeks of fixed annual remuneration as at the date of termination.

Termination by Managing Director & CEO

The agreement provides that Mr Fazzino may terminate his employment on six months' notice.

Effect of termination on long term incentives

For the LTI 2010/13 and LTI 2011/14, generally the performance rights will lapse except in circumstances of death, total and permanent disablement, retrenchment or retirement. In those circumstances, the performance rights will be reduced pro rata to the proportion of days worked during the relevant performance period.

Executive Team

Remuneration and other terms of employment for the Executives (excluding Mr Fazzino, whose arrangements are set out on the previous page) are formalised in service agreements between the Executive and the Group, details of which are summarised below. Most Executives are engaged on similar contractual terms, with minor variations to address differing circumstances. The Group's policy is for service agreements for the Executives to be unlimited in term, but capable of termination in the manner described below. Details of the nature and amount of each element of remuneration of the Executives are included in table C.3.

Fixed annual remuneration

Fixed annual remuneration comprises salary paid in cash and mandatory employer superannuation contributions. Fixed annual remuneration may also come in other forms such as fringe benefits (e.g. motor vehicles).

This component of remuneration is subject to annual review. For the 2011/12 financial year, the fixed annual remuneration for the Executives was generally increased by 5% with effect from 1 October 2011, save for three Executives who received higher increases to bring their remuneration into line with market benchmark data for their particular roles and to reflect the scope and complexity of their roles and duties.

STI

Participation is at the Board's discretion. For all Executives (other than Mr McAtee who was not a participant in the 2011/12 STI), for the 2011/12 financial year, the maximum STI opportunity was 100% of fixed annual remuneration and was determined with reference to performance measures outlined on page 14.

LTI

Participation is at the Board's discretion. For the LTI 2009/12, for all Executives, the maximum LTI opportunity was 100% of fixed annual remuneration (save for Mr Atkinson whose maximum LTI opportunity was 50% of fixed annual remuneration and Mr McAtee who was not a participant in the plan) and vesting of rights was determined with reference to conditions based on Absolute TSR. For the LTI 2010/13 and LTI 2011/14, for all Executives, the maximum LTI opportunity is 80% of fixed annual remuneration (save for Mr McAtee who is not a participant in the LTI 2010/13 and whose participation in the LTI 2011/14 was calculated by reference to his fixed annual remuneration prior to him becoming a KMP) and the vesting of rights is determined with reference to conditions based on relative TSR and growth in EPS (before IMIs).

Termination by Incitec Pivot

Incitec Pivot may terminate the service agreements:

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

The amount of a separation payment is calculated on a 'capped' number of weeks basis as set out in the contract with each Executive and, in the case of Mr Walsh, his contractual entitlement has regard to the length of prior service with the Orica group. The following table sets out the 'capped' number of weeks for each Executive.

	Number of Weeks
Mr Frank Micallef	26 weeks
Mrs Kerry Gleeson	26 weeks
Mr Jamie Rintel	26 weeks
Mr Bernard Walsh	61.81 weeks
Mr James Whiteside	45.41 weeks
Mr Stephen Dawson(1)	26 weeks
Mr Daniel McAtee(2)	26 weeks
Mr Simon Atkinson	52 weeks

(1) In addition, Mr Dawson's contract provides that where Mr Dawson is terminated for reasons not related to performance or conduct, the Company will also pay Mr Dawson an additional amount of one months' FAR at the time of termination for each completed year of continuous service, up to 12 months' FAR.

(2) Mr McAtee joined the Company on 2 April 2012 and is considered to be a Key Management Person from 4 June 2012. Mr McAtee's STI and LTI participation are as specified.

Termination by the Executive

An Executive may terminate his/her employment on 13 weeks' notice (save for Mr Atkinson who may terminate on 8 weeks' notice) and the Company may require the Executive to serve out the notice period or may make payment in lieu.

Effect of termination on long term incentives

For the LTI 2010/13 and the LTI 2011/14, on cessation of employment, the performance rights lapse except in circumstances of death, total and permanent disablement, retrenchment or retirement. In those circumstances, the performance rights will be reduced pro rata to the proportion of days worked during the relevant performance period.

Details of Executive remuneration

Table C.3 – Executive remuneration

Details of the remuneration paid to each Executive is set out below.

For the year ended 30 September 2012

		Short-term benefits			Post-employment benefits	Other long term benefits(C)	Termination benefits	Share-based payments			
		Salary & Fees	Short Term Incentive & other bonuses(A)	Other Short Term benefits(B)	Superannuation benefits			Accounting Value(D)		Proportion of remuneration performance related	Share-based payments as proportion of remuneration
	Year	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**Total $000**	**%**	**%**
Executives – Current											
J E Fazzino	**2012**	**2,041**	**–**	**–**	**16**	**75**	**–**	**1,331**	**3,463**	**38%**	**38%**
Managing Director & CEO	2011	1,893	1,944	–	15	89	–	899	4,840	59%	19%
F Micallef	**2012**	**840**	**–**	**–**	**16**	**22**	**–**	**430**	**1,308**	**33%**	**33%**
Chief Financial Officer	2011	694	726	–	15	–	–	285	1,720	59%	17%
K J Gleeson	**2012**	**674**	**–**	**–**	**16**	**17**	**–**	**373**	**1,080**	**34%**	**34%**
General Counsel & Company Secretary	2011	614	642	–	15	17	–	265	1,553	58%	17%
J Rintel	**2012**	**551**	**–**	**–**	**16**	**13**	**–**	**315**	**895**	**35%**	**35%**
President – Strategy & Business Development	2011	525	525	48	15	4	–	225	1,342	56%	17%
B C Walsh	**2012**	**735**	**–**	**–**	**16**	**29**	**–**	**406**	**1,186**	**34%**	**34%**
President – Global Manufacturing	2011	672	595	–	15	35	–	290	1,607	55%	18%
J Whiteside	**2012**	**700**	**–**	**–**	**16**	**74**	**–**	**331**	**1,121**	**30%**	**30%**
Chief Operating Officer – Incitec Pivot Fertilisers	2011	500	525	–	15	22	–	217	1,279	58%	17%
S Dawson	**2012**	**700**	**–**	**–**	**16**	**66**	**–**	**285**	**1,067**	**27%**	**27%**
President – Dyno Nobel Asia Pacific	2011	497	472	–	15	26	–	166	1,176	54%	14%
D McAtee(1)	**2012**	**187**	**–**	**–**	**–**	**–**	**–**	**3**	**190**	**2%**	**2%**
President – Dyno Nobel US and Canada	2011	–	–	–	–	–	–	–	–	0%	0%
S Atkinson	**2012**	**472**	**–**	**116**	**16**	**12**	**–**	**224**	**840**	**27%**	**27%**
President – Dyno Nobel International	2011	428	449	118	15	8	–	145	1,163	51%	12%
– Former											
G Brinkworth(2)	**2012**	**339**	**–**	**–**	**8**	**–**	**271**	**71**	**689**	**10%**	**10%**
Chief Operating Officer – Incitec Pivot Fertilisers & General Manager – Human Resources	2011	500	499	–	15	–	–	205	1,219	58%	17%
B Wallace(3)	**2012**	**674**	**–**	**–**	**31**	**–**	**1,094**	**186**	**1,985**	**9%**	**9%**
President – Dyno Nobel Americas	2011	492	514	17	7	–	–	222	1,252	59%	18%
Total Executives	**2012**	**7,913**	**–**	**116**	**167**	**308**	**1,365**	**3,955**	**13,824**	**29%**	**29%**
	2011	6,815	6,891	183	142	201	–	2,919	17,151	57%	17%

(A) No Executives were awarded STI payments under the 2011/12 STI.

(B) Other short term benefits include the taxable value of fringe benefits paid attributable to the fringe benefits tax year (2012: 1 April 2011 to 31 March 2012) (2011: 1 April 2010 to 31 March 2011), rent and mortgage interest subsidies, relocation allowances and other allowances. For Mr Atkinson, this includes rental, health insurance, education support and home leave travel. Additionally, all Executives are eligible to participate in an annual health assessment program designed to ensure Executives have their health status reviewed on a regular basis.

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

(D) In accordance with accounting standards, the share-based payments accounting value included as remuneration represents the fair value of rights that have not vested. The value disclosed in table C.3 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. In respect of the LTI 2009/12, the performance conditions have not been satisfied and, while the accounting value is recorded in the table above, no performance rights will vest.

External valuation advice from PricewaterhouseCoopers has been used to determine the fair value at grant date of these rights. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right. The fair value has been allocated evenly over the performance period.

Refer to section C of this Remuneration Report for further details of the LTI 2009/12, the LTI 2010/13, the LTI 2011/14 and LTIs generally.

The terms and conditions of each grant affecting remuneration in this or future reporting periods are as follows:

	Grant date	Vesting date	Fair Value per share treated as rights at grant date	Date exercisable	Exercise Price
LTI 2009/12	16/12/2009	30/09/2012	$1.60	From 1/10/2012	$nil
LTI 2010/13 – TSR	23/12/2010	30/09/2013	$2.77	From 1/10/2013	$nil
LTI 2010/13 – EPS	23/12/2010	30/09/2013	$3.76	From 1/10/2013	$nil
LTI 2011/14 – TSR	02/02/2012	30/09/2014	$1.72	From 1/10/2014	$nil
LTI 2011/14 – EPS	02/02/2012	30/09/2014	$2.90	From 1/10/2014	$nil

The number of rights for the purposes of remuneration, held by each Executive is referred to in section C of this Remuneration Report and Note 34 to the financial statements.

(1) Mr McAtee became a Key Management Person during the 2011/12 financial year. The disclosures for the 2011/12 financial year are from the date he became a Key Management Person, 4 June 2012.

(2) On 26 March 2012, Mr Brinkworth ceased employment with the Group following a restructure of the domestic fertiliser business. The disclosures for the 2011/12 financial year are from 1 October 2011 to that date. The payments received by Mr Brinkworth during the reporting period include a separation payment and accrued annual leave. Mr Brinkworth was entitled to these payments under his contract of employment dated 10 November 2008.

(3) On 6 August 2012, Mr Wallace ceased employment with the Group following a restructure of the North American explosives business. The disclosures for the 2011/12 financial year are from 1 October 2011 to that date. The payments received by Mr Wallace during the reporting period include a separation payment, accrued annual leave and relocation costs. Mr Wallace was entitled to these payments under his contract of employment dated 1 February 2008. Mr Wallace's benefits were converted from US$ to A$ at the average rate for 1 October 2011 to 30 September 2012, being 1.02770.

Details of performance related remuneration: short term incentives

Table C.4 – Short term incentives awarded for the year ended 30 September 2012

Details of the vesting profile of the STI payments awarded for the year ended 30 September 2012 as remuneration to each Executive are set out below:

	Short term incentive		
	Included in remuneration $000	% vested in year	% forfeited in year
Executives			
– Current			
J E Fazzino	–	0%	100%
F Micallef	–	0%	100%
K J Gleeson	–	0%	100%
J Rintel	–	0%	100%
B C Walsh	–	0%	100%
J Whiteside	–	0%	100%
S Dawson	–	0%	100%
D McAtee	–	0%	100%
S Atkinson	–	0%	100%
– Former			
G Brinkworth	–	0%	100%
B Wallace	–	0%	100%

Details of performance related remuneration: long term incentives

Table C.5 – Details of long term incentives granted and vested in the year ended 30 September 2012 and the vesting profile of long term incentives granted as remuneration

		Grant date	Number granted[(A)]	Number vested[(B)]	% Vested in year	% Forfeited in year[(C)]	Financial year in which grant vests
Key Management Personnel							
Executives							
– Current							
J E Fazzino	Performance Rights Plan 2009/12	23 December 2009	600,000	–	0%	100%	2012
	Performance Rights Plan 2010/13	23 December 2010	511,364	–	–	–	2013
	Performance Rights Plan 2011/14	2 February 2012	590,625	–	–	–	2014
F Micallef	Performance Rights Plan 2009/12	16 December 2009	220,000	–	0%	100%	2012
	Performance Rights Plan 2010/13	23 December 2010	150,000	–	–	–	2013
	Performance Rights Plan 2011/14	2 February 2012	194,444	–	–	–	2014
K J Gleeson	Performance Rights Plan 2009/12	16 December 2009	198,000	–	0%	100%	2012
	Performance Rights Plan 2010/13	23 December 2010	135,000	–	–	–	2013
	Performance Rights Plan 2011/14	2 February 2012	155,925	–	–	–	2014
J Rintel	Performance Rights Plan 2009/12	16 December 2009	140,000	–	0%	100%	2012
	Performance Rights Plan 2010/13	23 December 2010	130,948	–	–	–	2013
	Performance Rights Plan 2011/14	2 February 2012	127,575	–	–	–	2014
B C Walsh	Performance Rights Plan 2009/12	16 December 2009	216,000	–	0%	100%	2012
	Performance Rights Plan 2010/13	23 December 2010	147,273	–	–	–	2013
	Performance Rights Plan 2011/14	2 February 2012	170,100	–	–	–	2014
J Whiteside	Performance Rights Plan 2009/12	16 December 2009	162,000	–	0%	100%	2012
	Performance Rights Plan 2010/13	23 December 2010	110,455	–	–	–	2013
	Performance Rights Plan 2011/14	2 February 2012	162,037	–	–	–	2014
S Dawson	Performance Rights Plan 2009/12	16 December 2009	79,333	–	0%	100%	2012
	Performance Rights Plan 2010/13	23 December 2010	108,182	–	–	–	2013
	Performance Rights Plan 2011/14	2 February 2012	162,037	–	–	–	2014
D McAtee[(1)]	Performance Rights Plan 2009/12	16 December 2009	–	–	–	–	2012
	Performance Rights Plan 2010/13	23 December 2010	–	–	–	–	2013
	Performance Rights Plan 2011/14	4 June 2012	12,997	–	–	–	2014
S Atkinson[(2)]	Performance Rights Plan 2009/12	16 December 2009	69,333	–	0%	100%	2012
	Performance Rights Plan 2010/13	23 December 2010	94,545	–	–	–	2013
	Performance Rights Plan 2011/14	2 February 2012	109,200	–	–	–	2014
– Former							
G Brinkworth[(3)]	Performance Rights Plan 2009/12	16 December 2009	140,000	–	0%	100%	2012
	Performance Rights Plan 2010/13	23 December 2010	110,455	–	–	50%	2013
	Performance Rights Plan 2011/14	2 February 2012	162,037	–	–	84%	2014
B Wallace[(4)]	Performance Rights Plan 2009/12	16 December 2009	180,494	–	0%	100%	2012
	Performance Rights Plan 2010/13	23 December 2010	111,528	–	–	38%	2013
	Performance Rights Plan 2011/14	2 February 2012	166,368	–	–	72%	2014

(A) This includes the number of rights allocated to the participating Executives during the reporting period.

(B) For the 2011/12 financial year, this refers to the number of rights that vested during the reporting period.

(C) The percentage forfeited in the year represents the reduction in the maximum number of rights available to vest due to the performance conditions or other conditions not being achieved, noting that the LTI 2010/13 and the LTI 2011/14 are not tested until 30 September 2013 and 30 September 2014, respectively.

(1) Mr McAtee's rights were granted under the LTI 2011/14 prior to him becoming a Key Management Person on 4 June 2012.

(2) Mr Atkinson's rights were granted under the LTI 2009/12 prior to him becoming a Key Management Person on 1 January 2010.

(3) On 26 March 2012, Mr Brinkworth ceased employment with the Group following a restructure of the domestic fertiliser business. As a result of ceasing employment with the Group during the 2011/12 financial year and, in accordance with the relevant plan rules, a portion of Mr Brinkworth's entitlements under the LTI 2009/12, the LTI 2010/13 and the LTI 2011/14 were forfeited as at the date of cessation. In addition, as the criteria under the LTI 2009/12 were not satisfied, none of Mr Brinkworth's remaining rights under the LTI 2009/12 vested during the 2011/12 financial year and were forfeited.

(4) On 6 August 2012, Mr Wallace ceased employment with the Group following a restructure of the North American explosives business. As a result of ceasing employment with the Group during the 2011/12 financial year and, in accordance with the relevant plan rules, a portion of Mr Wallace's entitlements under the LTI 2009/12, the LTI 2010/13 and the LTI 2011/14 were forfeited as at the date of cessation. In addition, as the criteria under the LTI 2009/12 were not satisfied, none of Mr Wallace's remaining rights under the LTI 2009/12 vested during the 2011/12 financial year and were forfeited.

Details of the terms and conditions of each grant of rights made during the reporting period are set out in section C of this Remuneration Report and in Notes 34 and 35 to the financial statements including:

- the fair value per right at grant date, the exercise price per right, the amount, if any, paid or payable by the recipient, the expiry date and the date of exercise; and
- a summary of the service and performance criteria that must be met before the beneficial interest vests in the person.

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

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

Table C.6 – Analysis of movements in long term incentives during the year ended 30 September 2012

The movement during the reporting period, by value, of rights for the purposes of remuneration held by each Executive is detailed below:

For the year ended 30 September 2012		Grant date	Granted during 2012 as remuneration(A) $000	Vested in year(B) $000	Forfeited in year(C) $000	Exercised in year(D) $000
Key Management Personnel						
Executives – Current						
J E Fazzino	Performance Rights Plan 2011/14	2 February 2012	1,364	–	–	–
	Performance Rights Plan 2009/12	23 December 2009	–	–	960	–
	Performance Rights Plan 2008/11	19 December 2008	–	–	–	–
F Micallef	Performance Rights Plan 2011/14	2 February 2012	449	–	–	–
	Performance Rights Plan 2009/12	16 December 2009	–	–	352	–
	Performance Rights Plan 2008/11	19 December 2008	–	–	–	–
K J Gleeson	Performance Rights Plan 2011/14	2 February 2012	360	–	–	–
	Performance Rights Plan 2009/12	16 December 2009	–	–	317	–
	Performance Rights Plan 2008/11	19 December 2008	–	–	–	–
J Rintel	Performance Rights Plan 2011/14	2 February 2012	295	–	–	–
	Performance Rights Plan 2009/12	16 December 2009	–	–	224	–
	Performance Rights Plan 2008/11	19 December 2008	–	–	–	–
B C Walsh	Performance Rights Plan 2011/14	2 February 2012	393	–	–	–
	Performance Rights Plan 2009/12	16 December 2009	–	–	346	–
	Performance Rights Plan 2008/11	19 December 2008	–	–	–	–
J Whiteside	Performance Rights Plan 2011/14	2 February 2012	374	–	–	–
	Performance Rights Plan 2009/12	16 December 2009	–	–	259	–
	Performance Rights Plan 2008/11	19 December 2008	–	–	–	–
S Dawson(1)	Performance Rights Plan 2011/14	2 February 2012	374	–	–	–
	Performance Rights Plan 2009/12	16 December 2009	–	–	127	–
	Performance Rights Plan 2008/11	19 December 2008		–	–	–
D McAtee(2)	Performance Rights Plan 2011/14	4 June 2012	30	–	–	–
	Performance Rights Plan 2009/12	16 December 2009	–	–	–	–
	Performance Rights Plan 2008/11	19 December 2008	–	–	–	–
S Atkinson(3)	Performance Rights Plan 2011/14	2 February 2012	252	–	–	–
	Performance Rights Plan 2009/12	16 December 2009	–	–	111	–
	Performance Rights Plan 2008/11	19 December 2008	–	–	–	–
– Former						
G Brinkworth(4)	Performance Rights Plan 2011/14	2 February 2012	374	–	314	–
	Performance Rights Plan 2010/13	23 December 2010	–	–	182	–
	Performance Rights Plan 2009/12	16 December 2009	–	–	38	–
	Performance Rights Plan 2008/11	19 December 2008	–	–	–	–
B Wallace(5)	Performance Rights Plan 2011/14	2 February 2012	384	–	275	–
	Performance Rights Plan 2010/13	23 December 2010	–	–	140	–
	Performance Rights Plan 2009/12	16 December 2009	–	–	14	–
	Performance Cash Plan 2008/11	19 December 2008	–	–	–	–

(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 above. This amount is allocated to the remuneration of the applicable Executive over the vesting period (i.e. in financial years 2012 to 2014 for the LTI 2011/14).

(B) The value of rights that vested during the year represents awards to the applicable executives who satisfied the criteria under the LTI performance plan. As the criteria under the LTI 2009/12 were not satisfied, no rights vested during the 2011/12 financial year.

(C) The value of rights that were forfeited during the year represents the benefit foregone and is calculated by reference to the fair value of those rights calculated at the forfeiture date using a Black-Scholes option-pricing model. Please refer to footnote (D) of table C.3 for further details of the fair value of performance rights at grant date.

(D) The value of rights exercised during the year represents where rights, previously granted as compensation, were exercised during the reporting period. No performance rights vested in relation to the Long Term Incentive Performance Rights Plan 2008/11 (LTI 2008/11), accordingly no rights were exercised during the 2011/12 financial year. Details of the LTI 2008/11 are set out in Note 35 (Share based payments).

(1) Mr Dawson's rights were granted under the LTI 2008/11 prior to him becoming a Key Management Person on 12 November 2009.

(2) Mr McAtee's employment commenced on 2 April 2012 and he is not a participant in either the LTI 2008/11 or the LTI 2009/12.

(3) Mr Atkinson's rights were granted under the LTI 2008/11 and the LTI 2009/12 prior to him becoming a Key Management Person on 1 January 2010.

(4) Mr Brinkworth ceased employment with the Company on 26 March 2012.

(5) Mr Wallace ceased employment with the Company on 6 August 2012. Mr Wallace's entitlement under the Long Term Incentive Performance Cash Plan 2008/11 was granted prior to him becoming a Key Management Person on 12 November 2009. Details of the Long Term Incentive Performance Cash Plan 2008/11 are set out in Note 35 (Share based payments).

The minimum value of rights yet to vest is $nil as the performance criteria may not be met and, in such circumstances, there would be no vesting. The maximum value of rights yet to vest is not determinable as it depends on the market price of the Company's shares on the ASX at the date of exercise.

The Board is committed to achieving and demonstrating the highest standards of corporate governance. Since Incitec Pivot's listing on the Australian Securities Exchange (ASX) in July 2003, the Board has implemented, and operated in accordance with, a set of corporate governance principles which the Board sees as fundamental to the Company's continued growth and success and the achievement of its corporate ambition and strategy.

The Board continues to review its corporate governance framework and practices to ensure they meet the interests of shareholders and are consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, revisions to which were released by the ASX Corporate Governance Council on 30 June 2010 and which are applicable to financial years commencing on or after 1 January 2011 (ASX Recommendations). This Corporate Governance Statement outlines the key aspects of the Company's corporate governance framework. This statement is structured and numbered in the order of the Principles set out in the ASX Recommendations. It includes cross-references to other relevant information in this document and the Company's charters, policies and codes, details of which are available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

The Board considers that Incitec Pivot's corporate governance framework and practices have complied with the ASX Recommendations throughout the year ended 30 September 2012.

Summaries or copies of the charters, policies and codes referred to in this statement, together with a checklist cross-referencing the ASX Recommendations to the relevant sections of this statement and elsewhere in this document, are available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

Principle 1: Lay solid foundations for management and oversight

Role of the Board and management

The Board of directors of Incitec Pivot is responsible for charting the direction, policies, strategies and financial objectives of the Company. The Board serves the interests of the Company and its shareholders, as well as Incitec Pivot's other stakeholders such as employees, customers and the community, in a manner designed to create and continue to build sustainable value for the Company.

The Board operates in accordance with the principles set out in its Board Charter. A copy of the Board Charter is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. The Charter sets out the Board's own tasks and activities, as well as the matters it has reserved for its own consideration and decision-making.

The Board Charter has specifically reserved a number of key matters for consideration and decision by the Board. These responsibilities include:

- *Direction and objectives* – approving the Company's corporate strategy and budgets;
- *Compliance* – ensuring and monitoring compliance with all laws, governmental regulations and accounting standards;
- *Ethical* – monitoring and influencing Incitec Pivot's culture and implementing procedures and principles to promote ethical and responsible decision-making and confidence in Incitec Pivot's integrity; and
- *Managing Director & CEO and direct reports* – appointing the Managing Director & CEO, approving the appointment of the direct reports to the Managing Director & CEO, monitoring management's performance and reviewing executive succession planning.

Day-to-day management of Incitec Pivot's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated to the Managing Director & CEO. The Delegated and Reserved Powers Policy details the authority delegated to the Managing Director & CEO, including the limits on the way in which the Managing Director & CEO can exercise that authority. A summary of the Delegated and Reserved Powers Policy is set out on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

Management performance evaluation

As part of the Board's oversight of executive management, the Board is to monitor and evaluate the performance of the Managing Director & CEO and his direct reports.

All Incitec Pivot executives are subject to annual performance reviews. The annual review involves each executive being evaluated by his or her immediate superior, the Managing Director & CEO. The executive is assessed against agreed performance objectives, including business/financial/operational targets, functional/managerial goals and personal accountabilities.

The performance evaluation of the Managing Director & CEO is conducted by the Chairman. This evaluation involves an assessment of a range of performance standards as determined by the Board, including assessing performance with regard to execution of the strategic objectives and the overall performance of the Company and also incorporates feedback from the other directors.

Performance evaluations for the 2011/12 financial year were conducted in the final quarter of the 2012 calendar year in accordance with the process outlined above.

Principle 2: Structure the Board to add value

Composition of the Board

Incitec Pivot's Constitution requires that the Company must have not less than three, and not more than nine, directors. Under the Company's Board Charter, the number of directors and composition of the Board is determined having regard to what is appropriate for Incitec Pivot to achieve efficient and prudent decision making. The Board will consist of a majority of non-executive, independent directors.

The Board comprises seven directors, including six non-executive directors and one executive director (being the Managing Director & CEO). The Company engages all non-executive directors by a letter of appointment setting out the key terms and responsibilities of their role.

The directors were appointed on the following dates:

- Allan McCallum: 15 December 1997;
- Anthony Larkin: 1 June 2003;
- James Fazzino: 18 July 2005;
- John Marlay: 20 December 2006;
- Graham Smorgon: 19 December 2008;
- Paul Brasher: 29 September 2010; and
- Rebecca McGrath: 15 September 2011.

In terms of the mix of skills and diversity which the Board is looking to achieve, the key objective, as prescribed in the Board's Charter, is to have directors with an appropriate range of skills, experience and expertise and an understanding of, and competence to deal with, current and emerging issues in the Company's business. Further, the Board's oversight of both its own succession plan, as well as those for the Managing Director & CEO and his direct reports, is designed to maintain an appropriate balance of skills, experience, expertise and diversity on the Board as well as in management.

The Board considers that, collectively, the directors have significant commercial, business, operational and financial experience in a diverse range of industries and geographies, and that this breadth is appropriate for the Group and its businesses. As such, the directors bring skills and expertise which, in aggregate, combine to form a Board which is equipped to discharge its responsibilities. The directors' biographies together with details on their term of office and information about their skills, expertise and experience are set out on pages 1 and 2.

The ASX Listing Rules require that no member of the Board (other than the Managing Director & CEO) may serve for more than three years without being re-elected by shareholders at an annual general meeting of the Company.

The Company's Constitution provides that, at each annual general meeting, one-third of the directors (not including the Managing Director & CEO) must retire and are eligible to be re-elected by the shareholders.

Mr Paul Brasher and Mr Graham Smorgon are retiring by rotation and standing for re-election at the 2012 Annual General Meeting.

The Managing Director & CEO serves as a director until he ceases to be the Managing Director & CEO.

The roles of Chairman and Managing Director & CEO are separate.

The Board's role is assisted by the Company Secretary. The Company Secretary is responsible for assisting the Chairman in developing and maintaining information systems and processes that are appropriate for the Board to fulfil its role and to achieve Incitec Pivot's objectives. The Company Secretary is also responsible to the Board for ensuring that Board procedures and the Constitution are complied with. The Board appoints and removes the Company Secretary and the Company Secretary is accountable to the Board, through the Chairman, on all governance matters.

Board Committees

To assist the Board in meeting its responsibilities, the Board currently has the following four Committees:

- the Audit and Risk Management Committee;
- the Nominations Committee;
- the Remuneration Committee; and
- the Health, Safety, Environment and Community Committee.

In 2012, as part of the Board's annual review of committees, and to give appropriate focus to remuneration having regard to developments in corporate governance practice, the Board established separate Remuneration and Nominations Committees, with the Nominations Committee responsible for Board composition, succession planning and director selection and appointment practices, and the Remuneration Committee responsible for remuneration policies and practices.

The Board Charter provides that the Board may establish other committees of the Board from time to time as may be necessary to deal with specific matters.

Each of the Committees has its own Charter which establishes the Committee's terms of reference and operating procedures. In line with the Board Charter, each Board Committee is to review its performance at least annually, review its Charter annually, recommend any changes to the Board and report regularly to the Board as to its activities.

Nominations Committee

The Nominations Committee was established on 23 February 2012 and has a Charter approved by the Board. A copy of the Charter for the Nominations Committee is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. Under its Charter, the Committee assists and advises the Board on Board composition, director selection and appointment practices, succession planning for the Board and the executives, performance evaluation processes, induction training and development for directors and strategies to address Board diversity, in each case, to ensure that the Board comprises individuals able to discharge the responsibilities of directors, with the benefit of a range of skills, experience, expertise, perspectives and diversity appropriate for the Company and its businesses and that appropriate succession plans are in place.

As part of the Nomination Committee's role, the Committee is to review and make recommendations to the Board on matters relating to the size and composition of the Board and will assess, from time to time as necessary, or at any time on request of the Board, the appropriate mix of skills, experience, expertise and diversity required on the Board and the extent to which such skills are represented on the Board. As and when necessary, the Nominations Committee will, having regard to the skills and competencies represented on the Board and the competencies required, implement a process to identify suitable candidates, which may include a search being undertaken by an appropriate third party. The Committee will evaluate prospective candidates and make recommendations to the Board for the appointment of new Board members. When the Board considers that a suitable candidate has been found, that person is appointed by the Board and, in accordance with Incitec Pivot's constitution, must stand for re-election by shareholders at the next annual general meeting.

The Committee comprises four independent non-executive directors, being Paul Brasher (Chairman), Anthony Larkin, Rebecca McGrath and Graham Smorgon.

The Committee is to meet as frequently as required but not less than two times a year.

The attendance of the members of the Nominations Committee at each meeting held during the financial year ended 30 September 2012 is set out on page 3.

Remuneration Committee

The Remuneration Committee has a Charter approved by the Board. A copy of the Charter for the Remuneration Committee is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. Under its Charter, the Committee assists and advises the Board on remuneration policies and practices for the Board, the Managing Director & CEO, the Executive Team, senior management and other employees, for such to be designed to enable Incitec Pivot to attract, retain and motivate its people to create value for shareholders.

The Committee comprises three independent non-executive directors, being John Marlay (Chairman), Allan McCallum and Graham Smorgon.

The Committee is to meet as frequently as required but not less than four times a year.

The attendance of the members of the Remuneration Committee at each meeting held during the financial year ended 30 September 2012 is set out on page 3.

Health, Safety, Environment and Community Committee

The Health, Safety, Environment and Community Committee has a Charter approved by the Board. A copy of the Charter is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. The Committee was established in February 2007 to assist the Board in discharging its overall responsibilities in relation to health, safety, environment and community matters arising out of the Company's activities as they may affect employees, contractors and the local communities in which it operates. The Charter provides for the Committee members to comprise at least four members, three of whom will be non-executive directors and one will be the Managing Director & CEO. The current members of the Committee are Allan McCallum (Chairman), Rebecca McGrath, Graham Smorgon and James Fazzino.

The Committee is to meet as frequently as required but not less than four times a year. The attendance of the members of the Health, Safety, Environment and Community Committee at each meeting held during the financial year ended 30 September 2012 is set out on page 3.

Audit and Risk Management Committee

Details of the Audit and Risk Management Committee are set out under the heading "Principle 4: Safeguard integrity in financial reporting" on page 32.

Board meetings

Details of the Board meetings held during the 2011/12 financial year are set out on page 3.

The Board holds nine scheduled meetings during each year, plus any extraordinary meetings that may be necessary to address any significant matters, as and when they arise.

Materials for Board meetings are circulated to directors in advance. The agendas for meetings are formulated with input from the Managing Director & CEO and the Chairman. Directors are free to nominate matters for inclusion on the agenda for any Board meeting. Presentations to the Board are frequently made by executives and senior management, and telecommunications technologies may be used to facilitate participation.

Director independence

The Board comprises a majority of independent non-executive directors.

The Board, excluding the director in question, will regularly assess the independence of each director, in light of any interest disclosed by them. The Board considers all of the circumstances relevant to a director in determining whether the director is independent and free from any interest, relationship or matter which could, or may reasonably be expected to, interfere with the director's ability to act in the best interests of the Company. A range of factors is considered by the Board in assessing the independence of its directors, including those set out in the ASX Recommendations.

In assessing the independence of a director, consideration is given to the underlying purpose behind any relationship a director may have with a third party that is identified as relevant to the assessment and overall purpose of independence. In determining whether a sufficiently material relationship (as defined in Box 2.1 of the ASX Recommendations) exists between Incitec Pivot and a third party for the purposes of determining the independence of a director, the Board has regard to all the circumstances of the relationship, including among other things:

- the value (in terms of aggregate and proportionate expenses or revenues) that the relationship represents to both Incitec Pivot and the third party;
- the strategic importance of the relationship to Incitec Pivot's business; and
- the extent to which the services provided by or to Incitec Pivot are integral to the operation of Incitec Pivot's business, including the extent to which the services provided are unique and not readily replaceable.

The Board considers that each of Paul Brasher, Anthony Larkin, John Marlay, Allan McCallum, Rebecca McGrath and Graham Smorgon are independent when assessed on the criteria above, taking into account all the relevant interests, matters and relationships of the particular director. As Managing Director & CEO of the Company, James Fazzino is not considered to be an independent director. In summary, of the seven directors, the Board considers six directors are independent.

The Board Charter requires that an independent non-executive director hold the position of Chairman.

Access to information and independent advice

Directors are entitled to full access to the information required to discharge their responsibilities. Subject to obtaining the prior approval of the Chairman, the directors have the right to seek independent professional advice at Incitec Pivot's expense to assist in carrying out their Board duties.

Director performance evaluations

Each year, as provided for by the Board Charter, the Board undertakes an annual performance evaluation, comparing its performance against its Charter, setting objectives and effecting any improvements to the Charter. Assessment of individual directors' performance and that of the Board is a process determined by the Chairman and the Nominations Committee. Performance assessments are intended to assist the Board in carrying out its responsibilities (as set out in its Charter) and ensure the Board remains effective. The Board's annual performance review took place in August 2011 by way of self-assessment and, following the appointment of Paul Brasher as Chairman, the Board has commissioned an external review of its role, structure and processes, as well as the Board's performance in meeting its responsibilities under its Charter. The outcomes of this review will be included in the 2012/13 objectives for the Board and will be implemented throughout the Company's 2012/13 financial year. In addition, as part of this review, the Chairman has conducted one-on-one interviews with each director. For the directors who are retiring by rotation and standing for re-election at the 2012 Annual General Meeting, Mr Paul Brasher and Mr Graham Smorgon, their performance was reviewed as part of their nomination for re-election.

Director induction, training and continuous education

The Nominations Committee is responsible for developing and reviewing induction procedures for new appointees to the Board to enable them to effectively discharge their duties. The Charter for the Committee provides that the induction procedures should enable new appointees to gain an understanding of the Company's financial, strategic, operational and risk management position, the culture and values of Incitec Pivot, the rights, duties and responsibilities of the directors, the roles and responsibilities of senior executives, the role of Board Committees, meeting arrangements and director interaction.

Additionally, the Committee ensures that continuous education measures are in place to enhance director competencies, keep directors up to date and enhance directors' knowledge and skills. These measures are to include having access to education concerning key developments in the Company and in the industries in which the Company operates.

Principle 3: Promote ethical and responsible decision-making

Codes of conduct

Incitec Pivot is committed to operating to the highest standards of ethical behaviour and honesty, with full regard for the safety and health of its employees, customers, the wider community and the environment.

The Company has codes of conduct which set ethical standards for directors, senior management and employees. The codes describe core principles designed to ensure ethical conduct is maintained in the interests of shareholders and other stakeholders.

In particular, Incitec Pivot's key codes of conduct, copies of which are available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance, are:

- *Incitec Pivot's Code of Ethics – Compliance Policies and Guide*, which is a code of conduct for all employees. The Code's key principles require employees to comply with the letter and spirit of the laws affecting Incitec Pivot's business, as well as the Company's policies and codes; to act honestly and with integrity, and to strive to earn and maintain the respect and trust of co-employees, customers and the wider community; to use Incitec Pivot's resources, including information systems, in an appropriate and responsible way; to work safely and with due regard for the safety and well-being of fellow employees, contractors, customers and all persons affected by Incitec Pivot's operations or products; to avoid situations which involve or may involve a conflict between their personal interests and the interests of Incitec Pivot; to have due regard for cultural diversity in the workplace; and to respect the environment and ensure that work activities are managed in an acceptable manner so as to give benefit to society.
- *Incitec Pivot's Code of Conduct for Directors and Senior Management*, which sets out additional ethical standards for directors and senior management reporting to the Managing Director & CEO.
- *Incitec Pivot's Health, Safety, Environment & Community Policy*, which sets out the Company's commitment to its values of "Zero Harm for Everyone, Everywhere" and "Care for the Community and our Environment". The Policy provides that the Company will establish and maintain health and safety management standards and systems in compliance with relevant industry standards and regulatory requirements, and that the Company will provide a safe and healthy working environment. The Policy also provides for the Company to conduct its operations in compliance with all relevant environmental licences and regulations, and to strive to be a valued corporate citizen in the communities in which it operates.

Anti-bribery and corruption

As part of its commitment to operating to the highest standards of ethical behaviour, Incitec Pivot has an Anti-Bribery and Improper Payments Policy which prohibits the making of unlawful or improper payments to any individual or entity. The policy also outlines the processes for ensuring that appropriate controls are implemented in relation to third parties who are engaged to act on behalf of the Company. The Company has implemented mandatory and regular compliance training for relevant persons to ensure compliance with the Policy. The Anti-Bribery and Improper Payments Policy forms part of, and is supported by, the Fraud and Corruption Control framework. Anti-bribery and corruption compliance is monitored and reported within Incitec Pivot's key corporate governance structures, including by the Board's Audit and Risk Management Committee.

In addition, the Company has adopted a Sanctions Policy, which outlines the expected standards of conduct relevant to the Group's compliance with Australian and international sanctions laws when engaging in international trade. This includes engagement in appropriate due diligence in relation to third parties, transactions or activities that present a potential risk in relation to sanctions laws compliance. As with the Anti-Bribery and Improper Payments Policy, the Sanctions Policy is supported by compliance training and is monitored and reported within the Company's key governance structures, including by the Board's Audit and Risk Management Committee. Summaries of the Anti-Bribery and Improper Payments Policy and Sanctions Policy are available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

Whistleblower protection

Employees are encouraged to raise any concerns, including those arising out of activities or behaviour that may not be in accordance with Incitec Pivot's codes of conduct, any of its other policies, or any other regulatory requirements, with management, the human resources team or the legal and compliance team. Employees can also raise concerns about breaches of the Company's regulatory obligations or internal policies or procedures on an anonymous basis through its whistleblower reporting system. The Group Whistleblower Protection Policy protects employees who raise concerns about suspected breaches of Incitec Pivot's Code of Ethics, policies or the law. Incitec Pivot's whistleblower reporting system meets all relevant Australian legislative requirements and Australian Standard AS8004 (Whistleblower Protection Programs for Entities). Reports on the operation of the system are made to the Audit and Risk Management Committee.

Share ownership and dealing

The Board has adopted a Share Trading Policy which regulates dealings in the Company's shares. The policy aims to ensure that Incitec Pivot's directors, employees, advisors, auditors and consultants are aware of the legal restrictions on trading in securities while a person is in possession of inside information.

Under the policy, all persons to whom the policy applies are prohibited from trading in the Company's shares while in possession of inside information. Also, there are certain "black out" periods, from the end of the financial year or half year until two business days after the relevant financial results are announced, where trading is prohibited.

In addition, certain individuals (for example, directors, the direct reports to the Managing Director & CEO, and those in the finance units) are "designated employees" and, as such, may not deal in shares in the Company outside of "black out" periods unless, prior to the dealing, the relevant person has notified the Company Secretary, given written confirmation that they are not in possession of price sensitive information and received an acknowledgement of the confirmation from the Company Secretary. Additionally, "designated employees" must not enter into hedging arrangements which operate to limit the economic risk of their security holding in Incitec Pivot. In the case of the Company Secretary, she must notify the Chairman or Managing Director & CEO of her proposed share trading and must also give the same written confirmation as a "designated employee" to the effect that she is not in possession of price sensitive information.

All directors have entered into agreements with Incitec Pivot under which they agree to provide details of changes in their notifiable interests in Incitec Pivot's shares within three business days after the date of change, enabling the ASX to be notified of any share dealings by a director within five business days of the dealing taking place, as required by the ASX Listing Rules.

The Company's Share Trading Policy is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. The Company's Share Trading Policy is in compliance with the requirements under the relevant ASX Listing Rules.

Details of shares in the Company held by the directors are set out in Note 34, Key Management Personnel disclosures.

Diversity

Incitec Pivot's commitment to diversity is key to its corporate ambition of generating competitive returns for shareholders through its strategy as a leading global chemicals company. With operations spanning the globe, Incitec Pivot recognises that a diverse and inclusive workforce will result in improved organisational engagement which, in turn, will improve corporate performance.

Diversity at Incitec Pivot is led by the Company's Diversity Council, chaired by the General Counsel and Company Secretary, which includes senior managers from across the business, reporting to the Managing Director & CEO. The Diversity Council's remit is to promote, influence and support the implementation of the Company's Diversity policy and strategy. The Board maintains oversight and responsibility for the Diversity Policy and the development and implementation by management of the Diversity Strategy.

In the 2011/12 financial year, the Group adopted a Diversity Policy, a copy of which is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance, together with a Diversity Strategy.

The Diversity Policy outlines the Company's Diversity Vision, which is to be an inclusive and accessible organisation through the development of a culture that embraces diversity. The Policy also provides guidance for the Diversity Strategy and its relevant policies, programs and initiatives.

The Diversity Strategy, which was endorsed by the Board during the year, recognises that the Company's businesses are at different stages with regards to diversity and face different challenges in relation to their people strategies. As such, the Diversity Strategy will be implemented in a phased approach, starting with Australia and followed by the US and Canada, with the intention for a whole of Group approach to be in place by 2014/15.

Underpinning both the Diversity Vision and Strategy are the Diversity Principles:

- "Respecting our Differences",
- "Shaping our Future Organisation",
- "Building a Flexible Organisation".

The Company's objectives for 2011/12 financial year referenced these principles.

In addition to establishing the Company's Diversity Strategy and Policy as the foundations to Company's approach to diversity, the focus in 2011/12 was on gender diversity and indigenous employment.

Gender Diversity

In 2011/12, the objectives on gender diversity were threefold:

- to raise awareness of the Company's approach to diversity among the Group's senior leaders. The senior leaders undertook training on the key diversity principles, understanding that at the core is the first principle – respecting our differences – to create a workplace inclusive of all people, regardless of differences. These differences can include, but are not limited to, gender, age, ethnicity, cultural background, disability, sexual orientation or religious belief. The Company's Executive Leadership Program now includes a component on diversity. The initial phase of the Company's anti-discrimination and anti-harassment training program was launched in Australia and an e-learning module was developed to facilitate training and awareness in some of the Company's more remote sites, as well as among the Company's contractor workforce;
- to increase the number of women in leadership roles, as well as in the Company's talent pipeline, in particular in engineering and operational roles. During the year, the focus was on recruitment. As a percentage of total hires, the number of female employees increased from 17% to 21%. Emphasis was also on the graduate recruitment program, with five female graduates to commence in the 2013 program, representing over a third of the total graduate intake. This was significant as no female graduates were recruited for the 2012 program. As part of the recruitment initiatives, phase 1 of the Company's recruitment practices review in Australia was completed, with revised guidelines to be issued in 2012/13 together with appropriate training;

- to establish best practice parental leave arrangements and flexible work arrangements. In line with this, policies were revised and a new parental support program developed, with the new frameworks for parental leave and flexible work arrangements to be formally launched early in the 2012/13 financial year.

Indigenous Employment

Over the years, through Dyno Nobel's operations in Canada, the Group has formed positive relationships with the First Nations people. Building on this, Incitec Pivot established an indigenous employment program in Australia, with dedicated resources and particular focus on the Company's operations in Western Australia and Queensland. A number of initiatives designed to develop sustainable indigenous employment are underway.

Diversity in 2012/13

For the 2012/13 financial year, each of the Australian business units and functions will develop and implement diversity plans based on the Diversity Principles. In North America, the business units and functions will undertake a diversity diagnostic so that detailed diversity plans can be developed and implemented across the North American operations.

In relation to gender diversity, the Board has set the following measurable objectives for the Australian business for the 2012/13 financial year, with progress to be reported in the 2013 Annual Report:

Respecting our differences: Ensure equity in the Company's remuneration practices in Australia, in particular to embed gender pay analytics into remuneration and performance policies and practices by 30 September 2013.

Shaping our future organisation: Strengthen the talent pipeline, in particular to increase the number of women in the Company's Australian business, focussing on recruitment and talent development activities - including implementing a Quarterly Mentoring Program for women and maintaining focus on the graduate recruitment program.

Building a flexible organisation: Launch the revised parental leave and flexible work arrangements to increase the number of women returning to work after family leave and establish effective employee tools to "keep in touch" while on leave.

The Diversity Council will report to the Board on progress made against these objectives throughout the year, as well as more broadly with regards to the Diversity Strategy.

In 2012, as was the case in 2011, the Company received confirmation from the Australian Government's Equal Opportunity for Women in the Workplace Agency that it was compliant with the Equal Opportunity for Women in the Workplace Act 1999 (Cth).

During 2011/12, the proportion of women in the Company remained broadly consistent with the prior year. While the proportion of women at the Board level increased, this reflects the retirement of a director during the year. A restructure of the business in 2012 resulted in an increase in the proportion of women at Executive level and a decrease in the proportion of women in management. The following table shows the proportion of women employed as at 30 September 2012.

	% of Women 30 September 2012
Board	14.3%
Executive	12.5%
Management	11.8%
Global	13.6%

Further details of the Company's Diversity Strategy are available on the Company's website, www.incitecpivot.com.au

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management Committee

The Audit and Risk Management Committee has a Charter approved by the Board. The Committee assists the Board in its review of financial reporting principles and policies, controls and procedures, internal control and risk management and internal audit. It also assists the Board in its review of the integrity and reliability of the Company's financial statements, the external audit and the Company's compliance with legal and regulatory requirements.

The current members of the Audit and Risk Management Committee are Anthony Larkin (Chairman), John Marlay and Rebecca McGrath, all of whom are independent non-executive directors.

The qualifications of those directors appointed to the Audit and Risk Management Committee are set out on pages 1 and 2.

The Committee meets as frequently as required but not less than four times a year. The Committee reviews its performance by self-assessment at least annually.

The attendance of the members of the Audit and Risk Management Committee at each meeting held during the financial year ended 30 September 2012 is set out on page 3.

The Chief Risk Officer, external auditors, the Managing Director & CEO and the Chief Financial Officer are invited to attend Audit and Risk Management Committee meetings. The Committee regularly meets with the Chief Risk Officer and the external auditors without management being present.

The primary objectives of the Audit and Risk Management Committee, as set out in its Charter, are as follows:

Financial reporting

- review of reports and analyses – review management, internal audit and external audit reports and analyses of financial reporting issues;
- review of financial statements – review all audited financial statements and all other financial information prior to release through the ASX to shareholders and the financial community;
- accounting policies – review the critical accounting policies with external auditors and management; and
- Managing Director & CEO and Chief Financial Officer certification – review the certification provided by the Managing Director & CEO and the Chief Financial Officer on annual and half-yearly reports.

Internal control and risk management

- risk management strategies – receive reports from management, the internal audit function and the external auditor concerning risk management principles and policies, strategies, processes and controls and concerning the processes for determining and monitoring material business risks;
- risk reports and monitoring – receive reports from management on risk implications from new and emerging risks, changes in the economic and business environment and other factors relevant to the Group's performance and strategy; receive reports from management and monitor resolution of significant risk exposures;
- compliance – receive reports from management, monitor and oversee compliance with applicable laws relating to the operation of the business and review and monitor policies and systems to manage compliance risk;
- disclosure – review the form of disclosure to be made in the Annual Report given by the Managing Director & CEO and Chief Financial Officer as to the effectiveness of the Company's management of material business risks; and
- insurance – receive reports from management and monitor the insurance strategy of the Group and recommend approval or variation of insurance policies.

External audit

- appointment/replacement – manage the relationship between the Company and the external auditor, including making recommendations to the Board on the selection, evaluation and replacement of the external auditor;
- terms of engagement – determine the terms of engagement and remuneration of the external auditor and make recommendations to the Board;
- effectiveness and independence – monitor the effectiveness and independence of the external auditor, including requiring the external auditor to prepare and deliver an annual statement as to its independence;
- scope of audit – review the scope of the external audit with the external auditor; and
- non-audit services – review and assess the provision of non-audit services by the external auditor, provide pre-approval or otherwise of all non-audit services which may be provided by the external auditor and ensure disclosure to shareholders of the Committee's approval of non-audit work.

Internal audit

- structure/resources – review and approve the structure of the internal audit function and resources;
- appointment/replacement – in the event the internal audit function is fully outsourced, evaluate the expertise and experience of potential internal auditors and make recommendations to the Board on the selection, evaluation and replacement of the internal auditor, noting that while internal audit is managed internally, the Committee evaluates and approves the panel of external consultants to provide internal audit services within the internal audit plan;
- assessment – evaluate the performance of the internal audit function together with the financial incentives for personnel in the internal audit function;
- scope of audit and plan – review and assess the scope of the audit and the internal audit plan;
- internal audit findings – receive summaries of significant reports to management from the internal audit function, management's response and the internal auditor's recommendations;
- monitor internal audit plan – monitor, and review compliance with, and the effectiveness of implementation of, audit plans of the internal audit function;
- communication – review the level of open communication between the internal audit function, the external auditor and the Board and any restrictions placed on the internal audit function by management; and
- assessment – conduct an annual assessment of the effectiveness of internal controls and financial reporting procedures.

External auditor

The role of the external auditor is to provide an independent opinion that the Company's financial reports are true and fair and comply with the applicable regulations.

Deloitte Touche Tohmatsu is the Company's external auditor, appointed at the 2011 Annual General Meeting.

The lead audit partner and review partner of the Company's external auditor rotate every five years.

Restrictions are placed on non-audit work performed by the auditor and projects outside the scope of the audit require the approval of the Audit and Risk Management Committee. Further details are set out in Note 7 to the financial statements, Auditor's remuneration.

The lead audit partner or appropriate alternates will attend the Annual General Meeting to be held on 18 December 2012. Under the Corporations Act 2001 (Cth), shareholders have the right to submit written questions on certain topics to the auditor, and the auditor may table answers to such questions at the Annual General Meeting.

Internal audit

On the appointment of Deloitte Touche Tohmatsu as external auditor in December 2011, Deloitte Touche Tohmatsu ceased to be internal auditor. Accordingly, management has established an internal audit function and appointed the Chief Risk Officer to oversee the execution of the internal audit plan as approved by the Audit and Risk Management Committee.

Principle 5: Make timely and balanced disclosure

The Company is subject to continuous disclosure obligations under the ASX Listing Rules and Corporations Act 2001 (Cth). Subject to some limited exceptions, under the continuous disclosure requirements, the Company must immediately notify the market, through ASX, of any information which a reasonable person would expect to have a material effect on the price or value of the Company's shares.

To achieve these objectives and satisfy the regulatory requirements, the Board has implemented a Continuous Disclosure Policy. The Policy aims to ensure the proper and timely disclosure of information to shareholders and the market in several ways, including:

- in annual reports and financial statements, releases of results to ASX each half and full year, and at the Company's Annual General Meeting;

- releasing price sensitive announcements and other relevant significant announcements directly to the market via ASX;
- conducting briefings with analysts and institutions from time to time – in doing so, Incitec Pivot recognises the importance of ensuring that any price sensitive information provided during these briefings is made available to all shareholders and the market at the same time and in accordance with the requirements of the Corporations Act 2001 (Cth), ASX and the Australian Securities and Investments Commission; and
- providing information on the Company's website, which contains information about the Company and its activities, including statutory reports and investor information.

The Policy appoints the Company Secretary as the Continuous Disclosure Officer whose role includes providing announcements to the ASX and ensuring senior management and employees are kept informed of the Company's obligations and the accountability of the Company and its directors, officers and employees for compliance with the disclosure rules.

The Company's Continuous Disclosure Policy is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

Principle 6: Respect the rights of shareholders

Incitec Pivot is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so as to enable shareholders to make informed investment decisions and effectively exercise their rights as shareholders.

The Shareholder Communications Policy aims to ensure:

- that the Company's announcements are presented in a factual, clear and balanced way;
- that all shareholders have equal and timely access to material information concerning the Company; and
- shareholder access to information about, and shareholder participation in, general meetings of the Company.

The Company regularly reviews the methods by which it communicates with shareholders so as to ensure it can make best use of new technologies to enhance shareholder communication. The Company places all relevant announcements made to the market, and related information, on the Company's website after they have been released to the ASX.

The Shareholder Communications Policy is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance.

Principle 7: Recognise and manage risk

Risk oversight and management

Risk is present in all aspects of Incitec Pivot's business. It has the potential to impact people, the environment, the community and the reputation, assets and financial performance of the Group. Incitec Pivot is committed to the effective management of risk, which is central to its continued growth and success and the achievement of the Group's corporate objective and strategy.

Incitec Pivot has adopted a Group Risk Policy for the oversight and management of material business risks and manages risk within a comprehensive risk management process which is consistent with the Australian/New Zealand Standard for Risk Management (AS/NZS ISO 31000:2009). A key element of this risk management process is the Board's assessment of risk, which is based on the level of risk Incitec Pivot is able to sustain in achieving its corporate objective of delivering value to shareholders. Risks are identified, analysed and prioritised using common methodologies, and risk controls are designed and implemented having regard to the overall corporate strategy.

The risk controls adopted by Incitec Pivot are administered via a Group-wide framework, and include:

- identifying, evaluating, treating, monitoring, and reporting on material business risks to the Audit and Risk Management Committee;
- annual budgeting and monthly reporting systems to monitor performance;
- delegations of authority;
- policies and procedures for the authorisation of capital expenditure;
- a compliance program supported by approved guidelines and standards covering health, safety and environment, and regulatory compliance;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currencies and movements in interest rates;
- a letter of assurance process to provide assurance from management that all controls are in place and operating appropriately;
- business continuity plans; and
- the internal audit function.

A summary of the Group Risk Policy is available on the corporate governance section of Incitec Pivot's website, www.incitecpivot.com.au/Corporate_Governance.

Risk management roles and responsibilities

The Board is responsible for reviewing and approving the overall management of risk and internal control. The Board monitors the Group's risk profile, risks and mitigating strategies primarily through the Audit and Risk Management Committee. The Audit and Risk Management Committee's duties with respect to internal control and risk management have been summarised under the discussion of Principle 4 on page 33. The Audit and Risk Management Committee and, through it, the Board, receive regular reports from management on the effectiveness of the Group's risk management process.

The following paragraphs describe the material risks associated with Incitec Pivot's business and operations. There may be additional risks unknown to Incitec Pivot and other risks, currently believed to be immaterial, which could become material. These risks, which may occur individually or concurrently, could significantly affect the Company's business and operations. The risks outlined below do not include details as to how each risk is managed and the mitigation strategies adopted, or the manner in which those risks may have a positive or negative impact on the Group. The Group's process for managing risk is set out in the above section titled "Risk oversight and management".

General Economic and Business Conditions

The current global economic business climate and any sustained downturn in the global, North American, Chinese or Australian economy may adversely impact Incitec Pivot's overall performance. This may affect, among other things, profitability and demand for fertilisers, industrial chemicals, industrial explosives and related products and services.

Product price deteriorations could adversely affect Incitec Pivot's business and financial performance:

- fertilisers are internationally traded commodities with pricing based on international benchmarks and are affected by global supply and demand forces, as well as fluctuations in foreign currency exchange rates, particularly the exchange rate between the Australian dollar and the US dollar;
- industrial explosives products, particularly ammonium nitrate based explosives, are affected more directly by supply and demand dynamics in industrial explosives markets, such as quarrying, construction and mining.

The appreciation or depreciation of the Australian dollar against the US dollar may materially affect Incitec Pivot's financial performance. A large proportion of Incitec Pivot's sales are denominated either directly or indirectly in foreign currencies, primarily the US dollar. In addition, Incitec Pivot also borrows funds in US dollars, and the Australian dollar equivalent of these borrowings will fluctuate with the exchange rate.

Operational Risks

Incitec Pivot operates manufacturing plants and facilities and is exposed to operational risks associated with the manufacture, distribution and storage of fertilisers, ammonium nitrate and industrial chemicals and industrial explosives products and services. These risks include the need for plant reliability and timely and economic supply of adequate raw materials, such as natural gas, ammonia, phosphate rock, sulphur and sulphuric acid.

Incitec Pivot's manufacturing and distribution systems are vulnerable to unforeseen human error, equipment breakdowns, energy or water disruptions, natural disasters and acts of God, sabotage, terrorist attacks and other events which may disrupt Incitec Pivot's operations and materially affect its financial performance. In addition, loss from such events may not be recoverable in whole or in part under Incitec Pivot's insurance policies.

A shortage of skilled labour or loss of key personnel could disrupt Incitec Pivot's business operations or adversely affect Incitec Pivot's business and financial performance. Incitec Pivot's manufacturing plants require skilled operators drawn from a range of disciplines, trades and vocations. In addition, the loss of services of one or more of Incitec Pivot's senior management could impede execution of Incitec Pivot's business strategy and result in reduced profitability.

Further, in relation to both its Fertilisers business and its Explosives business, seasonal conditions, particularly rainfall, are a key factor for determining demand and sales. Any prolonged adverse weather conditions could impact the future profitability and prospects of Incitec Pivot.

Strategy and Planning

Incitec Pivot operates in a competitive environment. The domestic and international fertiliser and industrial explosives industries are highly competitive. The actions of competitors of Incitec Pivot or the entry of new competitors may result in loss of sales and market share which could adversely affect Incitec Pivot's financial performance.

Health, Safety and Environment

Incitec Pivot is subject to various operational hazards, including from the manufacture, processing and transportation of its fertiliser and explosives products and in the provision of related services, which could potentially result in injury or incident to employees, contractors, the public or the environment. Incitec Pivot has adopted a "Zero Harm" policy to manage its health and safety risks.

Compliance and Regulatory Risks

Changes in federal or state government legislation, regulations or policies in any of the countries in which it operates may adversely impact on Incitec Pivot's business, financial condition and results of operations.

Incitec Pivot's business is subject to environmental laws and regulations that require specific operating licences and impose various requirements and standards. Changes in these laws and regulations, or changes to licence conditions, may have a detrimental effect on Incitec Pivot's operations and financial performance, including the need to undertake environmental remediation.

Incitec Pivot is exposed to potential legal and other claims or disputes in the course of its business, including contractual disputes, property damage and personal liability claims in connection with operational and health and safety matters.

Risk management and internal controls

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 their business. This is managed through an annual risk workshop within each business unit. The risk workshops are facilitated by the Group's internal audit function, led by the Chief Risk Officer, and form part of the annual internal audit program, thereby aligning the internal audit activities with material business risks. The outcomes of the business unit risk workshops are assessed as part of the annual corporate risk workshop. The resultant Corporate Risk Workbook is presented to the Audit and Risk Management Committee on an annual basis, and management is required to present regular updates to the Committee on material business risks.

The internal audit function monitors the internal control framework and provides regular reports to the Audit and Risk Management Committee. The annual internal audit program is approved by the Audit and Risk Management Committee. The internal audit function provides written reports to the Committee on the effectiveness of the management of risk and internal controls, and the Chief Risk Officer meets regularly with the Committee without the presence of other members of management.

The Audit and Risk Management Committee and the Board have received reports from management on the effectiveness of the Group's management of its material business risks for the financial year ended 30 September 2012.

CEO and CFO Declaration and Assurance

In accordance with the ASX Recommendations, for the financial year ended 30 September 2012, the Board received written assurance from the Managing Director & CEO and the Chief Financial Officer that the declaration provided by them in accordance with section 295A of the Corporations Act 2001 (Cth) is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to the reporting of financial risks.

Principle 8: Remunerate fairly and responsibly

The Board and Remuneration Committee are primarily responsible in relation to the oversight of the Company's remuneration framework and policies. Details of Incitec Pivot's remuneration arrangements are set out in the Remuneration Report. As set out on page 28, the Remuneration Committee is formed under a Charter approved by the Board, a copy of which is available on the corporate governance section of the Company's website, www.incitecpivot.com.au/Corporate_Governance. The members of the Committee are three independent non-executive directors, being John Marlay (Chairman), Allan McCallum and Graham Smorgon.

The ASX Recommendations provide that a remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent director and has at least three members. The Charter for the Remuneration Committee provides that each member of the Committee must be a non-executive director and a majority of members of the Committee must be independent. The Charter also provides that the Chairman of the Committee must be an independent director. As each member of the Remuneration Committee (including Mr John Marlay, the Chairman of the Committee) is considered to be an independent non-executive director, the structure of the Committee fulfils the requirements under the ASX Recommendations.

Incitec Pivot's policy is to remunerate non-executive directors by way of fees and payments which may be in the form of cash, non-cash benefits and superannuation benefits. Incitec Pivot's broad policy in relation to the level of non-executive directors' fees and payments is to ensure that these fees and payments are consistent with the market and enable Incitec Pivot to attract and retain directors of an appropriate calibre. Details of these fees and payments are included in the table titled "Non-executive directors' remuneration" set out in section B of the Remuneration Report on page 12. The Company's policy is that non-executive directors should not be remunerated by way of options, shares, performance rights, bonuses nor incentive-based payments.

Under the Company's Constitution, the maximum remuneration payable by the Company for the services of non-executive directors in total must not exceed the amount approved by shareholders in general meeting, which is $2,000,000 as approved at the Annual General Meeting held on 19 December 2008. The total remuneration paid to the non-executive directors during the financial year ended 30 September 2012 was within the maximum amount approved by shareholders.

Details of remuneration paid to the Managing Director & CEO and other executives are included in table C.3 "Executive remuneration" in the Remuneration Report on page 22.

The attendance of the members of the Remuneration Committee at each meeting held during the financial year to 30 September 2012 is set out on page 3.

Signed on behalf of the Board.

Paul V Brasher
Chairman
Dated at Melbourne
this 12th day of November 2012

Deloitte.

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The Board of Directors
Incitec Pivot Limited
Level 8, 28 Freshwater Place
SOUTHBANK VIC 3006

12 November 2012

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 2012, 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 Accountant

Financial Report

Consolidated Income Statement

For the year ended 30 September 2012

	Notes	Consolidated 2012 $mill	Consolidated 2011 $mill
Revenue	(4)	**3,500.9**	3,545.3
Financial and other income	(4)	**40.4**	46.3
Operating expenses			
Changes in inventories of finished goods and work in progress		**(97.1)**	141.2
Raw materials and consumables used and finished goods purchased for resale		**(1,506.5)**	(1,701.1)
Employee expenses		**(543.3)**	(549.1)
Depreciation and amortisation expense	(5)	**(155.8)**	(148.2)
Financial expenses	(5)	**(66.6)**	(63.1)
Purchased services		**(167.4)**	(159.7)
Repairs and maintenance		**(109.4)**	(119.2)
Outgoing freight		**(237.8)**	(218.5)
Lease payments - operating leases		**(65.3)**	(60.3)
Share of profit on equity accounted investments	(16)	**27.4**	24.2
Asset write-downs, clean-up and environmental provisions		**(104.2)**	(23.7)
Reversal of Moranbah unfavourable contract liability		**261.6**	-
Other expenses		**(65.2)**	(92.7)
Profit before income tax		**711.7**	621.4
Income tax expense	(8)	**(203.7)**	(154.1)
Profit for the financial year		**508.0**	467.3
Profit attributable to:			
Members of Incitec Pivot Limited		**510.7**	463.2
Non-controlling interest		**(2.7)**	4.1
		cents	cents
Earnings per share			
Basic earnings per share	(9)	**31.4**	28.4
Diluted earnings per share	(9)	**31.4**	28.4

The above Consolidated Income Statement is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 44 to 108.

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2012

	Notes	Consolidated 2012 $mill	2011 $mill
Profit for the financial year		**508.0**	467.3
Other comprehensive income / (expense)			
Cash-flow hedging reserve			
Changes in fair value of cash-flow hedges		**36.7**	51.7
Profit in cash-flow hedges transferred to Consolidated Income Statement		**(22.5)**	(90.5)
Income tax on movements in the cash-flow hedging reserve		**(4.0)**	8.1
		10.2	(30.7)
Fair value reserve			
Change in fair value of equity instruments		**(7.5)**	(20.1)
Income tax on change in fair value of equity instruments		**2.2**	6.0
		(5.3)	(14.1)
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		**(40.3)**	(84.6)
Net gain / (loss) on hedge of net investment		**50.3**	(21.8)
Income tax on movements in foreign currency translation reserve		**(10.9)**	(61.3)
		(0.9)	(167.7)
Actuarial losses on defined benefit plans			
Actuarial losses on defined benefit plans	(25)	**(16.5)**	(29.5)
Income tax on actuarial losses on defined benefit plans		**6.1**	10.0
		(10.4)	(19.5)
Total other comprehensive expense		**(6.4)**	(232.0)
Total comprehensive income for the financial year		**501.6**	235.3
Total comprehensive income attributable to:			
Members of Incitec Pivot Limited		**504.3**	231.2
Non-controlling interest		**(2.7)**	4.1

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 44 to 108.

Consolidated Statement of Financial Position

As at 30 September 2012

	Notes	Consolidated 2012 $mill	2011 $mill
Current assets			
Cash and cash equivalents	(10)	**154.1**	379.7
Trade and other receivables	(11)	**372.9**	451.9
Inventories	(12)	**403.7**	477.9
Other assets	(13)	**57.4**	31.2
Other financial assets	(14)	**32.2**	40.8
Assets classified as held for sale	(15)	**0.2**	6.5
Total current assets		**1,020.5**	1,388.0
Non-current assets			
Trade and other receivables	(11)	**24.2**	16.1
Other assets	(13)	**17.7**	17.5
Other financial assets	(14)	**49.5**	52.9
Investments accounted for using the equity method	(16)	**292.8**	257.1
Property, plant and equipment	(17)	**2,738.5**	2,283.3
Intangible assets	(18)	**2,845.2**	2,942.3
Deferred tax assets	(19)	**25.0**	44.7
Total non-current assets		**5,992.9**	5,613.9
Total assets		**7,013.4**	7,001.9
Current liabilities			
Trade and other payables	(20)	**817.5**	875.1
Interest bearing liabilities	(21)	**125.7**	95.7
Other financial liabilities	(22)	**14.8**	0.6
Provisions	(23)	**122.8**	98.3
Current tax liabilities		**11.4**	93.5
Total current liabilities		**1,092.2**	1,163.2
Non-current liabilities			
Trade and other payables	(20)	**17.1**	281.9
Interest bearing liabilities	(21)	**1,315.3**	1,472.8
Other financial liabilities	(22)	**-**	2.9
Provisions	(23)	**74.5**	63.8
Deferred tax liabilities	(24)	**371.3**	195.3
Retirement benefit obligations	(25)	**111.6**	115.3
Total non-current liabilities		**1,889.8**	2,132.0
Total liabilities		**2,982.0**	3,295.2
Net assets		**4,031.4**	3,706.7
Equity			
Issued capital	(26)	**3,265.9**	3,265.9
Reserves		**(178.4)**	(192.8)
Retained earnings		**941.6**	628.6
Minority interest		**2.3**	5.0
Total equity		**4,031.4**	3,706.7

The above Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 44 to 108.

Consolidated Statement of Cash Flows

For the year ended 30 September 2012

	Notes	Consolidated 2012 $mill Inflows/ (Outflows)	2011 $mill Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**3,934.5**	3,882.2
Payments to suppliers and employees		**(3,218.0)**	(3,168.4)
Interest received		**7.4**	4.8
Financial expenses paid		**(41.3)**	(22.7)
Other revenue received		**24.5**	27.7
Income taxes paid		**(86.3)**	(4.5)
Net cash flows from operating activities	(28)	**620.8**	719.1
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		**(626.6)**	(646.6)
Payments for purchase of investments		**(35.1)**	(0.2)
Proceeds from sale of investments		**-**	1.7
Proceeds from sale of property, plant and equipment		**10.0**	36.2
Amounts advanced / (repayment of loans) to equity-accounted investees		**21.2**	(15.0)
Proceeds from settlement of net investment hedge derivatives		**29.2**	16.1
Net cash flows from investing activities		**(601.3)**	(607.8)
Cash flows from financing activities			
Repayments of borrowings		**(63.6)**	(127.2)
Proceeds from borrowings		**-**	509.7
Payment of borrowing costs		**-**	(10.7)
Realised market value gains on interest rate swaps		**5.3**	-
Dividends paid		**(187.3)**	(151.4)
Net cash flows from financing activities		**(245.6)**	220.4
Net increase / (decrease) in cash and cash equivalents held		**(226.1)**	331.7
Cash and cash equivalents at the beginning of the financial year		**379.7**	48.7
Effect of exchange rate fluctuation on cash and cash equivalents held		**0.5**	(0.7)
Cash and cash equivalents at the end of the financial year	(10)	**154.1**	379.7

The above Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 44 to 108.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2012

Consolidated	Issued capital	Cash flow hedging reserve	Share based payments reserve	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total	Minority interest	Total equity
	$mill	**$mill**	**$mill**	**$mill**	**$mill**	**$mill**	**$mill**	**$mill**	**$mill**
Balance at 1 October 2010	3,265.9	20.2	(0.8)	(22.2)	9.8	336.3	3,609.2	2.1	3,611.3
Profit for the financial year	-	-	-	-	-	463.2	463.2	4.1	467.3
Total other comprehensive expense for the period	-	(30.7)	-	(167.7)	(14.1)	(19.5)	(232.0)	-	(232.0)
Dividends paid	-	-	-	-	-	(151.4)	(151.4)	(1.2)	(152.6)
Share based payment transactions									
Dividends received as loan repayment	-	-	0.1	-	-	-	0.1	-	0.1
Option expense	-	-	7.7	-	-	-	7.7	-	7.7
Loan repayments	-	-	4.9	-	-	-	4.9	-	4.9
Balance at 30 September 2011	3,265.9	(10.5)	11.9	(189.9)	(4.3)	628.6	3,701.7	5.0	3,706.7
Balance at 1 October 2011	**3,265.9**	**(10.5)**	**11.9**	**(189.9)**	**(4.3)**	**628.6**	**3,701.7**	**5.0**	**3,706.7**
Profit for the financial year	**-**	**-**	**-**	**-**	**-**	**510.7**	**510.7**	**(2.7)**	**508.0**
Total other comprehensive income/(expense) for the period	**-**	**10.2**	**-**	**(0.9)**	**(5.3)**	**(10.4)**	**(6.4)**	**-**	**(6.4)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(187.3)**	**(187.3)**	**-**	**(187.3)**
Share based payment transactions									
Option expense	**-**	**-**	**10.4**	**-**	**-**	**-**	**10.4**	**-**	**10.4**
Balance at 30 September 2012	**3,265.9**	**(0.3)**	**22.3**	**(190.8)**	**(9.6)**	**941.6**	**4,029.1**	**2.3**	**4,031.4**

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 44 to 108.

Cash flow hedging reserve

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

Share-based payments reserve

The share-based payments reserve comprises the fair value of shares treated as options and of rights recognised as an employee expense over the relevant vesting period and transactions associated with the 2007/10 and 2008/11 Long Term Incentive plans.

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled operations are taken to the foreign currency translation reserve, as described in Note 1(xix). The relevant portion of the reserve is recognised in the Consolidated Income Statement 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

The fair value reserve represents the cumulative net change in the fair value of equity instruments.

Minority 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 2012

Notes to the Consolidated Financial Statements

For the year ended 30 September 2012

1. Significant accounting policies

Incitec Pivot Limited ('the Company' or 'Incitec Pivot') is a company domiciled in Australia. The consolidated financial statements were authorised for issue by the directors on 12 November 2012.

The significant accounting policies adopted in preparing the consolidated financial statements of Incitec Pivot and of its controlled entities (collectively 'the Group') are stated below to assist in a general understanding of the consolidated financial statements. Interests in jointly controlled entities and associates are equity accounted (recorded as investments accounted for using the equity method) and do not form part of the Group (Refer Note 1 (ii) (b)).

These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Deficiency on Net Current Assets

As at 30 September 2012, the Company and Group's current liabilities exceeded its current assets by $550.0m and $71.7m respectively. The Group has un-drawn financing facilities of $900.0m at 30 September 2012 and a cash balance of $154.1m. In addition, the Group's forecast cash flows for the next twelve months indicate that it will be able to meet current liabilities as and when they fall due, therefore the consolidated financial statements have been prepared on a going concern basis.

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, investments in equity instruments, financial instruments held for trading and liabilities for cash settled share based payment arrangements, all of which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and that would be otherwise carried at amortised cost, are adjusted to record changes in the fair value attributable to the risks that are being hedged to match the fair value accounting applied to the derivative financial instruments used to hedge these items.

The consolidated financial statements are presented in Australian dollars.

Critical accounting estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.

Early adoption of Standards

Incitec Pivot has elected to early adopt certain Australian Accounting Standards and interpretations which permit early adoption. The decision to early adopt those standards and interpretations ensures that policy elections described below, including IFRS transition exemptions, are available. The principal standards and interpretations that have been early adopted are:

- *AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets*
- *AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

The early adoption of these standards did not have a significant impact on the Group's results in the current and/or prior year.

Issued Standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the Group in these consolidated financial statements:

- *Amendments to AASB 119: Employee Benefits* eliminates the option to apply the 'corridor method' when accounting for defined benefit funds, amends the measurement methodology for calculating net interest expense in relation to defined benefit funds, enhances disclosure requirements for defined benefit plans and changes the measurement methodology for employee entitlements not expected to be settled in less than 12 months. The amendments will become mandatory for the Group's 30 September 2014 consolidated financial statements. The Group has not yet quantified the potential impact of this Standard.
- *Amendments to AASB 101: Presentation of Financial Statements* retains the option to present the consolidated statement of comprehensive income either in a single continuous statement or in two separate, but consecutive statements, but introduces the requirement that items that will never be recognised in profit or loss be presented separately from those that are subject to subsequent reclassification (recycling). The amendments will become mandatory for the Group's 30 September 2013 consolidated financial statements. The Group is currently in the process of evaluating the impact of this Standard.
- *AASB 13: Fair Value Measurement* provides a new definition of fair value based on exit price and additional guidance for measuring fair value. The amendments also require additional disclosure related to fair value measurements and valuation techniques. The amendments will become mandatory for the Group's 30 September 2014 consolidated financial statements. The Group is currently in the process of evaluating the impact of this Standard.
- *AASB 11: Joint Arrangements* reduces the 'types' of joint arrangements from three to two and eliminates the option to apply proportionate consolidation. The amendments will become mandatory for the Group's 30 September 2014 consolidated financial statements. The Group is currently in the process of evaluating the impact of this Standard.
- *AASB 10: Consolidated Financial Statements* creates a broader definition of control whereby control is defined as the power to direct the activities of another entity to generate returns. IFRS 10 will become mandatory for the Group's 30 September 2014 consolidated financial statements. The Group is currently in the process of evaluating the impact of this Standard.
- *AASB 12: Disclosure of Interests in Other Entities* requires more extensive qualitative disclosures around judgment used by management in determining whether an entity is controlled by the Group and additional financial disclosures of the Group's material non-controlling interest in subsidiaries. AASB 12 will become mandatory for the Group's 30 September 2014 consolidated financial statements. The Group is currently in the process of evaluating the impact of this Standard.
- *AASB 127: Separate Financial Statements(2011),* requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and joint ventures are accounted for either at cost, or in accordance with AASB 9 'Financial Instruments'. The amendments will become mandatory for the Group's 30 September 2014 consolidated financial statements. The Group is currently in the process of evaluating the impact of this Standard.

1. Significant accounting policies (continued)

Issued Standards not early adopted (continued)

- *AASB 128: Investments in Associates and Joint Ventures (2011),* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amendments will become mandatory for the Group's 30 September 2014 consolidated financial statements. The Group is currently in the process of evaluating the impact of this Standard.

(ii) Consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Incitec Pivot Limited as at 30 September 2012 and the results of all subsidiaries for the year then ended. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(xiv)).

Inter-company transactions, balances and unrealised gains on transactions between consolidated companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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:

Sales Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is significant uncertainty regarding recovery of the consideration due, where the costs incurred or to be incurred cannot be measured reliably, where there is a significant risk of return of goods or where there is continuing management involvement with the goods.

Commissions are recognised when the Group acts in the capacity of an agent rather than as the principal in a transaction and therefore the revenue recognised is the net amount of commission made by the Group.

Interest income is recognised as it accrues.

Dividends receivable are recognised in the Consolidated Income Statement when declared, or received, whichever occurs first.

In the 2011 financial report the Group had recognised certain derivative instruments which did not meet the own use exemption as a gross revenue and cost of sales, as opposed to recognising gains and losses on derivatives at fair value. The comparative revenue figures in this financial report have been restated to align with the treatment applied in the current year. The impact of the restatement is a reduction of Revenue and Raw materials and consumables and finished goods purchased for resale in the comparative year of $360.9m. The comparative Receipts from customers and Payments to suppliers and employees have also reduced by the same amount. The restatement did not affect the comparative profit before tax or the Consolidated Statement of Financial Position.

(iv) Borrowing costs

Borrowing costs include interest on borrowings, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings, including lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than 12 months to get ready for their intended use or sale. Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, a weighted average interest rate is used for capitalising interest to qualifying assets.

(v) Share based payments

The fair value of shares (treated as options) and rights, granted to employees, at the grant date, is recognised as an employee expense, with a corresponding increase in equity, over the period that employees become unconditionally entitled to the options or rights. The amount recognised as an expense is adjusted to reflect the actual number of options, shares and rights for which the related service and non-market vesting conditions are met.

The fair value of the amount payable to employees in respect of rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured during each reporting period and at settlement date. Any changes in the fair value of the liability are recognised as employee expenses in the Consolidated Income Statement.

(vi) Taxation

Income tax expense comprises current and deferred tax and is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method in which temporary differences are calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

1. Significant accounting policies (continued)

(vi) Taxation (continued)

Deferred tax is measured at the tax rates that are expected to be applied when the temporary difference reverses, that is, 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 for unused tax losses, tax credits and deductible temporary differences, 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 benefit will be realised.

Current tax assets and liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax balances relate to the same taxation authority.

The assumptions regarding future realisation, and therefore the recognition of deferred tax assets, may change due to future operating performance and other factors.

Incitec Pivot provides for income tax in both Australia and overseas jurisdictions where a liability exists.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are, therefore, taxed as a single entity. The head entity within the tax-consolidated group is Incitec Pivot Limited.

(vii) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. Cost is based on a weighted average method. For manufactured goods, cost includes direct material and labour costs plus an appropriate proportion of fixed and variable overheads based on normal operating capacity of the production facilities. For third-party sourced finished goods, cost is net cost into store. High turnover engineering spares are held in inventory and expensed when used.

(viii) Trade and other receivables

Trade and other receivables are recognised at their amortised cost less any impairment losses.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group may not be able to collect amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Consolidated Income Statement within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Income Statement.

Where substantially all risks and rewards relating to receivables have been transferred to a financial institution, the receivable is de-recognised. Where this has not occurred, the receivable and the equivalent interest bearing liability have been recognised in the Consolidated Statement of Financial Position.

(ix) Other financial assets

Financial assets are recognised and subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Investments in equity securities are designated as "fair value through other comprehensive income", with all realised and unrealised gains and losses from the investment portfolio being recognised directly in equity through "other comprehensive income" in the Consolidated Statement of Comprehensive Income. Dividend income is recognised in the Consolidated Income Statement.

(x) Assets (or disposal groups) held for sale

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is reviewed in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets (or disposal groups) are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses are recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately in the Consolidated Statement of Financial Position.

(xi) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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.

Property, plant and equipment, other than freehold land, is depreciated on a straight-line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset to the Group.

Estimated useful lives in the current and comparative periods of each class of asset are as follows:

- Buildings and improvements 20 to 40 years
- Machinery, plant and equipment 3 to 40 years

The assets' residual values and useful lives are reviewed when there are changes in circumstances, and adjusted if appropriate, at each balance sheet date.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 October 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Profits and losses on disposal of property, plant and equipment are taken to the Consolidated Income Statement.

Spare parts purchased for a particular asset or class of assets are classified as capital spares in property, plant and equipment and depreciated over the useful life of the asset or class of assets to which they relate.

(xii) Leased assets

Leases under which the Group assumes substantially all the risks and benefits of ownership of the asset are classified as finance leases. Other leases are classified as operating leases.

1. Significant accounting policies (continued)

(xii) Leased assets (continued)

Finance leases are capitalised at the present value of the minimum lease payments and amortised on a straight-line basis over the period during which benefits are expected to flow from the use ofthe leased assets. A corresponding liability is established and each lease payment is allocated between finance charges and reduction of the liability. Operating leases are not capitalised and lease rental payments are recognised in the Consolidated Income Statement on a straight line basis over the term of the lease.

(xiii) Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Consolidated Income Statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group intends to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Consolidated Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(c) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

(d) Subsequent expenditure

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

(e) Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Goodwill and brand names are systematically tested for impairment at each annual reporting date. Other intangible assets are amortised from the date that they are available for use or when received. The estimated useful lives in the current and comparative periods are as follows:

• Software	3 – 7 years
• Product trademarks	4 – 10 years
• Patents	13 – 15 years
• Customer contracts	1 – 17 years

(xiv) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. For acquisitions occurring in stages goodwill is determined at the acquisition date. Goodwill is determined after the previously held equity interest is adjusted to fair value.

Where equity instruments are issued in an acquisition the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(xiii) (a)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, then the difference is recognised directly in the Consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. When control is obtained in successive share purchases each significant transaction is accounted for separately and the identifiable assets, liabilities and contingent liabilities acquired are stated at fair value when control is obtained.

(xv) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Executive Team to make decisions about resources to be allocated to the operating segment and assess their performance.

Operating segment results that are reported to the Executive Team include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

Operating segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and software.

(xvi) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on issuance. In the event that the liabilties are derecognised, any resulting gains and losses are recognised in the Consolidated Income Statement.

(xvii) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised in borrowing costs.

1. Significant accounting policies (continued)

(xvii) Provisions (continued)

(a) Environmental

Estimated costs relating to the remediation of soil, groundwater and untreated waste that have arisen as a result of past events are usually recognised in the Consolidated Income Statement as soon as the need is identified and a reliable estimate of the liability is able to be made.

However, where the cost relates to land held for resale then, to the extent that the expected realisation exceeds both the book value of the land and the estimated cost of remediation, the cost is capitalised as part of the holding value of that land.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology.

Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised in borrowing costs.

For sites where there are uncertainties with respect to the remediation obligations or the remediation techniques that might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been capitalised, expensed or provided.

(b) Decommissioning

The present value of the estimated costs of dismantling and removing an asset and restoring the site on which it is located are recognised as part of the asset within property, plant and equipment and as a provision where a legal or constructive obligation exists. At each reporting date, the liability is remeasured in line with changes in discount rates, timing and estimated cash flows. Any changes in the liability are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as an interest expense in the Consolidated Income Statement.

(c) Self insurance

The Group self-insures for certain insurance risks. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims.

(d) Employee entitlements

Current entitlements

Provisions are made for liabilities to employees for annual leave, sick leave and other current employee entitlements that represent the amount for which the Group has a present obligation. These have been calculated at undiscounted amounts based on the wage and salary rates that the Group expects to pay as at each reporting date and include related on-costs.

Non-current entitlements

Liabilities for employee entitlements which are considered non-current, such as long service leave, are accrued at the present value of future amounts expected to be paid. The present value is determined using interest rates applicable to government guaranteed securities with maturities approximating the terms of the Group's obligations.

Short term incentive plans

A liability is recognised for short term incentive plans on the achievement of predetermined short term incentive plan performance measures and the benefit calculations are formally documented and determined before signing the consolidated financial statements.

Long term incentive plans

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

For cash-settled share based payments, a liability is recognised for services provided by employees, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(e) Retirement benefit obligation

Contributions to defined contribution superannuation funds are charged to the Consolidated Income Statement in the year in which the expense is incurred.

For defined benefit schemes, the cost of providing superannuation and pension benefits is charged to the Consolidated Income Statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets. All actuarial gains and losses as at 1 October 2004, the date of transition to IFRS, were recognised in retained earnings. All actuarial gains and losses that arise subsequent to 1 October 2004 are recognised directly in equity.

The Group's net obligation in respect of defined benefit superannuation and pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

(f) Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are paid, or a legal right to pay is established, for the entire undistributed amount, regardless of the extent to which they will be paid.

(g) Restructuring and employee termination benefits

Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination has either commenced or been publicly announced, or firm contracts related to the restructuring or termination benefits have been entered into. Costs related to ongoing activities are not provided for.

(h) Onerous contracts

A provision for onerous contracts is recognised after impairment losses on assets dedicated to the contract have been recognised and when the expected benefits are less than the unavoidable costs of meeting the contractual obligations. A provision is recognised to the extent that the contractual obligations exceed unrecognised assets.

1. Significant accounting policies (continued)

(xviii) Trade and other payables

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

Unfavourable sales/supplier contracts

Liabilities are recognised on acquisition where it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation (probable loss) and the fair value of the loss can be measured reliably. If the terms of a contract are unfavourable relative to market terms at the acquisition date then a liability is recognised as part of accounting for the business combination.

(xix) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the relevant date of the particular transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement, except when they are deferred in equity as qualifying cash flow hedges or net investment hedges.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Foreign operations

On consolidation the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in the Consolidated Income Statement on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

(xx) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, commodity price and interest rate risks arising from operational, financing and investment activities.

In accordance with its treasury policy the Group does not hold or issue derivative financial instruments for trading purposes other than forward sales and purchase physical agreements.

Derivative financial instruments (which include physical contracts to sell or purchase commodities that do not meet the own use exemption) are recognised initially at fair value. Subsequent to initial recognition derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Consolidated Income Statement. However, where derivatives qualify for hedge accounting, the gain or loss is transferred to the cash flow hedging reserve, the foreign currency translation reserve or through the Consolidated Income Statement.

Hedging

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that in actuality they have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Changes in fair value of derivative hedging instruments designated as cash flow hedges are recognised directly in equity to the extent that the particular hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the Consolidated Income Statement.

Amounts accumulated in equity are recycled in the Consolidated Income Statement in the periods when the hedged item affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised.

If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Consolidated Income Statement.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of monetary item that is accounted for as part of the net investment, are accounted for in a similar way as cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity (foreign currency translation reserve) while any gains or losses relating to the ineffective portion are recognised in the Consolidated Income Statement. On disposal of the foreign operation, the cumulative value of such gains or losses recognised directly to equity is transferred to the Consolidated Income Statement based on the amount calculated using the direct method of consolidation.

Fair value hedges

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting, The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(xxi) Cash and cash equivalents

For presentation purposes on the Consolidated Statement of Cash Flows, cash includes cash at bank, cash on hand and deposits at call which are readily convertible to cash on hand and which are used in the cash management function, net of bank overdrafts.

1. Significant accounting policies (continued)

(xxii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration. If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the Consolidated Income Statement and the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised directly in equity.

(xxiii) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity instruments) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of interest-rate contracts is calculated as the present value of the estimated future cash flows. The fair value of cross currency interest rate swaps is determined using market based forward interest and exchange rates and the present value of estimated future cash flows. The fair value of foreign exchange options is determined using market rates and a present value calculation based on the Black Scholes method. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date and the present value of the estimated future cash flows. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(xxiv) Impairment of assets

The carrying amount of the Group's assets excluding defined benefit fund assets, inventories, deferred tax assets, goodwill and indefinite life intangible assets is reviewed at each reporting date to determine whether there is any evidence of impairment. If such indication exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount. Goodwill and indefinite life intangible assets are tested for impairment annually.

The recoverable amount of an asset (excluding receivables – refer to Note 1 (viii)) is determined as the higher of fair value less cost to sell and value in use. The recoverable amount is estimated for each individual asset or where it is not possible to estimate for individual assets, it is estimated for the cash generating unit to which the asset belongs.

A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets with each cash generating unit being no larger than a segment. In calculating recoverable amount, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit.

Cash flows are estimated for the asset in its present condition and therefore do not include cash inflows or outflows that improve or enhance the asset's performance or that may arise from future restructuring.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in the Consolidated Income Statement.

Impairment losses recognised in respect of cash-generating units ('CGUs') are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then, to reduce the carrying amount of the other assets in the unit.

(xxv) 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), except 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 acquisition of the asset or as part of an item of expense.

The net amount of GST recoverable from, or payable to, the relevant taxation authorities is included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authorities are classified as operating cash flows.

(xxvi) Accounting for the carbon pricing mechanism

The Group accounts for carbon emission units (carbon permits) under the Australian carbon pricing mechanism as follows:

- Purchased carbon permits are accounted for as intangible assets in accordance with AASB 138 Intangible Assets. Accordingly the permits are carried at cost unless an active market for the permits exists, in which case these could be carried at fair value. The fair value movements are recorded within an asset revaluation reserve within equity.
- Carbon permits under the Jobs and Competitiveness Program are accounted for as intangible assets acquired by way of a government grant when the permits are received from the government. In accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, both the permits and the grant are initially recognised at fair value. The grant is initially recorded as deferred revenue by the entity and will be recognised in the consolidated income statement on a systematic basis over the periods in which the entity recognises the emissions expense.

Carbon emission liabilities are recognised as emissions are generated and measured at the present value of carbon permits needed to extinguish the liability.

Carbon expense and deferred income from free carbon permits are recorded as part of the cost of inventory.

Carbon permit assets and carbon emission liabilities are disclosed on a gross basis in the consolidated statement of financial position.

(xxvii) Rounding of amounts

The Group is of a kind referred to in Class order 98/0100 (updated by Class Order 05/641 and Class Order 06/51), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the consolidated financial statements.

Amounts in the consolidated financial statements have been rounded off in accordance with that Class Order to the nearest one hundred thousand dollars, or in certain cases, the nearest one thousand dollars.

2. Critical accounting estimates and judgments

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.

Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the subsequent related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Management believes the following are the critical accounting policies and estimates used in the preparation of the consolidated financial statements:

- the testing for impairment of assets;
- the testing for impairment of goodwill;
- income tax related assumptions and estimates;
- provision for environmental, asset retirement obligation and restructuring liabilities;
- the calculation of annual superannuation and pension costs and related assets and liabilities; and
- employee entitlements.

(i) Impairment of assets

An asset is considered impaired when the recoverable amount is less than the carrying value. Recoverable amount is determined as the higher of fair value less costs to sell and value-in-use. In calculating value-in-use, the cash flows include projections of cash inflows and outflows from continuing use of the asset and cash flows associated with disposal of the asset. The cash flows are estimated for the asset in its current condition. In assessing value-in-use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or Cash Generating Unit (CGU). The identification of impairment indicators, the estimation of future cash flows and the determination of fair values of assets (or groups of assets) requires management to make significant estimates and judgments concerning the identification of impairment indicators, earnings before interest and tax, growth rates, applicable discount rates, useful lives and residual or terminal values.

The determination of impairment for property, plant and equipment, goodwill and other intangible assets involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in competitive positions, expectations of growth, changes in the cost of capital, current replacement costs, changes in the cost of inputs and other factors. Refer Note 1 (xxiv) for further details regarding the accounting policy regarding 'Impairment of assets'.

(ii) Impairment of goodwill

The Group tests annually whether goodwill has incurred any impairment, in accordance with the accounting policy stated in Note 1 (xiii) (a). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of assumptions, including forecast earnings before interest and tax, growth rates and discount rates. Refer to Note 18 for details of these assumptions and the potential impact of changes to the assumptions.

The assumptions are management's best estimates based on current and forecast market conditions. Changes in economic and operating conditions impacting these assumptions could result in additional impairment charges in future periods. Management believes that this policy is critical to the consolidated financial statements, particularly when evaluating the Group's goodwill for impairment. Varying results from this analysis are possible due to the significant estimates and judgments involved in the Group's evaluations.

(iii) Income taxes

The Group is subject to income taxes in Australia and overseas jurisdictions. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. In addition, deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which the assets can be utilised. The Group's assumptions regarding future realisation may change due to future operating performance and other factors.

(iv) Environmental and restructuring provisions

Provisions for environmental and restructuring redundancy liabilities are based on the Group's best estimate of the outflow of resources required to settle commitments made by the Group. Where the outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Consolidated Income Statement in the period in which such determination is made. Refer Note 1 (xvii) (a) & Note 1 (xvii) (g) to the consolidated financial statements for further details of the accounting policy relating to environmental and restructuring provisions. Also refer to Notes 6 and 23 for amounts recognised for environmental and restructuring provisions.

(v) Retirement benefit obligations

A liability or asset in respect of defined benefit superannuation and pension plans is recognised in the Consolidated Statement of Financial Position, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity. Refer Note 1 (xvii) (e) to the consolidated financial statements for further details of the accounting policy relating to retirement benefit obligations. Refer Note 25 of the consolidated financial statements for details of the key assumptions used in determining the accounting for these plans. The following are the main categories of assumptions used:

- discount rate;
- future rate of inflation;
- expected return on plan assets; and
- future salary increases.

(vi) Employee entitlements

The determination of the provisions required for employee entitlements is dependent on a number of assumptions including expected wage increases, length of employee service and bond rates. Refer to Note 1xvii (d) to the consolidated financial statements for further details of the accounting policy relating to employee entitlements. Also refer to Note 23 for amounts recognised for employee entitlements.

3. Segment report

(a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Group's Executive Team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management and are based on the market and region in which product is sold. Discrete financial information about each of these operating businesses is reported to the Executive Team on at least a monthly basis.

(b) Description of operating segments

Fertilisers:
Incitec Pivot Fertilisers (IPF): manufactures and distributes fertilisers in Eastern Australia. The products that IPF manufactures include Urea, Ammonia and Single Super Phosphate. IPF also imports products from overseas suppliers and purchases Ammonium Phosphates from Southern Cross International for resale.

Southern Cross International (SCI): manufactures Ammonium Phosphates, is a distributor of its manufactured fertiliser product to wholesalers in Australia (including IPF) and the export market. SCI also has a 65 percent share of the Hong Kong marketing company, Quantum Fertilisers Limited and operates an Industrial Chemicals business.

Fertilisers Elimination (Elim): represents the elimination of profit in stock arising from SCI sales to IPF.

Explosives:
Dyno Nobel Americas (DNA): principal activity is the manufacture and sale of industrial explosives and related products and services to the mining, quarrying and construction industries in the Americas (USA, Canada, Mexico and Chile) and Turkey, and the manufacture and sale of Agricultural chemicals.

Dyno Nobel Asia Pacific (DNAP): principal activity is the manufacture and sale of industrial explosives and related products and services to the mining industry in the Asia Pacific region.

Explosives Eliminations (Elim): represents eliminations of profit in stock arising from DNA sales to DNAP.

(c) Accounting policies and inter-segment transactions

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

Inter-entity sales are recognised based on an arm's length transfer price. The price aims to reflect what the business operation could achieve if they sold their output and services to external parties.

3. Segment report (continued)

(d) Reportable segments

30 September 2012	IPF $mill	SCI $mill	Elim $mill	Total Fertilisers $mill	DNAP $mill	DNA $mill	Elim $mill	Total Explosives $mill	Corp/Group Elim $mill	Consolidated Group $mill
Sales to external customers	**1,159.1**	**731.9**	**(160.3)**	**1,730.7**	**626.4**	**1,172.2**	**(28.4)**	**1,770.2**	**-**	**3,500.9**
Share of profits in associates and joint ventures accounted for by the equity method	**-**	**-**	**-**	**-**	**12.7**	**14.7**	**-**	**27.4**	**-**	**27.4**
Earnings before interest, related income tax expense, depreciation and amortisation and individually material items	**124.1**	**203.6**	**3.3**	**331.0**	**232.6**	**263.2**	**(2.0)**	**493.8**	**(69.9)**	**754.9**
Depreciation and amortisation	**(31.8)**	**(28.3)**	**-**	**(60.1)**	**(21.3)**	**(72.6)**	**-**	**(93.9)**	**(1.8)**	**(155.8)**
Earnings before interest, related income tax expense and individually material items	**92.3**	**175.3**	**3.3**	**270.9**	**211.3**	**190.6**	**(2.0)**	**399.9**	**(71.7)**	**599.1**
Net interest expense										**(55.5)**
Income tax expense										**(141.6)**
Profit after tax (excluding individually material items)										**402.0**
Non-controlling interest										**2.7**
Individually material items (net of tax)										**106.0**
Profit after tax										**510.7**

30 September 2011	IPF $mill	SCI $mill	Elim $mill	Total Fertilisers $mill	DNAP $mill	DNA $mill	Elim $mill	Total Explosives $mill	Corp/Group Elim $mill	Consolidated Group $mill
Sales to external customers	1,185.5	877.6	(193.8)	1,869.3	533.1	1,172.5	(27.5)	1,678.1	(2.1)	3,545.3
Share of profits in associates and joint ventures accounted for by the equity method	-	-	-	-	12.1	12.1	-	24.2	-	24.2
Earnings before interest, related income tax expense, depreciation and amortisation and individually material items	156.0	353.3	(3.7)	505.6	215.3	244.3	(0.4)	459.2	(44.5)	920.3
Depreciation and amortisation	(27.2)	(29.4)	-	(56.6)	(19.9)	(70.5)	-	(90.4)	(1.2)	(148.2)
Earnings before interest, related income tax expense and individually material items	128.8	323.9	(3.7)	449.0	195.4	173.8	(0.4)	368.8	(45.7)	772.1
Net interest expense										(58.2)
Income tax expense										(179.7)
Profit after tax (excluding individually material items)										534.2
Non-controlling interest										(4.1)
Individually material items (net of tax)										(66.9)
Profit after tax										463.2

3. Segment report (continued)

(e) Geographical information – secondary reporting segments

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

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

30 September 2012	Australia **$mill**	USA **$mill**	Canada **$mill**	Turkey **$mill**	Other/Elim **$mill**	Consolidated **$mill**
Revenue from external customers	**2,316.3**	**803.9**	**226.9**	**78.1**	**75.7**	**3,500.9**
Non-current assets other than financial instruments and deferred tax assets	**3,659.0**	**2,016.5**	**58.4**	**88.4**	**99.7**	**5,992.0**

30 September 2011	Australia $mill	USA $mill	Canada $mill	Turkey $mill	Other/Elim $mill	Consolidated $mill
Revenue from external customers	2,303.6	811.0	225.0	82.9	122.8	3,545.3
Non-current assets other than financial instruments and deferred tax assets	3,170.2	2,074.8	54.8	129.6	97.0	5,526.4

	Notes	Consolidated 2012 $mill	Consolidated 2011 $mill
4. Revenue and other income			
Revenue			
External sales	(1(iii))	**3,500.9**	3,545.3
Total revenue		**3,500.9**	3,545.3
Financial income			
Interest income from external parties		**9.7**	4.1
Interest income from jointly controlled entities	(33)	**1.4**	0.8
Total financial income		**11.1**	4.9
Other income			
Royalty income and management fees	(33)	**21.5**	20.7
Net gain on sale of property, plant and equipment	(28)	**4.8**	18.0
Other income		**3.0**	2.7
Total other income		**29.3**	41.4
Total financial and other income		**40.4**	46.3

5. Expenses

	Notes	2012 $mill	2011 $mill
Profit before income tax includes the following specific expenses:			
Depreciation & Amortisation			
depreciation	(17)	**131.5**	124.7
amortisation	(18)	**24.3**	23.5
	(28)	**155.8**	148.2
Recoverable amount write-down			
property, plant and equipment	(17),(28)	**6.5**	7.6
intangible assets	(18),(28)	**35.7**	-
		42.2	7.6
Amounts set aside to provide for			
impairment loss on trade and other receivables		**1.5**	5.9
employee entitlements		**7.7**	6.4
environmental liabilities	(23)	**61.7**	7.2
inventory losses and obsolescence		**1.5**	0.9
other provisions	(23)	**4.1**	4.1
restructuring	(23)	**1.9**	15.0
Net foreign exchange losses		**0.9**	1.8
Research and development expense		**9.0**	7.9
Defined contribution superannuation expense		**11.8**	15.8
Defined benefit superannuation/pension expense	(25)	**5.9**	5.0
Financial expenses			
Unwinding of discount on provisions and other payables	(28)	**25.3**	25.2
Interest expenses on financial liabilities		**41.1**	37.8
Gain on interest rate swaps designated as fair value hedges		**(11.0)**	(55.5)
Loss on adjustment to debt attributable to the hedged risk in a fair value hedge relationship		**11.0**	55.5
Interest expenses on financial liabilities with jointly controlled entities	(33)	**0.2**	0.1
Total financial expenses		**66.6**	63.1

		Consolidated					
		2012			2011		
		Gross	**Tax**	**Net**	Gross	Tax	Net
	Notes	**$mill**	**$mill**	**$mill**	$mill	$mill	$mill

6. Individually material items

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

	Notes	2012 Gross $mill	2012 Tax $mill	2012 Net $mill	2011 Gross $mill	2011 Tax $mill	2011 Net $mill
Business restructuring costs - Dyno Nobel Integration (1)							
restructuring and other direct costs		-	-	-	(25.9)	10.0	(15.9)
employee redundancies and allowances		-	-	-	(28.3)	9.4	(18.9)
Total business restructuring - Dyno Nobel Integration		-	-	-	(54.2)	19.4	(34.8)
Business restructuring costs - Manufacturing and Distribution (2)							
restructuring and other direct costs		-	-	-	(11.9)	3.5	(8.4)
employee redundancies and allowances		-	-	-	(4.4)	1.2	(3.2)
Total business restructuring - Manufacturing and Distribution		-	-	-	(16.3)	4.7	(11.6)
Other							
loss on sale and impairment of drilling businesses (3)		-	-	-	(41.1)	1.5	(39.6)
profit on sale of property, plant and equipment (4)		-	-	-	19.1	-	19.1
environmental costs at various sites (5)		**(58.5)**	**16.4**	**(42.1)**	-	-	-
reversal of Moranbah unfavourable contract liability (6)		**261.6**	**(78.5)**	**183.1**	-	-	-
impairment of intangible assets (7)		**(35.0)**	**-**	**(35.0)**	-	-	-
Total other		**168.1**	**(62.1)**	**106.0**	(22.0)	1.5	(20.5)
Individually material items	(9)	**168.1**	**(62.1)**	**106.0**	(92.5)	25.6	(66.9)

(1) Following the acquisition of Dyno Nobel Limited in 2008, restructuring and integration expenditure has been incurred including employee redundancy costs as well as IT expenditure in creating common networks and collaboration between sites.

(2) The impact of the Global Financial Crisis resulted in the Group changing its strategy in how it manages its manufacturing and distribution assets. The Group changed from a growth focus to a maintenance focus which resulted in a restructuring of manufacturing and distribution operations leading to redundancies, termination of capital projects and exiting/idling certain sites (Cockle Creek, Geelong, Maitland, Port Ewen and Battle Mountain).

(3) During 2011 the Group sold its 100 percent ownership interest in the Canadian drilling business DNX Castonguay Inc (Castonguay) for $1.5m. A loss on the sale of $35.1m (including foreign exchange losses) was recorded. Additionally, an impairment charge against property, plant and equipment of $6.0m was recognised in relation to other drilling businesses.

(4) Gain on sale of land.

(5) Environmental costs associated with ground water remediation and soil treatment at the Cockle Creek, Wallaroo and Maitland sites.

(6) Reversal of the Moranbah unfavourable contract liability of $183.1m (net of tax). The commencement of production of ammonium nitrate ("AN") at the Moranbah plant in the last quarter of the 2012 financial year replaced the requirement to import AN to service the foundation customer contracts, therefore removing the obligation to carry the liability for future years.

(7) Goodwill recognised on the acquisition of the 100 percent share of Nitromak DNX Kimya Sanayi A.S. (Nitromak) has been impaired to reflect lower European economic forecasts.

	Consolidated 2012 $000	Consolidated 2011 $000
7. Auditor's remuneration		
Fees payable to the Group's auditor for assurance services		
Audit of the Group's annual report (1)	**914.9**	906.9
Audit of subsidiaries (2)	**546.5**	558.9
Audit-related assurance services (3)	**180.0**	221.0
Total current year assurance services	**1,641.4**	1,686.8
Assurance services related to subsidiary audits of prior periods (4)	**105.5**	-
Total assurance services	**1,746.9**	1,686.8
Fees payable to the Group's auditor for other services		
Other services relating to taxation	**86.1**	7.8
Other services relating to debt issuance	**-**	252.0
All other services (5)	**84.4**	121.7
Total other services	**170.5**	381.5
Total fees paid to Group auditor	**1,917.4**	2,068.3
Fees payable for assurance services to other auditors of the Group		
Audit of subsidiaries (2)	**-**	62.7
Total audit fees	**1,917.4**	2,131.0
- Payable to Australian Group auditor firm	**1,672.9**	1,471.3
- Payable to International Group auditor associates	**244.5**	597.0

From time to time, the auditors provide other services to the Group, which are subject to strict corporate governance procedures adopted by the Group which encompass the selection of service providers and the setting of their remuneration. The Board 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.

The Group changed its statutory auditor in 2012. References to the Group’s auditor for 2012 relate to the newly appointed firm Deloitte Touche Tohmatsu and its overseas associates. KPMG and its overseas associates was the Group’s auditor in 2011.

(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 audits of standalone financial statements for subsidiaries related to prior years.
(5) Comprises non-statutory based assurance procedures.

	Consolidated 2012 $mill	Consolidated 2011 $mill
8. Income tax expense		
(a) Income tax expense		
Current tax		
Current year	**40.2**	105.4
Under / (Over) provision in prior years	**5.7**	(0.5)
	45.9	104.9
Deferred tax		
Origination and reversal of temporary differences	**157.8**	49.2
Total income tax expense	**203.7**	154.1
(b) Reconciliation of income tax expense and pre-tax accounting profit		
Profit before income tax	**711.7**	621.4
Income tax expense attributable to profit before income tax		
Tax at the Australian tax rate of 30 percent (2011 at 30%) on profit before income tax	**213.5**	186.4
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Research and development incentive	**(2.5)**	(5.5)
Participation facility	**(14.5)**	(15.6)
Valuation allowances	**-**	7.6
Impairment of intangible assets	**10.5**	-
Sundry items	**(12.1)**	(21.4)
	194.9	151.5
Difference in overseas tax rates	**3.1**	3.1
Under / (Over) provision in prior years	**5.7**	(0.5)
Income tax expense attributable to profit	**203.7**	154.1
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or charged to equity		
Net deferred tax - debited directly to equity	**6.6**	37.2
	6.6	37.2

	Notes	Consolidated 2012 Cents per share	2011 Cents per share
9. Earnings per share (EPS)			
Basic earnings per share			
including individually material items		**31.4**	28.4
excluding individually material items		**24.8**	32.5
Diluted earnings per share (1)			
including individually material items		**31.4**	28.4
excluding individually material items		**24.8**	32.5
		Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share (2)		**1,628,730,107**	1,628,730,107

(1) The total number of rights on issue (refer Note 35) are not dilutive to IPL's earnings per share.

(2) No shares were issued during the year ended 30 September 2012 (2011: nil), refer Note 26.

	Notes	Consolidated 2012 $mill	2011 $mill
Profit attributable to ordinary shareholders		**510.7**	463.2
Reconciliation of earnings used in the calculation of basic and diluted earnings per share excluding individually material items			
Profit attributable to ordinary shareholders		**510.7**	463.2
Individually material items after income tax	(6)	**(106.0)**	66.9
Profit attributable to ordinary shareholders excluding individually material items		**404.7**	530.1

10. Cash and cash equivalents

	Notes	2012 $mill	2011 $mill
Cash at bank and on hand		**77.4**	95.5
Deposits at call			
external		**76.7**	284.2
	(28),(32)	**154.1**	379.7

	Notes	Consolidated 2012 $mill	2011 $mill
11. Trade and other receivables			
Current			
Trade debtors			
external		**348.1**	417.1
jointly controlled entities and associates	(33)	**17.5**	26.6
Less impairment losses			
external	(32)	**(8.5)**	(12.2)
	(32)	**357.1**	431.5
Sundry debtors / loans			
external		**7.6**	5.0
jointly controlled entities and associates	(33)	**8.2**	15.4
	(32)	**15.8**	20.4
		372.9	451.9
Non-current			
Sundry debtors / loans			
external		**2.7**	2.7
jointly controlled entities and associates		**21.5**	13.4
	(32)	**24.2**	16.1

12. Inventories

	2012 $mill	2011 $mill
Raw materials and stores at cost	**74.7**	52.1
Work in progress at cost	**44.5**	45.0
Finished goods		
at cost	**292.7**	388.1
less provision for inventory losses, obsolescence and net realisable value	**(8.2)**	(7.3)
Finished goods	**284.5**	380.8
	403.7	477.9

13. Other assets

	2012 $mill	2011 $mill
Current		
Prepayments	**28.0**	26.3
Other	**29.4**	4.9
	57.4	31.2
Non-current		
Prepayments	**0.4**	13.0
Other	**17.3**	4.5
	17.7	17.5

	Notes	Consolidated 2012 $mill	2011 $mill
14. Other financial assets			
Current			
Derivatives designated and effective as hedging instruments carried at fair value			
cross currency swaps	(32)	**15.4**	35.4
option contracts	(32)	**9.6**	5.4
forward exchange contracts	(32)	**7.2**	-
		32.2	40.8
Non-current			
Financial assets carried at fair value through Other Comprehensive Income			
investments - equity instruments	(32)	**3.6**	10.1
Derivatives designated and effective as hedging instruments carried at fair value			
interest rate swaps	(32)	**45.4**	42.8
cross currency swaps	(32)	**0.5**	-
		49.5	52.9

Sensitivity analysis – equity price risk

Equity investments are listed on the Australian Securities Exchange. A 5 percent increase in the share price of these equities at the reporting date would have increased equity (pre-tax) by $0.2m (2011: $0.5m); an equal decrease would have decreased equity (pre-tax) by $0.2m (2011: $0.5m).

15. Assets classified as held for sale

	2012 $mill	2011 $mill
Land and buildings held for sale	**0.2**	1.9
Machinery, plant and equipment held for sale	**-**	4.6
	0.2	6.5

Assets classified as held for sale consist of various sites which are either vacant land or sites which the Group has already exited or is planning to dispose of within the next 12 months.

16. Investments accounted for using the equity method

Name of Entity	Principal Activity	Ownership interest	Country of incorporation
Jointly controlled entities			
Alpha Dyno Nobel Inc	Delivery of explosives and related products	50%	USA
Boren Explosives Co., Inc.	Delivery of explosives and related products	50%	USA
Buckley Powder Co.(1)	Delivery of explosives and related products	51%	USA
IRECO Midwest Inc.	Delivery of explosives and related products	50%	USA
Wampum Hardware Co.	Delivery of explosives and related products	50%	USA
Midland Powder Company	Delivery of explosives and related products	50%	USA
Mine Equipment & Mill Supply Company	Delivery of explosives and related products	50%	USA
Controlled Explosives Inc.	Delivery of explosives and related products	50%	USA
Western Explosives Systems Company	Delivery of explosives and related products	50%	USA
Newfoundland Hard-Rok Inc.	Delivery of explosives and related products	50%	Canada
Dyno Nobel Labrador Inc.	Delivery of explosives and related products	50%	Canada
Quantum Explosives Inc.	Inactive	50%	Canada
Dene Dyno Nobel Inc.	Delivery of explosives and related products	49%	Canada
Qaaqtuq Dyno Nobel Inc.(2)	Delivery of explosives and related products	49%	Canada
Denesoline Western Explosives Inc.(3)	Delivery of explosives and related products	49%	Canada
Queensland Nitrates Pty Ltd (4)	Production of ammonium nitrate	50%	Australia
Queensland Nitrates Management Pty (4)	Management services	50%	Australia
DetNet International Limited	Distribution of electronic detonators	50%	Ireland
DetNet South Africa (Pty) Ltd	Development, manufacture and supply of electronic detonators	50%	South Africa
DNEX Mexico, S. De R.L. de C.V.	Mexican investment holding company	49%	Mexico
Explosivos De La Region Lagunera, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico
Explosivos De La Region, Central, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico
Nitro Explosivos de Ciudad Guzman, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico
Explosivos Y Servicios Para La Construccion, S.A. de C.V.	Distribution of explosives and related products	49%	Mexico
Tenaga Kimia Ensign-Bickford Sdn Bhd	Manufacture of explosive accessories	50%	Malaysia
Sasol Dyno Nobel (Pty) Ltd (4)	Distribution of detonators	50%	South Africa

(1) Refer to footnote description on next page
(2) Refer to footnote description on next page
(3) Refer to footnote description on next page
(4) Refer to footnote description on next page

16. Investments accounted for using the equity method (continued)

Name of Entity	Principal Activity	Ownership interest	Country of incorporation
Associates			
Labrador Maskuau Ashini Ltd	Delivery of explosives and related products	25%	Canada
Fabchem China Ltd (5)	Manufacture of commercial explosives	30%	Singapore
Valley Hydraulics Inc.	Delivery of explosives and related products	25%	Canada
Apex Construction Specialities Inc.	Delivery of explosives and related products	25%	Canada
Innu Namesu Ltd	Delivery of explosives and related products	25%	Canada
Warex Corporation	Delivery of explosives and related products	25%	USA
Warex LLC	Delivery of explosives and related products	25%	USA
Maine Drilling and Blasting Group (6)	Drilling and blasting	49%	USA
Independent Explosives	Delivery of explosives and related products	49%	USA

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

(2) Due to legal requirements in the Canadian Northwest Territories, the Group cannot own more than 49 percent of the 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 the shares in Denesoline Western Explosives Inc. However, under the joint venture agreement, the Group is entitled to 95 percent of the profit of Denesoline Western Explosives Inc.

(4) These jointly controlled entities have a 30 June financial year end. For the purpose of applying the equity method of accounting, the unaudited financial information through to 30 September 2012 has been used.

(5) Fabchem China Ltd has a 31 March financial year end. For the purpose of applying the equity method of accounting, the unaudited financial information through to 30 September 2012 has been used.

(6) A 49 percent interest in the Maine Drilling and Blasting Group was acquired in December 2011.

16. Investments accounted for using the equity method (continued)

Summarised financial information of jointly controlled entities and associates:

		Consolidated	
		2012	2011
	Notes	**$mill**	$mill
Current assets		**325.1**	264.4
Non-current assets		**356.1**	297.2
Total assets		**681.2**	561.6
Current liabilities		**150.0**	139.7
Non-current liabilities		**90.4**	81.4
Total liabilities		**240.4**	221.1
Net assets		**440.8**	340.5
Revenue		**866.9**	723.3
Net profit after tax		**52.6**	48.8
Share of jointly controlled entities and associates' profit:			
Share of jointly controlled entities and associates' profit before tax		**39.8**	36.5
Share of jointly controlled entities and associates' income tax expense		**(12.4)**	(12.3)
Share of jointly controlled entities and associates' profit	(28)	**27.4**	24.2
Carrying amount of investments in jointly controlled entities and associates			
Carrying amount at the beginning of the year		**257.1**	256.5
Share of net profit from jointly controlled entities and associates		**27.4**	24.2
Share in Joint ventures acquired during the year		**32.7**	-
Share in Joint ventures transferred to controlled entities		**(8.6)**	-
Dividends received / receivable	(33)	**(6.8)**	(8.6)
Elimination of profit on transactions with jointly controlled entities and associates		**(1.7)**	(2.4)
Foreign exchange movement		**(7.3)**	(12.6)
Carrying amount at end of the financial year		**292.8**	257.1

The Group's share of capital commitments, other expenditures and contingent liabilities are disclosed in Notes 29 and 30.

17. Property, plant and equipment

Consolidated	Notes	Freehold land and buildings $mill	Machinery, plant and equipment $mill	Construction in progress $mill	Total $mill
At 1 October 2010					
Cost		449.4	1,471.1	586.0	2,506.5
Accumulated depreciation		(141.1)	(521.3)	-	(662.4)
Net book amount		308.3	949.8	586.0	1,844.1
Year ended 30 September 2011					
Opening net book amount		308.3	949.8	586.0	1,844.1
Reclassification (to) / from fixed assets classified as held for sale		2.9	(0.3)	-	2.6
Additions		3.9	18.8	589.5	612.2
Disposals		(10.0)	(23.2)	(1.7)	(34.9)
Depreciation charge	(5)	(13.1)	(111.6)	-	(124.7)
Impairment of assets	(5)	-	(7.6)	-	(7.6)
Reclassification		22.9	126.3	(149.2)	-
Foreign exchange movement		(2.6)	(3.0)	(2.8)	(8.4)
Closing net book amount		312.3	949.2	1,021.8	2,283.3
At 1 October 2011					
Cost		461.3	1,518.7	1,021.8	3,001.8
Accumulated depreciation		(149.0)	(569.5)	-	(718.5)
Net book amount		312.3	949.2	1,021.8	2,283.3
Year ended 30 September 2012					
Opening net book amount		**312.3**	**949.2**	**1,021.8**	**2,283.3**
Reclassification from fixed assets classified as held for sale		**2.0**	**4.0**	**-**	**6.0**
Additions		**19.1**	**40.4**	**566.7**	**626.2**
Disposals		**(2.1)**	**(0.7)**	**-**	**(2.8)**
Depreciation charge	(5)	**(14.5)**	**(117.0)**	**-**	**(131.5)**
Impairment of assets	(5)	**-**	**(6.5)**	**-**	**(6.5)**
Reclassification		**26.7**	**90.2**	**(116.9)**	**-**
Subsidiaries acquired		**0.4**	**2.0**	**-**	**2.4**
Foreign exchange movement		**(6.4)**	**(28.1)**	**(4.1)**	**(38.6)**
Closing net book amount		**337.5**	**933.5**	**1,467.5**	**2,738.5**
At 30 September 2012					
Cost		**498.1**	**1,569.9**	**1,467.5**	**3,535.5**
Accumulated depreciation		**(160.6)**	**(636.4)**	**-**	**(797.0)**
Net book amount		**337.5**	**933.5**	**1,467.5**	**2,738.5**

Property, plant and equipment impairment

During the year ended 30 September 2012 impairment of property, plant and equipment occurred to the value of $6.5m (2011: $7.6m) as a result of the Group's fixed asset verification procedures, the abandonment of certain assets and assets identified where the recoverable amount is less than carrying value.

Capitalised interest

During the year ended 30 September 2012 interest of $65.6m (2011: $52.1m) was capitalised relating to interest bearing liabilities used specifically to fund qualifying assets (expansion projects) as defined under AASB 123 *Borrowing Costs.*

18. Intangible assets

Consolidated	Notes	Software $mill	Goodwill $mill	Patents, Trademarks & Customer Contracts $mill	Brand Names $mill	Total $mill
At 1 October 2010						
Cost		60.4	2,560.9	220.6	238.4	3,080.3
Accumulated amortisation		(30.5)	-	(39.8)	-	(70.3)
Net book amount		29.9	2,560.9	180.8	238.4	3,010.0
Year ended 30 September 2011						
Opening net book amount		29.9	2,560.9	180.8	238.4	3,010.0
Additions		5.2	-	-	-	5.2
Amortisation charge	(5)	(7.3)	-	(16.2)	-	(23.5)
Foreign exchange movement		(0.2)	(44.3)	(2.1)	(2.8)	(49.4)
Closing net book amount		27.6	2,516.6	162.5	235.6	2,942.3
At 1 October 2011						
Cost		65.3	2,516.6	218.3	235.6	3,035.8
Accumulated amortisation		(37.7)	-	(55.8)	-	(93.5)
Net book amount		27.6	2,516.6	162.5	235.6	2,942.3
Year ended 30 September 2012						
Opening net book amount		**27.6**	**2,516.6**	**162.5**	**235.6**	**2,942.3**
Acquisition of business		**-**	**-**	**12.8**	**-**	**12.8**
Additions		**1.8**	**-**	**-**	**-**	**1.8**
Impairment of intangible assets	(5)	**-**	**(35.0)**	**(0.7)**	**-**	**(35.7)**
Amortisation charge	(5)	**(7.7)**	**-**	**(16.6)**	**-**	**(24.3)**
Foreign exchange movement		**(1.0)**	**(31.8)**	**(6.8)**	**(12.1)**	**(51.7)**
Closing net book amount		**20.7**	**2,449.8**	**151.2**	**223.5**	**2,845.2**
At 30 September 2012						
Cost		**65.3**	**2,449.8**	**221.1**	**223.5**	**2,959.7**
Accumulated amortisation		**(44.6)**	**-**	**(69.9)**	**-**	**(114.5)**
Net book amount		**20.7**	**2,449.8**	**151.2**	**223.5**	**2,845.2**

18. Intangible assets (continued)

(a) Allocation of goodwill

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

	Goodwill	**Brand Names**	**Total**	Goodwill	Brand Names	Total
	2012	**2012**	**2012**	2011	2011	2011
	$mill	**$mill**	**$mill**	$mill	$mill	$mill
Incitec Pivot Fertilisers (IPF)	**183.8**	**-**	**183.8**	183.8	-	183.8
Southern Cross International (SCI)	**1.8**	**-**	**1.8**	1.9	-	1.9
Dyno Nobel Asia Pacific (DNAP)	**1,132.4**	**40.3**	**1,172.7**	1,091.0	40.3	1,131.3
Dyno Nobel Americas (DNA)	**1,053.7**	**180.2**	**1,233.9**	1,119.8	192.3	1,312.1
Nitromak	**78.1**	**3.0**	**81.1**	120.1	3.0	123.1
	2,449.8	**223.5**	**2,673.3**	2,516.6	235.6	2,752.2

(b) Impairment testing

The carrying amount of goodwill and intangible assets with indefinite lives is tested for impairment annually at 30 September and all other assets are tested when there is an indicator that an asset may be impaired. If an asset is deemed to be impaired it is written down to its recoverable amount. The recoverable amount is based on the higher of fair value less costs to sell and value-in-use. Value-in-use is determined using cash flow projections based on financial forecasts for a period of five years as approved by the Board and a terminal value calculation. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGUs.

(c) Key assumptions used for value-in-use calculations

Key assumptions used to test for impairment, include:

	Terminal Growth Rate		**Discount Rate***	
	2012	2011	**2012**	2011
	%	%	**%**	%
IPF	**0.0**	0.0	**9.0**	9.0
SCI	**0.0**	0.0	**9.0**	9.0
DNAP	**2.5**	2.5	**9.0**	9.0
DNA	**2.5**	2.5	**9.0**	9.0
Nitromak	**2.5**	2.5	**15.5**	15.5

* The post-tax discount rate used reflects underlying cost of capital adjusted for market risk.

(d) Intangible asset impairment

As a result of the impairment review, the Group recognised a non-cash impairment charge of $35.0m in the year ended 30 September 2012 (2011: $nil). The charge related to the write-off of goodwill in relation to the Nitromak CGU.

19. Deferred tax assets

	Notes	Consolidated 2012 $mill	Consolidated 2011 $mill
The balance comprises temporary differences attributable to:			
Impairment of trade and other receivables		**1.3**	0.5
Employee entitlements provision		**17.9**	15.4
Retirement benefit obligations		**37.6**	37.1
Restructuring and rationalisation provision		**2.0**	5.3
Environmental provision		**34.2**	23.9
Other provisions		**10.2**	13.9
Inventories		**1.3**	3.4
Property, plant and equipment		**34.1**	32.5
Foreign exchange losses		**4.1**	3.3
Cash flow hedges		**-**	0.2
Unfavourable supplier contracts		**6.3**	105.0
Tax losses		**29.1**	44.3
Other		**27.2**	23.9
Deferred tax assets		**205.3**	308.7
Set-off of deferred tax liabilities pursuant to set-off provisions	(24)	**(180.3)**	(264.0)
Net deferred tax assets		**25.0**	44.7
Movements:			
Opening balance at 1 October		**308.7**	364.1
Credited to the Income Statement		**(109.7)**	(65.6)
Credited to equity		**8.2**	18.0
Foreign exchange movement		**(10.2)**	(1.4)
Adjustments in respect of prior years		**8.3**	(6.4)
Closing balance at 30 September		**205.3**	308.7

	Notes	Consolidated 2012 $mill	Consolidated 2011 $mill
20. Trade and other payables			
Current			
Trade creditors			
external		**453.0**	463.0
bill of exchange		**142.5**	162.6
jointly controlled entities and associates	(33)	**5.2**	4.5
		600.7	630.1
Sundry creditors and accrued charges			
external		**207.1**	176.3
jointly controlled entities and associates	(33)	**0.2**	0.1
unfavourable sales / supplier contracts		**9.5**	68.6
		216.8	245.0
		817.5	875.1
Non-current			
Sundry creditors and accrued charges			
external		**5.6**	0.6
unfavourable sales / supplier contracts		**11.5**	281.3
		17.1	281.9

Unfavourable contracts

Unfavourable contracts were recognised as part of the acquisition of Southern Cross Fertilisers Pty Ltd in 2006 and the acquisition of Dyno Nobel Limited in 2008. The liability was measured at acquisition date based on the unfavourable difference between the market rate and contractual rate with suppliers and customers and multiplying it by the volumes required to be purchased / supplied as specified in the contracts. Where contract terms are greater than one year, cash flows are discounted by applying a pre-tax interest rate equivalent to the Group's cost of debt. The liability is amortised based on contracted volumes determined in measuring the liability at acquisition date over the life of the contracts.

Amortisation of the Moranbah unfavourable customer contract liability recorded in the Consolidated Income Statement for the year ended 30 September 2012 was $42.0m (2011: $47.5m). The balance of the unfavourable contract liability ($183.1m) relating to future years was released at 30 September 2012. Refer to Note 6.

Significant terms and conditions

Trade creditors, including expenditures not yet billed, are recognised when the Group becomes obliged to make future payments as a result of a purchase of goods or services. Trade payables are normally settled within 62 days from invoice date, month end or within the agreed payment terms with the supplier.

Net fair values

The directors consider that the carrying amount of trade creditors and other payables approximate their net fair values.

	Notes	Consolidated 2012 $mill	2011 $mill
21. Interest bearing liabilities			
Current			
Secured			
bank loans			
participation facilities		**104.1**	77.0
Unsecured			
bank loans		**6.7**	9.6
other loans			
jointly controlled entities and associates (1)		**14.9**	9.1
	(32)	**125.7**	95.7
Non-current			
Secured			
bank loans			
participation facilities		**24.0**	114.1
lease liability		**0.1**	0.1
Unsecured			
fixed interest rate bonds		**1,291.2**	1,358.6
	(32)	**1,315.3**	1,472.8

(1) Loans from jointly controlled entities and associates relate to unsecured loans from joint venture Wampum Hardware Co.

During the year, the Group did not undertake any new financing activities.

Significant terms and conditions

Interest expense is recognised progressively over the life of the facilities.

Fixed Interest Rate Bonds

The Group has on issue the following Fixed Interest Rate Bonds in the US 144A / Regulation S debt capital market:

- US$800.0m 10 year bond denominated in USD, with a fixed rate semi-annual coupon of 6 percent, maturing in December 2019.
- US$500.0m 5 year bond denominated in USD, with a fixed rate semi-annual coupon of 4 percent, maturing in December 2015.

Bank Facility

The Bank Facility is a A$900.0m three year revolving facility that may be drawn in either AUD or USD with a maturity of April 2014. At 30 September 2012, the drawn balance was nil.

Participation Facilities

The Participation Facilities mature in June 2013 and September 2014. The carrying amount of the facilities is A$128.1m and is secured against certain assets operated by Southern Cross Fertilisers Pty Ltd. The facilities are denominated in AUD and have fixed nominal interest rates of 8.93 percent and 9.63 percent respectively for the term of the facilities.

	Notes	Consolidated 2012 $mill	2011 $mill
22. Other financial liabilities			
Current			
Derivatives designated and effective as hedging instruments carried at fair value			
option contracts	(32)	**9.6**	-
forward exchange contracts	(32)	**5.2**	0.6
		14.8	0.6
Non-Current			
Derivatives designated and effective as hedging instruments carried at fair value			
cross currency swaps	(32)	**-**	2.9
		-	2.9

23. Provisions

	2012	2011
Current		
Employee entitlements	**41.9**	27.6
Restructuring and rationalisation	**10.2**	21.7
Environmental	**64.9**	41.0
Asset retirement obligation	**2.0**	2.4
Other	**3.8**	5.6
	122.8	98.3
Non-current		
Employee entitlements	**7.4**	12.2
Restructuring and rationalisation	**1.0**	2.1
Environmental	**45.8**	31.6
Asset retirement obligation	**20.3**	16.9
Other	**-**	1.0
	74.5	63.8
Aggregate employee entitlements		
Current	**41.9**	27.6
Non-current	**7.4**	12.2
	49.3	39.8

The present value of the Group's employee entitlements not expected to be settled within 12 months of reporting date has been calculated using the following assumptions:

Assumed rate of increase in wage and salary rates	**3.5% + age based scale**
Average discount rate (risk free rate)	**2.93%**
Settlement term	**10 years**

	2012 Number	2011 Number
Employees at year end		
Full time equivalent	**5,242**	4,910

23. Provisions (continued)

Reconciliations
Reconciliations of the carrying amounts of provisions from the beginning to the end of the current financial year are set out below.

	Notes	Consolidated 2012 $mill
Current Provision - Dividends		
Carrying amount at the beginning of the financial year		**-**
Provisions made during the year		**187.3**
Payments made during the year	(27)	**(187.3)**
Carrying amount at the end of the financial year		**-**
Current Provision - Restructuring and rationalisation		
Carrying amount at the beginning of the financial year		**21.7**
Provisions made during the year	(5)	**1.9**
Provisions written back during the year		**(3.2)**
Payments made during the year		**(10.8)**
Transfers from non-current		**1.1**
Foreign currency exchange differences		**(0.5)**
Carrying amount at the end of the financial year		**10.2**
Current Provision - Environmental		
Carrying amount at the beginning of the financial year		**41.0**
Provisions made during the year	(5)	**39.5**
Payments made during the year		**(21.3)**
Transfers from non-current		**6.6**
Foreign currency exchange differences		**(0.9)**
Carrying amount at the end of the financial year		**64.9**
Current Provision - Asset retirement obligations		
Carrying amount at the beginning of the financial year		**2.4**
Provisions made during the year	(5)	**0.8**
Payments made during the year		**(0.4)**
Transfers to non-current		**(0.8)**
Carrying amount at the end of the financial year		**2.0**
Current Provision - Other		
Carrying amount at the beginning of the financial year		**5.6**
Provisions made during the year	(5)	**0.5**
Provisions written back during the year		**(3.2)**
Payments made during the year		**(0.2)**
Subsidiaries acquired		**0.4**
Transfers from non-current		**1.0**
Foreign currency exchange differences		**(0.3)**
Carrying amount at the end of the financial year		**3.8**

See Note 1(xvii) for further details on the provisions noted above.

23. Provisions (continued)

Reconciliations (continued)	Notes	Consolidated 2012 $mill
Non-current Provision - Restructuring and rationalisation		
Carrying amount at the beginning of the financial year		**2.1**
Transfers to current		**(1.1)**
Carrying amount at the end of the financial year		**1.0**
Non-current Provision - Environmental		
Carrying amount at the beginning of the financial year		**31.6**
Provisions made during the year	(5)	**22.2**
Transfers to current		**(6.6)**
Discount unwind		**(0.6)**
Foreign currency exchange differences		**(0.8)**
Carrying amount at the end of the financial year		**45.8**
Non-current Provision - Asset retirement obligations		
Carrying amount at the beginning of the financial year		**16.9**
Provisions made during the year	(5)	**2.8**
Transfers from current		**0.8**
Discount unwind		**(0.1)**
Foreign currency exchange differences		**(0.1)**
Carrying amount at the end of the financial year		**20.3**
Non-current Provision - Other		
Carrying amount at the beginning of the financial year		**1.0**
Transfers to current		**(1.0)**
Carrying amount at the end of the financial year		**-**

See Note 1(xvii) for further details on the provisions noted above.

24. Deferred tax liabilities

	Notes	Consolidated 2012 $mill	Consolidated 2011 $mill
The balance comprises temporary differences attributable to:			
Inventories		**0.7**	2.5
Property, plant and equipment		**265.8**	210.7
Intangible assets		**101.0**	111.5
Foreign exchange gains		**22.3**	10.5
Other		**161.8**	124.1
Deferred tax liabilities		**551.6**	459.3
Set-off of deferred tax liabilities pursuant to set-off provisions	(19)	**(180.3)**	(264.0)
Net deferred tax liabilities		**371.3**	195.3
Movements			
Opening balance at 1 October		**459.3**	380.3
Credited to the Income Statement		**48.1**	(16.4)
Charged to equity		**14.8**	55.2
Foreign exchange movements		**(21.6)**	(3.1)
Adjustments in respect of prior years		**51.0**	43.3
Closing balance at 30 September		**551.6**	459.3

25. Retirement benefit obligations

(a) Information on plans

The Group operates a number of defined benefit plans to provide benefits for employees and their dependents on retirement, disability or death. In the Americas (comprising Canada, USA and Mexico), several defined benefit pension plans are in operation. Contributions to the plans are determined by actuarial valuation using the projected unit credit method.

The Company is the sponsoring employer of the Incitec Pivot Employees Superannuation Fund ('the Fund"), a defined benefit superannuation fund which consists of a defined contribution section of membership as well as a defined benefit section. The Fund also pays pensions to a number of pensioners.

The key assumptions and amounts recognised in the Consolidated Income Statement and Consolidated Statement of Financial Position are set out below.

(b) Reconciliation of the present value of the defined benefit obligation

		Consolidated	
		2012	2011
	Notes	**$mill**	$mill
Present value of defined benefit obligations at beginning of the year		**304.4**	287.6
Current service cost		**6.7**	6.2
Past service benefit		**-**	(0.8)
Interest cost		**13.1**	13.4
Actuarial losses		**33.9**	15.1
Contributions by plan participants		**1.0**	1.1
Benefits paid		**(18.3)**	(15.0)
Foreign exchange differences on foreign plans		**(14.2)**	(3.2)
Present value of defined benefit obligations at end of the year		**326.6**	304.4

(c) Reconciliation of the fair value of plan assets

Fair value of plan assets at beginning of the year		**189.1**	192.3
Expected return on plan assets		**13.9**	13.8
Actuarial gains / (losses)		**17.4**	(14.4)
Employer contributions		**19.7**	14.5
Contributions by plan participants		**1.0**	1.1
Benefits paid		**(18.3)**	(15.0)
Foreign exchange differences on foreign plans		**(7.8)**	(3.2)
Fair value of plan assets at end of the year		**215.0**	189.1

(d) Reconciliation of assets and liabilities recognised in the Consolidated Statement of Financial Position

Present value of funded defined benefit obligations at end of the year		**324.9**	303.4
Tax provision		**1.7**	1.0
Total value of funded defined benefit obligations at end of the year		**326.6**	304.4
Fair value of plan assets at end of the year		**(215.0)**	(189.1)
Net liability recognised in the Consolidated Statement of Financial Position at end of the year		**111.6**	115.3

(e) Expense recognised in Consolidated Income Statement

Current service cost		**6.7**	6.2
Past service benefit		**-**	(0.8)
Interest cost		**13.1**	13.4
Expected return on plan assets		**(13.9)**	(13.8)
Expense recognised in Consolidated Income Statement	(5)	**5.9**	5.0

25. Retirement benefit obligations (continued)

	Consolidated 2012 $mill	Consolidated 2011 $mill
(f) Amounts recognised in the Consolidated Statement of Comprehensive Income		
Actuarial losses (before income tax)	**16.5**	29.5
(g) Cumulative amount recognised in the Consolidated Statement of Comprehensive Income		
Cumulative amount of actuarial losses (before income tax)	**131.6**	115.1
(h) Plan assets		
The percentage invested in each asset class at the reporting date:		
Equities	**58%**	66%
Fixed Interest Securities	**28%**	21%
Property	**8%**	7%
Other	**6%**	6%

(i) Fair value of plan assets

The fair value of plan assets includes no amounts relating to:
- any of the Group's own financial instruments
- any property occupied by, or other assets used by, the Group

(j) Expected rate of return on plan assets

The overall expected rate of return on assets assumption is determined by weighting the expected long-term rate of return for each asset class by the target allocation of assets to each class. The rates of return used for each class are net of investment tax and investment fees.

	2012	2011
(k) Actual return on plan assets		
Actual return on plan assets	**32.0**	(0.6)
(l) Principal actuarial assumptions at the reporting date	**%**	%
Discount rate (net of tax)	**3.3 - 6.5**	4.2 - 8.0
Expected rate of return on plan assets	**7.0 - 7.8**	7.0 - 7.8
Future salary increases	**2.0 - 5.0**	2.0 - 5.0
Medical cost trend rate	**4.0 - 9.5**	4.0 - 10.0
Future inflation	**2.5 - 2.8**	2.5 - 4.0
(m) Expected contributions		
Expected contributions in year ending 30 September 2012		
Expected employer contributions	**19.6**	
Expected contribution by plan participants	**0.4**	

(n) Historical information

	2012 $mill	2011 $mill	2010 $mill	2009 $mill	2008 $mill
Present value of defined benefit obligation	**326.6**	304.4	287.6	288.4	287.7
Fair value of plan assets	**(215.0)**	(189.1)	(192.3)	(196.8)	(220.9)
Deficit in plan	**111.6**	115.3	95.3	91.6	66.8
Experience adjustment - plan liabilities	**0.3**	7.0	(2.2)	3.7	7.9
Experience adjustment - plan assets	**(11.7)**	6.2	3.0	(2.9)	(10.9)

	Consolidated 2012 $mill	Consolidated 2011 $mill
26. Issued capital		
Share Capital		
Ordinary shares authorised and issued - 1,628,730,107 (2011: 1,628,730,107) (1)	**3,265.9**	3,265.9
	3,265.9	3,265.9

(1) Ordinary shares authorised and issued have no par value.

Terms and conditions
Holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at shareholders' meetings.

Shares issued during financial year
There were no movements in issued and fully paid ordinary shares of the Company during the financial year.

	Notes	Company 2012 $mill	Company 2011 $mill
27. Dividends			
Dividends paid or declared in respect of the year ended 30 September were:			
Ordinary Shares			
Final dividend of 6.0 cents per share, unfranked, paid 17 December 2010		**-**	97.7
Interim dividend of 3.3 cents per share, unfranked, paid 5 July 2011		**-**	53.7
Final dividend of 8.2 cents per share, unfranked, paid 16 December 2011		**133.6**	-
Interim dividend of 3.3 cents per share, 50 percent franked at the 30 percent corporate rate, paid 3 July 2012		**53.7**	-
Total ordinary share dividends	(23)	**187.3**	151.4

Subsequent event
Since the end of the financial year, the directors have determined to pay the following dividend:

- Final dividend of 9.1 cents per share, 75 percent franked at the 30 percent corporate tax rate, to be paid on 14 December 2012. The total dividend payment will be $148.2m.

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

Franking credits
Franking credits available to shareholders of the Group amount to $62.6m (2011: $13.8m) at the 30 percent (2011: 30%) corporate tax rate. The final dividend for 2012 is 75 percent franked at the 30 percent corporate tax rate. Franking credits that will arise from payment of income tax in the year ending 30 September 2012 have been factored into the franking account balance.

28. Reconciliation of profit after income tax to net cash inflow from operating activities

	Notes	Consolidated 2012 $mill	Consolidated 2011 $mill
Reconciliation of cash			
Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows:			
Cash and cash equivalents	(10)	**154.1**	379.7
		154.1	379.7
Reconciliation of profit for the financial year to net cash flows from operating activities			
Profit for the financial year		**508.0**	467.3
Depreciation and amortisation	(5)	**155.8**	148.2
Write-down of property, plant and equipment	(5)	**6.5**	7.6
Impairment of goodwill and other intangible assets	(5)	**35.7**	-
Share of profit on equity accounted investments	(16)	**(27.4)**	(24.2)
Net gain on sale of property, plant and equipment	(4)	**(4.8)**	(18.0)
Non-cash share based payment transactions		**10.4**	8.0
Unwinding of discount on provisions	(5)	**25.3**	25.2
Changes in assets and liabilities			
(increase) / decrease in receivables and other operating assets		**94.2**	58.6
(increase) / decrease in inventories		**66.5**	(146.7)
(increase) / decrease in deferred tax assets		**19.7**	126.1
increase / (decrease) in deferred tax liabilities		**179.2**	(48.0)
increase / (decrease) in net interest payable		**0.1**	5.5
increase / (decrease) in payables, provisions and other operating liabilities		**(366.3)**	38.0
increase / (decrease) in income taxes payable		**(82.1)**	71.5
Net cash flows from operating activities		**620.8**	719.1

	Consolidated 2012 $mill	Consolidated 2011 $mill

29. Commitments

a) Capital expenditure commitments

Capital expenditure on property, plant and equipment contracted but not provided for and payable:

	2012 $mill	2011 $mill
no later than one year	**59.5**	119.0
later than one, no later than five years	**2.7**	1.3
later than five years	**2.3**	-
	64.5	120.3

Share of capital expenditure commitments of the jointly controlled entities:

	2012 $mill	2011 $mill
no later than one year	**20.7**	11.0
later than one, no later than five years	**10.8**	0.4
	31.5	11.4

b) 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:

	2012 $mill	2011 $mill
no later than one year	**40.6**	51.6
later than one, no later than five years	**102.5**	110.8
later than five years	**54.1**	65.7
	197.2	228.1

Finance lease commitments comprise a number of finance arrangements for the provision of certain equipment. These leases have varying durations and expiry dates. The future minimum rental commitments are as follows:

	2012 $mill	2011 $mill
no later than one year	**0.3**	-
later than one, no later than five years	**0.4**	0.1
Present value of minimum lease payments provided for as a liability	**0.7**	0.1

c) Other expenditure commitments

Commitments for payments to suppliers under long-term executory contracts existing at reporting date but not recognised as payable include:

	2012 $mill	2011 $mill
no later than one year	**204.7**	198.9
later than one, no later than five years	**340.6**	373.3
later than five years	**140.2**	154.1
	685.5	726.3

30. Contingent liabilities

Contracts, claims, guarantees and warranties

The following contingent liabilities are generally considered remote. However, the directors consider they should be disclosed. The directors are of the opinion that provisions are not required.

- Under a Deed of Cross Guarantee dated 30 September 2008, entered into in accordance with ASIC Class Order 98/1418 (as amended), each company which is party to the Deed has covenanted with the Trustee (or the Alternative Trustee as applicable) of the Deed to guarantee the payment of any debts of the other companies which are party to the Deed which might arise on the winding up of those companies. The entities which are party to the Deed are disclosed in the commentary to Note 36, Investments in controlled entities.
- Consolidated Statement of Financial Position and Consolidated Income Statement for the closed group are shown in Note 37, Deed of Cross Guarantee.
- The Group has entered into various long-term supply contracts. For some contracts, minimum charges are payable regardless of the level of operations, but in all cases the level of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures, which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time. In the opinion of the directors, any further information about these matters would be prejudicial to the interests of the Group.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and businesses, which were divested in current and prior years include normal commercial warranties and indemnities to the purchasers. The Group is not aware of any material exposure under these warranties and indemnities.
- From time to time, the Group is subject to claims for damages arising from products and services supplied by the Group in the normal course of business. Controlled entities have received advice of claims relating to alleged failure to supply products and services suitable for particular applications. The claims in the entities concerned are considered to be either immaterial or the entity is defending the claim with no expected financial disadvantage. No specific disclosure is considered necessary.

Environmental

I *General*

The Group has identified a number of sites as requiring environmental clean up and review. Appropriate implementation of clean up requirements is ongoing. In accordance with current accounting policy (see Note 1 (xvii)), provisions have been created for all known environmental liabilities that can be reliably estimated. While the directors believe that, based on current information, the current provisions are appropriate, there can be no assurance that new information or regulatory requirements with respect to known sites or the identification of new remedial obligations at other sites will not require additional future provisions for environmental remediation and such provisions could be material.

II *Environmental matters subject to voluntary requirements with regulatory authority*

For sites where the requirements have been assessed and are capable of reliable measurement, estimated regulatory and remediation costs have been capitalised, expensed as incurred or provided for in accordance with the accounting policy included in Note 1 (xvii).

Taxation

Consistent with other companies of the size of Incitec Pivot Limited, the Group is subject to periodic information requests, investigations and audit activities by the Australian Taxation Office. Provisions for such matters will be recognised if a present obligation in relation to a taxation liability exists which can be reliably estimated.

31. Financial risk management

Overview

The Group has exposure to the following financial risks:

- Market risk (foreign exchange, interest rate, commodity and equity price risk)
- Liquidity risk
- Credit risk

This note presents information about the Group's exposure to each of the above risks, as well as the Group's objectives, policies and processes for measuring and managing these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board established the Board Audit and Risk Management Committee (BARMC), which is responsible for, amongst other things, the monitoring of the Group's risk management plans. The BARMC reports regularly to the Board of Directors on its activities.

The Group's financial risk management policies establish a framework for identifying, analysing and managing the financial risks faced by the Group. These policies set appropriate financial risk limits and controls, identify permitted derivative instruments and provide guidance on how financial risks and adherence to limits are to be monitored and reported.

Financial risk management policies and systems are reviewed regularly to ensure they remain appropriate given changes in market conditions and/or the Group's activities.

The BARMC oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The BARMC is assisted in its oversight role by the Group's internal audit function. The internal audit function involves both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BARMC.

(a) Market risk

Market risk is the risk that changes in foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income, cash flows and/or value of its holdings of derivative instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising the return on risk. To achieve this objective, an "insurance based" approach is often taken whereby the Group will pay a premium to limit the impact of unfavourable market movements while allowing at least partial participation in favourable movements. Where the cost of the premiums is considered to be prohibitive, some upside participation may be foregone to reduce the overall cost of the structure.

For some market risks, primarily commodity price risks, there is either no specific derivative market available or the derivative market is illiquid and expensive. In some cases, derivative markets exist but contain unacceptable levels of basis risk (the risk that the change in price of a hedge may not match the change in price of the item it hedges). In these circumstances, the Group chooses not to hedge these exposures using derivatives.

Further details of the Group's financial risk management structures are outlined below, including information as to whether hedge accounting has been applied.

i. Foreign exchange risk - transactional

The Group is exposed to foreign exchange movements on sales and purchases denominated, either directly or indirectly, in foreign currency (primarily in United States dollars). Where these exposures are significant, and cannot be eliminated by varying contract terms or other business arrangements, formal hedging strategies are implemented within Board approved policy. The formal hedging strategies involve collating and consolidating exposure levels centrally by Treasury, and hedging specific transactions, after taking into account offsetting exposures, by entering into derivative contracts with highly rated financial institutions. The Group's principal transactional foreign exchange risks can be split into two main categories: contractual exposures and forecast exposures.

31. Financial risk management (continued)

(a) Market risk (continued)

i. Foreign exchange risk – transactional (continued)

Contractual exposures: As the Group both imports and exports fertilisers and raw materials in foreign currency, its profitability is impacted by foreign exchange movements. Timing differences between receipts and payments of foreign currency are managed using foreign exchange swaps. Where there is a net excess or shortfall of foreign currency, forward foreign exchange contracts (FECs) are taken out to hedge those exposures. The Group applies hedge accounting for these derivatives. The table below shows the outstanding FECs as at 30 September 2012:

Term	Weighted average strike rate		Forward FX contract AUD mill	AUD mill
	2012	2011	**2012**	2011
Buy USD / Sell AUD	**1.0066**	1.0366	**253.4**	213.1
Buy AUD / Sell USD	**1.0404**	1.0170	**11.5**	2.2
Buy EUR / Sell AUD	**0.7875**	0.7195	**6.0**	5.7
Buy AUD / Sell CAD	**1.0154**	-	**0.5**	-
Buy AUD / Sell TRY	**1.8632**	-	**1.4**	-

Forecast exposures: The profitability of Southern Cross International and Incitec Pivot Fertilisers is impacted by foreign exchange movements due to the manufacturing inputs (gas, electricity, labour) being denominated in Australian dollars, while the manufactured outputs (phosphate based fertilisers, urea and ammonia) are sold either in United States dollars or in Australian dollars in each case based on an import parity formula impacted by the rate of exchange.

The amount of anticipated future sales is forecast in light of plant capacities, current conditions in both domestic and international agricultural and industrial markets, commitments from customers and historical seasonal impacts. Policies approved by the Board of Directors limit the percentage of forecast sales that can be hedged with the percentage reducing as the time horizon increases.

The Group has entered into a series of FECs to Sell USD / Buy AUD, to protect a portion of the Group's forecast exposure. The market value of these FECs is recorded in the Consolidated Statement of Financial Position at year end. Any movement in the market value from contract price to year end price is recorded in the Cash-flow Hedge Reserve in the Consolidated Statement of Financial Position. Favourable outcomes on the hedge will occur when the AUD appreciates. As FECs do not offer participation when the AUD depreciates occasionally, options and collar contracts are entered into to allow some participation.

The table below summarises the outstanding FEC and foreign currency option contracts taken out to hedge sales of the output of Southern Cross International and Incitec Pivot Fertilisers at 30 September:

Term	USD/AUD exercise price		Weighted average AUD/USD strike rate		Contract amounts AUD mill	
	2012	2011	**2012**	2011	**2012**	2011
Buy AUD / Sell USD	**1.0366**	0.9793	**-**	-	**299.0**	687.2
Buy USD / Sell CAD	**0.9832**	-	**-**	-	**29.3**	-
Purchased average rate AUD call/ USD put, not later than one year	**-**	-	**-**	1.0200	**-**	365.0

From time to time, the Group may look to reduce premium costs by transacting collars or selling floors against existing bought positions. Board approved policies prevent the Group from selling naked options. At 30 September 2012, all outstanding bought options had an outstanding matching sold option, effectively cancelling out the economic impact of the options.

31. Financial risk management (continued)

(a) Market risk (continued)

i. Foreign exchange risk – transactional (continued)

The following sensitivity is based on the unhedged transactional foreign currency risk exposures in existence at the reporting date and is calculated based on name plate capacity, average achieved Fertiliser selling prices and exchange rates in 2012.

Foreign Exchange Sensitivity – Transactional (unhedged)	**USD + 1c AUD mill**	**USD - 1c AUD mill**	USD + 1c AUD mill	USD - 1c AUD mill
	2012	**2012**	2011	2011
USD Fertiliser sales from Australian plants	**(7.8)**	**7.9**	(10.1)	10.3

ii. Foreign exchange risk – translational

The Group has foreign operations with non-AUD functional currencies and is, therefore, exposed to translation risk resulting from foreign exchange movements which impact on the AUD equivalent value of the foreign operations.

The Group manages the impact of the translation risk by a combination of borrowing in the same currency as the net foreign assets and by using foreign currency forwards and cross currency swaps to create 'synthetic' foreign currency debt. The foreign currency forward rate includes the net fixed interest rate differentail for the period of the contract. The cross currency swaps pay and receive floating rates of interest with quarterly or monthly rate resets throughout the life of the swap. The borrowings are generally held within the foreign subsidiaries resulting in a reduction in the overall net assets that are translated. The translation movement of the Group's net assets is recognised within the foreign currency translation reserve.

The table below summarises the cross currency swaps outstanding at 30 September:

Term	**Receive AUD / Pay USD mill**	
	2012	2011
not later than one year	**AUD 114.1 / USD 103.0**	AUD 482.6 / USD 449.5
later than one year, no later than five years	**AUD 174.5 / USD 181.5**	AUD 114.1 / USD 103.0

The following sensitivity is based on the unhedged translational foreign currency risk exposures in existence at the reporting date and is calculated based on 2012 USD denominated earnings before interest and tax at the average 2012 translation exchange rate.

Foreign Exchange Sensitivity – Translational (unhedged)	**USD + 1c AUD mill**	**USD - 1c AUD mill**	USD + 1c AUD mill	USD - 1c AUD mill
	2012	**2012**	2011	2011
North American earnings before interest and tax	**(1.8)**	**1.9**	(1.4)	1.4

31. Financial risk management (continued)

(a) Market risk (continued)

iii. Interest rate risk

The Group is exposed to interest rate risk on outstanding interest bearing liabilities and investments. The mix of floating and fixed rate debt is managed within policies determined by the Board of Directors using approved derivative instruments. Interest rate risk is managed by entering into interest rate derivatives in order to balance the Group's fixed and variable interest rate mix. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting future cash flows using the curves at the end of the reporting period.

The Group's interest rate risk arises from long term borrowings in Australian and United States dollars. Of the AUD1,441.0m of Interest Bearing Liabilities at the reporting date, AUD787.2m (55%) were exposed to floating interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date and is calculated based on the variable interest rate borrowings balance at 30 September 2012 and the average variable interest rate during the 2012 year.

Interest Rate Sensitivity	**+ 1% LIBOR AUD mill**	**- 1% LIBOR AUD mill**	+ 1% LIBOR AUD mill	- 1%LIBOR AUD mill
	2012	**2012**	2011	2011
Current and non-current borrowings with variable interest rates	**(10.4)**	**10.4**	(11.1)	11.1

Interest Rate Sensitivity	**+ 1% BBSW AUD mill**	**- 1% BBSW AUD mill**	+ 1% BBSW AUD mill	- 1% BBSW AUD mill
	2012	**2012**	2011	2011
Current and non-current borrowings with variable interest rates	**2.9**	**(2.9)**	2.8	(2.8)

iv. Commodity risk

The Group is exposed to changes in commodity prices by virtue of its operations. Where possible the Group manages some of that risk by negotiating appropriate contractual terms with its suppliers and customers.

Natural gas represents a significant raw material cost for the Group's ammonia and nitrogen based manufacturing. In order to manage the price risk associated with natural gas in Australia, the Group entered into long term fixed price contracts for the supply of gas. In the United States, the Group aims, where possible, to mitigate some of its exposure to natural gas price risk by entering into contracts with its customers which pass on the risk of natural gas price movements.

For longer term contracts that do not include a gas price pass-through clause, the Group will typically manage its gas price risk by entering into a fixed price derivative that matches the term of the customer contract (see the table below for a list of contracts outstanding as at 30 September 2012). On occasion the Group has used fixed price derivatives during the year for managing its short term gas price risk for periods shorter than one year.

The table below summarises the fixed price derivatives outstanding as at 30 September 2012:

	Months hedged	**Monthly volume (MMBTU*)**	**Fixed rate USD**
Contract	3	20,000	3.32
Contract	3	10,000	3.32
Contract	3	20,000	3.32
Contract	3	5,000	3.12
Contract	3	20,000	3.12
Contract	3	10,000	3.12
Contract	3	10,000	3.12

* Million Metric British Thermal Units

The Group is exposed to price volatility on the commodities it sells. These exposures can be categorised into three main areas: ammonium nitrate, ammonium phosphate and urea.

The Group aims to manage its price risk exposure to ammonium nitrate by entering into long term contracts with its customers with sales prices that are adjusted for changes to input costs such as natural gas and for movements in CPI.

31. Financial risk management (continued)

(a) Market risk (continued)

iv. Commodity risk (continued)

The following sensitivity analysis is based on the gas commodity risk exposures in existence at the reporting date.

Commodity Risk Sensitivity	+ US$1 per 1 MMBTU AUD mill	- US$1 per 1 MMBTU AUD mil	+ US$1 per 1 MMBTU AUD mill	- US$1 per 1 MMBTU AUD mil
	2012	2012	2011	2011
Henry Hub US$ prices per 1 MMBTU	(3.5)	3.5	(3.8)	3.8

The market for ammonium phosphates and urea is generally based on spot prices with minimal ability to contract for longer terms. For these commodities, no deep and liquid derivative market is available. The following table details the Group's profit sensitivity to price movements for these commodities, based on plant name plate capacity.

Fertiliser Price Sensitivity	+ USD10 AUD mill	- USD10 AUD mill	Name plate Tonnes [1]
	2012	2012	
Middle East Granular Urea (MEGU) FOB/t	4.2	(4.2)	405,000
Di-ammonium Phosphate (DAP) Tampa FOB/t	9.9	(9.9)	950,000

Fertiliser Price Sensitivity	+ USD10 AUD mill	- USD10 AUD mill	Name plate Tonnes [1]
	2011	2011	
Middle East Granular Urea (MEGU) FOB/t	4.5	(4.5)	405,000
Di-ammonium Phosphate (DAP) Tampa FOB/t	10.4	(10.4)	950,000

[1] Maximum production capacity of the plant

The Group is also exposed to fluctuations in fertiliser prices as part of the operations of Quantum Fertilisers Limited, the Group's fertiliser trading business. Quantum Fertilisers Limited can hold either 'long' or 'short' physical fertiliser positions which is governed by the Group's policy on commodity trading.

The table below summarises the open positions of Quantum Fertilisers Limited outstanding as at 30 September 2012:

Product type	Position type	Position size	Price
Sulphuric Acid	Long	20,000 tonnes	US $190

v. Equity price risk

The Group is exposed to equity price risk on securities held on investments. These securities are not held for trading as it is the Group's objective to hold these in the long term for strategic purposes. Refer to Note 14.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that 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 capital requirements including stress testing of critical assumptions such as input costs, sales prices, production volumes, exchange rates and capital expenditure.

31. Financial risk management (continued)

(b) Liquidity risk (continued)

Typically, the Group aims to hold a minimum liquidity buffer of AUD500.0m in undrawn committed funding at all times to meet any unforeseen cashflow requirements including unplanned reduction in revenue, business disruption and unplanned capital expenditure. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group maintains the following committed lines of credit:

- An unsecured Bank facility agreement of AUD900m for 3 years, maturing April 2014. This is a multi-currency facility drawable in AUD and USD with interest payable at BBSY/LIBOR plus a margin. This facility is revolving in nature whereby repayment can be redrawn at the Group's discretion.
- A USD800.0m 10 year bond completed in the US 144A / Regulation S debt capital market. The bond is denominated in USD, has a fixed rate semi-annual coupon of 6.00 percent and matures in December 2019.
- A USD500.0m 5 year bond completed in the US 144A / Regulation S debt capital market. The bond is denominated in USD, has a fixed rate semi-annual coupon of 4.00 percent and matures in December 2015.
- A participation facility of AUD92.5m (amortising) maturing in June 2013. The carrying amount of the facility is secured against certain assets operated by Southern Cross Fertilisers Pty Ltd. The facility is denominated in AUD and has a fixed nominal interest rate of 8.93 percent for the term of the facility.
- A second participation facility of AUD35.6m (amortising) maturing in September 2014. The carrying amount of the facility is secured against certain assets operated by Southern Cross Fertilisers Pty Ltd. The facility is denominated in AUD and has a fixed nominal interest rate of 9.63 percent for the term of the facility.

At reporting date, the Group has committed undrawn lines of AUD900.0m and cash of AUD154.1m.

Capital risk management

When managing capital, the key objectives of the Group are to safeguard its ability to continue as a going concern and maintain optimal returns to shareholders and benefits for other stakeholders. "Capital" is considered to be all sources of funding, whether debt or equity. Management also aims to maintain a capital and funding structure that optimises the cost of capital available to the Group over the long term.

The key objectives include:

- Maintaining 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; and
- Optimising over the long term, and to the extent practicable, the Weighted Average Cost of Capital (WACC) to reduce the cost of capital to the Group while maintaining financial flexibility.

In order to optimise the capital structure, the amount of dividends paid to shareholders may be changed, capital returned to shareholders or issue new shares, or management may vary discretionary capital expenditure, draw down additional debt or sell assets to reduce debt in line with the strategic objectives and operating plans of the Group.

To monitor and support the key objectives set out above, various financial ratios and internal targets are assessed and reported to the Board, on a regular basis, by management. These ratios and targets include: Gearing ratio, Gross debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Interest cover.

Debt covenants relating to the Bank facility (AUD900.0m) have been measured and are within the debt covenant targets for the year ended 30 September 2012.

The Group self-insures for certain insurance risks under the *Australian Reform Act 2011* and the *Singapore Insurance Act.* Under these Acts, 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 2012, Coltivi Insurance Pte Limited maintained capital in excess of the minimum requirements prescribed under these Acts.

31. Financial risk management (continued)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The major exposure to credit risk arises from trade receivables, which have been recognised in the Consolidated Statement of Financial Position net of any impairment losses, and from derivative financial instruments.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.
The demographics of the Group's customer base, including the default risk of the industry and country in which customers currently operate, have an influence on credit risk. Credit risk on sales to overseas customers is usually negated by way of entering into irrevocable letters of credit with financial institutions or by asking customers to pay in advance.

The Group has a credit policy under which each new customer is analysed individually for creditworthiness before the Group enters into any sales transaction on an open credit account with standard payment, delivery terms and conditions of sale. The creditworthiness review includes analysing the financial information provided by the customer, where applicable, and reports from external ratings agencies. Based on this analysis credit limits are established for each customer which represent the projected highest level of exposure, at any one point in time, which a customer may reach. These limits are reviewed annually for all customers with a limit greater than AUD0.5m and on an as-needed basis if an increase is required. Customers that fail to meet the Group's benchmark creditworthiness, or who are in breach of their credit limits, may transact only on a "Cash Before Delivery" basis.

The Group establishes an allowance for impairment that represents its estimate of probable losses in respect of trade and other receivables.

Financial Instruments

The Group limits its exposure to credit risk created by investing in financial instruments by only investing in liquid securities and only with counterparties that have a credit rating of at least "A". In practice, financial instruments are usually dealt with financial institutions with a stronger rating than "A". Currently all financial instruments held are with financial institutions with a long term rating of "A" or better.

The credit risk exposure arising from derivative financial instruments is the sum of all contracts with a positive fair value. As at 30 September 2012, the sum of all contracts with a positive fair value was AUD76.0m (2011: AUD100.8m).

32. Financial instruments

(a) Foreign exchange risk

The Group's exposure to foreign exchange risk at reporting date was:

Consolidated	**2012 Euro mill**	2011 Euro mill	**2012 USD mill**	2011 USD mill
Trade receivables	**0.3**	-	**18.1**	5.0
Trade payables	**5.1**	4.3	**228.7**	224.1
Gross statement of financial position exposure	**4.8**	4.3	**210.6**	219.1
Forward exchange contracts	**4.8**	4.1	**219.6**	218.7
Net exposure	**-**	0.2	**(9.0)**	0.4

The following significant exchange rates applied during the year:

	Average rate 2012	**Balance date spot rate 2012**	Average rate 2011	Balance date spot rate 2011
Euro	**0.7928**	**0.8083**	0.7357	0.7212
USD	**1.0277**	**1.0436**	1.0265	0.9782

(b) Interest rate risk

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Notes	Consolidated **2012 $mill**	2011 $mill
Variable rate instruments			
- Financial liabilities		**787.2**	834.9
Fixed rate instruments			
- Financial liabilities		**653.8**	733.6
	(21)	**1,441.0**	1,568.5

Cash flow sensitivities for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/decreased equity and profit and loss by AUD7.5m assuming all the variables were held constant in particular foreign exchange rates.

(c) Credit risk

The maximum exposure to credit risk at the reporting date was:

	Notes	Consolidated **2012 $mill**	2011 $mill
Trade receivables	(11)	**357.1**	431.5
Other receivables	(11)	**40.0**	36.5
Cash and cash equivalents	(10)	**154.1**	379.7
Forward exchange contracts	(14)	**7.2**	18.9
Cross currency swaps	(14)	**15.9**	33.6
Option contracts	(14)	**9.6**	5.4
Interest rate swaps	(14)	**45.4**	42.8
		629.3	948.4

32. Financial instruments (continued)

(c) Credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by country was:

	Notes	Consolidated 2012 $mill	Consolidated 2011 $mill
Australia		**145.1**	172.6
India		**0.5**	43.8
Europe		**0.2**	2.3
USA		**56.6**	102.5
Canada		**47.1**	46.5
Asia		**67.8**	32.2
Turkey		**31.9**	20.0
Other		**7.9**	11.6
	(11)	**357.1**	431.5

The maximum exposure to credit risk for trade receivables at the reporting date by type of customers was:

	Notes	Consolidated 2012 $mill	Consolidated 2011 $mill
Wholesale customers		**148.1**	210.1
End user customers		**209.0**	221.4
	(11)	**357.1**	431.5

As at the end of September 2012 and September 2011, the Group had no individual debtor's balance outstanding in excess of 10 percent of the total of the trade receivable balance.

Impairment losses

The ageing of the Group's trade receivables at the reporting date was:

	Gross 2012 $mill	Impairment 2012 $mill	Gross 2011 $mill	Impairment 2011 $mill
Current	**275.4**	**-**	355.2	-
Past due 0 - 30 days	**42.6**	**-**	42.0	-
Past due 31 - 120 days	**47.6**	**8.5**	46.5	12.2
Total	**365.6**	**8.5**	443.7	12.2

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Notes	Consolidated 2012 $mill	Consolidated 2011 $mill
Balance at 1 October		**12.2**	11.9
Net impairment losses recognised / (released)		**(1.8)**	9.3
Write-offs recognised during the year		**(1.2)**	(8.4)
Foreign exchange movements		**(0.7)**	(0.6)
Balance at 30 September	(11)	**8.5**	12.2

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables that are not past due.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off against the financial asset directly.

32. Financial instruments (continued)

(d) Liquidity risk – financial liabilities

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting payments.

Consolidated	Carrying amount $mill	Contractual cash flows [(1)] $mill	6 months or less [(1)] $mill	6 - 12 months [(1)] $mill	1 - 2 years [(1)] $mill	2 - 5 years [(1)] $mill	more than 5 years [(1)] $mill
30 September 2012							
Non-derivative financial liabilities							
Interest bearing liabilities	**1,441.0**	**1,441.0**	**67.5**	**58.2**	**24.0**	**495.5**	**795.8**
Interest payments	**-**	**463.6**	**61.5**	**46.3**	**74.1**	**166.7**	**115.0**
Trade and other payables	**834.6**	**834.6**	**768.6**	**54.2**	**9.6**	**2.2**	**-**
Derivative financial liabilities							
Forward exchange contracts	**5.2**	**5.2**	**0.5**	**4.7**	**-**	**-**	**-**
Option contracts	**9.6**	**9.6**	**5.3**	**4.3**	**-**	**-**	**-**
Total	**2,290.4**	**2,754.0**	**903.4**	**167.7**	**107.7**	**664.4**	**910.8**
30 September 2011							
Non-derivative financial liabilities							
Interest bearing liabilities	1,568.5	1,568.5	50.2	45.5	89.1	547.7	836.0
Interest payments	-	583.9	53.4	60.2	97.0	201.5	171.8
Trade and other payables	1,157.0	1,157.0	819.5	56.1	69.0	139.5	72.9
Derivative financial liabilities							
Forward exchange contracts	0.6	0.6	0.6	-	-	-	-
Cross currency swaps	2.9	2.9	-	-	(9.0)	11.9	-
Total	**2,729.0**	**3,312.9**	**923.7**	**161.8**	**246.1**	**900.6**	**1,080.7**

(1) Contractual cash flows are based on exchange rates prevailing at year end. Any subsequent movement in exchange rates will impact the cash flow required to settle the obligations where those obligations are in a foreign currency.

(e) Liquidity Risk - Cash flow hedges and Net Investment hedges

Cash flow hedges are mainly used to mitigate the Group's exposure to commodity price risk, foreign exchange risk and interest rate risk. Forward commodity contracts are entered into to manage the price risk associated with the purchase of natural gas which is a key raw material input to the production of ammonia and ammonium nitrate. Net investment hedges are used to mitigate the Groups's exposure to foreign exchange risk resulting from controlled entities that have functional currencies that are different to the Group's functional currency.

Foreign currency risk associated with sales and purchases denominated in foreign currency is managed by entering into forward contracts, cross currency interest rate swaps and options.

The following table indicates the periods in which the cash-flows associated with derivatives, that are cash flow hedges and net investment hedges, are expected to occur.

32. Financial instruments (continued)

(e) Liquidity Risk - Cash flow hedges and Net Investment hedges (continued)

Consolidated	Carrying amount $mill	Expected cash flows $mill	6 months or less $mill	6 - 12 months $mill	1 - 2 years $mill	2 - 5 years $mill	more than 5 years $mill
30 September 2012							
Cash Flow Hedges							
Assets	**16.3**	**16.3**	**11.0**	**5.3**	**-**	**-**	**-**
Liabilities	**24.8**	**24.8**	**8.9**	**5.8**	**1.2**	**3.3**	**5.6**
Net Investment Hedges							
Assets	**15.9**	**15.9**	**15.4**	**-**	**0.5**	**-**	**-**
Total	**7.4**	**7.4**	**17.5**	**(0.5)**	**(0.7)**	**(3.3)**	**(5.6)**
30 September 2011							
Cash Flow Hedges							
Assets	8.8	8.8	8.8	-	-	-	-
Liabilities	0.8	0.8	0.8	-	-	-	-
Net Investment Hedges							
Assets	32.0	32.0	32.0	-	-	-	-
Liabilities	2.7	2.7	(0.2)	-	(9.0)	11.9	-
Total	37.3	37.3	40.2	-	9.0	(11.9)	-

(f) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	Notes	**Carrying amount 2012 $mill**	**Fair value 2012 $mill**	Carrying amount 2011 $mill	Fair value 2011 $mill
Cash and cash equivalents	(10)	**154.1**	**154.1**	379.7	379.7
Financial assets carried at fair value through Other Comprehensive Income					
Investments - equity instruments	(14)	**3.6**	**3.6**	10.1	10.1
Financial assets carried at amortised cost through the profit and loss					
Trade and other receivables	(11)	**397.1**	**397.1**	468.0	468.0
Trade and other payables	(20)	**(834.6)**	**(834.6)**	(1,157.0)	(1,157.0)
Financial liabilities	(21)	**(1,441.0)**	**(1,507.9)**	(1,568.5)	(1,648.7)
Derivatives designated and effective as hedging instruments carried at fair value					
Cross currency interest rate swaps	(14), (22)	**15.9**	**15.9**	32.5	32.5
Option contracts	(14), (22)	**-**	**-**	5.4	5.4
Forward exchange contracts	(14), (22)	**2.0**	**2.0**	(0.6)	(0.6)
Interest rate swaps	(14)	**45.4**	**45.4**	42.8	42.8
Total		**(1,657.5)**	**(1,724.4)**	(1,787.6)	(1,867.8)

Basis for determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

i. Investments in equity securities

The fair value of equity instruments is based on the quoted bid price at the reporting date.

ii. Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price.

The fair value of commodity contracts is based on their listed market price as quoted on the NYMEX, if available, and, if a listed market price is not available, then fair value is estimated by discounting the difference between the contractual price and current market price.

The fair value of interest rate contracts is calculated as the present value of the estimated future cashflows.

iii. Trade and other receivables & Trade and other payables

The fair value of trade and other receivables, and trade and other payables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

iv. Financial liabilities designated at Fair value through the Income Statement

The fair value is based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

32. Financial instruments (continued)

(f) Fair values (continued)

Method of discounting

In calculating the fair values of financial instruments the present value of all cash flows greater than 1 year are discounted.

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).

30 September 2012	**Level 1**	**Level 2**	**Level 3**
	$mill	$mill	$mill
Listed equity securities	**3.6**	**-**	**-**
Derivative financial assets	**-**	**78.1**	**-**
Total	**3.6**	**78.1**	**-**
Derivative financial liabilities	**-**	**14.8**	**-**
Total	**-**	**14.8**	**-**

30 September 2011	**Level 1**	**Level 2**	**Level 3**
	$mill	$mill	$mill
Listed equity securities	10.1	-	-
Derivative financial assets	-	83.6	-
Total	10.1	83.6	-
Derivative financial liabilities	-	3.5	-
Total	-	3.5	-

33. Related party disclosures

Subsidiaries

Interest in subsidiaries is set out in Note 36.

Jointly controlled entities

Interest in jointly controlled entities is set out in Note 16.

Key management personnel

Disclosures relating to key management personnel are set out in Note 34.

Transactions between Subsidiaries of the Group and Jointly controlled entities are as follows:

		Jointly controlled entities (1)	
		2012	2011
	Notes	**$mill**	$mill
Sales of goods / services		**238.6**	191.5
Purchase of goods / services		**(28.1)**	(44.1)
Management fees / royalties	(4)	**21.5**	20.7
Interest income	(4)	**1.4**	0.8
Interest expense	(5)	**(0.2)**	(0.1)
Dividend income	(16)	**6.8**	8.6

(1) Jointly controlled entities transactions represent amounts which do not eliminate on consolidation.

Outstanding balances arising from sales/purchases of goods and services with jointly controlled entities are on normal current terms and are as follows:

		Jointly controlled entities	
		2012	2011
	Notes	**$mill**	$mill
Amounts owing to related parties	(20)	**5.4**	4.6
Amounts owing from related parties	(11)	**25.7**	42.0

Transactions between Jointly controlled entities

There were no transactions during the year between jointly controlled entities and there are no outstanding balances between jointly controlled entities of the IPL Group as at 30 September 2012 (2011: nil).

34. Key management personnel disclosures

(a) Key management personnel

	Consolidated	
	2012	2011
	$000	$000
Short-term employee benefits	**9,651**	15,275
Post-employment benefits	**300**	272
Other long-term benefits	**342**	285
Termination benefits	**1,365**	-
Share-based payments	**3,955**	2,919
	15,613	18,751

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

(b) Loans to key management personnel

In the year ended 30 September 2012, there were no loans to key management personnel and their related parties (2011: nil).

(c) 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 from which the Group purchased services of $3,860,872 during the year (2011: $1,368,886). Mr Fazzino's spouse does not directly provide these services.

(2) During the year ended 30 September 2012, a related party of Mr Smorgon provided printing services to the value of $11,245 (2011: $nil) to the Company. The balance owing by the Company at 30 September 2012 was $nil (2011: $nil).

34. Key management personnel disclosures (continued)

(d) Movements in shareholdings of directors and executives

(1) 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 key management person, including their related parties, is set out in the table below:

		Number of Shares (A)			
	Year	Opening balance	Shares acquired	Shares disposed (B)	Closing balance
Non-executive directors - Current					
P Brasher	**2012**	**20,600**	**-**	**-**	**20,600**
	2011	-	20,600	-	20,600
A D McCallum	**2012**	**216,501**	**-**	**-**	**216,501**
	2011	216,501	-	-	216,501
J Marlay	**2012**	**37,926**	**-**	**-**	**37,926**
	2011	37,926	-	-	37,926
A C Larkin	**2012**	**5,000**	**-**	**-**	**5,000**
	2011	5,000	-	-	5,000
G Smorgon	**2012**	**-**	**-**	**-**	**-**
	2011	-	-	-	-
R J McGrath (1)	**2012**	**400**	**6,600**	**-**	**7,000**
	2011	400	-	-	400
Non-executive directors - Former					
J C Watson	**2012**	**100,000**	**-**	**-**	**100,000**
	2011	100,000	-	-	100,000
Executive directors - Current					
J E Fazzino	**2012**	**1,708,180**	**-**	**-**	**1,708,180**
	2011	1,845,420	-	(137,240)	1,708,180
Executives - Current					
F Micallef	**2012**	**-**	**-**	**-**	**-**
	2011	22,520	-	(22,520)	-
K J Gleeson	**2012**	**2,891**	**350**	**-**	**3,241**
	2011	89,313	258	(86,680)	2,891
J Rintel	**2012**	**-**	**-**	**-**	**-**
	2011	117,120	-	(117,120)	-
B C Walsh	**2012**	**100,360**	**-**	**-**	**100,360**
	2011	429,380	-	(329,020)	100,360
J Whiteside	**2012**	**58,500**	**-**	**-**	**58,500**
	2011	300,920	-	(242,420)	58,500
S Dawson	**2012**	**23,867**	**-**	**-**	**23,867**
	2011	23,857	10	-	23,867
D McAtee (1)	**2012**	**-**	**-**	**-**	**-**
	2011	-	-	-	-
S Atkinson	**2012**	**3,380**	**-**	**-**	**3,380**
	2011	22,880	-	(19,500)	3,380
Executives - Former					
G Brinkworth	**2012**	**550**	**-**	**-**	**550**
	2011	292	258	-	550
B Wallace	**2012**	**-**	**-**	**-**	**-**
	2011	57,480	-	(57,480)	-

(A) Includes fully paid ordinary shares, shares acquired under the Employee Share Ownership Plan (ESOP) and shares, treated as options, for the purposes of remuneration which have been disclosed in section C of the Remuneration Report and the movements disclosed in this Note. Details of the ESOP are set out in Note 35, Share based payments.

(B) In the case of directors or executives who ceased their directorship or employment during the years ended 30 September 2012 and 30 September 2011, all shares were treated as disposed as at the relevant date of cessation unless otherwise stated. In addition for certain executives shown to be disposing of shares, some of these shares were held by those executives under the Long Term Incentive Plan 2007/10 (LTI 2007/10), and were forfeited in accordance with the rules of the Plan as the performance conditions were not met. Refer to Note 34 (d) (2).

(1) The opening balance represents shares held as at the date of becoming a key management person. Movements are from this date.

34. Key management personnel disclosures (continued)

(d) Movements in shareholdings of directors and executives (continued)

(2) Movements in shares, treated as options, over equity instruments in the Company

The movement during the reporting period in the number of shares, treated as options, over shares in the Company, for the purposes of remuneration, held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

		Number of Shares (treated as options) (A)				
	Year	Opening balance	Granted as compensation	Exercised	Forfeited (B)	Closing balance
Executive directors - Current						
J E Fazzino	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	137,240	-	-	(137,240)	-
Executives - Current						
F Micallef	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	22,520	-	-	(22,520)	-
K J Gleeson	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	86,680	-	-	(86,680)	-
J Rintel	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	15,160	-	-	(15,160)	-
B C Walsh	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	96,320	-	-	(96,320)	-
J D Whiteside	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	67,420	-	-	(67,420)	-
S Dawson	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
D McAtee	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
S Atkinson	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	19,500	-	-	(19,500)	-
Executives - Former						
G Brinkworth	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
B Wallace	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	33,280	-	-	(33,280)	-

(A) These shares, treated as options, were held by the Executive under the LTI 2007/10 which was a loan-backed plan whereby Incitec Pivot Plan Company Pty Limited provided executives with limited recourse loans which were applied to acquire shares on market. At the end of the performance period, as the performance conditions were not met, no awards (in the form of loan forgiveness) were granted under this Plan and the shares were forfeited and sold on market with the proceeds applied to the outstanding loan amount.

(B) Represents shares, treated as options, that were forfeited by the Executive and sold on market, in accordance with the rules of the LTI 2007/10.

34. Key management personnel disclosures (continued)

(d) Movements in shareholdings of directors and executives (continued)

(3) 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 key management person, including their related parties, is as follows:

		Number of Rights (A)				
	Year	Opening balance	Granted as compensation (B)	Exercised	Forfeited (C)	Closing balance
Executive directors						
- Current						
J E Fazzino	**2012**	**1,111,364**	**590,625**	**-**	**(600,000)**	**1,101,989**
	2011	822,482	511,364	-	(222,482)	1,111,364
Executives						
- Current						
F Micallef	**2012**	**370,000**	**194,444**	**-**	**(220,000)**	**344,444**
	2011	266,838	150,000	-	(46,838)	370,000
K J Gleeson	**2012**	**333,000**	**155,925**	**-**	**(198,000)**	**290,925**
	2011	326,806	135,000	-	(128,806)	333,000
J Rintel	**2012**	**270,948**	**127,575**	**-**	**(140,000)**	**258,523**
	2011	221,967	130,948	-	(81,967)	270,948
B C Walsh	**2012**	**363,273**	**170,100**	**-**	**(216,000)**	**317,373**
	2011	356,515	147,273	-	(140,515)	363,273
J D Whiteside	**2012**	**272,455**	**162,037**	**-**	**(162,000)**	**272,492**
	2011	267,386	110,455	-	(105,386)	272,455
S Dawson	**2012**	**187,515**	**162,037**	**-**	**(79,333)**	**270,219**
	2011	135,071	108,182	-	(55,738)	187,515
D McAtee (1)	**2012**	**-**	**12,997**	**-**	**-**	**12,997**
	2011	-	-	-	-	-
S Atkinson	**2012**	**163,878**	**109,200**	**-**	**(69,333)**	**203,745**
	2011	116,171	94,545	-	(46,838)	163,878
- Former						
G Brinkworth	**2012**	**250,455**	**162,037**	**-**	**(215,467)**	**197,025**
	2011	238,361	110,455	-	(98,361)	250,455
B Wallace	**2012**	**292,022**	**166,368**	**-**	**(170,957)**	**287,433**
	2011	281,478	111,528	-	(100,984)	292,022

(A) Further details of these rights have been disclosed in section C of the Remuneration Report and relate to rights allocated under the LTI plans.

(B) Represents rights which were acquired during the year by the executive director and executives while a director or executive of the Group pursuant to the Long Term Incentive Performance Rights Plan 2011/14 (LTI 2011/14), details of which are set out in section C of the Remuneration Report.

(C) Represents rights that were forfeited under the Long Term Incentive Performance Rights Plan 2009/12 (LTI 2009/12). Refer to section C of the Remuneration Report for further details. In the case of executives who ceased their employment during the year, all rights held by those executives in the LTI 2009/12 were forfeited as at the relevant date of cessation. In addition, a proportion of their rights under the Long Term Incentive Performance Rights Plan 2010/13 (LTI 2010/13) and LTI 2011/14 were forfeited as at the relevant date of cessation in accordance with the relevant plan rules.

(1) The opening balance in the current year represents rights held as at the date of becoming a key management person. Movements are from this date.

35. Share based payments

(a) Long Term Incentive Plans (LTIs)

The LTIs are designed to link reward with the key performance drivers which underpin sustainable growth in shareholder value – which comprises EPS, share price growth and returns to shareholders. The arrangements also support the Company's strategy for retention and motivation of its executives and senior employees.

Long Term Incentive Performance Rights Plans

During the year, the Company established the Long Term Incentive Performance Rights Plan 2011/14 (LTI 2011/14). The performance period for this plan is 1 October 2011 to 30 September 2014.

The LTI 2011/14 has the same features as the Long Term Incentive Performance Rights Plan 2010/13 (LTI 2010/13). Details of these plans are summarised as follows:

- **Performance rights**: A performance right entitles the participant to be transferred a fully paid ordinary share in the Company for no consideration at a later date subject to the satisfaction of certain conditions. As no share is issued until exercise, performance rights have no dividend entitlement.
- **Allocation**: The decision to grant performance rights and to whom they will be granted is made annually by the Board. Grants of performance rights to participants are based on a percentage of the relevant participant's fixed annual remuneration. A grant of performance rights to the Executive Director is subject to shareholder approval.
- **Conditions**: The performance rights only vest if certain conditions are met, which are approved by the Board on commencement of the Plan. The conditions focus on the performance of the Company and include a condition relating to duration of employment. The performance conditions are based on the relative Total Shareholder Returns of the Company and Earnings Per Share (before IMIs):

  Total Shareholder Return (TSR) Measure: The TSR Measure 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. If, at the end of the performance period, the Company's TSR over the three year performance period is:

  - below the 50th percentile of the comparator group of companies ranked by their TSR performance: no performance rights in this tranche will vest;
  - between the 50^{th} and 75^{th} percentile of the comparator group of companies ranked by their TSR performance: the portion of performance rights in this tranche that will vest will be increased on a pro rata basis from 50 percent to 100 percent (assuming 50 percent vest at the 50^{th} percentile); and
  - equal to or above the 75th percentile of the comparator group of companies ranked by their TSR performance: all performance rights in this tranche will vest; and

  Earnings Per Share (EPS) Measure: If, at the end of the performance period, the compound annual growth rate on EPS (before IMIs) over the performance period, from the base year, is:

  - below 7 percent per annum: no performance rights in this tranche will vest;
  - equal to or greater than 7 percent per annum but less than 15 percent per annum: the portion of performance rights in this tranche that will vest will be increased on a pro rata basis between 50 percent and 100 percent; and
  - 15 percent or greater: all performance rights in this tranche will vest.

  These performance conditions are equally weighted.

- **Lapse**: Performance rights will lapse if the performance conditions are not satisfied during the performance period or, in certain circumstances, if a participant ceases to be employed by the Group during the performance period. Performance rights will also lapse if a participant serves a notice that he or she wishes the rights to lapse.

Long Term Incentive Performance Cash Plans

Certain employees and executives based in some jurisdictions, participate in long term incentive performance cash plans which are operated by the Group, through its offshore entities. The Long Term Incentive Performance Cash Plan 2011/14 and Long Term Incentive Performance Cash Plan 2010/13 are designed to deliver a similar benefit to executives and employees on achievement of sustained performance over the relevant three year performance period, and with similar conditions as the Long Term Incentive Performance Rights Plans. Cash payments to employees upon vesting of the plan will be determined with reference to the Company's share price at the end of the performance period.

35. Share based payments (continued)

(a) Long Term Incentive Plans (LTIs) (continued)

Long Term Incentive Performance Rights Plans – LTI 2008/11 and LTI 2009/12

The LTI 2008/11 and the LTI 2009/12 are similar to the LTI 2011/14 and LTI 2010/13 in that each of the plans is a performance rights plan with three year performance periods. Similarly the conditions focus on the performance of the Company and include a condition relating to duration of employment. However, under the LTI 2008/11 and the LTI 2009/12, the performance condition is based on the Company's Total Shareholder Return (Absolute TSR), being the percentage increase in the Company's share price over the three year performance period plus the after tax value of dividends paid, assuming the dividends are reinvested in the Company's shares.

If, at the end of the relevant performance period Absolute TSR:

- is equal to or less than 10 percent per annum compounded over the performance period, none of the performance rights will vest;
- is greater than 10 percent and less than 20 percent per annum compounded over the performance period, an increasing proportion of the performance rights will vest from zero on a straight line basis; and
- is 20 percent or more per annum compounded over the performance period, all of the performance rights will vest.

Long Term Incentive Performance Cash Plans - LTI 2008/11 and LTI 2009/12

Certain employees and executives based in some jurisdictions, participate in Long Term Incentive Performance Cash Plans which are operated by the Group, through its offshore entities. The Long Term Incentive Performance Cash Plan 2008/11 and Long Term Incentive Performance Cash Plan 2009/12 are designed to deliver a similar benefit to executives and employees on achievement of sustained performance over the relevant three year performance period, and with similar conditions as the Long Term Incentive Performance Rights Plans, LTI 2008/11 and LTI 2009/12, however the plans are settled in cash. Cash payments to employees upon vesting of the plan will be determined with reference to the Company's share price at the end of the performance period.

35. Share based payments (continued)

(a) Long Term Incentive Plans (LTIs) (continued)

Consolidated - 2012

	Grant date	Expiry date		Balance at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exerciseable at the end of the year
				Number	Number	Number	Number	Number	Number
Performance Rights			**Fair Value**						
LTI Rights - 2008/11	19 Dec 08	30 Sep 11	$0.30	2,041,620	-	-	(2,041,620)	-	-
LTI Cash - 2008/11	19 Dec 08	30 Sep 11	$1.60	839,023	-	-	(839,023)	-	-
LTI Rights - 2009/12	16 Dec 09	30 Sep 12	$1.60	5,134,598	-	-	(5,134,598)	-	-
LTI Cash - 2009/12	16 Dec 09	30 Sep 12	$1.60	234,041	-	-	(234,041)	-	-
LTI Rights - 2010/13 - TSR	23 Dec 10	30 Sep 13	$2.77	2,257,049	-	-	(124,760)	2,132,289	-
LTI Rights - 2010/13 - EPS	23 Dec 10	30 Sep 13	$3.76	2,257,049	-	-	(124,760)	2,132,289	-
LTI Cash - 2010/13 - TSR	23 Dec 10	30 Sep 13	$2.77	59,177	24,364	-	(4,540)	79,001	-
LTI Cash - 2010/13 - EPS	23 Dec 10	30 Sep 13	$3.76	59,177	24,364	-	(4,540)	79,001	-
LTI Rights - 2011/14 - TSR	02 Feb 12	30 Sep 14	$1.72	-	2,767,069	-	(140,702)	2,626,367	-
LTI Rights - 2011/14 - EPS	02 Feb 12	30 Sep 14	$2.90	-	2,767,069	-	(140,702)	2,626,367	-
LTI Cash - 2011/14 - TSR	02 Feb 12	30 Sep 14	$1.72	-	133,135	-	(25,654)	107,481	-
LTI Cash - 2011/14 - EPS	02 Feb 12	30 Sep 14	$2.90	-	133,135	-	(25,654)	107,481	-
Total - Performance rights				12,881,734	5,849,136	-	(8,840,594)	9,890,276	-
Weighted average fair value				$1.17	$2.32	-	$0.18	$2.74	-

Consolidated - 2011

	Grant date	Expiry date		Balance at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exerciseable at the end of the year
				Number	Number	Number	Number	Number	Number
Performance Rights			Fair Value						
LTI Rights - 2008/11	19 Dec 08	30 Sep 11	$0.30	2,125,262	-	-	(83,642)	2,041,620	-
LTI Cash - 2008/11	19 Dec 08	30 Sep 11	$1.60	933,435	-	-	(94,412)	839,023	-
LTI Rights - 2009/12	16 Dec 09	30 Sep 12	$1.60	5,315,104	-	-	(180,506)	5,134,598	-
LTI Cash - 2009/12	16 Dec 09	30 Sep 12	$1.60	312,039	-	-	(77,998)	234,041	-
LTI Rights - 2010/13 - TSR	23 Dec 10	30 Sep 13	$2.77	-	2,338,002	-	(80,953)	2,257,049	-
LTI Rights - 2010/13 - EPS	23 Dec 10	30 Sep 13	$3.76	-	2,338,002	-	(80,953)	2,257,049	-
LTI Cash - 2010/13 - TSR	23 Dec 10	30 Sep 13	$2.77	-	85,635	-	(26,458)	59,177	-
LTI Cash - 2010/13 - EPS	23 Dec 10	30 Sep 13	$3.76	-	85,635	-	(26,458)	59,177	-
Total - Performance rights				8,685,840	4,847,274	-	(651,380)	12,881,734	-
Weighted average fair value				$1.04	$3.27	-	$1.71	$1.84	-

35. Share based payments (continued)

(a) Long Term Incentive Plans (LTIs) (continued)

The weighted average remaining contractual life of shares treated as options and rights outstanding at the end of the period was 1.03 years (2011 – 1.14 years).

Fair value of performance rights granted

LTI– 2011/14

In respect of the LTI 2011/14, the assessed fair values at grant date of the rights granted during the year for both the TSR measure and the EPS measure are shown in the table below. The fair value at grant date is independently determined using an adjusted form of the Black-Scholes option pricing model that takes into account the exercise price, the life of the performance right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance rights.

The model inputs for these performance rights granted during the year ended 30 September 2012 included:

Performance rights were granted at $nil per right, have a three year life, and vest after the performance hurdles are met for the period 1 October 2011 to 30 September 2014.

Grant date	2 February 2012
Share price (at grant date)	$3.14
Exercise price	$nil
Expected price volatility of the Company's shares	35% pa
Vesting date	30 September 2014
Expected dividends	3.0% pa
Risk-free interest rate (based on Australian Government bonds) with approximately three years to maturity (as at 2 February 2012)	3.21% pa

	LTI 2011/14
Fair value at grant date: LTI 2011/14 - TSR	$1.72
Fair value at grant date: LTI 2011/14 - EPS	$2.90

35. Share based payments (continued)

(b) Employee Share Ownership Plan

The Board established the Incitec Pivot Employee Share Ownership Plan (ESOP) on 28 October 2003. Administration of the plan is held with Link Market Services Limited. 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:

- shares acquired are either newly issued shares or existing shares acquired on market.
- employees are each entitled to acquire shares with a maximum value of $1,000.
- employees salary sacrifice the value of the shares by equal deductions through to 30 June the following year.
- 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.
- employees who leave the Company must salary sacrifice any remaining amount prior to departure.

Grant date	Date shares become unrestricted	Number of participants as at		Number of restricted shares held as at	
		30-Sep-12	30-Sep-11	**30-Sep-12**	30-Sep-11
6-Nov-09	6-Nov-12	**334**	387	**131,475**	140,520
9-Sep-10	9-Sep-13	**405**	462	**123,589**	132,933
1-Jul-11	1-Jul-14	**431**	481	**115,903**	122,868
2-Jul-12	2-Jul-15	**602**	-	**210,783**	-

These shares rank equally with all other fully paid ordinary shares from the date acquired by the employee and are eligible for dividends.

(c) 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:

	Consolidated	
	2012	2011
	$'000	$'000
Shares, treated as options, and rights issued under the LTI performance plans	**10,431**	7,742
Total carrying amount of liabilities for cash settled arrangements	**420**	254

36. Investments in controlled entities

Name of Entity	Ownership Interest	Country of incorporation
Company		
Incitec Pivot Limited (1)		Australia
Controlled Entities - operating		
Incitec Fertilizers Limited (1)	100%	Australia
TOP Australia Ltd (1)	100%	Australia
Southern Cross Fertilisers Pty Ltd (1)	100%	Australia
Southern Cross International Pty Ltd (1)	100%	Australia
Incitec Pivot LTI Plan Company Pty Limited	100%	Australia
Incitec Pivot Holdings (Hong Kong) Limited	100%	Hong Kong
Incitec Pivot Explosives Holdings Pty Limited (1)	100%	Australia
TinLinhe Nitrogen Limited	100%	Hong Kong
Quantum Fertilisers Limited	65%	Hong Kong
Coltivi Insurance Pte Limited	100%	Singapore
Queensland Operations Pty Limited	100%	Australia
Incitec Pivot Investments 1 Pty Ltd (1)	100%	Australia
Incitec Pivot Investments 2 Pty Ltd	100%	Australia
Incitec Pivot US Investments	100%	USA
Incitec Pivot US Holdings Pty Ltd	100%	Australia
Incitec Pivot Management LLC	100%	USA
Incitec Pivot Finance LLC	100%	USA
Incitec Pivot Finance Australia Pty Ltd (1)	100%	Australia
Dyno Nobel Pty Limited	100%	Australia
Dyno Nobel Australia LLC	100%	USA
Prime Manufacturing Ltd	75%	New Zealand
The Dyno Nobel SPS LLC	100%	USA
Dyno Nobel Europe Pty Ltd	100%	Australia
Dyno Nobel Management Pty Limited	100%	Australia
Industrial Investments Australia Finance Pty Limited	100%	Australia
Dyno Nobel Holdings IV LLC	100%	USA
Dyno Nobel Holdings USA III, Inc.	100%	USA
Dyno Nobel Holdings USA II	100%	USA
Dyno Nobel Holdings USA II, Inc.	100%	USA
Dyno Nobel Holdings USA, Inc.	100%	USA

(1) Party to deed of cross guarantee dated 30 September 2008.

36. Investments in controlled entities (continued)

Name of Entity	Ownership Interest	Country of incorporation
Dyno Nobel Inc.	100%	USA
Dyno Nobel Transportation, Inc.	100%	USA
Independent Explosives Co. of Penna.	100%	USA
IR, Inc.	100%	USA
Simsbury Hopmeadow Street LLC	100%	USA
Tech Real Estate Holdings LLC	100%	USA
Tradestar Corporation	100%	USA
Dyno Nobel Explosivos Chile Limitada	100%	Chile
CMMPM, LLC	100%	USA
CMMPM Holdings, L.P.	100%	USA
Dyno Nobel Peru S.A.	100%	Peru
Dyno Nobel Mexico, S.A. de C.V.	99%	Mexico
Dyno Nobel Canada Inc.	100%	Canada
Dyno Nobel Transportation Canada Inc.	100%	Canada
Dyno Nobel Nunavut Inc.	100%	Canada
Incitec Pivot Finance Canada Inc.	100%	Canada
Polar Explosives 2000 Inc.	100%	Canada
Polar Explosives Ltd	84%	Canada
Dyno Nobel Asia Pacific Pty Limited (1)	100%	Australia
Dampier Nitrogen Pty Ltd	100%	Australia
DNX Australia Pty Ltd (1)	100%	Australia
DNX Papua New Guinea Ltd	100%	PNG
Dyno Nobel Moranbah Pty Ltd (1)	100%	Australia
Dyno Nobel Moura Pty Limited (1)	100%	Australia
PT DNX Indonesia	100%	Indonesia
Nitromak DNX Kimya Sanayii A.S.	100%	Turkey
SC Romnitro Explosives Srl.	100%	Romania
DNX Nitro Industria Kimike Sh.p.k	100%	Albania
Pepin-IRECO, Inc.	100%	USA
Dyno Nobel Louisiana Ammonia, LLC	100%	USA

(1) Party to deed of cross guarantee dated 30 September 2008.

37. Deed of Cross Guarantee

	Closed Group 2012 $mill	Closed Group 2011 $mill
Statement of Financial Position		
Current assets		
Cash and cash equivalents	**83.2**	290.2
Trade and other receivables	**186.7**	236.0
Other financial assets	**32.2**	40.8
Inventories	**308.0**	351.2
Assets classified as held for sale	**0.1**	0.3
Other assets	**20.6**	8.6
Total current assets	**630.8**	927.1
Non-current assets		
Trade and other receivables	**7.5**	123.7
Other financial assets	**4,165.6**	4,059.3
Investments accounted for using the equity method	**129.0**	138.7
Property, plant and equipment	**2,083.2**	1,630.6
Intangible assets	**300.9**	282.6
Deferred tax assets	**114.2**	140.4
Other assets	**-**	13.0
Total non-current assets	**6,800.4**	6,388.3
Total assets	**7,431.2**	7,315.4
Current liabilities		
Trade and other payables	**630.3**	574.0
Interest bearing liabilities	**104.1**	80.8
Provisions	**87.1**	63.1
Other financial liabilities	**14.8**	0.6
Current tax liabilities	**24.5**	49.4
Total current liabilities	**860.8**	767.9
Non-current liabilities		
Trade and other payables	**452.0**	719.1
Interest bearing liabilities	**519.9**	637.7
Other financial liabilities	**-**	2.9
Retirement benefit obligation	**10.7**	6.9
Deferred tax liabilities	**230.6**	108.8
Provisions	**49.3**	43.5
Total non-current liabilities	**1,262.5**	1,518.9
Total liabilities	**2,123.3**	2,286.8
Net assets	**5,307.9**	5,028.6
Equity		
Issued capital	**3,265.9**	3,265.9
Reserves	**903.0**	870.9
Retained earnings	**1,139.0**	891.8
Total equity	**5,307.9**	5,028.6
Income Statement		
Profit / (loss) before income tax	**625.9**	574.5
Income tax benefit / (expense)	**(159.2)**	(149.6)
Profit for the financial year	**466.7**	424.9
Retained profits at the beginning of the financial year	**891.8**	471.9
Other movements in retained earnings	**(32.2)**	146.4
Dividend paid	**(187.3)**	(151.4)
Retained profits at the end of the financial year	**1,139.0**	891.8

Entities which are party to a Deed of Cross Guarantee dated 30 September 2008, entered into in accordance with ASIC Class Order 98/1418 (as amended), are disclosed in Note 36, Investments in controlled entities. Statement of Financial Position and Income Statement for this closed group are shown above. During the year Incitec Pivot Investments 1 Pty Ltd was added to the Deed of Cross Guarantee.

38. Parent entity disclosure

As at, and throughout, the financial year ended 30 September 2012 the parent company of the Group was Incitec Pivot Limited.

Parent entity guarantees in respect of debts of its subsidiaries

As at 30 September 2012 the Company's current liabilities exceeded its current assets by $550.0m. The parent entity is part of a Deed of Cross Guarantee with the effect that the Group guarantees debts in respect of all members within the Group. The Group's forecasted 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 $900m at 30 September 2012 and a cash balance of $154.1m.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 37.

	Company	
	2012	2011
	$mill	$mill
Results of the parent entity		
Profit for the period	**90.8**	259.0
Other comprehensive income	**42.2**	(90.0)
Total comprehensive Income for the period	**133.0**	169.0
Financial position of the parent entity at year end		
Current assets	**484.8**	797.8
Total assets	**6,387.1**	6,259.2
Current liabilities	**1,034.8**	974.0
Total liabilities	**2,751.1**	2,576.6
Net Assets	**3,636.0**	3,682.6
Total equity of the parent entity comprises		
Share capital	**3,265.9**	3,265.9
Cash flow hedging reserve	**11.8**	3.0
Foreign currency translation reserve	**46.4**	4.7
Fair value reserve	**(9.6)**	(4.3)
Retained earnings	**321.5**	413.3
Total Equity	**3,636.0**	3,682.6

Parent entity contingencies

The directors are of the opinion that Incitec Pivot Limited does not have any contingent liabilities that would require disclosure at 30 September 2012.

Parent entity capital commitments for acquisition of property, plant and equipment

	Company	
	2012	2011
	$mill	$mill
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	**1.5**	3.1

39. Events subsequent to reporting date

Dividends

Since the end of the financial year, in November 2012, the directors have determined to pay a final dividend of 9.1 cents per share on 14 December 2012. This dividend is 75 percent franked at the 30 percent corporate tax rate.

Other

On 12 November 2012, the Company announced on the ASX that, as a result of a failure in the Waste Heat Boiler at its sulphuric acid plant at Mount Isa, Queensland, the plant had been taken offline for up to one month to allow for repairs to be undertaken. The outage will result in reduced production of ammonium phosphates at the Company's Phosphate Hill plant with volumes expected to be reduced to 900,000 tonnes for the financial year to 30 September 2013. If offline for a month, the financial impact is estimated to be in the region of $25 million before tax.

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 result of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

Directors' Declaration

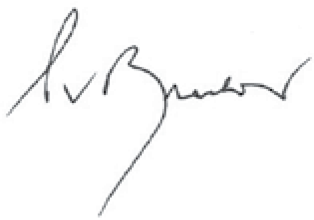
on the Financial Statements set out on pages 39 to 108

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 financial statements and notes, set out on pages 39 to 108, and the remuneration disclosures that are contained in the Remuneration Report on pages 9 to 26 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 2012 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 in Note 1; 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 36 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 2012.



Paul Brasher
Chairman
Dated at Melbourne this 12th day of November 2012

Deloitte.

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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 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, Notes 1 to 39 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. In Note 1, 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.

Deloitte.

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 2012 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 Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 26 of the directors' report for the year ended 30 September 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants
Melbourne, 12 November 2012

Shareholder Statistics

As at 12 November 2012

Distribution of ordinary shareholder and shareholdings

Size of holding	Number of holders	Percentage	Number of shares	Percentage
1 – 1,000	12,917	20.51%	6,369,431	0.39%
1,001 – 5,000	31,755	50.43%	92,759,636	5.70%
5,001 – 10,000	10,285	16.33%	75,615,562	4.64%
10,001 – 50,000	7,487	11.89%	140,310,673	8.61%
50,001 – 100,000	318	0.51%	22,039,490	1.35%
100,001 and over	203	0.33%	1,291,635,318	79.31%
Total	62,965	100.00%	1,628,730,110	100.00%

Included in the above total are 2,431 shareholders holding less than a marketable parcel of shares.
The holdings of the 20 largest holders of fully paid ordinary shares represent 74.85% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Number of shares	Percentage
HSBC Custody Nominees (Australia) Limited	424,219,002	26.05%
J P Morgan Nominees Australia Limited	237,709,873	14.59%
National Nominees Limited	192,317,830	11.81%
Citicorp Nominees Pty Limited	113,202,154	6.95%
J P Morgan Nominees Australia Limited <CASH INCOME A/C>	51,478,216	3.16%
Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	39,899,639	2.45%
BNP Paribas Noms Pty Ltd <MASTER CUST DRP>	27,611,653	1.70%
AMP Life Limited	23,876,351	1.47%
Australian Foundation Investment Company Limited	21,209,411	1.30%
BNP Paribas Noms Pty Ltd <DRP>	14,202,859	0.87%
BNP Paribas Noms Pty Ltd <SMP ACCOUNTS DRP>	14,032,445	0.86%
HSBC Custody Nominees (Australia) Limited - GSCO ECA	9,810,107	0.60%
UBS Wealth Management Australia Nominees Pty Ltd	8,992,844	0.55%
HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH SUPER CORP A/C>	8,413,441	0.52%
QIC Limited	7,738,572	0.48%
UBS Nominees Pty Ltd	6,317,500	0.39%
RBC Investor Services Australia Nominees Pty Limited <GSAM A/C>	5,410,877	0.33%
HSBC Custody Nominees (Australia) Limited - A/C 2	5,033,555	0.31%
ARGO Investments Limited	3,895,530	0.24%
INVA Custodian Pty Limited <GSJBW MANAGED A/C>	3,672,475	0.23%
Total	1,219,044,334	74.85%

Substantial shareholders

The following parties have declared a relevant interest in the number of voting shares at the date of giving the notice under Part 6C.1 of the Corporations Act.

Name	Votes / Number of Shares
Commonwealth Bank of Australia	117,088,006
Schroder Investment Management Australia Limited	85,454,643

On-market buy-back

There is no current on-market buy-back.

Five Year Financial Statistics

Incitec Pivot Limited and its controlled entities		2012 $mill	2011[2] $mill	2010 $mill	2009 $mill	2008 $mill
Sales		**3,500.9**	**3,545.3**	**2,931.7**	**3,418.9**	**2,918.2**
Earnings before depreciation, amortisation, net borrowing costs, individually material items and tax		754.9	920.3	787.3	743.0	1,025.6
Depreciation and amortisation (excluding individually material items)		(155.8)	(148.2)	(139.0)	(167.3)	(70.3)
Earnings before net borrowing costs, individually material items and tax (EBIT)		**599.1**	**772.1**	**648.3**	**575.7**	**955.3**
Net borrowing costs (excluding individually material items)		(55.5)	(58.2)	(53.0)	(107.6)	(80.6)
Individually material items before tax		168.1	(92.5)	(55.4)	(782.7)	(38.2)
Taxation revenue / (expense)		(203.7)	(154.1)	(127.7)	93.2	(231.9)
Operating profit / (loss) after tax and individually material items		**508.0**	**467.3**	**412.2**	**(221.4)**	**604.6**
Operating profit / (loss) after tax and individually material items attributable to minority interest		**(2.7)**	**4.1**	**1.7**	**-**	**-**
Operating profit / (loss) after tax and individually material items attributable to shareholders of Incitec Pivot Limited		**510.7**	**463.2**	**410.5**	**(221.4)**	**604.6**
Individually material items after tax		**106.0**	**(66.9)**	**(32.3)**	**(569.2)**	**(42.9)**
Operating profit after tax before individually material items (net of tax)		**404.7**	**530.1**	**442.8**	**347.8**	**647.5**
Dividends		187.3	151.4	66.4	271.0	219.3
Current assets		1,020.5	1,388.0	979.3	1,033.9	1,867.0
Property, plant and equipment		2,738.5	2,283.3	1,844.1	1,663.4	1,670.6
Investments		292.8	257.1	256.5	254.0	311.2
Intangibles		2,845.2	2,942.3	3,010.0	3,153.0	3,962.1
Other non-current assets		116.4	131.2	220.4	485.4	374.5
Total assets		**7,013.4**	**7,001.9**	**6,310.3**	**6,589.7**	**8,185.4**
Current borrowings and payables		969.4	1,064.9	832.8	1,081.8	3,612.3
Current provisions		122.8	98.3	82.6	93.4	88.6
Non-current borrowings and payables		1,815.3	2,068.2	1,701.0	1,987.4	1,238.4
Non-current provisions		74.5	63.8	82.6	87.5	90.8
Total liabilities		**2,982.0**	**3,295.2**	**2,699.0**	**3,250.1**	**5,030.1**
Net assets		**4,031.4**	**3,706.7**	**3,611.3**	**3,339.6**	**3,155.3**
Shareholders' equity		4,029.1	3,701.7	3,609.2	3,339.6	3,155.3
Equity attributable to minority interests		2.3	5.0	2.1	-	-
Total shareholders' equity		**4,031.4**	**3,706.7**	**3,611.3**	**3,339.6**	**3,155.3**
Ordinary Shares [1]	thousands	1,628,730	1,628,730	1,628,730	1,612,536	1,217,231
Number of shares on issue at year end [1]	thousands	**1,628,730**	**1,628,730**	**1,628,730**	**1,612,536**	**1,217,231**
Weighted average number of shares on issue(investor and ordinary) [1]	thousands	1,628,730	1,628,730	1,623,134	1,541,925	1,069,507
Earnings / (losses) per share [1]						
before individually material items	cents	**24.8**	**32.5**	**27.3**	**22.6**	**60.5**
including individually material items	cents	**31.4**	**28.4**	**25.3**	**(14.4)**	**56.5**
Dividends (declared)	cents	**12.4**	**11.5**	**7.8**	**4.4**	**29.7**
Dividends (paid)	cents	**11.5**	**9.3**	**4.1**	**21.6**	**21.8**
Dividend franking	%	**68**	**-**	**-**	**48**	**100**
Share price range – High		$3.68	$4.66	$3.78	$5.18	$9.99
Low		$2.62	$2.99	$2.51	$1.74	$4.11
Year end		$2.98	$3.27	$3.59	$2.83	$5.07
Stockmarket capitalisation at year end	$mill	4,853.6	5,325.9	5,847.1	4,563.5	6,171.4
Net tangible assets per share	**$**	**0.73**	**0.47**	**0.37**	**0.12**	**(0.66)**
Profit margin (earnings before net borrowing costs and tax/sales)	%	**17.1**	**21.8**	**22.1**	**16.8**	**32.7**
Net debt	$mill	**1,286.9**	**1,188.8**	**1,097.1**	**1,463.4**	**2,030.3**
Gearing (net debt/net debt plus equity)	%	**24.2**	**24.3**	**23.3**	**30.5**	**39.2**
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	times	**10.8**	**13.3**	**12.2**	**5.4**	**11.9**
Net capital expenditure on plant and equipment (cash flow)	$mill	616.6	610.4	297.3	340.5	217.6
Net capital expenditure on acquisitions/(disposals) (cash flow)	$mill	35.1	(1.5)	103.7	2.0	586.4
Return on average shareholders funds						
before individually material items	**%**	**10.5**	**14.5**	**12.7**	**10.7**	**35.1**
including individually material items	**%**	**13.1**	**12.8**	**11.9**	**(6.8)**	**32.8**

(1) The number of shares have been restated as a result of the 20:1 share split as approved by shareholders in September 2008.

(2) Comparative information has been restated to reflect changes made in the financial statements.

Shareholder Information

Annual General Meeting

2.00 pm (Melbourne time) Tuesday 18 December 2012
The Auditorium,
Level 2, Melbourne Exhibition Centre,
2 Clarendon Street,
Southbank Victoria,
Australia

Securities Exchange Listing

Incitec Pivot Limited's shares are listed on the Australian Securities Exchange (ASX) and are traded under the ASX code IPL

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