Appendix 4E

Preliminary final report

Incitec Pivot Limited

ABN 42 004 080 264

Financial year ended ('current period')	Previous financial year ended ('previous corresponding period')
30 September 2011	30 September 2010

Results for announcement to the market

Extracts of the Incitec Pivot Limited results for the financial year ended 30 September 2011 **$Amill**

Revenues from ordinary activities	up	33.2%	to	3,906.3
Profit for the financial year	up	12.8%	to	463.2
Net profit for the financial year	up	12.8%	to	463.2

Dividends	Amount per security cents	Franked amount per security cents
Current Period		
Interim dividend	3.3	-
Final dividend	8.2	-
Previous corresponding period		
Interim dividend	1.8	-
Final dividend	6.0	-

Record date for determining entitlements to the final dividend:	**23 November 2011**
Payment date of final dividend:	**16 December 2011**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$0.47	$0.37

The information should be read in conjunction with the consolidated financial statements, which are set out on pages 1 to 70.

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

Incitec Pivot Limited did not have conduit foreign income during the year ended 30 September 2011 (2010: Nil).

Contents

Annual General Meeting

The Annual General Meeting will be held as follows:

Location	The Melbourne Exhibition Centre The Auditorium Level 2, 2 Clarendon Street Southbank VIC 3006
Date	20 December 2011
Time	2.00 pm
Approximate date the annual report will be available	25 November 2011

Compliance Statement

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

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

For further information, please contact:

Investor Relations
Nick Stratford
T: 03 8695 4569 M: 0419 139 793
E: nick.stratford@incitecpivot.com.au

Financial Report

Consolidated Income Statement

For the year ended 30 September 2011

	Notes	Consolidated 2011 $mill	2010 $mill
Revenue	(4)	**3,906.3**	2,931.7
Financial and other income	(4)	**46.3**	53.7
Operating expenses			
Changes in inventories of finished goods and work in progress		**141.2**	(69.3)
Raw materials and consumables used and finished goods purchased for resale		**(2,062.1)**	(1,141.9)
Employee expenses		**(549.1)**	(516.5)
Depreciation and amortisation expense	(5)	**(148.2)**	(139.0)
Financial expenses	(5)	**(63.1)**	(58.3)
Purchased services		**(159.7)**	(144.0)
Repairs and maintenance		**(119.2)**	(110.0)
Outgoing freight		**(218.5)**	(166.5)
Lease payments - operating leases	(5)	**(60.3)**	(55.0)
Share of profit on equity accounted investments	(16)	**24.2**	30.5
Asset write-downs, clean-up and environmental provisions		**(23.7)**	(28.3)
Other expenses		**(92.7)**	(47.2)
		(3,331.2)	(2,445.5)
Profit before income tax		**621.4**	539.9
Income tax expense	(8)	**(154.1)**	(127.7)
Profit for the financial year		**467.3**	412.2
Profit attributable to:			
Members of Incitec Pivot Limited		**463.2**	410.5
Non-controlling interest		**4.1**	1.7
		cents	cents
Earnings per share			
Basic earnings per share	(9)	**28.4**	25.3
Diluted earnings per share	(9)	**28.4**	25.3

The above Consolidated Income Statement is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 6 to 70.

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2011

	Notes	Consolidated 2011 $mill	Consolidated 2010 $mill
Profit for the financial year		**467.3**	412.2
Other comprehensive income / (expense)			
Cash-flow hedging reserve			
Changes in fair value of cash-flow hedges		**51.7**	45.6
Profit in cash-flow hedges transferred to Consolidated Income Statement		**(90.5)**	3.1
Income tax on movements in the cash-flow hedging reserve		**8.1**	(17.9)
		(30.7)	30.8
Fair value reserve			
Change in fair value of equity instruments		**(20.1)**	(18.5)
Income tax on change in fair value of equity instruments		**6.0**	5.5
		(14.1)	(13.0)
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		**(84.6)**	(183.7)
Net (loss) / gain on hedge of net investment		**(21.8)**	67.7
Income tax on movements in foreign currency translation reserve		**(61.3)**	(20.1)
		(167.7)	(136.1)
Actuarial losses on defined benefit plans			
Actuarial losses on defined benefit plans	(25)	**(29.5)**	(16.9)
Income tax on actuarial losses on defined benefit plans		**10.0**	6.4
		(19.5)	(10.5)
Total other comprehensive (expense)		**(232.0)**	(128.8)
Total comprehensive income for the financial year		**235.3**	283.4
Total comprehensive income attributable to:			
Members of Incitec Pivot Limited		**231.2**	281.7
Non-controlling interest		**4.1**	1.7

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 6 to 70.

Consolidated Statement of Financial Position

As at 30 September 2011

	Notes	Consolidated 2011 $mill	Consolidated 2010* $mill
Current assets			
Cash and cash equivalents	(10)	**379.7**	48.7
Trade and other receivables	(11)	**451.9**	437.5
Inventories	(12)	**477.9**	336.2
Other assets	(13)	**31.2**	36.2
Other financial assets	(14)	**40.8**	111.6
Assets classified as held for sale	(15)	**6.5**	9.1
Total current assets		**1,388.0**	979.3
Non-current assets			
Trade and other receivables	(11)	**16.1**	15.3
Other assets	(13)	**17.5**	2.5
Other financial assets	(14)	**52.9**	28.7
Investments accounted for using the equity method	(16)	**257.1**	256.5
Property, plant and equipment	(17)	**2,283.3**	1,844.1
Intangible assets	(18)	**2,942.3**	3,010.0
Deferred tax assets	(19)	**44.7**	173.9
Total non-current assets		**5,613.9**	5,331.0
Total assets		**7,001.9**	6,310.3
Current liabilities			
Trade and other payables	(20)	**875.1**	697.5
Interest bearing liabilities	(21)	**95.7**	108.5
Other financial liabilities	(22)	**0.6**	1.7
Provisions	(23)	**98.3**	82.6
Current tax liabilities		**93.5**	25.1
Total current liabilities		**1,163.2**	915.4
Non-current liabilities			
Trade and other payables	(20)	**281.9**	378.3
Interest bearing liabilities	(21)	**1,472.8**	1,037.3
Other financial liabilities	(22)	**2.9**	-
Provisions	(23)	**63.8**	82.6
Deferred tax liabilities	(24)	**195.3**	190.1
Retirement benefit obligations	(25)	**115.3**	95.3
Total non-current liabilities		**2,132.0**	1,783.6
Total liabilities		**3,295.2**	2,699.0
Net assets		**3,706.7**	3,611.3
Equity			
Issued capital	(26)	**3,265.9**	3,265.9
Reserves		**(192.8)**	7.0
Retained earnings		**628.6**	336.3
Minority interest		**5.0**	2.1
Total equity		**3,706.7**	3,611.3

*Comparative information has been restated to reflect the amendments to provisional asset and liability fair values on the acquisition of Nitromak DNX Kimya Sanayii A.S. in the prior financial year.

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 6 to 70.

Consolidated Statement of Cash Flows

For the year ended 30 September 2011

	Notes	Consolidated **2011** **$mill** **Inflows/ (Outflows)**	2010 $mill Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**4,279.3**	3,145.3
Payments to suppliers and employees		**(3,565.5)**	(2,599.2)
Interest received		**4.8**	4.9
Financial expenses paid		**(22.7)**	(43.6)
Other revenue received		**27.7**	31.8
Income taxes paid		**(4.5)**	(10.3)
Net cash flows from operating activities	(29)	**719.1**	528.9
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		**(646.6)**	(316.3)
Payments for purchase of subsidiaries, net of cash acquired	(28)	**-**	(97.1)
Payments for purchase of investments		**(0.2)**	(6.6)
Proceeds from sale of investments		**1.7**	-
Proceeds from sale of property, plant and equipment		**36.2**	19.0
Loans to equity-accounted investees		**(15.0)**	-
Proceeds from settlement of net investment hedge derivatives		**16.1**	-
Net cash flows from investing activities		**(607.8)**	(401.0)
Cash flows from financing activities			
Repayments of borrowings		**(127.2)**	(1,380.4)
Proceeds from borrowings		**509.7**	1,003.5
Payment of borrowing costs		**(10.7)**	(8.3)
Realised market value gains on cross currency swaps		**-**	201.3
Dividends paid		**(151.4)**	(18.3)
Net cash flows from financing activities		**220.4**	(202.2)
Net increase / (decrease) in cash and cash equivalents held		**331.7**	(74.3)
Cash and cash equivalents at the beginning of the financial year		**48.7**	125.2
Effect of exchange rate fluctuation on cash and cash equivalents held		**(0.7)**	(2.2)
Cash and cash equivalents at the end of the financial year	(10)	**379.7**	48.7

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 6 to 70.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2011

Consolidated	Issued capital $mill	Cash flow hedging reserve $mill	Share based payments reserve $mill	Foreign currency translation reserve $mill	Fair value reserve $mill	Retained earnings $mill	Total $mill	Minority interest $mill	Total equity $mill
Balance at 1 October 2009	3,217.8	(10.6)	(7.0)	113.9	22.8	2.7	3,339.6	-	3,339.6
Profit for the financial year	-	-	-	-	-	410.5	410.5	1.7	412.2
Total other comprehensive income / (expense) for the period	-	30.8	-	(136.1)	(13.0)	(10.5)	(128.8)	-	(128.8)
Sale of share capital to minority interest holder	-	-	-	-	-	-	-	0.4	0.4
Dividends paid	-	-	-	-	-	(66.4)	(66.4)	-	(66.4)
Shares issued during the period	48.1	-	-	-	-	-	48.1	-	48.1
Share based payment transactions									
Dividends received as loan repayment	-	-	0.1	-	-	-	0.1	-	0.1
Option expense	-	-	3.8	-	-	-	3.8	-	3.8
Deferred tax on share based payments	-	-	0.6	-	-	-	0.6	-	0.6
Loan repayments	-	-	1.7	-	-	-	1.7	-	1.7
Balance at 30 September 2010	3,265.9	20.2	(0.8)	(22.2)	9.8	336.3	3,609.2	2.1	3,611.3
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**

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 6 to 70.

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 2006/09 and the 2007/10 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% outside equity interest in Quantum Fertilisers Limited, a Hong Kong based fertiliser marketing company.

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 11 November 2011.

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 (AASBs) (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).

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 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 judgement 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 judgement 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 124 Related Party Disclosures* (revised December 2009)
- *AASB 1054 Additional Australian Disclosures*
- *AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project*
- AASB 9 *Financial Instruments (2009)*

The early adoption of AASB 124 increased the related party disclosure requirements to include disclosure of transactions between jointly controlled entities of the IPL Group. This has resulted in changes to Related Party disclosures as disclosed in Note 34.

The early adoption of AASB 9 requires that an entity classify its financial assets as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and their contractual cash flow characteristics. This resulted in changes to the classification of financial assets. Refer to Note 1(ix) for the accounting policy on other financial assets.

Other than the impact of AASB 124 and AASB 9, as described above, 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:

- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* increases the disclosure requirements for transactions involving transfers of financial assets. AASB 2010-6 will become mandatory for the Group's 30 September 2012 consolidated financial statements. The Group has not yet determined the potential impact of this standard.
- *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 twelve 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 these amendments.
- *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 are to be presented separately from those that are subject to subsequent reclassification (recycling). The amendments which will become mandatory for the Group's 30 September 2013 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.
- *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, which will become mandatory for the Group's 30 September 2014 consolidated financial statements, are not expected to have a significant impact on the Group's consolidated financial statements.
- *AASB 11: Joint Arrangements* reduces the 'types' of joint arrangements from three to two and eliminates the option to apply proportionate consolidation. The amendments, which will become mandatory for the Group's 30 September 2014 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.
- *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, which will become mandatory for the Group's 30 September 2014 consolidated financial statements, is not expected to have a significant impact on the Group's consolidated financial statements.

1. Significant accounting policies (continued)

(i) Basis of preparation (continued)

Issued Standards not early adopted (continued)

- *AASB 12: Disclosure of Interests in Other Entities,* requires more extensive qualitative disclosures around judgement 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, which will become mandatory for the Group's 30 September 2014 consolidated financial statements, is not expected to have a significant impact on the Group's consolidated financial statements.

(ii) Consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Incitec Pivot Limited as at 30 September 2011 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 when the Group acts in the capacity of an agent rather than as the principal in a transaction, 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.

(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 twelve 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 grant date fair value of shares treated as options, and rights, granted to employees 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.

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.

1. Significant accounting policies (continued)

(vi) Taxation (continued)

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. Engineering spares are held in inventory and expensed when used.

(viii) Trade and other receivables

Trade and other receivables are recognised at their 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 had 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 derecognised. 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

Change in Accounting Policy:
The Group has early adopted *AASB 9 Financial Instruments* as issued in 2009, with initial application from 1 October 2010 (being the beginning of the period). AASB 9 requires that an entity classify its financial assets as 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.

This change in accounting policy has been applied on a retrospective basis, from 1 October 2010 without restatement of prior periods. The adoption of this standard has no material impact on the measurement of the Group's financial assets and, therefore, has no impact on the Group's earnings per share for the year.

The adoption of AASB 9 resulted in Cash and cash equivalents, Trade receivables and Other receivables being measured at amortised cost, which is a change from the classification of Loans and receivables as previously measured under AASB 139.

In accordance with AASB 9, the Group has designated its investment in equity securities that were formerly designated as "available-for-sale", as "fair value through other comprehensive income" as disclosed below. This results in 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.

The adoption of AASB 9 does not impact the original carrying amount of the Group's financial assets, previously measured under AASB 139.

(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 derecognition.

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.

1. Significant accounting policies (continued)

(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 30 years

The assets' residual values and useful lives are reviewed, 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.

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 of the 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 4 – 10 years
- Patents 13 – 15 years
- Customer 10 – 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, 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.

1. Significant accounting policies (continued)

(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. Gains and losses are recognised in the Consolidated Income Statement in the event that the liabilities are derecognised.

(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.

(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 taken to the Consolidated Income Statement as soon as the need is identified and a reliable estimate of the liability is able to be assessed.

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 not expected to be settled within twelve months of reporting date, 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.

(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.

1. Significant accounting policies (continued)

(xvii) Provisions (continued)

(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 benefits have 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.

(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, 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 dates of the transactions. 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 retranslated.

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 unless exchange rates fluctuate significantly. 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.

Derivative financial instruments 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 or foreign currency translation reserve.

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 they actually have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Changes in fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the 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 other comprehensive income based on the amount calculated using the direct method of consolidation.

(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 fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques. 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) 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 judgements

Estimates and judgements 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 and restructuring liabilities;
- the calculation of annual superannuation and pension costs and related assets and liabilities; and
- valuation of assets and liabilities acquired in a business combination.

(i) Impairment of assets

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, increased cost of capital, current replacement costs, increases in cost of inputs, and other factors which may indicate impairment.
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 judgements concerning the identification of impairment indicators, earnings before interest and tax, growth rates, applicable discount rates, useful lives and residual or terminal values. 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 judgements 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) (f) to the consolidated financial statements for further details of the accounting policy relating to environmental and restructuring provisions. Also refer to Note 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) (d) 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) Business combinations

Fair valuing assets and liabilities acquired in a business combination involves making assumptions about the timing of cash inflows and outflows, commodity prices, growth assumptions, discount rates and cost of debt. Refer to Note 28 for details of acquisitions made during the period.

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 Single Super Phosphate, Urea and Ammonia. 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% 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.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2011

3. Segment report (continued)

(d) Reportable segments

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**	**1,238.6**	**(193.8)**	**2,230.3**	**533.1**	**1,172.5**	**(27.5)**	**1,678.1**	**(2.1)**	**3,906.3**
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										**(66.9)**
Profit after tax										**463.2**

30 September 2010	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	885.9	647.1	(145.4)	1,387.6	499.8	1,092.5	(48.2)	1,544.1	-	2,931.7
Share of profits in associates and joint ventures accounted for by the equity method	-	-	-	-	12.9	17.6	-	30.5	-	30.5
Earnings before interest, related income tax expense, depreciation and amortisation and individually material items	141.6	236.9	(0.6)	377.9	196.0	236.5	1.5	434.0	(24.6)	787.3
Depreciation and amortisation	(29.2)	(14.3)	-	(43.5)	(20.0)	(73.3)	-	(93.3)	(2.2)	(139.0)
Earnings before interest, related income tax expense and individually material items	112.4	222.6	(0.6)	334.4	176.0	163.2	1.5	340.7	(26.8)	648.3
Net interest expense										(53.0)
Income tax expense										(150.8)
Profit after tax (excluding individually material items)										444.5
Non-controlling interest										(1.7)
Individually material items										(32.3)
Profit after tax										410.5

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 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**	**483.8**	**3,906.3**
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**

30 September 2010	Australia **$mill**	USA **$mill**	Canada **$mill**	Turkey **$mill**	Other/Elim **$mill**	Consolidated **$mill**
Revenue from external customers	1,871.8	770.3	235.9	14.8	38.9	2,931.7
Non-current assets other than financial instruments and deferred tax assets	2,702.5	2,115.4	80.0	153.6	76.9	5,128.4

	Notes	Consolidated 2011 $mill	2010 $mill
4. Revenue and other income			
Revenue			
External sales		**3,906.3**	2,931.7
Total revenue		**3,906.3**	2,931.7
Financial income			
Interest income from external parties		**4.1**	2.8
Interest income from jointly controlled entities	(34)	**0.8**	2.5
Total financial income		**4.9**	5.3
Other income			
Net foreign exchange gains		**-**	0.6
Royalty income and management fees	(34)	**20.7**	23.8
Net gain on sale of property, plant and equipment	(29)	**18.0**	4.3
Other income		**2.7**	0.7
Gain on Nitromak acquisition		**-**	19.0
Total other income		**41.4**	48.4
Total financial and other income		**46.3**	53.7

5. Expenses

	Notes	Consolidated 2011 $mill	2010 $mill
Profit before income tax includes the following specific expenses:			
Depreciation & Amortisation			
depreciation	(17)	**124.7**	112.1
amortisation	(18)	**23.5**	26.9
	(29)	**148.2**	139.0
Recoverable amount write-down			
property, plant and equipment	(17),(29)	**7.6**	0.7
		7.6	0.7
Amounts set aside to provide for			
impairment loss on trade and other receivables		**5.9**	1.1
employee entitlements		**6.4**	8.3
environmental liabilities	(23)	**7.2**	24.9
inventory losses and obsolescence		**0.9**	1.2
other provisions	(23)	**4.1**	1.8
restructuring	(23)	**15.0**	6.8
Lease payments – operating leases		**60.3**	55.0
Net foreign exchange losses		**1.8**	-
Research and development expense		**7.9**	7.8
Defined contribution superannuation expense		**15.8**	11.1
Defined benefit superannuation/pension expense	(25)	**5.0**	8.0
Financial expenses			
Unwinding of discount on provisions and other payables	(29)	**25.2**	13.8
Interest expenses on financial liabilities		**37.8**	44.2
Interest expenses on financial liabilities with jointly controlled entities	(34)	**0.1**	0.3
Total financial expenses		**63.1**	58.3

		Consolidated					
		2011			2010		
		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	Gross 2011 $mill	Tax 2011 $mill	Net 2011 $mill	Gross 2010 $mill	Tax 2010 $mill	Net 2010 $mill
Business restructuring costs - Dyno Nobel Integration[(1)]							
restructuring and other direct costs		**(25.9)**	**10.0**	**(15.9)**	(7.8)	2.4	(5.4)
employee redundancies and allowances		**(28.3)**	**9.4**	**(18.9)**	(16.7)	5.3	(11.4)
Total business restructuring		**(54.2)**	**19.4**	**(34.8)**	(24.5)	7.7	(16.8)
Business restructuring costs - Manufacturing and Distribution[(2)]							
restructuring and other direct costs		**(11.9)**	**3.5**	**(8.4)**	(18.7)	5.8	(12.9)
employee redundancies and allowances		**(4.4)**	**1.2**	**(3.2)**	(8.0)	2.7	(5.3)
Total business restructuring		**(16.3)**	**4.7**	**(11.6)**	(26.7)	8.5	(18.2)
Other							
accounting acquisition profit - Nitromak[(3)]		**-**	**-**	**-**	19.0	-	19.0
asbestos environmental costs at various sites[(4)]		**-**	**-**	**-**	(23.2)	6.9	(16.3)
loss on sale and impairment of drilling businesses [(5)]		**(41.1)**	**1.5**	**(39.6)**	-	-	-
profit on sale of property, plant and equipment [(6)]		**19.1**	**-**	**19.1**	-	-	-
Total other		**(22.0)**	**1.5**	**(20.5)**	(4.2)	6.9	2.7
Individually material items	(9)	**(92.5)**	**25.6**	**(66.9)**	(55.4)	23.1	(32.3)

(1) Following the acquisition of Dyno Nobel Limited, 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 has 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 2010, the Group acquired the remaining 50% interest in Nitromak DNX Kimya Sanayii A.S. (Nitromak), making Nitromak a fully owned subsidiary. AASB 3 *Business Combinations* requires that the original 50% investment is revalued to fair value in the Income Statement when the Group gained control of Nitromak, which resulted in a gain of $33.4 million, offset by $14.4 million of foreign exchange losses, resulting in a net gain of $19.0 million.

(4) Environmental costs at various sites, including estimated costs to remediate asbestos identified at some sites.

(5) During 2011, the Group sold its 100% ownership interest in the Canadian drilling business DNX Castonguay Inc (Castonguay) for $1.5m. A loss on the sale of $35.2m (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.

(6) Gain on sale of land.

7. Auditor's remuneration

	Consolidated	
	2011	2010
	$000	$000
Total remuneration received, or due and receivable, by the auditors for:		
Audit services		
Auditors of the Group - KPMG Australia	**1,052.9**	1,092.5
Auditors of the Group - KPMG Overseas	**633.9**	992.7
Other auditors	**62.7**	25.0
Other assurance services - debt issue	**252.0**	231.0
Other assurance services	**121.7**	-
	2,123.2	2,341.2
Non audit services		
Auditors of the Group - KPMG Australia		
taxation services	**7.8**	-
other services	**-**	80.1
	7.8	80.1
	2,131.0	2,421.3

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 services provided by KPMG above a value of $100,000, as well as where the aggregate amount exceeds $250,000 per annum.

	Consolidated 2011 $mill	Consolidated 2010 $mill

8. Income tax expense

	2011 $mill	2010 $mill
(a) Income tax expense		
Current tax		
Current year	**105.4**	100.6
Over provision in prior years	**(0.5)**	(4.1)
	104.9	96.5
Deferred tax		
Origination and reversal of temporary differences	**49.2**	31.2
Total income tax expense	**154.1**	127.7

	2011 $mill	2010 $mill
(b) Reconciliation of income tax expense and pre-tax accounting profit		
Profit before income tax	**621.4**	539.9
Income tax expense attributable to profit before income tax		
Tax at the Australian tax rate of 30% (2010 at 30%) on profit before income tax	**186.4**	162.0
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Research and development incentive	**(5.5)**	(3.5)
Share-based payments	**-**	0.7
Participation facility	**(15.6)**	(13.2)
Valuation allowances	**7.6**	-
Sundry items	**(21.4)**	(16.1)
	151.5	129.9
Difference in overseas tax rates	**3.1**	1.9
Overprovision in prior years	**(0.5)**	(4.1)
Income tax expense attributable to profit	**154.1**	127.7

	2011 $mill	2010 $mill
(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	**37.2**	26.1
	37.2	26.1

	Notes	Consolidated 2011 Cents per share	2010 Cents per share
9. Earnings per share (EPS)			
Basic earnings per share			
including individually material items		**28.4**	25.3
excluding individually material items		**32.5**	27.3
Diluted earnings per share			
including individually material items		**28.4**	25.3
excluding individually material items		**32.5**	27.3
		Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share (1)		**1,628,730,107**	1,623,134,164

(1) No shares w ere issued during the year ended 30 September 2011, refer Note 26.

	Notes	Consolidated 2011 $mill	2010 $mill
Profit attributable to ordinary shareholders		**463.2**	410.5
Reconciliation of earnings used in the calculation of basic and diluted earnings per share excluding individually material items			
Profit attributable to ordinary shareholders		**463.2**	410.5
Add back individually material items after income tax	(6)	**66.9**	32.3
Profit attributable to ordinary shareholders excluding individually material items		**530.1**	442.8

	Notes	Consolidated 2011 $mill	2010 $mill
10. Cash and cash equivalents			
Cash at bank and on hand		**95.5**	47.9
Deposits at call			
external		**284.2**	0.8
	(29)	**379.7**	48.7

	Notes	Consolidated 2011 $mill	2010 $mill
11. Trade and other receivables			
Current			
Trade debtors			
external		**417.1**	419.4
jointly controlled entities and associates	(34)	**26.6**	24.8
Less impairment losses			
external	(33)	**(12.2)**	(11.9)
		431.5	432.3
Sundry debtors / loans			
external		**5.0**	4.9
jointly controlled entities and associates	(34)	**15.4**	0.3
		20.4	5.2
		451.9	437.5
Non-current			
Sundry debtors / loans			
external		**2.7**	3.4
jointly controlled entities and associates		**13.4**	13.8
Less impairment losses			
external		**-**	(1.9)
		16.1	15.3

12. Inventories

Raw materials and stores at cost		**52.1**	51.6
Work in progress at cost		**45.0**	32.5
Finished goods			
at cost		**388.1**	259.9
less provision for inventory losses, obsolescence and net realisable value		**(7.3)**	(7.8)
Finished goods		**380.8**	252.1
		477.9	336.2

13. Other assets

Current			
Prepayments		**26.3**	26.6
Other		**4.9**	9.6
		31.2	36.2
Non-current			
Prepayments		**13.0**	0.7
Other		**4.5**	1.8
		17.5	2.5

14. Other financial assets

Current			
Investments - equity instruments		**-**	30.2
Derivative financial instruments			
cross currency swaps		**35.4**	61.3
option contracts	(33)	**5.4**	-
forward exchange contracts		-	20.1
		40.8	111.6
Non-current			
Investments - equity instruments		**10.1**	-
Derivative financial instruments			
interest rate swaps	(33)	**42.8**	-
cross currency swaps	(33)	**-**	28.7
		52.9	28.7

Sensitivity analysis – equity price risk

All of the equity investments are listed on the Australian Securities Exchange. A 5% increase in the share prices of these equities at the reporting date would have increased equity (pre-tax) by $0.5m (2010: $1.5m); an equal decrease would have decreased equity (pre-tax) by $0.5m (2010: $1.5m).

	Consolidated	
	2011 $mill	2010 $mill

15. Assets classified as held for sale

Land and buildings held for sale	**1.9**	4.8
Machinery, plant and equipment held for sale	**4.6**	4.3
	6.5	9.1

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.	Delivery of explosives and related products	51%	USA	(1)
IRECO Midwest Inc.	Delivery of explosives and related products	50%	USA	
Wampum Hardware Company	Delivery of explosives and related products	50%	USA	
Pepin-IRECO, Inc.	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.	Delivery of explosives and related products	49%	Canada	(2)
Denesoline Western Explosives Inc.	Delivery of explosives and related products	49%	Canada	(3)

(1) Refer to footnote description on next page.
(2) Refer to footnote description on next page.
(3) 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	
Jointly controlled entities (continued)				
Queensland Nitrates Pty Ltd	Production of ammonium nitrate	50%	Australia	(4)
Queensland Nitrates Management Pty Ltd	Management services	50%	Australia	(4)
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	Distribution of detonators	50%	South Africa	(4)
Associates				
Labrador Maskua Ashini Ltd	Delivery of explosives and related products	25%	Canada	
Fabchem China Ltd	Manufacture of commercial explosives	30%	Singapore	(5)
Valley Hydraulics Ltd	Delivery of explosives and related products	25%	Canada	
Apex Construction Specialities Ltd	Delivery of explosives and related products	25%	Canada	
Innu Namesu Ltd	Delivery of explosives and related products	25%	Canada	
St Lawrence Explosives Inc	Inactive	33%	Canada	
Warex Corporation	Delivery of explosives and related products	25%	USA	
Warex LLC	Delivery of explosives and related products	25%	USA	

(1) Due to the contractual and decision making arrangement between the shareholders of the entities, despite the legal ownership exceeding 50%, 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% of the shares in Qaaqtuq Dyno Nobel Inc. However, under the joint venture agreement, the Group is entitled to 75% 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% of the shares in Denesoline Western Explosives Inc. However, under the joint venture agreement, the Group is entitled to 95% of the profit of Denesoline Western Explosives Inc.

(4) These jointly controlled entities have a 30 June year end. For the purpose of applying the equity method of accounting, the unaudited financial information through to 30 September 2011 has been used.

(5) Fabchem China Ltd has a 31 March year end. For the purpose of applying the equity method of accounting, the unaudited financial information through to 30 September 2011 has been used.

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

Summarised financial information of jointly controlled entities and associates:

	Notes	Consolidated 2011 $mill	Consolidated 2010 $mill
Current assets		**264.4**	252.3
Non-current assets		**297.2**	280.4
Total assets		**561.6**	532.7
Current liabilities		**139.7**	131.7
Non-current liabilities		**81.4**	95.6
Total liabilities		**221.1**	227.3
Net assets		**340.5**	305.4
Revenue		**723.3**	796.8
Net profit		**48.8**	65.6
Share of jointly controlled entities and associates' profit:			
Share of jointly controlled entities and associates' profit before tax		**36.5**	42.4
Share of jointly controlled entities and associates' income tax expense		**(12.3)**	(11.9)
Share of jointly controlled entities and associates' profit	(29)	**24.2**	30.5
Carrying amount of investments in jointly controlled entities and associates			
Carrying amount at the beginning of the year		**256.5**	254.0
Share of net profit from jointly controlled entities and associates		**24.2**	30.5
Less: dividends received / receivable	(34)	**(8.6)**	(17.1)
Elimination of profit on transactions with jointly controlled entities and associates		**(2.4)**	-
Foreign exchange movement		**(12.6)**	(10.9)
Carrying amount at end of the financial year		**257.1**	256.5

The Group's share of capital commitments, other expenditures and contingent liabilities are disclosed in Notes 30 and 31.

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 2009					
Cost		425.1	1,347.9	404.4	2,177.4
Accumulated depreciation		(128.8)	(385.2)	-	(514.0)
Net book amount		296.3	962.7	404.4	1,663.4
Year ended 30 September 2010					
Opening net book amount		296.3	962.7	404.4	1,663.4
Reclassification from fixed assets classified as held for sale		-	0.5	-	0.5
Additions		14.8	120.3	224.2	359.3
Disposals		(6.7)	(8.0)	-	(14.7)
Acquisition of business		6.1	2.1	-	8.2
Depreciation charge	(5)	(13.2)	(98.9)	-	(112.1)
Impairment of assets	(5)	-	(0.7)	-	(0.7)
Reclassification		21.3	20.5	(41.8)	-
Foreign exchange movement		(10.3)	(48.7)	(0.8)	(59.8)
Closing net book amount		308.3	949.8	586.0	1,844.1
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 30 September 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**

Non-current asset impairment

During the year ended 30 September 2011, impairment of property, plant and equipment occurred to the value of $7.6m (2010: $0.7m) 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 2011 interest of $52.1m (2010: $25.2m) was capitalised relating to interest bearing liabilities used specifically to fund qualifying assets (expansion projects) as defined under AASB123 *Borrowing Costs.*

18. Intangible assets

Consolidated	Notes	Software $mill	Goodwill $mill	Patents, Trademarks & Customer Contracts $mill	Brand Names $mill	Total $mill
At 1 October 2009						
Cost		59.9	2,649.3	235.1	255.4	3,199.7
Accumulated amortisation		(22.5)	-	(24.2)	-	(46.7)
Net book amount		37.4	2,649.3	210.9	255.4	3,153.0
Year ended 30 September 2010						
Opening net book amount		37.4	2,649.3	210.9	255.4	3,153.0
Acquisition of business		0.2	157.4	1.1	4.0	162.7
Additions		3.8	2.0	-	-	5.8
Amortisation charge	(5)	(9.2)	-	(17.7)	-	(26.9)
Foreign exchange movement		(2.3)	(247.8)	(13.5)	(21.0)	(284.6)
Closing net book amount		29.9	2,560.9	180.8	238.4	3,010.0
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 30 September 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**

18. Intangible assets (continued)

(a) Allocation of goodwill

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

	Goodwill 2011 $mill	**Brand Names 2011 $mill**	**Total 2011 $mill**	Goodwill 2010 $mill	Brand Names 2010 $mill	Total 2010 $mill
IPF	**183.8**	**-**	**183.8**	183.8	-	183.8
SCI	**1.9**	**-**	**1.9**	1.9	-	1.9
DNAP	**1,091.0**	**40.3**	**1,131.3**	1,098.4	40.3	1,138.7
DNA	**1,119.8**	**192.3**	**1,312.1**	1,126.5	194.1	1,320.6
Nitromak	**120.1**	**3.0**	**123.1**	150.3	4.0	154.3
	2,516.6	**235.6**	**2,752.2**	2,560.9	238.4	2,799.3

(b) Impairment testing

The carrying amount of goodwill and intangible assets with indefinite lives are 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 calculated using cash flow projections based on financial forecasts for a period of five years as approved by management.

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

Key assumptions used to test for impairment, include:

	Terminal Growth Rate		**Discount Rate***	
	2011 %	2010 %	**2011 %**	2010 %
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.

	Notes	Consolidated 2011 $mill	2010 $mill
19. Deferred tax assets			
The balance comprises temporary differences attributable to:			
Impairment of trade and other receivables		**0.5**	8.0
Employee entitlements provision		**15.4**	10.8
Retirement benefit obligations		**37.1**	28.5
Restructuring and rationalisation provision		**5.3**	3.9
Environmental provision		**23.9**	28.0
Other provisions		**13.9**	10.9
Inventories		**3.4**	3.5
Property, plant and equipment		**32.5**	33.3
Foreign exchange losses		**3.3**	13.8
Share issue expenses		**-**	1.1
Cash flow hedges		**0.2**	0.5
Unfavourable supplier contracts		**105.0**	128.7
Tax losses		**44.3**	69.9
Other		**23.9**	23.2
Deferred tax assets		**308.7**	364.1
Set-off of deferred tax liabilities pursuant to set-off provisions	(24)	**(264.0)**	(190.2)
Net deferred tax assets		**44.7**	173.9
Movements:			
Opening balance at 1 October		**364.1**	490.5
Charged to the Income Statement		**(65.6)**	(115.2)
Credited / (charged) to equity		**18.0**	(26.1)
Foreign exchange movement		**(1.4)**	20.0
Adjustments in respect of prior years		**(6.4)**	(5.1)
Closing balance at 30 September		**308.7**	364.1

	Notes	Consolidated 2011 $mill	Consolidated 2010 $mill
20. Trade and other payables			
Current			
Trade creditors			
external		**625.6**	475.1
jointly controlled entities and associates	(34)	**4.5**	1.6
		630.1	476.7
Sundry creditors and accrued charges			
external		**176.3**	171.5
jointly controlled entities and associates	(34)	**0.1**	-
unfavourable sales / supplier contracts		**68.6**	49.3
		245.0	220.8
		875.1	697.5
Non-current			
Sundry creditors and accrued charges			
external		**0.6**	-
unfavourable sales / supplier contracts		**281.3**	378.3
		281.9	378.3

Unfavourable contracts

Unfavourable contracts were recognised as part of the Southern Cross Fertilisers Pty Ltd acquisition in 2006 and the Dyno Nobel Limited acquisition in 2008. The liability is 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 that are 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 contracts recorded in the Consolidated Income Statement for the year ended 30 September 2011 was $67.9m (2010: $75.7m).

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.

21. Interest bearing liabilities

	Notes	Consolidated 2011 $mill	2010 $mill
Current			
Secured			
bank loans			
participation facilities		**77.0**	75.5
inventory finance facility		**-**	10.3
lease liability		**-**	0.2
Unsecured			
bank loans		**9.6**	12.5
other loans			
jointly controlled entities and associates [1]		**9.1**	10.0
	(33)	**95.7**	108.5
Non-current			
Secured			
bank loans			
participation facilities		**114.1**	179.5
lease liability		**0.1**	1.7
Unsecured			
fixed interest rate bonds		**1,358.6**	804.7
bank loans			
bank facility		**-**	51.4
	(33)	**1,472.8**	1,037.3

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

During the year, the Group undertook a number of financing activities:

- In December 2010 the Group completed a US$500.0m 5 year bond issuance in the US 144A / Regulation S debt capital market. The bond is denominated in USD, has a fixed rate semi-annual coupon of 4% and matures in December 2015. The proceeds of this funding are being used to reduce future reliance on bank funding.
- The Bank Facility was renegotiated for a further 3 year term with the Group choosing to reduce the limit from $1,080.0m to $900.0m. The facility now matures in April 2014.
- The Group chose to cancel the Inventory Finance Facility.
- A number of uncommitted trade finance facilities were negotiated on behalf of the Group's 65% owned subsidiary, Quantum Fertilisers. These facilities are fully guaranteed by Incitec Pivot.
- An uncommitted overdraft and guarantee facility was negotiated for the Group's wholly owned North American businesses.

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

During December 2010 the Group entered into a 5 year US$500.0m Interest Rate Swap to receive fixed interest and pay floating interest. In January 2011 the Group entered into a 8.5 year US$300.0m Interest Rate Swap, which started in June 2011, to receive fixed interest and pay floating interest.

Bank Facility

The Bank Facility was a 3 year revolving facility that could be drawn in either AUD or USD. It had a facility limit of A$1,080.0m (2009: A$1,680.0m) with a maturity date of 4 October 2011. The Bank Facility was cancelled during the year and replaced by a new A$900.0m 3 year Bank Facility, maturing in April 2014. The terms and conditions of the new facility are principally the same as the previous agreement.

Participation Facilities

The Participation Facilities mature in June 2013 and September 2014. The carrying amount of the facilities is A$191.1m 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% and 9.63% respectively for the term of the facilities.

Inventory Finance Facility

The Inventory Finance Facility was cancelled during the year at the Group's request.

	Notes	Consolidated 2011 $mill	2010 $mill
22 Other financial liabilities			
Current			
Derivative financial instruments			
commodity contracts	(33)	**-**	1.7
Forward exchange contracts	(33)	**0.6**	-
		0.6	1.7
Non-Current			
Derivative financial instruments			
cross currency swaps		**2.9**	-
		2.9	-

23. Provisions

	2011 $mill	2010 $mill
Current		
Employee entitlements	**27.6**	24.5
Restructuring and rationalisation	**21.7**	13.4
Environmental	**41.0**	34.6
Asset retirement obligation	**2.4**	1.4
Other	**5.6**	8.7
	98.3	82.6
Non-current		
Employee entitlements	**12.2**	13.1
Restructuring and rationalisation	**2.1**	4.0
Environmental	**31.6**	51.3
Asset retirement obligation	**16.9**	13.5
Other	**1.0**	0.7
	63.8	82.6
Aggregate employee entitlements		
Current	**27.6**	24.5
Non-current	**12.2**	13.1
	39.8	37.6

The present value of the Group's employee entitlements not expected to be settled within twelve months of reporting date have 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)	**4.87%**
Settlement term	**10 years**

	2011 Number	2010 Number
Employees at year end		
Full time equivalent	**4,910**	4,998

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 2011 $mill
Current Provision - Dividends		
Carrying amount at the beginning of the financial year		**-**
Provisions made during the year		**151.4**
Payments made during the year	(27)	**(151.4)**
Carrying amount at the end of the financial year		**-**
Current Provision - Restructuring and rationalisation		
Carrying amount at the beginning of the financial year		**13.4**
Provisions made during the year	(5)	**15.0**
Provisions written back during the year		**(0.4)**
Payments made during the year		**(8.6)**
Transfers from non-current		**2.0**
Foreign currency exchange differences		**0.3**
Carrying amount at the end of the financial year		**21.7**
Current Provision - Environmental		
Carrying amount at the beginning of the financial year		**34.6**
Provisions made during the year	(5)	**0.2**
Provisions written back during the year		**(1.9)**
Payments made during the year		**(20.2)**
Transfers from non-current		**28.3**
Disposal of subsidaries		**(0.2)**
Foreign currency exchange differences		**0.2**
Carrying amount at the end of the financial year		**41.0**
Current Provision - Asset retirement obligations		
Carrying amount at the beginning of the financial year		**1.4**
Transfers from non-current		**1.0**
Carrying amount at the end of the financial year		**2.4**
Current Provision - Other		
Carrying amount at the beginning of the financial year		**8.7**
Provisions made during the year	(5)	**3.2**
Payments made during the year		**(6.3)**
Transfers from non-current		**0.3**
Foreign currency exchange differences		**(0.3)**
Carrying amount at the end of the financial year		**5.6**

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

23. Provisions (continued)

Reconciliations (continued)	Notes	Consolidated 2011 $mill
Non-current Provision - Restructuring and rationalisation		
Carrying amount at the beginning of the financial year		**4.0**
Transfers to current		**(2.0)**
Discount unwind		**0.1**
Carrying amount at the end of the financial year		**2.1**
Non-current Provision - Environmental		
Carrying amount at the beginning of the financial year		**51.3**
Provisions made during the year	(5)	**7.0**
Provisions written back during the year		**(0.2)**
Transfers to current		**(28.3)**
Discount unwind		**2.4**
Foreign currency exchange differences		**(0.6)**
Carrying amount at the end of the financial year		**31.6**
Non-current Provision - Asset retirement obligations		
Carrying amount at the beginning of the financial year		**13.5**
Provisions made during the year		**1.1**
Transfers to current		**(1.0)**
Discount unwind		**3.4**
Foreign currency exchange differences		**(0.1)**
Carrying amount at the end of the financial year		**16.9**
Non-current Provision - Other		
Carrying amount at the beginning of the financial year		**0.7**
Provisions made during the year	(5)	**0.9**
Provisions written back during the year		**(0.1)**
Transfers to current		**(0.3)**
Foreign currency exchange differences		**(0.2)**
Carrying amount at the end of the financial year		**1.0**

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

	Notes	Consolidated 2011 $mill	2010 $mill

24. Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Notes	2011 $mill	2010 $mill
Inventories		**2.5**	0.7
Property, plant and equipment		**210.7**	219.6
Intangible assets		**111.5**	116.2
Foreign exchange (losses) / gains		**10.5**	(9.5)
Provisions		**-**	4.4
Other		**124.1**	48.9
Deferred tax liabilities		**459.3**	380.3
Set-off of deferred tax liabilities pursuant to set-off provisions	(19)	**(264.0)**	(190.2)
Net deferred tax liabilities		**195.3**	190.1
Movements			
Opening balance at 1 October		**380.3**	490.6
Credited to the Income Statement		**(16.4)**	(84.0)
Charged to equity		**55.2**	-
Acquisition of subsidiaries		**-**	0.1
Foreign exchange movements		**(3.1)**	(29.7)
Adjustments in respect of prior years		**43.3**	3.3
Closing balance at 30 September		**459.3**	380.3

25. Retirement benefit obligations

(a) Information on Plans

The Group operates a number of defined benefit plans to provide benefits for employees and their dependants 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, 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	
		2011	2010
	Notes	**$mill**	$mill
Present value of defined benefit obligations at beginning of the year		**287.6**	288.4
Current service cost		**6.2**	7.5
Past service benefit		**(0.8)**	(1.3)
Interest cost		**13.4**	16.2
Actuarial losses		**15.1**	20.1
Contributions by plan participants		**1.1**	1.2
Benefits paid		**(15.0)**	(22.3)
Foreign exchange differences on foreign plans		**(3.2)**	(22.2)
Present value of defined benefit obligations at end of the year		**304.4**	287.6

(c) Reconciliation of the fair value of plan assets

Fair value of plan assets at beginning of the year		**192.3**	196.8
Expected return on plan assets		**13.8**	14.4
Actuarial gains / (losses)		**(14.4)**	3.2
Employer contributions		**14.5**	12.3
Contributions by plan participants		**1.1**	1.2
Benefits paid		**(15.0)**	(22.3)
Foreign exchange differences on foreign plans		**(3.2)**	(13.3)
Fair value of plan assets at end of the year		**189.1**	192.3

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

Present value of funded defined benefit obligations at end of year		**303.4**	286.9
Tax provision		**1.0**	0.7
Total value of funded defined benefit obligations at end of year		**304.4**	287.6
Fair value of plan assets at end of year		**(189.1)**	(192.3)
Net liability recognised in the Consolidated Statement of Financial Position at end of year		**115.3**	95.3

(e) Expense recognised in Consolidated Income Statement

Current service cost		**6.2**	7.5
Past service benefit		**(0.8)**	(1.3)
Interest cost		**13.4**	16.2
Expected return on plan assets		**(13.8)**	(14.4)
Expense recognised in Consolidated Income Statement	(5)	**5.0**	8.0

25. Retirement benefit obligations (continued)

	Consolidated	
	2011	2010
	$mill	$mill
(f) Amounts recognised in the Consolidated Statement of Comprehensive Income		
Actuarial losses (before income tax)	**29.5**	**16.9**
(g) Cumulative amount recognised in the Consolidated Statement of Comprehensive Income		
Cumulative amount of actuarial losses (before income tax)	**115.1**	85.6
(h) Plan assets		
The percentage invested in each asset class at the reporting date:		
Equities	**66%**	60%
Fixed Interest Securities	**21%**	28%
Property	**7%**	8%
Other	**6%**	4%

(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.

	2011	2010
(k) Actual return on plan assets		
Actual return on plan assets	**(0.6)**	10.4
(l) Principal actuarial assumptions at the reporting date		
Discount rate (net of tax)	**4.2% - 8.0%**	4.5% - 8.0%
Expected rate of return on plan assets	**7.0% - 7.8%**	6.0% - 8.0%
Future salary increases	**2.0% - 5.0%**	2.0% - 5.0%
Medical cost trend rate	**4.0% - 10.0%**	4.0% - 8.0%
Future inflation	**2.5% - 4.0%**	2.5% - 2.8%
(m) Expected contributions		
Expected contributions in year ending 30 September 2012		
Expected employer contributions	**13.9**	
Expected contribution by plan participants	**0.4**	

(n) Historical information

	2011	2010	2009	2008	2007
	$mill	$mill	$mill	$mill	$mill
Present value of defined benefit obligation	**304.4**	287.6	288.4	287.7	77.2
Fair value of plan assets	**(189.1)**	(192.3)	(196.8)	(220.9)	(79.9)
(Surplus) / Deficit in plan	**115.3**	95.3	91.6	66.8	(2.7)
Experience adjustment - plan liabilities	**7.0**	(2.2)	3.7	7.9	(4.4)
Experience adjustment - plan assets	**6.2**	3.0	(2.9)	(10.9)	3.7

	Consolidated 2011 $mill	Consolidated 2010 $mill
26. Issued capital		
Share Capital		
Ordinary shares authorised and issued - 1,628,730,107 (2010: 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 2011 $mill	Company 2010 $mill
27. Dividends			
Dividends paid or declared in respect of the year ended 30 September w ere:			
Ordinary Shares			
Final dividend of 2.3 cents per share(1), unfranked, paid 18 December 2009		**-**	37.1
Interim dividend of 1.8 cents per share(2), unfranked, paid 6 July 2010		**-**	29.3
Final dividend of 6.0 cents per share(3), unfranked, paid 17 December 2010		**97.7**	-
Interim dividend of 3.3 cents per share(3), unfranked, paid 5 July 2011		**53.7**	-
Total ordinary share dividends	(23)	**151.4**	66.4

(1) Dividends were paid under a Dividend Reinvestment Plan which was fully underwritten.

(2) The interim dividend was paid $18.3m in cash and $11.0m by a Dividend Reinvestment Plan.

(3) Dividends were paid in cash only during the year.

Subsequent event

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

- Final dividend of 8.2 cents per share, unfranked, to be paid on 16 December 2011. The total dividend payment will be $133.6m.

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 $13.8m (2010: $0.2m) at the 30% (2010: 30%) corporate tax rate. The final dividend for 2011 is unfranked. Franking credits that will arise from payment of income tax in the year ending 30 September 2011 have been factored into the franking account balance.

28. Business combination

Acquisition of Nitromak DNX Kimya Sanayii A.S.

(a) Summary of acquisition

On 31 July 2010, the Group acquired the remaining 50.0% equity in the Turkish joint venture Nitromak DNX Kimya Sanayii A.S. ("Nitromak") for $97.1m, excluding transaction costs. Nitromak manufactures and sells industrial explosives and related products and services to the mining, quarrying and construction industries. The acquisition accounting for this acquisition was performed on a provisional basis in the prior year.

(b) Purchase consideration

	$mill
Consideration paid, satisfied in cash	**99.3**
Less cash acquired	**(2.2)**
Total consideration transferred	**97.1**
Fair value of equity interest in Nitromak held before the business combination	**74.8**
Total consideration	**171.9**
Acquisition-related costs	**0.7**

(c) Assets and liabilities acquired

Since 30 September 2010 the following amendments to the initial fair value of assets and liabilities have been recognised due to additional information obtained during the year in relation to the provisional fair values recognised:

	Nitromak Pre-acquisition Carrying Amounts	Initial Fair Value Adjustments	Provisional Fair Value at 31 July 2010	Additional Fair Value adjustments in current year	Final Fair Value*
	$mill	$mill	$mill	$mill	$mill
Acquiree's net assets at the acquisition date					
Cash and cash equivalents	2.2	-	2.2	-	2.2
Trade and other receivables	29.3	(1.0)	28.3	(6.3)	22.0
Inventories	9.1	1.2	10.3	(0.3)	10.0
Other investments	0.1	(0.1)	-	-	-
Property, plant and equipment	9.9	(1.7)	8.2	-	8.2
Intangibles					
- Customer contracts	-	1.1	1.1	-	1.1
- Brand name	-	4.0	4.0	-	4.0
- Other	0.2	-	0.2	-	0.2
Trade payables	(12.8)	-	(12.8)	-	(12.8)
Other liabilities	(4.0)	-	(4.0)	(0.4)	(4.4)
Tax liabilities	(1.5)	-	(1.5)	-	(1.5)
Deferred tax liabilities	(0.1)	-	(0.1)	-	(0.1)
Provisions	(1.5)	(0.1)	(1.6)	(0.4)	(2.0)
Interest bearing liabilities	(12.4)	-	(12.4)	-	(12.4)
Net identifiable assets and liabilities	**18.5**	**3.4**	**21.9**	**(7.4)**	**14.5**
Less consideration			171.9	-	**171.9**
Goodwill on acquisition recognised			**150.0**	**7.4**	**157.4**

*Comparative information has been restated to reflect the amendments to provisional asset and liability fair values on acquisition of Nitromak DNX Kimya Sanayii A.S. in the prior financial year.

In 2010 the Group recognised a net $19.0m gain ($33.4m gain net of $14.4m of foreign exchange loss) as a result of measuring at fair value its 50% equity interest in Nitromak held before the business combination. The gain is included in other income in the Group's Consolidated Income Statement (and as an individually material item in Note 6) for the year ended 30 September 2010.

The goodwill recognised on the acquisition is mainly attributable to the skills and technical talent of the acquiree's workforce and the synergies expected to be achieved from integrating the acquiree into the Group's existing business.

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

	Notes	Consolidated 2011 $mill	2010 $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)	**379.7**	48.7
		379.7	48.7
Reconciliation of profit for the financial year to net cash flows from operating activities			
Profit for the financial year		**467.3**	412.2
Depreciation and amortisation	(5)	**148.2**	139.0
Write-down of property, plant and equipment	(5)	**7.6**	0.7
Share of profit on equity accounted investments	(16)	**(24.2)**	(30.5)
Net gain on sale of property, plant and equipment	(4)	**(18.0)**	(4.3)
Non-cash share based payment transactions		**8.0**	3.9
Unwinding of discount on provisions	(5)	**25.2**	13.8
Changes in assets and liabilities			
(increase) / decrease in receivables and other operating assets		**58.6**	(164.1)
(increase) / decrease in inventories		**(146.7)**	69.1
(increase) / decrease in deferred tax assets		**126.1**	126.7
increase / (decrease) in deferred tax liabilities		**(48.0)**	(93.1)
increase / (decrease) in net interest payable		**5.5**	(17.9)
increase / (decrease) in payables, provisions and other operating liabilities		**38.0**	25.5
increase / (decrease) in income taxes payable		**71.5**	47.9
Net cash flows from operating activities		**719.1**	528.9

	Consolidated 2011 $mill	Consolidated 2010 $mill

30. Commitments

a) Capital expenditure commitments

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

	2011 $mill	2010 $mill
no later than one year	**119.0**	331.2
later than one, no later than five years	**1.3**	0.6
	120.3	331.8

Share of capital expenditure commitments of the jointly controlled entities:

	2011 $mill	2010 $mill
no later than one year	**11.0**	-
later than one, no later than five years	**0.4**	-
	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:

	2011 $mill	2010 $mill
no later than one year	**51.6**	50.4
later than one, no later than five years	**110.8**	96.5
later than five years	**65.7**	56.7
	228.1	203.6

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:

	2011 $mill	2010 $mill
no later than one year	**-**	1.6
later than one, no later than five years	**0.1**	0.3
Present value of minimum lease payments provided for as a liability	**0.1**	1.9

c) Other expenditure commitments

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

	2011 $mill	2010 $mill
no later than one year	**116.7**	94.1
later than one, no later than five years	**116.4**	178.9
later than five years	**154.1**	168.4
	387.2	441.4

31. Contingent liabilities

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.

Contracts, claims, guarantees and warranties

- 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 37, Investments in controlled entities.
- Consolidated Statement of Financial Position and Consolidated Income Statement for the closed group are shown in Note 38, 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 upon 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.

32. 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.

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.

32. 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 (FEC's) are taken out to hedge those exposures. The Group applies hedge accounting for these derivatives. The table below shows the outstanding FEC's as at 30 September 2011:

Term	Weighted average strike rate		Forward FX contract AUD mill	AUD mill
	2011	2010	**2011**	2010
Buy USD / Sell AUD	**1.0366**	0.9020	**213.1**	94.9
Buy AUD / Sell USD	**1.0170**	0.9576	**2.2**	1.9
Buy EUR / Sell AUD	**0.7195**	0.6822	**5.7**	1.6
Buy GBP / Sell AUD	**-**	0.5988	**-**	0.2

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, whilst the manufactured outputs (phosphate based fertilisers, urea and ammonia) are sold either in United States dollars or in Australian dollars 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 FEC's to Sell USD / Buy AUD, to protect a portion of the Group's forecast exposure. The market value of these FEC's 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 FEC contracts do not offer participation when the AUD depreciates, options and collar contracts are entered into occasionally 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	
	2011	2010	**2011**	2010	**2011**	2010
Buy AUD / Sell USD	**0.9793**	0.8719	**-**	-	**687.2**	462.2
Buy USD / Sell CAD	**-**	1.0367	**-**	-	**-**	50.0
Buy EUR / Sell AUD	**-**	0.7100	**-**	-	**-**	0.4
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. No sold options existed at reporting date.

32. 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 acheived Fertiliser selling prices and exchange rates in 2011.

Foreign Exchange Sensitivity – Transactional (unhedged)	USD + 1c AUD mill	USD - 1c AUD mill
	2011	**2011**
USD Fertiliser sales from Australian plants	**(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 cross currency swaps to create 'synthetic' foreign currency debt. The cross currency swaps pay and receive floating rates of interest with quarterly or monthly rate resets. 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	
	2011	2010
not later than one year	**AUD 482.6 / USD 449.5**	AUD 488.3 / USD 432.0
later than one year, no later than five years	**AUD 114.1 / USD 103.0**	AUD 407.7 / USD 375.0

The following sensitivity is based on the unhedged translational foreign currency risk exposures in existence at the reporting date and is calculated based on 2011 USD denominated earnings before interest and tax at the average 2011 translation exchange rate.

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

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 contracts in order to balance the Group's fixed and variable interest rate mix.

The Group's interest rate risk arises from long term borrowings in Australian and United States dollars. Of the AUD1,568.5m of Interest Bearing Liabilities at the reporting date, AUD834.9m (53%) were exposed to floating interest rates.

32. Financial risk management (continued)

(a) Market risk (continued)

iii. Interest rate risk (continued)

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 2011 and the average variable interest rate during the 2011 year.

Interest Rate Sensitivity	+ 1% AUD mill	- 1% AUD mill
	2011	2011
Current and non-current borrowings with variable interest rates	(8.3)	8.3

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 has 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 2011). 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 2011:

	Months hedged	Monthly volume (mmbtu)	Fixed rate USD
Contract	3	135,000	6.32
Contract	3	90,000	4.46
Contract	3	30,000	4.36
Contract	15	75,000	5.68
Contract	3	60,000	4.29
Contract	3	30,000	4.03

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 fixed sales prices that are adjusted for changes to input costs such as natural gas and for movements in CPI.

32. Financial risk management (continued)

(a) Market risk (continued)

iv. Commodity risk (continued)

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]
	2011	2011	
Middle East Granular Urea (MEGU) FOB/t	4.5	(4.5)	405,000
Diammonium Phosphate (DAP) Tampa FOB/t	10.4	(10.4)	950,000

(1) Maximum production capacity of the plant

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.

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% 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% and matures in December 2015.
- A participation facility of AUD144.3m (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% for the term of the facility.
- A second participation facility of AUD46.8m (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% for the term of the facility.

At reporting date, the Group has committed undrawn lines of AUD900.0m and cash of AUD379.7m.

32. Financial risk management (continued)

(b) Liquidity risk (continued)

Capital risk management

The key objectives of the Group when managing capital 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, management may alter the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, 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.

Various financial ratios and internal targets are assessed and reported to the Board on a regular basis by management to monitor and support the key objectives set out above. 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 2011.

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 2011, Coltivi Insurance Pte Limited maintained capital in excess of the minimum requirements prescribed under these Acts.

(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 2011, the sum of all contracts with a positive fair value was AUD100.8m (2010: AUD110.1m).

33. Financial instruments

(a) Foreign exchange risk

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

Consolidated	2011 Euro mill	2010 Euro mill	2011 USD mill	2010 USD mill
Trade receivables	-	-	5.0	6.9
Trade payables	4.3	-	224.1	76.9
Gross statement of financial position exposure	4.3	-	219.1	70.0
Forward exchange contracts	4.1	-	218.7	76.9
Net exposure	0.2	-	0.4	(6.9)

The following significant exchange rates applied during the year:

	Average rate 2011	Balance date spot rate 2011	Average rate 2010	Balance date spot rate 2010
Euro	0.7357	0.7212	0.6648	0.7129
USD	1.0265	0.9782	0.9009	0.9689

(b) Interest rate risk

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

	Consolidated 2011 $mill	Consolidated 2010 $mill
Variable rate instruments		
- Financial liabilities	834.9	84.2
Fixed rate instruments		
- Financial liabilities	733.6	1,061.6

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 AUD8.3m 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 2011 $mill	Consolidated 2010 $mill
Trade receivables	(11)	431.5	432.3
Other receivables	(11)	36.5	20.5
Cash and cash equivalents	(10)	379.7	48.7
Forward exchange contracts		18.9	20.1
Cross currency swaps		33.6	90.0
Option contracts		5.4	-
Interest rate swaps		42.8	-
		948.4	611.6

33. Financial instruments (continued)

(c) Credit risk (continued)

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

	Consolidated	
	2011	2010
	$mill	$mill
Australia	**172.6**	147.3
India	**43.8**	91.0
Europe	**2.3**	8.9
USA	**102.5**	69.0
Canada	**46.5**	65.3
Asia	**32.2**	22.3
Turkey	**20.0**	22.2
Other	**11.6**	6.3
	431.5	432.3

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

	Consolidated	
	2011	2010
	$mill	$mill
Wholesale customer	**210.1**	221.0
End user customer	**221.4**	211.3
	431.5	432.3

As at the end of September 2011 and September 2010, the Group had no individual debtor's balance outstanding in excess of 10% of the total of the trade receivable balance.

Impairment losses

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

	Gross	Impairment	Gross	Impairment
	2011	**2011**	2010	2010
	$mill	**$mill**	$mill	$mill
Current	**355.2**	-	392.4	-
Past due 0 - 30 days	**42.0**	-	27.0	-
Past due 31 - 120 days	**46.5**	**12.2**	24.8	11.9
Total	**443.7**	**12.2**	444.2	11.9

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

		Consolidated	
		2011	2010
	Notes	**$mill**	$mill
Balance at 1 October		**11.9**	6.8
Net impairment losses recognised / (released)		**9.3**	6.7
Write-offs recognised during the year		**(8.4)**	(1.7)
Foreign exchange movements		**(0.6)**	0.1
Balance at 30 September	(11)	**12.2**	11.9

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.

33. 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 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**
Derivative financial liabilities							
Forward exchange contracts	**0.6**	**0.6**	**0.6**	**-**	**-**	**-**	**-**
Cross currency swaps	**2.9**	**2.9**	**-**	**-**	**(9.0)**	**11.9**	**-**
Total	**1,572.0**	**2,155.9**	**104.2**	**105.7**	**177.1**	**761.1**	**1,007.8**
30 September 2010							
Non-derivative financial liabilities							
Interest bearing liabilities	1,145.8	1,145.8	73.3	36.1	115.8	115.9	804.7
Interest payments	-	538.0	51.0	42.7	82.7	170.0	191.6
Derivative financial liabilities							
Forward commodity contracts	1.7	1.7	0.8	0.6	0.3	-	-
Total	**1,147.5**	**1,685.5**	**125.1**	**79.4**	**198.8**	**285.9**	**996.3**

(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.

Forward 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.

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 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)**	**-**
30 September 2010							
Cash Flow Hedges							
- Assets	45.2	45.2	45.2	-	-	-	-
- Liabilities	-	-	-	-	-	-	-
Net Investment Hedges							
- Assets	64.9	64.9	(9.2)	45.4	21.0	7.7	-
- Liabilities	1.7	1.7	0.8	0.6	0.3	-	-
Total	108.4	108.4	35.2	44.8	20.7	7.7	-

33. Financial instruments (continued)

(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	Carrying amount	Fair value	Carrying amount	Fair value
	2011	**2011**	2010	2010
	$mill	**$mill**	$mill	$mill
Investments - equity instruments	**10.1**	**10.1**	30.2	30.2
Trade and other receivables	**468.0**	**468.0**	452.8	452.8
Cash and cash equivalents	**379.7**	**379.7**	48.7	48.7
Cross currency interest rate swaps	**32.5**	**32.5**	90.0	90.0
Option and commodity contracts	**5.4**	**5.4**	(1.7)	(1.7)
Forward exchange contracts	**(0.6)**	**(0.6)**	20.1	20.1
Interest rate swaps	**42.8**	**42.8**	-	-
Trade and other payables	**(1,157.0)**	**(1,157.0)**	(1,075.8)	(1,075.8)
Financial liabilities	**(1,568.5)**	**(1,648.7)**	(1,145.8)	(1,173.6)
Total	**(1,787.6)**	**(1,867.8)**	(1,581.5)	(1,609.3)

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 determined 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 are 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

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

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

34. Related party disclosures

Subsidiaries

Interest in subsidiaries is set out in Note 37.

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 35.

Transactions between Subsidiaries of the Group and Jointly controlled entities are as follows:

		Jointly controlled entities (1)	
		2011	2010
	Notes	**$mill**	$mill
Sales of goods / services		**191.5**	219.0
Purchase of goods / services		**(44.1)**	(4.9)
Management fees / royalties	(4)	**20.7**	23.8
Interest income	(4)	**0.8**	2.5
Interest expense	(5)	**(0.1)**	(0.3)
Dividend income	(16)	**8.6**	17.1

(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	
		2011	2010
	Notes	**$mill**	$mill
Amounts owing to related parties	(20)	**4.6**	1.6
Amounts owing from related parties	(11)	**42.0**	25.1

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 2011 (2010: nil).

35. Key management personnel disclosures

(a) Key management personnel

	Consolidated	
	2011	2010
	$000	$000
Short-term employee benefits	**15,275**	14,461
Post-employment benefits	**272**	304
Other long-term benefits	**285**	244
Termination benefits	**-**	1,003
Share-based payments	**2,919**	1,586
	18,751	17,598

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 2011, there were no loans to key management personnel and their related parties (2010: nil).

(c) Other key management personnel transactions

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 $1,368,886 during the year (2010: $3,338,954). Mr Fazzino's spouse does not directly provide these services.

These transactions were on terms and conditions no more favourable than those available to other customers, suppliers and employees.

35. 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 numbers 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					
J C Watson	**2011**	**100,000**	**-**	**-**	**100,000**
	2010	100,000	-	-	100,000
A D McCallum	**2011**	**216,501**	**-**	**-**	**216,501**
	2010	216,501	-	-	216,501
J Marlay	**2011**	**37,926**	**-**	**-**	**37,926**
	2010	37,693	233	-	37,926
A C Larkin	**2011**	**5,000**	**-**	**-**	**5,000**
	2010	5,000	-	-	5,000
G Smorgon	**2011**	**-**	**-**	**-**	**-**
	2010	-	-	-	-
P Brasher	**2011**	**-**	**20,600**	**-**	**20,600**
	2010	-	-	-	-
R J McGrath (1)	**2011**	**400**	**-**	**-**	**400**
Executive directors - Current					
J E Fazzino	**2011**	**1,845,420**	**-**	**(137,240)**	**1,708,180**
	2010	1,845,420	-	-	1,845,420
Executives - Current					
F Micallef (2)	**2011**	**22,520**	**-**	**(22,520)**	**-**
	2010	22,520	-	-	22,520
K J Gleeson	**2011**	**89,313**	**258**	**(86,680)**	**2,891**
	2010	387,600	373	(298,660)	89,313
B C Walsh	**2011**	**429,380**	**-**	**(329,020)**	**100,360**
	2010	429,380	-	-	429,380
J Whiteside	**2011**	**300,920**	**-**	**(242,420)**	**58,500**
	2010	300,920	-	-	300,920
G Brinkworth	**2011**	**292**	**258**	**-**	**550**
	2010	-	292	-	292
S Dawson (2)	**2011**	**23,857**	**10**	**-**	**23,867**
	2010	23,429	428	-	23,857
B Wallace (2)	**2011**	**57,480**	**-**	**(57,480)**	**-**
	2010	57,480	-	-	57,480
J Rintel	**2011**	**117,120**	**-**	**(117,120)**	**-**
	2010	117,120	-	-	117,120
S Atkinson (2)	**2011**	**22,880**	**-**	**(19,500)**	**3,380**
	2010	22,880	-	-	22,880
Executives - Former					
K Lynch (3)	2010	53,240	-	(53,240)	-
D Brinker	2010	66,680	-	(66,680)	-
A Grace (4)	2010	428,420	-	(100,000)	328,420

(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 36, Share based payments.

(B) In the case of directors or executives who ceased their directorship or employment during the years ended 30 September 2011 and 30 September 2010, all shares were treated as disposed as at the relevant date of cessation unless otherwise stated.

(1) The opening balance represents shares held as at the date of becoming a key management person. Movements are from this date.

(2) The opening balance in the prior year represents shares held as at the date of becoming a key management person. Movements are from this date.

(3) On 16 October 2009, Mr Lynch ceased employment with the Company. In respect of the 53,240 shares, treated as options, granted under the LTI performance plan 2007/10, these were forfeited and sold on market, in accordance with the rules of the plan on Mr Lynch ceasing employment.

(4) With Mr Grace's role as Moranbah Project Director, Mr Grace's sole focus was the Project and he ceased to be a member of the Executive Team on 30 September 2010.

35. 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 (B)	Forfeited (C)	Closing balance
Executive directors - Current						
J E Fazzino	**2011**	**137,240**	**-**	**-**	**(137,240)**	**-**
	2010	610,120	-	(472,880)	-	137,240
Executives - Current						
F Micallef (1)	**2011**	**22,520**	**-**	**-**	**(22,520)**	**-**
	2010	22,520	-	-	-	22,520
K J Gleeson	**2011**	**86,680**	**-**	**-**	**(86,680)**	**-**
	2010	385,340	-	(298,660)	-	86,680
B C Walsh	**2011**	**96,320**	**-**	**-**	**(96,320)**	**-**
	2010	428,160	-	(331,840)	-	96,320
J D Whiteside	**2011**	**67,420**	**-**	**-**	**(67,420)**	**-**
	2010	299,720	-	(232,300)	-	67,420
G Brinkworth	**2011**	**-**	**-**	**-**	**-**	**-**
	2010	-	-	-	-	-
S Dawson (2)	**2011**	**-**	**-**	**-**	**-**	**-**
	2010	-	-	-	-	-
B Wallace (3)	**2011**	**33,280**	**-**	**-**	**(33,280)**	**-**
	2010	33,280	-	-	-	33,280
J Rintel (4)	**2011**	**15,160**	**-**	**-**	**(15,160)**	**-**
	2010	67,420	-	(52,260)	-	15,160
S Atkinson (5)	**2011**	**19,500**	**-**	**-**	**(19,500)**	**-**
	2010	19,500	-	-	-	19,500
Executives - Former						
K Lynch (6)	2010	53,240	-	-	(53,240)	-
D Brinker (7)	2010	66,680	-	-	-	66,680
A Grace (8)	2010	284,780	-	(217,360)	-	67,420

(A) Further details of these shares which are treated as options for the purposes of remuneration have been disclosed in section C of the Remuneration Report and relate to shares allocated under the LTI plans.

(B) Represents where shares, treated as options, previously granted as remuneration, were exercised (by the making of an award) during the reporting period. Awards (in the form of waivers of loans) were granted during the year ended 30 September 2010 in relation to the LTI performance plan 2006/09.

(C) Represents shares, treated as options, that were forfeited and sold on market, in accordance with the rules of the relevant plan.

35. 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 (continued)

(1) Mr Micallef's shares, treated as options, were granted under the LTI performance plan 2007/10 prior to his appointment as Chief Financial Officer on 23 October 2009.

(2) Mr Dawson became a key management person on 12 November 2009 and he was not a participant in the LTI performance plan 2007/10.

(3) Mr Wallace's shares, treated as options, were granted under the LTI performance plan 2007/10 prior to him becoming a key management person on 12 November 2009.

(4) Mr Rintel's shares, treated as options, exercised during the 2010 financial year were granted under the LTI performance plan 2006/09 and the 15,160 shares, treated as options, were granted under the LTI performance plan 2007/10 prior to his appointment as an executive.

(5) Mr Atkinson's shares, treated as options, were granted under the LTI performance plan 2007/10 prior to him becoming a key management person on 1 January 2010.

(6) On 16 October 2009, Mr Lynch ceased employment with the Company. In respect of the 53,240 shares, treated as options, granted under the LTI performance plan 2007/10, these were forfeited and sold on market, in accordance with the rules of the plan on Mr Lynch ceasing employment.

(7) On 30 November 2009, Mr Brinker ceased employment with the Group. In respect of the 66,680 shares, treated as options, granted under the LTI performance plan 2007/10, Mr Brinker continued to hold these shares subject to the existing holding lock over these shares in accordance with his employment arrangements.

(8) With Mr Grace's role as Moranbah Project Director, Mr Grace's sole focus was the Project and he ceased to be a member of the Executive Team on 30 September 2010.

35. 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	**2011**	**822,482**	**511,364**	**-**	**(222,482)**	**1,111,364**
	2010	222,482	600,000	-	-	822,482
F Micallef (1)	**2011**	**266,838**	**150,000**	**-**	**(46,838)**	**370,000**
	2010	46,838	220,000	-	-	266,838
K J Gleeson	**2011**	**326,806**	**135,000**	**-**	**(128,806)**	**333,000**
	2010	128,806	198,000	-	-	326,806
B C Walsh	**2011**	**356,515**	**147,273**	**-**	**(140,515)**	**363,273**
	2010	140,515	216,000	-	-	356,515
J D Whiteside	**2011**	**267,386**	**110,455**	**-**	**(105,386)**	**272,455**
	2010	105,386	162,000	-	-	267,386
G Brinkworth	**2011**	**238,361**	**110,455**	**-**	**(98,361)**	**250,455**
	2010	98,361	140,000	-	-	238,361
S Dawson (1)	**2011**	**135,071**	**108,182**	**-**	**(55,738)**	**187,515**
	2010	55,738	79,333	-	-	135,071
B Wallace (1)	**2011**	**281,478**	**111,528**	**-**	**(100,984)**	**292,022**
	2010	100,984	180,494	-	-	281,478
J Rintel	**2011**	**221,967**	**130,948**	**-**	**(81,967)**	**270,948**
	2010	81,967	140,000	-	-	221,967
S Atkinson (1)	**2011**	**116,171**	**94,545**	**-**	**(46,838)**	**163,878**
	2010	116,171	-	-	-	116,171
- Former						
K Lynch (2)	2010	128,806	-	-	(128,806)	-
D Brinker (3)	2010	207,738	-	-	(126,951)	80,787
A Grace (4)	2010	105,386	162,000	-	-	267,386

(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 executive directors and executives while they are directors or executives of the Group pursuant to the LTI plans, details of which are set out in section C of the Remuneration Report.

(C) Represents rights that were forfeited. Refer to section C of the Remuneration Report for further details. In the case of directors or executives who ceased their directorship or employment during the year, all rights, were forfeited as at the relevant date of cessation, in accordance with the plan rules, unless otherwise stated.

(1) The opening balance in the prior year represents shares held as at the date of becoming a key management person. Movements are from this date.

(2) On 16 October 2009, Mr Lynch ceased employment with the Company. In respect of the 128,806 rights, granted under the LTI performance rights plan 2008/11, these were forfeited in accordance with the rules of the plan. Mr Lynch was not a participant in the LTI performance rights plan 2009/12.

(3) On 30 November 2009, Mr Brinker ceased employment with the Group. In respect of the 207,738 entitlements, granted under the LTI performance cash plan 2008/11, a portion of Mr Brinker's entitlements were forfeited in accordance with Mr Brinker's employment arrangements. Mr Brinker was not a participant in either the LTI performance rights plan 2008/11 or the LTI performance rights plan 2009/12.

(4) With Mr Grace's role as Moranbah Project Director, Mr Grace's sole focus was the Project and he ceased to be a member of the Executive Team on 30 September 2010.

36. 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 both 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 a LTI performance rights plan under the Long Term Incentive Performance Rights Plan rules, being the LTI performance rights plan 2010/13. The performance period for this plan is from 1 October 2010 to 30 September 2013.

The LTI performance rights plan 2010/13 has the following features:

- **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.
- **Conditions**: The performance rights only vest if certain conditions are met, which are approved by the Board. The conditions focus on the performance of IPL and include a condition relating to duration of employment. The performance condition is 50% based on Incitec Pivot's Total Shareholder Return Ranking (TSR Ranking), being the performance of IPL's TSR over the performance period ranked against the TSR that is achieved by companies in IPL's comparator Group (companies in the S&P/ASX 100 index); and 50% based on the compounding annual growth rate of Incitec Pivot's Earnings Per Share (before individually material items) (EPS Growth) over the performance period from the base year (financial year ended 30 September 2010) to achieve certain absolute benchmarks.

  In setting two separate performance hurdles with their own associated performance criteria, the Board considered it had established an aggressive target to promote behaviour to achieve superior performance.

  TSR Performance Condition

  If, at the end of the relevant performance period Incitec Pivot's TSR Ranking is:

  - below the 50th percentile, none of the TSR performance rights will vest;
  - between the 50th and 75th percentile, a percentage between 50% and 100% of the TSR performance rights will vest, determined pro rata based on IPL's TSR Ranking.
  - equal to or above the 75th percentile, all of the TSR performance rights will vest.

  EPS Performance Condition

  If, at the end of the relevant performance period Incitec Pivot's EPS Growth is:

  - below 7% per annum, none of the EPS performance rights will vest;
  - equal to or greater than 7% per annum, but less than 15% per annum, a percentage between 50% and 100% of the EPS performance rights will vest, determined pro rata based on IPL's EPS Growth over the performance period and where it falls between 7% and 15% per annum.
  - 15% per annum or greater, all of the EPS performance rights will vest.
- **Exercise period**: Upon vesting of the performance rights, the participant has a two-year exercise period which commences three years after the grant date. This period may be reduced if the participant ceases to be employed by the Group.
- **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 (and not be able to be exercised and converted into shares) if they are not exercised within five years from their grant date.

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 LTI performance cash plan 2010/13 is 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 IPL's share price at the end of the performance period.

36. Share based payments (continued)

(a) Long Term Incentive Plans (LTIs) (continued)

Long Term Incentive Performance Rights Plans – LTI Plans 2008/11 and 2009/12

The LTI performance rights plan 2008/11 and the LTI performance rights plan 2009/12 have the same features as the LTI Plan 2010/13 except for the following:

- **Conditions**: The performance rights only vest if certain conditions are met, which are approved by the Board. The conditions focus on performance of Incitec Pivot and include a condition relating to duration of employment. The performance condition is based on Incitec Pivot's Absolute Total Shareholder Return (Absolute TSR), being the percentage increase in the Company's share price over the three year period plus the tax value of dividends paid, assuming the dividends are reinvested in the Company's shares.

  If, at the end of the relevant performance period Incitec Pivot's Absolute TSR:

  - is equal to or less than 10% per annum compounded over the performance period, none of the performance rights will 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.

Long Term Incentive Performance Cash Plans - LTI Plans 2008/11 and 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 LTI performance cash plan 2008/11 and LTI 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 Plans 2008/11 and 2009/12, however the plans are settled in cash. Cash payments to employees upon vesting of the plan will be determined with reference to IPL's share price at the end of the performance period.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2011

36. Share based payments (continued)

(a) Long Term Incentive Plans (LTIs) (continued)

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 (1)**						
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	-

Consolidated - 2010

	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
Shares treated as options			Exercise price						
LTI 2006/09	01 Dec 06	30 Sep 09	$1.21	4,176,600	-	(4,176,600)	-	-	-
LTI 2007/10	12 Nov 07	30 Sep 10	$4.41	1,304,000	-	-	(1,304,000)	-	-
Total - Shares treated as options				5,480,600	-	(4,176,600)	(1,304,000)	-	-
Weighted average exercise price				$1.97	-	$1.21	$4.41	-	-
Performance Rights			Fair Value (1)						
LTI Rights - 2008/11	19 Dec 08	30 Sep 11	$0.30	2,389,353	-	-	(264,091)	2,125,262	-
LTI Cash - 2008/11	19 Dec 08	30 Sep 11	$0.13	1,148,260	-	-	(214,825)	933,435	-
LTI Rights - 2009/12	16 Dec 09	30 Sep 12	$1.60	-	5,388,742	-	(73,638)	5,315,104	-
LTI Cash - 2009/12	16 Dec 09	30 Sep 12	$1.60	-	312,039	-	-	312,039	-
Total - Performance rights				3,537,613	5,700,781	-	(552,554)	8,685,840	-
Weighted average fair value				$0.24	$1.60	-	$0.41	$1.12	-

(1) Performance rights have a $nil exercise price.

36. 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 1.14 years (2010 – 1.65 years).

Fair value of performance rights granted

LTI performance rights plan – 2010/13

In respect of the LTI performance rights plan 2010/13, the assessed fair values at grant date of the rights granted during the year for both the TSR performance condition and the EPS performance condition 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 2011 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 2010 to 30 September 2013.

Grant date	23 Dec 2010
Share price (at grant date)	$3.97
Exercise price	$nil
Expected price volatility of the Company's shares	35% pa
Vesting date	30 Sept 2013
Expected dividends	2.0% pa
Risk-free interest rate (based on Australian Government bonds) with approximately three years to maturity (as at 23 December 2010)	5.25% pa

	LTI performance rights plan 2010/13
Fair value at grant date: LTI Rights - 2010/13 - TSR	$2.77
Fair value at grant date: LTI Rights - 2010/13 - EPS	$3.76

36. 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-11	30-Sep-10	**30-Sep-11**	30-Sep-10
11-Jul-08	11-Jul-10	**-**	458	**-**	45,800
6-Nov-09	6-Nov-12	**387**	413	**140,520**	150,218
9-Sep-10	9-Sep-13	**462**	497	**132,933**	143,153
1-Jul-11	1-Jul-14	**481**	-	**122,869**	-

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	
	2011	2010
	$'000	$'000
Shares, treated as options, and rights issued under the LTI performance plans	**7,742**	3,921
Total carrying amount of liabilities for cash settled arrangements	**254**	296

37. Investments in controlled entities

Name of Entity		Ownership Interest	Country of incorporation
Company			
Incitec Pivot Limited	2		Australia
Controlled Entities - operating			
Incitec Fertilizers Limited	2	100%	Australia
TOP Australia Ltd	2	100%	Australia
Southern Cross Fertilisers Pty Ltd	2	100%	Australia
Southern Cross International Pty Ltd	2	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	2	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		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	2	100%	Australia
Te Moana Insurance Limited	1	100%	New Zealand
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) Refer to footnote description on next page.
2) Refer to footnote description on next page.

37. 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	2	100%	Australia
Dampier Nitrogen Pty Ltd		100%	Australia
DNX Australia Pty Ltd	2	100%	Australia
DNX Papua New Guinea Ltd		100%	PNG
Dyno Nobel Moranbah Pty Ltd	2	100%	Australia
Dyno Nobel Moura Pty Limited	2	100%	Australia
Plenty River Ammonia Holdings Pty Ltd	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

1) In the process of being liquidated.
2) Party to deed of cross guarantee dated 30 September 2008.

38. Deed of Cross Guarantee

	Closed Group 2011 $mill	Closed Group 2010 $mill
Statement of Financial Position		
Current assets		
Cash and cash equivalents	**290.2**	12.0
Trade and other receivables	**236.0**	110.3
Other financial assets	**40.8**	111.6
Current tax assets	**-**	15.3
Inventories	**351.2**	210.6
Assets classified as held for sale	**0.3**	2.8
Other assets	**8.6**	7.7
Total current assets	**927.1**	470.3
Non-current assets		
Trade and other receivables	**123.7**	567.7
Other financial assets	**4,059.3**	2,668.0
Investments accounted for using the equity method	**138.7**	52.2
Property, plant and equipment	**1,630.6**	611.0
Intangible assets	**282.6**	188.5
Deferred tax assets	**140.4**	149.5
Other assets	**13.0**	0.4
Total non-current assets	**6,388.3**	4,237.3
Total assets	**7,315.4**	4,707.6
Current liabilities		
Trade and other payables	**574.0**	244.4
Interest bearing liabilities	**80.8**	88.4
Provisions	**63.1**	45.5
Other financial liabilities	**0.6**	-
Current tax liabilities	**49.4**	-
Total current liabilities	**767.9**	378.3
Non-current liabilities		
Trade and other payables	**719.1**	94.0
Interest bearing liabilities	**637.7**	234.2
Other financial liabilities	**2.9**	-
Retirement benefit obligation	**6.9**	4.6
Deferred tax liabilities	**108.8**	30.4
Provisions	**43.5**	53.8
Total non-current liabilities	**1,518.9**	417.0
Total liabilities	**2,286.8**	795.3
Net assets	**5,028.6**	3,912.3
Equity		
Issued capital	**3,265.9**	3,265.9
Reserves	**870.9**	174.5
Retained earnings	**891.8**	471.9
Total equity	**5,028.6**	3,912.3
Income Statement		
Profit / (loss) before income tax	**574.5**	303.3
Income tax benefit / (expense)	**(149.6)**	(33.6)
Profit for the financial year	**424.9**	269.7
Retained profits at the beginning of the financial year	**471.9**	267.9
Other movements in retained earnings	**146.4**	0.7
Dividend paid	**(151.4)**	(66.4)
Retained profits at the end of the financial year	**891.8**	471.9

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 37, Investments in controlled entities. Statement of Financial Position and Income Statement for this closed group are shown above. During the year the following entities were added to the Deed of Cross Guarantee: Dyno Nobel Asia Pacific Pty Limited, Dyno Nobel Moranbah Pty Ltd, Dyno Nobel Moura Pty Limited and DNX Australia Pty Ltd.

39. Parent entity disclosure

As at, and throughout, the financial year ending 30 September 2011 the parent company of the Group was Incitec Pivot Limited.

Parent entity guarantees in respect of debts of its subsidiaries

As at 30 September 2011 the Company's current liabilities exceeded its current assets by $161.3m. 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 twelve 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 2011.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 38.

	Company	
	2011	2010
	$mill	$mill
Results of the parent entity		
Profit for the period	**259.0**	78.2
Other comprehensive income	**(90.0)**	65.6
Total comprehensive Income for the period	**169.0**	143.8
Financial position of the parent entity at year end		
Current assets	**797.8**	420.7
Total assets	**6,259.2**	4,515.1
Current liabilities	**974.0**	686.5
Total liabilities	**2,576.6**	1,001.5
Net Assets	**3,682.6**	3,513.6
Total equity of the parent entity comprises		
Share capital	**3,265.9**	3,265.9
Cash flow hedging reserve	**3.0**	34.9
Foreign currency translation reserve	**4.7**	46.6
Fair value reserve	**(4.3)**	9.8
Retained earnings	**413.3**	156.4
Total Equity	**3,682.6**	3,513.6

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 2011.

Parent entity capital commitments for acquisition of property, plant and equipment

	Company	
	2011	2010
	$mill	$mill
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	**3.1**	6.3

40. Events subsequent to reporting date

Dividends

Since the end of the financial year, in November 2011, the directors have determined to pay a final dividend of 8.2 cents per share on 16 December 2011. This dividend is unfranked.

Other

- The Commonwealth parliament has recently passed the 'Clean Energy Future' legislation. The legislation will introduce a carbon pricing scheme and require the Group to purchase and surrender carbon permits in relation to its carbon emissions in Australia. The scheme, anticipated to commence on 1 July 2012, will have a three-year fixed price period and subsequently transition to an emissions trading scheme. It is anticipated that the introduction of a carbon pricing scheme will have implications for the Group's Australian operations, particularly its manufacturing operations. The financial impact for the Group cannot be estimated until the Company can assess the effect of the industry assistance program to be implemented as part of the 'Clean Energy Future' legislation. However, based on the draft regulations regarding the industry assistance program and the Group's forecast future emissions, the impact of the carbon pricing scheme is not, at this stage, anticipated to have a material impact on the future profitability of the Group during the fixed price period of the carbon pricing scheme. As the market price of carbon permits under the subsequent emissions trading scheme cannot be predicted and the details of the industry assistance program (and its duration) are unknown, the financial impact for the Group cannot be estimated.

- The Group announced on 27 October 2011, a feasibility study into the construction of an ammonium nitrate manufacturing plant on the site of its fertiliser facility on Kooragang Island, Newcastle, NSW. Development of the plant would proceed only on meeting the Group's strict financial hurdles and achieving firm customer commitments, regulatory approvals and support from the local and broader communities.

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.

KPMG

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 2011, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 40 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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 Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 September 2011 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 September 2011. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Incitec Pivot Limited for the year ended 30 September 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

SEBell

Suzanne Bell
Partner

Melbourne

11 November 2011