

Annual Report 2007

The logo for Incitec Pivot, featuring a stylized yellow and red swoosh above the company name.

Incitec Pivot

“Own.Breakout.Deliver” embodies the Company’s Values, which were developed by employees through a series of workshops held in late 2006. The Values are the guiding principles Incitec Pivot draws on in its day-to-day decision-making. The Values are now being rolled out through a Company-wide “Living the Values” program.



'...a very successful year for Incitec Pivot Limited – one which demonstrated dramatically how your Company has changed.'

**John C Watson, AM
Chairman**

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Chairman's Report

I am pleased to report a very successful year for Incitec Pivot Limited – one which demonstrated dramatically how your Company has changed. In a year of extreme difficulty for many companies within the agricultural industry in Australia, Incitec Pivot has delivered a record profit – a testament to the strategy which your Board and management embarked upon to create a strong and viable business regardless of the prevailing climatic environment.

Successful transformation

The successful transformation of the Company is demonstrated by our full year result and the benefits delivered for our shareholders. Earnings before interest and tax (EBIT) rose by 148%, net profit after tax (NPAT), excluding individual material items, by 145%, and earnings per share (EPS) by 174% – outstanding outcomes which reflect the performance by all employees in the Incitec Pivot team. Shareholders benefit through exceptional share price growth and through fully franked dividends of 300 cents – a 191% increase on last year – representing a total shareholder return (TSR) of 242% for the financial year.

In 2007, there were two key strategic contributors to the sustainable transformation of Incitec Pivot – the continuing success of the 'Tardis' efficiency program and the integration of Southern Cross Fertilisers (SCF). The efficiency program, commenced last financial year, was the first step in the new strategic direction to ensure that our business was being run efficiently. The total EBIT benefit delivered since the inception of the efficiency program is running at \$104 million per year. Taking costs out of the business has improved our competitiveness in the market place.

The acquisition of SCF in 2006 was a coup and the integration program in the past year has delivered great benefits. The performance improvements in maximising plant efficiency and increasing production volumes created a successful business even more quickly than anticipated and is a credit to everyone involved.

While we are gratified by the success of the transformation, we recognise that there is an on-going challenge in charting the Company's future success. This will come from consolidating the gains of the past by continuing to focus on the fundamentals, which have given us our success, and also, grasping the opportunities for growth. We are considering a number of organic growth opportunities to drive shareholder value such as plant upgrades and de-bottlenecking plus greenfield expansion prospects, such as Aceh, which is progressing through feasibility and assessment.

Additionally, we are alert to the potential to make acquisitions but only when meeting our financial hurdles. We recognise that any potential acquisition must provide upside growth beyond the value of a competitive market. The question we ask is: Can we develop efficiencies and value that others can't, such that any acquisition becomes a value-enhancing deal for us?

While our strategic direction is evolving, the business still has the level of domestic focus of previous years. We are conscious of working together with our business partners to satisfy the needs of farmer customers. The Board has followed closely the customer-focused Fresh Approach project, a new and mutually beneficial way of working with our business partners.

Caring – community and our environment

I have a strong affinity with farmer customers having been a farmer for many years myself. I know well the impact that severe drought can have on our farming communities. We believe that, as a significant company in the Australian agricultural industry, we have a responsibility to the communities that support us. We therefore joined with beyondblue and other community organisations such as Rotary, to support a program to raise awareness of mental health in regional Australia.

Forty depression awareness forums and 33 Incitec Pivot staff training sessions were conducted as part of this program. I spoke at a community forum at Cootamundra in August attended by some 650 people. I witnessed a number of people talking about very personal issues and receiving advice from local medical practitioners. The important message for people in this situation is that they are not on their own. We have contributed to a changing of community values and I believe it's one of the best community support projects Incitec Pivot has undertaken in the 10 years I have been involved with this Company.

Another area where we have made a contribution to our communities is in environmental management. This year, as part of the integration of SCF, we created new Health, Safety, Environment and Community (HSEC) standards built upon the best of Incitec Pivot and SCF. This has been the catalyst for improving safety and environmental outcomes across our plants. To strengthen the Board's interface with HSEC, a Board HSEC committee was established this year.

Perhaps, the major global environmental issue facing us all is climate change. The Board is greatly advantaged by having a new director, John Marlay, inform our discussions on this critical issue. John, as well as being chief executive of a significant manufacturing business, was invited to join the Prime Ministerial Task Group on Emissions Trading which met during 2007.

Recognition of the environment and the community is one of Incitec Pivot's six Company Values – 'Care for the Community and our Environment.' The Values, which drive everything that the Company does, were created by our employees themselves and presented to the Board earlier this year for endorsement. Currently, employees throughout the Company are involved in discussion forums so that everyone can contribute to living their Values in the workplace.

Incitec Pivot team

In closing, I would like to thank my fellow directors, and pay special tribute to our Managing Director and CEO, Julian Segal, his team of executives and all of our employees. The directors contribute expertise, insight and commitment to the Board's decision-making and in charting the success of the Company. Julian, his team and our employees have demonstrated professionalism and commitment to achieve the Company's considerable goals and its successful transformation.



A handwritten signature in black ink that reads "John C. Watson". The signature is written in a cursive style with a large, looping initial 'J'.

John C Watson, AM
Chairman

Managing Director's Report

I am delighted to report a year of record results for Incitec Pivot and to say how personally gratifying it is to lead a quality team which has delivered an outstanding outcome for our Company, our shareholders and our communities.

Financial performance

Net Profit After Tax (NPAT) was \$205.3 million compared with \$46.7 million in 2006. Earnings Before Interest and Tax (EBIT) were \$312.5 million compared with \$126.2 million last year.

The 2006/07 financial results were driven by record production, the delivery of 'Tardis' efficiency benefits and continued financial discipline, and strong global fertiliser prices. The results also reflect the successful integration and operation of Southern Cross Fertilisers and the growth of our trading business.

Incitec Pivot's strategy

Significantly, the 2006/07 financial results further confirmed the power and effectiveness of the four legs of the business strategy:

Lowest Cost Base: The continuous drive for high productivity and efficiency will secure our place in having the lowest cost base in our industry. The 2006/07 financial results exemplified this: the total EBIT benefit of the 'Tardis' efficiency program since its inception is \$104 million plus a \$155.5 million reduction in working capital. Making efficiency sustainable is on-going at Incitec Pivot and we will continue to explore opportunities to ensure we maintain our cost efficiency.

Own the Product: This capitalises on our recognised manufacturing competence and the quality of our assets. 81% of 2006/07 EBIT was made in manufacturing. Our manufacturing competence was underscored by the success of the Gibson Island maintenance shut, 'Reset 07', which was achieved on time, on budget and with an exceptional level of safety performance.

Trading Model: The trading model aims to build on our already established trading business, Southern Cross International, by developing domestic, regional and global trading in products manufactured by Incitec Pivot and sourced from other manufacturers.

In the 2006/07 financial results, trade sales increased by 736,000 tonnes to 972,000 tonnes with export of product balancing the fluctuating domestic demand. The trading business increased its contribution to \$12.4 million this year. We opened new export markets into regions such as Latin America, India, Pakistan and New Zealand.

Supply Chain Engine: Our business involves the transport of millions of tonnes of raw materials and product by ship, train and truck. Every time we reduce the transport cost per tonne by \$1, it is multiplied by millions of tonnes. As mentioned, this year we achieved a \$155.5 million reduction in trade working capital and further ways to improve efficiency are always under consideration.

We recognise that the drought and economic conditions made the year a difficult one for our business partners involved in the distribution of our products, as well as for farmer customers. To improve our distribution model, Incitec Pivot is introducing new arrangements for working with our business partners. The new arrangements, which we have called 'Fresh Approach', commence on 1 December 2007. Fresh Approach introduces a new pricing model, as well as new reward arrangements recognising the value contributed by our business partners. In addition, as part of the Supply Chain Engine leg of our strategy, we have undertaken work in improving forecasting to meet seasonal demand.

The year ahead

In 2007, Australia saw a rise in fertiliser prices driven by international forces, with the price of fertilisers currently dictated by global demand for food, feed, fibre and fuels. Taking each of these:

Food: With the world's population growing by 200,000 people every day or 96 million people a year, rising demand for food is a fact of life.

Feed: The demand for feed for livestock is also increasing, as people in countries like China and India change their diets to include more complex proteins such as beef, pork and chicken in line with rising incomes.

Fibre: Fibre production has been increased to meet the clothing requirements of a growing population.

Fuels: The demand for biofuels to substitute for fossil fuels has seen a huge leap in corn production, particularly in the United States where 80 new ethanol plants were built last year alone.

In each case, fertiliser demand increases as farmers strive to increase productivity in each of the four 'Fs'. This demand in turn drives fertiliser prices.

In the year ahead, while I expect global demand for fertilisers to continue to drive international fertiliser prices and thus domestic prices, the continued drought will make for difficult trading conditions in the domestic distribution business. I feel confident that the effectiveness of our business strategy, with the Lowest Cost Base, Own the Product, the Trading Model and our Supply Chain Engine, will position us well to continue to create shareholder value.

Health, Safety, Environment and Community

During 2007, a key area of focus for the Company was Health, Safety, Environment and Community (HSEC) and, although we continue to see improvements, it will always be an area of continued focus as we aspire to 'Zero Harm for Everyone, Everywhere'. In 2007, safety performance improved and notably the overall potential severity of injuries reduced. Additionally, the Company introduced a new HSEC management system, policies and procedures, specifically focused on Incitec Pivot's scope of operations using the highest of standards from both Incitec Pivot and SCF.

Given the critical national issue which we all face living in the world's driest inhabited continent, the reduction in our use of town water has been an environmental success story for Incitec Pivot this year. I was delighted to host the now-Premier of Queensland, Hon Anna Bligh, to Gibson Island during the year to officially open our new desalination plant. This plant reduces our call on Brisbane's water supply by one million litres a day. The desalination plant is one of a number of water-saving projects at the Gibson Island plant, which together will require a \$7 million investment. In addition, there are water-saving projects completed or underway at a number of our other sites, including Geelong, Portland and Phosphate Hill. Other important environmental issues on which we are focusing are climate change and the responsible use of fertiliser to avoid run-off impacting on waterways and coastal ecosystems. As well as looking to improve performance at our plants, we have developed new products for farmers which slow the release of carbon dioxide from fertiliser and reduce the impact of nutrient run-off.

Our People

I want to thank the Board and the Executive Team for their continued commitment, advice and support and to everyone in the Incitec Pivot team for an outstanding year. I'm pleased to welcome Paul Barber to our Executive Team as General Manager - Australian Fertilisers. Paul brings extensive marketing and customer experience in the agriculture sector and will be a great asset to our business.

Finally, right across the Company, Incitec Pivot is a team on the move and is prepared to seize opportunities and take on challenges. When I visit the sites, I see people everywhere with a spring in their step. At the heart of this renewed spirit is the adoption across all levels of the organisation of the Own.Breakout.Deliver values, which guide our individual and corporate behaviour. Created 'by our employees, for our employees', Own.Breakout.Deliver captures our unique spirit and, I am quite sure, gives us a competitive advantage. We are well along the pathway to creating a responsible and responsive culture that embodies the quality and determination of our people.



Julian Segal
Managing Director & CEO



Incitec Pivot reached a new stage in its development when it became part of the S&P/ASX 200 index in September 2006. This year its progress continued and, in August, Incitec Pivot joined Australia's leading companies in the S&P/ASX 100 index.

Incitec Pivot – an overview

Incitec Pivot is a chemical manufacturer supplying agricultural fertilisers and industrial chemicals for Australian and overseas markets.

The Company operates a phosphate mine in Queensland, plants in Queensland, New South Wales and Victoria and has a distribution network stretching from the Northern Territory to Tasmania.

By supplying more than 50 per cent of Australia's agricultural nutrient needs, our Company plays an essential role in helping farmers increase productivity and remain internationally competitive.

Our manufacturing strength gives the Company unequalled capacity to meet the market's needs across a wide product range serving all major farming sectors. These products include urea, ammonium phosphates, superphosphate and anhydrous ammonia, which are variously applied as solids in granulated form, as liquid nutrients or as gas injected into the soil.

These Australian-manufactured fertilisers, along with imported products, are sold through a comprehensive network of 450 strategically located business partners.

Supporting Incitec Pivot's manufacturing, distribution and product strengths is our NATA-accredited Nutrient Advantage soil, plant and water testing laboratory and highly regarded agronomic services.

In all of its activities, Incitec Pivot takes its environmental and community responsibilities seriously across the manufacture and handling of our products and their sustainable use on farm. To this end, the Company is fully accredited with the Fertilizer Industry Federation of Australia's national training and accreditation program, Fertcare®.

In addition to sales across eastern and southern Australia, Incitec Pivot exports significant volumes of fertiliser to overseas markets through its newly-established trading arm, Southern Cross International. In 2007, the Company increased its international trade substantially, including the sale of 120,000 tonnes of superphosphate to new markets in South America.

Incitec Pivot was created with the merger of Pivot and Incitec Fertilizers in 2003, but the business has roots going back to the early part of last century when Australian superphosphate production was pioneered.

First listed on the Australian Securities Exchange in 2003, Incitec Pivot reached a new stage in its development when it became part of the S&P/ASX 200 index in September 2006. This year its progress continued and, in August, Incitec Pivot joined Australia's leading companies in the S&P/ASX 100 index.

Incitec Pivot has a balanced mix of domestic and overseas institutional shareholders, as well retail shareholders, including some who live in rural Australia and maintain the Company's links with farming families built up over many years.

In a nutshell, we are saying that 'we care' – about the business, the environment, the people and communities we come into contact with, in constantly improving our performance and, importantly, keeping our word.

Own.Breakout.Deliver

The Incitec Pivot Board and management endorsed a set of corporate Values developed by employees to guide personal and corporate behaviour. These are the standards Incitec Pivot employees have set for themselves and for the Company.

In a nutshell, we are saying that 'we care' – about the business, the environment, the people and communities we come into contact with, in constantly improving our performance and, importantly, keeping our word.

Own.Breakout.Deliver encompasses the six individual Values the Company has adopted:

- Treat the Business as Our Own
- Value People – Respect, Recognise & Reward
- Zero Harm for Everyone, Everywhere
- Care for the Community & Our Environment
- Challenge and Improve the Status Quo
- Deliver on Our Promises

Having grown from the shop floor in workshops involving nearly every employee, the Values are now being rolled out through a Company-wide 'Living the Values' program.

In this way, the Values are becoming an integral part of day-to-day decision-making. This will help to ensure that Incitec Pivot remains a responsible and responsive company with a clearly defined culture.



OwnBreakoutDeliver



Take Ownership

Treat the business as our own



*Value People
– Respect,
Recognise
& Reward*



*Zero Harm
for Everyone
Everywhere*



*Care for the
Community &
our Environment*



*Challenge &
Improve the
Status Quo*



*Deliver on
our Promises*

Incitec Pivot and its predecessors have a long history of helping rural communities in times of need and we are proud to return a favour to those who have helped our business grow.

Putting Own.Breakout.Deliver into action

2007 saw Incitec Pivot put Own.Breakout.Deliver into action in many ways, two of which were very visible: the commissioning of a desalination plant at Gibson Island freeing up one million litres of drinking water a day for Brisbane; and in supporting rural communities in dealing with the rising incidence of depression.

Desalination plant

Few parts of Australia – and few Australians – have been spared from water shortages. Farmers are suffering from continuing drought and many communities, including our biggest cities, are on water restrictions.

Industry is a traditionally a large water consumer and Incitec Pivot is playing its part to reduce water usage at its manufacturing and distribution plants.

The Company's biggest water-saving projects, involving capital expenditure of \$4.3 million in 2007, are at the Gibson Island manufacturing plant in Brisbane. There, a new water desalination unit was commissioned in May and, subsequently, a reverse osmosis plant to treat previously discarded process and storm water came on line.

A third water-saving initiative, the construction of a massive 18 million-litre storage dam to capture stormwater for recycling through the plant, is well advanced.

These projects are interim measures to reduce the plant's dependence on town water until treated waste water becomes available late next year when the Queensland Government's

Western Corridor recycled water project is expected to come on line.

Officially commissioning the desalination plant in May, the Acting Queensland Premier (now Premier), the Hon Anna Bligh, congratulated Incitec Pivot on its water-saving program. 'The saving from desalination alone is equivalent to twice the daily drinking water requirements of the suburb of Murrarie.'

The desalination plant converts salt water from the adjacent Brisbane River into water suitable for use in cooling towers and boilers during production, reducing fresh water consumption by 15 per cent. With all on-site initiatives operating, daily consumption will be reduced by almost 40 per cent, underscoring the Company's Value of 'Care for the Community and Our Environment.'

'These initiatives move us in the right direction, but the long-term solution is for industry to access treated waste water from the Western Corridor recycled water pipeline,' Incitec Pivot's Managing Director & CEO, Julian Segal, told guests at the desalination plant commissioning ceremony.

Recycled water from the Government scheme, when combined with the Company's own water re-use initiatives, has the potential to virtually eliminate the use of fresh water at Gibson Island, freeing up more than six million litres for the community.

To use the now-Premier's words at the commissioning ceremony: 'They are showing other companies how it's done.'



Queensland Premier, the Hon Anna Bligh officially commissions Incitec Pivot's desalination plant at Gibson Island, freeing up one million litres of drinking water a day for Brisbane.



The official party at the desalination plant opening ceremony (from left): Pat Purcell – MP for Bulimba, Damian Ziebarth – Incitec Pivot Brisbane Operations Manager, the Hon Anna Bligh – Premier, Julian Segal – Incitec Pivot Managing Director & CEO.

Depression awareness

Incitec Pivot has a long-established tradition of helping out in times of crisis. Over the years, it has helped train young rural drivers, raised money for drought relief, provided bush fire and cyclone assistance, and arranged coastal holidays for rural school children.

Recently another challenge has emerged for Australian families – the medical condition known as clinical depression. In 2006, it became apparent that cases of depression were increasing in rural communities.

There were numerous stories in the media as farm organisations, support groups, medical professionals and politicians highlighted the plight of farmers who were having difficulty coping with the drought, bushfires, increased interest rates and higher farm costs.

As a key rural provider, Incitec Pivot was strongly aware of the growing problems faced by some of its customers and decided, as it had done before, to 'put something back' into farming communities.

In consultation with numerous organisations and experts in mental health, strong confirmation of the seriousness of the depression 'epidemic' emerged. The consensus was that anything that could assist in improving the level of awareness of mental illness would be welcomed by support groups, sufferers, their families and friends, and the general community.

This led to Incitec Pivot joining forces with beyondblue: the national depression initiative in a partnership to support beyondblue's 'Don't Beat About the Bush' national drought campaign. The two organisations agreed to jointly organise a series of depression awareness forums in country areas and, in addition, to professionally train Incitec Pivot field staff in recognising the symptoms of depression and dealing with those at risk.

In addition to alerting people to the symptoms of depression, the program highlighted the range of professional help and support services available. It focused on drought-hit areas where farmers and their families might be experiencing financial and other pressures.

Incitec Pivot's partnership with beyondblue was announced jointly by the two organisations on 18 December 2006 at a full-house media conference at beyondblue's headquarters in Melbourne. The event received national coverage on television and radio and in newspapers and farming publications.

Two days later the program was outlined to Incitec Pivot shareholders at the 2006 Annual General Meeting by Chairman John Watson AM, who observed: 'Incitec Pivot and its predecessors have a long history of helping rural communities in times of need and we are proud to return a favour to those who have helped our business grow.'

The roll-out of the rural mental health initiative began in early 2007 with:

- Community depression awareness forums, where guest speakers shared their personal experiences of depression and recovery and medical professionals spoke about identifying and dealing with mental illness in the community. The forums were organised by Incitec Pivot field staff in conjunction with local community groups and the Company's business partners.

- Training sessions were conducted by a beyondblue clinical psychologist for Incitec Pivot field staff and others who come into contact with rural communities in the course of their work. The sessions helped participants recognise warning signs of depression – in themselves, their colleagues, their customers and their communities – and provided advice on where help is available.

When stage one of the program was completed in September 2007, 40 community forums had been held, reaching more than 6,700 participants, including 650 who packed the Cootamundra forum in September.

The public response was extremely positive, with depression sufferers coming forward at every forum to share their heartfelt stories and experience. In this way, the forums helped reduce the stigma and isolation associated with mental illness and gave people a better understanding of how to care for their family, friends and neighbours who may be suffering with depression.

When the staff training program concluded, 33 training sessions had been held for a total of 400 participants. The impact of this part of the campaign will be felt well into the future as participants use and share their knowledge.

In 2008, stage two of the program will commence, with dates already set for a number of community forums.

The program demonstrates again that Incitec Pivot takes its Company Values seriously and is happy to be judged by its deeds and 'Deliver on Our Promises', as one Value puts it.

Incitec Pivot has been congratulated by many individuals and organisations for its role in presenting the forums. Typical of the comments received are those of Alexandra Gartmann, CEO of the Birchip Cropping Group in northern Victoria:

'The Birchip forum was extremely well attended and well received. Since the forum, a number of people have commented on the open and honest account of a fellow farmer dealing with depression.'

'The forum was non-threatening, relevant and high impact. Incitec Pivot are to be congratulated for partnering with beyondblue to tackle a traditionally 'behind closed doors' topic in a positive and constructive way.'

Feedback such as this is a great boost to employee morale, as employees felt proud that their Company is committed to a genuine cause that can make a difference for those in our communities.



At the launch of the Incitec Pivot/beyondblue rural mental health program (from left): Julian Segal – Incitec Pivot Managing Director & CEO, John Watson AM – Incitec Pivot Chairman, Jeff Kennett – Chairman of beyondblue: the national depression initiative.

Board of Directors



John Watson AM, MAICD
Non-Executive Chairman,
Chairman of Remuneration and
Appointments Committee

John was appointed as a director on 15 December 1997 and was appointed Chairman in 1998. John is the inaugural Chairman of the Export Wheat Commission, Chairman of PrimeSafe and of the Co-operative Research Centre for Innovative Dairy Products, a director of Tassal Group Limited, Councillor of the Royal Agricultural Society of Victoria and a member of the Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand. He is also a past Deputy President of the National Farmers' Federation and a former director of Rural Press Limited. In 2004, he was awarded a Membership in the Order of Australia for services to the agricultural and food production sectors. In 2006, he was the recipient of the inaugural Rabobank Leadership Award.



Brian Healey FAICD, FAIM
Non-Executive Director,
Deputy Chairman

Brian was appointed as a director on 1 June 2003. He is Chairman of Centro Properties Group and Centro Retail Ltd. He is a former Senior Vice President of Nabisco Inc. and Sara Lee Corporation, and a former Chief Executive of Nicholas Kiwi.



Allan McCallum
Dip. Ag Science, FAICD
Non-Executive Director, Chairman
of Governance Committee (to
17 April 2007), Chairman of the
Health, Safety, Environment and
Community Committee

Allan was appointed as a director on 15 December 1997. Allan is Chairman of Tassal Group Limited and is a director of Medical Developments International Ltd. He is a former director of Graincorp Limited and a former Chairman of Vicgrain Ltd.



Anthony Larkin FCPA, FAICD
Non-Executive Director,
Chairman of Audit and Risk
Management Committee

Tony was appointed as a director on 1 June 2003. He is a director of Corporate Express Australia Limited, Zinifex Limited and Eyecare Partners Limited. Tony was previously Executive Director Finance of Orica Limited, Chairman of Incitec Ltd and Chairman of Ausmelt Limited. During his career with BHP Ltd, which spanned 38 years, he held the position of Group Treasurer and prior to that he held senior finance positions in its steel and minerals businesses and various senior corporate roles. From 1993 to 1997, he was seconded to Foster's Group Ltd as Senior Vice President Finance and Investor Relations. Until early 2006, he was a Commissioner of the Victorian Essential Services Commission.



John Marlay BSc, FAICD
Non-Executive Director

John was appointed to the Board by the directors on 20 December 2006. John is Chief Executive Officer and Managing Director of Alumina Limited. He is a director of Alcoa of Australia, Alcoa World Alumina LLC and of the Business Council of Australia. He is also Deputy Chairman of Alcoa World Alumina and Chemicals Strategic Council, and is Chairman of the Australian Aluminium Council. He has formerly held executive positions with, and been a director of, Esso Australia Limited, James Hardie Industries Limited, Pioneer International Group Holdings and Hanson plc.



Julian Segal BSc, MBA
Managing Director &
Chief Executive Officer

Julian was appointed as Managing Director & CEO on 3 June 2005. Immediately prior to joining Incitec Pivot, he was Manager of Strategic Market Planning for the Orica Group. He joined Orica in 1999 and held various management positions including General Manager, Australia/Asia Mining Services and Senior Vice President – Marketing for Orica Mining Services globally.



James Fazzino BEc(Hons), CPA
Finance Director &
Chief Financial Officer

James was appointed as a director on 18 July 2005, following his appointment as Chief Financial Officer in May 2003. Before joining Incitec Pivot, he had many years experience with Orica Limited in several business financial roles, including Project Leader of Orica's group restructure in 2001 and Chief Financial Officer for the Orica Chemicals group. Immediately before joining Incitec Pivot, he was Orica's Investor Relations Manager.

Executive Team



Julian Segal BSc, MBA
Managing Director &
Chief Executive Officer



James Fazzino BEc(Hons), CPA
Finance Director &
Chief Financial Officer



Kerry Gleeson LLB(Hons)
General Counsel &
Company Secretary

Kerry is a practising solicitor having been admitted to practice in England and Wales in 1991, and in Victoria in 2001. Kerry was appointed to her current position in February 2004, having previously practised with Blake Dawson. Prior to emigrating in 1999, Kerry was a partner of an English law firm, Halliwell Landau.



Bernard Walsh BE(Mech),
MIEAust CPEng
General Manager Operations

Bernard has extensive manufacturing experience in petrochemicals, chemicals and mining services. Bernard joined Incitec Pivot from Orica Limited where he held a variety of roles from 1987, including General Manager of Initiating Explosives Systems (IES). Bernard was appointed to the Incitec Pivot Executive Team in April 2005.



Daryl Roe BSc
General Manager Strategy and
Business Development

Daryl joined Incitec Pivot in January 2004 from Orica Limited where he held various business management roles. Within Incitec Pivot, Daryl has previously held the roles of General Manager Commercial and General Manager Planning.



Alan Grace BSc Chem Eng,
MlChemE
General Manager Chemicals

Alan has extensive experience in the construction and operation of chemical and petrochemical manufacturing facilities. Alan joined Incitec Limited in 2000 and Incitec Pivot in 2003. Prior to this, Alan was responsible for managing Lend Lease's Process Services business unit. Alan was appointed to the Incitec Pivot Executive Team in June 2006, and formerly held the role of General Manager SCF Integration.



James Whiteside BAgric Sc, Grad
Dip Bus Admin
General Manager Supply Chain
and Trading

James joined Pivot in 1992, following a number of years working for agricultural companies and in consulting. Since joining the Company, James has held a number of senior management roles, most recently as Group Procurement Manager. James was appointed to the Incitec Pivot Executive Team in June 2006.



Paul Barber
General Manager Australian
Fertilisers

Paul joined Incitec Pivot and the Executive Team in September 2007, having spent his entire professional career within the agriculture industry. Prior to his appointment, Paul held various executive roles within Elders Limited, including General Manager Merchandise, Group General Manager Operations and Group General Manager Client Services.

Transformed Incitec Pivot delivers – ‘I am delighted to report a year of record results for Incitec Pivot and to say how personally gratifying it is to lead a quality team which has delivered an outstanding outcome...’

Julian Segal
Managing Director & CEO

Review of Performance

Financial Highlights

- Net Profit After Tax (NPAT) (excluding individually material items) for the year ended 30 September 2007 was up 145% or \$119.7M to \$202.5M (2006: \$82.8M).
- Earnings Before Interest and Tax (EBIT) was up 148% or \$186.3M to \$312.5M (2006: \$126.2M). Manufacturing accounted for 81% of EBIT, underscoring the Company's strategy of 'Own the Product'.
- Earnings per share (excluding individually material items) were up 174% to 402 cents (2006: 146 cents).
- Dividends per share were up 191% to 300 cents (2006: 103 cents).
- Total Shareholder Returns of 242% (2006: 70%).
- Financial discipline has been maintained. Strong cash-flow generation resulted in significant balance sheet capacity at year-end.

Business Highlights

- The 'Tardis' efficiency program was accelerated, with the 2007 EBIT benefits of \$73.6M, almost three times the initial target. The total EBIT benefit delivered since inception of the program is \$103.7M, in addition to a \$155.5M reduction in working capital.
- Successful integration of SCF with record production and cash cost targets achieved ahead of schedule.
- Gibson Island planned major maintenance shut ('Reset 07') delivered on time and on budget.
- Adequate returns delivered in the base business (excluding SCF) despite severe drought conditions, with EBIT of \$111.6M and Return on Net Assets (RONA) of 20.5%.
- Trade sales volumes increased 312% in line with the Company's strategy to grow sales beyond the domestic distribution business.

Outlook – 2008

- Strong outlook for global fertiliser prices.
- Continued strength of the Australian dollar.
- Difficult trading conditions in the domestic distribution business are expected to continue.

External Sales Revenue

- Total sales revenue was up 24% or \$262M to \$1,373M (2006: \$1,111M).
- Total sales volumes increased 16% to 3,165kt (2006: 2,740kt).
- Severe drought conditions on the east coast of Australia for the second consecutive year had a negative impact on sales in the domestic fertiliser distribution business, with volumes down 15% or 338kt to 1,868kt (2006: 2,206kt).
- Global fertiliser prices were at record levels in 2007 in response to growing demand for food, fibre, feed and fuel.
- Industrial chemicals tonnes increased 9% to 325kt (2006: 298kt) with some ammonia production diverted to industrial customers as a result of the drought.
- Trade sales of 972kt increased by 736kt (2006: 236kt) consistent with the Company's strategy.
- External sales from SCF totalled 645kt with robust global demand supported by record production.
- In response to soft domestic pasture demand, 101kt of single superphosphate was exported to new markets in South America.

Sales Summary	Year Ended 30 September		
	2007	2006	Change
000's (Tonnes)			
Fertiliser distribution	1,868	2,206	(15)%
Industrial	325	298	9%
Trade	972	236	312%
Total	3,165	2,740	16%
A\$M			
Fertiliser distribution	867	959	(10)%
Industrial	82	77	7%
Trade	424	75	462%
Total	1,373	1,111	24%
Other			
Average exchange rate	81.3	74.6	(9)%
Middle East Granular Urea (US\$/t)	264	245	8%
FOB Tampa DAP US\$/t*	364	260	39%

*2006 comparative is for 2 months to 30 September.

Earnings summary

- As mentioned, NPAT (excluding individually material items) was up 145% or \$119.7M to \$202.5M (2006: \$82.8M) and EBIT was up 148% or \$186.3M to \$312.5M (2006: \$126.2M).
- Positive factors include:
 - \$157M: increase in full year earnings from SCF (excluding 'Tardis' program efficiencies).
 - \$73.6M: 'Tardis' program efficiencies.
 - \$12.4M: increased contribution from the trading business (excluding SCF product).
 - \$10.1M: profit from asset sales, dividend from the Dyno Nobel investment and other income.
 - \$1.3M net benefit from higher global urea prices, partially offset by the higher Australian dollar (\$7M benefit from higher prices offset by \$5.7M impact of higher Australian dollar).
- Negative factors include:
 - \$46.9M: negative drought impact on sales volume and mix in the base business (excluding SCF).
 - \$10.1M: reduced manufacturing margin from the Gibson Island plant during 'Reset 07'.
 - \$12.6M: negative movement of fixed costs being released from stock due to a significant decline in inventory holdings.
- The positive overall result reflects the benefit of the strategy adopted by Incitec Pivot in 2005. Specific achievements against each element of the strategy include:
 - Lowest Cost Base: 'Tardis' efficiency savings.
 - Own the Product: SCF acquisition and Gibson Island 'Reset 07'.
 - Trading Model: growing sales beyond Incitec Pivot's domestic distribution business.
 - Supply Chain Engine: step change in working capital.
- Total 2007 borrowing costs were up \$15.9M to \$28.8M (2006: \$12.9M). The increase reflects:
 - An increase in net interest of 107% to \$25.5M (2006: \$12.3M) due to higher debt following the share buy-back and the acquisition of SCF in 2006.
 - \$1.8M interest expense attributable to the investment in Dyno Nobel. The investment was earnings per share (EPS) positive in 2007 after dividend income of \$3.0M.
 - A non-cash expense of \$1.5M (2006: \$0.6M) was incurred reflecting the unwinding of discounts on non-current provisions.
- Tax expense (excluding individually material items) of \$81.2M was up 166% on 2006 in line with improved earnings (2006: \$30.5M). The Company's effective tax rate was 29% (2006: 27%).

Earnings summary

A\$M	Year Ended September		
	2007	2006	Change
EBITDA	348.6	159.3	119%
Depreciation	(36.1)	(33.1)	(9)%
EBIT	312.5	126.2	148%
Borrowing Costs	(28.8)	(12.9)	(123)%
Tax Expense	(81.2)	(30.5)	(166)%
NPAT excl individually material items	202.5	82.8	145%
Individually material items after tax	2.8	(36.1)	NA
NPAT incl individually material items	205.3	46.7	340%
EBIT Margin (EBIT/sales)	22.8%	11.4%	

Individually material items

- 2007 individually material items were a net gain after tax of \$2.8M. This includes a gain of \$9.5M on the sale and leaseback of the ammonia linehaul fleet.
- This gain was partially offset by business restructuring costs.
- Further restructuring costs of \$7M after tax will be reported as individually material items in the 2007/08 financial year.

Individually Material Items

A\$M after tax	2007
One-off gain on sale/leaseback ammonia linehaul fleet	9.5
Business restructuring costs	(4.8)
Wallaroo cleanup provision	(1.9)
Total	2.8

Southern Cross Fertilisers

- SCF was acquired from BHP Billiton on 1 August 2006 for \$155.3M.
- The business was acquired on a multiple of 0.74 times EBITDA.
- SCF's 2007 production was 978kt – the highest level on record and above nameplate capacity of 975kt.
- EBIT increased by \$190.1M in the year to \$200.9M. 2006 EBIT of \$10.8M reflected two months of ownership by Incitec Pivot.
- 2007 EBIT of \$200.9M was \$140.4M or 232% above 2006 pro-forma.
- Record production and sales volumes, strong global fertiliser prices, and internally generated business efficiency gains combined to drive this result.
- The acquisition debt was retired from operating cash inflows at the end of year one.

Review of Performance – Continued

Returns to shareholders

- The Board has declared a final dividend of 231 cents per share (cps), comprising a normal dividend of 191cps and a special dividend of 40cps, both fully franked.
- This brings the total 2007 dividend to 300cps, fully franked (2006:103 cps, fully franked).
- The total 2007 dividend represents a payout ratio of 75% of NPAT excluding individually material items and 100% of franking credits have been returned to shareholders. Excluding the special dividend of 40cps, the pay-out ratio is 65% (2006: 65% pay-out ratio).
- Total shareholder returns were 242% for 2007 (2006: 70%) assuming shares were held for the full year.

Returns to shareholders Cents per share	Year Ended 30 September		
	2007	2006	Change
Final Dividend			
– normal	191	81	136%
– special	40		
– sub-total	231	81	185%
% Franked	100%	100%	
Total Dividend			
– normal	260	103	152%
– special	40		
– sub-total	300	103	191%
% Franked	100%	100%	
Payout ratio normal	65%	65%	
Payout ratio including special	75%	65%	
Dividend Yield			
– opening share price on 1 October	11.6%	6.5%	
– closing share price on 30 September	3.5%	4.0%	
Share Price at 30 September (\$)			
– Opening 1 October	25.87	15.82	63.5%
– Closing 30 September	85.54	25.87	230.7%
Total Shareholder Return	242%	70%	

Balance sheet

Incitec Pivot has maintained strong financial discipline in 2007, once again finishing the year with a strong balance sheet position. The Company continued to focus on reducing capital intensity to boost shareholder returns.

- Trade Working Capital (TWC) declined by \$31.8M to \$121.3M (2006: \$153.1M). This was achieved despite a negative impact of \$17M from higher fertiliser prices on inventory balances.
- TWC excluding SCF was \$53.5M lower than last year, taking 'Tardis' supply chain cash savings to \$155.5M.
- Net change in property, plant and equipment was \$61M. Major capital projects included Gibson Island 'Reset 07' and the SCF gypsum cell construction.
- Tax assets reduced to a liability of \$6.5M (2006: asset of \$49.3M).
- In August 2007, Incitec Pivot made a 13.2% strategic investment in Dyno Nobel Limited (DXL) for consideration (including transaction costs) of \$257.1M. This investment was marked to market value at year-end resulting in a carrying value of \$291.2M.
- Net debt increased by \$136.3M to \$411.7M (2006: \$275.4M). This reflects the investment in DXL offset by operating cash flow.
- Gearing, as measured by underlying net debt/EBITDA, of 0.45 times was well below Incitec Pivot's long-term range of 3.0 to 4.0 times.

Balance Sheet A\$M	Year Ended 30 September		
	2007	2006	Change
Trade working capital	121.3	153.1	31.8
Net property plant and equipment	502.1	441.1	61.0
Goodwill	183.8	183.8	0.0
Investment in Dyno Nobel	291.2	0.0	291.2
Environmental and restructuring	(74.4)	(86.0)	11.6
Tax (liabilities)/assets	(6.5)	49.3	(55.8)
Net other liabilities	(70.8)	(85.9)	15.1
Net Assets	946.7	655.4	291.3
Net Debt			
Underlying	154.6	275.4	120.8
Investment in Dyno Nobel	257.1	0.0	(257.1)
Total	411.7	275.4	(136.3)
Equity	535.0	380.0	155.0
Capitalisation	946.7	655.4	291.3
Underlying Net Debt/ EBITDA (times)	0.45	1.73	74%

Cash flow

Strong earnings performance has once again been reflected in cash flow.

Net operating cash flows increased by \$70.5M to \$259.2M (2006: \$188.7M). Major factors were:

- EBITDA up \$189.3M to \$348.6M (2006: \$159.3M).
- Interest payments increased by \$15.4M to \$25.9M (2006: \$10.5M), reflecting higher net debt balances through the year following the acquisition of SCF and the share buy-back.
- Tax paid was \$37.8M (2006: \$12.9M) reflecting earnings improvements in 2006 and 2007.
- Reduction in trade working capital resulted in a cash inflow of \$33.7M (2006: \$95.8M).
- Business integration and restructuring costs paid were \$29.5M (2006: \$17.7M). 'Tardis' restructuring costs (excluding capital expenditure) were \$18.9M and Orica exit costs were \$10.6M.
- Environmental and site clean-up expenditure of \$6.1M (2006: \$11.1M).

Net investing cash outflows were up \$165M to \$319.9M (2006: \$154.9M). Major items included:

- The acquisition of a 13.2% strategic investment in Dyno Nobel for \$257M, including transaction costs.
- Net capital expenditure was \$62.9M (2006: \$21.4M) comprising capital spending of \$91.6M offset by asset sales of \$28.7M. Major items of capital spending were:
 - Gibson Island: 'Reset 07', \$42.1M and water saving initiatives, \$4.3M.
 - SCF gypsum cell, \$9.0M.
 - Business integration spending of \$5.5M ('Tardis' \$3.6M and Orica separation \$1.9M).
 - Sustenance \$30.7M.

Cash Flow A\$M	Year Ended 30 September		
	2007	2006	Change
Net operating cash flows			
EBITDA	348.6	159.3	189.3
Net interest paid	(25.9)	(10.5)	(15.4)
Net income tax paid	(37.8)	(12.9)	(24.9)
Trade working capital movement	33.7	95.8	(62.1)
Business integration and restructuring	(29.5)	(17.7)	(11.8)
Environmental and site clean-up	(6.1)	(11.1)	5.0
Other	(23.8)	(14.2)	(9.6)
Operating cash flow	259.2	188.7	70.5
Net investing cash flows			
Capital spending	(91.6)	(28.0)	(63.6)
Proceeds from asset sales	28.7	6.6	22.1
Purchase of SCF	–	(155.3)	155.3
Purchase of Dyno Nobel shares	(257.0)	–	(257.0)
Sale of QGC investment	0.0	21.8	(21.8)
Investing cash flow	(319.9)	(154.9)	(165.0)
Net financing cash flows			
(Decrease)/increase in other net debt	136.3	8.1	128.2
Dividends paid	(75.6)	(41.9)	(33.7)
Financing cash flow	60.7	(33.8)	94.5

Health, Safety, Environment and Community (HSEC)

Incitec Pivot's strong focus on HSEC continued in the 2006/07 year.

There were 19 recordable injuries in the year, seven fewer injuries than in the previous year, representing a 25% improvement from 2005/06 on a pro forma basis including SCF for the 12 months. Notably, in general, there has been a significant decrease in both the severity and potential severity of injuries. This is in part reflected in the reduction of the lost workday case rate.

There was also a major maintenance shutdown at the Gibson Island plant, 'Reset 07', during the reporting period. This involved 286,000 man-hours, with 1,059 workers (85% of whom were contractors) on site. Despite the increased work force on site, there was a single injury requiring medical treatment.

Environmental licence performance improved during the year. This is reflected in a reduction from 12 to nine non-complying tests.

In recognition that drug and alcohol use is a significant community problem that, if not managed, has the potential to negatively impact upon the health and safety of personnel on its sites and the integrity of the Company's operations, Incitec Pivot introduced a drug & alcohol standard and procedure in 2007. This involves random drug and alcohol testing, conducted in compliance with Australian Standard AS/NZS 4308:2001.

The acquisition of SCF in late 2006 presented the opportunity for the Company to develop a HSEC management system specifically focused on Incitec Pivot's scope of operations using the highest of standards from both Incitec Pivot and SCF.

Product Stewardship

Product stewardship, the responsible and ethical design and management of products, packaging and services throughout their entire lifecycle to protect public health and the environment, is addressed by Incitec Pivot at the corporate level and at an industry level through its membership of Fertilizer Industry Federation of Australia (FIFA).

FIFA has implemented the Fertcare® national training and accreditation scheme. Incitec Pivot and its agronomists and sales advisory staff are Fertcare® accredited.

Incitec Pivot operates its own soil, plant tissue and water testing service. Company agronomists have developed interpretative tools and decision support systems to allow the interpretation of laboratory results and the development of fertiliser recommendations to lead to appropriate fertiliser application rates.

Packaging

Incitec Pivot became a signatory to the National Packaging Covenant (NPC) in 2007. The NPC aims to minimise the environmental impacts arising from the disposal of used packaging and facilitate the re-use and recycling of packaging materials.

Incitec Pivot promotes the use of bulk handling systems and the use of returnable flexible intermediate bulk containers (FIBCs). Single-use FIBCs comprise only 5% of the FIBCs used. Returnable FIBCs have a life of 3 years, and on average are used on 12 occasions before they are disposed. When FIBCs are taken out of service, as there are no recycling programs in Australia, Incitec Pivot exports the used FIBCs to China for recycling.

Sustainability

Incitec Pivot continues to seek ways to use materials, energy and water in a sustainable manner. In doing so, it recognises community expectations as well government regulations. In 2006/07, Incitec Pivot's focus was on the improvement of energy efficiency at its sites and, as part of this, in 2007, registered for the Commonwealth Energy Efficiency Opportunities Program. The Company continued to monitor and reduce emissions and promote the efficient use of water.

As part of its drive towards a sustainable future, Incitec Pivot continues to address contamination issues caused by historical operations of the Company or inherited by the Company from predecessors or neighbouring activities.

In South Australia, significant work has been undertaken since 2005 to remediate two sites. At Parafield Gardens, soil remediation work has been completed and a groundwater treatment plant installed to treat groundwater for the next three to five years. At Wallaroo, a remediation action plan (RAP) has been agreed with the South Australian EPA and remediation and demolition works have commenced.

In relation to the site at Cockle Creek in New South Wales, this site's contamination resulted from fill placed on the site from adjacent smelter operations over many years. During the year, the Company progressed the RAP and completed site investigations. Incitec Pivot is working with NSW government authorities.

SH&E performance summary

	2007	2006	2005	2004
Recordable injuries	19	10	12	13
Lost workday case rate	0.36	0.4	0.25	0.5
Recordable case rate	0.98	0.8	0.99	1.09
Distribution (Category 2+)	2	1	5	2
Losses of containment (Category 2)	2	0	0	1
Environmental licence non-complying tests	9	12	69	82
Hygiene monitoring Tests over occupational exposure limit	0	2	3.8%	93%

The 2006 column includes SCF from 1 August 2006. In relation to hygiene monitoring and the number of tests over occupational exposure limit, there is no data available for SCF. The data shown is for Incitec Pivot only.

Definitions

Recordable injuries: Injuries which result in absence from work, restrictions from normal work activities, or are medically treated. Recordable case rate is defined as the number of recordable injuries to all workers per 200,000 man hours worked.

Distribution incidents: Incidents not on a Company site, arising from the transport or storage of raw materials, products, intermediates or wastes owned by the Company or prior to delivery to the customer. A Category 2 incident is one in which there was significant loss of containment, injury and/or damage to equipment, property or the environment and/or major traffic disruption.

Losses of containment: Incidents where there is an unplanned release or spill on a Company site of material from a vessel, tank, pipe pump, container or package in which it was designed to be contained. A Category 2 loss of containment is an incident which causes injury or damage, impacts the environment or causes concern in the surrounding community.

Environmental licence non-complying tests: Such non-compliance is an excursion outside statutory discharge or emission limits, as measured in a scheduled test.

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Directors' Report

The directors of Incitec Pivot Limited present the financial report of the Company and its controlled entities (the consolidated entity) for the year ended 30 September 2007 and the related auditor's report.

Directors

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

Name, qualifications and special responsibilities	Experience
Current directors	
<p>J C Watson AM, MAICD Independent non-executive director and Chairman Chairman of the Remuneration and Appointments Committee Member of the Governance Committee (to 17 April 2007) Member of the Health, Safety, Environment and Community Committee</p>	<p>John was appointed as a director on 15 December 1997 and was appointed Chairman in 1998. John is the inaugural Chairman of the Export Wheat Commission, Chairman of PrimeSafe and of the Co-operative Research Centre for Innovative Dairy Products, a director of Tassal Group Limited, Councillor of the Royal Agricultural Society of Victoria and a member of the Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand. He is also a past Deputy President of the National Farmers' Federation and a former director of Rural Press Limited. In 2004, he was awarded a Membership in the Order of Australia for services to the agricultural and food production sectors. In 2006, he was the recipient of the inaugural Rabobank Leadership Award.</p>
<p>B Healey FAICD, FAIM Independent non-executive director and Deputy Chairman Member of the Governance Committee (to 17 April 2007) Member of the Remuneration and Appointments Committee Member of the Audit and Risk Management Committee (to 23 February 2007)</p>	<p>Brian was appointed as a director on 1 June 2003. He is Chairman of Centro Properties Group and Centro Retail Ltd. He is a former Senior Vice President of Nabisco Inc. and Sara Lee Corporation, and a former Chief Executive of Nicholas Kiwi.</p>
<p>A C Larkin FCPA, FAICD Independent non-executive director Chairman of the Audit and Risk Management Committee Member of the Remuneration and Appointments Committee Member of the Health, Safety, Environment and Community Committee</p>	<p>Tony was appointed as a director on 1 June 2003. He is a director of Corporate Express Australia Limited, Zinifex Limited and Eyecare Partners Limited. Tony was previously Executive Director Finance of Orica Limited, Chairman of Incitec Ltd and Chairman of Ausmelt Limited. During his career with BHP Ltd, which spanned 38 years, he held the position of Group Treasurer and prior to that he held senior finance positions in its steel and minerals businesses and various senior corporate roles. From 1993 to 1997, he was seconded to Foster's Group Ltd as Senior Vice President Finance and Investor Relations. Until early 2006, he was a Commissioner of the Victorian Essential Services Commission.</p>
<p>A D McCallum Dip. Ag Science, FAICD Independent non-executive director Chairman of the Governance Committee (to 17 April 2007) Chairman of the Health, Safety, Environment and Community Committee Member of the Remuneration and Appointments Committee Member of the Audit and Risk Management Committee</p>	<p>Allan was appointed as a director on 15 December 1997. Allan is Chairman of Tassal Group Limited and is a director of Medical Developments International Ltd. He is a former director of Graincorp Limited and a former Chairman of Vicgrain Ltd.</p>
<p>J Marlay BSc, FAICD Independent non-executive director Member of the Remuneration and Appointments Committee Member of the Audit and Risk Management Committee</p>	<p>John was appointed to the Board by the directors on 20 December 2006. John is Chief Executive Officer and Managing Director of Alumina Limited. He is a director of Alcoa of Australia, Alcoa World Alumina LLC and of the Business Council of Australia. He is also Deputy Chairman of Alcoa World Alumina and Chemicals Strategic Council, and is Chairman of the Australian Aluminium Council. He has formerly held executive positions with, and been a director of, Esso Australia Limited, James Hardie Industries Limited, Pioneer International Group Holdings and Hanson plc.</p>
<p>J Segal BSc, MBA Managing Director & Chief Executive Officer Member of the Health, Safety, Environment and Community Committee</p>	<p>Julian was appointed as Managing Director & CEO on 3 June 2005. Immediately prior to joining Incitec Pivot, he was Manager of Strategic Market Planning for the Orica Group. He joined Orica in 1999 and held various management positions including General Manager, Australia/Asia Mining Services and Senior Vice President - Marketing for Orica Mining Services globally.</p>
<p>J E Fazzino BEc(Hons), CPA Finance Director & Chief Financial Officer</p>	<p>James was appointed as a director on 18 July 2005, following his appointment as Chief Financial Officer in May 2003. Before joining Incitec Pivot, he had many years experience with Orica Limited in several business financial roles, including Project Leader of Orica's group restructure in 2001 and Chief Financial Officer for the Orica Chemicals group. Immediately before joining Incitec Pivot, he was Orica's Investor Relations Manager.</p>

Directors' Report

Company Secretary

Mrs Kerry Gleeson holds the office of Company Secretary. Kerry is a practising solicitor, having been admitted to practice in England and Wales in 1991 and in Victoria in 2001. Kerry was appointed as Company Secretary on 16 February 2004, having previously practised with Blake Dawson in Melbourne. Prior to emigrating in 1999, Kerry was a partner of an English law firm, Halliwell Landau.

Directors' interests in share capital

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

Director	Fully paid ordinary shares Incitec Pivot Limited
J C Watson	5,000
B Healey	1,000
A C Larkin	-
A D McCallum (1)	7,818
J Marlay	1,000
J Segal (2)	88,641
J E Fazzino (2)	85,404

(1) Held both directly and indirectly.

(2) This interest includes, in the case of Mr Segal, shares acquired pursuant to his Retention Award and pursuant to the Incitec Pivot long term incentive plans and, in the case of Mr Fazzino, shares acquired pursuant to Incitec Pivot's long term incentive plans; further details of which are set out in the remuneration report and note 35, Share Based Payments.

Further details of directors' interests in share capital are set out in note 34, Key Management Personnel disclosures.

Directors' meetings

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

Director	Board		Audit and Risk Management		Remuneration and Appointments		Governance (1)		Health, Safety, Environment and Community (2)	
	Held (3)	Attended (4)	Held (3)	Attended (4)	Held (3)	Attended (4)	Held (3)	Attended (4)	Held (3)	Attended (4)
Current										
J C Watson	17	17	-	-	6	6	1	1	3	3
B Healey (5)	17	16	1	-	6	6	1	1	-	-
A C Larkin	17	15	4	4	6	5	-	-	3	3
A D McCallum	17	17	4	3	6	6	1	1	3	3
J Marlay (6)	13	12	3	3	3	2	-	-	-	-
J Segal	17	17	-	-	-	-	-	-	3	3
J E Fazzino	17	17	-	-	-	-	-	-	-	-

(1) Following the Company's exit from the Orica group, the Governance Committee (which considered Orica group related party transactions) was dissolved by the Board on 17 April 2007.

(2) The Health, Safety, Environment and Community Committee was established by the Board on 23 February 2007.

(3) This column shows the number of meetings held during the period that the director was a member of the Board or Committee.

(4) This column shows the number of meetings attended during the period that the director was a member of the Board or Committee.

(5) Mr Healey resigned from the Audit and Risk Management Committee on 23 February 2007.

(6) Mr Marlay was appointed to the Board by the directors on 20 December 2006. Mr Marlay was appointed to the Audit and Risk Management Committee and the Remuneration and Appointments Committee on 23 February 2007.

Directors' Report

Principal activities

The principal activities of the consolidated entity during the course of the financial year were the manufacture, trading and distribution of fertilisers and chemicals. No significant changes have occurred in the nature of these activities during the financial year.

Review and results of operations

A review of the operations of the consolidated entity during the financial year and of the results of those operations is contained in the review of performance on pages 10 to 13 of the annual report.

Dividends

Dividends declared and paid since the last annual report were:

Type	Cents per share	Total amount \$000	Franked / Unfranked	Date of payment
<i>Declared and paid during the year</i>				
2006 final dividend	81	40,843	Franked	13 December 2006
2007 interim ordinary	69	34,792	Franked	5 July 2007
<i>Declared and paid after end of year</i>				
2007 final dividend	231	116,479	Franked	13 December 2007

Dealt with in the financial report as:	Note	\$000
Dividends	27	75,635
Subsequent event	38	116,479

Changes in the state of affairs

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

Events subsequent to balance date

Since the end of the financial year, the directors have declared a final dividend for the Company of 231 cents per share, comprising a normal dividend of 191 cents per share and a special dividend of 40 cents per share. The dividend is fully franked at the 30% corporate tax rate and is payable on 13 December 2007 (Refer note 27).

In addition, by the announcement lodged with the Australian Securities Exchange the market was advised on 19 October 2007 of an unscheduled outage of the urea manufacturing plant at Gibson Island, Brisbane. The total financial impact is estimated at \$16 million after tax. Incitec Pivot's insurer has been advised of the event and, if the insurance policy responds, the total financial impact is estimated at \$5.5 million after tax.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2007 that has affected or may affect the operations of the consolidated entity, the result of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the review of performance of the consolidated entity on pages 10 to 13 of the annual report.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the directors, disclosure would be likely to result in unreasonable prejudice to the consolidated entity.

Directors' Report

Environmental regulations

Manufacturing licences and consents are in place at each Incitec Pivot site, determined in consultation with local environmental regulatory authorities. The measurement of compliance with conditions of licences and consents involves numerous tests which are conducted regularly. The individual sites record their compliance and report that there is continued high compliance. Any breaches are reported to the authorities as required. More specific details of Incitec Pivot's safety, health and environmental performance are available in the Health, Safety, Environment and Community report on page 14 of the annual report.

Indemnification and insurance of officers

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

The Constitution further provides that the Company may enter into an agreement with any current or former director or secretary or a person who is, or has been, an officer of the Company or a subsidiary of the Company to indemnify the person against such liabilities. The Company has entered into Deeds of Access, Indemnity and Insurance with each of its officers. Pursuant to those deeds, the Company has paid a premium in respect of a contract insuring officers of the Company and of its controlled entities against a liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

Auditor

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

Non-audit services

KPMG have provided non-audit services to the amount of \$40,000 during the year ended 30 September 2007 (Refer note 7).

Lead Auditor's Independence Declaration

The lead auditor has provided a written declaration that no professional engagement for the consolidated entity has been carried out during the year that would impair KPMG's independence as auditor.

The lead auditor's independence declaration is set out on page 43 of the financial report.

Rounding

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

Directors' Report

Remuneration Report

The directors of Incitec Pivot Limited (the Company or Incitec Pivot) present the remuneration report prepared in accordance with section 300A of the Corporations Act 2001 (Cth) for the Company and its controlled entities for the year ended 30 September 2007. This remuneration report is audited unless otherwise stated.

This remuneration report is prepared in respect of the Key Management Personnel of the Company, being those persons who have authority and responsibility for planning, directing and controlling the activities of the Company. The Board has determined that for the purposes of AASB 124 *Related Party Disclosures*, the Key Management Personnel of the consolidated entity are the non-executive directors listed in the table in section A, and the executive directors and the direct reports to the Managing Director & CEO listed in table D.4.

When used in this report, the term "executives" means the executive directors and the direct reports to the Managing Director & CEO.

The Company's remuneration strategy is designed to:

- enable Incitec Pivot to attract, retain and motivate directors, executives and employees who will create value for shareholders; and
- fairly and appropriately reward executives and employees having regard to the performance of Incitec Pivot and that of the relevant executive or employee.

The Remuneration and Appointments Committee, established by the Board, assists and advises the Board on remuneration policies and practices for the Board, Managing Director & CEO, the executives, senior management and other employees.

Details of the Company's remuneration strategy for the 2006/07 financial year are set out in this remuneration report. This remuneration report forms part of the directors' report.

A. Non-executive directors

Non-executive directors' fees are determined by the Board subject to the aggregate limit of \$1,000,000 approved by shareholders at the 2003 Annual General Meeting. Given the aggregate limit was last considered by shareholders in 2003, to enable the Company to attract and retain high calibre directors, a resolution will be proposed at the 2007 Annual General Meeting to increase the maximum total amount from which the Company may pay the non-executive directors for their services as directors by \$400,000 to \$1,400,000. The Board sought independent external advice in determining the maximum total amount to be put to shareholders and considers that the amount of \$1,400,000 is appropriate for a company of the size and nature of Incitec Pivot and is consistent with that of companies of comparable size and complexity.

Non-executive directors receive a fee for being a director of the Board and additional fees for either chairing or being a member of a Committee. The level of fees paid to non-executive directors reflects their time commitments and responsibilities. Fees are determined annually after receiving professional advice from an appropriately qualified external consultant taking into account survey data on fees paid by comparable companies and the level of fees considered necessary to attract and retain directors of the appropriate calibre.

In order to maintain independence and impartiality, non-executive directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Company performance.

The Company is phasing out retirement benefits for all non-executive directors. Non-executive directors who joined the Board after 30 May 2003 are not entitled to receive a retirement benefit. Retiring non-executive directors appointed before 1 June 2003 have contractual rights to a retirement benefit. This entitles them to a retirement benefit after 10 years of service equal to the total of the benefits they received from the Company in the 3 years immediately preceding their date of retirement. This retirement benefit will be paid pro-rata for less than 10 years of service. The service period is capped to 31 May 2003.

Directors' Report

Remuneration Report

Non-executive directors' remuneration

Details of the non-executive directors' remuneration for the financial year ended 30 September 2007 are set out in the following table.

For the year ended 30 September 2007

	Year	Short-term benefits		Post-employment benefits	Other long term benefits (A)	Total \$000
		Fees \$000	Non-monetary benefits (B) \$000	Superannuation benefits \$000	\$000	
Non-executive directors						
- Current						
J C Watson, Chairman (1)	2007	254	14	27	44	339
	2006	233	-	23	75	331
B Healey	2007	126	-	-	-	126
	2006	113	-	-	-	113
A C Larkin	2007	111	-	11	-	122
	2006	98	-	10	-	108
J Marlay (2)	2007	79	-	-	-	79
	2006	-	-	-	-	-
A D McCallum (1)	2007	118	-	12	15	145
	2006	108	-	11	25	144
- Former						
J R Chesterfield (3)	2007	-	-	-	-	-
	2006	77	-	-	-	77
Total non-executive directors	2007	688	14	50	59	811
	2006	629	-	44	100	773

- (A) Consistent with best practice, with the exception of the contractual entitlements for Mr Watson and Mr McCallum who were appointed to the Board before 1 June 2003, the Company does not pay additional benefits to non-executive directors.
- (B) Non-monetary benefits include Fringe Benefits Tax attributable to the FBT year (2007: 1 April 2006 to 31 March 2007) (2006: 1 April 2005 to 31 March 2006). In the case of Mr Watson, this relates to travel allowances.
- (1) If Mr Watson or Mr McCallum had ceased to be directors on 30 September 2007, the following benefits would have been payable under their respective contracts: Mr Watson \$432,000, Mr McCallum \$197,000.
- (2) On 20 December 2006, Mr Marlay was appointed to the Board by the directors as a non-executive director. Fees of \$79,000 were paid to Mr Marlay's employer, Alumina Limited.
- (3) Fees of \$77,000 were paid to Mr Chesterfield's employer, Orica Limited.

Directors' Report

Remuneration Report

B. Executive remuneration

The remuneration of the executives is set by the Board.

Executive remuneration is set at levels to properly reflect the duties and responsibilities of the executives and comprises both a fixed component and an "at risk" component, which is intended to remunerate executives for increasing shareholder value and for achieving financial targets and business strategies. The mix between fixed remuneration and "at risk" or performance-related remuneration varies according to the duties and responsibilities of executives, and supports the needs of the Company in attracting, retaining and motivating executives.

Remuneration is reviewed annually by the Board after receiving advice from an appropriately qualified external consultant, taking into account survey data on remuneration packages for comparable companies, and the duties and responsibilities of the executives. Currently, executive remuneration is under review and the Board has engaged Mercer Human Resource Consulting Pty Ltd to provide advice on the Company's strategy for the attraction, retention and motivation of its executives.

Components of remuneration

As indicated above, remuneration for executives has the following components:

1. Fixed annual remuneration (FAR); and
2. Performance-based "at-risk" remuneration, comprising:
 - Short term incentive – based on annual performance at an individual and Company level;
 - Long term incentive – based on sustained creation of shareholder value over a performance period, typically three years.

The Board aims to achieve a balance between fixed and performance-related components of remuneration that reflect market conditions at each job and seniority level.

The relative proportion of executives' total remuneration packages that is performance-based is set out in the table below.

Table B.1, Remuneration structure by level

	% of Total Remuneration (annualised)		
	Fixed Remuneration	Performance-based Remuneration	
	FAR	STI	LTI
CEO	29%	29%	42%
CFO	33%	33%	34%
Executives	36%	29%	35%

In determining the "at risk" compensation as a proportion of total remuneration, for each category of employee the maximum entitlement under the STI or LTI was taken into account.

This table has not been subject to audit.

Fixed Remuneration

The terms of employment for all executives contain a fixed remuneration component. Executives may receive their fixed remuneration in a variety of forms, including cash, superannuation and fringe benefits, such as motor vehicles. The level of fixed remuneration is reviewed annually. This amount of remuneration is not dependent upon Company performance and is set by reference to appropriate benchmark information for each executive's role, level of knowledge, skill, responsibilities and experience.

Directors' Report

Remuneration Report

Performance-based remuneration – Short Term Incentive Plan (STI)

The Short Term Incentive Plan (STI) is an annual “at risk” cash bonus which delivers cash bonuses on achievement of specific target levels. All executives (as well as other senior employees) participate in the STI. The Board considers the STI is an appropriate incentive. It is designed to encourage executives to support Incitec Pivot’s strategic objectives by putting a large proportion of the executive remuneration “at risk” against meeting performance targets linked to the Company’s annual business objectives. STI awards are not an entitlement, but rather a reward for annual Company performance and individual performance or contribution to overall Company performance.

The criteria for awarding the STI is set annually. There are both target and stretch conditions. The STI and the performance conditions under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI will deliver higher rewards to executives. The performance conditions include both financial and non-financial measures and are heavily weighted to growth in Net Profit After Tax (NPAT) (before individually material items). NPAT (before individually material items) is considered the appropriate financial measure as, in the absence of capital initiatives, it equates to earnings per share growth, which is the key driver of shareholder value (driving both dividends and share price growth). Non-financial measures include corporate values and functional performance.

No STI is awarded if the minimum performance across the Company does not meet the required threshold. In recent years, this has been linked to a minimum level of NPAT (before individually material items) that must be achieved before any STI is awarded.

Performance-based remuneration – Long Term Incentive Plan (LTI)

Incitec Pivot’s Long Term Incentive Plans (LTIs) are the long term incentive component of remuneration for executives who are able to influence the sustained generation of shareholder value through their direct contribution to the Company’s performance.

The LTIs are designed to link executive 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 employees.

The Board considers the structure of the LTI is appropriate as it facilitates immediate share ownership by the executives and links a significant proportion of their potential remuneration to returns to shareholders over a three year period. By having a significant proportion of remuneration at risk, the LTI promotes behaviour that will achieve superior performance. Participants are affected in the same way as all other shareholders by changes in the Company’s share price and, accordingly, the LTI ensures that executives’ performance is in alignment with the creation of shareholder value.

Key features of the LTIs:

- **Loan backed plan:** At the commencement of relevant performance periods (typically 3 years) the Company, through its wholly owned subsidiary, Incitec Pivot LTI Plan Company Pty Ltd, provides to participants limited recourse loans bearing interest at the fringe benefits tax benchmark rate (currently 8.05%) for the sole purpose of acquiring shares in Incitec Pivot.
- **Shares acquired on market and held under restriction:** The loans are applied to acquire shares on market which avoids dilution of other shareholdings. Australian Securities Exchange Listing Rule 10.14 provides that no shareholder approval is required. Participants may not deal in the shares while the loan remains outstanding. Net cash dividends after personal income tax obligations are applied to reduce the loan balance throughout the term of the loan.
- **Loan forgiveness:** If, at the end of the performance period, the performance of the Company and the participant meets or exceeds the performance criteria which was set by the Board at the commencement of the performance period, part of the loan may be forgiven. The amount of the loan forgiven will be determined according to the performance achieved and will be net of fringe benefits tax. The balance of the loan must be repaid prior to any dealing in the shares, on cessation of employment, or at the latest, a sunset date which is 3 months after the expiry of the performance period.

Directors' Report

Remuneration Report

- **Performance Criteria:** The Board sets the criteria for the granting of awards at the beginning of the three year performance period covered by the LTI. The criteria focuses on financial performance of the Company and includes a condition relating to duration of employment. The LTI performance measure is based on Total Shareholder Return (TSR), being the percentage increase in the Company's share price over the three year performance period plus the after tax value of dividends paid. The Board adopted the Company's TSR as the performance measure, as opposed to a TSR measure relative to the TSR of the companies in the S&P/ASX 100 index, because doing so ensures there is a direct link between reward and actual returns to shareholders thereby aligning executives' performance with the creation of shareholder value. For the performance criteria to be satisfied in full, Incitec Pivot's TSR must be at least 20% per annum compounded over the three year period (Stretch TSR). In setting the Stretch TSR at 20%, the Board considers it has established an aggressive target to promote behaviour to achieve superior performance, noting that it referenced TSR for the S&P/ASX 100 index over the ten year period to 30 September 2006 and that a TSR of 20% reflected top decile performance over this period. If, at the end of the relevant performance period, TSR is less than 10% per annum compounded over the three year period, no awards in the form of loan forgiveness will be granted.

Relationship between Company performance and remuneration

Indices

In considering Incitec Pivot's performance and benefits for shareholders, the Board, through its Remuneration and Appointments Committee, has regard to financial and non-financial indices, including the following indices in respect of the current financial year and the prevailing four financial years, noting that Incitec Pivot, as the merged entity, was formed in 2003.

Table B.2

	2003 (1)	2004	2005 (2)	2006 (2)	2007 (2)
Net Profit After Tax (before individually material items) (\$m)	35.0	80.9	47.9	82.8	202.5
Dividends per share (cents)	140	29	121	72	150
Share price (\$) (Year End)	15.66	18.80	15.82	25.87	85.54
TSR (Annual) - IPL (%)	8	28	(12)	70	242
Earnings per share (including individually material items) (cents)	(59.8)	128.8	24.9	82.6	407.1

The above table has not been subject to audit.

(1) TSR (Annual) is calculated from date of listing (28 July 2003).

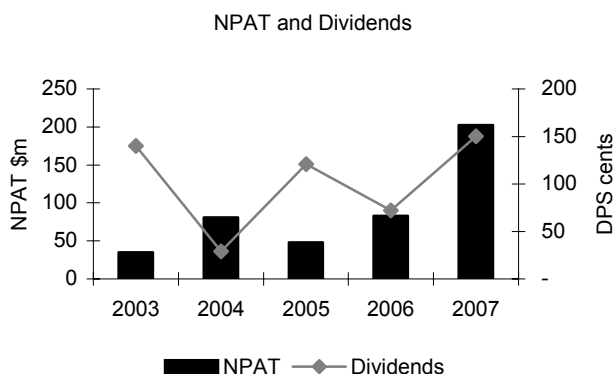
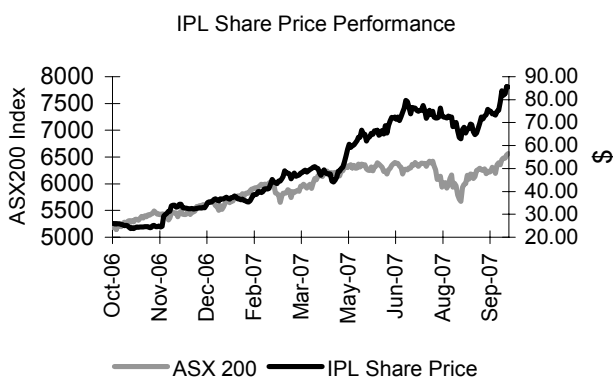
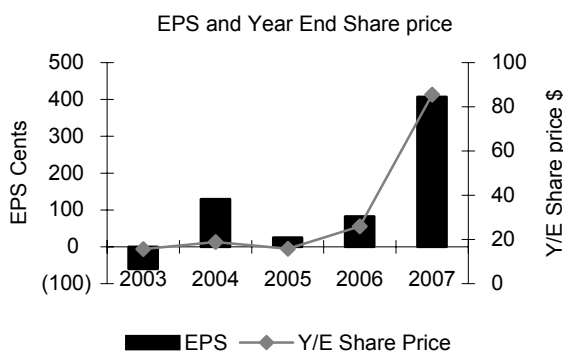
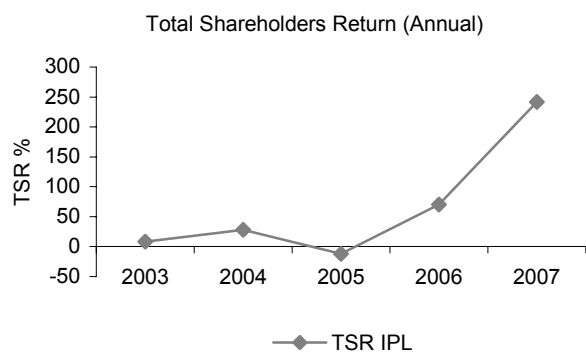
(2) Stated on an AIFRS basis.

Directors' Report

Remuneration Report

The Board considers that linking executive remuneration to the performance measures of NPAT and TSR has been a key driver to the strong results of the Company as demonstrated in the charts below.

Charts B.2



The above charts have not been subject to audit.

Current LTIs

The Company currently has in place the following LTIs:

- 1 October 2006 to 30 September 2008 (LTI interim performance plan 2006/08); and
- 1 October 2006 to 30 September 2009 (LTI performance plan 2006/09).

The Company is in the process of establishing a LTI performance plan 2007/10, with participants having been advanced loans which have been applied in the purchase of shares on market and which are to be allocated in November 2007 (LTI performance plan 2007/10). The LTI performance plan 2006/09 and the LTI performance plan 2007/10 are for three year periods. The performance criteria for the LTI performance plan 2006/09 and the LTI performance plan 2007/10 will not be tested until 30 September 2009 and 30 September 2010 respectively. Accordingly, none of the executives have received any loan forgiveness in the financial year ended 30 September 2007.

While Incitec Pivot's LTIs operate on a three year performance period (with the first LTI plan established in 2003 for the rolling three year period to 30 September 2006), in 2004 and 2005 no plans were established for the performance periods 1 October 2004 to 30 September 2007 and 1 October 2005 to 30 September 2008. With the Company's exit from the Orica group in July 2006 and the acquisition of Southern Cross Fertilisers Pty Ltd in August 2006, in order to promote behaviour that would achieve superior performance in 2007 and 2008, the Board determined that it would establish the LTI interim performance plan 2006/08 in respect of the Company's performance over the two year period commencing 1 October 2006 and ending 30 September 2008. Under the LTI interim performance plan 2006/08, the performance measure is based on cumulative NPAT for the two years ending 30 September 2008. The LTI award will be made if the cumulative NPAT (excluding individually material items) is equal to or above \$227.5m. None of the executives have received any loan forgiveness in the financial year ended 30 September 2007 as the LTI interim performance plan 2006/08 will not be tested until 30 September 2008.

Directors' Report

Remuneration Report

C. Managing Director & Chief Executive Officer's Employment Arrangements and Remuneration

Managing Director & CEO – Mr J Segal

Julian Segal was initially appointed as Managing Director & CEO on 3 June 2005 on secondment from Orica Limited, the then parent company of Incitec Pivot. Pursuant to a service agreement entered into with Incitec Pivot dated 29 May 2006, Mr Segal's appointment as Managing Director & CEO continued on the basis of the terms set out in that service agreement which commenced on 10 May 2006.

The agreement provides that Mr Segal may terminate his employment on 6 months' notice. The Company may terminate Mr Segal's employment:

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

The separation payment will be equal to 52 weeks of fixed annual remuneration at the date of termination.

The details of his remuneration are as follows:

- **Fixed Annual Remuneration**

Mr Segal's fixed annual remuneration is \$1,000,000, reviewed annually each January having regard to Incitec Pivot's executive remuneration policy.

- **Short Term Incentive**

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

Mr Segal's STI opportunity is 25% of fixed annual remuneration up to a maximum of 100% of fixed annual remuneration for over performance against specified measures. Given NPAT (before individually material items) for the 2006/07 financial year is \$202.5m, up 145% or \$119.7m on the 2005/06 result, Mr Segal was awarded a STI payment of \$1,000,000 being 100% of the maximum STI opportunity for the period 1 October 2006 to 30 September 2007.

Further details of the STI plan are set out in section B of this remuneration report.

- **Long Term Incentive**

Mr Segal's LTI opportunity is 37.5% of fixed annual remuneration up to a maximum of 150% of fixed annual remuneration for over performance against specified measures over a three year period to 2009. In addition, given Incitec Pivot's LTI plans are three year performance plans with the opportunity falling in the third year, the Board recognised that the retention of key executives was a crucial element to the success of the Company following Orica ceasing to be a majority shareholder and the acquisition of Southern Cross Fertilisers. Accordingly, Mr Segal received a Retention Award in the form of an interest free, limited recourse, unsecured loan by Incitec Pivot for \$722,000 which was applied in the purchase of shares on market. The loan will be forgiven in full if Mr Segal remains in employment until 10 May 2009.

Directors' Report

Remuneration Report

D. Executives' employment arrangements and remuneration

D.1 Service Contracts and Termination Provisions

Remuneration and other terms of employment for the executives (excluding Mr Segal, whose arrangements are set out in section C of this remuneration report) are formalised in service agreements between the executive and the Company, details of which are summarised in the table below. Most executives are engaged on similar contractual terms with minor variations to address differing circumstances. The Company's policy is for service agreements for these executives and senior management to be unlimited in term, but capable of termination in the manner as described in the table below.

Fixed remuneration	Fixed remuneration comprising salary paid in cash and mandatory employer superannuation contributions. This is subject to an annual review.																																
STI Plan	Participation is at the Board's discretion. For all executives other than Mr Fazzino, the STI opportunity is 40% of fixed annual remuneration up to a maximum of 80% of fixed annual remuneration for over performance against specified measures. For Mr Fazzino, the STI opportunity is 50% of fixed annual remuneration up to a maximum of 100% of fixed annual remuneration for over performance against specified measures.																																
LTI Plan	Participation is at the Board's discretion. The opportunity is 50% of fixed annual remuneration up to a maximum of 100% of fixed annual remuneration for over performance against specified measures.																																
Termination by Incitec Pivot	<p>Incitec Pivot may terminate the service agreements:</p> <ul style="list-style-type: none"> • immediately for cause, without payment of any separation sum, save as to accrued fixed annual remuneration, accrued annual leave or long service leave; • on notice in the case of incapacity, and the Company must pay a separation payment plus accrued annual leave and long service leave; • otherwise, without cause, with or without notice and the Company must pay a separation payment plus accrued annual leave and long service leave. <p>The amount of a separation payment is calculated on a 'capped' number of weeks, where the number of weeks is determined by the length of any prior service with the Orica group (where applicable), and is as follows for each executive (excluding Mr Segal):</p> <table border="1"> <thead> <tr> <th></th> <th>Current Fixed Annual Remuneration \$'000</th> <th>Number of Weeks</th> <th>Separation Payment \$'000</th> </tr> </thead> <tbody> <tr> <td>Mr Paul Barber</td> <td>350</td> <td>26.0 weeks</td> <td>175</td> </tr> <tr> <td>Mr James Fazzino</td> <td>570</td> <td>51.6 weeks</td> <td>566</td> </tr> <tr> <td>Mrs Kerry Gleeson</td> <td>360</td> <td>26.0 weeks</td> <td>180</td> </tr> <tr> <td>Mr Alan Grace</td> <td>280</td> <td>26.0 weeks</td> <td>140</td> </tr> <tr> <td>Mr Daryl Roe</td> <td>320</td> <td>70.48 weeks</td> <td>434</td> </tr> <tr> <td>Mr Bernard Walsh</td> <td>400</td> <td>61.81 weeks</td> <td>475</td> </tr> <tr> <td>Mr James Whiteside</td> <td>280</td> <td>45.41 weeks</td> <td>255</td> </tr> </tbody> </table>		Current Fixed Annual Remuneration \$'000	Number of Weeks	Separation Payment \$'000	Mr Paul Barber	350	26.0 weeks	175	Mr James Fazzino	570	51.6 weeks	566	Mrs Kerry Gleeson	360	26.0 weeks	180	Mr Alan Grace	280	26.0 weeks	140	Mr Daryl Roe	320	70.48 weeks	434	Mr Bernard Walsh	400	61.81 weeks	475	Mr James Whiteside	280	45.41 weeks	255
	Current Fixed Annual Remuneration \$'000	Number of Weeks	Separation Payment \$'000																														
Mr Paul Barber	350	26.0 weeks	175																														
Mr James Fazzino	570	51.6 weeks	566																														
Mrs Kerry Gleeson	360	26.0 weeks	180																														
Mr Alan Grace	280	26.0 weeks	140																														
Mr Daryl Roe	320	70.48 weeks	434																														
Mr Bernard Walsh	400	61.81 weeks	475																														
Mr James Whiteside	280	45.41 weeks	255																														
Termination by executive	An executive may terminate his/her employment on 13 weeks' notice (save for Mr Grace, who may terminate on 8 weeks' notice) and the Company may require the executive to serve out the notice period or may make payment in lieu.																																

Details of the nature and amount of each element of remuneration of the executives are included in table D.4.

D.2 Grants of STI payments

For the 2006/07 STI, the principal measure established in order to determine whether STI payments were to be made was NPAT (before individually material items). In addition, for all executives, 10% of the available STI opportunity was based on the successful implementation of the Incitec Pivot 'Living our Values' program and, for each of Mr Grace, Mr Roe, Mr Walsh and Mr Whiteside, 30% of their available STI opportunity was based on specific objectives in their respective functional areas. In 2007, NPAT (before individually material items) is \$202.5m, an increase of 145% on the 2006 NPAT (before individually material items) of \$82.8m. Mr Fazzino, Mrs Gleeson and Mr Roe were awarded STI payments at 100% of their respective maximum STI opportunities, with Mr Grace, Mr Walsh and Mr Whiteside being awarded approximately 98% of their respective maximum STI opportunities.

D.3 Grants of LTI Plan awards

There are no awards to be made under any LTI Plan as no plan matures for the year ending 30 September 2007.

Directors' Report

Remuneration Report

D.4 Executives' remuneration

For the year ended 30 September 2007

Executive	Year	Short-term benefits		Post-employment benefits	Other long term benefits	Termination benefits	Share-based payments	Total	Proportion of remuneration performance related	Value of shares treated as options as proportion of remuneration	
		Salary & Fees	Short Term Incentive & other bonuses (A)	Non-monetary benefits (B)	Superannuation benefits		Value of shares treated as Options (C)		%	%	
		\$000	\$000	\$000	\$000	\$000	\$000	\$000			
- Current											
J Segal	2007	962	1,000	60	13	31	-	552	2,618	59%	21%
Managing Director & CEO	2006	695	748	155	12	119	-	61	1,790	45%	3%
J E Fazzino	2007	557	570	8	13	10	-	179	1,337	56%	13%
Finance Director & Chief Financial Officer	2006	455	450	85	12	81	-	17	1,100	42%	2%
K J Gleeson	2007	347	288	-	13	-	-	113	761	53%	15%
General Counsel & Company Secretary	2006	303	296	54	12	-	-	15	680	46%	2%
D A Roe (1)	2007	307	382	6	13	6	-	100	814	59%	12%
Strategy & Business Development Manager	2006	296	198	7	12	17	-	16	546	39%	3%
B C Walsh	2007	387	314	6	13	7	-	126	853	52%	15%
General Manager - Operations	2006	321	247	16	12	50	-	9	655	39%	1%
A Grace	2007	258	218	8	13	5	-	82	584	51%	14%
General Manager - Chemicals	2006	83	154	14	4	7	-	2	264	59%	1%
J Whiteside	2007	267	220	6	13	5	-	88	599	51%	15%
General Manager - Supply Chain & Trading	2006	85	164	8	4	17	-	2	280	59%	1%
P Barber (2)	2007	19	-	-	1	-	-	-	20	0%	0%
General Manager - Australian Fertilisers	2006	-	-	-	-	-	-	-	-	-	-
- Former											
G J Witcombe	2007	-	-	-	-	-	-	-	-	-	-
Managing Director & CEO	2006	-	-	809	-	-	-	-	809	-	-
M Drew (3)	2007	251	224	-	12	-	385	82	954	32%	9%
General Manager - Sales & Customer Service	2006	45	29	-	2	-	-	-	76	38%	0%
A Cleland	2007	-	-	-	-	-	-	-	-	-	-
General Manager Strategy & Business Development	2006	254	257	-	12	-	-	-	523	49%	0%
J W Elmer	2007	-	-	-	-	-	-	-	-	-	-
General Manager Human Resources	2006	-	-	118	-	-	-	-	118	0%	0%
J M Lloyd	2007	-	-	-	-	-	-	-	-	-	-
General Manager Commercial	2006	-	-	6	-	-	-	-	6	0%	0%
J R Warnock	2007	-	-	-	-	-	-	-	-	-	-
General Manager Logistics & Supply	2006	-	-	127	-	-	-	-	127	0%	0%
Total Executive	2007	3,355	3,216	94	104	64	385	1,322	8,540	53%	15%
	2006	2,537	2,543	1,399	82	291	-	122	6,974	38%	2%

Directors' Report

Remuneration Report

For details of remuneration paid to executives and their employment arrangements refer also to sections C, D.1 and D.2 of this remuneration report.

- (A) Mr Segal, Mr Fazzino, Mrs Gleeson and Mr Roe were each awarded their maximum available STIs. Accordingly, Mr Segal and Mr Fazzino received 100% of their respective fixed annual remuneration as STIs. Mrs Gleeson and Mr Roe received 80% of their respective fixed annual remuneration as STIs, Mr Grace received 78% of his fixed annual remuneration as a STI and Mr Walsh and Mr Whiteside received 78.4% of their respective fixed annual remuneration as STIs. Mr Barber, who joined the Company on 10 September 2007, was not eligible to receive a STI for 2006/07.
- (B) Non-monetary benefits include Fringe Benefits Tax paid attributable to the FBT year (2007: 1 April 2006 to 31 March 2007) (2006: 1 April 2005 to 31 March 2006), rent and mortgage interest subsidy, relocation allowances and other allowances. Additionally, all executives are eligible to participate in an annual health assessment program designed to ensure executives have their health status reviewed on a regular basis.
- (C) For Mr Segal this relates to a Retention Award (refer to section C) and his participation in the LTI performance plan 2008/09 (refer to sections B and C), and for the other executives this relates to the LTI performance plan 2006/09 and the LTI interim performance plan 2006/08. The benefits received as a result of Mr Segal's Retention Award and the executives' participation in the LTI plans have been treated as options. External valuation advice from PricewaterhouseCoopers has been used to determine the fair value of these shares treated as options at grant date. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the share treated as an option, 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 share treated as an option. The fair value has been allocated evenly over the period from grant date to the date when an entitlement to an award arises. The value disclosed in this table represents the portion of fair value allocated to this reporting period.

Refer to sections B and C of this remuneration report for further details of the LTI performance plan 2006/09, the LTI interim performance plan 2006/08 and LTIs generally.

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

	Grant date	Expiry date	Fair Value per share treated as option at grant date	Date exercisable	Exercise Price
LTI interim performance plan 2006/08	17/11/2006	30/09/2008	\$4.33	From 1/10/2008 (i)	\$25.35
LTI performance plan 2006/09	1/12/2006	30/09/2009	\$16.53	From 1/10/2009 (i)	\$24.11

The number of shares (treated as options for the purposes of remuneration) held by each executive director and executive is detailed in the section E of this remuneration report and note 34 to the financial report.

- (i) Shares restricted until such time as the loan is repaid. Under the LTI interim performance plan 2006/08, the loan must be repaid by 31 December 2008 and, under the LTI performance plan 2006/09, the loan must be repaid by 31 December 2009.
- (1) This includes the sum of \$126,000 which was paid to Mr Roe in satisfaction of the agreement between him and Incitec Pivot relating to his continued entitlement to a long term incentive on his transfer from Orica Limited to Incitec Pivot and the cessation of his participation in Orica Limited's LTI plans.
- (2) Mr Barber was appointed as an executive during the financial year. These disclosures are from his appointment date, 10 September 2007.
- (3) On 7 September 2007, Mr Drew ceased to be employed by the Company. These disclosures are from 1 October 2006 to that date.

Directors' Report

Remuneration Report

D.5 Analysis of incentive compensation included in remuneration

Details of the vesting profile of the STI payments or other incentive compensation awarded as remuneration to each executive director or executive are set out below:

		Short term incentive		
		Included in remuneration (A) \$000	% vested in year (B)	% forfeited in year
Executive directors				
- Current				
J Segal	- STI	1,000	100%	0%
J E Fazzino	- STI	570	100%	0%
Executives				
- Current				
K J Gleeson	- STI	288	100%	0%
D A Roe (1)	- STI	382	100%	0%
B C Walsh	- STI	314	98%	2%
A Grace	- STI	218	98%	2%
J Whiteside	- STI	220	98%	2%
P Barber (2)	- STI	-	0%	0%
- Former				
M Drew	- STI	224	100%	0%

This table has not been subject to audit.

- (A) In relation to the STI, the amounts included in remuneration for the financial year represent the amounts that vest in the financial year based on achievement of personal and Company targets and satisfaction of relevant performance measures under the STI.
- (B) Mr Segal, Mr Fazzino, Mrs Gleeson and Mr Roe were each awarded their maximum available STIs. Mr Grace, Mr Walsh and Mr Whiteside were each awarded approximately 98% of their respective maximum STI opportunities. On this basis, Mr Segal and Mr Fazzino received 100% of their respective fixed annual remuneration as STIs. Mrs Gleeson and Mr Roe received 80% of their respective fixed annual remuneration as STIs, Mr Grace received 78% of his fixed annual remuneration as a STI and Mr Walsh and Mr Whiteside received 78.4% of their respective fixed annual remuneration as STIs.
- (1) This includes the sum of \$126,000 which was paid to Mr Roe in satisfaction of the agreement between him and Incitec Pivot relating to his continued entitlement to a long term incentive on his transfer from Orica Limited to Incitec Pivot and the cessation of his participation in Orica Limited's LTI plans.
- (2) Mr Barber was appointed as an executive on 10 September 2007 and he did not participate in the 2006/07 STI.

Directors' Report

Remuneration Report

E. Equity instruments

E.1 Shares treated as options over equity instruments granted as remuneration

For the purposes of determining Key Management Personnel remuneration, shares granted under the LTI performance plan 2006/09 and the LTI interim performance plan 2006/08 are treated as options.

Details of the shares, which are treated as options, that were granted to each Key Management Person and those that vested during the reporting period and the prior reporting period are set out in the following tables and further details are also set out in sections B and C:

For the year ended 30 September 2007

		Number of shares treated as options		
		Grant date	Granted during 2007 as remuneration (A)	Status at end of year (B)
Key Management Personnel				
Executive Directors				
- Current				
J Segal	Performance Plan 2006/09	1 December 2006	56,001	Restricted
J E Fazzino	Performance Plan 2006/08	17 November 2006	22,485	Restricted
	Performance Plan 2006/09	1 December 2006	23,644	Restricted
Executives				
- Current				
K J Gleeson	Performance Plan 2006/08	17 November 2006	14,201	Restricted
	Performance Plan 2006/09	1 December 2006	14,933	Restricted
D A Roe	Performance Plan 2006/08	17 November 2006	12,623	Restricted
	Performance Plan 2006/09	1 December 2006	13,274	Restricted
B C Walsh	Performance Plan 2006/08	17 November 2006	15,778	Restricted
	Performance Plan 2006/09	1 December 2006	16,592	Restricted
A Grace	Performance Plan 2006/08	17 November 2006	10,335	Restricted
	Performance Plan 2006/09	1 December 2006	10,868	Restricted
J Whiteside	Performance Plan 2006/08	17 November 2006	11,045	Restricted
	Performance Plan 2006/09	1 December 2006	11,615	Restricted
P Barber (1)	Performance Plan 2006/08	17 November 2006	-	-
	Performance Plan 2006/09	1 December 2006	-	-
Executives				
- Former				
M Drew	Performance Plan 2006/08	17 November 2006	11,045	Forfeited
	Performance Plan 2006/09	1 December 2006	11,615	Forfeited

Directors' Report

Remuneration Report

For the year ended 30 September 2006

		Number of shares treated as options		
		Grant date	Granted and vested during 2006 as remuneration (A)	Status at end of year (B)
Key Management Personnel				
Executive Directors				
- Current				
J Segal	Retention Award	5 July 2006	32,597	Restricted
J E Fazzino	Performance Plan 2003/06	4 October 2005	5,130	Restricted
Executives				
- Current				
K J Gleeson	Performance Plan 2003/06	4 October 2005	5,938	Restricted
D A Roe	Performance Plan 2003/06	4 October 2005	6,269	Restricted
B C Walsh	Performance Plan 2003/06	4 October 2005	3,199	Restricted
A Grace (2)	Performance Plan 2003/06	4 October 2005	1,925	Restricted
J Whiteside (2)	Performance Plan 2003/06	4 October 2005	1,960	Restricted

(A) Refers to the number of shares allocated to the participating executive or participating executive director during the financial year. These shares are treated as options. No shares vested during the reporting period.

(B) "Restricted" refers to those shares that are subject to a limited recourse loan and the participant is not free to sell or otherwise deal in the underlying shares.

"Forfeited" means the executive ceased to be employed by the Company and all rights to the underlying shares were forfeited.

(1) Mr Barber was appointed as an executive during the financial year and he is not a participant in the 2006/09 performance plan or the 2006/08 interim performance plan.

(2) For Mr Grace and Mr Whiteside, shares (treated as options) were granted under the LTI performance plan 2003/06 for the performance period 2003/06 prior to their appointment as executives.

In respect of the shares that are treated as options for the purposes of remuneration, the following details of the particulars of the terms and conditions of each grant made during the reporting period are set out in sections B, C and D of this remuneration report and in notes 34 and 35 to the financial report:

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

E.2 Modification of terms of equity-settled share-based payment transactions

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

Directors' Report

Remuneration Report

E.3 Analysis of shares treated as options over equity instruments granted as remuneration

Details of the vesting profile of the shares treated as options granted as remuneration to each executive director and each of the named executives is detailed below:

							Value yet to Vest	
		Grant date	Number of shares treated as options granted	% Vested in year	% Forfeited in year (A)	Financial year in which grant vests	Min (B) \$	Max (C) \$
Key Management Personnel								
Executive Directors								
- Current								
J Segal	Retention Award	5 July 2006	32,597	-	-	2009	-	-
	Performance Plan 2006/09	1 December 2006	56,001	-	-	2009	-	-
J E Fazzino	Performance Plan 2006/08	17 November 2006	22,485	-	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	23,644	-	-	2009	-	-
Executives								
- Current								
K J Gleeson	Performance Plan 2006/08	17 November 2006	14,201	-	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	14,933	-	-	2009	-	-
D A Roe	Performance Plan 2006/08	17 November 2006	12,623	-	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	13,274	-	-	2009	-	-
B C Walsh	Performance Plan 2006/08	17 November 2006	15,778	-	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	16,592	-	-	2009	-	-
A Grace	Performance Plan 2006/08	17 November 2006	10,335	-	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	10,868	-	-	2009	-	-
J Whiteside	Performance Plan 2006/08	17 November 2006	11,045	-	-	2008	-	-
	Performance Plan 2006/09	1 December 2006	11,615	-	-	2009	-	-
P Barber (1)	Performance Plan 2006/08	17 November 2006	-	-	-	-	-	-
	Performance Plan 2006/09	1 December 2006	-	-	-	-	-	-
- Former								
M Drew	Performance Plan 2006/08	17 November 2006	11,045	-	100%	2008	-	-
	Performance Plan 2006/09	1 December 2006	11,615	-	100%	2009	-	-

This table has not been subject to audit.

- (A) The percentage forfeited in the year represents the reduction from the maximum number of shares treated as options available to vest, that is, in respect of which awards (in the form of loan waivers) could be made, due to the performance criteria not being achieved.
- (B) The minimum value of shares which are treated as options yet to vest is \$nil as the performance criteria may not be met and, in such circumstances, there would be no vesting.
- (C) The maximum value of shares which are treated as options yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date of exercise.
- (1) Mr Barber's employment commenced on 10 September 2007 and he is not a participant in the LTI performance Plan 2006/09 or the LTI interim performance plan 2006/08.

Directors' Report

Remuneration Report

E.4 Analysis of movements in shares (which are treated as options)

The movement during the reporting period, by value, of shares (which are treated as options for the purposes of remuneration) held by each executive director and each of the named executives is detailed below:

For the year ended 30 September 2007

		Grant date	Value of shares treated as options		Total option value in year \$000
			Granted during 2007 as remuneration (A)	Forfeited in year (B)	
			\$000	\$000	
Key Management Personnel					
Executive Directors					
- Current					
J Segal	Performance Plan 2006/09	1 December 2006	926	-	926
J E Fazzino	Performance Plan 2006/08	17 November 2006	97	-	97
	Performance Plan 2006/09	1 December 2006	391	-	391
Executives					
- Current					
K J Gleeson	Performance Plan 2006/08	17 November 2006	61	-	61
	Performance Plan 2006/09	1 December 2006	247	-	247
D A Roe	Performance Plan 2006/08	17 November 2006	55	-	55
	Performance Plan 2006/09	1 December 2006	219	-	219
B C Walsh	Performance Plan 2006/08	17 November 2006	68	-	68
	Performance Plan 2006/09	1 December 2006	274	-	274
A Grace	Performance Plan 2006/08	17 November 2006	45	-	45
	Performance Plan 2006/09	1 December 2006	180	-	180
J Whiteside	Performance Plan 2006/08	17 November 2006	48	-	48
	Performance Plan 2006/09	1 December 2006	192	-	192
P Barber (1)	Performance Plan 2006/08	17 November 2006	-	-	-
	Performance Plan 2006/09	1 December 2006	-	-	-
- Former					
M Drew	Performance Plan 2006/08	17 November 2006	48	(48)	-
	Performance Plan 2006/09	1 December 2006	192	(192)	-

This table has not been subject to audit.

- (A) The value of shares which are treated as options granted in the year is the fair value of those shares calculated at grant date using a binomial option-pricing model. The total value of these shares is included in the table above. This amount is allocated to the remuneration of the applicable executive over the vesting period (i.e. in years 2006 to 2008 for the LTI performance plan 2006/08 and years 2006 to 2009 for the LTI performance plan 2006/09).
- (B) The value of the shares which are treated as options that lapsed during the year represents the benefit foregone and is calculated at the date they lapsed.
- (1) Mr Barber's employment commenced on 10 September 2007 and he is not a participant in the LTI performance Plan 2006/09 or the LTI interim performance plan 2006/08.

During the reporting period, no shares (which are treated as options) previously granted as compensation were exercised.

Directors' Report

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. Since Incitec Pivot's listing on the Australian Securities Exchange (ASX) in July 2003, the Board has implemented, and operated in accordance with, a set of corporate governance policies adopted to reflect the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" (ASX Recommendations) which were introduced on 31 March 2003.

The Board continues to review its corporate governance framework and practices to ensure they meet the interests of shareholders. The Company is currently undertaking a further review of its policies and procedures which will extend into the 2007/08 financial year to ensure compliance with the recently revised ASX Recommendations and to reflect current best practice.

This corporate governance statement outlines the key aspects of the Company's corporate governance framework. The Board considers that Incitec Pivot has been compliant with the ASX Recommendations throughout the year ended 30 September 2007.

For ease of reference, the table below notes those ASX Recommendations that deal with information to be disclosed in the corporate governance statement and indicates where that information can be found in this report.

Disclosure required by ASX Recommendations	Reference
Functions reserved to the Board and those delegated to management	Board of Directors on page 36
Skills, experience and expertise relevant to the position of director	Information on directors on pages 8 to 9 and page 16
Details of directors considered by Incitec Pivot as independent and the criteria/thresholds applied	Composition of the Board on pages 36 to 37
Procedure for independent professional advice	Access to information and independent advice on page 39
Directors' terms of office	Information on directors on pages 8 to 9 and page 16
Names of the Remuneration and Appointments Committee members and attendance at meetings	Remuneration and Appointments Committee and Board meetings of directors on page 17
Composition of Board, Chairman, role of Chairman and Managing Director & CEO	Composition of the Board on pages 36 to 37
Code of conduct for directors, executives and employees	Codes of Conduct on page 42
Share trading policy	Share ownership and dealing on page 41
Risk oversight	Audit and Risk Management Committee on pages 39 to 40
Audit and Risk Management Committee members and qualifications	Information on directors on page 16
Audit and Risk Management Committee meetings and attendance	Directors' meetings on page 17
Risk management and internal controls	Internal control and risk management on page 39
Financial statements sign off and structure of Audit and Risk Management Committee	Audit and Risk Management Committee on pages 39 to 40
Procedures for ASX disclosures	Procedures for ASX disclosure requirements on page 41
Shareholder communications strategy	Procedures for ASX disclosure requirements on page 41 and the Incitec Pivot website (www.incitecpivot.com.au)
Attendance of auditor	External auditor on page 41
Performance review	Performance evaluations on page 37
Company's remuneration policies and disclosure	The remuneration report and also in note 34, Key Management Personnel disclosures
Retirement benefits for non-executive directors	Section A of the remuneration report
Codes of conduct to guide compliance with legal and other obligations	Codes of conduct on page 42

Summaries or copies of the charters, policies and codes referred to in this statement are available on the Incitec Pivot website, www.incitecpivot.com.au.

Directors' Report

Corporate Governance Statement

Board of directors

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

The Board operates in accordance with the broad principles set out in its charter. The charter sets out the Board's own tasks and activities as well as the matters it has reserved for its own consideration and decision-making.

Day-to-day management of Incitec Pivot's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated to the Managing Director & CEO. The Delegated and Reserved Powers Policy details the authority delegated to the Managing Director & CEO, including the limits on the way in which the Managing Director & CEO can exercise that authority.

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

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

Each year, as provided for by the charter, the Board undertakes an annual performance evaluation, comparing its performance against its charter, setting objectives and effecting any improvements to the charter.

Composition of the Board

The Board comprises seven directors, including five non-executive directors and two executive directors (being the Managing Director & CEO and the Finance Director & Chief Financial Officer).

John Watson and Allan McCallum were each appointed as directors by the shareholders on 15 December 1997, Brian Healey and Anthony Larkin were appointed as directors on 1 June 2003, Julian Segal on 3 June 2005, James Fazzino on 18 July 2005, and John Marlay was appointed to the Board by the directors on 20 December 2006.

The Board collectively has significant commercial, business, operational and financial experience in a range of industries. The directors all bring skills and expertise which, in aggregate, combine to form a Board which is equipped to discharge its responsibilities. The directors' biographies along with their term of office and information about their skills, expertise and experience are set out on page 16 of this report.

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

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

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

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

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

Directors' Report

Corporate Governance Statement

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

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

The Board considers that each of John Watson, Brian Healey, Allan McCallum, Anthony Larkin and John Marlay are independent when assessed on the criteria above, taking into account all the relevant interests, matters and relationships of the particular director.

In summary, of the seven directors, the Board considers five directors are independent.

Performance evaluations

Incitec Pivot recognises the importance of regular performance evaluations of its directors. Assessment of individual director's performance and the Board as a whole is a process determined by the Chairman and the Remuneration and Appointments Committee. The Board's annual performance review took place in August 2007 by way of a self-assessment of the Board's role, structure and processes, as well as the Board's performance in meeting its responsibilities. In addition, one-on-one interviews occurred between each director and the Chairman. Individual director performance will be reviewed throughout the 2007/08 financial year and will include one-on-one interviews between each director and the Chairman, as well as discussions on succession planning. Each of Allan McCallum, James Fazzino and John Marlay, who are retiring and standing for re-election at the 2007 Annual General Meeting, were subject to specific performance reviews prior to their nomination for re-election.

In addition, all Incitec Pivot executives are subject to annual performance reviews.

The annual review involves each executive being evaluated by their immediate superior, normally the Managing Director & CEO. The executive is assessed against agreed performance objectives including business/financial/operational targets, functional/managerial goals and personal accountabilities.

The outcomes of performance reviews are directly related to remuneration levels for all executives. The Remuneration and Appointments Committee has overall responsibility for ensuring performance evaluation processes are in place for all executives and that such evaluations are linked to executive remuneration. Incitec Pivot's broad policy in relation to executive remuneration is set out in section B of the remuneration report.

The Remuneration and Appointments Committee also considers the performance and remuneration of the Managing Director & CEO and makes recommendations as to his remuneration to the Board.

The performance evaluation of the Managing Director & CEO is conducted by the Chairman and the Board. This evaluation involves an assessment of a range of performance standards as determined by the Board, including the overall performance of the Company.

Directors' Report

Corporate Governance Statement

Directors' remuneration

Incitec Pivot's broad policy in relation to non-executive directors' fees and payments is to ensure that these fees and payments are consistent with the market and are sufficient to enable Incitec Pivot to attract and retain directors of an appropriate calibre. Details of these fees and payments are included in the table titled "Non-executive directors' remuneration" set out in section A of the remuneration report.

Under the Company's Constitution, the maximum remuneration payable by the Company for the services of non-executive directors in total must not exceed the amount approved by shareholders in general meeting, which is \$1,000,000 as approved at the Annual General Meeting held in December 2003. The total remuneration paid to the non-executive directors during the financial year ended 30 September 2007 was within the maximum amount approved by shareholders. Given the aggregate limit was last considered by shareholders in 2003, to enable the Company to attract and retain high calibre directors, a resolution will be proposed at the 2007 Annual General Meeting to increase the maximum total amount from which the Company may pay the non-executive directors for their services by \$400,000 to \$1,400,000. The Board sought independent external advice in determining the maximum total amount to be put to shareholders and considers that the amount of \$1,400,000 is appropriate for a company of the size and nature of Incitec Pivot and is consistent with that of companies of comparable size and complexity.

Details of remuneration paid to the executive directors are included in table D.4 "Executives' remuneration" in the remuneration report.

Board processes

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

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

The Board charter provides that the Board may establish other committees of the Board from time to time as may be necessary to deal with specific matters. In addition, from 2003 until April 2007, the Board had in place a Governance Committee for the purposes of considering related party matters arising from its status as a subsidiary of Orica Limited. With Orica ceasing to be a majority shareholder in May 2006, and the two companies completing the separation of functions and arrangements during the 2006/07 financial year, the Board dissolved the Governance Committee in April 2007.

Materials for Board Committee meetings are circulated in advance and minutes are circulated to all directors.

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

The Board has also established a framework for the management of the Company, including a system of internal control, and a business risk management process. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, with a view to managing the risk of failure to achieve business objectives.

The Board reviews the effectiveness of the internal control systems and risk management on an ongoing basis, and monitors risk through the Audit and Risk Management Committee.

The Board regularly receives information about the financial position and performance of the Company. For annual and half-yearly accounts released publicly, the Managing Director & CEO and the Finance Director & Chief Financial Officer will certify to the Board:

- the accuracy of the accounts and that they represent a true and fair view, in all material respects, of the Company's financial condition and operational results, and have been prepared in accordance with applicable accounting standards; and
- that the representations are based on a system of risk management and internal compliance and control which implements the policies adopted by the Board, and that those systems are operating efficiently and effectively in all material respects.

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

Directors' Report

Corporate Governance Statement

Board meetings

Details of the Board meetings held during the 2006/07 financial year are set out on page 17 of this report.

The Board currently holds 10 scheduled meetings during the year plus any extraordinary meetings that may be necessary to address any significant matters, as and when they arise.

Materials for Board meetings are circulated to directors in advance. The agenda for meetings are formulated with input from the Managing Director & CEO and the Chairman. Directors are free to nominate matters for inclusion on the agenda for any Board or Board Committee meeting.

Presentations to the Board are frequently made by executives and senior management, and telecommunications technologies may be utilised to facilitate participation.

Access to information and independent advice

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

Audit and Risk Management Committee

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

The current members of the Audit and Risk Management Committee are Anthony Larkin (Chairman), Allan McCallum and John Marlay, all of whom are independent non-executive directors. During the 2006/07 financial year Brian Healey was a member of the Committee. Brian Healey is also an independent non-executive director. He retired from the Committee on 23 February 2007.

The qualifications of those directors appointed to the Audit and Risk Management Committee are set out on page 16 of this report.

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

The attendance of the members of the Audit and Risk Management Committee at each meeting held during the financial year to 30 September 2007 is set out on page 17 of this report.

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

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

Financial reporting

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

Internal control and risk management

- risk management strategies – receive reports from management concerning the Company's risk management principles and policies, assess and manage business, financial and operational risk;
- risk reports and monitoring – receive reports on and oversee credit, market, balance sheet and operating risk and monitor risk implications of new and emerging risks, organisational change and major initiatives and also monitor resolution of significant risk exposures and risk events;
- compliance – oversee compliance with applicable laws relating to the operation of the Company's business; and
- insurance – monitor the insurance strategy of the Company and recommend approval or variation of insurance policies.

Directors' Report

Corporate Governance Statement

External audit

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

Internal audit

- appointment/replacement – evaluate the expertise and experience of potential internal auditors and make recommendations to the Board on the selection, evaluation and replacement of the internal auditor;
- terms of engagement – determine the terms of engagement and remuneration of the internal auditor and make recommendations to the Board;
- scope of audit and plan – review and assess the scope of the audit and the internal audit plan;
- internal audit findings – receive reports from the internal auditor, management's response and the internal auditor's recommendations; and
- assessment – conduct an annual assessment of the effectiveness of internal controls and financial reporting procedures.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee has a charter approved by the Board. Under its charter, the Committee:

- *appointments* – assists and advises the Board on director selection and appointment policy, performance evaluation, Board composition and succession planning for the Board and senior management; and
- *remuneration* – assists and advises the Board on remuneration policy for the Board, the Managing Director & CEO and senior management, for such to be designed to enable Incitec Pivot to attract, retain and motivate its people to create value for shareholders.

The Committee comprises all the directors except the Managing Director & CEO, Julian Segal, and the Finance Director & Chief Financial Officer, James Fazzino, and is chaired by the Chairman, John Watson.

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

The attendance of the members of the Remuneration and Appointments Committee at each meeting held during the financial year to 30 September 2007 is set out on page 17 of this report.

Health, Safety, Environment and Community Committee

The Health, Safety, Environment and Community Committee has a charter approved by the Board. The Committee was established in February 2007 to assist the Board in discharging its overall responsibilities in relation to health, safety, environment and community matters arising out of the Company's activities as they may affect employees, contractors, and the local communities in which it operates. The charter provides for the Committee members to comprise at least three independent non-executive directors. The current members of the Committee are Allan McCallum (Chairman), John Watson, Anthony Larkin and Julian Segal.

The Committee is to meet as frequently as required but not less than four times a year. The attendance of the members of the Health, Safety, Environment and Community Committee at each meeting held during the financial year to 30 September 2007 is set out on page 17 of this report.

Directors' Report

Corporate Governance Statement

External auditor

KPMG is the Company's external auditor.

The lead audit partner and review partner of the Company's external auditor rotate every five years. The current lead audit partner and review partner were appointed for the 2006/07 audit of the Company, replacing the lead audit partner and review partner previously appointed for the audits from 2002/03.

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

Since KPMG's appointment in 2003, KPMG's lead audit partner and other representatives from KPMG have attended the Company's annual general meetings and were available to answer questions from shareholders, as appropriate.

For the next Annual General Meeting to be held on 20 December 2007, the lead audit partner will attend. Shareholders have the right under the Corporations Act 2001 (Cth) to submit written questions on certain topics to the auditor and the auditor may table answers to such questions at the Annual General Meeting.

Procedures for ASX disclosure requirements

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

To achieve these objectives and satisfy the regulatory requirements, the Board has established a continuous disclosure policy and, in accordance with this policy, will provide information to shareholders and the market in several ways, including:

- in annual reports and financial statements, releases of results to ASX each half and full year, and at the Company's Annual General Meeting;
- releasing price sensitive announcements and other relevant significant announcements directly to the market via ASX;
- conducting briefings with analysts and institutions from time to time – in doing so, Incitec Pivot recognises the importance of ensuring that any price sensitive information provided during these briefings is made available to all shareholders and the market at the same time and in accordance with the requirements of the ASX and the Australian Securities and Investments Commission; and
- providing information on the Company's website, which contains information about the Company and its activities, including statutory reports and investor information.

The Company Secretary is responsible for providing announcements to the ASX.

Share ownership and dealing

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

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

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

In addition, certain members of staff (for example, directors, the direct reports to the Managing Director & CEO, and those in the finance units) are 'designated employees' and as such may not deal in shares in the Company outside of 'black out' periods unless, prior to the dealing, the relevant person has notified the Company Secretary and given written confirmation that they are not in possession of price sensitive information. In the case of the Company Secretary, he/she must notify the Chairman or Managing Director & CEO and must also give the same written confirmation to the effect that he/she is not in possession of price sensitive information.

The ASX is notified of any share dealings by a director within five business days of the dealing taking place.

Directors' Report

Corporate Governance Statement

Codes of conduct

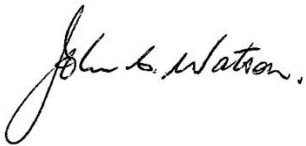
Incitec Pivot is committed to operating to the highest standards of ethical behaviour and honesty with full regard for the safety and health of its employees, customers, the wider community and the environment.

The Company has codes of conduct which set ethical standards for directors, senior management and employees. The codes describe core principles ensuring ethical conduct is maintained in the interests of shareholders and other stakeholders. Such principles address legal compliance, honesty and integrity, the avoidance of discrimination, separation of personal transactions from dealings with the Company, the maintenance of confidentiality in dealings with customers, avoidance of actual or potential conflicts of interest (or in the case of non-executive directors, matters which may affect their independence) and the avoidance of personal gain from those doing business with, or on behalf of, the Company.

Health, Safety, Environment and Community policy

Incitec Pivot has adopted a policy in relation to health, safety, environment and the community which sets out the Company's commitment to the Company's values of "Zero Harm for Everyone, Everywhere" and "Care for the Community and the Environment". The policy provides that the Company will establish and maintain health and safety management standards and systems in compliance with relevant industry standards and regulatory requirements, and that the Company will provide a safe and healthy working environment. The policy also provides for the Company to conduct its operations in compliance with all relevant environmental licences and regulations, and to strive to be a valued corporate citizen in the communities in which it operates.

Signed on behalf of the Board.



John C Watson, AM
Chairman

Dated at Melbourne this 13th day of November 2007



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Incitec Pivot Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

S Bell

Suzanne Bell
Partner

Melbourne
13 November 2007

Income Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
Revenue	(4)	1,373.2	1,111.2	890.5	939.5
Other income (incl. Individually material items)	(4)	34.6	14.9	217.2	84.1
Operating expenses					
Changes in inventories of finished goods and work in progress		(59.7)	4.0	(42.8)	5.1
Raw materials and consumables used and finished goods purchased for resale		(575.2)	(724.5)	(639.1)	(725.1)
Employee expenses (incl. Individually material items)		(119.3)	(91.1)	(83.4)	(82.5)
Costs recovered from subsidiaries under agency agreement	(33)	-	-	55.2	58.8
Depreciation and amortisation expense	(5)	(36.1)	(33.1)	(16.3)	(11.9)
Borrowing and finance costs	(5)	(34.1)	(14.9)	(33.5)	(14.7)
Purchased services (incl. Individually material items)		(78.0)	(58.2)	(38.0)	(50.6)
Repairs and maintenance		(49.7)	(33.8)	(25.8)	(27.7)
Outgoing freight		(123.6)	(40.1)	(52.7)	(30.5)
Lease payments - operating leases	(5)	(29.4)	(13.9)	(16.1)	(11.6)
Asset write-downs, clean-up and environmental provisions (incl. Individually material items)		(4.2)	(35.4)	(4.2)	(35.4)
Other expenses (incl. Individually material items)		(10.8)	(25.8)	(6.8)	(30.1)
		(1,120.1)	(1,066.8)	(903.5)	(956.2)
Profit before income tax		287.7	59.3	204.2	67.4
Income tax benefit/(expense)	(8)	(82.4)	(12.6)	(0.8)	4.1
Profit for the financial year		205.3	46.7	203.4	71.5
		cents	cents		
Earnings per share					
Basic earnings per share from continuing operations	(9)	407.1	82.6		
Diluted earnings per share from continuing operations	(9)	407.1	82.6		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements set out on pages 48 to 97.

Balance Sheets

As at 30 September 2007

	Notes	Consolidated		Company	
		Restated ⁽¹⁾		2007 \$mill	2006 \$mill
		2007 \$mill	2006 \$mill		
Current assets					
Cash and cash equivalents	(10)	218.3	161.7	208.0	161.3
Trade and other receivables	(11)	167.4	121.3	263.5	185.3
Other financial assets	(14)	292.1	2.0	292.1	2.0
Inventories	(12)	221.7	300.6	225.6	267.6
Other assets	(13)	4.5	8.9	3.1	7.0
Assets classified as held for sale	(15)	5.0	2.9	2.1	-
Total current assets		909.0	597.4	994.4	623.2
Non-current assets					
Trade and other receivables	(11)	0.4	0.3	0.4	0.3
Other financial assets	(14)	1.6	-	696.1	684.5
Property, plant and equipment	(16)	502.1	441.1	178.5	126.9
Intangible assets	(17)	193.7	196.2	9.9	12.1
Deferred tax assets	(18)	28.6	68.6	0.9	32.7
Retirement benefit surplus	(24)	2.7	-	2.7	-
Other assets	(13)	1.2	0.9	1.2	0.9
Total non-current assets		730.3	707.1	889.7	857.4
Total assets		1,639.3	1,304.5	1,884.1	1,480.6
Current liabilities					
Trade and other payables	(19)	281.4	283.1	551.1	501.2
Interest bearing liabilities	(21)	-	7.1	-	7.1
Other financial liabilities	(20)	9.1	5.7	9.1	5.7
Current tax liabilities		35.1	19.2	35.1	19.3
Provisions	(22)	31.2	48.2	31.2	41.8
Total current liabilities		356.8	363.3	626.5	575.1
Non-current liabilities					
Trade and other payables	(19)	52.8	64.0	-	-
Interest bearing liabilities	(21)	630.0	430.0	630.0	430.0
Other financial liabilities	(20)	-	1.8	-	1.8
Retirement benefit obligation	(24)	-	3.4	-	3.4
Provisions	(22)	64.7	62.0	43.5	40.8
Total non-current liabilities		747.5	561.2	673.5	476.0
Total liabilities		1,104.3	924.5	1,300.0	1,051.1
Net assets		535.0	380.0	584.1	429.5
Equity					
Issued capital	(25)	360.8	360.8	360.8	360.8
Reserves	(26)	17.7	(5.8)	25.7	0.7
Retained earnings	(26)	156.5	25.0	197.6	68.0
Total equity		535.0	380.0	584.1	429.5

The above Balance Sheets are to be read in conjunction with the Notes to the Financial Statements set out on pages 48 to 97.

(1) Comparative information has been restated to reflect the amendments to provisional asset and liability fair values on acquisition of Southern Cross Fertilisers Pty Limited in the prior financial year (see Note 28).

Statements of Recognised Income and Expense

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
Cash flow hedges					
Effect of prior year change in accounting policy - financial instruments		-	(5.2)	-	(5.2)
Changes in fair value of cash-flow hedges	(26)	2.4	(4.2)	2.4	(4.2)
Losses in cash-flow hedges transferred to income statement	(26)	(2.0)	0.6	(2.0)	0.6
Actuarial gains on defined benefit plans		1.1	0.7	1.1	0.7
Change in fair value of assets held as available for sale	(26)	24.6	-	24.6	-
Net income/(expense) recognised directly in equity		26.1	(8.1)	26.1	(8.1)
Profit for the financial year		205.3	46.7	203.4	71.5
Total recognised income and expense for the financial year		231.4	38.6	229.5	63.4

Other movements in equity arising from transactions with owners as owners are set out in Notes 26 and 27. The amounts recognised directly in equity are disclosed net of tax.

The above Statements of Recognised Income and Expense are to be read in conjunction with the Notes to the Financial Statements set out on pages 48 to 97.

Cash Flow Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		1,332.1	1,181.6	935.9	965.3
Payments to suppliers and employees		(1,015.2)	(969.7)	(698.3)	(802.7)
Interest received		4.5	1.5	4.5	1.5
Borrowing costs paid		(30.4)	(12.0)	(30.4)	(11.9)
Dividends received from wholly-owned controlled entity	(33)	-	-	79.7	43.4
Rental income		0.1	0.1	0.1	0.1
Other trading revenue received		5.9	0.2	3.8	0.2
Income taxes paid		(37.8)	(12.9)	(37.8)	(12.9)
Net cash flows from operating activities	(29)	259.2	188.8	257.5	183.0
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles		(91.6)	(28.0)	(67.3)	(22.6)
Payments for purchase of subsidiary, net of cash acquired		-	(155.3)	-	(155.3)
Payments for purchase of investments		(257.0)	-	(267.0)	-
Proceeds from sale of investments		-	21.8	-	21.8
Proceeds from sale of property, plant and equipment		28.7	6.6	6.2	6.6
Net cash flows from investing activities		(319.9)	(154.9)	(328.1)	(149.5)
Cash flows from financing activities					
Repayments of borrowings		(182.1)	(89.2)	(182.1)	(89.2)
Proceeds from borrowings		375.0	430.0	375.0	430.0
Payments for share buy-back transaction		-	(174.5)	-	(174.5)
Dividends paid		(75.6)	(41.9)	(75.6)	(41.9)
Net cash flows from financing activities		117.3	124.4	117.3	124.4
Net increase in cash and cash equivalents held		56.6	158.3	46.7	157.9
Cash and cash equivalents at the beginning of the financial year		161.7	3.4	161.3	3.4
Cash and cash equivalents at the end of the financial year	(29)	218.3	161.7	208.0	161.3

The above Cash Flow Statements are to be read in conjunction with the Notes to the Financial Statements set out on pages 48 to 97.

Notes to the Financial Statements

For the year ended 30 September 2007

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Notes to the Financial Statements

For the year ended 30 September 2007

1. Significant accounting policies

Incitec Pivot Limited is a company domiciled in Australia. The consolidated financial report was authorised for issue by the directors on 13 November 2007.

The significant accounting policies adopted in preparing the financial report of Incitec Pivot Limited ('the Company' or 'Incitec Pivot') and of its controlled entities (collectively 'the Consolidated entity') are stated below to assist in a general understanding of this financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001 (Cth). International Financial Reporting Standards (IFRS) form the basis of AASB adopted by the Australian Accounting Standards Board, and for the purpose of this report are called Australian equivalents to IFRS (AIFRS) to distinguish from previous Australian GAAP.

Compliance with IFRS

The financial reports of the Consolidated entity also comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board. A statement of compliance with IFRS cannot be made for the parent entity financial statements as the Company has elected to apply the relief provided to parent entities by AASB 132 *Financial Instruments: Presentation and Disclosure* in respect of certain disclosure requirements.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments, available-for-sale financial assets and financial instruments held for trading which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair value attributable to the risks that are being hedged.

The financial report is presented in Australian dollars.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated entity'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 financial statements, are disclosed in Note 2.

Early adoption of standards

Incitec Pivot Limited has elected to early adopt 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 AIFRS transition exemptions, are available. The principal standards and interpretations that have been early adopted are:

- AASB 101 *Presentation of Financial Statements*
- AASB 1048 *Interpretation and Application of Standards*
- AASB 123 *Borrowing Costs*
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments amending AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 2 *Share-based Payment*,

AASB 3 *Business Combinations*, AASB 4 *Insurance Contracts*, AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 7 *Financial Instruments: Disclosures*, AASB 101 *Presentation of Financial Statements*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 110 *Events after the Balance Sheet Date*, AASB 112 *Income Taxes*, AASB 114 *Segment Reporting*, AASB 116 *Property Plant and Equipment*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 119 *Employee Benefits*, AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates*, AASB 129 *Financial Reporting in Hyperinflationary Economies*, AASB 130 *Disclosures in the Financial Statements of Banks and Similar Institutions*, AASB 131 *Interest in Joint Ventures*, AASB 132 *Financial Instruments: Presentation*, AASB 133 *Earnings per Share*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment of Assets*, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, AASB 138 *Intangible Assets*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 141 *Agriculture*, AASB 1023 *General Insurance Contracts*, AASB 1038 *Life Insurance Contracts and Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers*

- AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 *Borrowing Costs amending AASB 1 First Time Adoption of Australian Equivalents to International Financial*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Cash Flow Statements*, AASB 111 *Construction Contracts*, AASB 116 *Property Plant and Equipment*, AASB 138 *Intangible Assets, Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and Interpretation 12 Service Concession Arrangements*
- AASB 2007-7 Amendments to Australian Accounting Standards: AASB 1 *First Time Adoption of Australian Equivalents to International Financial*, AASB 2 *Share-based Payment*, AASB 4 *Insurance Contracts*, AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 107 *Cash Flow Statements and AASB 128 Investments in Associates*
- Interpretation 10 *Interim Financial Reporting and Impairment*
- Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*
- Interpretation 13 *Customer Loyalty Programmes*
- Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The early adoption of these standards did not have a material impact on the year end results of the Company and the Consolidated entity.

Issued Standards not early adopted

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

- AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139, AASB 1, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 8 *Operating segments* (February 2007) replacing the existing AASB 114 *Segment Reporting* and requiring more qualitative disclosure and also applying to single segment entities. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009.

Notes to the Financial Statements

For the year ended 30 September 2007

1. Significant accounting policies (continued)

The Consolidated entity plans to adopt AASB 8 in the 2010 financial year. The initial application of AASB 8 is not expected to have an impact on the financial results of the Company and the Consolidated entity as the standard is concerned only with disclosures.

(ii) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Incitec Pivot Limited as at 30 September 2007 and the results of all subsidiaries for the year then ended. Subsidiaries are all those entities (including special purpose entities) over which the Consolidated entity 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 Consolidated entity controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated entity. 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 Consolidated entity (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 Consolidated entity. Investments in subsidiaries are accounted for at cost in the individual financial statements of Incitec Pivot Limited.

(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, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Interest income is recognised as it accrues.

Dividends are recognised in the Income Statement when declared.

(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, finance costs are capitalised using a weighted average interest rate.

(v) Share based payments

Under the Long Term Incentive Plan (LTI), Incitec Pivot Limited may grant awards to employees, subject to individual and Company performance (the Performance Plan). The LTI operates by way of the Company providing employees with limited recourse interest bearing loans which must be used to purchase Incitec Pivot Limited shares on market.

The benefits received by the employees as a result of participation in the LTI plan are treated as options. The fair value of the shares treated as options is recognised as an employee expense over the relevant vesting period with a corresponding increase in equity. An

option pricing model is used to derive a fair value at grant date. Loan forgiveness and other terms and conditions are incorporated into the option valuation.

The fair value is allocated to the Income Statement evenly over the period from grant date to the date when an entitlement to an award, in the form of a loan waiver, arises. The amount recognised as an expense is adjusted to reflect the actual number of shares treated as options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. The interest bearing loans are not recognised on the balance sheet.

(vi) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the 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 year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for; initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date. A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. Incitec Pivot Limited is the parent entity in the tax consolidated group comprising all wholly-owned entities. The implementation date for the tax-consolidated group was 1 October 2003.

Due to the effect of applying Interpretation 1052 *Tax Consolidation Accounting* and the existence of a tax funding agreement between the entities in the tax consolidated group, the parent entity recognises the tax effects of its own transactions and the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed by the subsidiary entities. In accordance with the tax funding agreement, the subsidiary entities are compensated for the assets and liabilities assumed by the parent entity as intercompany receivables and payables and for amounts which equal the amounts initially recognised by the subsidiary entities. There is no adjustment for tax consolidation contribution by (or distribution to) equity participants.

(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 merchanted goods, cost is net cost into store. Engineering spares are held in inventory and expensed when used.

Notes to the Financial Statements

For the year ended 30 September 2007

1. Significant accounting policies (continued)

(viii) Trade and other receivables

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

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment loss is recognised when there is objective evidence that the Consolidated entity will not be able to collect amounts due according to the original terms of the receivables. The amount of the impairment loss 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 income statement.

Derecognition

Where substantially all risks and rewards relating to these facilities have been transferred to the financial institution, the receivable is derecognised. Where this has not occurred, the receivable and the equivalent interest bearing liability have been recognised in the balance sheet.

(ix) Other financial assets

The Consolidated entity's interests in financial assets included in Note 14, other than controlled entities and financial assets classified as available-for-sale, are stated at fair value, with movement in market value recognised in the Income Statement. Financial assets classified as being available-for-sale are stated at fair value with movements in market value recognised within a Fair Value reserve. The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Regular purchases and sales are recognised on trade-date – the date on which the Consolidated entity commits to purchase or sell assets.

Investment income includes dividends which are recognised in the Income Statement when declared.

(x) Assets (or disposal groups) classified as 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.

An impairment loss is 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 off 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 from the other assets in the balance sheet.

(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 Consolidated entity 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 Consolidated entity.

Estimated useful lives 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 AIFRS, 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 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 Consolidated entity assumes substantially all the risks and benefits of ownership 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 profit and loss on a straight line basis over the term of the lease.

(xiii) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated entity'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.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the 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 Consolidated entity has sufficient resources 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 income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(iii) Other intangible assets

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

Notes to the Financial Statements

For the year ended 30 September 2007

1. Significant accounting policies (continued)

(iv) 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 expenditure is expensed as incurred.

(v) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each annual balance sheet 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
- Asset Rights 1 – 2 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 plus costs directly attributable to the acquisition. 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. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 Consolidated entity's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(xiii)). If the cost of acquisition is less than the Consolidated entity's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the 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.

(xv) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the 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 Income Statement in the event that the liabilities are derecognised.

(xvi) 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 balance sheet 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.

(i) 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 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.

For sites where there are uncertainties with respect to what Incitec Pivot Limited's remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made of regulatory and remediation costs, no amounts have been capitalised, expensed or provided for.

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.

(ii) 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 an 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 or deducted from the related asset, other than the unwinding of the discount which is recognised as an interest expense in the Income Statement.

(iii) Employee entitlements

Annual leave and sick leave

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

Long Service leave

Liabilities for employee entitlements which are not expected to be settled within twelve months of balance 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 to the terms of the Consolidated entity's obligations.

Profit sharing and bonus plans

A liability is recognised for bonus plans on the achievement of predetermined bonus targets and the benefit calculations are formally documented and determined before signing the financial report.

Notes to the Financial Statements

For the year ended 30 September 2007

1. Significant accounting policies (continued)

(iv) Retirement Benefit Obligation

Contributions to defined contribution superannuation funds are taken to the Income Statement in the year in which the expense is incurred. For defined benefit schemes, the cost of providing superannuation is charged to the 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 AIFRS, were recognised in retained earnings. All actuarial gains and losses that arise subsequent to 1 October 2004 are recognised directly in equity.

The Consolidated entity's net obligation in respect of defined benefit superannuation 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 balance sheet date on government bonds that have maturity dates approximating the terms of the Consolidated entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

(v) Dividends

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

(vi) 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.

(vii) 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.

(xvii) Trade and other payables

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

(xviii) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

(xix) Derivative financial instruments

The Consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Consolidated entity does not hold or issue derivative financial instruments for trading purposes.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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 Income Statement. However, where

derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Hedging

On entering into a hedging relationship, the Consolidated entity 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

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Income Statement.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects the Income Statement. The ineffective part of any gain or loss is recognised immediately in the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. 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 Income Statement.

Hedge of monetary assets and liabilities

When a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the Income Statement.

Anticipated transactions

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables and payables outstanding at balance date are translated at the exchange rates current at that date.

Exchange gains and losses on retranslation of outstanding receivable and payables are taken to the Income Statement.

Where hedge transactions are designated as a hedge of the anticipated purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, gains and losses, on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the Income Statement.

Notes to the Financial Statements

For the year ended 30 September 2007

1. Significant accounting policies (continued)

The net amount receivable or payable under open swaps, forward rate agreements and futures contracts and the associated deferred gains or losses are not recorded in the Income Statement until the hedged transaction matures. The net receivables or payables are then revalued using the foreign currency, interest or commodity rates current at balance date.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the Income Statement. Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains and losses are recognised immediately in the Income Statement.

(xx) Cash and cash equivalents

For cash flow statement presentation purposes, 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.

(xxi) 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 profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(xxii) Fair value estimation

The fair value of financial assets and financial liabilities must be 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 trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated entity 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 Consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance 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 swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. 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 for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated entity for similar financial instruments.

(xxiii) Impairment of assets

The carrying amount of the Consolidated entity'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 (excl. receivables – refer to 1 viii) is determined as the higher of net selling price 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 assets 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 Income Statement. Impairment losses recognised in respect of cash-generating units (CGU's) are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then, to reduce the carrying amount of the other assets in the unit.

(xxiv) 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 Balance Sheet.

Cash flows are included in the 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.

(xxv) Rounding of amounts

The company 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 financial report. Amounts in the financial report 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.

Notes to the Financial Statements

For the year ended 30 September 2007

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 entity 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 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 AIFRS 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 costs and related assets and liabilities.

(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 is 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 values. Refer Note 1 xxiii for further details regarding the accounting policy regarding 'Impairment of assets'.

Management believes that this policy is critical to the financial statements, particularly when evaluating the Consolidated entity's assets for impairment. Varying results from this impairment analysis are possible due to the significant estimates and judgements involved.

(ii) Impairment of goodwill

The Consolidated entity tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1 xiii. The recoverable amounts of cash-generating units 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 17 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 financial statements, particularly when evaluating the Consolidated entity's goodwill for impairment. Varying results from this analysis are possible due to the significant estimates and judgements involved in the Company's evaluations.

(iii) Income taxes

The Consolidated entity is subject to income taxes in Australia. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated entity 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 Consolidated entity's assumptions regarding future realization 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 Consolidated entity's best estimate of the outflow of resources required to settle commitments made by the Consolidated entity. Where the outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement in the period in which such determination is made. Refer Note 1 xvi (i) & (vi) to the financial statements for further details of the accounting policy relating to environmental and restructuring provisions. Also refer to Note 22 for amounts recognised for environmental and restructuring provisions.

(v) Retirement Benefit obligations

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, 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 xvi (iv) to the financial statements for further details of the accounting policy relating to retirement benefit obligations. Refer Note 24 of the 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;
- rate of inflation;
- expected return on plan assets; and
- future salary increases.

3. Segment report

During the years ended 30 September 2007 and 30 September 2006, the Consolidated entity operated in one business segment in which the principal activities were the manufacture, trading and distribution of fertilisers and chemicals, and in one geographic location, Australia.

Notes to the Financial Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
4. Revenue and other income					
Revenue					
External sales		1,373.2	1,088.9	868.0	917.2
Sales to entities subject to common control	(33)	-	22.3	-	22.3
Sales to wholly-owned controlled entities	(33)	-	-	22.5	-
Total Revenue		1,373.2	1,111.2	890.5	939.5
Other income					
Dividend income					
external parties		3.0	-	3.0	-
wholly-owned controlled entities	(33)	-	-	198.3	69.3
Interest income					
external parties		5.3	2.0	5.3	2.0
Other income		3.2	0.4	3.4	0.3
From outside operating activities					
Gain from Sale & Leaseback of BIGN Assets	(6)	13.5	-	-	-
Gain on write back of acquisition provisions	(6)	2.4	-	-	-
Realised gain on listed investment held at fair value through profit and loss	(6)	-	9.5	-	9.5
Net gain on sale of property, plant and equipment		7.2	3.0	7.2	3.0
Total other income		34.6	14.9	217.2	84.1
Total revenue and other income		1,407.8	1,126.1	1,107.7	1,023.6

5. Expenses

Profit before income tax includes the following specific expenses:

Depreciation & Amortisation					
depreciation	(16)	34.1	31.0	14.3	9.9
amortisation		2.0	2.1	2.0	2.0
		36.1	33.1	16.3	11.9
Borrowing and Finance costs					
interest and finance charges paid/payable		32.6	14.2	32.6	14.2
unwinding of discount on provisions and other payables		1.5	0.7	0.9	0.5
		34.1	14.9	33.5	14.7
Recoverable amount write-down					
property, plant and equipment	(16)	0.2	5.0	-	5.0
		0.2	5.0	-	5.0
Amounts set aside to provide for					
impairment loss on trade and other receivables		0.3	0.1	0.3	0.1
employee entitlements		7.2	7.3	7.2	6.6
environmental liabilities	(22)	4.2	28.5	4.2	28.3
inventory losses and obsolescence		0.3	0.2	0.3	0.1
restructuring	(22)	3.4	24.8	3.4	24.8
Net foreign exchange losses		0.4	0.2	0.1	0.2
Lease payments – operating leases		29.4	13.9	16.1	11.6
Research and development		0.3	0.1	0.3	0.1
Defined contribution superannuation expense		2.3	1.3	2.3	1.3
Defined benefit superannuation expense	(24)	1.9	2.2	1.9	2.2

Notes to the Financial Statements

For the year ended 30 September 2007

	2007			2006		
	Gross \$mill	Tax \$mill	Net \$mill	Gross \$mill	Tax \$mill	Net \$mill
6. Individually material items						
Profit includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:						
Consolidated						
Business restructuring costs ⁽¹⁾						
employee redundancies and allowances	(2.2)	0.7	(1.5)	-	-	-
restructuring and other direct costs	(0.8)	0.2	(0.6)	(3.4)	1.0	(2.4)
demolition	-	-	-	(0.7)	0.2	(0.5)
asset write-downs ⁽⁸⁾	-	-	-	(5.0)	1.5	(3.5)
Total business restructuring	(3.0)	0.9	(2.1)	(9.1)	2.7	(6.4)
Business restructuring costs - Separation and Integration ⁽²⁾						
restructuring and other direct costs	(6.3)	1.9	(4.4)	(8.2)	2.4	(5.8)
employee redundancies and allowances	-	-	-	(3.8)	1.2	(2.6)
Total business restructuring	(6.3)	1.9	(4.4)	(12.0)	3.6	(8.4)
Clean-up and closure costs ⁽³⁾						
environmental clean-up	(2.7)	0.8	(1.9)	(21.0)	6.3	(14.7)
closure and demolition	-	-	-	(8.7)	2.6	(6.1)
redundancy	-	-	-	(1.8)	0.6	(1.2)
Total Clean-up and closure costs	(2.7)	0.8	(1.9)	(31.5)	9.5	(22.0)
Other						
Gain from Sale & Leaseback of BIGN Assets ⁽⁴⁾	13.5	(4.0)	9.5	-	-	-
Gain on write back of acquisition provisions ⁽⁵⁾	2.4	(0.7)	1.7	-	-	-
Realised gain from investment in listed company held at fair value through profit and loss ⁽⁶⁾	-	-	-	9.5	(1.1)	8.4
Litigation ruling and dispute ⁽⁷⁾	-	-	-	(11.0)	3.3	(7.7)
Total Other	15.9	(4.7)	11.2	(1.5)	2.2	0.7
Individually material items	3.9	(1.1)	2.8	(54.1)	18.0	(36.1)

(1) 2005 saw a significant rationalisation of the fertiliser industry, following which the Company incurred significant expenditure in reacting to the changed industry dynamics including developing and implementing a new business model and embarking on a major restructuring of the business. Additional provisions have been recognised in relation to further redundancies announced during the year, as well as other direct costs.

(2) Additional provisions for restructuring costs have been created during this year in relation to the separation from Orica during May 2006, and acquisition of Southern Cross Fertilisers Pty Limited in August 2006.

(3) An extra provision has been recognised in relation to the costs associated with soil and groundwater remediation and demolition works at the Wallaroo site. During 2006 a provision was recognised in relation to the costs associated with dismantling the manufacturing facility, remediating the site, demolition works and redundancies at Cockle Creek.

(4) As part of a restructuring of the BigN business, a sale and leaseback transaction was completed on the BigN mobile fleet during the year.

(5) During the year provisions recognised as part of the initial accounting for the Southern Cross Fertilisers Pty Limited acquisition were written back and contingent assets not initially recognised were recovered.

(6) Realised gains in relation to an investment previously held for resale in the listed gas producer Queensland Gas Company Limited. The investment was sold during August 2006.

(7) Represents payments made in respect of the dispute in the 2005 proceedings with Elders Limited for which orders were made by the Supreme Court of South Australia in favour of Elders Limited in April 2006. Payments in the order of \$11 million (gross), \$7.7 million (net of tax) were subsequently made during the year ended 30 September 2006.

(8) During 2006 a review of the long term manufacturing strategy around ammonium phosphates was undertaken and as a result, the manufacturing plant at Kooragang Island was closed.

Notes to the Financial Statements

For the year ended 30 September 2007

	2007			2006		
	Gross \$mill	Tax \$mill	Net \$mill	Gross \$mill	Tax \$mill	Net \$mill
6. Individually material items (continued)						
Profit includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:						
Company						
Business restructuring costs ⁽¹⁾						
employee redundancies and allowances	(2.2)	0.7	(1.5)	-	-	-
restructuring and other direct costs	(0.8)	0.2	(0.6)	(3.4)	1.0	(2.4)
demolition	-	-	-	(0.7)	0.2	(0.5)
asset write-downs ⁽⁶⁾	-	-	-	(5.0)	1.5	(3.5)
Total business restructuring	(3.0)	0.9	(2.1)	(9.1)	2.7	(6.4)
Business restructuring costs - Separation and Integration ⁽²⁾						
restructuring and other direct costs	(6.3)	1.9	(4.4)	(8.2)	2.4	(5.8)
employee redundancies and allowances	-	-	-	(3.8)	1.2	(2.6)
Total business restructuring	(6.3)	1.9	(4.4)	(12.0)	3.6	(8.4)
Clean-up and closure costs ⁽³⁾						
environmental clean-up	(2.7)	0.8	(1.9)	(21.0)	6.3	(14.7)
closure and demolition	-	-	-	(8.7)	2.6	(6.1)
redundancy	-	-	-	(1.8)	0.6	(1.2)
Total Clean-up and closure costs	(2.7)	0.8	(1.9)	(31.5)	9.5	(22.0)
Other						
Realised gain from investment in listed company held at fair value through profit and loss ⁽⁴⁾						
Litigation ruling and dispute ⁽⁵⁾	-	-	-	9.5	(1.1)	8.4
Total Other	-	-	-	(1.5)	2.2	0.7
Individually material items	(12.0)	3.6	(8.4)	(54.1)	18.0	(36.1)

- (1) 2005 saw a significant rationalisation of the fertiliser industry, following which the Company incurred significant expenditure in reacting to the changed industry dynamics including developing and implementing a new business model and embarking on a major restructuring of the business. Additional provisions have been recognised in relation to further redundancies announced during the year, as well as other direct costs.
- (2) Additional provisions for restructuring costs have been created during this year in relation to the separation from Orica during May 2006, and acquisition of Southern Cross Fertilisers Pty Limited in August 2006.
- (3) An extra provision has been recognised in relation to the costs associated with soil and groundwater remediation and demolition works at the Wallaroo site. During 2006 a provision was recognised in relation to the costs associated with dismantling the manufacturing facility, remediating the site, demolition works and redundancies at Cockle Creek.
- (4) Realised gains in relation to an investment previously held for resale in the listed gas producer Queensland Gas Company Limited. The investment was sold during August 2006.
- (5) Represents payments made in respect of the dispute in the 2005 proceedings with Elders Limited for which orders were made by the Supreme Court of South Australia in favour of Elders Limited in April 2006. Payments in the order of \$11 million (gross), \$7.7 million (net of tax) were subsequently made during the year ended 30 September 2006.
- (6) During 2006 a review of the long term manufacturing strategy around ammonium phosphates was undertaken and as a result, the manufacturing plant at Kooragang Island was closed.

Notes to the Financial Statements

For the year ended 30 September 2007

Notes	Consolidated		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
7. Auditor's remuneration				
Total remuneration received, or due and receivable, by the auditors for:				
Audit services				
Auditors of the Company - KPMG	487.0	455.3	487.0	455.3
	487.0	455.3	487.0	455.3
Non audit services				
Auditors of the Company - KPMG accounting advice	40.0	33.0	21.0	33.0
	40.0	33.0	21.0	33.0
	527.0	488.3	508.0	488.3

From time to time, the auditors provide other services to the Company, which are subject to strict corporate governance procedures adopted by the Company which encompass the selection of service providers and the setting of their remuneration. The Audit and Risk Management Committee must approve individual non audit services provided by KPMG above a value of \$20,000, as well as where the aggregate amount exceeds 15% of the annual KPMG audit fee.

	\$mill	\$mill	\$mill	\$mill
8. Income tax expense				
(a) Income tax expense/(benefit)				
Current tax				
Current year	54.8	30.6	(20.5)	7.3
Under/(over) provision in prior years	(3.4)	(2.8)	(1.8)	(2.8)
	51.4	27.8	(22.3)	4.5
Deferred tax				
Origination and reversal of temporary differences	31.0	(15.2)	23.1	(8.6)
Total income tax expense/(benefit)	82.4	12.6	0.8	(4.1)
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax	287.7	59.3	204.2	67.4
Income tax expense attributable to profit before income tax				
Tax at the Australian tax rate of 30% (2007 at 30%) on profit before income tax	86.3	17.8	61.3	20.2
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Depreciation and amortisation	0.3	0.5	0.1	0.1
Profit/(loss) on sale of property, plant and equipment	0.1	(0.2)	0.1	(0.1)
Research and development incentive	(1.9)	(0.8)	(0.7)	(0.8)
Dividends from wholly-owned entities	-	-	(59.5)	(20.8)
Debt forgiveness within wholly-owned group	-	-	0.3	2.0
Share-based payments	0.6	0.1	0.6	0.1
Under/(over) provision in prior years	(3.4)	(2.8)	(1.8)	(2.8)
Capital losses not previously recognised brought to account	-	(1.8)	-	(1.8)
Sundry items	0.4	(0.2)	0.4	(0.2)
Income tax expense/(benefit) attributable to profit	82.4	12.6	0.8	(4.1)
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax - debited/(credited) directly to equity	8.8	(6.6)	8.8	(6.6)
	8.8	(6.6)	8.8	(6.6)

Notes to the Financial Statements

For the year ended 30 September 2007

	Consolidated	
	2007	2006
	Cents	Cents
	per share	per share
9. Earnings per share (EPS)		
Basic earnings per share		
including individually material items	407.1	82.6
excluding individually material items	401.6	146.5
Diluted earnings per share		
including individually material items	407.1	82.6
excluding individually material items	401.6	146.5
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share ⁽¹⁾	50,423,885	56,515,861
	\$mill	\$mill
Earnings used in the calculation of basic and diluted earnings per share including individually material items	205.3	46.7
Reconciliation of earnings used in the calculation of basic and diluted earnings per share excluding individually material items		
Profit for the financial year	205.3	46.7
(Deduct)/Add back individually material items after income tax	(2.8)	36.1
Earnings used in calculation of basic and diluted EPS excluding individually material items	202.5	82.8

(1) 7,857,142 shares were bought back during the year ended 30 September 2006.

	Notes	Consolidated		Company	
		2007	2006	2007	2006
		\$mill	\$mill	\$mill	\$mill
10. Cash and cash equivalents					
Cash at bank and on hand		14.4	6.3	4.1	5.9
Deposits at call					
external		203.9	155.4	203.9	155.4
	(29)	218.3	161.7	208.0	161.3
Bank Facilities					
Committed bank overdraft facilities available		10.0	10.0	10.0	10.0
Amount of facilities unused		10.0	10.0	10.0	10.0
Committed standby and loan facilities available		835.0	680.0	835.0	680.0
Amount of facilities unused		205.0	250.0	205.0	250.0

The committed bank overdraft facility is provided by Westpac. This is used as a contingency and interest is payable at the Westpac Reference Lending Rate + a margin.

During the year the Company negotiated a new Bilateral Cash Advance Facility to replace the previous facility. This facility is used for funding the seasonal trade working capital requirements of the Consolidated entity and matures between October 2007 and February 2008. The facility is \$210m for the period January to June and \$105m from July to December. Interest is payable at BBSY + a margin. These facilities are revolving whereby repayments can be redrawn at the Company's discretion.

In addition, the Company has a long term unsecured syndicated facility agreement of \$730m with \$465m available to be drawn to fund transactions of an acquisitive nature and \$265m to fund working capital and general corporate purposes. Interest is payable at BBSY + a margin.

Notes to the Financial Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
11. Trade and other receivables					
Current					
Trade debtors					
external		148.9	114.4	69.8	90.6
Less impairment losses					
external		(0.5)	(0.4)	(0.5)	(0.2)
		148.4	114.0	69.3	90.4
Sundry debtors/loans					
external		19.0	7.4	17.7	5.9
wholly-owned controlled entity	(33)	-	-	176.5	89.0
Less impairment losses					
external		-	(0.1)	-	-
		19.0	7.3	194.2	94.9
		167.4	121.3	263.5	185.3
Non-current					
Sundry debtors/loans					
external		0.6	0.3	0.6	0.3
Less impairment losses					
external		(0.2)	-	(0.2)	-
		0.4	0.3	0.4	0.3
12. Inventories					
Raw materials and stores at cost		15.3	28.8	12.1	11.3
Work in progress at cost		-	5.7	-	-
Finished goods					
At cost		208.5	270.8	215.6	261.0
Less provision for inventory losses and obsolescence		(2.1)	(4.7)	(2.1)	(4.7)
Finished goods		206.4	266.1	213.5	256.3
		221.7	300.6	225.6	267.6
13. Other assets					
Current					
Prepayments		4.5	8.9	3.1	7.0
		4.5	8.9	3.1	7.0
Non-current					
Prepayments		1.2	0.9	1.2	0.9
		1.2	0.9	1.2	0.9
14. Other financial assets					
Current					
Investment available for sale		292.1	-	292.1	-
Derivative financial instruments - cash flow hedges					
Option contracts	(32)	-	2.0	-	2.0
		292.1	2.0	292.1	2.0
Non-current					
Investments in controlled entities					
Unlisted shares at cost	(36)	-	-	694.5	684.5
Derivative financial instruments - cash flow hedges					
Interest rate swaps	(32)	1.6	-	1.6	-
		1.6	-	696.1	684.5

Notes to the Financial Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
15. Assets classified as held for sale					
Land and buildings held for sale		5.0	2.9	2.1	-

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

16. Property, plant and equipment

Consolidated		Freehold land and buildings \$mill	Machinery, plant and equipment \$mill	Total \$mill
At 1 October 2005				
Cost		220.7	439.3	660.0
Accumulated depreciation		(97.1)	(282.4)	(379.5)
Construction in progress		-	11.5	11.5
Net book amount		123.6	168.4	292.0
Year ended 30 September 2006				
Opening net book amount		123.6	168.4	292.0
Acquisition of business	(28)	30.7	130.7	161.4
Reclassification to Assets classified as held for sale		(0.3)	(0.1)	(0.4)
Additions		2.8	24.4	27.2
Disposals		(2.4)	(0.7)	(3.1)
Depreciation charge	(5)	(5.8)	(25.2)	(31.0)
Impairment of assets		(0.8)	(4.2)	(5.0)
Reclassification		(8.9)	8.9	-
Closing net book amount		138.9	302.2	441.1
At 1 October 2006				
Cost		242.8	557.4	800.2
Accumulated depreciation		(104.5)	(278.1)	(382.6)
Construction in progress		0.6	22.9	23.5
Net book amount		138.9	302.2	441.1
Year ended 30 September 2007				
Opening net book amount		138.9	302.2	441.1
Reclassification to Assets classified as held for sale		(2.2)	0.1	(2.1)
Additions		14.0	93.9	107.9
Disposals		(0.7)	(9.8)	(10.5)
Depreciation charge	(5)	(6.4)	(27.7)	(34.1)
Impairment of assets		-	(0.2)	(0.2)
Reclassification		(0.1)	0.1	-
Closing net book amount		143.5	358.6	502.1
At 30 September 2007				
Cost		251.0	620.5	871.5
Accumulated depreciation		(107.5)	(287.3)	(394.8)
Construction in progress		-	25.4	25.4
Net book amount		143.5	358.6	502.1

Notes to the Financial Statements

For the year ended 30 September 2007

16. Property, plant and equipment (continued)

Company	Notes	Freehold land and buildings \$mill	Machinery, plant and equipment \$mill	Total \$mill
At 1 October 2005				
Cost		85.6	152.2	237.8
Accumulated depreciation		(36.8)	(95.1)	(131.9)
Construction in progress		-	11.5	11.5
Net book amount		48.8	68.6	117.4
Year ended 30 September 2006				
Opening net book amount		48.8	68.6	117.4
Reclassifications from Assets classified as held for sale		2.3	-	2.3
Additions		2.3	20.2	22.5
Disposals		(2.4)	(0.7)	(3.1)
Depreciation charge	(5)	(2.8)	(7.0)	(9.8)
Impairment of assets		(0.8)	(4.2)	(5.0)
Reclassification		(8.8)	8.8	-
Movement in allocated assets - transfer to related party		0.7	1.9	2.6
Closing net book amount		39.3	87.6	126.9
At 1 October 2006				
Cost or fair value		71.9	135.2	207.1
Accumulated depreciation		(32.6)	(74.9)	(107.5)
Construction in progress		-	27.3	27.3
Net book amount		39.3	87.6	126.9
Year ended 30 September 2007				
Opening net book amount		39.3	87.6	126.9
Reclassifications from Assets classified as held for sale		(2.1)	-	(2.1)
Additions		2.0	62.5	64.5
Disposals		(0.7)	(0.6)	(1.3)
Depreciation charge	(5)	(2.2)	(12.1)	(14.3)
Impairment of assets		-	-	-
Movement in allocated assets - transfer to related party		0.8	4.0	4.8
Closing net book amount		37.1	141.4	178.5
At 30 September 2007				
Cost or fair value		71.5	206.7	278.2
Accumulated depreciation		(34.4)	(80.5)	(114.9)
Construction in progress		-	15.2	15.2
Net book amount		37.1	141.4	178.5

Non-current assets impairments

During the year ended 30 September 2007, the Consolidated entity recorded impairments of property, plant and equipment to the value of \$0.2 million relating to additional assets written off as a result of the closure of the Kooragang Island manufacturing plant during 2006.

During the year ended 30 September 2006, the Company and Consolidated entity recorded impairments of property, plant and equipment totalling \$5.0 million relating to the closure of the Kooragang Island manufacturing plant. The recoverable amount of this plant was determined using value-in-use with the Company's cost of capital as the discount rate – 10%.

Change in estimates

During the 2007 financial year, the asset lives of the Company's manufacturing assets were reviewed. From this review, the asset life of the Gibson Island site was increased from 2017 to 2027. This amounted to a saving of \$1.6m in the current financial year and will amount to an annual saving of \$3.2m in future.

Notes to the Financial Statements

For the year ended 30 September 2007

17. Intangible assets

Consolidated	Notes	Software \$mill	Goodwill \$mill	Other \$mill	Total \$mill
At 1 October 2005					
Cost		13.0	183.8	-	196.8
Accumulated amortisation		(4.6)	-	-	(4.6)
Net book amount		8.4	183.8	-	192.2
Year ended 30 September 2006					
Opening net book amount		8.4	183.8	-	192.2
Acquisition of business	(28)	-	-	0.2	0.2
Additions		0.2	-	5.7	5.9
Amortisation charge	(5)	(2.0)	-	(0.1)	(2.1)
Closing net book amount		6.6	183.8	5.8	196.2
At 1 October 2006					
Cost		13.2	183.8	5.9	202.9
Accumulated amortisation		(6.6)	-	(0.1)	(6.7)
Net book amount		6.6	183.8	5.8	196.2
Year ended 30 September 2007					
Opening net book amount		6.6	183.8	5.8	196.2
Additions		2.3	-	-	2.3
Amortisation charge	(5)	(2.0)	-	(2.8)	(4.8)
Closing net book amount		6.9	183.8	3.0	193.7
At 30 September 2007					
Cost		15.5	183.8	5.9	205.2
Accumulated amortisation		(8.6)	-	(2.9)	(11.5)
Net book amount		6.9	183.8	3.0	193.7

Notes to the Financial Statements

For the year ended 30 September 2007

17. Intangible assets (continued)

Company	Notes	Software \$mill	Goodwill \$mill	Other \$mill	Total \$mill
At 1 October 2005					
Cost		13.0	-	-	13.0
Accumulated amortisation		(4.6)	-	-	(4.6)
Net book amount		8.4	-	-	8.4
Year ended 30 September 2006					
Opening net book amount		8.4	-	-	8.4
Additions		0.1	-	5.6	5.7
Amortisation charge	(5)	(2.0)	-	-	(2.0)
Closing net book amount		6.5	-	5.6	12.1
At 1 October 2006					
Cost		13.1	-	5.6	18.7
Accumulated amortisation		(6.6)	-	-	(6.6)
Net book amount		6.5	-	5.6	12.1
Year ended 30 September 2007					
Opening net book amount		6.5	-	5.6	12.1
Additions		2.5	-	-	2.5
Amortisation charge	(5)	(2.0)	-	(2.7)	(4.7)
Closing net book amount		7.0	-	2.9	9.9
At 30 September 2007					
Cost		15.6	-	5.6	21.2
Accumulated amortisation		(8.6)	-	(2.7)	(11.3)
Net book amount		7.0	-	2.9	9.9

(a) Impairment tests for goodwill

Goodwill is managed on a consolidated basis and not allocated to the Consolidated entity's cash generating units. Goodwill is therefore tested for impairment against forecasted consolidated cash flows.

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash-flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate as detailed below.

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

Key assumptions used within the impairment testing of goodwill include:

- discount rate of 10% representing a market based weighted average cost of capital;
- growth rate of 2% representing inflation; and
- growth in budgeted gross margin rate of 2-3%.

Management determined growth in budgeted gross margin based on past performance and its expectations for the future.

Notes to the Financial Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
18. Deferred tax assets					
The balance comprises temporary differences attributable to:					
Doubtful debts provision		0.2	0.3	0.2	0.2
Employee entitlements provision		6.5	6.5	6.4	4.7
Retirement benefit obligations		-	1.2	-	1.2
Restructuring and rationalisation provision		5.8	5.6	5.8	5.6
Environmental provision		16.5	15.5	10.1	9.7
Other provisions		-	8.7	-	7.5
Inventories		0.6	3.5	0.6	1.4
Depreciation		18.7	25.3	0.1	0.5
Foreign exchange losses		-	0.2	-	0.1
Share buy-back expenses		1.7	2.3	1.7	2.3
Cash flow hedges		2.7	2.2	2.7	2.2
Property, plant and equipment		-	0.2	-	0.2
Unfavourable supplier contracts		19.4	21.6	-	-
Other		3.3	0.7	3.3	0.7
Deferred tax assets		75.4	93.8	30.9	36.3
Set-off of deferred tax liabilities pursuant to set-off provisions	(23)	(46.8)	(25.2)	(30.0)	(3.6)
Net deferred tax assets		28.6	68.6	0.9	32.7
Movements:					
Opening balance at 1 October		93.8	23.2	36.3	23.2
Credited/(charged) to the income statement		(20.3)	6.9	(7.5)	5.6
Credited/(charged) to equity		2.1	7.2	2.1	7.2
Acquisition of subsidiary	(28)	-	56.2	-	-
Transfer of provisions from related entity		-	0.1	-	0.1
Adjustments in respect of prior years		(0.2)	0.2	-	0.2
Closing balance at 30 September		75.4	93.8	30.9	36.3

Notes to the Financial Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
19. Trade and other payables					
Current					
Trade creditors					
external		248.9	259.6	215.8	232.6
wholly-owned controlled entity	(33)	-	-	313.6	160.6
		248.9	259.6	529.4	393.2
Sundry creditors and accrued charges					
external		20.5	14.4	21.7	14.2
wholly-owned controlled entity	(33)	-	-	-	93.8
unfavourable supplier contracts		12.0	9.1	-	-
		32.5	23.5	21.7	108.0
		281.4	283.1	551.1	501.2
Non-current					
Sundry creditors and accrued charges					
external		-	1.1	-	-
unfavourable supplier contracts		52.8	62.9	-	-
		52.8	64.0	-	-

Unfavourable contracts

Unfavourable contracts were recognised as part of the SCF acquisition during 2006. These amounts represent the difference between market and contractual rates at the time of acquisition and will be released to profit over the life of the contracts.

Significant terms and conditions

Trade creditors, including expenditures not yet billed, are recognised when the Consolidated entity 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.

20. Other financial liabilities

Current					
Derivative financial instruments					
forward exchange contracts	(32)	9.1	0.1	9.1	0.1
embedded derivative		-	5.6	-	5.6
		9.1	5.7	9.1	5.7
Non-Current					
Derivative financial instruments					
interest rate swaps - cash flow hedges	(32)	-	1.8	-	1.8
		-	1.8	-	1.8

Notes to the Financial Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
21. Interest bearing liabilities					
Current					
Unsecured					
other short term borrowings		-	7.1	-	7.1
	(32)	-	7.1	-	7.1
Non-current					
Unsecured					
other loans					
external - term facility		630.0	430.0	630.0	430.0
	(32)	630.0	430.0	630.0	430.0

Significant terms and conditions

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

Net fair values

The directors consider the carrying amount of borrowings to approximate their net fair values.

Term Debt Facility

The term facility matures in July 2011 and is repayable in whole or in part at the discretion of the Company. In 2007, the facility was converted to a revolver from a bullet payment arrangement where part repayments constituted a cancellation of the facility for the amount repaid and thus could not be redrawn.

22. Provisions

Current					
Employee entitlements		11.3	11.2	11.3	7.2
Restructuring and rationalisation		9.2	23.7	9.2	23.7
Environmental		10.7	10.6	10.7	10.6
Other		-	2.7	-	0.3
		31.2	48.2	31.2	41.8
Non-current					
Employee entitlements		10.2	10.3	10.2	8.4
Restructuring and rationalisation		10.2	10.7	10.2	10.7
Environmental		44.3	41.0	23.1	21.7
		64.7	62.0	43.5	40.8
Aggregate employee entitlements					
Current		11.3	11.2	11.3	7.2
Non-current		10.2	10.3	10.2	8.4
		21.5	21.5	21.5	15.6

The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following assumptions:

Assumed rate of increase in wage and salary rates	4% + age based scale			
Average discount rate	5.8%			
Settlement term	10 years			
Employees at year end	Number	Number	Number	Number
Full time equivalent	964	1,051	964	762

Notes to the Financial Statements

For the year ended 30 September 2007

22. Provisions (continued)

Reconciliations

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

	Notes	Consolidated \$mill	Company \$mill
Current Provision - Dividends			
Carrying amount at the beginning of the financial year		-	-
Provisions made during the year	(27)	75.6	75.6
Payments made during the year	(27)	(75.6)	(75.6)
Carrying amount at the end of the financial year		-	-
Current Provision - Restructuring and rationalisation			
Carrying amount at the beginning of the financial year		23.7	23.7
Provisions made during the year	(5)	3.4	3.4
Transfers		0.4	0.4
Payments made during the year		(18.3)	(18.3)
Carrying amount at the end of the financial year		9.2	9.2
Current Provision - Environmental			
Carrying amount at the beginning of the financial year		10.6	10.6
Provisions made during the year	(5)	4.2	4.2
Provisions written back during the year		(0.6)	(0.6)
Transfers		(0.8)	(0.8)
Payments made during the year		(2.7)	(2.7)
Carrying amount at the end of the financial year		10.7	10.7
Current Provision - Other			
Carrying amount at the beginning of the financial year		2.7	0.3
Provisions made during the year		-	-
Provisions written back during the year		(0.1)	-
Payments made during the year		(2.6)	(0.3)
Carrying amount at the end of the financial year		-	-
Non-Current Provision - Restructuring and rationalisation			
Carrying amount at the beginning of the financial year		10.7	10.7
Transfers		(0.4)	(0.4)
Unwinding of discount		(0.1)	(0.1)
Carrying amount at the end of the financial year		10.2	10.2
Non-Current Provision - Environmental			
Carrying amount at the beginning of the financial year		41.0	21.7
Provisions made during the year		3.0	-
Transfers		0.9	0.9
Unwinding of discount		(0.6)	0.5
Carrying amount at the end of the financial year		44.3	23.1

See Note 1(xvi) for further details on each provision noted above.

Notes to the Financial Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
23. Deferred tax liabilities					
The balance comprises temporary differences attributable to:					
Inventories		1.5	1.8	1.5	1.3
Depreciation		17.0	6.3	11.3	-
Intangible assets		1.4	1.7	1.4	1.6
Financial assets at fair value		10.8	-	10.8	-
Cash flow hedges		0.5	0.4	0.5	0.4
Property, plant and equipment		10.9	14.7	(0.2)	-
Foreign exchange gains		2.7	-	2.7	-
Retirement benefit obligations		0.8	-	0.8	-
Other		1.2	0.3	1.2	0.3
Deferred tax liabilities		46.8	25.2	30.0	3.6
Set-off of deferred tax liabilities pursuant to set-off provisions	(18)	(46.8)	(25.2)	(30.0)	(3.6)
Net deferred tax liabilities		-	-	-	-
Movements:					
Opening balance at 1 October		25.2	30.4	3.6	6.0
Charged/(credited) to the income statement		10.6	(8.3)	15.6	(3.0)
Charged/(credited) to equity		10.9	0.6	10.9	0.6
Acquisition of subsidiary	(28)	-	2.5	-	-
Adjustments in respect of prior years		0.1	-	(0.1)	-
Closing balance at 30 September		46.8	25.2	30.0	3.6

Notes to the Financial Statements

For the year ended 30 September 2007

24. Retirement Benefit Obligation

(a) Plan Information

The Company is a 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 following sets out details in respect of the defined benefit section only.

	Consolidated/Company	
	2007	2006
	\$mill	\$mill
(b) Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligations at beginning of the year	75.1	75.3
Current service cost	2.3	2.6
Interest cost	4.5	4.4
Actuarial (gains)/losses	3.3	2.5
Contributions by plan participants	2.0	1.3
Benefits paid	(8.1)	(10.3)
Distributions	(1.6)	(0.7)
Present value of defined benefit obligations at end of the year	77.5	75.1
(c) Reconciliation of the fair value of plan assets		
Fair value of plan assets at beginning of the year	72.2	71.6
Expected return on plan assets	4.9	4.8
Actuarial gains/(losses)	4.1	3.3
Employer contributions	6.4	2.2
Contributions by plan participants	2.0	1.3
Benefits paid	(8.1)	(10.3)
Distributions	(1.6)	(0.7)
Fair value of plan assets at end of the year	79.9	72.2
(d) Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of funded defined benefit obligations at end of year	77.5	75.1
Fair value of plan assets at end of year	(79.9)	(72.2)
(Surplus)/deficit in plan	(2.4)	2.9
Tax provision	(0.3)	0.5
Net (Asset) / Liability recognised in balance sheet at end of year	(2.7)	3.4
Amounts in the balance sheet:		
Liabilities	-	3.4
Assets	(2.7)	-
Net (Asset) / Liability recognised in balance sheet at end of year	(2.7)	3.4
(e) Expense recognised in income statement		
Current service cost	2.3	2.6
Interest cost	4.5	4.4
Expected return on plan assets	(4.9)	(4.8)
Expense recognised in income statement	1.9	2.2

Notes to the Financial Statements

For the year ended 30 September 2007

24. Retirement Benefit Obligation (continued)

	Consolidated/Company			
	2007	2006		
	\$mill	\$mill		
(f) Amounts recognised in the statements of recognised income and expense				
Actuarial (gains)/losses	(1.6)	(0.9)		
(g) Cumulative amount recognised in the statements of recognised income and expense				
Cumulative amount of actuarial (gains)/losses	(2.6)	(1.0)		
(h) Plan Assets				
The percentage invested in each asset class at the reporting date:				
Equities	48%	48%		
Fixed Interest Securities	16%	21%		
Property	12%	11%		
Cash and Net Current Assets	15%	10%		
Other	9%	10%		
(i) Fair value of plan assets				
The fair value of plan assets includes no amounts relating to:				
- any of the Company's own financial instruments				
- any property occupied by, or other assets used by, the Company.				
(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.				
(k) Actual return on plan assets				
Actual return on plan assets	8.6	8.1		
(l) Principal actuarial assumptions at the reporting date				
Discount rate (net of tax)	5.20%	4.80%		
Expected rate of return on plan assets	7.50%	7.00%		
Future salary increases	4% + promotional scale	4% + promotional scale		
Future inflation	2.50%	2.50%		
(m) Historical Information				
	2007	2006	2005	2004
Present value of defined benefit obligation	77.7	75.1	75.3	76.4
Fair value of plan assets	(80.0)	(72.2)	(72.0)	(72.6)
(Surplus)/Deficit in plan	(2.3)	2.9	3.3	3.8
Experience adjustment - plan liabilities	(4.4)	(2.9)	(4.2)	
Experience adjustment - plan assets	3.7	3.3	4.6	
(n) Expected Contributions				
Expected contributions in year ending 30 September 2008:				
Expected employer contributions	1.4			
Expected contribution by plan participants	0.7			

Notes to the Financial Statements

For the year ended 30 September 2007

	Consolidated/Company	
	2007	2006
	\$mill	\$mill
25. Issued Capital		
Share Capital		
Ordinary shares authorised and issued - 50,423,885 (2006 - 50,423,885) ⁽¹⁾	360.8	360.8
	360.8	360.8

Movements in issued and fully paid ordinary shares of the Company during the financial year:

Date	Details	Number of Shares	\$mill
30 September 2006	Balance at the end of the previous financial year	50,423,885	360.8
30 September 2007	Balance at the end of the financial year	50,423,885	360.8

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 shareholder's meetings.

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

Notes to the Financial Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
26. Reserves and retained earnings					
Reserves					
Share-based payments		(8.0)	(6.5)	-	-
Cash flow hedging		1.1	0.7	1.1	0.7
Fair value reserve		24.6	-	24.6	-
Reserves at the end of the financial year		17.7	(5.8)	25.7	0.7
Movement in reserves during the financial year					
Share-based payments					
Balance at the beginning of the financial year		(6.5)	(1.5)	-	-
Option expense		1.8	0.2	-	-
Loan repayments		2.2	0.5	-	-
Shareholder loans		(5.5)	(5.7)	-	-
Balance at the end of the financial year		(8.0)	(6.5)	-	-
Cash Flow Hedging Reserve					
Balance at the beginning of the financial year		0.7	-	0.7	-
Recognition of fair value of cash flow hedging instruments upon adoption of AASB 139		-	4.3	-	4.3
Balance at the beginning of the financial year restated		0.7	4.3	0.7	4.3
Changes in fair value of cash-flow hedges		2.4	(4.2)	2.4	(4.2)
(Losses)/Gains transferred to income statement		(2.0)	0.6	(2.0)	0.6
Balance at the end of the financial year		1.1	0.7	1.1	0.7
Fair Value Reserve					
Balance at the beginning of the financial year		-	-	-	-
Changes in fair value of investment		24.6	-	24.6	-
Balance at the end of the financial year		24.6	-	24.6	-
Movement in retained earnings during the financial year					
Retained earnings at the beginning of the financial year		25.0	29.0	68.0	47.1
Recognition of fair value of embedded derivative upon adoption of AASB 139		-	(9.5)	-	(9.5)
Retained earnings at the beginning of the financial year restated		25.0	19.5	68.0	37.6
Profit for the financial year		205.3	46.7	236.9	71.5
Less dividends paid					
2005 Final special dividend	(27)	-	(29.1)	-	(29.1)
2006 Interim dividend	(27)	-	(12.8)	-	(12.8)
2006 Final dividend	(27)	(40.8)	-	(40.8)	-
2007 Interim dividend	(27)	(34.8)	-	(34.8)	-
Share-based payment transactions					
Dividends received as loan repayment		0.7	0.1	0.7	0.1
Actuarial gains on defined benefit plans		1.1	0.7	1.1	0.7
Retained earnings at the end of the financial year		156.5	25.0	231.0	68.0

Share-based payments reserve: The share-based payments reserve represents the amount receivable from employees in relation to non-recourse loans for shares issued under long term incentive plans, as well as the fair value of shares treated as options recognised as an employee expense over the relevant vesting period.

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

Fair value reserve: The fair value reserve represents the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised as available for sale.

Notes to the Financial Statements

For the year ended 30 September 2007

	Company	
	2007	2006
	\$mill	\$mill
27. Dividends		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary Shares		
November 2005 special dividend of 50 cents per share, fully franked at 30%, paid 9 January 2006	-	29.1
Interim dividend of 22 cents per share, fully franked at 30%, paid 9 June 2006	-	12.8
Final dividend of 81 cents per share, fully franked at 30%, paid 13 December 2006	40.8	-
Interim dividend of 69 cents per share, fully franked at 30%, paid 5 July 2007	34.8	-
Total ordinary share dividends paid in cash	75.6	41.9

Subsequent event

Since the end of the financial year, the directors have declared the following dividends:

Ordinary shares

Final dividend of 81 cents per share, fully franked at 30%, paid on 13 December 2006	40.8
Final dividend comprising:	
- normal dividend of 191 cents per share, fully franked at 30%, paid on 13 December 2007	96.3
- special dividend of 40 cents per share, fully franked at 30%, paid on 13 December 2007	20.2

The financial effect of this dividend has not been recognised in the financial report and will be recognised in subsequent financial reports.

Franking credits

Franking credits available to shareholders of the Company of \$45.6m (2006 - \$24.3m) at the 30% (2006 at 30%) corporate tax rate after allowing for tax payable in respect of the current year's profit. The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Notes to the Financial Statements

For the year ended 30 September 2007

28. Business combination

(a) Summary of acquisition

On 1 August 2006, the Consolidated entity acquired all the shares in Southern Cross Fertilisers Pty Limited for \$155.3 million, inclusive of \$6.4 million of transaction costs. The company manufactures and distributes ammonium phosphate fertilisers.

	Consolidated		Company	
	2007	2006	2007	2006
	\$mill	\$mill	\$mill	\$mill
b) Purchase consideration				
Consideration paid, satisfied in cash	-	155.3	-	155.3
Plus/(less) cash acquired	-	-	-	-
Net cash outflow	-	155.3	-	155.3

c) Assets and liabilities acquired

Since 30 September 2006 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.

	Acquiree's carrying amount	Initial Fair Value adjustments	Provisional Fair Values as at 1 August 2006	Additional Fair Value adjustments	Final Fair Values
	\$mill	\$mill	\$mill	\$mill	\$mill
Acquiree's net assets at the acquisition date					
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	44.9	(0.2)	44.7	-	44.7
Inventories	32.8	3.1	35.9	2.0	37.9
Property, plant and equipment	489.4	(291.1)	198.3	(36.8)	161.5
Deferred Tax Assets	9.5	20.4	29.9	26.3	56.2
Trade, other payables and other provisions	(41.5)	(1.6)	(43.1)	(0.7)	(43.8)
Provision for site restoration and mine rehabilitation	(18.6)	(4.2)	(22.8)	3.8	(19.0)
Deferred Tax Liabilities	(46.4)	33.7	(12.7)	10.2	(2.5)
Provision for employee entitlements	(6.2)	0.2	(6.0)	-	(6.0)
Intangible assets	0.1	0.2	0.3	(0.2)	0.1
Unfavourable Contracts	-	(68.1)	(68.1)	(4.6)	(72.7)
Other Liabilities	-	(1.1)	(1.1)	-	(1.1)
Net identifiable assets and liabilities	464.0	(308.7)	155.3	-	155.3
Less consideration paid in cash					155.3
Goodwill / (discount) on acquisition recognised					-

Notes to the Financial Statements

For the year ended 30 September 2007

	Notes	Consolidated		Company	
		2007 \$mill	2006 \$mill	2007 \$mill	2006 \$mill
29. Reconciliation of profit after income tax to net cash inflow from operating activities					
Reconciliation of cash					
Cash at the end of the financial year as shown in the Cash Flow Statements is reconciled to the related items in the Balance Sheets as follows:					
Cash	(10)	218.3	161.7	208.0	161.3
		218.3	161.7	208.0	161.3
Reconciliation of profit for the financial year to net cash flows from operating activities					
Profit for the financial year		205.3	46.7	236.9	71.5
Depreciation and amortisation	(5)	36.1	33.1	16.3	11.9
Write-down of property, plant and equipment	(5)	0.2	5.0	-	5.0
Net (profit)/loss on sale of property, plant and equipment	(4)	(20.6)	(3.0)	(7.1)	(3.0)
Net (profit)/loss on investment		-	(9.5)	-	(9.5)
Non-cash share based payment transactions		2.3	0.3	2.3	0.3
Right to receive rock		2.7	(5.6)	2.7	(5.6)
Unwinding of discount on provisions		1.5	0.7	0.9	0.5
Changes in assets and liabilities					
(increase)/decrease in receivables and other assets		(41.3)	72.2	(71.6)	1.0
(increase)/decrease in inventories		63.4	0.1	42.1	(4.6)
increase/(decrease) in deferred tax assets		28.2	-	-	-
increase/(decrease) in deferred taxes payable		-	(2.8)	(53.3)	(32.2)
increase/(decrease) in net interest payable		0.8	1.7	1.7	1.7
increase/(decrease) in financial instruments		(7.6)	(7.3)	(7.6)	(7.3)
increase/(decrease) in payables and provisions		(27.7)	54.7	111.8	138.1
increase/(decrease) in income taxes payable		15.9	2.5	15.9	15.2
Net cash flows from operating activities		259.2	188.8	291.0	183.0

Notes to the Financial Statements

For the year ended 30 September 2007

Consolidated		Company	
2007	2006	2007	2006
\$mill	\$mill	\$mill	\$mill

30. Commitments

a) Capital expenditure commitments

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

no later than one year	3.9	1.9	2.1	1.9
	3.9	1.9	2.1	1.9

b) Lease commitments

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:

no later than one year	28.0	28.8	16.5	11.0
later than one, no later than five years	75.8	65.9	36.9	28.8
later than five years	56.7	66.4	31.1	35.8
	160.5	161.1	84.5	75.6

Representing				
non-cancellable operating leases	160.5	161.1	84.5	75.6
	160.5	161.1	84.5	75.6

c) Other expenditure commitments

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

no later than one year	31.7	31.9	-	-
later than one, no later than five years	110.3	110.4	-	-
later than five years	198.7	226.1	-	-
	340.7	368.4	-	-

Notes to the Financial Statements

For the year ended 30 September 2007

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 28 September 2007, entered into in accordance with ASIC Class Order 98/1418, 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 Note 36, Investments in controlled entities.
- A consolidated balance sheet and income statement for this closed group is shown in Note 37, Deed of Cross Guarantee.
- The Consolidated entity 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 levels 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 Company.
- 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 Company is not aware of any material exposure under these warranties and indemnities.
- From time to time, the Consolidated entity is subject to claims for damages arising from products and services supplied by the Consolidated entity 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 Company 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 xvi), 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(xvi).

Notes to the Financial Statements

For the year ended 30 September 2007

31. Contingent liabilities (continued)

Cockle Creek (NSW)

The site at Cockle Creek (NSW) (owned by Incitec Fertilizers Limited) was declared and gazetted as a "remediation site" on 29 July 2005 by the Department of Environment and Conservation under the Contaminated Land Management Act, 1997. The contamination on the site arose from the use of fill material, mainly sourced from the adjacent smelter on the Pasmenco site, by previous owners of the site. The Company progressed with the relevant regulatory authority's voluntary Remediation Action Plan ("RAP") and has completed site investigations. It is working with both the regulatory authority and Pasmenco Cockle Creek Smelter Pty Ltd (in administration) in relation to this site. An environmental provision has been recognised in respect of this site.

Parafield Gardens (South Australia)

The Company has entered into a voluntary arrangement with the relevant regulatory authority to investigate and remediate where appropriate land and groundwater contamination at Parafield Gardens. An environmental provision has been recognised in respect of this site.

Wallaroo (South Australia)

Wallaroo has been identified as a site requiring soil and groundwater investigation and clean up. An independent environmental auditor is working with the Company and community groups in relation to this site including the identification of the most appropriate future use of this site. An environmental provision has been recognised in respect of this site.

Other environmental matters

For sites where there are significant uncertainties with respect to what the Consolidated entity's remediation obligations might be or what remediation techniques might be approved, no reliable estimate can presently be made of regulatory and remediation costs. In accordance with accounting policy included in Note 1(xvi) (i), no amounts have been expensed capitalised or provided for.

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 booked if a present obligation in relation to a taxation liability exists which can be reliably estimated.

32. Derivative financial instruments

The Consolidated entity uses several techniques to reduce the exposure to loss from financial risks. The major types of risks are:

- A. Foreign exchange risk
- B. Interest rate risk
- C. Liquidity risk
- D. Credit Risk

A. Foreign exchange risk management

The Consolidated entity is exposed to foreign exchange movements on sales and purchases denominated, either directly or indirectly, in foreign currencies. Where these exposures are significant and cannot be eliminated by varying contract terms or other business arrangements, formal hedging strategies are implemented within policy guidelines. The formal hedging strategies involve collating and consolidating exposures centrally, and hedging specific transactions, after taking into account offsetting exposures, by entering into derivative contracts with entities subject to common control and external parties in the financial markets. The derivative instruments used for hedging purchase and sales exposures are option contracts and forward contracts.

In July 2007, the Company's policy in relation to foreign exchange transaction risk management changed, whereby foreign exchange transactions will no longer be hedged. This will allow the company to take advantage of the natural hedge provided by the operations of Southern Cross Fertilisers. All existing foreign exchange hedge contracts will remain in place until maturity, with the last of the contracts maturing in April 2008.

The table below outlines the forward foreign exchange contracts taken out to hedge committed purchases and sales denominated in foreign currencies.

Term	Weighted average rate		Forward FX Contract	
	2007	2006	2007	2006
	\$	\$	A\$mill	A\$mill
Buy US dollars / sell Australian dollars				
Not later than one year	0.8040	0.7461	108.4	150.2

Notes to the Financial Statements

For the year ended 30 September 2007

32. Derivative financial instruments (continued)

A. Foreign exchange risk management (continued)

The profitability of the principal nitrogen manufacturing facility located at Gibson Island is impacted by foreign exchange movements due to the manufactured inputs (gas, electricity, labour) being Australian dollar linked, whilst the manufactured outputs (urea and ammonia) are sold on a United States dollar import parity basis.

The Company has bought a series of AUD Call/USD Put vanilla European options. The amount of the exposure hedged progressively reduces in future periods in line with guidelines set out by the Board of Directors. The premiums paid along with any unrealised gains are carried forward in the Balance Sheets and will be recognised in the Income Statements at the time the underlying transactions occur. All costs associated with these contracts have been incurred. Favourable outcomes will occur when the exchange rate at maturity is higher than the strike rate established at the inception of the hedge. These contracts allow full participation in favourable outcomes resulting from decreases in the AUD/USD exchange rate, but limit the unfavourable outcomes resulting from AUD/USD exchange rate increases.

These contracts are timed to mature in quarterly intervals to match anticipated sales of product manufactured at this facility over the following years subject to limits approved by the Board of Directors. The amount of anticipated future sales is forecast in light of plant capacities, current conditions in domestic agricultural and industrial markets, commitments from customers and historical seasonal impacts. All sales from the start of each quarter are designated as being hedged until all hedge contracts are fully utilised.

The last of the options matured in July 2007 and no new option cover has been entered into.

The table below summarises the vanilla option⁽¹⁾ contracts taken out to hedge sales of the output of the Gibson Island plant.

Term	Weighted average		Contract amounts	
	AUD/USD strike rate			
	2007	2006	2007	2006
	\$	\$	US\$mill	US\$mill
Not later than one year	-	0.6789	-	15.0
Total			-	15.0

(1) Vanilla options represent basic foreign currency options where the buyer has the option but no obligation to purchase currency on maturity. The option would only be exercised if the rate was favourable to the strike rate.

The Consolidated entity has no foreign operations with a different functional currency and therefore is not exposed to translation risk resulting from foreign exchange rate movements impacting on the AUD equivalent value of self-sustaining foreign operations.

B. Interest rate risk management

The Consolidated entity is exposed to interest rate risk on outstanding interest bearing liabilities and investments. The mix of floating and fixed rate debt is managed within guidelines determined by the Board of Directors.

The Consolidated entity's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the entity to interest rate risk. The Consolidated entity manages its interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the entity agrees with other parties to exchange, at specified intervals (either quarterly or semi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The notional principal amounts and periods of expiry of these interest rate swap contracts are as follows:

	2007	2006
	\$mill	\$mill
Not later than one year	-	-
Later than one year but no later than five years	150.0	300.0
Fixed interest rate range p.a.	6.37% - 6.45%	6.37% - 6.45%
Floating interest rate p.a.	7.00%	6.23% - 6.28%

During 2007, \$150.0m of interest rate swaps were closed out to comply with IPL treasury policy approved by the Board.

Notes to the Financial Statements

For the year ended 30 September 2007

32. Derivative financial instruments (continued)

B. Interest rate risk management (continued)

The Consolidated entity's exposure to interest rate risk and the weighted average effective interest rates on financial assets and liabilities at balance date are:

	Notes	Floating interest rate \$mill	Fixed interest rates			Non-interest bearing \$mill	Total \$mill
			1 year or less \$mill	1 to 5 years \$mill	5 years or more \$mill		
30 September 2007							
Cash and cash equivalents	(10)	218.3	-	-	-	-	218.3
Trade and other receivables	(11)	-	-	-	-	167.8	167.8
Total financial assets		218.3	-	-	-	167.8	386.1
Weighted average effective interest rate ⁽¹⁾		6.30%	-	-	-	-	-
Trade and other payables	(19)	-	-	-	-	(325.3)	(325.3)
Interest bearing liabilities	(21)	(630.0)	-	-	-	-	(630.0)
Total financial liabilities		(630.0)				(325.3)	(955.3)
Net hedging activity ⁽²⁾		150.0	-	(150.0) ⁽³⁾	-	-	-
Net financial liabilities including hedging activities		(480.0)	-	(150.0) ⁽³⁾	-	(325.3)	(955.3)
Weighted average effective interest rate (after hedging activities)		7.43%	-	6.41%	-	-	-
Net financial assets/(liabilities)		(261.7)	-	(150.0)	-	(157.5)	(569.2)
30 September 2006							
Cash and cash equivalents	(10)	161.7	-	-	-	-	161.7
Trade and other receivables	(11)	-	-	-	-	121.6	121.6
Total financial assets		161.7	-	-	-	121.6	283.3
Weighted average effective interest rate ⁽¹⁾		5.92%	-	-	-	-	-
Trade and other payables	(19)	-	-	-	-	(347.1)	(347.1)
Interest bearing liabilities	(21)	(437.1)	-	-	-	-	(437.1)
Total financial liabilities		(437.1)	-	-	-	(347.1)	(784.2)
Net hedging activity ⁽²⁾		300.0	-	(300.0) ⁽³⁾	-	-	-
Net financial liabilities including hedging activities		(137.1)	-	(300.0) ⁽³⁾	-	(347.1)	(784.2)
Weighted average effective interest rate (after hedging activities)		6.22%	-	6.415%	-	-	-
Net financial assets/(liabilities)		24.6	-	(300.0)	-	(225.5)	(500.9)

(1) Weighted average effective interest rate includes funding at local rates.

(2) Net hedging activity represents the net impact on the Company's interest exposures from the utilisation of derivative financial instruments to hedge the Company's interest rate exposures i.e. interest rate swaps.

(3) Interest rate swaps held as at 30 September 2007 mature during August 2009.

Notes to the Financial Statements

For the year ended 30 September 2007

32. Derivative financial instruments (continued)

C. Liquidity risk management

Liquidity risk arises from the possibility that a market for derivatives may not exist in some circumstances. To counter this risk, the Consolidated entity deals only in derivatives in highly liquid markets.

D. Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under the contract or arrangement. The major exposure to credit risk arises from trade receivables which have been recognised in the Balance Sheets net of any impairment losses (see Note 11, Trade and other receivables) and from derivative financial instruments.

Credit risk from trade receivables is managed in the following ways:

- payment terms are generally 30 days from the end of invoicing month and payment compliance is high.
- a risk assessment process is used for all accounts, with a stop credit process for exceeding credit limits and for long overdue accounts. Interest may be charged where the terms of repayment exceed agreed terms.
- extended term sales to specifically approved customers is sold on a non-recourse basis to financial institutions prepared to carry the risk.

The directors consider the carrying amount of receivables to approximate their net fair values.

The credit risk exposure arising from derivative financial instruments is the sum of all contracts with a positive replacement cost. As at 30 September 2007, the sum of all contracts with a positive replacement cost was \$nil (2006 \$1.0m).

Net fair values of financial assets and liabilities

On-balance sheet financial instruments

The directors consider that the carrying amount of recognised financial assets and liabilities approximates their net fair values.

Fair values of monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers, reduced for expected credit losses, or amounts due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows.

Off-balance sheet financial instruments

As at 30 September 2007 the net fair values of the Consolidated entity's unrecognised financial assets and liabilities were \$nil (2006 - \$nil).

Net fair values of unrecognised financial instruments are determined according to the estimated amounts which the Consolidated entity would be expected to pay or receive to terminate the contracts. These values are determined using standard valuation techniques.

33. Related party disclosures

Subsidiaries

Interest in subsidiaries is set out in Note 36.

Key management personnel

Disclosures relating to key management personnel are set out in Note 34.

Transactions with wholly owned controlled entities

Transactions between the Company and entities in the wholly owned group during the year included:

- Effective 1 November 2003, the Company was appointed as undisclosed agent for Incitec Fertilizers Limited. The Company manages certain operations of Incitec Fertilizers Limited, including manufacturing, marketing, selling, invoicing and distribution, and has assumed management of working capital. Incitec Fertilizers Limited has invoiced the Company for fertiliser sales made on its behalf, net of variable costs and amount to \$115,539,000 (2006 - \$110,003,000). Fixed costs incurred by the Company in the performance of its obligations amounting to \$55,169,000 (2006 - \$58,779,000) have been charged to Incitec Fertilizers Limited.

Notes to the Financial Statements

For the year ended 30 September 2007

33. Related party disclosures (continued)

- Incitec Fertilizers Limited declared and paid an interim dividend to the Company of \$21,800,000 (2006 - \$11,446,000) and declared a final dividend on 30 September 2007 of \$30,300,000 (2006 - \$57,900,000). This dividend is eliminated on consolidation.
- SCF and Southern Cross International Pty Ltd (SCI) declared a final dividend on 28 September 2007 to the Company of \$144,400,000 (2006 - \$nil) and \$1,750,000 respectively. These dividends are eliminated on consolidation.
- Management fees were received and paid by the Company for accounting and administrative assistance on normal commercial terms and conditions and in the ordinary course of business.
- Effective 1 August 2006, the Company completed the acquisition of SCF. The Company manages the operations of SCF. For the year ended 30 September 2007, SCF sold fertiliser to the Company to the value of \$176,540,000 (for 2 months ending 30 September 2006 - \$13,083,000) and invoiced the Company for salary and travel charges to the value of \$546,000 (for 2 months ending 30 September 2006 - \$2,052,000). For the year ended 30 September 2007 the Company sold fertilisers to SCF to the value of \$7,590,000 (2006 - \$nil) and invoiced SCF for insurance and corporate charges to the value of \$12,546,000 (for 2 months ending 30 September 2006 - \$2,000,000). At 30 September 2007, SCF had an inter-company receivable from the Company of \$14,155,000 (2006 - \$11,532,000). This is eliminated on consolidation.
- For the year ended 30 September 2007 the Company sold fertiliser to SCI to the value of \$14,911,000 (2006 - \$nil). This is eliminated on consolidation.
- For the year ended 30 September 2007 the Company forgave a loan to Incitec Pivot LTI Plan Company Pty Ltd to the value of \$1,462,000 (2006 - \$6,547,000) according to the terms and conditions of the Company's LTI plans as detailed in Note 35.

Transactions with other related parties

All transactions with other related parties are made on normal commercial terms and conditions and in the ordinary course of business, unless otherwise stated.

Transactions during the 2006 financial year with the previous parent entity (Orica) until the effective date of separation (10 May 2006) were:

- Sales of products (mainly urea and sulphuric acid) to the value of \$22,340,000 to Orica Australia Pty Ltd.
- Sulphuric acid is purchased by the Company jointly with a common controlled entity, Orica Australia Pty Ltd. Accordingly the product is transferred to Orica Australia Pty Ltd at a zero margin. Total zero margin sales of sulphuric acid to Orica Australia Pty Ltd were \$4,953,000.
- Under various service level agreements, fees of \$5,977,000 were received or receivable by the Company from Orica Australia Pty Ltd.
- Purchases of products and services to the value of \$4,378,000 from Orica Australia Pty Ltd.
- Under a service level agreement, fees of \$5,914,000 were paid/payable to the ultimate parent entity in relation to accounting, information technology, engineering and administrative services.
- Interest expense paid or payable by the Company for money borrowed from Orica Finance Limited was \$4,712,000.
- Interest income received or receivable by the Company for money lent to Orica Finance Limited was \$nil.
- Insurance cover was purchased from Curasalus Pty Limited, a wholly owned subsidiary of Orica Limited on normal terms and conditions to the value of \$10,127,000 for the year ended 30 September 2006.
- Insurance claims were received or receivable from Curasalus Pty Limited, a wholly owned subsidiary of Orica Limited on normal terms and conditions to the value of \$2,000,000.

Notes to the Financial Statements

For the year ended 30 September 2007

33. Related party disclosures (continued)

Additional related party disclosures

Additional relevant related party disclosures are shown throughout the Notes to the financial statements as follows:

Interest income and expense	Notes 4, 5
Cash and cash equivalents	Note 10
Trade and other receivables	Note 11
Investments in controlled entities	Notes 14, 36
Trade and other payables	Note 19
Key management personnel disclosures	Note 34

34. Key management personnel disclosures

(a) Key Management Personnel

The following were key management personnel of the Consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors	
J C Watson	Chairman
B Healey	
A C Larkin	
A D McCallum	
J Marlay (1)	
Executive directors	
J Segal	Managing Director and Chief Executive Officer
J E Fazzino	Finance Director and Chief Financial Officer
Executives	
K J Gleeson	General Counsel & Company Secretary
D A Roe	General Manager Strategy & Business Development
B C Walsh	General Manager Operations
A Grace	General Manager Chemicals
J D Whiteside	General Manager Supply Chain & Trading
P Barber (2)	General Manager Australian Fertilisers
M Drew (3)	General Manager Sales & Customer Service

(1) Mr Marlay was appointed as a non-executive director by the Board on 20 December 2006.

(2) Mr Barber was appointed as an executive on 10 September 2007.

(3) Mr Drew ceased his employment with Incitec Pivot Limited on 7 September 2007.

All of the above persons were also key management persons during the year ended 30 September 2006, except for Mr Marlay who commenced his appointment in December 2006, and Mr Barber who commenced his appointment in September 2007. Mr Chesterfield who resigned in 2006 and Ms Cleland who completed her secondment in 2006 were also key management persons during the year ended 30 September 2006.

(b) Key management personnel compensation

The key management personnel compensation included in the income statement line "Employee Expenses" are as follows:

	Consolidated / Company	
	2007	2006
	\$000	\$000
Short-term employee benefits	7,367	7,108
Post-employment benefits	154	126
Other long-term benefits	123	391
Termination benefits	385	-
Share-based payments	1,322	122
	9,351	7,747

Notes to the Financial Statements

For the year ended 30 September 2007

34. Key management personnel disclosures (continued)

Individual directors and executives compensation disclosures

Information regarding the compensation for individual directors and executives and some disclosures for equity instruments as permitted by Corporations Regulations 2M.3.03 and 2M.6.04, are provided in the Remuneration Report which is included in the Directors' report on pages 20 to 34. Disclosures of remuneration policies, service contracts and details of remuneration are included in Section A to D of the Remuneration Report.

Apart from the details disclosed in this Note, no director has entered into a material contract with the Company or the Consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

(c) Other key management personnel transactions

The following transactions, entered into during the year with directors of the Company, were on terms and conditions no more favourable than those available to other customers, suppliers and employees:

- (1) During the year Mr McCallum purchased fertiliser to the value of \$15,828 (2006: \$30,514) from the Company, the balance owing at 30 September 2007 was \$nil (2006: \$nil).
- (2) The spouse of Mr Fazzino, the Finance Director and Chief Financial Officer, is a partner in the accountancy and tax firm PricewaterhouseCoopers from which the Company purchased services of \$804,935 during the year (2006: \$923,518). Mr Fazzino's spouse does not directly provide these services.

Notes to the Financial Statements

For the year ended 30 September 2007

34. Key management personnel disclosures (continued)

(d) Movements in shareholdings of directors and executives

(1) Movements in shares in the Company

The movement during the reporting period in the 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:

	Year	Number of Shares			
		Opening balance (A)	Acquired during the year (B)	Disposed during the year (C)	Closing balance (D)
The Company - Incitec Pivot					
Non-executive directors					
- Current					
J C Watson	2007	5,000	-	-	5,000
	2006	2,700	2,300	-	5,000
B Healey	2007	1,000	-	-	1,000
	2006	-	1,000	-	1,000
A D McCallum	2007	7,818	-	-	7,818
	2006	6,818	1,000	-	7,818
J Marlay (1)	2007	1,000	-	-	1,000
	2006	-	-	-	-
Executive directors					
- Current					
J Segal	2007	32,640	56,001	-	88,641
	2006	-	32,640	-	32,640
J E Fazzino	2007	29,262	56,142	-	85,404
	2006	9,649	19,613	-	29,262
Executives					
- Current					
K J Gleeson	2007	8,575	29,147	(8,480)	29,242
	2006	5,921	5,981	(3,327)	8,575
D A Roe	2007	9,059	25,897	(9,007)	25,949
	2006	2,790	6,269	-	9,059
B C Walsh	2007	7,675	32,383	(5,024)	35,034
	2006	1,933	5,742	-	7,675
A Grace	2007	4,834	21,216	-	26,050
	2006	5,822	12	(1,000)	4,834
J Whiteside	2007	3,951	22,660	(3,744)	22,867
	2006	3,896	55	-	3,951
- Former					
M Drew	2007	43	22,673	(22,716)	-
	2006	43	-	-	43

Pursuant to the LTI Interim Performance Plan 2006/08 and LTI Performance Plan 2006/09, shares, treated as options, were allocated to certain key management personnel during the reporting period.

- (A) Represents the holding at 1 October 2006 of shares of Incitec Pivot held by non-executive directors, executive directors and executives who were directors and executives of the Company during the year ended 30 September 2007 and their related parties. This includes fully paid ordinary shares and 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 E of the Remuneration Report and the movements disclosed in this Note. Details of the ESOP are set out in Note 35, Share Based Payments.
- (B) Represents shares acquired by directors and executives while they are directors or executives of the Company including acquisitions by the directors and executives who were eligible to participate in the ESOP and who participated in the plan during the year, as well as the acquisition of shares, treated as options for the purposes of remuneration, under the LTI Interim Performance Plan 2006/08 and the LTI Performance Plan 2006/09 and in the case of Mr Segal, include shares acquired pursuant to his Retention Award as referred to in Section C of the Remuneration Report. Details of the ESOP are set out in Note 35, Share Based Payments.
- (C) Represents shares disposed of during the year. This includes fully paid ordinary shares, shares acquired under the ESOP and shares (treated as options for the purposes of remuneration) under the LTI Performance Plan 2003/06 and in the case of Mr. Drew, shares treated as options for the LTI Interim Performance Plan 2006/08 and the LTI Performance Plan 2006/09. In the case of directors or executives who ceased their directorship or employment during the year ended 30 September 2007 and 2006, all shares were treated as disposed as at the relevant date of cessation.
- (D) Represents the holding at 30 September 2007 and 30 September 2006 of shares of Incitec Pivot.
- (1) Opening balance represents holdings at date of appointment to the Board (20 December 2006). Movements are from this date.

Notes to the Financial Statements

For the year ended 30 September 2007

34. Key management personnel disclosures (continued)

(d) Movements in shareholdings of directors and executives (continued)

(2) Movements in Shares treated as options over equity instruments in the Company

The movement during the reporting period in the number of shares (treated as options over ordinary 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:

	Year	Number of Shares treated as Options				Closing balance (E)
		Opening balance (A)	Granted as compensation (B)	Exercised during the year (C)	Other Changes (D)	
The Company - Incitec Pivot						
Executive directors						
- Current						
J Segal	2007	32,597	56,001	-	-	88,598
	2006	-	32,597	-	-	32,597
J E Fazzino	2007	-	46,129	-	-	46,129
	2006	4,424	5,130	-	(9,554)	-
Executives						
- Current						
K J Gleeson	2007	-	29,134	-	-	29,134
	2006	2,542	5,938	-	(8,480)	-
D A Roe	2007	-	25,897	-	-	25,897
	2006	2,738	6,269	-	(9,007)	-
B C Walsh	2007	-	32,370	-	-	32,370
	2006	1,825	3,199	-	(5,024)	-
A Grace	2007	-	21,203	-	-	21,203
	2006	3,630	-	-	(3,630)	-
J Whiteside	2007	-	22,660	-	-	22,660
	2006	3,744	-	-	(3,744)	-
- Former						
M Drew	2007	-	22,660	-	(22,660)	-
	2006	-	-	-	-	-

- (A) Represents the holding at 1 October 2006 of shares (treated as options) in Incitec Pivot held by executive directors and executives who were directors and executives of the Company during the year ended 30 September 2007. Further details of these shares which are treated as options for the purposes of remuneration have been disclosed in section E of the Remuneration Report and relate to shares allocated under the LTI plans as referred to in sections B and E of the Remuneration Report.
- (B) Represents shares (treated as options) which were acquired during the year by directors and executives while they are directors or executives of the Company pursuant to the LTI plans, details of which are set out in section B of the Remuneration Report.
- (C) Represents where shares (treated as options) previously granted as compensation, were exercised (by the making of an award) during the reporting period. Awards (in the form of waivers of loans) were not granted in 2006 as the criteria under the 2003/06 LTI Plan were not satisfied.
- (D) Represents shares treated as options that expired due to the holder ceasing to be eligible to the option of a loan waiver. Under the relevant plan rules, at the end of a performance period, irrespective of whether a loan waiver is made, the executive director or executive remains the registered holder of the underlying shares. No person can however deal in the shares until their loan is repaid. Refer to section B of the Remuneration Report for further details. In the case of directors or executives who ceased their directorship or employment during the year, all shares treated as options were forfeited as at the relevant date of cessation.
- (E) Represents the holding at 30 September 2007 and 30 September 2006 of shares, treated as options.

Notes to the Financial Statements

For the year ended 30 September 2007

34. Key management personnel disclosures (continued)

(d) Movements in shareholdings of directors and executives (continued)

(3) Movements in shares and options in the Ultimate parent entity (until 10 May 2006)

Orica Limited ceased to be Incitec Pivot's Ultimate parent entity effective 10 May 2006. The movement during the 2006 reporting period in the number of ordinary shares, trust shares and award rights and options for fully paid ordinary shares of the Ultimate parent entity (Orica Limited) held, directly, indirectly or beneficially, by each key management person, including their related parties, up to 10 May 2006, is as follows:

	Year	Number of Shares				
		Opening Balance (A)	Acquired during the period (B)	Received on exercise of options (C)	Disposed during the period (D)	Closing Balance (E)
Ultimate parent entity - Orica Limited (until 10 May 2006)						
Non-executive directors						
- Current						
B Healey	2006	9,300	1,163	-	-	10,463
A C Larkin	2006	38,000	4,750	-	(4,750)	38,000
- Former						
J R Chesterfield	2006	28,614	12,061	14,254	(34,189)	20,740
Executive directors						
- Current						
J Segal	2006	16,831	38,877	54,817	(55,397)	55,128
J E Fazzino	2006	29,808	3,726	-	(15,000)	18,534
Executives						
- Current						
D A Roe	2006	13,338	267	8,915	(8,915)	13,605
B C Walsh	2006	6,887	929	-	(4,340)	3,476
A Grace (1)	2006	4,554	-	-	-	4,554

(A) Represents the holding at 1 October 2005 of shares of Orica Limited (including trust shares and award rights) held by non-executive directors, executive directors and executives who were directors and executives of the Company during the period ended 10 May 2006.

The opening balances reflect the restatement of 2005 comparatives as appropriate.

(1) Opening balance represents holdings at appointment date (1 June 2006). Movements are from this date.

(B) Represents shares, trust shares and award rights of Orica Limited acquired during the period by directors and executives while they are directors or executives of the Company during the period ended 10 May 2006.

(C) Shares of fully paid ordinary shares of Orica Limited received on exercise of options during the period ended 10 May 2006.

(D) Represents shares disposed of during period ended 10 May 2006.

(E) Represents the holding at 10 May 2006 of shares, trust shares and award rights of Orica Limited, held by non-executive and executive directors and executives who were directors and executives of the Company during the period.

Notes to the Financial Statements

For the year ended 30 September 2007

34. Key management personnel disclosures (continued)

(d) Movements in shareholdings of directors and executives (continued)

	Year	Number of Options				Closing Balance (E)
		Opening Balance (A)	Acquired during the period (B)	Exercised during the period (C)	Other Changes during the period (D)	
Ultimate parent entity - Orica Limited (until 10 May 2006)						
Non-executive directors						
- Former						
J R Chesterfield	2006	28,508	-	(14,254)	-	14,254
Executive directors						
- Current						
J Segal	2006	109,634	-	(54,817)	-	54,817
Executives						
- Current						
D A Roe	2006	35,663	-	(8,915)	(19,616)	7,132

- (A) Represents the holding at 1 October 2005 of options for fully paid ordinary shares of Orica Limited (the ultimate parent entity until 10 May 2006) held by non-executive and executive directors and executives who were directors and executives of the Company during the period ended 10 May 2006.
- (B) Represents options for fully paid ordinary shares of Orica Limited acquired during the period ended 10 May 2006 by directors and executives while they are directors or executives of the Company.
- (C) Represents options for fully paid ordinary shares of Orica Limited which were exercised during the period ended 10 May 2006 by directors and executives while they are directors or executives of the Company.
- (D) Represents options for fully paid ordinary shares of Orica Limited which expired or were forfeited during the period ended 10 May 2006 by directors and executives while they are directors or executives of the Company.
- (E) Represents the holding at 10 May 2006 of shares, trust shares and award rights of Orica Limited, held by non-executive and executive directors and executives who were directors and executives of the Company during the period.

Notes to the Financial Statements

For the year ended 30 September 2007

35. Share based payments

(a) Long Term Incentive (LTI) Performance Plans – 2006/08 and 2006/09

During the year, the Company established two further LTI Performance Plans under the LTI Plan Rules, being the LTI Interim Performance Plan 2006/08 and the LTI Performance Plan 2006/09. The performance periods for each of these Plans is as follows: (i) LTI Interim Performance Plan 2006/08 – based on a two year performance cycle from 1 October 2006 to 30 September 2008 and (ii) LTI Performance Plan 2006/09 – based on a three year performance cycle from 1 October 2006 to 30 September 2009.

The LTIs are designed to link Executive reward with the key performance drivers which underpin sustainable growth in shareholder value – which comprises both share price and returns to shareholders. The arrangements also support the Company's strategy for retention and motivation of its employees.

These plans, as with the previous LTI Performance Plan 2003/06, have the following features:

- **Loan backed plan:** At the commencement of relevant performance period (typically 2 or 3 years) the Company, through its wholly owned subsidiary, Incitec Pivot LTI Plan Company Pty Ltd, provides to participants limited recourse loans bearing interest at the fringe benefit tax benchmark rate (currently 8.05%) for the sole purpose of acquiring shares in Incitec Pivot.
- **Shares acquired on market and held under restriction:** The loans are applied to acquire shares on market which avoids dilution of other shareholdings. Australian Securities Exchange Listing Rule 10.14 provides that no shareholder approval is required. Participants may not deal in the shares while the loan remains outstanding. Net cash dividends after personal income tax obligations are applied to reduce the loan balance throughout the term of the loan.
- **Loan forgiveness:** If, at the end of the performance period, the performance of the Company and the participant meets or exceeds the performance criteria which was set by the Board at the commencement of the performance period, part of the loan may be forgiven. The amount of the loan forgiven will be determined according to the performance achieved and will be net of the fringe benefit tax. The balance of the loan must be repaid prior to any dealing in the shares, on cessation of employment, or at the latest, a sunset date which is 3 months after the expiry of the performance period.

The Board sets the criteria for the granting of awards under both LTI Plans at the beginning of the performance period covered by the LTI Plan and in the case of the LTI Interim Performance Plan 2006/08, is based on the achievement at 30 September 2008 of a cumulative Net Profit after tax (NPAT) target; and for the 2006/09 LTI Performance Plan, is based on total shareholder returns (TSR) over the three year period.

Under both plans any LTI award received will be used firstly to pay the interest on the loans. Of the remainder of any LTI award, part will be provided as a loan waiver amount after the Company's FBT liability has been paid. A participant will not be eligible to receive any LTI award if the relevant NPAT target or TSR target is not met.

(b) LTI Performance Plan – 2003/06

The Company established a LTI Performance Plan in 2003 in respect of the three year performance period, 1 October 2003 to 30 September 2006.

This LTI operated by way of the Company providing participants with limited recourse interest bearing loans, which were used to purchase Incitec Pivot shares on market. The loans are repayable in a number of circumstances, including the participant ceasing to be employed by the Company, the participant selling his or her shares when they become unrestricted, or by a "sunset" date, 31 December 2007. The loans are repayable from the proceeds of sale of the shares, and are deemed satisfied by the application of the proceeds of the sale of the shares, including where there is a shortfall against the outstanding loan amount. Participants may directly repay the whole or part of their loan at any time. Interest is charged on the loans at the FBT benchmark rate. Net cash dividends after personal income tax obligations are applied to reduce the loan balance.

The Board set the criteria for the granting of awards under this LTI at the beginning of the three-year performance period covered by the LTI. The criteria set by the Board for granting of awards under this LTI (in the form of waivers of loans) was based on the generation of targeted cumulative economic profit over the performance period (1 October 2003 to 30 September 2006).

With the decline in economic profit in 2005 reflecting a combination of poor seasonal conditions and strong competition, at the conclusion of the performance period at 30 September 2006, no awards (in the form of waivers of loans) were made.

In accordance with the LTI Plan rules, notwithstanding awards in the form of loan waivers that have not been made, at the end of the performance period, that is 30 September 2006, the shares remained registered in the names of the participants under the LTI Performance Plan 2003/06. The loans are repayable prior to the participant dealing in the shares, and in any event must be repaid by 31 December 2007.

Notes to the Financial Statements

For the year ended 30 September 2007

35. Share based payments (continued)

c) Retention Award – Mr. Segal

The Board recognised that the retention of key executives was a crucial element to the success of the Company following Orica Limited ceasing to be a majority shareholder and the acquisition of SCF. Accordingly, Mr Segal received a retention award in the form of a limited recourse, interest free unsecured loan for \$722,000 which was applied in the purchase of shares on market. Mr. Segal is restricted from dealing in the shares until 10 May 2009 and, until that time, the shares could be forfeited if he ceases to be employed by the Company. The loan is repayable on the earlier of Mr. Segal ceasing to be employed by the Company, selling of the shares or three years after the loan is made. If he remains in service until 10 May 2009, the full loan amount outstanding at that time will be forgiven by the Company.

Set out below are summaries

- for 2007, of shares treated as options, under the LTI Interim Performance Plan 2006/08, the LTI Performance Plan 2006/09 and to Mr Segal, in respect of his Retention Award; and
- for 2006, of shares treated as options, under the LTI Performance Plan 2003/06 and to Mr. Segal, in respect of his Retention Award.

Consolidated/Company – 2007

Grant date	Expiry date	Exercise price	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
			Number	Number	Number	Number	Number
Retention Award – Mr. Segal							
5 Jul 06	10 May 09	\$0	32,597	-	-	-	32,597
Total			32,597	-	-	-	32,597
LTI Interim Performance Plan – 2006/08							
17 Nov 06	30 Sept 08	\$25.35	-	151,370	-	(16,488)	134,882
Total			-	151,370	-	(16,488)	134,882
LTI Performance Plan – 2006/09							
1 Dec 06	30 Sept 09	\$24.11	-	229,082	-	(18,587)	210,495
Total			-	229,082	-	(18,587)	210,495
Weighted average exercise price			-	\$24.60	-	\$24.69	\$22.47

Consolidated/Company – 2006

Grant date	Expiry date	Exercise price	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
			Number	Number	Number	Number	Number
Retention Award – Mr. Segal							
5 Jul 06	10 May 09	\$0	-	32,597	-	-	32,597
Total			-	32,597	-	-	32,597
LTI Performance Plan – 2003/06							
20 Sep 04	30 Sep 06	\$16.39	41,844	-	-	(41,844)	-
4 Oct 05	30 Sep 06	\$15.97	-	69,022	-	(69,022)	-
Total			41,844	69,022	-	(110,866)	-
Weighted average exercise price			\$16.39	\$10.85	-	\$16.13	-

Notes to the Financial Statements

For the year ended 30 September 2007

35. Share based payments (continued)

The weighted average share price at the date of exercise of shares treated as options exercised regularly during the year ended 30 September 2007 was \$nil (2006 - \$nil) as no shares treated as options have been exercised.

The weighted average remaining contractual life of shares treated as options outstanding at the end of the period was 1.61 years (2006 – 2.61 year).

Fair value of shares treated as options granted

LTI Interim Performance Plan – 2006/08

In respect of the LTI Interim Performance Plan 2006/08, the assessed fair value at grant date of the shares treated as options, granted during the year ended 30 September 2007 was \$4.33 per share treated as an option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the share treated as an option, 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 share treated as an option.

The model inputs for the shares treated as options, granted during the year ended 30 September 2007 included:

- (a) shares treated as options are granted at \$25.35, have a two year life, and vest after certain cumulative NPAT targets are met for the period 1 October 2006 to 30 September 2008 and are treated as exercisable at the earlier of 31 December 2008 or cessation of employment
- (b) exercise price: \$25.35
- (c) grant date: 17 November 2006
- (d) expiry date: 30 September 2008
- (e) share price at grant date: \$30.40
- (f) expected price volatility of the Company's shares: 30% per annum
- (g) expected dividend yield: 2.5%
- (h) risk-free interest rate: 2 year government bond rate.

LTI Performance Plan – 2006/09

In respect of the LTI Performance Plan 2006/09, the assessed fair value at grant date of the shares treated as options granted during the year ended 30 September 2007 was \$16.53 per share treated as an option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the share treated as an option, 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 share treated as an option.

The model inputs for these shares treated as options, granted during the year ended 30 September 2007 included:

- (a) shares treated as options are granted at \$24.11 per share treated as an option, have a three year life, and vest after certain cumulative TSR targets are met for the period 1 October 2006 to 30 September 2009 and are exercisable at the earlier of 31 December 2009 or cessation of employment.
- (b) exercise price: \$24.11
- (c) grant date: 1 December 2006
- (d) expiry date: 30 September 2009
- (e) share price at grant date: \$32.90
- (f) expected price volatility of the Company's shares: 30% per annum
- (g) expected dividend yield: 2.5%
- (h) risk-free interest rate: Australian Government bond rate with approximately 3 years to maturity.

Notes to the Financial Statements

For the year ended 30 September 2007

35. Share based payments (continued)

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 Watson Wyatt Australia Pty Limited who have outsourced this to CitiStreet Australia Pty Limited, effective 1 November 2004. The Board determines which employees are eligible to receive invitations to participate in the ESOP. Invitations are made 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 on market 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 shares held as at	
		30 Sep 2007	30 Sep 2006	30 Sep 2007	30 Sep 2006
19 Mar 04	19 Mar 07	261	261	6,781	6,781
7 Jun 04	7 Jun 07	261	261	6,836	6,836
9 Sep 04	9 Sep 07	241	282	3,083	3,595
22 Dec 04	22 Dec 07	241	282	2,763	3,225
7 Mar 05	7 Mar 08	240	281	3,071	3,583
30 Jun 05	30 Jun 08	240	281	3,354	3,917
16 Sep 05	16 Sep 08	170	204	2,729	3,270
13 Jul 06	13 Jul 09	285	327	12,255	14,104
23 Aug 06	23 Aug 09	150	180	5,850	7,020
2 Jul 07	2 Jul 10	395	-	5,135	-
Total				51,857	52,331

These shares rank equally with all other fully paid ordinary shares from the date acquired by the employee and are eligible for dividends.

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		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Shares treated as options issued under Mr Segal's Retention Award, the LTI Interim Performance Plan 2006/08, the LTI Performance Plan 2006/09 and the LTI Performance Plan 2003/06	1,827	243	1,827	243
	1,827	243	1,827	243

Notes to the Financial Statements

For the year ended 30 September 2007

36. Investments in controlled entities

Name of Entity	Ownership interest	Country of incorporation
Company		
Incitec Pivot Limited		Australia
Controlled Entities – operating		
Incitec Fertilizers Limited	100%	Australia
Incitec Pivot LTI Plan Company Pty Limited	100%	Australia
TOP Australia Ltd	100%	Australia
Southern Cross Fertilisers Pty Limited	100%	Australia
Southern Cross International Pty Limited	100%	Australia
Coltivi Insurance Pte Limited	100%	Singapore

On 30 September 2005, TOP Australia Ltd and Incitec Fertilizers Limited entered into a Deed of Cross Guarantee with Incitec Pivot Limited for the purposes of obtaining financial reporting relief under Class Order 98/1418 (2005 Deed) made by the Australian Securities and Investments Commission (ASIC). Southern Cross Fertilisers Pty Ltd was included in the 2005 Deed by an Assumption Deed dated 28 September 2006.

In order for Southern Cross International Pty Ltd to obtain the same relief, Incitec Fertilizers Limited, TOP Australia Ltd, Southern Cross Fertilisers Pty Ltd and Southern Cross International Pty Ltd entered into a new Deed of Cross Guarantee dated 28 September 2007 (2007 Deed). The 2007 Deed was entered into in accordance with a specific instrument issued by ASIC numbered 07/0761.

The 2005 Deed was revoked and the revocation becomes effective on 28 March 2008.

Notes to the Financial Statements

For the year ended 30 September 2007

37. Deed of Cross Guarantee	Closed Group	
	2007 \$mill	2006 \$mill
Balance Sheet		
Current assets		
Cash and cash equivalents	218.3	161.7
Trade and other receivables	167.4	121.3
Other financial assets	292.1	2.0
Inventories	221.7	300.6
Other assets	4.5	8.9
Assets classified as held for sale	5.0	2.9
Total current assets	909.0	597.4
Non-current assets		
Trade and other receivables	0.4	0.3
Other financial assets	1.6	-
Property, plant and equipment	502.1	441.1
Intangible assets	193.7	196.2
Deferred tax assets	28.6	68.6
Retirement benefit surplus	2.7	-
Other assets	1.2	0.9
Total non-current assets	730.3	707.1
Total assets	1,639.3	1,304.5
Current liabilities		
Trade and other payables	281.4	283.1
Interest bearing liabilities	-	7.1
Other financial liabilities	9.1	5.7
Current tax liabilities	35.1	19.2
Provisions	31.2	48.2
Total current liabilities	356.8	363.3
Non-current liabilities		
Trade and other payables	52.8	64.0
Interest bearing liabilities	630.0	430.0
Other financial liabilities	-	1.8
Retirement benefit obligation	-	3.4
Provisions	64.7	62.0
Total non-current liabilities	747.5	561.2
Total liabilities	1,104.3	924.5
Net assets	535.0	380.0
Equity		
Issued capital	360.8	360.8
Reserves	25.7	0.7
Retained earnings	148.5	18.5
Total equity	535.0	380.0
Income Statement		
Profit before income tax	286.2	52.7
Income tax benefit/(expense)	(82.4)	(12.6)
Profit for the financial year	203.8	40.1
Retained profits at the beginning of the financial year	18.5	29.1
Movements in retained earnings	1.8	(8.8)
Cash dividend paid	(75.6)	(41.9)
Retained profits at the end of the financial year	148.5	18.5

Entities which are party to a Deed of Cross Guarantee dated 28 September 2007, entered into in accordance with a specific instrument issued by ASIC numbered 07/0761, are disclosed in Note 36, Investments in controlled entities. A consolidated Balance Sheet and Income Statement for this closed group are shown above.

Notes to the Financial Statements

For the year ended 30 September 2007

38. Events subsequent to balance date

Since the end of the financial year, in November 2007, the directors have declared a final dividend comprising a normal dividend of 191 cents per share as well as a special dividend of 40 cents per share. These dividends are fully franked at the 30% corporate tax rate and are payable on 13 December 2007.

In addition, by an announcement lodged with the Australian Securities Exchange the market was advised on 19 October 2007 of an unscheduled outage of the urea manufacturing plant at Gibson Island, Brisbane. The total financial impact is estimated at \$16 million after tax. The Company's insurer has been advised of the event and if the insurance policy responds, the total financial impact is estimated at \$5.5 million after tax.

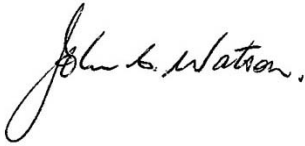
Other than the two matters reported on above, the directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2007, that has affected or may affect the operations of the Consolidated entity, the result of those operations, or the state of affairs of the Consolidated entity in subsequent years, which has not been covered in this report.

Directors' Declaration

on the Financial Statements set out on pages 44 to 97

I, John C Watson, being a director of Incitec Pivot Limited ("the Company"), do hereby state in accordance with a resolution of the directors that in the opinion of the directors,

1. (a) the financial statements and notes, set out on pages 44 to 97, and the remuneration disclosures that are contained in the Remuneration Report on pages 20 to 34 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the Consolidated entity as at 30 September 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, including AASB 124 Related Party Disclosures, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 36 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418 (as amended).
 3. The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001 for the financial year ended 30 September 2007.



John C Watson, AM
Chairman

Dated at Melbourne this 13th day of November 2007



Independent auditor's report to the members of Incitec Pivot Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the Directors' Report

We have audited the accompanying financial report of Incitec Pivot Limited (the Company), which comprises the balance sheets as at 30 September 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 44 to 98 of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" on pages 20 to 34 of the Directors' Report and not in the financial report. We have audited these remuneration disclosures.

The Remuneration Report also contains information in Section B (Tables B1, B2 and Chart B2), Section D5 and Section E (Tables E3 and E4) not required by Australian Accounting Standard AASB 124 which is not subject to our audit.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Consolidated Entity, comprising the financial statements and notes, complies with International Financial Reporting Standards but that the financial report of the Company does not comply.

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' Report.

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 and the remuneration disclosures contained in the Directors' Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained



in the Directors' Report 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 and the remuneration disclosures contained in the Directors' 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 (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Incitec Pivot Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 September 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Auditor's opinion on AASB 124 remuneration disclosures contained in the Directors' Report

In our opinion the remuneration disclosures that are contained on pages 20 to 34 of the Directors' Report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

Suzanne Bell
Partner

Melbourne
13 November 2007

Shareholder Statistics

As at 7 November 2007

Distribution of ordinary shareholder and shareholdings

Size of holding		Number of holders	Percentage	Number of shares	Percentage
1	–	1,000			
		30,906	93.11%	7,888,920	15.65%
1,001	–	5,000			
		2,105	6.34%	3,743,331	7.42%
5,001	–	10,000			
		78	0.24%	517,200	1.03%
10,001	–	100,000			
		75	0.23%	2,355,339	4.67%
100,001 and over					
		26	0.08%	35,919,095	71.23%
Total					
		33,190	100.00%	50,423,885	100.00%

Included in the above total are 196 shareholders holding less than a marketable parcel of shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 69.59% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Number of shares	Percentage
ANZ Nominees Limited <CASH INCOME A/C>	6,607,091	13.10%
J P Morgan Nominees Australia Limited	5,960,216	11.82%
National Nominees Limited	5,588,410	11.08%
HSBC Custody Nominees (Australia) Limited	5,413,679	10.74%
Citicorp Nominees Pty Limited	2,001,873	3.97%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	1,519,547	3.01%
Credit Suisse Securities (Europe) Ltd <COLLATERAL A/C>	1,400,000	2.78%
Cogent Nominees Pty Limited	1,256,868	2.49%
UBS Nominees Pty Ltd	802,707	1.59%
Australian Foundation Investment Company Limited	647,801	1.28%
Queensland Investment Corporation	572,153	1.13%
HSBC Custody Nominees (Australia) Limited- A/C 2	562,844	1.12%
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	520,616	1.03%
Warbont Nominees Pty Ltd <UNPAID ENTREPOT A/C>	463,793	0.92%
HSBC Custody Nominees (Australia) Limited- A/C 3	385,683	0.76%
Cogent Nominees Pty Limited <SMP ACCOUNTS>	371,432	0.74%
Australian Reward Investment Alliance	344,370	0.68%
HSBC Custody Nominees (Australia) Limited- GSCO ECSA	227,822	0.45%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	223,242	0.44%
ECapital Nominees Pty Limited <SETTLEMENT A/C>	219,031	0.43%
Total	35,089,178	69.59%

Register of substantial shareholders

The names of substantial shareholders in the Company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates, are as follows:

07-Nov-2007	ANZ Nominees Limited <CASH INCOME A/C>	6,607,091	13.10%
07-Nov-2007	J P Morgan Nominees Australia Limited	5,960,216	11.82%

On-market buy-back

There is no current on-market buy-back.

Five Year Financial Statistics

Incitec Pivot Limited and its controlled entities

		2007 \$mill	2006 \$mill	2005 \$mill
Sales		1,373.2	1,111.2	1,073.9
Earnings before depreciation, amortisation, net borrowing costs, individually material items and tax		348.6	159.4	108.4
Depreciation and amortisation (excluding goodwill)		(36.1)	(33.1)	(30.5)
Goodwill amortisation		-	-	-
Earnings before net borrowing costs, individually material items and tax (EBIT)		312.5	126.2	77.9
Net borrowing costs		(28.8)	(12.9)	(9.4)
Individually material items before tax		3.9	(54.1)	(47.0)
Taxation revenue / (expense)		(82.4)	(12.6)	(7.0)
Operating profit after tax and individually material items		205.3	46.7	14.5
Individually material items after tax attributable to members of Incitec Pivot		2.8	(36.1)	(33.4)
Operating profit after tax before individually material items (net of tax)		202.5	82.8	47.9
Dividends		75.6	41.9	70.5
Current assets		909.0	597.4	358.6
Property, plant and equipment		502.1	441.1	292.0
Investments		1.6	-	-
Intangibles		193.7	196.2	192.3
Other non-current assets		32.9	69.8	2.5
Total assets		1,639.3	1,304.5	845.2
Current borrowings and payables		325.6	315.1	213.2
Current provisions		31.2	48.2	47.8
Non-current borrowings and payables		682.8	499.2	-
Non-current provisions		64.7	62.0	24.3
Total liabilities		1,104.3	924.5	285.3
Net assets		535.0	380.0	560.0
Shareholders' equity		535.0	380.0	560.0
Total shareholders' equity		535.0	380.0	560.0
Ordinary Shares	thousands	50,424	50,424	58,281
Investor Shares	thousands	-	-	-
Number of shares on issue at year end	thousands	50,424	50,424	58,281
Weighted average number of shares on issue (investor and ordinary)	thousands	50,424	56,516	58,281
Earnings per share				
before individually material items	cents	401.6	146.5	82.2
including individually material items	cents	407.1	82.6	24.9
Dividends	cents	150	72	121
Dividend franking	%	100	100	100
Share price range – High		\$85.74	\$26.60	\$22.50
Low		\$23.72	\$15.31	\$15.00
Year end		\$85.54	\$25.87	\$15.82
Stockmarket capitalisation at year end	\$mill	4,313.3	1,304.5	922.0
Net tangible assets per share	\$	6.77	3.65	6.31
Profit margin (earnings before net borrowing costs and tax/sales)	%	22.8	11.4	7.3
Net debt	\$mill	411.7	275.4	9.2
Gearing (net debt/net debt plus equity)	%	43.5	42.0	1.6
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	times	10.9	9.8	8.3
Net capital expenditure on plant and equipment (cash flow)	\$mill	62.9	21.4	26.1
Net capital expenditure on acquisitions/(disposals) (cash flow)	\$mill	257.0	155.3	-
Return on average shareholders funds				
before individually material items	%	44.3	17.6	8.0
including individually material items	%	44.9	9.9	0.0

Note:

Financial year ended 30 September 2005, 2006 and 2007 are reported under AIFRS.
The financial year ended 30 September 2003 and 2004 are reported under AGAAP.

Five Year Financial Statistics

2004 \$mill	2003 \$mill
1,135.6	686.3
167.2	83.5
(35.4)	(21.2)
(9.9)	(3.1)
121.9	59.2
(5.4)	(6.8)
(9.3)	(64.6)
(32.1)	(6.4)
75.0	(18.6)
5.8	(53.7)
80.9	35.0
16.9	24.5
460.9	350.6
296.1	296.6
-	-
183.8	185.4
30.5	34.6
971.4	867.1
272.2	177.9
26.9	37.1
19.0	69.3
21.8	9.5
339.9	293.8
631.5	573.4
631.5	573.4
631.5	573.4
58,281	58,281
-	-
58,281	58,281
58,281	31,120
138.8	112.6
128.8	(59.8)
29	140
100	100
\$19.30	\$15.70
\$15.65	\$14.00
\$18.80	\$15.66
1,096	912.7
7.68	6.66
10.7	8.6
(20.8)	74.4
(3.4)	11.5
22.5	8.7
29.4	12.9
-	(4.4)
13.4	9.7
12.5	(5.1)

Shareholder Information

Annual General Meeting

2.00 pm Thursday 20 December 2007
The Auditorium,
Level 2, Melbourne Exhibition Centre,
2 Clarendon Street,
Southbank Victoria,
Australia

Securities Exchange Listing

Incitec Pivot's shares are listed on the
Australian Securities Exchange (ASX) and
are traded under the code IPL

Share Registry

Link Market Services
Level 12, 680 George Street,
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Proxy Facsimile: +61 2 9287 0309
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Auditor

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