

Annual Report 2003



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In this report the following abbreviations are used:

Incitec Pivot Limited (Incitec Pivot)

Pivot Limited (Pivot)

Orica Limited (Orica)

Incitec Fertilizers Limited (IFL)

Incitec Ltd (Incitec)

About Incitec Pivot Limited

Incitec Pivot Limited is a specialist Australian-owned, world-class fertiliser manufacturer and supplier providing farmers across eastern and southern Australia with a full range of agricultural nutrients.

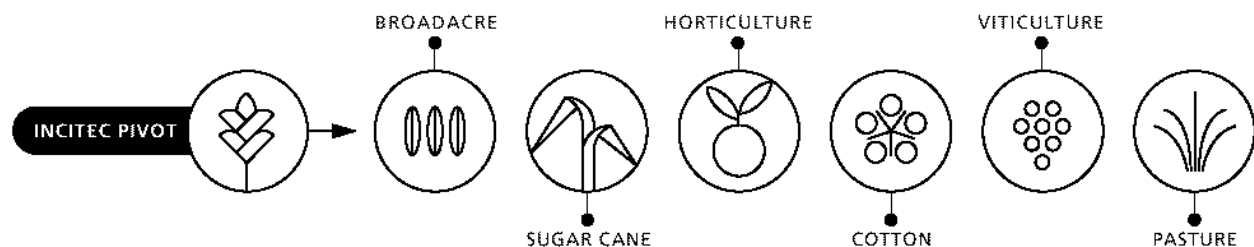
Incitec Pivot operates manufacturing facilities in Queensland, Victoria and New South Wales and has distribution networks in these States as well as in South Australia and Tasmania.

The company has annual sales of approximately \$1 billion and supplies rural producers with about three million tonnes of essential fertiliser products a year. Incitec Pivot is listed on the Australian Stock Exchange and had a market capitalisation of \$913 million on 30 September 2003.

Launched on 1 June 2003 with the merger of Incitec Fertilizers Limited and Pivot Limited, Incitec Pivot has strong bloodlines of service to Australian farmers. Each of its founding companies has been in the fertiliser business for more than 80 years.

Based on this hard-earned experience, today the merged business offers producers unequalled service from plant to paddock. With a suite of manufacturing plants, efficient logistics and scientifically-based technical back-up, Incitec Pivot's strategy is simple. By inheriting the 'best of the best' from its founders, Incitec Pivot is determined to set new standards in the supply of fertiliser and become No 1 in an industry that supplies up to 10% of all farm inputs.

The joint Incitec Pivot name may be new, but the quality of its service and products is based on a distinctly time-honoured concept – looking after our customers.



Chairman's Report

After at least a decade of discussion, consolidation of the Australian agricultural nutrients industry became fact with the establishment of Incitec Pivot Limited on 1 June 2003.

The merger of Pivot Limited and Incitec Fertilizers Limited opened the way for improved efficiencies in the manufacture and distribution of fertiliser and created a strong new Australian-owned agribusiness.

With fertiliser representing around 10 per cent of average farm input costs, Incitec Pivot will play a vital role in maintaining the international competitiveness of Australian farmers in the coming years.

The new company has made a sound beginning and, in its short life, is already establishing itself at the heart of the \$20 billion Australian agricultural industry. This healthy start was underpinned by the range and quality of Incitec Pivot's products, the standard and location of its assets and the strength of its financial position.

Equally important is the commitment to meeting the farmer's needs that Pivot, Incitec Fertilizers and their well-established agent and dealer networks bring to the new entity.

But these developments did not happen without vision, planning and hard work. As the former Chairman of Pivot, I know the foresight it took for the Directors to accept that the future of their 83-year-old company lay in amalgamating with another producer.

My sincere thanks go to those Directors for their open-minded approach and to the shareholders they represented, who on 29 April 2003 voted overwhelmingly to support the merger. My appreciation also goes to Pivot's former management for turning the company's performance around and for their diligence in preparing for the merger.

Appreciation is also due to the Directors of Incitec Ltd for their vision and contribution to the successful merger. The commitment of Directors and senior managers of both companies was even more notable for the fact that many clearly recognised that they would be unlikely to have a continuing role with Incitec Pivot. Their selfless professionalism was enlightening and greatly appreciated.

On 1 June 2003, the new management team under the direction of a reconstituted Board took over guiding the merged company. Management's overall priorities were to mould the two separate operations into a single high-performing new company with its own distinct identity, to preserve Incitec Pivot's position in the marketplace and to begin the process of securing the targeted efficiencies.

It is a tribute to the calibre and hard work of our new team and their staff that Incitec Pivot made a sound start, despite difficult trading conditions brought about by one of the worst droughts in Australian history.

Incitec Pivot reported earnings before interest and tax (EBIT) – excluding significant items – of \$59.1 million on sales revenue of \$686 million in 2003. A net loss of \$18.6 million after tax and significant items – including merger costs of \$49.9 million – was reported.

I am pleased to say that the new team is absolutely committed to achieving the estimated \$30 million in annual synergy savings made possible by the merger. These savings are the key measure of success of the merger and it is pleasing to note that the business is on track to secure benefits at this rate by the end of next financial year.

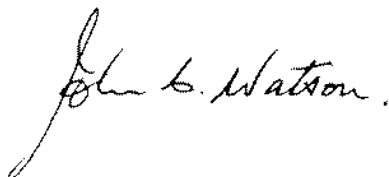
The shareholders of Incitec Pivot – large and small, old and new – deserve special mention. In relation to our major shareholder, there is no doubt that we are benefiting from the efficiencies made possible by working closely with Orica Limited.

The confidence in our future shown by new institutional and private investors since Incitec Pivot's listing on the Australian Stock Exchange on 28 July 2003 has been heartening.

Among the investors are approximately 39,000 former shareholders of Pivot who have opted to retain their investment in the company. Many shareholders in this category are also long-standing customers, and the importance of that dual connection to our future success is well understood.

Incitec Pivot ends its first year absolutely committed to building value for all shareholders by delivering growth as well as improved returns.

My fellow Directors join me in thanking past and present management and staff and our business partners across Australia for delivering a successful merger that many believed would never happen. We will work hard to build on the solid start made by our new business.



John Watson
Chairman

Incitec Pivot Limited
Chairman John Watson (left)
with Managing Director and
CEO Greg Witcombe at the
launch of the company on
the Australian Stock
Exchange in Melbourne.



Managing Director's Report

Like farming, the wellbeing of most agribusinesses reflects the preceding and prevailing weather patterns. So the timing of the launch of Incitec Pivot Limited during one of Australia's most severe droughts offered our new business additional challenges from day one.

This inevitably affected our financial performance for the year ended 30 September 2003, representing eight months of the Pivot Limited business and four months of Incitec Pivot Limited.

Total sales for the 12 months to 30 September 2003 were \$686 million. Earnings before interest, taxation, depreciation and amortisation (EBITDA) – excluding significant items – were \$83.4 million, and earnings before interest and taxation (EBIT) – excluding significant items – were \$59.1 million.

After tax and significant items, including merger implementation costs of \$49.9 million, a net loss of \$18.6 million was reported.

The financial results for 2002/03 covered two separate businesses, making it difficult to provide a direct comparison with previous years. However, taking into account market conditions and one-off merger costs, the company's performance could be regarded as a good result in a challenging environment.

Next year, with the bulk of the merger integration behind us and a full year to report, will provide a more useful assessment of our performance.

When the merged company was formed on 1 June 2003, the fertiliser industry was feeling the flow-on effects of drought that was affecting farmers in most parts of eastern and southern Australia, in some cases for a number of years.

Fertiliser sales into most market segments were below expectations and rural confidence was down. To make matters worse, the Australian dollar had strengthened and some international agriculture commodity prices were soft.

This was the less-than-ideal environment into which our new company was launched. Putting aside the distractions of factors we could not influence, we established clear priorities for building our business by focusing on areas within our control.

To this end, the management team identified three priority targets for laying the foundations of an integrated Incitec Pivot:

- Create a single company with its own identity and culture from the two merger partners, Pivot Limited and Incitec Fertilizers Limited.
- Maintain our combined market share by retaining the confidence of our distribution partners, the agents and dealers, and our farmer customers
- Secure the \$30 million annual synergy benefits which underpinned the merger

Four months after the new Incitec Pivot corporate identity was unveiled and the new logo was displayed at all of our sites, I am pleased to say we have made great steps to achieving our 'big three' objectives.

Our major external stakeholders, including customers, shareholders and the communities we work in, now recognise our two-into-one company by its name and corporate image. Building on the long history of both Pivot and Incitec Fertilizers, our own modern business culture is being established among our workforce of over 800 people.

In the market place, our sales and marketing teams have worked hard to maintain Incitec Pivot's share of fertiliser sales at the combined level of the previous companies. This has involved retaining the loyalty of the agents and dealers that make up our dual distribution networks and building on the strength of our main Pivot and Incitec Fertilizers brands.

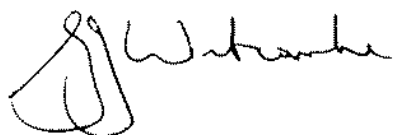
It is a tribute to our field teams that by year-end our market share had not slipped and neither had we lost a single dealer or agent.

We are also on track to deliver on the third of our key priorities – achieving the \$30 million of merger synergy benefits identified when the merger was first proposed.

Some of these savings, principally through efficiency improvements in the supply chain and reduced overhead costs, are already flowing through to the business. Disciplined tracking of the synergy programme indicates that savings will reach the targeted rate by the end of next financial year.

On balance, we have made a strong start in a difficult year. Our focus in the coming year will be on executing the plans we have in place to build the company. That will come about by setting and observing strict financial discipline to maintain a strong financial position and build a strong cash flow.

My thanks go to a supportive Board, a dedicated management team and an enthusiastic and highly capable workforce all determined to make Incitec Pivot Australia's best-performing agribusiness.



Greg Witcombe
Managing Director and CEO

Review of Operations

Our products

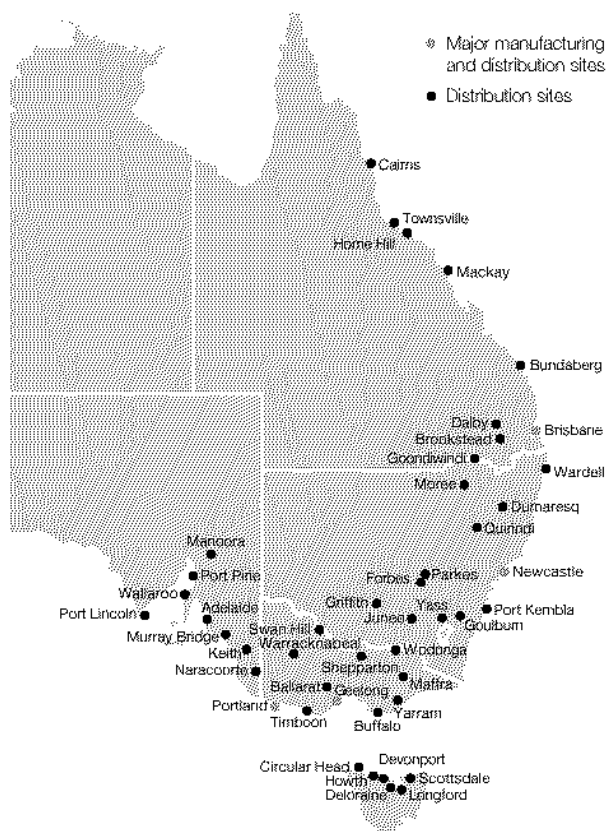
Incitec Pivot supplies a complete range of soil nutrients to Australian farmers who must maximise productivity to ensure the competitiveness of their products on world markets.

Most of the company's fertilisers are designed to deliver one or more of the three primary nutrients required by Australian soils – nitrogen, phosphorus and potassium. Others provide sulphur and trace elements such as copper, zinc and molybdenum.

Nitrogen is the major nutrient supplied by Incitec Pivot and is supplied either in single-nutrient form (urea and ammonia), in combination with phosphorus a mono-ammonium phosphate (MAP) and di-ammonium phosphate (DAP), or in other blends. Incitec Pivot's Big-N fertiliser delivers concentrated nitrogen fertiliser ammonia in liquefied gas form.

Fertilisers that deliver phosphorus range from single superphosphate (SSP) to MAP and DAP. Potassium is generally applied as a single-nutrient fertiliser (potash) and sulphur is commonly delivered as a blend with phosphorus fertilisers, including SSP, MAP and DAP. Incitec Pivot's Granulock brand delivers blended fertilisers in granulated form.

Looking to the future, Incitec Pivot will continue to develop innovative new products tailored to give Australian farmers the edge by providing the right fertiliser, at the right time at the right price.



Our major manufacturing assets

Site	Major Products
Gibson Island Queensland	Urea: 250,000 tpa Ammonia: 290,000 tpa Ammonium Sulphate: 180,000 tpa
Cockle Creek New South Wales	Superphosphate: 350,000 tpa
Kooragang Island New South Wales	Granulated phosphates: 90,000 tpa
Geelong Victoria	Superphosphate: 450,000 tpa
Portland Victoria	Superphosphate: 250,000 tpa

Primary Distribution Centres

- North Queensland – Cairns, Townsville, Mackay
- Brisbane – Gibson Island and Pinkenba
- Newcastle – Kooragang Island and Cockle Creek
- Port Kembla
- Geelong
- Portland
- South Australia – Adelaide, Wallaroo, Port Pirie, Port Lincoln
- Devonport
- Yass
- Goulburn

Regional Service Centres

RSC/Logistics Centres

- Bundaberg
- Dalby
- Wardell
- Dumaresq
- Moree
- Forbes
- Parkes
- Wodonga
- Griffith
- Shepparton

Sales Centres

Incitec Pivot operated Sales Centres

- Brookstead
- Maffra
- Warracknabeal
- Murray Bridge
- Circular Head
- Deloraine
- Howth
- Longford
- Scottsdale

Agent operated Sales Centres

- Home Hill
- Goondiwindi
- Quirindi
- Junee
- Ballarat
- Buffalo
- Swan Hill
- Timboon
- Yarram
- Manocora
- Keith
- Naracoorte

Our key competitive advantages

- As Australia's largest fertiliser manufacturer and distributor, Incitec Pivot's scale underpins its position as the lowest delivered cost supplier.
- The company's quality manufacturing and logistics assets across eastern and southern Australia give it unequalled capacity to meet seasonal demand for farm nutrients.
- Incitec Pivot's product range, key site locations, focused customer service and scientific back-up ensure farmers get the precise nutrients they require.

Our key priorities

Incitec Pivot's key priorities post-merger:

Progress against priorities 2003

1. Establish a unified company, including a new corporate identity – 'one company'

Incitec Pivot is establishing its own distinct identity as a specialist Australian supplier of essential nutrients to the nation's farmers.

One major challenge facing Incitec Pivot when it was formed was to mould two businesses into a single unified company. Progress has been pleasing with the successful completion of the corporate rebranding exercise built around the new name and the amalgamation of supply chain assets.

The company was successfully listed on the Australian Stock Exchange (ASX) on 28 July 2003 and had a market capitalisation of \$913 million on 30 September 2003.

A comprehensive program is now underway which will reinforce the strength and solidarity of the 'one company' spirit already evident among our employees.

2. Achieve the targeted merger synergies of \$30 million per annum

Merger synergies are on track with \$6.1 million delivered to date. The company was able to secure these gains by moving quickly to close surplus sites and lock in other efficiency improvements in the supply chain.

3. Retain market share

Incitec Pivot's leading east coast Australia market share has been retained post-merger. Customer service metrics are positive and sales and operations planning has been integrated in the merged business to boost efficiency and improve customer service levels.

Review of Financial Performance

Sales revenue

External sales revenue increased by \$82 million or 14% over 2002 to \$686 million (2002: \$604 million).

- Underlying revenue in the Pivot fertilisers business was down 8% to \$447 million (2002: \$487 million). Volumes were impacted by the worst drought in eastern Australia for 100 years.
- Sales from the Incitec Fertilizer business were \$208 million in the four months since the merger.
- Sales in discontinued businesses were \$93 million below 2002 (the stockfeed and grains businesses were exited in 2003).

Earnings

Net loss after tax and significant items was \$18.6 million compared to a profit of \$18.5 million in 2002. Excluding significant items, Net Profit After Tax (NPAT) was \$35.1 million (2002: \$21.2 million). Major factors were:

- 30% or \$13.5 million increase in earnings before interest and tax (EBIT) to \$59.1 million due to:
 - 15% or \$6.8 million reduction in earnings in the Pivot fertiliser business. Margin reductions from lower sales volumes and prices were partially offset by excellent cost control in the business.
 - EBIT from the merged Incitec business of \$17.8 million.
 - Merger synergies of \$6.1 million partially offset by amortisation of merger goodwill of \$3.1 million.
 - \$0.3 million loss in discontinued businesses (2002: profit \$0.2 million).
- Net interest cost was 50% lower than 2002 at \$6.8 million with strong business cash flow and access to tighter credit spreads post-merger.
- Tax expense increased by \$6.5 million or 60% to \$17.2 million in line with improved earnings.

Significant items

Total significant items after tax for 2003 were \$53.7 million including \$49.9 million of merger related costs.

Total merger costs

Total merger costs are now estimated at \$67.4 million after tax compared to \$62 million advised in the information memorandum to the listing. The additional costs of \$5.4 million after tax reflect asset write-downs following a detailed post-merger review of assets.

Merger costs of \$4.7 million after tax are forecast for 2004.

External sales summary

A\$million	Year Ended 30 September		
	2003	2002	Change
Pivot fertilisers	447	487	(8)%
Incitec Fertilizers (4 months)	208	-	-
Discontinued businesses	20	113	(82)%
Sales to IFL* pre-merger	11	4	> 100%
Total external sales	686	604	14%

*Incitec Fertilizers Limited

Earnings summary

A\$million	Year Ended 30 September		
	2003	2002	Change
EBIT			
Pivot fertilisers	38.6	45.4	(15)%
Incitec Fertilizers (4 months)	17.8	-	-
Merger synergies	6.1	-	-
Amortisation of merger goodwill	(3.1)	-	-
Discontinued businesses	(0.3)	0.2	> (100)%
Total EBIT	59.1	45.6	30 %
Net Interest	(6.8)	(13.7)	50 %
Tax expense	(17.2)	(10.7)	(61)%
NPAT excluding significant items	35.1	21.2	66 %
Significant items after tax	(53.7)	(2.7)	>(100)%
NPAT including significant items	(18.6)	18.5	>(100)%

Significant items – 2003

A\$million	Before Tax	After Tax
Merger costs:		
Employee redundancy and allowances	(10.1)	(7.1)
Transaction and Implementation costs	(12.7)	(10.3)
Environmental	(7.3)	(5.1)
Site clean-up and rationalisation	(7.9)	(6.7)
Asset write-downs	(22.6)	(18.7)
Accounting policy adjustments	(2.9)	(2.0)
Sub-total	(63.5)	(49.9)
Other costs – pre merger	(1.1)	(3.8)
Total	(64.6)	(53.7)

Total merger costs

A\$million	Before Tax	After Tax
2003 Significant items	(63.5)	(49.9)
2004 Significant items	(6.7)	(4.7)
Merger costs including goodwill*	(17.3)	(12.8)
Total	(87.5)	(67.4)

*costs incurred in Incitec Fertilizers Limited allocated to goodwill

Dividend

No final dividend will be paid in 2003. A special dividend of \$1.40 per share (fully franked) was declared by Directors in May payable to Pivot shareholders registered on the record date of the merger with Incitec Fertilizers.

The Board has reviewed the company's dividend policy and recognises the importance, other than in exceptional circumstances, of:

- Maintaining a steady (if not increasing) rate of dividends in terms of cents per share.
- Distributing available franking credits.
- Targeting a dividend pay-out ratio of between 65% and 75% of net profit after tax.
- Utilising other mechanisms such as special dividends and capital returns to distribute surplus funds when available.

Financial position

Incitec Pivot finished 2003 in a strong financial position.

- Since the merger there has been a focus on reducing the investment in trade working capital. Year end working capital to sales was 18.4%.
- September 2003 gearing (net debt/net debt + equity) at 11% was down from 35% recorded in 2002, reflecting strong business cash flow, increased equity on issue and the sound financial position of the merged Incitec Fertilizers business. Average gearing throughout the year on a proforma basis was 19%.
- The integrity of asset values has been assured through a rigorous post-merger review (refer significant items at left).

Cash flow

Net operating cash flows were \$96.2 million an increase of \$21.8 million or 29% over 2002 (2002: \$74.4 million).

Major factors were:

- EBITDA was up 37% to \$83.4 million reflecting the addition of the Incitec Fertilizers business.
- Cash flow from trade working capital reductions of \$58.8 million.
- \$30.1 million spent on merger implementation costs (including employee benefits).

Net investing cash flows were an outflow of \$8.5 million (2002: \$3.2 million).

- Capital spending of \$15.6 million was 80% of depreciation with a focus on increasing the productivity of existing assets in the business post-merger rather than reinvestment.
- Proceeds from asset sales were \$7.1 million.

Net financing cash flows were \$87.7 million (2002: \$71.2 million) including:

- \$61.9 million applied to the repayment of borrowings.
- Dividends of \$24.5 million.

Outlook – 2004

- Earnings underpinned by merger synergies.
- 2004 synergies on an annualised basis are expected to be \$30 million, although as a result of the timing of the realisation of benefits, not all of the \$30 million will be reflected in 2004 earnings.
- There is an improved weather outlook, albeit it is very early in the season.
- Pressure is expected on sulphuric acid raw material costs following supplier plant closures in 2003.

Statement of Financial Position

A\$million	30-Sept 2003	1-Jun 2003	30-Sept 2002
Trade working capital	196	327	110
Net property, plant & equipment	297	305	117
Goodwill	185	188	-
Net other assets	(30)	(59)	5
Net Assets	648	761	232
Net Debt	74	194	81
Equity	574	567	151
Total capitalisation	648	761	232
Gearing	11%	25%	35%

Cash Flow Items

A\$million	Year Ended September		
	2003	2002	Change
Net operating cash flows			
EBITDA	83.4	60.9	22.5
Net borrowing costs	(8.1)	(13.7)	5.6
Net income tax paid	3.1	0.5	2.6
Merger costs (inc. employee benefits)	(30.1)	-	(30.1)
Trade working capital movement	58.8	27.2	31.6
Other	(10.9)	(0.5)	(10.4)
Total	96.2	74.4	21.8
Net investing cash flows			
Proceeds from asset sales	7.1	0.9	6.2
Capital spending	(15.6)	(4.1)	11.5
Total	(8.5)	(3.2)	(5.3)
Net financing cash flows			
Repayment of the net borrowing	(61.9)	(71.2)	(9.3)
Dividends paid	(24.5)	-	24.5
Other	(1.3)	-	1.3
Total	(87.7)	(71.2)	16.5



Board of Directors

John Watson

MAICD

Age 53

Non-Executive Chairman, Chairman of Remuneration and Appointments Committee

Pivot Director and Chairman since 1998. John is Chairman of the Victorian Meat Authority and of the Co-operative Research Centre for Innovative Dairy Products, a Councillor of the Royal Agricultural Society of Victoria and a member of the Rabo Bank Food and Agribusiness Advisory Board for Australia and New Zealand. He is a former Senior Vice President of the National Farmers Federation.

Greg Witcombe

BSc

Age 49

Managing Director and Chief Executive Officer

Greg joined Orica in 1977 and has held several senior management positions. He was Managing Director of Incitec between October 1998 and April 2003.

Leo Delahunty

FAICD

Age 51

Director

Director of Pivot since November 1999. Leo is a grain and livestock farmer at Murtoa in the Wimmera. He is co-founder and shareholder of the agricultural investment management company, DIRT Management Pty Ltd. He is also a Director of Wimmera Racing Club Ltd.

Barbara Gibson

BSc, FTSE

Age 55

Director

Barbara is General Manager Chemicals Group with Orica and has held several senior management positions during her seventeen year career with Orica. She is Deputy Chairman of Biota Holdings Limited. Former Director of Incitec.

Brian Healey

Age 70

Director, Deputy Chairman

Director of Orica. Brian is Chairman of Centro Properties Ltd and Prime Property Management Ltd and a Director of Fosters Brewing Group Ltd and CGNU Australia Holdings Ltd. Former Senior Vice President of Nabisco Inc. and Sara Lee Corporation. Former Chairman of Biota Holdings Ltd and Portfolio Partners Ltd. Former Chief Executive of Nicholas Kiwi.



From left to right David Treback, Graeme Liebelt, Barbara Gibson, Brian Healey and Leo Delahunty

Anthony Larkin

FCPA, FAICD

Age 61

Director, Chairman of Audit and Risk Management Committee

Until January 2002, Tony was Executive Director Finance of Orica Limited. He previously held the position of Group Treasurer BHP Ltd. His 38 year career with BHP included senior finance positions in steel and minerals businesses and various senior corporate roles. From 1993 to 1997 he was seconded to Fosters Brewing Group as Senior Vice President Finance and Investor Relations. He is a Commissioner with the Victorian Essential Services Commission, Director of Ausmelt Limited and member of Advisory Board of Pasminco Resources Limited. Chairman of Incitec from July 2000 to April 2003.

Graeme Liebelt

BEc(Hons)

Age 49

Director

Director of Orica. Graeme is Chief Executive Officer of Orica's Mining Services business. He was previously Chairman of Incitec, General Manager of Orica's Plastics business and Managing Director of Dulux.

Allan McCallum

Dip. Ag Science, MAICD

Age 54

Director, Chairman of Governance Committee

Director of Pivot since 1998. Allan is a farmer in northern Victoria. He is also Deputy Chairman of Graincorp Limited, Director of Grain Growers Association Limited, Chairman of Nugrain Pty Ltd and President of the Australian Oilseeds Federation.

David Trebeck

BScAgr(Hons), MEd,

MAICD

Age 56

Director

David is Executive Chairman of ACIL Tasman Pty Ltd, an economics, policy and strategy consultancy. He has grain farming and grazing interests in southern New South Wales. He is a Director of Graincorp Limited and a former Director of Pipers Brook Vineyard Limited. He was previously a Director of Incitec.



From left to right Greg Witcombe, John Watson, Tony Larkin and Allan McCallum

Executive Team



Greg Witcombe
BSc

Managing Director and Chief Executive Officer

Greg joined Orica in 1977 and has held several senior management positions. He was Managing Director of Incitec between October 1998 and April 2003.



John Lloyd
BSc, MBA

General Manager Commercial

Prior to the merger John was Pivot's Executive General Manager Marketing and Sales. John has had more than 20 years experience in agriculture.



John Warnock
BE(Chem), MBA

General Manager Logistics and Supply Chain

John worked in a variety of roles with Incitec, starting in 1973. Prior to the merger John was Incitec's Logistics and Supply Chain Manager.



Richard Hoggard
BEng

General Manager Manufacturing and Safety, Health and Environment

Richard joined Incitec from Orica in 1998. Prior to the merger, Richard was Incitec's General Manager Manufacturing.



Wayne Elmer
BEc, MCom

General Manager Human Resources

Prior to the merger, Wayne was Pivot's Executive General Manager of Human Resources. Wayne has substantial human resources and commercial experience.



James Fazzino
BEc(Hons), CPA

Chief Financial Officer

Prior to the merger, James held the position of Orica's Investor Relations Manager. James has had many years experience with Orica with a background in several business finance roles.



Anil Sharma
LLB, FCIS, MAICD

General Counsel and Company Secretary

Before joining Incitec Pivot Limited as General Counsel and Company Secretary, Anil worked for a number of years in the telecommunications industry.

Safety, Health and Environment

Incitec Pivot has a comprehensive Safety, Health and Environment (SH&E) management system, which is consistent with ISO 14001, the international standard for environmental management systems.

This system supports our aim to provide for the safety and health of all employees, the community and our environment and is our key tool to help us achieve our commitment to:

- Manage the interaction between people and their work environment
- Ensure compliance with legislative requirements
- Ensuring that the company's Directors exercise their obligations by understanding the key SH&E issues within the company through the Incitec Pivot Letter of Assurance
- Meet the requirements of the Plastic and Chemical Industry Association (PACIA) Responsible Care Industry Codes of Practice
- Meet any other relevant external standards
- Eliminate all injuries, illnesses, motor vehicle accidents, environmental incidents and any other adverse incidents

Safety, Health and Environment Policy

At Incitec Pivot we believe that all work-related injuries, illnesses and environmental incidents are preventable. Our personal commitment to working safely is embodied in the Incitec Pivot Safety, Health and Environment Charter, which clearly outlines the obligations of each individual in the company.

We will manage all our activities with concern for people and the environment and will conduct our business without compromising the quality of life of present or future generations.

In particular we will:

- Strive to ensure our facilities are operated to the highest standards to protect our employees, contractors, neighbours and the environment
- Continue to seek ways to use materials and energy in a sustainable manner
- Sell only those products that can be produced, transported, stored, used and disposed of safely
- Provide appropriate information and/or training to our customers and consumers on the safe transportation, use and disposal of our products
- Seek to develop new or improved products and processes to enhance the contribution we make to the quality of people's lives and to minimise the impact on the environment
- Provide programmes and encourage employee initiatives that contribute to a safer, healthier and improved environment at work, at home and in the community
- Set challenging targets and measure progress to ensure we continuously improve our safety, health and environmental performance
- Communicate openly about our activities and report progress on our safety, health and environmental performance
- Require every employee and contractor working for us to comply with this policy, with all relevant legislation and with industry codes of practice
- Provide the training, systems and equipment necessary to achieve continuous improvement in all aspects of safety, health and environmental performance

We make this commitment to our employees, contractors, customers, shareholders and the community as we work towards our safety vision of 'No Injuries to Anyone, Ever.'

Safety, Health and Environment continued

SH&E Performance

Injuries	2003	2002	Distribution incidents	2003	2002
Lost workday cases	3	11	Category 2	5	2
Restricted workday case	8	6	Losses of containment		
Medical treatment cases	6	23	Category 2	1	0
Total recordable cases	17	40	Environmental licence		
Lost workday case rate	0.38	1.84	Non-complying tests	152	265
Recordable case rate	2.13	6.67			

Definitions

Injuries: Reported injuries are 'recordable' workplace injuries as defined in the Occupational Safety and Health Administration (OSHA) management system which provides for consistency in reporting and world-wide benchmarking.

Distribution Incident: An incident 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.

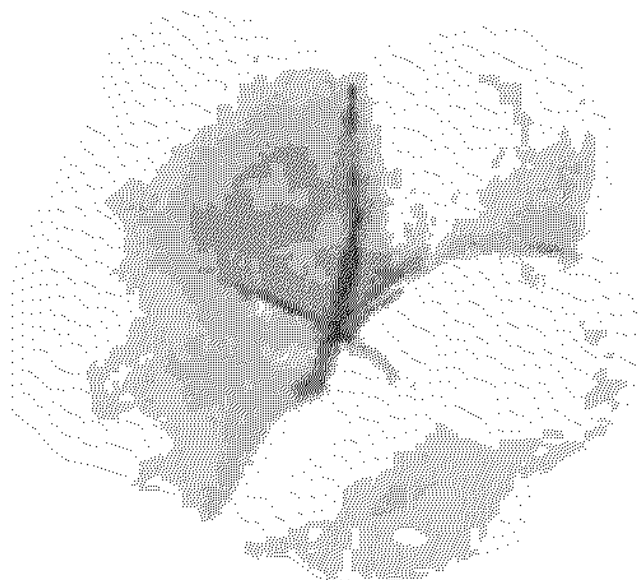
Losses of Containment: An unplanned release on a company site of a material from a vessel, tank, pipe pump, container or package in which it was designed to be contained. A Category 2 loss of containment is an incident which causes injury or damage, or concern in the surrounding community.

Environmental Licence Non-Compliance: An excursion outside statutory discharge or emission limits, as measured in a scheduled test.

Major Hazard Facilities

The National Code of Practice and the National Standard for the control of Major Hazard Facilities (MHFs) was introduced in 1996. As a result, individual State Governments have introduced legislation and regulations to enforce the intent of the national standard and code of practice.

In Queensland, the Incitec Pivot sites at Gibson Island, Dalby and Melrose have been classified as MHFs under the Dangerous Goods Safety Management Act and Regulation 2001. All intermediate milestones as prescribed in the Act have been met, with work continuing on the final two stages – safety management systems and community consultation – in preparation for the submission of the final safety case submission in March 2004. Incitec Pivot does not have any sites rated as MHFs in Victoria. New South Wales is currently in the process of introducing legislation for MHFs.



Environment

Twenty-one company sites, including all major locations, are covered by environmental licences issued under relevant State legislation. Licences impose conditions on the operations of facilities and encompass an extensive range of licence condition parameters, including limits on emissions to the atmosphere, liquid emissions, noise and dust. The company operates a comprehensive testing and reporting regime to monitor compliance with these licence requirements. The environmental compliance table provides results of these tests.

The company was prosecuted in May 2003 for a breach of environmental licence conditions at the Portland site in February 2002. The incident involved air pollution caused by the accidental release of an offensive odour during the superphosphate production process.

National Pollutant Inventory

The Environment Australia National Pollutant Inventory (NPI) is an internet database designed to provide the community, industry and government with information on the types and amounts of certain substances being emitted to the environment and the relative environmental impact of local industry and everyday activities.

Incitec Pivot reports on 29 substances against 90 reportable substances. During the year, the company has reduced fluoride and particulate emissions from the Geelong and Portland sites as a result of improved gas-scrubbing performance.

Greenhouse Challenge

The Greenhouse Challenge is a voluntary agreement between industry and the Federal Government which commits to the reduction of greenhouse gas emissions. Both the former companies of Incitec and Pivot were signatories with this agreement transitioning to Incitec Pivot in due course.

The major producers of greenhouse gases are the ammonia plant at Gibson Island and the superphosphate plants at Cockle Creek, Geelong and Portland. The Gibson Island ammonia plant accounts for 80% of the company's greenhouse gas emissions. To reduce emissions from Gibson Island works, approval has been given for engineering modifications which will result in the urea plant boilers being run at lower levels thus reducing energy consumption.

Geelong and Portland works are reassessing their energy usage and resultant greenhouse gas emissions in line with new air quality management legislation in Victoria.

Product stewardship

Product stewardship is defined as the responsible and ethical design and management of products throughout the entire life-cycle in order to protect public health and the environment. Incitec Pivot addresses product stewardship in a number of ways.

Internal programs have been developed such as the Logistics Environmental Management System covering the company's primary and regional distribution centres. In particular, close attention is given to the transport and distribution of dangerous goods. A comprehensive training and accreditation program is in place for the distribution of anhydrous ammonia, and a similar program is being developed for Class 5.1 oxidising agents including ammonium nitrate.

Issues of national concern are addressed through the Fertiliser Industry Federation of Australia (FIFA) in which Incitec Pivot, as Australia's largest fertiliser supplier, plays a leading role. During the year, FIFA entered into an Eco-Efficiency Agreement with Environment Australia. FIFA has appointed an environment manager and a comprehensive training package is being developed for those involved in the sale of fertiliser products and those involved in offering advice on fertiliser use.

Through PACIA, Incitec Pivot is committed to the Responsible Care Codes of Practice. Regular self-assessments are undertaken to measure improvement.

Incitec Pivot's network of agricultural professionals advises farmers on the responsible use of our products and the appropriate application rates to prevent nutrients being lost off site with the potential to impact on other ecosystems. The company provides a prescription farming service which matches individual fertiliser blends with a specific farm's need to ensure that excess nutrients are not applied.

Safety, Health and Environment continued

Site reports

Gibson Island works

- The standard health assessment program has been expanded to include all office-based workers with testing and educational programs specific to the office environment.
- A prostate and breast cancer educational program is planned for 2004.
- In addressing the requirements as a Major Hazard Facility, the site has been actively conducting risk assessments, capturing plant technical knowledge for safe operation, preparing emergency response plans and conducting skills development and scenario-based training. In addition, a significant number of risk reduction actions, for example tank bunding, have been implemented to reduce the overall risk profile of the site.

Portland works

- An additional scrubbing stage added to the Dens scrubbing system in October 2002 has reduced fluoride and particulate stack emissions by 15%.
- Similar modifications to the drying plant scrubbing system are being implemented during the October 2003 shutdown to further reduce fluoride emissions.

Geelong works

- Over the 12-month reporting period, Geelong works has focussed on the general improvement of management systems, including the adoption of the Incitec Pivot management system.
- Geelong works achieved a 60% reduction in recordable injuries for the year to 30 September 2003. Site focus on safety performance will continue, with emphasis on behavioural-based safety systems to deliver further reductions in injuries in line with our vision of 'No Injuries to Anyone, Ever'.
- A system of caustic addition to process operations was instigated during the past year. This has reduced the level of fluoride and particulate discharge to the atmosphere and achieved consistent results in operational compliance with EPA environmental licence requirements.

Newcastle works

- Process modifications to recycle all Cockle Creek site effluent are complete. These changes are designed to prevent further occurrences of the six licence non-compliance incidents during the reporting period.
- Manual handling task assessments were conducted in line with our commitment to prevent employee injury.

Logistics sites

- A program of repainting all line-haul tankers incorporating a reflective paint has commenced. This will result in higher visibility on the roads and safer transportation of our products.
- Further work was carried out to improve the safe operation of all depot-to-farm ammonia distribution equipment as part of an ongoing \$2 million safety upgrade program.
- In line with our commitment to product stewardship, an inspection and testing program of on-farm tanks is offered to our end-use customers to ensure vessel integrity and safety.
- During September 2003 the logistics functional area set a new departmental record of 100 days without a recordable injury.

Corporate Governance

Introduction

Since Incitec Pivot's listing 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 Principles of Good Corporate Governance and Best Practice Recommendations (**ASX Recommendations**) which were introduced on 31 March 2003. The Board considers that the company complies with most of the requirements in the ASX Recommendations. Specific instances where a different approach is necessary for the circumstances of the company are set out below.

This Corporate Governance Statement outlines the key aspects of the company's governance framework which was established, and will be continually reviewed, by the Board.

Procedures for ASX Disclosure Requirements

The company is subject to continuous disclosure obligations under the Listing Rules of the Australian Stock Exchange, which are supplemented by Australian corporations legislation. Subject to some limited exceptions, under the continuous disclosure requirements, the company must immediately notify the market, through the Australian Stock Exchange, 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 its shares.

To achieve these objectives and satisfy the regulatory requirements, the Board will provide information to shareholders and the market in several ways, including:

- communicating with all shareholders in annual reports and financial statements, releases of results to the Australian Stock Exchange each half year and at the company's Annual General Meeting;
- releasing price sensitive announcements and other relevant significant announcements directly to the market via the Australian Stock Exchange;
- conducting briefings with analysts and institutions from time to time – in doing so, Incitec Pivot recognises the importance of making sure 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 Australian Stock Exchange and the Australian Securities and Investments Commission; and
- providing information on the company's website about the company and its activities, including statutory reports and investor information.

The Company Secretary is responsible for providing announcements to the Australian Stock Exchange.

Board of Directors

The Board is responsible for directing the business of the company towards increasing shareholder wealth and promoting the interests of Incitec Pivot's other stakeholders such as employees, customers and the community. The Board has adopted a delegated and reserved powers policy which details those powers which are delegated to the Managing Director and Chief Executive Officer for exercise by businesses or corporately. The policy also reserves a number of key matters for consideration and decision by the Board, these include:

- **Direction and objectives** – charting and monitoring the direction, policies and financial objectives;
- **Compliance** – ensuring and monitoring compliance with legal requirements and standards of performance;
- **Ethical** – implementing procedures and principles to ensure the company carries on its businesses ethically, with openness, honesty and integrity; and
- **Managing Director and Chief Executive Officer and other officers** – appointing, terminating and reviewing the performance of the Managing Director and implementing appropriate succession planning for the Board and management.

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.

The Board is assisted by the Company Secretary, who advises on the management of meetings, the implementation of governance procedures and compliance with regulatory requirements.

Corporate Governance continued

Composition of the Board

The Board comprises nine Directors, including eight non-executive Directors and one executive Director (the Managing Director and Chief Executive Officer).

The Board collectively brings significant commercial, business, operational and financial experience in a range of industries. The Directors all bring expertise which, in aggregate, combines to form a Board which is equipped to discharge its responsibilities. The Directors' biographies along with their term of office and information about their qualifications and experience are on pages 8 and 9.

The Listing Rules of the ASX require that no member of the Board (other than the Managing Director and Chief Executive Officer) 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 and Chief Executive Officer) must retire and are eligible to be re-elected by the shareholders. The Constitution sets out specific retirement provisions regarding John Watson, Allan McCallum and Leo Delahunty. Each of these Directors will hold office until the third Annual General Meeting after the Constitution was adopted (namely April 2003) and are eligible for re-election. If re-elected Allan McCallum is to retire at the fourth Annual General Meeting, and if re-elected Leo Delahunty is to retire at the fifth Annual General Meeting, after the date the Constitution was adopted. As John Watson was last elected as a Director by the shareholders in February 2001 and Allan McCallum and Leo Delahunty in February 2002, they will each hold office for a term in excess of three years. However, this was agreed to as part of the merger negotiations to ensure continuity of these Directors for defined terms in the first three years of Incitec Pivot's operations following the merger. Given the requirements of the Listing Rules, as referred to above, the company sought and obtained, from ASX, a waiver from its requirement in the Listing Rules with regard to terms in excess of three years in relation to each of John Watson, Allan McCallum and Leo Delahunty. The Managing Director and Chief Executive Officer serves as a Director until he ceases to be the Managing Director and Chief Executive Officer.

Where the Board appoints a person as a Director (rather than the shareholders), that person must resign at the next Annual General Meeting following their appointment and seek approval of shareholders to continue as a Director. Accordingly, at the 2003 Annual General Meeting, Greg Witcombe, Barbara Gibson, Brian Healey, Anthony Larkin, Graeme Liebelt and David Trebeck will seek shareholder approval to continue as Directors.

The Board, excluding the Director in question, will regularly assess the independence of each Director, in light of any interest disclosed by them. The Board considers all of the circumstances relevant to a Director, in determining whether the Director is independent and free from any interest, relationship or matter which could, or reasonably be expected to interfere with the Director's ability to act in the best interests of the company. The Board's consideration has been undertaken in recognition of its status as a subsidiary of Orica. Among the circumstances considered by the Board are a range of factors, including those set out in the ASX Recommendations.

The Board considers that each of John Watson, Allan McCallum, Leo Delahunty and David Trebeck are independent when assessed on the criteria above, taking into account all the relevant interests, matters and relationships of the particular Director.

With regard to Anthony Larkin, while he was employed by Orica until January 2002 as Executive Director of Finance, the Board considered the shortness of his term of employment with Orica, his role as Chairman of Incitec and his personal attributes in dealing with related party transactions. After assessment of these matters, and the criteria set out above, the Board considers that Mr Larkin is independent.

Because of Incitec Pivot's status as a subsidiary of Orica, the Board recognises that Orica is entitled to nominate a majority of Directors. The Directors who are not associated with Orica note that Orica has nominated as a Director who is an independent Director of Orica – Brian Healey, and that he is able to act as an independent Director on consideration of all matters except transactions with Orica.

In summary, among the nine Directors, the Board considers five Directors independent for general purposes, and one further Director is independent except in respect of Orica specific transactions.

In addition, Orica has agreed that, at any time when Orica is the ultimate listed holding company of Incitec Pivot and Incitec Pivot is listed on the official list of ASX, Orica will exercise its power as holding company to support that Incitec Pivot will be governed in accordance with the following principles, that:

- (a) at least three members of the Board will have at least 10 years practical experience in managing a commercial farming business;
- (b) the Board will adopt policies and procedures according to the principles of good governance consistent with those adopted by a substantial number of ASX 200 companies;
- (c) it is desirable that the Board at all times includes a diversity of experience, expertise and community connections so that no individual or small group of individuals can dominate it; and
- (d) robust documented protocols are maintained between Orica companies and Incitec Pivot companies to govern the transactions between the two corporate economic entities and to ensure the independence of Incitec Pivot companies.

In addition, the Board has a specialist Governance Committee consisting of non Orica directors, which is responsible for reviewing related party transactions and making appropriate recommendations to the Board.

The roles of Chairman and Managing Director and Chief Executive Officer are separate.

Performance evaluation

Board

Under its charter, the Board is to undertake an annual performance evaluation, comparing its performance against its charter, setting objectives and effecting any improvements to the charter.

Board committees

In line with the Board's own charter, the relevant committee is to review its performance at least annually, review its charter annually, recommend any changes to the Board and to report regularly to the Board as to its activities.

Directors

With the exception of John Watson and Allan McCallum, who were each appointed on 30 January 1998, and Leo Delahunty who was appointed on 8 November 1999, each of its other current Directors was appointed on 1 June 2003.

Incitec Pivot recognises the importance of regular performance evaluation of the Directors. Given the recent listing of Incitec Pivot in July 2003 and the brief term of office appointments of the majority of the incumbent Directors, a formal evaluation process for all non-executive Directors has not yet been implemented. The Board is currently examining performance evaluation and aims to have a process in place for the 2003/2004 financial year.

Executives

All Incitec Pivot executives are subject to annual performance reviews.

The annual review involves a key executive being evaluated by their immediate superior, normally the Managing Director and Chief Executive Officer. 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 key executives. The Remuneration and Appointments Committee has overall responsibility for ensuring performance evaluation processes are in place for all key executives and that such evaluations are linked to executive remuneration.

The Remuneration and Appointments Committee also considers the performance and remuneration of the Managing Director and Chief Executive Officer and recommends his remuneration to the Board, including giving recommendations regarding his participation in the Incitec Pivot Senior Executives Long Term Incentive Plan. This Plan takes into account, among other things, the company's performance and relative shareholder return and the value of similar incentive arrangements for managing Directors at comparable companies.

The performance evaluation of the Managing Director and Chief Executive Officer is conducted by the Chairman and Board. This evaluation involves an assessment of a range of performance standards as determined by the Board, including the overall performance of the company.

Board meetings

Details of the Board meetings held during 2002/2003 financial year are set out on page 22.

Procedures are also in place to ensure that Directors can meet to consider and decide urgent matters, as and when they arise.

Materials for Board and Board committee meetings are circulated to the Directors in advance. The agenda for meetings is formulated with input from the Managing Director and Chief Executive Officer 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 members of senior management, and telecommunications technologies may be utilised to facilitate participation.

Directors' remuneration

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 \$600,000 as approved at the general meeting held in April 2003. The total remuneration paid to the non-executive Director in the financial year ended 30 September 2003 is within the maximum amount approved by shareholders.

Non-executive Directors receive remuneration based on membership of the Board and for chairing and membership of the Governance and Audit and Risk Management Committees. Non-executive Directors do not receive any performance-based incentives and with effect from 1 June 2003 no retirement benefits will be provided for Directors other than those disclosed in the Directors' Report. Details of remuneration paid to the non-executive Directors is set out on page 24.

Corporate Governance continued

Committees of the Board

As part of Incitec Pivot's corporate governance, the Incitec Pivot Board has established the following committees:

- Audit and Risk Management Committee;
- Remuneration and Appointments Committee;
- Governance Committee.

The committees operate in accordance with charters established by the Board.

Other committees of the Board may be formed from time to time to deal with specific matters.

Materials for the Board committee meetings are circulated in advance and minutes are circulated to all Directors. In addition, regular reports of the committees' activities are provided to the Board.

Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in its review of financial reporting principles and policies, controls and procedures, internal audit and the integrity of the company's financial statements, the external audit and the company's compliance with legal and regulatory requirements.

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

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 being made public;
- (accounting policies) review the critical accounting policies with external auditors and management;
- (Managing Director and CEO and CFO certification) review the certification provided by the Managing Director and Chief Executive Officer and the 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;
- (reports on change in the environment) monitor anticipated changes in the economic and business environment and other factors relevant to future strategy;
- (compliance) oversee compliance with applicable laws relating to the operation of its business;
- (insurance) monitor the insurance strategy of the company and recommend approval or variation of insurance policies.

External audit

- (appointment/replacement) make recommendations to the Board on the selection, evaluation and replacement of the external auditor;
- (terms of engagement) review and agree with the external auditor the terms of engagement;
- (effectiveness and independence) monitor the effectiveness and independence of the external auditor including requiring external auditor to prepare and deliver an annual statement as to their independence;
- (scope of audit) review the scope of the external audit with the external auditor;
- (non-audit services) review and assess provision of non-audit services by the external auditors, 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 all non-audit work.

Internal audit

- (appointment) recommend the internal auditor;
- (scope of audit and plan) review and assess the scope of the audit and the internal audit plan;
- (internal audit findings) receive reports from internal audit, management's response and the internal audit recommendations;
- (assessment) conduct an annual assessment of the effectiveness of internal controls and financial reporting procedures.

The initial members of the Audit and Risk Management Committee are Anthony Larkin (Chairman), David Trebeck and Allan McCallum. Although Anthony Larkin was previously employed by Orica, for the reasons set out above (under the heading Composition of the Board) the Board considers he is independent for the purposes of chairing this committee.

Internal control and risk management

The Board has overall responsibility for the company's systems of internal control. 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 and Chief Executive Officer and the 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.

External Auditor

KPMG is the company's external auditor.

The audit partners and review partners of our external auditor will rotate every five years. The current audit partners and review partners were first appointed for the 2002/2003 audit of the company.

Restrictions are placed on non-audit work performed by the auditors and projects outside the scope of the audit require the approval of the Chairman of the Audit and Risk Management Committee.

Remuneration and Appointments Committee

In recognition of the need to ensure that proper processes are in place to deal with succession issues at Board level, the Board established a Remuneration and Appointments Committee which is to comprise at least three independent non-executive Directors.

The initial members of the Remuneration and Appointments Committee are all members of the Board other than the Managing Director and Chief Executive Officer, Greg Witcombe, and the committee is chaired by the Chairman, John Watson. Incitec Pivot's Remuneration and Appointments Committee charter was approved by the Incitec Pivot Board on 3 June 2003 and sets out the committee's responsibilities. The main items of responsibility are:

- to identify those individuals believed to be qualified to become Board members;
- in consultation with the Managing Director and Chief Executive Officer, to review and recommend to the Board for approval the company's approach to compensation and to oversee the establishment of those compensation proposals;
- to identify Board members qualified to fill vacancies on any committee of the Board (including the Remuneration and Appointments Committee);
- to recommend the appropriate process for evaluation of the performance of the Directors;
- to consider the appointment, performance and remuneration of the Managing Director and Chief Executive Officer;
- to review and make recommendations to the Board as to appropriate incentive schemes for employees.

Governance Committee

This committee was established pursuant to Incitec Pivot's constitution in recognition of the company's status as a subsidiary of Orica.

Under its charter, the Governance Committee is to comprise at least three independent non-executive Directors. The initial members of the committee are Allan McCallum (Chairman), John Watson and Leo Delahunty.

The primary purposes of the Committee are to ensure:

- all executives of Incitec Pivot are aware of the rules relating to related party transactions;
- that Incitec Pivot, its subsidiaries and its employees all comply with the company's related party transactions policy;
- that any transactions that are likely to constitute related party transactions comply with the law; and
- that any related party transactions, where appropriate, are disclosed.

Except as may be provided in a power of attorney given to the members of the committee by Incitec Pivot, (in order to procure that Incitec Pivot appropriately enforces Orica's agreement with regard to corporate governance matters, as summarised under the heading Composition of the Board), the Governance Committee has no executive powers with regard to its recommendations and does not relieve the Board of its responsibilities.

Corporate Governance continued

Share ownership and dealing

Details of shares in the company held by the Directors are set out on page 22.

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 associates are aware of the legal restrictions on trading in securities while a person is in possession of the Company's inside information.

Under the Policy, all employees, advisers, auditors and consultants (Associates) and Directors are prohibited from trading in the Company's securities or Orica's securities, while in possession of inside information. Moreover there are certain "black out" periods, from the end of the financial year or half year until the relevant results are announced.

In addition, all employees in the legal, finance, commercial and marketing business units, all other Associates, who are not employees, and all Directors are not permitted to trade in Incitec Pivot securities or Orica securities at any time outside designated trading windows, without a current no objection notice. Under the policy, a no objection notice is issued by the Company Secretary, or in the case of a Director, the Chairman, upon the relevant person confirming he or she is not aware of inside information.

The Australian Stock Exchange is notified of any share dealings by a Director within five business days.

Incitec Pivot 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 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 its 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 the company.

Safety, Health and Environment and quality policies

Incitec Pivot has adopted policies in relation to safety, the environment and quality, details of which are summarised below:

- **Safety Policy**

Incitec Pivot has adopted a policy on safety, which seeks to ensure a safe working environment and safe systems of work thereby preventing injuries and reducing associated costs.

The objectives of Incitec Pivot as set out in the policy include meeting all regulatory authority requirements; establishing compliance mechanisms; striving to achieve zero work related lost time injuries; ensuring a consistent focus on the management of safety and providing rehabilitation services to workers who have suffered an illness or injury in the course of their employment with the company.

- **Environmental Policy**

Incitec Pivot has adopted a policy on its commitment to preserving the environment, preventing pollution and ensuring the health and wellbeing of its workforce and the community in which it operates. The objectives of Incitec Pivot as set out in the policy include meeting all regulatory authority requirements for ground water, air emissions, stormwater, noise and soil contamination, establishing compliance mechanisms and maximising reuse of waste materials.

- **Quality Policy**

Incitec Pivot has adopted a policy on its commitment to providing products and services that meet its customers' needs. The objectives of the policy include Incitec Pivot meeting all regulatory requirements and establishing procedures and operating mechanisms consistent with accepted international standards.

Financial Report

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Directors' Report

The directors of Incitec Pivot Limited ('the Company' or 'Incitec Pivot' and formerly Pivot Limited) present the financial report of the Company and its controlled entities (collectively 'the consolidated entity') for the year ended 30 September 2003 and the auditor's report thereon.

Directors

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

J C Watson, Chairman	J Hasker (Resigned 31 May 2003)
G J Witcombe, Managing Director (Appointed 1 June 2003)	I A Langdon (Resigned 31 May 2003)
C G Leon, Managing Director (Resigned 31 May 2003)	A C Larkin (Appointed 1 June 2003)
L M Delahunty	G R Liebelt (Appointed 1 June 2003)
B J Gibson (Appointed 1 June 2003)	A D McCallum
B S Gilbert (Resigned 31 May 2003)	T R Robbins (Resigned 31 May 2003)
B Healey (Appointed 1 June 2003)	D B Trebeck (Appointed 1 June 2003)

The office of company secretary is held by Mr A K Sharma. Particulars of directors' qualifications, experience and special responsibilities are detailed on page 10 of the annual report.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at the date of this report is as follows:

Director	Fully paid ordinary shares
J C Watson	2,700
G J Witcombe	32,269
L M Delahunty	6,478
B J Gibson	-
B Healey	-
A C Larkin	-
G R Liebelt	-
A D McCallum	5,158
D B Trebeck	-

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and 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		Capital and Share Structure	
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended
J C Watson	21	21	3	3	4	4	2	2	12	12
G J Witcombe	6	6	-	-	-	-	-	-	-	-
C G Leon	15	15	-	-	-	-	-	-	-	-
L M Delahunty	21	21	7	7	4	4	2	2	12	8
B J Gibson	6	5	-	-	1	1	-	-	-	-
B S Gilbert	15	11	4	3	-	-	-	-	12	6
J Hasker	15	11	-	-	-	-	-	-	12	10
B Healey	6	5	-	-	1	1	-	-	-	-
I A Langdon	15	14	4	4	-	-	-	-	-	-
A C Larkin	6	6	2	2	1	1	-	-	-	-
G R Liebelt	6	5	-	-	1	1	-	-	-	-
A D McCallum	21	20	2	2	4	4	2	2	12	12
T R Robbins	15	14	3	1	-	-	-	-	-	-
D B Trebeck	6	5	2	2	1	1	-	-	-	-

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

Principal activities

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

Directors' Report

Dividends

Dividends paid or declared in respect of the year ended 30 September 2003 were:

\$000

Special dividend paid by the Company on 16 th June 2003 at the rate of \$1.40 per share on 17,484,308 ordinary shares, fully franked at the 30% corporate tax rate.	24,478
Dividend paid in respect of redeemable preference shares by Incitec Fertilizers Limited on 27 August 2003 (1).	737

- (1) The Dividend in respect of the redeemable preference shares is payable quarterly at 5.36% per share unfranked. It is accrued in the financial statements on a monthly basis. These dividends have been charged to the statement of financial performance as borrowing costs because these shares are classified as liabilities.

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 on pages 4 to 7 of the annual report.

Changes in the state of affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the year ended 30 September 2003 are as follows:

Acquisitions

- On 29th May 2003 the Company was renamed Incitec Pivot Limited.
- On 1st June 2003 the Company issued 40,796,719 shares in consideration for the purchase of Incitec Fertilizers Limited.

Divestments

- On 20th February 2003 Pivot Nutrition Pty Ltd, a wholly owned subsidiary of the Company, divested the operating assets and business of the Carrick Stockfeed Mill for \$4.4m.

Events subsequent to balance date

On 22 October 2003 loans were issued to 47 senior employees as part of the long term incentive program described below in the 'Executive directors and senior executive officers emoluments', and in note 32 of the Financial Statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2003, that has affected or may affect the operations of the consolidated entity, the results 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 operations of the consolidated entity on pages 4 to 7 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.

Executive directors and senior executive officers emoluments

It is the broad policy of the Company that its remuneration structure will:

- (a) support the Company's philosophy and values;
- (b) reinforce both the short and long term objectives of the Company;
- (c) provide a common interest between management and shareholders; and
- (d) be sufficiently competitive in the markets in which the Company operates to attract, motivate and retain high calibre employees.

During 2003, the Company introduced changes to executive remuneration as a result of the introduction of a long term incentive program for senior management in addition to the short term incentive program already in existence. The incentive programs are designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value.

Short Term Incentive Program

The Company has a short term incentive program that provides for incentive payments to senior executive officers based on performance targets (both company financial and individual) for the preceding 12 months.

During the period 1 June 2003 to 30 September 2003 the short term incentive payments for the senior executives were calculated on an annual pro-rata basis for the period, and were determined on the basis of achievement of performance targets set for that period.

For the period 1 October 2002 to 31 May 2003, for the participating senior executives, short term incentive payments were calculated on a pro-rata basis for the 8 month period, and were paid on the basis of achievement of performance targets set for that period.

The calculation of the short term incentive has been split into two periods as described above due to the acquisition of Incitec Fertilizers Limited on 1st June 2003.

Directors' Report

Long Term Incentive Programs

Under the Long Term Incentive Plan the Company may grant awards to senior executive officers subject to the achievement or satisfaction of conditions as to duration of employment or conditions as to performance.

Since the adoption of the Long Term Incentive Plan, 47 senior employees have been invited to participate in awards made under the rules of the Long Term Incentive Plan on the following basis:

- in recognition of the achievement of certain performance targets in the period between 1 June 2003 and 30 September 2003, the participating senior employees will be granted awards based on a percentage of base remuneration. These awards, once quantified, will be paid in cash before 31 December 2003;
- in respect of the period from 1 June 2003 to 30 September 2005, an award was granted to the participating employees, such to be satisfied by the purchase, in aggregate of 107,925 shares on the Australian Stock Exchange. The shares purchased may be forfeited by a participating employee if that employee ceases to be employed with Incitec Pivot prior to September 2005. In respect of the amount of this award to be applied towards shares, the participating employees were each given an interest free unsecured loan by the Company. The loan is repayable on the earlier of the employee ceasing to be employed by Incitec Pivot, the employee selling his/her shares or three years after the loan is made. The company has discretion to decide the amount of repayment due in satisfaction of the debt. Any dividends will be applied on an after tax basis to reduce the loan balance. The employee cannot deal in these shares until 30 September 2005, and
- that they may be eligible to receive an award under the Long Term Incentive Plan dependent on the achievement of certain performance measures over a rolling three year period.

Particulars of executive directors and senior executive officers qualifications, experience and special responsibilities are detailed on page 10 of the annual report. Details of the nature and amount of each element of emoluments of executive directors and the five highest remunerated officers are included in the following table.

Executive directors and five highest remunerated officers	Cash benefits					Total remuneration expense
	Fixed Annual Remuneration (1)	Termination payments (2)	2002 Incentive payments (3)	2003 Incentive payments (4)	Other (5)	
	\$	\$	\$	\$	\$	\$
Executive Directors - Current						
G J Witcombe						
Managing Director and Chief Executive Officer	203,333	-	-	108,377	35,891	347,601
Executive Directors - Former						
C G Leon						
Managing Director and Chief Executive Officer	317,006	945,000	118,963	47,250	-	1,428,219
Senior Executives - Current						
W Elmer						
General Manager Human Resources	265,581	-	85,921	47,203	-	398,705
J Lloyd						
General Manager Commercial	277,956	-	88,488	52,155	-	418,599
C Trotter						
Manager Integration and Business Improvement	233,168	-	48,839	12,093	-	294,100
Senior Executives - Former						
A McKendrick						
Company Secretary	207,029	311,895	66,297	20,793	-	606,014
G Smith						
Chief Financial Officer	256,097	427,927	89,601	26,677	-	800,302

(1) Fixed annual remuneration includes base salary, company superannuation contributions and company car.

(2) Includes payment in lieu of notice, contractual entitlements due to early termination of employment contracts and annual leave entitlements.

(3) 2002 Incentive payments include payments relating to 2002 paid in 2003.

(4) 2003 Incentive payments include payments relating to 2003 performance which have either been paid or are accrued but not yet paid.

(5) Includes relocation, allowances and rental assistance.

Remuneration of Managing Director and Chief Executive Officer

The Company has entered into an employment agreement with the Managing Director and Chief Executive Officer, Greg Witcombe. The agreement may be terminated by 3 months notice given by either party. The agreement provides for a fixed annual remuneration of \$610,000 and other benefits on terms commensurate with his position, the industry and the size of the Company including termination entitlements of 1.68 times his fixed annual remuneration. The agreement includes provisions relating to confidential information and post termination restraints. The agreement also includes an entitlement to participate in the annual short term incentive program. This is based on 30% of fixed annual remuneration and is subject to achievement of certain performance targets, and for over performance of such targets, can increase to 60% of fixed annual remuneration. In addition, the Managing Director and Chief Executive Officer is eligible to participate in the long term incentive program. His participation in this incentive program in respect of the retention award, is based on 35% of fixed annual remuneration for the period from 1 June 2003 to 30 September 2005, and in respect of the performance award, is based on 35% of fixed annual remuneration, subject to achievement of certain performance targets; for over performance of such targets the award can increase to 70% of fixed annual remuneration.

Directors' Report

Non - executive directors' emoluments

Non-executive directors' fees, including committee fees, are determined by the Board within the aggregate amount of \$600,000 which was approved by shareholders at the April 2003 Annual General Meeting. In determining the level of fees, the Board reviews external professional advice and survey data on fees paid by comparable companies and considers this against the level of remuneration required to attract and retain directors of the appropriate calibre. Non-executive directors are not entitled to any form of incentive payments.

The Company has not since 1 June 2003 made provision for payment of retirement benefits for directors in respect of service after that date. Directors of the Company who retired on 31 May 2003 each received a benefit calculated to that date based on the policy of the Company in force as at 31 May 2003. This policy entitled these directors to a retirement benefit after 10 years of service equal to the total of the benefits received by him from the Company in the 3 years immediately preceding the date of retirement. The retirement benefit was paid on a pro-rata for less than 10 years of service. Directors who have continued to serve as directors of the after 31 May 2003 will receive a retirement benefit on their eventual retirement from the Company for service up to 31 May 2003. This retirement benefit will be calculated and paid in accordance with the formula above.

Non-executive directors	Fees \$	Superannuation Contributions \$	Retirement allowance \$	Total \$
Non-executive directors - Current				
J C Watson, Chairman	108,335	9,975	-	118,310
L M Delahunty	47,501	4,659	-	52,160
B J Gibson (1)	18,333	-	-	18,333
B Healey	18,333	1,650	-	19,983
A C Larkin	23,145	2,083	-	25,228
G R Liebelt (1)	18,333	-	-	18,333
A D McCallum	65,835	6,536	-	72,371
D B Trebeck	20,833	1,875	-	22,708
Non-executive directors - Former				
I A Langdon	26,667	2,400	120,000	149,067
B S Gilbert	26,667	2,400	59,014	88,081
J Hasker	26,667	2,400	42,740	71,807
T R Robbins	26,667	2,400	40,077	69,144

(1) Fees of \$55,000 per director per annum are paid to their employer, Orica Limited, the ultimate controlling entity.

Employees' options entitlement

Incitec Pivot has not issued any options.

Corporate Governance

The Company has a comprehensive corporate governance framework, details are set out on pages 15 to 20 of the annual report.

Environmental regulations

Manufacturing licences and consents are in place at each Incitec Pivot site in consultation with local environmental regulatory authorities. The measurement of compliance with conditions of licences and consents involves numerous tests being conducted regularly. The 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, including management processes, are available in the Safety, Health and Environment Performance Report 2003 on pages 11 to 14 of the annual report.

Indemnification and insurance of officers

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the directors, the secretary and other executive officers, against any liability incurred by the person which arises out of the discharge of that person's duties, unless the liability was incurred as a result of dishonesty, negligence or lack of good faith. In such circumstances, the Board has discretion whether or not to provide an indemnity.

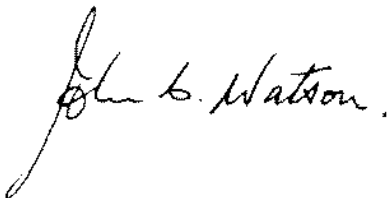
The Company has paid a premium in respect of a contract insuring officers of the Company and of controlled entities against a liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

Directors' Report

Rounding

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest thousand dollars, the Company being in a class specified in the ASIC Class Order 98/100 dated 10 July 1998.

Signed on behalf of the Board in accordance with a resolution of the directors of Incitec Pivot Limited.

A handwritten signature in black ink, reading "John C. Watson." The signature is written in a cursive style with a large initial 'J' and a trailing flourish.

John C Watson
Chairman

Dated at Melbourne this 5th day of November 2003.

Statements of Financial Performance

For the year ended 30 September 2003

	Notes	Consolidated		Company	
		2003	2002	2003	2002
		\$000	\$000	\$000	\$000
Revenue from ordinary activities	(3)	696,567	610,286	586,648	603,744
Operating expenses					
Changes in inventories of finished goods and work in progress		(61,751)	(458)	(33,734)	(458)
Raw materials and consumables used and finished goods purchased for resale		(349,830)	(401,670)	(290,284)	(397,953)
Employee expenses (including significant items)		(66,403)	(41,733)	(50,743)	(40,969)
Write-down of investments in controlled entities (significant items)	(5)	-	-	(67,497)	-
Depreciation and amortisation expense		(24,353)	(15,267)	(11,426)	(15,202)
Borrowing costs		(8,289)	(15,115)	(6,886)	(15,115)
Purchased services (including significant items)		(44,667)	(28,762)	(34,053)	(28,762)
Repairs and maintenance		(13,062)	(14,022)	(7,411)	(13,744)
Property, plant & equipment retired/disposed (excluding significant items)		(3,043)	(159)	(1,382)	375
Outgoing freight		(23,692)	(23,467)	(15,480)	(23,348)
Lease payments - operating leases		(7,914)	(7,837)	(6,334)	(7,837)
Net assets disposed from sale of business (significant items)		(3,867)	(90)	-	(90)
Asset write-downs, clean-up and environmental provisions (significant items)		(37,837)	-	(37,152)	-
Other expenses from ordinary activities including significant items		(64,093)	(37,778)	(2,049)	(36,832)
		(708,801)	(586,358)	(564,431)	(579,935)
(Loss)/profit from ordinary activities before income tax expense	(4)	(12,234)	23,928	22,217	23,809
Income tax expense attributable to (loss)/profit from ordinary activities	(7)	(6,389)	(5,402)	(4,979)	(3,417)
(Loss)/profit from ordinary activities after income tax expense		(18,623)	18,526	17,238	20,392
Non-owner transactions in equity					
Net increase in general and other reserves	(23)	1,499	-	8	-
Net decrease in forfeited shares reserve	(23)	(8)	-	(8)	-
Net decrease in capital profits reserve	(23)	(1,491)	-	-	-
Net reduction in equity due to initial adoption of AASB 1028					
<i>Employee Benefits</i>	(23)	(328)	-	(191)	-
Total revenues, expenses and valuation adjustments relating to members of the parent entity recognised directly in equity		(328)	-	(191)	-
Total changes in equity other than those resulting from transactions with owners as owners	(24)	(18,951)	18,526	17,047	20,392
		cents	cents		
Earnings per share					
Basic earnings per share:					
Ordinary shares	(8)	(60)	106		

The Statements of Financial Performance are to be read in conjunction with the notes to the financial statements set out on pages 30 to 58.

Statements of Financial Position

As at 30 September 2003

		Consolidated		Company	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Current assets					
Cash assets	(9)	21,269	39,283	14,440	36,051
Receivables	(10)	108,988	48,966	42,713	46,730
Other financial assets	(13)	-	-	-	20
Inventories	(11)	205,643	111,859	74,366	110,519
Other	(12)	14,699	906	7,834	872
Total current assets		350,599	201,014	139,353	194,192
Non-current assets					
Receivables	(10)	1,924	335	1,924	335
Other financial assets	(13)	-	-	474,179	73,775
Property, plant and equipment	(14)	296,615	116,518	85,009	108,614
Intangible assets	(15)	185,354	-	-	-
Deferred tax assets	(16)	19,101	18,637	13,194	18,173
Other	(12)	13,553	-	-	-
Total non-current assets		516,547	135,490	574,306	200,897
Total assets		867,146	336,504	713,659	395,089
Current liabilities					
Payables	(17)	130,899	48,442	50,480	47,970
Interest bearing liabilities	(18)	40,663	60,631	61,479	60,631
Current tax liabilities	(19)	6,312	-	-	-
Provisions	(20)	37,133	16,505	22,525	16,381
Total current liabilities		215,007	125,578	134,484	124,982
Non-current liabilities					
Payables	(17)	-	-	-	92,096
Interest bearing liabilities	(18)	55,000	60,000	-	60,000
Deferred tax liabilities	(21)	14,268	-	-	-
Provisions	(20)	9,489	741	2,693	724
Total non-current liabilities		78,757	60,741	2,693	152,820
Total liabilities		293,764	186,319	137,177	277,802
Net assets		573,382	150,185	576,482	117,287
Equity					
Contributed equity	(22)	532,445	65,819	532,445	65,819
Reserves	(23)	35,922	35,922	43,694	43,694
Retained profits	(23)	5,015	48,444	343	7,774
Total equity	(24)	573,382	150,185	576,482	117,287

The Statements of Financial Position are to be read in conjunction with the notes to the financial statements set out on pages 30 to 58.

Statements of Cash Flows

For the year ended 30 September 2003

	Notes	Consolidated		Company	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		812,715	636,360	525,959	623,507
Payments to suppliers and employees		(714,836)	(552,094)	(468,252)	(540,634)
Interest received		1,472	1,452	1,770	1,452
Borrowing costs		(7,966)	(15,115)	(6,808)	(15,115)
Royalties and other trading revenue received		1,734	3,368	1,004	3,305
Net income taxes received/(paid)		3,113	453	-	(25)
Net cash flows from operating activities	(26)	96,232	74,424	53,673	72,490
Cash flows from investing activities					
Payments for property, plant and equipment		(15,578)	(4,133)	(8,923)	(4,127)
Proceeds from sale of property, plant and equipment	(3)	2,659	540	852	489
Proceeds from sale of business	(3)	4,393	400	-	400
Net cash flows used in investing activities		(8,526)	(3,193)	(8,071)	(3,238)
Cash flows from financing activities					
Net movement in short term financing		(81,545)	(33,338)	(43,038)	(33,335)
Payments for expenses relating to listing on Australian Stock Exchange		(1,274)	-	(1,274)	-
Dividends paid		(24,478)	-	(24,478)	-
Net cash flows used in financing activities		(107,297)	(33,338)	(68,790)	(33,335)
Net (decrease)/increase in cash held		(19,591)	37,893	(23,188)	35,917
Cash at the beginning of the financial year		39,283	1,390	36,051	134
Cash at the end of the financial year	(26)	19,692	39,283	12,863	36,051

The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements set out on pages 30 to 58.

Notes to the Financial Statements

For the year ended 30 September 2003

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Notes to the Financial Statements

For the year ended 30 September 2003

1. Significant accounting policies

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 to assist in a general understanding of this financial report. These policies have been consistently applied except as otherwise indicated.

(i) Basis of preparation

The financial report is a general purpose financial report prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or fair values of non-current assets.

(ii) Change in accounting policy

Foreign currency translation

The consolidated entity has applied the revised AASB 1012 – Foreign Currency Translation for the first time from 1 October 2002. For hedges of specific purchases or sales, the gains or costs on entering the hedge and the exchange differences up to the date of the purchase or sale are now deferred and recognised as assets or liabilities on the statements of financial position from the inception of the hedge contract, not when the specific purchase or sale occurs. As a result of the application of the revised AASB 1012, there was no impact on opening retained profits.

Employee benefits

The consolidated entity has applied the revised AASB 1028 – Employee Benefits for the first time from 1 October 2002. The liability for wages and salaries, annual leave and sick leave is now calculated using the remuneration rates the Company expects to pay as at each reporting date, not wage and salary rates current at reporting date. The initial adjustments to the consolidated financial report as at 1 October 2002 as a result of this change are:

\$426,400 increase in provision for employee benefits;
\$328,000 decrease in opening retained profits; and
\$98,400 increase in future income tax benefit.

Provisions and contingent liabilities

The consolidated entity has applied AASB 1044 – Provisions, Contingent Liabilities and Contingent Assets for the first time from 1 October 2002. Dividends are now recognised at the time they are declared or determined. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were declared after the end of that financial year.

As a result of the application of the revised AASB 1044, there was no impact on opening retained profits.

(iii) Consolidation

The controlled entities included in the consolidated financial statements are listed in note 36. All inter-entity transactions and balances have been eliminated on consolidation. Where entities are not controlled throughout the entire financial year, the consolidated results include the results of those entities for that part of the year during which control existed.

(iv) Revenue recognition (see note 3)

External sales, royalty income and other income are recognised when the goods and services are provided. Interest income is recognised as it accrues. Gross proceeds from sale of businesses, controlled entities and other non-

current assets are recognised when there is a signed unconditional contract of sale. Dividends are recognised in the statements of financial performance when declared. Revenues are recognised at fair value of the consideration received net of the amount of GST payable to the taxation authority.

(v) Borrowing costs (see note 4)

Borrowing costs include interest, 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 which 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, borrowing costs are capitalised using a weighted average interest rate. Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

(vi) Research and development costs (see note 4)

Research and development costs are expensed as incurred.

(vii) Taxation (see note 7)

Income tax has been brought to account using the income statement method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statements of financial position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses when realisation is virtually certain.

Capital gains tax is provided in the statements of financial performance in the year in which an asset is sold.

(viii) Inventories (see note 11)

Inventories are valued at the lower of cost and net realisable value.

Cost is based on a weighted average method. For manufactured goods, cost includes direct material and labour costs plus an appropriate proportion of variable and fixed overheads based on normal operating capacity of the production facilities. For merchanted goods, cost is net cost into store.

(ix) Maintenance, repairs and other costs (see note 12)

Expenditure for maintenance, repairs and replacements of a minor nature is expensed as incurred. Major cyclical expenditure is undertaken at the principal manufacturing plants in three to four year cycles. These plants operate continuous production processes twenty-four hours per day, seven days per week. Major cyclical expenditure, incorporating new capital expenditure, enables these plants to extend their estimated useful lives and improve their performance. This expenditure is amortised over the period to which future economic benefits relate, which is generally until the commencement of the next cycle.

The unamortised expenditure is added to the respective net book values of the major plant for the purposes of assessing recoverable values.

Notes to the Financial Statements

For the year ended 30 September 2003

1. Significant accounting policies (continued)

(x) Other financial assets (see note 13)

The Company's interests in controlled entities are stated at cost. Where, in the opinion of the directors, there has been a diminution in the carrying value of an investment, the investment is written down to its recoverable amount. The expected net cash flows included in determining recoverable amounts are discounted to their present values.

(xi) Property, plant and equipment and depreciation (see note 14)

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
Software	3 to 7 years

The carrying amounts of all non-current assets are reviewed half-yearly to determine whether they are in excess of their recoverable amounts. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is revalued downwards to its recoverable amount and the decrement is recognised as an expense in the statements of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values.

Profits and losses on disposal of property, plant and equipment are taken to the statements of financial performance.

(xii) Leased assets

Operating leases are not capitalised and lease rental payments are taken to the statements of financial performance as incurred.

(xiii) Goodwill (see note 15)

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired. Goodwill is amortised on a straight line basis over the period in which the benefits are expected to arise, not exceeding twenty years. The carrying value is reviewed half-yearly and written down to recoverable amount if considered necessary. The expected net cash flows included in determining recoverable amount of goodwill are discounted to their net present values.

(xiv) Provisions (see note 20)

A provision is recognised when there is a legal, equitable 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, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, being risk free rates on government bonds most closely matching the expected future payments, except where otherwise noted. The unwinding of the discount is treated as part of the expense related to the particular provision.

Environmental liabilities

The cost of monitoring operations and treating operating wastes is taken to the statements of financial performance as an operating cost as incurred.

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 statements of financial performance in total as soon as the requirement to remediate is identified and a reliable estimate of the liability is identified. 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 as it is incurred.

Employee entitlements

Provisions are made for liabilities to employees for annual leave, sick leave and other current employee entitlements that represent the amount for which the consolidated entity has a present obligation. These have been calculated at nominal 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. 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 during the next ten years.

Contributions for superannuation are taken to the statements of financial performance in the year in which the payment is made (see note 34).

A liability is recognised for bonus plans when there is no realistic alternative, the benefit calculations are formally documented and determined, before signing the financial report and past practice supports the calculation.

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.

Restructuring and employee termination benefits

A provision for restructuring, including employee termination benefits, related to an acquired entity or operation is recognised at the date of acquisition where:

- the main features of the restructuring were announced, implementation of the restructuring commenced, or contracts were entered by the date of acquisition
- a detailed formal plan is developed by the earlier of three months after the date of the acquisition and the completion of this financial report.

The provision only relates to costs associated with the acquired entity, and is included in the determination of the fair value of the net assets acquired. The provision includes liabilities for termination benefits that will be paid to employees of the acquired entity as a result of the restructuring.

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

(xv) Foreign currency translation

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 are taken to the statements of financial performance.

Notes to the Financial Statements

For the year ended 30 September 2003

1. Significant accounting policies (continued)

(xvi) Cash flows (see note 26)

For the purposes of the statements of cash flows, cash includes cash at bank, cash on hand and deposits at call which are readily convertible to cash on hand and which are used in the cash management function, net of bank overdrafts.

(xvii) Derivative financial instruments (see note 31)

Derivative financial instruments are used to hedge interest rate and foreign currency exposures. Accordingly, hedge accounting principles are applied, under which gains and losses on derivatives are brought to account on the same basis as the gains and losses on the underlying physical exposures. Derivative financial instruments are not held for speculative purposes.

The effect of interest received, paid or accrued under interest rate swap and forward rate agreements is included in the calculation of net interest expense. The amount receivable or payable at balance date is included in assets or liabilities respectively.

Anticipated transactions

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 statements of financial performance.

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 statements of financial performance 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. Refer to note 31.

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 statements of financial performance.

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 statements of financial performance.

(xviii) Redeemable Preference Shares

Redeemable Preference Shares which provide for mandatory redemption are included in liabilities as they are, in substance, borrowings. Dividends payable on these are recognised in the statements of financial performance as borrowing costs on an accruals basis.

(xix) 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 statements of financial position.

Cash flows are included in the statements 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.

(xx) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

2. Segment report

Reports for business

During the year ended 30th September 2003, the consolidated entity operated in two business segments, Fertiliser and Divested Business, and in one geographic location, Australia.

During the year ended 30th September 2002 the consolidated entities operated in three business segments comprising Fertiliser, Grain, and Stockfeed in one geographic location, Australia.

The Stockfeed business was sold on 20th February 2003 and the Grain business has been progressively wound down throughout 2002 and 2003.

Notes to the Financial Statements

2. Segment report (continued)

	Fertiliser	Divested Business	Consolidated
2003	\$000	\$000	\$000
Revenue			
External Sales	655,503	20,304	675,807
Sales to Incitec Fertilizer Limited Pre Acquisition	10,500	-	10,500
Total Sales Revenue	666,003	20,304	686,307
Other Revenue			10,260
Total of all segments	666,003	20,304	696,567
Total consolidated revenue from ordinary activities			696,567
Result			
EBIT - Segment	59,401	(251)	59,150
Net Interest			(6,816)
Profit before tax and significant items			52,334
Significant Items (refer note 5)			(64,568)
Loss from ordinary activities before tax			(12,234)
Income tax expense			(6,389)
Loss from ordinary activities after tax			(18,623)
Assets			
Segment Assets	867,047	99	867,146
Liabilities			
Segment Liabilities	293,721	43	293,764
Other Information			
Acquisition of business	467,900	-	467,900
Acquisition of property, plant and equipment	15,578	-	15,578
Depreciation and amortisation of segment assets	24,343	10	24,353
Other non cash expenses - writedowns and provisions	45,197	-	45,197

	Fertiliser	Grain	Stockfeed	Eliminations	Consolidated
2002	\$000	\$000	\$000	\$000	\$000
Revenue					
External Sales	487,249	99,999	13,204	-	600,452
Intersegment sales	-	6,782	-	(6,782)	-
Sales to Incitec Fertilizer Limited Pre Acquisition	3,762	-	-	-	3,762
Total Sales Revenue	491,011	106,781	13,204	(6,782)	604,214
Other Revenue	5,952	-	120	-	6,072
Total of all segments	496,963	106,781	13,324	(6,782)	610,286
Total consolidated revenue from ordinary activities					610,286
Result					
EBIT - Segment	45,378	(440)	668		45,606
Net Interest					(13,663)
Profit before tax					31,943
Significant Items (refer note 5)					(8,015)
Profit from ordinary activities before tax					23,928
Income tax expense					(5,402)
Profit from ordinary activities after tax					18,526
Assets					
Segment Assets	324,665	7,334	4,505		336,504
Liabilities					
Segment Liabilities	182,436	3,324	559		186,319
Other Information					
Acquisition of property, plant and equipment	4,127	-	6		4,133
Depreciation and amortisation of segment assets	15,202	-	65		15,267
Other non cash expenses - writedowns and provisions	4,435	3,890	-		8,325

Notes to the Financial Statements

		Consolidated		Company	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
3. Revenue from ordinary activities					
External sales		686,307	604,214	472,484	597,792
Other revenue from operating activities					
Royalty income		10	17	10	17
Interest income:					
controlled entities		-	-	476	-
external parties – banks		1,473	1,452	1,372	1,452
Loan forgiveness from controlled entities (significant items)	(5)	-	-	110,459	-
Rental income		433	312	354	296
Other income		1,292	3,351	641	3,288
From outside operating activities					
Sale of business	(5)	4,393	400	-	400
Sale of property, plant and equipment		2,659	540	852	499
Total other revenue		10,260	6,072	114,164	5,952
Total revenue		696,567	610,286	586,648	603,744
4. (Loss)/profit from ordinary activities before income tax expense					
(Loss)/profit from ordinary activities before income tax expense is arrived at after crediting:					
Profit on sale of business	(5)	526	310	-	310
(Loss)/profit on sale of property, plant and equipment		(100)	326	6	875
Net gain/(loss) on foreign currency transactions		115	(182)	(21)	(182)
(Loss)/profit from ordinary activities before income tax expense is arrived at after charging:					
Cost of goods sold		471,135	470,903	324,019	467,186
Borrowing costs paid/payable to:					
entity subject to common control		942	-	942	-
external parties		7,347	15,115	5,944	15,115
Depreciation on property, plant and equipment :					
buildings and improvements		4,767	4,391	3,660	4,391
machinery, plant and equipment		14,875	10,876	7,766	10,811
Amortisation:					
goodwill		3,128	-	-	-
deferred maintenance expenditure		1,583	-	-	-
Amounts set aside to provide for:					
doubtful debts – trade		-	17	-	-
employee entitlements		13,492	5,539	11,435	5,539
environmental liabilities		7,033	575	7,033	575
inventory losses and obsolescence		-	528	-	528
other provisions		2,297	754	2,297	754
restructuring		20,650	3,535	20,359	3,535
Bad debts written off in respect of trade debtors		232	299	232	299
Lease payments – operating leases		7,914	7,837	6,334	7,837
Research and development		121	469	121	469
Superannuation contributions		4,482	2,982	2,431	2,982

Notes to the Financial Statements

	2003			2002		
	Gross \$000	Tax \$000	Net \$000	Gross \$000	Tax \$000	Net \$000

5. Individually significant items

(Loss)/profit from ordinary activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

Consolidated

Merger implementation costs

Employee redundancies and allowances	(10,108)	3,032	(7,076)	(4,435)	1,331	(3,104)
Environmental	(7,300)	2,190	(5,110)	-	-	-
Site-clean up and rationalisation	(7,883)	1,231	(6,652)	-	-	-
Asset write-downs	(22,654)	3,927	(18,727)	-	-	-
Transaction and implementation costs	(12,666)	2,354	(10,312)	-	-	-
Accounting policy adjustments	(2,881)	864	(2,017)	-	-	-
Total merger implementation costs (i)	(63,492)	13,598	(49,894)	(4,435)	1,331	(3,104)

Other

Profit from business divested (ii)	526	(158)	368	310	(93)	217
Profit from sale of property, plant and equipment	224	(67)	157	-	-	-
Write-down of carrying value of inventory (iii)	(1,826)	548	(1,278)	-	-	-
Losses associated with wind-down of business segment (iii)	-	-	-	(3,890)	1,167	(2,723)
Over (under) provision of income tax in previous years (iv)	-	(3,009)	(3,009)	-	2,959	2,959
Total other	(1,076)	(2,686)	(3,762)	(3,580)	4,033	453
Individually significant items	(64,568)	10,912	(53,656)	(8,015)	5,364	(2,651)

Company

Merger implementation costs

Employee redundancies and allowances	(9,883)	2,965	(6,918)	(4,435)	1,331	(3,104)
Environmental	(7,300)	2,190	(5,110)	-	-	-
Site-clean up and rationalisation	(7,884)	1,230	(6,654)	-	-	-
Asset write-downs	(21,968)	3,722	(18,246)	-	-	-
Transaction and implementation costs	(10,019)	1,560	(8,459)	-	-	-
Accounting policy adjustments	(2,881)	864	(2,017)	-	-	-
Total merger implementation costs (i)	(59,935)	12,531	(47,404)	(4,435)	1,331	(3,104)

Other

Write-down of investments in controlled entities (v)	(67,497)	-	(67,497)	-	-	-
Loan forgiveness from controlled entities (v)	110,459	-	110,459	-	-	-
Profit from business divested (ii)	-	-	-	310	(93)	217
Profit from sale of property, plant and equipment	224	(67)	157	549	(165)	384
Write-down of carrying value of inventory (iii)	(1,826)	548	(1,278)	-	-	-
Losses associated with wind-down of business segment (v)	-	-	-	(3,890)	1,167	(2,723)
Over (under) provision of income tax in previous years (iv)	-	(3,167)	(3,167)	-	4,926	4,926
Total other	41,360	(2,686)	38,674	(3,031)	5,835	2,804
Individually significant items	(18,575)	9,845	(8,730)	(7,466)	7,166	(300)

- (i) Merger implementation costs in 2003 relate to the restructuring and reorganisation activities following the acquisition of Incitec Fertilizers Limited.
- (ii) On 20th February 2003 Pivot Nutrition Pty Ltd, a wholly owned subsidiary of the Company, divested the operating assets and business of the Carrick Stockfeed Mill for \$4.4m.
- (iii) Inventory written down and prior year losses relate to the grain business which has now been completely wound down and is no longer trading.
- (iv) Adjustment to income tax expense to reconcile to income tax returns as lodged.
- (v) Write-down of investment in controlled entities following reassessment of carrying value as a result of intercompany loans forgiven.

Notes to the Financial Statements

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
6. Auditors' remuneration				
Total remuneration received, or due and receivable, by the auditors for:				
Audit services				
Auditors of the Company – KPMG	250,000	-	250,000	-
Auditors of the Company – Deloitte Touche Tohmatsu	70,000	184,000	70,000	184,000
	320,000	184,000	320,000	184,000
Other services				
Auditors of the Company - KPMG				
other services (i)	24,460	-	24,460	-
taxation services (i)	40,300	-	40,000	-
Auditors of the Company - Deloitte Touche Tohmatsu				
other services	180,526	147,113	180,526	147,113
taxation services	126,578	15,830	126,578	15,830
	371,864	162,943	371,564	162,943
	691,864	346,943	691,564	346,943

(i) Represents fees paid to KPMG since their appointment as external auditors (2002 Deloitte Touche Tohmatsu).

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 will approve any other services provided by KPMG above a value of \$20,000.

	Consolidated		Company	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
7. Income tax expense				
The amount of income tax attributable to the financial year differs from the amount prima facie payable on the operating profit/(loss). The differences are reconciled as follows:				
Income tax expense attributable to operating profit before significant items				
Prima facie income tax expense calculated at 30% (2002 at 30%)				
on profit from ordinary activities before significant items	15,701	9,583	12,238	9,383
Tax effect of permanent differences which (reduce)/increase tax expense:				
non-allowable depreciation of buildings	472	632	229	650
research and development	(409)	(111)	(263)	(111)
tax under/(over)provided in prior years	929	-	2,704	-
non-allowable goodwill amortisation	939	-	-	-
non taxable profit on sale of property, plant and equipment	(452)	-	(67)	-
sundry items	121	662	(17)	661
Income tax expense attributable to operating profit before significant items	17,301	10,766	14,824	10,583
Income tax expense attributable to significant items				
Prima facie income tax benefit calculated at 30% (2002 at 30%)				
on loss from significant items	(19,371)	(2,405)	(5,573)	(2,240)
Tax effect of permanent differences which (reduce)/increase tax expense:				
merger implementation costs	5,450	-	5,450	-
write-down of investments in controlled entities	-	-	20,249	-
loan forgiveness from controlled entities	-	-	(33,138)	-
tax under/(over)provided in prior years	3,009	(2,959)	3,167	(4,926)
Income tax benefit attributable to operating loss from significant items	(10,912)	(5,364)	(9,845)	(7,166)
Income tax expense attributable to operating (loss)/profit	6,389	5,402	4,979	3,417
Income tax expense comprises:				
provision for income tax	2,063	-	-	-
deferred income tax	(3,662)	-	-	-
future income tax benefit	7,988	5,402	4,979	3,417
	6,389	5,402	4,979	3,417

Notes to the Financial Statements

7. Income tax expense (continued)

Recovery of future income tax benefits included in deferred tax assets (see note 16) depends on future taxable earnings and the continuation of existing tax laws and compliance therewith.

There are no future tax benefits attributable to tax losses carried forward by controlled entities (2002 \$9.3m).

	Notes	Consolidated	
		2003 Cents per share	2002 Cents per share
8. Earnings per share (EPS)			
Basic earnings per share			
including significant items		(60)	106
excluding significant items		113	121
		Number	Number
Weighted average number of shares used as the denominator:			
Number for basic earnings per share (i)		31,120,472	17,484,530
Average market price of ordinary shares (ii)		\$15.39	N/A
		\$000	\$000
Reconciliation of earnings used in the calculation of basic earnings per share:			
Including individually significant items			
(Loss)/profit from ordinary activities after income tax expense		(18,623)	18,526
Earnings used in calculation of EPS including individually significant items		(18,623)	18,526
Reconciliation of earnings used in the calculation of basic earnings per share:			
Excluding individually significant items			
(Loss)/profit from ordinary activities after income tax expense		(18,623)	18,526
Deduct individually significant items after income tax	(5)	(53,656)	(2,651)
Earnings used in calculation of EPS excluding individually significant items		35,033	21,177

(i) The weighted average number of shares used as the denominator is calculated over the 12 months ended 30 September 2003 and takes into account the issue of 40,796,719 shares on 1 June 2003.

(ii) The consolidated entity was not listed on the Australian Stock Exchange during 2002. Consequently an average market price of ordinary shares was not available in 2002. The average market price of ordinary shares for the year ended 30 September 2003 is calculated from 28th July 2003, the listing date of the Company on the Australian Stock Exchange.

	Consolidated		Company	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
9. Cash assets				
Cash at bank and on hand	6,851	6,283	22	3,051
Deposits at call				
external	-	33,000	-	33,000
entity subject to common control	14,418	-	14,418	-
	21,269	39,283	14,440	36,051

Notes to the Financial Statements

		Consolidated		Company	
	Notes	2003	2002	2003	2002
		\$000	\$000	\$000	\$000
10. Receivables					
Current					
Trade debtors					
external		101,050	48,105	41,876	45,873
entities subject to common control		3,309	-	-	-
Less provision for doubtful debts					
external		(866)	(1,125)	(666)	(1,057)
		103,493	46,980	41,210	44,816
Sundry debtors/loans					
external		4,584	1,986	1,425	1,914
entities subject to common control		911	-	-	-
wholly-owned controlled entity		-	-	78	-
		5,495	1,986	1,503	1,914
		108,988	48,966	42,713	46,730
Non-current					
Sundry debtors/loans					
external		253	335	253	335
related parties		1,671	-	1,671	-
		1,924	335	1,924	335

Significant terms and conditions

Trade debtors are carried at amounts due.

The collectability of debts is assessed at balance date and specific provision is made for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

Sundry debtors generally arise from transactions outside the usual operating activities of the consolidated entity.

Net fair values

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

Credit risk

Credit risk in debtors is managed in the following ways:

- payment terms are generally 30 days and payment compliance is high.
- a risk assessment process is used for all accounts, with a stop credit process for most long overdue accounts. Interest may be charged where the terms of repayment exceed agreed terms.
- credit insurance cover is obtained where appropriate.

11. Inventories

Raw materials and stores at cost

At cost	18,186	6,793	3,287	5,568
Less provision for inventory losses and obsolescence	(468)	(330)	(468)	(330)
	17,718	6,463	2,819	5,238

Finished goods

At cost	189,298	107,573	72,170	107,458
Less provision for inventory losses and obsolescence	(1,373)	(2,177)	(623)	(2,177)
	187,925	105,396	71,547	105,281
	205,643	111,859	74,366	110,519

12. Other assets

Current

Deferred maintenance expenditure	(1ix)	12,132	-	-	-
Less accumulated amortisation		(7,292)	-	-	-
		4,840	-	-	-
Prepayments		9,859	906	7,834	872
		14,699	906	7,834	872

Non-current

Deferred maintenance expenditure	(1ix)	13,456	-	-	-
Prepayments		97	-	-	-
		13,553	-	-	-

Notes to the Financial Statements

	Notes	Consolidated		Company	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
13. Other financial assets					
Current					
Non-trade receivables from wholly owned controlled entities					
At cost		-	-	-	20
Non-current					
Interest in unlisted controlled entities					
At cost	(36)	-	-	474,179	73,775

14. Property, plant and equipment

Land, buildings and improvements

At cost	203,982	114,399	66,046	92,152
Accumulated depreciation	(87,952)	(44,993)	(32,989)	(30,571)
At recoverable amount	14,913	-	14,913	-
Total net book value	130,943	69,406	47,970	61,581

Machinery, plant and equipment

At cost	431,830	180,973	136,072	168,966
Accumulated depreciation	(266,158)	(133,861)	(99,033)	(121,933)
Total net book value	165,672	47,112	37,039	47,033
Total net book value of property, plant and equipment	296,615	116,518	85,009	108,614

(i) Carrying value of freehold land

(included with land, buildings and improvements)	47,018	7,397	4,596	5,298
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(ii) Land held for resale

At cost - current	10,462	-	-	-
At cost - non current	356	-	-	-
Total (included in value of freehold land)	10,818	-	-	-

(iii) Current valuations

The most recent valuations of freehold land, buildings and improvements, which are prepared every three years, are listed below.

These valuations are not incorporated in the financial statements.

	2003 \$000	2000 \$000
At directors' valuation	148,898	104,300

The valuations were independently determined on a market value for existing use basis except in relation to properties held as investments or for disposal in which case the valuations were determined on a market value for alternative use. Capital gains tax has not been taken into account in these valuations.

(iv) Capitalised borrowing costs

No interest was capitalised during the financial year (2002 nil).

Notes to the Financial Statements

14. Property, plant and equipment (continued)

(v) Reconciliations

Reconciliations of the consolidated carrying amounts of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Notes	Land, buildings and improvements \$000	Machinery, plant and equipment \$000	Total \$000
Consolidated 2003				
Carrying amount at the beginning of the financial year		69,406	47,112	116,518
Additions		2,338	13,240	15,578
Disposals		(2,374)	(1,810)	(4,184)
Additions through acquisition of entities	(26)	77,807	130,371	208,178
Disposals through disposal of businesses	(26)	-	(174)	(174)
Depreciation expense	(4)	(4,767)	(14,875)	(19,642)
Write down to recoverable amount		(11,467)	(8,192)	(19,659)
Carrying amount at the end of the financial year		130,943	165,672	296,615
Company 2003				
Carrying amount at the beginning of the financial year		61,581	47,033	108,614
Additions		1,814	7,109	8,923
Disposals		(958)	(1,565)	(2,523)
Depreciation expense	(4)	(3,660)	(7,766)	(11,426)
Write down to recoverable amount		(11,467)	(7,802)	(19,269)
Depreciation of allocated assets from group		660	30	690
Carrying amount at the end of the financial year		47,970	37,039	85,009

	Consolidated		Company	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000

15. Intangible assets

Goodwill, at cost	188,482	-	-	-
Less accumulated amortisation	(3,128)	-	-	-
Total net book value of goodwill	185,354	-	-	-

16. Deferred tax assets

Future income tax benefit	19,101	18,637	13,194	16,173
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17. Payables

Current

Trade creditors				
external	113,152	48,405	26,703	47,933
wholly-owned controlled entity	-	-	19,435	-
Sundry creditors and accrued charges				
external	17,669	37	4,264	37
entity subject to common control	78	-	78	-
	130,899	48,442	50,480	47,970

Non-current

Sundry creditors and accrued charges				
wholly-owned controlled entities	-	-	-	92,096
	-	-	-	92,096

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 32 days from invoice, month end or within the agreed payment terms with the supplier.

Net fair values

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

Notes to the Financial Statements

	Consolidated		Company	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
18. Interest bearing liabilities				
Current				
Secured				
bank loans	-	28,915	-	28,915
investment deposit debentures	39,086	31,716	39,086	31,716
Unsecured				
bank overdrafts	1,577	-	1,577	-
other loans				
wholly-owned controlled entity	-	-	20,816	-
	40,663	60,631	61,479	60,631
Non-current				
Secured				
bank loans	-	60,000	-	60,000
Unsecured				
redeemable preference shares	55,000	-	-	-
	55,000	60,000	-	60,000

Investment deposit debenture

Secured by a fixed and floating charge over the consolidated entity's assets, the current market value of which exceeds the value of the borrowings.

Significant terms and conditions

Interest expense is recognised progressively over the life of the loan. Refer to note 31 for additional financial instruments disclosures.

Net fair values

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

Redeemable Preference Shares

A subsidiary of the consolidated entity issued 11,000 redeemable preference shares at \$5,000 per share on 27 May 2003, redeemable on 27 November 2004 at face value. Holders receive interest at 5.36% per annum.

19. Current tax liabilities

Provision for income tax	6,312	-	-	-
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20. Provisions

Current				
Employee entitlements	9,386	9,059	4,815	8,935
Restructuring and rationalisation	12,979	3,822	8,113	3,822
Environmental	12,471	3,219	7,300	3,219
Other	2,297	405	2,297	405
	37,133	16,505	22,525	16,381
Non-current				
Employee entitlements	8,666	741	2,161	724
Restructuring and rationalisation	823	-	532	-
	9,489	741	2,693	724
Aggregate employee entitlements				
Current	9,386	9,059	4,815	8,935
Non-current	8,666	741	2,161	724
	18,052	9,800	6,976	9,659

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	4.0%
Average discount rate	5.2%
Settlement term	10 years

Employees at year end	Number	Number	Number	Number
Full time equivalent	899	466	352	455

Notes to the Financial Statements

20. 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 \$000	Company \$000
Current Provision - Dividends			
Carrying amount at the beginning of the financial year		-	-
Provisions made during the year:			
Special Dividend 2003		24,478	24,478
Payments made during the period		(24,478)	(24,478)
Carrying amount at the end of the financial year		-	-

Current Provision - Restructuring and rationalisation			
Carrying amount at the beginning of the financial year		3,822	3,822
Additions through acquisition of entities	(26)	9,216	-
Provisions made during the year		19,827	19,827
Transfers from environmental provision		143	143
Payments made during the period		(20,029)	(15,679)
Carrying amount at the end of the financial year		12,979	8,113

Current Provision - Environmental			
Carrying amount at the beginning of the financial year		3,219	3,219
Additions through acquisition of entities	(26)	5,244	-
Provisions made during the year		7,300	7,300
Provisions written back during the year		(268)	(268)
Transfers to restructuring and rationalisation provision		(143)	(143)
Payments made during the period		(2,881)	(2,808)
Carrying amount at the end of the financial year		12,471	7,300

Current Provision - Other			
Carrying amount at the beginning of the financial year		405	405
Provisions made during the year		2,297	2,297
Transfer to current trade creditors - external		(268)	(268)
Transfer to current employee entitlements		(137)	(137)
Carrying amount at the end of the financial year		2,297	2,297

Non Current Provision - Restructuring and rationalisation			
Carrying amount at the beginning of the financial year		-	-
Provisions made during the year		823	532
Carrying amount at the end of the financial year		823	532

	Consolidated		Company	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000

21. Deferred tax liabilities

Deferred income tax	14,268	-	-	-
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Notes to the Financial Statements

Company/Consolidated
2003 2002
\$000 \$000

22. Contributed equity

Share capital:

Ordinary shares - 58,281,027 (2002 - 14,037,142)	532,445	52,122
Investor shares - nil (2002 - 3,447,388)	-	13,697
	532,445	65,819

Movements in issued and fully paid ordinary shares of the company during the past two years were as follows:

Details	Date	Number of shares	Issue price \$	\$000
Opening balance of shares issued	1 Oct 01	14,058,910		51,940
Rebate reinvestment 1999 Adjustment		-		378
Conversion from ordinary share to investor share	1 Oct 01 to 30 Sep 02	(21,162)	9.00	(189)
New employee shares issued	16 Nov 01	9,130	9.00	81
Employee share plan buy-back	1 Oct 01 to 30 Sep 02	(9,736)	9.00	(88)
Balance	30 Sep 02	14,037,142		52,122
Employee share plan buy-back	17 Oct 02	(222)	9.00	(2)
Conversion from ordinary share to investor share	1 Oct 02 to 31 Jan 03	(6,400)	9.00	(56)
Shares issued in consideration for purchase of Incitec Fertilizers Limited (i)	1 June 03	40,796,719	11.47	467,900
Conversion of balance of investor shares to ordinary shares	3 July 03	3,453,788		13,755
Transaction costs arising pursuant to the listing of Incitec Pivot Limited on the Australian Stock Exchange				(1,274)
Balance	30 Sep 03	58,281,027		532,445

(i) The issue price of \$11.47 represents the midpoint of an independent valuation prepared by Ernst and Young as at 17th March 2003 of the combined Incitec and Pivot fertiliser business.

Terms and conditions:

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

Movements in issued and fully paid investor shares of the company during the past two years were as follows:

Details	Date	Number of shares	Issue price \$	\$000
Opening balance of shares issued	1 Oct 01	3,427,581		13,517
Conversion from ordinary share to investor share	1 Oct 01 to 30 Sep 02	21,162		189
Employee share plan buy-back	1 Oct 01 to 30 Sep 02	(1,355)	9.00	(9)
Balance	30 Sep 02	3,447,388		13,697
Conversion from ordinary share to investor share	1 Oct 02 to 31 Jan 03	6,400	9.00	58
Conversion of balance of investor shares to ordinary shares	3 July 03	(3,453,788)		(13,755)
Balance	30 Sep 03	-		-

Investor shares enabled ordinary shareholders who ceased to be customers (and their beneficiaries) to continue to have equity interest in the Company, and to facilitate employee and commercial equity investment. A new company constitution following the acquisition of Incitec Fertilizers Limited provides for a single 'ordinary class' of shares. Consequently each investor share has been transferred to the 'ordinary' class of shares.

Notes to the Financial Statements

		Consolidated		Company	
		2003	2002	2003	2002
	Notes	\$000	\$000	\$000	\$000
23. Reserves and retained profits					
(a) Reserves					
Realisation and revaluation of assets		34,423	34,423	43,686	43,686
General and other		1,499	-	8	-
Forfeited shares		-	8	-	8
Capital profits		-	1,491	-	-
		35,922	35,922	43,694	43,694
Movement in reserves during the financial year					
Realisation and revaluation of assets					
Balance at beginning of year		34,423	34,342	43,686	43,686
Increase in revaluation reserve		-	81	-	-
Balance at end of year		34,423	34,423	43,686	43,686
General and other					
Balance at beginning of year		-	-	-	-
Transfer from capital profit reserves		1,491	-	-	-
Transfer from forfeited shares reserve		8	-	8	-
Balance at end of year		1,499	-	8	-
Forfeited shares reserve					
Balance at beginning of year		8	8	8	8
Transfer to General and other		(8)	-	(8)	-
Balance at end of year		-	8	-	8
Capital profits reserve					
Balance at beginning of year		1,491	1,491	-	-
Transfer to General and other		(1,491)	-	-	-
Balance at end of year		-	1,491	-	-
(b) Retained profits					
Retained profits at the beginning of the financial year		48,444	29,918	7,774	(12,618)
Net decrease in equity due to initial adoption of revised AASB 1028 <i>Employee Benefits</i>	(1ii)	(328)	-	(191)	-
Operating (loss)/profit after income tax attributable to members of Incitec Pivot		(18,623)	18,526	17,238	20,392
Dividends:	(25)				
Special dividend		(24,478)	-	(24,478)	-
Retained profits at the end of the financial year		5,015	48,444	343	7,774

Nature and purpose of reserves

Realisation and revaluation of assets: the realisation and revaluation of assets reserve includes the net revaluation of assets increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041.

General and other : the general reserve has been created as a result of transfers from other reserve accounts and is available for non-specific purposes.

Forfeited shares : the balance of the forfeited shares reserve has been transferred to general and other reserves.

Capital profits : the balance of capital profits reserve has been transferred to general and other reserves.

Notes to the Financial Statements

	Notes	Consolidated		Company	
		2003	2002	2003	2002
		\$000	\$000	\$000	\$000
24. Total equity reconciliation					
Total equity at the beginning of the financial year		150,185	131,216	117,287	96,533
Total changes recognised in the statements of financial performance		(18,951)	18,526	17,047	20,392
Transactions with owners as owners					
Dividends provided for or paid	(25)	(24,478)	-	(24,478)	-
Contributions of equity	(22)	467,900	443	467,900	362
Expenses relating to the listing on the Australian Stock Exchange	(22)	(1,274)	-	(1,274)	-
Total equity at the end of the financial year		573,382	150,185	576,482	117,287

		Company	
		2003	2002
		\$000	\$000
25. Dividends			
Dividends paid or declared in respect of the year ended 30 September were:			
Ordinary			
special dividend of \$1.40 per share, fully franked at 30%, paid 16th June 2003		24,478	-
Dividends paid in cash		24,478	-

Redeemable Preference Shares

Dividends payable in respect of the redeemable preference shares are accrued in the financial statements on a monthly basis, and are paid quarterly at 5.36% per share, unfranked. Dividends on these shares have been charged to the statements of financial performance as borrowing costs because the shares are classified as liabilities.

Franking credits

Franking credits available at the 30% (2002 at 30%) corporate tax rate after allowing for tax payable in respect of the current year's profit is \$3,241,743 (2002 \$13,732,328). The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

From 1 July 2002 the franking credits available have been measured in accordance with the New Business Tax System (Imputation) Act 2002 as the amount of income tax paid rather than being based on after-tax profits as in previous periods. The change in the basis of measurement does not change the underlying value of franking credits available to shareholders from the dividend franking account. Comparative information has not been restated for this change in measurement.

Notes to the Financial Statements

		Consolidated		Company	
	Notes	2003 \$000	2002 \$000	2003 \$000	2002 \$000
26. Notes to the statements of cash flows					
Reconciliation of cash					
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:					
Cash	(9)	21,269	39,283	14,440	36,051
Bank overdraft	(18)	(1,577)	-	(1,577)	-
		19,692	39,283	12,863	36,051
Reconciliation of (loss)/profit from ordinary activities after income tax to net cash flows from operating activities					
(Loss)/profit from ordinary activities after income tax expense		(18,623)	18,526	17,238	20,392
Depreciation and amortisation		24,353	15,273	11,426	15,202
Increase in net interest payable		324	-	-	-
Write down of property, plant and equipment (significant items)	(5)	22,143	-	21,754	-
Write-back of write-down of property, plant and equipment		(782)	-	(782)	-
Write-down of investments in controlled entities	(5)	-	-	67,497	-
Loan forgiveness from controlled entities (significant items)	(5)	-	-	(110,459)	-
Net profit on sale of business (significant items)	(5)	(526)	(310)	-	-
Net loss/(profit) on sale of property, plant and equipment		100	(326)	(6)	(624)
Changes in assets and liabilities excluding the effects of acquisitions and disposals of businesses					
increase/(decrease) in trade and other receivables		42,943	33,946	(4,535)	33,837
increase in inventories		63,421	11,049	36,153	11,075
increase in deferred taxes payable		4,573	-	4,979	-
decrease in payables and provisions		(46,624)	(9,590)	10,408	(12,961)
increase in income taxes payable		4,930	5,856	-	5,569
Net cash flows from operating activities		96,232	74,424	53,673	72,490
Disposal of business					
Consideration					
cash received		4,553	400	-	-
disposal costs		(160)	-	-	-
		4,393	400	-	-
Fair value of net assets of business disposed					
receivables		1,800	-	-	-
inventories		1,971	-	-	-
property, plant and equipment		174	14	-	-
intangibles		-	98	-	-
other assets		58	-	-	-
payables and interest bearing liabilities		-	(22)	-	-
other provisions		(136)	-	-	-
		3,867	90	-	-
Profit on sale of business		526	310	-	-

Disposal of entities

During the financial year, the consolidated entity divested the operating assets and business of the Carrick Stockfeed Mill.

Notes to the Financial Statements

Consolidated		Company	
2003	2002	2003	2002
\$000	\$000	\$000	\$000

26. Notes to the statements of cash flows (continued)

Acquisition of businesses/controlled entities

Consideration

non-cash consideration (shares issued)	467,900	-	-	-
net cash acquired	(103)	-	-	-
	467,797	-	-	-

Fair value of net assets of businesses/controlled entities acquired

receivables	114,770	-	-	-
inventories	159,175	-	-	-
property, plant and equipment	208,178	-	-	-
other assets	27,786	-	-	-
payables and interest bearing liabilities	(184,636)	-	-	-
provision for employee entitlements	(11,552)	-	-	-
provision for restructuring and rationalisation	(9,216)	-	-	-
provision for environmental	(5,244)	-	-	-
provision for tax	(19,946)	-	-	-
	279,315	-	-	-
Goodwill on acquisition	188,482	-	-	-

Acquisition of entities

During the financial year, the consolidated entity acquired Incitec Fertilizers Limited. Restructuring and rationalisation provisions were established in order to merge its operations into the existing fertiliser business.

27. Commitments

Capital expenditure commitments

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

no later than one year	1,557	3,659	1,128	3,659
	1,557	3,659	1,128	3,659

Lease commitments

Lease expenditure contracted for at balance date but not recognised in the financial statements and payable:

no later than one year	8,871	7,274	3,495	7,274
later than one, no later than five years	16,115	10,238	8,248	10,238
later than five years	18,066	16,508	11,695	16,508
	43,052	34,020	23,438	34,020

Representing				
non-cancellable operating leases	43,052	34,020	23,438	34,020
	43,052	34,020	23,438	34,020

Notes to the Financial Statements

28. Contingent liabilities and contingent assets

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.

Discounted bills of exchange

A discounted bill of exchange facility is in place with a bank and is utilised by a number of customers for the purpose of trade finance. The majority of these discounted bills of exchange are issued for periods less than 120 days.

Total discounted bills of exchange outstanding at year end amounted to \$9.9m (2002 nil).

Guarantees and warranties

- The Company has guaranteed seasonal borrowings of certain customers, up to 6% of the total amount borrowed. The guarantee is in place with Suncorp Metway Bank. At 30 September 2003, the total contingent liability in respect of this guarantee is \$1.7m.
- Under the terms of a Deed of Cross Guarantee entered into in accordance with the ASIC Class Order 98/1418 dated 13 August 1998 (as amended), each company which is a party to the Deed has covenanted with the Trustee 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. A consolidated statement of financial position and statement of financial performance for this closed group is shown in note 37.
- 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 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 during the 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 matters subject to regulatory environmental requirements

The Company has created provisions for all known environmental liabilities. 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.

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

Notes to the Financial Statements

29. Standby arrangements and credit facilities

	Consolidated		Company	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Committed bank overdraft facilities available	5,000	5,000	5,000	5,000
Amount of facilities unused	3,423	5,000	3,423	5,000
Committed standby and loan facilities available	220,000	215,000	220,000	215,000
Amount of facilities unused	220,000	94,369	220,000	94,369

The committed bank overdraft facilities are provided by banks and are subject to an annual review. The committed loan facilities are provided by a related party, Orica Finance Limited with repayment terms ranging from overnight to 90 days.

30. Amounts receivable and payable denominated in foreign currencies

The consolidated entity enters into a range of financial instruments to hedge its foreign currency receivables and payables. At year end, the consolidated entity was exposed to currency movements on net foreign currency amounts payable of \$89.7m (2002 \$16.9m). This exposure was predominantly against the US dollar.

The consolidated entity does not have any material exposure to currency movements on foreign currency amounts receivable and payable due to the policy of entering into a range of financial instruments to hedge the consolidated entity's exposures.

31. Additional financial instruments disclosures

The consolidated entity uses several techniques to reduce the exposure to loss from financial risks. The major types of risks are foreign exchange risk, interest rate risk, liquidity risk and credit risk.

Foreign exchange risk management

Foreign exchange transaction 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 external parties in the financial markets. The derivative instruments used for hedging purchase and sales exposures are option contracts and forward contracts.

For contracts which specifically hedge anticipated sales and purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, are carried forward in the statements of financial position and will be recognised in the statements of financial performance at the time the underlying transaction occurs.

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

Term	Weighted average rate		Forward FX Contract	
	2003 \$	2002 \$	2003 A\$000	2002 A\$000
Buy US dollars / sell Australian dollars Not later than one year	0.6420	0.5493	52,618	7,375
Buy Euro / sell US dollars Not later than one year	0.5391	-	236	-

Note: An immaterial amount of forward foreign exchange contracts are held in other currencies.

Notes to the Financial Statements

31. Additional financial instruments disclosures (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. To hedge the output of this plant a series of collar options and vanilla options have been put in place. 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. Favourable or unfavourable hedge outcomes only result if the relevant exchange rate at maturity is higher or lower than the options upper or lower strike rates established at the inception of the hedge. The table below summarises collar option contracts taken out to hedge the output of the Gibson Island plant.

	Weighted average AUD/USD strike rate				Contract amounts	
	2003		2002		2003	2002
	\$	\$	\$	\$	US\$000	US\$000
	Bought	Sold	Bought	Sold		
	AUD call	AUD put	AUD call	AUD put		
	options	options	options	options		
Not later than one year	0.58	0.43	-	-	55,000	-

The company has also 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 statement of financial position and will be recognised in the statements of financial performance at the time the underlying transaction occurs. 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.

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

Term	Weighted average AUD/USD strike rate		Contract amounts	
	2003	2002	2003	2002
	\$000	\$000	A\$000	A\$000
Later than one year but not later than two years years	0.6781	-	20,000	-
Later than two years but not later than three years	0.6781	-	10,000	-
Later than three years but not later than four years	0.6781	-	10,000	-
Total			40,000	-

Foreign exchange translation risk management

The consolidated entity is not exposed to translation risk resulting from foreign exchange rate movements impacting on the AUD equivalent value of self-sustaining foreign operations.

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 of the treasury steering committee. These contracts were established by Incitec Fertilizers Limited prior to its acquisition.

Interest rate swaps

Interest rate swaps provide the consolidated entity with the facility to raise long term borrowings at floating or fixed interest rates and effectively swap the interest obligation into fixed or floating interest rates respectively. The notional amounts of interest rate swaps as summarised below represent the contract or face values of these derivatives. The notional amounts do not represent amounts exchanged by the parties. The amounts to be exchanged are net settled and will be calculated with reference to the notional amounts and the pay and receive interest rates determined under terms of the derivative contracts. Each contract involves quarterly or biannual payment or receipt of the net amount of interest.

Notes to the Financial Statements

31. Additional financial instruments disclosures (continued)

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

	2003 \$000	2002 \$000
Less than one year	10,000	10,000
One to five years	5,000	-
Notional principal	15,000	10,000
Fixed interest rate range p.a.	5.45% - 6.56%	6.38%
Floating interest rate range p.a.	4.71% - 5.00%	4.65% - 6.44%

Interest rate risk

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:

		Floating interest rate	Fixed interest rates		5 years or more	Non- Interest bearing	Total	Weighted average effective interest rate (i) % p.a.
	Notes	\$000's	1 year or less \$000's	1 to 5 years \$000's	\$000's	\$000's	\$000's	
30 September 2003								
Cash assets	(9)	14,418				6,851	21,269	
Trade debtors	(10)					101,050	101,050	
Total financial assets		14,418				107,901	122,319	
Trade creditors	(17)					(113,152)	(113,152)	
Bank overdraft	(18)	(1,577)					(1,577)	8.25
Other borrowings	(18)	(39,086)					(39,086)	4.75
Employee entitlements	(20)				(8,666)	(9,386)	(18,052)	4.20
Interest rate swaps (ii)		15,000	(15,000)				-	6.46
Redeemable preference shares	(18)			(55,000)			(55,000)	5.36
Total financial liabilities		(25,663)	(15,000)	(55,000)	(8,666)	(122,538)	(226,867)	
Net financial assets/(liabilities)		(11,245)	(15,000)	(55,000)	(8,666)	(14,637)	(104,548)	
30 September 2002								
Cash assets	(9)	39,283					39,283	4.65
Trade debtors	(10)					48,105	48,105	
Total financial assets		39,283				48,105	87,388	
Trade creditors	(17)					(48,405)	(48,405)	
Short term borrowings	(18)	(28,915)					(28,915)	6.44
Non current borrowings	(18)	(60,000)					(60,000)	6.44
Other borrowings	(18)	(31,716)					(31,716)	5.75
Employee entitlements	(20)				(9,059)	(741)	(9,800)	4.20
Interest rate swaps (ii)		10,000	(10,000)				-	6.38
Total financial liabilities		(110,631)	(10,000)		(9,059)	(49,146)	(178,836)	
Net financial assets/(liabilities)		(71,348)	(10,000)		(9,059)	(1,041)	(91,448)	

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

(ii) Notional principal amount.

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.

Notes to the Financial Statements

31. Additional financial instruments disclosures (continued)

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 statements of financial position net of any provision for doubtful debts (see note 10) and from derivative financial instruments.

The credit risk exposure arising from derivative financial instruments is the sum of all contracts with a positive replacement cost. As at 30 September 2003, the sum of all contracts with a positive replacement cost was \$16.7m (2002 \$0.1m).

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

The net fair values of the consolidated entity's unrecognised financial assets and liabilities at balance date are:

	Net fair value	
	2003 \$000's	2002 \$000's
Interest rate swaps	(202)	108
Foreign exchange option contracts	14,098	-

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.

32. Employee share plans

Incitec Pivot Senior Executives Long Term Incentive Plan

Under the Long Term Incentive Plan the Company may grant awards to senior executive officers subject to the achievement or satisfaction of conditions as to duration of employment or conditions as to performance.

Since the adoption of the Long Term Incentive Plan, 47 senior employees have been invited to participate in awards made under the rules of the Long Term Incentive Plan on the following basis:

- in recognition of the achievement of certain performance targets in the period between 1 June 2003 and 30 September 2003, the participating senior employees will be granted awards based on a percentage of base remuneration. These awards, once quantified, will be paid in cash before 31 December 2003;
- in respect of the period from 1 June 2003 to 30 September 2005, an award was granted to the participating employees, such to be satisfied by the purchase, in aggregate, of 107,925 shares on Australian Stock Exchange in the name of Incitec Pivot LTI Plan Company Pty Ltd as trustee for the participants. The shares purchased may be forfeited by a participating employee if that employee ceases to be employed with Incitec Pivot prior to September 2005. In respect of the amount of this award to be applied towards shares, the participating employees were each given an interest free unsecured loan by the Company. The loan is repayable on the earlier of the employee ceasing to be employed by Incitec Pivot, the employee selling his/her shares or three years after the loan is made. The company has discretion to decide the amount of repayment due in satisfaction of the debt. Any dividends will be applied on an after tax basis to reduce the loan balance. The employee cannot deal in these shares until 30th September 2005, and
- that they may be eligible to receive an award under the Long Term Incentive Plan dependent on the achievement of certain performance measures over a rolling three year period.

Employee Share Ownership Plan

On 28 October 2003 the Board established the Incitec Employee Pivot Share Ownership Plan (ESOP). The ESOP is administered by the Plan Manager, Watson Wyatt Australia Pty. Ltd.

A sub-committee of the Board of directors will determine which employees are eligible to receive invitations to participate in the ESOP. Invitations will be 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 with a market value to a maximum 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 consolidated entity, whichever occurs first.

Notes to the Financial Statements

33. Related party disclosures

(i) Controlling Entities

The immediate parent entity is Orica IC Assets Limited and the ultimate parent entity is Orica Limited both incorporated in Australia.

(ii) Directors and their Director Related Entities

The Directors of the Company during the year were:

J C Watson	G J Witcombe	C G Leon	L M Delahunty	B J Gibson
B S Gilbert	J Hasker	B Healey	I A Langdon	A C Larkin
G R Liebelt	A D McCallum	T R Robbins	D B Trebeck	

Loans to the Executive Director and Senior Executives under the Incitec Pivot Senior Executive Long Term Share Plan

Individual share loan agreements under the Incitec Pivot Senior Executive Long Term Incentive Plan (note 32) issued subsequent to balance date on 22 October 2003 by the Company are:

Executive Director or Senior Executive	Number of shares issued or acquired on market	Value of loan	Value of loan	Value of loan	Date of loan	Loan repayments		Loan Balance	
		22 October 2003	30 September 2003	30 September 2002		2003	2002	2003	2002
		\$	\$	\$		\$	\$	\$	\$
G J Witcombe	32,269	498,156	-	-	22/10/2003	-	-	-	-
W Elmer	5,091	78,593	-	-	22/10/2003	-	-	-	-
J E Fazzino	5,101	78,747	-	-	22/10/2003	-	-	-	-
J Lloyd	5,667	87,485	-	-	22/10/2003	-	-	-	-
A Sharma	4,723	72,912	-	-	22/10/2003	-	-	-	-

Directors' transactions in shares

Director	2003			2002		
	Acquired during the year (i)	Disposed during the year (i)	Balance at year end (ii)	Acquired during the year (i)	Disposed of during the year (i)	Balance at year end (ii)
J C Watson	-	-	2,700	-	-	2,700 (iii)
G J Witcombe (vi)	-	-	-	-	-	-
C G Leon (v)	-	-	NA	-	-	-
L M Delahunty	3,350	-	6,478	-	-	3,128
B J Gibson	-	-	-	-	-	-
B S Gilbert (v)	-	-	NA	-	-	222
J Hasker (v)	-	-	NA	111	-	111
B Healey	-	-	-	-	-	-
I Langdon (v)	-	-	NA	-	-	1,320
A C Larkin	-	-	-	-	-	-
G R Liebelt	-	-	-	-	-	-
A D McCallum	3,000	-	5,158	276	-	2,158 (iv)
T Robbins (v)	-	-	NA	-	-	515
D B Trebeck	-	-	-	-	-	-

(i) Shares acquired or disposed by directors while they are directors of the company.

(ii) Balance of shares held by directors at balance date.

(iii) Inclusive of 1,925 ordinary shares and 775 investor shares (refer to Note 22).

(iv) Inclusive of 1,993 ordinary shares and 165 investor shares (refer to Note 22).

(v) Balance of shares held at year end by retired directors is not disclosed.

(vi) Mr Witcombe acquired 32,269 shares in the Company subsequent to balance date, on 22nd October 2003.

Other directors' transactions

The non-executive directors are or were directors of companies outside the consolidated entity during the year. Products and services purchased from or sold to those companies are on standard terms and conditions available to all companies.

Mr Trebeck, a director of Incitec Pivot Limited, is a director of a company which provides consulting services to Incitec Pivot Limited. Fees of \$4,060 were paid to the company for consulting services. Mr McCallum and Mr Delahunty as directors of Incitec Pivot Limited both purchased fertiliser to the value of \$28,880 and \$99,912 respectively on terms no more favourable than those available to other customers.

Notes to the Financial Statements

33. Related party disclosures (continued)

At the date of this report Mr Delahunty had funds invested in the Company Investment Deposit Debenture scheme. The interest rate offered is no more favourable than offered to all other investors in the scheme.

All the above transactions with related parties are made on normal commercial terms and conditions and in the ordinary course of business.

Other transactions entered into during the year with directors of the company and controlled entities were on terms and conditions no more favourable than those available to other customers, suppliers and employees and were of a trivial nature. These included the reimbursement of relocation expenses, housing assistance for relocation, minor purchases of product, eligible health benefits, the purchase and/or sale of shares and the receipt of dividends.

Remuneration of directors is disclosed in note 35 and the directors report.

(iii) Transactions with wholly owned controlled entities

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

- On 30 September 2003 a number of intercompany loans to the value of \$110.5m were forgiven within the wholly owned group.
- Management fees were received and paid by Incitec Pivot for accounting and administrative assistance on normal commercial terms and conditions and in the ordinary course of business.
- During the period from acquisition to 30 September 2003, the Company sold fertiliser to Incitec Fertilizers Limited to the value of \$7.3m.

(iv) 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. During the year the following transactions occurred between the Company and its controlled entities and Orica.

- Purchase of products and services to the value of \$9.9m.
- Sale of products and services to the value of \$13.7m.
- Under a service level agreement, fees of \$4.7m were paid/payable in relation to accounting, information technology, engineering and administrative services.
- Interest expense paid by the Company for money deposited with or borrowed from Orica Finance Limited was \$1.1m.

(v) Additional related party disclosures

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

Interest income and expense	note 3, 4
Receivables	note 10
Investments in controlled entities	note 13, 36
Payables	note 17
Interest bearing liabilities	note 18

34. Superannuation commitments

The consolidated entity contributes to a number of superannuation funds that exist to provide benefits for employees and their dependants on retirement, disability or death. The superannuation funds cover company sponsored funds and multi-employer industry/union plans.

Company sponsored plans

- The principal benefits are pensions or lump sum payments for members on resignation, retirement, disability or death. The benefits are provided on either a defined benefit basis or a defined contribution basis.
- Employee contribution rates are either fixed by the rules of the funds or selected by members from time to time from a specified range of rates. The employer companies contribute the balance of the cost required to fund the defined benefits or in the case of defined contribution funds, the amounts required by the rules of the fund.
- The contributions made by the employer companies to defined contribution funds are legally enforceable.

Industry/union plans

- Some controlled entities participate in industry/union plans on behalf of certain employees.
- These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement, disability or death.
- The employer entity has a legally enforceable obligation to contribute a regular amount for each employee member of these plans.
- The employer entity has no other legal liability to contribute to the plans.

Notes to the Financial Statements

34. Superannuation commitments (continued)

Flexible Benefits Super Fund

During the year the consolidated entity made employer contributions of \$0.8m (2002 \$nil) to the defined benefit fund. Employer contributions by the Company to the defined benefit fund during the year were \$nil (2002 \$nil).

The consolidated entities proportionate interest in the accrued benefits, based on the most recent actuarial assessments or estimates, the plan assets at most recent estimates of net market values and the vested benefits as at the most recent reporting date are:

			2003		
	Accrued benefits	Plan assets	Net difference accrued benefits to plan assets	Vested benefits	Net surplus / (deficit) vested benefits to plan assets
	\$m	\$m	\$m	\$m	\$m
The Flexible Benefits Super Fund	77.0	75.5	(1.5)	77.0	(1.5)

Incitec Fertilizers Limited (which was acquired on 1 June 2003) is an associated employer of The Flexible Benefits Super Fund. The principal sponsor of the fund is the ultimate parent entity, Orica Limited. Only certain employees of Incitec Fertilizers Limited, are members of the Flexible Benefits Super Fund. The Flexible Benefits Super Fund has a defined benefit member category and defined contribution member category. The balance date of the fund is 30 June. A full actuarial review at 30 June 2000 was performed by G E Miller FIAA. The 30 June 2003 full actuarial review is in progress.

Asset values are estimated at 30 September 2003, based on audited values as at 30 June 2003, adjusted to reflect estimated investment performance between 1 July 2003 and 30 September 2003. The estimate for accrued benefits and vested benefits has been calculated using membership data as at 30 June 2003, adjusted to reflect estimated investment performance between 1 July 2003 and 30 September 2003.

Differences between accrued benefits to plan assets 'deficits' depend on many diverse factors and can vary significantly over time having regard for movements in investment markets, future salary increases and changes in employee patterns. The consolidated entity's current intention is to make contributions to defined benefit funds at a rate recommended by the actuary. It is expected that the contribution rates will be determined after taking into account sound actuarial principles and would be designed to enable all defined benefits to meet retirement expectations and relevant regulatory requirements as and when they fall due.

The consolidated entity does not have an obligation to fund immediately any reported deficiency and has met in full its obligations to all funds as at the balance date. The consolidated entity expects future contributions will meet any reported deficiency from time to time.

35. Remuneration of directors and executives

Directors

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Aggregate of income paid or payable, or otherwise made available, to all directors by the consolidated entity or any related party.	4,093,099	1,173,145	2,465,773	1,173,145

The number of directors of the company whose total income from the company or any related party was within the specified bands are as follows:

\$	No.	No.	No.	No.
20,000 – 29,999	3	-	3	-
40,000 – 49,999	-	5	-	5
50,000 – 59,999	1	1	1	1
60,000 – 69,999	1	1	1	1
70,000 – 79,999	2	-	2	-
80,000 – 89,999	1	-	1	-
90,000 – 99,999	-	1	-	1
100,000 – 109,999	1	-	-	-
110,000 – 119,999	2	-	1	-
140,000 – 149,999	1	-	1	-
240,000 – 249,999	-	1	-	1
340,000 – 349,999	1	-	1	-
490,000 – 499,999	-	1	-	1
600,000 – 609,999	1	-	-	-
800,000 – 809,999	1	-	-	-
1,420,000 – 1,429,999	1	-	1	-

Notes to the Financial Statements

35. Remuneration of directors and executives (continued)

Executive officers

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Aggregate of income received or due and receivable by executive officers (including executive directors) whose income is more than \$100,000. An executive officer is a member of the group executive who is directly accountable and responsible for the strategic direction and operational management of Incitec Pivot.	4,915,639	2,901,250	4,915,639	2,901,250

The number of executive officers with income of more than \$100,000 is shown in the relevant income bands:

\$				
100,000 – 109,999	2	-	2	-
110,000 – 119,999	1	-	1	-
140,000 – 149,999	2	1	2	1
200,000 – 209,999	-	1	-	1
260,000 – 269,999	-	1	-	1
280,000 – 289,999	-	1	-	1
290,000 – 299,999	1	-	1	-
340,000 – 349,999	1	2	1	2
360,000 – 369,999	-	1	-	1
390,000 – 399,999	1	-	1	-
410,000 – 419,999	1	-	1	-
450,000 – 459,999	-	1	-	1
490,000 – 499,999	-	1	-	1
600,000 – 609,999	1	-	1	-
800,000 – 809,999	1	-	1	-
1,420,000 – 1,429,999	1	-	1	-

36. Investments in controlled entities

Name of Entity	Notes
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Company

Incitec Pivot Limited - (Formerly Pivot Limited)

Controlled Entities

Cripps Bakery Pty Ltd

ECH Investments Pty Limited

Electrical & Engineering Supplies Proprietary Limited

H.M.A. Ltd

Holyman Brothers Proprietary Limited

Incitec Fertilizers Limited

Acquired in 2003

Incitec Pivot LTI Plan Company Pty Limited

Acquired in 2003

L.P.I. Finance Proprietary Limited

M&A '95 Pty Ltd

North Western Flour Mills Pty Ltd

Nu-bake Bakery Pty Ltd

Nu-bake Properties Pty Ltd

Phoschem Proprietary Limited

Pivot Agricultural Laboratory Services Pty Ltd

Pivot Employee Share Plan Administration Company Pty Limited

Pivot Fertilisers Proprietary Limited

Pivot Motors Pty Ltd

Pivot Nominees Pty Ltd

Pivot Nutrition Pty Ltd

Pivot Supplementary Feeds Limited

Pivot Transport Proprietary Limited

Saftrans Pty Ltd

Stock Feed Distributors Pty Ltd

TOP Australia Ltd

All controlled entities are owned 100% and are incorporated in Australia. All controlled entities other than Incitec Fertilizers Limited and Incitec Pivot LTI Plan Company Pty Ltd have each entered into a Deed of Cross Guarantee with Incitec Pivot Limited in respect of relief granted from specific accounting and financial reporting requirements in reporting requirements in accordance with ASIC Class Order 98/1418

Notes to the Financial Statements

Closed Group
2003 2002
\$000 \$000

37. Deed of Cross Guarantee

Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 dated 13 August 1998 (as amended), are disclosed in note 36. A consolidated statement of financial position and statement of financial performance for this closed group is shown below.

Statement of financial position

Current assets

Cash assets	14,440	39,283
Receivables	42,807	48,966
Inventories	74,366	111,859
Other	7,840	906
Total current assets	139,453	201,014

Non-current assets

Receivables	1,924	335
Investments accounted for using the equity method	-	-
Other financial assets	467,900	-
Property, plant and equipment	91,287	116,518
Intangible assets	-	-
Deferred tax assets	15,201	18,637
Other	-	-
Total non-current assets	576,312	135,490
Total assets	715,765	336,504

Current liabilities

Payables	50,522	48,442
Interest bearing liabilities	61,479	60,631
Provisions	22,525	16,505
Total current liabilities	134,526	125,578

Non-current liabilities

Payables	-	-
Interest bearing liabilities	-	60,000
Deferred tax liabilities	-	-
Provisions	2,694	741
Total non-current liabilities	2,694	60,741

Total liabilities	137,220	186,319
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Net assets	578,545	150,185
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Equity

Contributed equity	532,445	65,819
Reserves	35,935	35,922
Retained profits	10,165	48,444
Total equity	578,545	150,185

Statement of financial performance

Profit/(loss) from ordinary activities before income tax expense	(10,384)	23,928
Income tax (expense)/benefit attributable to profit/(loss) from ordinary activities	(3,226)	(5,402)
Profit/(loss) from ordinary activities after income tax expense	(13,610)	18,526
Retained profits at the beginning of the financial year	48,444	29,918
Net Increase in equity due to initial adoption of AASB 1028 <i>Employee Benefits</i>	(191)	-
Special Dividend paid	(24,478)	-
Retained profits at the end of the financial year	10,165	48,444

38. Events subsequent to balance date

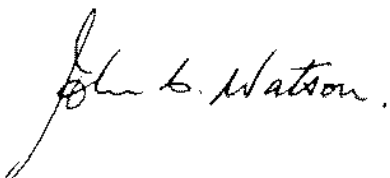
On 22 October 2003 loans were issued to 47 senior employees as part of the long term incentive program described in note 32 of the Financial Statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2003, that has affected or may affect the operations of the consolidated entity, the results 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 Report set out on pages 27 to 58

I, John C Watson, being a director of Incitec Pivot Limited, 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 27 to 58, 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 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; 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 subsidiaries 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).



John C Watson
Chairman

Dated at Melbourne this 5th day of November 2003.

Audit Report

For the year ended 30 September 2003

Independent audit report to the members of Incitec Pivot Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Incitec Pivot Limited (the "Company") and the Incitec Pivot Limited Group (the "Consolidated Entity"), for the year ended 30 September 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

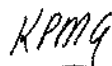
Audit opinion

In our opinion, the financial report of Incitec Pivot Limited is in accordance with:

(a) the Corporations Act 2001, including:

- i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 September 2003 and of their performance for the financial year ended on that date; and
- ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.



KPMG



Neil T Faulkner
Partner

Dated at Melbourne this 5th day of November 2003.

Shareholders' Statistics

As at 3 November 2003

Distribution of Ordinary Shareholders and Shareholdings

Size of holding			Number of holders		Number of shares	
1	–	1,000	36,163	92.16%	9,642,487	16.54%
1,001	–	5,000	2,956	7.53%	5,157,618	8.85%
5,001	–	10,000	90	0.23%	581,797	1.00%
10,001	–	100,000	23	0.06%	406,606	0.70%
100,001 and over			8	0.02%	42,492,519	72.91%
Total			39,240	100%	58,281,027	100%

Included in the above total are 1,344 shareholders holding less than a marketable parcel of shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 73.4% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Shares	% of total
Orica IC Assets Limited	40,796,719	70.00
RBC Global Services Australia Nominees Pty Limited	584,634	1.00
National Nominees Limited	443,240	0.76
Gullane Holdings Ltd	178,110	0.31
Westpac Custodian Nominees Limited	141,094	0.24
J P Morgan Nominees Australia Limited	132,461	0.23
Gwynville Trading Pty Ltd	109,200	0.19
RBC Global Services Australia Nominees Pty Limited	102,357	0.18
Mirrabooka Investments Limited	40,000	0.07
ICM Agriculture Pty Ltd	34,316	0.06
Gregory Witcombe	32,269	0.06
Australian Foundation Investment Company Limited	30,000	0.05
Tallageira Pastoral Co Pty Ltd	23,721	0.04
Ross Investment (Aust) Pty Ltd	20,263	0.03
Hatfield Pty Ltd	19,357	0.03
National Exchange Corporation Proprietary Ltd	17,939	0.03
Ajay Nominees Pty Ltd	17,285	0.03
ANZ Nominees Limited	16,800	0.03
Mrs Diana Eirene Angliss	16,624	0.03
Mr Peter James Harris	15,769	0.03
Total	42,772,158	73.40

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:

1 June 2003	Orica IC Assets Limited	40,796,719	70.00%
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On-market buy-back

There is no current on-market buy-back.

Distribution of Redeemable Preference Shareholders and Shareholdings Issued by Incitec Fertilizers Limited

Size of holding			Number of holders		Number of shares	
1	–	1,000	28	96.55%	3,400	30.91%
5,001	–	10,000	1	3.45%	7,600	69.09%
Total			29	100%	11,000	100%

Five Year Financial Statistics

Incitec Pivot		2003 \$000	2002 \$000
Sales		686,307	604,214
Earnings before depreciation, amortisation, net borrowing costs and tax		83,503	60,873
Depreciation and amortisation (excluding goodwill)		(21,225)	(15,267)
Goodwill amortisation		(3,128)	-
Earnings before net borrowing costs and tax (EBIT)		59,150	45,606
Net borrowing costs		(6,816)	(13,663)
Rebates		-	-
Individually significant items before tax		(64,568)	(8,015)
Taxation revenue / (expense)		(6,389)	(5,402)
Outside equity interests		-	-
Operating profit after tax and individually significant items		(18,623)	18,526
Individually significant items after tax attributable to members of Incitec Pivot		(53,656)	(2,651)
Operating profit after tax before individually significant items (net of tax)		35,033	21,177
Dividends		24,478	-
Current assets		350,599	201,014
Property, plant and equipment		296,615	116,518
Investments		-	-
Intangibles		185,354	-
Other non-current assets		34,578	18,972
Total assets		867,146	336,504
Current borrowings and payables		177,874	109,073
Current provisions		37,133	16,505
Non current borrowings and payables		69,268	60,000
Non current provisions		9,489	741
Total liabilities		293,764	186,319
Net assets		573,382	150,185
Shareholders' equity		573,382	150,185
Equity attributable to minority interests		-	-
Total shareholders' equity		573,382	150,185
Ordinary Shares	thousands	58,281	14,037
Investor Shares	thousands	-	3,448
Number of shares on issue at year end	thousands	58,281	17,485
Weighted average number of shares on issue (investor and ordinary)	thousands	31,120	17,485
Earnings per share			
before individually significant items	cents	112.6	121.1
including individually significant items	cents	(59.8)	106.0
Dividends	cents	140	-
Dividend franking	%	100	-
Share price range – High		\$15.70	N/A
Low		\$14.00	N/A
Year end		\$15.66	N/A
Stockmarket capitalisation at year end	\$000	912,681	N/A
Net tangible assets per share	\$	6.66	8.59
Profit margin (earnings before net borrowing costs and tax/sales)	%	8.6	7.5
Net debt		74,364	81,348
Gearing (net debt/net debt plus equity)	%	11.5	35.1
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	times	8.7	3.3
Net capital expenditure on plant and equipment (Cash Flow)		12,919	3,593
Net capital expenditure on acquisitions/(disposals) (Cash Flow)		(4,393)	(400)
Return on average shareholders funds			
before individually significant items	%	9.7	15.1
including individually significant items	%	(5.1)	13.2

2001 \$000	2000 \$000	1999 \$000
627,748	612,603	650,170
40,563	35,209	46,993
(21,458)	(22,716)	(21,260)
(187)	(977)	(977)
18,918	11,516	24,756
(24,358)	(20,160)	(17,388)
-	-	(5,397)
(19,897)	(22,180)	-
7,840	7,690	(1,628)
-	-	-
(17,497)	(23,134)	343
(10,962)	(14,195)	-
(6,535)	(8,939)	343
-	14,304	1,295
204,522	235,013	284,069
127,825	192,010	207,799
-	3,773	3,714
-	14,959	15,936
25,123	30,436	18,049
357,470	476,191	529,567
124,208	213,312	220,125
15,483	12,362	14,451
85,000	100,000	120,970
1,563	1,665	2,005
226,254	327,339	357,551
131,216	148,852	172,016
131,216	148,852	172,016
-	-	-
131,216	148,852	172,016
14,059	14,726	12,894
3,428	2,777	2,663
17,486	17,503	15,557
17,486	16,530	16,297
(37.4)	(54.1)	2.1
(100.1)	(140.0)	2.1
-	90	27
-	-	100
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A
7.50	7.65	10.03
3.0	1.9	3.8
152,579	260,064	281,533
53.8	63.6	62.1
0.8	0.6	1.4
(9,362)	12,068	23,466
(75,935)	0	0
(4.7)	(5.6)	0.2
(12.5)	(14.4)	0.2

Shareholder Information

Annual General Meeting

2.00pm Friday 19 December 2003,
the Victory Room, Telstra Dome,
Docklands Victoria 3008
Australia.

Stock Exchange Listing

Incitec Pivot's shares are listed on the
Australia Stock Exchange (ASX) and are
traded under the code IPL.

Share Registry

ASX Perpetual Registrars Limited
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Facsimile: +61 3 9615 9744
Email: registrars@asxperpetual.com.au
Website: www.asxperpetual.com.au

Auditor

KPMG
KPMG House, 161 Collins Street,
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Southbank Victoria 3006
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Facsimile: +61 3 8695 4419
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