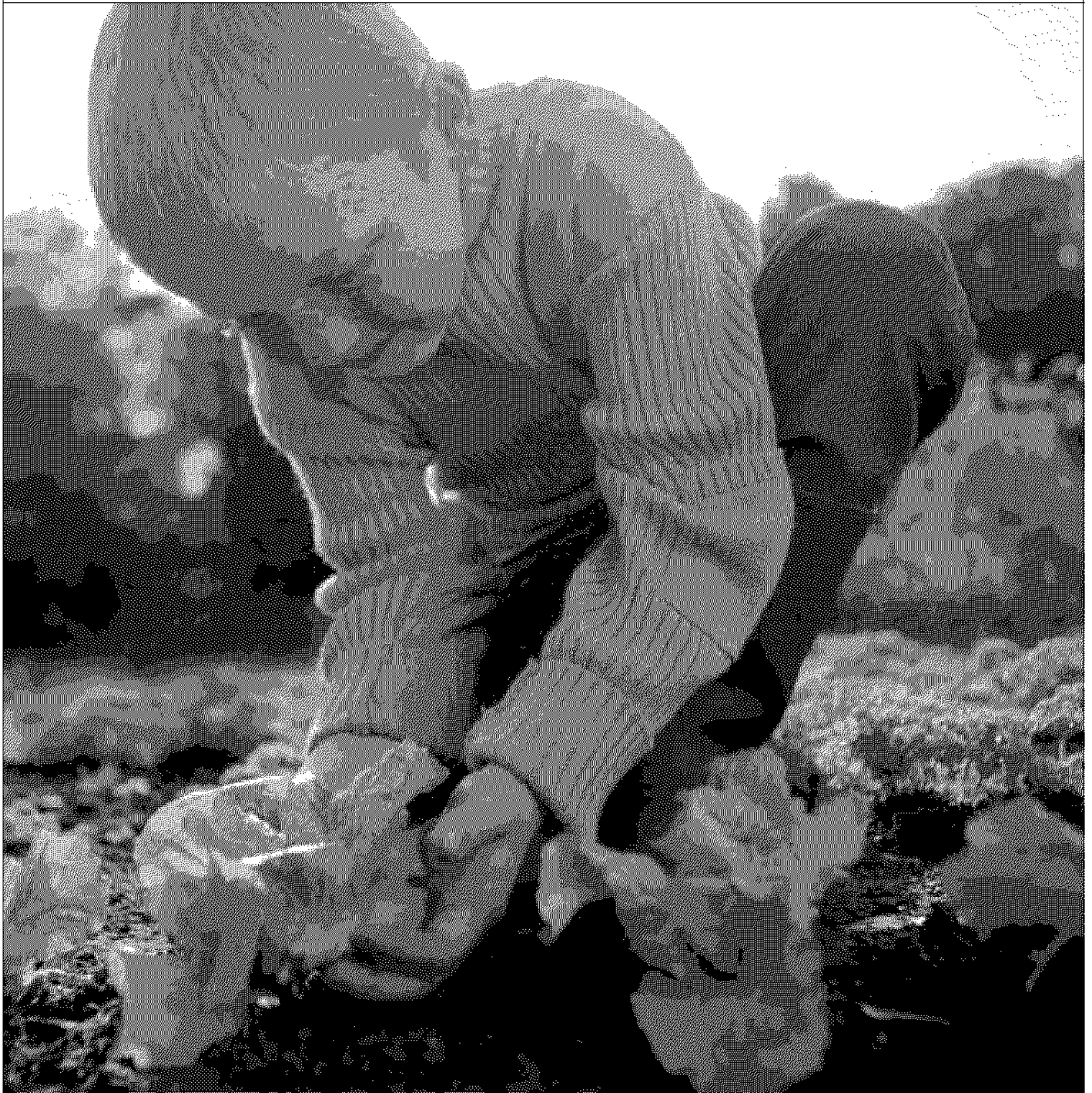




ANNUAL REPORT 2004

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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

...these advantages of scale and geographical diversity enable the Company to supply about three million tonnes of fertiliser a year, generating sales revenue in excess of \$1.1 billion annually.

Incitec Pivot Limited is a leading agribusiness involved in the manufacture and supply of fertiliser to farmers in Australia's eastern and southern states. Fertiliser plays an essential role in enabling Australian producers to achieve the productivity they need to compete in global markets.

Supplying more than 50 per cent of Australia's agricultural plant nutrient needs, Incitec Pivot's scale underpins its position as a sustainable low-cost supplier. The Company's five manufacturing plants, strategically located import facilities and distribution network stretching from far north Queensland to Tasmania and South Australia give it unequalled capacity to meet the market's needs.

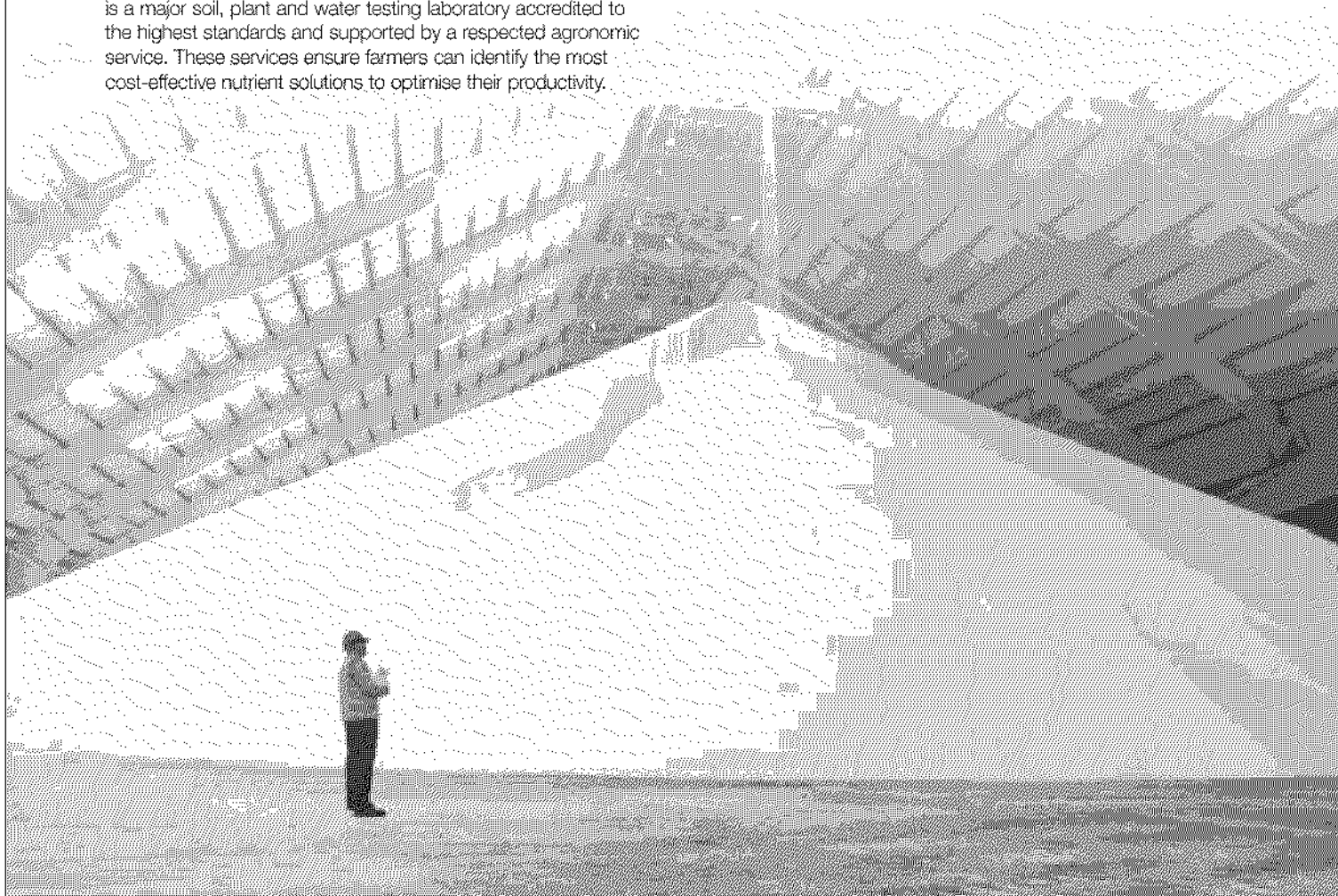
This broad exposure to diverse crop, pasture and horticulture markets spread over a wide geographic base helps to insulate Incitec Pivot from the impact of local seasonal weather conditions and fluctuating global demand for particular farm products.

Backing up Incitec Pivot's manufacturing and logistics advantages is a major soil, plant and water testing laboratory accredited to the highest standards and supported by a respected agronomic service. These services ensure farmers can identify the most cost-effective nutrient solutions to optimise their productivity.

Combined, these advantages of scale and geographical diversity enable the Company to supply about three million tonnes of fertiliser a year, generating sales revenue in excess of \$1.1 billion annually.

Incitec Pivot is a relatively new company, created by the merger of two of the powerhouses of the Australian fertiliser industry in June 2003. However, its component enterprises have roots going back to the early part of last century when Australian superphosphate production was pioneered.

Having the pedigree and the scale provides Incitec Pivot with the foundation to take on its next big challenge – becoming the best, as judged by its stakeholders.





On behalf of the Board, I am pleased to report that in successfully completing its first full reporting year, Incitec Pivot Limited has established a solid foundation on which to build for the future.

The Company ended the year on 30 September 2004 with a net profit after tax, excluding significant items, of \$80.9 million, an increase of 77 per cent when compared with the combined pre-merger businesses. It

achieved this result in a flat market for fertiliser which saw sales increase only one per cent to approximately 2.9 million tonnes, generating revenue of \$1.14 billion.

Shareholders will receive a final dividend of \$1 per share, giving a full-year payout of \$1.29 per share fully franked. This is a sound reward for all equity holders and is particularly well-deserved by those long-term shareholders who have maintained loyalty to their company, in many cases over several decades.

For shareholders who held their shares in Incitec Pivot for the full year, the capital growth (20 per cent) combined with the total dividend (8.2 per cent yield) represents total shareholder returns of 28.2 per cent.

Incitec Pivot's strong balance sheet shows net cash in reserve of \$20.8 million. This is a tribute to the benefits flowing from the merger combined with prudent ongoing financial management and highlights the inherent strength of the business.

Continuing drought

The Company's strong performance in its maiden year came in spite of continuing drought in some areas. While rainfall in most parts of southern and eastern Australia presented farmers with improved growing conditions, other areas remained dry and water storages generally remain low.

That the Company should perform well in difficult seasonal conditions underlines the benefit of Incitec Pivot's broad exposure to diverse crop, pasture and horticultural markets spread over a wide geographical base.

During the 2004 financial year, Incitec Pivot captured all the synergy savings anticipated at the beginning of the merger process and went on to identify and achieve further efficiency benefits flowing from the integration of the two former companies.

In the vital area of Safety, Health and Environment, Incitec Pivot improved its performance dramatically over the 12 months. Incidents involving injury to employees were greatly reduced and our plants reported fewer environmental licence breaches.

In April 2004, after careful consideration, the Company took the decision to withdraw from the sale of straight ammonium nitrate fertilisers in the interests of public security. This decision was taken only after the Company was satisfied that viable alternative products were available to meet farmers' needs.

Another major event during the financial year was the securing of long-term natural gas agreements to supply our ammonia and urea manufacturing operations at Gibson Island, Brisbane. The 10-year agreements will start in 2007 on the conclusion of the current agreements and provide the plant with secure and competitively priced gas sources until 2017. As well as offering longer-term security to customers and employees, the new gas agreements extend the workable life of the plant to 2017.

Growth opportunities

Having established a solid foundation for the new company, Incitec Pivot is also alert to growth opportunities for the future. In September 2004, the Company announced that it is part of a consortium chosen from a global field to conduct a feasibility study into the establishment of a world-scale ammonia/urea manufacturing plant in Brunei.

While a decision on whether or not the project will proceed will not be made until late 2005, being part of the consortium chosen against global competition to progress negotiations with the Brunei authorities shows that Incitec Pivot has the strength, fertiliser industry expertise and vision to pursue this major growth opportunity.

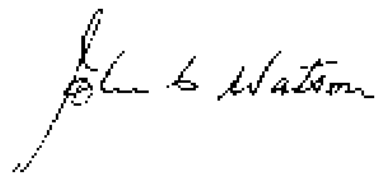
It is appropriate at this point to acknowledge the support Incitec Pivot draws from its major shareholder, Orica Limited, in a number of areas. The Company leverages off Orica's strength and scale to secure more attractive outcomes when purchasing goods and services and benefits from drawing on certain shared services to reduce overhead costs.

Also of great importance is the benefit our young company draws from being associated with the successful business culture Orica has developed over the years. In addition, the inter-company link creates valuable career opportunities for employees of both companies.

In the area of corporate governance, I am pleased to report that the Board considers that Incitec Pivot has complied with the requirements set out in the ASX Corporate Governance Council Recommendations as detailed in the Directors' Report.

I thank my fellow directors for their ongoing commitment to creating a truly great agribusiness and, on behalf of the Board, I would like to express our confidence in the Incitec Pivot team and thank everyone for their dedication and sheer hard work during a gruelling formation period.

The 2004 financial year clearly showcased Incitec Pivot's potential to continue to produce strong shareholder returns while reinvesting in the business and exploring all sound opportunities for growth. It was a great start by any measure and will form the baseline on which the Company's future performance will be judged.



John Watson, AM
Chairman



Despite flat demand for fertilisers in a highly competitive market, Incitec Pivot Limited completed its first full financial year on 30 September 2004 with a very solid financial performance.

Net profit after tax (NPAT), excluding significant items, was \$80.9 million, up 77 per cent on the combined NPAT for the former businesses in the 2003 financial year. NPAT including significant items was \$75 million.

Earnings before interest and tax (EBIT),

before significant items, was \$121.9 million, up 62 per cent on combined EBIT of the pre-merger businesses.

This notable commercial performance exceeded budget expectations. Most pleasing is that the improvement in earnings was largely driven by internally generated efficiencies, including merger synergies, and also a strong contribution from manufacturing operations.

Successful merger

In my report for the Incitec Pivot 2003 financial year, I highlighted three priority targets for achieving the successful integration of our two previous businesses into one dynamic new enterprise. This year I am pleased to report that all three targets have been achieved.

- Enthusiastic support from our employees and business partners enabled us to blend two separate and previously competing enterprises into a single unified company with its own distinctive culture.
- Despite aggressive competitor activity, with continued backing from our agent and dealer partners, Incitec Pivot retained its leadership position in the marketplace.
- The new company captured the targeted \$30 million in annual synergy savings identified when the merger was first proposed and then went on to secure a further \$20.6 million in improved efficiencies.

These successes mark the end of our merger phase and give us the foundation to start our second full year as an integrated business on a strong footing.

Performance highlights

One highlight of the year was in our Safety, Health and Environment performance, with significant improvement being made in nearly every measure of our performance in this area.

For instance, the total number of recordable injuries fell in 2004 to 13 from the combined totals for the previous businesses of 23 in 2003 and 49 in 2002. While this improvement is a tribute to the safety commitment of our employees and contractors, we still have more work to do to meet our vision of 'No Injuries to Anyone. Ever'.

On the manufacturing front, a major improvement initiative has significantly improved the competitiveness of the Geelong single superphosphate (SSP) plant, producing \$3 million in annual savings while increasing plant reliability and performance. The Company now has three SSP plants able to meet market demand.

Another highlight of our manufacturing performance during the year was the achievement of record production of granular ammonium sulphate at our Gibson Island plant and Granulock compound fertilisers at our Kooragang Island operations.

Low-cost and reliable manufacturing performance is a key element of the Company's strategy and this was reinforced in September 2004 with the signing of new 10-year natural gas supply agreements for Gibson Island. Natural gas is the major feedstock to manufacture ammonia and urea fertilisers and these agreements will secure the long-term future of manufacturing at the site as well as strengthening Incitec Pivot's position as a low-cost Australian nitrogen fertiliser producer.

Improving customer service

With the scale of the merger and the amount of change occurring, there were teething problems during the year which unfortunately inconvenienced some of our customers from time to time.

To correct this situation Incitec Pivot has embarked on a major company-wide program we have named Customer First to strengthen our customer focus as part of the pursuit of continuous business improvement. Driving this program to a successful conclusion is one of the management team's highest priorities. By working closely with our distribution partners, we have identified many customer-benefiting improvements that will be implemented in the current financial year. Our clear intention is to offer the best service in the market and earn Incitec Pivot the privilege of being the fertiliser supplier of choice.

The future

Looking to the future, the Company is now well placed to examine opportunities for growth. One such project is the proposal, announced in September this year, to build a new world-scale ammonia/urea manufacturing plant in Brunei.

This is an exciting project that will now be further investigated by Incitec Pivot and our consortium partners, with a final decision expected towards the end of 2005. It is worth noting that as part of the project, Incitec Pivot has the rights to secure the majority urea off-take from the project and also to operate the manufacturing facility.

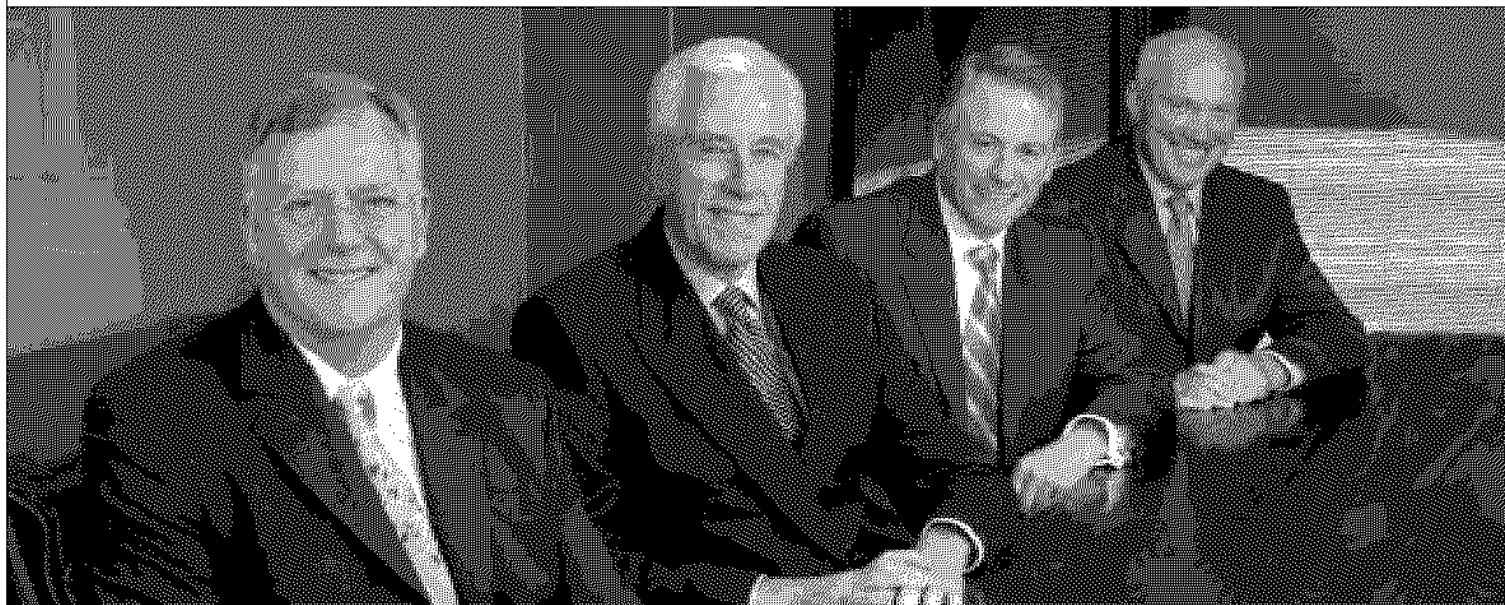
In summary, having successfully completed its first full year as a stand-alone company, Incitec Pivot has now established the baseline against which our future performance will be measured. I am more confident than ever that we have a great business that still has much more to deliver before it realises its full potential.

On behalf of management, my thanks go to the Directors for their support, to our business partners at both supply and distribution ends of the business, to Australian farmers for maintaining their preference for our products and to all employees for their hard work and enthusiasm throughout the year.



Greg Witcombe
Managing Director and CEO

BOARD OF DIRECTORS



From left: John Watson, Brian Healey, Graeme Liebelt, Leo Delahunty

John Watson MAICD, AM

Non-Executive Chairman, Chairman of Remuneration and Appointments Committee

John was appointed Chairman of Incitec Pivot Limited in 2003, having been a Director and Chairman of the Company from 1998 when it was known as Pivot Limited. He is Chairman of Primesafe and of the Co-operative Research Centre for Innovative Dairy Products, a Director of Tassal Group Limited, Councillor of the Royal Agricultural Society of Victoria and a member of the Rabo Bank Food and Agribusiness Advisory Board for Australia and New Zealand. A past Deputy President of the National Farmers Federation. In 2004, he was awarded a Membership in the Order of Australia for services to the agricultural and food production sectors.

Brian Healey FAICD, FAIM

Non-Executive Director, Deputy Chairman

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

Graeme Liebelt BEd(Hons)

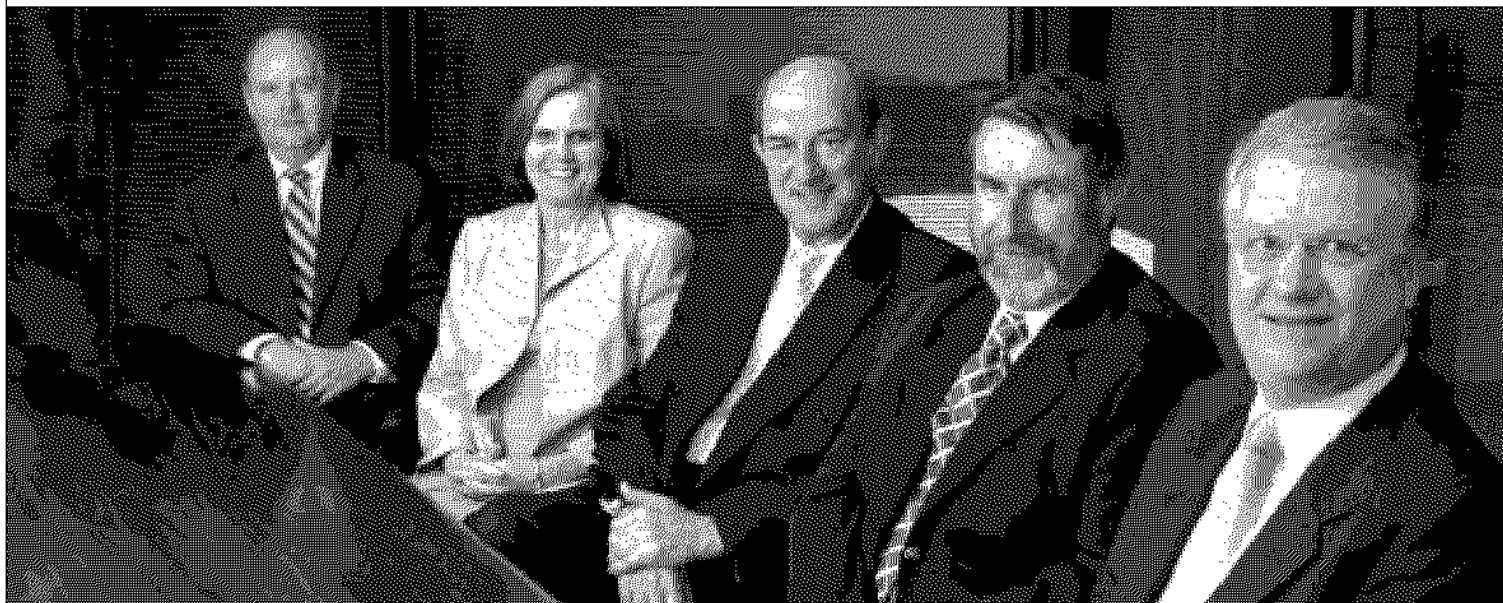
Non-Executive Director

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

Leo Delahunty FAICD

Non-Executive Director

Leo has been a Director of the Company from 1999 when it was known as Pivot Limited. He is a grain and livestock farmer at Murtoa in Victoria's Wimmera Region. He is a co-founder and shareholder of the agricultural investment management company DIRT Management Pty Ltd. He is also a Director of Wimmera Racing Club Ltd.



From left: David Trebeck, Barbara Gibson, Anthony Larkin, Allan McCallum, Greg Witcombe

David Trebeck BScAgr(Hons), MEc, MAICD
Non-Executive Director

David is a Principal of ACIL Tasman Pty Ltd, an economics, policy and strategy consultancy company and a former Managing Director of ACIL Consulting Pty Ltd. He has grain farming and grazing interests in southern New South Wales. He is a Director of GrainCorp Limited and Maersk Australia Pty Ltd (and its associated companies in the region). He is a former Director of Pipers Brook Vineyard Limited and was previously a Director of Incitec Ltd.

Barbara Gibson BSc, FTSE, MAICD
Non-Executive Director

Barbara is the General Manager Chemicals Group with Orica Limited and has held several senior management positions during her 19-year career with Orica. She is a Director of Biota Holdings Ltd and a former Director of Incitec Ltd.

Anthony Larkin FCPA, FAICD

Non-Executive Director, Chairman of Audit and Risk Management Committee

Until 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 its 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 Corporate Express Australia Limited, Zinifex Limited and Ausmelt Limited. He was Chairman of Incitec Ltd from July 2000 to April 2003.

Allan McCallum Dip. Ag Science, MAICD

Non-Executive Director, Chairman of Governance Committee

Allan has been a Director of the Company from 1998 when it was known as Pivot Limited. He is a farmer in northern Victoria. He is also Deputy Chairman of GrainCorp Limited and a Director of Grain Growers Association Limited, Medical Developments International Ltd and Tassal Group Limited.

Greg Witcombe BSc

Managing Director and Chief Executive Officer

Greg joined Orica Limited in 1977 and has held several senior management positions since then. Prior to his current role, he was the Managing Director of Incitec Ltd.

Incitec Pivot delivered significant value for shareholders in 2004 – the Company's first full financial year. Weather conditions were mixed, with earnings largely driven by internally generated efficiencies and a strong contribution from manufacturing. The result provides a solid foundation for the future.

Financial highlights

- Net Profit After Tax (NPAT) including significant items for the year ended 30 September 2004 was \$75.1M, an increase of \$93.7M over 2003 (2003: \$18.6M loss).
- NPAT excluding significant items was up \$45.8M to \$80.9M (2003: \$35.1M).
- Earnings per share (EPS) 129 cents per share (cps) (2003: loss 32 cps).
- Profit returned to shareholders with a fully franked final dividend declared of 100 cps. Total 2004 dividends of 129 cps (fully franked).
- Strong closing financial position with net cash of \$20.8M at year end (2003: net debt \$74.4M).
- 2004 returns above the cost of capital, with economic profit of \$19.1M, return on net assets of 18.6% and return on shareholders' funds of 13.4%.

Securing the future

Gibson Island gas

- 10-year gas supply agreements signed with Queensland Gas Company Limited together with Pangaea Oil and Gas Pty Ltd, and Origin Energy CSG Marketing Pty Ltd.
- Competitive gas pricing in the new agreements underpins Gibson Island plant economics to 2017.
- Major maintenance shutdowns are now scheduled for 2007 and 2012. The 2007 shutdown expenditure will be approximately \$45M.
- The economic life of the Gibson Island plant and associated Big N infrastructure has been extended from 2007 to 2017 for depreciation purposes in line with the new gas agreements (six months impact booked in 2004 accounts).

Potential investment in Brunei ammonia/urea plant

- Plant capacity of 1.2M tonnes per annum of urea – largest in Asia and equal to current world's largest.
- Lowest decile global operating costs based on low-cost gas and world-competitive construction and operating costs.
- Plant cost of US\$600M, largely project financed.
- Incitec Pivot would have equity in the project, have rights over the majority of the plant's off-take and provide operations and maintenance services to the plant.
- The feasibility study is in progress with scheduled completion end 2005.

External sales revenue

External sales revenue increased by 66% or \$450M over 2003 to \$1,136M (2003: \$686M).

- The increase primarily resulted from the inclusion of a full 12 months sales from the Incitec Fertilizers business (2003 included only post-merger sales for the four months to September).
- Sales volumes were otherwise flat as a result of patchy rainfall and robust price competition – particularly in southern regions.

Earnings summary

NPAT including significant items was \$75.1M compared with a loss of \$18.6M in 2003. Excluding significant items, NPAT was up \$45.8M to \$80.9M (2003: \$35.1M). Major factors for the improvement were:

- A \$62.8M increase in EBIT to \$121.9M. This was due to:
 - EBIT from a full 12 months of the merged Incitec Fertilizers business (refer sales revenue above).
 - Business efficiencies – up \$44.5M to \$50.6M.
 - A full 12 months of merger goodwill amortisation (up \$6.8M on 2003 to \$9.9M).
- Net interest costs reduced by \$1.4M on 2003 to \$5.4M.
- Tax expense increased by \$18.4M to \$35.6M in line with improved earnings.

Significant items

Significant items were \$5.8M after tax (2003: \$53.7M) and relate to merger restructuring and implementation costs.

Dividend

A fully franked final dividend of 100 cps will be paid to shareholders on 9 December 2004.

The total 2004 dividend is 129 cps (fully franked) equating to a yield of 8.2% based on the opening share price of \$15.66 on 1 October 2003.

For 2004 distributions are consistent with the Company's dividend policy of distributing available franking credits, targeting a normal dividend pay-out ratio of between 65% and 75% of NPAT and utilising other mechanisms such as special dividends to distribute surplus funds when available.

In 2003 a special fully franked dividend of 140 cps was paid to Pivot Limited shareholders who were registered pre-merger.

External sales revenue

A\$million	Year Ended September		
	2004	2003	Change
Fertilisers	1,136	655	73%
Discontinued businesses	–	20	–
Sales to Incitec Fertilizers pre-merger	–	11	–
Total external sales	1,136	686	66%

Earnings summary

A\$million	Year Ended September		
	2004	2003	Change
EBIT			
Underlying fertiliser business	81.2	56.4	44%
Efficiencies	50.6	6.1	730%
Amortisation of merger goodwill	(9.9)	(3.1)	(219)%
Discontinued businesses	–	(0.3)	–
Total EBIT	121.9	59.1	106%
Net interest	(5.4)	(6.8)	21%
Tax expense	(35.6)	(17.2)	(107)%
NPAT excluding significant items	80.9	35.1	130%
Significant items after tax	(5.8)	(53.7)	89%
NPAT including significant items	75.1	(18.6)	>100%

Dividend

Cents per share	Year Ended September	
	2004	Franking
Final dividend		
– normal	70	100%
– special	30	100%
– sub-total	100	100%
Total year dividend		
– normal	90	100%
– special	39	100%
– sub-total	129	100%
Yield at:		
– opening share price on 1/10/03 – \$15.66		8.2%
– average share price for 2004 – \$17.33		7.4%
– closing share price on 30/9/04 – \$18.80		6.9%

REVIEW OF PERFORMANCE (continued)

Financial position

Incitec Pivot finished 2004 in a strong financial position.

Trade working capital (TWC) management was pleasing, with the September year-end balance \$25.4M below 2003. Average TWC/sales was 19%, with a continued focus on controlling the investment in working capital around the winter cropping season.

On finalising the 2004 accounts, an \$8.4M (\$12.0M before tax) adjustment was made to merger goodwill, reflecting an increase in pre-merger environmental provisions for the Parafield Gardens site in South Australia. Goodwill amortisation was \$9.9M (2003: \$3.1M).

Incitec Pivot ended 2004 with net cash of \$20.8M compared with net debt of \$74.4M in 2003. Average gearing was 9.7%.

Cash flow

Net operating cash flows were an inflow of \$141.5M (2003: \$96.2M). Major factors were:

- EBITDA of \$167.2M (2003: \$83.4M) up \$83.8M reflecting the addition of the Incitec Fertilizers business and associated business efficiencies.
- Tax paid of \$15.4M (2003: refund of \$3.1M) reflecting increased earnings.
- \$16.6M spent on merger implementation costs (2003: \$30.1M).
- Cash inflow of \$25.4M from reduced trade working capital (2003: \$58.8M).

Net investing cash flows were an outflow of \$29.4M (2003: outflow \$8.5M) resulting from sustenance capital spending at \$30.8M, which was 100% of depreciation.

Financing cash flows include:

- Dividends paid of \$16.9M (2003: \$24.5M paid to Pivot Limited shareholders registered pre-merger).
- A movement in net debt of \$95.2M comprising a decrease in short term financing of \$31.0M and an increase in cash on hand of \$64.2M.

Other items

Employees

- Full time equivalent employee numbers were 801 at the end of September 2004 (2003: 850).

Safety, Health & Environment

- Excellent progress was made in safety with a recordable case rate¹ of 1.09 compared to 2.1 for the 2003 full year. This equates to 13 recordable injuries² for the Company in 2004 compared to 23 injuries in 2003.
- An additional provision of \$8.4M after tax was booked against goodwill recognising an increase in the expected costs for the clean-up of the Parafield Gardens site in South Australia. This takes the total clean-up provision to \$17.0M before tax.

¹ Recordable case rate is defined as the number of 'recordable injuries' to all workers per 200,000 manhours worked.

² Recordable injuries are those injuries to all workers which result in absence from work, restrictions from normal work activities, or are medically treated.

Financial position

A\$million	Sept 2004	Sept 2003
Trade working capital	170.4	195.8
Net property, plant & equipment	296.1	296.6
Goodwill	183.8	185.4
Net other assets	(39.6)	(30.0)
Net assets	610.7	647.8
Net debt/(cash)	(20.8)	74.4
Equity	631.5	573.4
Total capitalisation	610.7	647.8
Gearing – year end	NA	11.5%
Gearing – average (2003 proforma)	9.7%	19.0%
Average trade working capital/sales	19.0%	22.0%

Cash flow items

A\$million	Year Ended September		
	2004	2003	Change
Net operating cash flows			
EBITDA	167.2	83.4	83.8
Net interest paid	(5.6)	(8.1)	2.5
Net income tax paid	(15.4)	3.1	(18.5)
Trade working capital movement	25.4	58.8	(33.4)
Merger costs	(16.6)	(30.1)	13.5
Other	(13.5)	(10.9)	(2.6)
Total	141.5	96.2	45.3
Net investing cash flows			
Proceeds from asset sales	1.4	7.1	(5.7)
Capital spending	(30.8)	(15.6)	(15.2)
Total	(29.4)	(8.5)	(20.9)
Financing cash flows			
Dividends paid	(16.9)	(24.5)	7.6
ASX listing fees	–	(1.3)	1.3
Movement in short term financing	(31.0)	(81.5)	50.5
Increase/(decrease) in cash on hand	64.2	(19.6)	83.8

EXECUTIVE TEAM



Greg Witcombe
BSc
Managing Director and
Chief Executive Officer

Greg joined Orica Limited in 1977 and has held several senior management positions. Prior to his current role, he was Managing Director of Incitec Ltd.



Wayne Elmer
BEc, MCom
General Manager Human
Resources

Wayne has extensive senior management experience in human resources and commercial management in a range of manufacturing and resource organisations. Prior to his current position he was Executive General Manager Human Resources of Pivot Limited.



James Fazzino
BEc(Hons), CPA
Chief Financial Officer

Before joining Incitec Pivot, James had many years experience with Orica Limited in several business financial roles, including Project Leader of Orica's group restructure in 2001 and Chief Financial Officer for the Orica Chemicals group. Immediately before joining Incitec Pivot, he was Orica's Investor Relations Manager.



Kerry Gleeson
LLB(Hons)
General Counsel and
Company Secretary

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



Richard Hoggard
BEng
General Manager
Manufacturing and Safety,
Health and Environment

Richard has extensive experience in the manufacturing industry in a variety of senior and managerial roles. Prior to joining Incitec Pivot Limited he was Incitec Ltd's General Manager Manufacturing.



John Lloyd
BSc, MBA
General Manager Commercial

John has over 20 years experience and held various senior positions in the agriculture industry. Prior to his current role, John was Pivot Limited's Executive General Manager – Sales and Marketing.



Daryl Roe
BSc
General Manager Planning

Daryl joined Incitec Pivot Limited from Orica Limited in January 2004. Prior to this, Daryl has held a variety of commercial and management roles since 1984, his most recent being with Orica Mining Services as Regional Manager East Australia and Pacific.



John Warnock
BE(Chem), MBA
General Manager Logistics
and Supply Chain

Prior to his current position, John has worked in a variety of roles with Incitec Ltd starting in 1973, the most recent being Incitec's Logistics and Supply Chain Manager.

Incitec Pivot's strong focus on Safety, Health and Environment (SH&E) in the year to 30 September 2004 led to significantly improved performance in a number of key areas. Notably, the total number of recordable injuries fell from 23 in 2003 to 13 in the past year.

The quarterly figures for 2004 show an encouraging trend, with the number of recordable injuries progressively declining during the year. This decline coincided with a company-wide safety awareness campaign highlighted with the launch of the Think Safe, Act Safe, Be Safe program in April.

All employees have signed individual SH&E Charters pledging to promote safety in the workplace and away from work as the Company pursues its vision of 'No Injuries to Anyone, Ever'.

Most areas of environmental performance also improved markedly in 2004. Only two distribution incidents occurred in 2004 compared with eight in the previous financial year, and non-complying environmental licence tests at manufacturing plants were reduced by 54 per cent.

Significant improvements also occurred during the year, with overall environmental performance at the manufacturing plants improving 70 per cent in the second half. The major environmental improvement works were at Incitec Pivot's single superphosphate plant at Portland in Victoria where \$500,000 was invested to direct dryer emission through the hygiene scrubber. Since year end, it has been decided to proceed with a \$1.9 million project to capture and clean fugitive fluoride emissions at the plant.

SH&E Performance summary

	2004	2003	2002
Recordable injuries	13	23	49
Lost workday case rate	0.50	0.29	1.07
Recordable case rate	1.09	1.69	3.07

Environmental

Distribution incidents: Category 2	2	8	7
Losses of containment: Category 2	1	1	0
Environmental licence non-complying tests	82	152	265

Hygiene monitoring

Tests under occupational exposure limit	97.0%	98.1%	–
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Figures prior to 1 June 2003 are Incitec Pivot equivalent figures compiled from the former Incitec Fertilizers and Pivot businesses. Some adjustment has been made to the figures published in the 2003 annual report to more accurately reflect measures used by the Occupational Safety and Health Administration.

Definitions

Recordable injuries

Recordable injuries are those injuries which result in absence from work, restrictions from normal work activities, or are medically treated.

Recordable case rate is defined as the number of 'recordable injuries' to all workers per 200,000 manhours worked.

Distribution incidents

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

Losses of containment

An unplanned release or spill 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, impacts the environment or causes concern in the surrounding community.

Environmental licence non-complying tests

Such non compliance is an excursion outside statutory discharge or emission limits, as measured in a scheduled test.

Product stewardship

Product stewardship is the responsible and ethical design and management of products throughout their entire lifecycle in order to protect public health and the environment.

Fertilisers are an essential nutrient source in productive and profitable farming systems. They have many positive effects, but may impact on the environment. Therefore it is important that fertilisers are used at appropriate rates and in a responsible manner.

Addressing product stewardship, Incitec Pivot's SH&E Policy states that the Company will:

- 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; and
- 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.

Soil and plant tissue tests are important tools in managing the soil's nutrient status and formulating fertiliser programs. Incitec Pivot has consolidated its analytical services into a single laboratory at Werribee near Melbourne, where work is continuing to update soil and plant tissue interpretative data and develop nutrient decision support tools. These advances will allow farmers to make better decisions on nutrient management and application rates in order to minimise any potential adverse environmental impact.

Incitec Pivot also addresses product stewardship at an industry level, through organisations such as the Plastics and Chemicals Industries Association (PACIA) and the Fertilizer Industry Federation of Australia (FIFA).

During 2004, PACIA product stewardship self-audits were conducted within Incitec Pivot. The Company also participates in FIFA EcoEfficiency initiatives with Environment Australia.

An ISO 14000 accredited Environmental Management System has been developed for the management of the Company's primary and regional distribution facilities.

A comprehensive training program is in place covering the distribution of anhydrous ammonia, which is used for direct injection into the soil as a nitrogen fertiliser.

During the year Incitec Pivot withdrew ammonium nitrate fertiliser from the market on public security grounds. Because effective substitute fertilisers are available, the continued sale of straight ammonium nitrate fertiliser was regarded as creating an unnecessary risk to suppliers, farmers and the community.

Sustainability

Incitec Pivot is committed to running all of its businesses in a sustainable manner. This philosophy has been embodied into the SH&E Policy as follows:

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

To help better understand the requirements of a sustainable organisation, Incitec Pivot is involved in an Orica group project to promote sustainability issues. This work was facilitated by The Natural Step, an organisation founded in Sweden in 1989 which provides a framework that is increasingly being used by companies around the globe to help them address sustainability.

Flowing from this project will be a set of short and longer-term measures or improvement targets. These targets will continue Incitec Pivot's focus on resource conservation through the efficient use of water and energy, reducing greenhouse gas emissions and minimising waste generation.

Legacy sites

A key requirement in the drive towards a sustainable future is to ensure that business activities do not degrade land and the environment. Incitec Pivot has remediated and sold a number of redundant sites and is continuing to plan the restoration of other sites to a standard acceptable to the regulatory authorities and the community.

Responsible care

Orica has been an active participant in PACIA's Responsible Care Program since 1989. The Responsible Care Program is an initiative of the international chemicals industry aimed at improving its safety, health and environment performance and communicating openly with all sections of the community. The Program was started by the Canadian Chemical Producers' Association in the mid 1980s. There are now chemical industry associations in 45 countries participating in the Program.

PACIA is mandated by the International Council of Chemical Associations to oversee the Program in Australia. Participating companies are required to sign on to a set of Guiding Principles and to implement a series of Codes of Practice.

A detailed SH&E report can be found on www.incitecpivot.com.au.

Financial Report

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Directors' Report

The directors of Incitec Pivot Limited present the financial report of the Company and its controlled entities (collectively "the consolidated entity") for the year ended 30 September 2004 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 AM, Chairman	A C Larkin
B Healey, Deputy Chairman	G R Liebelt
G J Witcombe, Managing Director and CEO	A D McCallum
L M Delahunty	D B Trebeck
B J Gibson	

Particulars of directors' qualifications, experience and special responsibilities are detailed on page 4 to 5 of the annual report.

The office of Company Secretary is held by Mrs Kerry Gleeson. Particulars of her qualifications and experience are detailed on page 9 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	⁽¹⁾ 59,778
L M Delahunty	6,478
A D McCallum	6,818
D B Trebeck	4,000

(1) This interest includes shares acquired pursuant to long term incentive plans; a general description of which is provided in note 32, Employee share plans.

Further details of directors' interests in share capital is set out in note 35, Director and executive disclosures.

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	
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended
J C Watson	10	10			1	1	3	3
G J Witcombe	10	10						
L M Delahunty	10	10			1	1	3	3
B J Gibson	10	9			1	1		
B Healey	10	10			1	1		
A C Larkin	10	10	4	4	1	1		
G R Liebelt	10	10			1	1		
A D McCallum	10	10	4	4	1	1	3	3
D B Trebeck	10	10	4	4	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 during 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.

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 6 to 8 of the annual report.

Directors' Report

Dividends

Dividends paid or declared in respect of the year ended 30 September 2004 were:	\$000
Ordinary dividend paid by the Company on 8 July 2004 at the rate of 20 cents per share on 58,281,027 ordinary shares, fully franked at the 30% corporate tax rate	11,656
Special dividend paid by the Company on 8 July 2004 at the rate of 9 cents per share on 58,281,027 ordinary shares, fully franked at the 30% corporate tax rate	5,246
Dividend paid in respect of redeemable preference shares by Incitec Fertilizers Limited on ⁽¹⁾	
27 November 2003	737
27 February 2004	737
27 May 2004	737
27 August 2004	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 Statements of Financial Performance as borrowing costs because these shares are classified as liabilities.

Changes in the state of affairs

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

Events subsequent to balance date

Since the end of the financial year the directors have declared a final dividend of 70 cents per share and a special dividend of 30 cents per share. Both dividends are 100% franked at the 30% corporate tax rate and are payable on 9 December 2004.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2004, that has affected or may affect the operations of the consolidated entity, the result of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Likely developments

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the review of operations of the consolidated entity on pages 6 to 8 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 director and executive remuneration

The Company's remuneration policy is directed at underpinning a high performance organisation. The focus of its remuneration strategy is on performance and accountability. Executive remuneration packages are designed to support the delivery of outstanding returns for shareholders by aligning performance related reward with value delivered to shareholders.

It is the broad policy of the Company that the 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 executives.

Details of remuneration of specified executives (including the specified executive director) are set out in note 35, Director and executive disclosures.

Base salary

For each executive, base salary is determined by reference to independently provided external remuneration data for comparable positions in comparable organisations and having regard to the qualifications, experience and performance of the individual, and the scope and responsibilities of the position. Base salary is reviewed on an annual basis and may be adjusted to reflect changes in comparable external remuneration arrangements, and individual performance.

Directors' Report

Incentive plans

Short term and long term incentive plans offered by the Company are designed to reward executives in circumstances where minimum acceptable standards of performance at a personal and Company level are exceeded in respect of financial and other outcomes which contribute to sustainable growth in shareholder value. Incentive compensation is at risk for each executive and is not awarded, or is reduced, if the required targets are not met.

Short term incentive plan

The short term incentive plan provides the opportunity for incentive compensation in the form of a cash reward based on the achievement of performance targets which are specified at the commencement of each financial year and measured at the completion of the financial year. Performance targets represent a stretch beyond minimum requirements and include measures related to earnings, economic profit, return on funds employed, cash flow, safety performance and environmental compliance levels. The Board considers superior outcomes in these areas to be fundamental to the well being of its employees, the community and the financial performance which creates growth in shareholder value.

For specified executives, target incentive levels are 15% or 20% of base salary which reflect prevailing relevant external remuneration benchmarks. These incentive levels can increase to 30% or 40% of base salary respectively where performance exceeds target measures.

Long term incentive plans

Under the long term incentive plans the Company may grant awards to executives as follows:

Retention Plan

At the time of the merger of Incitec Fertilizers Limited and Pivot Limited, the Board recognised that a crucial element to the success of the new enterprise was the retention of key executives to ensure the capture of synergies and the uninterrupted delivery of service to our customers. To that end a one-off award was granted to participating executives (including specified executives and the specified executive director) in respect of the period from 1 June 2003 to 30 September 2005, satisfied by the provision of an interest free, limited recourse, unsecured loan by the Company, applied to the purchase in aggregate, of 107,925 shares in the Company. The shares may be forfeited by a participating executive if that executive ceases to be employed by Incitec Pivot prior to 30 September 2005. The loan is repayable on the earlier of the executive ceasing to be employed by Incitec Pivot, the executive selling his/her shares or three years after the loan is made. Upon satisfaction of the retention criteria, the amount of repayment due in settlement of the loan will be 48.5% of the outstanding balance. Any dividends will be applied on an after tax basis to reduce the loan balance. The executive cannot deal in these shares until 30 September 2005.

For participating specified executives, the loan represents 25% per annum of base salary as at 1 June 2003 (being the date of the merger) applied for the 2.33 years represented by the period 1 June 2003 to 30 September 2005. For the Managing Director and CEO (the "specified executive director") the loan is based on 35% per annum of base salary as at 1 June 2003 applied for the 2.33 years represented by the period 1 June 2003 to 30 September 2005.

Performance Plan

Participating executives (including specified executives and the specified executive director) may be eligible to receive an award under the Long Term Performance Incentive Plan, dependent on the achievement of certain performance measures over a rolling three year period. Adoption of this longer term incentive creates the opportunity, and provides the discipline, for participating executives to contribute to short term performance but with full regard to the delivery of sustainable growth in shareholder value.

For the period from 1 October 2003 to 30 September 2006, participating executives were each advanced a limited recourse, unsecured loan by the Company, to be applied towards the purchase of shares in the Company. In aggregate 92,856 shares have been allocated to participating executives. The shares may be forfeited by a participating executive if that executive ceases to be employed by Incitec Pivot prior to 30 September 2006. The loan or part thereof will be waived on or after 1 October 2006, subject to the Company achieving certain financial performance hurdles. Upon the waiving of any loan amount, the executive will have full, unrestricted ownership of shares to the value of the loan waiver. Prior to any loan waiver being awarded, executives cannot deal in these shares. The loan is immediately repayable by an executive ceasing to be employed by Incitec Pivot via the sale of shares purchased under the plan terms. The loan is considered to be repaid in full upon the transfer to the Company of the total share sale proceeds. Loans, or portions of those loans, can also be repaid via direct payment from participating executives. Interest is charged on this loan at the FBT benchmark rate (currently 6.55%). Net cash dividends after personal income tax obligations will be applied to reduce the loan balance. The employee cannot deal in these shares until 1 October 2006. Shares may be sold after the loan on those shares has been fully repaid.

For specified executive's, the loan represents 25% of base salary as at 1 January 2004. For the specified executive director, the loan represents 70% of base salary as at 1 January 2004.

Awards may be offered under the terms and conditions of the performance plan each year, subject to a cap of three times the executive's maximum annual remuneration under the terms and conditions of the plan. The ultimate benefit received by executives is dependent upon performance over the rolling three year period.

Directors' Report

There is currently no Australian Accounting requirement to record an expense for the fair value of the shares (which have been treated as options) issued in 2004. However AASB1046: "Director and Executive Disclosures by Disclosing Entities" require Incitec Pivot to derive a value for these items and include the value in the director and executive remuneration disclosures. An option pricing model was adopted to derive a value. Loan forgiveness is incorporated into the option valuations.

Remuneration of Managing Director and CEO – Outline of employment contract

The Company has entered into an employment agreement with the Managing Director and CEO, Greg Witcombe. The agreement provides for an annual base salary of \$644,000 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 base salary, other than for gross misconduct. The agreement, including base salary is reviewed annually, having regard to comparable external remuneration arrangements and individual performance and may be adjusted accordingly. The agreement may be terminated by three months notice given by either party and includes provisions relating to confidential information and post termination restraints.

The agreement also includes an entitlement for the Managing Director and CEO to participate in the annual Short Term Incentive Plan. This is based on 30% of base salary and is subject to achievement of certain performance targets, and for over performance of such targets, can increase to 60% of base salary. In addition the Managing Director and CEO is eligible to participate in the Long Term Performance Incentive Plan. His participation in the Retention Plan is based on 35% per annum of base salary applied to the 2.33 years (representing the period 1 June 2003 to 30 September 2005) and in respect of the Performance Plan, for performance from 1 October 2003 to 30 September 2006 is based on 70% per annum of base salary, subject to achievement of certain performance targets, and for over performance of such targets can increase to 140% per annum of base salary.

Post retirement benefits

The consolidated entity contributes to a number of superannuation funds that exist to provide benefits for its employees. There is a combination of defined benefit and accumulation type plans. All specified executives and the specified executive director are members of accumulation plans.

Other benefits

Other benefits which can be paid under specified circumstances include relocation allowances, rental assistance and gap payments in relation to health expenses. Additionally, all executives are eligible to participate in an annual health assessment program designed to ensure executives have their health status reviewed on a regular basis.

Non-executive directors' remuneration

Non-executive directors' fees, including committee fees, are determined by the Board within the aggregate amount of \$1,000,000 which was approved by shareholders at the December 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 Board decided to phase out retirement allowances and any directors joining the Board subsequent to 30 May 2003 are not entitled to receive a retirement allowance. Retiring non-executive directors appointed before 1 June 2003 will retain their contractual allowances. This policy entitled these directors to a retirement benefit after 10 years of service equal to the total of the benefits received from the Company in the 3 years immediately preceding the date of retirement. The retirement benefit will be paid pro-rata for less than 10 years of service.

Environmental regulations

Manufacturing licences and consents are in place at each Incitec Pivot site, determined in consultation with local environmental regulatory authorities. The measurement of compliance with conditions of licences and consents involves numerous tests 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 section on pages 10 to 11 of the annual report.

Indemnification and insurance of officers

The Company's constitution provides the Company must indemnify any person who is, or has been, an officer of the Company or its wholly owned subsidiaries, including the directors, the secretary and other executive officers, against any liability incurred by such an officer including for any liability incurred as a result of appointment or nomination by the Company or subsidiary as a trustee or as an officer of another corporation, unless the liability arises out of conduct involving a lack of good faith.

The Constitution further provides that subject to the Corporations Act 2001(Cth), the Company may enter into agreements with officers or former officers to give effect to this right of indemnity. The Company has entered into Deeds of Access, Indemnity and Insurance with each of its officers and pursuant to those Deeds 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

Auditor Independence

KPMG have provided written assurance of their independence, and no officer of the Company was a former partner or director of KPMG.

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.

Directors' Report

Corporate Governance Statement

Since Incitec Pivot's listing in July 2003 on the Australian Stock Exchange (ASX), 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 Incitec Pivot complies with the requirements set out in the ASX Recommendations.

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

Disclosure required by the ASX recommendations	Reference
Functions reserved to the Board and those delegated to management	Role of Board on page 19
Skills, experience and expertise relevant to the position of Director	Information on Directors on pages 4 to 5 and pages 19 to 20
Details of directors considered by Incitec Pivot as independent and the criteria/thresholds applied	Independent non-executive directors on pages 19 to 20
Procedure for independent professional advice	Access to information and independent advice on page 19
Directors' terms of office	Information on directors on pages 4 to 5
Names of the Remuneration and Appointments Committee members and attendance at meetings	Remuneration and Appointments Committee and Board meetings of directors on page 13
Composition of Board, Chairman, role of Chairman and Managing Director and CEO	Role and composition of Board on page 19
Code of conduct for directors, executives and employees	Incitec Pivot codes of conduct on page 24
Share trading policy	Share ownership and dealing on pages 24
Risk oversight	Audit and Risk Management Committee on page 22
Audit and Risk Management Committee members and qualifications	Audit and Risk Management Committee on page 22
Audit and Risk Management Committee meetings and attendance	Meetings of directors on page 13
Risk management and internal controls	Internal control and risk management on page 23
Financial statements sign off and structure of Audit and Risk Management Committee	Audit and Risk Management Committee on page 22
Procedures for ASX disclosures	Procedures for ASX disclosure requirements on page 18
Shareholder communications strategy	Procedures for ASX disclosure requirements on page 18 and Incitec Pivot website (www.incitecpivot.com.au)
Attendance of auditor	External audit on page 23
Performance review	Board evaluation on page 20
Company's remuneration policies and disclosure	Director's remuneration on pages 14 to 16 and also in note 35, Director and executive disclosures
Retirement benefits for non-executive directors	Director's remuneration on pages 14 to 16 and also in note 35, Director and executive disclosures
Codes of conduct to guide compliance with legal and other obligations	Codes of conduct on page 24

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

Procedures for ASX disclosure requirements

The Company is subject to continuous disclosure obligations under the Listing Rules of the ASX, 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 ASX, of any information which a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of its shares.

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

- communicating with all shareholders in annual reports and financial statements, releases of results to the ASX 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 ASX,
- 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

Directors' Report

Corporate Governance Statement

market at the same time and in accordance with the requirements of the ASX and the Australian Securities and Investments Commission; and

- providing information on the Company's website, which contains information about the Company and its activities, including statutory reports and investor information.

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

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 CEO 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 of the Company;
- *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 CEO 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.

Composition of the Board

The Board comprises nine directors, including eight non-executive directors and one executive director (the Managing Director and CEO).

The Board collectively brings significant commercial, business, operational and financial experience in a range of industries. The directors all bring skills and expertise which, in aggregate, combine to form a Board which is equipped to discharge its responsibilities. The directors' biographies along with their term of office and information about their skills, expertise and experience are on pages 4 to 5 of the annual report.

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

The Company's constitution provides that, at each Annual General Meeting one-third of the directors (not including the Managing Director and CEO) 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 (the constitution was adopted in 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 CEO serves as a director until he ceases to be the Managing Director and CEO.

The Board, excluding the director in question, will regularly assess the independence of directors, 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 Limited. Among the circumstances considered by the Board in assessing the independence of its directors are a range of factors, including those set out in the ASX Recommendations.

In assessing the independence of a director, in addition to the relationship of the director (if any) with Orica Limited (as to which see further below), consideration is given to the underlying purpose behind any relationship a director may have with a third party that is identified as relevant to the assessment of independence and the overall purpose of independence. In determining whether a

Directors' Report

Corporate Governance Statement

sufficiently material relationship (as defined in Box 2.1 of the ASX Recommendations) exists between Incitec Pivot and a third party for the purposes of determining the independence of a director, the Board has regard to all the circumstances of the relationship, including among other things:

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

The Board considers that each of John Watson, Brian Healey, Allan McCallum, 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.

Notwithstanding that Mr Larkin 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 the role of the Governance Committee in dealing with related party transactions. After assessment of these matters, and the criteria referred to above, the Board considers that Mr Larkin is independent.

In summary, among the nine directors, the Board considers six directors are independent.

In addition, Orica Limited 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:

- at least three members of the Board will have at least 10 years practical experience in managing a commercial farming business;
- 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;
- 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
- 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 special Governance Committee which is responsible for reviewing related party transactions and making appropriate recommendations to the Board.

The roles of Chairman and Managing Director and CEO 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. In March 2004, the Board engaged Our People Plus Pty Ltd to undertake an operational Board review, addressing Board structure, processes, people and dynamics. The Board is in the process of undertaking its 2003/2004 performance evaluation which comprises the Board setting its 2004/2005 objectives, taking account of the recommendations made by Our People Plus Pty Ltd and reviewing its charter.

Board committees

In line with the Board's own charter, each Board committee is to review its performance at least annually, review its charter annually, recommend any changes to the Board and 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, all other current directors were appointed on 1 June 2003.

Incitec Pivot recognises the importance of regular performance evaluation of the directors. Assessment of individual directors performance and the Board as a whole is a process determined by the Chairman and the Remuneration and Appointments Committee. A Board operational review took place between March and September 2004 and individual directors performance will be reviewed throughout the 2004/2005 financial year and will include one-on-one interviews with directors and the Chairman, as well as discussions on succession planning. Those directors retiring and standing for re-election at the 2004 Annual General Meeting will be subject to a specific performance review prior to their nomination for re-election.

Directors' Report

Corporate Governance Statement

Executives

All Incitec Pivot executives are subject to annual performance reviews.

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

The outcomes of performance reviews are directly related to remuneration levels for all executives. The Remuneration and Appointments Committee has overall responsibility for ensuring performance evaluation processes are in place for all executives and that such evaluations are linked to executive remuneration. Incitec Pivot's broad policy in relation to executive remuneration is set out on pages 14 to 16 of this report.

The Remuneration and Appointments Committee also considers the performance and remuneration of the Managing Director and CEO and makes recommendations as to his remuneration to the Board, including regarding his participation in the Incitec Pivot 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 CEO 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 the 2003/2004 financial year are set out on page 13 of this report.

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

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

Directors' remuneration

Incitec Pivot's broad policy in relation to non-executive directors' fees and payments is to ensure that these fees and payments are consistent with the market and are sufficient to enable Incitec Pivot to attract and retain directors of an appropriate calibre.

Under the Company's constitution the maximum remuneration payable by the Company for the services of non-executive directors in total must not exceed the amount approved by shareholders in general meeting, which is \$1,000,000 as approved at the annual general meeting held in December 2003. The total remuneration paid to the non-executive directors during the financial year ended 30 September 2004 was within the maximum amount approved by shareholders.

Non-executive directors receive remuneration based on membership of the Board and Board Committees. Non-executive directors do not receive any performance-based incentives and no retirement benefits will be provided for directors other than those disclosed in this report. Details of remuneration paid to the non-executive directors is set out in note 35, Director and executive disclosures.

Details of remuneration paid to the executive director is set out in note 35, Director and executive disclosures of the financial report.

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; and
- 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.

Directors' Report

Corporate Governance Statement

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 qualifications of those directors appointed to the Audit and Risk Management Committee are set out on pages 4 to 5 of the annual report.

The current 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.

The attendance of the members of the Audit and Risk Management Committee at each meeting held during the financial year to 30 September 2004 is set out on page 13.

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

Financial reporting

- review of reports and analyses - review management, internal audit and external audit reports and analyses of financial reporting issues;
- review of financial statements - review all audited financial statements and all other financial information being made public;
- accounting policies - review the critical accounting policies with external auditors and management; and
- Managing Director and CEO and CFO certification - review the certification provided by the Managing Director and CEO 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; and
- 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 the 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; and
- 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 to 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; and
- assessment - conduct an annual assessment of the effectiveness of internal controls and financial reporting procedures.

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 3 independent non-executive directors.

The Committee comprises all Incitec Pivot Board members except for the Managing Director and CEO, Greg Witcombe, and is chaired by the Chairman, John Watson. The Committee's charter was approved by the Incitec Pivot Board on 3 June 2003 and sets out the Committee's responsibilities. The main items of responsibility of the Committee are:

Directors' Report

Corporate Governance Statement

- to identify those individuals believed to be qualified to become Board members;
- in consultation with the Managing Director and CEO, 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 CEO; and
- to review and make recommendations to the Board as to appropriate incentive schemes for employees.

The attendance of the members of the Remuneration and Appointments Committee at each meeting held during the financial year to 30 September 2004 is set out on page 13.

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 3 independent non-executive directors. The current members of the Committee are Allan McCallum (Chairman), John Watson and Leo Delahunty.

The primary purposes of the Governance 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.

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 CEO and the Chief Financial Officer will sign off 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 partner and review partner of the Company's external auditor will rotate every 5 years. The current audit partner and review partner 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. Further details are set out in note 6, Auditors remuneration.

The Company requests that KPMG attend the Company's annual general meeting and be available to answer questions from shareholders.

Directors' Report

Corporate Governance Statement

Share ownership and dealing

Details of shares in the Company held by the directors are set out on page 13 of this report, and also in note 35, Director and executive disclosures.

The Board has adopted a share trading policy which regulates dealings in the Company's shares. The policy aims to ensure that Incitec Pivot's 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 directors, employees, advisors, auditors and consultants (associates) 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 and 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 (excluding a director) confirming he or she is not aware of inside information.

The ASX is notified of any share dealings by a director within 5 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, environmental 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.

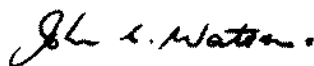
Environmental policy

Incitec Pivot has adopted a policy on its commitment to preserving the environment, preventing pollution and ensuring the health and well being of its workforce and the community in which it operates. The objectives set out in the policy include meeting all regulatory authority requirements for groundwater, 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 meeting all regulatory requirements and establishing procedures and operating mechanisms consistent with accepted international standards.

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



John C Watson, AM
Chairman

Dated at Melbourne this 29th day of October 2004

Statements of Financial Performance

For the year ended 30 September 2004

	Notes	Consolidated		Company	
		2004	2003	2004	2003
		\$000	\$000	\$000	\$000
Revenue from ordinary activities	(3)	1,137,898	696,567	978,275	586,648
Operating expenses					
Changes in inventories of finished goods and work in progress		40,060	(61,751)	156,438	(33,734)
Raw materials and consumables used and finished goods purchased for resale		(810,573)	(349,830)	(892,585)	(290,284)
Employee expenses (including significant items)		(83,524)	(66,403)	(38,617)	(50,743)
Costs recovered from subsidiary under agency agreement	(33)	-	-	24,853	-
Write-down of investments in controlled entities (significant items)	(5)	-	-	-	(67,497)
Depreciation and amortisation expense		(45,317)	(24,353)	(10,193)	(11,426)
Borrowing costs		(5,960)	(8,289)	(2,825)	(6,886)
Purchased services (including significant items)		(51,830)	(44,667)	(48,756)	(34,053)
Repairs and maintenance		(26,580)	(13,062)	(24,549)	(7,411)
Property, plant & equipment retired/disposed (excluding significant items)		(673)	(3,043)	(673)	(1,382)
Outgoing freight		(31,044)	(23,692)	(31,044)	(15,480)
Lease payments - operating leases		(8,638)	(7,914)	(8,638)	(6,334)
Net assets disposed from sale of business (significant items)		-	(3,867)	-	-
Asset write-downs, clean-up and environmental provisions (significant items)		(679)	(37,837)	(679)	(37,152)
Other expenses from ordinary activities including significant items		(6,011)	(64,093)	(3,226)	(2,049)
		(1,030,769)	(708,801)	(880,494)	(564,431)
Profit/(loss) from ordinary activities before income tax expense	(4)	107,129	(12,234)	97,781	22,217
Income tax expense attributable to (loss)/profit from ordinary activities	(7)	(32,090)	(6,389)	(14,077)	(4,979)
Profit/(loss) from ordinary activities after income tax relating to members of Incitec Pivot Limited		75,039	(18,623)	83,704	17,238
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					
Employee Benefits	(23)	-	(328)	-	(191)
Total changes in equity other than those resulting from transactions with owners as owners	(24)	75,039	(18,951)	83,704	17,047
		cents	cents		
Earnings per share					
Basic earnings per share:					
Ordinary shares	(8)	129	(60)		
Diluted earnings per share:					
Ordinary shares	(8)	129	(60)		

The Statements of Financial Performance are to be read in conjunction with the Notes to the Financial Statements set out on pages 28 to 67.

Statements of Financial Position

As at 30 September 2004

		Consolidated		Company	
	Notes	2004	2003	2004	2003
		\$000	\$000	\$000	\$000
Current assets					
Cash assets	(9)	83,846	21,269	83,846	14,440
Receivables	(10)	123,745	108,988	142,245	42,713
Inventories	(11)	246,292	205,643	246,292	74,366
Other	(12)	7,047	14,699	2,268	7,834
Total current assets		460,930	350,599	474,651	139,353
Non-current assets					
Receivables	(10)	3,248	1,924	188	1,924
Other financial assets	(13)	-	-	474,179	474,179
Property, plant and equipment	(14)	296,132	296,615	114,918	85,009
Intangible assets	(15)	183,809	185,354	-	-
Deferred tax assets	(16)	17,108	19,101	13,730	13,194
Other	(12)	10,166	13,553	2,296	-
Total non-current assets		510,463	516,547	605,311	574,306
Total assets		971,393	867,146	1,079,962	713,659
Current liabilities					
Payables	(17)	192,854	130,899	385,019	50,480
Interest bearing liabilities	(18)	63,055	40,663	8,055	61,479
Current tax liabilities	(19)	16,277	6,312	1,246	-
Provisions	(20)	26,877	37,133	22,460	22,525
Total current liabilities		299,063	215,007	416,780	134,484
Non-current liabilities					
Interest bearing liabilities	(18)	-	55,000	-	-
Deferred tax liabilities	(21)	19,049	14,268	4,526	-
Provisions	(20)	21,762	9,489	15,372	2,693
Total non-current liabilities		40,811	78,757	19,898	2,693
Total liabilities		339,874	293,764	436,678	137,177
Net assets		631,519	573,382	643,284	576,482
Equity					
Contributed equity	(22)	532,445	532,445	532,445	532,445
Reserves	(23)	35,922	35,922	43,694	43,694
Retained profits	(23)	63,152	5,015	67,145	343
Total equity	(24)	631,519	573,382	643,284	576,482

The Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements set out on pages 28 to 67.

Statements of Cash Flows

For the year ended 30 September 2004

	Notes	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		1,121,161	812,715	863,755	525,959
Payments to suppliers and employees		(959,165)	(714,836)	(704,217)	(468,252)
Interest received		388	1,472	531	1,770
Borrowing costs		(6,038)	(7,966)	(446)	(6,808)
Dividends received from wholly-owned controlled entity	(33)	-	-	16,000	-
Rental income		289	433	244	354
Royalties		-	10	-	10
Other trading revenue received		191	1,291	-	640
Net income taxes received/(paid)		(15,351)	3,113	(8,842)	-
Net cash flows from operating activities	(26)	141,475	96,232	167,025	53,673
Cash flows from investing activities					
Payments for property, plant and equipment		(30,814)	(15,578)	(28,724)	(8,923)
Proceeds from sale of property, plant and equipment	(3)	1,427	2,659	1,431	852
Proceeds from sale of business	(3)	-	4,393	-	-
Net cash flows used in investing activities		(29,387)	(8,526)	(27,293)	(8,071)
Cash flows from financing activities					
Net movement in short term financing		(31,032)	(81,545)	(51,847)	(43,038)
Payments for expenses relating to listing on Australian Stock Exchange		-	(1,274)	-	(1,274)
Dividends paid		(16,902)	(24,478)	(16,902)	(24,478)
Net cash flows used in financing activities		(47,934)	(107,297)	(68,749)	(68,790)
Net (decrease)/increase in cash held		64,154	(19,591)	70,983	(23,188)
Cash at the beginning of the financial year		19,692	39,283	12,863	36,051
Cash at the end of the financial year	(26)	83,846	19,692	83,846	12,863

The Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements set out on pages 28 to 67.

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Notes to the Financial Statements

For the year ended 30 September 2004

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(Cth).

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

During the financial year ended 30 September 2004, there have been no changes in accounting policy.

(iii) Consolidation

The controlled entities included in the consolidated financial statements are listed in note 36. Investments in controlled entities. 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 that take more than twelve months to get ready for their intended use or sale. Where funds are borrowed specifically for the production of a qualifying asset, the interest on those funds is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, 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 deferred and 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.

(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.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made adjustments are reflected prospectively in current and future periods only.

Notes to the Financial Statements

For the year ended 30 September 2004

1. Significant accounting policies (continued)

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 and the timing or amount 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, being risk free rates on government bonds most closely matching the expected future payments, except where otherwise noted and the risks specific to the liability. 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 within 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, and
- 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 have either commenced or been publicly announced, or firm contracts related to the restructuring or termination benefits have been entered into. Costs related to ongoing activities are not provided for.

(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.

(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.

Notes to the Financial Statements

For the year ended 30 September 2004

1. Significant accounting policies (continued)

(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.

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 shares 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 30 September 2004, the consolidated entity operated in one business segment in which the principal activities were the manufacture and distribution of fertiliser, and in one geographic location, Australia.

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

Notes to the Financial Statements

For the year ended 30 September 2004

2. Segment report (continued)

		Fertiliser	Divested Business	Consolidated
2004	Notes	\$000	\$000	\$000
Revenue				
External sales		1,107,098	-	1,107,098
Sales to entities subject to common control		28,490	-	28,490
Total sales revenue		1,135,588	-	1,135,588
Other revenue		2,310	-	2,310
Total of all segments	(3)	1,137,898	-	1,137,898
Total consolidated revenue from ordinary activities		1,137,898		1,137,898
Result				
EBIT - Segment		121,862	-	121,862
Net interest		(5,406)	-	(5,406)
Profit before tax and significant items		116,456	-	116,456
Significant items	(5)	(9,327)	-	(9,327)
Profit from ordinary activities before tax		107,129	-	107,129
Income tax expense		(32,090)	-	(32,090)
Profit from ordinary activities after tax		75,039		75,039
Assets				
Segment assets		971,393	-	971,393
Liabilities				
Segment liabilities		339,874	-	339,874
Other information				
Acquisition of property, plant and equipment		30,814	-	30,814
Depreciation and amortisation of segment assets	(4)	45,317	-	45,317
Other non cash expenses - write-downs and provisions		6,170	-	6,170
2003				
		\$000	\$000	\$000
Revenue				
External sales		655,503	20,304	675,807
Sales to Incitec Fertilizers Limited pre acquisition		10,500	-	10,500
Total sales revenue		666,003	20,304	686,307
Other revenue				10,260
Total of all segments	(3)	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	(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	(4)	24,343	10	24,353
Other non cash expenses - write-downs and provisions		45,197	-	45,197

Notes to the Financial Statements

For the year ended 30 September 2004

		Consolidated		Company	
	Notes	2004 \$000	2003 \$000	2004 \$000	2003 \$000
3. Revenue from ordinary activities					
External sales		1,107,098	686,307	913,084	472,484
Sales to entities subject to common control		28,490	-	28,397	-
Other revenue from operating activities					
Royalty income		-	10	-	10
Dividend income					
wholly-owned controlled entities	(33)	-	-	34,500	-
Interest income					
common controlled entities		33	-	33	476
wholly-owned controlled entities		-	-	56	-
external parties – banks		521	1,473	530	1,372
Loan forgiveness from controlled entities (significant items)	(5)	-	-	-	110,459
Rental income		289	433	244	354
Other income		40	1,292	-	641
From outside operating activities					
Sale of business	(5)	-	4,393	-	-
Sale of property, plant and equipment		1,427	2,659	1,431	852
Total other revenue		2,310	10,260	36,794	114,164
Total revenue		1,137,898	696,567	978,275	586,648

4. Profit/(loss) from ordinary activities before income tax expense

Profit/(loss) from ordinary activities before income tax expense is arrived at after crediting:

Profit on sale of business	(5)	-	526	-	-
Profit/(loss) on sale of property, plant and equipment		2,238	(100)	2,238	6
Net gain/(loss) on foreign currency transactions		705	115	597	(21)

Profit/(loss) from ordinary activities before income tax expense is arrived at after charging:

Cost of goods sold		770,513	471,135	736,146	324,019
Borrowing costs paid/payable to					
entity subject to common control		1,669	942	1,677	942
external parties		4,291	7,347	1,148	5,944
Depreciation on property, plant and equipment					
buildings and improvements		8,288	4,767	5,070	3,660
machinery, plant and equipment ⁽¹⁾		22,336	14,875	5,123	7,766
Amortisation					
goodwill		9,945	3,128	-	-
deferred maintenance expenditure		4,748	1,583	-	-
Amounts set aside to provide for					
employee entitlements		4,137	13,492	840	11,435
environmental liabilities		270	7,033	270	7,033
inventory losses and obsolescence		1,276	-	1,276	-
other provisions		487	2,297	487	2,297
restructuring		-	20,650	-	20,359
Bad debts written off in respect of trade debtors		95	232	95	232
Lease payments – operating leases		8,638	7,914	8,638	6,334
Research and development		277	121	277	121
Superannuation contributions		8,113	4,482	3,336	2,431

(1) The remaining useful lives of certain manufacturing assets have been extended in the second half to align the depreciation charge with actual expected remaining useful lives. The impact on the current year was \$5.7m and the impact for prospective years will be \$11.4m.

Notes to the Financial Statements

For the year ended 30 September 2004

	2004			2003		
	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	(6,255)	1,877	(4,378)	(10,108)	3,032	(7,076)
Environmental	(270)	81	(189)	(7,300)	2,190	(5,110)
Corporate launch	(1,498)	449	(1,049)	-	-	-
Site-clean up and rationalisation	-	-	-	(7,883)	1,231	(6,652)
Asset write-downs	(409)	123	(286)	(22,654)	3,927	(18,727)
Transaction and implementation costs	(895)	269	(626)	(12,666)	2,354	(10,312)
Accounting policy adjustments	-	-	-	(2,881)	864	(2,017)
Total merger implementation costs ⁽¹⁾	(9,327)	2,799	(6,528)	(63,492)	13,598	(49,894)
Other						
Profit from business divested ⁽²⁾	-	-	-	526	(158)	368
Profit from sale of property, plant and equipment	-	-	-	224	(67)	157
Write-down of carrying value of inventory ⁽³⁾	-	-	-	(1,826)	548	(1,278)
Over/(under) provision of income tax in previous years ⁽⁴⁾	-	697	697	-	(3,009)	(3,009)
Total other	-	697	697	(1,076)	(2,686)	(3,762)
Individually significant items	(9,327)	3,496	(5,831)	(64,568)	10,912	(53,656)
Company						
Merger implementation costs						
Employee redundancies and allowances	(5,485)	1,645	(3,840)	(9,883)	2,965	(6,918)
Environmental	(270)	81	(189)	(7,300)	2,190	(5,110)
Corporate launch	(1,498)	449	(1,049)	-	-	-
Site-clean up and rationalisation	-	-	-	(7,884)	1,230	(6,654)
Asset write-downs	(409)	123	(286)	(21,968)	3,722	(18,246)
Transaction and implementation costs	(895)	269	(626)	(10,019)	1,560	(8,459)
Accounting policy adjustments	-	-	-	(2,881)	864	(2,017)
Total merger implementation costs ⁽¹⁾	(8,557)	2,567	(5,990)	(59,935)	12,531	(47,404)
Other						
Write-down of investments in controlled entities ⁽⁵⁾	-	-	-	(67,497)	-	(67,497)
Loan forgiveness from controlled entities ⁽⁵⁾	-	-	-	110,459	-	110,459
Profit from sale of property, plant and equipment	-	-	-	224	(67)	157
Write-down of carrying value of inventory ⁽³⁾	-	-	-	(1,826)	548	(1,278)
Over/(under) provision of income tax in previous years ⁽⁴⁾	-	828	828	-	(3,167)	(3,167)
Total other	-	828	828	41,360	(2,686)	38,674
Individually significant items	(8,557)	3,395	(5,162)	(18,575)	9,845	(8,730)

(1) Merger implementation costs in 2003 and 2004 relate to the restructuring and reorganisation activities following the acquisition of Incitec Fertilizers Limited. The classification of these costs is consistent with the September 2003 financial statements and the merger information memorandum.

(2) 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.

(3) Inventory written down and prior year losses relate to the grain business which ceased operations.

(4) Adjustment to income tax expense to reconcile to income tax returns as lodged.

(5) Write-down of investment in controlled entities following reassessment of carrying value as a result of intercompany loans forgiven.

Notes to the Financial Statements

For the year ended 30 September 2004

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
6. Auditors' remuneration				
Total remuneration received, or due and receivable, by the auditors for:				
Audit services				
Auditors of the Company - KPMG	200,000	250,000	200,000	250,000
Auditors of the Company - Deloitte Touche Tohmatsu		70,000		70,000
	200,000	320,000	200,000	320,000
Non audit services				
Auditors of the Company - KPMG				
taxation services	95,754	40,300	95,754	40,000
other services	8,415	24,460	8,415	24,460
Auditors of the Company - Deloitte Touche Tohmatsu				
taxation services		126,578		126,578
other services		180,526		180,526
	104,169	371,864	104,169	371,564
	304,169	691,864	304,169	691,564

From time to time, the auditors provide other services to the Company, which are subject to strict corporate governance procedures adopted by the Company which encompass the selection of service providers and the setting of their remuneration. The Audit and Risk Management Committee must approve non audit services provided by KPMG above a value of \$20,000. Taxation services relate to the 2002 tax returns, their engagement was prior to appointment as external auditors.

	Consolidated		Company	
	2004	2003	2004	2003
	\$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% (2003 at 30%)

on profit from ordinary activities before significant items	34,937	15,701	31,901	12,238
Tax effect of permanent differences which increase/(reduce) tax expense:				
non-allowable depreciation of buildings	450	472	41	229
research and development	(287)	(409)	(287)	(263)
dividends from wholly-owned entities	-	-	(10,350)	-
tax under/(over) provided in prior years	(2,098)	929	(1,853)	2,704
non-allowable goodwill amortisation	2,984	939	-	-
non taxable profit on sale of property, plant and equipment	(512)	(452)	(592)	(67)
sundry items	112	121	(1,388)	(17)
Income tax expense attributable to operating profit before significant items	35,586	17,301	17,472	14,824

Income tax expense attributable to significant items

Prima facie income tax benefit calculated at 30% (2003 at 30%)

on loss from significant items	(2,798)	(19,371)	(2,567)	(5,573)
Tax effect of permanent differences which increase/(reduce) tax expense				
merger implementation costs	(1)	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	(697)	3,009	(828)	3,167
Income tax benefit attributable to operating loss from significant items	(3,496)	(10,912)	(3,395)	(9,845)

Income tax expense attributable to operating profit	32,090	6,389	14,077	4,979
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Income tax expense comprises:

provision for income tax	18,510	2,063	3,594	-
deferred income tax	5,478	(3,662)	7,382	-
future income tax benefit	8,102	7,988	3,101	4,979
	32,090	6,389	14,077	4,979

Notes to the Financial Statements

For the year ended 30 September 2004

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 (2003 \$nil).

	Notes	Consolidated	
		2004 Cents per share	2003 Cents per share
8. Earnings per share (EPS)			
Basic and diluted earnings/(loss) per share			
including significant items		129	(60)
excluding significant items		139	113
		Number	Number
Weighted average number of shares used as the denominator:			
Number for basic and diluted earnings per share ⁽¹⁾		58,281,027	31,120,472
Average market price of ordinary shares		\$17.33	\$15.39
		\$000	\$000
Reconciliation of earnings used in the calculation of basic earnings per share including individually significant items			
Profit/(loss) from ordinary activities after income tax expense		75,039	(18,623)
Earnings used in calculation of EPS including individually significant items		75,039	(18,623)
Reconciliation of earnings used in the calculation of basic earnings per share excluding individually significant items			
Profit/(loss) from ordinary activities after income tax expense		75,039	(18,623)
Deduct individually significant items after income tax	(5)	(5,831)	(53,656)
Earnings used in calculation of EPS excluding individually significant items		80,870	35,033

(1) The 2003 weighted average number of shares used as the denominator calculated over the 12 months ended 30 September 2003 takes into account the issue of 40,796,719 shares on 1 June 2003. No shares were issued during 2004, thus the weighted average number of shares represents issued shares at year end.

	Notes	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
9. Cash assets					
Cash at bank and on hand		705	6,851	705	22
Deposits at call					
entity subject to common control		83,141	14,418	83,141	14,418
	(31)	83,846	21,269	83,846	14,440

Notes to the Financial Statements

For the year ended 30 September 2004

	Notes	Consolidated		Company	
		2004	2003	2004	2003
		\$000	\$000	\$000	\$000
10. Receivables					
Current					
Trade debtors					
external		98,384	101,050	98,384	41,876
entities subject to common control		3,892	3,309	3,892	-
Less provision for doubtful debts					
external		(762)	(866)	(762)	(666)
		101,514	103,493	101,514	41,210
Sundry debtors/loans					
external		18,988	4,584	18,988	1,425
entities subject to common control		3,243	911	3,243	-
wholly-owned controlled entity	(33)	-	-	18,500	78
		22,231	5,495	40,731	1,503
		123,745	108,988	142,245	42,713
Non-current					
Sundry debtors/loans					
external		3,248	253	188	253
related parties		-	1,671	-	1,671
		3,248	1,924	188	1,924

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 long overdue accounts. Interest may be charged where the terms of repayment exceed agreed terms.

11. Inventories

Raw materials and stores					
At cost		18,775	18,186	18,775	3,287
Less provision for inventory losses and obsolescence		(468)	(468)	(468)	(468)
		18,307	17,718	18,307	2,819
Finished goods					
At cost		230,130	189,298	230,130	72,170
Less provision for inventory losses and obsolescence		(2,145)	(1,373)	(2,145)	(623)
		227,985	187,925	227,985	71,547
		246,292	205,643	246,292	74,366

12. Other assets

Current					
Deferred maintenance expenditure	(1ix)	16,789	12,132	-	-
Less accumulated amortisation		(12,041)	(7,292)	-	-
		4,748	4,840	-	-
Prepayments		2,299	9,859	2,268	7,834
		7,047	14,699	2,268	7,834
Non-current					
Deferred maintenance expenditure	(1ix)	7,870	13,456	-	-
Prepayments		2,296	97	2,296	-
		10,166	13,553	2,296	-

Notes to the Financial Statements

For the year ended 30 September 2004

		Consolidated		Company	
	Notes	2004 \$000	2003 \$000	2004 \$000	2003 \$000
13. Other financial assets					
Non-current					
Interest in unlisted controlled entities					
At cost	(36)	-	-	474,179	474,179
14. Property, plant and equipment					
Land, buildings and improvements					
At cost		202,790	203,982	66,763	66,046
Accumulated depreciation		(90,308)	(87,952)	(31,481)	(32,989)
At recoverable amount		14,028	14,913	14,028	14,913
Accumulated depreciation		(693)	-	(693)	-
Total net book value		125,817	130,943	48,617	47,970
Machinery, plant and equipment					
At cost		414,938	418,273	130,408	122,515
Accumulated depreciation		(259,244)	(266,158)	(78,728)	(99,033)
Capital works in progress		14,621	13,557	14,621	13,557
Total net book value		170,315	165,672	66,301	37,039
Total net book value of property, plant and equipment		296,132	296,615	114,918	85,009
Carrying value of freehold land					
(included with land, buildings and improvements)		56,135	47,018	7,025	4,596
Land held for resale					
At cost - current		9,381	10,462	-	2,319
At cost - non-current		-	356	-	-
Total (included in value of freehold land)		9,381	10,818	-	2,319

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.

	2004 \$000	2003 \$000
At directors' valuation	148,271	148,898

Valuations of land and buildings

The valuations were independently determined in 2003 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.

Capitalised borrowing costs

No interest was capitalised during the financial year (2003 \$nil).

Notes to the Financial Statements

For the year ended 30 September 2004

14. Property, plant and equipment (continued)

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 2004				
Carrying amount at the beginning of the financial year		130,943	165,672	296,615
Additions		3,706	27,108	30,814
Disposals		(499)	(129)	(628)
Depreciation expense	(4)	(8,288)	(22,336)	(30,624)
Write-down to recoverable amount		(45)	-	(45)
Carrying amount at the end of the financial year		125,817	170,315	296,132
Company 2004				
Carrying amount at the beginning of the financial year		47,970	37,039	85,009
Additions		2,938	25,729	28,667
Disposals		(499)	(129)	(628)
Depreciation expense	(4)	(5,070)	(5,123)	(10,193)
Write-down to recoverable amount		(45)	-	(45)
Movement in allocated assets within group		3,323	8,785	12,108
Carrying amount at the end of the financial year		48,617	66,301	114,918

	Notes	Consolidated		Company	
		2004	2003	2004	2003
		\$000	\$000	\$000	\$000

15. Intangible assets

Goodwill, at cost	196,882	188,482	-	-
Less accumulated amortisation	(13,073)	(3,128)	-	-
Total net book value of goodwill	183,809	185,354	-	-

Goodwill at cost has increased by \$8.4m (net of future tax benefit of \$3.6m) as a result of the recognition of an additional \$12m environmental provision relating to a site which was acquired as a result of the 2003 acquisition of Incitec Fertilizers Limited.

16. Deferred tax assets

Future income tax benefit	(1vii)	17,108	19,101	13,730	13,194
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17. Payables

Current

Trade creditors

external		177,240	113,152	177,240	26,703
entity subject to common control		134	-	134	-
wholly-owned controlled entity	(33)	-	-	120,911	19,435
Sundry creditors and accrued charges					
external		15,480	17,669	15,234	4,264
wholly-owned controlled entity	(33)	-	-	71,500	-
entity subject to common control		-	78	-	78
		192,854	130,899	385,019	50,480

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 date month end or within the agreed payment terms with the supplier.

Net fair values

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

Notes to the Financial Statements

For the year ended 30 September 2004

	Notes	Consolidated		Company	
		2004	2003	2004	2003
		\$000	\$000	\$000	\$000
18. Interest bearing liabilities					
Current					
Secured					
investment deposit debentures		-	39,086	-	39,086
Unsecured					
bank overdrafts		-	1,577	-	1,577
redeemable preference shares		55,000	-	-	-
other loans					
investment deposit scheme		8,055	-	8,055	-
wholly-owned controlled entity		-	-	-	20,816
		63,055	40,663	8,055	61,479
Non-current					
Unsecured					
redeemable preference shares		-	55,000	-	-
		-	55,000	-	-

Significant terms and conditions

Interest expense is recognised progressively over the life of the loan. Refer to note 31 for 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. Redemption in the sum of \$55m will be funded by the subscription by the Company for ordinary shares in Incitec Fertilizers Limited and be funded by borrowings from Orica Finance Limited, a common controlled entity.

Investment deposit scheme and investment deposit debentures

Customers may invest funds with Incitec Pivot by way of unsecured notes in the Investment Deposit Scheme issued under the prospectus dated 19 December 2003, as lodged with ASIC. The interest rate offered at the date of this report is 5.1%. This scheme replaced the secured investment deposit debentures.

19. Current tax liabilities

Provision for income tax	(1vii)	16,277	6,312	1,246	-
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20. Provisions

Current					
Employee entitlements		7,823	9,386	3,406	4,815
Restructuring and rationalisation		6,130	12,979	6,130	8,113
Environmental		11,393	12,471	11,393	7,300
Other		1,531	2,297	1,531	2,297
		26,877	37,133	22,460	22,525
Non-current					
Employee entitlements		9,101	8,666	2,711	2,161
Restructuring and rationalisation		-	823	-	532
Environmental		12,661	-	12,661	-
		21,762	9,489	15,372	2,693
Aggregate employee entitlements					
Current		7,823	9,386	3,406	4,815
Non-current		9,101	8,666	2,711	2,161
		16,924	18,052	6,117	6,976

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	5.4%
Settlement term	10 years

Employees at year end	Number	Number	Number	Number
Full time equivalent	801	850	391	352

Notes to the Financial Statements

For the year ended 30 September 2004

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.

		Consolidated	Company
	Notes	\$000	\$000
Current Provision - Dividends			
Carrying amount at the beginning of the financial year		-	-
Provisions made during the year	(25)	16,902	16,902
Payments made during the period	(25)	(16,902)	(16,902)
Carrying amount at the end of the financial year		-	-

Current Provision - Restructuring and rationalisation			
Carrying amount at the beginning of the financial year		12,979	8,113
Transfers from non-current restructuring provision		823	532
Transfers from subsidiary		-	4,574
Asset write-downs		(345)	(95)
Payments made during the period		(7,327)	(6,994)
Carrying amount at the end of the financial year		6,130	6,130

Current Provision - Environmental			
Carrying amount at the beginning of the financial year		12,471	7,300
Transfers from subsidiary		-	5,123
Provisions made during the year		12,270	12,270
Transfers to non-current environmental provision		(12,661)	(12,661)
Payments made during the period		(687)	(639)
Carrying amount at the end of the financial year		11,393	11,393

Current Provision - Other			
Carrying amount at the beginning of the financial year		2,297	2,297
Provisions made during the year		487	487
Asset write-downs		(170)	(170)
Payments made during the period		(1,083)	(1,083)
Carrying amount at the end of the financial year		1,531	1,531

Non-Current Provision - Restructuring and rationalisation			
Carrying amount at the beginning of the financial year		823	532
Transfers to current restructuring provision		(823)	(532)
Carrying amount at the end of the financial year		-	-

Non-Current Provision - Environmental			
Carrying amount at the beginning of the financial year		-	-
Transfers from current environmental provision		12,661	12,661
Carrying amount at the end of the financial year		12,661	12,661

		Consolidated		Company	
	Notes	2004	2003	2004	2003
		\$000	\$000	\$000	\$000
21. Deferred tax liabilities					
Deferred income tax	1(vii)	19,049	14,268	4,526	-

Notes to the Financial Statements

For the year ended 30 September 2004

Company/Consolidated
2004 2003
\$000 \$000

22. Contributed equity

Share capital

Ordinary shares - 58,281,027 (2003 - 58,281,027)

532,445 532,445

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	1 Oct 02	14,037,142		52,122
Employee share plan buy-back	17 Oct 02	(222)	\$9.00	(2)
Conversion from ordinary shares to investor shares	1 Oct 02 to 31 Jan 03	(6,400)	\$9.00	(56)
Shares issued in consideration for purchase of Incitec Fertilizers Limited ⁽¹⁾	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
Balance	30 Sep 04	58,281,027		532,445

(1) 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 businesses.

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	1 Oct 02	3,447,388		13,697
Conversion from ordinary shares to investor shares	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	-		-
Balance	30 Sep 04	-		-

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

For the year ended 30 September 2004

	Notes	Consolidated		Company	
		2004	2003	2004	2003
		\$000	\$000	\$000	\$000
23. Reserves and retained profits					
Reserves					
Realisation and revaluation of assets		34,423	34,423	43,686	43,686
General and other		1,499	1,499	8	8
Reserves at the end of the financial year		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	34,423	43,686	43,686
Increase in revaluation reserve		-	-	-	-
Balance at end of year		34,423	34,423	43,686	43,686
General and other					
Balance at beginning of year		1,499	-	8	-
Transfer from capital profit reserves		-	1,491	-	-
Transfer from forfeited shares reserve		-	8	-	8
Balance at end of year		1,499	1,499	8	8
Forfeited shares reserve					
Balance at beginning of year		-	8	-	8
Transfer to general and other		-	(8)	-	(8)
Balance at end of year		-	-	-	-
Capital profits reserve					
Balance at beginning of year		-	1,491	-	-
Transfer to general and other		-	(1,491)	-	-
Balance at end of year		-	-	-	-
Retained profits					
Retained profits at the beginning of the financial year		5,015	48,444	343	7,774
Net decrease in equity due to initial adoption of revised AASB 1028 <i>Employee Benefits</i>		-	(328)	-	(191)
Operating profit/(loss) after income tax attributable to members of Incitec Pivot		75,039	(18,623)	83,704	17,238
Less dividends paid:					
2004 interim and interim special dividend	(25)	(16,902)	-	(16,902)	-
2003 special dividend	(25)	-	(24,478)	-	(24,478)
Retained profits at the end of the financial year		63,152	5,015	67,145	343

Nature and purpose of reserves

Realisation and revaluation of assets: The realisation and revaluation of assets reserve includes the net revaluation 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 the capital profits reserve has been transferred to general and other reserves.

Notes to the Financial Statements

For the year ended 30 September 2004

	Notes	Consolidated		Company	
		2004	2003	2004	2003
		\$000	\$000	\$000	\$000
24. Total equity reconciliation					
Total equity at the beginning of the financial year		573,382	150,185	576,482	117,287
Total changes recognised in the statements of financial performance		75,039	(18,951)	83,704	17,047
Transactions with owners as owners					
Dividends provided for or paid	(25)	(16,902)	(24,478)	(16,902)	(24,478)
Contributions of equity	(22)	-	467,900	-	467,900
Expenses relating to the listing on the Australian Stock Exchange	(22)	-	(1,274)	-	(1,274)
Total equity at the end of the financial year		631,519	573,382	643,284	576,482

	Company	
	2004	2003
	\$000	\$000
25. Dividends		
Dividends paid or declared in respect of the year ended 30 September were:		
Ordinary Shares		
Special dividend of \$1.40 per share, fully franked at 30%, paid 16th June 2003		24,478
Interim dividend of 20 cents per share, fully franked at 30%, paid on 8th July 2004	11,656	
Interim special dividend of 9 cents per share, fully franked at 30%, paid on 8th July 2004	5,246	
Total ordinary share dividends paid in cash	16,902	24,478
Redeemable preference shares		
Quarterly dividend at 5.36% per share unfranked paid in cash on		
27 November	737	
27 February	737	
27 May	737	
27 August	737	737
Total redeemable preference share dividends paid in cash	2,948	737
Total dividends paid in cash	19,850	25,215

Subsequent event

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

Ordinary shares

Final dividend of 70 cents per share 100% franked at 30% payable on 9 December 2004	40,797	-
Final special dividend of 30 cents per share 100% franked at 30% payable on 9 December 2004	17,484	-

The financial effect of the final ordinary dividend has not been recognised in the year end financial report and will be recognised in subsequent financial reports.

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 (see note 18, Interest bearing liabilities).

Franking credits

Franking credits available to shareholders of the Company at the 30% (2003 at 30%) corporate tax rate after allowing for tax payable in respect of the current year's profit of \$2,273,063 (2003 \$3,241,743). The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Notes to the Financial Statements

For the year ended 30 September 2004

	Notes	Consolidated		Company	
		2004	2003	2004	2003
		\$000	\$000	\$000	\$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)	83,846	21,269	83,846	14,440
Bank overdraft	(18)	-	(1,577)	-	(1,577)
		83,846	19,692	83,846	12,863
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		75,039	(18,623)	83,704	17,238
Depreciation and amortisation	(4)	45,317	24,353	10,193	11,426
(Decrease)/increase in net interest payable		(243)	324	2,291	-
(Increase)/decrease in dividend income receivable from wholly-owned controlled entity	(33)	-	-	(18,500)	-
Write-down of property, plant and equipment (significant items)	(5)	-	22,143	-	21,754
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)	-	-
Net (profit)/loss on sale of property, plant and equipment		(2,238)	100	(2,238)	(6)
Changes in assets and liabilities excluding the effects of acquisitions and disposals of businesses				-	-
(increase)/decrease in trade and other receivables		(8,138)	42,943	(74,456)	(4,535)
(increase)/decrease in inventories		(40,649)	63,421	(171,926)	36,153
increase/(decrease) in deferred taxes payable		6,774	4,573	3,990	4,979
increase/(decrease) in payables and provisions		55,648	(46,624)	332,721	10,408
increase/(decrease) in income taxes payable		9,965	4,930	1,246	-
Net cash flows from operating activities		141,475	96,232	167,025	53,673
Disposal of business					
Consideration					
cash received		-	4,553	-	-
disposal costs		-	(160)	-	-
		-	4,393	-	-
Fair value of net assets of business disposed					
receivables		-	1,800	-	-
inventories		-	1,971	-	-
property, plant and equipment		-	174	-	-
other assets		-	58	-	-
other provisions		-	(136)	-	-
		-	3,867	-	-
Profit on sale of business		-	526	-	-

Disposal of entities

During the 2004 financial year there have been no disposals of businesses. During the 2003 financial year, the operating assets and business of the Carrick Stockfeed Mill were divested.

Notes to the Financial Statements

For the year ended 30 September 2004

	Consolidated		Company	
	2004	2003	2004	2003
	\$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 2004 financial year there have been no acquisitions of businesses. During the 2003 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	413	1,557	413	1,128
	413	1,557	413	1,128

Lease commitments

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

no later than one year	8,374	8,871	8,374	3,495
later than one, no later than five years	16,432	16,115	16,432	8,248
later than five years	24,179	18,066	24,179	11,695
	48,985	43,052	48,985	23,438

Representing

non-cancellable operating leases	48,985	43,052	48,985	23,438
	48,985	43,052	48,985	23,438

28. Contingent liabilities

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

Discounted bills of exchange

A discounted bill of exchange facility is in place and is utilised by a number of customers for the purpose of trade finance. The majority of these discounted bills of exchange are used for periods less than 120 days. In the event that bills are not repaid, there is 100% recourse to the Company. In this circumstance the contingency would crystallise into an actual liability and the Company would repay the bill. The amount would only be written off if the Company was unsuccessful in collecting the underlying debt. Total discounted bills of exchange outstanding at 30 September 2004 amounted to \$13.7m (2003 \$9.9m).

Notes to the Financial Statements

For the year ended 30 September 2004

28. Contingent liabilities (continued)

Guarantees and warranties

- The Company has guaranteed seasonal borrowings of certain customers. A \$70 million facility is in place with Suncorp Metway for the calendar year ending 31 December 2004. The amount guaranteed is 4% of the total facility or \$2.8 million. In the event that customers default on the borrowing, there is recourse to the Company of up to a maximum of \$2.8m. The amount would be written off if the Company was unsuccessful in collecting the underlying debt. The previous agreement provided a guarantee of 6% on the value drawn down on the facility, which equated to a contingent liability of \$1.7m at 30 September 2003.
- 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, Investment in controlled entities. A consolidated Statement of Financial Position and statement of financial performance for this closed group is shown in note 37, Deed of Cross Guarantee.
- The consolidated entity has entered into various long term supply contracts. For some contracts minimum charges are payable regardless of the level of operations, but in all cases the levels of operations are expected to remain above those that would trigger minimum payments.
- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time. In the opinion of the directors any further information about these matters would be prejudicial to the interests of the Company.
- There are guarantees relating to certain leases of property, plant and equipment and other agreements arising in the ordinary course of business.
- Contracts of sale covering companies and businesses which were divested in current and prior years include normal commercial warranties and indemnities to the purchasers. The Company is not aware of any material exposure under these warranties and indemnities.
- From time to time the consolidated entity is subject to claims for damages arising from products and services supplied by the consolidated entity in the normal course of business. Controlled entities have received advice of claims relating to alleged failure to supply products and services suitable for particular applications. The claims in the entities concerned are considered to be either immaterial or the entity is defending the claim with no expected financial disadvantage. No specific disclosure is considered necessary.

Environmental 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.

The Company has entered into a voluntary arrangement with the relevant regulatory authority to investigate and remediate where appropriate land and groundwater contamination at Parafield Gardens (South Australia).

Taxation

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

Notes to the Financial Statements

For the year ended 30 September 2004

29. Standby arrangements and credit facilities

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Committed bank overdraft facilities available	7,000	5,000	7,000	5,000
Amount of facilities unused	7,000	3,423	7,000	3,423
Committed standby and loan facilities available	220,000	220,000	220,000	220,000
Amount of facilities unused	220,000	220,000	220,000	220,000

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 on arms length commercial terms.

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 \$104.4m (2003 \$89.7m). 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 entities subject to common control and external parties in the financial markets. The derivative instruments used for hedging purchase and sales exposures are option contracts and forward contracts.

For contracts which specifically hedge anticipated sales and purchases, any unrealised gains and losses on the contracts, together with the premium 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	
	2004	2003	2004	2003
	\$	\$	A\$000	A\$000
Buy US dollars / sell Australian dollars Not later than one year	0.7011	0.6420	110,419	52,618
Buy Euro / sell US dollars Not later than one year	-	0.5391	-	236

Notes to the Financial Statements

For the year ended 30 September 2004

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

The table below summarises collar option contracts previously taken out to hedge the output of the Gibson Island plant. These contracts have now matured.

	Weighted average AUD/USD strike rate		Contract amounts	
	2004	2003	2004	2003
	\$	\$	US\$000	US\$000
	Bought	Sold		
	AUD call	AUD put		
	options	options		
Not later than one year	-	-	-	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 Statements 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⁽¹⁾ contracts taken out to hedge sales of the output of the Gibson Island plant.

Term	Weighted average AUD/USD strike rate		Contract amounts	
	2004	2003	2004	2003
	\$	\$	A\$000	A\$000
Not later than one year	0.6827	-	50,000	-
Later than one year but not later than two years	0.6824	0.6781	30,000	20,000
Later than two years but not later than three years	0.6789	0.6781	15,000	10,000
Later than three years but not later than four years	-	0.6781	-	10,000
Total			95,000	40,000

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

Foreign exchange translation risk management

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

Interest rate risk management

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

For the year ended 30 September 2004

31. Additional financial instruments disclosures (continued)

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

	2004 \$000	2003 \$000
Not later than one year	5,000	10,000
Later than one year but not later than five years	-	5,000
Notional principal	5,000	15,000
Fixed interest rate range p.a.	6.47%	5.45% - 6.56%
Floating interest rate range p.a.	4.98% - 5.58%	4.71% - 5.00%

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			Non- interest bearing	Total	Weighted average effective interest rate ⁽¹⁾ % p.a.
	Notes	\$000	1 year or less	1 to 5 years	5 years or more	\$000	\$000	
30 September 2004								
Cash assets	(9)	83,744				102	83,846	5.29
Trade debtors	(10)					98,384	98,384	
Total financial assets		83,744				98,486	182,230	
Trade creditors	(17)					(177,374)	(177,374)	
Other borrowings	(18)	(8,055)					(8,055)	5.10
Employee entitlements	(20)				(9,101)	(7,823)	(16,924)	4.00
Interest rate swaps ⁽²⁾		5,000	(5,000)				-	6.47
Redeemable preference shares	(18)		(55,000)				(55,000)	5.36
Total financial liabilities		(3,055)	(60,000)		(9,101)	(185,197)	(257,353)	
Net financial assets/(liabilities)		80,689	(60,000)		(9,101)	(86,711)	(75,123)	
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 ⁽²⁾		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)	

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

(2) Notional principal amount.

Notes to the Financial Statements

For the year ended 30 September 2004

31. Additional financial instruments disclosures (continued)

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.

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, Receivables) 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 2004, the sum of all contracts with a positive replacement cost was \$4.3m (2003 \$16.7m).

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	
	2004 \$000	2003 \$000
Interest rate swaps	(9)	(202)
Foreign exchange option contracts	6,627	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 Executive Long Term Incentive Plans

Under the long term incentive plans, which are administered by Watson Wyatt Australia Pty Ltd the Company may grant awards to executives as follows:

Retention Plan

At the time of the merger of Incitec Fertilizers Limited and Pivot Limited, the Board recognised that a crucial element to the success of the new enterprise was the retention of key executives to ensure the capture of synergies and the uninterrupted delivery of service to our customers. To that end a one-off award was granted to participating executives (including specified executives and the specified executive director) in respect of the period from 1 June 2003 to 30 September 2005, satisfied by the provision of an interest free, limited recourse, unsecured loan by the Company, applied to the purchase in aggregate, of 107,925 shares in the Company. The shares may be forfeited by a participating executive if that executive ceases to be employed by Incitec Pivot prior to 30 September 2005. The loan is repayable on the earlier of the executive ceasing to be employed by Incitec Pivot, the executive selling his/her shares or three years after the loan is made. Upon satisfaction of the retention criteria, the amount of repayment due in settlement of the loan will be 48.5% of the outstanding balance. Any dividends will be applied on an after tax basis to reduce the loan balance. The executive cannot deal in these shares until 30 September 2005.

Performance Plan

Participating executives (including specified executives and the specified executive director) may be eligible to receive an award under the long term performance incentive plan, dependent on the achievement of certain performance measures over a rolling three year period. Adoption of this longer term incentive creates the opportunity, and provides the discipline, for participating executives to contribute to short term performance but with full regard to the delivery of sustainable growth in shareholder value.

For the period from 1 October 2003 to 30 September 2006, participating executives were each advanced a limited recourse, unsecured loan by the Company, to be applied towards the purchase of shares in the Company. In aggregate 92,856 shares have been allocated to participating executives. The shares may be forfeited by a participating executive if that executive ceases to be employed by Incitec Pivot prior to 30 September 2006. The loan or part thereof will be waived on or after 1 October 2006, subject to the Company achieving certain financial performance hurdles. Upon the waiving of any loan amount, the executive

Notes to the Financial Statements

For the year ended 30 September 2004

32. Employee share plans (continued)

will have full, unrestricted ownership of shares to the value of the loan waiver. Prior to any loan waiver being awarded, executives cannot deal in these shares. The loan is immediately repayable by an executive ceasing to be employed by Incitec Pivot via the sale of shares purchased under the plan terms. The loan is considered to be repaid in full upon the transfer to the Company of the total share sale proceeds. Loans, or portions of those loans, can also be repaid via direct payment from participating executives. Interest is charged on this loan at the FBT benchmark rate (currently 6.55%). Net cash dividends after personal income tax obligations will be applied to reduce the loan balance. The employee cannot deal in these shares until 1 October 2006. Shares may be sold after the loan on those shares has been fully repaid.

Awards may be offered under the terms and conditions of the performance plan each year, subject to a cap of three times the executive's maximum annual remuneration under the terms and conditions of the plan. The ultimate benefit received by executives is dependent upon performance over the rolling three year period.

Employee Share Ownership Plan

On 28 October 2003 the Board established the Incitec Pivot Employee 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 determines which employees are eligible to receive invitations to participate in the ESOP. Invitations are made to eligible employees on the following basis:

- shares acquired are either newly issued shares or existing shares acquired on market.
- employees are each entitled to acquire shares 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.
- employees who leave the consolidated entity must salary sacrifice any remaining amount prior to departure.

Grant date	Date shares become unrestricted	Number of participants 30 September 2004	Number of participants 30 September 2003	Shares held at 30 September 2004	Shares held at 30 September 2003
19-Mar-04	19-Mar-07	350	-	9,111	-
7-Jun-04	7-Jun-07	350	-	9,210	-
				18,321	-

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

Notes to the Financial Statements

For the year ended 30 September 2004

33. Related party disclosures

Controlling Entities

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

Specified director and specified executive disclosures

Specified director and specified executive disclosures other than the director transactions listed below are set out in note 35, Director and executive disclosures.

Other directors' transactions

Mr Witcombe received a debt waiver of \$128,000 from Orica Limited. This debt waiver was triggered as a result of performance targets being met in 2004, in relation to a share purchase plan from Orica Limited, the ultimate parent entity. These arrangements were put in place when Mr Witcombe was employed by Incitec Ltd, and were terminated at the time of the merger of Incitec Fertilizers Limited with Pivot Limited.

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

- During the year Mr McCallum purchased fertiliser to the value of \$26,779 from the Company, the balance owing at 30 September 2004 was \$nil (2003 \$6,334).
- During the year Mr Delahunty had funds invested in the Company Investment Deposit Scheme. The interest rate offered is no more favourable than offered to all other investors in the scheme. At the date of this report Mr Delahunty had \$nil funds invested in the Company Investment Deposit Scheme (2003 \$18,761).
- Mr McCallum and Mr Trebeck are directors of GrainCorp Limited, to which the Company sold fertiliser products to the value of \$30,070,255 and purchased services (including shed and site rental) to the value of \$1,560,080. All dealings with Graincorp are on normal commercial terms and conditions.
- Mr Trebeck is a principal of ACIL Tasman Pty Ltd which provided consulting services to the Company to the value of \$6,000.

Transactions with wholly owned controlled entities

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

- Effective 1 November 2003, the Company was appointed as undisclosed agent for Incitec Fertilizers Limited. The Company manages certain operations of Incitec Fertilizers Limited, including manufacturing, marketing, selling, invoicing and distribution, and has assumed management of working capital. Incitec Fertilizers Limited has invoiced the Company for fertiliser sales made on its behalf, net of variable costs and amount to \$71.5m. Fixed costs incurred by the Company in the performance of its obligations amounting to \$24.8m (2003 \$nil) have been charged to Incitec Fertilizers Limited. In addition at inception of the agency agreement, the working capital of Incitec Fertilizers Limited of \$120.9m was bought by the Company and funded via a loan account.
- Prior to being appointed undisclosed agents for Incitec Fertilizers Limited, the Company sold fertiliser to Incitec Fertilizers Limited to the value of \$1.3m (2003 \$7.3m).
- Incitec Fertilizers Limited declared and paid an interim dividend of \$16m and declared a final dividend on 30 September 2004 of \$18.5m. This dividend is eliminated on consolidation.
- No intercompany loans were forgiven during the year ended 30 September 2004 (2003 \$110.5m).
- 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.

Transactions with other related parties

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

- Sales of products (mainly urea and sulphuric acid) to the value of \$28.5m (2003 \$6.5m) to Orica Australia Pty Ltd.
- Sales of sulphuric acid to Orica Australia Pty Ltd at cost of \$6.7m (2003 \$nil).
- Under various service level agreements, fees of \$11.1m (2003 \$4.7m) were received / receivable by the Company from Orica Australia Pty Ltd.
- Purchases of products and services to the value of \$10.7m (2003 \$9.9m) from Orica Australia Pty Ltd.
- Under a service level agreement, fees of \$8.0m (2003 \$4.7m) were paid/payable to the ultimate parent entity in relation to accounting, information technology, engineering and administrative services.
- Interest expense paid or payable by the Company for money borrowed from Orica Finance Limited was \$1.7m (2003 \$0.9m).
- Stamp duty on the transfer of assets from Incitec Ltd to Incitec Fertilizers Limited of \$10.7m has been paid by the ultimate parent entity Orica Limited under the terms of the merger implementation deed.
- Under the terms and conditions of the merger implementation deed, Orica Limited contributed \$2.0m to the corporate costs of the Company. The corporate cost contribution agreement will cease 30 May 2005.

Notes to the Financial Statements

For the year ended 30 September 2004

33. Related party disclosures (continued)

- Insurance cover was purchased from Orica Insurance Pty Limited, a wholly owned subsidiary of the ultimate parent entity on normal terms and conditions to the value of \$13.6m for the year ended 30 September 2004 (2003 \$1.8m).
- Insurance claims were received or receivable from Orica Insurance Pty Limited, a wholly owned subsidiary of the ultimate parent entity on normal terms and conditions to the value of \$9.7m (2003 \$nil).
- The spouse of Mr Fazzino, the Chief Financial Officer, is a partner in the accountancy and tax firm PricewaterhouseCoopers from which the Company purchased services of \$0.4m. Mr Fazzino's spouse does not directly provide these services.

Additional related party disclosures

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

Interest income and expense	notes 3, 4
Cash assets	note 9
Receivables	note 10
Investments in controlled entities	notes 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.

Flexible Benefits Super Fund

During the year the consolidated entity made employer contributions of \$4.1m (2003 \$0.8m) to the defined benefit fund. Employer contributions by the Company to the defined benefit fund during the year were \$nil (2003 \$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:

	2004				
	Accrued benefits	Net market value plan assets	Net surplus accrued benefits to plan assets	Vested benefits	Net surplus vested benefits to plan assets
	\$000	\$000	\$000	\$000	\$000
The Flexible Benefits Super Fund	72,300	73,100	800	72,300	800

Notes to the Financial Statements

For the year ended 30 September 2004

34. Superannuation commitments (continued)

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. The full actuarial review as at 30 June 2003, performed by G E Miller FIAA was completed during the year. The next full actuarial review is due at 30 June 2006.

Asset values are estimated at 30 September 2004, based on audited values as at 30 June 2004, adjusted to reflect estimated investment performance between 1 July 2004 and 30 September 2004. The estimate for accrued benefits and vested benefits has been calculated using membership data as at 30 June 2004, adjusted to reflect estimated investment performance, expected cashflows and benefit accrual between 1 July 2004 and 30 September 2004.

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.

35. Director and executive disclosures

Directors

The following persons were directors of the Company during the financial year:

J C Watson AM, Chairman	L M Delahunty	G R Liebelt
B Healey, Deputy Chairman	B J Gibson	A D McCallam
G J Witcombe, Managing Director and CEO	A C Larkin	D B Trebeck

Executives (other than directors) with the greatest authority for strategic direction

The following persons form part of the executive team and are the executives ("specified executives") with the greatest authority for the strategic direction and management of the consolidated entity during the financial year:

<i>Name</i>	<i>Position</i>
J W Elmer	General Manager Human Resources
J E Fazzino	Chief Financial Officer
K J Gleeson ⁽¹⁾	General Counsel and Company Secretary
R Hoggard	General Manager Manufacturing
J M Lloyd	General Manager Commercial
D A Roe ⁽²⁾	General Manager Planning
J R Warnock	General Manager Logistics and Supply

(1) Mrs Gleeson was appointed 9 February 2004, replacing Mr Sharma who was formerly the General Counsel and Company Secretary.

(2) Mr Roe was appointed 1 January 2004, his position of General Manager Planning is a newly created position.

Remuneration of directors and executives

The Company's remuneration policy is directed at underpinning a high performance organisation. The focus of its remuneration strategy is on performance and accountability. Executive remuneration packages are designed to support the delivery of outstanding returns for shareholders by aligning performance related reward with value delivered to shareholders. It is the broad policy of the Company that the remuneration structure will:

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

Notes to the Financial Statements

For the year ended 30 September 2004

35. Director and executive disclosures (continued)

Base salary

For each executive, base salary is determined by reference to independently provided external remuneration data for comparable positions in comparable organisations and having regard to the qualifications, experience and performance of the individual, and the scope and responsibilities of the position. Base salary is reviewed on an annual basis and may be adjusted to reflect changes in comparable external remuneration arrangements, and individual performance.

Incentive plans

Short term and long term incentive plans offered by the Company are designed to reward executives in circumstances where minimum acceptable standards of performance at a personal and Company level are exceeded in respect of financial and other outcomes which contribute to sustainable growth in shareholder value. Incentive compensation is at risk for each executive and is not awarded, or is reduced, if the required targets are not met.

Short term incentive plan: The short term incentive plan provides the opportunity for incentive compensation in the form of a cash reward based on the achievement of performance targets which are specified at the commencement of each financial year and measured at the completion of the financial year. Performance targets represent a stretch beyond minimum requirements and include measures related to earnings, economic profit, return on funds employed, cash flow, safety performance and environmental compliance levels. The Board considers superior outcomes in these areas to be fundamental to the well being of its employees, the community and the financial performance which creates growth in shareholder value.

For specified executives, target incentive levels are 15% or 20% of base salary which reflect prevailing relevant external remuneration benchmarks. These incentive levels can increase to 30% or 40% of base salary respectively where performance exceeds target measures.

Long term incentive plans: Under the long term incentive plans the Company may grant awards to executives as follows:

Retention Plan

At the time of the merger of Incitec Fertilizers Limited and Pivot Limited, the Board recognised that a crucial element to the success of the new enterprise was the retention of key executives to ensure the capture of synergies and the uninterrupted delivery of service to our customers. To that end a one-off award was granted to participating executives (including specified executives and the specified executive director) in respect of the period from 1 June 2003 to 30 September 2005, satisfied by the provision of an interest free, limited recourse, unsecured loan by the Company, applied to the purchase in aggregate, of 107,925 shares in the Company. The shares may be forfeited by a participating executive if that executive ceases to be employed by Incitec Pivot prior to 30 September 2005. The loan is repayable on the earlier of the executive ceasing to be employed by Incitec Pivot, the executive selling his/her shares or three years after the loan is made. Upon satisfaction of the retention criteria, the amount of repayment due in settlement of the loan will be 48.5% of the outstanding balance. Any dividends will be applied on an after tax basis to reduce the loan balance. The executive cannot deal in these shares until 30 September 2005.

For participating specified executives, the loan represents 25% per annum of base salary as at 1 June 2003 (being the date of the merger) applied for the 2.33 years represented by the period 1 June 2003 to 30 September 2005. For the Managing Director and CEO (the "specified executive director") the loan is based on 35% per annum of base salary as at 1 June 2003 applied for the 2.33 years represented by the period 1 June 2003 to 30 September 2005.

Performance Plan

Participating executives (including specified executives and the specified executive director) may be eligible to receive an award under the Long Term Performance Incentive Plan, dependent on the achievement of certain performance measures over a rolling three year period. Adoption of this longer term incentive creates the opportunity, and provides the discipline, for participating executives to contribute to short term performance but with full regard to the delivery of sustainable growth in shareholder value.

For the period from 1 October 2003 to 30 September 2006, participating executives were each advanced a limited recourse, unsecured loan by the Company, to be applied towards the purchase of shares in the Company. In aggregate 92,856 shares have been allocated to participating executives. The shares may be forfeited by a participating executive if that executive ceases to be employed by Incitec Pivot prior to 30 September 2006. The loan or part thereof will be waived on or after 1 October 2006, subject to the Company achieving certain financial performance hurdles. Upon the waiving of any loan amount, the executive will have full, unrestricted ownership of shares to the value of the loan waiver. Prior to any loan waiver being awarded, executives cannot deal in these shares. The loan is immediately repayable by an executive ceasing to be employed by Incitec Pivot via the sale of shares purchased under the plan terms. The loan is considered to be repaid in full upon the

Notes to the Financial Statements

For the year ended 30 September 2004

35. Director and executive disclosures (continued)

transfer to the Company of the total share sale proceeds. Loans, or portions of those loans, can also be repaid via direct payment from participating executives. Interest is charged on this loan at the FBT benchmark rate (currently 6.55%). Net cash dividends after personal income tax obligations will be applied to reduce the loan balance. The employee cannot deal in these shares until 1 October 2006. Shares may be sold after the loan on those shares has been fully repaid.

For specified executives, the loan represents 25% of base salary as at 1 January 2004. For the specified executive director, the loan represents 70% of base salary as at 1 January 2004.

Awards may be offered under the terms and conditions of the performance plan each year, subject to a cap of three times the executive's maximum annual remuneration under the terms and conditions of the plan. The ultimate benefit received by executives is dependent upon performance over the rolling three year period.

There is currently no Australian Accounting requirement to record an expense for the fair value of the shares (which have been treated as options) issued in 2004. However AASB1046: "Director and Executive Disclosures by Disclosing Entities" require Incitec Pivot to derive a value for these items and include the value in the director and executive remuneration disclosures. An option pricing model was adopted to derive a value. Loan forgiveness is incorporated into the option valuations.

Post retirement benefits

The consolidated entity contributes to a number of superannuation funds that exist to provide benefits for its employees. There is a combination of defined benefit and accumulation type plans. All specified executives and the specified executive director are members of accumulation plans.

Other benefits

Other benefits which can be paid under specified circumstances include relocation allowances, rental assistance and gap payments in relation to health expenses. Additionally, all executives are eligible to participate in an annual health assessment program designed to ensure executives have their health status reviewed on a regular basis.

Remuneration of Managing Director and CEO – Outline of employment contract

The Company has entered into an employment agreement with the Managing Director and CEO, Greg Witcombe. The agreement provides for an annual base salary of \$644,000 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 base salary, other than for gross misconduct. The agreement, including base salary is reviewed annually, having regard to comparable external remuneration arrangements and individual performance and may be adjusted accordingly. The agreement may be terminated by three months notice given by either party and includes provisions relating to confidential information and post termination restraints.

The agreement also includes an entitlement for the Managing Director and CEO to participate in the annual Short Term Incentive Plan. This is based on 30% of base salary and is subject to achievement of certain performance targets, and for over performance of such targets, can increase to 60% of base salary. In addition the Managing Director and CEO is eligible to participate in the Long Term Performance Incentive Plan. His participation in the Retention Plan is based on 35% per annum of base salary applied to the 2.33 years (representing the period 1 June 2003 to 30 September 2005) and in respect of the Performance Plan, for performance from 1 October 2003 to 30 September 2006 is based on 70% per annum of base salary, subject to achievement of certain performance targets, and for over performance of such targets can increase to 140% per annum of base salary.

Non-executive directors' remuneration

Non-executive directors' fees, including committee fees, are determined by the Board within the aggregate amount of \$1,000,000, which was approved by shareholders at the December 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 Board decided to phase out retirement allowances and any directors joining the Board subsequent to 30 May 2003 are not entitled to receive a retirement allowance. Retiring non-executive directors appointed before 1 June 2003 will retain their contractual allowances. 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 three years immediately preceding the date of retirement. The retirement benefit will be paid pro-rata for less than 10 years of service.

Notes to the Financial Statements

For the year ended 30 September 2004

35. Director and executive disclosures (continued)

For the year ended 30th September

Specified directors	Year	Primary			Post employment	Equity compensation	Other compensation		Total
		Fees / Base salary	Short-term incentive bonus	Non-monetary benefits ⁽¹⁾			Value of options ⁽²⁾	Termination benefits	
		\$	\$	\$	\$	\$	\$	\$	\$
Specified executive directors									
- Current									
G J Wilcombe	2004	624,353	228,749	70,609	11,147	79,365	-	-	1,014,223
Managing Director and CEO	2003	199,706	108,377	-	3,627	-	-	35,891	347,601
- Former									
C G Leon	2004	-	-	-	-	-	-	-	-
Managing Director and CEO	2003	309,116	47,250	-	7,890	-	945,000	-	1,309,256
Specified non-executive directors									
- Current									
J C Watson, Chairman	2004	193,908	-	-	18,855	-	-	-	212,763
	2003	108,335	-	-	9,975	-	-	-	118,310
L M Delahunty	2004	75,344	-	-	7,313	-	-	-	82,657
	2003	47,501	-	-	4,659	-	-	-	52,160
B J Gibson ⁽³⁾	2004	71,500	-	-	-	-	-	-	71,500
	2003	18,333	-	-	-	-	-	-	18,333
B Healey	2004	71,500	-	-	3,053	-	-	-	74,553
	2003	18,333	-	-	1,650	-	-	-	19,983
A C Larkin	2004	84,365	-	-	8,190	-	-	-	92,555
	2003	23,145	-	-	2,083	-	-	-	25,228
G R Liebell ⁽³⁾	2004	71,500	-	-	-	-	-	-	71,500
	2003	18,333	-	-	-	-	-	-	18,333
A D McCallum	2004	93,427	-	-	9,067	-	-	-	102,494
	2003	65,835	-	-	6,536	-	-	-	72,371
D B Trebeck	2004	75,344	-	-	7,313	-	-	-	82,657
	2003	20,833	-	-	1,875	-	-	-	22,708
- Former									
I A Langdon	2003	26,667	-	-	2,400	-	120,000	-	149,067
B S Gilbert	2003	26,667	-	-	2,400	-	59,014	-	88,081
J Hasker	2003	26,667	-	-	2,400	-	42,740	-	71,807
T R Robbins	2003	26,667	-	-	2,400	-	40,077	-	69,144
Total specified director	2004	1,361,261	228,749	70,609	64,938	79,365	-	-	1,804,922
Total specified director	2003	936,138	155,627	-	47,895	-	1,206,831	35,891	2,382,382

(1) Non monetary benefits include fringe benefits tax paid and mortgage interest subsidy.

(2) The benefit received as a result of participation by the specified director in the long term incentive plans have been treated as options. The fair value of the options has been estimated using a Monte Carlo simulation model, which generates possible future prices for the underlying shares based on assumptions similar to those underpinning the Black-Scholes option pricing model. Multiple simulations were performed to determine the mean value. The fair value has been allocated evenly over the period from grant date to vesting date, being 30 September 2005 and 30 September 2006 for the retention plan and performance plan respectively. The value disclosed above represents the portion of fair value allocated to this reporting period.

(3) Fees of \$71,500 per director, per annum are paid to their employer, Orica Limited, the ultimate parent entity.

Notes to the Financial Statements

For the year ended 30 September 2004

35. Director and executive disclosures (continued)

For the year ended 30th September

Specified executives	Year	Primary		Non-monetary benefits ⁽¹⁾	Post employment	Equity compensation	Other compensation		Total
		Base salary	Short-term incentive bonus		Super-annuation benefits	Value of options ⁽²⁾	Termination benefits	Other	
		\$	\$	\$	\$	\$	\$	\$	\$
Current									
W Elmer	2004	268,769	50,438	-	11,607	12,506	-	-	343,320
General Manager Human Resources	2003	254,335	47,203	-	11,246	-	-	-	312,784
J Fazzino	2004	273,852	68,672	16,102	11,147	12,689	-	-	382,462
Chief Financial Officer	2003	86,363	23,985	-	3,627	-	-	-	113,975
K Gleeson ⁽³⁾	2004	167,554	29,603	-	7,113	4,838	-	-	199,108
General Counsel & Company Secretary	2003	-	-	-	-	-	-	-	-
R Hoggard	2004	280,127	67,133	28,443	11,147	12,501	-	-	399,351
General Manager Manufacturing & SH&E	2003	86,363	23,985	-	3,627	-	-	-	113,975
J Lloyd	2004	275,622	74,592	8,799	35,635	13,888	-	-	408,536
General Manager Commercial	2003	243,236	52,155	-	34,720	-	-	-	330,111
D Roe ⁽⁴⁾	2004	171,603	31,880	9,254	8,397	5,212	-	-	226,346
General Manager Planning	2003	-	-	-	-	-	-	-	-
J Warnock	2004	247,602	62,752	18,671	11,147	11,488	-	1,271	352,931
General Manager Logistics & Supply	2003	76,732	21,320	-	3,627	-	-	-	101,679
Former									
A K Sharma ⁽³⁾	2004	92,002	-	212,144	7,083	-	124,521	-	435,750
General Counsel & Company Secretary	2003	79,705	18,791	-	3,627	-	-	-	102,123
A McKendrick	2004	-	-	-	-	-	-	-	-
Company Secretary	2003	180,688	20,793	-	26,341	-	311,895	-	539,717
G Smith	2004	-	-	-	-	-	-	-	-
Chief Financial Officer	2003	239,445	26,677	-	16,652	-	427,927	-	710,701
Total specified executives	2004	1,767,131	385,070	293,413	103,276	73,122	124,521	1,271	2,747,804
Total specified executives	2003	1,246,867	234,909	-	103,467	-	739,822	-	2,325,065

1. Non monetary benefits include fringe benefits tax paid and mortgage interest subsidy.

2. The benefit received as a result of participation by the specified executives in the long term incentive plans have been treated as options. The fair value of the options has been estimated using a Monte Carlo simulation model, which generates possible future prices for the underlying shares based on assumptions similar to those underpinning the Black-Scholes option pricing model. Multiple simulations were performed to determine the mean value. The fair value has been allocated evenly over the period from grant date to vesting date, being 30 September 2005 and 30 September 2006 for the retention plan and performance plan respectively. The value disclosed above represents the portion of fair value allocated to this reporting period.

3. Mrs Gleeson was appointed 9 February 2004, replacing Mr Sharma.

4. Mr Roe was appointed 1 January 2004.

Notes to the Financial Statements

For the year ended 30 September 2004

35. Director and executive disclosures (continued)

Service agreements

Remuneration and other terms of employment for Mr Witcombe, the Managing Director and CEO and the specified executives are formalised in employment contracts. Each of these contracts provides for the participation in the performance related short term incentive plan (cash bonuses), the long term incentive plans and other benefits including annual health assessment, superannuation and participation. A three month notice period for termination of the contract applies. The major provisions of the agreements relating to remuneration are set out in the table below:

Name	Date of appointment to position	Annual base salary ⁽¹⁾	Short term incentive plan target levels	Long term incentive plan target levels	Notice period under contract	Termination payment ⁽²⁾
G J Witcombe	1 June 2003	\$644,000	30%-60%	70-140%	13 weeks	\$1,081,920
J W Elmer	1 June 2003	\$284,000	15%-30%	25-50%	13 weeks	\$142,000
J E Fazzino	1 June 2003	\$290,000	20%-40%	25-50%	13 weeks	\$287,769
K J Gleeson	9 February 2004	\$260,000	15%-30%	25-50%	13 weeks	\$130,000
R Hoggard	1 June 2003	\$283,500	20%-40%	25-50%	13 weeks	\$292,223
J M Lloyd	1 June 2003	\$315,000	20%-40%	25-50%	13 weeks	\$157,500
D A Roe	1 January 2004	\$240,000	15%-30%	25-50%	13 weeks	\$325,292
J R Warnock	1 June 2003	\$265,000	20%-40%	25-50%	13 weeks	\$351,482

- (1) All specified executives are on fixed annual remuneration contracts. Inclusive in the annual base salary amount disclosed above is a superannuation contribution to an accumulation fund. The minimum regulatory contribution is deducted and paid to this fund.
- (2) The termination payment specified in Mr Witcombe's contract, other than for gross misconduct, is 1.68 times base salary. The termination payment specified in the employment contracts for all specified executives, other than for serious misconduct or breach of contract is set out above. The amount payable is calculated based upon a "capped" number of weeks; where the number of weeks is determined by reference to length of service. The number of weeks ranges from 26 weeks to 70 weeks.

Share based (equity) compensation – long-term incentive plans

Details of employee share plans are set out in note 32, Employee share plans. For the purposes of determining director and executive remuneration, the awards which the Company may grant under the long term incentive plans are treated as options. The terms and conditions of each award affecting remuneration in this or future reporting periods are as follows:

Plan	Grant date	Expiry date	Value per share at grant date ⁽¹⁾	Date exercisable
Retention plan	1/06/2003	30/09/2005	\$1.95	From 1/10/2005
Performance plan - 2004	1/10/2003	30/09/2006	\$5.71	From 1/10/2006

- (1) External valuation advice from PricewaterhouseCoopers has been used to determine the fair value of the options at grant date. The valuation has been made using a Monte Carlo simulation model, which generates possible future prices for the underlying shares based on assumptions similar to those underpinning the Black-Scholes option pricing model. The valuation under the Monte Carlo approach required inputs such as the expected share price volatility, the expected dividend yield, price at grant date of underlying shares, the exercise price and the expected life of the options the risk free rates expected interest rates and an assumption for the value of the loans at grant date.

Share based compensation – employee share ownership plan

Details of the employee share ownership plan (ESOP) are set out in note 32, Employee share plans. The specified director and the specified executives were eligible for this scheme and participated as follows:

Specified director or specified executive	Number of shares which become unrestricted on 19 March 2007	Number of shares which become unrestricted on 7 June 2007	Total
J W Elmer	28	28	56
J E Fazzino	28	28	56
R Hoggard	28	28	56
J R Warnock	28	28	56

Notes to the Financial Statements

For the year ended 30 September 2004

35. Director and executive disclosures (continued)

Equity interests disclosures relating to the specified director and specified executives

For the purposes of determining director and executive remuneration the award granted to senior participating employees under the long term incentive plans are treated as options. The number of options awarded under the terms and conditions of the long term incentive plans to the Managing Director and CEO, and each of the specified executives of the Company in addition to other shares owned by the Managing Director and CEO and each of the specified executives are set out below:

Name	Balance at the start of the year	Granted during the year as remuneration		Other shares acquired during the year	Forfeited during the year	Balance at the end of the year
		Retention plan	Performance plan 2004			
Specified director – current						
G J Witcombe	-	32,269	27,509		-	59,778
Specified executive – current						
J W Elmer	-	5,091	4,332	56	-	9,479
J E Fazzino	-	5,101	4,424	56	-	9,581
K J Gleeson	-	-	2,542		-	2,542
R Hoggard	-	5,101	4,325	56	-	9,482
J M Lloyd	-	5,667	4,805		-	10,472
D A Roe	-	-	2,738		-	2,738
J R Warnock	-	4,534	4,042	56	-	8,632
Specified executive – former						
A K Sharma	-	4,723		-	(4,723)	-

Loans issued to the specified director and specified executives under the Incitec Pivot long term incentive plan

There is currently no Australian Accounting requirement to record an expense for the fair value of the shares (which have been treated as options) issued in 2004. However AASB1046: "Director and Executive Disclosures by Disclosing Entities" require Incitec Pivot to derive a value for these items and include the value in the director and executive remuneration disclosures. An option pricing model was adopted to derive a value. Loan forgiveness is incorporated into the option valuations.

Retention Plan

Specified Director or Specified Executive	Number of shares issued or acquired on market	Date of loan	Highest balance during year ended 30 September 2004	Interest paid and payable during year ended 30 September 2004	Value of loan 30 September 2003	Loan repayments 2004	Loan balance 2004
			\$	\$	\$	\$	\$
Specified Director							
G J Witcombe	32,269	22/10/03	498,156	-	-	(6,885)	491,271
Specified Executives							
- Current							
W Elmer	5,091	22/10/03	78,593	-	-	(1,086)	77,507
J Fazzino	5,101	22/10/03	78,747	-	-	(1,088)	77,659
R Hoggard	5,101	22/10/03	78,747	-	-	(1,088)	77,659
J Lloyd	5,667	22/10/03	87,485	-	-	(1,209)	86,276
J Warnock	4,534	22/10/03	69,994	-	-	(967)	69,027
- Former							
A Sharma	4,723	22/10/03	72,912	-	-	(72,912)	-

Notes to the Financial Statements

For the year ended 30 September 2004

35. Director and executive disclosures (continued)

Performance plan - 2004

	Number of shares issued or acquired on market	Date of loan	Highest balance during year ended 30 September 2004 \$	Interest paid and payable during year ended 30 September 2004 \$	Value of Loan 30 September 2003 \$	Loan repayments 2004 \$	Loan Balance 2004 \$
Specified executive director							
G J Witcombe	27,509	20/09/04	450,795	-	-	-	450,795
Specified executives							
W Elmer	4,332	20/09/04	70,989	-	-	-	70,989
J Fazzino	4,424	20/09/04	72,497	-	-	-	72,497
K Gleeson	2,542	20/09/04	41,656	-	-	-	41,656
R Hoggard	4,325	20/09/04	70,875	-	-	-	70,875
J Lloyd	4,805	20/09/04	78,740	-	-	-	78,740
D Roe	2,738	20/09/04	44,868	-	-	-	44,868
J Warnock	4,042	20/09/04	66,237	-	-	-	66,237

There were no loans to the executive director or senior executives in 2003.

The loan under the retention plan is interest free.

Interest on the loan under the performance plan is charged at the FBT benchmark rate, currently 6.55%.

Directors' transactions in shares

The Company - Incitec Pivot Limited

	2004			2003		
	Acquired during the year ⁽¹⁾	Disposed during the year ⁽¹⁾	Balance at year end ⁽²⁾	Acquired during the year ⁽¹⁾	Disposed of during the year ⁽¹⁾	Balance at year end ⁽²⁾
Specified executive director						
G J Witcombe	59,778	-	59,778	-	-	-
Specified non-executive directors						
J C Watson	-	-	2,700	-	-	2,700
L M Delahunty	-	-	6,478	3,350	-	6,478
A D McCallum	1,660	-	6,818	3,000	-	5,158
D B Trebeck	4,000	-	4,000	-	-	-

(1) Shares acquired or disposed by directors while they are directors of the Company.

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

Notes to the Financial Statements

For the year ended 30 September 2004

35. Director and executive disclosures (continued)

Ultimate parent entity - Orica Limited

	2004			2003		
	Acquired during the year	Disposed during the year	Balance at year end	Acquired during the year	Disposed of during the year	Balance at year end
Specified executive director						
G J Witcombe ⁽¹⁾	2,139	-	103,374	4,602	(180,000)	101,235
Specified non-executive directors						
B J Gibson	-	-	250,000	-	-	250,000
B Healey	-	-	9,300	-	-	9,300
A C Larkin	59,100	(59,100)	38,000	-	-	38,000
G R Liebelt ⁽¹⁾	2,428	-	396,035	365,510	-	393,607
A D McCallum	-	(500)	-	-	-	500
D B Trebeck	-	-	9,000	-	-	9,000

(1) Share acquisitions by Mr Witcombe and Mr Liebelt were made via the Orica dividend reinvestment plan.

36 Investments in controlled entities

Name of Entity	Notes
Company	
Incitec Pivot Limited	
Controlled Entities - operating	
Incitec Fertilizers Limited	
Incitec Pivot LTI Plan Company Pty Limited	
TOP Australia Ltd	
Controlled Entities - dormant	
Cripps Bakery Pty Ltd	in liquidation
ECH Investments Pty Limited	in liquidation
Electrical & Engineering Supplies Proprietary Limited	in liquidation
H.M.A. Ltd	in liquidation
Holyman Brothers Proprietary Limited	in liquidation
L.P.I. Finance Proprietary Limited	in liquidation
M & A '95 Pty Ltd	in liquidation
North Western Flour Mills Pty Ltd	in liquidation
Nu-bake Bakery Pty Ltd	in liquidation
Nu-bake Properties Pty Ltd	in liquidation
Phoschem Proprietary Limited	in liquidation
Pivot Agricultural Laboratory Services Pty Ltd	in liquidation
Pivot Employee Share Plan Pty Ltd	in liquidation
Pivot Fertilisers Proprietary Limited	in liquidation
Pivot Motors Pty Ltd	in liquidation
Pivot Nominees Pty Ltd	in liquidation
Pivot Nutrition Pty Ltd	in liquidation
Pivot Supplementary Feeds Ltd	in liquidation
Pivot Transport Proprietary Limited	in liquidation
Safrans Pty Ltd	in liquidation
Stock Feed Distributors Pty Ltd	in liquidation

All controlled entities are owned 100% and are incorporated in Australia.

TOP Australia Ltd has entered into a Deed of Cross Guarantee with Incitec Pivot Limited in respect of relief granted from specific accounting and financial reporting requirements in accordance with the ASIC Class order 98/1418.

There are no external reporting requirements for controlled entities in liquidation.

Notes to the Financial Statements

For the year ended 30 September 2004

Closed Group
2004 2003
\$000 \$000

37. Deed of Cross Guarantee

Statement of Financial Position

Current assets		
Cash assets	83,846	14,440
Receivables	142,245	42,807
Inventories	246,292	74,366
Other	2,267	7,840
Total current assets	474,650	139,453
Non-current assets		
Receivables	188	1,924
Other financial assets	467,900	467,900
Property, plant and equipment	120,710	91,287
Intangible assets	-	-
Deferred tax assets	14,205	15,201
Other	2,297	-
Total non-current assets	605,300	576,312
Total assets	1,079,950	715,765
Current liabilities		
Payables	384,534	50,522
Interest bearing liabilities	8,055	61,479
Provisions	23,706	22,525
Total current liabilities	416,295	134,526
Non-current liabilities		
Deferred tax liabilities	4,526	-
Provisions	15,370	2,694
Total non-current liabilities	19,896	2,694
Total liabilities	436,191	137,220
Net assets	643,759	578,544
Equity		
Contributed equity	532,445	532,445
Reserves	35,923	35,923
Retained profits	75,391	10,177
Total equity	643,759	578,545

Statement of Financial Performance

Profit/(loss) from ordinary activities before income tax expense	97,763	(10,384)
Income tax (expense)/benefit attributable to profit/(loss) from ordinary activities	(15,647)	(3,226)
Profit/(loss) from ordinary activities after income tax expense	82,116	(13,610)
Retained profits at the beginning of the financial year	10,177	48,456
Net increase in equity due to initial adoption of AASB 1028 <i>Employee Benefits</i>	-	(191)
Cash dividend paid	(16,902)	(24,478)
Retained profits at the end of the financial year	75,391	10,177

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, Investments in controlled entities. A consolidated Statement of Financial Position and Statement of Financial Performance for this closed group are shown above.

Notes to the Financial Statements

For the year ended 30 September 2004

38. Impact of adopting AASB equivalent to International Financial Reporting Standards

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP). Incitec Pivot has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting standards (AIFRPs). The Company has allocated internal resources, who together with representatives from Orica, the ultimate parent entity, have engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to AIFRPs. As a result of these procedures, Incitec Pivot has graded impact areas as either high, medium or low and has established a project team to address each of the areas. Half yearly updates are provided to the Audit and Risk Management Committee.

At the date of this report, the project team has analysed most of the AIFRPs and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under AASB 1 - First-time Adoption of Australian Equivalents to International Financial Reporting Standards. These choices are still being analysed to determine the most appropriate accounting policy for Incitec Pivot. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with AIFRPs.

The differences between Australian GAAP and AIFRPs identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and AIFRPs. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Major changes identified to date that will be required to the Group's existing accounting policies include the following:

Impairment of assets

Under the Australian equivalent to IAS 36 - Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that the impairment of assets will be recognised sooner and the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Intangible assets

Under the Australian equivalent to IAS 38 Intangible Assets, internally generated intangible assets (except development phase expenditure in certain circumstances) will not be recognised and intangible assets can only be revalued if there is an active market. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future internally generated intangible assets are unknown.

Changes in accounting policies

Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Classification of financial instruments

Under AASB 139 - Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are:

- loans and receivables - measured at amortised cost,
- held to maturity - measured at amortised cost,
- held for trading - measured at fair value with fair value changes charged to net profit or loss,
- available for sale - measured at fair value with fair value changes taken to equity and
- non-trading liabilities - measured at amortised cost.

This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Notes to the Financial Statements

For the year ended 30 September 2004

38. Impact of adopting AASB equivalent to International Financial Reporting Standards (continued)

Hedge accounting

Under AASB 139 - Financial Instruments: Recognition and Measurement, in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge - fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has been and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This may result in a change in the entity's current accounting policy if 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. Under the new policy hedge accounting may no longer be able to be applied to such contracts and gains and losses on the contracts may be recognised in the Statements of Financial Performance. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

Income taxes

Under the Australian equivalent to IAS 12 - Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statements of Financial Position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

Share based payments

Under AASB 2 - Share Based Payment, the Company will be required to determine the fair value of share based payments issued to employees as remuneration and recognise an expense in the Statements of Financial Performance. This standard applies to all share based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown. The impact on Incitec Pivot will be to decrease net profit and increase shareholder equity.

Employee benefits

Under AASB 119 - Employee Benefits, employer sponsors are required to recognise the net surplus or deficit in their employer sponsored defined benefit funds as an asset or liability respectively. This will result in a change in Incitec Pivot's current accounting policy which does not currently recognise the net assets/liabilities of the defined benefit superannuation fund. Under the new policy, the Company will be required to recognise either an asset of the defined benefit superannuation fund for the net surplus, or a liability of the defined benefit superannuation fund for the net shortfall based on an actuarial calculation of the position of the fund. The initial adjustment on transition will be through retained earnings and subsequent adjustments will be to net profit or loss for the period. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the actuarial calculations have not yet been completed as at the date of this report.

Goodwill

Under the Australian equivalent to AIFRPs 3 - Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit. This will result in a change in the group's current accounting policy which amortises goodwill over its useful life, but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known. The impact on Incitec Pivot (subject to impairment testing) will be to increase net profit and to increase net assets.

Notes to the Financial Statements

For the year ended 30 September 2004

38. Impact of adopting AASB equivalent to International Financial Reporting Standards (continued)

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRPs, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to AIFRPs on the Company's financial position and reported results.

39. Events subsequent to balance date

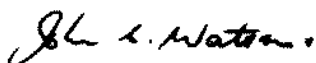
Since the end of the financial year the directors have declared a final dividend of 70 cents per share and a special dividend of 30 cents per share. Both dividends are 100% franked at the 30% corporate tax rate and are payable on 9 December 2004.

The directors have not become aware of any other significant matter or circumstance that has arisen since 30 September 2004, that has affected or may affect the operations of the consolidated entity, the result of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Directors' Declaration on the Financial Report set out on pages 12 to 67

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 12 to 67, are in accordance with the Corporations Act 2001 (Cth), including:
 - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 September 2004 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 (Cth); 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, AM

Chairman

Dated at Melbourne this 29th day of October 2004



Independent audit report to the members of Incitec Pivot Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Incitec Pivot Limited (the "Company") and Incitec Pivot Limited and its controlled entities (the "Consolidated Entity") for the year ended 30 September 2004. 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 2004 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 financial reporting requirements in Australia.

KPMG

Neil T Faulkner
Partner

Melbourne
29 October 2004



KPMG, an Australian partnership, is a member of KPMG International, a Swiss not-for-profit association.

Shareholder Statistics

As at 18 October 2004

Distribution of ordinary shareholder and shareholdings

Size of holding			Number of holders	Percentage	Number of shares	Percentage
1	–	1,000	34,664	92.43%	9,132,044	15.67%
1,001	–	5,000	2,728	7.27%	4,736,388	8.13%
5,001	–	10,000	80	0.21%	527,599	0.90%
10,001	–	100,000	22	0.06%	465,832	0.80%
100,001 and over			10	0.03%	43,419,164	74.50%
Total			37,504	100%	58,281,027	100%

Included in the above total are 1,302 shareholders holding less than a marketable parcel of shares.

The holdings of the 20 largest holders of fully paid ordinary shares represent 75.06% of that class of shares.

Twenty largest ordinary fully paid shareholders

	Number of shares	Percentage
Orica IC Assets Ltd	40,796,719	70.00
National Nominees Limited	689,061	1.18
JP Morgan Nominees Australia Limited	595,279	1.02
RBC Global Services Australia Nominees Pty Limited	453,641	0.78
Australian Foundation Investment Company Limited	254,260	0.44
Gullane Holdings Ltd	178,110	0.31
Gwynvill Trading Pty Ltd	118,127	0.20
RBC Global Services Australia Nominees Pty Ltd	117,274	0.20
Mirrabooka Investments Limited	110,545	0.19
Westpac Custodian Nominees Limited	106,148	0.18
Gregory Witcombe	59,778	0.10
Citicorp Nominees Pty Limited	58,702	0.10
Ross Investment (Aust) Pty Ltd	44,583	0.08
ICM Agriculture Pty Ltd	37,533	0.06
Securities Exchange Pty Ltd	27,815	0.05
Tallageira Pastoral Co. Pty Ltd	23,721	0.04
ANZ Nominees Limited	20,428	0.04
Ross Investment (Aust) Pty Ltd	20,263	0.03
Ajay Nominees Pty Ltd	17,285	0.03
Mrs Diana Eirene Angliss Gibson	16,624	0.03
Total	43,745,896	75.06

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 shareholder and shareholdings issued by Incitec Fertilizers Limited

Size of holding			Number of holders	Percentage	Number of RPS	Percentage
1	–	1,000	28	96.6%	3,400	30.9%
5,001	–	10,000	1	3.4%	7,600	69.1%
Total			29	100%	11,000	100%

The holdings of the 20 largest holders of redeemable preference shares represent 92% of that class of shares.

Five Year Financial Statistics

Incitec Pivot Limited and its controlled entities

		2004 \$000	2003 \$000
Sales		1,135,588	686,307
Earnings before depreciation, amortisation, net borrowing costs and tax		167,179	83,503
Depreciation and amortisation (excluding goodwill)		(35,372)	(21,225)
Goodwill amortisation		(9,945)	(3,128)
Earnings before net borrowing costs and tax (EBIT)		121,862	59,150
Net borrowing costs		(5,406)	(6,816)
Rebates			
Individually significant items before tax		(9,327)	(64,568)
Taxation revenue / (expense)		(32,090)	(6,389)
Operating profit after tax and individually significant items		75,039	(18,623)
Individually significant items after tax attributable to members of Incitec Pivot		5,832	(53,656)
Operating profit after tax before individually significant items (net of tax)		80,870	35,033
Dividends		-	24,478
Current assets		460,930	350,599
Property, plant and equipment		296,132	296,615
Investments		-	-
Intangibles		183,809	185,354
Other non-current assets		30,522	34,578
Total assets		971,393	867,146
Current borrowings and payables		272,185	177,874
Current provisions		26,877	37,133
Non-current borrowings and payables		19,049	69,268
Non-current provisions		21,762	9,489
Total liabilities		339,874	293,764
Net assets		631,519	573,382
Shareholders' equity		631,519	573,382
Total shareholders' equity		631,519	573,382
Ordinary Shares	thousands	58,281	58,281
Investor Shares	thousands	-	-
Number of shares on issue at year end	thousands	58,281	58,281
Weighted average number of shares on issue (investor and ordinary)	thousands	58,281	31,120
Earnings per share			
before individually significant items	cents	138.8	112.6
including individually significant items	cents	128.8	(59.8)
Dividends	cents	29	140
Dividend franking	%	100	100
Share price range – High		\$19.30	\$15.70
Low		\$15.65	\$14.00
Year end		\$18.80	\$15.66
Stockmarket capitalisation at year end	\$000	1,095,683	912,681
Net tangible assets per share	\$	7.68	6.66
Profit margin (earnings before net borrowing costs and tax/sales)	%	10.7	8.6
Net debt	\$000	(20,792)	74,394
Gearing (net debt/net debt plus equity)	%	(3.4)	11.5
Interest cover (earnings before net borrowing costs and tax/net borrowing costs)	times	22.5	8.7
Net capital expenditure on plant and equipment (cash flow)	\$000	29,387	12,919
Net capital expenditure on acquisitions/(disposals) (cash flow)	\$000	-	(4,393)
Return on average shareholders funds			
before individually significant items	%	13.4	9.7
including individually significant items	%	12.5	(5.1)

Five Year Financial Statistics

2002 \$000	2001 \$000	2000 \$000
604,214	627,748	612,603
60,873	40,563	35,209
(15,267)	(21,458)	(22,716)
-	(187)	(977)
45,606	18,918	11,516
(13,663)	(24,358)	(20,160)
-	-	-
(8,015)	(19,897)	(22,180)
(5,402)	7,840	7,690
18,526	(17,497)	(23,134)
(2,651)	(10,962)	(14,195)
21,177	(6,535)	(8,939)
-	-	14,304
201,014	204,522	235,013
116,518	127,825	192,010
-	-	3,773
-	-	14,959
18,972	25,123	30,436
336,504	357,470	476,191
109,073	124,208	213,312
16,505	15,483	12,362
60,000	85,000	100,000
741	1,563	1,665
186,319	226,254	327,339
150,185	131,216	148,852
150,185	131,216	148,852
150,185	131,216	148,852
14,037	14,059	14,726
3,448	3,428	2,777
17,485	17,486	17,503
17,485	17,486	16,530
121.1	(37.4)	(54.1)
106.0	(100.1)	(140.0)
-	-	90
-	-	-
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A
8.59	7.50	7.65
7.5	3.0	1.9
81,348	152,579	260,064
35.1	53.8	63.6
3.3	0.8	0.6
3,593	(9,362)	12,068
(400)	(75,935)	-
15.1	(4.7)	(5.6)
13.2	(12.5)	(14.4)

SHAREHOLDER INFORMATION

Annual General Meeting

2.00pm Friday 17 December 2004
at the Auditorium, Melbourne Exhibition
Centre, 2 Clarendon Street,
Southbank Victoria 3006,
Australia.

Stock Exchange Listing

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

Share Registry

ASX Perpetual Registrars Limited
Level 4, 333 Collins Street,
Melbourne Victoria 3000,
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GPO Box 1736P,
Melbourne Victoria 3001,
Australia.

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(for callers within Australia)
International: +61 3 9615 9317
Facsimile: +61 3 9615 9744
Email: registrars@asxperpetual.com.au
Website: www.asxperpetual.com.au

Auditor

KPMG
KPMG House, 161 Collins Street,
Melbourne Victoria 3000,
Australia.

Incitec Pivot Limited

Registered address and head office:
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Website: www.incitecpivot.com.au



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